

Governance

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Governance, ethics and integrity for real sustainability

For a company that seeks to meet today's challenges, ethics and a transparent organisation go far beyond mere legal compliance. They are the bedrock of good corporate governance, the first step towards being able to formulate and develop a sustainable corporate strategy, incorporating all ESG factors.

This is why we have a solid governance structure, a code of ethics and governance and control instruments that allow for optimal management of the company and related risks.



Financial management

We have adopted an internal system based on the "4 eyes principle". The approval of at least two people is required to make payments of any kind and amount.



Behaviour

The SEW-EURODRIVE Italy Code of Ethics is an instrument of social responsibility; it informs how the company conducts its business and activities and is an essential part of the internal control system.



Core Team

The Core Team, which includes three SEW-EURODRIVE Italia delegates, actively participates in the whole sustainability reporting process.



We adopt the principles of prudence in our approach to business.

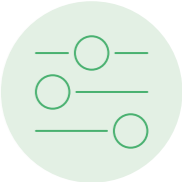


There is a lot of contact between the Italian and parent company sustainability teams, so that any critical issues are immediately brought to the attention of the Board of Directors.



+20%

growth in economic value generated



96.9%

share of economic value distributed

Our governance

The governance of SEW-EURODRIVE Sas is entrusted to the general partner, SEW S.r.l. Neither of the two directors receives any remuneration for their work as directors. Giorgio Ferrandino, in the capacity of Managing Director of Sas, is classified as an executive and receives a fixed fee, which may be revised on an annual basis, and a variable fee, according to a target-based scheme, which is formalised and evaluated annually by SEW S.r.l.. However, there is no appointed body or independent committee to oversee the remuneration process of the Board of Directors of SEW S.r.l. or of the Managing Director of Sas, although there are several persons (at least two, in compliance with the 4-eyes principle) who sign the relevant documents.

Board of Directors SEW S.r.l.



The Managing Director of SEW-EURODRIVE Italy, Giorgio Ferrandino, does not serve on other Boards of Directors nor does he hold any position that may generate a conflict of interest in other organisations.

Jürgen Dietmar Blicke Chairman
Executive: no
Non-executive and independent: yes
% participation in meetings: 67%
Giorgio Ferrandino Managing Director
Executive: yes
Non-executive and independent: no
% participation in meetings: 100%

Economy and governance: the ESG topics

- + Ethics and transparency in the business - **material topic**
- + Presence, application and dissemination of the Code of Ethics
- + Market presence
- + Economic performance

In terms of conflict of interest:

- + The Managing Director cannot make decisions regarding personnel (hiring, firing, salary changes, etc.), given his dual role as Managing Director of Sas and Managing Director of S.r.l.. In fact, decisions for these activities are taken by the Board of Directors, and the Managing Director is required to abstain;
- + for any other conflict of interest between members of the Board of Directors and stakeholders in general, the provisions of the Code of Ethics apply;
- + written authorisation is required for investments or purchases of particularly large amounts, and also for issuing offers and accepting orders from customers above certain thresholds (Consent Request or actual resolutions of the German board); by virtue of internal bylaws, this authorisation must be conveyed to group contact persons in the various areas (finance, HR, commercial area, etc.).

Our Managing Director constantly updates the Board of Directors on ongoing sustainability actions during regular Board meetings and in any case when approving SEW S.r.l.'s proposed annual financial statements. These updates also take place on certain defined occasions, such as the presentation of the German parent company's Sustainability Report.

The Italian and parent company sustainability teams are frequently in touch with each other to discuss and coordinate sustainability actions. This way, the Board of Directors is immediately informed of any critical issues or concerns about potential and actual negative impacts.



Powers

Powers in the Sas are currently delegated to:



Giorgio Ferrandino
Managing Director: holds broad powers with limitations and deferral to the Board of Directors of the Srl (private limited liability company) on certain specific issues



Umberto Galli
Chief Financial Officer: holds the power of legal representation, in addition to the power of disposal with joint signature with another legal representative



Francesco Di Pasquale
Operation Manager: holds joint signatory powers with another legal representative

On the subject of sustainability, the Core Team, which also includes the three delegates of SEW-EURODRIVE Italy, actively participates in the entire sustainability reporting process, including the dissemination and training activities on the company's sustainable development conducted with the various stakeholders. In addition, the Core Team borrows the goals from the Balanced Scorecard, which includes the sustainability BSC.

We are in the process of strengthening our governance through a review of the current powers that will be extended to all management.



Four eyes principle
No authorisation can be signed by one person only

Financial management

Internally, we have adopted a "4 eyes principle" system for financial management. Even within the amount-related limitations identified in the powers of attorney, an approval process involving at least two persons is required to make payments of any kind and amount.

The processes and criteria for appointments to governance bodies are based on the role held by members.

