# SECO

## GROUP

# SUSTAINABILITY REPORT
## 2019

# SUSTAINABILITY REPORT

as at 31 December 2019

# INDEX

## Letter to Stakeholders

Dear Stakeholders,

As we believe you already know, SECO is a solid industrial group that has long been operating successfully in the field of high-tech in the miniaturisation of computers and the Internet of Things (IoT).

In a market characterised by a profound evolution and significant growth, we have always stood out for the innovative and customised solutions we guarantee to our customers.

The progressive advent of new technologies such as cloud, artificial intelligence and 5G started a digital transformation of objects, production lines and business models: a huge opportunity for the SECO Group, which over the years has developed all the skills and knowledge required to become a driver of this change.

The desire to build a leading Italian industrial group in the IoT technology sector is the basis for the decision to accelerate the Group's dimensional growth and its internationalisation, elements that have characterised our activities in the last year.

2019 was a year packed with events for SECO: indeed, in March the new Arezzo headquarters became fully operational, about 9,000 square metres built to the highest standards of innovation and energy efficiency. The plant, which has already hosted customers and partners from all over the world, is on the verge of ISO 14001 certification.

We have accelerated investments in production processes based on the principles of lean production and make-to-stock at all locations to guarantee increasingly short delivery times to our customers.

During the course of the year, we also continued the process of group managerialisation. In order to manage the various areas of the company, we selected a team of managers, most of whom were chosen internally, who have been involved in a process of personal and professional growth, linking part of their compensation to the Group's performance.

We also considered it important to equip the company with the most advanced control systems, thereby investing in a digital transformation process, successfully completing the installation of SAP 4Hana (ERP).

From a product development point of view, during 2019 SECO continued to innovate its hardware solutions portfolio by launching over 15 new products on the market, thereby guaranteeing to customers that the Group remained at the forefront of new digital technologies. In this regard, a special mention

goes to EDGEHOG, a new generation software platform that places SECO at the cutting-edge of Industrial IoT solutions.

Regarding internationalisation, we would like to underline two important events: the acquisition of Fannal Electronics, a Chinese company that operates in the market of human-machine interaction technologies, focussing on high-quality touch screen products, and that of InHand Electronics, a US company specialising in low power embedded solutions and software for portable device manufacturers (OEM), IoT and wireless devices. Both transactions will allow SECO to strengthen its position on important foreign markets like China and the United States, areas that we consider strategic for the growth and future of the Group.

These efforts bring great satisfaction to the Group as a whole.. Pro-forma turnover grew by 34% in 2018 to 73 million Euro  with a gross operating margin of 11.5 million Euro and a 16% incidence on turnover.

Looking to the future, let's start from our past: SECO turned 40 years old in 2019! Since 1979, driven by our passion, we have pushed ourselves in search of solutions that are ahead of their time, focusing on our creativity. We have grown steadily, one step at a time, continuing to reinvest our profits in the company and strengthening all areas, particularly product research and development. More than 30% of our staff is now employed in R&D functions and consists of highly skilled engineers.

We therefore expect the future to reward our efforts by the commitment and willingness to always push ourselves beyond our limits. We can be confident: we started 2020 with an order backlog of over 30% on the previous year and, despite the short-term uncertainties characterised by the spread of Covid-19, we are convinced that 2020 will represent another year of significant growth for SECO.

Last, but not least, let's tackle a topic that we in SECO hold in high regard: Corporate Social Responsibility. In light of the continuous changes in the business context, SECO is committed to continuously assessing its environmental impact, demonstrating that each of its Stakeholders, and not just its shareholders, is central to SECO's world. We mirror our people and our territory; therefore we feel compelled to be responsible for every ESG issue.

After all, technological advances have always gone hand in hand with improvements in people's living conditions. Similarly, we are convinced that the changes brought by digital transformation will better the quality of life for each of us. Even now, a large part of our products is used in the medical field and in people's well-being, directly contributing to the benefits that technological advances have and continue to generate.

For all these reasons, we are pleased to attach SECO Group's first sustainability report, prepared on the basis of acknowledged international guidelines, the GRI standards, to 2019's financial statements. This report aims to demonstrate our aspiration to progressively achieve a strategic understanding of the impacts associated with all the Group's activities.

In the coming years, we plan to continue this growth, taking advantage of all the opportunities that will arise, with a continuous commitment to increasingly integrate sustainability into our business strategy, in order to improve our impact on all our Stakeholders.

Let's build our future today.

**Daniele Conti and Massimo Mauri**

(Chairman and CEO)

## *Methodological note*

SECO Group (hereinafter also "SECO" or "the Group") publishes its Sustainability Report (hereinafter also "The Report") for the first time, in which it illustrates the most significant activities performed with particular reference to the community, the environment and the territory in which it operates.

The 2019 Sustainability Report presents the data of SECO Group including its subsidiaries PSM S.r.l, PSM Tech S.r.l., SECO USA, Inc, SECO Asia Limited and Fannal Elettronics Co. Ltd.

The 2019 Sustainability Report highlights the projects in progress and planned during the year to promote an open and transparent dialogue with its 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 "GRI-referenced claim" option, as specified in the "GRI Content Index" of this document.

The decision to use the GRI Sustainability Reporting Standards for the preparation of this Sustainability Report is attributable to the fact that they represent an internationally recognised framework and allow us to provide a complete, clear and comparable report, as part of both a sectorial and time-based analysis. The details of the indicators adopted are shown in the "GRI Content Index" table on page 57 of this document. To ensure the correct representation of performance and the reliability of the data, the use of estimates has been restricted as much as possible and, where they have been used, have been appropriately highlighted.

The information contained in this Sustainability Report refers to the reporting period 1 January 2019 – 31 December 2019.

The frequency of reporting non-financial information and the publication of the Sustainability Report is annual.

# 1| SECO Group

Entering the new decade, the spread of digital technologies is driving a 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 will accompany us in all aspects of our everyday life.

For over 40 years, SECO has developed cutting-edge technological solutions, offering its customers microcomputers, integrated systems and solutions for the IoT. In this context, SECO represents a technological partner capable of bringing intelligence into machines, making them capable of processing data at the source (edge computing). Thanks to its innovative software solutions, SECO is also able to make the data available to its customers.

SECO is an international organisation which employs over 390 people worldwide and generates a turnover of over 70 million Euro, operating on a global scale with offices in Italy, Germany, USA, India, China and Taiwan and a wide sales and distribution network.

**Since** **1979**    **People** **~400**    **Revenue** **>€70MLN**    **Offices** **7**

**Figure 1**: *Main SECO Group figures*

## 1.1| The history of the Group: about us and what we do

The history of SECO began in Arezzo in the late '70s thanks to an idea of to two young men in their early twenties, Daniele Conti and Luciano Secciani.

Luciano and Daniele share a passion for electronics and entrepreneurial spirit since childhood.

Growing up, they immediately understood that the electronic solutions market represented a promising opportunity and that their passion for circuits could become much more than just a hobby. That's how, in April 1979, they established SECO. The first ideas revolve around the goldsmithing sector, which was booming in Arezzo at the time, and then quickly extended to applications in the gaming and transport sectors.

In 1989, just 10 years after its foundation, SECO had already become an established player in the electronics sector, and launched SECO SYSTEM 210 on the market, a personal computer which was short-listed for SMAU's "Best Design" award as the most innovative product of the year.

The expertise acquired with the PC was transferred to the industrial sector, which became SECO's core business: in that same year, SECO created the world's first euro card format industrial PC, a headless computer based on PC architecture.

In the '90s and '00s, industrial computers took on a role of increasing importance in the everyday life: these devices are used to manage the HMI information panels within airports and ATMs, the motorway toll booths, CNC machines, etc. In this context, SECO products found numerous applications in the Biomedical field (ultrasound, CT machines, dialysis), Fitness (smart gym equipment, Internet-connected and capable of recording and displaying data in real time), Industrial, Aerospace, Defence and many other sectors.

**Figure 2**: *SECO's products evolution*



**1998**

**Launch** of the first SECO personal computer on the Italian market **SECO SYSTEM 210**

**1999**

Launch of the **Touch all-in-one Ellipse PC**, short-listed as one of the most innovative products for the SMAU Industrial Design Award

**2008**

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

**2013 - 2018**

Launch of the **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 the IoT, a link between **hardware and cloud**

**Today**

**SECO today: worldwide leader** integrated systems, technology partner of a vast range of **Tier 1 customers**

SECO PCs therefore represent the intelligent machine components or, rather, their soul. Nowadays, automation is no longer surprising, but we will soon assist to a transition to 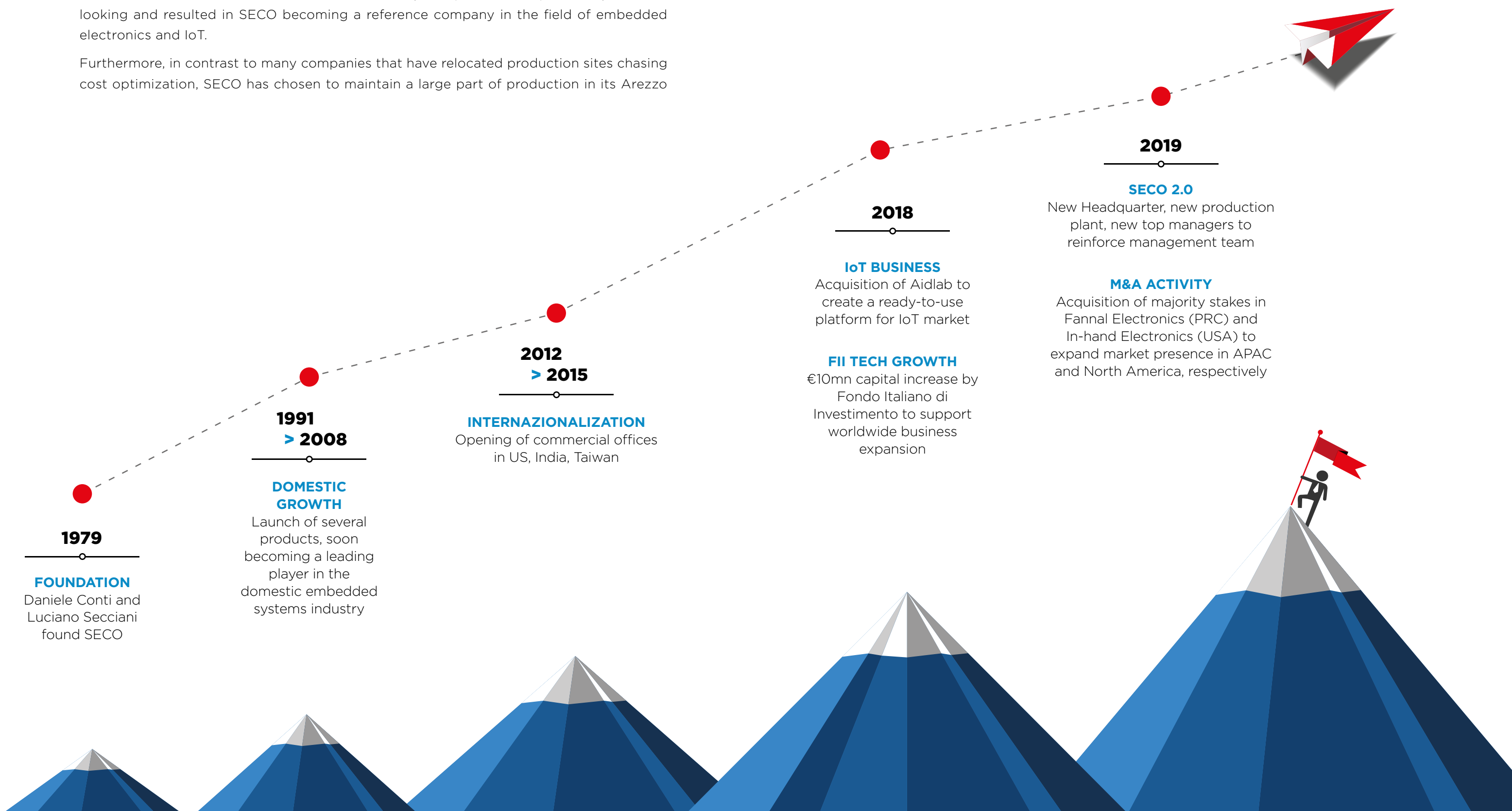intelligent automation: thanks to new frontiers such as edge computing, the Internet of Things and neural networks, it is already possible to build cyber-physical systems connected to the Internet, capable of digitalising data from the physical world and producing a reaction in it. There are countless other scenarios and contexts for application, such as Industry 4.0. SECO has been on the front line of this for several years, with various research projects including the AXIOM project, funded by the European Commission as part of the H2020 development programme with over 3 million and 900 thousand Euro.

