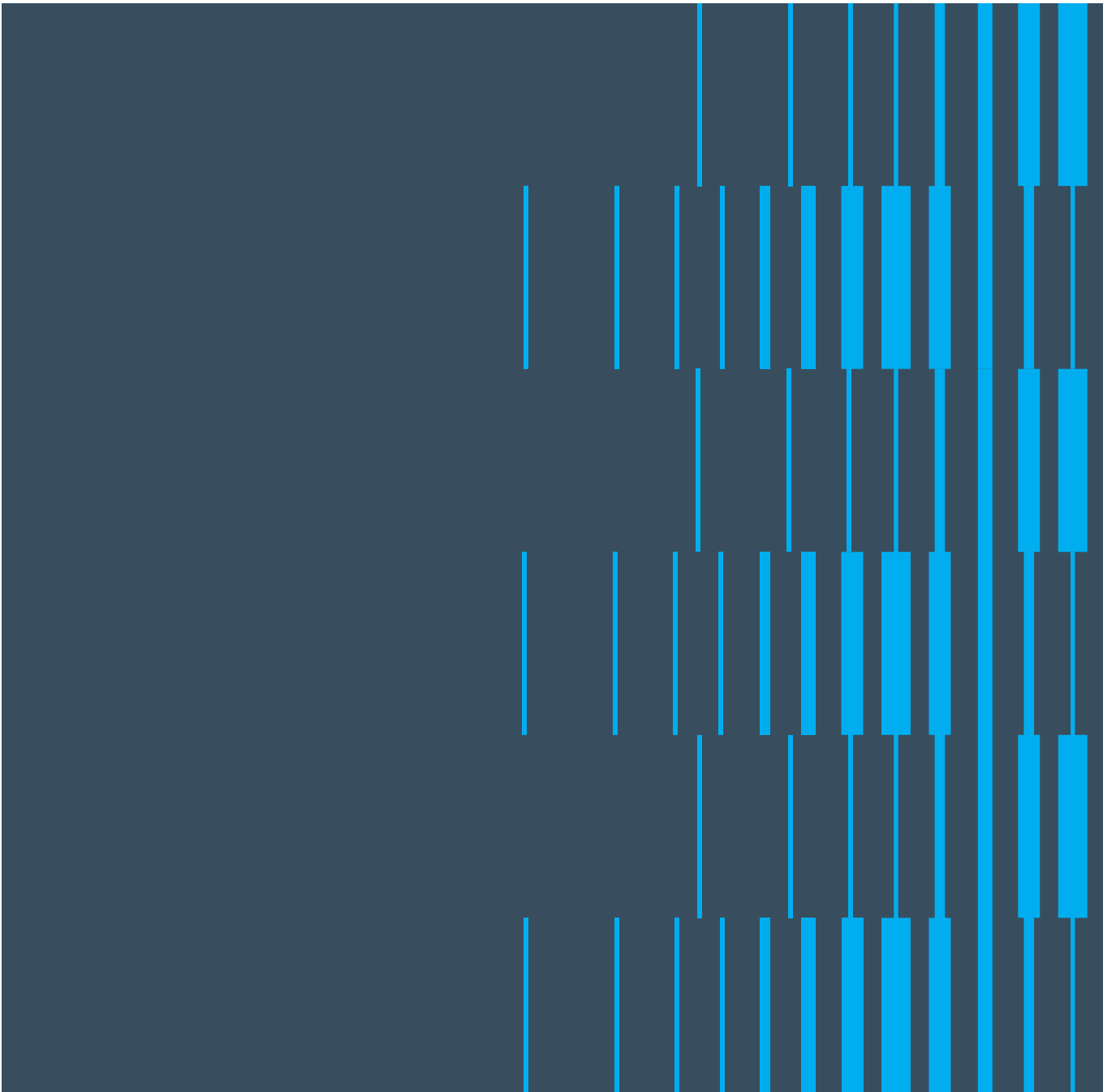


# SUSTAINABILITY REPORT

## 2022



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# 1. Introduction

PUNCH Torino S.p.A. is located in Europe, Italy, Piemonte, Torino. It was founded in 2005 with 80 employees as General Motors Powertrain-Europe after the JV Fiat-GM Powertrain was dismissed. The Headquarter was located into the 'Cittadella Politecnica' (Campus Universitario) in 2008, and grew up to about 700 employees within 10 years. On February 2020 it was bought by PUNCH Group and changed its name to PUNCH Torino S.p.A.

PUNCH Torino S.p.A. (hereinafter "PUNCH Torino") is 100% owner of two start-ups, TO.TEM S.r.l. and AITEM S.r.l., while the companies PUNCH Hydrocells S.r.l. and PUNCH Softronix S.r.l. are under the same control of PUNCH Torino. These latter four companies are called together "Affiliated". The current Sustainability Report represents the 2022 achievements of all 5 companies, together defined as PUNCH Torino and Affiliated or Companies.



The Companies' mission is to lead the engineering of innovative propulsion and control systems to realize turnkey solutions, thanks to its skills in development, production, integration of proven technologies, systems, and processes.

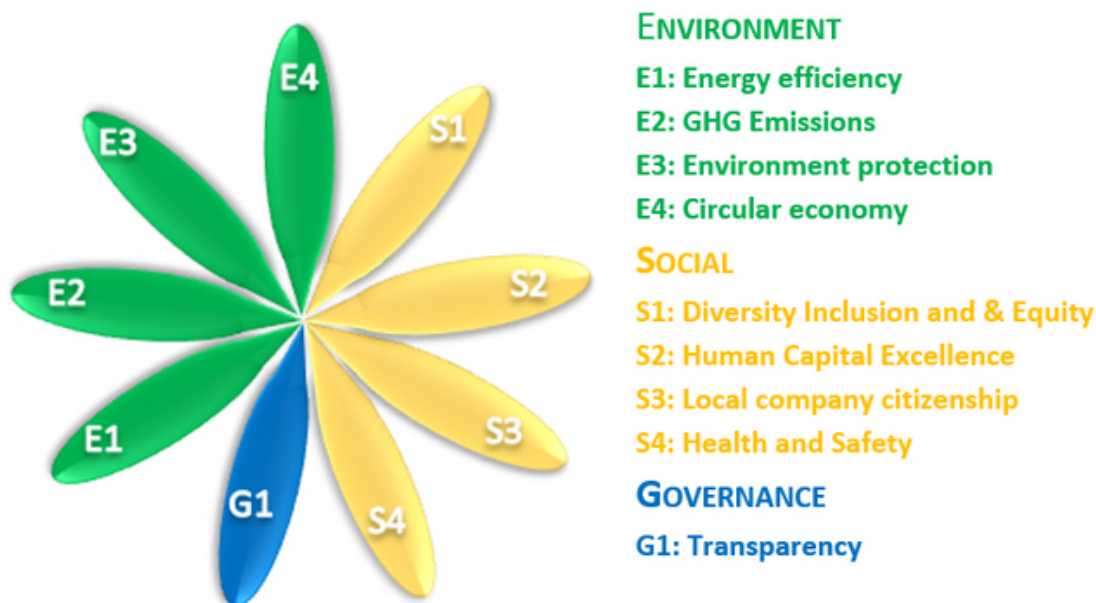
In October 2020, PUNCH Torino expanded its role in the market, founding the two start-ups to embrace the world of e-mobility and of innovation: TO.TEM that produces, designs and sells innovative vehicles for micro-mobility and AITEM that develops artificial intelligence applications.

In June 2021 PUNCH Hydrocells was founded, a new Company dealing with hydrogen projects.

In January 2022, PUNCH Softronix saw its birth to develop and validate control units using the most advanced technologies known.

PUNCH Torino and Affiliated aim to integrate sustainability in their common strategy and processes to anticipate the social and environmental challenges ensuring long-term growth both for the Companies, but most importantly for society.

This Report, available on PUNCH Torino’s website (<https://www.punchtorino.com/>), explains the sustainability strategy that PUNCH Torino implemented within 2022. It has been prepared in accordance with the Comprehensive option of the latest GRI Standard.



**ENVIRONMENT:** environmentally sustainable product design, resources saving, improvement and efficient usage of energy, while lowering pollutant emissions and amounts of waste.

**SOCIAL:** diversity, inclusion, and equal opportunities: promotion of diversity, to eliminate gender bias, and support equal opportunity. These principles apply equally to recruitment, opportunities for advancement, and remuneration policies.

People’s health, safety and development: involving both prevention of physical and mental harm, and promotion of workers’ health. Training and upgrading employee skills, and performance and career development reviews.

**GOVERNANCE:** Attracting high skilled and young talents by running socially responsible work environment, anti-corruption and Code of Conduct.

