Zato®

Recycling Solutions

SUSTAINABILITY REPORT

2022

Zato®

Recycling Solutions

SINCE 1999, MACHINERY AND SYSTEMS FOR THE RECYCLING OF METALS

CONTENTS

THINK SUSTAINABLE, THINK OF THE FUTURE

There is a sentence that strikes a chord with my inner self each time I hear it: "We don't inherit the earth, we borrow it from our children". It was pronounced in the late nineteenth century by the Native American Chief Seattle and head of two tribes, in response to the Government's intention of buying his people's land. Today, laden with new meaning, it resonates as strongly as ever.

It was 1999 when Zato first committed to the recycling industry, to satisfy the needs of a sector I was developing a passion for and which my husband, as the founder, already had thorough knowledge of, due to his long-standing experience in the recovery of materials in the steel sector. Soon after I became the mother of two wonderful daughters, Federica and Chiara. I'm telling you all this because this is when it dawned on me: the children we'd borrowed the planet from were mine too.

The pathway, initially a near-compulsory extension of know-how in the recycling sector and intrinsic to a growing awareness of certain incipient problems, developed in a crescendo of volition, inspired by social and personal commitment.

This is Zato's first ever sustainability report and is due in this historic time. Actually, I feel compelled to share with you that not only is it due, it is strongly desired. With this latest milestone we wish to take another important step towards circular economy, with the ecological transition, technological and digital transformation, social inclusion and cohesion. Far from secondary, this objective signposts an important responsibility towards new generations, which also include my other daughter Emma, a girl who has grown up with Fridays for Future, and my son Francesco, the youngest, the smallest, who with his 12 year-old inquisitiveness and immediacy,lets us see the wonders of this world through his eyes, every single day.

I must say that it is a truly instructive exercise. A world which we must pass on to him and all other youths, without too much damage.

I would like to end with the observation of what a tough two years it has been. The pandemic, wars at the gates of Europe, raw material price rises and inflation, years in which the seriousness of our footprint on the Planet triggered an alarm continuously ringing in our ears. It is no longer acceptable to pretend it isn't there. Our ambition is to contribute towards switching it off sooner or later, through integrity and respect, which underpin all our actions towards the people who work with us, the planet we share and the product we make, which testifies to our continuous improvement process. To us, sustainability is a factor of cultural development and competitive growth.

Producing machinery that contributes towards the construction of a true circular economy means going down the same path towards a mindful and far-sighted transition involving us all, and myself directly as a business woman and mother, in the knowledge that only together, by joining forces to accelerate the reinforcement of ESG factors in our economies, can we deliver future generations the Planet they have a right to inherit.

CHAPTER 1

ZATO: THE COMPANY

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ABOUT US

For 25 years Zato has been working to *enable circularity:* we build machinery and systems used in the ferrous and non-ferrous metal recovery and recycling industry.

Zato's business is unequivocally positioned within the virtuous cycle of circular economy. Indeed steel is a 100% recyclable material and can be recycled an infinite number of times, without losing any of its original properties. Thus it is a product that is never consumed, rather it is continuously transformed through recycling processes that make a it a permanent material, which is the underpinning concept of circular economy.

This is why steel is by far the most recycled material in the world and the main solution to the current challenge arising from the exploitation of primary resources.

HEADQUARTERS
Prevalle, Brescia

USA HEADQUARTERS
Atlanta, Georgia

PRODUCTS
→ Hammer mills
→ Twin shaft shredders
→ Single shaft shredder
→ Sorting lines
→ Demolition shears and rail breakers

APPLICATIONS
These machines, used stand-alone or as part of a system organised according to the customer's requirements, are operated for the volumetric reduction, separation and cleaning of the following materials:
→ Mixed ferrous material in bulk or packs
→ Aluminium (profiles, production waste, cans, carters, etc.)
→ Pantographed parts or industrial production waste
→ Heavy metals HMs
→ Residue ASR
→ End-of-life vehicles ELVs
→ Tracks and railway scrap
→ Tyres
→ Copper wires
→ Electric Motors

TURNOVER, INVESTMENTS AND EMPLOYEES

	2020	2021	2022
TURNOVER	€17,694,000	€27,308,000	€37,836,000
EMPLOYEES	39	42	43



















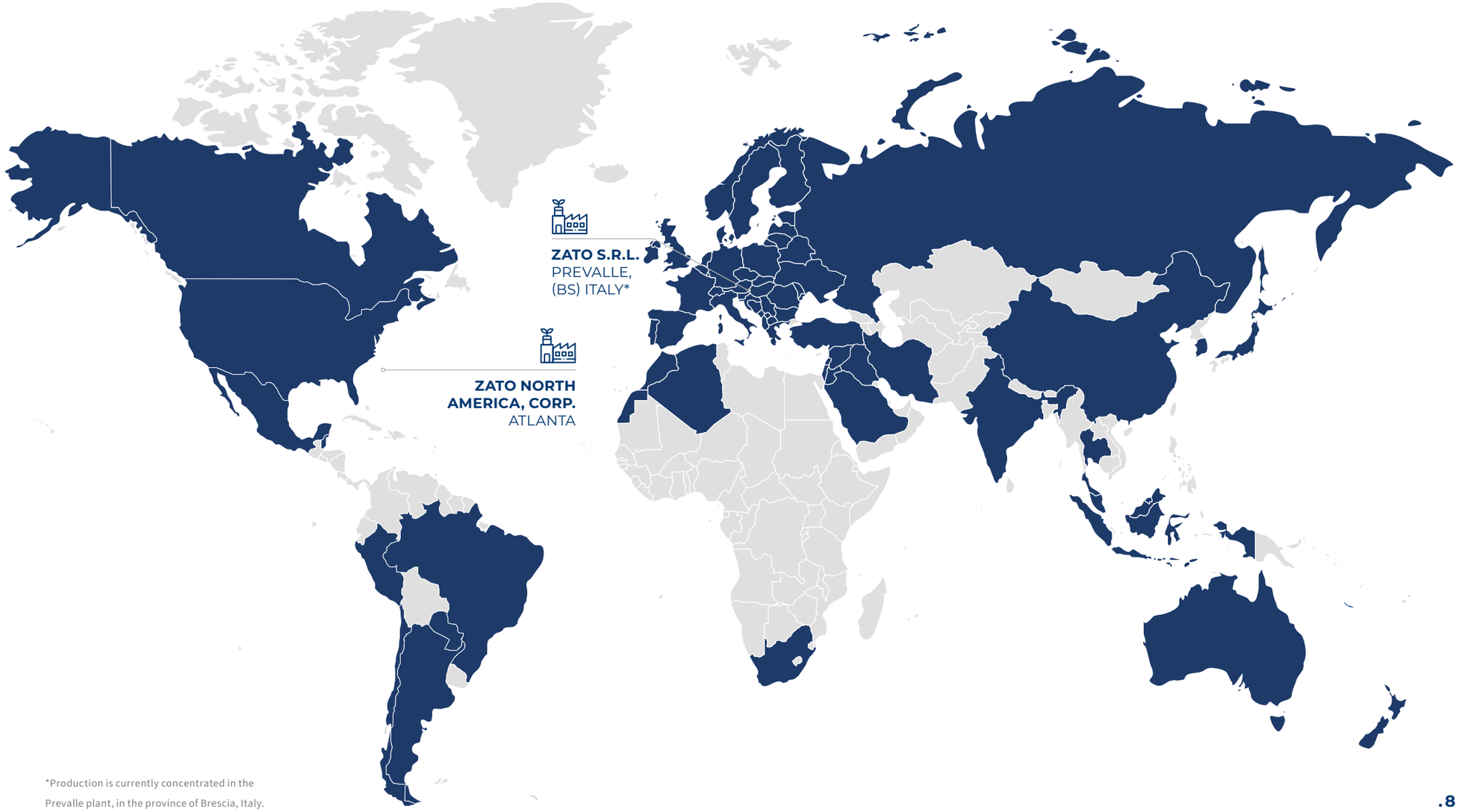




OUR MARKETS

Zato operates in over 50 Countries worldwide and specifically in the following areas: Europe, Latin America, North America, Middle East, North Africa and South Africa, Asia and Oceania.

It is based in Brescia (Italy) and Atlanta (USA).



*Production is currently concentrated in the Prevalle plant, in the province of Brescia, Italy.

HISTORY: HIGHLIGHTS

1999

Start of the production and sale of demolition sheers on the Italian market. First **twin shaft shredder.**

2000

Start of export of demolition sheers and equipment in Europe.

2001

Development of an industrial range of **twin shaft shredders.** First one sold in Italy.

2004

Introduction of the study and development of **sorting plants** for the cleaning, selection and enhancement of different metals.

2007

Company growth and consolidation on the Italian and European markets. Initially a manufacturer of equipment/ sheers, Zato went on to become an important player in the industrial recycling sector.

2010

Zato's industrial project undergoes significant expansion and takes on the market with the addition of a range of **hammer mills,** completing its offering of recycling machinery and systems.

2011

Expansion of the hammer mill range with the addition of new, smaller models.

2017

Consolidation of international markets and the conquering of important new market areas: Asia and the USA.

2018

Addition of new technologies for the remote measurement and management of production data: AR and 4.0 technologies.

2020

Design and construction of the **single shaft shredder.**

Expansion of the **twin shaft shredder** range with the design and construction of a model conceived for new applications.

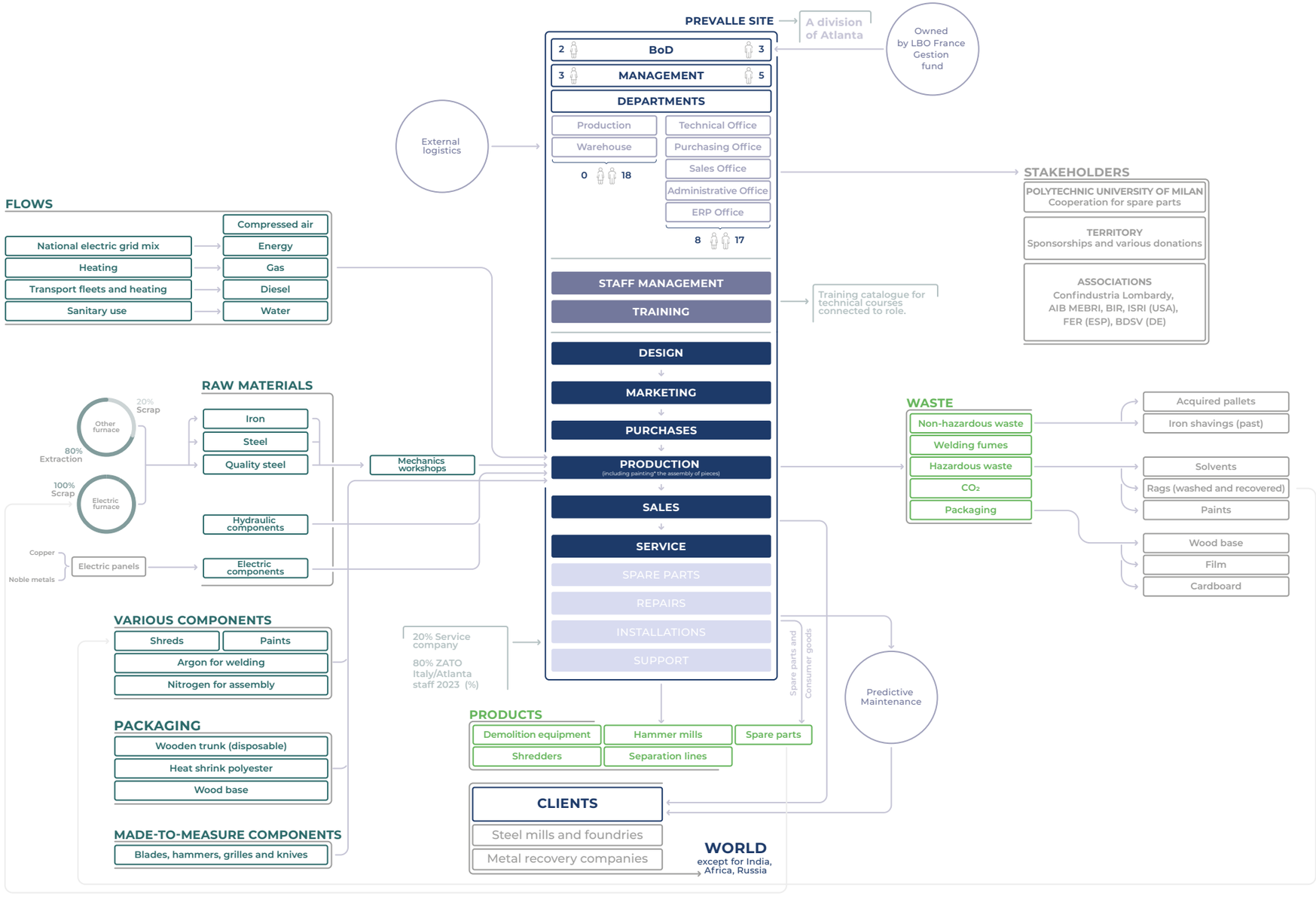
2021

Opening of headquarters in Atlanta USA, as part of a systematic approach to the American market.

2022

Acquisition of part of the company's shares by the fund **LBO.**

THE ZATO SYSTEM



CHAPTER 2

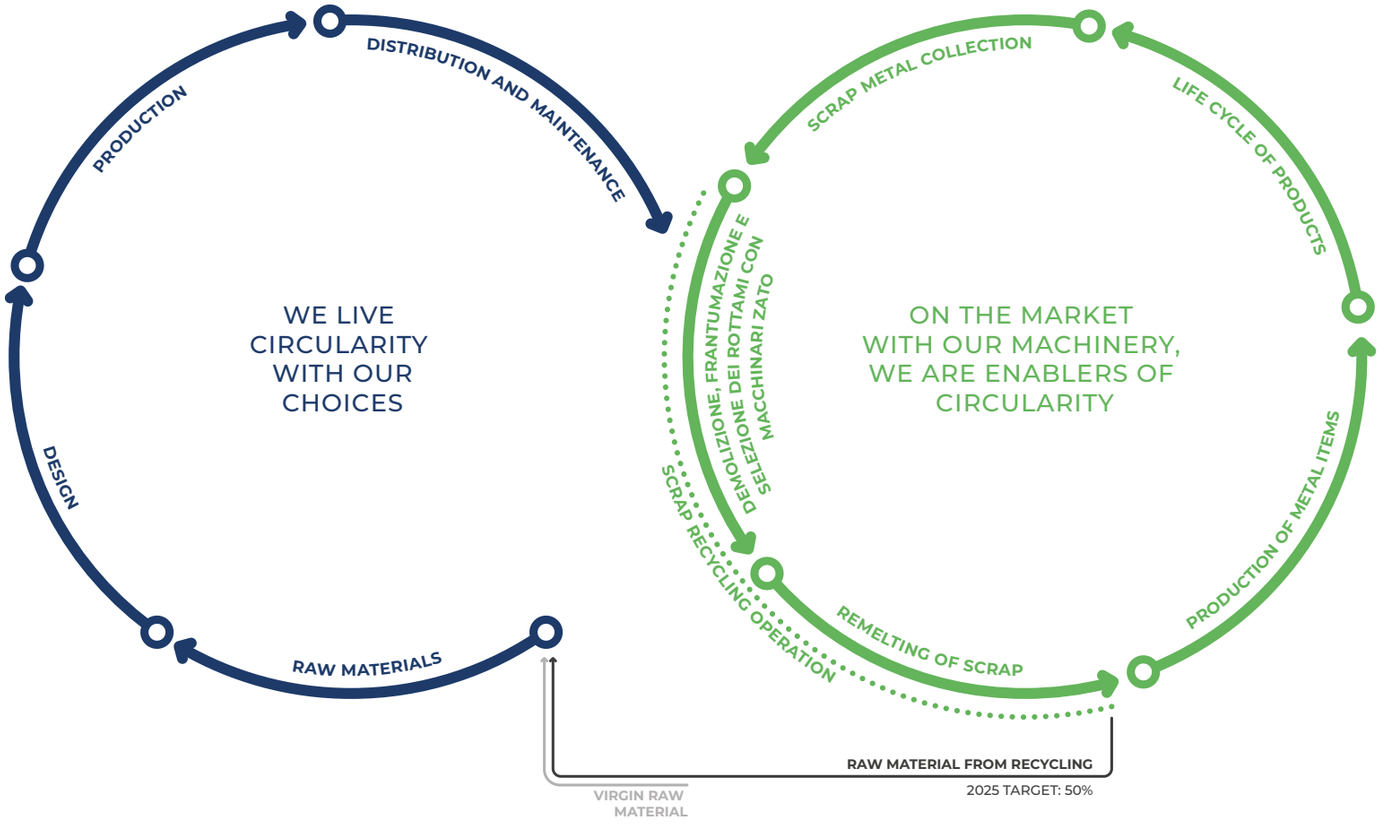
ZATO: A CIRCULAR ECONOMY ENABLER

CONTENTS

ZATO: OUR CIRCULAR ESSENCE

WE ENABLE AND LIVE CIRCULARITY

We believe that it is possible to pursue climate neutrality, regenerate resources, create economic development, social inclusion, fair and widespread equality throughout the territories we operate in. We aim to make our processes even greener and more efficient, reduce the consumption of resources and enhance our waste. We work on the construction of innovative and environmentally friendly products and services, in line with the SDGs, the sustainable development goals set out in the UN 2030 Agenda.



