SECO

SUSTAINABILITY
REPORT
2020

SECO

SUSTAINABILITY REPORT

2020

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Letter to Stakeholders

Dear Stakeholders,

The most difficult moments create great opportunities. This sums up SECO's 2020: a year that was both complicated by the arrival of Covid-19 and full of opportunities of great satisfaction.

The continuous development of new technologies such as artificial intelligence and 5G has progressively driven the digital transformation of objects, production lines and business models. This trend, which has been ongoing for some years, has accelerated further with the spread of the pandemic.

In March we moved quickly, making the company a safe place to come to work and encouraging teleworking wherever possible. We faced enormous difficulties and managed to turn them into opportunities thanks to the commitment of all our people.

In April SECO launched an industrial partnership with IBD Biomedical that we are particularly proud of to create Biorespira, an innovative non-invasive pulmonary ventilator designed specifically to treat patients with Covid-19.

We were able to react to the developing situation, and despite the deep macroeconomic downturn we have won many projects with new customers thanks to which 2020 closed with a turnover of €76.1 million, up more than 15% compared to the previous year, and with an improvement in terms of profitability. These results allow us to look with confidence and optimism towards the future, the financial stability of the company and its ability to maintain current employment levels.

During the year we continued to invest in research and development, new production technologies and qualified personnel. We launched over 20 new products and increased our workforce to over 400 people, with a direct presence in nine countries worldwide.

At all locations we have accelerated investments in manufacturing based on the principles of lean production and make-to-stock to ensure faster delivery to our customers.

In 2020 we also continued the process of introducing managerial paradigms in the group. For the management of the different business areas, we have implemented performance data collection and reporting systems that will allow us to monitor business performance in real time and introduce reward models for our people based on meritocracy.

At SECO the future is a component of our everyday work. In 2020 we acquired

Ispirata and Hopenly, two Italian companies that deal with data orchestration and artificial intelligence, and that, together with Aidilab, represent the skills with which our business model evolves: from the module to the system and from the system to the analysis of data to add more and more value for our customers.

In February 2020 the process to list SECO shares on the stock exchange began, which we expect to conclude successfully in the first half of 2021, thus making a historic transition for the company and allowing SECO to raise significant financial resources so we can continue to invest in growth and development.

We want to be a leader, looking to the future, a trailblazer in the field of advanced technology worldwide, and that is why we are increasingly focused on the sustainability of our business model.

In fact, we believe that in the future digital technologies will increasingly be the enabling factor for the relaunching and sustainable restarting of the economy, to build more inclusive and less damaging development models. In this context, we want to be a Group that is strongly committed to environmental sustainability, emission reduction, presence and dialogue with the community. We want to be a Group that guarantees and welcomes all forms of diversity, protects equal opportunities and encourages the development of its talents.

All together we can look with confidence to the future: here at SECO we build it every day with Respect, Dynamism, Passion.

Let's build our future together.

Daniele Conti and Massimo Mauri

(Chairman and Chief Executive Officer)

Methodological note

The SECO Group (hereinafter also "SECO" or "the Group") is publishing the second edition of its Sustainability Report (hereinafter also "the Report") that includes the most significant activities carried out with particular regard to the community, the environment and the region it operates in.

The 2020 Sustainability Report presents the data of the SECO group as a whole, thus including the results of SECO SpA, PSM Tech Srl, SECO USA, Inc., SECO Asia Limited, Fannal Electronics Co., Ltd., Hopenly Srl, Ispirata Srl and Aidilab Srl.

The 2020 Sustainability Report includes the year's current and planned projects in order to promote an open, transparent dialogue with the Group's Stakeholders.

The Sustainability Report is prepared in accordance with the "GRI Sustainability Reporting Standards" (2016) published by the Global Reporting Initiative (GRI) according to the "Core" option, as indicated in the "GRI Content Index" of this document.

The choice of GRI Sustainability Reporting Standards for the preparation of this Sustainability Report is attributable to the fact that they represent an internationally recognized framework and allow to provide a complete, clear and comparable report as part of a sectoral and a temporal analysis. The details of the indicators reported are shown in the table "GRI Content Index" on page 67 of this document. For a correct representation of the performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible. Where present, they are appropriately identified.

The information contained in this Sustainability Report refers to the period 1 January 2020 – 31 December 2020.

The reporting of non-financial information and the publication of the Sustainability Report takes place on an annual basis.

For further information and suggestions on the SECO Group Sustainability Report contact investor.relations@seco.com.

This document is also available on the SECO Group's website www.seco.com.

1| The SECO Group

As we enter the new decade, the spread of digital technologies is creating a real digital revolution: an era in which, thanks to the cloud, 5G, artificial intelligence and machine learning, the Internet of Things will become increasingly pervasive and accompany us in everyday life.

For over 40 years, SECO has been developing cutting-edge technological solutions by offering its customers microcomputers, integrated systems and IoT solutions. In this context, SECO is positioned as the only technological partner able to provide an end-to-end IoT platform, able to incorporate intelligence in any device, making them able to process the data at the source (edge computing), transport the data to the cloud and, thanks to a system of personalized algorithms, organize the information to convey to customers, on a real-time basis, a set of data and performance indicators with high added value that can support them in the decision-making process.

SECO is now an international company, employing almost 500 people worldwide and generating a turnover of over 75 million euros, with double-digit growth and a global commercial presence thanks to its offices in nine countries in Europe, America and Asia, and an extensive commercial and distribution network.
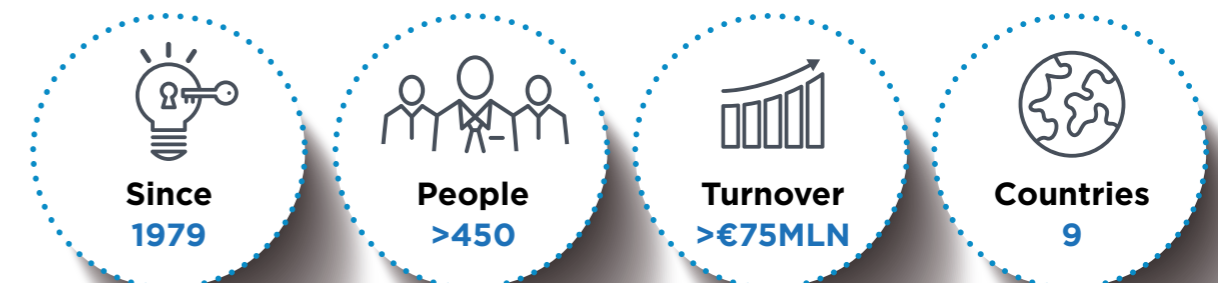
| Since 1979 | People >450 | Turnover >€75MLN | Countries 9 |

Figure 1: *The SECO Group in numbers*

1.1| The history of the Group: who we are and what we do

SECO's story originated in Arezzo in the 1970s thanks to the intuition of two young men just over 20 years old, Daniele Conti and Luciano Secciani.

Since their youth, Luciano and Daniele shared a passion for electronics and a spirit of entrepreneurship. As they grew, they immediately understood that there was a market for electronic solutions, and that their passion for circuits could become much more than a hobby. Therefore, in April 1979 they founded SECO. Their first idea revolved around the goldworking sector, which was expanding strongly in Arezzo, and then soon extended to applications for the gaming and transport sectors.

Just 10 years after its founding, SECO became an established electronics contractor able to launch a personal computer, SECO SYSTEM 210, competing for the "Best Design" award of SMAU 1989 as the most innovative product of the year.

The experience acquired with the PC was transferred to the industrial context, SECO's core business. That same year, SECO developed the planet's first industrial PC in euro card format, a headless computer based on PC architecture.

Figure 2: *Evolution of SECO products*

1989
Launch of the first SECO personal computer **SECO SYSTEM 210**, selected as one of the most innovative products at the SMAU Industrial Design Award

1999
Launch of the **PC touch all-in-one Ellipse**

2008
SECO, congatec and MSC **found** the **Qseven® consortium** creating a **new standard** in the embedded field

2013 - 2018
Launch of **UDOO products on Kickstarter**, dedicated to makers

UDOO Neo (2013)
4.172 backers
$641.614 raised

UDOO X86 (2016)
4.245 backers
$800.211 raised

UDOO Neo (2015)
3.126 backers
$268.415 raised

UDOO BOLT (2018)
1.447 backers
$635.769 raised

2020
EDGEHOG, a One-Stop solution for IoT, the connection between **hardware and cloud**

Today
SECO today: global leader in integrated systems, technology partner of a wide range of **Tier 1 customers**

In the 1990s and 2000s, with the growing importance of industrial computers in everyday life, SECO products were used in many areas and sectors including Biomedical, Wellness, Vending, Entertainment, Transportation, Aerospace and many others.

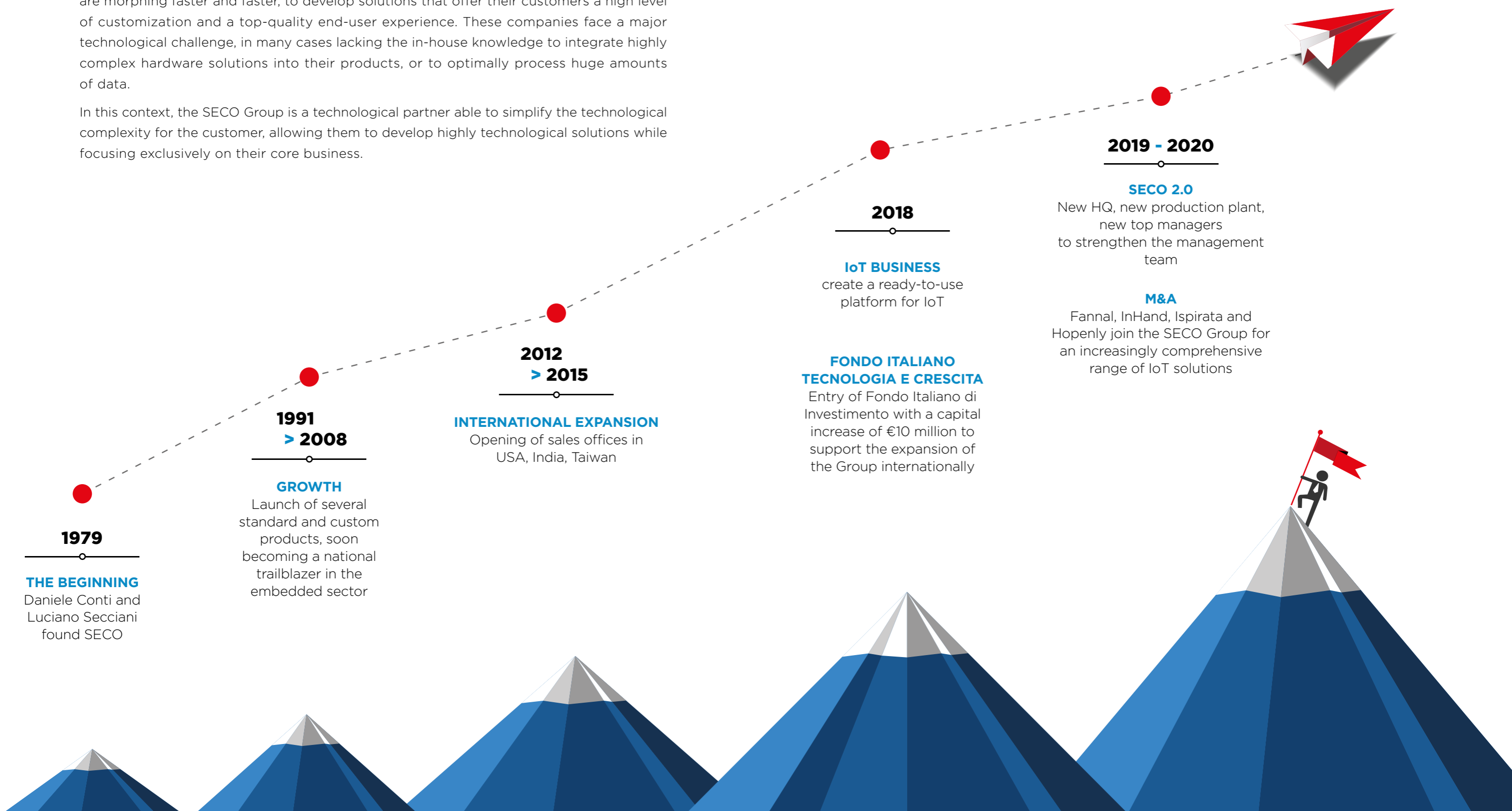Using its own solutions, SECO was one of the first players in the world able to make inanimate objects smart, helping to improve the health, safety and quality of life of people and enabling new business models for its customers.

We are now witnessing an increasing number of connected devices and a huge amount of information shared in the cloud. Companies in the most diverse fields of application are called upon to move quickly and effectively to deal with competitive scenarios that are morphing faster and faster, to develop solutions that offer their customers a high level of customization and a top-quality end-user experience. These companies face a major technological challenge, in many cases lacking the in-house knowledge to integrate highly complex hardware solutions into their products, or to optimally process huge amounts of data.

In this context, the SECO Group is a technological partner able to simplify the technological complexity for the customer, allowing them to develop highly technological solutions while focusing exclusively on their core business.

Moreover, unlike many companies that have exploited globalization to search for easy spending cuts by offshoring production, SECO has remained strongly anchored to its roots, maintaining most of its production and research and development in Italy, ensuring its customers reliable response times, effective solutions to any critical issues and superior quality.

