



Annual financial report
at December 31, 2024

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1. LETTER TO THE SHAREHOLDERS

Dear Shareholders,

When reflecting on 2024, we can honestly state that it was an especially challenging year for the entire industry, and SECO was not immune to these challenges. Our market was characterized by persistently weak demand, and our company, in this landscape and for the first time after many years, closed the financial year with a loss. Despite these adversities, we are proud to have maintained our focus on strengthening customer relationships, accelerating our technological leadership, optimizing the supply chain, increasing the efficiency of operations, and maintaining a solid financial standing. These efforts have strengthened our processes and our organizational structure, so that we are properly prepared for the future. Our constant commitment to innovation, to strategic partnerships, and to sustainability has strengthened our resilience and enabled us to emerge even stronger as a business.

This last year was marked by a series of macroeconomic challenges, accompanied by a prolonged trend of destocking by most of our customers. All of this subjected SECO and the entire industry to contracting revenues and consequent pressures on operating margins. Nonetheless, our proactive strategies for managing risk and our solid capacity for execution have enabled us to mitigate these effects.

Our financial performance for 2024 reflects both the solidity of our business model and the dedication of our entire team. We posted consolidated revenues of €183.5mn, a contraction of 12.54% from the previous year. Despite this decline, we were able to support our earnings potential even in this challenging market landscape. This stability is the result of our strategy focused on high-margin products and services, and on our Clea IoT software suite in particular, which continues to be well received by our customers. We have also focused our attention on a series of actions to optimize inventories, which resulted in an improvement of working capital. At December 31, 2024, our debt fell to €52.5mn, which reflects the overall solidity of our accounts.

Over the last year, we made remarkable progress in the execution of our business. Not only did we continue to increase our share of wallet with existing customers, we also obtained important contracts with global players like Hitachi, Carel, and BDTA. Our leadership in the design and production of industrial IoT solutions was further strengthened by a number of strategic actions. This includes new and consolidated partnerships with the leading producers of semiconductors, which gives us early access to some of the most cutting-edge technologies being developed. For example, as the IIoT Design Center for Qualcomm in Europe, we are among the world's first to work on Snapdragon® X Elite, their new family of high-performance, energy-efficient chips compatible with Windows and Linux operating systems. These are an ideal solution for industrial applications, and they are already seeing growing market demand. We have also signed an agreement with Raspberry Pi that will enable us to further expand our offering. This collaboration has already led to the development of SECO Pi Vision 10.1 CM5, an innovative human-machine industrial interface that integrates perfectly with Raspberry Pi software.

Our Clea business has also continued to grow, and strategic alliances with global leaders like NXP and Nayax have helped consolidate our market leadership, enabling us to offer integrated payment solutions and advanced edge AI capabilities. With NXP in particular, we are working to provide a unified solution that will make the Clea IoT platform available to all users of NXP chips as well as perfectly integrated with the EdgeLock 2GO security services. With Nayax, we have established a partnership to integrate our IoT software suite with their payment platform to create an all-in-one solution that reduces operating costs and simplifies adoption by OEMs.

We have remained focused on our long-term objectives, and we have continued investing in innovation, thereby creating the conditions to better pursue future growth. Our ability to adapt to our constantly evolving marketplace and to take advantage of our technological expertise has been essential in maintaining our competitive advantage.

We are more enthusiastic than ever before for the opportunities that await us. SECO's unique strategic and technological positioning enables us to offer end-to-end solutions – from modules to full systems, from human-machine interfaces (HMIs) to an integrated software platform – so we are in a privileged position to capitalize on the strong growth expected in industrial IoT over the coming years. Beginning in 2025, we are already expecting to see a return to revenue growth, supported by a solid portfolio of new projects and design wins, as well as by the increasing adoption of the Clea IoT software suite. Our focus will remain on providing innovative solutions that meet the evolving needs of our customers, while creating value for our shareholders. The pipeline of new products for 2025 includes more than 15 high-performance hardware solutions with a particular emphasis on boosting computing capacity on the edge. We firmly believe that the future of the industrial sector lies in running inference models locally by taking advantage of processing capacity directly on the edge. This new family of hardware, together with our soon-to-be-released Clea AI Studio module, perfectly positions us to be the ideal technology partner for our customers in the realm of AI.

We would like to take this opportunity to express our sincerest gratitude to our shareholders, our employees, and our partners. Your constant support and trust have been crucial to the results we have achieved. Our successes of 2024 would not have been possible without the dedication and commitment of our highly talented team. We are incredibly proud of what we have built together, and we are confident that we will continue to achieve important milestones in the years to come.

In conclusion, 2024 was a challenging year, but it was also a year of real progress for SECO, and we remain focused on creating value for all our stakeholders and on pursuing innovation in industrial IoT.

Sincerely,

Daniele Conti and Massimo Mauri
(Chairperson & Chief Executive Officer)

Corporate boards

Board of Directors

Office held until the approval of the 2026 annual accounts

<u>Chairperson</u>	Daniele Conti
<u>Chief Executive Officer</u>	Massimo Mauri
<u>Directors</u>	Michele Secciani
	Claudio Catania
	Luciano Lomarini
	Kurt Tosja Zywiets
	Valentina Montanari
	Anna Zattoni
	Valentina Beatrice Manfredi
	Paolo Lavatelli

Board of Statutory Auditors

Office held until the approval of the 2026 annual accounts

<u>Statutory Auditors</u>	Cesare Beolchi (Chairperson)
	Pierpaolo Guzzo
	Micaela Badiali
<u>Alternate Auditors</u>	Prospero Accogli
	Edda Delon

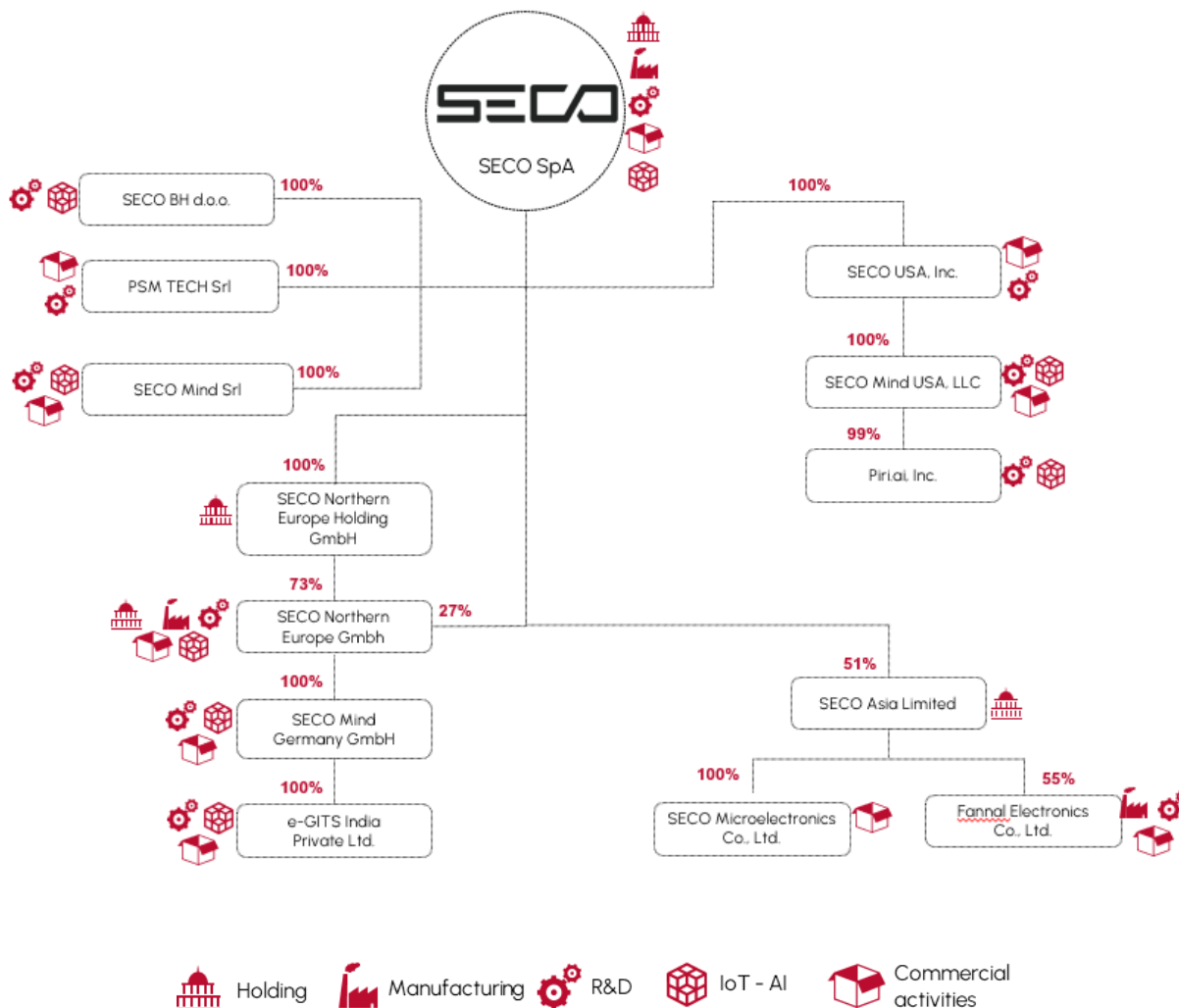
Executive Officer for Financial Reporting Lorenzo Mazzini

Independent Audit Firm Deloitte & Touche S.p.A.

Office held until the approval of the 2029 annual accounts

2. THE GROUP AND ITS OPERATIONS

The SECO Group (hereinafter also referred to as the "Group" or "SECO") consists of the parent company SECO S.p.A., hereinafter also referred to as the "Company" or "Parent Company", and its subsidiaries, as presented below:



The Company's registered office is located in Arezzo (AR), via Achille Grandi 20.

SECO is a high-tech Group that develops and delivers cutting-edge solutions for the digitization of industrial products and processes. SECO's hardware and software offerings enable B2B enterprises to introduce edge computing, Internet of Things, data analytics and artificial intelligence into their businesses. Within a quickly and broadly evolving marketplace, SECO's technologies encompass many fields of application, with innovative and customized solutions provided to its more than 450 customers, in sectors such as the Medical, Industrial Automation, Fitness, Vending and Transportation areas, in addition to many others.

The company Aidilab Inc. is inactive.

3. DIRECTORS' REPORT

FIRST SECTION

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Market overview

Recent months have continued to see a temporary slowdown in demand in the Edge computing sector. This is a downturn that has had significant repercussions for every major market player and is mainly the result of reduced investments and more careful inventory management by customers.

Despite this downturn, digitalization remains among organizations' top priorities across the world. Technological innovation can make significant contributions to increasing productivity and industrial efficiency, which are essential elements not only for companies' competitiveness, but also their very survival.

Business process digital transformation is enabled by adopting smart solutions that integrate hardware and software components, facilitating the establishment of new business models and creating room for further development opportunities. Combining Edge computing devices with IoT-data analytics and Artificial Intelligence solutions has accelerated the launch of new high value-added services and an evolution in the way that businesses deal with the creation, delivery and use of ICT products and services.

In today's world we are faced with the increasingly quick and widespread distribution of digital technologies, which affects even more traditionally analogue sectors. With this in mind, many companies are investing to improve the user experience and functionality of their products, adapting them to an increasingly interconnected and cutting-edge environment.

Climate change and issues surrounding raw material and energy supply have combined to make accelerating the energy transition increasingly crucial. Digitalization will play a key role in the new eco-digital revolution. Specifically, by enabling the local execution of increasingly complex computational models, through Edge AI, increasingly advanced tools will be available to support renewable energy, energy efficiency, and the reduced consumption of industrial and personal devices.

Against this backdrop, the market for connected devices and IoT-AI remains strong. As the most authoritative observers in the field note, growth forecasts well in excess of double digits suggest that the trend for digitalization is only just beginning.

Operational overview

In 2024, the market in which SECO operates continued to see customers reduce their stock, with the main customers focusing on containing and streamlining inventory levels. This trend was seen across geographic areas and industry sectors and affected all the major industry players, leading to a significant reduction in sales volumes. The downturn in demand in the edge computing market was exacerbated by a reduction in companies' investment capacity, which in turn was influenced by restrictive monetary policies adopted by central banks and an uncertain geopolitical environment. While SECO demonstrated greater resilience than the rest of the industry, this difficult situation reduced turnover development in the reporting period.

The development of new Edge computing products and new features of the Clea software suite continued in the period. Clea represents a further development of SECO's strategy to leverage over 40 years of Edge computing know-how, with the goal of increasing value for customers, through the offer of end-to-end, integrated, customizable solutions based on micro-computing, human-machine interfaces and software platforms.

Also through long-term partnerships with the major silicon vendors, SECO has always committed to innovating its hardware proposal (e.g. with the launch of new dedicated Edge AI and Computer vision

products), while continuing to work closely with its customers, supporting them through the digital evolution of their devices.

Along this strategic line of action, we are committed at SECO to further strengthening our presence and position in the Edge-IoT market through a number of major agreements to add weight to our commercial offerings and technology.

In the fourth quarter of 2024, given the dynamics of the markets for the various verticals in which the Group operates, we began to see the first signs of greater vitality in the demand for Edge-IoT goods. A positive impact has certainly come from the normalization of inflation, particularly in Europe, which has enabled central banks here to gradually loosen monetary policy over the last half of the year. This is certainly beginning to have an impact on business spending and on the rebuilding of inventories, which is driving a gradual increase in the purchase of SECO products.

Significant events in the year

On April 29, 2024, the Shareholders' Meeting called to renew the corporate boards appointed the Board of Directors and the Board of Statutory Auditors, who shall remain in office for three financial years and therefore until the Shareholders' Meeting called to approve the financial statements at December 31, 2026.