Roles are assigned on the basis of merit-based mechanisms applied to both recruitment processes and professional development paths, both of which are based on competence assessment systems. The compliance system based on the Code of Ethics ensures that members are independent.



The members of the Sustainability Team

SPECIFIC COMMITTEES AND TEAMS IN 2022

Body	Members	Goal	Frequency of meetings
Core Team	Managing Director Chief Financial Officer HR Manager Operations Manager Innovation Technology Manager Industry Manager	Defines strategic activities related to the management model and operational business issues of importance. Validates any proposed changes in business model strategy in the Digital Innovation Team.	Twice a week
Extended Team	Core Team Regional Managers	Addresses the performance of business results and any deviations from the budget. Defines the methods of management in the Drive Centers.	Every three months
SEW LAB	Managing Director (sponsor) Cross-disciplinary individuals	Promotes pioneering experimentation and high-impact innovation	Twice a month
Sustainability Team	Managing Director Sustainability Manager Chief Financial Officer HR Manager Operations Manager Marketing Manager Innovation Technology Manager	Coordinates the sustainability reporting process and all sustainability-related processes.	Monthly
Sales Mgmt Team	Managing Director Regional Managers Industry Manager	Addresses different sales experiences at Drive Center level. Elaborates actions to implement the commercial strategy at each Drive Center. Monitors the sales trend and introduces corrective measures where necessary, seeking harmonisation at SEW-EURODRIVE Italy level.	Every three months
Middle Mgmt Team	Supervisors of a single function in the company, in a 6 th or 7 th level clerical or middle management position and with subordinate or functional coordination of persons	Keeps abreast of business developments and major company projects. It offers contributions in defining ways to implement people management projects and activities.	Monthly
Department and/or functional area meetings	Contact person and staff for each department/functional area	Discusses the progress of departmental activities and projects, stimulates proposals for solving any problems. Ensures operational business goals are adequately achieved, optimising workloads across all workers. Keeps abreast of the corporate strategy	Monthly

Governance and control tools

We have always adopted principles of prudence in our approach to business. For this reason, even though it is not mandatory for us, we have initiated a process to introduce a Compliance Model in accordance with Italian Legislative Decree no. 231/2001, concerning the administrative liability of entities in relation to offences committed by their representatives. This has equipped us with an efficient internal control system that is appropriate to the complexity and operational of the company.

We have also begun a process of reviewing the formal delegation of management powers in line with our management needs and taking into account the 231 Compliance Model to be implemented. Consistent with this Model, we intend to set up an Oversight Committee that will be responsible for regularly monitoring and verifying the effectiveness of the Model, reporting any shortcomings, and updating it following regulatory or organisational changes. The Oversight Committee will be responsible for implementing appropriate audit plans to verify proper company management.

We plan to implement the Model initially in 2023, with the aim of producing the first annual report in 2025.

Anti-corruption

We promote the fight against corruption, in all its forms: active or passive, direct or indirect, concerning the public or private sector. We use the general methods of communication established in the event of a breach of the Code of Ethics to provide communication and training on anti-corruption policies and procedures.

We commissioned an external consultancy firm to undertake the residual risk mapping, which did not reveal any significant corruption-related risks, but rather medium risks mainly related to an internal control system that could be improved at a procedural level.

Lastly, no corruption-related public lawsuits have been filed against SEW-EURODRIVE Italy or its employees.

Code of Ethics

Our Code of Ethics sets out the commitments and responsibilities that must underpin the conduct of company business and activities, with any persons who have any kind of relationship with our company. Above all, it is an instrument of social responsibility vis-à-vis our employees, customers, suppliers and the community. The Code of Ethics is intended as a guide for company conduct, and is an essential element of the company's internal control system. It consists of:

- + Compliance with legislation
- + Management culture
- + Human rights
- + Workers' rights
- + Health & Safety
- + Cooperation and respect to counter any form of discrimination
- + Environmental protection
- + Compliance with tax obligations
- + Respect for the free market and competition
- + Rejection of any form of corruption
- + Traceability and transparency of commercial agreements
- + Restrictions on gifts and invitations
- + Attention to conflict of interest
- + Confidentiality and data protection

All new recruits receive training about the Code of Ethics, to ensure that 100% of employees are trained. Reports of unethical or illegal conduct may be reported through various channels while protecting the anonymity of the whistleblower.

The compliance board is an internal system that promotes the Code of Ethics, collects reports and takes appropriate action.



Christopher Iliou
(Compliance Officer
- SEW-EURODRIVE Germany)



Franco Zannella
(Innovation Technology Manager
- SEW-EURODRIVE Italy)



Mirko Otranto
(HR Manager & Compliance Officer
- SEW-EURODRIVE Italy)

Management and certification systems

For the second consecutive time, we received Great Place to Work® Certification 2021-2022 in recognition of the quality of our work environment.