Figure 3: *SECO's history*

2019 - 2020

SECO 2.0
New HQ, new production plant, new top managers
to strengthen the management team

M&A
Fannal, InHand, Ispirata and Hopenly join the SECO Group for an increasingly comprehensive range of IoT solutions

2018

IoT BUSINESS
create a ready-to-use platform for IoT

FONDO ITALIANO TECNOLOGIA E CRESCITA
Entry of Fondo Italiano di Investimento with a capital increase of €10 million to support the expansion of the Group internationally

2012 > 2015

INTERNATIONAL EXPANSION
Opening of sales offices in USA, India, Taiwan

1991 > 2008

GROWTH
Launch of several standard and custom products, soon becoming a national trailblazer in the embedded sector

1979

THE BEGINNING
Daniele Conti and Luciano Secciani found SECO
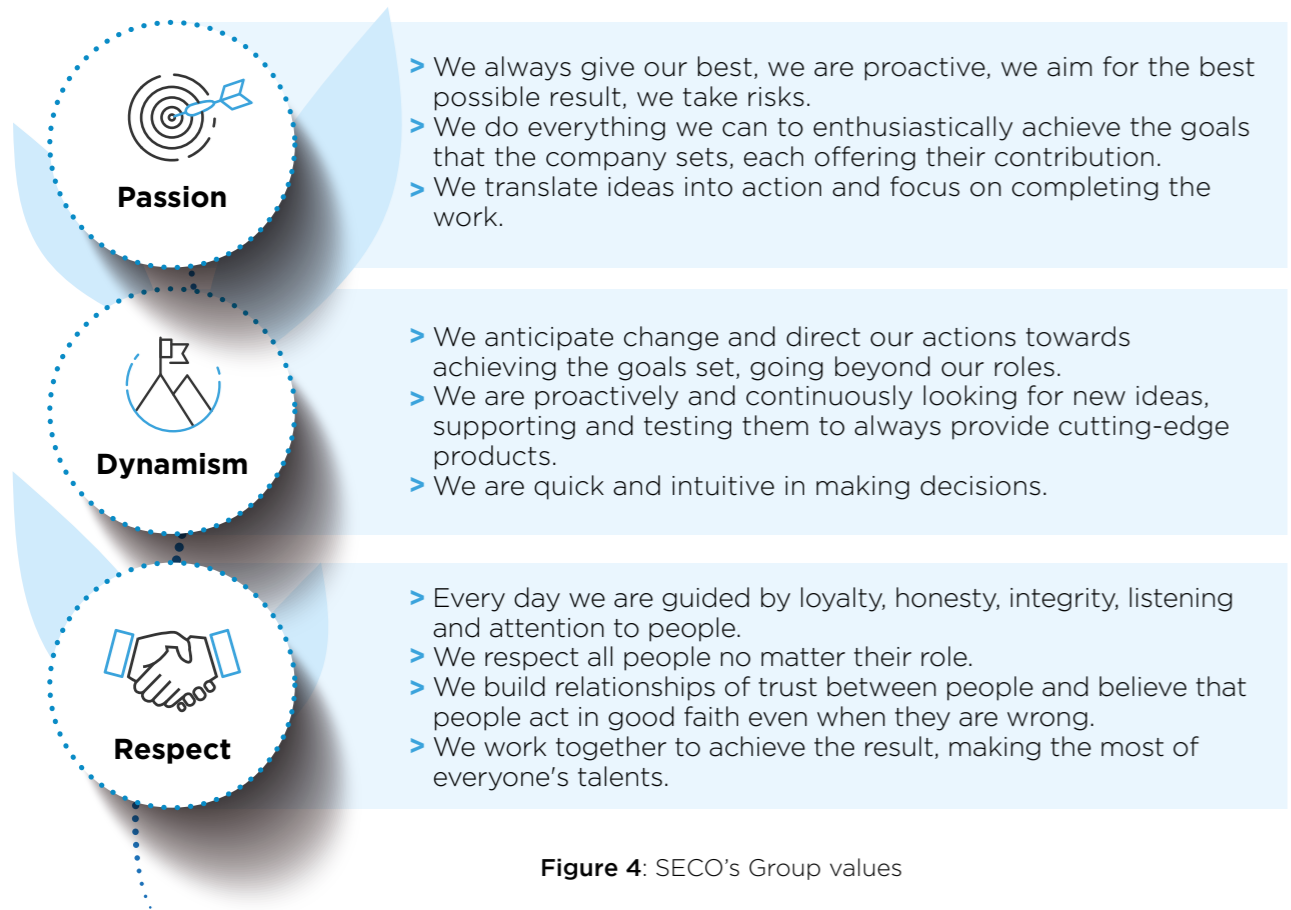
1.2| SECO's Values, Identity and Mission

SECO bases its work on passion and innovation. On commitment and the development of skills. On the value of the person, recognizing diversity as a resource and making respect, openness and participation the fundamental drivers of the Group.

We believe that seriousness and trust underlie all personal and professional relationships. This is why we attach the utmost importance to the punctuality of deliveries and the quality of our products and our customer service. We strive for our people to carry out their work with positivity and feeling, always giving their best. And problems and obstacles at SECO are resolved with common sense, perseverance, balance and courage. What drives us at SECO is curiosity about tomorrow, our thirst for exploration, our desire to offer our customers the best. For over 40 years we have been working generously to invent tomorrow.

1.2.1| I SECO Group values

Since its founding, SECO has pursued the principles of excellence, innovation and the development of everyone's skills and diversity through teamwork. We want to be a company of excellence with respect to our Customers, our People, all internal and external Stakeholders of the Group, local communities and the Environment.

Starting from these principles, in 2020 we formalized the values that inspire our everyday actions: Passion, Dynamism and Respect.

Passion
> We always give our best, we are proactive, we aim for the best possible result, we take risks.
> We do everything we can to enthusiastically achieve the goals that the company sets, each offering their contribution.
> We translate ideas into action and focus on completing the work.

Dynamism
> We anticipate change and direct our actions towards achieving the goals set, going beyond our roles.
> We are proactively and continuously looking for new ideas, supporting and testing them to always provide cutting-edge products.
> We are quick and intuitive in making decisions.

Respect
> Every day we are guided by loyalty, honesty, integrity, listening and attention to people.
> We respect all people no matter their role.
> We build relationships of trust between people and believe that people act in good faith even when they are wrong.
> We work together to achieve the result, making the most of everyone's talents.

Figure 4: SECO's Group values

1.2.2| Group Vision and Mission

The spread of digital technologies is defining a new landscape: an era of interconnected devices, the analytics of artificial intelligence. The growing number of smart devices that are able to process data at the source (edge computing) and connected to each other and with the cloud is opening the doors to the emergence of new business models, creating enormous development opportunities and helping to improve the quality of life and the safety of people.

In this context, using state-of-the-art digital technologies SECO develops solutions that increase the value created for its customers, with IoT-ready objects increasingly interconnected with each other and able to transfer information with high added value for the customer thanks to the use of artificial intelligence and cloud services.

Our mission is therefore to be a cutting-edge technological company capable of designing and creating innovative products and solutions with a strong integration component, able to provide competitive advantages to our customers by increasing the added value of products and reducing their time-to-market.

1.3| Stakeholders and material topics of the Group

Since its foundation, SECO has oriented its strategy towards a sustainable business model capable of creating competitive advantages for the company by combining economic and financial objectives with social and environmental aspects.

To achieve these goal, SECO has always considered it necessary to involve the company's main Stakeholders, adopting a Stakeholder management model consisting of four phases (Identification of Stakeholders, Engagement, Analysis of expectations, Creation of social value).

During 2020, also following the extraordinary events related to the Covid-19 pandemic, SECO updated the mapping of the issues relevant to the Group and its Stakeholders performed in 2019. A material topic is one that has a significant economic, environmental and social impact on the Group or that can influence the assessments and/or decisions of Stakeholders. In order to identify such topics, the Group first updated the process of identifying its Stakeholders. The involvement of Stakeholders is very important as it makes it possible to identify and understand their expectations, turning them into objectives to be achieved. Establishing a positive relationship with Stakeholders helps create consensus, build trust, improve decision-making and reduce conflict.

1 Stakeholders identification

Identification of all subjects capable of influencing and/or being influenced by the Group's activities.

2 Stakeholders Engagement

Establishing a dialogue between the Stakeholders and SECO Group using various methods and tools of involvement, such as meetings, questionnaires, events, direct and indirect feedback analysis.

3 Analysis of Expectations

Of each category of Stakeholders in terms of interests, needs, perceptions, critical issues, etc.

4 Social Value Creation

SECO has integrated the main findings of the Stakeholders' analysis and involvement process in developing its corporate policies and operational actions. Such policies and actions aim to strengthen the Group's competitiveness by promoting the key issues of its Shareholders, such as the environmental sustainability, the development of local communities and the creation of shared value.

Figure 5: *Our Stakeholder management model*

Eight categories of Stakeholders were identified: Investors and Shareholders, Customers, Employees, Suppliers and Partners, Scientific Community and Universities, Media, Institutions and Trade Associations, Community and Tertiary Sector.

Following this activity, it was possible to identify the Group's material topics. A study of the main sector guidelines was performed using a benchmarking analysis on the main peers and best practices in order to identify the sector's most relevant issues in the field of sustainability. Following the preliminary analysis, both the Group and the Stakeholders were involved to obtain their respective assessments and thus define the materiality of the individual topics.

Specifically, with regard to the assessment of relevance for the SECO Group, a workshop was organized for the Group's top management where the issues identified by the previous analysis were submitted. Participants voted on the relevance of each topic, assigning grades from 1 (no relevance) to 5 (maximum relevance).

Similarly, stakeholders were asked for their opinion. Approximately 400 Stakeholders belonging to 4 categories – Investors and Shareholders, Customers, Employees, Suppliers and Partners – were therefore involved and were given an online questionnaire to assess the relevance of ESG issues.

The combination of the results of the two rounds allowed the definition of the materiality matrix, which includes the 18 issues that were deemed to be material on the basis of their relevance in the economic, social and environmental fields. Specifically, the matrix illustrates the level of importance attributed to each topic according to the perspective of management ("Importance for SECO group") and according to the stakeholders ("Importance Stakeholders"). The material topics were grouped into five specific areas based on the impacts generated on different categories of Stakeholders: Governance Responsibility, Product Responsibility, SECO Group People, Social Responsibility and Environmental Responsibility.
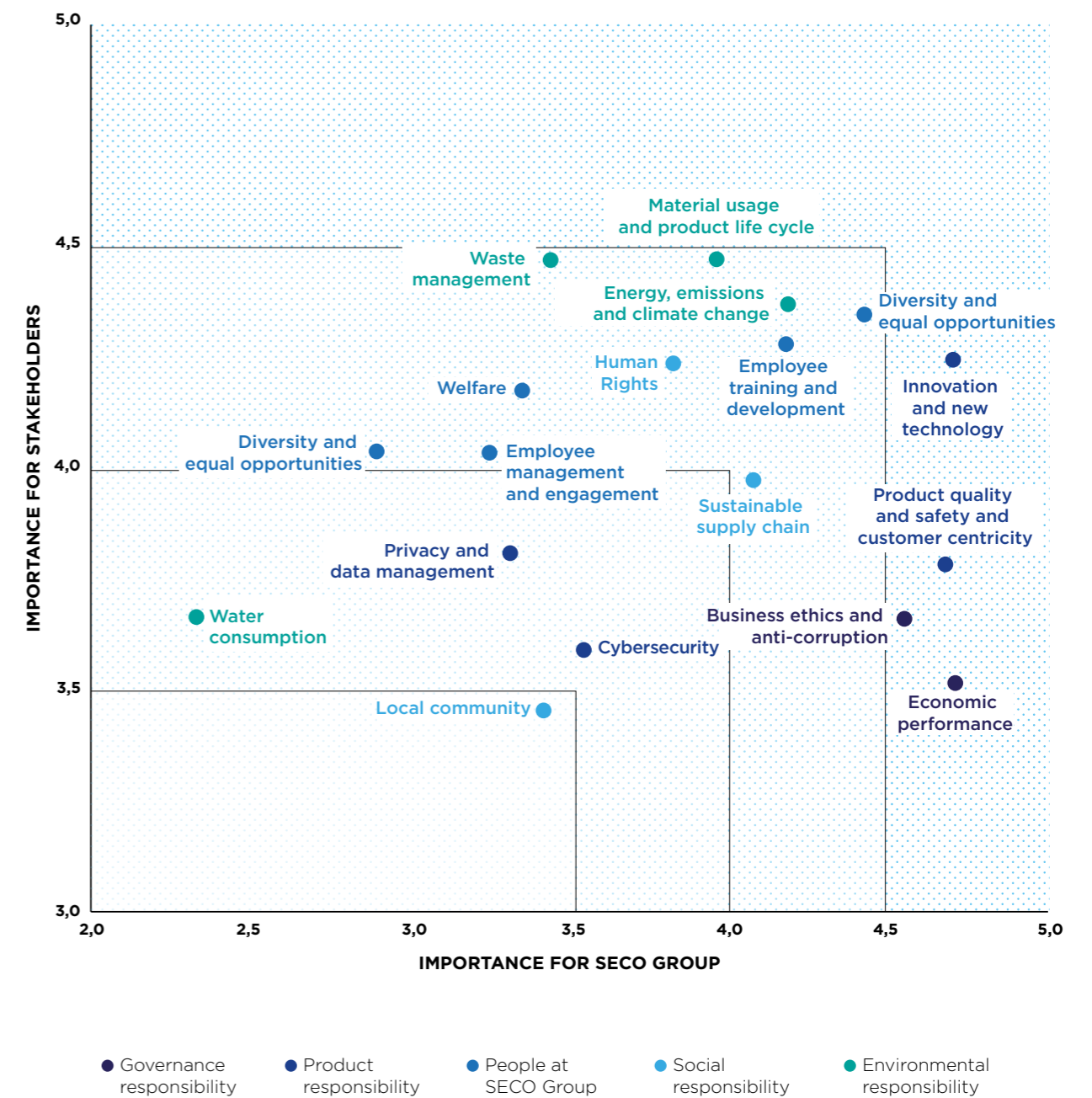

Figure 6: *SECO Group materiality matrix*

SECO Stakeholder's map

Institutions and Trade Associations

By interacting with Institutions and Associations, SECO is able to dialogue with production, institutional and social partners on regulatory developments and on the evolution of the trade and the local, national and international economic landscape.

Media

SECO manages the relationship with the media through public relations and communications with the support of PR agencies and the national and international press.

Community and Tertiary Sector

SECO actively participates in promoting the development of the Community by hiring local people, sponsoring activities and initiatives in the area and making its local region known to its Customers and the media.

Scientific Community and Universities

The world of research is an important pool of talent, ideas and innovation for SECO that maintains relationships with important universities in Italy and around the world.

Customers

SECO pays the utmost attention to the satisfaction of its customers, encouraging a relationship based on transparency and continuous dialogue. SECO works every day to employ its R&D capabilities to meet all customer needs in terms of hardware, software and product compatibility characteristics, reduction of development time and market access.

Customer feedback is collected both during daily activities and through structured methods such as questionnaires and calls with third-party consultants. The most important factors considered by customers in the SECO business relationship are the reduction of development times and market access, the effectiveness of the solution and the level of service offered.

The effectiveness of the value offered by SECO is evidenced by the high customer retention rate (over 98% in the last three years) and the acquisition of new, important business opportunities that have allowed generating double-digit growth in Group turnover, even in a tough year like 2020.

Employees

Employees' expectations and satisfaction are monitored annually through specific questionnaires and during the annual performance evaluation meeting.

Opportunities for professional growth and the development of skills are offered, including through continuous training, which help develop individual capacity and creativity at the service of teamwork.

Since 2020, Quality ambassadors identified by each manager among their employees have been working directly with top management to improve business processes, helping to spread a culture based on quality in each department.

Investors and Shareholders

SECO shareholders support the Group and define its strategy and key decisions in order to constantly strive to improve the Group's results in the economic, environmental and social spheres, making the best use of internal skills and ensuring that best practices in the market are transposed and implemented at a strategic and managerial level.

