



SUSTAINABILITY
REPORT
2023

Sustainability report 2023



Arcoprofil Srl | 2, via Friuli - Schio (VI) - Italy | www.arcoprofil.com

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Reporting period: 1/1 - 12/31/2023
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Dear Collaborators, Clients, and Stakeholders,

As President and CEO of ARCOPROFIL, it is with great pride that I would like to share with you the commitment of our company to sustainability. Our mission is not limited to economic growth but aims to create long-term value for the community, the environment, and future generations. Sustainability has become a central element of the way we do business, driven by the belief that operating responsibly is not only an ethical choice but also a strategic element for success and business resilience.

ARCOPROFIL's commitment to ESG (Environmental, Social, and Governance) issues started a long time ago, when sustainability was still defined as corporate social responsibility. The alignment of our processes with ISO certification requirements and international standards laid the foundation upon which we later built our sustainability journey. All the measures and actions taken over the years have been analyzed through an ESG lens, and this document is the result of their organized collection. With the publication of our first sustainability report, we aim to show our partners our sustainable journey, with the transparency and responsibility that have always characterized the way we do business.

In the future, our sustainable development strategy aims to align with the requirements of our customers and partners across various areas:

- **Ethics and Regulatory Compliance:** We will maintain high-quality standards in terms of products, processes, and now also sustainability, by renewing our active ISO certifications and newly achieved sustainability certifications NQC SAQ 5.0 and ECOVADIS. We will continue to promote correct business conduct, strictly adhering to all local and international laws and regulations, including those related to

financial transparency and privacy protection.

- **Human Rights and Working Conditions:** We will ensure respect for human rights and fair working conditions for all employees. No form of forced or child labour will be tolerated, and we will continue to promote gender equality and diversity.
- **Health, Safety, and Environment:** We will work further to reduce our environmental impact, focusing on reducing greenhouse gas emissions, optimizing the use of water and energy, and actively promoting practices of reuse and recycling.
- **Responsible Purchasing:** Our suppliers will also be selected based on their commitment to sustainability, ensuring that they meet our ethical and environmental standards.

We will seek to build ever-closer relationships with our partners because we need everyone involved in this journey. Therefore, we invite all of you, whether employees, partners, or suppliers, to actively participate in this path.

Only through a shared commitment can we guarantee a more sustainable future for the company and the world around us. We assure you that ARCOPROFIL will provide all the necessary resources to support this journey.

Valeria Zenare
CEO, ARCOPROFIL S.r.l.



1.2 Methodological Note

GRI 2-3 / 2-4 / 2-5

This document represents the first edition of the Sustainability Report of Arcoprofil Srl and is a Non-Financial Declaration (DNF), which voluntarily covers all the activities of the year 2023 and examines the **reporting period from January 1, 2023, to December 31, 2023.**

Since there are no previous editions, 2023 has been defined as the baseline, to be maintained as the reference parameter for future reports, as it is the first year of reporting (although an impact report was published in 2022, which was used as a data source to access some certifications and as a preliminary internal reporting draft).

Regarding the methodology, this document was prepared in accordance with the “Global Reporting Initiative Sustainability Reporting Standards (GRI Standards),” as set by the Global Reporting Initiative (GRI), which define the reporting methodology for preparing sustainability reports. Specifically, the qualitative and quantitative information contained in the report was drafted according to the “with reference” option provided by the standard, with the preparation of the “GRI Content Index” (see Appendix Chapter 8).

Moreover, **no external assurance was planned for this first report.**

Arcoprofil formed an internal working group, representing the main company functions, to coordinate the collection of the required information for this report. To simplify and digitalize the process of data collection and validation, the company decided to adopt a dynamic and flexible tool, the ESGeo application, a cloud platform for GRI Standard-certified sustainability reporting. This will allow the company to monitor and manage the information year after year through an ESG Digital Governance process. The growing complexity of ESG data requires the use of technologies capable of detecting and tracking ESG performance related to both internal and external data of the company.

The reporting process involved the following key activities:

1. Identification of material topics and related indicators for monitoring;
2. Definition of the reporting perimeter;
3. Collection of sustainability information;
4. Processing of the data from the collection process and drafting of the content in this report.

For the calculation of greenhouse gas emissions and energy consumption, the following conversion factors were considered:

Conversion factors			
variable	conversion unit	factor	source
Gasoline (density)	L t	0,00074734	DEFRA 2023
Gasoline	t GJ	43,184	DEFRA 2023
Gasoline	t tCO ₂ e	2,806659352	DEFRA 2023
Energy	KWh GJ	0,0036	DEFRA 2023
Natural gas (density)	smc t	0,000795	DEFRA 2023
Natural gas	t GJ	45,522	DEFRA 2023
Natural gas TCO ₂	t tCO ₂ e	2,562574411	DEFRA 2023
Diesel (density)	L t	0,0008328	DEFRA 2023
Diesel	t GJ	42,73	DEFRA 2023
Diesel	t tCO ₂ e	3,015654616	DEFRA 2023
GPL (density)	L t	0,0005311	DEFRA 2023
GPL	t GJ	45,956	DEFRA 2023
GPL	t tCO ₂ e	2,939360949	DEFRA 2023
Purchased electric energy - Location Based	Location Based - Total Supplier Mix IT KWh tCO ₂ e	0,00043114	AIB European Residual Mixes (Total Supplier Mix IT) Agg. 01.06.2023
Purchased electric energy - Market Based	Market Based - Residual Mix KWh tCO ₂ e	0,00050057	AIB European Residual Mixes (Residual Mix IT) Agg. 01.06.2023

2. Organization

GRI 2-1

2.1 Our story, who we are

In 1969, Renato Casolin and his wife Valeria founded Arcotex in Santorso, a company specialised in the maintenance of machinery for the textile industry. Renato was aware of the challenges the market presented, and thanks to a forward-looking vision, decided to expand business opportunities. He purchased cold-rolling machines from the Swiss company GROB, aiming to enter the mechanical sector, specializing in the production of cold-rolled shafts, under the name Arcoprofil. It was 1976.

Seven years later, in 1983, the company welcomed first Renato's son Roberto, and soon after, his son Giorgio, who joined Renato in the management. With their support, in the early '80s, Arcoprofil expanded its machinery fleet, starting to produce finished shafts, a significant step towards internalizing every production phase.

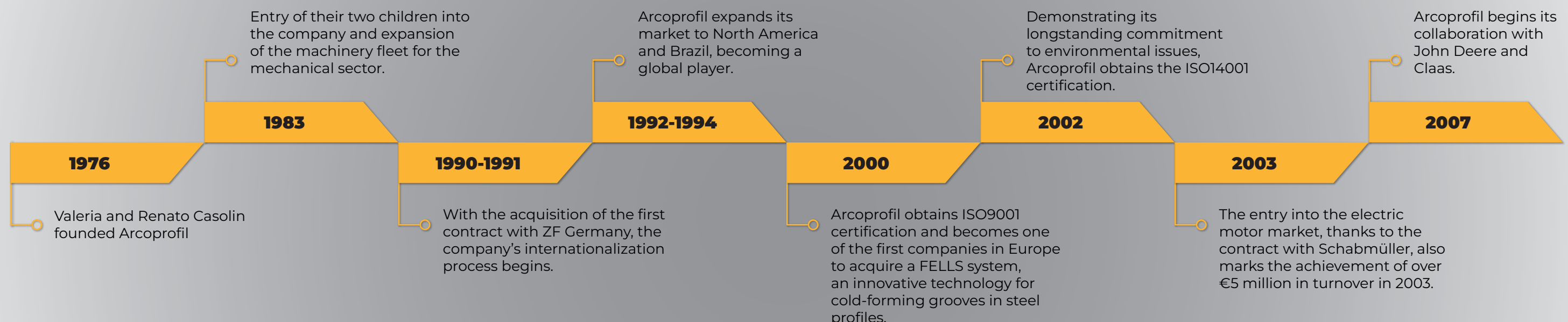
In the '90s, the company started supplying to ZF in Germany, marking a strategic shift towards European markets and the automotive industry, establishing new commercial relationships with prestigious customers such as Scania, Husqvarna, and Stihl, thus expanding its business to Sweden, the United States, and Brazil. Arcoprofil was now a mature company looking not only at the European market but also at the global market, obtaining ISO

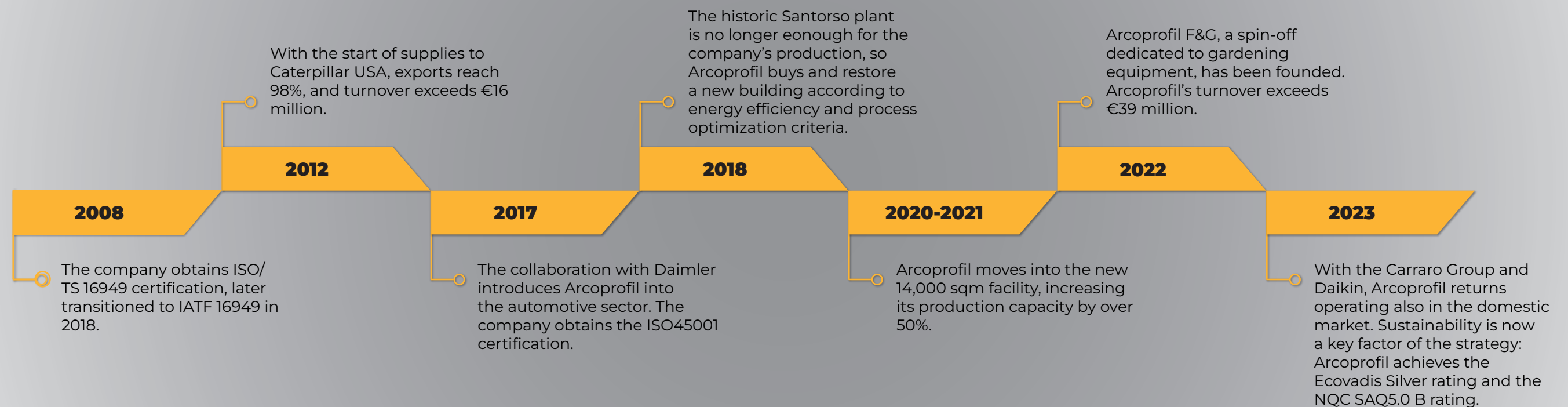
9001 certification in 1998.

In 2002, the company obtained ISO 14001 environmental certification, demonstrating its commitment to environmental protection, a value that was still underappreciated at the time. The following year, Arcoprofil further expanded the client portfolio, starting the production of electric motor shafts for Sauer Danfoss (now Schabmüller).

In 2006, Arcoprofil, as the first company in Italy, invested in an innovative cold forming plant for splined profiles from the German company FELSS, significantly improving efficiency and expanding the product range. In 2007, the company started supplying Claas and John Deere, the latter becoming one of its most important clients. Growth continued in 2008 with the acquisition of the IATF 16949 certification specific to the automotive sector, the revenue increased up to 10.5 million euros.

In 2012, supplies to Caterpillar in the United States allowed the company to broaden its client base, increasing the export share from 80% to 98%, while revenue reached 16.5 million euros.





Five years later, in 2017, thanks to the collaboration with Daimler, Arcoprofil entered into the automotive sector for SUVs related to the prestigious Mercedes brand.

The company's growth made the expansion of facilities necessary, so the following year, the family purchased a new plant from a historic company nearby and started the renovation process, with the goal of moving all production to a single site in Schio, which was previously scattered across several buildings. The facility was converted with a focus on sustainability, particularly improving the production layout to optimize space and minimize part movement through all stages of processing, resulting in significant improvements in lead time.

The company's relocation culminated in the creation of a new brand and logo.

The move to the new 14,500-square-meter facility was completed in 2022, during the global pandemic, while production capacity was increased by over 50%.

In 2022, Arcoprofil established the Arcoprofil F&G division, specialised in the production of gardening components. From then on, the two original product lines—drive shafts for the automotive/agriculture market and shafts for forestry/gardening market were managed by two independent companies but still linked by the same history, know-how, and founding principles.

