



SUSTAINABILITY REPORT 2022

ILPEA

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To our Stakeholders

A group of people are gathered around a table in a meeting. They are looking at documents and a laptop. One person is pointing at a document with a pen. There are various office supplies like pens, pencils, and glasses on the table. The scene is brightly lit, suggesting a professional office environment.

CEO Message

Letter from the CEO regarding the sustainable growth of ILPEA Group.



Dear stakeholders,

I am pleased to share with you ILPEA's Sustainability Report which sets out the Company's performance in connection with the environmental, social and governance (ESG) factors.

Sustainability is a key part of ILPEA's long-term strategy and is the main driver of the investments and the new developments implemented at all its facilities.

Guidelines are:

- reduction of environmental and social impacts of its production processes;
- development of new recyclable and more environmentally friendly products which shall also be healthier and safer for consumers;
- carbon emission neutrality to achieve by 2030.

ILPEA is making huge efforts and investing in ESG objectives in accordance with its Group's Sustainability Plan which identifies the strategic priorities that ILPEA is actively pursuing, while contributing to the Sustainable Development Goals (SDGs) and the 2030 Agenda of the United Nations.

This is the second Sustainability Report released by ILPEA Group and a summary of the key progress achieved in ESG areas is available here below:

Innovation & Sustainable Product Development

ILPEA pursues to offer safe, durable, and recyclable products: providing recyclable solutions is key to our business as it reduces the need for virgin raw materials and precious natural resources.

ILPEA continues to invest in innovation and sustainable product development, including but not limited to:

- development of recyclable products to replace non-recyclable ones;
- eco-design of products with lower environmental impacts;
- usage of by-products or recycled polymers and compounds as raw materials for Ilpea processes;
- waste materials minimization initiatives, including post-industrial recycles;
- evaluations of the environmental footprint of its products by carrying out life cycle assessments (LCA).

Net-Zero Emissions & Energy Efficiency

ILPEA is actively involved in the management of energy and climate-related issues.

Green energy generated by renewable sources is the focus of ILPEA, both where purchasing energy from the market and where self-producing energy in its plants, through the installation of photovoltaic panels on the roofs of its buildings, with priorities where the energy consumption is higher, such as at its Malgesso plant in Italy and Polinyà plant in Spain.

Furthermore, ILPEA strives to improve the energy efficiency of its processes and buildings worldwide, by reusing energy dissipated by its production processes, insulating offices and production facilities, and investing in the development of production equipment that minimizes energy consumption.

As far as emissions are concerned, ILPEA is paying attention to and shall focus on its Scope 1 and Scope 2 GHG emissions, aiming to achieve a reduction of 30% in its carbon emissions by 2030.

Likewise, it is monitoring and calculating its Scope 3 emissions in accordance with the international GHG Protocol, trying to pursue a material reduction of the emissions arising from its value chain by logistic optimization, privileging reusable packages, minimizing freight distances, fulfilling volumes of carriers and purchases from environmentally friendly manufacturers.

Social Responsibility & Business Ethics

ILPEA strives to provide training on ethics-related matters and implement awareness raising initiatives for its employees and carefully monitors potential non-compliances, episodes of corruption and bribery and violations of existing laws. To this end, ILPEA has recently adopted various policies as proof of its endorsement of ethical and responsible business conduct and has implemented a Whistleblowing tool, accessible by all stakeholders, for reporting any suspected behaviour

and/or wrongdoing.

ILPEA is also committed to attracting and retaining talented employees, developing career paths and promoting a healthy work environment. To this end, ILPEA is reinforcing its career development programs through ad-hoc training activities and new HR platforms.

ILPEA will move forward steadily to achieve its goals towards a sustainable future and continue to seek innovative, technology-based solutions to address emerging environmental and social challenges and will rely on and look forward to its stakeholders' continued support and partnership on this journey.

Finally, I recommend reading the Sustainability Report of ILPEA and I would like to take this opportunity to thank all stakeholders for their trust and long-lasting relationships with ILPEA.

Paolo Ciffadini
Chairman & C.E.O.



About



ILPEA's 2022 Key Sustainability Achievements
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ILPEA's 2022 Key Sustainability Achievements

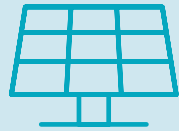
In 2022, ILPEA Group made significant strides in promoting sustainability across all operations, highlighting key achievements that reflect its ongoing dedication to responsible business practices and environmental stewardship.



ILPEA's 2022 Key Sustainability Achievements

An overview of ILPEA's major sustainability achievements throughout the year is provided, with a focus on its progress in enhancing its environmental, social, and governance (ESG) performance.

Planet



Photovoltaic systems installed at the Malgesso (Italy) and Polinyà (Spain) plants

-27%

of water withdrawals (vs 2021)

-25%

of waste to landfill (vs 2021)

People



42%

female presence in the workforce and targets to increase the proportion of women in leadership roles



52%

of employees receiving performance and career development reviews

Product



Pilot projects to replace non-recyclable products with recyclable ones

0 cases of non-compliance with regulations concerning the **health and safety impacts of products and services**

People



Impactful local sustainability attained through community projects and school partnerships

Supply Chain

Started monitoring **Scope 3 emissions** encompassing CO₂e emissions from the company's upstream and downstream activities (e.g., raw material purchases, transportation, etc.)

Human Rights



0 incidents of discrimination

To our Stakeholders

About

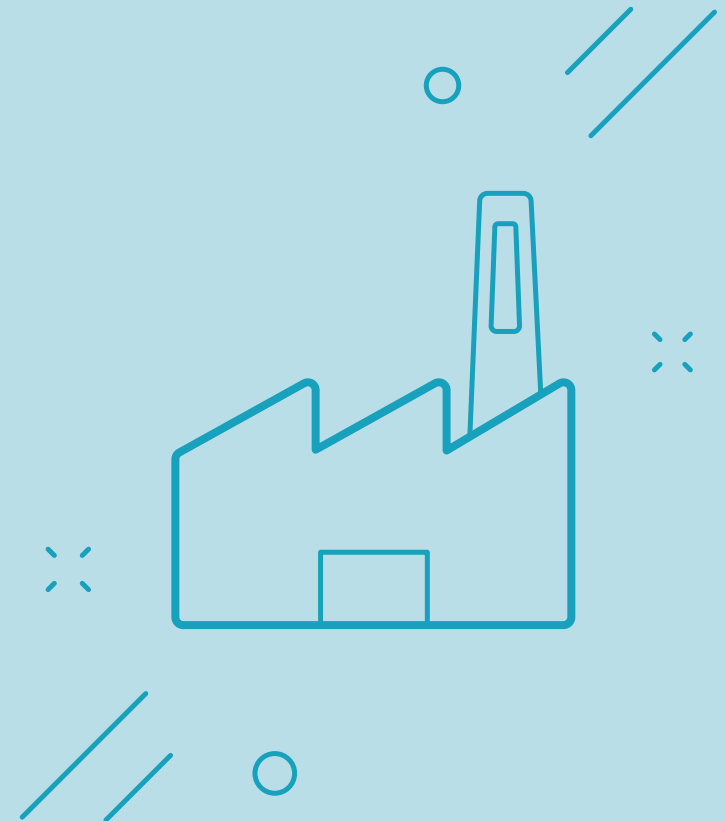
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ILPEA Sustainability, Responsibility and Impact

Appendix

Who is ILPEA

ILPEA Group is an international manufacturer and supplier of plastics, magnetic and rubber components, primarily for household appliances, automotive and building sector.



ILPEA's history

Founded in 1960 in Malgesso (Varese, Italy), ILPEA operates as a leading international manufacturer and supplier of plastic, magnetic and rubber components, primarily for household appliances, for

the automotive and building sector. The Company went through a significant and continuous process towards internationalization, and progressively achieved a global presence.

ILPEA's successful story has been marked by several significant events as listed below:

1970's

Merger with the US Group PANTASOTE INC. European market expansion and diversification in new business lines (rubber products for appliances, plastic components for automotive).



until 2000

Establishment of joint ventures in Hungary and India; acquisitions in Spain and Brazil (enlarging gaskets production but also adding tubes and profiles for automotive), in Italy (rubber products) and in the USA. Most actions conducted to be in proximity of customers' production facilities, in accordance with the "global market" and "customer service" principles, strategy that had already proven successful in Europe.

2002 onward

Expansion to emerging markets, such as Poland, Turkey, Russia, further enlargement of operations in Hungary, Brazil and Mexico, most recent extensions in Morocco, South Africa, Romania and Argentine.

1960's

Start-up focused on serving the Italian market of magnetic gaskets for refrigerators; joint venture in Germany.

1989

Management Buy-Out of the European Pantasote companies on the part of the Group's Europe-based executive team and some important international banking institutes.



2001

Takeover of HOLM INDUSTRIES, INC. and its plants in the US and Mexico. Leverage buy-out operation creating the Group in its present configuration.

3

business units



household appliances



automotive



building

ILPEA's business model

ILPEA Group operates as a B2B company, offering its products to a diverse range of key customers, operating in multinational groups.

It is organized into three business units, each consisting of various plants:

- household appliances
- automotive
- building

The three units share the same industrial and market strategies, however, to ensure flexibility, each one has dedicated management, research and development department and sales structure, molded with specific reference to each industry. With regard to production materials, the business of the Company can be further segmented into:

1. **Plastic materials:** ILPEA manufactures innovative components for the appliance (magnetic and non-magnetic gaskets, profiles, hoses) and automotive industry (e.g. glass and door profiles, circuit hoses, slush skins). This business unit, present in the majority of ILPEA's plants, follows a vertically integrated production. Customer requests can be easily and timely satisfied, both in terms of compounds and finished products. Ad-hoc R&D departments are located in Italy, Spain, and the United States of America.

2. **Magnetic products:** This unit, established in 1968, is currently operating in three countries: Italy, Poland and United States of America. It is primarily focused on manufacturing flexible magnetic profiles for refrigerator door gaskets produced by ILPEA, made by extruding in-house produced ferrite-based compounds. Nevertheless, other magnetic products are sold to the automotive and building sector.

3. **Rubber products:** Rubber production for technical items in the household appliance industry has been in place for several decades. Over time, this unit has become a greatly diversified unit, operating in five production sites located in Italy, Poland, United States of America, Mexico, and Russia. Thanks to its flexible structure and to the employed technologies, it is nowadays possible to develop a large number of components and products, that can be easily used also within different industries (e.g., construction and automotive).

The Group adopts a unique and fully integrated business model, starting from the design and development phase to product manufacturing, so as to maximize productivity and achieve excellence in manufacturing. Indeed, each component, part or product is designed internally by ILPEA, in collaboration with its customers through co-designing techniques, thanks to the diverse range of tools and equipment that the Group owns and



ILPEA's mission is to pursue excellence in material innovation, product design and manufacturing processes.

specific production techniques, such as for instance, co-extrusion.

In terms of the production of raw materials, the Group strives to internally transform all its raw materials, such as but not limited to magnetic powder, PVC-resin base, TPV-TPE compounds and rubber compounds.

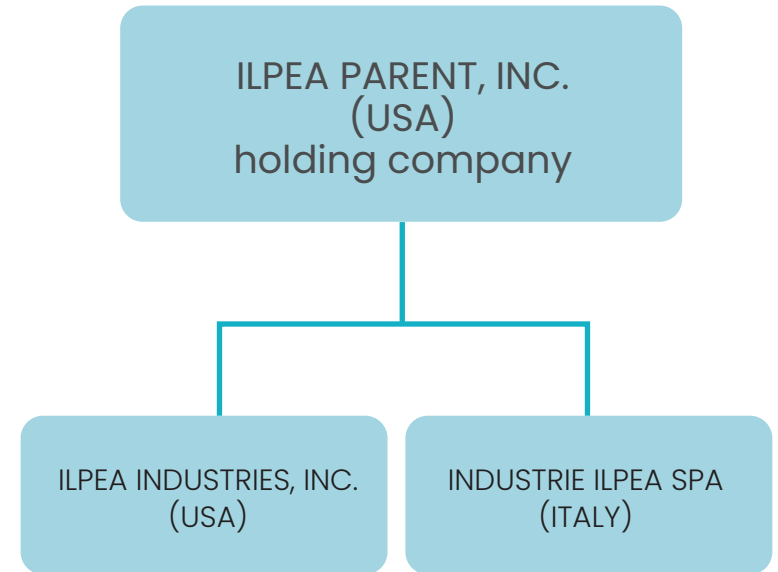
ILPEA's mission

ILPEA's mission is to pursue excellence in material innovation, product design and manufacturing processes. To achieve this goal, ILPEA relies on the professional skills of the people who work for the Group and offers training programs aimed to increase staff's specialization at Group level, to meet the demands of a worldwide marketplace and to satisfy customers' needs endlessly.

The Group is committed to guaranteeing the sustainability of its products and services, to continuously financing the research and development of new, innovative, and sustainable solutions and to staying on the edge of new emerging market trends.

ILPEA's structure

The ILPEA Group, headquartered in the United States of America, consists of the parent company ILPEA Parent Inc., and two holding companies and majority-owned subsidiaries: ILPEA Industries Inc, operating in the USA and Industrie ILPEA SpA incorporated in Italy, which directly or indirectly control other subsidiaries in various geographical areas. ILPEA Industries Inc. and Industrie ILPEA SpA can be identified in this report also as "Material Subsidiaries".



Whenever the terms “ILPEA Group” or “ILPEA” are found in this Report, all the above-mentioned companies including their respective subsidiaries are intended. Instead, when specific features relating to only one company or subsidiary of the Group are mentioned, a specific reference with the name is reported. For further information, please refer to the Methodological Note of this Sustainability Report.

As represented by the map below, the Group is currently present across the world in various countries; it has 32 production plants located in 14 countries, in 5 continents and every plant is specialized in one or more of the above-mentioned production lines.

This international presence represents a major advantage for the Group as it enables ILPEA to be located close to its customers’ production plants, to deliver goods in a costly and timely efficient way and to create customized solutions based on the requirements of the local market and customers, thanks to its “just in time” logistics approach.

ILPEA’s financial performance

On October 31, 2022, ILPEA Group, generated consolidated revenues of approximately 473 million euros, with an increase of approximately 18% with respect to the previous reporting period (nearly 388 million euros on October 31, 2021).

The strongest growth in Euro sales was mainly realized in the appliance sector, followed by the automotive and lastly by the construction sector. During fiscal year 2022, sales in the appliance sector increased mainly thanks to the rising selling prices (recovering the increased costs of inputs and utilities); sales in the automotive sector, despite some temporary production halts of ILPEA’s main customers still due to shortages of components (such as electric ones), recorded a steady increase. Sales in the construction sector increased, driven by public construction works and the introduction of national and local initiatives for private construction.

The good financial performance achieved during the year is a clear indicator of the competitive positioning of the whole ILPEA Group, achieved overtime thanks to its international footprint, endless drive towards product and process innovation, important investments in research and development and pursuit of long-term and prosperous partnerships with customers.

¹ ILPEA’s fiscal year ranges from November 1st to October 31st. For further details, please refer to the methodological note.



32 production plants **14** countries **5** continents

ILPEA's Governance

ILPEA Group has adopted a corporate governance system which contributes to the correct management of business operations and to the creation of value for its shareholders and stakeholders.

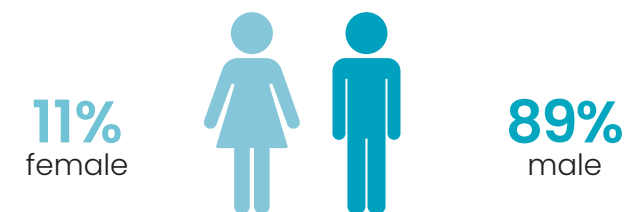


ILPEA's Governance

A corporate governance system, which contributes to the correct management of business operations and to the creation of value for all its shareholders and stakeholders, has been adopted by the Group.

ILPEA Parent is governed by a Board of Directors, whose responsibilities are: i) overseeing and defining the strategic orientation of the Group; ii) closely monitoring the risk management system; iii) defining adequate policies for the identification and analysis of such risks. As of October 31st, 2022, the Board of Directors of ILPEA Parent consists of 9 members, including the Chairman, who is also the CEO of the whole ILPEA Group. In terms of Directors, there were 6 executive Directors and 2 non-executive and independent Directors. The two Material Subsidiaries (ILPEA Industries Inc. and Industrie ILPEA S.p.A.) are respectively managed by a Board of Directors composed of 9 Directors, whereas their local subsidiaries are managed either by a Board of Directors or by sole Directors depending on their dimension and significance.

Composition of the Board of Directors by gender



The tenure of the members of the highest governance body is three years and can be renewed.

ILPEA Equity LCC, the ultimate parent of the ILPEA Group, is responsible for designating the governance bodies of ILPEA Parent Inc. and its Material Subsidiaries. The selection and nomination of the members of the highest governance body is based on professionalism, independence, professional experience, ethics, and diversity.

Where and if required by law, Group companies are monitored also by Statutory or Surveillance bodies. The Board of Directors of the Material Subsidiary Industrie ILPEA S.p.A. is supported by the Board of Statutory Auditors, consisting of three non-executive and independent statutory auditors.

To ensure adequate risk monitoring, the holding company Industrie ILPEA S.p.A has appointed a Supervisory Body, commonly known as "*Organismo di Vigilanza*", in charge of controlling the respect of the codes of conduct of the business and managing reports collected through the Whistleblowing system adopted by the Group.

KPMG S.p.A carries out the auditing of the consolidated financial statements of the ILPEA Group. The statutory and consolidated financial statements of Industrie ILPEA S.p.A. are audited by KPMG S.p.A as well. Similarly, the consolidated financial statements of ILPEA Industries Inc. are audited by KPMG LLP USA.

ILPEA believes that the independence of highest governance body of the Group is of utmost importance. To this end, before any appointments and annually, or whenever deemed appropriate, the Group evaluates and assesses the situation with regards to related parties; indeed, all Board members, Statutory Auditors and Directors are bound to periodically disclosure of any interest and/or circumstance that may be conflicting with the position held within the Group. This is done to ensure that any situation whereby a conflict of interest might arise is prevented and adequately mitigated.