In the period between December 2023 and June 2024 the company was subject to a tax audit by the Tax Agency for the 2015-2022 tax periods, which covered direct and indirect taxes and tax credits. The audit concluded with a settlement agreement regarding income taxes and a portion of contributions/tax benefits with a Tax Assessment Notice dated May 30, 2024.

In the first half of 2024, Fannal Electronics Co, Ltd. distributed dividends of Euro 4,013 thousand. The company is controlled by way of Seco Asia, in which Seco S.p.A. holds a 51% interest.

On July 24, 2024, the parent company subscribed for and paid in a capital increase of Euro 1,003 thousand by the investee Laserwall S.r.l., a company that operates in the smart-cities sector. As a result of this subscription, SECO S.p.A.'s holding equates to 13.99% of the share capital of Laserwall S.r.l.

On December 17, 2024, the Group acquired a 30% stake in Seco Mind USA LLC from Oro Network Inc., so the company is now a wholly-owned subsidiary. The acquisition of this minority interest is attributable to the termination of the collaboration with the manager Ajay Malik, the ultimate owner of Oro Network Inc. and coordinator of software development by the US team. In 2024, the team achieved the objectives of upgrading the agreed upon applications, which have been integrated into the CLEA platform. With this transaction, Ajay Malik and the team of developers in the US will be pursuing their careers outside of the Group. Having achieved their objectives in terms of the technical contribution to Group software, Seco Mind USA LLC and Piri India Inc. are to be liquidated. In exchange for the 30% stake in Seco Mind USA LLC, Oro Network Inc. received intangible assets and capital goods needed for the continuation of Mr. Malik's business. The software developed by Mr. Malik and integrated into CLEA remain the property of the Group.

Research and Development and Technological Innovation

Again in 2024, SECO remained strongly committed to ensuring high levels of innovation, integration and added value in the solutions built according to the specific needs of customers operating in multiple verticals.

SECO's main objective is to anticipate the needs of its customers, utilizing frontier technologies and supporting them in the digital transition of their business, while adding value to their solutions.

The constant push for innovation by all the players in a given sector can quickly render a competitive advantage obsolete. As such, every year SECO dedicates significant resources to Research and Development, which concerned the development of new products and of off-the-shelf solutions to be sold on the market, in addition to the co-development and co-engineering of customized products, working hand-in-hand with the customer.

The SECO Group R&D departments are responsible for developing and designing technological solutions based on integrated systems, standard and custom solution modules and IoT and AI software solutions for SECO's customers and target markets. Research and development is a key aspect of SECO's business model and is carried out both in-house and through partnerships with world-class technology enterprises and research institutes and university hubs worldwide.

The technological development in which SECO has invested in recent years has positioned the Group as a leading player in the combined provision of both hardware and software. The technological challenge that the Group is taking on is that of developing high-performance hardware, with a particular emphasis on strengthening computing capacity on the edge by creating new products able to run inference models locally, taking advantage of processing capacity directly on the edge and creating an optimal integration of hardware and the CLEA software platform.

Our strong partnerships with the primary technology leaders in the electronics industry enable the Group to implement our technology strategy by gaining early access to some of the most cutting-edge technologies being developed. For example, in terms of hardware, as the IIoT Design Center for Qualcomm in Europe, SECO is among the world's first to work on industrial applications of Snapdragon® X Elite, their new family of high-performance, energy-efficient chips compatible with Windows and Linux operating systems. The Group has also signed an agreement with Raspberry Pi that will enable us to further expand our offering. This collaboration will lead to the development of SECO Pi Vision 10.1 CM5, an innovative man-machine industrial interface that integrates perfectly with Raspberry Pi software. The Group has also expanded its offering of off-the-shelf human-machine interface (HMI) products, working on introducing new modular HMI families in the Modular Vision line and developing Modular Link gateway solutions for industrial automation.

In terms of software development, strategic alliances with global leaders like NXP are helping to consolidate the market positioning of the Group's AI edge solutions. This partnership with NXP aims to provide a unified solution that will make the Clea IoT platform available to all users of NXP chips as well as perfectly integrated with the EdgeLock 2GO security services.

2024 saw development costs of Euro 15,148 thousand capitalized (Euro 13,088 thousand in 2023), of which Euro 11,206 thousand related to personnel costs (Euro 9,258 thousand in 2023), while Euro 3,979 thousand was expensed to the income statement.

Operating Performance

December 31, 2024 vs December 31, 2023

Net sales in 2024 went from Euro 209,822 thousand in 2023 to Euro 183,512 thousand.

Other revenues and income rose from Euro 2,151 thousand in 2023 to Euro 3,068 thousand in 2024, an increase of Euro 917 thousand (+42.61%). The item mainly concerns the recognition of the portion of the tax credit accruing in the year for the research and development and innovation activities of the Italian Group companies for Euro 659 thousand, and the capital grant tax credit for the purchase by SECO S.p.A. of capital goods under Industry 4.0 of Euro 394 thousand (portion accruing in the year); and the portion related to the Group's participation in calls for tenders in the amount of Euro 1,106 thousand.

Costs for services increased by Euro 8,833 thousand (+44.14%) - from Euro 20,010 thousand in 2023 to Euro 28,843 thousand in 2024, due mainly to an increase of Euro 863 thousand in transport costs, an increase of Euro 6,087 thousand in costs for rentals, operating leases, and consulting services, mainly related to the increased costs incurred to maintain the Group's software infrastructure, and an increase of Euro 1,824 thousand in outsourcing costs.

Personnel costs increased from Euro 40,657 thousand in 2023 to Euro 42,247 thousand in 2024, an increase of Euro 1,590 thousand (+3.91%), mainly due to: (i) the costs related to the expanded Group workforce, for the hire of key figures in 2024 to support the R&D, production and sales development plans; (ii) the recognition of the cost for the stock option plans awarded to the management team and employees of the companies of the Group; (iii) the introduction of meal vouchers for employees of the Group's Italian companies.

Amortization and depreciation increased from Euro 20,435 thousand in 2023 to Euro 30,018 thousand in 2024, increasing Euro 9,583 thousand (+46.89%). This increase is mainly due to the net effect of the impairment of goodwill related to the SECO Mind USA CGU and the acquisition of the 30% stake in the subsidiary SECO Mind USA from Oro Network Inc., in addition to increased amortization of development costs and leased assets in accordance with IFRS 16.

The doubtful debt provision and the provision for risks and charges increased from Euro 28 thousand in 2023 to Euro 142 thousand in 2024. The account principally concerns the doubtful debt provision, in addition to the agent supplementary indemnity provision.

Other operating costs increased from Euro 7,570 thousand in 2023 to Euro 10,025 thousand in 2024, an overall increase of Euro 2,455 thousand (+32.43%). The increase is mainly due to the "Directors' fees and relative charges" item, with an increase of Euro 418 thousand on the previous year, mainly due to the recognition of the cost of the stock option plans allocated to the directors and as a result of the tax settlements following the audits by the administrative authorities on the period 2015 to 2022 for Euro 2,275 thousand.

Financial management, including the effect of financial income, financial charges and exchange gains/(losses), reports a net charge of Euro 978 thousand for 2024, a decrease of Euro 4,347 thousand compared to the net charge in 2023 due mainly to the following: an increase of Euro 1,880 thousand in financial income compared to the previous year mainly as a result of the recognition of interest income on hedging derivatives and of the portion of the dividends paid by the investee Fannal Electronics Co., Ltd payable to the SECO Group; and a decrease of Euro 1,287 thousand in financial charges due mainly to the reduction in interest rates on short-term credit lines and on medium and long-term bank loans.

Income taxes decreased from Euro 4,603 thousand in 2023 to Euro 1,103 thousand in 2024, a decrease of Euro 3,500 thousand.

As a result of the above, the bottom line declined from net profit of Euro 14,631 thousand in 2023 to a net loss of Euro 17,663 thousand in 2024.

Balance Sheet Overview

Reference should be made to the balance sheet in this regard. The main changes at December 31, 2024 were as follows.

December 31, 2024 vs December 31, 2023

Total non-current assets decreased from Euro 314,829 thousand at December 31, 2023, to Euro 302,020 thousand at December 31, 2024, a reduction of Euro 12,809 thousand, mainly due to: (i) the decrease in "Goodwill" as a result of impairment related to the SECO Mind USA CGU; (ii) the decrease in "Non-current financial assets" for Euro 2,363 thousand due mainly to updating the mark-to-market value of the Group's derivative contracts; (iii) the decrease in "Right-of-use" for Euro 1,922 thousand, mainly attributable to amortization; and (iv) the reduction in "Intangible assets" of Euro 1,627 thousand, also mainly due to amortization.

Current assets decreased from Euro 223,668 thousand at December 31, 2023 to Euro 188,908 thousand at December 31, 2024, decreasing Euro 34,760 thousand. The main changes concerned: (i) "Inventories", which decreased by Euro 13,181 thousand from 2023 due mainly to the ongoing improvement in the management of inventories and to an increase in the obsolescence provision; and (ii) "Trade receivables", which decreased by Euro 17,603 thousand from the previous year due mainly to the reduced business for the Group and to improvements in collection times.

Total non-current liabilities increased from Euro 144,170 thousand at December 31, 2023 to Euro 133,218 thousand at December 31, 2024, a decrease of Euro 10,951 thousand. The main changes concerned: (i) the Euro 9,194 thousand decrease in non-current financial liabilities as a result of repayments of financing; and (ii) the Euro 1,851 decrease in non-current financial lease payables.

Total current assets decreased from Euro 81,830 thousand at December 31, 2023 to Euro 65,978 thousand at December 31, 2024, a reduction of Euro 15,852 thousand, mainly due to: (i) the reduction in current financial liabilities for Euro 3,009 thousand, which includes bank payables regarding the credit lines in place, current account overdrafts, credit card payables, payables for invoice advances and short-term loans due within one year for operating needs at December 31, 2024; (ii) the reduction in trade payables for Euro 4,689 thousand, due to the gradual reduction of procurement times compared to the previous year; (iii) the reduction in tax payables for Euro 6,505 thousand.

Financial Information

The Group's cash flow statement is illustrated below:

(in Euro thousands)	2024	2023
Cash and cash equivalents at the start of the year	74,816	39,586
Cash flow from operating activities (A)	34,888	25,690
Net cash (used in)/from investing activities (B)	(20,197)	(19,991)
Cash flow from financing activities (C)	(18,132)	30,735
Net change in cash and cash equivalents (A + B + C)	(3,440)	36,434
Conversion differences	1,210	(1,204)
Cash and cash equivalents at the end of the year	72,586	74,816

December 31, 2024 vs December 31, 2023

At December 31, 2024, operating activities generated cash of Euro 34,888 thousand, increasing on the previous year by Euro 9,198 thousand. This increase is mainly due to the combined effect of the following factors: (i) increase in liquidity relating to the decrease in trade receivables for Euro 18,331 thousand, (ii) increase in liquidity with regards to the decrease in inventories for Euro 15,732 thousand, (iv) increase in liquidity with regards to the minor change in trade payables for Euro 3,381 thousand.

Investment activities absorbed cash of Euro 20,197 thousand, increasing on the previous year by Euro 206 thousand. This is mainly due to the increase in investments in tangible fixed assets.

Cash flow from financing activities was absorbed of Euro 18,132 thousand, a Euro 48,866 thousand increase in absorption on the previous year, due to the paid-in capital increase subscribed by 7-Industries Holding B.V. in 2023.

As a result of that outlined above, cash and cash equivalents at December 31, 2024 decreased by Euro 2,230 thousand compared to December 31, 2023, respectively decreasing from Euro 74,816 thousand to Euro 72,586 thousand.

Alternative performance measures

The following tables present the operating and financial measures used by the Group to monitor performance, in addition to the measurement methods.

In order to better understand the Group's operating and financial performance, the Directors have identified a number of alternative performance measures ("APM" or "Alternative Performance Measures").

The following table presents the key alternative performance measures for the operating results and balance sheet:

(in Euro thousands)	2024	2023	Change	Change %
EBITDA	15,630	45,009	(29,379)	-65.27%
Adjusted EBITDA	28,209	50,574	(22,365)	-44.22%
Net financial debt	(52,494)	(65,083)	12,589	-19.34%
Adjusted net financial debt	(41,309)	(51,993)	10,683	-20.55%

EBITDA – This measure is used by the Group as a financial target and is useful for assessing operating performance. EBITDA is calculated as profit or loss for the year before income taxes, financial income and charges (including exchange rate gains and losses), and amortization and depreciation.

(in Euro thousands)	2024	2023	Change	Change %
Total revenues and operating income	186,580	211,974	(25,394)	-11.98%
Costs for services, goods and other costs*	(128,703)	(126,308)	(2,395)	1.90%
Personnel costs	(42,247)	(40,657)	(1,590)	3.91%
EBITDA	15,630	45,009	(29,379)	-65.27%

(*) Costs for services, goods and other operating costs include the following income statement items: costs of raw, ancillary, consumable materials and goods; changes to inventory; service costs; the doubtful debt provision and provisions for risks and charges; other operating costs; exchange gains and losses.

The decrease between the two periods (Euro 29,379 thousand, -65.27%) is mainly due to the reduction in Net sales.

Adjusted EBITDA – Adjusted EBITDA is a measure to assess the Group's operating performance. Adjusted EBITDA is calculated as the profit before income taxes, financial charges and income, amortization and depreciation, and extraordinary/non-recurring expenses.

With regards to Adjusted EBITDA, the Group considers that the adjustment (which defines Adjusted EBITDA) was made to represent the Group's operating performance, net of effects of a number of events and transactions.