In 2023, Arcoprofil resumed its commercial relationships with the national market, starting supplies to the Carraro Group and Daikin, the latter a leader in the air conditioning market, a sector previously unexplored by the company.

The year 2023 ended with revenue exceeding 34 million euros. In the same year, the company began structuring all its environmental, governance, and social activities, starting to publish an impact report that gathers under the sustainability, all the measures previously considered as a result of continuous internal improvement actions. Thanks to this first voluntary reporting activity, Arcoprofil was eligible to receive important recognitions, obtaining a Silver sustainability rating from Ecovadis and "B" and "A" ratings from NQC SAQ 5.0, along with numerous supplier awards from its longest-standing clients.

Today, nearly 50 years since its foundation, Arcoprofil continues to grow and innovate, always driven by the entrepreneurial vision and passion of the Casolin family.

2.2 Our industry and markets

GRI 2-6

Arcoprofil today is a limited liability company based in Italy but exports its products globally, thanks to a commercial strategy that since the 1990s has aimed to capture key clients in each end-use sector and diversify the markets and product applications.

The acquisition of ZF, a leader in the automotive components sector, marked a big turning point in expanding the business globally, followed by the appointment as a Tier 1 supplier for Scania, another leader in heavy vehicle and bus manufacturing. Currently, the main target markets include **Germany, the United States, Sweden, and Brazil, with sales also in other regions of the world, from the European Union to Central America, and even in the Far East, in countries such as India and China.**

The company is specialized in the **production of drive shafts**, primarily splined shafts with both internal and external profiles, manufactured by different production technologies. These products are mainly used in the mechanical drive components of various types of vehicles, commonly applied in axles (drive shafts and PTOs), gearboxes, and torque converters.

A key product distinction is made based on the material origin: shafts derived from bars or flanged shafts from forged blanks. Shafts from bars make up over 90% of production and represent the company's primary specialization. Shafts from forgings are generally produced in smaller volumes and complement the product range.

Product applications cover a wide range of machinery, including:

- **Tractors, combines, and agricultural machinery** (agriculture sector)
- **Trucks and buses** (heavy transport trucks and buses sector)
- **Earth-moving machines and mining sector** (construction sector)
- **Electric motors for forklifts and hybridization/electrification of vehicles** (AC-DC Motor sector)
- **SUVs** (automotive sector)
- **Refrigeration machines** (air conditioning sector)
- **Special vehicles**

The company has progressively structured itself by integrating all manufacturing processes to ensure maximum independence from external suppliers, internalizing the most critical processes to improve control, flexibility, and continuous innovation.

Shaft processing follows these processes:

- **Cutting and centering**
- **Turning**

- **Splining- the company's core business** (four different technologies: Grob and Felss for cold deformation, hobbing and shaping for material removal)
- **Induction and carburizing heat treatment in pit furnaces, tempering in chamber furnaces**
- **Straightening and crack detection in process** (QASS + UT)
- **Grinding**
- **Packaging and shipping**

Production is characterized by medium-low batches (from 5 to 10,000 pieces), and is highly automated: **over 50% of the machinery is assisted by robots.**

Full traceability of all parts produced is ensured up to delivery to the customer; in some cases, parts are marked with the production lot, ensuring traceability even after assembly.

Arcoprofil manufactures in series based on customer drawings, without carrying out product design but using the most advanced technologies available on the market for several processes. The technical expertise acquired in nearly 50 years of industry experience enables the organization to **provide support in identifying the cheapest solution to produce the finished product.**

The company's supply chain consists of a network of suppliers and strategic partners who support us in material procurement, certain specialized product processes, and representation activities. The most long-standing and important partnership is with our raw material suppliers, steel mills with whom we have established long-term relationships at the senior management level. The steel mills from which we source are also involved in emission reduction initiatives and can provide data for calculating the Carbon Footprint (CFP) upon request.

Our main suppliers for heat treatments that we don't carry out internally (such as nitriding) are long-time collaborators, chosen locally and according to quality standards verified by our clients, who have accredited them as second-tier suppliers.

Our customers are mainly leaders in the markets they operate in, with whom we have long-lasting supply relationships (many lasting over twenty years).

The global presence of our main customers has allowed us to penetrate global markets. In our industry, acquiring new clients is a lengthy process: from the first contact to the signing of a supply agreement, it can take 2-3

years. Long-term supply agreements and the long visibility of expected orders allow us to plan procurement, providing medium-term visibility on market trends and enabling us to plan investments with reasonable foresight.

The approach of large automotive and agricultural companies requires us to adhere to delivery schedules, maintain transparency in contractual conditions, proactively communicate, and respond quickly to issues.

Additionally, it requires a flexible yet solid structure to manage demand fluctuations and adapt continuously to the regulations and standards that govern the market.

Our sales network is supported by experienced representatives who represent our company in the regions where our major clients operate, handling relationships on our behalf in North America and Europe.

In summary, our supply chain is characterized by the reliability of our raw material and service suppliers, as well as the competence of our commercial partners who allow us to meet our clients' needs efficiently and promptly.

2.3 Our mission

Our company has a clear and ambitious mission: to become an international benchmark in the production of splined shafts, thanks to the use of the most advanced technologies, cutting-edge machinery, and specialized knowledge that sets us apart from our competitors.

Our commitment to excellence is the driving force behind every action and investment, enabling us to achieve superior quality standards and respond more precisely to the needs of a continuously evolving global market.

Over the past five years, the strategic investments we have made, combined with those still ongoing, have allowed us to be an excellence within the international landscape, confidently placing us among the key players in global markets.

Our goal is not only to maintain this leadership position but to continue growing, innovating, and addressing future challenges with the same passion that has guided us so far.

The economic results we have achieved are clear evidence of the success of

our vision and are align with the ownership's forecasts: this allow us to look to the future with great confidence.

Our growth path continues to bring tangible benefits not only to the company but also to the local community where we operate, creating new job opportunities and contributing to the economic and social well-being of the area.

2.4 Our values

Arcoprofil is committed to maintaining responsible conduct through a commitment policy based on two key documents: the Model 231 and the Code of Ethics.

All company activities and commitments are carried out in respect of human rights, following the principle of due diligence, and are approved by the Management, which represents the highest governing body in the company.

The integration of the commitments into strategies, policies, and operational procedures is implemented through the Model 231, which also includes periodic reports to the Supervisory Body.

The involvement and updating regarding the commitments undertaken and implemented by the organization are carried out through periodic training on the Model 231.

The protection of stakeholders is fundamental, and any reports related to complaints or violations of responsible business conduct are managed through grievance and whistleblowing mechanisms.

We firmly believe that every decision, every investment, and every project reflects who we are and how we want to grow in the future. Here are the principles that guide us every day:

Technology and innovation

We believe in technology as an ally in human work.

We invest every year in new machinery and process mechanization to ensure ever-higher performance and efficiency.

Safety

People are our wealth.

We protect the health and safety of our employees by having them work in a healthy, clean and less hazardous environment.

Family

We are Italians, family is one of the cornerstones of our life so we try to take great care in creating the right balance between family-work

Excellence

"Hard work pays off," hard work pays off. Every project deserves all our attention and efforts.

Passion and commitment are our credo

Reliability

Those who rely on us know that every action will be thought through, every decision will be shared, and a solution will be proposed for every problem.

Flexibility

Versatile approach, adaptability of people and production system ensure agile and timely service.

Every customer is of equal importance and deserves our full attention.

Expertise

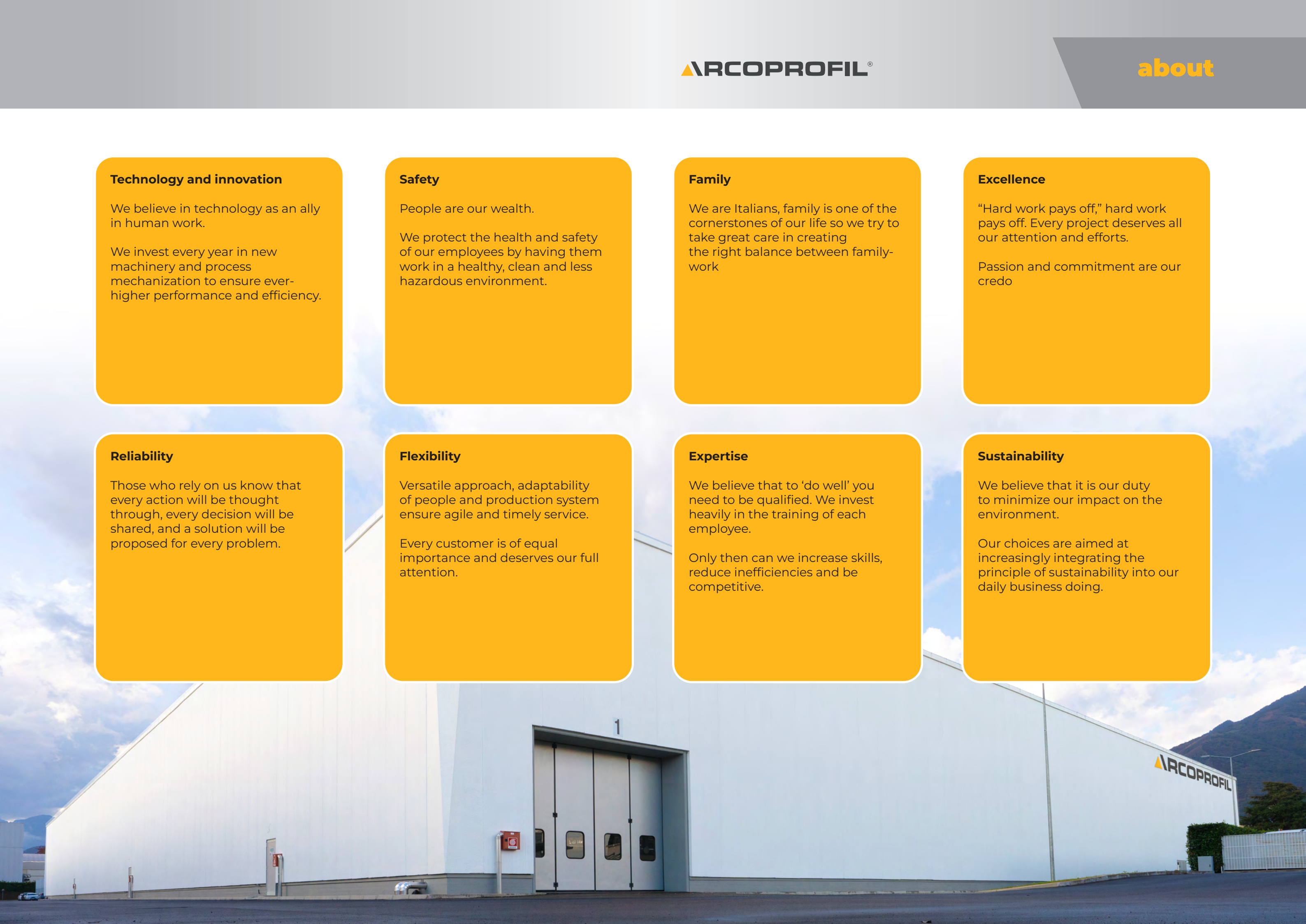
We believe that to 'do well' you need to be qualified. We invest heavily in the training of each employee.

Only then can we increase skills, reduce inefficiencies and be competitive.

Sustainability

We believe that it is our duty to minimize our impact on the environment.

Our choices are aimed at increasingly integrating the principle of sustainability into our daily business doing.



3. Sustainability

GRI 3-1 / 3-2 / 2-29

3.1 Materiality assessment

To determine the issues that most significantly impact the company's ability to generate value over time, the guidelines provided by the SASB and MSCI materiality matrices were used, combined with the GRI Standards and the UN Sustainable Development Goals (SDGs) of the 2030 Agenda. In particular:

- 1. The SASB (Sustainability Accounting Standards Board) matrix,** created by the Value Reporting Foundation, provides guidelines for companies on how to communicate long-term value creation to investors. SASB standards focus on three main areas: Environment, Social, and Governance (ESG), with specific metrics for 77 sectors, helping investors evaluate corporate performance.
- 2. The MSCI Materiality Map** provides assessments of companies' resilience to ESG issues. The map highlights ESG risks and opportunities specific to each sector, also integrating the characteristics of individual companies.
- 3. The GRI standards,** developed by the Global Reporting Initiative, enable all organizations to measure and report their economic, social, and environmental impacts, providing a common language for companies and their stakeholders, based on the principle of materiality. Organizations can choose to report "In Accordance" or "With Reference" to the GRI standards.