Zato machinery and systems are a strategic link in the metal circularity chain, as they implement a key process of recycling phases: the preparation of metal scrap destined for a new lease of life.

ZATO: OUR CIRCULAR ESSENCE

OUR VALUE CHAIN AND THE THREE PHASES OF CIRCULARITY

PHASE 1
REQUEST
CIRCULARITY

Steel is the main raw material used in the construction of our machinery: the aim is to increase the percentage of this material that comes from recycling. We are forging partnerships with our raw material suppliers in order to achieve this ambitious goal. The aim is also to measure and certify the origin of material used in our machinery, in an increasingly accurate and transparent way.

Connected material topics
→ Raw material and (eco)system
→ Well-being and engagement

Generated positive impacts
→ Lightening of environmental load due to the use of virgin material
→ Lightening of exploitation of energy resources, water and material
→ Economic stability at a local level

PHASE 2
DEVELOP
CIRCULARITY

Not throwing materials and products away, and using them for as long as possible: these are key circular economy characteristics. So, at Zato we promote innovative machinery and component design, as well as the selection of materials to ensure their durability, usability and good quality over time, to provide for and enable re-use cycles, actual repairability, along with complete and facilitated recyclability. We also use specific software to rapidly elaborate data and information arriving from all installed machinery, thus providing our customers and service partners with effective, efficient and sustainable support for maintenance activities.

Connected material topics
→ Climate and atmosphere
→ Raw material (re)generation
→ Growth and new competencies
→ Well-being and engagement

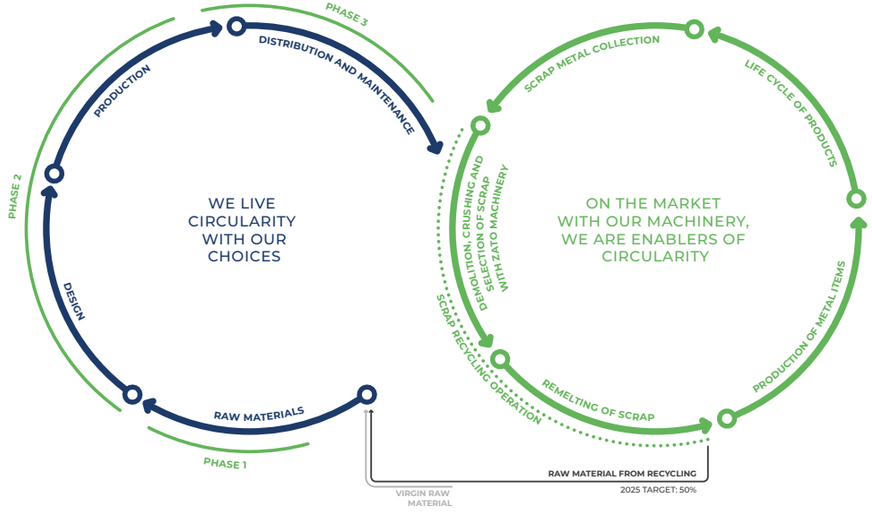
Generated positive impacts
→ Lightening of exploitation of energy resources, water and material
→ Technological innovation
→ Creation of green jobs
→ Development of new competencies
→ Promotion of equality in salaries and contracts
→ Flexibility and work-life balance

PHASE 3
INCREASE
CIRCULARITY

In using scrap as a veritable raw material to produce new iron and steel, not only does the steel industry preserve energy, emissions, raw materials and natural resources, it also reduces its impact on the environment. By making its technologies accessible to increasingly broad market segments, Zato is tangibly contributing towards the entire industry's green transformation, concretely supporting a cleaner economy.

Connected material topics
→ Raw material (re)generation
→ Growth and development of new competencies

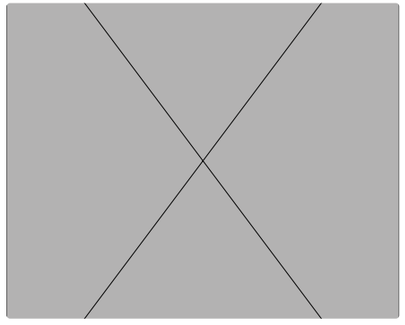
Generated positive impacts
→ Lightening of exploitation of energy resources, water and material
→ Increased education of the market regarding the recoverability of materials
→ Creation of green jobs
→ Creation and distribution of economic value



EACH PRODUCT PLAYS ITS PART

At the end of its life cycle, iron scrap can be transformed once more through specific melting processes.
Zato acts just before this melting process, suitably preparing scrap in a few crucial steps:
→ size reduction - to facilitate melting and avoid furnace damage
→ cleaning and separation based on chemical characteristics - to improve the quality of casting and atmospheric emissions.

MACHINERY AND SYSTEMS FOR VOLUMETRIC REDUCTION



DEMOLITION SHEARS

Cayman Demolition Sheers effectively respond to the size reduction and demolition requirements of the market with an extensive range of models for the management of scrap of various sizes and origins. Their field of action ranges from bars, tracks to bulky and large-sized scrap: ships, bridges and buildings.

TWIN SHAFT SHREDDERS

Blue Devil twin shaft shredders are designed to deliver the most efficient and robust solution for the shredding of medium-light ferrous and non-ferrous scrap. They are the most representative machine of Zato's industrial history and respond to a market requiring smart and effective technology conceived for heavy duty operation and high added value of the finished product. They are effectively applied to all mixed medium/light scrap, vehicles and many other collected materials, with the dual objective of reduction and preparation for separation.

SINGLE SHAFT SHREDDERS

Single shaft industrial shredders are used to reduce aluminium and iron material. These machines are designed for those who wish to process light materials to obtain a specific size, set by means of a grille in the shredding chamber.

HAMMER MILLS FOR METALS

Zato's range of Blue Shark hammer mills for the shredding of metals guarantees maximum reduction results. Our Blue Shark hammer mills are renowned for their efficiency and installability, even in the smallest of spaces. A range of products designed in response to market requests, the effectiveness of which is further enhanced by a downstream sorting plant.

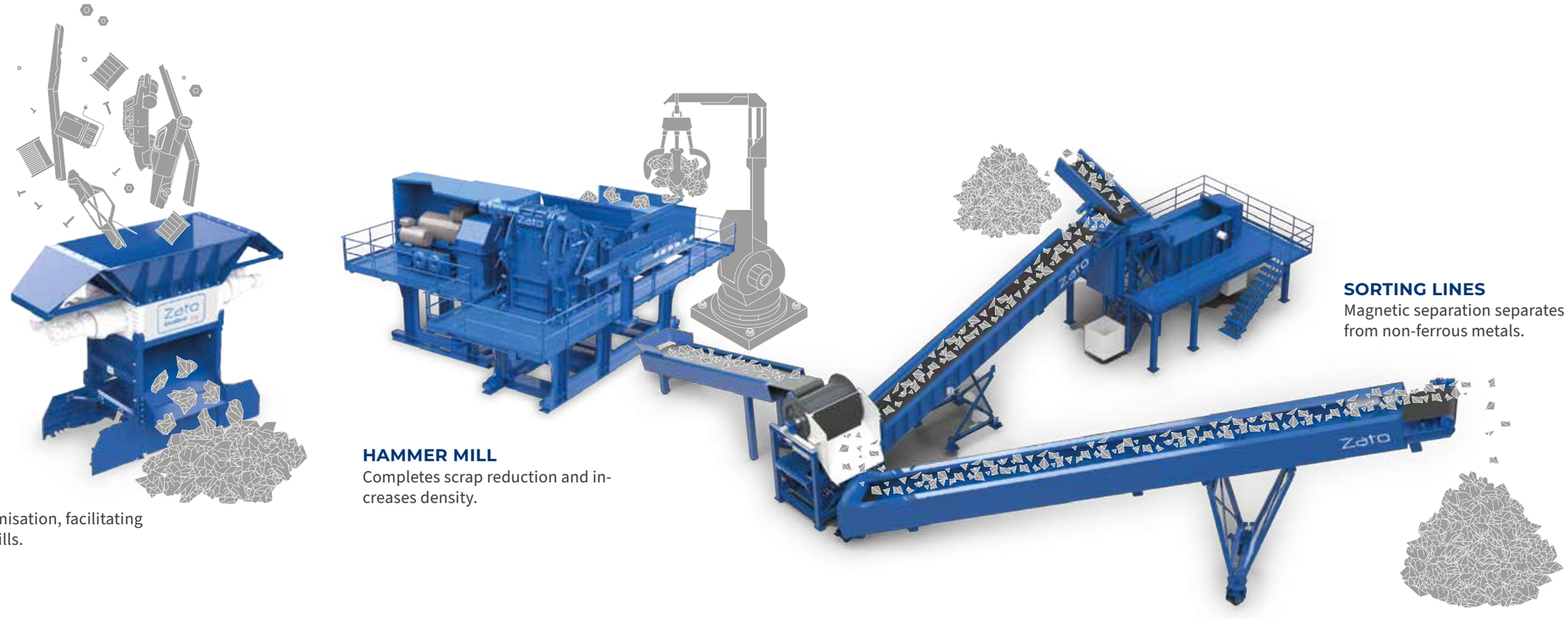
SORTING AND CLEANING LINES

METAL SORTING PLANTS

Blue Sorter plants play a crucial role in perfecting the scrap treatment enhancement process initiated by Blue Storm, Blue Devil and Blue Shark, and complete the process by removing impurities and separating different fractions of raw materials.
Sorting plants can be fitted with various selection systems for different materials.

- → Iron removers (magnetic drums, magnetic pulleys Overbelts) for iron recovery
- → Sorters or ECS or eddy-current sorters for non-ferrous materials
- → Sensor sorters (recovery of cables/stainless steel)
- → X Ray Sorters (separate different materials according to density, used above all for aluminium)
- → Thus shredded material can be cleaned, with the extraction of various types of metals and materials, securing the material's value in terms of homogeneity and purity, which is particularly appreciated by producers of special steels.

WE ENABLE CIRCULARITY WITH OUR MACHINERY



PRE-SHREDDER
Bulky scrap size optimisation, facilitating the job of hammer mills.

HAMMER MILL
Completes scrap reduction and increases density.

SORTING LINES
Magnetic separation separates iron from non-ferrous metals.

ADDITIONAL SORTING TECHNIQUES INCLUDING:
sorters, or ECS, sensor or x ray sorters, used to perfect the cleaning of material.

DIGITAL SERVICES

TECHNOLOGIES TO SUPPORT THE REMOTE MAINTENANCE AND INSTALLATION OF ZATO MACHINERY AND SYSTEMS

AUGMENTED REALITY AR

AR (Augmented Reality) technology perfects and speeds up the concept of information and technical instruction exchange, creating a direct and continuous thread worldwide. Indeed support, assistance and guidance for all the following crucial activities can now be provided in real time from our head office:

- → **Installation**
- → **Assembly**
- → **Maintenance**
- → **Assistance**
- → **Training**

SMART GLASSES

These are veritable wearable computers, equipped with a high definition photo camera and display positioned above the right eye. This display provides enhanced reality vision, in which helpful virtual elements are superimposed on the actual field of vision. This tool is applied in particular for high-precision tasks, enabling careful observation of the slightest details without distracting from the job at hand.

PRODUCTION MONITORING

With the digital systems installed in our machinery, we obtain data and analyses that are important for improving system workflows, thus supporting our customers in the monitoring of their production processes. There are several objectives to providing digital control over the entire work cycle of our machinery:

- → **Monitoring machinery production and efficiency by controlling input material, to improve occupational safety and productivity**
- → **Planning maintenance to minimise intervention times and downtime**
- → **Fulfilment of industry 4.0 information circularity requirements**

PREVENTIVE MAINTENANCE

By identifying one or more parameters measured and elaborated by the control system, with the use of appropriate mathematical models, we are able to define the remaining time before the breakage of a part due to wear, and plan maintenance operations accordingly.

THE CODE OF ETHICS

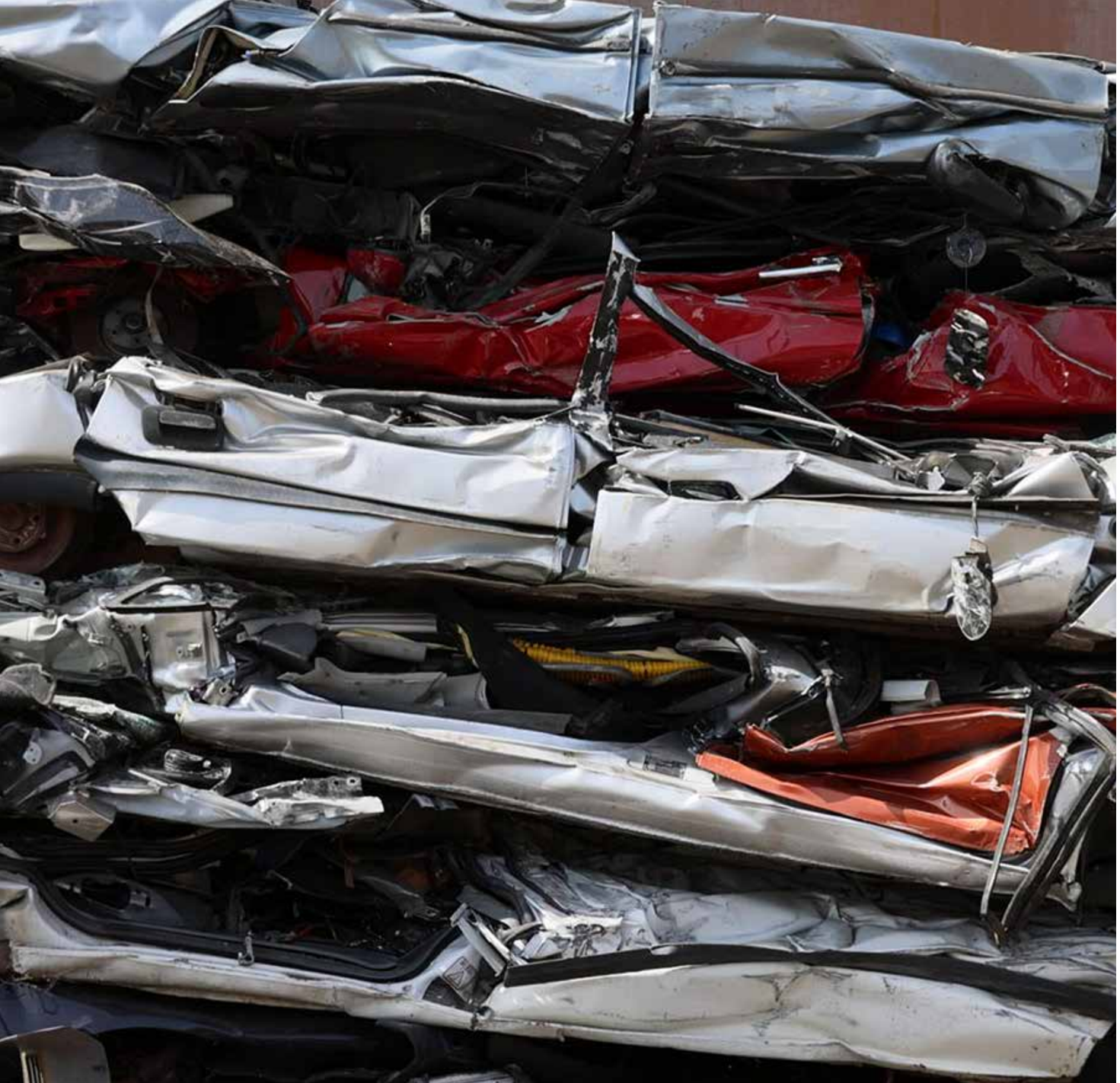
Zato prepared its very own Code of Ethics in 2016 and this year Management felt it was time to update it, to better reflect values regarding sustainability and the environment, intrinsic to the company's ethos since its inception.

We believe the new Code of Ethics expresses the company's fundamental values, which are legality, honesty and transparency, as well as its characterising values, i.e. commitment to occupational health and safety, environmental protection and the development of an industrial scenario based on the recycling and recovery of material.

The Code of Ethics was added to **Model 231** (already adopted in 2019), as an integral part of it.

The new Supervisory Body was elected by the Board of Directors on 28/02/2023 and is tasked with intervening on regulations in order to enhance pragmatism, in particular in the implementation of employee promotion and training activities, through specific courses and meetings on the risks of offences linked to the company's sector of operation.