The remuneration policy for directors and managers is determined by the Group's Board of Directors, in charge

of establishing the remuneration package of the CEO of the Company and setting the parameters and targets for the variable pay system, namely management by objective (MBO), in place for managers' compensation. The MBO system also includes targets related to sustainability matters.

Sustainability Governance

The Board of Directors of the parent company ILPEA Parent Inc. is committed to the development and implementation of strategies, policies, targets, and activities related to sustainable development. For this reason, it has appointed one of its Board Members as a delegate, in charge of supervising and ensuring the implementation of ESG projects and objectives, and the definition of ESG strategies and of coordinating all sustainability-related activities, executed at Group level.

The Board of Directors is aware of the current and future impacts, both positive and negative, on the economy, environment, and society, including impacts on human rights that are or could be generated by ILPEA through its activities or along its value chain. Consequently, it undertakes to evaluate in depth all its resolutions and decisions paying peculiar attention to the sustainable growth of the Group.



ILPEA has established an ESG Governance framework.

The Board of Directors regularly supervises and reviews the ESG performance of the Group and management of sustainability-related issues and considers the outcomes of the processes implemented, also with a view to external requirements, regulatory changes and stakeholders' demands and expectations. The delegate of the Board for sustainability periodically reports on the progress and status of ESG activities and initiatives to the Board of Directors.

The Board of Directors is also responsible for examining and approving the materiality analysis and the list of prioritized topics and related positive and negative impacts, actual and potential, direct, and indirect, on the economy, environment, and society, identified as materially relevant for the Group. Likewise, the Board of Directors is in charge of reviewing and approving the information included in the sustainability report.

Alongside the Board of Directors, ILPEA has set up an ESG Steering Committee, to which the delegate of the Board for sustainability participates; this committee is responsible for sponsoring and facilitating the implementation of ESG initiatives and for continuously pursuing the achievement of an ESG roadmap throughout all the global subsidiaries of the ILPEA Group.

This committee, made up of a cross-functional team, of the C-levels of the Company's departments, meets

periodically, while regularly reporting to the Group's Board of Directors.

In order to advance the knowledge and experience in sustainable development and sustainability-related matters, the Chairman of the Board of Directors and other Board members participate to the ESG Steering Committee and thus, take part to ad-hoc initiatives related to ESG issues.

At a corporate level, the Group has set up an ESG department, in charge of:

- developing and periodically updating policies and projects;
- promoting sustainability-related initiatives;
- endorsing short, medium, and long-term ESG objectives;
- turning ESG strategy into action, by developing and implementing sustainable projects globally that drive both sustainable and business growth;
- monitoring the environmental, social and governance performance of the Group, also with respect to the targets set and approved by the Board of Directors.

It also has oversight on the performance of all subsidiaries and plants on ESG issues; indeed, this department coordinates the facility leaders of each plant who are responsible for implementing and piloting ESG projects at a local level, ensuring compliance with applicable local legislation and regulatory requirements.

Top Management (Sustainability)



Paola Cittadini
V.P. Sales



Claudio Talamona
Group C.F.O. & IT Director



Roberto Bianchi
V.P. Operations and Human Resources



Vincenzo Siciliano
V.P. Global Procurement & ESG



Roberto Brambilla
Cost & Planning Manager
President of Supervisory Body



Josep Vila
C.E.O. of ILPEA España



Federico Colli
C.E.O. of ILPEA do Brasil



Wayne Heverly
President of ILPEA Industries

It is also the responsibility of the ESG department to manage and ensure the participation of the Group to ESG ratings and assessments provided by independent and widely recognized third parties.

In 2022, ILPEA participated to the CDP Climate Change Questionnaire and Water Security Questionnaire, an international tool used to disclose and manage environmental impacts, to measure and mitigate the risks and to grasp opportunities related to climate change and water security. During the current reporting period, the Group was also subject to the EcoVadis sustainability assessment which identified its sustainability scoreboard, strengths, and improvements areas across four areas: planet, labor and human rights, ethics, and sustainable procurement.

Business Ethics & Integrity

For ILPEA, it is fundamental to conduct business ethically, with integrity and honesty, as serious negative consequences, such as but not limited to damaged firm reputation, loss of credibility and difficulties in establishing and maintaining relationships with internal and external stakeholders over time, may arise in the case of unethical business practices.

The values and lines of conduct that guide the behavior and activities of ILPEA are set out in the Code of Ethics

and corporate policies, adopted throughout the Group, which are an integral part of its corporate governance system.

Listed below, there are the policies, enforced during 2022 across all Group companies:

- Code of Ethics
- Supplier Code of Conduct
- Quality, Health, Safety, Environment and Sustainability Policy
- Human Rights Policy
- Conflict Minerals Policy
- Whistleblowing Procedure
- Privacy Policy
- Anti-Bribery Policy

The Code of Ethics, whose latest version was approved by the Board of Directors in 2022, is publicly available on the Group's website; it serves as a guidance and reference document to all internal and external stakeholders as it introduces the set of principles and guidelines that characterize the way ILPEA operates in all its worldwide locations and steer the behavior of all Group's personnel. It also describes the commitments and expectations towards all parties involved in ILPEA's activities, ranging from employees to all those who work for, with or on behalf of the ILPEA Group, to ensure that the principles adopted by the Group are fully respected along the entire value chain.



Communication sessions and training activities are regularly carried out both for the members of the highest governance body and for all Group employees.

ILPEA condemns corruption in all its forms, as established in its Anti-Bribery Policy. This policy highlights the principles and practices in place to prevent, detect and ban any form of bribery and corruption and to ensure compliance with the applicable anti-corruption laws, such as but not limited to the UK Bribery Act and US Foreign Corrupt Practices Act.

In addition to the Code of Ethics, an Organization, Management and Control Model was adopted firstly in 2014 and subsequently updated in 2020 and finally in 2022, pursuant to the Italian Legislative Decree 231/2001. The Model is aimed at preventing crimes covered by the aforementioned decree, increasing awareness on crime commission, unethical and illegal practices, and behaviors, and setting up procedures and a control system for adequate risk management.

The Supervisory Body (*Organismo di Vigilanza*) is in charge of:

- I. ensuring compliance;
- II. evaluating the effectiveness of the above Model;
- III. proposing updates or modifications to the Model if needed;
- IV. closely monitoring the application of internal control procedures and the presence of areas deemed mostly at risk of crimes.

The Supervisory Body meets periodically with the Board of Directors and with Industrie ILPEA S.p.A.'s Board of

Statutory Auditors, guaranteeing a constant information flow and exchange.

ILPEA has been progressively embedding its policy commitments for responsible business conduct throughout its activities and business relationships. As a matter of fact:

- communication sessions and training activities on various issues, including anti-corruption and business ethics, are regularly carried out both for the members of the highest governance body and for all Group employees. ILPEA is committed to enhance internal awareness and understanding on ethical and human rights issues; for this reason, it is one of the Group's objectives to develop ad-hoc digital courses on such matter through the deployment of an online training academy;
- the above-mentioned policies are periodically reviewed and, if necessary, updated;
- guidelines and policies are disseminated throughout the Group and in every subsidiary. Local managers are responsible for policy implementation at local level whereas at global level, ad-hoc functions ensure their correct application;
- internal and external stakeholders are regularly involved in the prevention of any form of corruption and/or bribery or any misconduct or violation of business ethics;
- policy commitments are communicated also externally to suppliers, contractors, and business partners.

Whistleblowing tool available here:



ILPEA ensures that all cases/situations of suspected wrongdoing or improper and unethical behavior are adequately reported and managed in a timely and appropriate manner through its whistleblowing procedure, whereby a specific procedure ought to be followed in case any suspected behavior or matter arises to establish if and to what extent a wrongdoing has occurred and to minimize the risk of further unethical behaviors.

In 2022, ILPEA introduced a **whistleblowing tool available to all stakeholders** at the link <https://report.ilpea.com/#/>, through which it is possible to make nominative reports or, if preferred, anonymously.

Critical concerns, if any, are promptly identified and managed by the Group and communicated to the Board of Directors. No critical concerns occurred and were communicated to the highest governance body during the reporting period.

In 2022, there were zero confirmed accidents of corruption, neither in the form of incidents in which employees were dismissed or disciplined for corruption, or of terminations of contracts with business partners due to violations related to corruption, throughout the whole ILPEA Group. Similarly, ILPEA recorded zero legal actions, both pending and completed for anti-competitive conduct, for violations of anti-trust laws and monopoly legislation, in the current reporting period. Lastly, during the reporting period, ILPEA incurred into

zero significant instances of non-compliance with laws, regulations, and voluntary agreements.

These are clear indicators that the Group's business conduct complies with all applicable international and national laws and regulatory requirements, leaning towards an ethical business management. Aware that to pursue sustainable development is fundamental to involve the entire supply chain, ILPEA has adopted a Supplier Code of Conduct for all its suppliers. This document, which lays out the principles and guidelines applicable to all suppliers, subcontractors, business partners and any party that is somewhat involved in carrying out activities for ILPEA, is an integral part of any contractual relationship between the Group and its suppliers.

Since 2022, ILPEA has had a Quality, Health and Safety, Environment and Sustainability Policy, whose purpose is to introduce the principles and targets that all Group companies undertake in order to operate in a sustainable way and to progressively integrate sustainability and ESG matters in their business model and activities.

In addition, the Group has defined a Human Rights Policy, intended to publicly state its commitment to human rights protection, a Conflict Minerals Policy, whose dual purpose includes, on one hand defining the principles put in place to assess the risks associated with conflict

minerals and, on the other hand promoting responsible procurement practices, and lastly a Privacy Policy.

Data Protection & Cybersecurity

As briefly addressed above, ILPEA has adopted a Privacy Policy, which displays the principles that guide all Companies in protecting, collecting, processing, managing, and storing personal data, including data quality principle, purpose specification principle, limited use principle, security, and transparency principle.

Personal data are collected, handled, and processed with upmost care according to applicable regulatory requirements, such as the General Data Protection Regulation (Regulation EU 2016/679-GDPR), with the intention to preserve the identity and fundamental rights of each individual. For this reason:

- every new activity or process, which may intentionally or unintentionally come across personal data, is subject to a careful assessment and examination, intended to verify the adequacy of the safety measures and to identify the associated risks;
- a privacy organizational chart has been defined according to which roles and responsibilities are assigned to individuals, who are authorized to deal with personal data;
- periodic training is carried out to all personnel, in charge

of handling personal data;

- safety measures, including procedures and countermeasures, have been defined to avoid any loss, unauthorized access, use, modification, or disclosure of personal data. Specifically, a data breach procedure is to be implemented across all Group companies in case there is an unauthorized or illegal or accidental access or processing, damage, or breach of personal data.

All personnel are strongly encouraged to exercise special care when dealing with confidential information and safely secure their PCs, laptops, and workstations.

Considering how cyber-attacks can adversely influence a company's performance, reputation, and credibility, ILPEA is actively focused on the assessment of any risk or threat related to cyber-security and on the mitigation, prevention, and protection from cyber-attacks through the:

- definition of specific policies;
- delineation of procedures and action, remediation and emergency plans;
- implementation of adequate and reliable IT systems, for instance web filters and software;
- communication and training activities for its personnel to boost awareness;
- definition of a governance system, including annual supervision, in-house audit and third-party verification on vulnerability and level of penetration.

In 2022, no substantiated complaints concerning data breaches or privacy were received, neither from outside parties nor from regulatory authorities. Similarly, no data breaches or identified leaks or thefts of (personal) data were recorded.

Risk Assessment

The Group regularly performs risk assessments to identify and assess compliance with various regulatory risks, such as but not limited to legal risks, risks related to anti-competitive practices, to corruption and to business ethics and climate- and water-related risks, with the objective to measure the likelihood and magnitude of the impact and relevance that such risks may have on the Group's business and activities, both in the short- and long-term.

During 2022, ILPEA performed an ESG risk assessment to acknowledge and evaluate the environmental, social and governance risks that are most relevant for the business. The following risks emerged as highly relevant for the Group:

- Ability to identify, attract, develop and retain a skilled, engaged, and diverse workforce, that is essential for the Group's performance in the short and long run;
- Health and safety in the workplace, ensuring that all employees can safely perform their duties, without any risk of injury, accident or illness;

- Risks correlated with information security, cybersecurity and data protection;
- Current and emerging regulatory developments in the ESG field;
- Product quality and safety, guaranteeing customer satisfaction and the protection of customers' health and safety.

Similarly, the Group identified some risks of medium or low relevance, for instance risks related to anti-competitive practices, risks linked to labor conditions (e.g., risk of child labor or forced labor), conflict minerals risks, disruptions due to emissions and discharges as a result of incidents, or risks relating to the violation of ethical practices and principles, to business ethics and integrity. Risk assessments are monitored at a global level across all subsidiaries to single out the plants which are more prone to being subject to such risks, to carefully manage those risks that are highly relevant with respect to the Group's activities by defining remedial actions and to identify regulatory requirements, due to increasingly stringent laws, also as far as sustainability is concerned.



In 2022,
0
substantiated complaints concerning data breaches or privacy



ILPEA
Sustainability,
Responsibility
and Impact

To our Stakeholders

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ILPEA Sustainability, Responsibility and Impact

Appendix

ILPEA's Sustainability Path

- Planet
- People
- Product
- Society
- Supply Chain
- Human Rights

ILPEA's Sustainability Path

In 2022, the Group defined its first "Sustainability Plan", highlighting its pledge to the enhancement of its environmental, social and governance (ESG) performance. Various objectives and targets related to environmental and social sustainability have been set, in line with the priorities emerged through the Group's first Materiality Matrix.



Materiality Process

As part of ILPEA's path towards the delineation of a sustainability strategy and in line with the requirements of the Global Reporting Initiative (GRI) standards, ILPEA performed its first Materiality Assessment in 2021 in order to gain an understanding of which environmental, social and governance issues are particularly relevant to stakeholders and have an impact on its business activities. To continue reporting in line with the requirements of the new GRI standards, effective from January 1, 2023, the materiality process was refined by identifying current and potential positive and negative impacts on the environment, people and the economy related to the company's activities and associated to each ILPEA's material topic.

ILPEA's materiality process followed the steps illustrated below:

1. Identification of sustainability issues potentially relevant for ILPEA Group through internal and external analyses, such as: examination of company documentation (e.g., Code of Ethics, existing policies), international and national standards on sustainability and benchmarking analysis;
2. Assessment of the potential themes through surveys involving stakeholders and Top Management;
3. Prioritization of the material topics emerged, resulting in a list of material topics sorted according to their prioritized relevance to the Society and its stakeholders;

4. Definition of actual and potential, positive and negative impacts for each ILPEA's material topic, through a desk analysis of the company's activities and its internal and external context.

List of ILPEA's material topics and impacts

ILPEA's material topics have been organized by their priority for the Group and divided in three different levels (Priority 1, Priority 2 and Priority 3) in order to steer the Group's attention towards developing a prioritized sustainability strategy and setting specific ESG objectives.

While Customer Satisfaction, Workplace Health & Safety, Human Rights and Business Ethics and Integrity are classified as Priority 1, the other material topics are split between the category Priority 2 and Priority 3 and still regarded as priorities for the Group.

It is worth noting that the topics related to Human Rights, Workplace Health & Safety and Business Ethics & Integrity are ranked among the most relevant topics, highlighting the importance of human rights protection, the presence of strong health and safety principles and the spreading of a responsible corporate culture. Similarly, Customer Satisfaction resulted as the most relevant topic, expressing the importance of customers' engagement for the Group.

In the following table, ILPEA’s material topics are reported in their prioritized order, together with the positive and negative impacts identified for each topic.

priority		Positive Impacts	Negative Impacts	ILPEA’s actions, policies and targets associated with each material topic	Section Reference
1	Customer Satisfaction	Improved customer satisfaction through engagement and meeting needs, enhanced by periodic surveys and assessments	Decreased customer satisfaction due to lack of engagement and failure to meet needs in company offerings, worsened by inadequate procedures to monitor customer opinions and feedback.	ILPEA surveys customer needs and enhances satisfaction. The Group communicates its ESG performance to customers, ensuring product sustainability and investing in market-aligned development.	Society - Customer Satisfaction
1	Workplace Health & Safety	Improved employee well-being with fewer injuries/occupational illnesses. Enhanced culture and awareness of occupational health and safety through training and awareness initiatives.	Employee health impacted by injuries/illnesses.	ILPEA implements procedures, plans, and training for first aid, chemical hazards, and equipment safety. Additionally, the Group monitors key parameters for occupational health and safety, striving for zero fatalities and serious incidents.	People - Workplace Health and Safety
1	Human Rights	Positive impact on workforce and people through human rights promotion across Company and supply chain.	Potential negative impacts from human rights violations and non-compliance with laws.	ILPEA has a Human Rights Policy and extends its commitment to the supply chain by banning materials linked to human rights violations.	Human Rights
1	Business Ethics & Integrity	Promoting ethical, transparent, and responsible business practices. Strengthening relationships with stakeholders.	Impact on relationships with stakeholders from unethical business conduct.	ILPEA implements policies like a Code of Ethics and Supplier Code of Conduct to ensure responsible business conduct. It raises employee ethics awareness through training, monitors potential non-compliances and corruption, and provides a whistleblowing procedure for stakeholders to report misconduct.	ILPEA’s Governance - Business Ethics and Integrity

priority

2 **Product Quality & Safety**

2 **Innovation & Sustainable Product Development**

2 **Employee Wellbeing & Engagement**

2 **Talent Attraction & Development**

2 **Sustainable Packaging**

Positive Impacts	Negative Impacts	ILPEA's actions, policies and targets associated with each material topic	Section Reference
Improved customer retention from product quality and safety.	Customer dissatisfaction from quality failures. Potential health risks from inadequate product safety measures.	The Group follows ISO 9001:2015 and IATF 16949:2016 standards for quality. A Quality Policy aims for faultless products, on-time delivery, and continuous improvement.	Product - Product Quality and Safety
Enhanced customer satisfaction from innovative, sustainable product development. Improved alignment with market needs through sustainable product and process introductions.	Failure to attract diverse customers due to stagnant offerings. Market misalignment from lacking sustainable products and outdated processes.	ILPEA invests in innovative, sustainable product development, including creating recyclable and eco-friendly products such as energy-saving items. Additionally, it assesses products' environmental impact through life-cycle evaluations.	Product - Innovation and Sustainable Product Development
Employee satisfaction rises with Company welfare initiatives and benefits. Enhanced employee engagement leads to better understanding and fulfillment of their needs.	Lack of investment in employee well-being and engagement leads to workplace dissatisfaction and discomfort.	ILPEA Group offers essential welfare initiatives and benefits, including life insurance, healthcare, parental leave, transition assistance, retirement provisions, ensuring continuous employee well-being.	People - Employee Wellbeing and Engagement
Improved talent attraction, retention, and development. Opportunities for employees to enhance skills through training and tailored career paths.	Elevated turnover rates negatively affecting employees' careers. Employees unable to develop and sustain skills, impacting job satisfaction.	ILPEA is implementing employee skill development through training in areas like business ethics, diversity, health and safety, and technical specialties.	People - Talent Attraction and Development
ILPEA reduces pollution with sustainable packaging solutions, like reusable materials.	Single-use packaging may have negative environmental impact if disposed in landfills or incinerated.	ILPEA reduces single-use packaging, preferring reusable or recyclable options and promoting returnable packaging for intercompany/third-party shipping.	Product - Sustainable Packaging

priority

2

Energy, Emissions & Climate Change

Positive Impacts

ILPEA mitigates climate change and air pollution with efficient energy use and renewable energy.