Additional references:

- United Nations Sustainable Development Goals (SDG)
- H&S Internal procedures
- Environment Policy
- 231/01 Organizational Model
- PUNCH Torino and Affiliated code of conduct
- Code of Ethics

PUNCH Torino and Affiliated aim to establish an ongoing dialogue with a wide range of stakeholders involved within this report. They include non-governmental organizations, universities, regional government, banks, credits institutes, customers, suppliers, media.

A successful implementation of these policies requires PUNCH Torino and Affiliated to be fully actively involved at all levels: managers, employees, and business partners, both individually and collectively.

## 1.1 Leadership message



*In the ever-evolving landscape of the automotive industry, the past few years have presented us with challenges that none of us could have predicted. Yet, amidst these turbulent times, one thing remains constant: our unwavering commitment to sustainability.*

*The automotive sector has always been a dynamic force, pioneering innovations that have reshaped the way the world moves. Today, as we face environmental and social challenges of unprecedented magnitude, our industry's role in driving sustainable change has never been more essential.*

*As leaders in the automotive sector, we find ourselves grappling with the task of translating sustainability into tangible, day-to-day activities. There is a pressing need for improved integration of relevant sustainability Key Performance Indicators (KPIs) into our performance management systems. Furthermore, the collection, management, and analysis of sustainability data often prove to be complex and daunting endeavours.*

*But let me be clear: we are not alone in this journey. The road to sustainability is not one we can run across in isolation. It is a collective mission, a global endeavour, and a shared responsibility. I look forward to continuing open engagement and dialogue with our valued partners and stakeholders as we work tirelessly to enhance our environmental, social, and economic performance not only in 2023 but far beyond.*

*Sustainability is not merely a goal: it is the very essence of our organizational purpose. It is embedded in our DNA, and it guides our actions every day. To this end, I would like to highlight three significant aspects that underscore our commitment to sustainability:*

*Decarbonization of Operations and Products: In the spirit of the “European Green Deal” and its intermediate target, “Fit for 55,” we are fully committed to reducing our carbon footprint. This means embracing technologies like Hydrogen fuelled internal combustion engine and exploring innovative solutions to make our operations and products more environmentally friendly.*

*Diversity and Inclusion: We recognize that diversity and inclusion are not just buzzwords but fundamental corporate values. Embracing diverse perspectives and fostering an inclusive workplace is not just an ethical imperative, but it also fuels innovation and drives positive change within our industry.*

*Support for a Just and Respectful Transition: our circular economy initiatives, such as the re-powering of fleets, seek to revitalize vehicles and contribute to a more sustainable, environmental-friendly economy by extending the life of our products. With trade associations, we are struggling to propose the creation of an Italian law to allow the introduction of modern hydrogen technology in existing vehicles, with the aim of anticipating the introduction of ZERO CO<sub>2</sub> technologies on the Italian market before 2035, without the need to renew the entire circulating fleet.*

*In conclusion, sustainability is not an option for us; it is a strategic imperative. It is a call to action that transcends borders and industries. As leaders in the automotive sector, we have a profound role to play in shaping a future that is not only greener and cleaner but also more inclusive, respectful, and resilient.*

*Pierpaolo Antonioli*  
PUNCH Torino CEO

## 1.2 The materiality matrix

Our materiality analysis aims at identifying and assessing the relative importance of key sustainability topics for their impact on our ability to create value and for their relevance to stakeholders and to PUNCH Torino and Affiliated's Leadership. The outcomes of the materiality assessment inform about our strategy and the content to be implemented.

We have followed a three steps process: a first step related to the identification and mapping of the most important activities and stakeholders, subsequently we have prioritized their importance for the PUNCH Companies and, as last step, we focused on defining the outcomes.



The result of this process is the materiality matrix shown below; it represents the most relevant areas for the PUNCH companies in terms of sustainability, to be prioritized and covered in the following years according to the sustainability strategy.



## 2. Environmental

PUNCH Torino and Affiliated care for the environment and continue to put their efforts in those 4 main key topics came out from Environmental risk assessment based on materiality matrix:

- GHG Emissions
- Energy Efficiency
- Environment protection - water efficiency and waste management
- Circular economy

PUNCH Torino highlights its commitment in environmental topics also in its Organizational Model 231/01 aimed at preventing company crimes that includes the special part H, on environmental crimes. Affiliated, although engaged in environmental topics, will implement their own Organizational Model 231/01 in 2023. The Special Part H sets a series of objectives based on Environmental Policy signed by PUNCH Torino as an employer and shared among the whole company personnel.

Every year, the site checks the legal environmental compliance to understand weaknesses and strengths of activities performed in company premises.

### How we protect the environment

Since its foundation, PUNCH Torino cares about environmental changes that are destroying our planet. Since the foundation of the Affiliated, they joined the environmental perspective and engagement of PUNCH Torino.

The impact of humans on earth and the rising demand of energy are having visible negative consequences on climate, land, and water.

With the urgent issue of a more sustainable society, decarbonization has become a moral engagement for every responsible business. Reducing emissions is the core target and it is connected to many other areas of environmental management, such as energy, water, waste, and people engagement. Our direct impact on the environment derives mainly from testing the activities that have a certain degree of consequences on the environment by using natural resources and producing air pollution and wastes.

### Areas of Focus

PUNCH Torino and Affiliated strive to make a positive impact in the 4 main environmental challenges it is facing.

Decarbonization – reducing our carbon footprint by driving down emissions in our testing operations, perfecting the implementation of alternate fuels and selecting suppliers committed to the sustainable cause. Innovation in sustainability also passes through the production of a new-born 3-wheel kick-scooter aimed at reducing city vehicular traffic.



This kick-scooter has been fully designed by a young team of development engineers.

Energy efficiency - reducing the amount of energy required for our operations.

Water efficiency – making rational use of water resources in both operation and daily use, to reduce water consumption and wastewater discharge. PUNCH Torino will investigate the possibility to re-use discharge water for internal cleaning.

Waste management – optimizing internal processes to reduce the amount of waste produced and correctly manage waste to become a landfill free company.

## PUNCH Torino and Affiliated Approach

To achieve a truly meaningful change, we consider the impacts of our activities on the environment. The key elements are:

- compliance with legislation,
- waste management,
- air and noise monitoring,
- investment in the best available technology
- to manage our processes and reduce carbon footprint.

We monitor performance, developing preventive actions to meet the growing expectations of customers and employees towards sustainability.

Our Environmental and Purchasing & Supplier Quality Departments make sure that our environmental management commitment is clear to every stakeholder, including employees and partners. They are supported by a set of fundamental operational procedures on key environmental topics, such as gap analysis, action plans, engagement, knowledge building and best-practice sharing.

## 2.1 Challenge E1: Energy Efficiency

### COMMITMENT

PUNCH Torino and Affiliated believe in becoming more efficient in the next years, by implementing new solutions to save energy and increase the percentage of renewable energy employed. This goes in parallel to the main worldwide focus on environmental protection for future generations, natural resources, and the whole planet.

### OBJECTIVES

PUNCH Torino and Affiliated have set objectives in matter of electricity and heating, analysing their own environmental performance, and increasing Test Bench efficiency in order to decrease the total consumption.

PUNCH Torino and Affiliated will continue to promote energy saving initiatives, balancing both economic and sustainable factors, through the continuous monitoring of energy consumption equipment, machines and systems as well as involving key-employees in the company to create a network cooperation and find new solutions or opportunities for the future environmental consciousness.

## ACTIONS AND RESULTS

PUNCH Torino and Affiliated refined the energy monitoring system and consumption tracking system in 2022, so called Power Monitoring Expert (“PME”) system, with the aim to capture potential energy saving areas of intervention.

Since then, organizational energy saving activities have been implemented in PUNCH Torino and Affiliated such as:

- Setting of the switch-on times for lighting system in common areas and in the parking area.
- Setting of compressors working hours and reduction of set point use.
- Setting of ventilation system functioning times and fan coil conditioning circuits working hours.
- Air conditioning set of technical rooms and laboratories (e.g., metrology).
- Setting of chillers operating set and working times.
- Reduction of the switch-on times of the district heating exchangers and temperature lowering from 70 to 55 °C.
- Efficiency improvement intervention (solenoid valves replacement) on the compressed air distribution system and, as a result, restoration of losses on the distribution system.
- Elimination of 12 high-consumption radiators, so that building heating is provided only by fan coils.
- Thermal power plant secondary piping insulation.

The interventions above listed and referred to the sole electricity led to an energy saving, compared to year 2021 of 0.5 GWh: from a 2021 consumption of 8 GWh to a 2022 consumption of 7.5 GWh.

Referencing GRI 302-1, Energy consumption within the organization, PUNCH Torino and Affiliated have four main consumption sources, all deriving from non-renewable sources:

- a) Diesel, used for engine tests.
- b) Hydrogen –considered a non-renewable resource as it derives from methane reforming, and it is used for engine tests.
- c) Electricity, for facilities and operations - it is considered a non-renewable resource because PUNCH Torino and Affiliated did not include renewable sources requirements in the supplier specification.
- d) Heating, for the facilities, from district heating.