The creative vision of industrial electronics in the early 80's proved to be profoundly forward-looking and resulted in SECO becoming a reference company in the field of embedded electronics and IoT.

Furthermore, in contrast to many companies that have relocated production sites chasing cost optimization, SECO has chosen to maintain a large part of production in its Arezzo plants. In particular, SECO has strengthened its skills in the field of system integration and IoT by making research and innovation core values: this decision has proven to be successful as it has allowed SECO to maintain a tight control on the final product, thereby ensuring reliability to its customers, an effective resolution of critical issues and above-standard quality levels.

**Figure 3**: *The history of SECO*



**1979**

**FOUNDATION**
Daniele Conti and
Luciano Secciani
found SECO

**1991**
**> 2008**

**DOMESTIC
GROWTH**
Launch of several
products, soon
becoming a leading
player in the
domestic embedded
systems industry

**2012**
**> 2015**

**INTERNAZIONALIZATION**
Opening of commercial offices
in US, India, Taiwan

**2018**

**IoT BUSINESS**
Acquisition of Aidlab to
create a ready-to-use
platform for IoT market

**FII TECH GROWTH**
€10mn capital increase by
Fondo Italiano di
Investimento to support
worldwide business
expansion

**2019**

**SECO 2.0**
New Headquarter, new production
plant, new top managers to
reinforce management team

**M&A ACTIVITY**
Acquisition of majority stakes in
Fannal Electronics (PRC) and
In-hand Electronics (USA) to
expand market presence in APAC
and North America, respectively

## 1.2| SECO values, identity and mission

SECO bases its work on passion and innovation. On the commitment and development of skills. On the value of every individual, recognising diversity as a resource and making respect, open-mindedness and participation the Group's cornerstones.

We believe that reliability and trust are the basis of all personal and professional relationships. That is why we give the utmost importance to the punctuality of deliveries, the quality of our products and our customer service. We are committed to ensuring that our staff carry their roles with positivity and passion, giving their best, always. In SECO, challanges and obstacles are overcome with positivity, perseverance, balance and courage.

What drives SECO is the curiosity about the future, the thirst for exploration, the desire to offer the best to its customers. For more than 40 years we have been working hard to invent the future.

### 1.2.1| The principles of SECO Group

**Figure 4**: *The principles of SECO group*

- **Respect for colleagues i**
  We aspire to be outstanding towards the people we work with in the same way as we are with customers, respecting their diversity and enhancing their uniqueness.

- **Professionalism**
  We are committed to sharing the knowledge of SECO's standards of excellence.

- **Communication**
  We always express ourselves calmly, never trying to get the better of counterpart.

- **Smile**
  We express the passion, joy and motivation that distinguish us every day.

- **Respect for the environment**
  We are committed to respecting the environment, even through small daily gestures.

- **Being an example for others**
  We are aware that any teaching is vain, unless it is led by example.

- **Team**
  We always express ourselves using "we" instead of "I", we achieve success thanks to the people standing next to us every day.

- **Excellence exceeding standards**
  We try to anticipate the needs of our customers and to always exceed their expectations!

### 1.2.2| The Group's Vision and Mission

The spread of digital technologies is defining a new scenario: the era of interconnected devices, artificial intelligence and augmented reality. The increasing number of smart devices, capable of processing data at the source (edge computing), connected to each other and the cloud, is opening the doors to new business models, creating enormous opportunities for development and improving the quality of life and safety of people.

In this context, using cutting-edge digital technologies, SECO aims to create solutions that increase the value created for its customers, with IoT-ready objects increasingly interconnected with each other and capable of transferring high-value information for the customer thanks to the use of artificial intelligence and cloud services.

Therefore, our mission is to be an avant-garde technological company, capable of conceiving and manufacturing innovative products and solutions, featuring high levels of integration, capable of providing competitive advantages to our customers by increasing the added value of the products and reducing their time-to-market.

## 1.3| The Group's stakeholders and relevant issues

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

To achieve these goals, SECO has always considered it necessary to involve the Group's main Stakeholders, adopting a Stakeholder management model consisting of four phases (Stakeholder identification, Involvement, Expectation analysis, Social value creation).
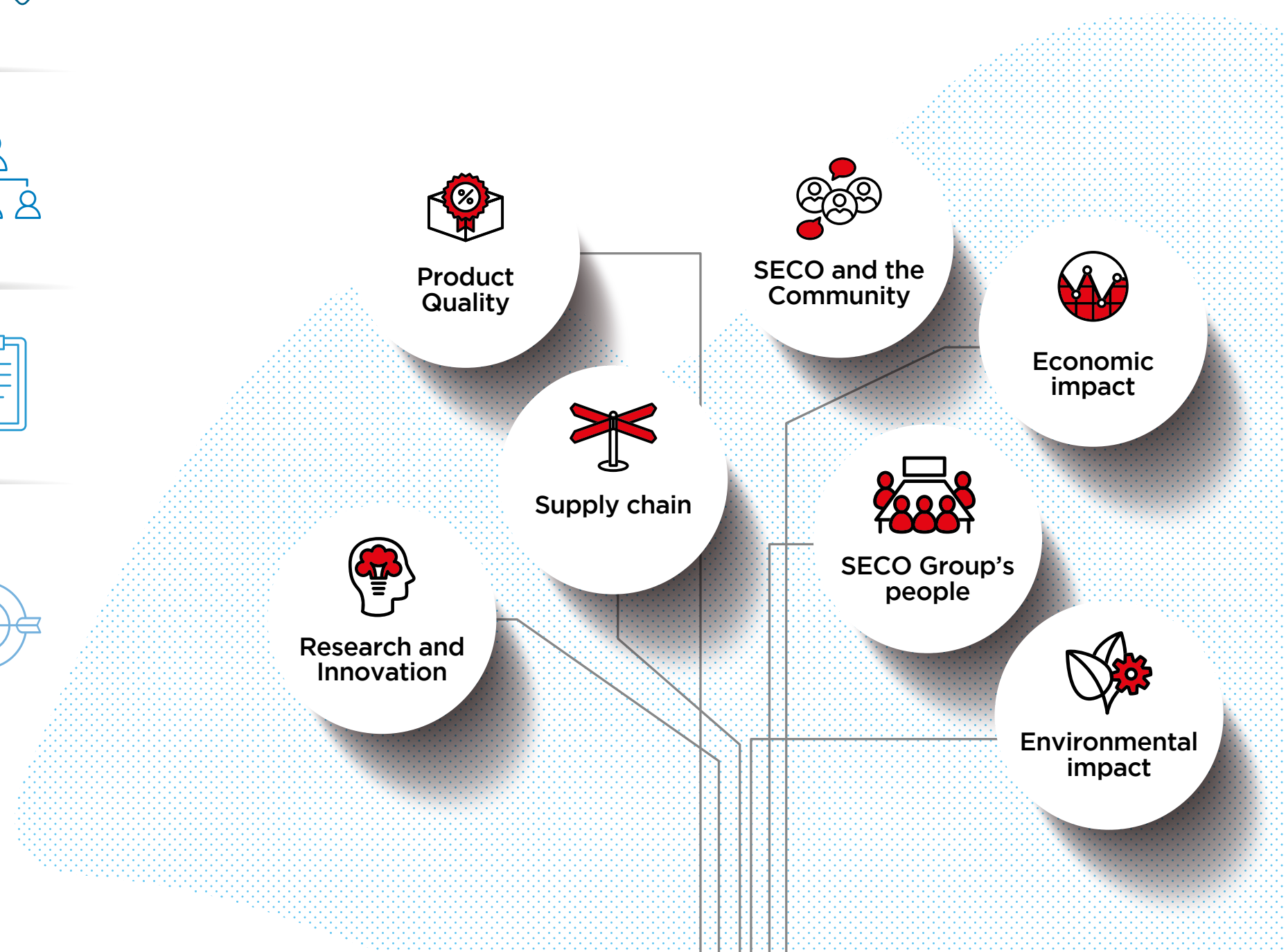
**Figure 5**: *Stakeholders management model*

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

### 2 Involvement
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 Expectation analysis
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.

Moreover, in 2019 SECO launched a structured process to identify the relevant issues for the Group and its Stakeholders. Relevant issues are those that reflect significant economic, environmental and social impacts for the Group or that can influence the assessments and/or decisions of the Stakeholders. In order to identify such issues, the Group first carried out a benchmark analysis to identify its Stakeholders. The involvement of Stakeholders is of extreme importance as it allows us to understand Stakeholders' expectations and translate them into objectives to be pursued. Establishing a positive relationship with Stakeholders helps to build consensus, increase trust, improve decision-making processes and reduce conflicts.