Finally, the material topics were linked to their relevance to the **United Nations Sustainable Development Goals (SDGs)**, adopted in 2015, which encourage all countries and sectors to contribute to a sustainable future.

Arcoprofil involves its stakeholders in the implementation of its sustainability strategy by identifying the stakeholders that may be affected by the organization's activities, products, or services, or whose actions can influence the company's ability to implement its strategies or achieve its objectives.

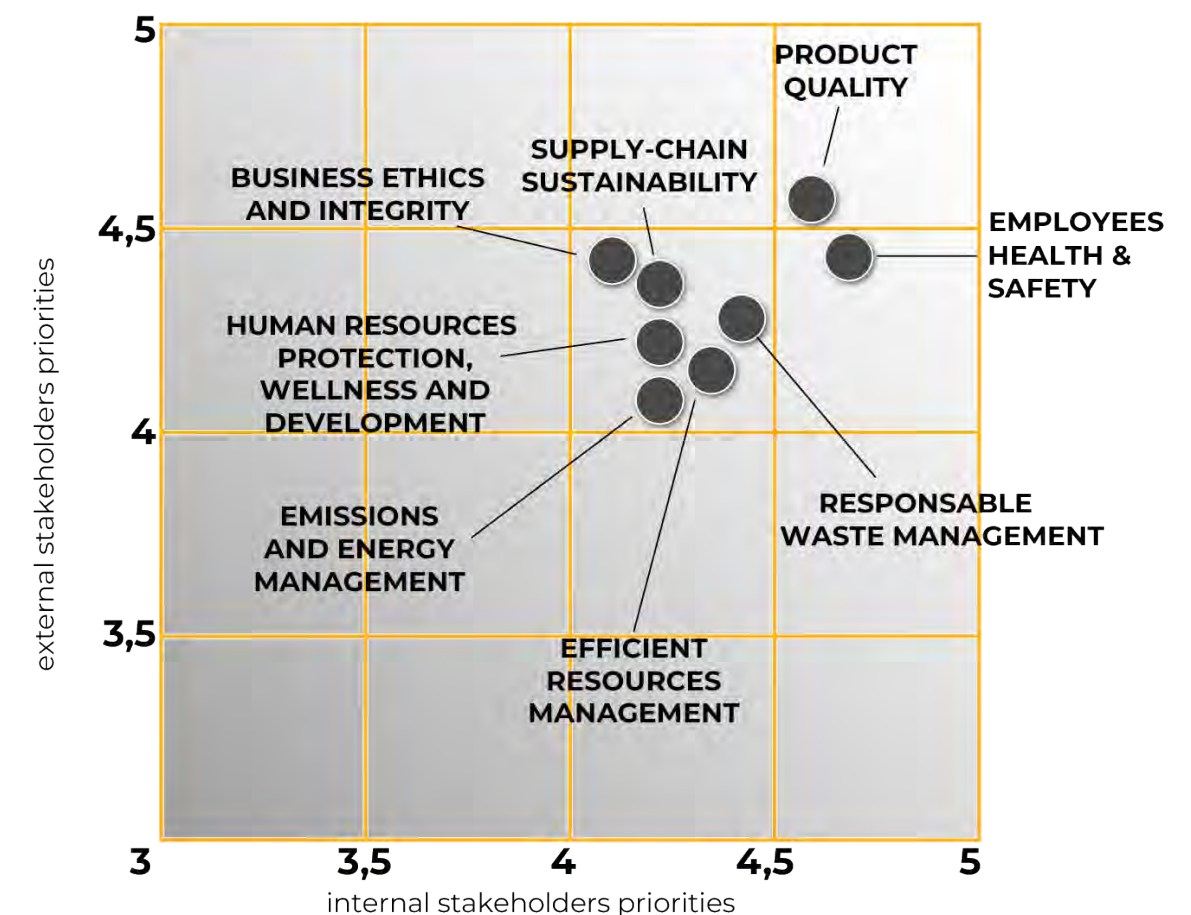
Stakeholders have been divided into two main categories: internal and external. The former includes employees and managers, while the latter includes customers, strategic suppliers for business activities, and local communities, represented by local schools and credit institutions.

Engagement is essential to understand, identify, and comprehend stakeholders' expectations and perceptions regarding concrete issues, in

order to highlight the most relevant topics for both stakeholders and the company.

Stakeholders were involved in the process of prioritizing the material topics identified through a questionnaire, in which they were asked to assign a score from 1 to 5 to each of the eight material topics examined, based on their perception and sensitivity, in order to highlight the most relevant issues for both stakeholders and the company.

A total of 74 responses were received at the end of the survey, distributed among the different categories of interviewed. The results were used to create the materiality matrix. The x-axis represents the relevance that Arcoprofil assigns to the eight sustainability topics, while the y-axis shows the level of importance assigned to the same topics by the external stakeholders involved.



By reading the matrix, it is clear that the most significant topics are “Product Quality” and “Employee Health and Safety,” located in the top-right quadrant.

Meanwhile, “Protection, Well-being, and Development of Human Resources” and “Energy and Emissions Management” play a secondary role in stakeholders’ evaluations.

Product quality is a key element for Arcoprofil and is ensured through process innovations with a high level of automation in order to support human activity.

The company not only produces the product but also provides support in the pre- and post-production phases, ensuring customers receive a product that meets all the stringent standards required.

Furthermore, the international certifications obtained by Arcoprofil confirm that activities are carried out in full compliance with employee health and safety, which is outlined in the code of ethics and translated into actions promoting welfare and the well-being of individuals.

Environmental topics

- **Energy and Emissions Management**
This topic concerns the adoption of business practices aimed at optimizing energy use and reducing polluting emissions produced during manufacturing processes. It includes energy efficiency, the use of clean energy sources, and compliance with environmental regulations to promote sustainability.
- **Efficient Resource Management**
This topic focuses on the efficient use of natural resources, particularly water and raw materials, to ensure they remain available for future generations. It involves adopting practices that minimize environmental impact, promote resource regeneration, and prevent their depletion. This approach supports not only environmental sustainability but also the resilience and economic security of communities dependent on these resources.
- **Responsible Waste Management**
This topic focuses on sustainable practices for the collection, treatment, and disposal of waste, with the goal of reducing environmental impact. It also aims to reduce waste generation at the source, encouraging a culture of mindful and responsible consumption, significantly contributing to environmental sustainability.

Social topics

- **Employees Health and Safety**
In a metallurgical company like Arcoprofil, employee health and safety are fundamental priorities. This topic addresses all measures, policies, and practices aimed at ensuring that workers operate in a safe and healthy environment, minimizing risks associated with handling heavy materials, using complex machinery, and exposure to potentially hazardous substances.
- **Protection, Well-being, and Development of Human Resources**
This topic includes concepts such as diversity and non-discrimination, employee well-being, and training. It refers to Arcoprofil’s ability to ensure equal pay and equal professional growth opportunities for all employees, regardless of gender, culture, or religion, and to create a work environment that values differences among employees.

Governance topics

- **Product Quality**
This topic focuses on ensuring that goods and services meet high standards of quality and safety. It includes the implementation of stringent controls, compliance with industry-specific regulations, and the adoption of responsible manufacturing practices. The goal is to reduce health and safety risks while ensuring that products meet customer expectations, contributing to greater business sustainability.
- **Supply Chain Sustainability**
Supply chain sustainability refers to the responsible and sustainable management of resources throughout the entire production chain. For Arcoprofil, this means ensuring that suppliers meet high standards regarding environmental, ethical, and social impacts, contributing to reducing the overall ecological footprint and promoting responsible business practices.
- **Business Ethics and Integrity**
This topic involves the adoption of honest and responsible business practices that respect moral principles and regulations. It implies the company’s commitment to operate with transparency, fairness, and responsibility towards all stakeholders, including customers, employees, and the community. The goal is to support a corporate culture that promotes long-term success through ethically founded decisions and sustainable practices.

In 2015, the United Nations (UN) member states adopted the Sustainable Development Goals (SDGs) and the 2030 Agenda as a blueprint for a sustainable future for all.

The SDGs define the global sustainability agenda and the targets to be achieved by 2030, urging all sectors of society, including the private sector, to commit to their implementation.

The SDGs are universally applicable, meaning that all countries, economic operators, and individuals must contribute to achieving the goals based on their capacities.

Following the adoption of the SDGs, GRI and its network of partners have played a key role in supporting sector operators to measure and report their impact and contributions to the SDGs.

The document “Linking the SDGs and the GRI Standards” contains a list of the existing relationships between the GRI Standards and the 17 UN Sustainable Development Goals: thanks to this document, Arcoprofil was able to link its sustainability goals to the UN objectives, thus measuring its contribution to their achievement.





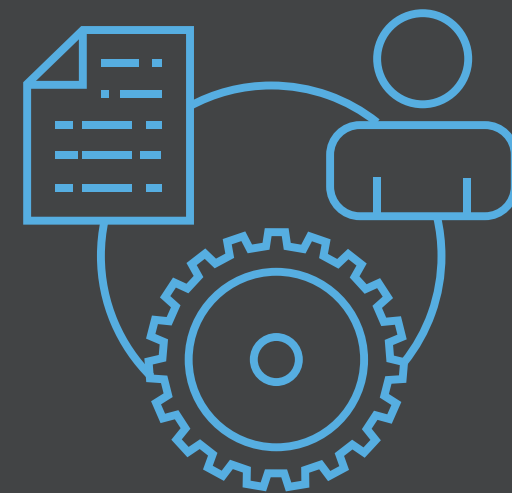
4. Governance

The “G” in ESG stands for Governance and refers to the structural and management control practices within Arcoprofil.

Corporate governance is essential because it influences how strategic decisions are made, how risks are managed, and how transparency is ensured towards all our stakeholders.

Specifically, in our ESG governance, we focus on several key areas:

- Internal structure
- Company policies
- Certifications





4.1 La governance di Arcoprofil

GRI 2-9a / 2-9b / 205-2a / 205-2b / 2-15 / 2-16 / 2-23

Arcoprofil's governance system is based on principles of fairness, transparency, respect for laws and internal regulations. It aims to ensure the regularity of operations, manage risks, respond to shareholders' expectations, and protect creditors and other stakeholders, while complying with labour and safety legislation.

The governance bodies are the Board of Directors (BoD), composed of 3 members, the Auditor/Reviewer, a single-member control body, and a Supervisory Body, composed of 2 members, as required by the organizational model under Italian 231 Legislative Decree.

The BoD, consisting of 3 members—1 non-executive and 2 executives—is the highest governing body and defines the guidelines on economic, environmental, and social matters. The proportion of women on the Board is 33.33% of the total members.

The current members of the BoD have been in charge for one year and will remain in charge until the approval date of the 2024 financial statement.

The entire BoD is aware of anti-corruption procedures and regulations, while within the organization, only the sustainability team of 7 people has received specific training on the topic. Activities are being reviewed to develop and spread collective knowledge on economic, environmental, and social aspects concerning anti-corruption.

	Value
Total number of governance body members who have been informed about the organization's anti-corruption policies and procedures.	6
Percentage of governance body members who have been informed about the organization's anti-corruption policies and procedures.	100%
Total number of governance body members who have completed anti-corruption training courses.	0
Percentage of governance body members who have completed anti-corruption training courses.	0%
Total number of governance body members	6

	Executives	Managers	Employees	Workers
Employees who have been informed about the organization's anti-corruption policies and procedures.	0	0	7	0
Percentage of employees who have been informed about the organization's anti-corruption policies and procedures.	0	0	22,6%	0
Employees who have completed anti-corruption training courses.	0	0	7	0
Percentage of employees who have completed anti-corruption training courses.	0	0	22,6%	0
Total number of employees by category	0	0	31	138
Business partners				
Business partners who have been informed about the organization's anti-corruption policies and procedures.	0			
Number of business partners	0			
Percentage of business partners who have been informed about the organization's anti-corruption policies and procedures.	0			

Article 1.3 has been included in the Code of Ethics, stating that:
*"All business relationships must be based on integrity and loyalty and must be conducted **without any conflict between business and personal interests.** To achieve this objective, the Company requires that all those who operate within it, such as its directors, managers, and other employees in the performance of their duties, adhere to the highest standards of conduct in business, acting with loyalty, seriousness, honesty, competence, and transparency, in compliance with applicable laws and regulations, and safeguarding the reputation of the Company."*



A training program on this matter is planned for all staff in 2025.