(in Euro thousands)	2024	2023	Change	Change %
EBITDA	15,630	45,009	(29,379)	-65.27%
Exchange gains/(losses)	(1,194)	(14)	(1,180)	8428.57%
Income/charges from non-core business activities	13,773	5,554	8,219	147.98%
Non-recurring income/charges from core business activities	0	25	(25)	-100.00%
Adjusted EBITDA	28,209	50,574	(22,365)	-44.22%

The Group reports 2024 Adjusted EBITDA of Euro 28,209 thousand, decreasing 44.22% on 2023.

Income/charges from non-core business activities of Euro 13,773 thousand mainly refer to:

- The allocation of stock options to managers and directors for Euro 5,026 thousand (Euro 2,592 thousand in 2023).
- To tax settlements following the audits by the administrative authorities for Euro 2,275 thousand. In relation to this latter item, in the period between December 2023 and June 2024 the Company was subject to a tax audit by the Tax Agency for the 2015-2022 tax periods, which covered direct and indirect taxes and tax credits. The audit concluded with a settlement agreement regarding income taxes and a portion of contributions/tax benefits, recorded under "other operating costs".
- To severance payments to two employees with managerial roles in the amount of Euro 252 thousand.
- To consultancy costs related to possible, unrealized corporate transactions for Euro 462 thousand.
- To higher transport costs incurred for some strategic supplies that were blocked in the Suez Canal and which necessitated air transport and an expense of Euro 387 thousand.
- To the non-recurring allocation to the inventory obsolescence provision of Euro 4,130 thousand. Seco chose to fully write off the inventory materials for the Biorespira ventilator, which was launched during the COVID-19 pandemic. The slowdown in the medical sector, particularly in the field of respiratory issues, worsened by the high level of interest rates, has led to this decision. Indeed, over the last 24 months, inventory turnover of these products has declined significantly due to the high levels of stock maintained by hospitals during COVID-19.

Net financial debt - This measure indicates the Group's financial debt, net of cash and cash equivalents.

The breakdown of the net financial debt at December 31, 2024 compared with December 31, 2023 is presented on the following page, determined in accordance with "Reminder No. 5/21" dated April 29, 2021 issued by Consob, which refers to ESMA Guideline 32-382-1138 dated March 4, 2021.

At December 31, 2024, the Group net financial debt was Euro 52,494 thousand, compared to Euro 65,083 thousand at December 31, 2023.

(in Euro thousands)	31/12/2024	31/12/2023	Change	Change %
A. Cash	14	23	(9)	-39.04%
B. Cash equivalents	72,571	74,793	(2,222)	-2.97%
C. Other current financial assets	0	0	0	0.00%
D. Cash and cash equivalents (A) + (B) + (C)	72,586	74,816	(2,231)	-2.98%
E. Current financial debt	(10,381)	(13,157)	2,776	-21.10%
F. Current portion of the non-current debt	(10,212)	(11,211)	999	-8.91%
G. Current financial debt (E)+(F)	(20,593)	(24,368)	3,775	-15.49%
H. Net current financial debt (G) + (D)	51,992	50,448	1,544	3.06%
I. Non-current financial debt	(104,486)	(115,531)	11,045	-9.56%
J. Debt instruments	0	0	0	0.00%
K. Trade payables and other non-current payables	0	0	0	0.00%
L. Non-current financial debt (I) + (J) + (K)	(104,486)	(115,531)	11,045	-9.56%
M. Total financial debt (H) + (L)	(52,494)	(65,083)	12,589	-19.34%

The net financial debt overall decreased by Euro 12,589 thousand compared to December 31, 2023. This decrease is mainly due to the repayment of medium and long-term financing by the Group.

Adjusted Net financial debt – The Adjusted net financial debt indicates the Group's capacity to meet its financial obligations.

The Adjusted net financial debt is obtained by adjusting the Net financial debt calculated according to the "Reminder No. 5/21" dated April 29, 2021 issued by Consob, which refers to ESMA Guideline 32-

382-1138 dated March 4, 2021, with the VAT receivable, the current and non-current financial receivables deriving from leases and recognized under IFRS 16 and the effect of the recognition of the MTM of the derivatives where liabilities.

(in Euro thousands)	31/12/2024	31/12/2023	Change	Change %
Net financial position/(debt)	(52,494)	(65,083)	12,589	-19.34%
(+) VAT receivables	2,075	2,362	(287)	-12.15%
(-) Current finance lease liabilities	(2,358)	(2,126)	(233)	10.95%
(-) Non-current finance lease liabilities	(6,752)	(8,603)	1,851	-21.52%
(-) Derivative financial instruments	0	0	0	0.00%
Adjusted net financial debt	(41,309)	(51,993)	10,683	-20.55%

(*) at December 31, 2024, the Mark to Market of derivatives was a positive Euro 6,914 thousand, compared to a positive Euro 10,287 thousand at December 31, 2023. These active derivatives are classified as non-current financial assets which are not included in the components to be considered when determining net financial debt, as per Consob Communication in accordance with ESMA recommendations 2022/32/382/1138, and they are therefore not included in the calculation of Adjusted net financial debt.

The Adjusted net financial debt was Euro 41,309 thousand at December 31, 2024, compared to Euro 51,993 thousand at December 31, 2023. The decrease is due, in addition to the effects analyzed in the previous paragraph, to lower non-current financial lease liabilities at December 31, 2024 compared to the previous year.

Risks and uncertainties

The main risk factors are examined in the Risk Management Policies section of the Explanatory Notes, to which reference should be made for further details. This section outlines the risk related to the general economic environment.

The SECO Group is exposed to risks arising from the characteristics and evolving dynamics of the economic cycle and the domestic and international political context. Furthermore, although the Group serves a wide range of sectors and customers, we currently have several loyal customers who account for over 5% of revenue and whose potential loss or downsizing could negatively impact the Group's business and our financial performance and standing.

The conflict between Russia and Ukraine has had significant global consequences due to economic effects on the world's markets, especially in terms of increased transportation costs, raw material prices, and energy costs. The resulting geopolitical instability had significant general economic repercussions, mainly concerning – but not limited to – the European continent.

The conflict in the Middle East is affecting the flow of trade. In particular, potential attacks on vessels transiting the Red Sea have led to a drastic reduction in traffic through the Suez Canal and a diversion of trade routes, resulting in increased costs and longer time frames related to the transportation of supplies and distribution of products.

The development of these issues globally is outside of the Group's control and the impacts on the financial markets and economic activity may not be forecast on a worldwide basis.

The first part of the year was characterized by high levels of inflation that did not allow central banks to make corrections to interest rates. This influenced the demand for goods in the Group's reference market and consequently triggered destocking aimed at containing and streamlining inventory levels by industrial players.

SECO on the stock exchange

SECO S.p.A. shares are traded on the Milan Euronext Star market organized and managed by Borsa Italiana S.p.A. At December 31, 2024, the SECO S.p.A. (IOT:MI) stock price was Euro 1.808, with a capitalization therefore of Euro 240.4 million.

Outlook

Seco is continuing to acquire new design wins and customers, strengthening the foundation for our future development. Recent partnerships with technology leaders such as NXP and Google Cloud open up new opportunities, and SECO's strategic positioning will enable it to take full advantage of the multiple growth trajectories offered by digitization.

The normalization of inflation, particularly in Europe, which has enabled central banks here to gradually loosen monetary policy over the last half of 2024 is beginning to have an impact on the propensity for businesses to invest. Within this landscape, we are seeing a gradual rebuilding of inventories and a consequent recovery in the demand for hardware.

The market is at the beginning of an eco-digital revolution, where digitization and the use of Artificial Intelligence algorithms "at the Edge" assume a key role for the future technological development of enterprises. The growing demand for smart solutions increasingly concerns the introduction of Artificial Intelligence, directly on the device locally, to enable the launch of new high value-added services, leveraging field data and introducing new business models. SECO's unique, comprehensive and integrated technology proposition focused on Edge computing and IoT-data analytics, is designed to meet these needs and enable customers to tap into the digitization opportunities emerging across all sectors.

In this volatile general economic environment, SECO will continue to work as always in meeting commitments and targets, maintaining a consistent focus on the efficient management of its financial structure to respond in an agile and prompt manner to the challenges and uncertainties of 2025.

SECOND SECTION - CONSOLIDATED SUSTAINABILITY STATEMENT

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General disclosures

ESRS 2 General disclosures

Basis for preparation

The present document represents the Consolidated Sustainability Statement (hereinafter, also “the Reporting” or “the Statement”) of SECO group (hereinafter, also “SECO” or “the Group”), prepared pursuant to Legislative Decree 125/2024, issued in execution of the European Directive 2022/2464/EU (“Corporate Sustainability Reporting Directive”), and the requests of article 8 of the European Parliament’s Regulation 2020/852.

Reporting frequency will be annual. Also, the Group applied the transitional provision on gradual adoption of certain disclosure requirements (phase-in), pursuant to Appendix C of ESRS 1 for the following data points.

ESRS	Data requirement	Paragraphs
2 – General disclosures	SBM-1 Strategy, business model and value chain	40b, 40c
	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	41, 48e
E1 – Climate change	E1-9 Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	All
E5 – Resource use and circular economy	E5-6 Anticipated financial effects from resource use and circular economy-related risks and opportunities	43a, 43b, 43c, AR 35
S1 – Own workforce	S1-13 Training and skills development metrics	83a, 84, 85
	S1-14 Health and safety metrics	88e, 89, AR94
	S1-15 Work-life balance	93a, 93b, 94

BP-1 – General basis for preparation of sustainability statements

Reporting scope

The reporting scope corresponds to that of the 2024 Consolidated Financial Statements. Additionally, the scope remains unchanged compared to the one presented in the Non-Financial Statement at December 31, 2023.

The qualitative information and quantitative data contained in the sections of this Consolidated Sustainability Statement are reported in aggregate form at Group level and, where deemed necessary, specific details have been provided for the following geographical areas in which the Group operates:

- Italy: includes the parent company SECO S.p.A. and the companies PSM Tech S.r.l. and SECO Mind S.r.l.;
- Germany: includes the companies SECO Northern Europe GmbH and SECO Mind Germany GmbH
- USA: includes SECO USA and SECO Mind USA, LLC;

- APAC: includes SECO Asia Limited, Fannal Electronics Co., Ltd. and SECO Microelectronics Co., Ltd.
- Other: includes SECO BH d.o.o. and Piri.ai, Inc.

In the "Technical Details" paragraph, data are presented both by geographical area and at Group level.

SECO has not made use of the option to omit specific information related to intellectual property, know-how or innovation outcomes, nor of the exemption from disclosing impending developments or matters in the course of negotiation – pursuant to Article 19-bis, paragraph 3 and Article 29-bis, paragraph 3 of Directive 2013/34/EU – as it is not applicable

Value chain

The upstream and downstream value chain was taken into account when mapping impacts, risks and opportunities. This activity informed the definition of the contents presented in this Statement. For further details on the reporting scope, reference should be made to the value chain mapping set out in the dedicated section (*ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities*), which was developed according to the specific features of the business model and includes a mapping of the Group's relationships with value chain actors up to the third tier.

The upstream and downstream value chain was also considered when mapping climate-related impacts (greenhouse gas emissions), as part of the carbon footprint analysis, with a specific focus on Scope 3 indirect emissions (*ref. E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions*).

BP-2 – Disclosures in relation to specific circumstances

SECO Group has opted to use the transitional provision according to which it is not required to report comparative information in the first year of preparation of the Consolidated Sustainability Statement. In fact, the adoption of the European Sustainability Reporting Standards (ESRS) has provided for new reporting methods, both in terms of consolidation perimeter and metrics adopted, which do not allow a comparison with the qualitative/quantitative information published in previous financial years in compliance with the disclosure obligations effective at the time.

Time horizons identified

When identifying the short-, medium- and long-term time horizons contained in this Consolidated Sustainability Statement, SECO adopted those set out in ESRS 1 – 6.4, Definition of short-, medium- and long-term for reporting purposes, which establishes the following time horizons starting from the end of the reporting period:

- Short term: the period adopted by the company as the reporting period in its financial statements, i.e., to December 31, 2025;
- Medium term: the period ending five years from the end of the reporting period, i.e., December 31, 2030;
- Long term: the period beyond the five-year medium-term horizon, i.e., beyond December 31, 2030.

The only exception to the above applies to time horizons defined when analyzing climate scenarios. Due to the nature of climate-related risks – particularly physical risks – and in light of the European policies adopted in recent years – specifically those concerning transition risks – the long-term horizon has been extended to 2050.

Quantitative metrics and monetary amounts subject to higher uncertainty

In preparing the Consolidated Sustainability Statement, the Group performed some estimations with regards to data and information on value chain to calculate the Scope 3 emissions, as illustrated in paragraph “E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions”.

When estimations have been used to measure some data, the adopted methodology is illustrated in a dedicated section to which reference is made to. Overall, estimations included in this Statement do not present high levels of uncertainty. Below are reported specific items for which reduced levels of uncertainty were identified: for such items, the related reasons for uncertainty, hypotheses and estimations performed are reported.

ESRS Topic	Metrics	Reasons for the uncertainty	Method for addressing uncertainty – Estimates, assumptions and approximations
E1	GHG emissions – Scope 3	Reduced availability and consistency related to some value chain data to be used to define information, both qualitative and quantitative, regarding Scope 3 emissions, as well as high number of part numbers and complexity in the composition of the bills of materials (ref. E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions).	Segmentation of the product portfolio into representative clusters (boards and systems with and without touch interfaces) and the use of calculations based on the monetary value of purchases, applying conversion factors for specific emission categories (ref. E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions).
E5	Volume of materials used to manufacture the undertaking's products and services	High number of part numbers and the complex composition of bills of materials (ref. E5-4 – Resource inflows).	All product part numbers were grouped into representative clusters (boards and systems with or without touch interfaces of various sizes). For each cluster, the components of a representative bill of materials were individually analyzed. The total weight, adjusted accordingly, is considered equal to the total input materials used to produce goods and services, as the amount of waste generated during production processes is not material (ref. E5-4 – Resource inflows).