6 categories of Stakeholders were identified: Shareholders, Customers, People, Suppliers, Media and the Local Community. Following the benchmark analysis to define the Stakeholders, we identified the relevant issues for the Group. A study of the main sector guidelines was carried out using benchmark analysis involving the main peers and leading to the results reported below.
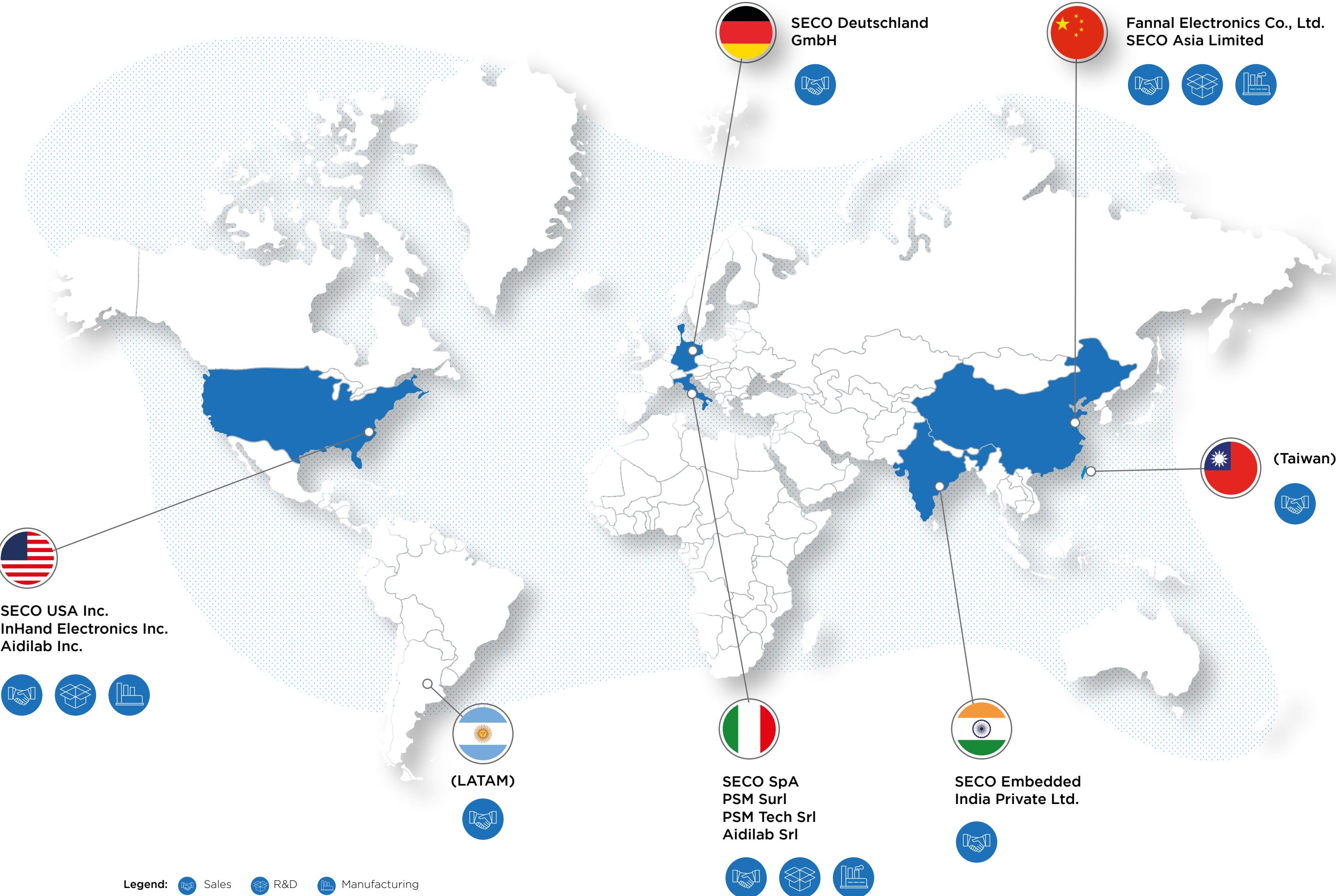
**Figure 6**: *The relevant issues*



Product Quality

SECO and the Community

Economic impact

Supply chain

SECO Group's people

Research and Innovation

Environmental impact

# SECO Stakeholders' map

## Shareholders

SECO's shareholders support the Group and define its strategy and key decisions, continuously striving to improve the Group's results in economic, environmental and social terms.

## Media

SECO directly manages its relationships with the Media through PR and communication initiatives with local, national and international PR and press agencies.

## Local Community

SECO actively participates in promoting its development by hiring local people, sponsoring activities and initiatives at a local level and increasing knowledge of the area among its Customers and the media.

## Customers

SECO pays the utmost attention to the satisfaction of its Customers, promoting a relationship based on continuous transparency and dialogue. SECO is committed to using its R&D capabilities in order to satisfy all Customer requirements in terms of hardware, software and product compatibility, lead time and time-to-market. Customer feedback is collected during daily activities, as well as through structured methods such as questionnaires and calls with third party consultants. The factors deemed most important by Customers in their business relationships with SECO are the reduction of lead time and time-to-market, the effectiveness of solutions and the service levels provided.

In the past 5 years, the retention rate of the top 20 Customers by turnover has been above 95%. In addition, 2018's top 20 Customers year increased their orders by about 10% the following year.

## People

The expectations and satisfaction levels of our People are monitored annually, using specific questionnaires, and during an annual performance evaluation meeting. Opportunities for professional growth and the development of skills are given, including continuous training activities, which enhance individual skills and creativity to the benefit of teamwork. Starting from 2020, Quality ambassadors, identified by each manager from among their collaborators, will work closely with the top management to improve certain business processes, helping to spread a culture based on quality in each department.

## Suppliers

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

# SECO in the world



SECO Deutschland
GmbH

Fannal Electronics Co., Ltd.
SECO Asia Limited

(Taiwan)

SECO USA Inc.
InHand Electronics Inc.
Aidilab Inc.

(LATAM)

SECO SpA
PSM Surl
PSM Tech Srl
Aidilab Srl
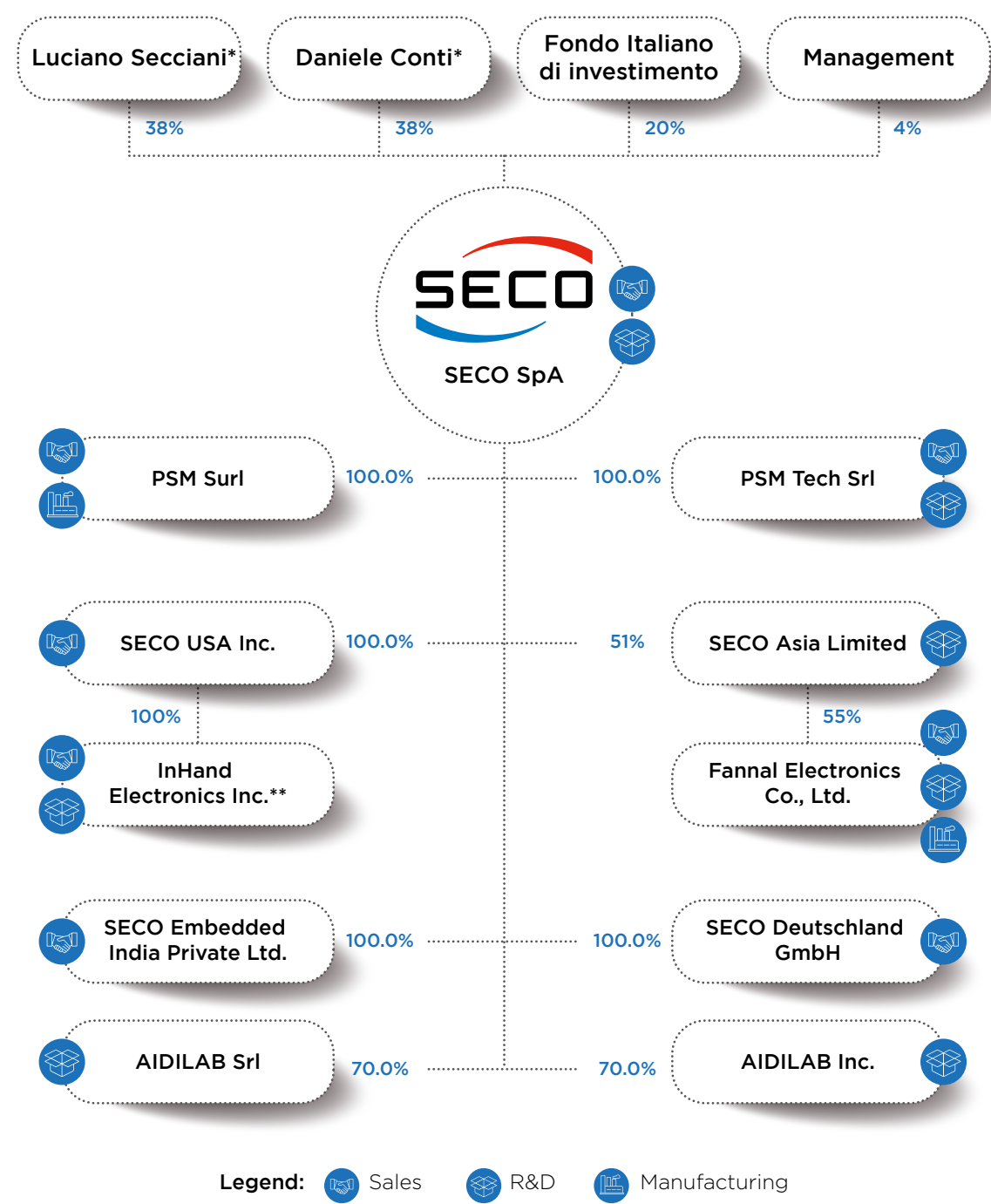
SECO Embedded
India Private Ltd.

Legend: Sales    R&D    Manufacturing

## 1.4| Corporate governance

The Group's offices are located in six different countries in Europe, America and Asia. The Group's legal structure consists of 11 entities, including the parent company SECO SpA and 10 subsidiaries, and is organised as follows:



**Legend:** Sales    R&D    Manufacturing

\* Both directly and through HCS Srl
\*\* Signing completed in October 2019, closing on 25th February, 2020

**Figure 8**: *SECO Group structure*

The ownership structure includes the two founders holding a majority stake, with a significant share belonging to the Italian Investment Fund and a percentage equal to 4% to the Group's management.

**Board of Directors and Board of Statutory Auditors**

SECO Group adopts a traditional Corporate Governance model: it is governed by a Board of Directors (BoD) with a chairman of the Board of Directors, in the person of the Chairman Daniele Conti, who is the legal representative of SECO, the CEO Massimo Mauri, and the directors. The parent company has a Board of Statutory Auditors, consisting of a chairman and auditors as shown below.

The Board of Statutory Auditors is the internal body responsible for monitoring the application of all the principles relating to corporate governance and ensuring the compliance with regulations and the law. It also ensures compliance with the principles of the Articles of Association and the principles of proper administration, with specific reference to the functioning of the organisational, 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, *Statutory Auditor* |
| Massimo Mauri, *CEO* | Marco Baldi, *Statutory Auditor* |
| Claudio Catania, *Director* | Emilio Gianfelice, *Alternate Auditor* |
| Luciano Lomarini, *Director* | Fabio Rossi, *Alternate Auditor* |

**Table 1**: *BoD and Board of Statutory Auditors*

40% of the members of the Board of Directors are in the 30-50-year age group, while the remaining 60% are over 50 years of age.