In order to ensure maximum model implementation, the Supervisory Body is also tasked with conducting investigations, verifications and inspections, both periodically and in response to specific requests, for example in the event of reports, which professionals can submit using the whistleblowing mechanism.



CHAPTER 3

SUSTAINABILITY MANAGEMENT AT THE COMPANY

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MATERIAL TOPICS: VISIONS AND OBJECTIVES

Five key topics regarding our materiality process have emerged, becoming the pillars on which we have developed our sustainability strategy. Over the years we have developed projects and visions, now detailed in our first Sustainability Report. In the next few years we will strive to develop them even further, so as to provide increasingly concrete responses to requests, reduce our negative impacts and reinforce our positive ones.
Here follows a presentation of the vision we wish to pursue for each of these topics in the next few years, together with the priority objectives we aim to achieve.

CLIMATE AND ATMOSPHERE

We are committed to reducing our impact in terms of direct and indirect greenhouse gas emissions. We can contribute towards safeguarding our climate and the atmosphere we live in:

- through the primary material we select and the energy that powers us;
- ensuring that those who use our machinery can process and recycle materials efficiently, giving them a new lease of life;
- thanks to energy efficiency enhancement gestures great and small, within our production process.

OUR OBJECTIVES

- Reduce energy consumption and progressively move away from fossil fuels
- Use electric power 100% from renewable sources
- Build a plan for climate change adaptation

RAW MATERIALS AND (ECO)SYSTEM

We are committed to developing a responsible supply chain that is invariably based on the use of recycled and recyclable raw materials. We are committed to reducing the environmental impact of our production processes and contributing towards the sustainable management of available resources.

We recognise that cooperation and communication are essential for building a better ecosystem. We are working in increasingly close contact with our providers, sharing our sustainability expectations and establishing a relationship of mutual trust.

OUR OBJECTIVES

- Increase the proportion of steel from recycling to 50% in our machinery and parts by 2025
- Reduce the quantity of packaging
- Develop a responsible supply chain for components and support materials
- Reduce and mitigate the production of hazardous waste

RAW MATERIAL (RE)GENERATION

We produce and are committed to constantly improving machinery that is accessible to everyone: smaller, simpler, more responsible and which operates through proximity economics, for more widespread recycling and recovery activities.

We believe in the regeneration of raw material and wish to turn it into an asset for all companies operating in the field of recycling

OUR OBJECTIVES

- To make scrap shredding machinery available to more and more markets
- Increase the efficiency of our machinery
- Formalise partnerships for innovation

GROWTH AND NEW COMPETENCIES

We are committed to being enablers of a (re) generative future. We believe in the potential of our sector and in the significant potential of applications, which for us translates into guiding the market in developing works and competencies that support the transition we are operating in.

We are committed to ensuring every single function at our company feels a part of this change and wish to support them on a pathway of professional growth.

OUR OBJECTIVES

- Increase company interactivity
- Hone in on organisational development needs
- Transfer sustainability competencies to employees
- Increase competencies

WELL-BEING AND ENGAGEMENT

We are committed to becoming a model for other local businesses, promoting the well-being of our people and the company's engagement with the local community.

We believe that a proactive commitment to the health and work-life balance of our workers is the only way to achieve mutual trust.

We believe that supporting and protecting the environment and society is the only way to raise the interest of local communities and begin co-operating towards the achievement of common objectives.

OUR OBJECTIVES

- Increase engagement in the territory
- Reduce company turn-over
- Maintain zero injuries

OUR COMMITMENT

Our ambition is to be a company that supports the recycling market by responding to the needs of our customers and the challenges our Planet is presenting us with.

Our vision and commitment are reflected in our material topics through the continuous synergy with our suppliers and customers and cooperation with the world of research, ensuring users of our machinery can efficiently process and recycle materials.

We all work together to translate this commitment into a concrete result by:
- → contributing towards safeguarding our climate and the atmosphere we live in,
- → attention to a responsible supply chain that is increasingly based on the use of recycled and recyclable raw materials.
- → an offering of machinery that is accessible to everyone, enabling the circularity of our customers
- → a program of company and market growth thanks to new competencies supporting the transition we operate in.
- → attention to the health and work-life balance of our workers

As a member of the local community, Zato feels a sense of duty to cooperate with its stakeholders, which play high-impact role in the value chain and enable increasing company innovation.

There are still many goals to be addressed in order to remain faithful to our ambition and vision of sustainability. However we are certain that this pathway, supported by the cooperation of all people of the Zato network, will enable us to express our ideas, shaping our pursuit of business.

OUR STAKEHOLDERS

We can only enable circularity within our sector and for global communities through continuous cooperation with experts and the involvement of our chain in striving for common objectives.

SUSTAINABILITY GOVERNANCE

Upon undertaking the company's sustainability strategy integration and development project, we created a work group to represent the main company functions involved in the field of ESG at the company.

The work group is made up of:
→ Chief Executive Officer – always involved in sustainability decision-making processes
→ Administration and Finance
→ Marketing
→ Human Resources
→ Purchasing

The work group's role was to analyse the system, identify and assess impacts, risks and opportunities, determine the profile of relevant topics to be managed and developed, with the definition of respective goals, management systems and roadmaps of operative actions. All members of this work group undertook responsibility for the pursuit of goals and actions plans focused on the 5 defined sustainability topics. For LBO France, a private equity fund that entered the capital participation in September 2022 and winner of the 2020 ESG award for sustainable development, environmental, social and governance criteria frame and guide investment decisions, development plans and collective projects. LBO France integrates ESG topics in cooperation with the company portfolio management team through a supportive and open approach, respecting the company culture it operates in. During this reporting cycle it was the first to be involved in designing the company sustainability strategy pathway, when we validated and assessed impacts, risks and opportunities and consequently our materiality profile, in defining the company's position and vision for each material topic, for the approval of operative objectives and the implementation plan. Although the defined work group will remain in charge of the sustainability strategy, the aim is for each employee at the company to be informed and educated on these topics. An internal team has been identified and tasked with managing the company's ESG and sustainability strategy, ensuring the system can continue to operate and be generative. It includes 3 functions: the Chief Executive Officer, Marketing and Purchasing, and reports directly to the Chief Executive Officer.

↓

Board of Directors (BoD): manages the company's powers, except for in cases established by the law. It is made up of 3 men and 2 women.

IMPACTS, RISKS AND OPPORTUNITIES

MATERIAL TOPICS

THE PROCESS FOR DEFINING MATERIALITY

1. We analysed possible areas of impact, also taking into account the link to UN Sustainable Development Goals: the image on the next page enabled us to broaden our overall vision, guiding us in identifying effects that are more distant and less visible, or not explicitly connected to our everyday and direct operations at the company.

2. We applied this analysis key to our company system. In exploring each part of our system, identifying its characterising actions and direct results, we prepared an initial list of positive and negative, potential and actual, direct and indirect impacts. We identified 30 negative impacts and 23 positive impacts.

3. The list of impacts was validated through stakeholder involvement. For this first edition we selected a limited group of customers, suppliers, representative bodies, government and supervisory bodies, academics, means of communication, competitor Companies of the industry.

4. After list validation and, whenever necessary, completion, we proceeding with impact assessment in order to determine our materiality profile. A sustainability team is significant in terms of impact when it is capable of identifying, grouping together and describing the company's real or potential, positive or negative impacts on people or on the environment, in the short, medium and long term.

5. Impact severity assessment was conducted by the central work group in conjunction with the BoD and with the involvement of two stakeholders, representatives of the academic world and of associations. We then formalised the results, including all "critical" (5), "significant" (4) and "important" (3) negative impacts and positive results in the definitive list. The definitive list, which will be presented in the following pages, covers a total of 11 negative and 11 positive impacts.

6. Lastly, also considering the ESG risks and opportunities determined by means of the preliminary performance analysis of our group, we grouped together aspects and defined the 5 material topics guiding the structuring of our sustainability strategy and reporting.

*Negative impact assessment is based on the sustainability due diligence process defined in the international instruments of the United Nations guiding principles on business and human rights and the OECD guidelines for multinational enterprises. Refer to the annex for further information on methodology.

DUAL MATERIALITY

Defining a sustainability strategy and preparing a sustainability report required us to work on defining our materiality profile. In doing so we started with the concept of impact: an impact is the effect we have as a company, through certain actions and choices, on the economic system, environment and people, including on their human rights, which in turn indicate the (negative or positive) contribution we have towards sustainable development. We then concentrated on external influence factors, which could potentially have an effect on our company activities. These factors were formulated as risks and opportunities linked to the macrotopic of sustainability.

PROCESS TO DEFINE MATERIAL TOPICS

1. Sustainability context analysis
2. Company system analysis
   list of positive and negative impacts
3. Involvement of stakeholders in impact
   validation and assessment
4. Involvement of the work group,
   BoD for impact assessment
5. Preliminary analysis of risks and
   ESG opportunities
6. Definition of materiality profile

This representation was used to define Zato's first list of impacts, to be validated with stakeholders. In general, the classification of impacts as explained in the graph provided the company and work group with basic information on the six possible impact areas in which its activities may have an effect, also linking them to the 2030 Agenda.

IMPACT MATERIALITY

MATERIAL TOPIC	CLASSIFICATION			IMPACT	IMPACT MATERIALITY
CLIMATE AND ATMOSPHERE	DIRECT	INDIRECT	⊖	Global warming	
		INDIRECT	⊕	Decarbonisation of metal supply chain	
	DIRECT		⊖	Deterioration of air salubrity	
RAW MATERIAL AND (ECO)SYSTEM	DIRECT		⊖	Increased environmental load due to non-recoverable waste	
		INDIRECT	⊖	Potential negative effects due to end of product life	
		INDIRECT	⊖	Lack of respect for rights over land and resources	
	DIRECT		⊖	Water resource shortages (mechanical processing activities)	
		INDIRECT	⊖	Water resource shortages (mining activities)	
		INDIRECT	⊖	Damage to natural balance	
		INDIRECT	⊖	Rare lands (electric panels)	
		INDIRECT	⊖	Loss of biodiversity	
		INDIRECT	⊖	Damage to physical and psychological health of worker (value chain)	
(RE)GENERATION OF RESOURCES		INDIRECT	⊕	Increased recycled material (metals) in circulation	
		INDIRECT	⊕	Lightening of exploitation of energy resources, water and material	
		INDIRECT	⊕	Increased biodiversity - Lightening of environmental load due to virgin material	
	DIRECT		⊕	Technological innovation on and for the market	
		INDIRECT	⊕	Increased education of the market regarding the recoverability of materials	
GROWTH AND NEW COMPETENCIES	DIRECT		⊕	Creation of green jobs	
	DIRECT		⊖	Potential shortcomings in the development of competencies (training)	
WELL-BEING AND ENGAGEMENT	DIRECT		⊕	Economic stability at a local level	
	DIRECT		⊕	Promotion of equality in salaries and contracts	
	DIRECT		⊕	Flexibility work-life balance	
		INDIRECT	⊕	Creation and distribution of economic value	
	DIRECT		⊖	Damage to physical and psychological health of workers (internal)	
	DIRECT		⊖	Potential shortcomings in the development of competencies (training)	
	DIRECT		⊖	Potential non-guarantee of diversity	
		INDIRECT	⊖	Increased environmental load due to disposal of plastic and electric panels	
	DIRECT		⊖	Use of metals for hydraulic components	

KEY

- Critical impact
- Significant impact
- Important impact
- Informative impact
- Minimum impact

- Environmental impact
- Social impact
- Governance impact

- Positive impact ⊕
- Negative impact ⊖

↑ MATERIAL IMPACTS

↓ NON-MATERIAL IMPACTS

FINANCIAL MATERIALITY

MATERIAL TOPIC	RISK	OPPORTUNITY	RISK/ OPPORTUNITY	FINANCIAL MATERIALITY
CLIMATE AND ATMOSPHERE	●		**Damage linked to adverse climate events** *Detail: Potential events for which there is no analysis plan*	
	●		**Non-compliance with stakeholder requests** *Detail: With reference to measuring the CO_2 footprint of products*	
RAW MATERIAL AND (ECO)SYSTEM	●		**Exposure to ESG non-conformities of the steel supply chain** *Detail: For which chain of custody construction is complex*	
		●	**Saving of material and economic resources for the creation of packaging** *Detail: Through the recovery of any packaging from customers*	
		●	**Chance to ensure certified recycled material closing cycles with clients** *Detail: Recover metal (steel) required for the construction of machinery*	
		●	**Integrated supply chain proximity** *Detail: Undertaking circular economy-oriented co-design pathways with made-to-measure component suppliers*	
(RE)GENERATION OF RESOURCES		●	**Growth of recycling practices in the markets** *Detail: Market in expansion with respect to Zato service offering*	
		●	**Sustainability as a powerful communication tool** *Detail: Therefore it is necessary to understand the main topics to communicate to the client/ prospect*	
		●	**Circularity as a competitive advantage** *Detail: Circular innovation of product and business, in addition to circularity as an enabling factor, boosting the circularity of clients*	
		●	**Market willing to invest in sustainability** *Detail: Chanel for engaging in dialogue with clients, not only based on commercial aspects*	
GROWTH AND NEW COMPETENCIES		●	**Attract qualified staff through sustainability** *Detail: Given the willingness of generations X and Z to assess the orientation of the company's sustainability in choosing a job*	
WELL-BEING AND ENGAGEMENT	●		**Isolation of territory** *Detail: Lack of institutional relationships*	

KEY

5. Critical level
4. Significant level
3. Important level
2. Informative level
1. Minimum level

CHAPTER 4

CLIMATE AND ATMOSPHERE

VISION

We are committed to reducing our impact in terms of direct and indirect greenhouse gas emissions.
We can contribute towards safeguarding our climate and the atmosphere we live in:

- → Through the primary material we select and the energy that powers us;
- → Ensuring that those who use our machinery can process and recycle materials efficiently, giving them a new lease of life.
- → Thanks to energy efficiency enhancement gestures great and small, within our production process.

CONTENTS

WHY IT IS IMPORTANT

Global warming is affecting our world. The dangers it brings threaten our ability to exist on the Planet as we have done until now, and require mitigation and adaptation efforts.

Despite the ominous warnings of the eighties and nineties, from 1991 to now we have emitted more CO_2 than in all of human history.

In 2015, 195 states ratified the Paris Agreement, requiring the maintenance of global warming well under 2°C and ideally below 1.5°C compared to pre-industrial age levels. However we are still not on track to achieving this goal.

Alone, none of us, no company or Country, causes global warming alone. Just like none of us, alone, can trigger a change that can lead to the achievement of goals. However, the impotence of individual action is what should spur each of us into action.

CLASSIFICATION

DIRECT	INDIRECT	⊖
	INDIRECT	⊕
DIRECT		⊖

RISK	OPPORTUNITY
●	
●	

IMPACT

Global warming
Decarbonisation of metal supply chain
Deterioration of air salubrity

IMPACT MATERIALITY

RISK/ OPPORTUNITY

Damage linked to adverse climate events
Detail: Potential events for which there is no analysis plan
Non-compliance with stakeholder requests
Detail: With reference to measuring the CO_2 footprint of products

FINANCIAL MATERIALITY

OUR APPROACH

POLICY AND MANAGEMENT

ENERGY CONSUMPTION MONITORING

Consumption is monitored by checking bills. Consumptions are generated by machinery operating in the workshop (bridge cranes, fork-lift battery chargers, angle grinders, welders, lighting...) and in the management of office facilities (heat pumps, work stations, lighting, servers, printers...).

GAS AND DIESEL CONSUMPTION MONITORING

Gas consumption is monitored by checking bills, whereas diesel consumption is monitored by means of a cost-specific centre. Gas consumption is entirely due to company heating. Instead, diesel consumptions are due to the refuelling of the generator used in production for initial start-up and testing of plants.

MANAGEMENT OF PAINT FUMES

The painting cabin is fitted with aspiration systems with relative filtering of fumes, vapours and other particles. Upon reaching a specific number of operating hours, this system is automatically blocked, notifying the maintenance operator that intervention is required. The system sends a notification alarm a few hours before the block.

REMOTE ASSISTANCE

We have been working with our clients for years, supporting them in the installation of Zato plants and machinery, as well as in remote maintenance. This has limited the travel and transport of people and goods to the strictly necessary.

FLEET CONSUMPTION MONITORING

Fuel consumption is monitored with a special cost centre for single vehicles and relative fuel cards. Company fleet fuel consumptions are generated by vans for service and production, company vehicles for middle management figures and a couple of vehicles for common use.