In addition, this Statement does not include any information deriving from regulations requiring sustainability related disclosures, nor additional standards or reference frameworks for sustainability reporting, other than information pursuant to article 8 of Regulation EU 2020/852 of the European Parliament.

Governance

GOV-1 – The role of the administrative, management and supervisory bodies

The Board of Directors is the highest administrative, management and supervisory body and oversees various functions. It is responsible for organizational and strategic guidelines and verifying the existence of necessary controls to monitor the performance of the Parent Company and of Group companies.

The Board of Directors is composed as follows:

Executive members of the Board of Directors	Number	%
Executive members	2	20%
Non-Executive members	8	80%
Total	10	100%

Gender representation on the Board	Number	%
Male members	7	70%
Female members	3	30%
Total	10	100%
<i>Average ratio of male to female Board members</i>	2,33	

Independent Board members	Number	%
Independent members	4	40%
Non-independent members	6	60%
Total	10	100%

The main areas of expertise of the members of the Board of Directors are summarized below.

		Technology and digital	Financial and international markets, M&A	Legal, tax, regulatory and compliance expertise	Accounting and audit	ESG
Daniele Conti	Chairperson	x				
Massimo Mauri	Chief Executive Officer	x	x			
Michele Secciani	Non-Executive Director	x				
Claudio Catania	Non-Executive Director	x	x			
Tosja Zywietz	Non-Executive Director	x	x			
Luciano Lomarini	Non-Executive Director			x	x	
Valentina Montanari	Lead Independent Director			x	x	x

		Technology and digital	Financial and international markets, M&A	Legal, tax, regulatory and compliance expertise	Accounting and audit	ESG
Anna Zattoni	Independent Director					X
Valentina Manfredi	Independent Director	X				X
Paolo Lavatelli	Independent Director			X	X	

For the purposes of this classification, professional experience of at least three years in senior or executive roles (such as Chairperson, Chief Executive Officer, General Manager, Board Member, Executive, or Partner) within companies operating in the listed sectors was taken into consideration. With reference to ESG expertise, relevant experience includes holding senior or executive roles in companies where ESG topics represent the core business or play an essential role in the Company's long-term strategy.

We also note that within SECO's highest governing body:

- there are no members appointed as representatives of employees or other workers;
- there are no members appointed based on specific expertise in geographic areas relevant to the Group

Role and responsibilities of the administrative, management and supervisory bodies

The Board of Directors shall have the widest powers of Company administration and may carry out any and all acts deemed appropriate in satisfying corporate purposes, with the sole exclusion of those attributed by law or the By-Laws to the Shareholders' Meeting.

Pursuant to Article 19 of the By-Laws, the Board of Directors also has the power, subject to compliance with Article 2436 of the Civil Code, to resolve on: mergers and demergers, in cases provided for by law; the establishment or closure of secondary offices; the designation of Directors to represent the Company; the reduction of the share capital in the event of withdrawal of one or more shareholders; the adaptation of the By-Laws to regulatory provisions; the transfer of the registered office to another premises in Italy. The allocation of these powers to the Board of Directors does not exclude the concurrent competence of the Shareholders' Meeting on such matters.

In addition, in accordance with the Corporate Governance Code, the Board of Directors also carries out the following activities:

- defines strategic guidelines, examines and approves Company and Group multi-year business plans, including based on analysis related to long-term value creation;
- periodically monitors implementation of the business plan, and assesses general operating performance, periodically comparing the results achieved with those planned;
- defines the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments every element considered significant with regard to the sustainability success of the Company;
- defines the Company's corporate governance system and Group structure, by evaluating the adequacy of the Company's organizational, administration and accounting system and that of its strategically significant subsidiaries, with particular reference to the Internal Control and Risk Management System;

- resolves on transactions carried out by the Company and its subsidiaries when these have a significant impact on the Company's strategy, profitability, assets, liabilities or financial position. The Board of Directors has not established any general criteria for identifying transactions that have a significant impact on the Company's strategy, profitability, assets, liabilities or financial position, as it deems it more appropriate to assess the significance of the transactions carried out on a case-by-case basis;
- upon proposal by the Chairperson in conjunction with the Chief Executive Officer, adopts a procedure for internal management and external communication of documents and information relating to the Company, with particular regard to inside information.

The Board is therefore the body responsible for the Internal Control and Risk Management System, understood as the set of rules, procedures, organizational structures and processes aimed at monitoring the efficiency of business operations, the reliability of information provided to corporate bodies and the market, compliance with laws and regulations and the safeguarding of corporate assets.

Additionally, with the support of its internal Board committee (the Control and Risk Committee), the Board defines the guidelines for the Internal Control and Risk Management System, ensuring that the main risks for the Company and Group – including those that may be material in terms of sustainability over the medium to long term – are identified, measured, managed and monitored in accordance with national and international best practices.

In defining the guidelines of the internal control and risk management system, the Board has adopted an Internal Control and Risk Management System that complies with the indications of the Corporate Governance Code and is aligned with the reference best practices, and is defined in line with the "Internal Controls - Integrated Framework" and "Enterprise Risk Management - Integrated Framework" models issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called CoSo Report).

Specifically, every year the Board approves an Enterprise Risk Management (ERM) model whose methodology is based on identifying relevant risks, assessing them, including in view on the system of controls in place, and identifying improvement actions.

The Board of Directors, in drafting the strategic, business and financial plans, defined the nature and level of risk compatible with the strategic objectives of the Issuer, including in their assessments those risks considered significant with regard to the sustainability of the medium/long-term operations of the Issuer and of the companies of the Group.

In addition, the Board of Directors supervises the process of identification of sustainability related impacts, risks and opportunities. Also, the Control and Risk Committee is informed at least once a year on any updates of the list of IROs resulting from the double materiality analysis,

GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The Control and Risk Committee receives an update at least once a year on the Group's double materiality analysis, in order to review the methodology used and to share the mapped impacts, risks and opportunities, along with the outcomes of the analysis conducted.

In addition, the results of the analysis are also presented by the same methods to the Board of Directors, which is the body responsible for their approval.

The results of the analysis are among the key elements adopted by the BoD as a basis for its strategic assessments regarding sustainability-related matters and business decisions.

The results of the double materiality analysis conducted for 2024 were shared with Board members and analyzed to support the definition of the Group's strategic direction with respect to ESG matters.

Below are the impacts, risks and opportunities identified in the most recent update of the materiality analysis (ref. IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities):

Material im

ID	ESG Impact (Inside-Out)	+ / -	A / P	VC	Human rights	Time horizon	Topic	Sub-topic	Sub-sub-topic
I1	Reduction in energy consumption by end-users thanks to improved energy efficiency standards of products, achieved through in-house R&D or third-party collaborations	+	P	D	No	Short term	Climate change	Energy	--
I2	Contribution to climate change mitigation and adaptation through the development of IoT solutions that contribute to environmental targets, e.g., optimizing resource use,	+	P	U/D	No	Medium term	Climate change	Climate change mitigation	--

ID	ESG Impact (Inside-Out)	+ / -	A / P	VC	Human rights	Time horizon	Topic	Sub-topic	Sub-sub-topic
	renewable energy, reducing energy and material waste.						Climate change	Climate change adaptation	--
13	Contribution to climate change due to the organization's direct and indirect GHG emissions along the value chain	-	A	U/D	No	Long term	Climate change	Climate change mitigation	--
18	Contributing to the reduction of the environmental impact of e-waste through the adoption of design practices that extend product life by encouraging reuse and repair, or which facilitate end-of-life recycling	+	P	D	No	Medium term	Resource use and circular economy	Resource outflows related to products and services	--
							Resource use and circular economy	Waste	--
19	Increasing overall volume of e-waste may increase pollution risk to communities	-	P	D	No	Medium term	Resource use and circular economy	Resource outflows related to products and services	--
							Resource use and circular economy	Waste	--
111	Strengthen employees' skills, with a primary focus on digital skills, in order to ensure their adequate professional and personal growth.	+	A	O	No	Short term	Own workforce	Equal treatment and opportunities for all	Training and skills development
112	Increase the personal satisfaction of employees through initiatives to redistribute the economic value	+	P	O	No	Short term	Own workforce	Working conditions	Adequate wages

ID	ESG Impact (Inside-Out)	+ / -	A / P	VC	Human rights	Time horizon	Topic	Sub-topic	Sub-sub-topic
	generated, work-life balance policies, and the promotion of a healthy and inclusive environment						Own workforce	Working conditions	Working time
							Own workforce	Working conditions	Work-life balance
							Own workforce	Working conditions	Health and safety
114	Active contribution to safeguarding its employees from work-related injuries related to Group activities by implementing appropriate prevention systems	+	A	O	Yes	Short term	Own workforce	Working conditions	Health and safety
117	Sharing knowledge and skills in technology and digitalization to create positive synergies with the local area, e.g., supporting STEM education in local schools to foster inclusive growth.	+	P	D	No	Medium term	Affected communities	Communities' economic, social and cultural rights	Land-related impacts
118	Developing a direct, structured dialogue with customers using AI to better understand reported issues and reduce SECO's response times.	+	A	O	No	Short term	Consumers and end-users	Social inclusion of consumers and/or end-users	Access to products and services
120	Enhancing usability of SECO products by end-users by focusing on simple, user-friendly and accessible interfaces, with a consequent increase in satisfaction and reduction in discrimination against customers with less understanding of the digital/IT sphere	+	P	D	No	Short term	Consumers and end-users	Social inclusion of consumers and/or end-users	Access to products and services

ID	ESG Impact (Inside-Out)	+ / -	A / P	VC	Human rights	Time horizon	Topic	Sub-topic	Sub-sub-topic
I21	Reduced corruption and bribery thanks to practical measures in line with current rules and regulations, creating increased transparency and accountability for SECO in relation to area governance.	+	P	O	No	Short term	Business conduct	Corruption and bribery	Prevention and detection including training
							Business conduct	Corruption and bribery	Incidents
I22	Promoting employees' awareness and understanding of ethical challenges related to AI within SECO and across the value chain.	+	P	U/D	No	Short term	Entity specific ¹	--	--
I23	Negative social impacts due to uncontrolled use of AI, such as replacement of human job, misinformation, and privacy violations	-	P	U/D		Medium term	Entity specific ¹	--	--

Risks and opportunities

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
R1	Loss of competitiveness and reputation, due to a lack of action to	O	Short term	I3	Climate change	Climate change adaptation	-

¹ Entity specific: Management of technological innovation and Artificial Intelligence

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
	reduce environmental impacts and define climate targets				Climate change	Climate change mitigation	-
R6	Negative impacts on business performance due to a decrease in specific and vertical skills as a result of SECO's inability to reduce its turnover rate, owing to suboptimal work-life balance, weak welfare system, and unequal pay.	O	Medium term	I12	Own workforce	Working conditions	Working time
					Own workforce	Working conditions	Adequate wages
					Own workforce	Working conditions	Work-life balance
					Own workforce	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value
					Own workforce	Equal treatment and opportunities for all	Training and skills development
R7	Increased costs related to sanctions or unauthorized access to company information for multiple purposes and alteration of sensitive company data as a result of a lack of segregation of roles, both operationally and managerially.	O	Short term	I13	Own workforce	Other work-related rights	Privacy
R8	Increased costs associated with penalties if OSH regulations are not complied with or if major injury incidents occur	O	Short term	I14	Own workforce	Working conditions	Health and safety
R9	Negative reputational consequences for the company as a result of the absence of a mission to enhance diversity	O	Medium term	I15	Own workforce	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
					Own workforce	Equal treatment and opportunities for all	Diversity
R11	Potential reputational damage and costs related to legal sanctions arising from non-compliance with national and international regulations on the management of personal data associated with SECO's products or semi-finished goods, resulting in the loss of customer and end-user data (including with reference to the new Regulation (EU) 2023/2854)	D	Short term	--	Consumers and end-users	Information-related impacts for consumers and/or end-users	Privacy
R12	Loss of market share and decline in revenues due to the Company's inability to identify and implement sustainable development strategies, resulting in the failure to meet sustainability targets (e.g., defining a Net Zero strategy to support the identification of strategic solutions)	O	Medium term	--	Business conduct	Corporate culture	--
R13	Difficulty accessing financing due to lack of recognized sustainability strategy by financial stakeholders	O	Short term	--	Business conduct	Corporate culture	--
R14	Legal sanctions and reputational damage from poor management of product compliance	O	Short term	--	Business conduct	Management of relationships with suppliers including payment practices	--
R15	Loss of revenues from failure to properly leverage the potential of AI when developing the business model	O	Medium term	I22	Entity specific ²	--	--
R16	Risks (direct losses, legal sanctions, and business continuity) linked to	O	Short term	--	Entity specific ²	--	--

² Entity specific: Management of technological innovation and Artificial Intelligence

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
	potential cyberattacks on IT systems						
R17	Potential decrease in revenues and increase in costs due to the Company's inability to anticipate, perceive or manage innovation (in processes, products or technologies)	O	Medium term	--	Entity specific ²	--	--
R18	Reduced turnover and damage to Group facilities due to extreme meteorological events, such as floods, heat waves and fires caused by climate change	O	Long term	-	Climate change	Climate change adaptation	-
					Climate change	Climate change mitigation	-
O1	Greater attraction of third-party investments, resulting in increased capital available to SECO, thanks to the development of high energy-efficiency products, in line with industry trends	O	Medium term	I1	Climate change	Energy	--
O2	Improvement in corporate reputation and SECO's positioning on its reference market, thanks to the development of IoT software and hardware products and services supporting the energy transition and, more broadly, digital and industrial transformation	O	Medium term	I2	Climate change	Energy	--
O3	Increase in economic margins thanks to reduced direct energy costs achieved through energy efficiency activities	O	Short term	--	Climate change	Energy	--