The process to prevent and mitigate conflicts includes:

1. Ensuring the timely distribution of the Code of Ethics throughout the Company and among all Recipients.
2. Ensuring that all updates and changes are promptly brought to the attention of all Recipients.
3. Providing adequate training and information support, offering assistance in case of doubts regarding the interpretation of the Code of Ethics.
4. Ensuring that anyone who reports violations of the Code of Ethics in good faith is not subject to any form of retaliation.
5. Adopting fair and proportionate sanctions for violations of the Code of Ethics and applying these sanctions consistently to all directors, managers, and other employees (and, where applicable, to third parties), in compliance with the Code of Ethics.
6. Periodically verifying compliance with the Code of Ethics.

To manage grievances, the Company has implemented procedures collectively known as the “**Grievance Mechanism**,” which are based on transparency, impartiality, confidentiality, and accessibility. The details are outlined in the procedure P-002 “Grievance Mechanism and Whistleblowing.”

The 231 Model and the Code of Ethics are publicly available and can be accessed on the company’s website, where it is specified how the monitoring of proper functioning and compliance with regulations is carried out, with references to the Supervisory Body (OdV). A contact phone number and email address are also provided, to receive reports of improper or inadequate behavior in relation to the Model, ensuring the protection and confidentiality of the whistleblower.

Communication of issues and reports follow the procedures outlined in the Whistleblowing policy and are managed according to the Grievance Mechanism procedure. To support the implementation of these procedures, periodic training will be provided to all employees in 2024. During the reporting period, no critical issues or activations of the grievance procedures were recorded.

Commitments in terms of policies

Arcoprofil maintains a responsible conduct in its activities, business relationships, and with all stakeholders, which finds its origins in the ethical code, the organizational Model 231, and other related policies and operational procedures. In 2023, all areas of Arcoprofil’s activities are governed by internal policies and regulations listed below:

- **Ethical Code**

- **Grievance Mechanism and Whistleblowing**
- **Anti-corruption Policy**
- **Sustainability Policy**
- **QHSE Policy**
- **Instruction IS-007** “DPIA – Data Protection Impact Assessment for the WB”
- **General Terms of Supply**

Along with these principles, Arcoprofil conducts its activities in compliance with the certifications it has acquired:

- **UNI EN ISO 9001:** Quality Management System Certification
- **UNI EN ISO 14001:** Environmental Management System Certification
- **UNI EN ISO 45001:** Health and Safety Certification
- **IATF 16949:** Quality System Certification for the Automotive Sector
- **Ecovadis:** ESG Performance Evaluation System
- **NQC SAQ 5.0:** Sustainability and CSR Evaluation System for the Automotive Sector.

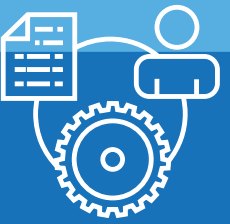
At the corporate level, activities and commitments are made in **full respect of human rights** and by following the principles of precaution, due diligence, and the 231 Model, which defines internal responsibilities in every area of activity.

According to this model, periodic reports are also submitted to the Supervisory Body, which verifies the integration and compliance with the commitments made at the organizational level in strategies, policies, and operational procedures.

The involvement and updating regarding the commitments made and implemented by the organization are carried out through periodic training on the 231 Model.

The company considers the individual its primary asset and protects it by rejecting any form of discrimination based on gender, sexual orientation, nationality, religious beliefs, ethnicity, personal and political opinions, age, health, and economic conditions. The company rejects forced and child labour and any type of harassment (physical, verbal, sexual, or psychological), abuse, threats, or intimidation in the workplace, thus ensuring respectful working conditions, including working hours and wage determination.





Risk management

In respect of confidentiality and privacy, the company ensures the protection of information and data, in compliance with current **data protection** regulations.

Arcoprofil adopts the most appropriate security measures for the processing of personal and sensitive data, in accordance with applicable legislation. It is committed to protecting information related to its employees and third parties, acquired or generated during business relationships, preventing any misuse of such information.

All information, knowledge, and data acquired or processed by employees during their work or while performing their corporate duties belong to the organization and cannot be used, communicated, or disclosed without explicit authorization.

To ensure the management and supervision of all privacy-related activities, Arcoprofil has appointed a Data Protection Officer.

The company confirms that in 2023, there were no data or sensitive information breaches, and no complaints were received regarding such issues during the reporting period.

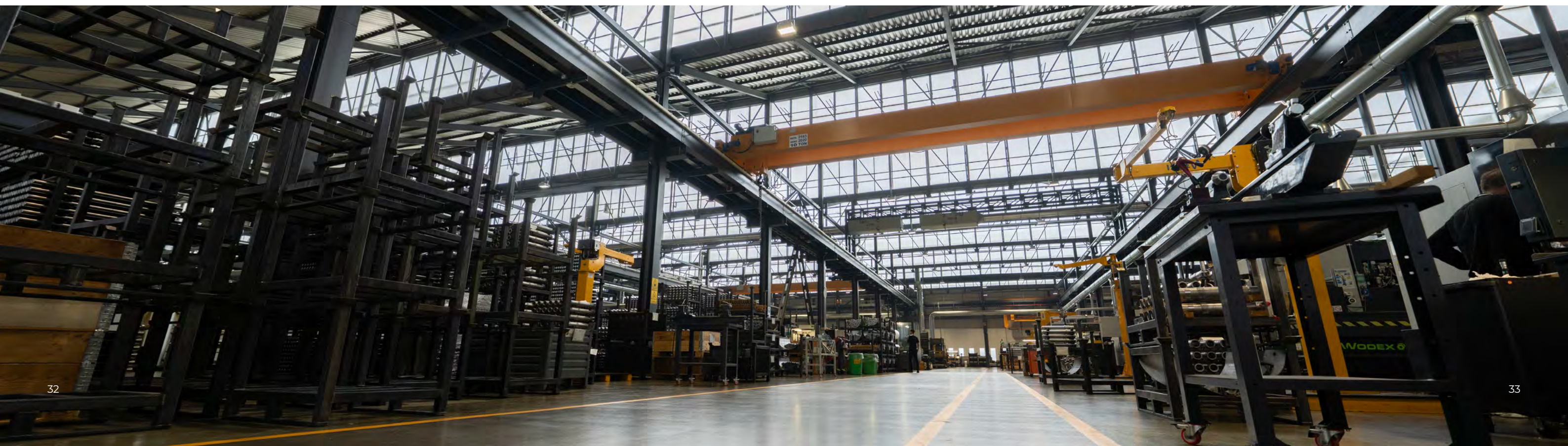
In 2023, no legal actions were recorded for non-compliance or failure to comply with the laws and regulations applicable to the organization.

There is no specific role defined for risk management, but analysis and evaluation are carried out according to the procedures defined by the ISO 9001 Quality Management System, a systematic approach used to achieve the several ISO standards acquired by the company.

For example, regarding health and safety, ISO 45001 requires the company to adopt an **approach that prioritizes prevention, combined with continuous and thorough risk assessment**. Every activity is monitored to identify potential risks related to workplace safety, with particular attention to the constant updating of preventive and protective measures. This also includes periodic evaluation of environmental factors that could affect the health of workers, implementing corrective or improvement actions where necessary.

Finally, for environmental management, following ISO 14001 regulation, the approach aims to reduce negative impacts through regular assessment of environmental aspects related to company activities. Preventive measures are adopted to minimize contamination risks, optimize resource consumption, and reduce emissions, ensuring compliance with environmental regulations and contributing to long-term sustainability.

In summary, the company's risk management is based on an integrated approach that promotes prevention, using advanced tools and constant attention to the dimensions of risk, in order to protect quality, health and safety of workers, and the environment.





4.2 Material topic: economic performances

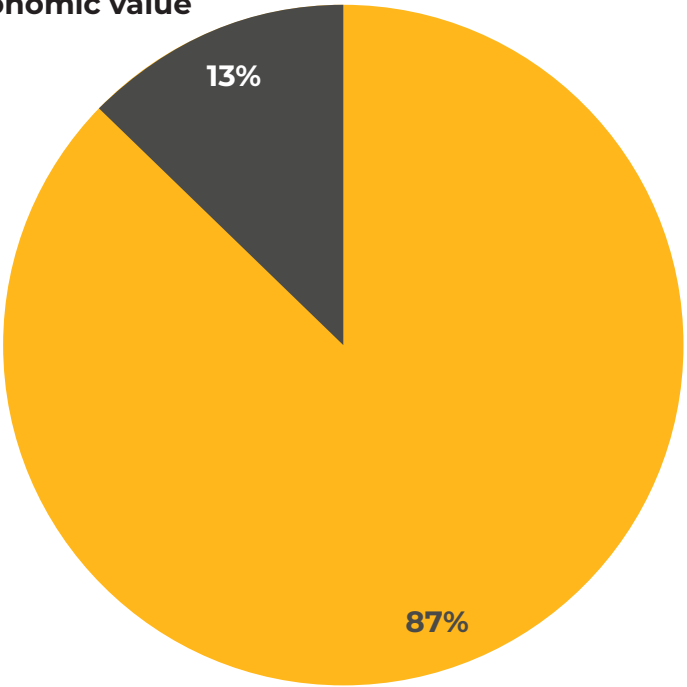
The materiality analysis revealed that one of the most important aspects for Arcoprofil and its stakeholders is the company's performance in its reference market. The company is committed every day to ensuring excellent economic and financial results, with the goal of protecting and increasing the value of the business. The aim is to enhance the economic sustainability of activities, as well as the value created and distributed. A constant focus on innovation, coupled with the ability to analyze and understand market developments, is essential to promote continuous improvement and support business growth, even in the face of external factors' changes.

The economic value generated in 2023 amounted to €35,823,590.00, of which 87.31% was distributed to suppliers and 12.69% was retained. Of the total economic value used, 76.12% was allocated to operating costs (i.e., spent on components, plants, or services purchased), while 23.88% was directed to the personnel.

GRI 201-1 - Direct economic value generated and distributed

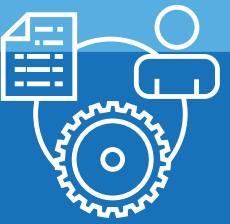
	Value	%
Generated economic value	35.823.590,00 €	100%
Income	35.823.590,00 €	100%
Distributed economic value	31.279.095,00 €	87,31%
Operating costs	23.809.884,00 €	76,12%
Employee wages and benefits	7.469.211,00 €	23,88%
Retained economic value	4.544.495,00 €	12,69%

retained economic value



distributed economic value





4.3 Material topic: product quality

Quality and reliability are the core mission of Arcoprofil, and through its constant commitment to innovation and continuous improvement, the company offers its clients cutting-edge technical solutions and processes designed for effective cost and waste reduction.

The company obtained numerous international certifications for its production facility, demonstrating its commitment to high-quality standards and optimal management of business processes.

Specifically, Arcoprofil adopts the ISO 9001 and IATF 16949 quality management systems (QMS), which allow continuous monitoring and optimization of product quality.

The QMS is based on quality risk analysis (risk-based thinking), a method that helps identify, evaluate, and manage potential business risks. Among the tools used, FMEA (Failure Mode and Effects Analysis) plays a fundamental role in preventing product defects.

This tool systematically analyzes each phase of the process, identifying possible defects and determining corrective or improvement actions to avoid their occurrence, ensuring that products comply with quality standards.