**Organisational model**

With a view to increasing process transparency, and in line with the best practices of large companies, in December 2018 SECO adopted an organisational and management model pursuant to the Italian Legislative Decree 231/2001. The organisational model aims at preventing significant offences pursuant to the decree and, consequently, the Company's administrative liability. Model 231/2001, which was most recently updated in December 2018, provides SECO with a set of general principles, rules of conduct, monitoring tools, organisational procedures, information/training activities, a disciplinary system and, lastly, a Code of Ethics.

The Model has been modified in line with the new offences included by the legislator in the catalogue of the administrative liability of bodies pursuant to Italian Legislative Decree 231/2001, with the organisational changes, the procedural updates and changes in legislation. The Model now consists of 12 sections, a general introductory chapter and 11 special sections which describe the offences, recipients, general principles of conduct in the areas of activity at risk, as well as the sensitive activities, control protocols and, lastly, the responsibilities of the Supervisory Board. The body that supervises the correct functioning of the model is the Supervisory Board, consisting of three components.

**Supervisory Board**

SECO S.p.A. has also established a Supervisory Board according to the provisions of Italian Legislative Decree 231/2001. The activities of the Supervisory Board are organised to ensure the maintenance of high standards in terms of autonomy and independence, professionalism and continuity of action. Concerning the Organisational Model issued by SECO, the body is tasked with continuously monitoring:

• its compliance by all recipients;

• the actual effectiveness in preventing the commission of offences;

• the implementation of the provisions contained therein;

• its updating, in the event of a need to adapt the Model due to changes that have occurred to the structure and company organisation or to the reference regulatory framework

The body is obliged to promptly report any violation, infringement and non-compliant conduct to the Board of Directors, the Board of Statutory Auditors and the Control and Risks Committee, so that they may take the measures envisaged by their respective responsibilities, and to propose revisions, modifications or necessary additions and to prevent the aforementioned conduct.

| SECO SPA Supervisory Board | |
|---|---|
| Name | Position |
| Avv. Anna Doro | Chairman - External member |
| Avv. Eleonora Necci | External member |
| Paolo Cottini | Internal member |

**Table 2**: *Supervisory Board*

The external members are professionals with a multi-year experience in legal compliance systems, in particular through their participation in the SBs of major Italian industrial companies. The internal member is the head of SECO Group's quality system (CQO), as well as a senior manager of the internal organisational system.

**Whistleblowing procedure**

SECO Group recognises the importance of having a procedure to manage the reporting of unlawful conduct by employees and other parties involved, defining appropriate communication channels for the reception, analysis and processing of said reports. With this in mind, SECO has adopted a procedure for reporting violations (so-called whistleblowing) to encourage employees to anonymously report any irregularity, even when the rules or regulations do not require them to do so.

The procedure regulates:

• the subjects involved

• the object, the communication channels and the content of the report

• the recipients of the report

• the duties of those receiving the report

• the protection of the reporting party

• the sanctioning framework

In this way, SECO is committed to guaranteeing a working environment in which employees and collaborators can confidently report unlawful conduct taking place in SECO Group companies.

## 1.5| The fight against corruption

SECO promotes the adoption of internal regulations and checks aimed at minimising the risk of corruption.

In compliance with the anti-corruption legislation and regulations in force, all members of the Board of Directors, executives and employees of SECO are required to report, at the beginning and during the course of the relationship, any family or similar (including spouse and partner) relationships existing with executives and/or employees in Public Administrations. SECO promotes the adoption of specific measures aimed at contrasting and preventing the performance of work activities, in any form, by former employees or collaborators in Public Administrations who, in the last three years of service and before the termination of their relationships with the same, have held positions of authoritative or negotiating responsibility involving SECO (so-called "Pantouflage"). The recipients of this protocol are also required to report any corruption practice or conduct that they become aware of during the exercise of their responsibilities, or of which they otherwise know, to the Supervisory Board and to the Board of Directors.

With a view to fully informing its staff on the prevention of corruption and other crimes, in 2019 the Group delivered a total of 151 hours of training to its employees relating to Italian Legislative Decree 231 of 2001.

| Type of training | Duration | Personnel involved | Total hours |
|---|---|---|---|
| In-depth (management) | 1,5h | 23 | 34,5 |
| Standard (others) | 0,5h | 233 | 116,5 |

**Table 3**: *Hours of training relating to Italian Legislative Decree 231 of 2001*

The organization's anti-corruption policies and the procedures in place are communicated to all employees and members of the BoD. In 2019, through special seminars, all employees and members of the Board of Directors received anti-corruption training.

There were no verified cases of corruption within the Group's ecosystem in 2019.

## 1.6| Internal control and risk management system

SECO Group is committed to operating with a certified Quality Management System, based on a risk-based thinking approach.

SECO Group is committed to maintaining the Quality Management System certified in accordance with the latest UNI EN ISO 9001 standard in force, and to activate specific checking and review phases of the System to ensure that it is always suited to its purpose, effective and continuously improving.

# 2| Social impact
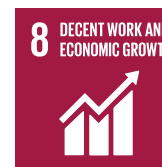


In 2015, the United Nations General Assembly signed the new 2030 Agenda for the Sustainable Development, an action programme aimed at eradicating extreme poverty, reducing inequality and protecting the environment. The 2030 Agenda identifies 17 Sustainable Development Goals (SDGs), also acknowledging the role of the private sector in achieving them. In particular, goals number 8 (Industrial development and employment) and number 9 (Innovation) are the those to which SECO contributes in a particularly significant way through its activities, characterised by continuous growth and a strong effort on the research and development of latest-generation technological solutions.

In the technological field, the changes that will occur in the coming years will be able to redefine many paradigms of personal and working life. The number of connected devices, also thanks to the potential of the 5G network, will increase significantly 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 the most diverse areas of application. Human-machine interaction will be significantly advanced by new HMI systems. The industry will undoubtedly benefit from these technologies, increasing the innovative drive of the so-called Industry 4.0: using increasingly sophisticated machine learning techniques, there exists a huge potential to increase the efficiency of industrial processes. The generation and acquisition of large amounts of data (Big data) is the basis of neural networks for the development of artificial intelligence (AI).

SECO aims to be a major player in this development phase and has a full set of solutions available for all the aforementioned areas. Indeed, what characterises SECO is its strong vocation towards innovating and deploying significant resources in the development of cutting-edge technologies to remain at the forefront of the Internet of Things (IoT).

For these reasons, during 2019 SECO allocated over 15% of its turnover to research and development activities. In addition, the R&D department employs over 30% of the Group's staff and is largely comprised 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 R&D staff are able to develop conceptual and engineering solutions capable of meeting any customer requirement in terms of architecture, size and compatibility with other hardware and software devices.

SECO's ability to innovate is recognised worldwide by the major technological players and commercial partners. SECO's attention in selecting the best technologies is also reflected in the M&A activity: the companies acquired in 2018 and 2019 (Aidilab, Fannal Electronics and InHand Electronics) are all characterised by a high degree of technological complementarity with respect to the skills already present within SECO.

## 2.1| Product quality, research and innovation

### 2.1.1| Reference markets

Embedded devices have a wide variety of uses (measurement, calculation, human-machine interface) and can be used for a multitude of vertical applications and markets, such as: Industrial, Medical, Wellness, Vending Machines, Infotainment, Aerospace, Defence and Transportation.
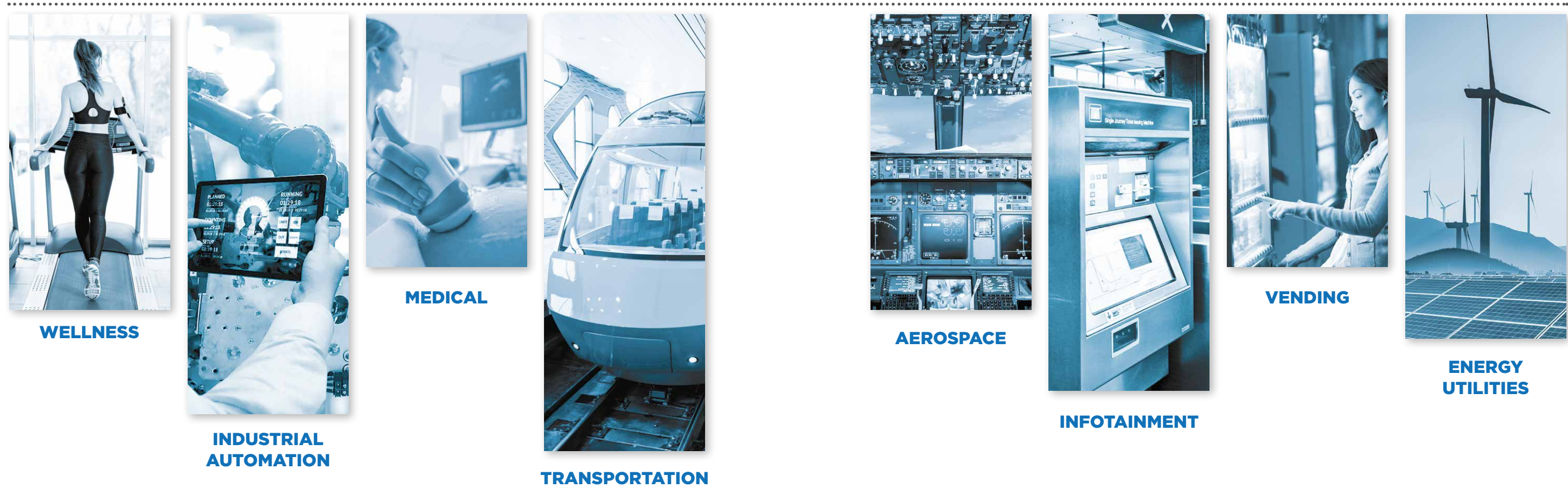
In recent years, the growing spread of the IoT requires that these devices guarantee a continuously increasing ability for calculations and data management with increasingly brief response times. Connected to the Internet, these objects communicate with other intelligent devices, thereby allowing greater automation of daily activities.

In terms of pervasive computing, i.e. ubiquitous computing, any object used in our everyday life, from wearable and portable devices to building automation controls or transportation vehicles, can become "intelligent", i.e. be connected to and communicate with other devices.

Data from the real world can be processed at the source (edge computing) and transmitted to the cloud, making it available to users to develop new solutions and business models, both for B2B and B2C, capable of continuously improving people's lives.

Figure 10: *Main end markets of SECO products*

# Reference Markets



**WELLNESS**

**INDUSTRIAL AUTOMATION**

**MEDICAL**

**TRANSPORTATION**

**AEROSPACE**

**INFOTAINMENT**

**VENDING**

**ENERGY UTILITIES**

## 2.1.2| Product quality and design

SECO designs and manufactures embedded systems ranging from a single microcomputer to customised and "ready to use" integrated systems, featuring ARM and x86-based architectures.