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
O4	Reduced raw material procurement costs and reputational benefits of using materials from production waste or end-of-life products, which can reduce dependence on virgin raw materials.	U	Short term	I10	Resource use and circular economy	Resources inflows, including resource use	-
					Resource use and circular economy	Waste	-
O5	Increased revenues resulting from the acquisition of personnel with cutting-edge digital skills and subsequent improvement of products offered by SECO	O	Medium term	I11	Own workforce	Equal treatment and opportunities for all	Training and skills development
O6	Reduced costs associated with recruiting and training new staff by creating initiatives in support of SECO's staff well-being, designed to maintain a positive and motivating work environment.	O	Short term	I12	Own workforce	Working conditions	Working time
					Own workforce	Working conditions	Adequate wages
					Own workforce	Working conditions	Work-life balance
					Own workforce	Working conditions	Health and safety

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
O7	Reduced costs associated with recruitment owing to increased attractiveness - resulting from valuing diversity, such as gender, age and culture - and retention of talent and specialized professionals, resulting in increased corporate know-how	O	Medium term	I15	Own workforce	Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value
					Own workforce	Equal treatment and opportunities for all	Diversity
O8	Increase in revenues driven by the expansion of SECO's future workforce, thanks to a greater commitment to local awareness and training initiatives focused on STEM education	O	Long term	I17	Affected communities	Communities' economic, social and cultural rights	Land-related impacts
O9	Increase in revenues thanks to the development of highly personalized customer offerings and increased customer loyalty	O	Short term	I18	Consumers and end-users	Social inclusion of consumers and/or end-users	Access to products and services
O10	Potential increase in SECO's turnover thanks to a larger market share related to the offering of simple and intuitive products that ensure greater inclusion of end-users	D	Medium term	I20	Consumers and end-users	Social inclusion of consumers and/or end-users	Access to products and services

ID	Risk / Opportunity	Value Chain	Time horizon	ID Impact	Topic	Sub-topic	Sub-sub-topic
O11	Greater access to ESG-linked financing thanks to SECO's ability to provide financial stakeholders with adequate guarantees regarding compliance with the ESG performance targets they require	O	Short term	--	Business conduct	Corporate culture	--

GOV-3 – Integration of sustainability-related performance in incentive schemes

SECO publishes an annual report on its Remuneration Policy – the latest of which was approved by the Company's Board of Directors on March 17, 2025, following a proposal by the Appointments and Remuneration Committee – in compliance with regulations applicable to listed companies, in accordance with the recommendations set out in the Corporate Governance Code. The Policy is available in the Corporate Governance section on corporate.seco.com.

The remuneration of Non-Executive Directors and Independent Directors is appropriate to the competence, professionalism and commitment required by the tasks assigned to them within the Board and Board Committees. These Directors do not receive variable remuneration and are not beneficiaries of remuneration plans based on financial instruments.

With regard to Executive Directors, the remuneration structure comprises a fixed component and a variable component: the latter is primarily linked to annual quantitative targets, mainly based on profitability and financial performance metrics, and to qualitative aspects, which also include certain ESG-related criteria. However, since these are not qualitative elements, it is not possible to indicate the percentage of remuneration that depends on sustainability-related objectives and/or impacts.

A portion of the variable component is also linked to the multi-year targets related to the Company's long-term performance in terms of enhancing the value of the Company and achieving the targets of the business plan.

The short-term component of variable remuneration may not exceed 55% of the Executive Directors' total remuneration, except in the case of overperformance where the short-term variable component may not exceed 65% of total remuneration.

For details regarding the variable remuneration portion of individual Directors, please refer to the Remuneration Policy.

The KPIs and conditions related to incentive systems are defined and approved by the Board of Directors, based on proposals and opinions from the Appointments and Remuneration Committee.

GOV-4 – Statement on due diligence

The Company takes actions to identify, analyze and manage both the potential negative impacts on people and the environment, in addition to related risks, considering not only its own operations but also those across the entire value chain.

The following table outlines the disclosure requirements mandated by sustainability reporting regulation, which reflect the core principles of our approach to due diligence.

Core elements of due diligence	Paragraphs in the Consolidated Sustainability Statement
Embedding due diligence in governance, strategy and business model	GOV -1 The role of the administrative, management and supervisory bodies
	GOV - 2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies
	GOV - 3 Integration of sustainability-related performance in incentive schemes

Core elements of due diligence

Paragraphs in the Consolidated Sustainability Statement

	SBM - 3 Material impacts, risks and opportunities and their interaction with strategy and business model
Engaging with affected stakeholders in all key steps of the due diligence	SBM-2 – Interests and views of stakeholders
Identifying and assessing adverse impacts	<p>GOV -1 The role of the administrative, management and supervisory bodies</p> <p>SBM - 3 Material impacts, risks and opportunities and their interaction with strategy and business model</p> <p>IRO - 1 Description of the process to identify and assess material impacts, risks and opportunities</p>
Taking actions to address those adverse impacts	<p>MDR-P Policies adopted to manage material sustainability matters</p> <p>E1-2 Policies related to climate change mitigation and adaptation</p> <p>E5-1 Policies related to resource use and circular economy</p> <p>S1-1 Policies related to own workforce</p> <p>S3-1 Policies related to affected communities</p> <p>S4-1 Policies related to consumers and end-users</p> <p>G1-1 Business conduct policies and corporate culture</p> <p>G1-2 Management of relationships with suppliers</p> <p>G1-3 Prevention and detection of corruption and bribery</p>
Tracking the effectiveness of these efforts and communicating	<p>E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions</p> <p>E5-4 – Resource inflows</p> <p>E5-5 – Resource outflows</p> <p>S1-9 – Diversity metrics</p> <p>S1-10 – Adequate wages</p> <p>S1-12 – Persons with disabilities</p> <p>S1-13 – Training and skills development metrics</p> <p>S1-14 – Health and safety metrics</p> <p>S1-15 – Work-life balance metrics</p> <p>S1-16 – Remuneration metrics (pay gap and total remuneration)</p> <p>S1-17 – Incidents, complaints and severe human rights impacts</p>

G1-4 – Incidents of corruption or bribery

GOV-5 - Risk management and internal controls over sustainability reporting

SECO has defined an Internal Control and Risk Management System for its sustainability reporting process. This system, updated to align with the disclosure requirements of the CSRD Directive and the ESRS standards, builds on the experience gained in risk control and management during the preparation of sustainability reports issued prior to the CSRD obligation, in accordance with the NFRD framework.

SECO conducted an assessment – drawing both on past reporting experience and insights from this first year of CSRD adoption – of the main risks associated with its reporting process, identifying two key areas of risk:

- the double materiality process, and specifically the identification, mapping and prioritization of ESG impacts, risks and opportunities based on both the external double impact and financial materiality logic;
- the process of collecting qualitative and quantitative data, including the selection of KPIs to report, definition of the reporting scope and monitoring of reporting templates and the data they contain.

Following this analysis, two interlinked procedures were defined within the governance framework of the sustainability reporting process: The “Procedure for the Collection of Data Required for the Sustainability Statement pursuant to Legislative Decree No. 125/2024”, and the “Procedure for the Double Materiality Process pursuant to ESRS standards”. These procedures regulate the processes of defining, collecting, processing and approving sustainability statements subject to reporting.

In particular, the data collection and validation process involves three levels of control: the first level is performed by data owners and operational contacts; the second level is carried out by the Finance Team and those responsible for the sustainability reporting process; the third level is performed by administrative and control bodies during the approval process for the Statement and the double materiality analysis.

Additionally, SECO has not yet adopted a dedicated information system for collecting ESG-related data and information but currently relies on structured data collection templates following CSRD guidance. These are completed using information from corporate management systems and, where unavailable, from other direct sources possessed by the organization.

Internal Control and Risk Management System

The Internal Control and Risk Management System is an integrated system of rules, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main corporate risks, in which a number of corporate bodies and organizational units take part, and whose components are coordinated and interdependent and characterized by complementarity in terms of the aims pursued, the characteristics of the system and the operating rules.

Specifically, the parties involved in the Internal Control and Risk Management System are:

- the Board of Directors;
- the Control and Risk Committee;
- the Chief Executive Officer as the Director in charge of the Internal Control and Risk Management System;
- the Board of Statutory Auditors;
- the independent audit firm;
- the Supervisory Board;
- the Executive Officer for Financial Reporting;
- the Internal Audit Manager.

Specifically, the Board of Directors assigned to the Chief Executive Officer the responsibility for establishing and maintaining the Internal Control and Risk Management System.

The Chief Executive Officer, as the person responsible for establishing and maintaining the Internal Control and Risk Management System, is responsible for:

- identifying the main business risks, taking into account the characteristics of the activities undertaken by the Company and by its subsidiaries, and periodically presenting them for examination to the Board of Directors;
- introducing the guidelines defined by the Board, supervising the planning, realization and management of the Internal Control and Risk Management System, constantly verifying its adequacy and efficiency, and adapting it to changes in operating conditions and legal and regulatory frameworks.

In addition, the Chief Executive Officer entrusted the Internal Audit Function with verifying specific operational areas and with compliance of internal procedures and rules in the execution of business operations, simultaneously communicating such to the Chairperson of the Board of Directors, the Chairperson of the Control and Risk Committee and to the Chairperson of the Board of Statutory Auditors. We note that during the reporting period, the Chief Executive Officer did not exercise this authority.

The meetings of the Control and Risk Committee were attended by the members of the Board of Statutory Auditors, as well as the Chief Executive Officer pursuant to the Corporate Governance Code, the heads of the Legal and Corporate Affairs, Finance and Control, and Internal Audit Departments, and the independent audit firm, at the invitation of the Committee's Chairperson and informing the Chief Executive Officer.

The following responsibilities in the area of control and risk management are assigned to the aforementioned Committee:

- defining the guidelines for the Internal Control and Risk Management System in line with the Company's strategy and assessing, at least annually, the adequacy of the system considering the particular characteristics of the Company, the risk profile assumed, and its efficacy;
- appointing and dismissing the Internal Audit Manager, defining his or her remuneration in line with corporate policies, ensuring that s/he is provided with adequate resources to carry out his or her tasks. Should the Internal Audit Function, as a whole or in segments, be entrusted to an entity external to the Company, this external entity must meet the appropriate requirements of professionalism, independence and organization and adequate justification for this choice must be provided in the Corporate Governance Report;
- approving, at least annually, the work plan drawn up by the Internal Audit Manager, after consultation with the control board and the Chief Executive Officer;

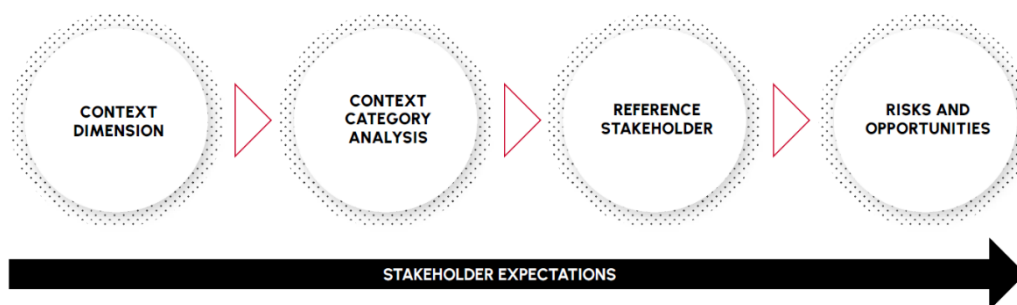
- assessing the appropriateness of adopting measures to ensure the effectiveness and impartiality of judgement of the other corporate functions involved in the internal audits, verifying that they possess adequate levels of professionalism and resources;
- performing the supervisory functions pursuant to Article 6, paragraph 1, letter b) of Legislative Decree No. 231/2001;
- following consultation with the control body, assessing the conclusions set out by the legal auditor in any letter of recommendations and in the additional report addressed to the control body;
- describing, in the Corporate Governance Report, the main features of the Internal Control and Risk Management System and the methods of coordination between the parties involved in it, indicating the models and national and international reference best practices, expressing its overall assessment of the adequacy of the system and outlining the choices made in relation to the composition of the Supervisory Board as per point (v) above.

The internal audit role has been entrusted to PricewaterhouseCoopers Business Services S.r.l.

For details on the activities carried out by the Internal Audit function, reference should be made to the Corporate Governance and Ownership Structure Report pursuant to Article 123-ter of Legislative Decree No. 58/1998, approved by the Board of Directors on March 17, 2025.

In addition to the control bodies, the management team is also involved in the risk assessment and analysis process: The designated representatives from the various functions (risk-owners) are engaged in risk mapping, assessment and monitoring activities, in addition to the audit phases. The Group Chief Quality Officer is responsible for coordinating these activities.

Risk assessment is based on an analysis of the context in which the Group operates, taking into account various topics including compliance, strategy, business operations and information reporting, which may involve different internal stakeholders and corporate processes. For each of these an in-depth analysis is carried out to identify its main contents in relation to the Group's information and data, the internal and external stakeholders involved in the scope of the context, their expectations and, finally, the risks and opportunities.



Each risk is assigned an inherent risk coefficient, based on a rating reflecting both the phenomenon's likelihood of occurrence and the severity of potential impact (measured in terms of financial loss and/or time). Management controls and actions already in place or that could be introduced to mitigate the impact are then identified and the residual risk level is verified.