PROJECTS AND RESULTS

MACHINERY EFFICIENCY

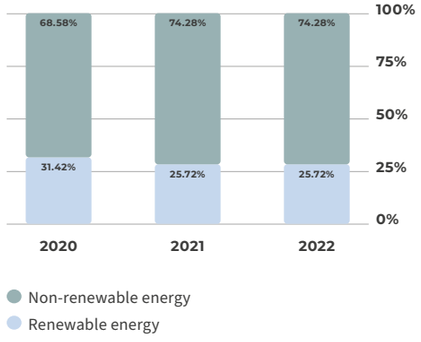
Energy saving for the end user occurs on two levels.
The first is based on machine efficiency, a field in which we are committed to development while reducing the energy input required for processed material. The second level is a consequence of Zato machinery use: the combination of machinery blades enable the finer shredding of metal material conferred for recycling, ensuring the topics regarding furnace recasting and consequently, energy consumptions, are reduced.

TRANSPORT EFFICIENCY

Transport management is oriented towards the handling of the item and pre-assembly resources. In order to minimise emissions, staff travel for installation and support purposes is limited due to remote operation, enabled by distance technologies and sensors. In this way we have drastically cut the need to travel, almost zeroing consequent emissions.

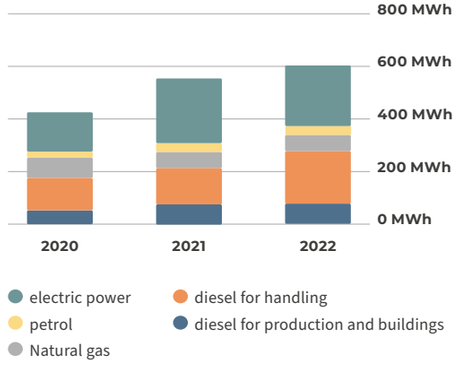
RENEWABLE AND NON-RENEWABLE ENERGY CONSUMPTION

GRI 302-1



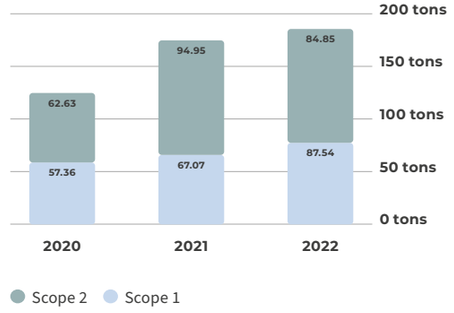
ENERGY CONSUMPTION PER TYPE

GRI 302-1



SCOPE 1 AND 2

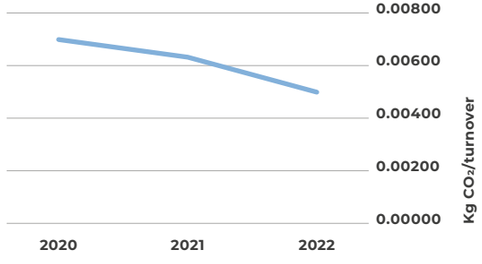
GRI 305-4



In the first quarter of 2023 we also worked on the calculation of our indirect Scope 3 emissions. Further details on results and calculation methods are provided on page 59 of the annex in this report. The results of this first calculation highlight the importance of pursuing pre-set objectives in the context of our steel procurement action plan, which will be discussed in the chapter "Raw material and (eco)system".

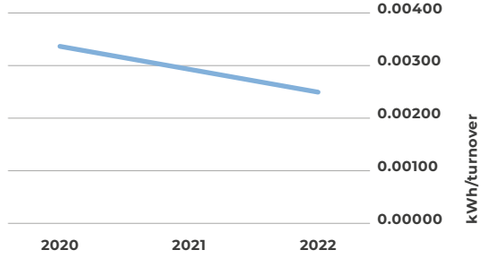
GREENHOUSE GAS EMISSIONS INTENSITY (SCOPE 1 AND 2)

GRI 305-4



ENERGY INTENSITY

GRI 303-2



ROADMAP FOR OBJECTIVES

OBJECTIVES	ROADMAP
Reduce energy consumption and progressively move away from fossil fuels	→ Develop company policy on the topic; together with logistics providers, examine their commitments in terms of fuel and emissions reduction; internally map energy consumption conduct to create a protocol of interior guidelines for better energy management.
Use electric power 100% from renewable sources	→ Select renewable energy suppliers and identify other possibilities for responsible production.
Build a plan for climate change adaptation	→ Prepare risk analysis and define a mitigation plan.

CHAPTER 5

RAW MATERIALS AND (ECO)SYSTEM

VISION

We are committed to developing a responsible supply chain that is invariably based on the use of recycled and recyclable raw materials. We are committed to reducing the environmental impact of our production processes and contributing towards the sustainable management of available resources.
We recognise that cooperation and communication are essential for building a better ecosystem. We are working in increasingly close contact with our providers, sharing our sustainability expectations and establishing a relationship of mutual trust.

CONTENTS

WHY IT IS IMPORTANT

The metal sector is under increasing environmental and social pressure, in a complex scenario of regulations and interested parties. The nature of ESG criteria is changing and risks have become strongly entwined with economic, competitive and technological changes. Anticipating financially significant ESG issues of the future and assessing how company strategies, business models and assessment must be adapted, is essential. Companies can adopt a proactive approach to identify opportunities, while also managing long-term risks.

Iron, aluminium and stainless steel are the main materials used for the construction of machinery, while electronic components, hydraulic material and other plastic materials are used for the completion and correct operation of machinery. Demand for the traceability of these materials along the entire value chain will continue to rise.

In the context of circular economy, in the last few years Zato has raised staff awareness on cardboard packaging recycling.

CLASSIFICATION	IMPACT	IMPACT MATERIALITY
DIRECT	Increased environmental load due to non-recoverable waste	
INDIRECT	Potential negative effects due to end of product life	
INDIRECT	Lack of respect for rights over land and resources	
DIRECT	Water resource shortages (mechanical processing activities)	
INDIRECT	Water resource shortages (mining activities)	
INDIRECT	Damage to natural balance	
INDIRECT	Rare lands (electric panels)	
INDIRECT	Loss of biodiversity	
INDIRECT	Damage to physical and psychological health of worker (value chain)	

RISK	OPPORTUNITY	RISK/ OPPORTUNITY	FINANCIAL MATERIALITY
●		**Exposure to ESG non-conformities of the steel supply chain** *Detail: For which chain of custody construction is complex*	
	●	**Saving of material and economic resources for the creation of packaging** *Detail: Through the recovery of any packaging from customers*	
	●	**Chance to ensure certified recycled material closing cycles with clients** *Detail: Recover metal (steel) required for the construction of machinery*	
	●	**Integrated supply chain proximity** *Detail: Undertaking circular economy-oriented co-design pathways with made-to-measure component suppliers*	

OUR APPROACH

POLICY AND MANAGEMENT

WASTE MANAGEMENT

Waste is exclusively collected by an authorised company. We process the following types of hazardous waste: rags, paint and diluent waste, shavings, filters, spent oils. Wood is the only non-hazardous waste to be processed at the company.

The company approaches the topic of waste through:
→ the containment/ saving of resources used in the production cycle;
→ the reduction of waste material production;
→ the promotion of virtuous conduct in employees regarding sustainable waste management.

Specific collection points have been positioned in each department, for urban waste subject to separate collection, with clear instructions on where each type of waste should be disposed of. There is a specific area for special waste.

With the exception of MSW and waste subject to separate waste collection, waste disposal is a service purchased from an authorised supplier, including loading, transport, processing and miscellaneous, based on the type of waste.

PROCUREMENT

The company implements a procedure for the purchasing and processing of material, to ensure traceability, planning and accounting in production. All purchased goods are provided with a document describing ordered material, a reference (order, matrix, warehouse, consumption, etc.), quantities, any preferential suppliers, and procurement times. Therefore direct purchases from any supplier without written authorisation are not permitted.

PROJECTS AND RESULTS

MATERIALS USED

In this initial phase of sustainability strategy formalisation, the commitment consisted of reconstructing and categorising all input material flows, to explore the supply chain in greater depth.

This step is crucial and ties in with the aim of improving the circularity of our raw material: we wish to analyse the steel chain from which we source material in greater depth, in order to understand the quantity of material from recycling compared to the quantity of material from mining (virgin material). The same goes for semi-finished materials, for which the intention is to generate greater transparency along the supply chain.

In addition to data presented in the table, input material flows also include hydraulic and electric materials. However, it is difficult to quantify the volume in both these categories, as they are purchased in a single block and not as separate parts.

MATERIAL USED BY WEIGHT AND VOLUME

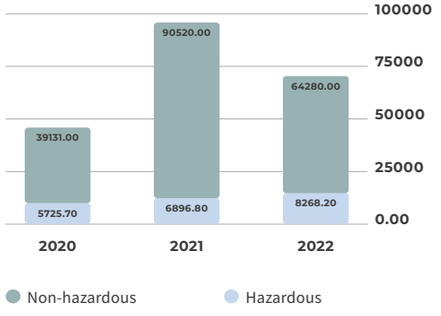
GRI 301-1

UNIT	MATERIALS	2020	2021	2022
Ton	**Steel***	1074.00	1744.00	2247.09
Ton	**Semi-finished ferrous materials**	17.00	33.00	42.00
Litre	**Oils**	3183.00	7483.00	3568.00
Kg	**Fat**	630.00	1296.00	747.00
Ton	**Screws**	25.80	47.47	620.00
Kg	**Rubber**	420.00	560.00	62.00

*currently data on the % from recycling and the % of virgin material is not calculable

HAZARDOUS AND NON-HAZARDOUS WASTE GENERATED

GRI 306-3, 4, 5



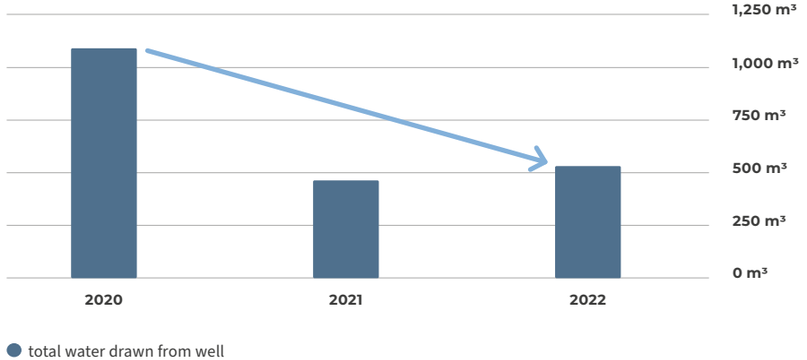
The increase of hazardous waste in 2022 was caused by a painting test. The reduction of non-hazardous waste is linked to improved management and greater care in the use of pallets, the return of which has enabled the recovery of around 10 tons of pallets that are still usable, and a further 6 tons reused in other shipments or returned to suppliers.

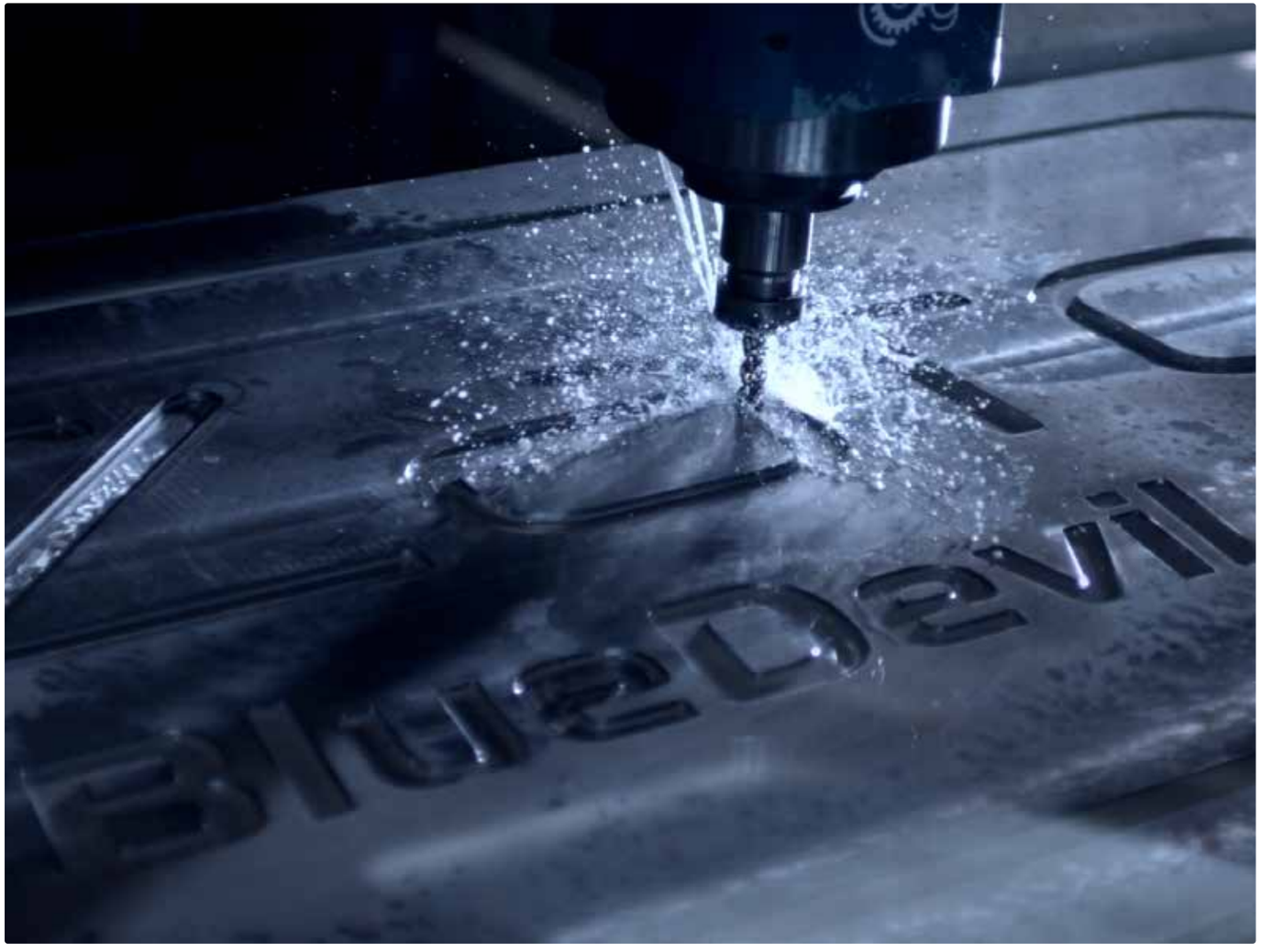
WATER CONSUMPTION

Most of the water used by the company is sourced from the well and is mainly used for hygiene-sanitary purposes. The decrease in consumption highlighted in the graph below is due to the reduced use of the pressure cleaner in after-sales repair services. This is due to the enhanced technological efficiency of maintenance activities, which enables preventive intervention and overall improvements to machinery design.