Through continuous investment in Research & Development, over the years SECO has acquired highly specialised know-how, capable of timely and efficiently managing all phases of the project:

- Ideation of the concept
- Design and engineering of hardware, software and mechanical
- Mass production and testing activities
- System integration and offering of customer-oriented services, including those in the IoT sector, able to guarantee a full customisation of the product (custom BIOS, surface treatments, simulation and measurement activities, specific certifications, etc.)

**Our industrial strategy: a Digital-Lean synergy**

Where the Lean approach stimulates a transition towards the excellence of processes and products, digital tools amplify and speed up its effect: that is why SECO bases its production strategy on a lean manufacturing approach and is continuously oriented towards the automation of its industrial processes, to improve efficiency and develop solutions capable of accelerating the digital transformation of its customers. Furthermore, SECO has chosen to maintain an in-house production to keep the manufacturing process under full control, so that it can be continuously improved and honed.

The Group makes sizeable and continuous investments in equipment and in technologies for the continuous improvement of processes, guaranteeing a cutting-edge, reliable and high-quality product to its customers: among others, SECO has set up a laboratory equipped with an anechoic chamber, in-line X-ray automatic optical inspection (AOI) systems, flying probe and jtag to guarantee a close control over each production lot.

SECO also adopts a Total Quality approach in its processes, to ensure the efficient traceability of raw materials and finished products, the management of obsolescence and technical hardware and software support.
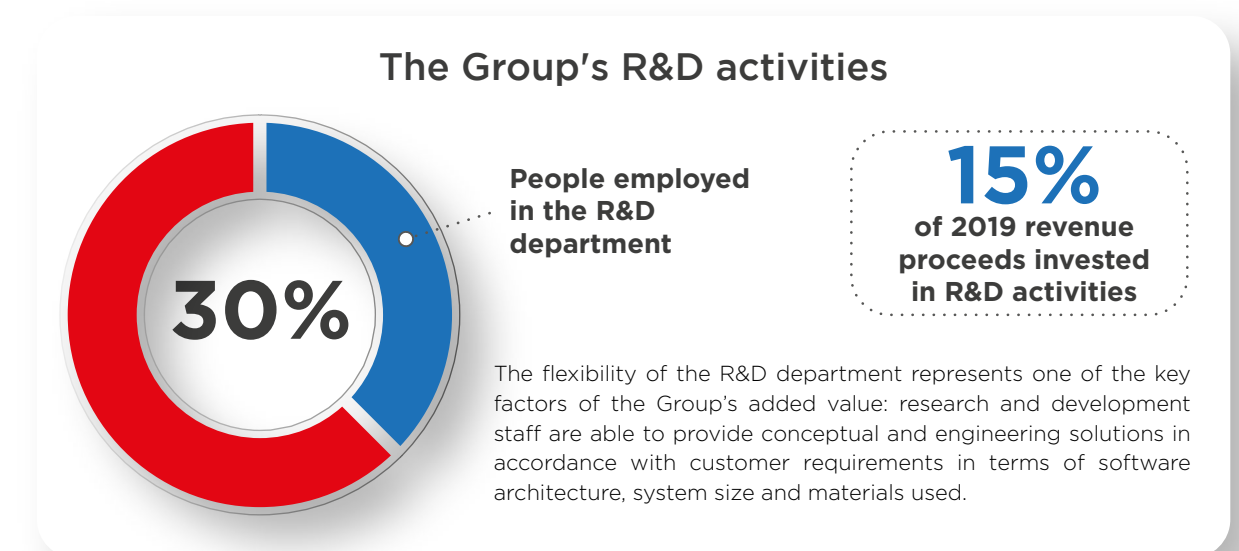
System Integration represents an additional element of added value, through the engineering of the entire system based on the specific requirements of the Customer: the embedded component is integrated with a touch display and other mechanical components to create a plug-and-play system that can be immediately integrated into the customer's product.

SECO also guarantees specific technical support to its customers, not only during the product construction phase, but also through an efficient after-sales service, thereby becoming a reliable reference technological partner.

## 2.1.3| Product specialty and innovation

In 2019, SECO invested more than 15% of its turnover in research and development. In the world of embedded solutions, where products very often have to meet strict manufacturing standards, SECO has chosen to differentiate itself by offering its customers solutions that, while remaining within the scope of standard framework requirements - with relative benefits for the customer such as the reliability of known and consolidated technologies and cost containment -, are able to seaminglessly integrate with their final products and therefore evolve on the basis of the development.

When the Customer requires it, SECO develops end-to-end "tailor-made" solutions capable of ensuring cost optimisation and reducing time-to-market. In this case, SECO manages every aspect related to building the system and accompanying the customer through every phase of the project.



### The Group's R&D activities

**30%**

People employed in the R&D department

**15%** of 2019 revenue proceeds invested in R&D activities

The flexibility of the R&D department represents one of the key factors of the Group's added value: research and development staff are able to provide conceptual and engineering solutions in accordance with customer requirements in terms of software architecture, system size and materials used.

**SECO and the academic world; SECO LAB**

SECO has always believed in the potential of the younger generations and in the synergies between the academic and business worlds. Driven by the desire for innovation and continuous improvement, SECO works with universities everyday: SECO believes in the value of research by investing in the youth and thinks that academics and the development of skills are the keywords for constant growth and improvement.



UDOO is the first product conceived in SECO LAB and dedicated to the Makers, the "digital craftsmen"

To maintain and implement these skills, SECO has developed a dense network of collaborations with universities and research centres, including: University of Siena, University of Pisa,

University of Rome La Sapienza, University of Singapore, Milan Polytechnic, University of San Diego, INFN, ESIE in Paris, Turin Polytechnic, CERN and Carnegie Mellon.

In 2019, SECO completed the acquisition of Aidilab, a team of researchers with significant IoT and edge computing skills. Thanks to Aidilab's contribution, it has been possible to develop Edgehog, the integrated hardware-software solution that will enable the use of SECO products in markets yet to be explored, making them central to Customers' IoT projects.

2020 will see the launch of SECO LAB project, a structured project to assess innovative ideas with a corporate venture capital approach: in this way, the Group aims to support start-ups and research centres with high potential, working side-by-side to develop business models that will form the basis of tomorrow's growth.



**Figure 11**: *Some of the partnerships launched by SECO Group*

## 2.2| SECO Group people

### 2.2.1| Company personnel

In addition to being an Italian excellence, SECO Group is also a close-knit, united and motivated workforce that has always pursued the quality of professional and personal life and that respects corporate values and believes in the results of teamwork.

The great results achieved by SECO are inextricably linked to its people. They are the result of the specialisation, skills and passion that distinguish everyone who works for SECO.

SECO Group has a total of 381 employees as at 31 December 2019, of which approximately 36% are women. The company also employs temporary workers, which amount to 14 as at 31 December 2019.

71% of SECO employees have a "Permanent Employment" contract, while 29% are hired on a "Fixed-Term" basis. (this figure must also be interpreted in relation to the legislative provisions of the USA and China).

| Diversity of employees by type of contract (Permanent Employment and fixed-term) and gender as at 31 December 2019 | | | |
|---|---|---|---|
| | **Men** | **Women** | **Total** |
| Permanent Employment | 206 | 64 | 270 |
| Fixed-term | 44 | 63 | 107 |
| At will | 3 | 1 | 4 |
| **Total** | **253** | **128** | **381** |

**Table 4**: *Employees by contract type*

| Diversity of employees by age group as at 31 December 2019 | | | |
|---|---|---|---|
| | **Men** | **Women** | **Total** |
| > 30 | 87 | 49 | 136 |
| 30 - 50 | 154 | 75 | 220 |
| > 50 | 35 | 11 | 39 |
| **Total** | **276** | **135** | **395** |

**Tabella 5**: *Employees by age group*

| Temporary workers as at 31 December 2019 | | | |
|---|---|---|---|
| | **Men** | **Women** | **Total** |
| Total | 9 | 5 | 14 |

**Table 6**: *Temporary workers by gender*

| Diversity of employees by type of contract (full-time e part-time) and gender as at 31 December 2019 | | | |
|---|---|---|---|
| | **Men** | **Women** | **Total** |
| Full-time | 260 | 125 | 385 |
| Part-time | 2 | 8 | 10 |
| **Total** | **262** | **133** | **395** |

**Table 7**: *Workforce by part-time and full-time, by gender as at 31 December 2019*

SECO's code of ethics is supplied to all new hires and thereby becomes a tool for sharing the values on which the Group lives.

All SECO people are hired according to the conditions envisaged by the CCNL (National Labour Collective Agreement) for the mechanical sector. All professional roles are grouped into macro-categories characterised by the same level of grade as per the CCNL, without applying any type of salary distinctions or discriminations. The turnover rate in 2019 was 44%, largely linked to the high turnover rates in the Chinese labour market. SECO's continuous commitment to reducing the turnover rate is reflected in the promotion of numerous activities related to the professional development of its people, the strengthening of the sense of belonging, the sharing of SECO values and the improvement of life at the workplace.

Among these initiatives, SECO provides its employees with an IT portal, managed by AON, through which people can use the amounts made available by the company (200 Euros envisaged by the National Labour Collective Agreement starting from June 2019) on a wide range of goods and services of their choice, both in favour of employees and their family members.

The services offered include, among others, health care, reimbursement of children's education expenses (enrollments and fees for kindergartens, schools, purchase of school books, etc.) and family members assistance, public transport passes, supplementary pension funds, food vouchers, e-commerce, and fuel vouchers, leisure-time services (admissions to cinemas, theatres, season tickets, etc.), sports (gyms, sporting events, etc.) and travel (travel packages, holidays, hotels, etc.).

| Total number of employees as at 31 December 2019 | | | |
|---|---|---|---|
| | **Men** | **Women** | **Total** |
| ITALY | 224 | 72 | 296 |
| *Executives* | *3* | *-* | *3* |
| *Clerical workers* | *105* | *37* | *142* |
| *Manual workers* | *116* | *35* | *151* |
| REST OF THE WORLD | 38 | 61 | 99 |
| *Executives* | *3* | *1* | *4* |
| *Clerical workers* | *26* | *28* | *54* |
| *Manual workers* | *9* | *32* | *41* |
| **Total** | **262** | **133** | **395** |
| Executives | 6 | 1 | 7 |
| Clerical workers | 131 | 65 | 196 |
| Manual workers | 125 | 67 | 192 |

**Table 7**: *Total number of employees (headcount) by position, geographical area and gender*

The hiring rate in 2019 was equal to 30%; most new hires were in the under 30 age group (66 employees). The average age of the people employed by the Group is just over 35 years, while the average length of service is around 5 years.