The process is also being integrated to align ESG risk mapping with the double materiality analysis. In this case, starting from a contextual analysis and a mapping of potentially relevant impacts, risks and opportunities (IROs) for the Group – considering input from the ERM system on ESG-related issues – SECO undertook a process of analysis and evaluation of IROs, with contributions from top managers (internal risk-owners) and stakeholders (external risk-owners). The risks and opportunities considered

material for the organization were organized during the process and subsequently incorporated into the ERM analysis (ref. IRO-

Strategy

SBM-1 Strategy, business model and value chain

SECO is a technology company that develops solutions and technologies to enable a new generation of digital devices, spanning Edge Computing, IoT, and AI. The company operates in a global market, with offices located in EMEA, North America and APAC.

There are 839 global employees: 653 in EMEA (of which 418 are in Italy), 155 in APAC and 31 in the USA.

SECO operates with the objective of enhancing the value created for its stakeholders by integrating technology into their products and enabling smart devices. This is achieved by equipping devices with advanced technological capabilities in computing power, data analytics, connectivity, interoperability and user experience.

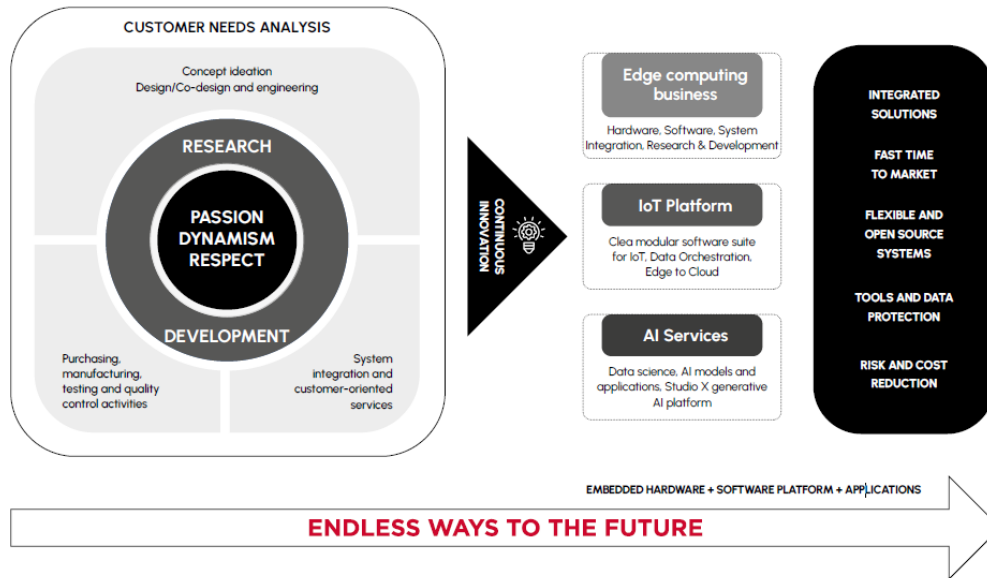
To achieve this, SECO develops a set of integrated solutions, both off-the-shelf and customized, based on miniaturized computers, human-machine interfaces and IoT-ready software platforms. These are plug-and-play solutions based on IoT-AI algorithms, enabling interconnectivity between devices, thereby allowing them to deliver high added-value information to users in real time.

SECO's solutions can be applied across a broad range of industries, including medical, industrial automation, transportation, infotainment, smart cities, aerospace and defense, fitness and vending. Off-the-shelf solutions, based on widely adopted global design standards for industrial computers, can be sold as-is or customized based on the needs of a specific vertical or customer.

ESG principles are integrated into all of the Group's activities, which is committed to satisfying the needs of its stakeholders on a daily basis by placing SECO's workforce at the center and focusing on the key objective of satisfying customers looking for a partner to maximize the potential of their products and leverage emerging technological opportunities. All of this is pursued without ever losing focus on the environment, striving, wherever possible, to minimize SECO's impact on the local area and broader ecosystem in which it operates.

That said, SECO has not yet defined a formal sustainability strategy for the medium to long term and, as of today, does not offer products or services specifically designed to address sustainability-related objectives. Business Model

The infographic below illustrates the Group's business model.



Specifically, SECO's business model and internal value chain are structured into three main phases.

The first phase comprises the design or co-design of solutions based on hardware (edge computing) or software (IoT/AI) technologies. Once we have agreed on the preliminary specifications with our customers (design win), we move on to the engineering phase, which comes after product design and before manufacturing. In this phase, SECO oversees the industrialization of the product, developing a workable and customizable solution based on customer requirements.

Once this phase is complete, the Group directly oversees the operations cycle and supply chain management phases, from the purchase of raw materials and components to product manufacture, which comprises the integral phrases of testing and quality control. The Group is committed to complying with high internal quality standards, legal regulations, and all applicable certification standards.

The final phase involves system integration and customer assistance activities, which we perform through services designed to meet customer needs. SECO offers plug-and-play hardware solutions featuring HMI touch interfaces and connectivity, ready to integrate with its proprietary CLEA platform. This allows for rapid and efficient integration into customer solutions, minimizing implementation effort. SECO also develops the IoT-AI infrastructure required for software solutions, which is implemented according to the specifications defined during the design phase.

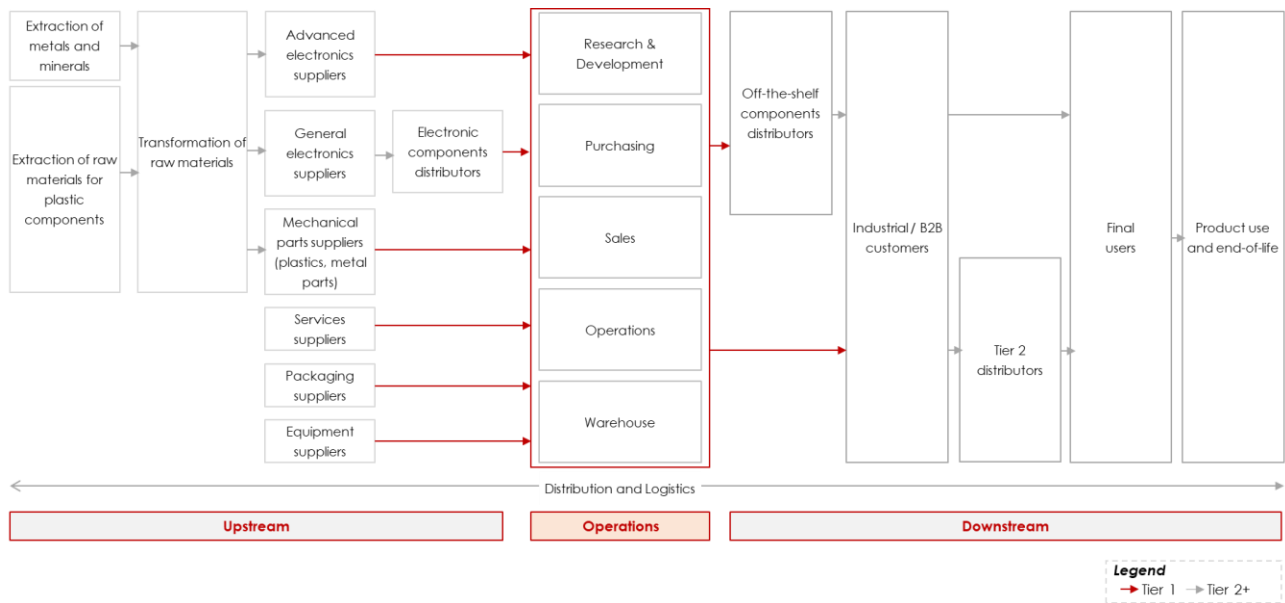
Value chain

For the purposes of this statement, no quantitative elements related to the value chain have been included. However, a detailed analysis of its composition was carried out in order to identify material impacts, risks and opportunities beyond the Company's organizational scope (*ref. IRO-1 – Description of the processes to identify and assess material impacts, risks and opportunities*).

This analysis led to the identification of SECO's main value chain actors, their characteristics and the nature of their interactions with the Group, as illustrated below.

Additionally, the analysis enabled the identification of certain advantages that SECO's customers and, indirectly, other value chain stakeholders, may derive from SECO's products and services:

- In-house production, which enables SECO to directly oversee manufacturing processes, thereby ensuring compliance with quality standards required by customers or regulatory or certification requirements;
- Geographic proximity of Operations and R&D to customers, supported by SECO's international presence across EMEA, the USA and APAC;
- Co-development of customer-enabling solutions, through in-house R&D and testing activities carried out on behalf of customers, allowing them to integrate electronics, human-machine interfaces and connectivity into their own devices while reducing development costs and time-to-market.



The SECO Group's value chain operates through a structured ecosystem of actors, divided between upstream partners, who supply the technological and material resources necessary for production, and downstream actors, who distribute SECO's solutions to end customers.

The upstream value chain includes:

- Suppliers of advanced electronic components, primarily global silicon vendors that provide technological solutions such as chips and memory devices. These vendors are industry leaders in electronics; SECO collaborates with many of them through both commercial relationships and technology partnerships. This includes direct agreements that provide early access to the latest semiconductor innovations (early access programs), allowing SECO to test cutting-edge technologies before they are put on the market and integrate them into SECO products, such as processors and microcontrollers. These relationships also involve direct price negotiations, technical support during the design phase and continuous updates on technological developments.
- Suppliers and distributors of general and electronic components: mainly comprising distributors with widespread international market presence. They ensure a reliable and flexible supply chain, which the Group leverages through direct commercial relationships to access widely used materials, managing procurement according to production needs and market availability;
- Other suppliers: including suppliers of mechanical parts (plastic and metal), suppliers of various production equipment and suppliers of services, with whom SECO maintains direct supply relationships.

The downstream value chain includes:

- B2B customers, who purchase either off-the-shelf or customized SECO products to integrate into their own devices; SECO interacts with these customers directly, jointly defining the features of the final product and the terms of order management;
- Distributors, who primarily purchase off-the-shelf solutions from SECO. Thanks to their extensive geographic presence, SECO is able to indirectly reach customers, often those requiring less customization and smaller volumes.

With the exception of a small residual product line for developers, which is not significant in terms of turnover and is sold via SECO's online shop, the Group does not engage directly with end-users.

SBM-2 Interests and views of stakeholders

The first phases of the stakeholder engagement process that began in 2021 involved an update to the Group stakeholder map following a targeted survey, which was sent to the Group's senior management team in order to:

- map out and identify the main Group stakeholders;
- analyze their respective communication and relationship styles;
- define the functions involved in managing relationships with the various stakeholder categories;
- identify the tools and communication channels used to engage with each stakeholder category;
- assess the degree of materiality for the Group so that an outline could be created for the stakeholder engagement plan.

The results of said analysis are shown in the infographic below. The size of the bubble indicates the materiality assigned by panel participants to each stakeholder category.



The table below outlines the dialogue methods and channels utilized, the frequency of engagement, and the manners in which SECO communicates with various categories of Stakeholder.

Stakeholders	Tools and channels for dialogue and frequency of interaction	Communication channels
Employees	<ul style="list-style-type: none"> IT portal (as needed) Team meetings (weekly/monthly) Stakeholder satisfaction surveys (yearly) Annual performance review (yearly) Internal communication activities (newsletter) Training (as per training plans) Ethics Code (as needed) 	Listening, informing, collaborating, monitoring, and engaging
Shareholders and investors	<ul style="list-style-type: none"> Economic-financial and governance reports (once every quarter, six months, or year) Company website and press releases (as needed) Meetings held periodically (once every quarter, six months, or year) or following a special company event such as a corporate transaction, strategic partnership presentation, etc. One-to-one, one-to-few, and one-to-many meetings Company visit 	Listening, informing, collaborating, monitoring, and engaging
Suppliers and partners	<ul style="list-style-type: none"> Ethics Code (at the beginning of the employment relationship) Qualification survey (at the beginning of the employment relationship and then once a year) Supplier regulatory compliance (at the beginning of the business relationship) Frequently Asked Questions (FAQs) section on the Company's website 	Listening, informing, collaborating, monitoring, and engaging
Customers	<ul style="list-style-type: none"> Surveys and calls with third-party consultants to gather feedback (yearly) Customer service (as needed) Frequently Asked Questions (FAQs) section on the Company's website 	Listening, informing, collaborating, monitoring, and engaging
The community and local area	<ul style="list-style-type: none"> Sponsorship of sports and cultural activities, and social community projects (yearly) 	Listening, collaboration, and involvement
Schools and universities	<ul style="list-style-type: none"> Roundtables, partnerships, and project development (yearly) 	Collaboration and involvement
Trade institutions and associations	<ul style="list-style-type: none"> Roundtables, regular meetings 	Listening, collaboration, and involvement
Union representatives	<ul style="list-style-type: none"> Roundtables, regular meetings 	Listening, collaboration, and involvement
Media	<ul style="list-style-type: none"> Website (as needed) Press conferences (as needed) 	Listening, collaboration, and involvement
Scientific community	<ul style="list-style-type: none"> Roundtables, partnerships, and project development (yearly) 	Collaboration and involvement

In 2024, in addition to conducting an analysis of the Group's value chain (*ref. Strategy, business model and value chain*), SECO also carried out a stakeholder mapping analysis to define the

stakeholder categories to be involved in the double materiality process, in line with CSRD requirements.

The analysis focused on three main aspects:

- This vertical expertise of each Stakeholder, in terms of their ability to assess the impacts, risks and opportunities identified by the Group;
- the need to cover all mapped impact areas, i.e., the ESG topics as defined by the ESRS;
- SECO's ability to reach the stakeholder and obtain an objective assessment of the IROs.

The results of this activity are presented below, along with the methods used to assess IROs within the double materiality process and the approach to questionnaire distribution (*ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities*).

With regard to the assessment of sustainability-related impacts of the company, the administrative, management and supervisory bodies are informed at least once a year, during the double materiality update, about the opinions and interests expressed by the stakeholders involved.