Suppliers and Partners

The relationship with suppliers is governed by the principles set out in the company's procurement policy, the implementation of which SECO monitors on a daily basis. SECO also organizes meetings with its suppliers to discuss possible critical issues, innovations and areas for improvement.

1.4 | Corporate governance

The Group's global outlook is confirmed by the sites located in nine different countries in Europe, America and Asia. The legal structure of the Group consists of 12 companies that include the parent company SECO SpA and 11 companies controlled directly or indirectly thereby, divided as follows:
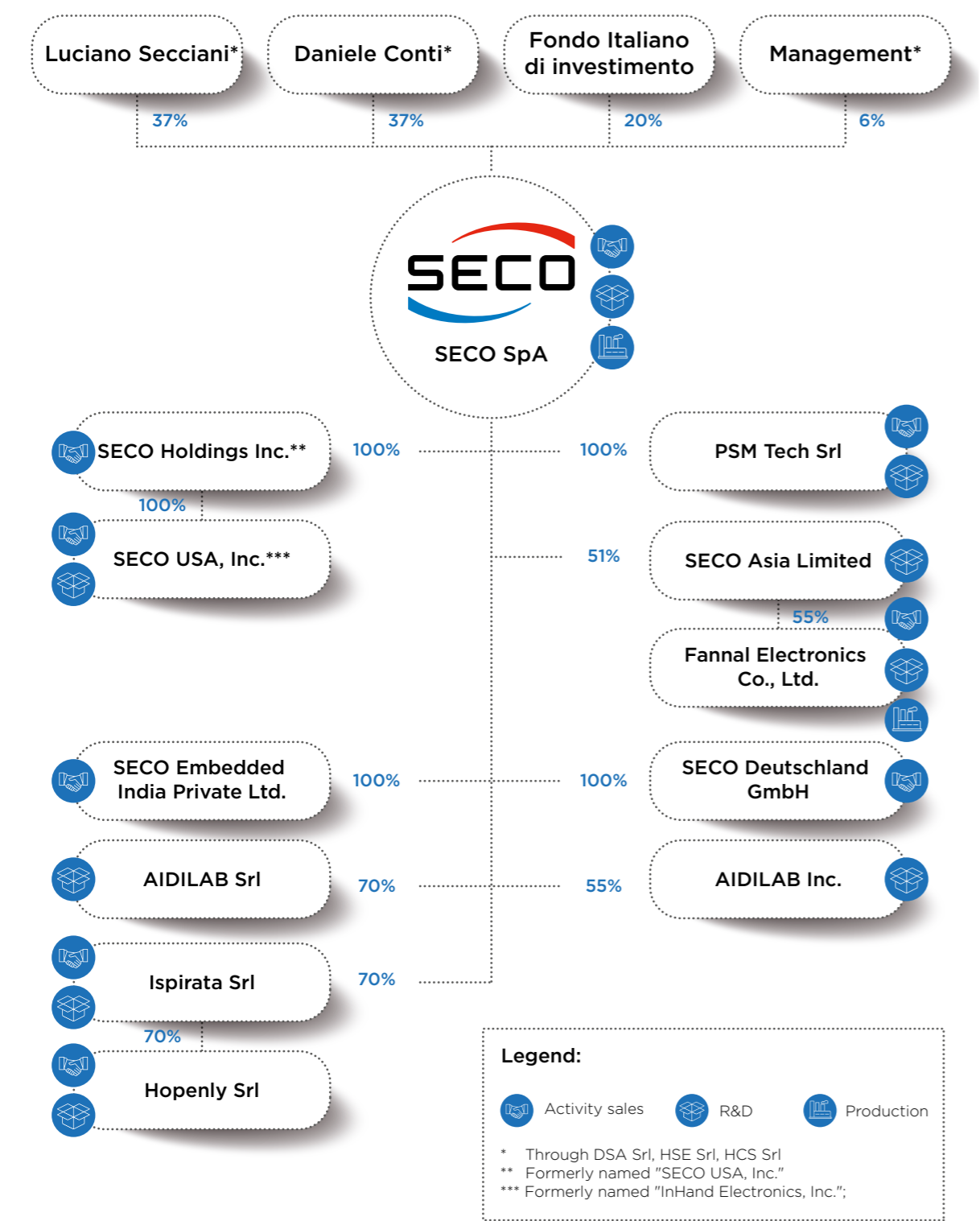

Figure 8: *SECO Group structure*

The ownership structure therefore consists of the two founders of the company as the main shareholders, a significant share belonging to the Italian Investment Fund and a percentage equal to 6% held by the company management.

The Board of Directors and the Board of Statutory Auditors

The SECO Group has adopted a traditional Corporate Governance model managed by a Board of Directors (BoD) with a Chairman of the Board, a CEO and three other Board members. The parent company includes a Board of Statutory Auditors, consisting of a chairman and statutory auditors as detailed below.

The Board of Statutory Auditors is the internal body responsible for monitoring the application of all principles relating to corporate governance, and ensuring compliance with regulations and the law. It also enforces the principles of the By-laws and ensures compliance with the principles of sound administration, with a specific focus on the operations of the organizational, administrative and accounting structure.

Board of Directors (BoD)	Board of Statutory Auditors
Daniele Conti, *Chairman*	**Pierpaolo Guzzo**, *Chairman*
Luciano Secciani, *Executive Board member*	**Prospero Accogli**, *Standing Auditor*
Massimo Mauri, *Chief Executive Officer*	**Marco Baldi**, *Standing Auditor*
Claudio Catania, *Board member*	**Emilio Gianfelice**, *Alternate Auditor*
Luciano Lomarini, *Board member*	**Fabio Rossi**, *Alternate Auditor*

Table 1: *BoD and Board of Statutory Auditors*

40% of the members of the Board of Directors belong to the 30-50 age group while the remaining 60% are over 50 years of age.

Organizational Model

SECO has adopted an organization and management model pursuant to Italian Legislative Decree no. 231/2001 to prevent the commission of serious offences pursuant to the decree, and consequently the administrative liability of the Company. Updated in November 2020, the 231/2001 Model provides SECO with a set of general principles, rules of conduct, control tools, organizational procedures, information/training and disciplinary system and is completed with a Code of Ethics.

The Model has been aligned with the new offences included by the legislature in the predicate list of administrative liability of entities pursuant to Italian Legislative Decree no. 231/2001, organizational changes, procedural updates and new legal precedents. The Model now consists of 16 parts including a general introductory section and 15 special parts that provide for the description of offences, recipients, general principles of conduct in areas of activity at risk, as well as sensitive activities, control protocols and, finally, the tasks of the Supervisory Body. The entity that supervises the proper operation of the Model is the Supervisory Body, consisting of three persons.

The Supervisory Body

SECO SpA has established a Supervisory Body in accordance with the provisions of Italian Legislative Decree no. 231/2001.

The activities of the Supervisory Body are organized to ensure the maintenance of high standards in compliance with the criteria of autonomy and independence, professionalism and continuity of action. With regard to the Organizational Model issued by SECO, the body has the task of constantly supervising:

- Compliance by all recipients.
- The actual effectiveness in preventing the commission of offences.
- The implementation of the directives contained therein.
- Its updating, if there is a need to update the Model due to changes in the company's structure and organization or in the relevant regulatory framework.

The Body is required to promptly inform the Board of Directors, the Board of Statutory Auditors and the Risk Control Committee for the measures within their respective purviews of all transgressions, infringements and non-compliant conduct identified, and to propose the revisions, modifications or additions necessary to prevent such cases.

SECO SPA Supervisory Body
Anna Doro, *Chairwoman, External member*
Eleonora Necci, *External member*
Paolo Cottini, *Internal member*

Table 2: *SECO SpA Supervisory Body*

The external members are professionals with many years of experience in legal compliance systems with participation in the SBs of important Italian industrial companies, while the internal member is Chief Quality Officer of the SECO Group.

The whistleblowing procedure

The SECO Group seeks to ensure that unlawful conduct or offences committed by its employees or other parties can be reported under conditions of total confidentiality and with the full protection of the person reporting the information. For this reason, a procedure for reporting violations (so-called whistleblowing) is in place which, by defining appropriate communication channels for the receipt, analysis and processing of such reports, encourages employees and others to report any situations of irregularity or violations of the law with maximum confidentiality.

Indeed, the procedure governs the parties involved, the subject matter, the communication channels and the content of the report, the addressees of the report, the activities that the recipient is required to perform, the methods of protecting the whistleblower and the sanction system.

1.5| Fighting corruption

SECO promotes the adoption of internal rules and controls aimed at minimizing the risk of corruption.

In compliance with current anti-corruption legislation and measures, at the beginning of the relationship and during the course of the relationship all members of the Board of Directors, executives and SECO employees are required to report any kinship or relationships (including spouse and cohabitant) existing with leaders and/or employees of the government. SECO promotes the adoption of specific measures aimed at combating and preventing the performance of work in any form by former employees or contractors of the government who, in the last three years of service and before the termination of the relationship therewith, have held positions with authoritative or negotiating powers with respect to SECO (so-called "Pantouflage"). Those subject to these guidelines are also required to report any corrupt practices or conduct that they become aware of in the exercise of their functions, or that they have otherwise learned about, to the Supervisory Body and the Board of Directors.

In 2020, Group employees did not receive any training on Italian Legislative Decree 231 of 2001 and the Organizational Model put in place by SECO. However, with a view to providing its people with full information on the prevention of corruption and other crimes, 151 hours of training in this area had already been provided in 2019. This will be followed by further training in 2021, already approved at the end of 2020 by the Supervisory Body.

The organization's anti-corruption policies and the procedures implemented are communicated to all employees and members of the Board of Directors. In 2020 all employees and members of the Board received anti-corruption training through special seminars.

There were no verified cases of corruption in the company in 2020.

1.6| Internal control and risk management system

The SECO Group is committed to operating with a certified and integrated Quality Management System with a risk-based thinking approach and developed in compliance with the parameters set by the ISO 9001:2015, ISO 14001:2015 and ISO 13485:2016 certifications, which have already been obtained, and the ISO 27001:2013 certification, in the process of being obtained as at 31 December 2020.

More specifically, SECO SpA has developed an Integrated Quality Manual that identifies, among other things, the methods and contents of the Context Analysis and Risk Assessment Document, which is periodically updated.

The Context analysis contains the main categories useful for outlining the main risk types (Economic-Financial, Internal Social, Technological-Infrastructural, Organizational-Operational, Regulatory, Competitive and Market, Production Factors): for each of these, SECO conducts an analysis to identify the main contents, the internal and external stakeholders of reference and their expectations.

The main risk factors are identified for each category, and then, working with the pertinent managers, are assigned an Impact coefficient of the perceived Severity (level of loss in terms of money and/or time) and Probability (0%-100%) of manifestation of the phenomenon. Factors and actions aimed at mitigating the impact of these risks on business operations are then identified.

More specifically, with regard to environmental, social and governance issues, the following are some of the risk categories monitored by the SECO Group:

- Risks related to the spread of an epidemic
- Risks related to product quality and safety
- Risks related to the operation of computer systems and computer security
- Risks related to the corporate governance system
- Risks related to compliance with regulations concerning the environment and safety in the workplace
- Risks related to possible inadequacy of the organizational model pursuant to Italian Legislative Decree no. 231/2001 and the administrative liability of legal persons
- Risks related to the ISO 14001:2015 environmental certification
- Risks of activities in the medical field related to the ISO 13485:2016 certification
- Risks related to the Disaster Recovery Plan

In 2020, the Group continued the process of extending its ISO certifications at a corporate level, ensuring that part of the procedures hitherto adopted at the parent company level are now used by all the Group's main organizational units.

Moreover, in 2020 the ISO 9001:2015 certification originally obtained by SECO SpA was extended to the subsidiaries SECO Deutschland GmbH and SECO USA, Inc. limited to commercial and customer management procedures.

The SECO Group is committed to maintaining the certified Quality Management System in compliance with all the aforementioned certification standards, and to implementing specific verification and review phases of the System to ensure that it is always current, effective and continuously improving.

2| Social impact

In 2015 the United Nations General Assembly signed the new 2030 Agenda for Sustainable Development, an action program aimed at eradicating extreme poverty, reducing inequalities and protecting the environment. The Agenda identifies 17 Sustainable Development Goals (SDGs), also recognizing the role of the private sector in achieving them. In fact, there are five objectives which SECO contributes to in a particularly significant way through its activities, characterized by continuous growth and a strong drive based on research and development of latest-generation technological solutions: goal number 8, which deals with industrial development and employment; goal number 9 concerning innovation; goal number 11 on the development of more sustainable cities and communities; goal number 12 relating to responsible consumption and production; goal number 13 concerning the contribution in the fight against climate change.

In the technological field, the changes that will take place in the coming years will contribute to redefining different paradigms of personal and working life. The number of connected devices, also thanks to the potential of the 5G network, will increase considerably in the coming years. The Internet of Things (IoT) and the transfer of an increasing amount of data and information between machines will be used in a variety of fields of application. Human-machine interaction will be greatly advanced by the new HMI (Human-Machine Interface) systems. Many sectors will be profoundly impacted and will benefit greatly from these innovations, with important implications in sectors such as Industrial, Biomedical, Consumer & Retail, Transportation and many others.

In the coming years the ability to make effective use of the enormous amount of information generated by smart devices will be the main competitive advantage of companies in an increasing number of sectors. Extracting data from the field (Edge Computing), organizing it according to a personalized algorithm (Data Orchestration), using it to process highly illustrative KPIs (Data Science) and elaborating forecasts (Artificial Intelligence) to support the decision-making process are activities with high added value, but extremely complex to be developed internally for anyone without highly specialized skills in the IoT field.

In recent years SECO has oriented its strategy in this direction, continuously adding value to its solutions and working on the development of an integrated and end-to-end hardware and software suite capable of covering the entire data journey: from its extraction on the field to its processing in support of the decision-making process. By integrating highly diversified and complex technologies, SECO is able to significantly simplify the technological complexity that its customers have to deal with, enabling them to provide cutting-edge solutions with high added value with an extremely fast time-to-market.

In 2020 SECO allocated more than 10% of its turnover to research and development. Furthermore, the R&D department employs about 30% of the people in the group and consists largely of highly qualified engineers in the fields of hardware, software, signal integrity verification and system integration. The flexibility of the R&D department is one of the key factors of SECO's added value: the Research and Development team is able to develop technical-engineering solutions that meet all customer needs in terms of architecture, size and compatibility with other hardware and software devices.

SECO's ability to innovate is recognized worldwide by the most important technology players and business partners: SECO is regularly invited to Early Access Programs launched by some of the world's leading processor manufacturers. Several months before their release on the market, SECO can access the most innovative technological solutions, carrying out tests and preliminary developments well in advance of its competitors, thus obtaining an important advantage in terms of time-to-market of the products it develops from these solutions.

SECO's attention to selecting the best technologies is also reflected in its M&A activity: Ispirata and Hopenly, the two companies acquired in 2020, are in fact distinguished by a high degree of technological complementarity with respect to the skills already present within the SECO team.