Negative Impacts

Air pollution and natural disasters contribute to environmental damage.

ILPEA's actions, policies and targets associated with each material topic

ILPEA enhances energy efficiency across its plants by reusing production process energy, investing in energy-efficient equipment, and installing solar panels for renewable energy. It aims to reduce carbon emissions by 30% by 2030.

Section Reference

Planet – Energy, Emissions and Climate Change

2

Circular Economy

Circular design, low-impact materials, and waste reduction benefit the environment.

Lack of circular economy initiatives and high-impact materials lead to environmental harm.

ILPEA embraces a circular business model by using low-impact, renewable materials, minimizing waste with recycled raw materials, and assessing product environmental footprints through life cycle assessments.

Product – Circular Economy

High customer satisfaction from circular design solutions and low-impact materials.

Reduced customer satisfaction due to absence of circular design solutions and unsustainable materials.

3

Waste Management

Reduced environmental impact through waste recovery and recycling.

Environmental pollution from waste generated by company activities;

ILPEA implements waste recovery and recycling, including 'preparation for re-use,' aligning with targets. Emphasis is on raising employee awareness through initiatives like training.

Planet – Waste Management

Impacts on people's health and local communities' well-being.

3

Responsible Sourcing

Promotion of responsible sourcing throughout the supply chain.

Contributing to or generating negative societal and environmental impacts along the supply chain due to unsustainable practices.

ILPEA promotes a responsible, conflict-free supply chain through a Supplier Code of Conduct and a Conflict Minerals Policy.

Supply Chain – Responsible Sourcing

Positive environmental and social impacts from responsible raw materials sourcing.

3

Sustainable Logistics

Reduced environmental impact through the use of alternative and sustainable fuels and electric mobility.

Environmental pollution due to logistics' vehicles using fossil fuels;

ILPEA reduces transport emissions to minimize environmental pollution from goods delivery. It calculates its transportation carbon footprint and implements new Transportation Management System software to oversee transportation activities across all Group companies. Additionally, partnerships with suppliers optimize transportation loads efficiently.

Planet – Sustainable Logistics

Negative impacts on people's health.

priority

3 Diversity, Equity & Inclusion

3 Water Management

3 Data Protection & Cybersecurity

3 Community Impact & Development

Positive Impacts	Negative Impacts	ILPEA's actions, policies and targets associated with each material topic	Section Reference
<p>Active promotion of employees' well-being through equal opportunities and fair treatment.</p> <hr/> <p>Advocacy for wage parity, women's employment, and respect for diversity in all forms, including cultural, linguistic, religious, political, and ethnic diversity.</p>	<p>Possibility of creating a non-inclusive work environment where equal opportunities are not guaranteed.</p>	<p>ILPEA prioritizes equality, fairness, and nondiscrimination. Tailored training and awareness initiatives are being implemented across all Group companies.</p>	<p>People - Diversity, Equity and Inclusion</p>
<p>Increase water availability for local communities and farmlands;</p> <hr/> <p>Preservation of biodiversity of water bodies.</p>	<p>Reduction in water availability due to unsupervised consumption;</p> <hr/> <p>Impacts on biodiversity due to polluted wastewater discharges, with potential hygiene issues on local communities.</p>	<p>ILPEA prioritizes effective water management, especially in water-stressed areas, considering the impact of its industrial processes. Therefore, the Group is committed to reducing water usage and closely monitoring discharges to comply with local and national regulations.</p>	<p>Planet - Water Management</p>
<p>Beneficial impact on stakeholders (employees, clients, and suppliers) from protecting their right to privacy.</p>	<p>Potential adverse effects on stakeholders resulting from privacy violations and data breaches or leaks.</p>	<p>A Group-wide Privacy Policy guides the collection, management, and storage of personal data. Regular monitoring of data breaches and complaints occurs.</p>	<p>Governance - Data Protection and Cybersecurity</p>
<p>Enhancing local youth employability.</p> <hr/> <p>Establishing lasting, mutually beneficial relationships with third-sector entities, universities, and research</p>	<p>Disconnect with the local community and territory.</p>	<p>ILPEA supports local community development economically, socially, and culturally through sponsorships of local associations and tailored initiatives. These include partnerships with schools offering internships, sustainable projects like fundraising events, and contributions to health research.</p>	<p>Society - Community Impact and Development</p>

Stakeholder Engagement

ILPEA is committed to continuously listening to and partnering up with its stakeholders, defined as all interested parties who influence and/or are influenced by ILPEA’s activities, embracing, and satisfying their needs and generating opportunities for ongoing engagement. The identification of its key stakeholders, both internal and external, is a priority for the whole Group, primarily to identify and assess their needs and expectations, to proactively manage potentially relevant and critical issues and concerns, to define actions, in line with stakeholders’ interests and to ensure an ongoing and transparent dialogue.

Reported below are the main categories of internal and external stakeholders, with whom the Group periodically engages, through periodic meetings and interactions:

ILPEA’s Stakeholders	Engagement Channels
Employees	Training courses
	Periodic meetings
	Communication sessions
	Workplace climate surveys
	Intranet
	E-mails
	Performance appraisal

Trade Unions	Periodic meetings with trade unions and Company’s representatives
	Collective bargaining
Customers	Periodic meetings
	Communications with the Sales Department
	Customer satisfaction surveys
Suppliers, Contractors, and Business Partners	E-mails
	Periodic meetings
	On-site audits
	Partnerships and collaborations
Local Communities	Supplier Code of Conduct
	E-mails
	Sponsorship of events, initiatives at local level and partnerships with local schools
	Donations or funding activities
Local Communities	Membership to industry associations, both at local and national level
	Meetings with local community representatives
Local Communities	Participation to meetings with authorities and regulatory bodies
Financial Communities	Participation to surveys and questionnaires on the Company’s environmental performance and sustainability-related matters



Sustainability Plan

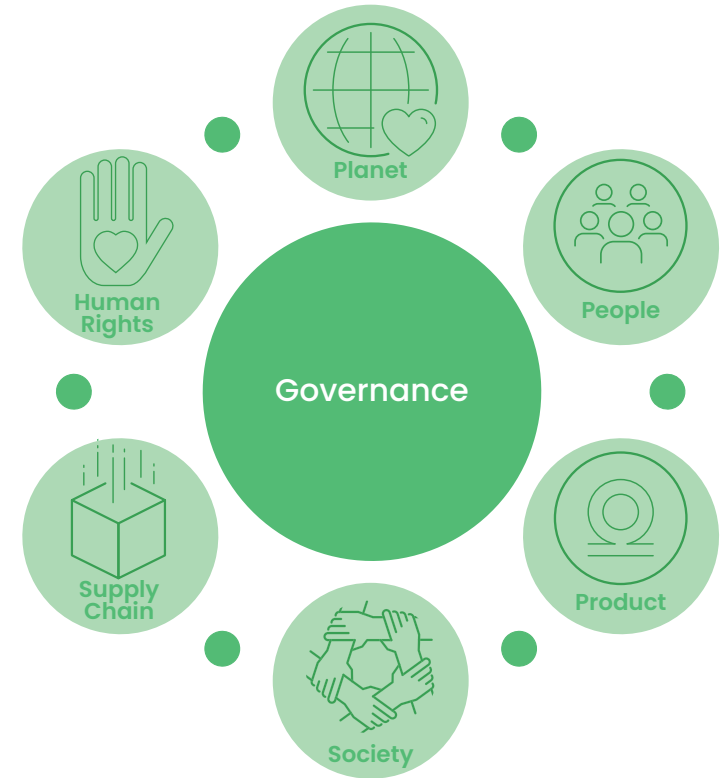
ILPEA has defined its Sustainability Plan, approved by the Board of Directors, with the primary objective of identifying the strategic priorities that the Group is actively pursuing, while contributing to the 2030 Agenda for Sustainable Development of the United Nations.

At the center of this Agenda there are 17 objectives, commonly known as Sustainable Development Goals (SDGs) and 169 targets. These Goals represent an urgent call for action for ending poverty, eliminating inequality, boosting economic growth, and tackling climate change.

Through its strategic Sustainability Plan, ILPEA aims at fostering and taking part to the sustainable development and responsible, long lasting value creation, while also ensuring the continuity and success of its core activities.

The sustainability strategy of ILPEA is structured in six macro-areas, which represent ILPEA’s focal points on its path towards sustainable development: Planet, People, Product, Society, Supply Chain, and Human Rights.

In order to facilitate the comprehension of the Group’s commitments, activities and achievements on each area, this Sustainability Report develops around these pillars as well.



Aware of the fact that sustainability is a dynamic and integrated process, during 2022 ILPEA continued the monitoring of its progress against the defined targets, which are reported in the table below. Some targets may have been revised and adjusted – especially with respect to the target year – during 2022 to reflect the actual potential and capabilities of the Group.

- Achieved
- WIP

Governance

Business Ethics & Integrity



target	base year	target year	status 2022
Publish an updated Code of Ethics	2021	2022	●
Increase the awareness by training 100% of employees on ILPEA's Code of Ethics	2021	2024	●
Ensure that all employees know where to find the reporting mechanism, including ESG issues, via whistleblowing email	2021	2025	●

Data Protection & Cybersecurity



target	base year	target year	status 2022
Provide annual training on our data protection & cybersecurity practices for 100% of employees who work with our systems (reaching the milestone of 50% by 2023)	2021	2022	●
Define a set of controls aligned with TISAX (aligned with ISO 27001) at HQ and automotive sites	2021	2023	●

Planet

Energy & Emissions



target	base year	target year	status 2022
Improve energy efficiency at our manufacturing sites, warehouse and offices by 20%	2021	2030	●
Increase the portion of renewable energy for our operations to 20%	2021	2030	●
Reduce carbon emissions by 30% (scope 1, 2)	2021	2030	●
30% of the plants to have a certified environmental management system (ISO 14001)	2021	2030	●

Climate Change



target	base year	target year	status 2022
Implement a pilot project to mitigate the effects of climate change	2021	2025	●

- Achieved
- WIP

Planet

Sustainable Logistics



target	base year	target year	status 2022
Set up a logistics platform and start monitoring transport emissions	2021	2025	●

Waste Management



target	base year	target year	status 2022
Reduce the proportion of waste to landfill in all manufacturing sites, warehouse and offices by 10%	2021	2025	●
Reduce the portion of hazardous waste by 10%	2021	2025	●
Implement scrap recycling by reaching 90% for magnetic products and 70% for plastic materials	2021	2025	●

Planet

Water Management



target	base year	target year	status 2022
Reduce water withdrawals at our manufacturing sites by 15%	2021	2027	●
Monitor water discharge at all manufacturing sites, both from qualitative and quantitative perspectives	2021	2027	●

- Achieved
- WIP

People

Diversity, Equity & Inclusion



target	base year	target year	status 2022
Increase the proportion of women in the first level of management by 10%	2021	2027	●
100% of employees to have completed a training on diversity, equity, and inclusion	2021	2025	●

Workplace Health & Safety



target	base year	target year	status 2022
Zero fatalities and serious accidents in all manufacturing sites	2021	2027	●
Reduce employee accident frequency rate by 15%	2021	2025	●

People

Employee Wellbeing & Engagement



target	base year	target year	status 2022
Implement an annual engagement survey for the whole ILPEA Group	2021	2025	●
Reduce the absenteeism (sick level) by 10% vs 2021	2021	2025	●

Talent Attraction and Development




target	base year	target year	status 2022
Promote career development programs globally for the whole ILPEA Group	2021	2025	●
Partner with schools and universities to attract students in all countries in which ILPEA operates	2021	2025	●


- Achieved
- WIP

Product

Circular Economy




8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

target	base year	target year	status 2022
Implement a pilot project to evaluate relevant circular business models that can be scaled up (e.g. take back scheme of ILPEA products)	2021	2025	●


Product Quality & Safety



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

target	base year	target year	status 2022
Meet 100% of Quality Standards required by customers	2021	2025	●

Sustainable Packaging




12 RESPONSIBLE CONSUMPTION AND PRODUCTION

target	base year	target year	status 2022
100% of packaging to be reusable, recyclable or compostable	2021	2025	●

Product

Innovation & Sustainable Product Development




12 RESPONSIBLE CONSUMPTION AND PRODUCTION

target	base year	target year	status 2022
Promote the replacement of non-recyclable products with recyclable ones (e.g. replacement of rubber with thermoplastic elastomers)	2021	2025	●

Society

Customer Satisfaction



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

target	base year	target year	status 2022
Set up customer system globally for the whole ILPEA Group	2021	2023	●

- Achieved
- WIP

Society

Community Impact & Development



target	base year	target year	status 2022
Introduce the opportunity of taking part to sustainable initiatives for employees / local communities	2021	2025	●

Supply chain

Responsible Sourcing



target	base year	target year	status 2022
Ensure transparency in mineral and material supply chains from high-risk areas, working toward a conflict-free supply chain	2021	2025	●

Supply chain

Responsible Sourcing



target	base year	target year	status 2022
Publish a Supplier Code of Conduct	2021	2025	●
Supplier Code of Conduct signed by -100% new suppliers -70% current suppliers	2021	2025	●
Tier 1 suppliers involved in self-assessments including sustainability criteria: -100% new suppliers -70% current suppliers	2021	2025	●

Human Rights

Human Rights



target	base year	target year	status 2022
Publish a Human Rights policy	2021	2022	●

To our Stakeholders

About

ILPEA Sustainability, Responsibility and Impact

Appendix

ILPEA's Sustainability Plan

Planet

People

Product

Society

Supply Chain

Human Rights

Planet

ILPEA Group places a high value on environmental protection and is deeply committed to safeguarding natural resources in respect of environmental regulatory requirements. Minimizing direct and indirect energy consumption and consequently, reducing greenhouse gas (GHG) emissions are a major part of ILPEA's commitments towards a more environmentally responsible performance in the short and long-term.



Energy & Emissions – Climate Change

Reducing energy consumption

ILPEA is defining appropriate mitigation and adaptation measures for its activities in the procurement, production, and distribution areas. The Group is implementing several actions aimed at progressively lowering energy consumption, both direct and indirect, and is making continuous efforts in the pursuit of its commitments in relation to energy consumption; indeed, ILPEA is strongly striving to:

- improve the energy efficiency in all its operational sites, by reusing energy dissipated by production processes for the production of additional energy, used for heating or for additional manufacturing processes, and by investing in the development of production equipment that minimize energy consumption and absorption;
- increase the proportion of energy deriving from renewable sources.

For instance, the Group is installing solar panels in some of its key strategic plants around the world (i.e. Italy, Spain) and it is progressively revamping its equipment and machines (i.e. heat exchangers, compressors, motors) to achieve energy efficiency and cost savings.

Direct and indirect energy consumption of the ILPEA Group is mainly due to production activities in all its manufacturing plants, to facility heating, air conditioning

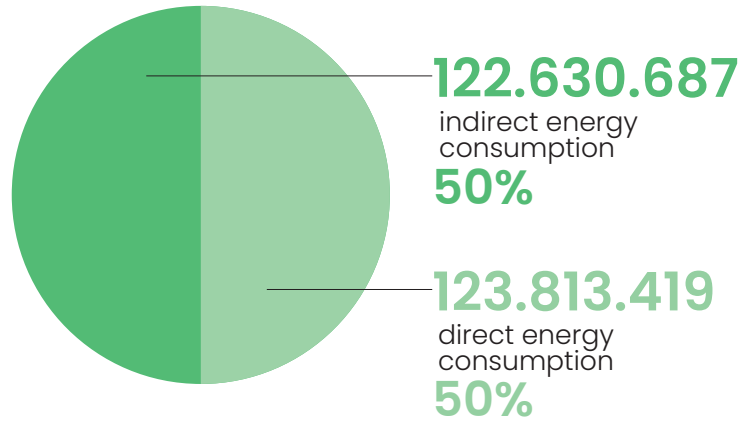
and lightning, to company's fleet of cars and to other uses.

In the current reporting period, total energy consumption amounts to 246,444,105 kWh (compared to 247,099,099 kWh in 2021), whereby 123,813,419 kWh refer to directly consumed energy both from non-renewable sources and company owned vehicles, specifically from natural gas, petrol, diesel, and LPG, and from internally produced renewable energy, and the remaining amount, precisely 122,630,687 kWh, to indirect energy consumption, deriving from electricity.