Every source has been investigated and analysed to understand the total consumption of the site:

- a) 2022 total diesel consumption: 308.000 kg
- b) 2022 total hydrogen consumption: 8466,9 kg
- c) 2022 total electricity consumption: 7.539.229 kWh
- d) 2022 total heating consumption: 2.965.000 kWh

Converting every single value to Joule, the consumptions to be considered are shown below:

- a) Diesel:  $308000 \text{ kg} * 44.4 = 13.675.200 * 10^6 \text{ J}$
- b) Hydrogen:  $8466.9 \text{ kg} * 130 \text{ MJ/kg} = 1.100.697 * 10^6 \text{ J}$
- c) Electricity:  $7.539.229 \text{ kWh} * 3,6 \text{ MJ/kWh} = 27.141.224 * 10^6 \text{ J}$
- d) Heating:  $2.965.000 \text{ kWh} * 3,6 \text{ MJ/kWh} = 10.674.000 * 10^6 \text{ J}$

So, the total site consumption in 2022 was:  $52.591.121 * 10^6 \text{ J}$ .

According to the GRI 302-3, all energy values must be parameterized to a consistent and unique value, to obtain the energy intensity ratio for the organization. PUNCH Torino and Affiliated have decided to use the total number of test benches running hours as an organization-specific metric to calculate the ratio. This number is equivalent to 81.000 hours in 2022.

The types of energy considered are the ones listed from letter a) to letter d) above referencing GRI 302-1 and they are derived from energy consumptions within the organization.

According to this calculation methodology, the output is 4 different Key Performance Indicators. Heating consumption cannot be related to yearly operational working hours because the main consumption is related to the office building's heating.

## KEY PERFORMANCE INDICATORS

### Total energy consumption

Item	Year 2022
	[J/h]
Energy/hours worked	$649 * 10^6$

### Diesel consumption

Item	Year 2022
	[J/h]
Diesel/hours worked	$169 * 10^6$

Hydrogen consumption

Item	Year 2022
	[J/h]
Hydrogen/hours worked	13,6 *10 <sup>6</sup>

Electricity consumption

Item	Year 2020	Year 2021	Year 2022	
	[MWh/h]	[MWh/h]	[MWh/h]	[J/h]
Electricity/hours worked	0.19	0.2	0.093	335 *10 <sup>6</sup>

## 2.2 Challenge E2: GHG Emissions

### COMMITMENT

PUNCH Torino and Affiliated are oriented towards the development of sustainable mobility and the transition to a zero-emission society, by producing technologies and products that reduce environmental impact.

In addition to the development of internal combustion engines that are compliant with the latest worldwide emission standards, as well as the software development for their control units, PUNCH Torino and Affiliated are developing alternative technologies for carbon-free transportation solutions, such as the Hydrogen internal combustion engine (H2-ICE) and fuel cells.

In terms of the Company's carbon footprint, PUNCH Torino and Affiliated will act to meet the EU Green Deal targets of Carbon neutrality by 2050.

An assessment of direct (Scope 1) and indirect (Scope 2) GHG emission sources is already underway as a first step of a future CO2 emission reduction plan.

Other indirect (Scope 3) GHG emissions are not considered for the time being. In 2023, efforts will be made to evaluate the best methodology for Scope 3 emissions implementation.

### OBJECTIVE

Reduce the intended and unintentional sources of GHG emissions, optimize the development and validation of new engine programs, implement testing activities for lower carbon-intensity fuels, like hydrogen, assess employees' company cars carbon footprint. Determine these emissions every year and prepare a continuous improvement action plan for CO2 reduction and/or compensation measures.

In 2023, the company aims to put in place a series of actions to improve key performance indicators for the high-impact emission areas.

## ACTIONS AND RESULTS

According to the GRI 305-1, **Direct (Scope 1) GHG emissions** from sources directly owned or controlled by PUNCH Torino and Affiliated are the following:

- a) Combustion of fuels in the test benches
- b) Combustion of fuels regarding company pool cars, for the transportation of workers/passengers
- c) Unintentional leaks of HFC emissions from refrigeration equipment

### 1.a) Combustion of fuels in the test benches

Total fuel consumption of PUNCH Torino Labs, PPO and Facilities Operations in the year 2022 is reported in the table below, both for Diesel and hydrogen.

Type of fuel	2022 fuel consumption [l]
Diesel	198.300
Hydrogen	517.000

For Diesel, a fuel density of 0,835 kg/l and a mass factor of 3,14 kgCO<sub>2</sub>/kgDIESEL have been considered. This leads to a total amount of GHG emissions equal to 520 tons CO<sub>2</sub>eq.

In the case of hydrogen, a zero-CO<sub>2</sub> combustion is considered, due to a negligible quantity of CO<sub>2</sub> emissions produced by the H<sub>2</sub>-ICE operations.

### 1.b) Combustion of fuels concerning company pool cars

In 2022, 15 company-owned pool cars were used by employees for business related reasons, travelling a total distance of 156.694 km.

Considering the engine-specific CO<sub>2</sub> emissions (in gr/km) of each car, as declared in the vehicle registration document, this corresponds to a total amount of GHG emissions of 20,8 tons CO<sub>2</sub>eq.

### 1.c) Unintentional leaks of HFC emissions from refrigeration equipment

The total amount of gas leakage from the refrigeration system in the year 2022 is equal to 0,32 tons CO<sub>2</sub>eq. Thus, it can be considered negligible compared to the other two sources.

In summary, Direct (scope 1) GHG emissions for the year 2022 are reported in the table below.

<b>Emission source</b>	<b>2022 / Direct GHG emissions [tCO<sub>2</sub>eq]</b>
Test benches (fuel combustion)	520
Pool cars (fuel combustion)	20,8
Refrigeration system (gas leakage)	0,3
<b>Total</b>	<b>541,1</b>

According to the GRI 305-2, Energy indirect (Scope 2) GHG emissions include the CO<sub>2</sub> emissions from the generation of purchased electricity and heating by PUNCH Torino.

Total electricity consumption of PUNCH Torino and Affiliated site in 2022 is 7,53 GWh. For the calculation of associated GHG emissions, data from the Electricity Maps website are considered, according to which the carbon footprint of electricity consumption in Northern Italy for the whole year 2022 was 369 g CO<sub>2</sub>eq/kWh (direct link to the source: <https://app.electricitymaps.com/zone/IT-NO>).

The resulting GHG total emissions are 2.778 tons CO<sub>2</sub>eq.

Total heating consumption of PUNCH Torino and Affiliated site in 2022 is 2,97 GWh, entirely provided by district heating.

For the calculation of associated GHG emissions, direct data from the heating supplier environmental statement are considered, according to which the carbon footprint of energy production is 281,5 tons CO<sub>2</sub>eq/GWh (direct link to the source: [https://www.gruppoiren.it/content/dam/iren/documents/it/i-nostri-servizi/impianti-di-cogenerazione/moncalieri/2022/DA%20Iren%20Energia%20Moncalieri%202022%20CO\\_NVALIDATA.pdf](https://www.gruppoiren.it/content/dam/iren/documents/it/i-nostri-servizi/impianti-di-cogenerazione/moncalieri/2022/DA%20Iren%20Energia%20Moncalieri%202022%20CO_NVALIDATA.pdf) - Latest available data referring to the year 2021).

The resulting GHG total emissions are 835 tons CO<sub>2</sub>eq.

In summary, Indirect (scope 2) GHG emissions for the year 2022 are reported in the table below.