There is currently no specific reporting method for stakeholder interests emerging from traditional dialogue channels. However, their views are analyzed by management and taken into account when defining strategic priorities and providing updates to the Board of Directors.

SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

SECO has conducted a qualitative assessment of the resilience of its strategy and business model, focusing on their ability to address material impacts and risks, and to capitalize on material opportunities, over the short- to medium-term horizon. For further details of the IROs identified and considered into the analysis, reference is made to paragraph *GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies*.

The process began with a presentation of the preliminary outcomes of the double materiality analysis to the Control and Risk Committee and the Board of Directors. This facilitated the collection of useful feedback for the analysis and helped strengthen awareness of material ESG topics – impacts, risks, and opportunities (IROs) – to be considered in strategic decisions.

Following this, the interconnections between each IRO and the corporate strategy were assessed, and SECO identified actions already taken to mitigate negative impacts and risks, and to leverage the generation of positive impacts and opportunities, thereby evaluating the level of resilience of SECO's strategy. This tool will form the basis for updating the actions to mitigate ESG risks within SECO's strategy.

Impact analysis

For both positive and negative impacts, SECO identified the strategic levels at which the most significant interconnections occur, evaluating the organization's capacity to mitigate or capitalize on these impacts in relation to:

- **Human capital:** Employee skills, the presence of dedicated roles, governance mechanisms and organizational structures supporting impact management;
- **Technological capital:** Technology infrastructure and tools – digital or otherwise – capable of supporting monitoring and mitigation processes;
- **Economic capital:** Financial resources allocated to manage a specific topic;
- **Relational capital:** Stakeholder collaborations and relationships (including suppliers) that facilitate the process of impact management.

This evaluation showed that the most significant negative external impacts relate to environmental issues (climate change mitigation and waste generation), in addition to technology development. SECO has adopted appropriate safeguards and allocated resources and technological tools to manage these impacts. Its excellent ability to oversee this area is also reinforced by collaborations with external partners, especially in relation to technology topics.

As for positive impacts generated by SECO, some relate to environmental improvements, though the majority fall within the social sphere, particularly impacts on its own workforce and on the Group's customers. The analysis highlighted an opportunity to improve employee working conditions and promote internal career development through targeted training initiatives. Meanwhile, with regard to customers, the Group's strategy offers opportunities to improve user experience – thanks to AI and other technologies – and to enhance accessibility and usability of SECO's products for end users.

Overall, this has led to the conclusion that the Group is able to manage the external impacts deriving from its business activities thanks to the safeguards currently in place.

Analysis of Risks and Opportunities

With regard to material risks and opportunities, the Company mapped the specific repercussions for its strategy and business model. In doing so, the Group assessed the relevance of its strategy by mapping processes, actions and objectives associated with each risk and calculating the corresponding residual risk.

Most of the risks identified by SECO relate to the management of human resources, including the evaluation of potential consequences primarily linked with reputational damage and the risk of legal sanctions stemming from non-compliance with employee-related regulations (e.g., GDPR, work-related injuries). Additional risks were linked to internal governance practices, such as the adoption of ESG monitoring tools or failure to align with relevant product technical standards. Further risks were associated with the technologies used by the Group, particularly the potential loss of customers due to a lack of technological updates or a failure to remain in step with evolving market innovations. In all the mentioned cases, the actions and processes enacted or in the process of being enacted by the Group have highlighted the existence of adequate safeguards, able to significantly reduce the residual risks.

Among the mapped opportunities, on the other hand, are those relating to environmental topics, especially energy, which could generate positive effects in terms of attracting financial capital, building business reputation, and reducing electricity costs and purchase price volatility. Regarding social topics, moreover, opportunities emerged mainly in relation to the organization's own workforce, with possible benefits in terms of the attractiveness of SECO in recruiting new professional figures, increased personnel retention, and improved innovation performance. This latter aspect has shown how SECO's strategy can lead to considerable opportunities in relation to its customers through increased market competitiveness, customer loyalty, and access to new business sectors and segments.

The assessment also highlighted the absence of current financial effects for the organization.

Impact, risk and opportunity management

IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities

During the year, SECO took a structured approach to identifying material impacts, risks and opportunities in aligning itself with the double materiality requirements of the CSRD.

IRO context and mapping analysis³

Firstly, an in-depth analysis of the context was conducted, considering peers and competitors, sector standards, the media, assessment bodies, and relevant financial entities, in order to identify the main impact areas for the organization.

Subsequently, SECO analyzed its value chain, mapping the categories of actors involved, and their relations with the Group, in order to identify specific impact areas of each actor in relation to the topics of the CSRD (ref. SBM-1 Strategy, business model and value chain).

In addition to the tools already highlighted, SECO made use of external support to analyze climate scenarios and the resilience of its climate strategy, and to identify short-term risk areas in the mapping of climate IROs (ref. SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model (E1)).

Subsequently, the inside-out impacts generated by external activities were analyzed and classified in relation to the identified context analysis topics and CSRD topics, sub-topics, and sub-sub-topics. At the same time, outside-in financial risks and opportunities were identified in mapped impacts, organizational dependencies, and the external context. Finally, meetings were organized with management to validate a longlist of ESG impacts, risks and opportunities, to be submitted for assessment by both external and internal stakeholders.

In line with CSRD requirements, the Group's approach prioritized the identification and analysis of material topics in the business context.

Indeed, as not all CSRD sustainability topics were directly applicable to the SECO Group, either currently or potentially, considering the relevant sector, operational context, business model and value chain, the mapping covered only 39 sub-sub-topics in total, though all topics were considered.

In particular, sustainability sub-topics not affected by corporate activities were excluded, as they did not present current or future risks or opportunities.

Materiality assessment of impacts, risks and opportunities

For the assessment of business IROs, an internal manager panel was put together considering figures responsible for areas most affected by the various material topics, and all business and financial impacts, both inside-out and outside-in. Furthermore, for the analysis of specific impacts, risks and opportunities, multiple managerial figures were involved to develop a deeper and wider analysis.

SECO then mapped its external stakeholders according to specific individual competences, in order to maximize the quality of feedback received, and, considering the large number of impacts, avoid

³ As noted in the Governance section (ref. GOV-1 - The role of the administrative, management and supervisory bodies), SECO proceeded with a preliminary process of integrating corporate ERM into the Double Materiality Analysis, making the metrics used uniform, and including the top ESG risks from the ERM in the mapping. The other 8 mapped ESG risks were not taken fully into consideration, given that they did not reach the minimum materiality threshold, and were not considered sufficiently specific for inclusion in the analysis. These risks were, however, considered as a starting point to detail new, more specific risks. The goal for the future is to completely align the two processes, to ensure that the ESG risks reported in the two tools are the same.

a massive and indiscriminate engagement of stakeholders. The complete stakeholder mapping, carried out over the last few years of reporting, created a starting point for activities in the current year (ref. SBM-2 - Interests and views of stakeholders), aimed at identifying parties who, by virtue of specific vertical skills or significant sector experience, could contribute to a more precise assessment of the IROs identified. The survey was then shared with the parties in each stakeholder category with more knowledge on the specific topics concerned.

The assessment process used metrics based on the stakeholders' assessments of the scale, scope, remediability and likelihood of impacts. IROs were then assigned to the various internal functions and external stakeholders, and structured inputs were collected through one-to-one interviews with internal managers and through online forms completed by external stakeholders.

The assessment of identified positive and negative, actual and potential impacts was made by multiplying the value assigned to the severity/benefit of the impact (scored from 1 to 5) and its likelihood (scored from 1 to 5). For actual impacts, the assigned likelihood was equal to 6. Each impact was therefore assessed on a scale of 1 to 30.

The assessment of identified risks and opportunities, meanwhile, was obtained by multiplying the value assigned to the severity/benefit of the risk/opportunity (scored from 1 to 5) and its likelihood (scored from 1 to 5). Each risk or opportunity was therefore assessed on a scale of 1 to 25.

Each stakeholder and function was assigned the same weight and the final assessment for each individual IRO was obtained as the simple average of the assessments of stakeholders and those SECO management.

Definition of material topics

Finally, the Group processed the feedback received, and made a final assessment, identifying the material ESRS topics, sub-topics and sub-sub-topics for reporting, with a matrix considering different thresholds of scale and likelihood, as illustrated in the following image.

Entity	5 Highly serious / Highly relevant	Highly serious / Highly relevant - Unprobable	Highly serious / Highly relevant - Lowly probable	Highly serious / Highly relevant - Probable	Highly serious / Highly relevant - Highly probable	Highly serious / Highly relevant - Very highly probable	Highly serious / Highly relevant - Actual	Materiality threshold
	4 Serious / Relevant	Serious / Relevant - Unprobable	Serious / Relevant - Lowly probable	Serious / Relevant - Probable	Serious / Relevant - Highly probable	Serious / Relevant - Very highly probable	Serious / Relevant - Actual	
	3 Medium	Medium - Unprobable	Medium - Lowly probable	Medium - Probable	Medium - Highly probable	Medium - Very highly probable	Medium - Actual	
	2 Low	Low - Unprobable	Low - Lowly probable	Low - Probable	Low - Highly probable	Low - Very highly probable	Low - Actual	
	1 Not relevant	Not relevant - Unprobable	Not relevant - Lowly probable	Not relevant - Probable	Not relevant - Highly probable	Not relevant - Very highly probable	Not relevant - Actual	
		Unprobable 1	Lowly probable 2	Probable 3	Highly probable 4	Very highly probable 5	Actual 6	
		Probability						

In line with the principles of the CSRD, the approach taken aimed to produce adequate reporting of the materiality of the identified topics. Therefore, material topics, sub-topics, and sub-sub-topics were included which, in the initial mapping, concerned at least one material impact, risk or opportunity, following the assessment process. With this approach, all the material IROs were used to identify datapoints related to the reference topic (ref. GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies).

IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement

ESRS reporting requirements content index

ESRS Standard	OI	OI description	Page
ESRS 2	BP-1	General basis for preparation of sustainability statements	27
	BP-2	Disclosures in relation to specific circumstances	28
	GOV-1	The role of the administrative, management and supervisory bodies	29
	GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	35
	GOV-3	Integration of sustainability-related performance in incentive schemes	44
	GOV-4	Statement on due diligence	44
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	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	52
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	54
	IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	56
	MDR-P	Policies adopted to manage material sustainability matters	66, 71, 79, 93, 108

E1	GOV-3	Integration of sustainability-related performance in incentive schemes	68
	E1-1	Transition plan for climate change mitigation	68
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	E1-5	Energy consumption and mix	74
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E5	IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	79
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	E5-2	Actions and resources related to resource use and circular economy	80
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	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	91

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	S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	95
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	S1-17	Incidents, complaints and severe human rights impacts	98
S3	SBM-2	Interests and views of stakeholders	50
	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	101
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	S3-4	Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	103
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G1	GOV-1	The role of the administrative, management and supervisory bodies	106
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	G1-1	Business conduct policies and corporate culture	107
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Datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure requirement and related datapoint	SFDR ⁴	Pillar 3 reference ⁵	Benchmark Regulation reference ⁶	EU Climate Law reference ⁷	Material / Not material	Page
ESRS 2 GOV-1 Board's gender diversity, paragraph 21(d)	✓		✓		Material	29
ESRS 2 GOV-1 Percentage of board members who are independent, paragraph 21(e)			✓		Material	29
ESRS 2 GOV-4 Statement on due diligence, paragraph 30	✓				Material	44-45
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities, paragraph 40(d)(i)	✓	✓	✓		Not material	/
ESRS 2 SBM-1 Involvement in activities related to chemical production, paragraph 40(d)(ii) (d)(ii)	✓		✓		Not material	/
ESRS 2 SBM-1 Involvement in activities related to controversial weapons, paragraph 40(d)(iii) (d)(iii)	✓		✓		Not material	/
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco, paragraph 40(d)(iv)			✓		Not material	/
ESRS E1-1 Transition plan to reach climate neutrality by 2050, paragraph 14				✓	Material	67
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16(g)		✓	✓		Not material	/
ESRS E1-4 GHG emission reduction targets, paragraph 34	✓	✓	✓		Material	72-73

⁴ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR) (OG L 317, 9.12.2019, p. 1).