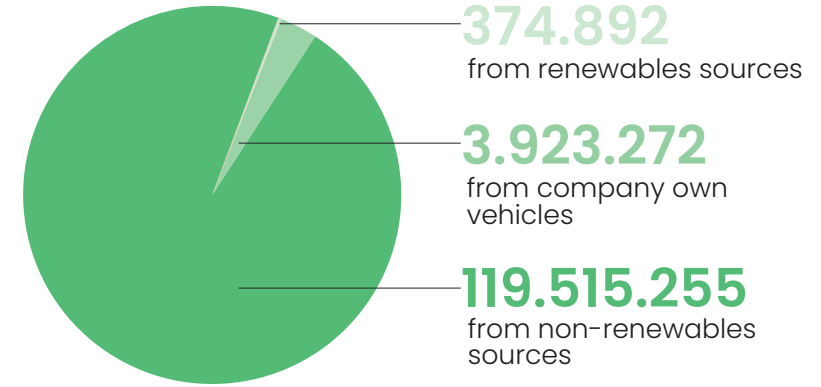
Energy intensity amounts to 2.21 MWh/tons of product sold (compared to 2.04 MWh/tons of product sold in 2021). It remains stable, with a slight increase due to the variability of the mix of products sold which can impact the normalized indicators.

Renewable energy refers to the energy, internally produced by the photovoltaic panels that are present in two of ILPEA's plants, specifically Malgesso in Italy and Polinya in Spain. During the 2022 reporting period, these solar panels have generated renewable energy for a total value of 374,892 kWh, the majority of which (374,650 kWh) has been produced in Malgesso, where extensive investments regarding photovoltaic panels have been made during the reporting period and are currently in progress.

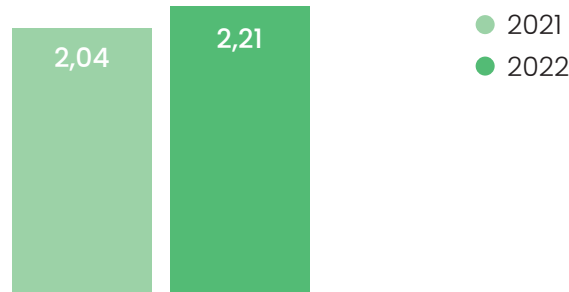
2022 Energy Consumption (kWh)



2022 Direct Energy Consumption (kWh)



2021 - 2022 Energy Consumption (MWh/tons of product sold)



GHG Emissions

Scope 1 and Scope 2 GHG Emissions

Numerous actions have been taken to achieve reductions in GHG emissions, including, but not limited to, switching to self-produced energy from renewable sources, switching to alternative fuels for the corporate fleet (e.g. hybrid vehicles), harnessing and utilizing heat generated by compressors for heating spaces and utility water and adopting electric forklifts.

The directly consumed energy during the current reporting period generated Scope 1 emissions, which amounted to approximately 22,849 tCO₂e, compared to 23,443 tCO₂e to the previous reporting period, of which 21,939 tCO₂e from non-renewable sources and the remaining portion, 909 tCO₂e, from company-owned vehicles.

Direct (Scope 1) GHG Emissions (t CO₂e)

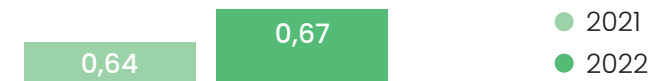
	2021	2022
From non-renewable sources	22,553	21,939
Natural gas	21,671	21,145
Diesel	42	50
LPG	839	744
From company owned vehicles	890	909
Natural gas	463	459
Diesel	389	382
LPG	39	67
Total Scope 1 emissions	23,443	22,849

Conversely, Scope 2 emissions, location-based and market-based, for the whole Group were equal to respectively 44,903 tCO₂e and 51,112 tCO₂e (48,927 tCO₂e and 54,127 tCO₂e in 2021).

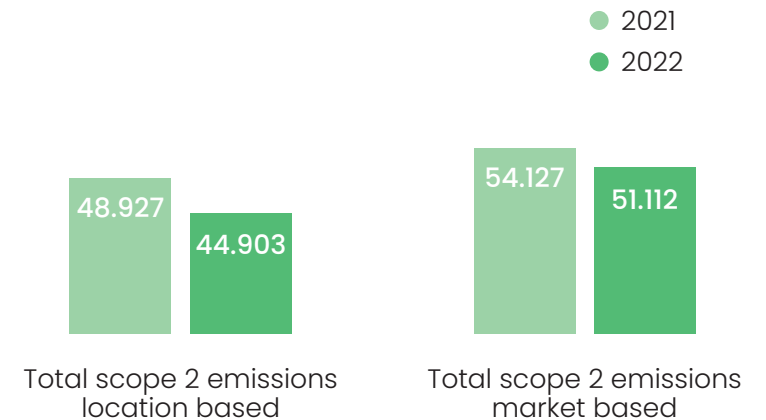
² The sources of conversion and emission factors used for emissions calculations are DEFRA 2021, TERNA 2019 and AIB Residual mixes 2020 or DEFRA 2022, where AIB residual mixes are not available.


Carbon intensity amounts to 0.67 tCO₂e/tons of product sold (compared to 0.64 tCO₂e/tons of product sold in 2021). It remains stable, with a slight decline due to the variability of the mix of products sold which can impact the normalized indicators.

2021 - 2022 GHG emissions (Scope 1 and Scope 2) (tCO₂e/tons of product sold)



2021 - 2022 Indirect (Scope 2) GHG emissions (tCO₂e)

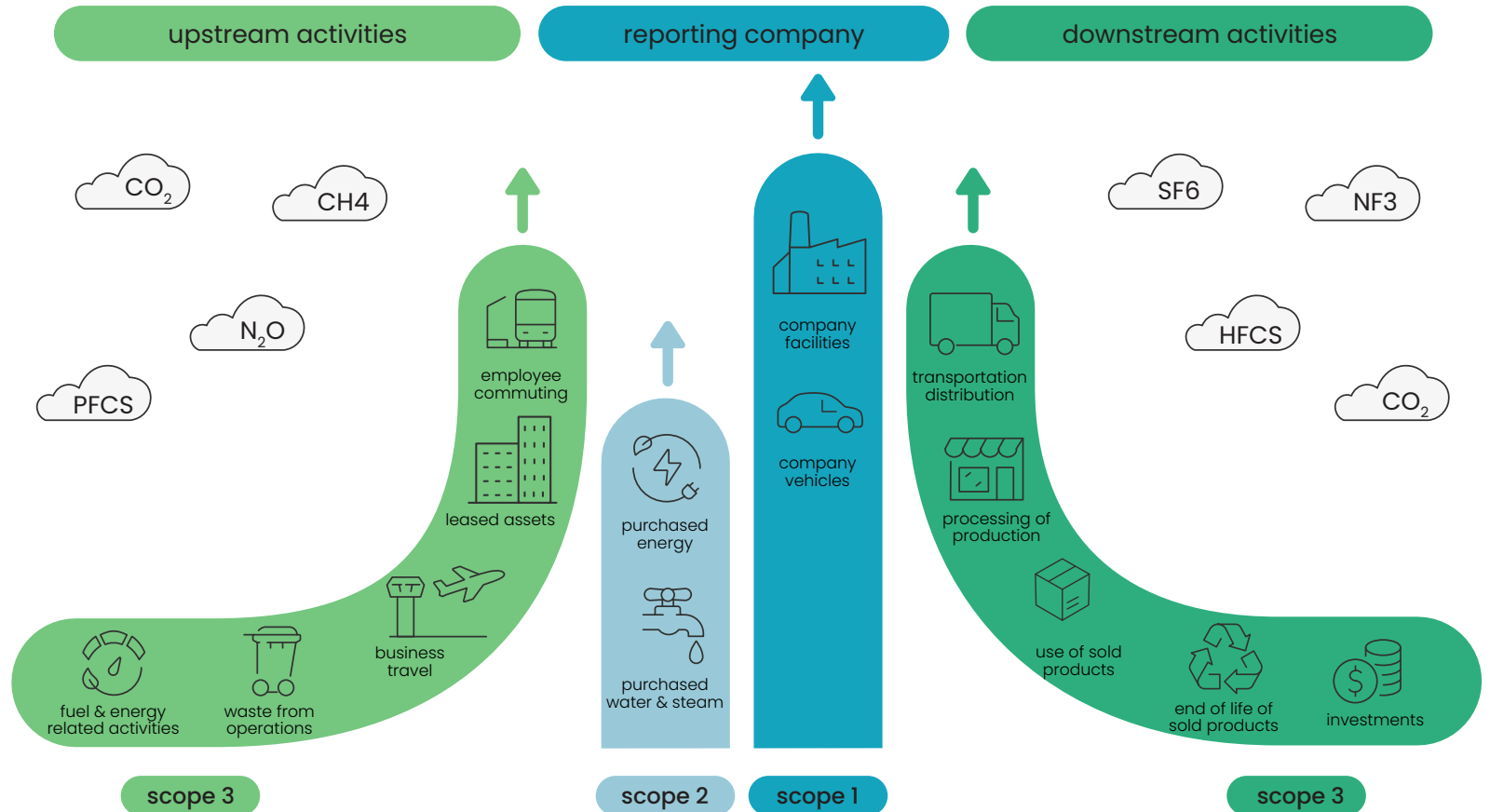



 ILPEA has started calculating its Scope 3 emissions in accordance with the GHG Protocol.

Scope 3 GHG Emissions

With the increased expertise in greenhouse gas accounting, awareness has also grown regarding the understanding that significant emissions stem from activities within a company's value chain, not covered in Scope 1 and Scope 2 emissions reporting activities. ILPEA,

recognizing the impact throughout its value chain, has started calculating its Scope 3 emissions in accordance with the GHG Protocol. Scope 3 includes all the indirect emissions that occur in the upstream (emissions related to goods and services purchased or acquired), and downstream (emissions related to goods and services sold) activities of the company.



After an initial phase of identifying relevant categories for the Group, a data collection phase commenced through direct engagement with data-holding focal points. Following the data collection phase, various emission calculation methodologies proposed by the GHG

Protocol were assessed to determine the most suitable one based on the received data.

Below is the process followed for calculating Scope 3 emissions.

Categories identification 1

The identification of Scope categories is based on three activities:

- Analysis of the GHG Protocol and in particular the recommendations of the Technical Guidance for Scope 3 calculation
- Involvement of internal reference functions.

Data Collection Sheets 2

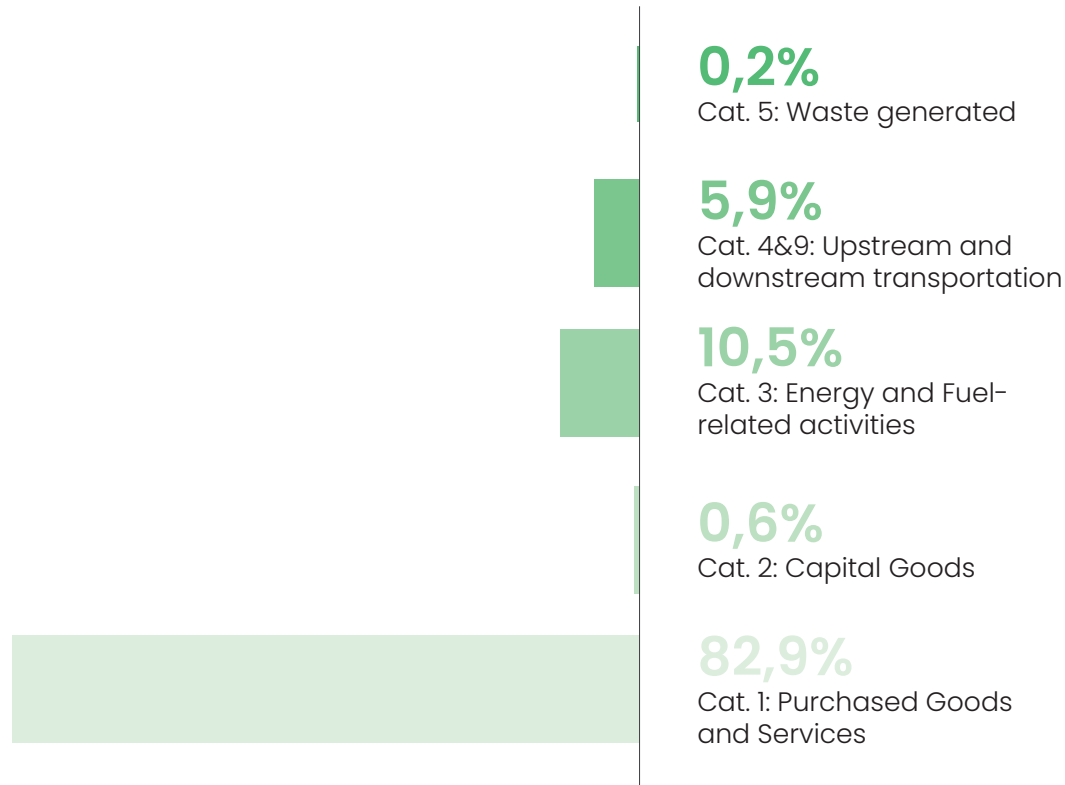
For each identified category, specific data collection sheets, both qualitative and quantitative, are subsequently prepared. These are sent to internal functions identified in the previous phase.

Data processing and calculation Scope 3

Once the data from the activities within the scope of analysis have been collected, the Scope 3 emissions will be estimated at the Group level using the relevant emission factors. This step will finalize the Group's GHG Inventory.

For the fiscal year 2022, Scope 3 emissions for the whole Group were equal to 202,245 tCO₂e. As shown in the graphic below, five categories have been selected considering the Business' peculiarities and what is recommended by the GHG Protocol.

Scope 3 Emissions (%)



Highlights at local level

- At the **Malgesso plant, in Italy**, and **Polinya plant, in Spain**, solar panels have been installed during 2022 in order to exploit clean and renewable energy.

- The **Polinya plant, in Spain**, has replaced the air conditioning system in the offices with more modern and efficient cooling machines. This new system provides energy savings and lower CO₂e emissions.

- Still **in Spain**, the **Aoiz plant** has implemented the following initiatives:
 1. replacement of the current lights with LED technologies;
 2. installment of motion sensors to automatically turn on or turn off the lights in some of the common areas;
 3. ever-increasing contracts with local suppliers to reduce the transportation impact and to use, as much as possible, returnable packaging with customers, suppliers and between the plant's facilities.

- In 2022, the **Pitesti plant (Romania)**, the **Twardogora plants (Poland)**, and the **Manisa, Velimese, Eskisehir plants (Turkey)** obtained the ISO14001 Certification.

The **Aoiz** and **Polinya plants (Spain)** and the **Jaszbereny plant (Hungary)** obtained the renewal of the ISO 14001 Certification by passing the annual surveillance audits.

- Lastly, the ILPEA plants monitor on a monthly basis all the electricity and natural gas consumption, to keep the Internal Action Plan up to date and efficient.

Sustainable Logistics

An important aspect of ILPEA's path towards sustainable development is logistics, as the Group aims to reduce the environmental impacts caused by the distribution of its goods by sea, air, and land transportation, together with its suppliers. The Group is committed to locate its production facilities as close as possible to customers' manufacturing plants, thus guaranteeing the following benefits:

- best logistics and lowest freight cost;
- transport optimization;
- "just in time" deliveries;
- reduced CO₂ emissions due to transportation.

Several initiatives have been implemented during the reporting period:



New Transportation Management System

- For the first time, ILPEA calculated its carbon footprint due to transportation in all plants, according to the GHG Protocol.
- ILPEA started the implementation of a new Transportation Management System software designed to manage all transportation activities across the Group. This system will enable accurate monitoring of logistics flows and transportation-related emissions through specific workflows, also offering an estimation of CO₂e emissions.
- The Group initiated partnerships with suppliers to enhance the optimization and efficient management of transportation loads. For instance, some transports were converted from over-the-road freight to intermodal, thus leading to significant time and cost savings in the shipping process.

Waste Management

ILPEA promotes a production and consumption model based on the reuse and recycling of materials, aimed at extending the life cycle of its products, and at reducing waste and minimizing the environmental impact of its activities.

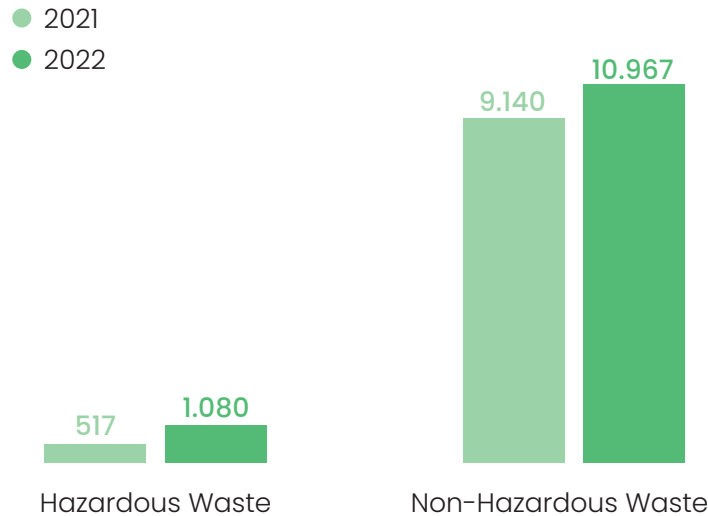
ILPEA treats both hazardous and non-hazardous waste; while hazardous waste consists primarily of contaminated materials, lubricant filters, electronic

91%
non-hazardous waste

waste, oil, and containers containing hazardous substances, non-hazardous waste refers to plastic, cardboard, wooden, PVC, metal, rubber, and magnetic strip waste. Where possible, the company favors the recovery of the materials rather than the disposal of industrial waste.

During 2022, the Group generated approximately 12,000 tons of waste, of which 91% as non-hazardous waste and the remaining amount as hazardous waste.

2021 - 2022 Waste generated (tons)



As far as waste recovery and disposal is concerned, during the reporting period, ILPEA recovered 5,581 tons of generated waste, and disposed 6,466 tons, mainly through landfilling and incineration. Compared to 2021, ILPEA has also reduced landfill waste by 25%.