<b>Emission source</b>	<b>2022 / Indirect GHG emissions [tCO<sub>2</sub>eq]</b>
Electricity consumption	2.778
Heating consumption	835
<b>Total</b>	<b>3.613</b>

## KEY PERFORMANCE INDICATORS

### Test bench emissions

Item	Year 2022
	[gCO <sub>2</sub> eq/l]
Net GHG-emissions <sup>(1)</sup> /fuel consumption <sup>(2)</sup>	727

<sup>(1)</sup> Net GHG emissions = CO<sub>2</sub>eq from test bench combustion – CO<sub>2</sub> emissions saved by compensation projects

<sup>(2)</sup> Fuel consumption = total amount of fuel burned (e.g., Diesel, Hydrogen, and any other alternative fuel)

### Pool car emissions

Item	Year 2022
	[gCO <sub>2</sub> eq/km]
GHG-emissions/km travelled	133

### Unintentional HFC-leakages

Item	Year 2022
	[gCO <sub>2</sub> eq /h]
GHG-emissions/refrigeration operating hours	22

### Electricity consumption

Item	Year 2022
	[gCO <sub>2</sub> eq /kWh]
GHG-emissions/energy consumption	369

### Heating consumption

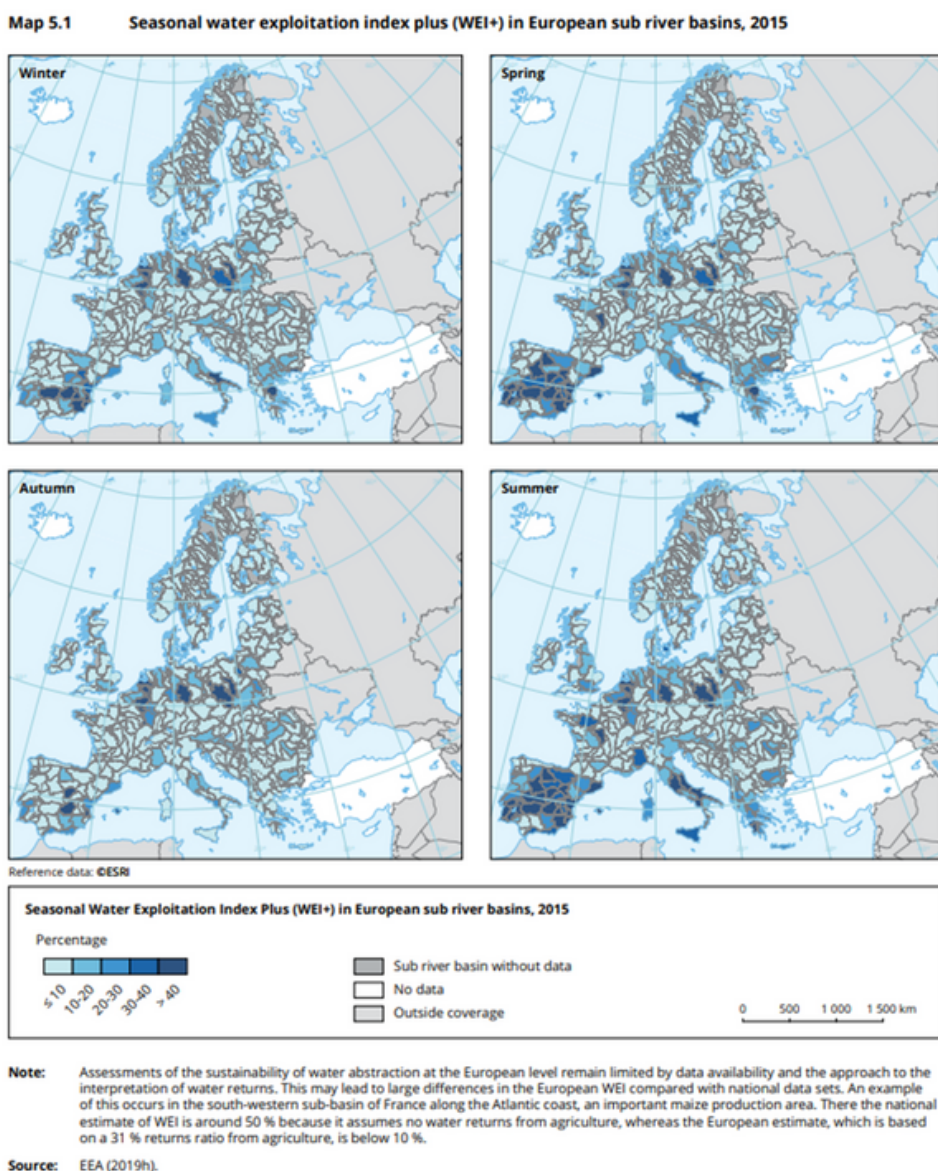
Item	Year 2022
	[gCO <sub>2</sub> eq /kWh]
GHG-emissions/energy consumption	282

## 2.3 Challenge E3 - 01: Environment protection – water efficiency

### COMMITMENT

PUNCH Torino and Affiliated believe in reducing their direct impact on the planet. Water is an essential resource for the life of every existing species, including humankind and its availability and quality are two major priorities for the planet.

The Companies are hosted in a facility in Torino’s city centre, not close to river, lakes, groundwater, or water reservoirs shores. However, Torino is located into the Piedmont region, that is an area with a high-water exploitation index.



**Figure 1:** WEI of Piedmont region by Water resources across Europe — confronting water stress: an updated assessment EEA Report No 12/2021



Despite so, PUNCH Torino and Affiliated are not high-water consumption companies; chemicals are not used in high quantity and water is mainly used for: test benches activities, heating, and air conditioning, cleaning, maintenance, human consumption. PUNCH Torino and Affiliated promote a respectful use of water in the company, through banners and communication campaigns that raise awareness to not waste water.

Despite the Companies are not yet certified for ISO/IEC 14001, they set a series of targets and behaviours to limit water consumption in site and to grant a good water quality for all employees.

To reduce the environmental impact as much as possible, the Companies, through their jointed environmental office, encourage a conscious use of water, and constantly control their consumptions to promptly identify evidence of eventual leakages.

## OBJECTIVE

The main targets on water are:

1. Keeping water consumptions equal to the previous year ones, despite the increase of the number of personnel present in the facilities after COVID-19 impact.
2. Continuously monitoring water systems and promptly intervening in case of leakages.
3. Recycling water that derives from Test Benches before sending it to the sewage system.
4. Preparing a feasibility study to investigate an alternative solution for cooling towers.

## ACTIONS AND RESULTS

PUNCH Torino has inherited a set of procedures and processes to control water quality and expanded their applicability also to Affiliated. On the other hand, water consumptions are constantly monitored to check if there are leakages or issues along the system.

Year 2022 saw a reduction in water consumption, despite the increasing of workload and people back in the building after COVID-19 pandemic, because all water and fire system leakage issues were resolved, and lawn irrigation system was stopped for some months to save water consumptions restricting useless waste.

Today, PUNCH Torino and Affiliated's total water consumption is assumed to be equal to the total water discharge, because only a small percentage of the total withdrawn water is not discharged in sewage system, but disposed of in drums, and another small percentage of water evaporates in the air through cooling towers.

PUNCH Torino and Affiliated safeguard their own employees also conducting yearly measurements of the quantity of pollutants in tap water. Because of the absence of pollutants as well as the presence of some chemical substances within legal limits, tap water is drinkable.

All internal operational systems work in a "closed-cycle" way, so that there is not industrial water discharge into sewage system, therefore it remains "clean" and without any oily or greasy residuals. Polluted water is labelled as hazardous water and disposed at the appropriate treatment facility.

The sole industrial discharges derive from building plants and systems and are mainly represented by condensed cooling tower water directly connected to the sewage system and periodically monitored for pollutants control.

In case of an accidental leakage or environmental incidents, the polluted water is conveyed to an underground oil separator, that separates the solid elements and the oils from the water, avoiding the direct discharge in sewage.

## KEY PERFORMANCE INDICATORS

### Water consumption

Item	Year 2020*	Year 2021*	Year 2022
Water consumption [m <sup>3</sup> ]	43000	33000	30666
Water / TB hours worked [m <sup>3</sup> /h]	0.94	0.83	0.38

\* data affected by pandemic situation and change of business.

### Sanitary Water consumption

Item	Year 2022
Sanitary Water consumption [m <sup>3</sup> ]	4000
Sanitary Water daily consumption [l]/average daily presence [pp]	37

## 2.4 Challenge E3 - 02: Environment protection – waste management

### COMMITMENT

Waste is a major challenge in our industrialized society and must be limited to the strict minimum as well as treated in the best conditions for recycling or disposal. To reduce the environmental impact as much as possible, PUNCH Torino and Affiliated encourage a conscious use of materials, without useless waste, and strives to reach the best percentage of recycling.

PUNCH Torino and Affiliated inputs are mainly derived from testing products such as engine components, equipment, and consumables (chemicals, oils, diesel, coolants) as well as office supplies.

There is not a continuous production cycle, the business is more like a batch production where time is undefined therefore there is not an immediate correlation between inputs and outputs.

Considering outputs, there are two different streams: one related to testing activities and maintenance and one related to offices; both streams are managed offsite, the one related to tests is managed by a third- party plant that collects waste, instead the stream related to offices is managed by the municipal service.

PUNCH Torino and Affiliated have chosen disposal plants authorized by the competent national authority and monitor their compliance in accordance with the legal requirements for the whole contract duration.

Despite PUNCH Torino and Affiliated are not yet ISO/IEC 14001 certified, the Companies have issued a series of procedures and instructions aimed at limiting the environmental impact and managing environmental topics at their best.

### OBJECTIVE

PUNCH Torino and Affiliated's main target is to maintain the actual environmental management, striving to comply to more stringent standards, aiming at reaching the ISO/IEC 14001 certification in the future.

PUNCH Torino and Affiliated encourage employees to create team groups focused on environmental topics, to promote activities aimed at territorial preservation, as well as to raise awareness with colleagues in having a green approach towards the environment.