WATER WITHDRAWAL

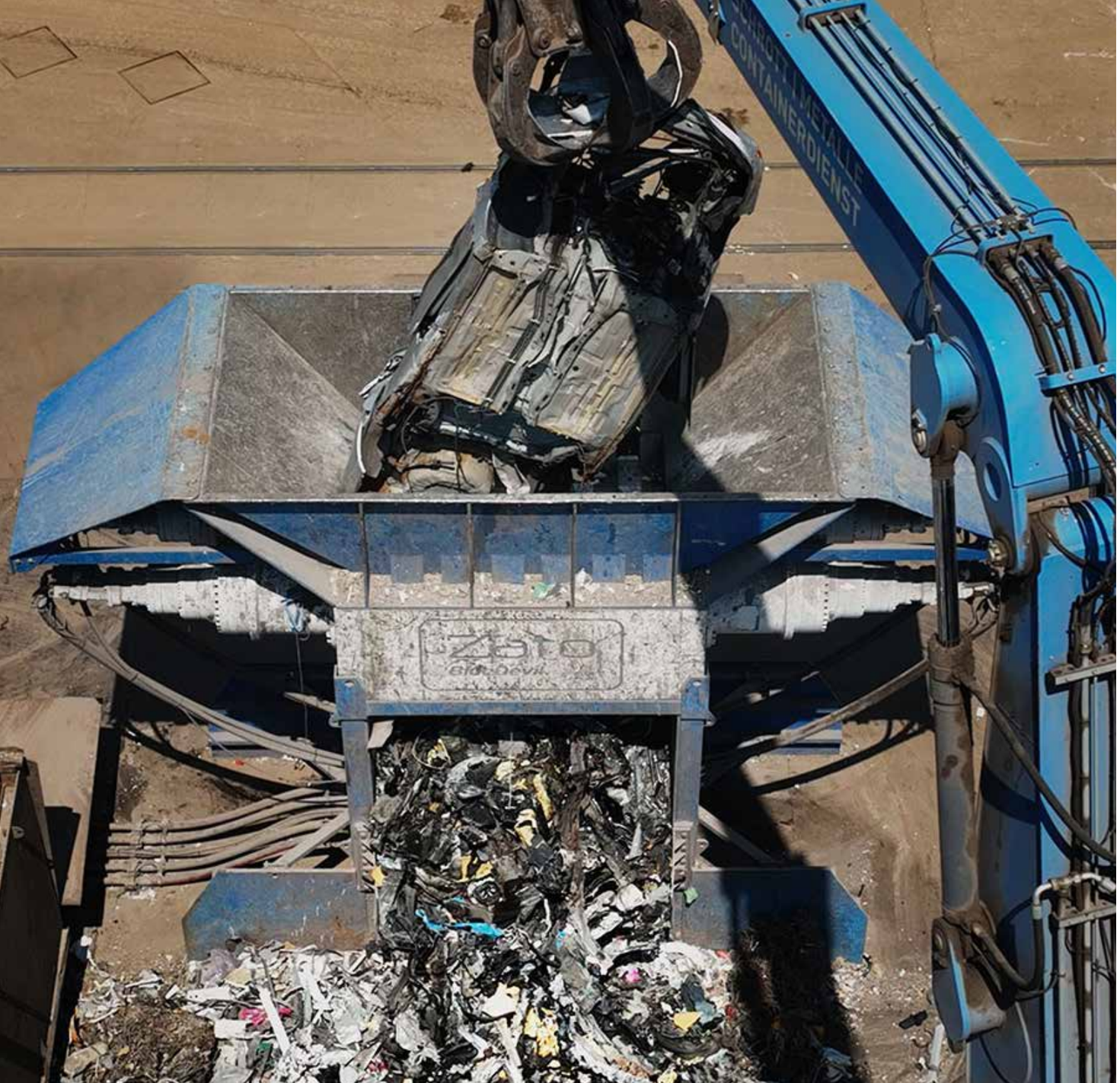
GRI 303-4-5





ROADMAP FOR OBJECTIVES

OBJECTIVES	ROADMAP
Increase the proportion of steel from recycling to 50% in our machinery and parts by 2025	→ Rebuild the steel chain as well as that of our components, through close cooperation with suppliers, guiding them in the collection of information.
Reduce the quantity of packaging	→ Cooperate with suppliers to measure input packaging, limit the packaging of outgoing goods to strictly necessary, and define an internal policy for the correct use, reuse and disposal of packaging.
Develop a responsible supply chain for components and support materials	→ Analyse the supply chain based on risk profile in terms of ESG performance, in order to define improvement actions and open channels for dialogue. Eliminate the use of plastic for drinking water consumed at the company and of disposable cups for the consumption of beverages (currently we consume 8,256 plastic bottles and 4,800 paper cups).
Reduce and mitigate hazardous waste production	→ Reduce our hazardous waste production and identify mitigating solutions. Examine the conferral of waste for disposal in greater depth.



CHAPTER 6

RAW MATERIAL (RE)GENERATION

VISION

We are committed to producing machinery that is accessible to everyone: smaller, simpler, more responsible and which operates through proximity economics, for more widespread recycling and recovery activities.
We believe in the regeneration of raw material and wish to turn it into an asset for all companies operating in the field of recycling.

CONTENTS

FUTURE SCENARIOS FOR THE REDUCTION OF EMISSIONS AND CONSUMPTIONS IN THE ITALIAN STEEL INDUSTRY

Steel production in Italy is down by around 12% compared to 2019, due to the global pandemic. In spite of this, Italy is still Europe's second producer, with 20.9 million tons of crude steel and an average consumption of around 25 million tons (Federacciai 2020 Report). The difference between apparent consumption and internal production is covered above all by the import of flat products. In fact, despite steel being considered a fully recyclable material, its production is characterised by high energy consumption and when production is based on the exploitation of minerals and carbon, the resulting steel is also characterised by a significant carbon footprint.

It can be noted how overall greenhouse gas emissions produced by steel production activities amount to an estimated 2.8 billion tons, accounting for 5.5-6% of total annual greenhouse gas emissions (Mapelli et al., 2022). The study illustrates how Italy is a unique case in the world, as its steel production is prevalently based on the scrap cycle (respectively 82% in 2019 and 84.7% in 2020), with 37 active production sites equipped with an electric arc furnace (EAF). The only other countries with similar production and proportions of crude steel from EAF are, in order of tons: USA, Turkey, Iran, Mexico and Spain.

			CO_2 emissions [tCO_2/tSTEEL]	H_2O consumption [m^3/STEEL]	Electricity consumption [kWh/tSTEEL]	Soil consumption [m^2/ktSTEEL/day]
INTEGRATED CYCLE	Sinter		0.37	0.03	48	
	Coke ovens		0.34	0.25	2.8	
	Blast Furnace+Basic Oxygen Furnace (charged with 310 kg/t steel + 200 kgpc/tsteel)		2.09	1.3	85	247
		Total	**2.80**	**1.58**	**135.80**	**247**
SCRAP RECYCLING	EAF (Eletric arc furnace)	**Total**	**0.14**	**0.20**	**514**	**20**

Research data: Mapelli, C., Dall'Osto, G., Mombelli, D., Barella, S. and Gruttadauria, A. (2022), Future Scenarios for Reducing Emissions and Consumption in the Italian Steelmaking Industry. steel research int., 93: 2100631
*Data extracted for loads in which bulk solid material amounts to a maximum of 25% of loaded material.

CLIMATE SAFETY IMPACT

Research shows how electric furnace (EAF) use is the choice with the lowest environmental impact. If recycled steel is used, significant emissions and energy savings are achieved. 360kWh to 500kWh of electric power are used (remaining energy use is associated with chemical energy developed in combustion and oxidation processes in the electric arc furnace). For every 1% of bulk loaded metal mass, up to 1 kWh of electric power can be saved, thanks to improved heat exchange.*

IMPACT ON THE HEALTH OF ECOSYSTEMS

Water and ground consumption is closely linked to the energy used for steel production. In the case of steel production cycles based on scrap consumption and electric arc furnace use, there is less consumption of available land, which is extremely important for territories with a limited exploitable surface area and high population density, which is the case in Italy.

CO_2 EMISSIONS ACCORDING TO THE METHOD OF STEEL PRODUCTION USED:

IF FERROUS MATERIAL IS EXTRACTED FROM MINERAL AND CARBON

IF MATERIAL COMES FROM RECYCLED STEEL BY MEANS OF ELECTRIC ARC FURNACE

WHY IT IS IMPORTANT

While we continue to live beyond the limits of our planet, we must reconsider the economic system we live in. This requires us to look beyond zero net emissions and focus on leaving a positive net impact on the planet, by becoming increasingly regenerative. For us this means restoring and building a resource rather than exploiting and destroying it. In this way we aim to mine less material and strive for internal regeneration, the purchase of regenerated material, or aiding regeneration, to keep material in circulation for as much as possible.

Metals like steel and aluminium are crucial in supporting global industry and we believe it is important to enable their circularity.

CLASSIFICATION	IMPACT	IMPACT MATERIALITY
INDIRECT	Increased recycled material (metals) in circulation	
INDIRECT	Lightening of exploitation of energy resources, water and material	
INDIRECT	Increased biodiversity - Lightening of environmental load due to virgin material	
DIRECT	Technological innovation on and for the market	
INDIRECT	Increased education of the market regarding the recoverability of materials	

RISK	OPPORTUNITY	RISK/ OPPORTUNITY	FINANCIAL MATERIALITY
	●	**Growth of recycling practices in the markets** *Detail: Market in expansion with respect to Zato service offering*	
	●	**Sustainability as a powerful communication tool** *Detail: Therefore it is necessary to understand the main topics to communicate to the client/ prospect*	
	●	**Circularity as a competitive advantage** *Detail: Circular innovation of product and business, in addition to circularity as an enabling factor, boosting the circularity of clients*	
	●	**Market willing to invest in sustainability** *Detail: Chanel for engaging in dialogue with clients, not only based on commercial aspects*	

PROJECTS AND RESULTS

EFFICIENT MACHINERY

The company has teamed up with the Milan Polytechnic University to assess and quantify environmental impacts and energy savings in the electric furnace casting process of ferrous scrap processed with Zato Srl machinery.

Processing materials conferred for recycling with Zato machinery increases the casting yield of material, thanks to improved separation and greater cleanliness of metal conferred for recasting.

Scrap recycling implies the reuse of decommissioned metal materials as well as the progressive and increasingly stringent control of types of metal materials, to avoid gradual chemical pollution of loads conferred to electric furnaces, which would result in lower metallurgical product quality and performance; this is why the shredding of material into small-sized fragments is a crucial operation in the separation and selection (by means of magnetic and optical systems) of materials.

TREATMENT OF MATERIALS

The strong point of Zato machinery is that they enable clients to undertake a material recycling process. Upstream this avoids the exploitation of mined natural resources and downstream it zeros disposal costs of scrap which would otherwise be conferred to landfill and therefore considered waste.

QUANTITY OF MATERIAL PROCESSED PER HOUR AND ENERGY CONSUMPTION FOR EACH TYPE OF MACHINERY

BLUE DEVIL

SHREDDED MATERIAL	QUANTITY PER HOUR	ENERGY PER HOUR*
Mixed collection	25 Tons	280/300 kWh

BLUE STORM

SHREDDED MATERIAL	QUANTITY PER HOUR	ENERGY PER HOUR*
Third party copper and copper wire	15 Tons	220/250 kWh

BLUE MARLIN

SHREDDED MATERIAL	QUANTITY PER HOUR	ENERGY PER HOUR*
Aluminium profile and sheep	8 Tons	200/250 kWh
Copper wire	16/18 Tons	200/250 kWh

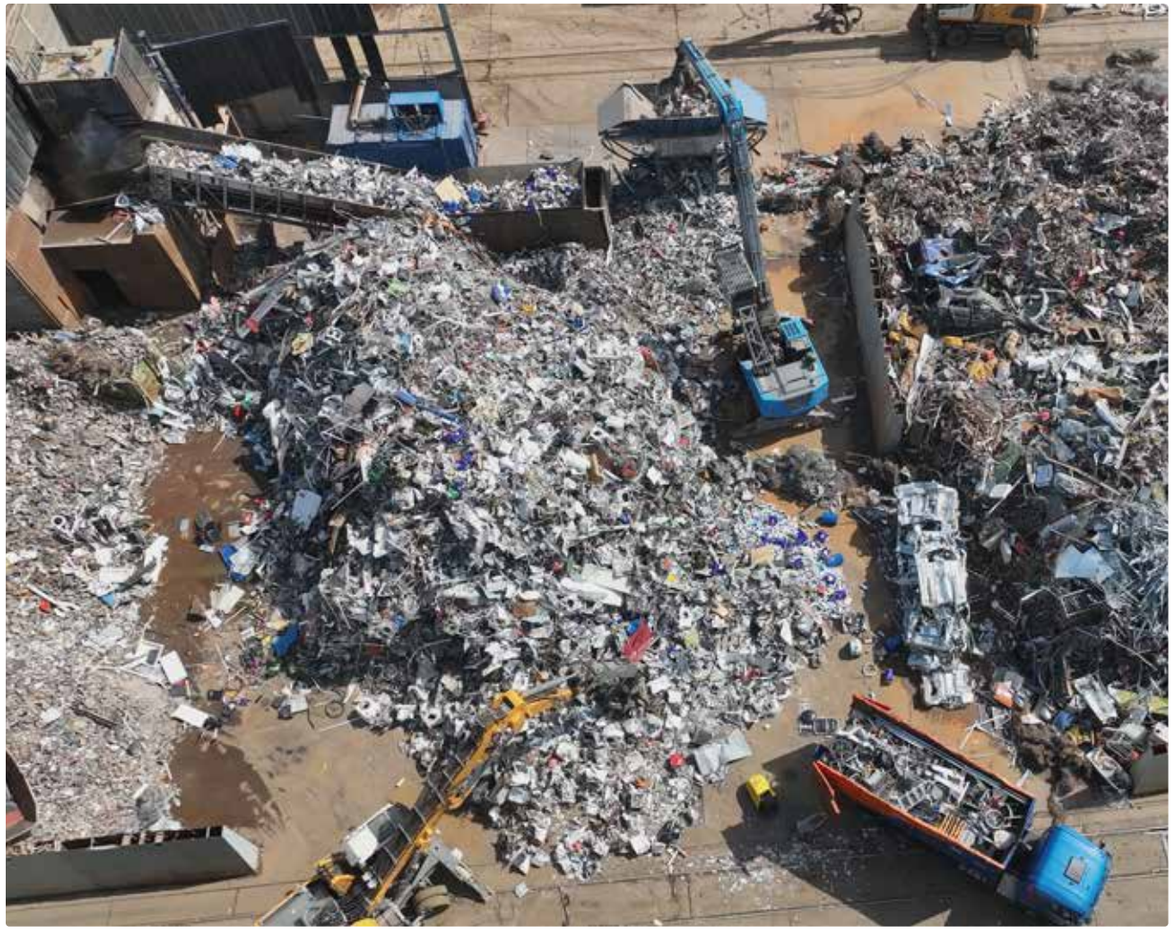
BLUE SHARK

SHREDDED MATERIAL	MODEL	QUANTITY PER HOUR	ENERGY PER HOUR*
Iron	BLUE SHARK 12.10	12 Tons	800/850 kWh
Aluminium	BLUE SHARK 12.10	10 Tons	800/850 kWh
Iron	BLUE SHARK 16.13	30 Tons	800/850 kWh
Aluminium	BLUE SHARK 16.13	20 Tons	800/850 kWh
Iron	BLUE SHARK 19.22	60 Tons	800/850 kWh
Aluminium	BLUE SHARK 19.22	40 Tons	800/850 kWh

*average hourly energy consumption of machinery in continuous operation. The number was applied by means of a consumption average, as this may depend on the quantity and type of material fed into machinery and on whether said material undergoes prior processing or otherwise.

ROADMAP FOR OBJECTIVES

OBJECTIVES	ROADMAP
To make scrap crushing and shredding machinery available to more and more markets	→ Expand the distribution of our machinery to increasingly broader markets, offering more efficient machinery with low operating costs and easy installation.
Increase the efficiency of our machinery	→ Develop more efficient machinery, boosting the cleaning of recycled material, lowering carbon emissions and energy consumption. Continue working on preventive and predictive maintenance operations to reduce the need for spare parts, ensure machinery always works at full efficiency and lengthen the life cycle of such machinery.
Formalise partnerships for innovation	→ Nurture partnerships with experts of the metallurgical industry for the development and research into increasingly cutting edge products and services. Undertaking a feasibility study to explore the possibility of powering Zato machinery with green hydrogen and other non-fossil renewable resources. Formalise cooperation with the Polytechnic University of Milan in order to reinforce the partnership.



CHAPTER 7

GROWTH AND NEW COMPETENCIES

VISION

We are committed to being enablers of a (re)generative future. We believe in the potential of our sector and in the significant potential of applications, which for us translates into guiding the market in developing works and competencies that support the transition we are operating in.
We are committed to ensuring every single function at our company feels a part of this change and wish to support them on a pathway of professional growth.

CONTENTS

WHY IT IS IMPORTANT

Economic, health and geopolitical trends have created globally divergent results for labour markets in 2023. The impact of investments in guiding the green transition was judged to be the sixth highest-impacting macrotrend, followed by a lack of offer and consumer expectations regarding social and environmental issues.

With the aim of actively contributing towards the company's technical-technological development, the adoption of technology and competencies will remain key factors of the transformation in the next five years. A more extensive application of environmental, social and governance standards (ESG) in society will be necessary for proposing dynamic and competent roles regarding sustainability topics.

CLASSIFICATION

DIRECT	⊕
DIRECT	⊖

RISK	OPPORTUNITY
	●

IMPACT

Creation of green jobs
Potential shortcomings in the development of competencies (training)

IMPACT MATERIALITY

RISK/ OPPORTUNITY

Attract qualified staff through sustainability
Detail: Given the willingness of generations X and Z to assess the orientation of the company's sustainability in choosing a job

FINANCIAL MATERIALITY

PROJECTS AND RESULTS

SUSTAINABILITY COMPETENCES

Participants of the in-company work group created to prepare the sustainability strategy and report were educated on topics on a macro and micro level with respect to the operations of companies. The next step is to spread this knowledge to all other professionals.

MAPPING OF COMPETENCES

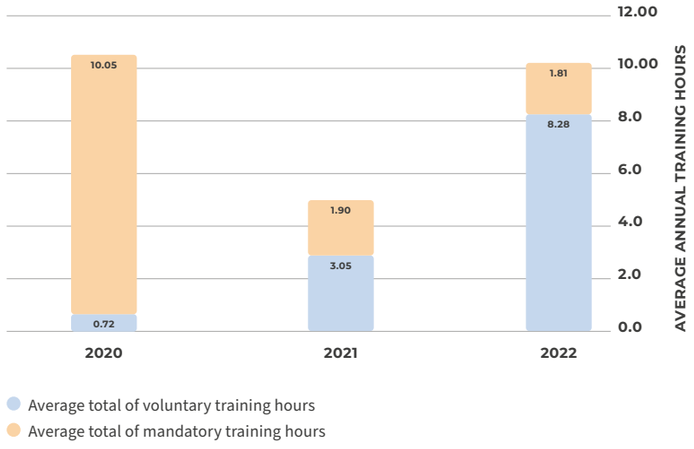
As part of the ISO 9001 management system development pathway, we are creating information sheets in order to map skills for each employee. Together with department management, any differences in necessary and actual skills are assessed in order to create a targeted training plan to resolve any shortcomings.