In case of non-conformities or quality issues, whether identified internally, reported by the client, or detected during external audits, the 8D procedure is activated. This involves the key process owners and the quality manager in the following activities:

- Analysis of the root causes of the non-conformity (NC)
- Identification and implementation of corrective/preventive actions
- Verification of the effectiveness of the corrective actions
- Verification of the effectiveness of the preventive measures taken and closure of the non-conformity
- Capitalization of the experience through Lesson Learn Cards (LLC)

This approach is also extended to environmental non-conformities (failure to comply with procedures and controls, incidents) and data protection issues (data breach).

The supply of raw materials is regulated by a procedure that includes a control system, ranging from the careful selection of suppliers to daily checks of all incoming goods, as well as periodic visits to suppliers, following strict

evaluation parameters. The quality department also carries out most of the dimensional and metallographic analyses internally.

Arcoprofil is distinguished by its careful approach to selecting materials and technologies used, with particular attention to listening to customer needs and offering technical support for new projects.

Business activities are focused on achieving maximum customer satisfaction, with continuous efforts to improve product and process quality through checks, self-audits, or speed-audits for internal self-assessment.

Arcoprofil aims to combine technical excellence with a sustainable approach, creating solutions that not only meet market needs but are also aligned with the highest international standards.

All products provided by the company do not come from conflict zones (Conflict-Free Minerals Declaration) and are compliant with the RoHS directive, which restricts the use of hazardous substances (for electronic products, which we do not supply), and adheres to the REACH regulation, ensuring that materials provided are free from harmful or hazardous chemicals to health and the environment.





4.4 Material topic: Supply chain management

GRI 308-1 / 308-2 / 414-1 / 414-2

Supply chain management plays a central role in the operations: the selection of raw material suppliers and subcontracting suppliers are fundamental activities for the company.

Direct suppliers, i.e., those directly linked to the production process, such as steel mills and subcontractors, are selected with attention, based on criteria such as company history, references, and market information, as well as the availability of environmental and quality system certifications.

The list of qualified suppliers is updated annually, with a scoring system considering the following parameters:

- Certifications (ISO)
- Product quality level
- Service level (punctuality, timeliness, precision)

In 2023, the supply conditions were updated, introducing indications on how suppliers should address sustainability issues, in addition to the evaluation criteria already included in previous versions.

Suppliers are required to comply with these requirements and to pass them along their supply chain, with the goal of ensuring customer satisfaction and contributing to the stability and growth of the company.

Due to the growing importance of this issue, sustainability is planned to be included among the criteria for supplier evaluation in 2025. This will allow suppliers to develop their knowledge and achieve greater maturity on the aspects involved.

The procurement of strategic goods and services is managed by involving multiple alternative suppliers to ensure diversification, security, and continuity in the supply chain.

Regarding the geographical distribution of suppliers, preference is given to local suppliers operating within a 200 km proximity from the company's headquarters, although geographic proximity is not yet a selection criterion for sourcing.

In 2023, the company did not evaluate new suppliers based on environmental and social criteria, as supplies primarily come from European countries, where workers' rights are generally protected and where no significant risks related to child labor, forced or compulsory labor, or violations of freedom of association or collective bargaining are identified.





Environmental sustainability

The “E” in ESG refers to how we manage our environmental impact.

This includes factors such as carbon emissions, energy efficiency, waste management, and water usage.

Arcoprofil is committed to taking responsibility for reducing its environmental footprint, aligning itself with global sustainability regulations and objectives.

For us, integrating environmental practices not only reduces risks but also offers opportunities for innovation, cost savings, and long-term resilience.





5. Environmental responsibility

Arcoprofil considers environmental protection and the reduction of environmental impacts among its top priorities.

The company adopts a responsible approach aimed at improving environmental performance, pursuing this goal across all its operational areas.

This includes the sustainable management of resources, the sourcing of raw materials required for production, the monitoring of energy and water consumption, the management of processing waste, and the reduction of emissions during the production cycle and in the overall management of the organization.

Achieving ISO 14001 certification, along with the environmental policy, laid the foundations for efficient management of this issue as early as the 2000s, many years before sustainability became a common topic.

5.1 Material topic: Responsible energy management and emissions reduction

GRI 302-3 / 302-4 / 305-4 / 305-5

Arcoprofil's activities involve the production of mechanical components, a heavy industry activity that results in significant energy consumption, considering that all processing stages take place within the plant, including heat treatments, which are known for their high energy consumption.

Arcoprofil has been reporting of its energy consumption since long time and it is constantly monitored on an overall basis for the entire site, although not yet broken down by production phase, plants, or product families. A more detailed segmentation of energy consumption will begin once counters are installed to monitor the consumption of each department. This improvement is part of the





project aimed at achieving ISO 50001 energy certification. Regarding the analysis of energy consumption, we consider 2023 as the baseline.

The data provided in the following table form the basis for monitoring consumption trends in the coming years and include energy consumption for production activities, lighting, heating, cooling, and the use of company vehicles.

In total, in 2023, the total energy consumption within the organization reached 20,267.77 GJ. Considering the amount of product generated by Arcoprofil during the reporting period, for each ton produced (total raw material processed: 11,243 tons), 1.803 GJ of energy were consumed.

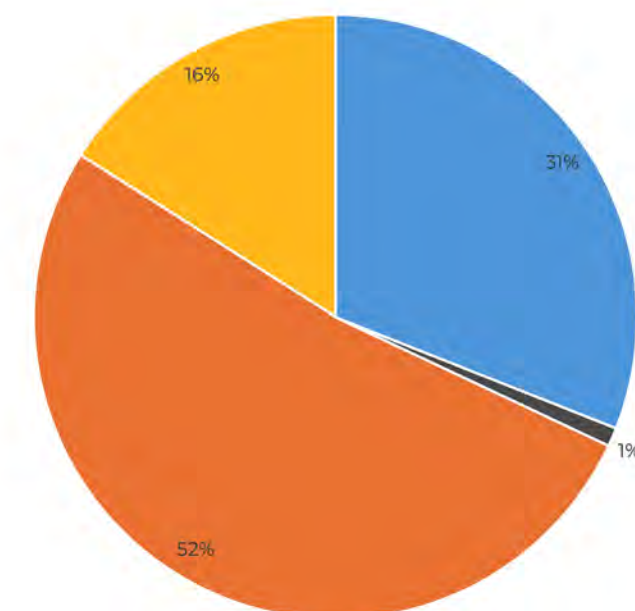
This reflects a good level of process efficiency, but to establish benchmarks for energy intensity and emission reductions, we will need to wait for the next reporting.

GRI 302-1 Energy consumption within the organization

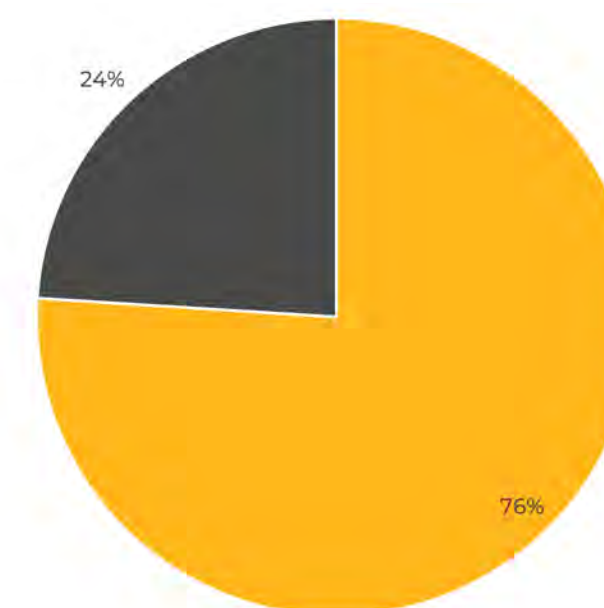
Energy consumption	GJ
Fuel from non-renewable sources	6.312,58
Fuel from non-renewable sources for vehicles	136,76
Purchased electric energy	10.541,63
Self-generated and consumed electricity from renewable sources	3.276,8
Total energy consumption	20.267,77

Breaking down energy consumption, it is noted that:

- **32% of consumption came from non-renewable sources**, mainly natural gas for heating, gasoline and diesel consumption by company vehicles;
- **52% was used for electricity supply to power machinery and lighting;**
- **16% came from self-generated electricity** produced by the 1416 kWp photovoltaic system (5,753.09 GJ). Of the total electricity consumed, the self-generated green electricity represents the 24%.



- Fuel from non-renewable sources
- Fuel from non-renewable sources for vehicles
- Purchased electric energy
- Self-generated and consumed electricity from renewable sources



- Purchased electric energy
- Self-generated and consumed electricity from renewable sources



	TOTAL	
A - TOTAL CONSUMPTION OF FUEL FROM NON-RENEWABLE SOURCES		6449,343 GJ
Gasoline	42,98 L	1,387 GJ
For company fleet (vehicles for company use)	0	0
For company fleet (vehicles for mixed-use)	42,98 L	1,387 GJ
For other purposes (specify in notes)	0	0
Natural gas	174.428,76 smc	6.312,575 GJ
For heating	174.428,76 smc	6.312,575 GJ
For other purposes (specify in notes)	0	0
Diesel	3.804,37 L	135,381 GJ
For company fleet (vehicles for company use)	2.131,32 L	75,844 GJ
For company fleet (vehicles for mixed-use)	1.673,05 L	59,536 GJ
For other purposes (specify in notes)	0	0
B - ELECTRIC ENERGY CONSUMPTIONS	3.838.454,04 Kwh	13.818,435 GJ
Electric energy purchase	2.928.231 Kwh	10.541,632 GJ
of which certified renewable electricity – From third parties	0	0
of which not certified renewable electricity – From third parties	2.928.231 Kwh	10.541,632 GJ
Self-generation of electricity (no combustion)	1.598.081,6 Kwh	5.753,094 GJ
of which produced by photovoltaic solar systems	1.598.081,6 Kwh	5.753,094 GJ
Sale of electricity	687.858,56 Kwh	2.476,291 GJ
Electricity sold – To third parties	687.858,56 Kwh	2.476,291 GJ
C - ENERGY CONSUMPTION FOR DISTRICT HEATING	0	0
Purchase of energy for district heating	0	0
Purchase of energy for district heating - from third parties	0	0
TOTAL ENERGY CONSUMPTION		20.267,777 GJ

The company's energy consumption, as analyzed, results in the generation of various categories of greenhouse gas (GHG) emissions:

- **Direct emissions (Scope 1):** Generated directly by the company as a result of its activities and assets.
- **Indirect emissions (Scope 2):** Arising, for example, from the consumption of energy produced by third parties.

For the calculation of greenhouse gas (GHG) emissions, conversion factors from authoritative and updated sources were used (see methodological note). For both direct (Scope 1) and indirect emissions (Scope 2), the conversion factors "DEFRA Fuel Properties - Petrol (average biofuel blend)" and "AIB European Residual Mixes (Total Supplier Mix IT)" were applied (see table in the appendix).

Moreover, for the calculation of emissions from purchased electricity (Scope 2), both the location-based method and the market-based method were applied. This method measures emissions based on both the typical energy mix of the local electricity grid and the energy mix of the company's supply contract with the energy provider.

By selecting both criteria, we are able to obtain a more comprehensive and accurate view of emissions, offering both a realistic overview of the carbon intensity of the local grid (location-based) and insight into the positive and voluntary actions taken to reduce emissions through the purchase of green energy (market-based).

During the reporting period, a total of 1.703,64 (market based) or 1.335,27 (location based) tons of CO₂ equivalent were emitted, of which 21% (market based) or 27% (location based) relates to direct Scope 1 emissions (364.99 tons of CO₂e), while 79% (market based) or 73% (location based) related to indirect Scope 2 emissions. The tables below provide a detailed breakdown of emissions by category.

Relating the total emissions generated to the company's production, it is determined that for each ton of finished product produced, 0,151tons (market based) or 0,119 (location based) of CO₂ equivalent were emitted. (Total finished products in 2023: 11.243 tons).