In this framework, the focal point is to extend life for goods and oppose value decrease for end-life goods.

### ACTIONS AND RESULTS

PUNCH Torino and Affiliated have processes and procedures to control different kinds of waste originated from different sources. Therefore, the mixture of different waste is avoided, in addition periodical audit are conducted to grant a continuous monitoring.

Also training for internal and external personnel are periodically organized to increase sensitivity on this matter.

Waste production:

The below weight data are detected from shipment forms that are linked to each waste shipment to offsite treatment plants. The destination of each stream has been deducted by inquiring our waste management suppliers.

MAIN INDUSTRIAL WASTE STREAMS - CLASSIFICATION	WASTE GENERATED IN TONS	Waste directed to disposal		Waste diverted from disposal	
		% Landfilling (offsite)	% Incineration (with energy recovery) (offsite)	% Recycling (offsite)	% Other recovery operations (offsite)
<b>hazardous waste</b>					
Aqueous washing liquids	17	5%			95%
Engine oils	3,5			100%	
Contaminated packaging	1,3			100%	
Contaminated absorbents, filters	1		100%		
Antifreeze fluids containing hazardous substances	1	5%			95%
Lead batteries	0,7			100%	
<b>non-hazardous waste</b>					
Wooden packaging	11			100%	
Automotive components	11,7	4%		96%	
Electronic equipment	2,8	5%		95%	
Iron and steel	7			100%	
Electric cables	0,8			100%	
Bulky waste	1,6	5%		95%	
<b>Total hazardous waste</b>	<b>25</b>				
<b>Total non-hazardous waste</b>	<b>34.5</b>				
<b>Total industrial waste</b>	<b>55.5</b>				

For waste managed by the municipal service and mainly related to office activities, exact weight data are not available, but an estimation is possible extrapolating occasional weight measures.

In such case, the destination of each stream has been deducted from literature (source: RAPPORTO SULLO STATO DEL SISTEMA DI GESTIONE RIFIUTI - Dicembre 2022 - Osservatorio Rifiuti Metropolitan; Rapporto Rifiuti Urbani – Edizione 2022- ISPRA).

MUNICIPAL WASTE STREAMS	WASTE GENERATED IN METRIC TONS	Waste directed to disposal		Waste diverted from disposal	
		% Landfilling (offsite)	% Incineration (with energy recovery) (offsite)	% Recycling (offsite)	% Other recovery operations (offsite)
<b>non-hazardous waste</b>					
Paper and cardboard	3		7%	93%	
Plastic	4		42%	58%	
Organic	1			100%	
Glass/Metal	>0,1			100%	
Others undifferentiated waste	2		100%		

A significant percentage of waste is composed by plastic packaging in office streams. In late 2022, an agreement with vending machines supplier has been reached to install water dispensers in 2023 to achieve a decrease in plastic bottle use and dispose. In addition, the transition from single-use jerry cans to reusable IBC tanks or drums for chemicals is under investigation in operation areas.

To reduce the amount of paper usage, the company encourages everybody to avoid printing if it's not strictly necessary.

Finally, an independent and non-profit group formed by volunteer employees called PUNCH GREEN has continued to leverage environmental topic to employees' attention for the whole year 2022. Although PUNCH Torino and Affiliated did not actively participate in financing these initiatives, they encourage this group in going ahead and raising awareness on environmental topics, and is currently considering allocating some funds for green initiatives in the future years. Some activities performed during 2022 are:

- Plastic-free initiatives outside working hours to remove plastic from local public areas
- Fundraising program to “adopt a tree”
- Pills about environment to share among company employees.

## KEY PERFORMANCE INDICATORS

### Waste production\*

Item	Year 2020	Year 2021	Year 2022
	[kg/h]	[kg/h]	[kg/h]
Total waste / TB hours worked	1.1	2.07	0.74
Hazardous waste / TB hours worked	0.58	0.93	0.31
Non-hazardous waste / TB hours worked	0.51	1.18	0.43

\* Waste production increasing indicator in 2021 derives from extraordinary activities (eg. inventory and deep cleaning) put on hold during pandemic in 2020.

## 2.5 Challenge E4: Circular Economy

### COMMITMENT

PUNCH Torino and Affiliated initiated the process to investigate potentialities of a Circular Economy approach, to evaluate feasibility and impact in terms of Sustainability. In this direction the first actions were set to introduce Circular Economy strategies as a challenge to reduce CO2 emissions, enhance environmental protection, build financial trust while promoting social impact.

### OBJECTIVES

The Company and its Affiliated aim to develop knowledge on the Circular Economy models and to identify potential actions to develop a plan for the introduction of circular practices within their activities, on both process and product sides. On the long term, the objective is to evaluate the potentiality of repowering to elongate life of existing products.

### ACTIONS AND RESULTS

To create a knowledge baseline on sustainable and circular practices, the company sponsored 2 Industrial PhD programs on Circular Economy for two employees, on both strategic (UniTo) and technical (PoliTo) sides.

The effort spent in 2021 (and previous years) for developing and implementing circular strategies on Additive Manufacturing (AM) technologies and models, aiming at reducing resource consumption and attract potential customers, led up in 2022 to the creation of Madeinadd (<https://www.madeinadd.com/it-it/>), a Joint Venture with Cassa Depositi e Prestiti (CDP) and MIMETE Metal powders, focused on the development of a digital platform to put in contact design, supply and demand for AM.

Other initiatives are linked to PUNCH Hydrocells' (<https://www.punchhydrocells.com/>) products, "supporting energy transition by providing innovative zero-emission hydrogen solutions":

- H2 Internal Combustion Engine (H2ICE): to enhance the progression towards sustainable energy, H2ICE are offered to the market for decarbonizing a wide range of applications (on-highway, off-highway, marine). The model combines the hydrogen with the tested efficiency and convenience of well-established engine technologies, leveraging their wide industrial footprint, skilled workforce, as well as the servicing network.
- Fuel cells: a cross-functional team has been established to investigate potential reuse of water produced by fuel cells tested in our facilities. The idea is to recover the waste (water) collected from the fuel cell operation in the dedicated test bench and use it as input in other process (within or outside the Company).

During the year, a research proposal – embedded within a sponsored PhD activity – has been defined for developing an innovative and sustainable product suitable for a funded project. In this activity towards decarbonization, a new **Design approach** is developed coupling Circular economy with a Carbon neutral Technology, aimed at reframing our standard design process.

The added value will be the implementation of a new design for life cycle and for circular economy through proper methodology, simultaneously assessing environmental impact with other typical engineering KPI (performance, cost, ...).

Another key contribution within the Circular Economy perimeter has been the EU-funded project DREEM (Designing user centric E-kickscooters & business models for Enhancing intermodality) (<https://cordis.europa.eu/project/id/101007085>). PUNCH Torino carried out a comprehensive **Life Cycle Assessment (LCA)** analysis, according to the ISO 14040 methodology, to evaluate the overall environmental impact of the e-kickscooter designed and produced by TO.TEM (<https://www.totemev.com/>). The focus was given on the entire product life-cycle (from cradle to gate): Material extraction and processing, Manufacturing process, Use phase, and End-of-life. With the aim of elongating the product's life expectancy, several Circular Economy models (e.g., maintenance, refurbish, reuse) were finally considered, showing a clear benefit in terms of environmental impact reduction compared to the current linear economy baseline.

In the last years, PUNCH Torino team developed an **Operational Excellence** project to enhance opportunities of a circular economy approach before product's end of life.

Among its business activities, PUNCH Torino uses catalysts for specific testing activities linked to engines. These catalysts contain **noble metals** that are hazardous for the environment if not properly disposed, but precious because they can be reused for other purposes in the worldwide market chain.

Therefore, to preserve the environment and recover these metals for future usage, our company signed a contract with an identified and certified external party in charge to collect catalysts and separate noble metals from the remaining materials differently disposed. This allows us to both protect the environment from potential metal contamination, recycle material and gain economic benefit re-introducing these precious materials in the market.

While reinforcing the strategies linked to our products and our services, we are working to identify **KPIs** specifically linked to the Circular Economy approach to monitor the real impact of these strategies on environment protection.

## 3. Social

PUNCH Torino and Affiliated strongly believe in People as company's asset, whether they are employees, customers, suppliers, or the community surrounding the company.

### 3.1 Challenge S1: Human Capital

There is an underlying connection among economic growth, profitability and the continuous improvement of employees' skills. PUNCH Torino and Affiliated face the big challenge of setting the **human capital as a core company value**.

It is possible to identify two different paths of actions to strengthen this value:

- **Internal**, focusing on the training offer related to business-oriented topics and on promoting job rotation and stretch assignments, to give employees a wider and transversal experience and help them to increase their skills and capabilities
- **External**, investing on the local community through a strong collaboration with secondary schools and universities surrounding the company to promote education and research

#### OBJECTIVES

PUNCH invests in employee training and upskilling as well as continuous improvement of their engagement. Additionally, relations with local Universities and schools are powered by financing, respectively, PhDs and promoting vocational training.