In addition, SECO's attention towards the new generations translated into internship and apprenticeship programmes with the ultimate aim of hiring (7 trainees hired in 2019).

| New hires (1 January to 31 December 2019) | | | | |
|---|---|---|---|---|
| Number of people | Up to 30 years of age | 30-50 years of age | >50 years of age | Total |
| Men | 36 | 17 | 4 | 57 |
| Women | 30 | 22 | 1 | 53 |
| **Total** | **66** | **39** | **5** | **110** |

| Leavers (1 January to 31 December 2019) | | | | |
|---|---|---|---|---|
| Number of people | Up to 30 years of age | 30-50 years of age | >50 years of age | Total |
| Men | 14 | 8 | - | 22 |
| Women | 18 | 9 | 1 | 28 |
| **Total** | **32** | **17** | **1** | **50** |

**Table 8**: *Employees hired and leavers by gender and age group*

In line with corporate values, SECO recognises the importance of investing in the professional growth of its employees. In particular, whenever a position opens within the Group or Corporate offices, SECO assesses its internal resources to identify those who could potentially fill the new position, before activating an external selection for the new profiles.

## 2.2.2| Health and safety

The well-being of employees is at the centre of SECO's attention. It is the Group's highest priority to provide its employees with an environment that is not only healthy and safe, but also stimulating and fully comfortable. This also includes the development of the new Arezzo site, built according to the latest health and safety standards, with a close attention to ergonomics for the well-being of our employees.

Compliance to the highest workplace safety standards cannot be separated from a proper and effective employee training. SECO regularly engages in the training and awareness of employees on health and safety issues, keeping them updated on the general and specific risks associated with their tasks, the safety procedures that need to be adopted and the prevention systems implemented. All new hires are appropriately trained on the subject and then regularly updated, sometimes with an even greater frequency than required by law (e.g. for emergency team workers).

A prevention and protection service for Safety and Hygiene in the workplace was set up and its officers are the employer, the executives, the Head of the Prevention and Protection Service (RSPP), the workers' safety representatives (RLS), the supervisors, the fire and first aid teams and the occupational health physician. The service also manages health surveillance activities, i.e. periodic and specific medical examinations related to the job and type of risk.

In 2019 there was 1 case of a workplace injury among the Group's employees.,

| Number of injuries and injury rates (1 January - 31 December 2019) | |
|---|---|
| **Total number of injuries** | **1** |
| Of which with serious consequences | 0 |
| Of which with a fatality | 0 |

| Injury frequency rate [1] | 1,6 |
|---|---|
| Of which with serious consequences | 0 |
| Of which with a fatality | 0 |
| **Number of hours worked** | **617.848** |

**Table 9**: *Number of injuries and accident rates*

## 2.2.3| Diversity and equal opportunities

SECO respects the dignity of every individual and guarantees equal opportunities in all phases and for every aspect of the employment relationship (selection, hiring, training, salary, promotions, transfers and termination), avoiding any form of discrimination that may derive from differences in gender, age, health status, nationality, political, sexual orientation or religious views.

Currently, the female component is equal to 34% of the entire corporate population. In 2019, 12% of the executive population consisted of women.

## 2.3| Relations with the Community and the Suppliers

## 2.3.1| Supply chain

SECO's decision to maintain most of its production in Italy is reflected by the supply chain: in fact, around a third of procurement comes from suppliers located in Italy. 17% of these purchases are made from suppliers located in Tuscany.
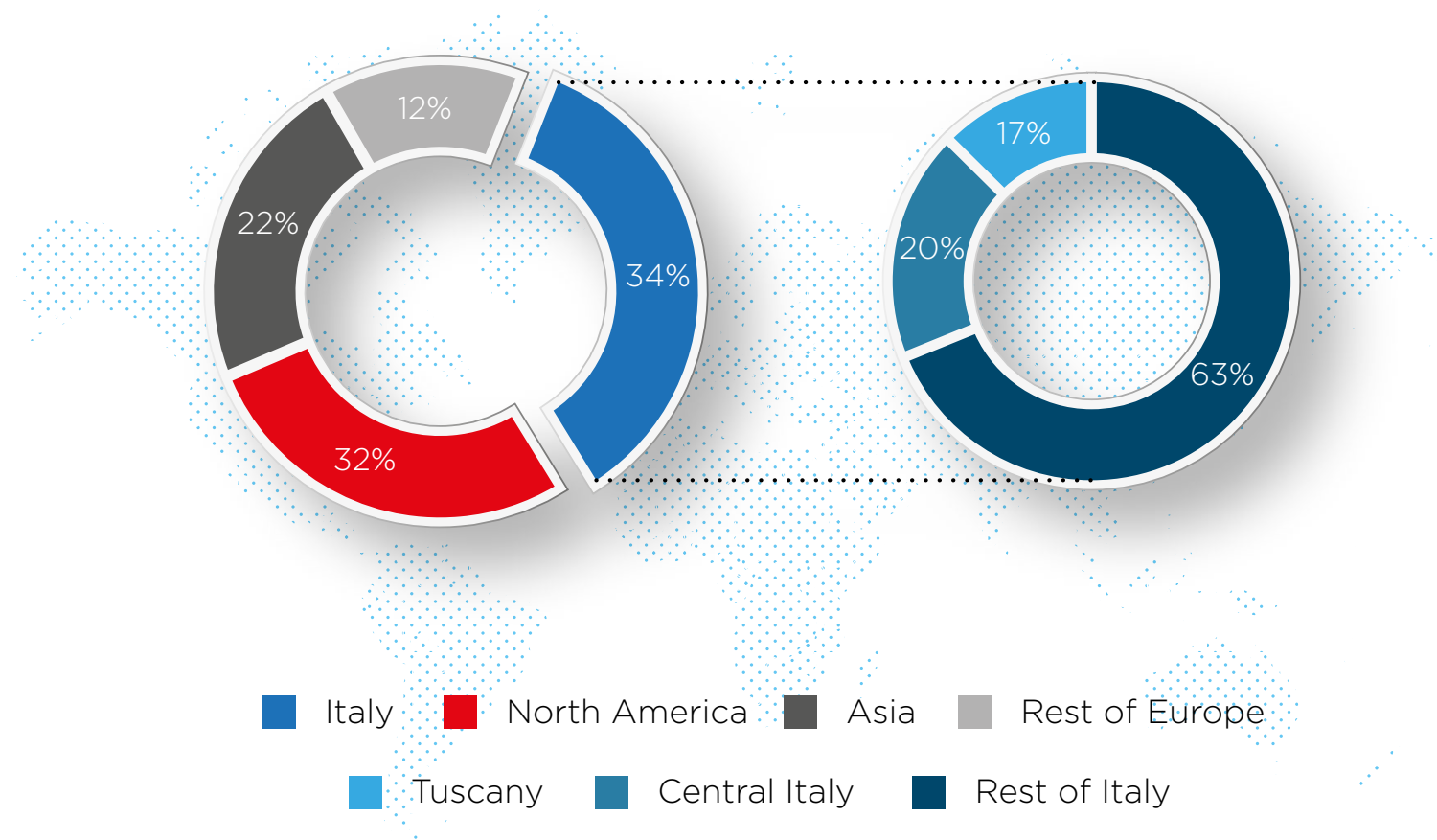


**Figure 12**: *SECO S.p.A. - 2019 procurement by geographical area*

Fannal Electronics Co. Ltd., is locally supplied, with 100% of suppliers located in China.
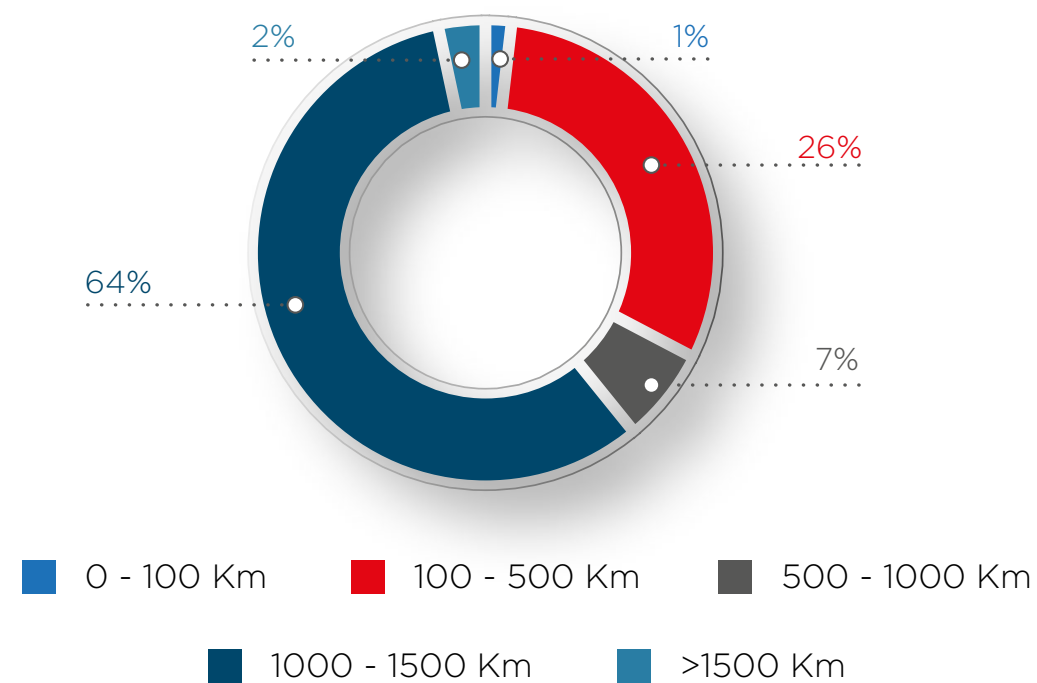


**Figure 13**: *Fannal Electronics - 2019 procurement by geographical area*

1| Ratio between number of reported injuries and total worked hours, multiplied by 1'000'000.

SECO firmly believes that local procurement represents a strategy which guarantees product and services quality. For this reason, we support a stable local economy and try to maintain relations with local communities as much as possible.

## 2.3.2| Human rights protection

Of the products used in production by SECO, silicon is of particular interest. Silicon is produced from quartz and there are several unknowns in the supply chain. A particular area of concern regards the poor working conditions observed in mines in some countries, as well as on the danger of mining sites due to respiratory diseases that can be contracted without adequate protection equipment (especially silicosis).

SECO aims to work with suppliers who share the values of respect for human rights, integrity and excellence in the business management. This is why SECO has initiated a process for the assessment of direct suppliers and the monitoring of raw materials sub-suppliers. A qualification process for new suppliers is also being defined, effective from 2020, in which SECO asks counterparties to sign a "Supplier regulatory compliance" document in which the supplier declares that it has read and understood SECO Code of Ethics. With this in mind, SECO sends all new suppliers a "PREAUDIT SUPPLIER FORM", a self-assessment document aimed at obtaining an initial assessment of the supplier's activities, which also includes social and environmental issues.

## 2.3.3| SECO supports

SECO is continuously committed to supporting both social and environmental initiatives, sponsoring them both at a local and national level.

In the field of culture, SECO supports the initiatives of FAI – Fondo Ambiente Italiano, a non-profit foundation promoting the knowledge, care and conservation of Italy's natural and artistic heritage: SECO is part of the Corporate Golden Donor membership programme: together with FAI, SECO aims to implement a major protection project which is also an ambitious cultural challenge: to make Italy a better place to live, work and nurture new generations.