-25% of waste to landfill

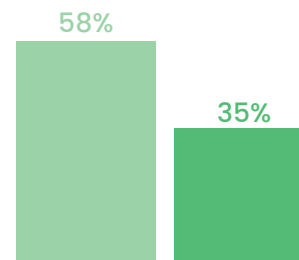
Waste generated (t)	2021	2022
Hazardous Waste	517	1,080
Non-Hazardous Waste	9,140	10,967
Total Waste	9,657	12,047

Waste directed to disposal RECOVERED (t)	2021	2022
Hazardous Waste	15	546
Non-Hazardous Waste	3,600	5,035
Total Waste	3,615	5,581

Waste diverted from disposal DISPOSED (t)	2021	2022
Hazardous Waste	502	533
Non-Hazardous Waste	5,540	5,933
Total Waste	6,042	6,466

2021 - 2022 Waste to landfill (%)

- 2021
- 2022



% waste to landfill / total waste generated

In line with its objectives of implementing scrap recycling for both magnetic and plastic materials, the Group recovers waste for recycling, with the intention of reusing it for its original purpose, also known as “preparation for reuse” technique. Additionally, waste materials may also find alternative purposes, including but not limited to the RDF production. Moreover, the Group engages in recycling efforts for soft and rigid PVC scraps originating from gasket and twin production processes. Presently, ILPEA Group places a strong emphasis on enhancing environmental awareness among its employees through targeted initiatives.

These initiatives encompass training programs aimed at instructing employees on the proper disposal of waste into specially designated containers, the introduction of bins designated for recyclable waste, and customized communication campaigns focused on separate waste collection.

Highlights at local level

- In **US plants**, all production scrap is either reground and re-used or sold to re-processors to be used for other products. Moreover, the plants are working towards the reduction of the materials used in the production and consequently, they aim to lower the resulting garbage. All the plants keep records of the materials sent to recycling and to further demonstrate the commitment undertaken, a waste management training program has been implemented;
- The **Jundai and Maracanaú plants in Brazil** are progressively improving their separate waste collection in relation to certain materials, such as oil or metal parts. An internal survey was carried out to collect employees’ feedback on extending the separate waste collection to the administrative rooms, kitchen and in the manufacturing area. The Joinville plant drafted a Waste Management Plan,

which consists in guidelines on how to manage waste from its generation to its disposal;

- The **Celaya plant, in Mexico**, has made progress in waste separation and in recycling the materials used in the production, launching new initiatives such as the collection of consumed PPE protective equipment in a central warehouse to sort materials appropriately and send them for recycling;

- In terms of waste management, the **Ishitebe plant in South Africa** is improving its management of PVC product scrap, by collecting the lump for resales or recycling, and its management of the magnetic strips, by reusing some of the scraps produced or selling them to local companies.

Water Management

ILPEA is aware of the impact resulting from the Group's production activities and the significance of water resources throughout all industrial processes. This awareness is especially crucial considering the escalating challenges brought about by climate change, such as drought and desertification, and the operational sites' reliance on water sources.

Water for operational sites is procured from various sources, including surface water such as rivers, groundwater, or local water service providers. Whenever feasible, internal water reuse practices are implemented within the operational sites, with special attention given to plants located in water-stressed areas.

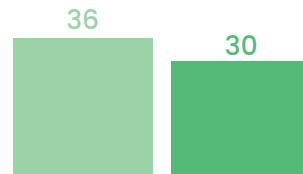
During 2022, water consumption amounted to around 30 megaliters, whereby water withdrawals, under the form of fresh surface water, ground water and water derived from a third party, were equal to 644 megaliters and water discharges, mainly fresh water, and third-party water, reached 614 megaliters.

ILPEA recorded a 27% reduction in water withdrawals, thanks to its investments in minimizing water volumes, both in terms of water withdrawals and water consumed.

-27% of water
withdrawals
(vs 2021)

2021-2022 Water Consumption (ML)

- 2021
- 2022



The Group’s water withdrawals relate primarily to the production process and to sanitation. Indeed, for production processes, water is mainly used for cooling systems.

6%
of water withdrawals derives from water-stress areas

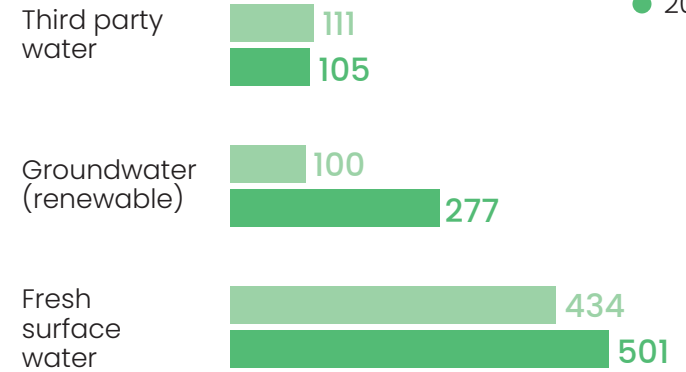
Closed-water cooling systems are mainly used, thus reducing water withdrawals and minimizing wastewater. In terms of water withdrawals, the Group primarily withdraws:

- Fresh water (434 ML in 2022);
- Ground water (100 ML in 2022);
- Third-party water (111 ML in 2022)

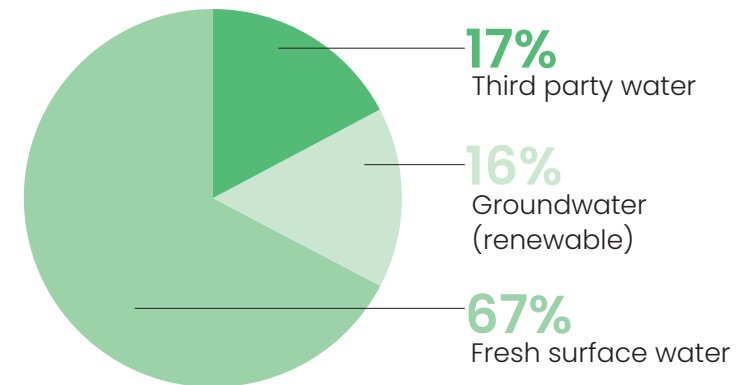
6 % of water withdrawals derives from water-stress areas, to which approximately 12 production plants across the whole ILPEA Group belong to.

2021-2022 Water withdrawals (ML)

- 2021
- 2022

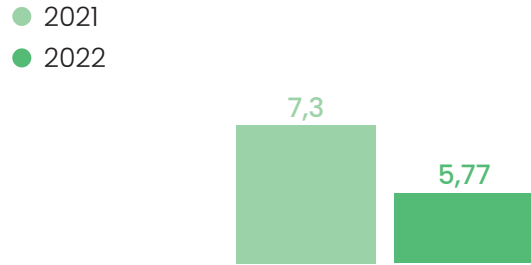


2022 Water withdrawals by source (%)



⁴ Tool for assessing areas with water stress include the World Resources Institute (WRI) "Aqueduct Water Risk Atlas"

2021-2022 Water withdrawals (m³/tons of product sold)

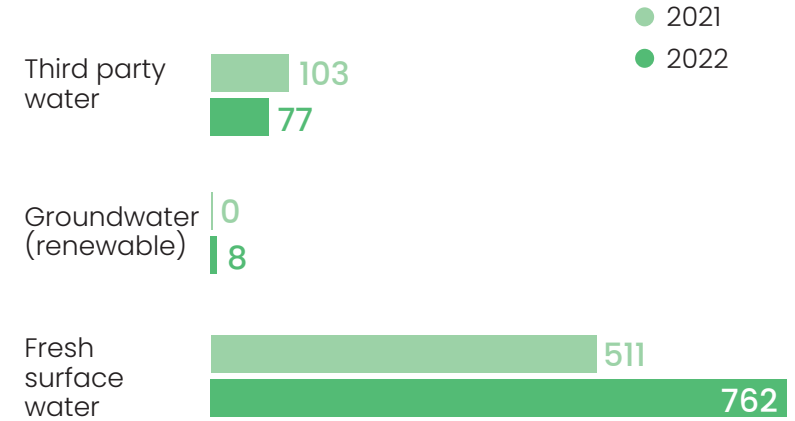


Water is discharged in adherence to relevant regulatory standards at both national and local levels. Water discharges are constantly monitored, both internally, by the designated department, and externally, by external laboratories or appropriate regulatory body.

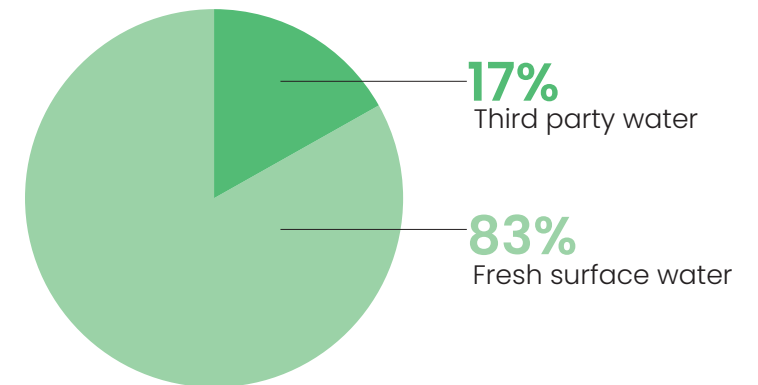
This monitoring ensures that water quality indicators are strictly maintained within the legal limits. As a result, water undergoes primary, secondary or tertiary treatment before being discharged in the public sewage or into the natural environment.

All the plants, in compliance with the legal requirements, perform periodic checks to verify the absence of contamination. In the current reporting period, the Group recorded water discharges equal to approximately 614 megaliters, of which 36 megaliters discharged to water-risk areas, compared to 847 megaliters in FY 2021.

2021-2022 Water discharges (ML)



2022 Water discharges by source (%)



Highlights at local level

- At the **Joinville plant, in Brazil**, a rainwater harvesting project has been launched, that will be fully functioning in 2023. To prevent leaks, all the old metal pipes have been replaced with modern pipes made of HDPE. Moreover, hydrometer has been installed to monitor water consumption for cooling processes and it is monitored by internal indicator of consumption. The company organizes training and initiatives to raise awareness on water management among its employees;

- In 2022, in the **Pitesti plant, in Romania**, a monitoring device was installed to control the treated wastewater discharged into a river close to the factory;

- During the 2022, in **Orcenico plant, in Italy**, a revamping of the water distribution system was implemented considering the actual water needs in terms of flow rates and pressures. This consequently resulted in an overall reduction in the volumes of water withdrawals and also in energy consumption.

- At the **Malgesso plant, in Italy**, a project for the installation of a dry abatement system is underway

to significantly reduce water consumption.

Biodiversity

As outlined in its Quality, Health, Safety, Environment and Sustainability Policy, ILPEA recognizes that the conservation and protection of biodiversity and surrounding ecosystems are essential, especially considering that the Group operates on a vast and global scale and thus, has interactions with different ecosystems.

Risks, either physical, regulatory, or reputational, and impacts may arise from the relationship between biodiversity and businesses. To this end, an assessment of the exposure to biodiversity risk is currently being performed by the Group at a global level. The goal of this assessment is to map all operational sites and to verify the geographical proximity of plants to areas and/or sites at risk of biodiversity loss and to protected areas, that are relevant for biodiversity, ecosystems, and species conservation. By doing so, ILPEA ensures its ongoing commitment to support the preservation of biodiversity during business operations, thus avoiding species loss and/or damages to ecosystems.

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People

People play a crucial role at ILPEA. The professionalism and dedication of both the management and staff are essential in achieving the Company's goals.



Diversity, Equity, and Inclusion

ILPEA undertakes to offer equal opportunities to all its employees, ensuring that each of them receives a fair treatment based on merit and competence, without discrimination of any kind, such as race, ethnic origin, sex, nationality, language, disability, religion, political belief, sexual orientation.

Workforce Composition

As of October 31st, 2022, the ILPEA Group had 4,741 employees, an increase of 2% compared to 2021 (as of October 31st, 2021, employees amounted to 4,627).

ILPEA's employees can be classified into three main categories:

- Management, comprising both the highest decision-makers in charge of making strategic decisions, driving the Group's performance, defining targets and plans, and managers, responsible for managing and implementing projects and for people management;
- White Collars, tasked with specific responsibilities and duties;
- Blue Collars, who generally perform operational duties through the Group.

As of October 31st, 2022, the professional category with the highest number of employees is blue collars (3,701, of which 43% female blue collars and 57% male blue



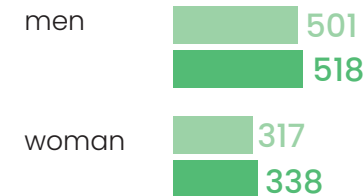
collars), followed by white collars, amounting to 856 (518 men and 338 women) and lastly by management, with 184 individuals.

2021 – 2022 Employees by Gender and Job Category

Management

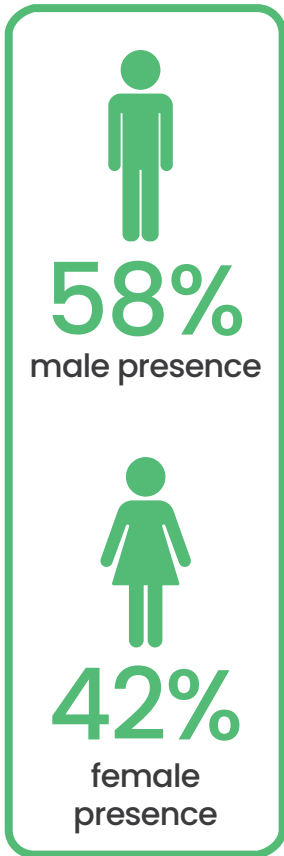


White collars



Blue collars

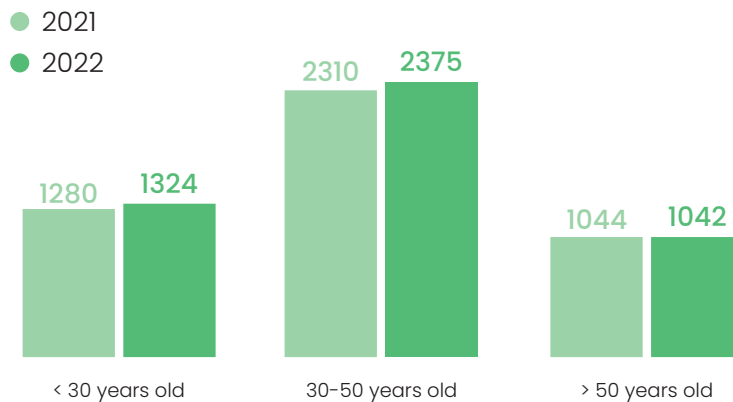




In the current reporting period, ILPEA achieved a 58% male presence and 42 % female presence. Women in the first level of management account for 21% of the total management level of the Group, with the goal of progressively increasing the female presence among ILPEA’s management.

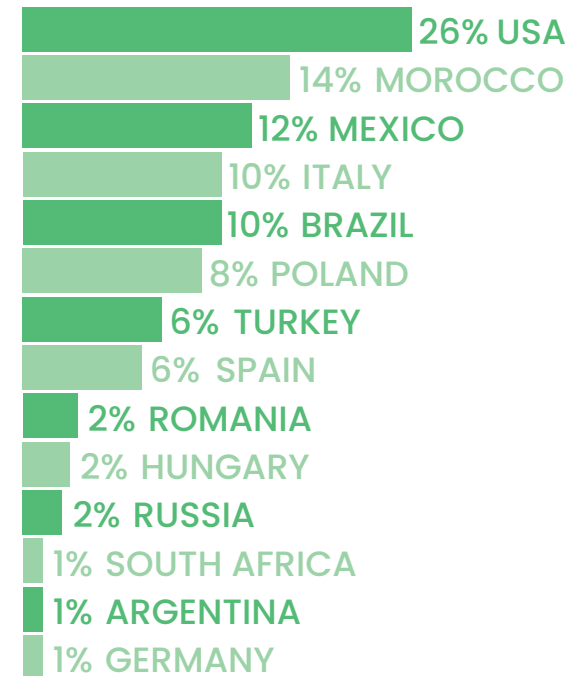
The majority of the workforce is concentrated in the age group 30–50 years old which represents 50% of the Group’s total employees, with 2,375 individuals (1,302 men and 1,073 women). Employees under 30 years old account for approximately 28% of the total workforce (1,324 as of October 31st,2022), in line with the Group’s endorsement of young talents. Employees over 50 years old amount to approximately 1,000.

2021–2022 Employees by Age Group



In terms of geographical positioning, employees are located worldwide, ranging from the USA to Europe. The Group’s workforce is composed of more than ten diverse nationalities, corresponding to all the countries in ILPEA operates. As depicted by the graph below by country, most employees are concentrated in the United States of America (26%), in Morocco (14%), in Mexico (12%) and in Brazil and Italy (respectively 10%).

Workforce by country



Highlights at local level

- In the **US plants**, guidelines for the hiring process have been drafted to avoid any kind of discrimination and there is no difference in salary between men and women doing the same job. All employees must take the ILPEA academy “Human Rights and Ethics” training. In particular, the **New Ulm plant** has started to provide Spanish courses to the management, to facilitate the communication with the non-English speaking employees. To the same end, part of the facility documentation has been translated and translators are available in the plant to help the relationships among colleagues.

- The **Jundai plant, in Brazil**, has initiated an integration program for migrant workers, in particular, welcoming workers from Haiti. Similarly, in the **Celaya plant, in Mexico**, the topic is particularly heartfelt. An Ethical Conduct policy has been adopted and distributed to all the new hires. Any action that goes against the policy is evaluated and taken to the attention of the management. A specific section of the scheduled training is reserved to the respect of ethics and human rights.

Talent attraction & development

It is ILPEA’s belief that a culture of ongoing training and knowledge is a key business driver; for this reason, the Group acknowledges the significance of assisting both management and employees in acquiring, reinforcing, and applying the technical and managerial skills essential for their roles.

To this end, with regards to talent development, training activities are implemented and completed periodically based on employees’ needs and competences, also in relation to their role, assigned tasks and duties. The training courses, sponsored by the Group, are centered on a variety of topics, including compliance, business ethics and integrity, diversity and inclusion and health and safety, to ensure that all employees have a proper and profound understanding of such issues. ILPEA is actively working towards the establishment of a global training platform, accessible by employees, the aim being the ongoing learning and upskilling of its workforce. Similarly, technical-specialist and professional courses are executed for ILPEA’s personnel to make sure that all employees have the technical competences necessary to perform the tasks to which they are assigned.