Every year, the Great Place to Work® Institute compiles a "List of Best Workplaces" in 40 countries around the world. The survey is conducted with the involvement of workers and concerns the level of trust and the quality of relations between them and management.

The certification process is based on tools validated by international statistical studies such as the Company Climate Assessment Survey (Trust Index®) and the Organisational Management Policy Analysis (Culture Audit®). In addition, the company was awarded Best Work Place for Blue Collars® in 2022, making it one of the leading Italian companies with the best working environment for blue collar workers.

System certifications

We are audited on quality management by our parent company every three years. Certifications obtained in accordance with SEW standards:

- ISO 9001:2015** + Quality Management System for Production, in the scope of Sales and Service Processes for Gearmotors, Motors, Gearboxes and Electronic Drives;
- IEC 61508:2010** + Functional Safety Management System, international standard governing the entire safety-related lifetime of programmable electrical, electronic or electronic products and systems, including their application, design, use and maintenance;
- IEC 60079:2019** + Explosive atmospheres. Equipment repair, overhaul and reclamation, a technical standard defining the processes and operating instructions for repair service work respectively on ATEX classified gearboxes, motors and gearmotors (IEC Ex);
- UL and CSA** + relating to products assembled in Solaro for the US and Canada markets respectively. Certification issued by accredited bodies; they are subject to product inspection on a quarterly basis.

Quality management system

Quality management focuses mainly on three guidelines linked to the concept of operational excellence, namely:

- + Process monitoring
- + Problem solving
- + Standardisation

Two main areas are defined within the Quality function: Smart Factory Quality and Offices Quality. Smart Factory Quality concerns Operations processes and takes the form of the control and calibration of measuring instruments, ATEX procedures and processes, internal audits, tracking customer complaints and validation of new processes and products (process release).

Offices Quality covers the area of offices and Drive Centers and involves the implementation of parent company projects (such as the new CRM), the definition of procedures and work instructions, the adoption of the 231 Compliance Model, the development of continuous improvement actions within staff functions and the optimisation of Service processes.

To ensure complete and continuous compliance with SEW quality standards, since 2022 the HSQ department has been carrying out periodic internal audits to highlight gaps with respect to standard operating procedures and to direct corrective/preventive actions, in compliance with ISO 9001 and the company's quality guidelines.

Six internal audits were carried out in 2022, and **eleven audits** are planned in 2023, in order to complete audits in a timely manner across all company functions.

Environmental management system

At the present time, we have no voluntary environmental certifications (ISO 14001 and EMAS). Our management structure, our constant commitment to complying with mandatory regulations and the expertise we have acquired in this field allow us to work with a view to the future adoption of management models and therefore to support a first-party audit conducted by accredited environmental certification bodies.

Product certification

All the mechanical and electronic products for automation solutions for use in the industrial sector have the main certifications, obtained from the relevant bodies, in order to guarantee the functional characteristics required by the standards while reducing energy consumption and environmental impact in terms of product and automation solution footprint.



6

audits carried out in 2022

11

audits planned in 2023

	ISO9001-2015 Quality Management	IEC 61508:2010 Functional Safety Products	IEC 60079:2019 Ex Products	UL (Underwriters Laboratories Inc) Conformity of product for the North America market	CSA (Canadian Electrical Code) Conformity of product for the Canada market
Scope of validity	SEW IT	Sales & Service	Sales & Service	Solaro Plant (Assembly)	Solaro Plant (Assembly)
Type of inspection	Second-party audit (parent company)	Second-party audit (parent company)	Second-party audit (parent company)	Third-party audit (accredited body)	Third-party audit (accredited body)
Frequency of audits	3 years	3 years	3 years	3 months	3 months



Economic value generated and distributed

The economic value we generate is the main indicator of the financial sustainability of our business - it is proof of the soundness of our growth strategies and the efficacy, efficiency and cost-effectiveness of our management. The share of distributed value, on the other hand, represents our company's ability to share these resources with the entire system, with particular reference to some of the main stakeholder categories (employees, lenders, shareholders, public administration and the community). In the three years of the reporting period, the value we have generated has always grown: in particular, in 2022 we recorded a 20% growth compared to 2021.



ECONOMIC VALUE GENERATED AND DISTRIBUTED	2020	2021	2022
A. Economic value produced	127,056	138,662	166,448
B. Economic value distributed	120,732	137,738	161,257
Economic value for suppliers	94,159	105,385	130,419
Economic value for employees	13,631	14,862	16,139
Economic value for the Public Administration	3,826	4,338	5,538
Economic value for shareholders	9,088	13,076	9,076
Economic value for the community	28	77	85
(A-B) Economic profit retained	6,324	924	5,191

In thousands of euro

Economic value generated, retained and distributed