In 2019, SECO also supported the photographic event "Arezzo & Fotografia", an international biennial initiative dedicated to the art of photography. The festival, promoted by the Imago Photographic Association, is organized as a network of exhibition spaces distributed in the historic city centre, through an evocative visual itinerary immersed in the urban scenario.

In addition, SECO has supported Telethon for the scientific research on genetic diseases for many years.

The Telethon Foundation is a non-profit organisation recognised by the Ministry of University and Scientific and Technological Research, born with the aim of funding the best researchers and research institutes, to respond to an appeal by patients suffering from rare diseases.

In addition, in 2019 SECO signed an agreement with the Institute for the Study, Prevention and Oncological Network in Tuscany (ISPRO) and the Careggi University-Hospital to sponsor an experimental treatment, based on low frequency modulated static magnetic fields, for the palliation of general symptoms of cancer for the benefit of a large number of cancer patients in an advanced stage of the disease.

During 2019, SECO donated a total of € 5,600 to these social activities.

**Edgehog and the Off-Grid project**

In 2019, SECO Group began a collaboration with Fabbrica del Sole, a leading company in the production of Off Grid Boxes, a solution which guarantees water and energy self-sufficiency in situations of climatic or health emergencies (e.g. Tanzania, Madagascar).

An Off-Grid Box system is able to 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 its subsidiary Aidilab have worked to make Fabbrica del Sole's Off Grid Boxes IoT-ready. SECO's Edgehog solution will in fact allow the machines installed by Fabbrica del Sole to be connected to the cloud instantly and with a modest initial investment, ensuring:

* The collection of operating data of each installed machine

* The sharing of said data in the cloud managed by Edgehog or by third parties

* The remote management of Off Grid Box solutions, limiting the use of on-site interventions by specialised personnel

* The ability to develop forecasts based on machine-learning starting with the information collected by each machine, optimising the energy and water supply methods based on the specific needs of the user, atmospheric conditions and the characteristics of the area involved

**SECO for sports**

Over the years, SECO has supported sports by sponsoring initiatives and teams locally, nationally and internationally, which have distinguished themselves for the noblest values in sport including fair play, tolerance, integration, teamwork, sportsmanship and fair competition. With this in mind, in 2019 SECO also supported the creation of 5-on-5 and 7-on-7 football teams formed by its employees. The financial commitment in 2019 amounted to around € 25,000.

# 3| Environmental impact

SECO Group holds in high regard the environmental impact reduction and is committed to the continuous improvement of its production processes to meet this goal. This is evidenced by SECO having long since developed policies and best practices aimed at minimising the environmental impact. Indeed, in the production cycle, closed-cycle products and machinery are used that do not produce emissions into the environment and production waste and chemical residues are collected in special ecological islands. The production process does not involve significant consumption of water. 2019 saw the launch of the process to certify SECO SpA's environmental management system according to the ISO 14001:2015 standard and will be completed during the first half of 2020. There were no cases of sanctions related to violations of environmental laws or regulations in 2019.

Furthermore, during 2019 SECO launched a series of initiatives aimed at significantly reducing the quantity of non-recyclable waste and encouraging separate waste collection at the premises of the headquarters in Arezzo.

**Personalised aluminium water bottle for all employees** to minimise the use of disposable plastic bottles

Launch of the installation of **10 drinking water stations**

Launch of a **separate waste collection programme**

## 3.1| Energy consumption

### Energy consumption[1]

In 2019 energy consumption amounted to 7946 GJ. Consumption mainly derives from the use of electricity inside offices and production plants, natural gas for heating working areas and fuel used by company cars.

| Type of consumption | Energy consumption (GJ) |
|---|---|
| Natural gas (heating) | 402 |
| Diesel (automotive) | 1.089 |
| Petrol (automotive) | 95 |
| Electricity purchased | 6.360 |
| *of which from renewable sources* | *0* |
| Total energy consumption | 7.946 |

**Table 10**: *Energy consumption*

## 3.2| Emissions

### Emissions into the atmosphere

According to a report by the Intergovernmental Panel on Climate Change (IPCC), to limit global warming to 1.5° C compared to pre-industrial levels, it is necessary, by 2030, to reduce global $CO_2$ emissions by 45% compared to 2010 levels, and then achieve zero net emissions by 2050.

Emissions into the atmosphere are generated by the consumption of energy described above.

Direct emissions (Scope 1) include emissions related to the use of natural gas for the heating system and the fuel consumption (diesel and petrol) of company cars. Indirect emissions (Scope 2) derive from the consumption of electricity.

The direct emissions (Scope 1) of Seco Group amount to 108 tons of $CO_2e$, while the indirect emissions amount to 928 tons of $CO_2$ (Scope 2 market based).

**Figure 14**: *CO2e (t) emissions[2]*

The aspect of emissions, within the issue concerning the environmental impact of production, was only relevant with regard to CO2 emissions. However, it should be noted that, as regards other emissions, the Tregozzano plant has obtained an Integrated Environmental Authorisation. The authorisation provides for the monitoring of NOx, VOC, NH3 and CO emissions into the atmosphere and the annual communication of the same to the Competent Authorities. No cases of emissions above the threshold limit values were observed in 2019.

# Emissions

**Scope 1: 108 CO2e (t)**
**Scope 2 Location: 771 CO2e (t)**
**Scope 2 Market: 928 CO2e (t)**



| | 1.036 |
|---|---|
| | 928 |
| | 108 |
| Scope 1 | Scope 2 (Market) | Scope 1 + Scope 2 (Market) |
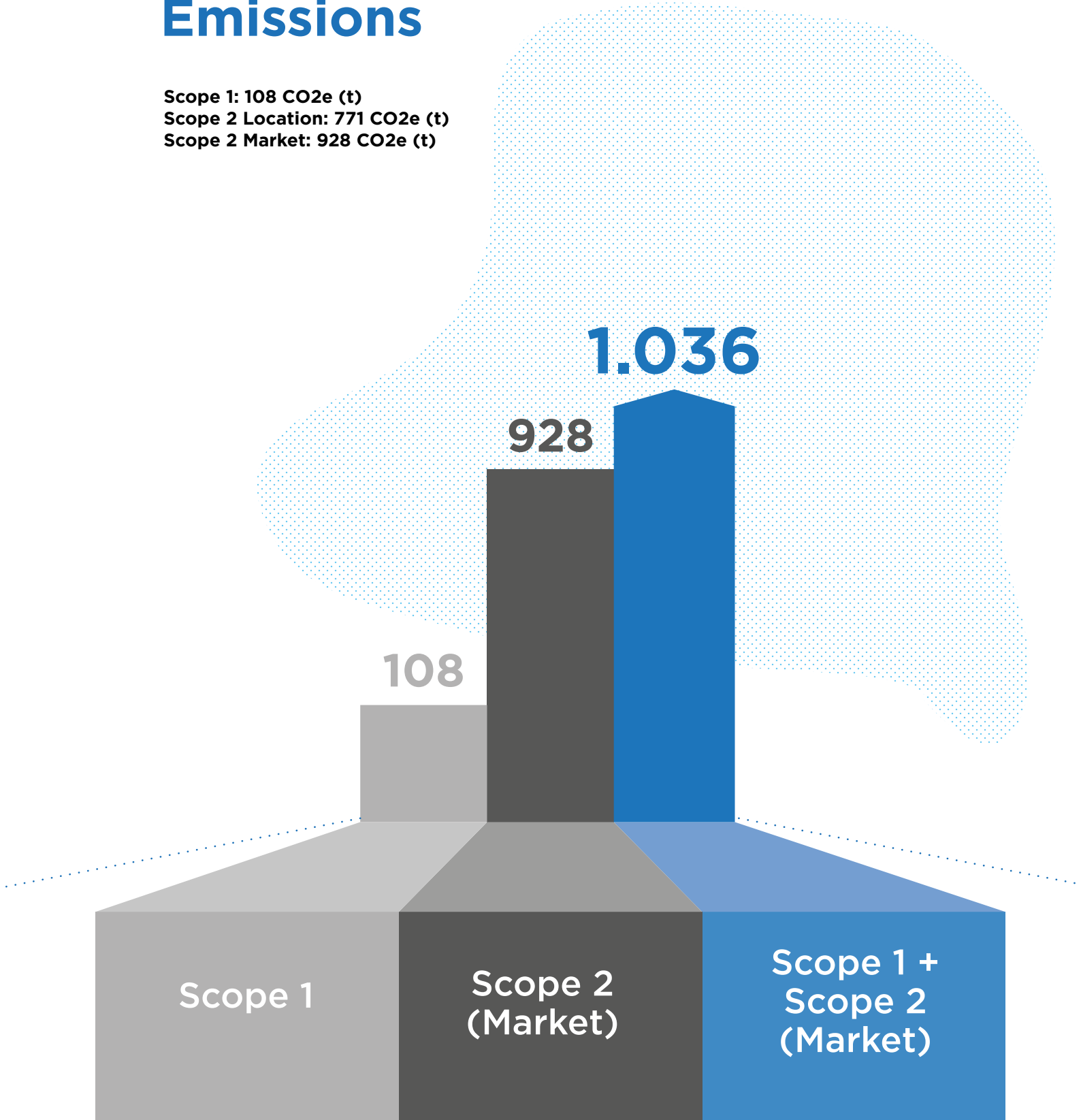
# The **new headquarters**

...................................................

## In 2019, SECO completed the transfer to the new headquarters in via Grandi, Arezzo.

The new location has made it possible to introduce significant **logistics, production and organisational improvements**, achieving excellent levels of efficiency and bringing together most of the employees previously located at three different production units. This has allowed a significant **reduction in transport times and costs** with a consequent reduction in associated emissions. The building was designed according to the highest **energy efficiency** standards and is equipped with a **photovoltaic system** consisting of 232 panels, which can reach a maximum output of 69,600 kW and annual energy production equal to approximately 83,500 kWh, accounting for 12% of the plant's energy requirement.

**0** **Base floor**
....................
Manufacturing
System Integration
Incoming/Outgoing
Logistics

**1** **1st floor**
....................
Purchasing
Quality
Industrial Engineering
R&D

Sales
Marketing
Administration
HR
Finance

**2** **2nd floor**
....................
Executive Offices
Meeting Rooms
Museum

## 3.3| Waste

The management of waste production and its proper disposal takes place in accordance with current regulations and the guidelines issued by the Environmental Management System. In 2019, the total waste produced by the Group's plants and offices amounted to 143.1 tonnes, of which 99% were non-hazardous. Regarding the transportation of finished products, special reusable packaging is used in order to avoid the use of disposable packaging.