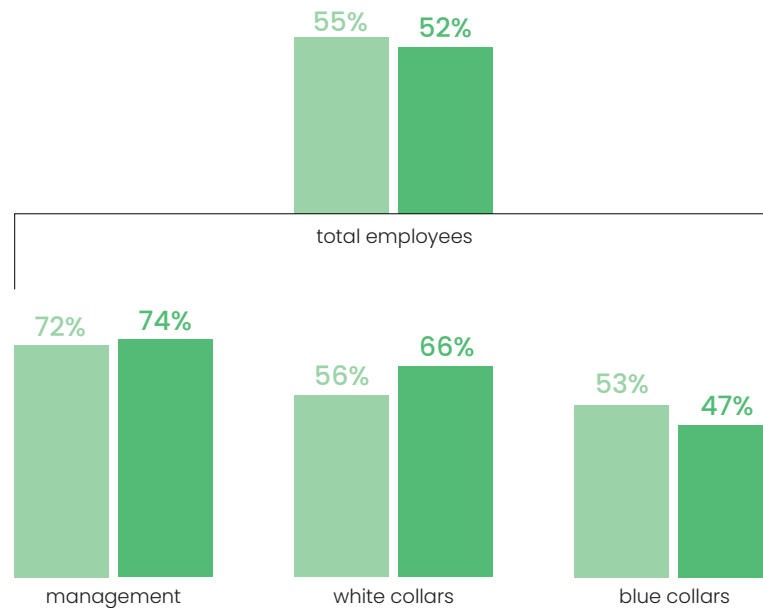
ILPEA promotes regular performance and career development reviews so that its employees can grow in their jobs and professional careers on a steady base and continuously enhance their skills.

52%
of employees subject to regular performance and career development reviews

During the current reporting period, 52% of employees (54% of female employees and 50% of male employees) were subject to regular performance and career development reviews, in line with the expectations and responsibilities of their role, compared to 55% of the previous reporting period.

2021-2022 Employees subject to performance reviews by job category (%)

- 2021
- 2022



Similarly, the Group invests in transition-assistance programs, with the goal of facilitating the employability and the management of career endings resulting either from retirement or termination of employment.

To this end, the Group offers various transition-assistance programs, such as but not limited to:

- Retirement Provision;
- Transition assistance program, in the case of career endings.

The Group offers retirement severance pay and allows for the possibility of continuing to work, even after reaching the retirement age, at the discretion of the employee. In addition, employees can use social assistance programs offered when reaching the retirement age.

In terms of transition assistance program, the Group actively protects employees against dismissal from work before reaching the retirement age. It also provides support to employees for the whole notice period in the form of ad-hoc meetings with the labor office or sponsorships of technical or specific courses; the goal is, indeed, to guarantee the employability of employees in the near future and to adequately manage their career ending.

Highlights at local level

- The **Polinya** and the **Aoiz plant, in Spain**, with its representatives attend events organized by universities, school or associations related to the automotive industry, to promote the company and attract new talents. Job offers are also posted on social media, such as LinkedIn. Annually, performance reviews are carried out, together with performance evaluations, to better define training plan and drawing the careers path.

- At the **Ishitebe plant, in South Africa**, white-collar employees are encouraged to improve their skills via some long-term trainings paid by the company. As well, the blue-collar employees are getting trainings; some of them have received specific training due to a change of role within the company.

- In **Poland, in the Twardogora plant**, in case of outstanding employees, the company prepares individual career paths that include training and development plans (sometimes also studies), expanding the scope of their responsibilities and a salary increase plan.

Employee Wellbeing and Engagement

ILPEA strives to offer equal opportunities and to promote an open dialogue between the management and the staff to share needs and necessities.

To improve individual wellbeing, key welfare plans, and initiatives were offered throughout the Group, during 2022:

- Awarding system, which results into the awarding of bonuses based on objectives and targets set for each employee based on its role;
- Life insurance;
- Health Care and health plans for specific employee categories (e.g. white collars);
- Disability and invalidity coverage;
- Periodic health check-ups and wellness assessments (generally conducted onsite);
- Parental Leave;
- Retirement Provision: the Group offers retirement severance pay and allows for the possibility of continuing to work, even after reaching the retirement age, at the discretion of the employee;
- Transition assistance program, in case of career endings (including protection against dismissal from work for 4 years before reaching retirement age, support to employees during the notice period in the form of meetings with the labor office and psychological support, paid days-off);

- Opportunity to choose the form of employment, which best suits employees' needs (full-time or part-time) and flexibility in work-schedules and in working hours;
- Grants for extra-curricular activities of ILPEA's personnel relatives (e.g. children);
- Welfare programs and discounts, accessible through the company intranet;
- Lunch vouchers or company canteen;
- Work clothing and equipment, especially for blue collars.

In addition, with reference to remuneration, ILPEA undertakes to fully comply with all the legal and contractual requirements and provisions, applicable in the different countries in which its plants are located, thus ensuring that all its employees are paid a living wage and receive a fair and adequate remuneration, that shall be at least equal or if not higher than the minimum levels established by the local legislation.

Collective agreements, where present, guarantee that employees are paid a living wage, sufficient to afford a decent standard of living in the countries in which they reside. Similarly, the Group has been subject to audits by various clients on the application of minimum wages. ILPEA's commitment towards paying a fair salary and living wage has also been exemplified in its Code of Ethics and Human Rights Policy.

³ Rate of recordable work-related injury= (number of recordable work-related injury/number of hours worked) *1,000,000.

Highlights at local level

- In **US plants**, efforts are being directed toward employees listening and valuing work life balance. To this, plant managers are committed to keep overtime hours to a minimum, to organize fun-at-work games during the monthly safety meetings; in addition, more vacation days are given when productive goals are achieved. To collect employee feedback and monitor employee satisfaction, the company carried out an engagement survey, and promotes an open-door policy;

- At the **Monterrey plant, in Mexico**, a committee was established consisting of human resources members and workers representatives. During their meetings, employees' needs are evaluated to identify which are the initiatives to implement to help them in vulnerable moments. An open-door policy is always promoted, and employees are encouraged to share their feedback with the plant managers. Work – life balance is taken in great consideration, so families support initiatives have been launched, such as financial support for school needs, and special events are organized during the year to create a pleasant work environment;

⁶ Rate of high-consequence work-related injury= (number of high-consequence work-related injury/number of hours worked) *1,000,000.



ILPEA is committed to preserve and safeguard the health and safety of all its employees and of the external workers,

- In its **Polish plants in Twardogora**, ILPEA has implemented various initiatives to help its employees financially; among these, the plant provides its workers with sports cards to incentivize physical activities, or prepaid cards and bonuses as Christmas presents;

- In the **Malgesso and Orcenico plant, in Italy**, employees can benefit from flexible time from work, or get a partial reimbursement of fitness or educational.

Workplace Health & Safety

ILPEA is committed to preserve and safeguard the health and safety of all its employees and of the external workers, who work in ILPEA's premises.

Among the actions and guidelines put in place by ILPEA, it is worth pointing out:

- Preventive evaluations of the risks associated with newly implemented activities and production processes, which aim to identify the required personal protective equipment (PPE) for each workstation, diagnose potential risks and allocate responsibilities and duties;
- Comprehensive training to all employees, in all the plants, on safety devices, operational tools, and maintenance equipment.

This includes specific training programs such as forklift operation, hearing conservation, and machine guarding;

- Regularly reviewing injuries, near misses, and any risk situations, through close monitoring of key performance indicators such as the number of incidents, incident frequency rate, and absenteeism (sick leave);
- Engagement and communication activities with internal and external personnel to boost awareness on health and safety issues.

Workers' training on health and safety standards in the workplace represents a key issue for the whole Group and is part of the preventive approach applied by ILPEA in the management of occupational health and safety.

Indeed, ad hoc training courses are delivered during the onboarding phase as well as periodically to all personnel. In general, they focus primarily on:

- First-aid response (e.g., fire prevention and extinction, emergency and evacuation plan);
- Exploitation of chemical hazards and working in an explosive environment;
- Compliance with locally applicable regulatory requirements;
- Safe use of machinery, equipment (e.g., forklifts) and electrical components;
- Use of personal protective equipment (PPE).

⁷ Severity rate = (days lost/number of hours worked) *1,000,000.

The Group is also subject to external verifications and inspections by the authorities or authorized third parties aimed at making sure that the standards of health and safety are respected, that all operations are executed with extreme care and that working conditions are safe and healthy.

Diverse parameters on occupational injuries, serious injuries, fatalities, and ill-health episodes are monitored by the Group as far as its employees and external workers are concerned. During the current reporting period:

- 118 work-related injuries took place among ILPEA's employees, of which 78 among male employees and 40 among women, for a total of approximately 1,800 days lost due to injuries;
- 2 high-consequence injury occurred among employees;
- 2 cases of recordable work-related ill-health were recorded among employees;
- zero cases of recordable work-related ill-health occurred among external workers;
- zero fatalities as a result of work-related ill health took place both among ILPEA's workforce and external workers.

The rate of recordable work-related injuries amounted to nearly 16% in 2022, slightly increased with respect to the previous reporting period (13% in 2021) whereas

the rate of high consequence work related injuries (excluding fatalities) was equal to 0.26, compared to 1.35 in 2021.

Severity rate, calculated as the number of days lost and number of hours worked, was equal to 0.24 in 2022, respectively 0.29 for men and 0.17 for female employees.

Highlights at local level

- In **Spain**, ILPEA has obtained the renewal of the ISO 45001 Certification by passing the annual surveillance audit.

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Product

ILPEA Group is continuously committed to ensuring customer satisfaction by offering new, innovative, and high-quality products and developing low environmental impact solutions that promote the extending of the life cycle of products.



ILPEA Group is continuously committed to ensuring customer satisfaction by:

- Offering new, innovative, and high-quality products;
- Developing low environmental impact solutions, thus extending products' life cycle, and technical solutions for products that can be recycled at the end of their life and, therefore, reused as secondary raw materials for any other purpose;
- Carrying out life-cycle assessment (LCA), aimed at quantifying the environmental impacts associated with produced goods and their end of life;
- Implement sustainable packaging solutions, preferring recyclable packaging and reducing the use of single-use packaging.

104,542 tons of material used

The Group exploits in its production processes both renewable materials, such as cardboard for packaging and non-renewable materials, for instance metals, chemicals, rubber, PVC compounds, plastic, and other raw materials.

During the current reporting period, the materials used by the whole ILPEA Group amounted to 104,542 tons, comprising of:

- Magnetic materials, such as iron oxide and carbonate, for a total amount of 56,249 tons;
- Rubber, including filler and plasticizer, equal to 26,511 tons;
- Plastic, mainly PVC, amounting to 20,979 tons;
- Components, for example adhesive tapes, aluminum, steel and other raw materials, for 423 tons;
- Packaging, namely generic, cardboard, and plastic packaging, totaling 200 tons.

Product Quality and Safety

The pursuit of quality and safety has always been a key feature for the ILPEA Group, as to keep customers' trust and guarantee their satisfaction and protect their health and safety along the whole life cycle of products, while pursuing excellence and innovation in the design of products.

The Group's commitment is oriented towards maintaining the trust of our customers, ensuring their satisfaction, and safeguarding their health and safety throughout the entire product life cycle.

To this end, during 2022, zero incidents of non-compliance, neither with regulations and/or voluntary codes, concerning the health and safety of products occurred.

Corporate management system aligned with ISO 9001:2015 and IATF 16949:2016 standards

This emphasizes the Group’s ongoing commitment to closely monitor the impact of all its products, ensuring not only the absence of harm to customers’ health, but also full compliance with national and international health and safety standards, regulations, and/or voluntary codes.

The Group consistently fosters long-term partnerships with customers, dedicated to meeting their needs and their expectations, and enhancing the quality of products and services. Throughout the entire product development journey, from initial feasibility studies to final production, customers actively participate in the design and manufacturing processes. Furthermore, ILPEA guarantees transparency by fully disclosing and outlining the chemical content of its products through appropriate channels, such as websites, to keep customers well-informed.

Suppliers must adhere to ILPEA’s standards for product quality and safety, and relevant regulations that are outlined in the Quality Assurance Agreement. Collaborating closely with its suppliers, the Group aims for the greatest quality and safety across all products. In this pursuit, suppliers must ensure supply quality by adopting a zero-defect strategy and implementing a continuous improvement process for enhancing both quality and productivity.

0
zero incidents of non-compliance, concerning the health and safety of products

The Group aims to obtain the highest level of product quality, striving for zero defects or faults. To this end, the ILPEA Group has established a corporate management system aligned with the quality requirements of the automotive industry, as specified by the ISO 9001:2015 and IATF 16949:2016 standards.

Ensuring the safety of the substances used in manufacturing is a crucial aspect for guaranteeing a secure and high-quality product. To this end, all substances shall strictly adhere to the most stringent international regulatory requirements concerning chemical substances, including the Restriction of Hazardous Substances Directive (commonly known as RoHS) 2002/95/CE and the Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulations, particularly focusing on substances of very high concern (SVHC). Suppliers as well are mandated to operate in complete accordance with these regulations. Moreover, all substances and raw materials are free from conflict minerals, except for tin stabilizers in PVC rigid, and are compliant with food contact standards where applicable.

The Group attentively oversees the health and safety impacts of both its products and the raw materials used. To achieve this, safety data sheets for every substance or material are completed using a dedicated software. These sheets are then gathered by the research and

More than
40
patents
and
10
registered
trademarks



Products
with lower
environmental
impacts
are being
developed

development department to ensure compliance to relevant regulatory standards and to monitor the existence of any health and safety issues.

Innovation & sustainable product development towards a circular economy

The continuous development of innovative and sustainable products is among the priorities of the ILPEA Group's strategy and is what makes the Group a market leader and international player in its sector. Indeed, the Group continuously invests in the research and development of new materials, in product diversification and innovation, and in mastering innovative solutions and techniques: thanks to the combination of product engineering (design and development of innovative products) and machine engineering (design of the tools and machines exploited throughout the manufacturing process), ILPEA can develop several new products every year. Among the major innovations introduced by the Group, it is worth pointing out:

- Plastic profiles fitted with magnetized strips;
- Recycled materials (devulcanized EPDM, recycled PP);
- Bio-attributed or circular-attributed materials (PVC resins, plasticizers);
- PVC-free materials and components (based on TPE-S and TPE-V compounds);
- AS-free materials.

The Group's commitment to continuously innovate can also be measured by the number of patents and trademarks that ILPEA has filed over the years. As of now, ILPEA has more than 40 patents and 10 registered trademarks, such as but not limited to: SIGMA FIGURA, ISOSKIN, IOS, FERRIPLAST, INOMAG, PULVEROX, ILPEALINK and ILPEAFLEX.

The Group is steadily working towards the development of more innovative and sustainable solutions and supports a circular economy model based on the sharing, reuse, repair, refurbishment and recycling of the materials used in contrast to the traditional linear economic model, based on the typical "take, make, and dispose" approach.

Reported below are some of the efforts pursued by ILPEA towards the realization of a circular business model:

- Products with lower environmental impacts are being developed, such as energy-efficient products which enable energy savings and improve refrigerator performance;
- The use of raw materials and of compounds that have a recycled content or derive from renewable and circular sources is also progressively underway; for instance, PVC-free compound;
- Evaluations of the environmental footprint of products are also conducted by ILPEA; indeed, the Group has recently carried out a life-cycle assessment (LCA) on the

environmental impact of washing-machine door gaskets made of EPDM rubber and thermoplastic elastomer (TPE), along the production, the upstream and downstream process, to assess the preferability of TPE-based gaskets from an environmental point of view. ILPEA is further investing in this technology to increase productivity and further reduce the environmental impact of the TPE-based components;

- Recycled PP and devulcanized EPDM are being introduced in the ILPEA plastic and rubber compounds for the automotive industry to reduce the impact of scraped material and particularly to reduce pollution, save raw materials and protect people and the environment from the negative effects arising from waste dispersion in nature and sea.

Furthermore, ILPEA is also a relevant actor in the European Commission funded project PASSENGER (Pilot Action for Securing a Sustainable European Next Generation of Efficient RE-free magnets), which aims to resolve Europe's dependence on rare earth elements imports for permanent magnets fabrication.

This project will develop innovative technologies to produce permanent magnets without rare earth materials, using only resources that are widely available in Europe, thus securing the supply chain for materials that are essential for electronic vehicles and pump

motors, therefore promoting the transition to low-carbon mobility. ILPEA contributes to PASSENGER project, with the manufacturing of innovative high-performing ferrite materials for permanent magnets production.

Sustainable Packaging

The packaging used by the company is mainly made of wood, paper, cardboard and plastic. ILPEA strives to implement sustainable packaging solutions by:

- reducing single use packaging and favoring the use of reusable packaging;
- promoting the use of recyclable packaging,
- promoting the use of returnable boxes and packaging in intercompany shipping.

During the current reporting period, ILPEA used 17 tons of renewable packaging.

17

tons of
renewable
packaging

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Society

Engagement, with local communities and customers and more generally with society, is of uttermost importance for ILPEA Group.





Significant importance on the customer, constantly fostering its satisfaction and enhancing customer experience

Active involvement with local communities, customers, and society holds major importance for the ILPEA Group. Consequently, the Group has consistently demonstrated a commitment to supporting local communities and creating a positive impact on the surrounding environment. Furthermore, it has built partnerships with its customers to pursue not only customer satisfaction but also to achieve market success and foster a culture of continuous innovation.

Customer satisfaction

The ILPEA Group places significant importance on the customer, constantly fostering its satisfaction and enhancing customer experience. The Group is dedicated to achieving commercial success and meeting the demands of the market and its clients. This commitment is evident through continuous investments in research and development, unique engineering techniques, emphasis on product diversification and innovation, as well as ongoing efforts to ensure product quality and safety.