2.1| Product quality, research and innovation

2.1.1| Reference markets

Edge computing and IoT are SECO's reference markets: integrated systems equipped with a human-machine interface, gateways and cards "embedded" in other devices making them intelligent, enabling them to extract and process data directly at the source (edge computing), sharing such data in a cloud infrastructure where the information is organized in such a way as to convey high added value KPIs to users or develop forecasts based on artificial intelligence.

These highly integrated and modular solutions can be used in a wide variety of ways (measurement and calculation, human-machine interaction, predictive maintenance, machine learning) and can be employed in numerous applications such as, for example: Industrial, Biomedical, Wellness, Vending, Infotainment, Transportation.

In recent years the growing diffusion of IoT has required that intelligent devices guarantee an ever-increasing computing capacity, executed at the source of the data and with increasingly short response times. Connected to a network, these objects communicate with other smart devices allowing for an increasingly effective circulation of information and more and more automation of daily activities.

With a view to pervasive computing, i.e. ubiquitous computing, any real-world object, from wearable devices to those present in buildings or means of transport, can become "smart", connecting to and communicating with other devices. Data from the physical world can be processed directly at the edge, transmitted to the cloud and organized to be made available to users to make decisions and develop new B2B or B2C business models, able to improve people's lives more and more.

WELLNESS

INDUSTRIAL AUTOMATION

MEDICAL

TRANSPORTATION

ENERGY UTILITIES

AEROSPACE

INFOTAINMENT

VENDING

Figure 9: *SECO markets of reference*

2.1.2| Product quality and design

At the hardware level, SECO designs and manufactures embedded solutions using both ARM and x86 architectures ranging from the single microcomputer to customized and ready-to-use integrated systems, integrating the ability to interact1 with the most diverse hardware and software technologies employed by the customer.

In the software field, SECO solutions are characterized by modularity, which makes them easily integrated with any infrastructure already used by the customer, and by a high degree of customization of data orchestration methods, offering the user a set of highly significant KPIs in support of a data-driven decision-making process.

Through continuous investments in Research & Development, over the years SECO has acquired highly specialized know-how and is therefore promptly and efficiently able to manage all phases of a project internally:

- Concept design

- Hardware, software and mechanical design, engineering

- Mass production and testing

- The transfer of information extracted from the field to the cloud

- System integration and customer-oriented services – including IoT services – that complete the product (BIOS customization, surface treatments, simulation and measurement activities, specific certifications, etc.)

- Data orchestration and data analytics

Our industrial strategy

For our customers, product innovation and time-to-market represent some of the main factors of a competitive advantage. This is why we want to be a cutting-edge company from a productivity and efficiency point of view: in recent years, the Group's investments have been directed towards a continuous improvement of production processes with a view to lean production, automation and constant improvement of quality standards and product time-to-market.

In our processes we adopt a Total Quality approach to ensure maximum effectiveness in the traceability of raw materials and finished products, in the management of obsolescence and in the provision of technical support for hardware and software.

In 2019 we completed the Group's new headquarters in Via Grandi, Arezzo, a building of over 9,000 square meters built according to the highest standards of energy efficiency: the System Integration department is based here, with over 30 production lines and 20 system testing stations. Internal logistics and production are planned in order to constantly improve productivity and eliminate scrap, material waste and production inefficiencies.

In the same building, an anechoic chamber was built to perform validation tests and to check the signal integrity on SECO boards and systems before they enter into production. This makes it possible to immediately identify any problems with the board, resolving

them before mass production and thus preventing loss of line efficiency or product quality.

In the Tregozzano plant, designed for the production of boards, SECO has equipped with a new SMT (Surface Mounting Technology) production line intended exclusively for the production of prototypes, completely separating prototyping activities from general production and ensuring the full efficiency of the lines dedicated to the latter.

Each individual board produced is inspected by an AOI (Automated Optical Inspection) machine placed directly on the line, and all the boards are tested to immediately detect any production defects.

In 2020 we also introduced a conformal coating station for the technical coating of boards intended for particular heat and humidity conditions, and a "flying probe" machine for optimizing prototypes and boards before they enter the production process: using a series of probes, the machine ensures that all the board components are correctly connected, immediately identifying any areas for improvement before the board enters into production.

2.1.3| IT security and protection of privacy

The SECO Group mainly processes commercial and technical information relating to customers, managed primarily by email and company information systems, and personal information entered in forms on the website.

All data received from and sent to external parties are processed in accordance with Regulation EU 2016/679 (GDPR). In 2020, due to the importance attributed to customer privacy and data security, in addition to complying with current regulations SECO decided to comply with the most stringent international standards in this field and thus started the process of acquiring ISO 27001 certification in terms of information technology, security techniques and information security management systems.

SECO is committed to maintaining the security of information and the privacy of its customers through confidentiality clauses included in the commercial contracts stipulated with such counterparties. Where the relationship is not governed by a contract, it is in any case established by the general SECO sales conditions that the processing of personal data takes place in compliance with the provisions of the GDPR and the additional applicable provisions on the protection of personal data, thus guaranteeing their security and confidentiality.

Furthermore, in 2020 SECO started signing confidentiality agreements with some suppliers of goods and services deemed critical for SECO's business, such as external data centers, maintenance, legal, tax and labor law consulting, cleaning of the workplace, management consulting and software services.

In October 2020 SECO then started a process of monitoring company performance in the field of privacy protection and data management in accordance with ISO 27001 standards, placing the issue of IT system security at the center of a three-year improvement plan.

Moreover, with regard to cybersecurity SECO has defined a list of activities that are monitored through KPIs to verify the achievement of certain target values in the following areas:

- External server access logs
- Physical access attempts
- Internal security incidents
- Successful and failed external attacks
- Network monitoring
- Spyware monitoring
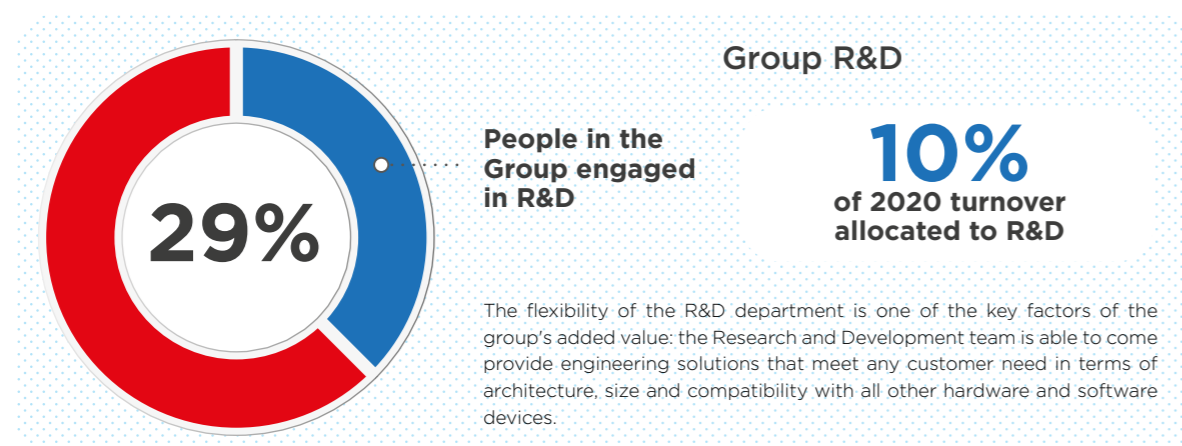- Virus infections
- Firewall activity

As at 31 December 2020 none of the target values defined at the beginning of the monitoring period were exceeded.

In 2020 the Group recorded no cases of privacy breaches or loss of customer data.

2.1.4| Product specialty and innovation

SECO invested more than 10% of its turnover in research and development in 2020. In the IoT and embedded world, where very often the solutions proposed must meet strict manufacturing standards, SECO has chosen to differentiate itself by offering its customers integrated solutions that, based on the most widespread design standards on the market, maintain their advantages (design, engineering, dimensions and materials unchanged over time, long-term availability, cost efficiency) while ensuring the integration of complex technologies within a single plug-and-play solution, ready to be inserted into the customer's final product.

As for software solutions, during 2020 the Group made significant investments aimed at developing a complete, modular and customizable platform, compatible with each customer's hardware and software application. This platform is designed to integrate with hardware devices located in the field, transporting their data to the cloud, organizing them on the basis of a customizable data orchestration algorithm and returning a set of descriptive and predictive KPIs in real time with a high value for the customer.

Group R&D

29%

People in the Group engaged in R&D

10%
of 2020 turnover allocated to R&D

The flexibility of the R&D department is one of the key factors of the group's added value: the Research and Development team is able to come provide engineering solutions that meet any customer need in terms of architecture, size and compatibility with all other hardware and software devices.

Links with the academic world

SECO has always believed in the potential of young generations and in the synergies between the academic world and the business world. Driven by a desire for innovation and continuous improvement, every day SECO works with universities: we believe in the value of research, we invest in young people and we consider the study and development of new skills to be key elements for growth and improvement.

To maintain and nurture these capabilities, in 2020 we established the following partnerships with universities and academic institutions:

- **SDA Bocconi School of Management** with a focus on Digital Innovation, to identify startups with high technological and innovative content at national and international levels. The partnership between SECO and SDA Bocconi was founded on the shared values of knowledge production at an international level, support for entrepreneurship and the innovation economy. The venture's primary objective is to accelerate the Digital Innovation process by creating a bridge between industry, academic research and startups. Particular attention will be paid to a global "startup radar" project, with which SECO will be able to access a network of startups with high technological and innovative content, creating a platform to accelerate the development of entrepreneurship, talent and concrete engagement with the market.

- **University of Siena**, as part of the "Unis-IA" project dedicated to research on artificial intelligence. Unis-IA was created as an informal network for the study, investigation and development of artificial intelligence applications by joint workshops of universities and companies. It boasts 25 research groups ranging from engineering to medicine, life sciences to business sciences, marketing and economics to communications, archaeology and teaching. The goal of the network is to attract more and more students, researchers, companies and funding in the field of AI, creating an opportunity to share ideas and skills to transfer cutting-edge technological knowledge to the industrial world.

- **Polo Universitario Aretino**, as part of a project aimed at relaunching the synergy between academia and businesses by offering new opportunities for growth and employment to young people in the area. Developed with the contribution of the Chamber of Commerce of Arezzo, Confindustria Toscana Sud and some of the most important entrepreneurial companies in the region, the initiative aims to bring academic training courses closer to the needs of companies, facilitating the growth of new professional figures with advanced technological skills who are highly specialized in the areas of digitization, electronics and mechanics.

Our products: innovating to improve the quality of people's lives

For over 40 years we have been designing solutions to digitize the objects around us with the aim of increasingly improving the user experience and the health and safety of the activities that each of us performs every day.

In 2020 we launched over 20 new products that are applied in many settings including healthcare, entertainment and leisure, industrial automation and transportation.
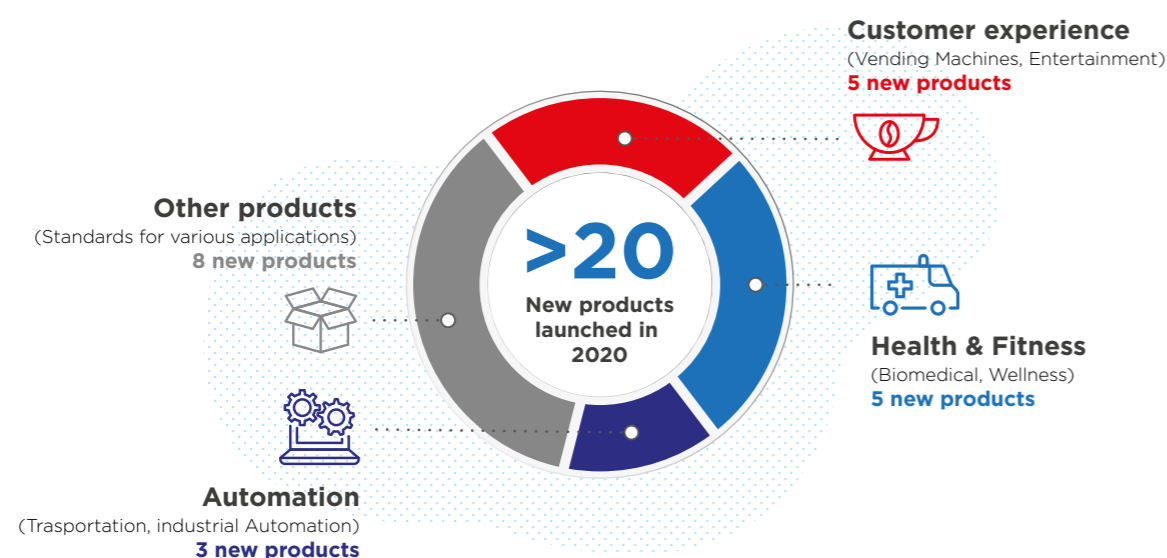

Customer experience
(Vending Machines, Entertainment)
5 new products

Other products
(Standards for various applications)
8 new products

>20
New products launched in 2020

Health & Fitness
(Biomedical, Wellness)
5 new products

Automation
(Trasportation, industrial Automation)
3 new products

Figure 10: *Products launched in 2020 by area of application*

In 2020, during the most delicate months of the Covid-19 pandemic, we completed the process of earning ISO 13485 certification for the production of biomedical devices. We also started an important industrial agreement with IBD Biomedical for the development of Biorespira, an innovative non-invasive high-flow pulmonary ventilator.

Designed to respond to the Covid-19 pandemic by lightening the burden on intensive care units, Biorespira was designed for the non-invasive ventilation of adult patients suffering from respiratory failure, who are thus able to breathe independently. Being a closed system, it prevents the risk of infecting any other people in the room. Flexible, compact and easy to use, Biorespira is a solution suitable for a wide range of uses in sub-intensive and post-surgical care, emergency rooms, assisted living facilities and home care.

The SECO R&D and IBD teams worked together on the development of Biorespira, creating a highly user-friendly and efficient human-machine interface based on a 10" touch display. The development of the prototype was completed in five weeks and the industrialized product earned CE certification in July.

biorespira

Biorespira is a non-invasive pulmonary ventilator (NIV) developed to respond to the current Covid-19 pandemic health emergency. It offers an innovative and versatile approach to assisted pulmonary ventilation, both in a clinical and daily context.

Biorespira is equipped with the latest technology:

- High-flow generator for non-invasive **pulmonary ventilation** for adult patients suffering from respiratory failure, who are able to breathe independently.

- Isolated system that **prevents the risk of infecting** other people in the room due to the aerosol effect of the gases exhaled by the patient.