SPECIFIC TRAINING

All employees took compulsory courses provided by the National Collective Labour Agreement; the offering was completed with other courses linked to skills required for specific duties, and language courses. In 2021 all employees took a cyber security course.

AVERAGE TRAINING HOURS PER EMPLOYEE

GRI 404-1



Average annual training hours per employee include compulsory and optional training courses. Optional training courses include Ready Fluidmex hydraulics courses, English and Spanish Saldosystem, Welding, Excel, Business, Solidworks, Technologies, Process, Materials, and an online Cyber Security course taken by all employees. Employees are allocated to these courses by their respective department managers, based on work group and individual needs.

The drop between 2021/ 2022 is probably due to the fact that figures allocated to the workshop and warehouse in 2022 did not require additional training for their duties. Compulsory training hours include the following courses: State Region, First Aid, Fire Prevention, Overhead Crane, Fork lift and Platforms, Training for Workers' Representatives, Person in charge and Covid. We are aware that total training hours currently delivered at Zato are below levels we believe to be satisfactory. This is why we are developing a training program for all levels that will be ready for implementation in 2024.

ROADMAP FOR OBJECTIVES

OBJECTIVES		ROADMAP
Increase company interactivity	→	Design professional development pathways and improve understanding of the needs of new generations of workers.
Hone in on organisational development needs	→	Understand the essential elements for the organisation's development and assess the possible implementation plan.
Transfer sustainability competencies to employees	→	Involve all persons at the company with reference to the objectives declared in this Report, so that they become participants of the pathway and are able to develop specific sustainability skills linked to company operations
Increase competencies	→	Define the concept of green job for the company and the necessary skills for its achievement. Implement a training and orientation plan for internal roles at all levels.

CHAPTER 8

WELL-BEING AND ENGAGEMENT

VISION

We are committed to becoming a model for other local businesses, promoting the well-being of our people and the company's engagement with the local community. We believe that a proactive commitment to the health and work-life balance of our workers is the only way to achieve mutual trust. We believe that supporting and protecting the environment and society is the only way to raise the interest of local communities and begin cooperating towards the achievement of common objectives.

CONTENTS

WHY IT IS IMPORTANT

Zato is a growing company with skills in demand, markets to develop and an offering of solutions capable of stimulating the circulation of recycled materials. On the one hand this ensures stability and value distribution, while on the other hand building on what it means to provide our workers with well-being in a fast paced setting, ensuring this offering is the result of a process grounded in involvement and coordination. This must translate in terms of safety protection, but also and above all in terms of spaces for health and well-being.

Involvement is also crucial beyond the company: it becomes significant when we are able to see the company as the interface between market and territory, and as a proactive player in understanding which pathways we can undertake, together.

CLASSIFICATION

DIRECT		⊕
DIRECT		⊕
DIRECT		⊕
	INDIRECT	⊕
DIRECT		⊖

RISK	OPPORTUNITY
●	

IMPACT

Economic stability at a local level
Promotion of equality in salaries and contracts
Flexibility work-life balance
Creation and distribution of economic value
Damage to physical and psychological health of workers (internal)

IMPACT MATERIALITY

RISK/ OPPORTUNITY

Isolation of territory
Detail: Lack of institutional relationships

FINANCIAL MATERIALITY

OUR APPROACH

POLICY AND MANAGEMENT

HEALTH AND SAFETY MANAGEMENT

For safety purposes, the company requires its workers to use PPE for access to warehousing facilities. Such equipment (gloves, mask, garments) and consumer goods are distributed in the morning and each person is required to organise collection according to their work. Office staff are required to use PPE upon entering production facilities.

In the last few years the company has submitted a questionnaire to workers in order to analyse psychological health and stress levels.

Moreover, the safety management system pursuant to Italian Legislative Decree 81 requires courses for safety and the use of equipment workers must use.

INSURANCE POLICIES

All employees are covered by mandatory INPS INAIL METASALUTE insurance as provided for in the CONFINDUSTRIA METALWORKING National Collective Labour Agreement. Executives also have FASI (supplementary healthcare assistance) medical cover.

COMPANY CARS EXTRA WORK

Company vehicles are provided on personal grounds, such as moving home, or when an employee's own car is at the repair garage.

FLEXIBILITY OF HOURS

Employees are granted flexibility to accommodate visits, appointments or family commitments.

The company supports employees engaged in voluntary work by ensuring flexible hours.

The company does not have any pre-established periods of closure; holidays and leave are organised using an internal organisation process in each department. In special cases, for example the renewal of documents for foreign employees, solutions are sought in order to lengthen the period of leave.

PROJECTS AND RESULTS

ATTENTION TO SAFETY

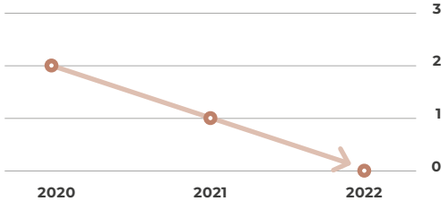
GRI 403-1,2,4

The company's management is constantly committed to ensuring the modernity of plants, the presence of protective equipment, compliance with hygiene standards and accident prevention legislation, as well as the training of workers in these areas. The company has appointed all occupational safety figures, tasked with:

→ further improving workers' health and safety conditions;
→ periodically assessing risks linked to workers' health and safety;
→ adopting preventive and corrective solutions.

INJURIES

GRI 403-9



Zato aims to maintain zero injuries just like in 2022, through the more systematic collection of all near accidents and the reinforcement of internal communication channels on risk factors encountered by workers and continuous internal risk communication.

OCCUPATIONAL HEALTH SERVICES

GRI 403-3

Coordination between occupational health service figures takes place annually on occasion of the meeting involving the Prevention and Protection Service Manager (PPSM), company owners, the Workers' Safety Representative and the Occupational Health Doctor. Workers are invited to an annual medical visit during which their risk exposure is assessed with the doctor and the safety manager. If any problems are encountered, the company and the occupational health doctor work to understand whether current duties can continue or whether a change of role is necessary.

All employees are also registered with the Metasalute fund, through which they can access a series of medical services at affiliated clinics, or request a refund for medical services provided at other facilities. When hired, each employee receives a manual explaining how this service works and the company supports anyone requiring support in accessing it.

OCCUPATIONAL HEALTH AND SAFETY TRAINING

GRI 403-5.8

Upon joining the company, each employee is required to attend mandatory health and safety training.
A system for the monitoring of certificate expiry and consequent reprogramming of updates is in place. Courses are adjusted according to position and duties, however the same basic course is delivered in order to ensure common understanding. Currently fire protection procedures and emergency first aid courses are being updated.
This training system extends to everyone, including interns and apprentices.

SUPPORT FOR THE COMMUNITY

GRI 413-1

The principle of sustainability also includes the company's relationship with local communities, on the one hand through its commitment to mitigating the environmental impact of Zato operations in the territory, and on the other hand, by encouraging growth in economic, employment and social terms, as part of a pathway towards the rediscovery of the material culture of metal processing. With the Sustainability Report Zato has decided to tackle territorial involvement in a more proactive and structured manner, defining a work group tasked with selecting topics of significance to the company and defining an annual budget for projects deemed important for topics, which distinguish themselves in terms of closeness of interest.

2020
€9,100.00
→ Black Racing Team Motorsport sports association
→ Tennis Team Student Tournament
→ Fondazione Poliabulanza BS
→ Socially Useful NPO Fondazione Comunità Bs aiutiamobrescia

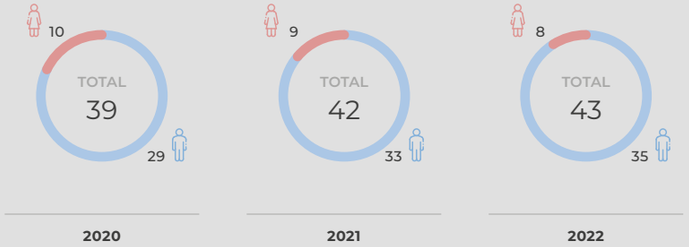
2021
€32,000.00
→ Black Racing Team Motorsport sports association
→ Socially Useful NPO Mattone del Cuore
→ Brixia Basket women's under-17 team
→ Socially Useful NPO Fondazione Comunità Bs aiutiamobrescia
→ ASS. Arena Sferisterio
→ Fondazione Andrea Bocelli

2022
€24,149.00
→ Black Racing Team Motorsport sports association
→ Brixia Basket women's under-17 team
→ Isinnova 3D lower limb prostheses for war amputees

A SNAPSHOT OF OUR COMPANY

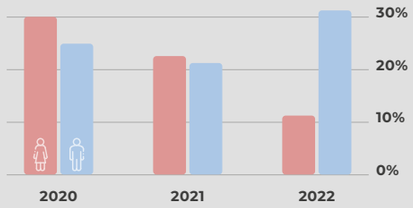
EMPLOYEES AT THE COMPANY

GRI 401-1



PERCENTAGE OF INCOMING EMPLOYEES

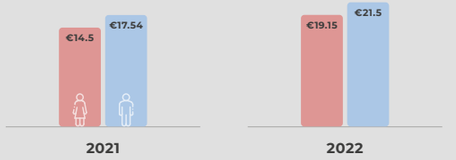
GRI 401-1



RATIO OF TOTAL AVERAGE SALARY AND REMUNERATION OF WOMEN COMPARED TO MEN

GRI 405-2

AVERAGE GROSS HOURLY REMUNERATION IN EUROS:



20%
2021

13%
2022

The M-F pay gap (individualised care plan) indicates a basic salary improvement in 2022, however equal value is yet to be achieved.

*The calculation is based on the following formula:
((gross remuneration male - gross remuneration female)/ gross remuneration male) x100.

LEVELS

At Zato, a small part of the organisational chart is made up of executive figures and the vast majority of clerks and workers.

5
DIRECTORS

2
MANAGERS

5
MIDDLE MANAGERS

18
WORKERS

18
OFFICE STAFF

WORKERS

Zato privileges permanent contracts with the aim of nurturing the loyalty of its people.

43
INTERNAL WORKERS

CONTRACT

At Zato, 100% of 43 employees are full-time contract holders.

43
FULL TIME

100%
FULL TIME

ROADMAP FOR OBJECTIVES

OBJECTIVES	ROADMAP
Increase engagement in the territory	→ Define a governance system that identifies fields of community support intervention (starting from perceived needs and social and territorial development topics dear to the company) and a stable work group that monitors the actual impact of supported projects. Implement this pilot structure and define possible improvements to the created system.
Reduce company turn-over	→ Expand on the company's demographic knowledge in order to understand needs. Analyse how to improve work spaces: creation of catering and changing room facilities.
Maintain zero injuries	→ Increasingly improve the safety plan, maintaining zero current and potential injuries. Collect internal near accidents to involve employees in risk analysis and create a knowledge transfer system. Implement and assess protocols to ensure safety during the installation of machinery and systems beyond the company.

ANNEX

GRI INDICATORS AND FULL DATA

METHODOLOGICAL NOTES

This Sustainability Report was prepared according the GRI Standards 2021, application level: in accordance.

In the formulation of indicators and objectives, as well as in the materiality process, we also considered the new European directive on CSRD and relative ESRS indicators, still in draft form, published by EFRAG.

In the Report we have also included indicators that are not explicitly requested by GRI, but have been internally obtained with the purpose of improving production processes and objectives.

In this follow-up session we intend to provide full tables of data for each section of the Report.

THE ORGANISATION AND ITS REPORTING PRACTICES

GRI 2-1
Organisational details
The official name of our group is Zato Srl, a single shareholder company of Zato Invest, with headquarters in Via Campi Grandi 23, 25,080 Prevalle BS, Italy, and subsidiary 1100 South Tower, 225 Peachtree Street NE. Atlanta, GA, 20202 (USA)

GRI 2-2
Entities included in the organisation's sustainability reporting
Reporting scope lies within the company Zato Srl, as per the financial statements.

GRI 2-3
Reporting period, frequency, and contact point
This is the company's first sustainability report, which will be prepared on an annual basis. Presented information and data refer to the period from 1st January 2022 - 31st December 2022; whenever possible we have also extended our field of vision to the two previous years (2020 and 2021), in order to provide a more complete image of data evolution.

All enquiries on the nature of data and information contained herein can be sent to *esg@zato.it*

GRI 2-4
Restatements of information
We have no restatements to report in this first edition.

GRI 2-5
External assurance
The first edition of the report did not undergo an external assurance process.

ACTIVITIES AND WORKERS

GRI 2-6
Activities, value chain and other business relationships
Information on this indicator can be found on page 6 of this report. The company's sector of activity extends worldwide, except for Africa, India and Russia. The company pursues the following activities: the design and production of plants and equipment for the recycling sector. Relative information on designed products is available on page 14. Applications of company competencies range from copper scrap treatment plants, for bales of scrap, heavy metals HMs, for aluminium bales ASR residues, to plants for the recycling of end of life ELV vehicle scrap, the recycling of track and railway scrap and for the recycling and recovery of tyres.

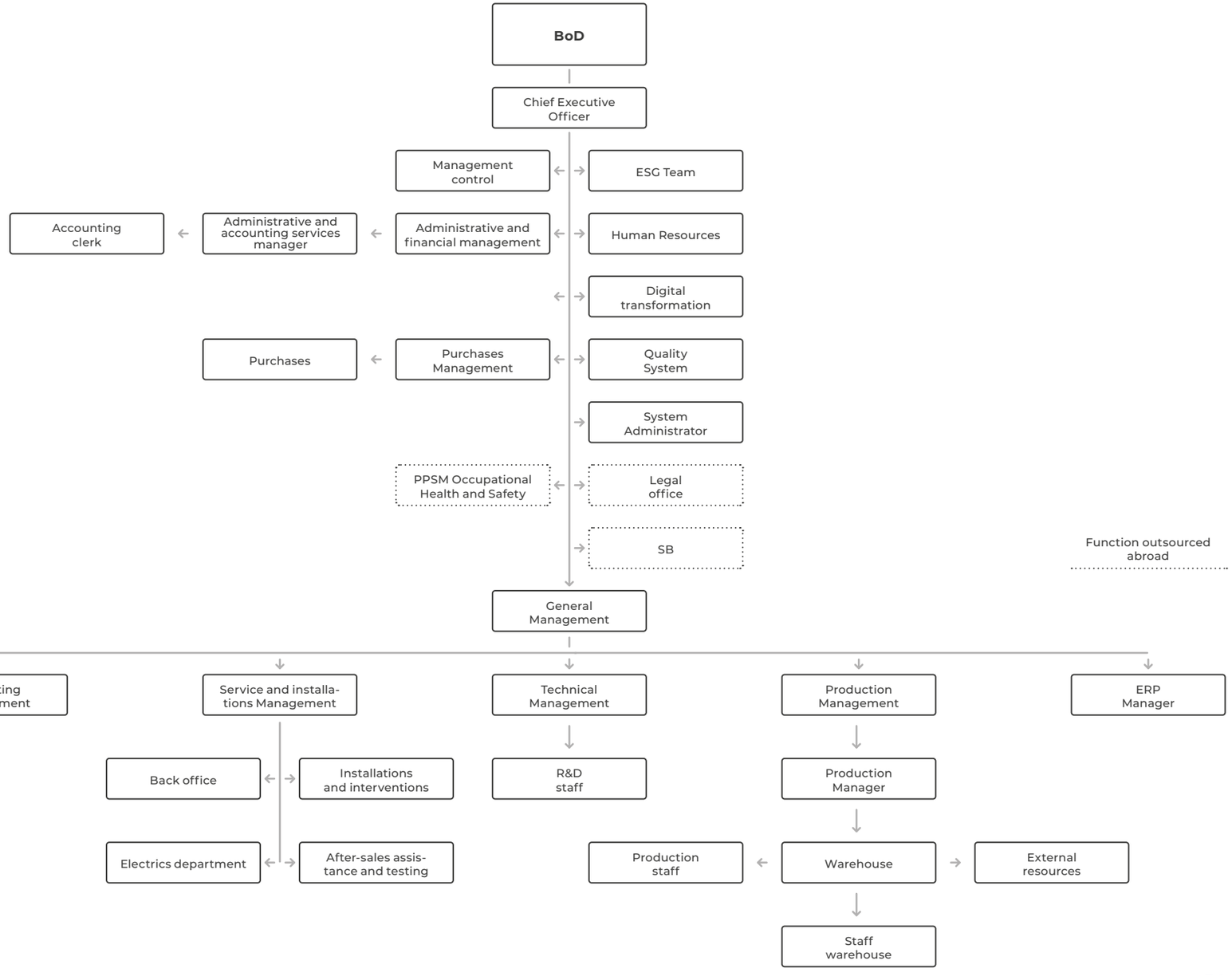
The company's value chain and sources of procurement of material used can be classified into 5 types:
→ Electronic components: Post mechanical processing steel, primary provenance from blast furnace (primary) and electric furnace (from recycling)
→ Hydraulic components
→ Process materials (rags, paints, argon for welding, nitrogen)
→ Made-to-measure components (blades, hammers, grilles, knives)
→ Electric power, compressed air, natural gas, diesel, water for domestic use, services (consultancy, transport) and packaging materials.