Benefiting from its global presence, the Group is established in all the locations of its main customers, enabling cost-effective and timely efficient deliveries. To consistently address customer requirements, the Group is investing in a variety of products every year,

significantly minimizing time to market, and offering customized solutions to meet specific needs. In addition, as stated in its Code of Ethics, the Group focuses on customer satisfaction in terms of protecting customer rights, guaranteeing the confidentiality of any private information shared, either voluntarily or involuntarily, with ILPEA.

Proof of the central role played by customer satisfaction is that the Group adequately manages customers' needs; at least annually, a careful and detailed assessment of customer satisfaction is carried out for every business unit and subsidiary, in order to identify strengths and weaknesses, by evaluating the percentage of supply and on-time delivery, by reviewing customer returns and claims and executed audits. ILPEA evaluates its performances also by sending to each customer a client satisfaction survey about the product and delivery service quality.

Internal ad-hoc departments meticulously review the results obtained and implement corrective actions where needed. Subsequently, periodic monitoring is carried out to ensure the effectiveness of the action plan. Periodically, the Group undergoes assessments of its performance, encompassing delivery time, product quality, service management, flexibility, and sustainability. Regarding sustainability, ILPEA is dedicated to transparently communicating its ESG performances



Benefiting from its global presence, the Group is established in all the locations of its main customers, enabling cost-effective and timely efficient deliveries

to all customers, to guarantee the sustainability of the products and services offered and to develop new components and solutions, that align with high standards of social and environmental responsibility, keeping the Group at the forefront of market trends.

Community Impact and Development

Partnerships, sponsorships of local associations and initiatives engaging local communities are in place throughout the whole ILPEA Group. As far as membership associations are concerned, ILPEA is an active member and participates to the following associations:

- BEYSAD- White Goods Suppliers Association (Velimese, Turkey);
- Federazione Gomma Plastica (Malgesso and Orcenico, Italy);
- Chamber of Commerce (Lipetsk, Russia);
- MEIBC – Metal and Engineering Industries Bargaining Council (Isithebe, South Africa);
- Ilembe Chamber of Commerce (Isithebe, South Africa);
- Camara de Comercio de Espana en Marruecos (Tangeri, Morocco);
- Association des Investisseurs de la Zone Franche d'Exploitation (Tangeri, Morocco);
- Federation de l'Automobile (Tangeri, Morocco);
- Chamber of industry transformation (Monterrey, Mexico);

- AMAC and CANACINTRA (Juarez Mex, Mexico).

The Group is aware of the influence of its operations on the community, and as a result, it has consistently promoted partnerships, launched initiatives, offered sponsorships, and provided various forms of support to a range of projects. These efforts aim to enhance the overall welfare of the communities in proximity to its operational facilities.

Highlights at local level

With regards to sustainable initiatives, it is worth noting that the Group gladly promotes the opportunity of taking part to sustainable initiatives with local community. To date, 16 of its manufacturing plants are involved in local sustainable initiatives, with a wide range of activities, such as but not limited to the following projects:

- In the **US**, plants have started to implement sustainable initiatives in favor of the local communities. The Anderson plant has started a project to recycle scraps production with a disability center, which offers work opportunities to less fortunate local individuals. At the **Aurora plant**, employees participate to community services, while at the **Hartselle** and at the **Scottsburg plants**, employees organize fund raising and donations for the local schools or the local nursing homes. All

the plants offer additional vacation days to those employees who are involved in these activities.

- The **Celaya plant, in Mexico**, organizes events to promote the education of the workers' families. During these occasions, the Company not only promoted children education and tried to understand which are the difficulties that families face daily but donated also school supplies.

- At the ILPEA **plant in Romania, in Pitesti**, the Company has organized a "green day", during which employees and plant managers cleaned the factory area, planted trees, cut the grass, and collected waste, while spending and enjoying some time together.

- In **Italy**, the Group actively promotes community-based initiatives and contributes to the support of no-profit associations and health research projects (i.e. Cancer Research Foundation "AIRC", Research Foundation for rare genetic diseases "Telethon", Association for children in hospital "Il Ponte del Sorriso", etc.).

Conversely, as far as partnerships with schools are concerned, it is worth noting that 14 of ILPEA's manufacturing plants have introduced partnerships with local schools during the 2022 reporting period:

- In the **USA**, the plants are starting various collaborations with local educational institutions to create partnerships and internships programs for students and newly graduated individuals.

- The **Polinya plant, in Spain**, has implemented a series of initiatives with schools and universities to attract students. ILPEA offers internships in different departments of the Company, e.g., in the Product department, or in the R&D offices.

- During 2022, the **Twardogora plant** took part in 3 kinds of cooperations with schools: (a) a long-term partnership with a Secondary school, which consist in a work-school alternation; (b) a short internship for two mechanic technicians; (c) an internship that lasted several months, for students coming from a secondary school.

- The **Ishitebe plant, in South Africa**, provides opportunities for student internships and supports the upskilling of young people.

• The **Tangier plant, Morocco**, has signed partnerships with local universities (National School of Applied Sciences) to participate in annual professional conferences and offer internships to students from different sectors.

• The **Joinville plant, in Brazil**, has entered into an agreement with a school to donate discounts for educational courses. It also joined the “Minor Apprentice” project, which provides technical courses and work experience in factories.

• In **Italy, at the Malgesso and Orcenico plants**, several partnerships took place with local high schools and local universities (e.g. school-work alternation programs or participation in events and open days promoted by the University).

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Supply Chain

For ILPEA Group, sustainability implies also embracing its entire supply chain and continuously engaging with suppliers, who are strategically important for the success of the Group.





ILPEA's supply chain is composed of leading market players in their respective sectors, which have constantly ensured the supply of high-quality products.

Supply Chain

ILPEA's supply chain is composed of leading market players in their respective sectors, which have constantly ensured the supply of high-quality products. Within its worldwide operations, the Group employs both:

- Direct suppliers, namely suppliers of raw materials, components, expendable packaging, utilities (e.g. electricity, natural gas), maintenance repair & operations (of machinery);
- Indirect suppliers, providing other services, such as manufacturing, selling and administrative services including insurance, legal, audit and consulting services.

Responsible sourcing

For the ILPEA Group, sustainability implies also embracing its entire supply chain and continuously engaging with its suppliers, who are strategically important for the success of the Group. In order to actively contribute to sustainable development, it is necessary to guarantee sustainability, not only internally throughout operations, but along the entire supply chain.

ILPEA's Supplier Code of Conduct sets out the ethical values and principles that define the Group's sourcing practices and that apply to all its suppliers and business partners. As stated in this Code, ILPEA selects

suppliers not only based on quality and competitiveness of products and services, but also on the socio-environmental performance and adherence to ethical values and responsible business conduct. Indeed, compliance with national and international regulations on ethics and human rights is a pre-requisite for becoming a supplier of ILPEA and maintaining a long-lasting collaboration.

Furthermore, ILPEA has recently implemented a Conflict Minerals Policy throughout its subsidiaries, whose purpose is to formally outline the principles that the Group undertakes to guarantee a responsible and "conflict free" procurement of materials, to assess and mitigate the risks associated with conflict minerals (e.g. tin, tantalum, tungsten, and gold, also known as 3TG) and to prevent human right abuses and the financing of armed groups, are defined.

ILPEA's suppliers are required to ensure that the procurement of materials complies with the principles set within the above-mentioned policies. As a matter of fact, ILPEA has introduced a specific clause regarding ESG criteria in all purchase orders.

In the selection process of suppliers, ILPEA, through its dedicated departments, evaluates the following criteria:

1. Product quality and safety;
2. Reliability;

-
3. On-time delivery;
 4. Compliance with delivery terms and quantity;
 5. Financial viability.

In terms of quality, suppliers are periodically evaluated based on:

- Product incoming conditions;
- Presence of dangerous materials and substances, of which the Group must be timely informed;
- Treatment of defective parts and implementation of corrective actions;
- Implementation of a quality management system in accordance with applicable quality standards, such as ISO 9001:2015 and IATF 16949:2016.

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Human Rights

Guaranteeing the protection of human rights is one of the fundamental principles of ILPEA's business and sustainability strategy. For this reason, a Human Rights Policy, whose purpose is to set out the fundamental principles that ILPEA respects, has been developed and implemented throughout the Group and approved by the Board of Directors in December 2022.



Commitment to human rights protection

The Group's commitment to human rights preservation is guided by various standards and regulatory requirements on these issues, applicable at national and international level, such as, but not limited to, the European Convention on Human Rights, Human Trafficking Prevention Act, United Nations International Charter of Rights, Universal Declaration of Human Rights, ILO (International Labor Organization) standards etc.

ILPEA is committed to safeguarding and upholding human rights in all its activities. This commitment is demonstrated by prohibiting any form of harassment or violence and actively promoting inclusivity, diversity, and equal opportunities. It extends to the selection and hiring processes and continues throughout the entire duration of the employment relationship. In addition, the Group ensures occupational health and safety, offers favorable working conditions, provides fair compensation and guarantees the payment of a living wage to its employees. ILPEA has also a strict policy against any form of child labor, forced labor, or human trafficking.

The Group actively promotes awareness of human rights issues; internally, all employees are informed on the existence of the Human Rights policy during the onboarding phase and through periodic training activities on ethical issues and on human rights with the



incidents of
discrimination

objective of encouraging all employees to operate in such a way as not to violate basic human rights and the principles set in the above-mentioned policy. External parties can easily access the policy on ILPEA's website.

ILPEA has developed a Whistleblowing tool, which allows the whole corporate population to report ethical and human rights concerns, while respecting the privacy and the anonymity of the person who made the complaint. As provided by its whistleblowing procedure, employees are strongly encouraged to report any suspected human rights violation or any situation that may give rise to human rights abuses. All the plants promote an open-door policy, which means that the employees should feel free to report situation of discomfort that may have suffered. During the reporting period, zero incidents of discrimination were recorded throughout the whole Group.

Human Rights along the supply chain

ILPEA requires a commitment to human rights protection along its supply chain. For this reason, procurement of materials or components is prohibited if it causes human right violations, especially in areas deemed mostly at risk, for instance conflict areas. ILPEA carries out adequate risk assessments, specifically on human rights risks related to production and sourcing, with the objective to proactively prevent and mitigate its impact on human rights.

Appendix



Key Metrics



Performance Indicators - GRI 2-7 Employees

Employees by type of contract	Men		Women		Total	
	2021	2022	2021	2022	2021	2022
	Permanent contracts	2,595	2,689	1,873	1,891	4,468
Fixed term contracts	81	93	78	61	159	154
Non-guaranteed hours employees	-	-	-	7	-	7
Total number of employees	2,676	2,782	1,951	1,959	4,627	4,741
% Permanent contracts	97%	97%	96%	97%	97%	97%
% Fixed term contracts	3%	3%	4%	3%	3%	3%
% Non-guaranteed hours employees	0%	0%	0%	0%	0%	0%

	Permanent Contracts		Fixed term contracts		Non-guaranteed hours employees		Total	
	2021	2022	2021	2022	2021	2022	2021	2022
Italy	480	475	5	4	-	-	485	479
Germany	43	41	-	-	-	-	43	41
Spain	277	269	1	-	-	-	278	269
Morocco	483	646	-	-	-	-	483	646
South Africa	51	48	-	-	-	-	51	48
Romania	94	89	8	12	-	-	102	101
Hungary	94	92	-	-	-	-	94	92
Poland	306	282	94	87	-	7	400	376
Russia	104	75	-	-	-	-	104	75
USA	1,259	1,211	-	37	-	-	1,259	1,248
Argentina	22	45	8	-	-	-	30	45
Brazil	468	456	9	8	-	-	477	464
Mexico	487	546	34	6	-	-	521	552
Turkey	300	305	-	-	-	-	300	305
Total	4,468	4,580	159	154	-	7	4,627	4,741

Employees by type of employment	Men		Women		Total	
	2021	2022	2021	2022	2021	2022
Full-time	2,649	2,745	1,889	1,897	4,538	4,642
Part-time	27	37	62	62	89	99
Total number of employees	2,676	2,782	1,951	1,959	4,627	4,741
% Full time	99%	99%	97%	97%	98%	98%
% Part-time	1%	1%	3%	3%	2%	2%

	Full time		Part time		Total	
	2021	2022	2021	2022	2021	2022
Italy	457	452	28	27	485	479
Germany	41	39	2	2	43	41
Spain	270	268	8	1	278	269
Morocco	483	646	-	-	483	646
South Africa	51	48	-	-	51	48
Romania	102	101	-	-	102	101
Hungary	90	87	4	5	94	92
Poland	399	373	1	3	400	376
Russia	103	74	1	1	104	75
USA	1,239	1,216	20	32	1,259	1,248
Argentina	29	45	1		30	45
Brazil	453	436	24	28	477	464
Mexico	521	552	-	-	521	552
Turkey	300	305	-	-	300	305
Total	4,538	4,642	89	99	4,627	4,741

GRI 2-30 Collective bargaining agreements

	u.m.	2021	2022
Number of employees covered by collective bargaining agreements	n°	2,413	1,469
Total number of employees		4,627	4,741
Percentage of employees covered by collective bargaining agreements	%	52%	31%

GRI 405-1 Diversity of governance bodies and employees

	Men		Women		Total	
	2021	2022	2021	2022	2021	2022
Employees (head count at the end of the fiscal year)						
Management	170	145	53	39	223	184
< 30 years old	3	1	4	6	7	7
30-50 years old	80	73	34	23	114	96
> 50 years old	87	71	15	10	102	81
White collars	501	518	317	338	818	856
< 30 years old	113	101	74	77	187	178
30-50 years old	244	274	168	181	412	455
> 50 years old	144	143	75	80	219	223
Blue collars	2,008	2,119	1,585	1,582	3,593	3,701
< 30 years old	641	730	445	409	1,086	1,139
30-50 years old	945	955	839	869	1,784	1,824
> 50 years old	422	434	301	304	723	738
Total	2,679	2,782	1,955	1,959	4,634	4,741
< 30 years old	757	832	523	492	1,280	1,324
30-50 years old	1,269	1,302	1,041	1,073	2,310	2,375
> 50 years old	653	648	391	394	1,044	1,042

GRI 404-3 Percentage of employees by receiving regular performance and career development reviews

	Men		Women		Total	
	2021	2022	2021	2022	2021	2022
Percentage of employees evaluated on performance and career development						
Management	74%	73%	66%	77%	72%	74%
White collars	56%	66%	57%	65%	56%	66%
Blue collars	53%	44%	54%	51%	53%	47%
Total	55%	50%	54%	54%	55%	52%

GRI 302-1 Energy Consumption with the organization

Energy Consumption (kWh)	2021	2022
Direct energy consumption		
From non-renewable sources		
Natural gas	114,564,775	115,841,005
Diesel	179,134	207,825
LPG	3,912,915	3,466,424
From company owned vehicles		
Petrol	2,015,211	2,023,667
Diesel	1,640,976	1,585,551
LPG	179,835	314,054
From renewable sources		
Photovoltaic	-	374,892
Total direct energy consumption	122,492,846	123,813,419
Indirect energy consumption		
Electricity		
From non-renewable sources	124,606,253	122,630,687
From renewable sources	-	-
Total indirect energy consumption	124,606,253	122,630,687
Total energy consumption	247,099,099	246,444,105

GRI 305-1 Direct (Scope 1) GHG emissions¹¹ (tCO_{2e})

	2021	2022
From non-renewable sources	22,553	21,939
Natural gas	21,671	21,145
Diesel	42	50
LPG	839	744
From company owned vehicles	891	909
Petrol	463	459
Diesel	389	382
LPG	39	67
Total Scope 1 emissions	23,443	22,849

GRI 305-2 Energy indirect (Scope 2) GHG emissions¹² (tCO_{2e})

	2021	2022
Total Scope 2 emissions location based	48,927	44,903
Total Scope 2 emissions market based	54,127	51,112

GRI 306-3 Waste generated (t)

	2021	2022
Hazardous waste	517	1,080
Non-hazardous waste	9,140	10,967
Total Waste	9,657	12,047

GRI 306-4 Waste diverted from disposal (t)

	2021	2022
Non-hazardous waste	3,600	5,035
Recycling	3,600	4,980
Other (please specify)	-	55
Hazardous waste	15	546
Recycling	15	546
Other (please specify)	0	1
Total waste	3,615	5,581

GRI 306-5 Waste directed to disposal

Waste Directed to Disposal	2021	2022
Non-hazardous waste	5,540	5,933
Landfilling	5,440	4,097
Incineration - with energy recovery	52	112
Incineration - without energy recovery	-	131
Other disposal operations	48	1,592
Hazardous waste	502	533
Landfilling	184	166
Incineration - with energy recovery	161	27
Other disposal operations	158	341
Total Waste Directed to Disposal	6,042	6,466

¹¹ The sources of conversion and emission factors used for emissions calculations are DEFRA 2021, TERNA 2019 and AIB Residual mixes 2020 or DEFRA 2022, where AIB residual mixes are not available.

¹² The sources of conversion and emission factors used for emissions calculations are DEFRA 2021, TERNA 2019 and AIB Residual mixes 2020 or DEFRA 2022, where AIB residual mixes are not available.