- An easy-to-use and flexible clinical solution for a wide range of applications in **sub-intensive care, post-operative care, emergency rooms, assisted living facilities and home care.**

AREAS OF USE

Hospitals

Biorespira prevents congestion in intensive care departments. Patients can heal in general medical units

Nursing homes

Biorespira helps treat the elderly without having to transfer them to the hospital in the event of Covid-19 pneumonia

Homes

Biorespira helps combat oxygen deficiency while staying at home

USE CASES AND MAIN BENEFITS

When intubation is not necessary

- Portable, non-invasive oxygenation device
- Can be used in the hospital, at home and in nursing homes

In case of oxygen deficiency in the blood

- Improves patient oxygenation
- Isolated system to prevent the spread of the virus

To relieve hospital overload

- Pre-hospitalisation, to prevent the need for intensive care treatment
- Post-intensive treatment or hospitalisation, to reduce the need for a new intubation

For easy, immediate use

- User-friendly touchscreen interface
- Cost-effective innovative solution

Designed by **ibd**

2.2| SECO Group people

2.2.1| The company workforce

In addition to being a top Italian enterprise, SECO Group is also a close-knit, united and motivated working group that has always pursued quality of life at work and elsewhere, respects company values and believes in the results of teamwork.

SECO's performance is inextricably connected to its employees and contractors and is the result of the specialization, skills and passion that distinguish all the people who work at SECO. The fundamental values that guide the Group's approach are Passion, Dynamism and Respect. For this reason, the evolution of the SECO team goes through some important steps including the selection of new talent, the training of new hires and the development of personnel in a manner that leads to an organic growth of the company.

The SECO Group consists of a total of 478 people as at 31 December 2020, of which approximately 31% are women. The company also employs temporary workers, 15 of them as at 31 December 2020. 72% of the people are hired with a permanent contract, while the remaining 28% are fixed-term, "at will" or, again, with increasing protections (this figure must also be interpreted in relation to legislative provisions of the USA and China).

Breakdown of employees[1] by type of contract (permanent and fixed-term) and gender						
	As at 31 December 2019			As at 31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Permanent	206	64	270	253	82	335
Fixed-term	39	61	100	48	57	105
At will[2]	3	1	4	18	2	20
Total	**248**	**126**	**374**	**319**	**141**	**460**

	As at 31 December 2019			As at 31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Temporary	9	5	14	10	5	15
Internships	5	2	7	1	2	3
Total	**14**	**7**	**21**	**11**	**7**	**18**

Table 4: *External workers and interns by gender*

	As at 31 December 2019			As at 31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
White-collar workers	1	5	6	1	7	8
Blue-collar workers	5	2	7	6	2	8
Total	**6**	**7**	**13**	**7**	**9**	**16**

Table 5: *SECO SpA employees belonging to vulnerable (protected) categories broken down by category, geographical area and gender*

Headcount breakdown by age group						
	As at 31 December 2019[3]			As at 31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
> 30	80	45	125	95	54	149
30-50	156	79	235	194	84	278
< 50	26	9	35	41	10	51
Total	**262**	**133**	**395**	**330**	**148**	**478**

Table 6: *Headcount breakdown by age group*

Headcount breakdown by type of contract (full-time and part-time) and gender						
	As at 31 December 2019			As at 31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Full-time	260	125	385	326	138	464
Part-time	2	8	10	4	10	14
Total	**262**	**133**	**395**	**330**	**148**	**478**

Table 7: *Headcount breakdown by part-time and full-time contract, by gender*

All new hires are provided with the SECO code of ethics, which thus becomes a tool for sharing the values on which the SECO Group is based.

All employees of SECO SpA, PSM Tech, Hopenly Srl, Aidilab Srl and Ispirata Srl (353 as at 31 December 2020) are hired under the conditions envisaged by the National Collective Bargaining Agreement for the metalworking sector. All professional positions are grouped into macro-categories having the same level of classification as the National Collective Bargaining Agreement, without applying any kind of distinction and pay discrimination.

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1 | Excluding workers hired with a temporary or internship contract, for which reference is made to the tables below.

2 | "At will" contracts are widespread in the US labor market, allowing for the unilateral termination of employment even without just cause or notice.

3 | By virtue of an improvement in the collection and calculation process, the data for 2019 have been restated compared to those published in SECO's 2019 Sustainability Report. For previously published data, please refer to the 2019 Sustainability Report.

Total Headcount[4]						
	As at 31 December 2019			As at 31 December 2020		
	Men	Women	Total	Men	Women	Total
ITALY	224	72	296	250	83	333
Executives	3	-	3	14	1	15
White-collar workers	105	37	142	127	47	174
Blue-collar workers	116	35	151	109	35	144
REST OF THE WORLD	38	61	99	80	65	145
Executives	3	1	4	5	1	6
White-collar workers	26	28	54	49	24	73
Blue-collar workers	9	32	41	26	40	66
Total	**262**	**133**	**395**	**330**	**148**	**478**
Executives	6	1	7	19	2	21
White-collar workers	131	65	196	176	71	247
Blue-collar workers	125	67	192	135	75	210

Table 8: *Total number of People (headcount) broken down by category, geographical area and gender*

The outgoing turnover rate in 2020 was 11%, largely linked to the high turnover rates observed in the Chinese labor market.

The hiring rate in 2020 was 25%[5]; the majority of new hires are in the 30-50 years age group (57 employees). The average age of the people employed in the Group is just over 35 years. Moreover, SECO's attention to new generations is reflected in its internship programs (6 new internships in 2020) and apprenticeships.

Number of people - Incoming							
	From 1 January to 31 December 2019				From 1 January to 31 December 2020		
	> 30 years	30-50 years	> 50 years	Total	> 30 years	30-50 years	> 50 years	Total
Men	32	21	4	57	33	45	12	90
Women	27	25	1	53	13	12	2	27
Total	**59**	**46**	**5**	**110**	**46**	**57**	**14**	**117**

Number of people - Outgoing							
	From 1 January to 31 December 2019				From 1 January to 31 December 2020		
	> 30 years	30-50 years	> 50 years	Total	> 30 years	30-50 years	> 50 years	Total
Men	14	8	-	22	15	18	1	34
Women	19	9	-	28	7	10	1	18
Total	**33**	**17**	**-**	**50**	**22**	**28**	**2**	**52**

Table 9: *Number of incoming and outgoing employees by gender and age groups*

Incoming turnover rate							
	From 1 January to 31 December 2019[6]				From 1 January to 31 December 2020		
	> 30 years	30-50 years	> 50 years	Total	> 30 years	30-50 years	> 50 years	Total
Men	42%	14%	15%	23%	37%	24%	29%	28%
Women	66%	32%	11%	41%	26%	14%	20%	19%
Total	**50%**	**20%**	**14%**	**29%**	**33%**	**21%**	**27%**	**25%**

Outgoing turnover rate							
	From 1 January to 31 December 2019				From 1 January to 31 December 2020		
	> 30 years	30-50 years	> 50 years	Total	> 30 years	30-50 years	> 50 years	Total
Men	18%	5%	-	9%	17%	9%	2%	11%
Women	46%	12%	-	22%	14%	12%	10%	13%
Total	**28%**	**7%**	**-**	**13%**	**16%**	**10%**	**4%**	**11%**

Table 10: *Incoming and outgoing employee turnover rate by gender and age groups*

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4 | The Executives include six directors who operate in Group companies with non-employee contracts.

5 | This figure takes into account the employees (at the higher of the date of entry into the Group and 1 January 2020) of the companies included in the scope of this analysis for the 2020 financial year: Aidilab Srl (5 people), InHand Electronics Inc. (15 people), Ispirata Srl (8 people), Hopenly Srl (10 people).

6 | By virtue of an improvement in the collection and calculation process, the data for 2019 have been restated compared to those published in SECO's 2019 Sustainability Report. For previously published data, please refer to the 2019 Sustainability Report.

2.2.2| Corporate welfare

SECO's constant commitment to reducing the turnover rate is reflected in the promotion of numerous activities related to the professional development of employees, the strengthening of their sense of belonging, the sharing of SECO values and the improvement of the work environment.

Among the initiatives organized, SECO provides its employees with an IT portal managed by an external provider through which people can use the amounts made available by the company (€200 as envisaged in the national metalworking contract) in a wide range of goods and services of their choice, both for employees and their family members.

The services offered include healthcare, reimbursement of expenses related to school education (enrolment and fees for daycare, schools, school books, etc.), reimbursement of expenses related to assistance to family members, public transport passes, supplementary pension, vouchers for the purchase of goods (supermarket shopping vouchers, e-commerce shopping vouchers, fuel vouchers, etc.), leisure services (tickets for cinemas, theatres, season passes, etc.), sports (gyms, sporting events, etc.) and travel (travel packages, holidays, hotels, etc.).

The platform is accessible to employees regardless of their type of contract (fixed-term or permanent, part-time or full-time). More specifically, all employees employed on 1 June or in any case hired by 31 December of each year can access the welfare platform, provided that they have passed the trial period and are not on unpaid or indemnified leave for the entire period from 1 June to 31 December.

For workers hired with fixed-term contracts, it is also necessary to have completed a period of service of at least three months in total during each calendar year (1 January-31 December).

2.2.3| Selection and growth paths: our Talents

We want to be a close-knit, united and motivated working group that has always pursued quality of life at work or elsewhere, respects company values and believes in the results of teamwork. We are aware that the great results achieved so far are inextricably connected to the people and are the result of the specialization, skills and passion that distinguish each of us.

For these reasons, we recognize the importance of rowing in the same direction, orienting our people's actions towards common goals. For the remuneration of our people, any variable components are always determined taking into account the results of the Group as a whole, as well as the achievement of specific targets in the functional area.

Figure 11: *SECO's HR model*
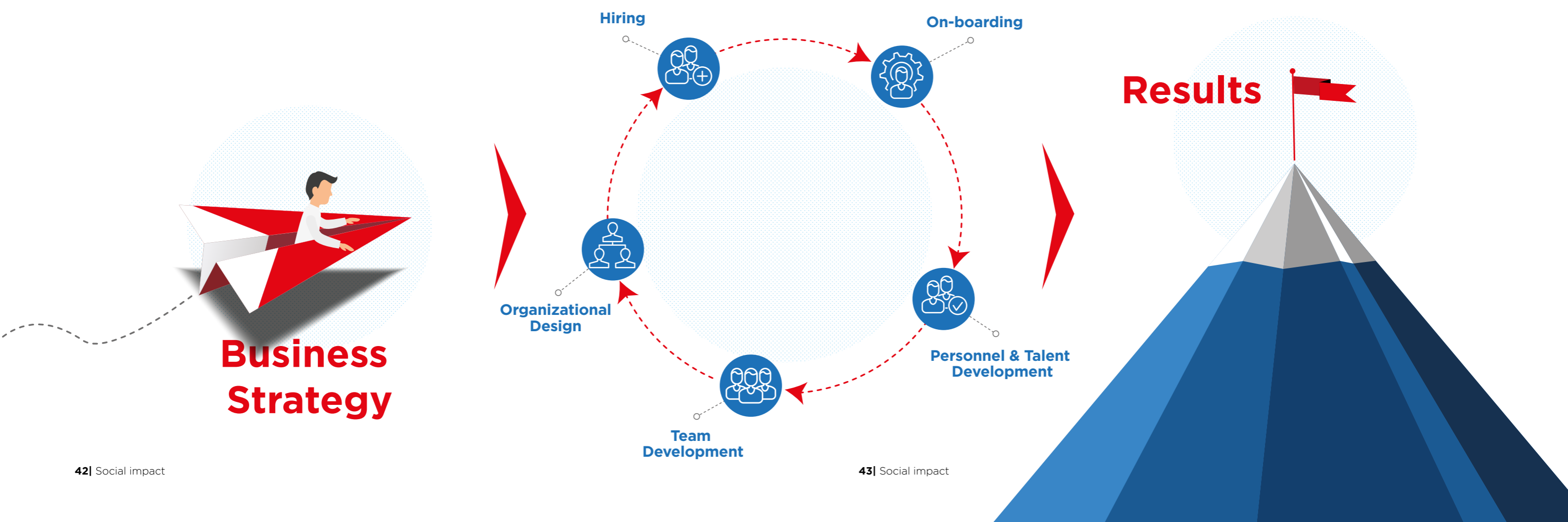
We want our people to be able to do their best, individually and within their team. We want to empower our managers to create the most productive teams based on the different characteristics of individuals (needs, communication styles, decision-making processes and actions).

In 2020 we launched an important review of our HR model, introducing three new tools (Behavioral assessment, Job assessment, Cognitive assessment) that will allow identifying and hiring the best people within our teams through a structured analysis of needs, professional requirements and technical-cognitive skills.

Tool	Operation and Output	Scope of Application
Behavioral assessment	Measures an individual's motivations and needs, providing the elements to interpret their conduct at work and help managers create more productive teams	**Personnel and team development**
Job assessment	Defines the behavioral and cognitive requirements and critical success factors of a specific position, establishing benchmarks and increasing objectivity in recruitment	**Recruiting and Hiring**
Cognitive assessment	Measures the individual's learning speed or ability to learn, adapt and understand new and complex concepts	**Talent development**

In line with company values, SECO recognizes the importance of investing in the professional growth of its employees.

Indeed, whenever a position within the Group or Corporate offices becomes available, SECO considers internal resources who could potentially fill the position before looking for others outside the company.

This also includes the Speed up project, a structured program for the selection and training of talent within the Group launched at the end of 2020. With this project SECO intends to identify professionals with a high growth potential and to accelerate their technical and managerial development through mentoring and specially designed training courses.

Speed up
From Potential to Performance

What is this?
An accelerated professional development program to cultivate SECO's future managers in house.

Who is it for?
To all employees reporting to Key people in Italy and in foreign branches.

Who is a Talent?
Anyone who demonstrates the potential to become the CEO's first line through their ability to grow, learn and achieve their goals.

What is included in the project?
Mentorship by top Group figures (CEO, Chairman), cooperation in cross-cutting projects, coaching and external training, field visits and time spent abroad in other Group companies.

When does it start?
The project was presented in September 2020 and the talent selection phase was launched in the last quarter of the year. The selection process will be completed by the first half of 2021, while the training and mentoring phase will start in the second half of the year and conclude by the end of 2022.

2.2.4| Health and safety

Employee well-being is important to SECO. The Group considers it critical to offer its employees not only a healthy and safe environment, but also one that is stimulating and comfortable. This philosophy underlies the construction of the Arezzo headquarters (Via Grandi), built according to the most modern standards from the point of view of health and safety, with great attention to ergonomics for the well-being of employees.

The Group has implemented a management system for occupational health and safety pursuant to Italian Legislative Decree 81/08[7],in accordance with which it has drawn up a Risk Assessment Document (RAD) that incorporates the assessments on risk management with respect to the activities performed. Based on the risks identified in this document, a probability-impact matrix is developed to assess the potential dangers to the Group's activities according to a PDCA logic[8], and any countermeasures that can be taken to prevent and mitigate these risks. As part of the assessment and planning process, the RAD also requires the inclusion of "near misses", i.e. those events that do not involve an actual accident but that represent a potential hazardous situation.