#### ACTIONS AND RESULTS

A big effort has been spent in the upskilling of employees; indeed, the new company business strategies required to develop new skills and capabilities involving the overall organization, both the technical (Programs, Hardware Engineering, Labs & Facilities Operations, ...) and the support Functions, the so-called Business Operations (Administration, Finance and Control, Legal & Compliance, Human Resources, Information Technology).

The training offer included both courses aimed at developing:

- hard skills on thematic areas such as Hydrogen Technology, E-Powertrain, Testing Automation, Engine Development & Validation, Quality, Technical Regulations, Supplier Management Sales & Marketing
- soft skills, through a Leadership training and coaching program to the CEO and the Directors.

Overall, +140 courses have been deployed, involving +500 employees and for a total of about 24000 training hours paid by the company.



Additionally, employees had the chance to carry out training outside the company, by benefiting of paid study leaves (+800 hours in 2022).

With following participation:

Average training hours per employee =	$\frac{\text{Total training hours provided to employees}}{\text{Total number of employees}}$	=	12.6
Average training hours per male =	$\frac{\text{Total training hours provided to male employees}}{\text{Total number of male employees}}$	=	12.7
Average training hours per female =	$\frac{\text{Total training hours provided to female employees}}{\text{Total number of female employees}}$	=	11.9

Average training hours per Executive =	11.0
Average training hours per Manager =	10.7
Average training hours all other category =	12.6

In 2022, PUNCH Torino reinforced its collaboration with Politecnico, Università di Torino and Istituto Europeo di Design signing conventions to fund a total of 7 PhD fellowships, supported 15 internships and 13 thesis projects.

As concerns vocational training, PUNCH Torino activated projects with secondary schools in Torino (Istituto Internazionale Edoardo Agnelli – Salesiani Don Bosco and ITTS C. Grassi) and its province (Liceo Monti di Chieri).

### 3.2 S2: Diversity, Inclusion and Equity

#### COMMITMENT

Diversity in PUNCH Torino and Affiliated is widely represented in terms of gender, age, background, nationality, and interests.

There are +700 employees, about 17% of female, with an average age of 42.1 years, distributed over 10 nationalities. This means a various and multicultural work environment able to promote innovation, forging ideas and fostering company culture.

The Companies' leadership consist of 10% of female presence distributed between Middle Management (17% vs 83% men) and Executives (3% vs 97% men). Thus, while female representation at low and middle levels is fairly stable, reflecting the overall female/male ratio, the Executive board see fewer numbers.

PUNCH Torino sponsors 3 different volunteer **Employee Resource Groups (ERGs)** with different missions but similar scope to value Diversity and concretize Inclusion through an active involvement of employees:

- WIDE – We for Inclusion, Diversity and Equity: a volunteer group of employees whose mission is to create an equal and inclusive workplace to help innovation, promote networking and encourage diversity consciousness through several initiatives and debates.
- PUNCH NOW – Not Only Work: a volunteer group focused on connecting and engaging employees in extra-work activities and events like football, valley and tennis tournaments, trekking, photography contests.
- PUNCH GREEN: a volunteer group of employees whose mission is to support sustainable lifestyles, to encourage awareness and action to protect our environment.

## OBJECTIVES

PUNCH Torino and Affiliated promote initiatives aimed at creating inclusion and providing equal opportunities to all through:

- dedicating a budget to the ERGs to run activities during working hours
- mapping diversity in the company
- enlarging diversity in the workforce

## ACTIONS AND RESULTS

During 2022, several activities have been promoted and executed within the company. The contribution of ERGs increased with the birth of PUNCH GREEN, focused on sustainable lifestyle; moreover, the ERGs came together under the concept of PUNCH PEOPLE, with the common goal to promote inclusion, declined in different facets. PUNCH PEOPLE was officially introduced to the Organization during an All People Meeting, with the aim of highlighting the impact of activities promoted by the ERGs to make our work environment more inclusive; the 3 groups are officially presented during the induction training for new employees. A periodic meeting has been established with HR Director to share ideas, propose new items, escalate in case of roadblocks.

The EGRs worked on several sides:

- WIDE: Enhancement of group scope, enlarging focus from Women to “We for Inclusion, Diversity and Equity” (new meaning of same acronymous WIDE); Periodical newsletter, Yammer column on mighty women, communication pill on Inclusive language, reading group; active contribution to STEM by Women Association and Tavolo IDA (Inclusion and Diversity Association) within AMMA; promotion of International days linked to DEI values through involving activities; sponsored the availability of sanitary pads for PUNCH Torino and Affiliated employees in the infirmary.

- **PUNCH NOW**: re-launch of all indoor and outdoor activities organized during extra-working hours aimed at connecting people and creating a profitable and enjoyable network with colleagues; webinars as an alternative format to classrooms; sport tournaments (tennis, padel, soccer); other activities to increase engagement: photo-walks and photography lessons, wine tasting, summer hiking excursions followed by dinners and convivial moments, kart races driving the newest electric karts
- **PUNCH GREEN**: Office CO2 reduction activities to arise awareness about environment friendly daily activities; creation of a local forest in cooperation with the association of "Paulownia Piemonte" with donations from employees and the company; cooperation with PUNCH Now introducing "green prizes" at company tournaments; agreement with a local honey producer to support small-artisans; communication pills about reuse and recycle; promotion of plastic collection events from Plastic Free Onlus association.

In Fall, the first *Diversity & Inclusion Report* has been released with WIDE support and publicly published (<https://www.punchtorino.com/wp-content/uploads/2023/06/DI-Report-2021.pdf>), as an important step towards PUNCH Torino and Affiliated's inclusion efforts. To make this activity more and more valuable, the Company is committed to perform deeper data collection and analysis in the next releases, as demonstrated by the Diversity & Inclusion report referred to 2022 data and published in Spring 2023 (<https://www.punchtorino.com/wp-content/uploads/2023/06/DI-Report-2022.pdf>).

In December, thanks to the agreement on Art. 14 of the Legislative Decree No. 276/03, PUNCH Torino entrusted general services to Orso Blu – a social cooperative enterprise operating in the Northwest of Italy – allowing seven new people from protected categories to start working in our premises, confirming the Companies' position at the forefront of inclusion policies.

### 3.3 Challenge S3: Local company citizenship

#### COMMITMENT

Since its establishment, PUNCH Torino and Affiliated strive to be a strong player within the local communities of Torino and Piedmont Region, in all their components: institution, academy, and business. Leveraging the already ongoing agreements and collaborations with University of Torino and Politecnico di Torino, both in research and didactic fields, we are committed to execute and further improve them in the next years. In addition, we want to cooperate with local institutions for the development and well-being of the community actively participating in the definition and implementation of the territory development plans.

## OBJECTIVE

To support this, PUNCH Torino and Affiliated will act following two different approaches:

- Academy: PUNCH wants to maintain a strong collaboration with local universities, Istituti Tecnici Superiori (“ITS”) and high schools. With universities, the aim is to support scientific developments through collaborative research and to support the evolution of education offer in line with the new competences required by the energy and ecological transitions. Secondly, PUNCH will offer partnerships to ITS and high schools to help students orientate on how to approach employment, making available our experts for dedicated seminars on professions within our industry sector.
- Local institutions: our engagement with local institutions, focused on several topics on both more general aspects, such as the overall strategic plan of the City of Torino in which we provided insight on the needs and objectives of a multinational company, as well as more focused ones like gender balance and work-life balance for our business sector. We also actively participate in the local industry association, Unione Industriali di Torino, AMMA and Confindustria Piemonte: several colleagues are active in the working groups of the Associations and a few of our managers – including our CEO – hold a position in these associations. Our policy requires that we should keep strengthening such collaborations to support the development and well-being of the community where we are present.

## ACTIONS AND RESULTS

In 2022, PUNCH Torino reinforced its collaboration with University institutions, signing conventions to fund PhD fellowships, internships and thesis projects in the areas of sustainable mobility, micro and nano electronics, advanced materials, innovative simulations methodologies, etc.

As concerns vocational training, PUNCH Torino activated projects with secondary schools in Torino (Istituto Internazionale Edoardo Agnelli – Salesiani Don Bosco and ITTS C. Grassi) and its province (Liceo Monti di Chieri).

In a similar way, an Industrial PhD on Circular Economy is ongoing in 2022 with University of Torino, as well as several internships and collaborations on specific initiatives.

Relations with Institutions and Associations:

PUNCH actively participates in the life of local industry associations and aims at taking more responsibility considering the serving in the governance bodies a duty for larger companies that can bring in the association the wealth of their resources and international networks.