GRI 303-3 Water Withdrawals (ML)

	Non-water-stress areas		Water-stress areas		Total	
	2021	2022	2021	2022	2021	2022
Fresh surface water	501	434	-	-	501	434
Groundwater (renewable)	265	93	12	7	277	100
Third-party water	77	79	28	32	105	111
Total Water Withdrawal	843	605	40	39	883	644

GRI 303-4 Water Discharges (ML)

	Non-water-stress areas		Water-stress areas		Total	
	2021	2022	2021	2022	2021	2022
Fresh surface water	761	509	2	1	762	511
Groundwater (renewable)	1	-	7	-	8	-
Third-party water	51	68	26	35	77	103
Total Water discharges	812	578	35	36	847	614

GRI 303-5 Water Consumption

	Non-water-stress areas		Water-stress areas		Total	
	2021	2022	2021	2022	2021	2022
Water Withdrawals	843	605	40	39	883	644
Water Discharges	812	578	35	36	847	614
Water Consumption	31	28	5	3	36	30

GRI 301-1 Materials used by weight or volume¹³ (tons)**Components**

2022

Adhesive Tape	211
Aluminum	199
External Components	10
Generic Components Raw Materials	2
Steel	1
Components	1

Magnetic

Iron Oxide	44,412
Magnetic Carbonate	4,625
Strontium Carbonate	3,599
Generic Magnetic Raw Materials	2,291
Binder	931
Legant	571

Packaging

Plastic Packaging	141
Other Packaging	42
Cardboard Packaging	17
PVC	12,667
PP, ABS, PE	3,267
Polyamide	1,726

Plastic

2022

Plastic Resin	1,361
TPE, TPV	1,295
Colors/Masters & Additive	424
Special Resins	125
Stabilizer	90
Other Plastic Materials	24
Filler	11,712
Plasticizer	8,596

Rubber

EPDM	3,506
Additive & Master	1,186
Synthetic Rubber	487
Thermoplastic Rubber	450
Generic Rubber	279
Vulcanizer	161
Silicon	74
Natural Rubber	60

Totals

Total Materials	104,542
of which renewable materials	17
of which non-renewable materials	104,525

¹³ ILPEA began collecting GRI 301-1 only starting from the current reporting period. 2021 data are not available. Data refers exclusively to the materials that are purchased in kg by ILPEA. The

Group is working towards establishing a data collection system for materials used/purchased in other units of measurements.

Methodology



Methodology

This document is the second edition of the Sustainability Report of the ILPEA Group. It represents an important milestone in the path endorsed by the Group towards a transparent, and open reporting process and disclosure to its main stakeholders of the economic, environmental, social and governance performance of ILPEA.

It comprises a detailed overview of the initiatives, actions and results achieved overtime, as to enhance the creation of shared value among all stakeholders and to progressively integrate environmental, social and governance (ESG) aspects within business activities.

ILPEA's Sustainability Report was prepared in compliance with the most widely used and recognized reporting standards for sustainability reporting, the 'Global Reporting Initiative Sustainability Reporting Standards' (hereinafter 'GRI Standards') issued in 2021 by the Global Reporting Initiative according to in accordance option. For additional information, please refer to the 'GRI Content Index'.

In order to identify the report content, ILPEA considered the principle of materiality, going through a materiality analysis process, aimed at the identification of the material topics from an economic, environmental, and social perspective for the Group and its stakeholders,

considering the impacts on the economy, environment, and people, including impacts on their human rights across the Group's activities and business relationships and along its entire value chain. For a more detailed understanding of the process, please refer to the 'Materiality Analysis' section.

All the information comprised within this Report enables stakeholders to form a complete and reliable opinion of the sustainability context in which the Group operates and of ILPEA's main impacts, from an economic, social, and environmental perspective.

Directly measurable qualitative and quantitative indicators have been selected and associated with each material topic. For some of the material topics, it was not possible to identify GRI standards that best represented the issue, thus for these cases, only GRI 3-3 | Management of Material Topics is provided. For additional information on the GRI standards reported, please refer to the 'GRI Content Index'.

The Group underwent a structured and concise reporting process, that led to the disclosure of its second Sustainability Report, which entailed:

- The involvement of all Group's subsidiaries and corporate functions and the identification of personnel, responsible for data and information collection at a local level;

- The collection of quantitative and qualitative data through an ESG Reporting platform, accessible by all Group entities; this platform, which was implemented by the whole Group during the reporting period, enabled ILPEA to improve, refine and speed up its sustainability reporting process, ranging from data insertion, collection, validation to data aggregation and KPIs calculation.

This system was specifically designed to meet the requirements of the GRI standards, while allowing for data collection at plant level and data aggregation at HQ level;

- The aggregation and consolidation of quantitative data and the review of qualitative information;
- The preparation of this Sustainability Report, in accordance with the Sustainability Reporting Standards, published by Global Reporting Initiative (GRI) – commonly known as GRI Standards;
- The approval of the Sustainability Report by the Group's Board of Directors on 14/12/2023

The reporting scope is limited to the Parent Company ILPEA Parent Inc, and its subsidiaries, fully consolidated on October 31st 2022, ILPEA Industries Inc. and Industrie ILPEA SpA. The two subsidiaries directly or indirectly exercise control on other subsidiaries, which are included in the scope of this Sustainability Report:

- Industrie ILPEA Espana SA
- ILPEA Sp. z.o.o

- ILPEA GmbH
- ILPEA S. de R.L. de C.V
- ILPEA do Brasil Ltda
- ILPEA Profext Kft
- ILPEA South African Industries (PTY Ltd)
- S.p.A. Garvaplant de Argentina Srl
- ILPEA Ltd. Sirketi
- OOO ILPEA SAR
- Industrie ILPEA Romania SRL
- Hoosier Magnetics
- Holm S.A. de C.V

ILPEA Chile S.p.A., ILPEA Paramount Ltd and Holm KK Extrusions Pvt have not been included in the reporting scope due to their non-significance. Similarly, ILPEA BV has not been included in the reporting scope as it is a holding company.

The data and information comprised within this report refer to the activities carried out by the ILPEA Group during the 2022 fiscal year, from November 1st, 2021 to October 31st, 2022. The reporting frequency is annual.

To provide a more coherent view of the Group's performance, information regarding the 2021 fiscal year (November 1st, 2020 – October 31st, 2021) was provided. No significant changes in reporting took place during the reporting period. Furthermore, during the reporting period, the Group was not subject to significant changes in the operating sector, value chain and/or business relationships.

To ensure data reliability, the use of estimates has been limited to duly reported cases. In addition, some data published in the previous reporting period has been subject to restatement due to an improvement in the calculation methodology and in the accuracy of the data collected or due to the availability of newly updated significant information.

For additional information regarding this Sustainability Report, please contact:
Dr. Vincenzo Siciliano,
V.P. Global Procurement & ESG
sustainability@ILPEA.com.

GRI Index



GRI STANDARD

Disclosure	Location	Omission	Notes
GRI 2: General Disclosures 2021			
2-1 Organizational details	Who is ILPEA, pp.10-15 Methodological Notes pp.86-89		
2-2 Entities included in the organization's sustainability reporting	Methodological Note, pp.86-89		
2-3 Reporting period, frequency and contact point	Methodological Note, pp.86-89		Reporting period: 01.11.2021 - 31.10.2022 / Reporting frequency: Annual / Publication Date: 14.12.2023 Contact Point: Dr. Vincenzo Siciliano, V.P. Global Procurement & ESG, sustainability@ILPEA.com
2-4 Restatements of information	Methodological Note, pp.86-89		2021 data have been partially restated due to an improvement in the accuracy of the data collected.
2-5 External assurance			ILPEA's sustainability report is not subject to external assurance.
2-6 Activities, value chain and other business relationships	Who is ILPEA, pp.10-15		No significant changes in ILPEA's sectors, value chain and other business relationships occurred with respect to the previous reporting period.
2-7 Employees	Performance Indicators, pp.79-85		
2-8 Workers who are not employees		Information unavailable/incomplete	ILPEA is actively working towards establishing a process to gather and disclose data on workers who are not employees.
2-9 Governance structure and composition	ILPEA's Governance, pp.16-25		
2-10 Nomination and selection of the highest governance body	ILPEA's Governance, pp.16-25		
2-11 Chair of the highest governance body	ILPEA's Governance, pp.16-25		The Chairman of ILPEA's Board of Directors is also the CEO of the whole ILPEA Group.
2-12 Role of the highest governance body in overseeing the management of impacts	ILPEA's Governance, pp.16-25		
2-13 Delegation of responsibility for managing impacts	ILPEA's Governance, pp.16-25		
2-14 Role of the highest governance body in sustainability reporting	ILPEA's Governance, pp.16-25		
2-15 Conflicts of interest	ILPEA's Governance, pp.16-25		
2-16 Communication of critical concerns	ILPEA's Governance / Sustainability Governance, pp.18-21		During the reporting period, no critical concerns occurred and were reported to the Board of Directors.

Disclosure	Location	Omission	Notes
2-17 Collective knowledge of the highest governance body	ILPEA's Governance / Sustainability Governance, pp.18-21		
2-18 Evaluation of the performance of the highest governance body	ILPEA's Governance / Sustainability Governance, pp.18-21		
2-19 Remuneration policies	ILPEA's Governance, pp.16-25		
2-20 Process to determine remuneration	CEO's letter to the stakeholder, pp.4-6		
2-21 Annual total compensation ratio		Confidentiality Constraint	
2-22 Statement on sustainable development strategy	ILPEA's Governance / Business Ethics and Integrity, pp. 21-24		
2-23 Policy commitments	ILPEA's Governance / Business Ethics and Integrity, pp. 21-24		ILPEA does not adhere to any authoritative intergovernmental instruments. However, it ensures responsible business conduct through its Code of Ethics and policies.
2-24 Embedding policy commitments	ILPEA's Governance, pp.16-25		
2-25 Processes to remediate negative impacts	Business Ethics and Integrity, pp.21-24		
2-26 Mechanisms for seeking advice and raising concerns	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		
2-27 Compliance with laws and regulations	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		
2-28 Membership associations	Society / Community Impact and Development, pp. 70-72		
2-29 Approach to stakeholder engagement	ILPEA's Sustainability Path / Stakeholder Engagement, pp.33		
2-30 Collective bargaining agreements	People / Diversity, Equity and Inclusion, pp.55-57		
Material Topics			
GRI 3: Material Topics 2021			
3-1 Process to determine material topics	ILPEA'S Sustainability Path / Materiality Process, pp.28-32		
3-2 List of material topics	ILPEA'S Sustainability Path / Materiality Process, pp.28-32		

Disclosure	Location	Omission	Notes
GRI 3: Material Topics 2021			
3-3 Management of material topic	ILPEA's Governance / Data Protection and Cybersecurity, pp.24-25		
GRI 418: Customer Privacy 2016			
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	ILPEA's Governance / Data Protection and Cybersecurity, pp.24-25		In 2021 and 2022, zero substantiated complaints concerning breaches of customer privacy were recorded. Business Ethics & Integrity
Business Ethics & Integrity			
GRI 3: Material Topics 2021			
3-3 Management of material topic	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		
GRI 205: Anti-corruption 2016			
205-2 Communication and training about anti-corruption policies and procedures	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		In 2022, no training and/or communication on anti-corruption policies and procedures took place among governance body members and employees.
205-3 Confirmed incidents of corruption and actions taken	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		In 2021 and 2022 no incidents of corruption were incurred throughout the ILPEA Group.
GRI 206: Anti-competitive Behavior 2016			
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	ILPEA's Governance / Business Ethics and Integrity, pp.21-24		In 2021 and 2022 there were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices. Sustainable Logistics

Disclosure	Location	Omission	Notes
Sustainable Logistics			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Planet / Sustainable Logistics, pp.47		The ILPEA Group has not identified a GRI topic specific indicator related to Sustainable Logistics. However, information compliant with GRI 3-3 is reported.
Waste Management			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Planet / Waste Management, pp.47-50		
GRI 306: Waste 2020			
306-1 Waste generation and significant waste-related impacts	Planet / Waste Management, pp.47-50		
306-2 Management of significant waste-related impacts	Planet / Waste Management, pp.47-50		
306-3 Waste generated	Planet / Waste Management, pp.47-50 Performance Indicators, pp.79-85		
306-4 Waste diverted from disposal	Planet / Waste Management, pp.47-50 Performance Indicators, pp.79-85		
306-5 Waste directed to disposal	Planet / Waste Management, pp.47-50 Performance Indicators, pp.79-85		
Water Management			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Planet / Water Management, pp.50-53		
GRI 303: Water and Effluents 2018			
303-1 Interactions with water as a shared resource	Planet / Water Management, pp.50-53		

Disclosure	Location	Omission	Notes
303-2 Management of water discharge-related impacts	Planet / Water Management, pp.50-53		
303-3 Water withdrawals	Planet / Water Management, pp.50-53 Performance Indicators, pp.79-85		
303-4 Water discharge	Planet / Water Management, pp.50-53 Performance Indicators, pp.79-85		
303-5 Water consumption	Planet / Water Management, pp.50-53 Performance Indicators, pp.79-85		
Energy, Emissions and Climate Change			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Planet / Energy and Emissions / Climate Change, pp.41-47		
GRI 305: Emissions 2016			
305-1 Direct (Scope 1) GHG emissions	Planet / Energy and Emissions / Climate Change, pp.41-47 Performance Indicators, pp.79-85		
305-2 Energy indirect (Scope 2) GHG emissions	Planet / Energy and Emissions / Climate Change, pp.41-47 Performance Indicators, pp.79-85		
305-4 GHG emissions intensity	Planet / Energy and Emissions / Climate Change, pp.41-47		ILPEA's GHG emissions intensity, calculated with Scope 1 and Scope 2 emissions and tons of products sold, equals 0.72 tCO ₂ e / tons of products sold in 2022.
GRI 302: Energy 2016			
302-1 Energy consumption within the organization	Planet / Energy and Emissions / Climate Change, pp.41-47 Performance Indicators, pp.79-85		
302-3 Energy Intensity	Planet / Energy and Emissions / Climate Change, pp.41-47		ILPEA's energy intensity, calculated as its total energy consumption in kWh and tons of product sold, amounts to 2.54 kWh / tons of products sold in 2022.

Disclosure

Location

Omission

Notes

Talent Attraction & Development

GRI 3: Material Topics 2021

3-3 Management of material topic	People / Talent Attraction and Development, pp.57-59		
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GRI 404: Training and Education 2016

404-2 Programs for upgrading employee skills and transition assistance programs	People / Talent Attraction and Development, pp.57-59		
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GRI 404: Training and Education 2016

404-3 Percentage of employees receiving regular performance and career development reviews	People / Talent Attraction and Development, pp.57-59 Performance Indicators, pp.79-85		
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Diversity, Equity & Inclusion

GRI 3: Material Topics 2021

3-3 Management of material topic	People / Diversity, Equity, and Inclusion, pp.55-57		
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GRI 405: Diversity and Equal Opportunity 2016

405-1 Diversity of employees and governance bodies (in terms of age, gender, protected categories)	People / Diversity, Equity, and Inclusion, pp.55-57 Performance Indicators, pp.79-85		
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GRI 406: Non-discrimination 2016

406-1 Total number of incidents of discrimination and corrective actions taken	Human Rights, pp.76-77	In 2022, there were no reports of discrimination incidents.	
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Disclosure	Location	Omission	Notes
Workplace Health & Safety			
GRI 3: Material Topics 2021			
3-3 Management of material topic	People / Workplace Health and Safety, pp. 61-62		
GRI 403: Occupational Health and Safety 2018			
403-1 Occupational health and safety	People / Workplace Health and Safety, pp. 61-62		
403-2 Hazard identification, risk assessment, and incident investigation	People / Workplace Health and Safety, pp. 61-62		
403-3 Management of material topic Occupational health services	People / Workplace Health and Safety, pp. 61-62		
403-4 Worker participation, consultation, and communication	People / Workplace Health and Safety, pp. 61-62		
403-6 Promotion of worker health	People / Workplace Health and Safety, pp. 61-62		
403-5 Worker training on occupational health and safety	People / Workplace Health and Safety, pp. 61-62		
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	People / Workplace Health and Safety, pp. 61-62		
403-9 Work-related injuries	People / Workplace Health and Safety, pp. 61-62		ILPEA has reported data on work-related injuries, high-consequence injuries, and fatalities for employees. Data for external workers are not available.
403-10 Work-related ill health	People / Workplace Health and Safety, pp. 61-62		
Employee Wellbeing & Engagement			
GRI 3: Material Topics 2021			
3-3 Management of material topic	People / Employee Wellbeing and Engagement, pp. 59-61		

Disclosure	Location	Omission	Notes
GRI 3: Material Topics 2021			
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	People / Employee Wellbeing and Engagement, pp.59-61		
Customer Satisfaction			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Society / Customer Satisfaction, pp.69-70		The ILPEA Group has not identified a GRI topic specific indicator related to Customer Satisfaction. However, information compliant with GRI 3-3 is reported.
Community Impact & Development			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Society / Community Impact and Development, pp.70-72		
GRI 201: Economic Performance 2016			
201-1 Direct economic value generated and distributed		Confidentiality Constraint	Data and information needed to compute direct economic value generated and distributed is not publicly available for all Group's companies worldwide.
Product Quality & Safety			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Product / Product Quality and Safety, pp.64-66		
GRI 416: Customer Health and Safety 2016			
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Product / Product Quality and Safety, pp.64-66		During 2022, there were no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services.

Disclosure	Location	Omission	Notes
Innovation & Sustainable Product Development			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Product / Innovation and Sustainable Product Development, pp.66-67		The ILPEA Group has not identified a GRI topic specific indicator related to Innovation & Sustainable Product Development. However, information compliant with GRI 3-3 is reported.
Sustainable Packaging			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Product / Sustainable Packaging, pp.67		
GRI 301: Materials 2016			
301-1 Materials used by weight or volume	Performance Indicators, pp.79-85		ILPEA began collecting GRI 301-1 only starting from the current reporting period. 2021 data are not available. Data refers exclusively to the materials that are purchased in kg by ILPEA. Indeed, for the current reporting period ILPEA has exclusively reported materials purchased by weight. To comply with GRI requests, the Group is actively working towards establishing a data collection system as to collect data for materials used and to measure materials used in other units of measurements (volume, number etc.).
Circular Economy			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Product –Innovation and Sustainable Product Development, pp.66-67		
GRI 301: Materials 2016			
301-2 Recycled input materials used			ILPEA does not use recycled input materials.

Disclosure	Location	Omission	Notes
Responsible Sourcing			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Supply Chain / Responsible Sourcing, pp.74-75		During 2022, no new suppliers were screened on environmental criteria.
GRI 308: Supplier Environmental Assessment 2016			
308-1 New suppliers screened on environmental criteria			During 2022, no new suppliers were screened on social criteria.
GRI 414: Supplier Social Assessment 2016			
414-1 New suppliers screened on social criteria			
Human Rights			
GRI 3: Material Topics 2021			
3-3 Management of material topic	Human Rights, pp.76-77		The ILPEA Group has not identified a GRI topic specific indicator related to Human Rights. However, information compliant with GRI 3-3 is reported.

2022 Sustainability Report
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