A protection and prevention service has also been established for safety and hygiene in the workplace that includes, in addition to the employer, executives, the Head of the Prevention and Protection Service (RSPP), three Workers' Safety Representatives (RLS) elected by the workers, the Supervisors, the fire and first aid Teams and the company-appointed physician. The service also directs health monitoring activities, i.e. periodic medical examinations and those related to the specific task or type of risk. SECO people are an active part of the management of Health and Safety in the workplace, not only through the election of their Safety Representatives (RLS) who facilitate the exchange of information on health and safety between employer, RSPP and workers, but also through their representation in annual meetings with the RSPP, the company-appointed physician and the employer on the Health and Safety activities and services carried out during the year. Furthermore, every worker can at any time confidentially report dangerous situations related to working conditions through the RLS and the whistleblowing procedure, such reports being managed directly by the Supervisory Body. During the current health emergency, a special Covid Committee was also established that can receive reports of dangerous situations related to the pandemic via a dedicated email address.

To strengthen the health and safety safeguards of the workplace, a periodic update of detection and alarm devices and infrastructures is guaranteed in the various facilities, supported by a procedure that for each site identifies the methods of management and training of emergency teams, the meeting points, the persons in charge in the event of an emergency and the methods with which evacuation drills are held.

For Occupational Safety, SECO also regularly offers employees training on the subject of health and safety, making them aware of the general and specific risks related to their work, the safety procedures to be adopted, and the prevention systems implemented. All new hires are adequately trained and regularly updated. Moreover, SECO is committed to making visible and usable all relevant information on Health and Safety, installing signs in the various work areas and making documents available to workers in summary form, depending on the specific work environment or business area and the tasks of each.

In 2020, there were 4 accidents at work involving Group employees, none of which had serious consequences.

	2019	2020
Total accidents	1	4
Of which with serious consequences	0	0
Of which fatal	0	0
Accident frequency index[9]	1,6	4,3
Of which with serious consequences	0	0
Of which fatal	0	0
Number of hours worked	**617.848**	**935.187**

Table 11: *Number of accidents and accident rates*

2.2.5| Actions taken during the Covid-19 pandemic

To cope with the extraordinary circumstances caused by the Covid-19 health emergency, SECO Group promptly implemented several prevention and protection measures for the health and safety of its workers. To better manage the Group's response to the emergency, a Covid committee was established composed of Emanuela Sala (RSPP), Luciano Secciani (Executive Board member), the RLS of the Arezzo and Tregozzano offices and the RSUs to monitor the evolution of the pandemic together with the top management and to decide on the initiatives to be taken to reduce the risk of contagion among SECO employees.

At an operational level, even before the issuance of the first governmental decrees, a protocol was put in place to increase the number of people working from home to more than 50%, also limiting the presence of visitors and external contractors at the Group's headquarters. All employees were equipped with washable masks with a filter capacity greater than 90% for use while in the company and commuting between home and work, and gloves for working in common areas. Temperature measurement stations were installed, complete with a facial recognition system to ensure a mask was being worn by anyone entering the facilities. All workers were also required to sanitize their workstations at the beginning and

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7 | The management system in question covers the Arezzo, Tregozzano and Rho offices. The offices of the Group's foreign companies are in any case compliant with their local regulations.

8 | The PDCA (Plan–Do–Check–Act) or Deming cycle is a four-step iterative management method used for the control and continuous improvement of processes and products.

9 | The accident frequency index is the ratio of the number of accidents recorded to the total hours worked, multiplied by 1,000,000.

2.2.6| Diversity and equal opportunity

SECO respects the dignity of each individual and guarantees equal opportunities at all stages and for every aspect of the employment relationship (selection, hiring, training, remuneration, promotions, transfers and termination), avoiding any form of discrimination that may derive from differences in gender, age, health status, nationality, political or religious opinions. In 2020 the Group recorded no incidents of discrimination.

Today women make up 31% of the entire company population. In 2020, 10% of executives were women.

2.2.7| Training

In 2020 our people were able to participate in over 2,400 hours of training, of which about 900 were certified, for the development of technical and social skills that are specific to a given task or broadly applicable throughout the organization.

We also want all our people to "speak the same language" to make communication easier and more effective among all Group companies. For this reason, we have organized English courses for the entire management team and for some of their co-workers.

From 2021 the Group intends to certify all training courses provided to its employees.

	As at 31 December 2019			As at 31 December 2020		
	Men	Women	Total	Men	Women	Total
Executives	21,3	1,0	18,4	2,9	4,0	3,0
White-collar workers	29,6	20,6	26,6	4,6	3,1	4,2
Blue-collar workers	15,8	11,7	14,4	2,5	0,9	2,0
Total	**22,8**	**16,0**	**20,5**	**3,6**	**2,0**	**3,1**

Table 12: *Average training hours provided[10] to employees during the reporting period, by professional category and gender.*

2.3| Relations with the community and supplier management

2.3.1| Supply chain

The SECO Group deals with four categories of suppliers that mainly operate in the following areas:
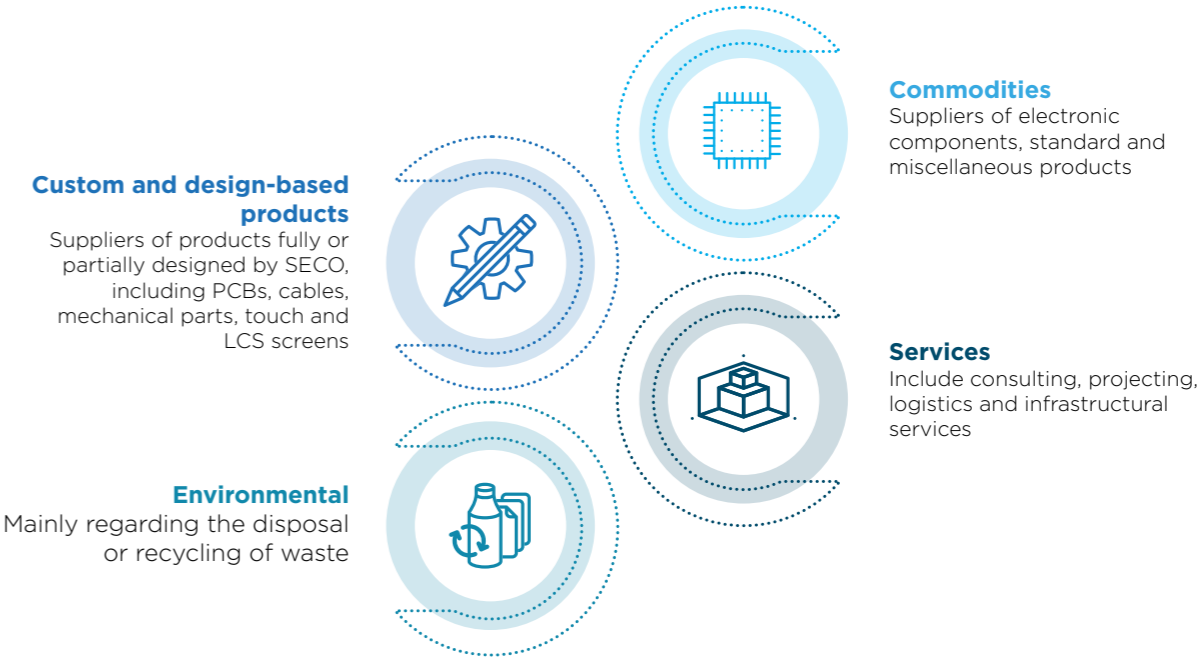

Commodities
Suppliers of electronic components, standard and miscellaneous products

Custom and design-based products
Suppliers of products fully or partially designed by SECO, including PCBs, cables, mechanical parts, touch and LCS screens

Services
Include consulting, projecting, logistics and infrastructural services

Environmental
Mainly regarding the disposal or recycling of waste

Figure 12: *SECO Group suppliers*

The selection and the relationship with suppliers are governed by specific Group guidelines included in the SECO Code of Ethics, which recalls the principles of propriety, professionalism, efficiency and reliability, as well as respect for human rights, current regulations and the principles that SECO aspires to. Moreover, qualification questionnaires are sent periodically to the main suppliers to assess compliance with these guidelines. In 2020, 13 suppliers were assessed using social criteria.

Given the strategic importance of the supply chain with a view to business continuity, the SECO Group pays great attention to the rating of suppliers and therefore is implementing a structured vendor rating system. This system consists of several items that concern, for example, the defectiveness of the lots delivered, punctuality in deliveries and other quality parameters of the materials supplied that will contribute significantly to the overall rating assigned to the supplier. Suppliers will also be assessed on the basis of environmental and ethical issues as well as human rights and cybersecurity.

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10 | For the purposes of this analysis only the companies SECO SpA and PSM Tech Srl were considered.

end of the shift, using disinfectant gel made available in each room, and it was decided that common areas and meeting rooms would be sanitized several times a day.
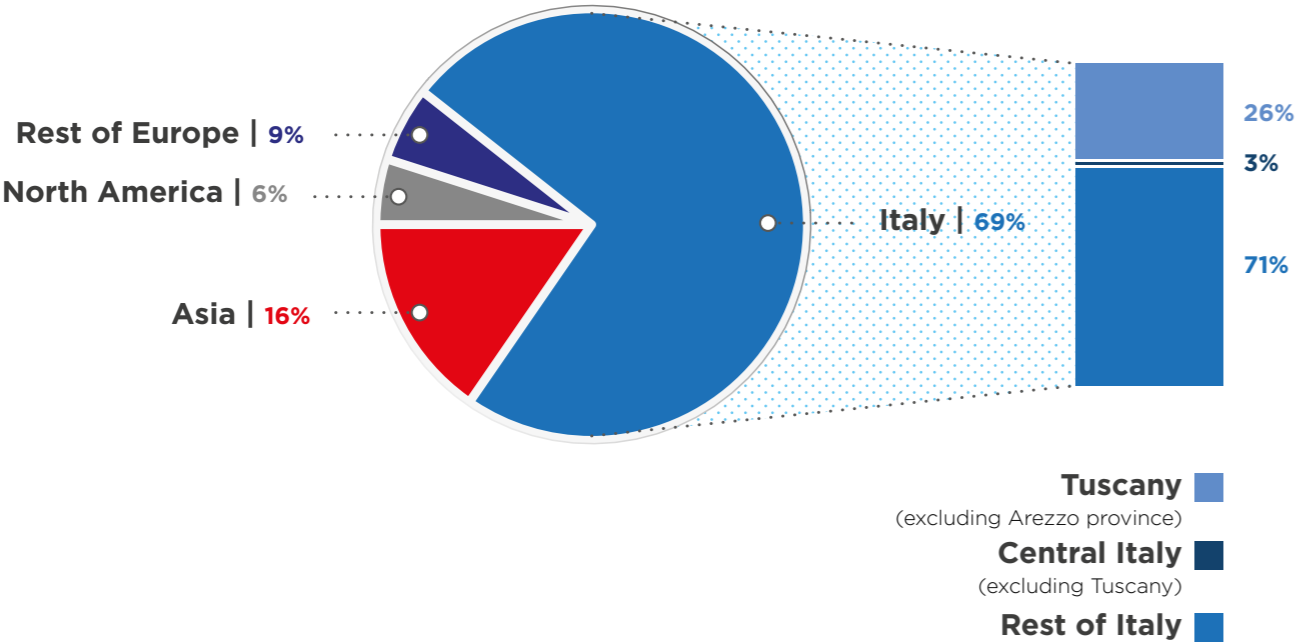
Furthermore, in 2020 a supplier management policy was developed that identifies the strategic and critical profiles of the top 50 SECO suppliers, defining an action plan and continuous improvement. In 2020 the "Quality Day" initiative was launched, aimed at ensuring that the highest quality standards and any supply chain issues are shared, respected and monitored on a monthly basis among all the SECO managers involved in Operations, the Supply Chain and Quality.

Finally, the SECO Group strongly believes that local sourcing represents a strategy to ensure the quality of the products and services offered, support a stable local economy and maintain relations with local communities.

For this reason, even for supplies the Group's Italian companies have chosen to maintain most of their business in Italy: about 69% of purchases come from suppliers located in the country. Of these, 26% are from suppliers located in Tuscany[11].

Fannal Electronics procures materials locally, sourcing 100% in China.

SECO InHand (now SECO USA), which joined the Group in 2020, procures approximately 75% of its purchases from Seco SpA and PSM Tech Srl.

Rest of Europe | 9%
North America | 6%
Asia | 16%
Italy | 69%

26%
3%
71%

Tuscany
(excluding Arezzo province)
Central Italy
(excluding Tuscany)
Rest of Italy

Figure 13: *SECO SpA - Distribution of 2020 purchases by geographical area*

2.3.2| Protecting human rights

SECO seeks to work with suppliers who share the values of respect for human rights and business management according to the principles of sustainability, integrity and excellence. For this reason, a process for evaluating direct suppliers and monitoring sub-suppliers of raw materials was initiated in 2020. A new supplier qualification process was also launched in 2020 according to which SECO requires suppliers to sign the "Supplier Regulatory Compliance" document declaring that they have read and understood the SECO Code of Ethics.

Moreover, SECO sends all new suppliers the "Preaudit supplier form", a self-assessment aimed at obtaining an initial evaluation of the supplier's activities, including with regard to social and environmental issues. For the Group's top 50 suppliers, on the other hand, a more detailed questionnaire was drafted that requires counterparties to provide information on their approaches to risk management, respect for human rights and end-of-life management of products, also requiring the adoption of certified management systems in the environmental, health and safety and privacy and cybersecurity fields.

2.3.3| SECO supports

SECO is constantly committed to supporting both social and environmental initiatives at a local and national level.

In the field of culture, SECO supports FAI – Fondo Ambiente Italiano (Italian Environmental Fund) by joining the Corporate Golden Donor membership program. In addition to FAI, SECO wants to realize a great project of protection that is also an ambitious cultural challenge: to make Italy a more beautiful place to live in, work in and raise new generations.

Furthermore, for years SECO has supported Telethon[12] in its scientific research on genetic diseases. In 2020 SECO purchased 350 Telethon Chocolate Hearts to be distributed to its employees, supporting scientific research on rare genetic diseases.

In 2020 SECO also made a donation of UDOO and UDOO Bolt kits and accessories to the non-profit Ale Per Sempre in support of the creation of a technology club in the municipality of Subbiano (AR). With this project, the Ale Per Sempre association intends to offer local young people the opportunity to get in touch with the world of robotics and automation, either participating in group workshops or programming on their own.

Finally, SECO has stipulated an agreement to support the Arezzo Wave Foundation, organizer of the event of the same name that promotes forms of musical and artistic expressiveness with a view to solidarity and multiculturalism.

The total value of these donations amounts to approximately €10,000.