GRI2-7 Employees and 2-8 Workers who are not employees

		2020	2021	2022
Employees	Full time			
	Men	29	33	35
	Women	10	9	8
	Part-time			
	Men	0	0	0
	Women	0	0	0
	Total	**39**	**42**	**43**
Type of contract	Permanent Men	29	33	35
	Permanent Women	8	8	7
	Fixed-term Men	0	0	
	Fixed-term Women	2	1	1
	Total	**39**	**42**	**43**
Workers who are not employees	Full time	0	0	0
	Men	0	0	0
	Women	0	0	0
	Total	**0**	**0**	**0**
	Part-time	0	0	0
	Men	0	0	0
	Women	0	0	0
	Total	**0**	**0**	**0**
Total number of employees		**39**	**42**	**43**
Total number of women		**10**	**9**	**8**
Total number of men		**29**	**33**	**35**

GOVERNANCE

GRI 2-9
Governance structure and composition
On page 21 we provide the structure of sustainability governance and of the work group tasked with preparing the Sustainability Report.
The company's general governance is presented in the company system, on page 10.



GRI 2-10
Appointment and selection of the highest governance body
The BoD is appointed by the Shareholders' meeting. Appointment criteria are: competence in undertaking duties and the capacity to assume relative responsibilities.: LEGISLATION art. 2382 of the Civil Code.

GRI 2-11
Chairman of the highest governance body
The Chairman of the highest governance body, a BoD member, is also a senior executive of the organisation in management control

GRI 2-12
Role of the highest governance body in the management of impacts
The BoD plays an active role in defining material impacts, risks and opportunities, in defining objectives at a macro and operational level, and the action plan for the development of material topics. The work group and the BoD (including the fund that owns part of the company's shares) were involved in the validation and assessment process of impacts and set objectives.

GRI 2-13
Delegation of responsibility for managing impacts
No delegation of responsibility for managing impacts has been defined for this first report.

GRI 2-14
Role of the highest governance body in sustainability reporting
The BoD is actively involved in defining material topics, the approval and restatement of contents.

GRI 2-15
Conflicts of interest
No formalised system for managing conflicts of interest is currently in place at the company.

GRI 2-16
Communication of critical concerns
In the recently concluded reporting period no critical concerns were reported to the BoD.

GRI 2-17
Collective knowledge of the highest governance body
In the reporting period that recently ended, the BoD and the work group were involved in training sessions on the overall concept of sustainability, the need for sustainable development, the development of European regulations on the matter, ESG criteria, and significant sustainability topics in the sector.

GRI 2-18
Evaluation of the performance of the highest governance body
In the reporting period that recently ended, the BoD was involved in training sessions on the overall concept of sustainability, the need for sustainable development, the development of European regulations on the matter, ESG criteria, and significant sustainability topics in the sector.

GRI 2-19
Remuneration policies
The company omits this indication for reasons of confidentiality.

GRI 2-20
Procedure to determine remuneration
The company omits this indication for reasons of confidentiality.

GRI 2-21
Annual total remuneration ratio
In 2022, the annual total remuneration ratio of the person receiving the highest remuneration and annual total average remuneration of all employees is: 4.30. The following calculation was used to determine the result: annual total remuneration of the person receiving the highest remuneration / Annual total remuneration of all the organisation's employees excluding the above-stated person.

In 2022, the percentage increase of the annual total remuneration of the person receiving the highest remuneration and the average percentage increase of the remuneration of all employees is: 4.53. The following calculation was used to determine the result: Percentage increase of total annual remuneration of the person receiving the highest remuneration / average percentage increase of annual total remuneration of all the organisation's employees, excluding the above-stated person**.**

STRATEGIES, POLICIES AND PRACTICES

GRI 2-22
Declaration on the sustainable development strategy
Information on this indicator can be found on p. 5 of this report, in the Letter to Stakeholders.

GRI 2-23
Commitment in terms of policy
For each material topic, all policies undersigned by the company were indicated, as well as certified management systems in place. The company has a Code of Ethics, completed in the first quarter of 2023 (when preparation of this sustainability report was nearing conclusion), which was presented to all employees through specific training initiatives.

GRI 2-24
Integration of commitments in terms of policies
All policies linked to material topics and sustainability commitments are indicated in the report, in the sections "Our approach: policy and management"

GRI 2-25
Remediation processes for negative impacts
Identified, validated and assessed negative impacts were grouped into five material topics constituting the company's sustainability strategy. Reporting on each topic includes all completed actions and achieved results in terms of indicators. Defined objectives and development plans are also included, taking into account the principles of (1) remediation and mitigation of negative impacts, (2) mitigation of risks, (3) reinforcement of positive impacts and (4) seizing opportunities. Our stakeholders were involved in two ways: as a group to validate impacts identified in the first phase by the work group, and as a group to assess these impacts. Both groups contributed towards defining improvement and prevention actions of negative impacts. With both types of stakeholders involved in assessment, we also analysed remediation processes in greater depth, for negative impacts that had already occurred. All these material topics formed the base for the development of objectives and project actions.

GRI 2-26
Mechanisms for requesting clarifications and raising concerns
As set forth in Italian Legislative Decree 231/01, the company has established a Supervisory Body (SB) to whom workers can anonymously submit requests or reports: odv@zato.it.

GRI 2-27
Compliance with legislation and regulations
No cases of legislative non-compliance were recorded during the reporting period.

GRI 2-28
Membership associations
Confindustria Lombardia, AIB MEBRI, BIR, ISRI (USA),FER (ESP), BDSV (DE).

STAKEHOLDER INVOLVEMENT

GRI 2-29
Approach to stakeholder involvement
For this first edition of the report we selected the following stakeholders, defining dialogue objectives and consequently, the most suitable methods for the achievement thereof. The intention is to expand the stakeholder base for the next edition.

CATEGORY	IDEALISING	INFLUENCE
Supplier	Dependence	Reinforce the partnership, validate identified impacts, receive information on raw material in case of blast furnace or electric furnace
Security Body and 231 Representatives	Influence	Reinforce the partnership, validate identified impacts
Potential clients	Influence	Reinforce the partnership, validate identified impacts, understand current sustainability topics that will influence the company's sustainability development, feedback on Zato/ sustainability, inform them on how and where we are moving, receive information from policies or actions they are implementing
Actual clients	Influence	Reinforce partnership, validate identified impacts, understand current sustainability topics that will influence the company's sustainability development
Polytechnic University of Milan	Influence	Receive information (of a technical nature) that will help the company define impacts on raw material and on steel components, impact validation
Shareholder Investors (LBO Fund)	Dependence	inform them of the sustainability pathway undertaken, validation and assessment of impacts
Bureau of International Recycling	Influence	Receive information on the scenario in which the company operates so that it can aid the company in assessing its impacts

GRI 2-30
Collective agreements
The national metals and plants industry collective agreement is applied

INTRODUCTION

GRI 3-1
Process for determining material topics
Information on this indicator can be found on p. 22-23 of this report.

GRI 3-2
List of material topics
Information on this indicator can be found on p. 18-19.

GRI 3-3
Management of material topics
Chapters on material topics in this report were prepared using the following outline suggested in indicator 3-3.

For each topic with have indicated:
- → Relative impacts, including negative, positive, direct or indirect ones (in the paragraph: why it is important)
- → Risks and opportunities (in the paragraph: why it is important)
- → The company's vision on the topic, i.e. the position it intends to take (in the paragraph: Vision)
- → The approach to management, policies, protocols and management systems (in the paragraph: Our approach, policies and management)
- → Actions undertaken to manage the topic and relative impacts (in the paragraph: projects and results)
- → Indicators used to assess progress (in the paragraph: projects and results)
- → Objectives, targets and commitments with reference to the material topic (in the paragraph: Roadmap for objectives

GRI 3-3
Management of material topics
Detailed information on negative impacts and their relationship the company:

ESG	IMPACT	LINKED TO	DIRECT/ INDIRECT
E	Increased environmental load due to non-recoverable waste	Linked to (1) packaging used by the company, which when sent to the client abroad is not recovered and thus inherited by the client, (2) production of waste and other types of waste (hazardous/ non-hazardous), which is conferred for disposal (incineration/ landfill) and is not recoverable	Direct
S	Damage to physical and psychological health of worker	Linked to (1) the nature of mining (operation with heavy machinery, inadequate mining facilities and exposure to explosive, flammable, poisonous or harmful substances)	Indirect
E	Water resource shortages (mining activities)	Linked to (1) mining activities requiring large quantities of water resources. Indeed mining activities can reduce the availability of water for local communities and other users, with potential repercussions on the right to potable water.	Indirect
E	Loss of biodiversity	Linked to (1) significant ground use for prospecting, exploring, extracting and storing waste, processing and transport linked to mining activities. Mining activities impact biodiversity and ecosystemic services, liming the availability of and access to natural resources or reducing the quality thereof, thus also influencing the well-being and means of subsistence of communities.	Indirect
E	Damage to natural balance	Linked to (1) significant ground use for prospecting, exploring, extracting and storing waste, processing and transport linked to mining activities and waste storage. Mining activities generate large volumes of waste, including hazardous waste, in particular from the mining or processing of minerals. These waste flows may contain toxic or harmful substances such as asbestos, arsenic, cadmium, chrome, copper, lead, manganese, mercury and thallium.	Indirect
E	Global warming	Linked to (1) energy consumption (electric power) inside the company's Prevalle plant, (2) natural gas consumption inside the Prevalle plant, (3) fuel for internal transport and external logistics, (4) the procurement of raw material meaning transport and material source, (5) waste management, (6) employee mobility, (7) energy consumption for supplier processing (mechanics workshops) made-to-measure components (TO BE VERIFIED)	Direct and indirect
E	Water resource shortages (mechanical processing activities)	Linked to the use of water resources in mechanical processes	Indirect
E	Deterioration of air salubrity	Linked to (1) the use of diesel for transport, (2) the emission of welding fumes into the atmosphere, (3) painting processes not performed in painting cabin, (4) testing of plants which operate with electric motors and rely on diesel powered electrical generator	Direct
E	Increased environmental load due to disposal of plastic and electric panels	Linked to (1) disposal of plastic used in electric powers, which are difficult to manage during the recycling phase	Indirect
E	Potential negative effects due to end of product life	Linked to (1) potential difficulties in disposal/ recycling/ reuse	Indirect
S	Damage to physical and psychological health of worker	Linked to (1) the nature of in-company work	Direct
S	Potential shortcomings in the development of competencies (training)	Linked (1) to a very basic training catalogue that should be expanded to provide a framework for staff development and growth	Direct
S	Lack of respect for rights over land and resources	Linked to (1) significant ground use for prospecting, exploring, extracting and storing waste, processing, transport and distribution linked to mining activities. When adjacent to local communities, often leads to involuntary resettlement and interruption of traditional means of subsistence, such as agriculture and artisan mining	Indirect
S	Potential non-guarantee of diversity	Linked to (1) the low presence of women at the company, or a culture of the industry that succeeds in including and attracting women in STEM	Direct
E	Rare lands	Linked to (1) mining activities for electric panel production, which require large quantities of rare lands	Indirect
E	Use of metals for hydraulic components	Linked to (1) the use of metals for the composition of hydraulic components (tube with iron core	Indirect

GRI 3-3
Management of material topics
Detailed information on positive impacts and their relationship the company:

ESG	IMPACT	LINKED TO	DIRECT/ INDIRECT
E	Increased recycled material (metals) in circulation	Linked to (1) the activities of clients who use ZATO machinery	Direct
E	Increased biodiversity - Lightening of environmental load due to virgin material	Linked to (1) offering a product that can replace virgin. Indeed metal recycling activities enable metals already in use to remain in circulation and reduce mining activities	Direct
E	Lightening of exploitation of energy resources, water and material	Linked to (1) the use of recycled materials instead of virgin material	Indirect
E	Decarbonisation of metal supply chain	Linked to (1) the activities of clients who use ZATO machinery	Indirect
S	Economic stability at a local level	Linked to (1) the creation of employment and salary stability ensured by the company's solidity	Direct
G	Economic stability for proximity companies	Linked to (1) the creation of a market for proximity companies, for example arising from cooperation for made-to-measure components	Direct
S	Promotion of equality in salaries and contracts	Linked to ensuring (1) equal contracts and salaries at the company	Direct
S	Creation of green jobs	Linked to (1) the creation of local and international figures who work on this recycling technology (including machinery assistance) (2) local figures who work on the development and research into new recyclable products (e.g. photovoltaic panels).	Direct
S	Flexibility work-life balance	Linked to (1) flexibility the company provides its employees with, for a work-life balance (e.g. flexible work breaks, flexible start times in time band)	Direct
G	Increased education of the market regarding the recoverability of materials and machinery for recycling	Linked to (1) the company's product, provided with an information data sheet on machinery disassembly and recycling and (2) raising awareness on the importance of recycling in the metal industry	Indirect
G	Creation and distribution of economic value	Linked to (1) the company's activity, remuneration, taxable income	Direct
	Technological innovation	Linked to (1) development activities regarding recovery and recycling (e.g. new methods, machinery, processes for extracting new materials from machinery)	Direct

CLIMATE AND ATMOSPHERE

ENERGY

GRI 302-1
Energy consumed within the organisation

	Unit	2020	2021	2022
Diesel for Production and Buildings	Mhw	22356	53150	57245
Natural gas	Mhw	132060	117600	108930
Diesel	Mhw	133430	149500	235840
Petrol	Mhw	10.1878	11448	11719
Consumption of purchased electric power	Mhw	154250	233860	209000

GRI 302-3
Energy intensity
For these indicators we considered electric energy consumption.

	Unit	2020	2021	2022
electric power (KWh)/ kg product	(KWh)/kg	0.0236	0.0197	0.0158

GRI 302-4
Reduction of consumption
Information on this indicator can be found on p. 31 of this Report.

GRI 302-5
Reductions in energy requirements of products and services
On page 42 we indicated average consumptions for machinery we release onto the market. The company aims to increase the energy efficiency of machinery and processing capacities by close cooperation with experts and researchers of the sector. We are committed to measuring trends in the next few years.

GREENHOUSE GAS EMISSIONS

GRI 305-1 Scope 1 Direct Emissions
GRI 305-2 Scope 2 Direct Emissions
GRI 305-3 Scope 3 Direct Emissions

CO_2 emissions (ton)		2020	2021	2022
Scope 1	Fuels for production and buildings	5.20	12.36	13.31
	Fuels for production and buildings	18.44	16.42	15.21
	Fuels for internal handling	31.93	35.78	56.44
	Fuels for internal handling	1.79	2.51	2.57
	Total Scope 1	57.36	67.07	87.54
Scope 2	Electricity consumption	62.63	94.95	84.85
	Total Scope 2	62.63	94.95	84.85
Scope 3*	Total Scope 3			4401.20

GRI 305-4
Emissions intensity (Scope 1 and Scope 2)

	2020	2021	2022
Turnover	17693963	27308015	37844579
kg CO_2 Scope 1 + Scope 2	119989	162018	172392
Emissions intensity	**0.00678**	**0.00593**	**0.00456**

GRI 305-5
Reduction of greenhouse gas emissions
Currently, in order to reduce our greenhouse gas emissions, we intend to change our energy provider in favour of renewable sources and develop increasingly efficient machinery with lower energy consumption.