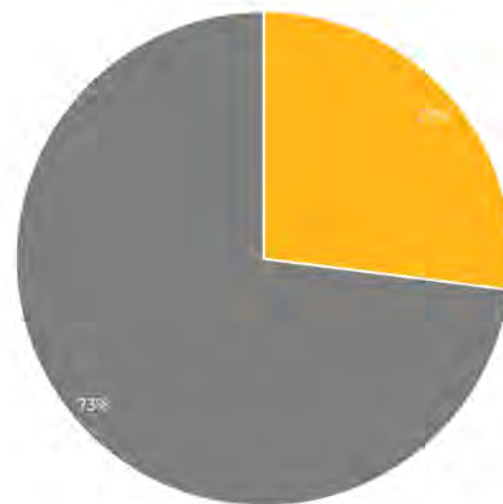


GRI 305-1a - direct greenhouse gas emissions SCOPE 1

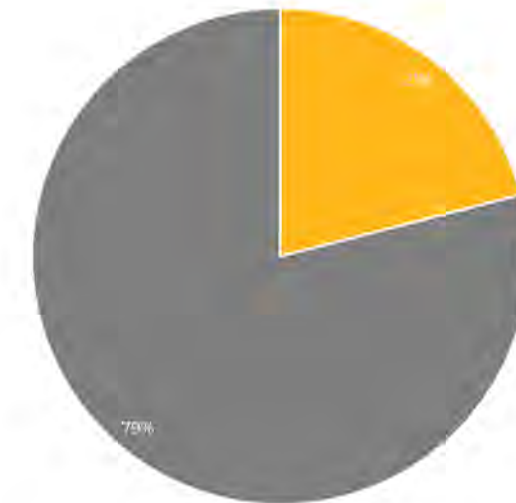
	Total tCO ₂ e
Emissions from fuel from non-renewable sources	364,999
Emissions from fuel from non-renewable sources – offices and facilities	355,354
of which gasoline	-
of which natural gas	355,354
of which diesel	-
Emissions from fuel from non-renewable sources – company fleet	9,645
of which gasoline	0,090
of which diesel	9,554
Fugitive emissions	-
HFC emissions from air conditioning and refrigeration systems	-
Other fugitive emissions	-
Total SCOPE 1	364,999

GRI 305-2 - Indirect greenhouse gas emissions from energy consumption – SCOPE 2

	Totale tCO ₂ e
Total Scope 2 (tCO ₂ e) purchased electricity Location Based	970,269
Total Scope 2 (tCO ₂ e) purchased electricity Market Based	1.338,641



■ direct greenhouse gas emissions SCOPE 1
 ■ Indirect greenhouse gas emissions from energy consumption – location based SCOPE 2



■ direct greenhouse gas emissions SCOPE 1
 ■ Indirect greenhouse gas emissions from energy consumption – market based SCOPE 2





5.2 Material topic: Responsible management of waste and used materials

The main special waste produced by the company comes from the typical activities of steel processing. Steel is inherently an alloy with infinite recyclability, meaning it can be recycled endlessly without losing its properties and through an energy-efficient process. In addition, modern technologies for steel production, such as the use of Electric Arc Furnaces (EAF), are making the process more efficient and less polluting compared to traditional methods. Almost all of the material processed at Arcoprofil is produced from scraps, which is part of the circular economy, achieved by recycling and reintroducing ferrous waste back into the raw material production process.

The waste produced by the company occurs during these production phases:

- Processing phase: During this phase, ferrous scrap and shavings are generated as a result of excess material removal, or waste from product non-conformity.
- Packaging phase: Waste from packaging used to protect or store the main product, consisting of paper, cardboard, plastics, wood, oils, and mixed materials. A large amount of this waste is avoided thanks to good practices, such as using returnable packaging owned by customers and studying eco-friendly packaging solutions.
- Maintenance activities on plants and machinery from which waste oils, emulsions, and sludges are generated.

The waste is collected in separate containers and placed at various points throughout the plant. Transportation and disposal are entrusted to companies with established technical and professional expertise.

In 2023, numerous projects were launched to promote the reduction of produced waste, particularly plastics, and to encourage the recovery of scrap materials rather than their disposal.

Company waste is identified according to various categories, classified according to the EER (European Waste List) code, and measured in terms of the quantity produced by weight.

GRI 301-2 / 301-2

The table below provides a detailed list of the incoming materials used for the production, processing, and packaging stages.

GRI 301-1 - Materials used by weight and volume

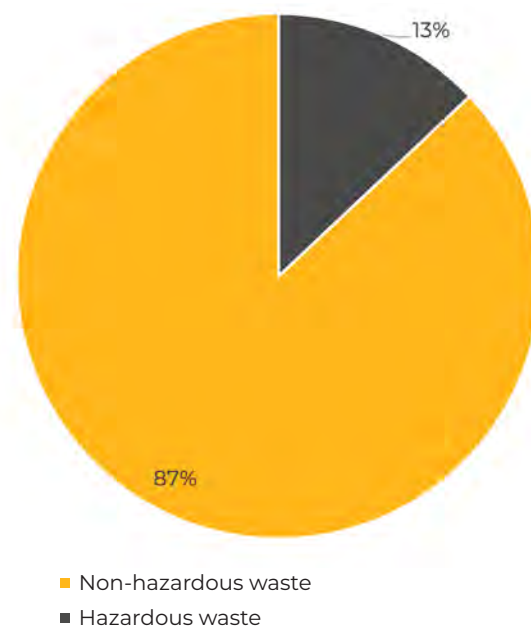
	Total t
Total renewable materials	11.386,78
Steel bar	9.906,82
Forged steel	1.336,71
Wooden crates	138,381
Paper	4,87
Total non-renewable materials	105,467
PACKAGING CATEGORY	
Tubular netting	3,36
VCI (including rolls, envelopes, covers, paper)	2,107
Corrugated cardboard roll	0,992
Stretch film roll	0,036
Strapping	0,988
Pluriball	0,196
Brown packing tape	0,146
EPS foam sponge	1,244
CHEMICAL PRODUCTS CATEGORY	
Protective fluids	8,4
Cutting and gear-cutting fluids	16,734
Heat treatment fluids	3,62
Oils for molding and deformation	0,74
Lubricants	21,64
Coolants (for grinding)	2,496
Anti-rust	1,456
Detergents	8,52
Nitrogen	27,742
Methanol	5,05
Total materials used for production	9.409,101



In 2023, a total of 3,225.68 tons of waste were produced, which, when compared to the company's production (11,243 tons of finished product), results in the generation of 0.287 tons of waste per ton of finished product.

As mentioned in the introduction, the majority of our waste consists of scrap and shavings, highly recyclable materials that are reintroduced into the production cycle (total waste 2,806.33 tons in 2023).

The total waste sent to non-recoverable landfill in 2023 amounted to 365.46 tons (11.33%), while recovery operations were initiated for 2,860.22 tons of waste, accounting for 88.67% of the waste produced.



GRI 306-3 - Generated waste

	Total t
Total hazardous waste	403,251
120109* - emulsions	363,15
120116* - grit sand	2,555
120118* - grinding sludge	13,864
130205* - waste oil	3,54
150110* - packaging contaminated with residues of hazardous substances (tanks)	4,739
150202* - mixed contaminated materials	15,16
170903* - rock wool insulated panels	0,243
Total non-hazardous waste	2.822,432
120101 - metal shavings	2.212,78
120199 - scrap metal	593,55
120121 - used grinding wheels	0,671
150101 - paper	1,5
150103 - wood	6,82
150106 - mixed packaging materials	6,67
160214 - Electronic waste	0,441

GRI 306-4 - Waste not disposed of in landfill

	Total t	
	inside our site	outside our site
Hazardous waste total weight	0	38,457
Preparation for reuse	0	0
Recycling	0	38,457
Other recovery operations	0	0
Non-hazardous waste total weight	0	2.821,761
Preparation for reuse	0	0
Recycling	0	2.821,761
Other recovery operations	0	0

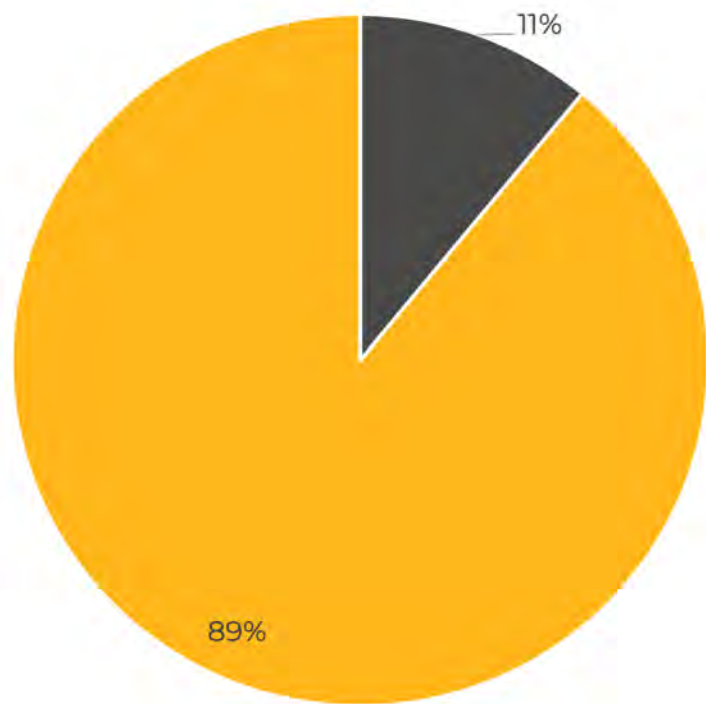


GRI 306-5 - Waste disposed of in landfill

	Total t	
	Inside our site	Outside our site
Hazardous waste total weight	-	364,794
Incineration (with energy recovery)	-	-
Incineration (without energy recovery)	-	-
Landfill disposal	-	364,794
Other disposal operations	-	-
Non-hazardous waste total weight	-	0,671
Incineration (with energy recovery)	-	-
Incineration (without energy recovery)	-	-
Landfill disposal	-	0,671
Other disposal operations	-	-

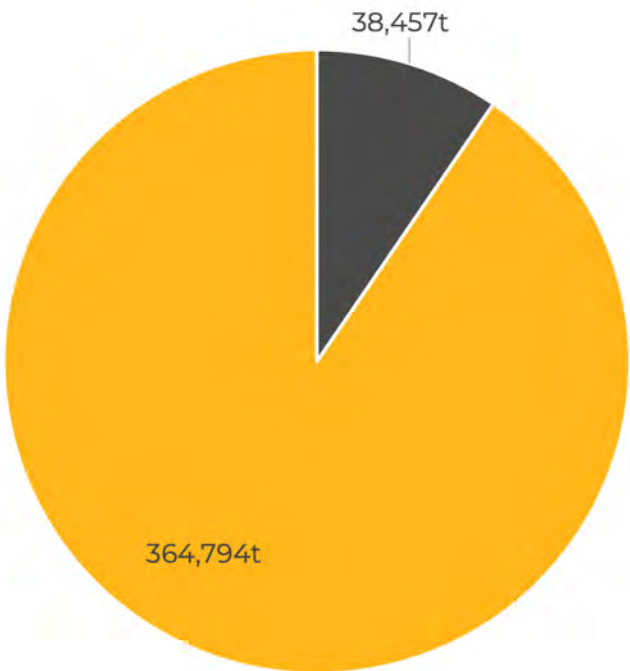


Total recovered/non-recovered waste



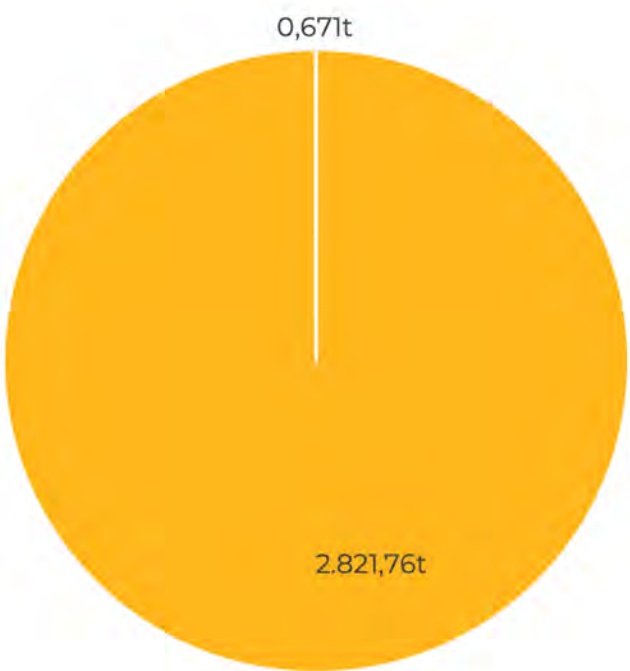
■ Recovered waste
■ Non-recovered waste

Total recovered/non-recovered hazardous waste



■ Non-recovered hazardous waste total weight
■ Recovered hazardous waste total weight

Total recovered/non-recovered non-hazardous waste



■ Recovered non-hazardous waste total weight
■ Non-recovered non-hazardous waste total weight



5.3 Material Topic:
Water resource management

GRI 303-1 / 303-4 / 303-5

The supply of water used in the company’s production activities is primarily sourced from the public water system and is used in production processes along with oils, as well as for sanitary purposes.