**Waste produced by type and by method of disposal**

| Total waste (2019) | | | |
|---|---|---|---|
| Method of disposal | Unit of measure | Hazardous | Non-hazardous |
| Recovery | t | 0,7 | 110,8 |
| Landfill | t | 0,7 | 28,9 |
| **Total** | **t** | **1,4** | **141,7** |

*Table 12: Total waste produced by type and method of disposal*

## 3.4| Certifications and environmental sustainability

In line with the strategic decision to develop an integrated management system that ensures total control of all aspects related to its business processes and contributes to their consolidation, starting from the Parent Company, SECO initiated a process that has led it to achieve major certifications that are internationally recognised in the fields of environmental and quality management:

• Environmental protection according to ISO:14001 standard (in progress)

• Quality according to ISO:9001 standard

• Compliance to IEC 61340

**Materials used to produce and package primary products**

| Materials | Tonnes |
|---|---|
| Steel | 100 |
| FR4 | 30 |
| Glass | 30 |
| Plastic | 25 |
| Copper | 21 |
| Aluminium | 13 |
| Silver | 0.22 |
| Gold | 0.01 |

*Table 13: Materials by weight used to produce and package the organisation's primary products*

# 4| Economic impact
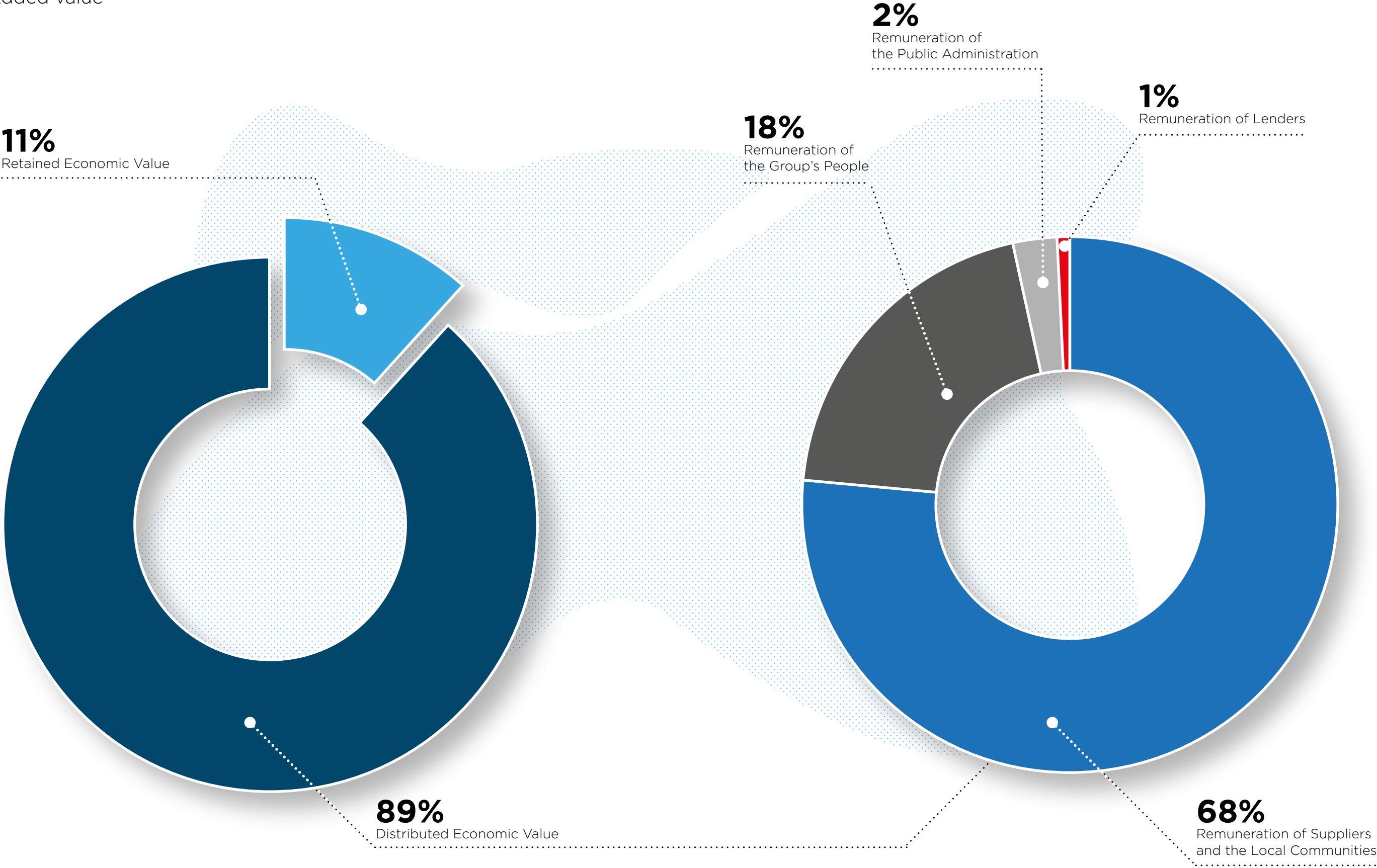
## 4.1| General economic context

The adoption of technologies such as the Cloud, Big Data and Analytics, Artificial Intelligence and the Internet of Things has also accelerated the digital transformation of business processes in Italy and the way in which companies approach the creation, provision and use of Information and Communication Technology (ICT) products and services.

Until a few years ago, Italian companies waited for the most innovative technologies to become mature before starting to introduce them into their organisations. However, in today's context, where speed of execution and time-to-market are essential components of any business strategy, not only to compete, but even to survive, Italian companies have put aside waiting tactics. Hence, the adoption of new technologies has achieved a level of penetration significantly closer to the ones in countries historically considered more inclined towards innovation, such as the US, Germany, France and the UK. There is also the emerging of another phenomenon, which will be further consolidated in the coming years.

In 2019, ICT market expenditure by Italian companies amounted to over 31 billion Euros, an increase of 2.3% on 2018. In 2020, this figure is expected to slightly increase at approximately 31.5 billion (+0.9% compared to 2019).

In the 2018-2022 period, the market is expected to grow at a Compound Average Growth Rate (CAGR) of 1.6%, with corporate ICT investments exceeding 32.4 billion Euros in 2022.

**11%**
Retained Economic Value

**2%**
Remuneration of
the Public Administration

**1%**
Remuneration of Lenders

**18%**
Remuneration of
the Group's People



**89%**
Distributed Economic Value

**68%**
Remuneration of Suppliers
and the Local Communities

**Map of Economic Value generated and distributed - 2019**

# 5| GRI content index

| Universal Standards | | |
|---|---|---|
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| **GRI 102: General Disclosures (2016)** | | |
| **Organisation profile** | | |
| 102-1 | 11 | Name of the organisation |
| 102-2 | 14-17 | Main brands, products and services |
| 102-3 | The parent company of the Group, SECO S.p.A., has its headquarter in Arezzo, Via A. Grandi, 20. | Location of headquarter |
| 102-4 | 13;24-25 | Location of operations |
| 102-5 | 26-27 | Ownership and legal form |
| 102-6 | 34-35 | Markets served |
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| **Reporting practices** | | |
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| 102-46 | 11 | | Defining report content and topic boundaries |
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| **GRI Standard** | **Page** | **Omissions** | **Description** |
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| 103-2 | 53-54 | | The management approach andits components. |
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| **GRI 201: economic performance (2016)** | | | |
| 201-1 | 54 | | Direct economic value generated and distributed |
| **SUSTAINABLE MANAGEMENT OF SUPPLY CHAIN** | | | |
| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 42-43 | | The management approach and its components |
| 103-3 | 42-43 | | Evaluation of the management approach |
| **GRI 204: procurement practices (2016)** | | | |
| 204-1 | 42-43 | | Proportion of spending on local suppliers |
| **ANTI-CORRUPTION** | | | |
| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 29-30 | | The management approach and its components |
| 103-3 | 29-30 | | Evaluation of the management approach |
| **GRI 205: Anti-corruption (2016)** | | | |
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## ENVIRONMENTAL

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| 103-2 | 47;51 | | The management approach and its components |
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| **GRI 301: materials (2016)** | | | |
| 301-1 | 51 | | Materials used by weight or volume |
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| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
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| **GRI 302: Energy consumption (2016)** | | | |
| 302-1 | 48 | | Energy consumption within the organisation |
| **EMISSIONS** | | | |
| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 47;48-49 | | The management approach and its components |
| 103-3 | 47;48-49 | | Evaluation of the management approach |
| **GRI 305: emissions (2016)** | | | |
| 305-1 | 49 | | Direct (Scope 1) GHG emissions |
| 305-2 | 49 | | Energy indirect (Scope 2) GHG emissions |
| **WASTE** | | | |
| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topics and its boundaries. |
| 103-2 | 47;51 | | The management approach and its components |
| 103-3 | 47;51 | | Evaluation of the management approach |
| **GRI 306 Effluents and Waste (2016)** | | | |
| 306-2 | 51 | | Waste by type and disposal method |

## SOCIAL IMPACT

| **OCCUPATIONAL HEALTH AND SAFETY** | | | |
|---|---|---|---|
| **GRI 103: Management Approach (2016)** | | | |
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 41 | | The management approach and its components |
| 103-3 | 41 | | Evaluation of the management approach |
| **GRI 403: Occupational Health and safety (2018)** | | | |

| | | | |
|---|---|---|---|
| 403-9 | 41 | The indica-tor is com-pliant with require-ments a), d), e) of the standard. | Injuries at work. |

**GRI 103: Management Approach (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 29;39 | | The management approach and its components |
| 103-3 | 29;33-3;39 | | Evaluation of the management approach |

**DIVERSITY AND SOCIAL INCLUSION**

**GRI 103: Management Approach (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 27;38-40;42 | | The management approach and its components |
| 103-3 | 27;38-40;42 | | Evaluation of the management approach |

**GRI 405:, Diversity and social inclusion (2016)**

| | | | |
|---|---|---|---|
| 405-1 | 27;39-40 | | Diversity of governance bodies and employees |

**CUSTOMER REALATIONSHIP AND CUSTOMER SATISFACTION**

**GRI 103: Management Approach (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 34;36 | | The management approach and its components |
| 103-3 | 34;36 | | Evaluation of the management approach |

**RELATIONSHIP WITH LOCAL COMMUNITIES**

**GRI 103: Management Approach (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 37-38;44-45 | | The management approach and its components |
| 103-3 | 37-38;44-45 | | Evaluation of the management approach |

**INNOVATION RESEARCH AND DEVELOPMENT**

**GRI 103: Management Approach (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 33-34;37-38 | | The management approach and its components |
| 103-3 | 33-34;37-38 | | Evaluation of the management approach |

**SUPPLIER SOCIAL ASSESSMENT**

**GRI-103: Management of the issue (2016)**

| | | | |
|---|---|---|---|
| 103-1 | 20-21 | | Explanation of the material topic and its boundaries |
| 103-2 | 43 | | The management approach and its components |
| 103-3 | 43 | | Evaluation of the management approach |

**GRI 414: Supplier social assessment (2016)**

| | | | |
|---|---|---|---|
| 414-1 | 43 | | New suppliers that were screened using social criteria |