SECO's activities during the Covid-19 pandemic

In 2020 SECO made a donation to the San Donato Hospital in Arezzo to support the Infectious Diseases department during the most acute months of the Covid-19 pandemic.

SECO also partnered with IBD to donate some Biorespira pulmonary ventilators to hospitals in Desenzano del Garda (BS), Bologna and Arezzo.

The amount of donations made by SECO to support healthcare professionals amounts to €15,000.

Edgehog and the Off-Grid project

In 2020 SECO continued its support of Fabbrica del Sole, a leading company in the production of Off-Grid Boxes, a solution to guarantee water and energy self-sufficiency during climate or health emergencies.

An Off-Grid Box system can produce electricity and purify water from bacteria and other impurities. This solution is designed to operate in remote areas that are not connected to the energy or water supply network (deserts, mountain areas, areas affected by natural disasters).

In this context, SECO and Aidilab worked to make the Off-Grid Boxes produced by Fabbrica del Sole IoT-ready. The connectivity platforms provided by SECO make it possible to connect the machines installed by Fabbrica del Sole to the cloud instantly and with only a modest initial investment, thus guaranteeing:

- Real-time collection of the operating data for each installed machine.

- The sharing of such data within the cloud managed by SECO or third parties, and their management through a highly user-friendly interface.

- Remote management of the Off-Grid Boxes, limiting the use of on-site interventions by specialized personnel.

- The possibility of preparing forecasts based on machine-learning of the information collected by each machine, optimizing the methods of energy and water supply according to the specific needs of the user, the weather conditions and the characteristics of the local area.

Figure 14:A box from Fabbrica del Sole with SECO solutions installed in Somalia

Hopenly and University of Siena: AI to support the study of a rare disease

In March 2020, in the midst of the Covid-19 pandemic, part of Hopenly's research team devoted time, resources and energy to the study of alkaptonuria (AKU), a genetic disease that affects about one person per 1,000,000.

The body of a person with AKU is unable to dispose of homogentisic acid (HGA), which accumulates in the heart, joints and connective tissues. The consequences are a blackening of the nose, ears and joints, pain and difficulty in movement as well as heart problems. There is no cure, but patients are given supportive therapy with painkillers and anti-inflammatories. What doctors know, however, is that the course of the disease is the same for everyone.

The project, carried out together with Professor Annalisa Santucci, Director of the Department of Biotechnology, Chemistry and Pharmacy of the University of Siena, consisted of applying Artificial Intelligence to small data to obtain a more objective method to quantify the course of the disease.

Examination of the data concerning 203 European patients (age, gender, country of origin, behavioral information and any other diseases, such as diabetes, hypertension, etc.) and the questionnaires completed by patients to quantify the symptoms of the disease through a Quality of Life Score (from 0 to 100) made it possible to develop a predictive algorithm of the value of this indicator through the use of Artificial Intelligence, with the aim of predicting the quality of life of new patients and monitoring the progress of the disease. Furthermore, this analysis made it possible to identify eight types of drugs out of the 33 considered at the beginning of the experiment for which there was a correlation between their use and the course of the disease.

SECO for sports

Over the years SECO has supported sports by sponsoring events and/or teams locally, nationally and internationally that have distinguished themselves in the noblest values of sport including fair play, tolerance, integration, teamwork and healthy competition. While strongly impacted by the Covid-19 pandemic, in 2020 SECO supported the organization of a five-a-side football team and a seven-a-side football team formed by its employees. The financial commitment for 2020 was approximately €26,000.

3| Environmental impact

SECO Group is sensitive to the issue of reducing environmental impacts and is committed to the constant improvement of production processes to reduce emissions and the level of waste produced.

To demonstrate this, SECO has long developed policies and best practices aimed at reducing its environmental impact. In fact, the consumption of water is minimized during production, closed-cycle processes are used and, wherever possible, the use of products and machinery that produce emissions into the environment or significant production waste is minimized. Furthermore, any chemical residues produced as waste are recovered in designated waste separation and recycling areas.

In 2020 the process of obtaining certification of the SECO SpA environmental management system according to ISO 14001:2015 for the Arezzo and Tregozzano production plants was also completed.

As part of this process, SECO conducted a preliminary analysis (Initial Environmental Analysis or "IEA") aimed at examining the direct and indirect environmental aspects related to its activities, the applicable regulatory framework and the status of implementation of the related obligations deriving from the activities performed.

This analysis has made it possible to identify the significant environmental aspects that the Group will focus its monitoring and management on going forward, where possible identifying risk mitigation actions.

3.1| Direct environmental aspects

With regard to direct environmental aspects, i.e. directly related to SECO's activities, the analysis done in 2020 made it possible to assign an impact class to each of the parameters identified, determined according to the criteria illustrated below. Based on this analysis, the Aspects considered significant have been incorporated into the SECO Integrated Quality Manual, which defines the focus areas and the consequent priority of the interventions to be carried out to control the main risks related to SECO's activities.

The following direct environmental aspects were taken into account, assessed both under normal conditions and in abnormal or emergency conditions:

- Energy consumption
- Water consumption
- Atmospheric emissions
- Waste produced
- Hazardous substances
- External noise
- Electromagnetic fields
- Ozone-depleting substances and greenhouse gases
- PCB/PCT
- Visual impact
- Soil contamination
- Fire risk

The categories used to assess each direct environmental aspect involved relevant regulatory aspects related to the local community, the population, efficiency and the impact in the event of an emergency.

Each aspect was judged as "significant" or "not significant" based on the scores assigned to each of these categories. The results of the significance analysis carried out on the Arezzo and Tregozzano plants are as follows.

Environmental aspect	Normal conditions		Abnormal conditions/emergency	
	Arezzo site	Tregozzano site	Arezzo site	Tregozzano site
Energy consumption	✗	✗	✓	✓
Water consumption	✓	✓	✓	✓
Atmospheric emissions	✗	✗	✗	✗
Water discharges	✓	✓	✓	✓
Waste produced	✗	✗	✓	✗
Hazardous substances	✓	✓	✓	✓
External noise	✓	✗	✓	✓
Electromagnetic fields	✓	✓	✓	✓
Ozone-depleting substances/greenhouse gases	✗	✗	✗	✗
PCB/PCT	✓	✓	✓	✓
Visual impact	✓	✓	✓	✓
Soil contamination	⊖	⊖	✓	✓
Fire risk	⊖	⊖	✗	✗

✓ Not significant   ✗ Significant   ⊖ Not considered

Table 13: *Direct environmental aspects monitored by SECO*

3.2| Indirect environmental aspects

Regarding indirect aspects, i.e. activities carried out by third parties within the company (e.g. systems maintenance, cleaning, etc.), SECO is committed to disseminating the contents of its environmental policy and the operating procedures for the management of environmental aspects which these entities are required to comply with for the matters within their purview.

With regard to the aspects related to product design, controls of the provisions of the RoHS and WEEE regulations have been put in place.

The aspects assessed and the level of significance attributed to each indirect environmental aspect concerned the relevance and degree of management control over the activity analyzed.

Environmental aspect	
Maintenance technicians (energy consumption, atmospheric emissions, waste production)	✓
Waste transport companies (energy consumption, atmospheric emissions)	✗
Waste disposal plants (energy and water consumption, atmospheric emissions, waste generation, potential soil contamination)	✗
Outsourced activities (energy consumption, water consumption and waste, waste production, hazardous substances, etc.)	✗
Product and design aspects	✗

✓ Not significant   ✗ Significant   ⊖ Not considered

Table 14: *Indirect environmental aspects monitored by SECO*

Finally, as part of the ISO 14001 certification process, SECO performed an analysis aimed at verifying the absence of previous accidents such as fires, spills of chemicals or liquid waste and dispersion of solid waste that may have polluted the environment. This analysis did not identify any such events.

In 2020 there were no sanctions related to violations of environmental laws or regulations.

3.3| SECO's commitment to the environment

For several years the SECO Group has been committed to reducing its environmental impact by monitoring emissions, transitioning to forms of renewable energy and reducing the volume of non-recyclable and non-renewable waste produced.

In this sense, the Arezzo site inaugurated in 2019 has made it possible to introduce significant improvements in logistics, production and organizational areas, achieving excellent levels of efficiency and bringing together all the workers who previously worked in three different production units. This has made it possible to significantly reduce transport times and costs, resulting in a reduction in emissions associated with these activities. The building was designed according to the highest standards of energy efficiency and is equipped with 232 solar panels that can achieve a maximum power of 69,600 kW and an annual energy

production corresponding to about 83,500 kWh, capable of satisfying about 12% of the plant's energy needs.

In 2020 SECO's commitment to environmental sustainability resulted in a series of concrete initiatives aimed at significantly reducing the amount of non-recyclable waste and encouraging separate collection at the Arezzo and Tregozzano sites.

Figure 14: *SECO's initiatives for the environment*

A focus on sustainability is also shared by the companies that joined the SECO Group in 2020:

- Ispirata has introduced initiatives to replace non-recyclable or disposable materials with paper or compostable objects, and has implemented incentive programs for its employees to use local public transport.

- Hopenly has had a program for the separate collection and disposal of all disposable materials since its founding and uses methane-powered cars.

At the end of 2020 SECO entered into an agreement with the electricity supplier of the Arezzo and Tregozzano sites that from 2021 **all the energy purchased for use in the two plants will come from renewable sources.**

All new SECO employees are provided with a **customized aluminum bottle to minimize the use of disposable plastic bottles**.

The installation of **10 drinking water stations** in the Arezzo and Tregozzano sites was completed.

For the environment

For internal logistics, **all disposable packaging is being replaced with handling by trolleys, reusable baskets and foam made of suitable, recyclable materials**. When transporting materials between plants, we mainly use cardboard packaging, blisters and reusable plastic preforms for components such as displays, touchscreens, wiring, heat sinks, power supplies and electronic components. The materials we exchange with subsidiaries are contained in bags and boxes made with recyclable material, while the secondary packaging consists of reusable blisters.

A study was launched to **reduce the environmental impact of packaging** on our customers through the use of multipacks and palletized products wherever possible rather than individual packaging, of reusable or recyclable materials and of scheduled shipments. We are also working together with our suppliers, especially in Italy and Europe, to use more and more returnable and reusable packaging.

Food and beverage suppliers have agreed to supply vending machines that **minimize the amount of plastic in containers, wherever possible replacing plastic packaging with recyclable paper or aluminum equivalents**.

Bins for the separate collection of paper, plastic and glass have been placed in each office, production department and common area of the Arezzo and Tregozzano sites.

3.4| Energy consumption[1]

In 2020 energy consumption amounted to 7,978 GJ, in line with 2019. This consumption mainly derives from the use of electricity at production sites and plants, natural gas for space heating and fuel consumed by company cars. In 2020 89 GJ from renewable sources were also self-produced through the solar panels of the new Arezzo site.

Type of consumption	Energy consumption (GJ) 2019	Energy consumption (GJ) 2020
Natural gas (for heating)	402	277
Diesel (for vehicles)	1.089	892
Petrol (for vehicles)	95	67
Methane (for vehicles)	-	54
Electricity purchased	6.360	6.600
of which from renewable sources	-	*10*
Electricity self-produced	-	89
of which from renewable sources	-	*89*
Total energy consumption	**7.946**	**7.978**

Table 15: *Energy consumption by category*

3.5| Atmospheric emissions[2]

According to the Intergovernmental Panel on Climate Change (IPCC), to limit global warming to 1.5°C compared to pre-industrial levels requires reducing global CO2 emissions by 45% by 2030 compared to 2010 levels, and then reaching zero net emissions by 2050. Atmospheric emissions are generated by the energy consumption described above. Direct emissions (Scope 1) include emissions related to the use of natural gas for the heating system and fuel consumption (diesel and petrol) of company cars. Indirect emissions (Scope 2) derive from the consumption of electricity. The direct emissions (Scope 1) of the SECO Group amount to 85 tons of CO2, while indirect emissions amount to 807 tons of CO2 (Scope 2 location-based).

1 | Energy consumption for 2020 refers to the following Group companies: Seco SpA, PSM Tech Srl, Fannal Electronics Co., Ltd, Hopenly Srl, Ispirata Srl. The reporting scope of these data was increased compared to 2019, for which the following companies are included: Seco SpA, PSM Tech Srl. The conversion factors of the 2020 UK Government GHG Conversion Factors for Company Reporting were used for the calculation of energy consumption. As required by the relevant technical literature, these data were used for the calculation of CO2 emissions into the atmosphere (Scope 1, Scope 2 location-based and market-based).

2 | The emission factors reported in the 2020 UK Government GHG Conversion Factors for Company Reporting document were used for the calculation of 2020 Scope 1 emissions. The emission factors reported in the TERNA document, International Comparisons (2018) were used for the calculation of 2020 Scope 2 emissions, location-based method. For the calculation of 2020 Scope 2 emissions, market-based method, the emission factors reported in the document AIB, European Residual Mixes 2019 were used for Italian companies, and the emission factors of the location-based method were used for non-European companies. These emissions amount to 953 tons for 2020 and 928 tons for 2019. The 2020 Scope 1 and Scope 2 emissions are expressed in tons of CO2, while those for 2019 are expressed in CO2 equivalents. However, the percentage of methane and nitrogen oxide has a negligible effect on total greenhouse gas emissions (CO2 equivalents) as can be inferred from the relevant technical literature, allowing for the comparability of data.

The emissions aspect of the environmental impact of production was relevant only with regard to CO2 emissions. However, it should be noted that, with regard to other emissions, the Tregozzano plant has an Integrated Environmental Authorization. The authorization provides for the monitoring of atmospheric emissions of NOx, VOCs, NH3 and CO and the annual reporting of these to the competent authorities. During the reporting period the limits were never exceeded.
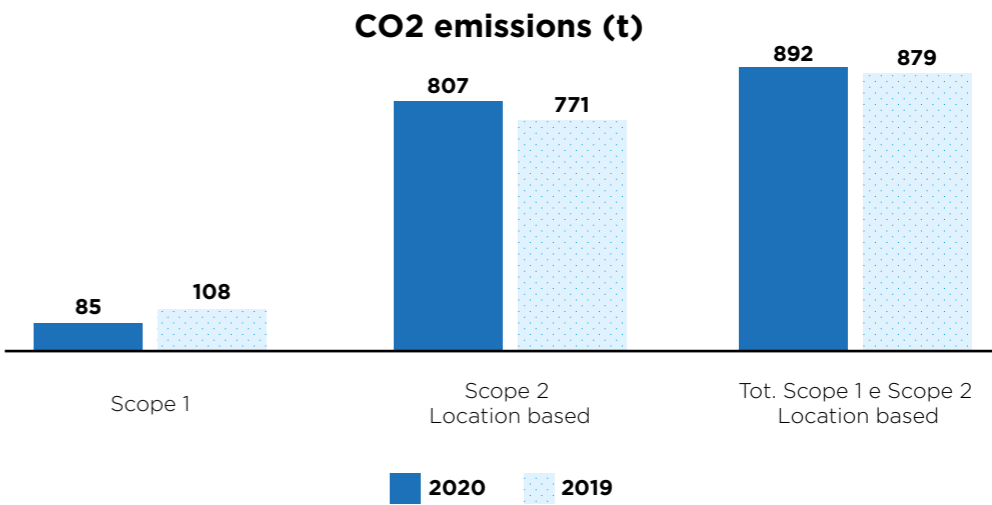

Figure 15: CO_2 *emissions (t)*

3.6| Waste[3]

The SECO Group generates only minimal amounts of hazardous waste. The main sources of waste are:

- The supply chain, with the supply of semi-finished products and components such as printed circuits, silicones, wiring and batteries.