In addition, we have put our expertise at the disposal of local institutions to support the development and implementation of their initiatives to grow the wealth and well-being of the communities.

## 3.4 Challenge S4: Health and Safety

### COMMITMENT

Health and Safety is one of the top priorities for PUNCH Torino and Affiliated. Safety values are what makes our company highly distinguished, not only respecting law requirements, but also implementing ad-hoc initiatives to leverage safety among the company's community. PUNCH Torino is committed to health and safety starting from the Organizational Model 231/01, special part C, aimed at preventing company crimes in the matter of workplace safety.

PUNCH Torino and Affiliated set targets in matter of safety, included all company processes, analysing their own safety performance in every operation.

PUNCH Torino and Affiliated have issued a system, constituted by a series of procedures and instructions aimed at targeting incidents to zero and at improving the employees' mindset towards safety topics. This system is based on the Companies' Health & Safety policy that sets a series of objectives, undersigned by the employer and shared among the whole personnel of the companies.

The perimeter of the system is defined by the responsibilities of Health & Safety protection, that is a field concerning every person who is present in each PUNCH Torino and Affiliated location, and it is represented by a total of 703 employees divided in five companies, 8 temporary employees, 26 interns and about 150 contractors conducting daily activities in site.

It is of outmost importance underlying how contractors of third parties are involved in reaching several health & safety targets.

### OBJECTIVES

For several years PUNCH Torino has dedicated a lot of efforts to become a safe and healthy company, putting employees and contractors' well-being as an important key-factor. Healthy people mean content people who can cooperate and create an important network aimed at business improvement. The main upcoming objectives are:

1. Developing the 231 Organizational Model, special part C Health & Safety for all Affiliated in 2023.
2. Advertise safety as a change of mindset and a principle to be inspired day by day in every activity.
3. The counting of contractors near misses, injuries and incidents (excluding "*in itinere*" ones) will become mandatory as an alarm to understand the potential weaknesses in PUNCH Torino and Affiliated.

## ACTIONS AND RESULTS

PUNCH Torino and Affiliated apply the Legislative Decree 81/2008 in all its parts, starting from a complete customized risk assessment to a workplace hazards identification and related safety measures that are agreed among Health & Safety Manager, Employees' Safety Representatives, Occupational Doctor and Employer.

PUNCH Torino, with the enforcement of the non-mandatory Legislative Decree 231/01, gives the possibility to each employee to communicate new or unknown hazards using the related form that can help the Health & Safety team to solve any possible issues.

The final risk assessment document is a "live" document always updated, not only according to a pre-defined legal frequency, but also based on changes to work organization, the introduction of new equipment and chemicals, new activities, significant injuries, and new medical surveillance checks.

**The target is one: no incident to any person working with us.**

If the legislation sets the ways and methods to report injuries that resulted in at least one day's absence from work, excluding the day of the event, PUNCH Torino and Affiliated decided to track all types of incidents occurring in site and not only the ones required by law.

For PUNCH Torino and Affiliated, also "near misses" and "sentinel events" are considered as incidents.

### **What is a near miss?**

A near miss is every unplanned event that has the potential to cause, but does not actually result in human injury, environmental or equipment damage, or an interruption of normal operations.

### **What is a sentinel event?**

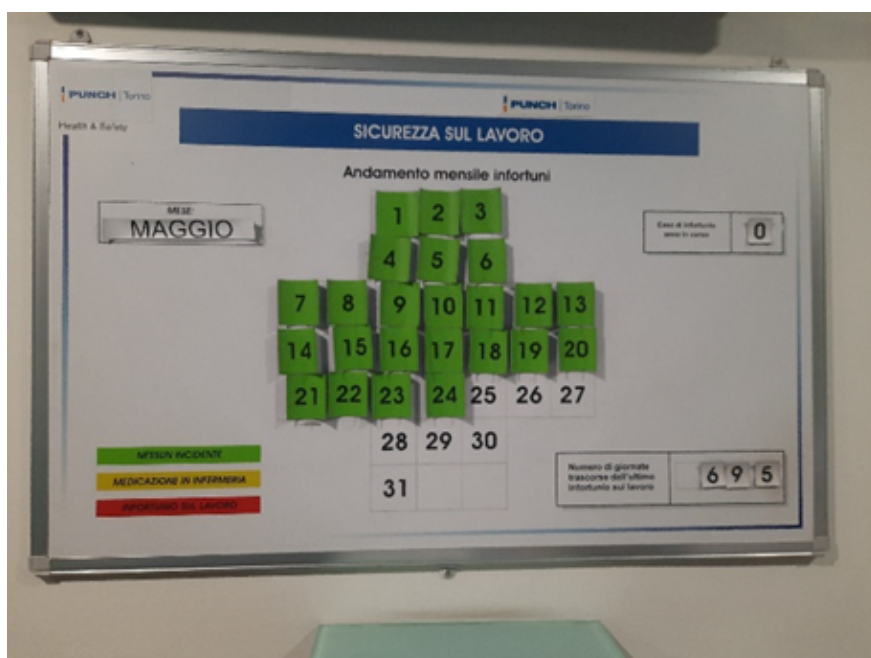
A sentinel event is every unplanned serious event that has the potential to cause but does not actually result in human death.

PUNCH Torino and Affiliated employees' incidents and near misses are monitored, with reports made to the company Prevention and Protection Service by supervisors. These reports are required by the adoption of Organizational and Management Model in accordance with Legislative Decree no. 231/2001, Part C. This report enables PUNCH Torino and Affiliated to ensure an investigation process into the causes that have led to professional incidents or near-misses. The causes are then analysed, and countermeasures identified to prevent the event from recurring.

The tracking of incidents involving contractor workers at PUNCH Torino and Affiliated falls under the responsibility of their respective employers who have the option of transmitting the information to PUNCH Torino Health & Safety Service.

PUNCH Torino and Affiliated are immensely proud of their low incident rate, whose success depends on the company's transparency. So, they make visible to every person entering in site their incident tracking situation through the Green Cross, a sign installed at the reception, just under a TV screen where the main safety instructions are shown, to inform everybody about the number of days without incidents and about the type of incidents occurred (e.g., first aid, incidents). The visual Green Cross is not only a tracking tool but is also a way to make everybody aware of safety and to be proud of being "green".

In 2022, two minor incidents occurred in the testing rooms that did not result in any loss of work hours and 5 near misses involving both testing rooms and interfering with the circulation of vehicles in external areas. Among the 5 near misses, 2 can be considered sentinel events because they are related to vehicle movements. Vehicle potentially can cause death, in case of collision with pedestrians. Fortunately, no work-related illness has ever been tracked since the company's creation.



PUNCH Torino and Affiliated are organized with an Occupational Health Service, as per Legislative Decree 81/08, which is represented by a certified and qualified Occupational Doctor, present once per week in site during working hours and an external health centre that provides specific exams depending on each employees' task (eg. eyesight check, blood examinations, etc...). Depending on the central location of the site, first aid is granted by ER, called in case of need, by frequently trained first-aid personnel whose presence is always granted during each shift. The Occupational Doctor is also involved in specific workplace inspections to analyze all employees' potential risks and suggest health measures. In 2022 PUNCH Torino and Affiliated put in place a digitalized system to preserve employees' privacy, using personal and protected access credential to the online employee's health dossier, to abandon hardcopy and to minimize the risk of personal data loss. Nobody but the Doctor and the employee can access this online sensitive personal data.

Despite PUNCH Torino and Affiliated are in a country (Italy) where public health welfare exists for every individual, the Companies promote health towards the “Metasalute” service that provides a parallel health surveillance with different plans, both for employees and their families. The base plan is mandatory by metal mechanical contract; however, every employee can choose to adhere to one of the additional supplementary health surveillance plans that include additional non-occupational medical and healthcare services. Voluntary health promotion services oversee HR that is the department granting employees’ privacy.

PUNCH Torino and Affiliated also promote the reporting of every potential damage or health and safety issue which they have been aware of, contacting Employees’ Safety Representatives, that cannot suffer any prejudice due to the performance of their duties and are protected by law because they are part of Unions. They can also appeal to competent authorities if the preventive measures adopted by the employer and the means used are not suitable to ensure health and safety during work.

PUNCH Torino and Affiliated train all their employees based on law requirements and according to legal frequency, but the contents of their health and safety training courses are customized for each site hazard/risk and employee’s job. The customized courses are provided both in classroom or web-based, made in-house and in double language: Italian for Italian employees and English for foreigners.

The main mandatory courses are:

- General Health & Safety course
- Specific training for low-risk operating and office areas
- Specific training for high-risk operating areas
- Supervisors course
- Managers for safety course
- Refresh courses for all of the above every five years

In addition, dedicated training on the job is organized for specific operating tasks, although it is not required by law. This type of training is extended to contractors’ participation in order to prevent everybody from getting involved in eventual injuries.