The water consumption is reported through invoices from the water service provider, which are considered to match the volumes extracted from the public water network, as there are no other sources of supply and no industrial-type water discharges, only discharge into the sewage system.

The following data relates to water withdrawals and consumption, expressed in Megaliters. The data on water consumption does not account for the volume corresponding to discharges, as these are unknown; therefore, the water consumption coincides with the water withdrawal from third parties.

During the reporting period, the total water withdrawal amounted to 3.72 ML, and it appears that the entire volume of water withdrawn is consumed by production processes and washing, while the remaining portion is used for sanitary purposes in the offices.

When adjusting water consumption relative to the amount of finished product in 2023, it is calculated that for every ton produced (11,243 tons of

finished product), approximately 331 liters of water were used. (3.72 ML = 3,720,000 liters).

GRI 303-3 - Water consumption

	Total Megal
Surface water (total)	-
Falda freatica (total)	3,729
Drinkable water (≤1,000 mg/L total dissolved solids)	3,729
Other water sources (≤1,000 mg/L total dissolved solids)	-
Sea water (total)	-
Produced water (total)	-
Water from third parties (total)	-
Total water consumption	3,729

(consumption detected from invoices)

Environmental data summary 2023
consumption and emissions

	Energy GJ	Emissions CO ₂ e	Waste t	Water l
	20.267,77	2.673,90	3.225,68	3.729.000
for each produced ton (11.243,53t total produced)	1,802	0,238	0,287	330,85



Social sustainability

The “S” in ESG stands for Social sustainability and refers to how a company manages relationships with the people and communities it interacts with.

This includes factors such as health and safety at work, equality and inclusion, employee rights, community involvement and the general well-being of people.

Arcoprofil is committed to promoting a fair, safe and stimulating working environment, ensuring that all stakeholders, from employees to partners, are treated with respect and transparency.

For us, investing in social well-being not only builds trust and reputation, but also fosters sustainable growth, improving the quality of life of people and the long-term success of the company.





6. Social responsibility

GRI 2-8 / 2-30 / 2-19 / 2-20 / 2-21

6.1 Our people

Human resources are a fundamental and essential ingredient for Arcoprofil and its activities. Arcoprofil promotes and ensures respect for the physical, moral, and cultural integrity of individuals.

The company also guarantees working conditions that respect individual dignity and provides safe working environments, where trust and respect are the key pillars for achieving shared results.

The knowledge and adherence to the Ethical Code by all individuals who, in any capacity, operate or work at Arcoprofil are fundamental and essential conditions to ensure the company's transparency and reputation.

Arcoprofil recognizes the importance of ethical-social responsibility in conducting business and corporate activities and, therefore, is committed to achieving its objectives while balancing the interests involved.

All activities carried out by Arcoprofil are managed with full awareness of the moral and social responsibility the company holds towards its shareholders, employees, consultants, business partners, public authorities, and, more generally, all those who engage in collaboration with the company.

As part of its sustainability journey, one of Arcoprofil's priorities concerns the social dimension.

This ESG aspect is embodied in the commitment to ensure that everyone has the best conditions to express their full potential, offering individuals an environment where they can grow, develop their skills, and feel protected, with equal opportunities for all.

The company's growth objective goes hand in hand with the increase in the number of employees and the enhancement of the resources already available within the company. Arcoprofil is committed to ensuring dignified working conditions, promoting corporate welfare, and supporting the work-life balance of its employees.

At the same time, the company is committed to ensuring full compliance with health and safety regulations and a solid management of critical issues to ensure continuous improvement in this important area of growth.



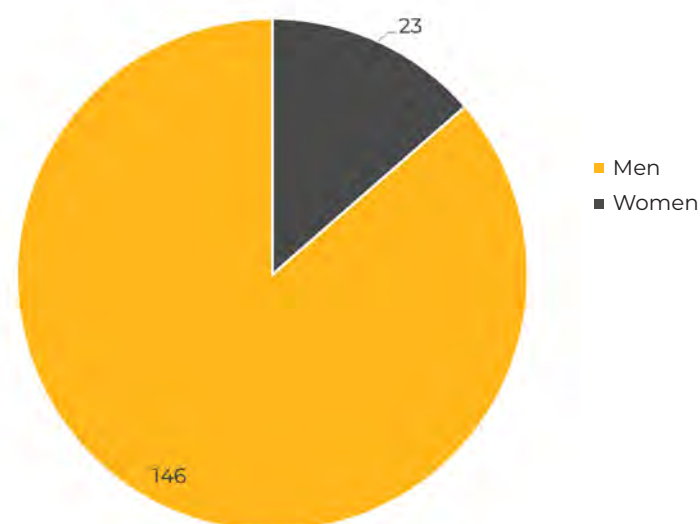
In the first year of reporting, 2023, Arcoprofil counts **169 employees, 100% of whom have permanent contracts, and 96% work full-time.** Women make up 13.6%, while men account for the remaining 86.4%.

The presence of women has been promoted through internal activities, such as the Academy and partnerships with educational institutions aimed at encouraging female participation in the company's production departments.

GRI 2-7 - Gender of employees

	Women	Men	Total
Employees total number	23	146	169
Permanent job	23	146	169
Temporary job	-	-	-
I work non-guaranteed hours (i.e. occasional work)	-	-	-
Full time + part time employees total number	23	146	169
Full time employees	21	141	162
Part-time employees	2	5	7

(All people employed in 2023 are considered employees, including terminations during the reporting year)



The total number of **non-employee workers is 20**. These are workers whose work is under the company's control, hired indirectly through recruitment agencies. They are mainly involved in production, working as machine operators.

100% of employees are covered by collective bargaining agreements based on national contracts. To define the salary for each employee, the company applies the Federmeccanica metalworking collective bargaining agreement (CCNL) dated 05.02.21.

For the determination of the minimum starting salary, the company considers the minimum contractual salary, skills, and years of experience during individual negotiations between the company and the candidate. Compensation for the highest management bodies is determined by the ownership.

There are no specific policies for engagement bonuses, severance pay (TFR), pension benefits, or specific incentive systems for employee performance. At the end of the year, performance evaluations are conducted, which may lead to specific salary adjustments based on the budget allocated for wages. In 2023, to promote productivity growth, **a result-based bonus** was established through a union agreement, with a variable amount tied to increases in productivity, profitability, quality, and efficiency.

Annual compensation is calculated based on the theoretical gross value of each employee with the parameters set by the metalworking CCNL, and in particular, the monthly salary is used for 13 months.

In 2023, the ratio between the total annual remuneration of the highest-paid individual and the median annual total remuneration of all employees (excluding the highest-paid employee) is 3 to 1.

	Descrizione
Total annual wage of the person receiving the highest salary	€ 83.818,69
Average annual total compensation of all employees in the organization, excluding the aforementioned person.	€ 29.567,15
Ratio between the total annual compensation of the highest-paid person and the average total annual compensation of all employees (excluding the aforementioned person).	283,48%



6.2 Material topic: Employees well-being and growth

GRI 404-3 / 401-3

Regarding the workforce, the overall hiring rate is 13.02% with 22 new hires, and the turnover rate is 11.24% with 19 terminations. Among the categories, the highest hiring and turnover rates are found in the group of young people under 30, while women record the highest hiring rate at 21.74%, thanks to the internal Academy, with 5 women hired in 2023. On the other hand, male hires amounted to 17, which is equal to the number of male terminations.

GRI 401-1 - New employee hires and employees turnover

	<30 y/o			30-50 y/o			> 50 y/o			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
New hires	7	1	8	4	4	8	6	0	6	17	5	22
New resigns	8	1	9	4	1	5	5	0	5	17	2	19
Hiring factor	0,2	0,25	0,205	0,058	0,222	0,092	0,143	0	0,140	0,116	0,217	0,130
Turnover factor	0,229	0,25	0,231	0,058	0,056	0,057	0,119	0	0,116	0,116	0,087	0,112

Arcoprofil's growth is also supported by the importance of training, a key element for its development in recent years. These principles are essential for promoting technological updates through the introduction of increasingly advanced machinery and for enhancing awareness of individual skills and roles.

Arcoprofil offers numerous training opportunities, including seminars, courses, and conferences, thus promoting the development of new ideas and career advancement.

GRI 404-1a - Training hours on employee

	Men	Women	Total Hours
Executives	-	-	-
Managers	-	-	-
Employees	313,25	515,5	828,75
Workers	4.376,25	157,25	4.533,5
Total	4.689,5	672,75	5.362,25

In 2023, Arcoprofil provided a **total of 5,362.25 hours of training**, organized into lessons or educational paths covering various topics, in addition to the

mandatory training required by law. The courses, aimed at both workers and employees (with an average of 31.73 hours per year), were designed for updating, developing, and consolidating technical skills, offering highly specialized training. They also addressed general interest topics such as sustainability.

In this area, employees were trained and informed about all the sustainability activities carried out by the company, summarized in a company program called "PlanetArco," created to structure all the sustainability actions the company has undertaken so far and to monitor their results.

Furthermore, employees were trained on the main tools available to them for recording and reporting critical issues or violations. The aim is to promote a sustainable culture across all functions and involve all employees to identify areas for improvement and actions to be implemented with their participation.



GRI 404-1b - Average training hours on employee

	Men	Women	Average total hours
Executives	-	-	-
Managers	-	-	-
Employees	24,096	28,639	26,734
Workers	32,904	31,45	32,851
Total	32,120	29,25	31,729

The offered training programs have been planned on the identified individual development needs.

GRI 404-2 - Employee upskilling and transition assistance programmes

Training topic	Total hours
training for job change	306
forklift use courses	4
onboarding training	963,5
foreing languages courses	62
sustainability training	92,5
quality management courses	67
RLS courses	8
robot courses	16
safety courses	73
technical skills improvement courses	169,5

Arcoprofil has adopted an **annual evaluation system for each employee**, which is used to map the competencies currently present within the company and to define a plan to address any training gaps.

Regarding access to **parental leave** by employees, the following information shows that in 2023, only female employees took advantage of it. The return-to-work rate is reported as 100%.

The return-to-work rate refers to the number of employees who actually returned to work after taking parental leave. The retention rate extends this reporting into the subsequent 12 months, determining how many employees stayed after returning to work. However, since this is the first year of reporting, there are not enough parameters to determine the retention rate.

6.3 Diversity, inclusion and equal opportunities

Arcoprofil emphasizes the importance of the individual, highlighting that company decisions regarding personnel are based solely on the skills and professional performance demonstrated during task execution.

In 2023, the composition of the workforce shows a male majority of 86.39%, with 13.61% (to be verified) represented by women.

In 2023, the second edition of the Academy for Female Operators in Mechanics was held, an initiative promoted by the company. This offered the opportunity for employed or unemployed women to attend an intensive mechanics course, with the aim of integrating them into Arcoprofil's production departments.

The initiative, open to women of all ages and backgrounds, was very successful and led to an increase in female presence in the production departments, breaking the stereotype that metalworking is a male-only profession. In fact, in 2023, women represent only 3.62% of workers in the production departments, while they account for 58.06% of office roles.