- The production process, which produces chemicals, toners, hazardous Waste from Electrical and Electronic Equipment (WEEE), but which accounts for only a limited part of the total waste generated.

- End-of-life management of outgoing products. Where managed directly by the Group, SECO guarantees compliance with international WEEE (Waste of Electric and Electronic Equipment) guidelines. As regards finished products, however, disposal is the responsibility of the customer, who must comply with the protocol outlined in the product sheet.

The management and monitoring of waste production and its correct disposal take place in accordance with current standards and the guidelines dictated by the ISO 14001 certified Environmental Management System. These are largely related to recycling, as hazardous waste is only a small part of the volume of waste generated.

3 | Data relating to waste produced and disposed of refer to the following Group companies: Seco SpA, PSM Tech Srl, Fannal Electronics Co., Ltd, Seco USA.

In 2020 the total waste produced by the Group's plants and offices was 145 tons, of which 98% were non-hazardous, a slight increase compared to 2019 following the expansion of the Group's scope.

An important step forward in the prevention and reduction of waste generation was made with the start of activities to prepare a Full Material Declaration[4] on the supply chain. Questionnaires relating to this survey were sent to suppliers in 2020, the results of which will contribute to the definition of the supplier's rating from 2021.

During 2021 the Full Material Declaration will also be extended to SECO products, creating a detailed monitoring system aimed at optimizing the use of resources and materials.

In 2020 the Group continued to reduce the use of non-recyclable and non-reusable materials, involving both the supply chain and some of the Group's main customers. Please refer to section 3.3 for a broader explanation of these initiatives.

Waste generated by type and method of disposal[5]					
Method of disposal	Unit of measurement	2019		2020	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous
Recovery	t	0,7	110,8	1,1	75,5
Reuse	t	-	2,1	-	3,2
Composting	t	-	-	-	2,0
Energy recovery	t	-	-	-	50,0
Landfill	t	0,7	28,9	1,65	14,6
Total	**t**	**1,4**	**141,8**	**2,7**	**145,3**

Table 16: *Total waste generated by type and method of disposal*

3.7| Water consumption[6]

From the analyses performed for ISO 14001 certification, the use of water is not a material element for the management of the Group's environmental impacts. In fact, the SECO Group does not use water in its production processes except for washing the boards in the Tregozzano plant, which uses closed-cycle water, i.e. collecting it in a tank, using it for several cycles and purifying it through filtering systems. The resulting waste liquids are transferred to specialized companies for disposal as special waste.

The only activities with elevated water consumption are located upstream along the supply chain, but they do not produce significant impacts on the production chain.

The only water discharges, resulting from civil use, have adequate authorization and are

destined for public sewerage.

In 2020 the Group consumed 5.94 megaliters of fresh water (≤1.000 mg/l of total dissolved solids), all in locations located in water-stressed areas.

Source in megaliters	2020
Groundwater	1,23
Third-party water resources	4,71
Total water consumption	**5,94**

Table 17: *Water consumption by source*

3.8| Certifications, commitment to the environment and sustainability

Consistent with the strategic decision to develop an integrated management system that ensures total control of all aspects related to its business processes and that contributes to their consolidation, starting with the Parent Company SECO has undertaken a path that has led the Group to earn important certifications that are internationally recognized in the field of environmental and quality management. Specifically:

- ISO 14001 certification, a voluntary international standard applicable to any type of public or private organization specifying the requirements of an environmental management system

- ISO 9001 certification, a recognized standard for quality management

- IEC 61340 compliance, for the management and control of electrostatic charges

Materials[7]	Unit of measurement	2019	2020
Renewable materials	**t**	**-**	**276**
Wood	t	-	275
Recyclable cardboard	t	-	0,1
Recyclable plastic	t	-	0,1
Non-renewable materials	**t**	**219**	**759**
Steel	t	100	105
FR4	t	30	31
Plastic	t	25	36
Copper	t	21	22
Glass	t	30	41
Aluminum	t	13	14
Silver	t	0,22	500
Gold	t	0,01	0,01
Non-recyclable cardboard	t	-	9

Table 18: *Materials used to produce and package primary products*

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4 | The Full Material Declaration is a document certifying the composition of a product through a list of all materials and substances intentionally added to the product covered by the declaration.

5 | By virtue of an improvement in the method used to calculate the waste produced that has led to the inclusion of new disposal methods, the data for 2019 have been restated compared to those published in SECO's 2019 Sustainability Report. For previously published data, please refer to the 2019 Sustainability Report.

6 | Data relating to water consumption refer to the following Group companies: SECO SpA, PSM Tech Srl and Fannal Electronics Co., Ltd.

7 | With a view to broadening the scope of reporting, compared to 2019 the data on the materials used in 2020 include the company Fannal Electronics Co., Ltd. Therefore, the new scope includes the following Group companies: SECO SpA, PSM Tech Srl, Fannal Electronics Co., Ltd.

4| Economic impact
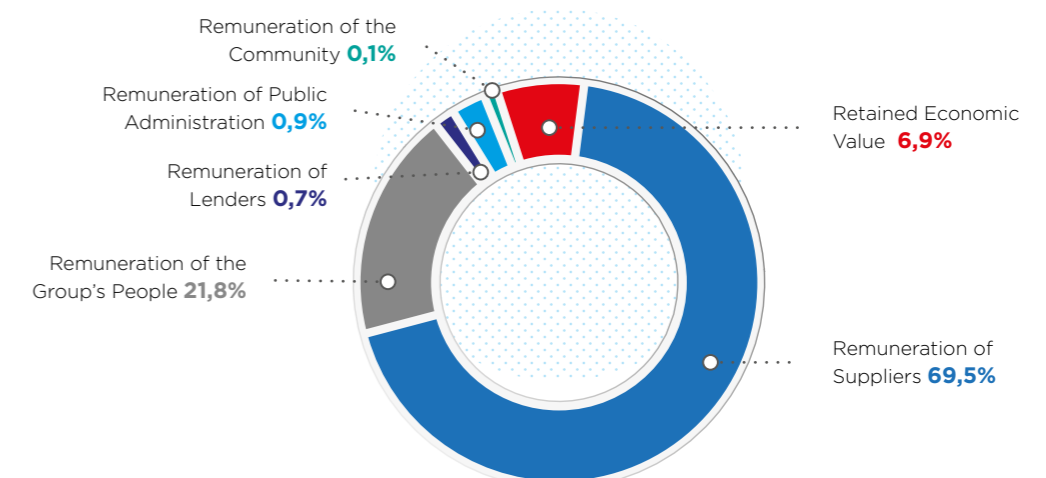
4.1| General economic landscape

The evolution of technologies such as Cloud, Big Data and Analytics, Artificial Intelligence and the Internet of Things has accelerated the digital transformation of business processes worldwide and the way companies approach the creation, delivery and use of ICT products and services.

In a landscape such as today's, where speed of execution and time-to-market are essential elements not only for competitiveness but for the survival of companies, worldwide we are seeing a strong push towards digitization.

The Covid-19 pandemic has undoubtedly contributed to greatly accelerating this trend, increasing digitization in numerous sectors and areas of everyday life that historically have been far from this world. These trends are even more impactful at an industrial level, where companies in any sector require more and more interconnection of their devices. Important stimulus and investment incentive programs in many countries around the world will further accelerate these trends, driving the market of connected devices and IoT to growth rates well above double digits, as noted by all leading industry analysts.

4.2| Added value

Remuneration of the Community **0,1%**

Remuneration of Public Administration **0,9%**

Remuneration of Lenders **0,7%**

Remuneration of the Group's People **21,8%**

Retained Economic Value **6,9%**

Remuneration of Suppliers **69,5%**

5| GRI content index

Universal Standards		
GRI Standard	**Page**	**Description**
GRI 102: General Disclosures (2016)		
Organizational profile		
102-1	9	Name of the organization
102-2	12-15; 30-31; 36-37	Activities, brands, products, and services
102-3	The registered office of the Group's parent company, SECO SpA., is located in Arezzo, Via A. Grandi, 20.	Location of headquarters
102-4	11; 22	Location of operations
102-5	22-23	Ownership and legal form
102-6	30-31	Markets served
102-7	11; 38	Scale of the organization
102-8	38	Information on employees and other workers
102-9	49-50	Supply chain
102-11	23-26	Precautionary Principle or approach
Strategy		
102-14	26-27	Statement from senior decision-maker
Ethics and integrity		
102-16	16-17; 23-24	Values, principles, standards, and norms of behavior
Governance		
102-18	23	Governance structure
Stakeholder Engagement		
102-40	18; 20-21	List of stakeholder groups
102-41	39	Collective bargaining agreements
102-42	17-19	Identifying and selecting stakeholders

102-43	18; 20-21		Approach to stakeholder engagement
102-44	17-19		Key topics and concerns raised
Reporting practice			
102-45	9		Entities included in the consolidated financial statements
102-46	9		Defining report content and topic Boundaries
102-47	19		List of material topics
102-48	41		Restatements of information
102-49	9		Changes in reporting
102-50	9		Reporting period
102-51	Marzo 2020		Date of most recent report
102-52	9		Reporting cycle
102-53	9		Contact point for questions regarding the report
102-54	9		Claims of reporting in accordance with the GRI Standards
102-55	69-73		GRI Content Index

MATERIAL ASPECTS

Economic

ECONOMIC PERFORMANCE			
GRI Standard	**Page**	**Omissions**	**Description**
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	66-67		The management approach and its components
103-3	65-67		Evaluation of the management approach
GRI 201: Economic Performance (2016)			
201-1	66-67		Direct economic value generated and distributed
PROCUREMENT PRACTICES			
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	49-50		The management approach and its components
103-3	50		Evaluation of the management approach
GRI 204: Procurement Practices (2016)			
204-1	50		Proportion of spending on local suppliers
ANTI-CORRUPTION			
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary

103-2	23-25		The management approach and its components
103-3	23-25		Evaluation of the management approach
GRI 205: Anti-corruption (2016)			
205-2	25		Communication and training about anti-corruption policies and procedures
205-3	25		Confirmed incidents of corruption and actions taken

Environmental

MATERIALS

GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	55-59; 63		The management approach and its components
103-3	63		Evaluation of the management approach
GRI 301: Materials (2016)			
301-1	63		Materials used by weight or volume
ENERGY			
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	55-59; 60		The management approach and its components
103-3	60		Evaluation of the management approach
GRI 302: Energy (2016)			
302-1	60		Energy consumption within the organization
WATER AND EFFLUENTS			
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	55-59; 62-63		The management approach and its components
103-3	62-63		Evaluation of the management approach
GRI 303: Water and Effluents (2018)			
303-1	62-63		Interactions with water as a shared resource
303-2	55-59; 62-63		Management of water discharge-related impacts
303-3	62-63		Water withdrawal
EMISSIONS			
GRI 103: Management Approach (2016)			
103-1	17-19		Explanation of the material topic and its Boundary
103-2	55-59; 60-61		The management approach and its components
103-3	60-61		Evaluation of the management approach
GRI 305: Emissions (2016)			
305-1	60-61		Direct (Scope 1) GHG emissions

305-2	60-62		Energy indirect (Scope 2) GHG emissions

EFFLUENTS AND WASTE

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	55-59; 61-62		The management approach and its components
103-3	61-62		Evaluation of the management approach

GRI 306: Effluents and Waste (2016)

306-2	61-62		Waste by type and disposal method

Social

EMPLOYMENT

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	38-45		The management approach and its components
103-3	41-43		Evaluation of the management approach

GRI 401: Employment (2016)

401-1	40-41		New employee hires and employee turnover
401-2	42-43		Benefits provided to full-time employees that are not provided to temporary or part-time employees

OCCUPATIONAL HEALTH AND SAFETY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	46-48		The management approach and its components
103-3	47		Evaluation of the management approach

GRI 403: Occupational Health and Safety (2018)

403-1	46-47		Occupational health and safety management system
403-2	46-47		Hazard identification, risk assessment, and incident investigation
403-3	46-47		Occupational health services
403-4	46-47		Worker participation, consultation, and communication on occupational health and safety
403-5	46-47		Worker training on occupational health and safety
403-6	46-47		Promotion of worker health
403-7	46-47		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-9	47		Work-related injuries

TRAINING AND EDUCATION

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary

103-2	35-36; 43-45; 48		The management approach and its components
103-3	48		Evaluation of the management approach

GRI 404: Training and Education (2016)

404-1	48		Average hours of training per year per employee

DIVERSITY AND EQUAL OPPORTUNITY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	38-40; 48		The management approach and its components
103-3	23; 39-40; 48		Evaluation of the management approach

GRI 405: Diversity and Equal Opportunity (2016)

405-1	23; 39-40		Diversity of governance bodies and employees

NON-DISCRIMINATION

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	38-40; 48		The management approach and its components
103-3	48		Evaluation of the management approach

GRI 406: Non-discrimination (2016)

406-1	48		Incidents of discrimination and corrective actions taken

SUPPLIER SOCIAL ASSESSMENT

GRI-103: Gestione della tematica (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	49; 51		The management approach and its components
103-3	49; 51		Evaluation of the management approach

GRI 414: Supplier Social Assessment (2016)

414-1	49		New suppliers that were screened using social criteria

CUSTOMER PRIVACY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	33-34		The management approach and its components
103-3	33-34		Evaluation of the management approach

GRI 418: Customer Privacy (2016)

418-1	34		Substantiated complaints concerning breaches of customer privacy and losses of customer data

PRODUCT QUALITY AND SAFETY AND CUSTOMER CENTRICITY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary

103-2	30-37		The management approach and its components
103-3	30-37		Evaluation of the management approach

LOCAL COMMUNITY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	35-36; 51-53		The management approach and its components
103-3	35-36; 51-53		Evaluation of the management approach

INNOVATION AND NEW TECHNOLOGIES

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	30; 32; 34-37		The management approach and its components
103-3	30; 35		Evaluation of the management approach

CYBERSECURITY

GRI 103: Management Approach (2016)

103-1	17-19		Explanation of the material topic and its Boundary
103-2	33-34		The management approach and its components
103-3	33-34		Evaluation of the management approach

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