- Layered audits:** As required by the Organizational and Management Model, PUNCH Torino organizes safety routine audits conducted by every hierarchical level in the company. These audits are customized for every machine, tool, equipment and are performed with different frequencies and questions, based on the type of responsibility and task assigned to each person performing them. Layered audits are structured according to the model “auditing the auditor” so that every person in the company is deeply committed to find gaps and minor issues for a prompt tracking and solution, before they could become a non-conformity or a bigger issue with serious consequences to people, company, and objects. The last layer of the audit is performed by Directors in the Safety Conversation Tours (“SCT”) aimed at checking the effectiveness of the other audits and pushing for eventual findings not yet closed.

KPI	Year 2021	Year 2022
	[#]	[#]
SCT	10	13
Incidents*	1	2
Near miss	0	3
Sentinel events	0	2

*\*All incidents occurred caused an absence of work minor than 1 days*

## 4. Governance

### 4.1 Challenge G1: Transparency

PUNCH Torino and Affiliated believe in a more sustainable future, that passes through business in a transparent way, both internally and towards external third parties.

Since 2022, PUNCH Torino's Supplier Quality and Purchasing Department has defined specific criteria for the access of potential suppliers in the official PUNCH Torino and Affiliated supply base. The process is called PASL (PUNCH Approved Supplier List) and comprehends a set of tools as steps and certifications to define whether a supplier is "approved" to receive a bid invitation for a PUNCH Torino and Affiliated Project. PASL process is mainly maintained by Product Engineering and Purchasing, two of the company departments having major interface with suppliers.

Being transparent does not only revolve around leadership of the companies that must adhere to Advocacy procedure, but also all employees' actions and daily activities, starting from internal processes and scaling up to obtain every certification.

This Report is the evidence of transparency set by PUNCH Torino and Affiliated, that would like to position themselves in the market, as ESG companies, and to enrich local communities by demonstrating their vision and attitude to sustainability.

Transparency is a fundamental component of good corporate governance and serves to build vital relationships based on trust with key partners of any business. Transparency is such a wide concept that cannot be summarized in a sole policy, but it can be sensed all around on the basis of a company taking it into serious account. PUNCH Torino and Affiliated do exactly this because their leadership considers transparency a real mindset that could be beneficial for employees and, consequently, for the entire business.

### GRI 205-01: Operations assessed for risks related to corruption

#### COMMITMENT

Since its establishment, PUNCH Torino has implemented and is continuously updating the 231/01 Organizational Model covering the whole range of crimes linked to a corporate entity. This Model, through a whole set of procedures and processes, helps employees not to commit crimes on behalf of the company and it includes a special part on anti-corruption. These procedures and processes are "alive", following the principle of "continuous improvement" and are based on transparency among company functions. Transparency is also adequately supported by an Internal Audit Plan in place that covers all the company cross-functionally.

One of the most important targets of all this system is to not justify any type of corruption. PUNCH Torino and Affiliated engage employees to report eventual incidents of corruption, using different communication channels and safeguarding whistle-blowers.

## OBJECTIVES

As transparency is one of the most important topics in the company, PUNCH Torino has defined this value in its Code of Ethics and Code of Conduct, shared with and submitted by all employees.

In addition to this, the analysis of PUNCH Torino and Affiliated perimeter and organization was developed to bring the Companies to some future change in 2023:

- An updated Code of Ethics for PUNCH Torino, including the prohibition to exploit child labour and to forced labour
- Specific Code of Ethics for each Affiliated
- Specific 231/01 Organizational Model for each Affiliated to prevent them from committing corporate crimes, especially focused on e-commerce, Artificial Intelligence, marketing and B2B/B2C sales
- Institution of 4 new Surveillance Bodies, one for each Affiliated
- Issuing of a whistleblowing procedure for all companies

Each 231/01 D. Lgs. Crime, including the section concerning anti-corruption, is part of the mandatory 231 training. Every PUNCH Torino employee must attend it and their attendance is checked by tracked and scored tests at the end of the training. The main objective of 2023 is training all Affiliated employees, based on the new 231 Organizational Model.

PUNCH Torino and Affiliated will also work to leverage anti-corruption approach and behaviour among employees to reach a full transparency in all company actions.

In addition, another main objective to demonstrate the Companies' transparency towards external parties is to obtain, in the next future, the VDA/ISA TISAX certification about Information Security, that will make third parties more confident about how PUNCH Torino and Affiliated handle their information. Being certified is not only evidence of a systemic company, but also a proof of transparency in every type of task, highlighting corporate commitment into a more structured process, including internal auditing and periodical checks on its requirements, both technical and ethic ones.

## ACTIONS AND RESULTS

The transparency of PUNCH Torino in matter of crime prevention is well explained in Organizational Model 231/01, in every special part, especially in the special part A "Crimes against Public Administration and corruption among private entities" and M "Tax crimes". All procedures and processes related to these special parts are based on company values and principles and contain requirements that every employee must adhere to.

Ethics are not only words written in an archived and forgotten piece of paper, but also, to anticipate eventual non-compliances within the company values and targets, PUNCH Torino's Board of Directors, in April 2022, decided to introduce the figure of Internal Auditor to develop an Auditing System with the aim to safeguard the Company from committing 231-related crimes. Starting from August 1st, 2022, the Internal Auditor has also become an internal member of the Surveillance Body which assists PUNCH Torino in reaching the best 231 compliance and not being involved in corporate crimes.

No incident was reported, especially related to corruption.

During year 2022, at the launch of 231 general training, 665 employees promptly attended it and passed the final test, after publication of 231/01 Organizational Model update. This update was communicated both via mail and formal letter to each employee of PUNCH Torino.

The implemented Audit System began to give its positive outcomes, starting with the first sub-function, Supplier Quality and Procurement, object of audit, which led to a whole update of its processes and procedures making them leaner and more adherent to the new PUNCH Torino evolving reality and environment, always with an eye focused on sustainability. This has laid the foundation to a future sustainable purchasing.

Year 2022 has also seen an extension to the application field of the Code of Conduct: not only PUNCH Torino but also each Affiliated company are now subject to written behavioural principles. This could lay the foundation, together with the increasing of B2B and B2C sales, as well as the growing supplier market, to a new perception of Company governance, considered a priority also for Affiliated. During the whole 2022, an overall analysis of Affiliated processes, functions and organization was developed to ensure future change in terms of compliance and ethics to the Companies.

Every employee needs to attend a training session about 231/01 Leg. Decree.

A mean to introduce a company towards third parties and local communities is through **ISO/IEC certifications and similar**. Not only PUNCH Torino continued to keep ISO/IEC 9001 in 2022, but also was able to successfully achieve ISO/IEC 27001 about Information Security.

Being transparent towards stakeholders also means being eligible for receiving awards or funding related to developed innovative projects as a loyal and not corrupted company. In 2022 several activities were implemented to improve and make more efficient PUNCH Torino working processes. Worthy to be mentioned is the one related to the strong improvement in managing and tracking the activities related to National Research and development tax credits. PUNCH Torino has been able to get enough tax credits to reduce by 6.6% Social Charges while PUNCH Hydrocells reached a 34% of Social Charges reduction.

## GRI 204: Procurement practices

### COMMITMENT

Ethics are fundamental in Purchasing and Supplier Quality: internal procedures are defined and written, based on ethical principles and transparency throughout the whole supply chain directly managed by PUNCH Torino and Affiliated. The importance of this topic is underlined in the main pillar of the Companies: the Code of Ethics.

On the other hand, being transparent is very important towards external stakeholders to create awareness on PUNCH Torino and Affiliated realities and their own values, that are clearly marked and published in the public Companies' websites.

## OBJECTIVES

As PUNCH Torino and Affiliated sustainability practices' success depends also on their supply chains efforts in terms of ESG impact, during 2023 we will work to define criteria to assess and improve our suppliers' network in terms of sustainability.

To introduce sustainability criteria in PUNCH Torino supply chain is one of the main goals for 2023: the activity will start with an overall assessment of current supply base and will continue with an implementation plan of actions for improvement where needed.

## ACTIONS AND RESULTS

The Supplier Quality and Procurement Department has a key role in marketing the company among suppliers, that must agree in writing with PUNCH Torino and Affiliated's Terms & Conditions, referencing Code of Ethics, attached to every Request for Quotation.

During 2022 another process was developed, introducing the Supplier Performance Assessment tool, which provides an output as a rating for each supplier considering three main areas: communication and quality, financials and business performance.

This score is critical to support effective internal decisions to keep relationship with those suppliers who have demonstrated superior quality in their service and products.

For every sourcing activity and continuously over the year, suppliers are rated based on their company financial health, so called FRR (Financial Risk Rating). This value is useful for PUNCH Torino and Affiliated to understand if the supplier is solid and solvent, as well as worth to receive a contract.

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