Emission factors - sources
- Diesel, petrol, natural gas: Österreichische Luftschadstoff-Inventur OLI 2021
- Electric power: ADEME, average mix Italy

***Specific to Scope 3 emissions calculation**
Scope 3 of the carbon footprint includes indirect emissions linked to products and services. In order to calculate total scope 3 greenhouse gas emissions in this case, principle I of Pareto 20 (represent 80 of the carbon footprint of data points) The following data points were considered in the calculation of scope 3:
- Raw material: steel, electric engines, diesel engines, rubber
- Incoming transport (trucks): electric engines, diesel engines, steel*
- Waste
- Outgoing transport (trucks and ship): products*

Base data for calculation consist of the company's primary data in all cases not marked with an asterisk. For data indicated with asterisk, average data was used for calculation
Emission factors come from ADAME and the GHG Protocol and the calculation was completed with the support of Sirsa.
Important observations:
- Regarding steel: we have lowered the calculation based on the hypothesis that 100% of used steel comes from virgin sources, for which we have used an emissions factor from literature. Steel is the highest emissions point (95%) of our scope 3 footprint. Therefore pursuit of both objectives we identified in this area is crucial: (1) rebuilding the steel supply chain more thoroughly and improving source of provenance classification (blast furnace, electric furnace), (2) increase the proportion of steel from recycled sources, brining it up to 50% by 2025
- Emissions associated with the use of Zato products have not as yet been taken into consideration (due to insufficient data from clients)

RAW MATERIALS AND (ECO)SYSTEM

MATERIALS

GRI 301-1
Material used by weight and volume

Materials	Unit	2020	2021	2022
Steel*	Ton	1074.00	1744.00	2247.09
Semi-finished ferrous materials	Ton	17.00	33.00	42.00
Screws	Ton	25.80	47.47	47.80
Rubber	Kg	420.00	560.00	620.00
Fat	Kg	630.00	1296.00	747.00
Oils	Litre	3183.00	7483.00	3568.00

*currently data on the % from recycling and the % of virgin material is not calculable

GRI 301-2
Recycled input materials used

Materials	Unit	2020	2021	2022
Cardboard	Ton	0.65	1.21	1.06

As specified for the previous indicator, we are aware that part of inbound steel comes from recycling, however current data on the % from recycling and the % from virgin sources is not calculable

UNSEPARATED

GRI 306-1 Waste generation and significant waste-related impacts
GRI 306-3 Waste generated
A description of processes that determine the flow of output material flows and material and immaterial output waste is presented on page 10 of this Report. In conducting impact analysis we assessed the possibility of negative impacts linked to waste production and no serious impacts arising from waste production were identified. Currently the company does not have information to determine the final destination of waste. Management policies are provided on page 34 and measured results on page 35. Here follow explanatory tables for hazardous and non-hazardous waste:

HAZARDOUS WASTE

Waste category		Unit	2020	2021	2022
13.02.08	Spent oils	kg	1040.00	0.00	1370.00
13.08.02	Spent oils	kg	0.00	0.00	2290.00
14.06.03	Solvents	kg	2410.00	3630.00	2660.00
15.01.10	Packaging waste	kg	100.00	300.00	0.00
15.02.02	Packaging waste	kg	1610.00	2870.00	1790.00
16.01.07	Oil filters	kg	70.00	0.00	60.00
16.01.21	Other hazardous components	kg	490.00	90.00	90.00
Total		kg	**5725.70**	**6896.80**	**8268.20**

NON-HAZARDOUS WASTE

Waste category		Unit	2020	2021	2022
08.03.18	Spent printing toners	kg	21.00	0.00	20.00
12.01.99	Processing waste	kg	20600.00	19420.00	0.00
12.03.01	Aqueous washing solutions	kg	2140.00	1680.00	2210.00
15.01.03	Wooden packaging	kg	13070.00	20660.00	25090.00
15.01.06	Mixed material packaging	kg	0.00	0.00	3880.00
16.02.14	End of life devices	kg	0.00	0.00	1300.00
17.04.05	Iron and steel	kg	3300.00	40260.00	14880.00
17.04.07	Mixed metals	kg	0.00	8500.00	16900.00
Total		kg	**39131.00**	**90520.00**	**64280.00**

GRI 306-4
Waste diverted from disposal
Currently the company is unable to manage these data, the aim is to build a monitoring objective for the next reporting cycle.

GRI 306-5
Waste directed to disposal
Currently the company is unable to manage these data, the aim is to build a monitoring objective for the next reporting cycle.

RAW MATERIALS AND (ECO)SYSTEM

BIODIVERSITY

GRI 304-1
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
The company is located approximately 15 km from an area included in the Nature 2000 network, however none of the threats identified in the analysis are attributable to the company's activities.

GRI 304-2
Significant impacts of activities, products, and services on biodiversity
Information on this indicator can be found on page 24 of this Report and on pages 57-58 of the Annex.

GRI 304-3
Protected or restored habitats
As yet the company has not developed a habitat restoration project.

WATER AND EFFLUENTS

GRI 303-1 Interaction with water as a shared resource
Information on this indicator can be found on page 35.

GRI 303-2 Management of water discharge-related impacts
The company does not have industrial discharge.

GRI 303-3 Water Withdrawal

Unit of measurement	Unit	2020	2021	2022
Potable water (≤1,000 mg/L total dissolved solid particles) collected from well	Mc	1097	454	582

Note: The drop in water consumption is due to reduced pressure cleaner use as less after-sales repairs took place. This reduction is due to (1) the enhanced technological efficiency of maintenance activities, which enables preventive maintenance and (2) overall improvements to machinery design.

GROWTH AND NEW COMPETENCIES

TRAINING AND EDUCATION

GRI 404-1
Average number of training hours a year per employee

	Professional categories		2020			2021			2022		
			Men	Women	Total	Men	Women	Total	Men	Women	Total
Voluntary training	Managers	Hours	0	0	0	32	16	48	0	0	0
	Middle Managers	Hours	0	0	0	0	0	0	6.5	60	66.5
	Clerks	Hours	7	1	8	48	0	48	97.5	192	289.5
	Workers	Hours	20	0	20	32	0	32	0	0	0
	Average total of voluntary training hours	Hours	**0.93**	**0.10**	**0.72**	**3.39**	**1.78**	**3.05**	**2.97**	**31.50**	**8.28**
Mandatory training	Total mandatory training hours of all employees	Hours		**392**			**80**			**78**	
	Average total of mandatory training hours	Hours		**10.05**			**1.90**			**1.81**	
Average total of voluntary and mandatory training hours		Hours		**10.77**			**4.95**			**10.09**	

GRI 404-2
Skill refresher and transition assistance programs for employees
The company has added this topic to the goals for the following years.

GRI 404-3
Percentage of employees receiving periodic performance and professional development reviews
The company has added this topic to the goals for the following years.

WELL-BEING AND ENGAGEMENT

EMPLOYMENT

401-1
New hires and turnover

Employees (years)		2020				2021				2022			
		< 30	30-50	>50	Total	< 30	30-50	>50	Total	< 30	30-50	>50	Total
Total number of incoming employees according to gender, age group	Men	2	5	0	7	1	3	3	7	1	6	4	11
	Women	1	2	0	3	1	1	0	2	0	0	1	1
	Total	**3**	**7**	**0**	**10**	**2**	**4**	**3**	**9**	**1**	**6**	**5**	**12**
Total number of incoming employees according to gender, age group	Men	0	5	0	5	1	3	0	4	1	2	5	8
	Women	1	2	0	3	0	2	0	2	1	1	0	2
	Total	**1**	**7**	**0**	**8**	**1**	**5**	**0**	**6**	**2**	**3**	**5**	**10**
Total number of incoming employees according to gender, age group	Men				24%				21%				31%
	Women				30%				22%				13%
Total number of outgoing employees according to gender, age group	Men				17%				12%				23%
	Women				30%				22%				25%

GRI 401-2
Benefits provided to full-time employees that are not provided to temporary or fixed-term contract employees
There are no part-time employees at the company. In any case, policy does not provide for differentiation of benefits (e.g. healthcare assistance, parental leave, insurance coverage) in full time and part time contracts. However, one of the executive benefits from more extensive supplementary healthcare coverage.

GRI 401-3
Parental leave
To date few employees have benefited from parental leave. In 2020, one employee received 10 days of paternity leave; in 2021 one employee received maternity leave which continued into 2022, however despite part-time and flexible hour conditions, the employee terminated the work contract.

HEALTH AND SAFETY

GRI 403-1
In-company health and safety management system
Information on this indicator can be found on pages 48-49

GRI 403-2
Hazard identification, risk assessment and investigation of accidents
The company prepares a Risk Assessment Document as provided for in Italian Legislative Decree 81/08

GRI 403-3
Occupational health services
The company has identified and appointed an occupational health doctor who conducts periodic inspections.

GRI 403-4
Participation and consultation of workers and occupational health and safety communication
Information on this indicator can be found on pages 48-49

GRI 403-5
Occupational health and safety training
Information on this indicator can be found on pages 48-49

GRI 403-6
Promotion of workers' health
Currently the company does not provide non-occupational health and medical services beyond those provided for by the CONFINDUSTRIA METAL WORKING National Collective Labour Agreement.
Executives are also covered under FASI (supplementary healthcare assistance system) medical cover.

GRI 403-7
Prevention and mitigation of occupational health and safety impacts on work directly linked by business relations
Currently the company does not actively manage the topic

GRI 403-8
Workers covered by an occupational health and safety management system
All workers are covered by the occupational health and safety management system.

GRI 403-9
Work-related injuries
Currently the company has achieved zero work-related injuries. Zato aims to maintain zero injuries just like in 2022, through the more systematic collection of all near accidents and the reinforcement of internal communication channels on risk factors encountered by workers and continuous internal risk communication.

GRI 403-10
Occupational disease
No cases of occupation disease have ever been recorded at the company

Employees	Unit	2020	2021	2022
Employee hours of work	h	65392	77011	77462
Total number of recordable work-related injuries, including deaths.	no.	2	1	0

WELL-BEING AND ENGAGEMENT

DIVERSITY

GRI 405-1
Diversity in governance bodies and employees
Information on this indicator can be found below and excludes the Chief Executive Officer, who is female.

Employees	Unit	2020	2021	2022
Total number of employees	no.	39	42	43
Total number of women	no.	10	9	8
Total number of men	no.	29	33	35

GRI 405-2
Ratio of basic salary and remuneration of women to men
This indicator is on page 50.

LOCAL COMMUNITIES

GRI 413-1
Operations with local community engagement, impact assessments, and development programs
In the report we have included donations disbursed to support local communities. One of our objectives is to create a governance system structured to manage engagement and the assessment of actual results obtained

GRI 413-2
Operations with significant actual and potential negative impacts on local communities
Information on this indicator can be found on p age 49 of this report. For each material topic we indicated the actual and potential impacts, also considering possible links with the territory and local communities.

GRI ABRIDGED CONTENTS

Section/ material topic	Subsection	GRI indicator		Page	Notes
GENERAL INFORMATION	The organisation and its reporting practices	2-1	Organisational details	Annex P. 53	
		2-2	Entities not included in consolidated financial statements	Annex P. 53	
		2-3	Reporting period, frequency, contacts	Annex P. 53	esg@zato.it
		2-4	Restatement of information	Annex P. 53	We have no restatements to report in this first edition.
		2-5	External assurance	Annex P. 53	The first edition of the report did not undergo an external assurance process.
	Activities and workers	2-6	Activities, supply chain and other business relationships	Annex P. 53	
		2-7	Employees	Annex P. 53	
		2-8	Workers who are not employed	Annex P. 53	
	Governance	2-9	Governance structure and composition	Annex P. 54	
		2-10	Appointment and selection of the highest governance body	Annex P. 55	
		2-11	Chairman of the highest governance body	Annex P. 55	
		2-12	Role of the highest governance body in the management of impacts	Annex P. 55	
		2-13	Delegation of responsibility for managing impacts	Annex P. 55	No delegation of responsibility for managing impacts has been defined for this first report.
		2-14	Role of the highest governance body in sustainability reporting	Annex P. 55	
		2-15	Conflicts of interest	Annex P. 55	
		2-16	Communication of critical concerns	Annex P. 55	
		2-17	Collective knowledge of the BoD	Annex P. 55	
		2-18	Evaluation of the performance of the highest governance body	Annex P. 55	
		2-19	Remuneration policies	Annex P. 55	The company omits this indication for reasons of confidentiality.
		2-20	Process to determine remuneration	Annex P. 55	The company omits this indication for reasons of confidentiality.
		2-21	Annual total remuneration ratio	Annex P. 55	
	Strategies, policies and practices	2-22	Letter to stakeholders	P. 4, Annex P. 56	
		2-23	Policy commitments	Annex P. 56	
		2-24	Embedding policy commitments	Annex P. 56	
		2-25	Remediation processes for negative impacts	Annex P. 56	
		2-26	Mechanisms for seeking advice and raising concerns	Annex P. 56	
		2-27	Compliance with legislation and regulations	Annex P. 56	No cases of legislative non-compliance were recorded during the reporting period.
		2-28	Membership associations	Annex P. 56	
	Involvement of stakeholders	2-29	List of stakeholder groups	Annex P. 56	
		2-30	Collective Bargaining Agreements	Annex P. 56	

GRI ABRIDGED CONTENTS

Section/ material topic	Subsection	GRI indicator		Page	Notes
MATERIALITY		3-1	Process to determine material topics	P. 22-25, Annex P. 57-58	
		3-2	Material topics	P. 22-25, Annex P. 57-58	
		3-3	Management of material topics	P. 22-25, Annex P. 57-58	

Section/ material topic	Subsection	GRI indicator		Page	Notes
CLIMATE AND ATMOSPHERE	Energy	302-1	Energy consumption within the organisation	P. 29, Annex P. 59	
		302-2	Energy consumption outside of the organisation		
		302-3	Energy intensity	P. 29, Annex P. 59	
		302-4	Reduction of consumption	P. 29, Annex P. 59	
	Emissions	305-1	Scope 1 direct emissions	P. 29, Annex P. 59	
		305-2	Scope 2 indirect emissions	P. 29, Annex P. 59	
		305-3	Scope 3 indirect emissions	P. 29, Annex P. 59	
		305-5	Reduction of greenhouse gas emissions	P. 29, Annex P. 59	
	Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Annex P. 61	
		304-2	Significant impacts of activities, products, and services on biodiversity	Annex P. 57-58	
		304-3	Protected or restored habitats	Annex P. 61	
		303-2	Management of water discharge-related impacts	P. 35, Annex P. 61	
		303-3	Water withdrawal	P. 35, Annex P. 61	

Section/ material topic	Subsection	GRI indicator		Page	Notes
CLIMATE AND ATMOSPHERE	Materials	301-1	Material used by weight and volume	Annex P. 60, P. 34	
		301-2	Recycled input materials used	Annex P. 60	Data on incoming recycled material is currently only available for packaging material; we are working on steel supply chain analysis (our main raw material) to precisely determine how much input steel comes from recycling. Currently estimates are available only, however precise data is also essential for supporting our objective of achieving 50% recycled input steel by 2025
	Waste	306-1	Waste generation and significant waste-related impacts	P. 33-34, Annex P. 60	
		306-2	Management of significant waste-related impacts	P. 33-34, Annex P. 60	
		306-3	Waste generated	P. 33-34, Annex P. 60	
		306-4	Waste diverted from disposal	P. 33-34, Annex P. 60	Currently the company is unable to manage these data, the aim is to build a monitoring objective for the next reporting cycle.
		306-5	Waste directed to disposal	P. 33-34 Annex P. 60	Currently the company is unable to manage these data, the aim is to build a monitoring objective for the next reporting cycle.

GRI ABRIDGED CONTENTS

Section/ material topic	Subsection	GRI indicator		Page	Notes
GROWTH AND NEW COMPETENCIES	Training and education	404-1	Average number of training hours a year per employee	P. 44, Annex P. 62	
		404-2	Skill refresher and transition assistance programs for employees	Annex P. 62	The company has added this topic to the objectives for the following years.
		404-3	Percentage of employees receiving periodic performance and professional development reviews	Annex P. 62	The company has added this topic to the objectives for the following years.

Section/ material topic	Subsection	GRI indicator		Page	Notes
WELL-BEING AND ENGAGEMENT	Health and safety	403-1	In-company health and safety management system	P. 48-49, Annex P. 63	
		403-2	Hazard identification, risk assessment and investigation of accidents	P. 48-49, Annex P. 63	
		403-3	Occupational health services	P. 49, Annex P. 63	
		403-4	Participation and consultation of workers and occupational health and safety communication	P. 49, Annex P. 63	
		403-5	Occupational health and safety training	P. 49-50, Annex P. 63	
		403-6	Promotion of workers' health	P. 49, Annex P. 63	
		403-7	Prevention and mitigation of occupational health and safety impacts on work directly linked by business relations		The company has added this topic to the goals for the following years.
		403-8	Workers covered by an occupational health and safety management system	P. 49, Annex P. 63	
		403-9	Work-related injuries	P. 49, Annex P. 63	
		403-10	Occupational disease		No cases of occupation disease have ever been recorded at the company
	Employment	401-1	New hires and turnover	Annex P. 63	
		401-2	Benefits for full-time employees but not for part-time employees or fixed-term contract holders	Annex P. 63	
		401-3	Parental leave	Annex P. 63	
	Market presence	202-2	Upper management percentage hired from local community		100% of management is from the local community
	Diversity	405-1	Diversity in governance bodies and employees	P. 10, Annex P. 50	
		405-2	Ratio of basic salary and remuneration of women to men	P. 10, Annex 50	
	Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	P. 49, Annex P. 64	In the report we have included donations disbursed to support local communities. One of our objectives is to create a governance system structured to manage engagement and the assessment of actual results obtained
		413-2	Operations with significant actual and potential negative impacts on local communities	Annex P. 57-58	

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