The percentage distribution by job category is illustrated in the following chart:

GRI 405-1a - Diversity on the governance bodies

	<30 y/o	30-50 y/o	> 50 y/o	Total
	Numero			
Men	0	0	5	5
Women	0	0	1	1
Total	0	0	6	6
	%			
Men	0,00%	0,00%	83,33%	83,33%
Women	0,00%	0,00%	16,67%	16,67%
Total	0,00%	0,00%	100,00%	100,00%



GRI 405-1b / 405-1c - Diversity on employees

	<30 y/o			30-50 y/o			> 50 y/o			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
	number											
Executives	0	0	0	0	0	0	0	0	0	0	0	0
Managers	0	0	0	0	0	0	0	0	0	0	0	0
Employees	2	3	5	9	14	23	2	1	3	13	18	31
Workers	33	1	34	60	4	64	40	0	40	133	5	138
Total	35	4	39	69	18	87	42	1	43	146	23	169
	%											
Executives	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Managers	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Employees	1,18%	1,78%	2,96%	5,33%	8,28%	13,61%	1,18%	0,59%	1,78%	7,69%	10,65%	18,34%
Workers	19,53%	0,59%	20,12%	35,50%	2,37%	37,87%	23,67%	0,00%	23,67%	78,70%	2,96%	81,66%
Total	20,71%	2,37%	23,08%	40,83%	10,65%	51,48%	24,85%	0,59%	25,44%	86,39%	13,61%	100,00%

GRI 405-1d - Diversity on employees (disabled)

	Total
	number
Executives	0
Managers	0
Employees	2
Workers	7
Total	9
	%
Executives	0,00%
Managers	0,00%
Employees	22,22%
Workers	77,78%
Totale	100,00%

As previously mentioned, salaries are determined based on the collective bargaining agreement and individual competencies. Regarding the gender pay gap, no specific policies have been implemented.

Currently, the pay gap between women and men is slightly unbalanced due to the lower representation of women in technical roles.

405-2 - Ratio of basic wage between women and men

		Men	Women	Women/ men ratio
Basic wage	Executives	0	0	0
	Managers	0	0	0
	Employees	0	0	0
	Workers	0	0	0
Average wage	Executives	0	0	0
	Managers	0	0	0
	Employees	€ 3.344,48	€ 2.390,72	0,715
	Workers	€ 2.214,69	€ 1.842,42	0,832

Basic wages are intended on the current law



6.4 Material topic: health and safety

GRI 403-1 / 403-2 / 403-5 / 403-6

The approach adopted for workplace health and safety procedures involves evaluating risks starting from the identification of hazards, considering the probability of occurrence, the number of workers involved, and the potential damage that the event may cause.

Risk analysis is conducted numerically, producing a value that, when compared with a reference matrix, determines the risk level.

The processes used for identifying hazards are:

- Identification of all laws and regulations applicable to Arcoprofil's structures, machines, equipment, and activities, followed by verification of compliance with these standards;
- Analysis of the work environment and company layout;
- Analysis of near miss reports and the causes that led to them;
- Analysis of injuries and the causes that led to them.

To ensure continuous monitoring of potential hazards in line with current regulations, particularly Article 50 of Legislative Decree 81/08 and subsequent amendments, the company's internal Safety Representative (RLS in Italian language) conducts periodic inspections to identify any critical issues, gather reports from workers, and report findings to the Head of the Prevention and Protection Service (RSPP in Italian language).

Workers are properly informed during general and specific training and are instructed to leave the workplace in the event of danger or serious situations, promptly notifying the supervisor (according to State-Region Agreement of 21/12/2011).

The supervisor is trained to ensure that work does not resume if the dangerous situation persists (according to training for supervisors, State-Region Agreement of 21/12/2011).

The evacuation policies are also included in the Emergency Plan, which prohibits returning to normal activities if hazardous conditions persist.

Supervisors have a form to fill out in the event of an accident, near miss, or injury, which helps analyze the causes, propose solutions to prevent

recurrence, and define corrective actions.

This form is shared with the RSPP and management. The occupational doctor, responsible for occupational health services, conducts an annual inspection to assess the workplace environment and activities, collaborating with the employer and the RSPP in hazard identification and risk assessment.

Health surveillance plays a key role in addressing workers' reports regarding potential health risks.

During the issuance of health assessments, the occupational doctor also communicates any health-related prescriptions to be considered based on the employee's role and work activity.

Periodic meetings between the RSPP, the occupational doctor, the employer, and the RLS ensure the review of the Prevention and Protection Service activities (review of the DVR document, PPE suitability, risk information/training programs; injury trend analysis).

The company annually sends all employees subject to health surveillance and schedules the occupational doctor's inspections. Employees may request additional visits if their health or work conditions change.

According to Decree 81/08 and the State-Region Agreement, every worker receives appropriate general and specific training based on their assigned tasks. In 2023, 367 hours of training on health and safety were provided.

Employees operating machinery (e.g., forklifts, overhead cranes), emergency services (e.g., first aid, BLS, fire safety), and those in specific roles (e.g., working at height) are adequately trained and instructed.

To ensure continuous updates for new employees, a practice is in place to provide general and specific training for all new hires.

The applicable collective labour agreement is the metalworking sector agreement, which includes a health assistance fund – Metasalute – allowing employees access to healthcare coverage, which extends to employees.



GRI 403-8 - Workers covered by a system of management of health and safety at work

	Occupational health and safety management system			
Employees and non-employee workers whose work and/or workplace is controlled by the organization:	Employees (n)	Employees (%)	Non-employed workers (n)	Non-employed workers (%)
covered by the system	141	83,43%	0	0
covered by the system and checked by an internal audit	0	0	0	0
covered by the system and checked by an external audit	0	0	0	0

An additional level of well-being monitoring is reported through the analysis of the number of prescriptions issued during annual medical visits, and the ratio of prescriptions to employees provides an indicative **health index** of the company workforce.

GRI 901-1 - Health index

	Value
Number of medical visits prescriptions	91
Total employees	169
Health index	0,538

As shown by the results in the reporting year, Arcoprofil's facility recorded a total of 2 injuries without serious consequences among the employees.

The corresponding frequency rate, i.e., the number of injuries per total employees, is 1.18%, while the number of injuries compared to the total hours worked is 7.33%.

The severity index, calculated based on the total number of days absent for each employee, is 4.14%. The main causes of less severe work-related injuries are the incorrect or improper use of PPE, while the major risk factors that could lead to more serious injuries are associated with the improper use of machinery for material handling and the explosion and fire hazards in areas where heat treatments are performed. In 2023, no serious injuries or fatalities occurred as a result of workplace accidents.

GRI 901-2 - Frequency and severity index

	Valore
Injuries	2
Total employees	169
Frequency index	1,183
Days of absence	7
Total employees	169
Severity index	4,142

GRI 403-9 - Accidents at work

	Men	Women	Total
Number of deaths due to accident at work	0	0	0
Number of accidents at work with serious consequences (excluding deaths)	0	0	0
Number of accidents at work	2	0	2
Total working hour	272.504	0	272.504
Percentage of deaths due to accident at work	0	0	0
Percentage of accidents at work with serious consequences (excluding deaths)	0	0	0
Percentage of accidents at work	7,339	0	7,339

Arcoprofil's concept of health extends beyond work-related well-being and encompasses all aspects of employees' lives. Therefore, the following initiatives have been launched:

- Searching for **vending machine suppliers offering healthy products**, low-fat, low-sugar, or vegan foods to promote healthy eating during breaks.
- Promoting a **no-smoking policy** to raise awareness among smokers about the health risks associated with smoking and offering them company-funded smoking cessation programs.
- Agreements and discounts for employees with **medical clinics**.
- Agreements and discounts with **gyms, sports centers, and sports medicine clinics** to promote a culture of health through physical activity.

Arcoprofil has also developed actions over time to support employees in maintaining a proper balance between work and personal life. Specifically:

- Conducting an **annual climate survey** to identify areas for improvement;

- For positions that allow it, offering **remote work** (smart working);
- Organizing or participating in **recreational events outside of working hours** (company parties during the holiday season and before the summer break, participation – as Arcoprofil team – in local sports events);
- Establishing an **annual holiday plan** to allow everyone to manage their rest periods effectively.

6.5 Territory and local community sustainable development promotion



GRI 413-1 / 413-2 / 204-1

Sustainability for Arcoprofil means focusing on people, supporting local communities, and safeguarding the environment. The mission is to generate value not only through quality but also through social and environmental responsibility. Investments are made in a sustainable manner, respecting local communities and supporting cultural and social initiatives, with no significant negative impacts on the communities.

Depending on the purpose and content of the initiative, Arcoprofil's projects

can be categorized as follows:

- Sports
- Territory Promotion
- Solidarity
- Culture

Sports:

Promotion of extracurricular group activities among employees (organizing groups for tennis lessons, collective running, and bike training) to encourage the spread of sports practices and physical activity, while simultaneously supporting local solidarity initiatives.

- Participation in Pravalley, a volleyball team tournament part of a territory promotion event;
- participation in the “San Vito Run,” a charitable running event, with registration fees covered by Arcoprofil.

Territory Promotion:

Within the context of promoting a culture of health and well-being as well as enhancing the local territory and its unique features, Arcoprofil has chosen to purchase local food products from small suppliers, such as Apicoltura Summano, which provided organic jams and honey produced locally.

Solidarity/Scientific Research:

Purchase of food products for the Christmas packages distributed to employees from the Verlata cooperative in Schio, which works on projects for integrating people with disabilities into the workforce.

Culture/Technical-Scientific Promotion:

- Participation in **MAV, the Handicraft Exhibition of Marano Vicentino**, to promote the spread of technical and scientific training for middle and high school students through seminars and workshops.
- Sponsorship of the **FESAV Science Festival**, dedicated to scientific and technological knowledge, dissemination, and sustainable development.
- An **Academy dedicated to employed/unemployed women** with the aim of encouraging female presence in Arcoprofil's production departments after completing a training course provided by the company itself.
- **Collaboration with local technical institutes** (ITIS Schio and Valdagno, IPSIA Schio, Don Bosco Vocational Training Institute Schio) to promote mechanical and mechatronics training through the organization of workshops and guided tours for students.
- Activation of **dual apprenticeships for 3 students**. In collaboration with local schools, 8 students participated in the school-work alternation program in the production departments.
- Activation of two **scholarships for girls** to fully cover their studies at the Mechatronic ITS of Schio, promoting female engagement in STEM fields.
- Active collaboration with the Schio Employment Center and Informagiovani for career and school orientation for young people in the area.



7. ESG Digital Governance

In 2023, Arcoprofil embarked on a digitalization process for collecting ESG (Environmental, Social, and Governance) data by adopting a new technology designed to facilitate the monitoring, management, and traceability of non-financial data.

These metrics play an increasingly important role within business processes, and the adoption of a digital approach enables the optimization of the production of high-quality ESG information, leading to better sharing of the company's value with stakeholders through the subsequent preparation of the Sustainability Report.

In particular, the project aims to:

- Establish a structured and digitalized business process that provides a clear view of the sustainability data collection flow.
- Effectively track all stages of the process.
- Ensure compliance with the standards used for the Sustainability Report.
- Provide a tool for constant and effective monitoring and evaluation of ESG performance.
- Ensure the reliability and consistency of the information.
- Facilitate engagement with all stakeholders.

The digital and technological tool chosen by Arcoprofil to achieve these objectives is the ESGeo platform. The implementation of the ESG tool has simplified and automated the collection of sustainability information.

The user-friendly interface of ESGeo and the platform's configuration for gathering data required by the GRI standards reporting framework has made data collection clearer and more structured, allowing for step-by-step monitoring of the data flow.

With the tool's capabilities to attach supporting documents for data entry, analyze material topics, extract data in Excel format, and track the data entry process on the platform, Arcoprofil is now able to manage accurate reporting that improves the understanding of the company's social, environmental, and governance impacts.

The adoption of the ESGeo tool will also enable Arcoprofil to monitor ESG performance annually in the future, promoting transparency and effectiveness in the management of corporate sustainability.

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