⁵ Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

⁶ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

⁷ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

Disclosure requirement and related datapoint	SFDR ⁴	Pillar 3 reference ⁵	Benchmark Regulation reference ⁶	EU Climate Law reference ⁷	Material / Not material	Page
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors), paragraph 38	✓				Material	73-74
ESRS E1-5 Energy consumption and mix, paragraph 37	✓				Material	73-74
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	✓				Material	74
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	✓	✓	✓		Material	75
ESRS E1-6 Gross GHG emissions intensity, paragraphs 53 to 55	✓	✓	✓		Material	78
ESRS E1-7 GHG removals and carbon credits, paragraph 56				✓	Not material	/
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66			✓		Not material	/
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66(a)		✓			Not material	/
ESRS E1-9 Location of significant assets at material physical risk, paragraph 66(c)					Not material	/
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67(c)		✓			Not material	/
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities, paragraph 69			✓		Not material	/
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	✓				Not material	/
ESRS E3-1 Water and marine resources, paragraph 9	✓				Not material	/
ESRS E3-1 Dedicated policy, paragraph 13	✓				Not material	/
ESRS E3-1 Sustainable oceans and seas paragraph 14	✓				Not material	/
ESRS E3-4 Total water recycled and reused, paragraph 28(c)	✓				Not material	/
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations, paragraph 29	✓				Not material	/
ESRS 2 IRO-1 - E4 paragraph 16(a) i	✓				Not material	/

Disclosure requirement and related datapoint	SFDR ⁴	Pillar 3 reference ⁵	Benchmark Regulation reference ⁶	EU Climate Law reference ⁷	Material / Not material	Page
ESRS 2 IRO-1 - E4 paragraph 16(b)	✓				Not material	/
ESRS 2 IRO-1 - E4 paragraph 16(c)	✓				Not material	/
ESRS E4-2 Sustainable land/agriculture practices or policies, paragraph 24(b)	✓				Not material	/
ESRS E4-2 Sustainable oceans/seas practices or policies, paragraph 24(c)	✓				Not material	/
ESRS E4-2 Policies to address deforestation, paragraph 24(d)	✓				Not material	/
ESRS E5-5 Non-recycled waste, paragraph 37(d)	✓				Material	83
ESRS E5-5 Hazardous waste and radioactive waste, paragraph 39	✓				Material	83
ESRS 2 - SBM3 - S1 Risk of incidents of forced labour, paragraph 14(f)	✓				Not material	/
ESRS 2 - SBM3 - S1 Risk of incidents of child labour, paragraph 14(g)	✓				Not material	/
ESRS S1-1 Human rights policy commitments, paragraph 20	✓				Material	93-94
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 21			✓		Not material	/
ESRS S1-1 Processes and measures for preventing trafficking in human beings, paragraph 22	✓				Not material	/
ESRS S1-1 Workplace accident prevention policy or management system, paragraph 23	✓				Material	93-94
ESRS S1-3 Grievance/complaints handling mechanisms, paragraph 32(c)	✓				Material	94
ESRS S1-14 Number of fatalities and number and rate of work-related accidents, paragraph 88, (b) and (c)	✓				Material	97
ESRS S1-14 Number of days lost due to injuries, accidents, fatalities or illness, paragraph 88(e)	✓		✓		Not material	/
ESRS S1-16 Unadjusted gender pay gap, paragraph 97(a)	✓				Material	98
ESRS S1-16 Excessive CEO pay ratio, paragraph 97(b)	✓				Material	98
ESRS S1-17 Incidents of discrimination, paragraph 103(a)	✓				Material	98

Disclosure requirement and related datapoint	SFDR ⁴	Pillar 3 reference ⁵	Benchmark Regulation reference ⁶	EU Climate Law reference ⁷	Material / Not material	Page
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD, paragraph 104(a)	✓		✓		Material	98
ESRS 2 SBM-3 - S2 Significant risk of child labour or forced labour in the value chain, paragraph 11(b)	✓				Not material	/
ESRS S2-1 Human rights policy commitments, paragraph 17	✓				Not material	/
ESRS S2-1 Policies related to value chain workers, paragraph 18	✓				Not material	/
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 19	✓		✓		Not material	/
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organization Conventions 1 to 8, paragraph 19			✓		Not material	/
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	✓				Not material	/
ESRS S3-1 Human rights policy commitments, paragraph 16	✓				Material	102
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines, paragraph 17	✓		✓		Material	102
ESRS S3-4 Human rights issues and incidents, paragraph 36	✓				Not material	/
ESRS S4-1 Policies related to consumers and end-users, paragraph 16	✓				Material	104
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 17	✓		✓		Material	104
ESRS S4-4 Human Rights Issues and Incidents, paragraph 35	✓				Not material	/
ESRS G1-1 United Nations Convention against corruption, paragraph 10(b)	✓				Not material	/
ESRS G1-1 Protection of whistleblowers, paragraph 10(d)	✓				Material	108-109

Disclosure requirement and related datapoint	SFDR ⁴	Pillar 3 reference ⁵	Benchmark Regulation reference ⁶	EU Climate Law reference ⁷	Material / Not material	Page
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24(a)	✓		✓		Material	111
ESRS G1-4 Standards of anti-corruption and anti-bribery, paragraph 24(b)	✓				Material	111

MDR-P Policies adopted to manage material sustainability matters

As highlighted in the section relating to strategy (ref. SBM-1 - Strategy, business model and value chain), SECO has not yet fully developed a medium- to long-term sustainability strategy, and, therefore, has not yet adopted a common policy with specific sustainability targets in connection with the Double Materiality Analysis.

Nonetheless, over the last few years, several specific policies have been adopted in relation to ESG topics, as reported below and detailed in the discussion of the various specific topics, regarding in particular:

- Environmental Policy
- Health and Safety Policy
- Supply Chain Management Policy

Policy	Related sub-sub-topics Key content	Scope of application	Subject responsible for implementation	Internationally recognized regulatory tools
Environmental Policy	Climate change adaptation Climate change mitigation Energy Resource inflows, including resource use Resource outflows related to products and services Waste	SECO Group	Chief Quality Officer	ISO 14001
	<p>The SECO Group Environmental Policy provides guidelines and methods for responsible management of the Group's activities, with the primary goal of minimizing environmental impacts and guaranteeing the protection of biodiversity and ecosystems, and a sustainable management of the resources SECO uses.</p> <p>In particular, it focuses on the following material environmental topics: Energy consumption and efficiency CO₂ emissions, hazardous substances, and air, water and soil contamination Use and reuse of resources, and waste production and disposal Water consumption, withdrawals and discharges Biodiversity</p>			
Health and Safety Policy	Health and safety	SECO Group; The activities of the value chain, both upstream and downstream, are not included in the scope of application.	Chief Quality Officer	ISO 45001
	<p>The SECO Occupational Health and Safety Policy defines a management system that identifies and assesses relevant risks and opportunities, and actions to mitigate the risks through effective prevention and protection measures. The goal is to create a safe and healthy work environment, to prevent work-related injuries and ill health, and to continuously improve the Group's health and safety performance.</p>			
Supply Chain Management Policy	Management of relationships with suppliers, including payment practices	SECO Group	Chief Quality Officer	/

Policy	Related sub-sub-topics Key content	Scope of application	Subject responsible for implementation	Internationally recognized regulatory tools
	The SECO Supply Chain Management Policy guides the management of the global supply chain, with a view to maintaining and monitoring the procurement process and taking appropriate improvement actions.			

Environmental information

E1 Climate change

Governance

ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes

Currently, the Group includes several ESG criteria of a qualitative nature in the variable component of the remuneration of Executive Directors. However, given the qualitative nature of these criteria, it is not possible to indicate the percentage of remuneration that depends on sustainability-related targets and/or impacts.

For more information on remuneration, see the relevant part of the General Disclosures section (*ref. Integration of sustainability-related performance in incentive schemes*).

Strategy

E1-1 Transition plan for climate change mitigation

To date, SECO has not yet developed a Transition Plan for climate change mitigation that guarantees consistency between corporate strategy, the business model and the transition to a sustainable economy, in line with the aim of limiting global warming to above 1.5 °C, as per the Paris Agreement.

However, SECO is evaluating the launch, by the end of 2026, of an organic process to develop and enact a Transition Plan aligned with its strategy, on the basis of the results of the Group's Carbon Footprint Analysis, conducted for the first time in 2024.

The data deriving from this analysis is useful for understanding the current impacts of the Group in terms of greenhouse gas emissions, both in its own operations and along the value chain, which will allow for the identification of priority areas for intervention through a structured action plan and specific targets.

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

The following table shows the material climate-related risks, including the physical and transition risks that emerged as material from the Double Materiality Analysis and climate scenario analysis.

Physical and transitional risks related to climate change

Material climate-related risks	ID	Physical risk	Transition risk
Loss of competitiveness and reputation, due to a lack of action to reduce environmental impacts and define climate targets	R1		x

Material climate-related risks	ID	Physical risk	Transition risk
Reduced turnover and damage to Group facilities due to extreme meteorological events, such as floods, heat waves and fires caused by climate change	R18	x	

Resilience analysis was carried out by SECO between the end of 2024 and the beginning of 2025, and was based on a scenario analysis, with forward-looking modeling, over different time horizons, aimed at assessing financial and operational impacts of physical and transition risks on the company.

The scenario analysis was based on data from the consolidated financial statements for the years 2021, 2022, and 2023.

In particular, the scenario analysis was conducted using the NGFS macro-economic and climate scenarios⁸, considering a high transition and limited physical risk scenario, and a low transition and high physical risk scenario.

Two scenarios from NGFS version 5.0 were considered as material in the company's scenario analysis:

- Net Zero 2050: Falls under the NGFS Orderly transition family of scenarios and limits global warming to +1.5°C through stringent climate policies and innovation, achieving global net-zero CO₂ emissions around 2050;
- Current Policies: falls under the Hot house world family of scenarios and assumes that existing climate policies remain in place, but their level of ambition is not increased.

The scenario analysis was carried out considering a short-term time horizon (2025), a medium-term time horizon (2030) and a long-term time horizon (2050).

In considering the effects of the above scenarios, we note that the Group's production sector features a limited impact of transition risk. This sector has low emission intensity and thus low sensitivity to transition risk.

The firm-specific emission coefficient is also lower than the industry average, which helps further mitigate the effects.

For physical risk, the impact of the Hot House World scenario on production value and assets was considered, and the following acute hazards were considered:

- Wildfires,
- Windstorms/thunderstorms,
- Flooding
- Landslides,
- Heatwaves,
- Cold snaps,
- Drought.

The impact on production value relates to business interruption due to major physical events affecting SECO's production sites.

The analysis showed a progressive effect over time, from a decline of 0.24% in the short term, to declines of 1.13% in the medium term and 5.70% in the long term.

The involvement of assets is intended to highlight the effect of physical risk in terms of recorded damage to production facilities due to physical weather events. Again, the effect showed a

⁸ Network for Greening the Financial System

progression over time, at -0.14% in the short term, -0.71% in the medium term, and -4.75% in the long term.

The growth in the percentage value of impacts over the relevant time horizons reflects, on the one hand, the tendency for the probability and intensity of phenomena to increase over time and, on the other hand, the characteristic stratification effect of the impacts of individual hazards.

In terms of transition risk, the varying impact between the two NGFS scenarios considered was assessed in order to quantify the additional costs associated with the carbon tax under the Net Zero 2050 scenario and the transition investments required for the company to comply with emission constraints.

The impact of additional costs related to the carbon tax, aggregated at the various time horizons considered, was considered in relation to EBITDA.

The magnitude of the latter, while referring to the individual financial year in question, reflects the effects of the costs borne by the enterprise up to that point (and therefore also the impacts of transition costs incurred in past financial years).

The maximum impact of carbon tax cost on EBITDA is 0.08% in the short run, 0.58% in the medium run, and 0.43% in the long run.

Transition investments, on the other hand, reflect the impact of the technology required for the company to adapt to the scenario-specific emission constraints.

Investments have been related to total tangible and intangible assets and show essentially no effect in the short term and very little effect in the other time horizons being analyzed: 0.02% in the medium term and 0.01% in the long term.

Impact, risk and opportunity management

ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities

For information regarding the process of identifying and assessing climate-related material impacts, risks, and opportunities, please refer to the Chapter "General Disclosures" (*ref. Description of the processes to identify and assess material impacts, risks and opportunities*).

The table below shows the impacts, risks and opportunities identified related to the E1 topic "Climate change", which were identified and assessed as material as part of the Group's double materiality analysis process.

Material Impacts, Risks and Opportunities (IROs)

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Reduction in energy consumption by end-users thanks to improved energy efficiency standards of products, achieved through in-house R&D or third-party collaborations	Positive impact	I1	Climate change adaptation Energy

Contribution to climate change mitigation and adaptation through the development of IoT solutions that contribute to environmental targets, e.g., optimizing resource use, renewable energy, reducing energy and material waste.	Positive impact	I2	Climate change mitigation Climate change adaptation
Contribution to climate change due to the organization's direct and indirect GHG emissions along the value chain	Negative impact	I3	Climate change mitigation

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Loss of competitiveness and reputation, due to a lack of action to reduce environmental impacts and define climate targets	Risk	R1	Climate change adaptation Climate change mitigation
Reduced turnover and damage to Group facilities due to extreme meteorological events, such as floods, heat waves and fires caused by climate change	Risk	R18	Climate change adaptation Climate change mitigation
Greater attraction of third-party investments, resulting in increased capital available to SECO, thanks to the development of high energy-efficiency products, in line with industry trends	Opportunity	O1	Energy
Improvement in corporate reputation and SECO's positioning on its reference market, thanks to the development of IoT software and hardware products and services supporting the energy transition and, more broadly, digital and industrial transformation	Opportunity	O2	Energy
Increase in economic margins thanks to reduced direct energy costs achieved through energy efficiency activities	Opportunity	O3	Energy

Furthermore, in terms of the identification and assessment of **climate risks**, climate scenario analysis was carried out and used as an input tool (*ref. SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model*).

In light of the results of the analysis carried out, physical risk R18 was integrated into the overall mapping of risks identified as relevant by the double materiality analysis, since the trend of its impact on the value of production and damage recorded to the Group's production facilities is upward in the medium to long term.

E1-2 Policies related to climate change mitigation and adaptation

The Group has an Environmental Policy with guidelines designed to mitigate the negative impacts and relevant risks identified, and to seize sustainability-related opportunities arising from business activities.

Specifically, such guidelines focus on various environmental aspects, including emissions and energy consumption monitoring, water and waste management, spill prevention and response, and biodiversity conservation.

The policy also describes the process for monitoring these guidelines, which includes the periodic collection and review of certain environmental KPIs.

To support the Group's commitment to these goals, an Environmental Management System certified to the ISO:14001 framework is in place, with which this policy is aligned.

For more information on the environmental policy, please see the relevant explanatory table. This presents the relevant contents and details of the environmental policy in compliance with the MDR-P requirements of this disclosure obligation (*ref. MDR-P Policies adopted to manage material sustainability matters*).

The specific metrics and KPIs collected in the Consolidated Sustainability Statement are tools of significant importance to the Group's management activities, supporting the periodic review and adoption of appropriate actions to manage material environmental impacts. This documentation is also used to inform periodically - at least once a year, on the approval of year-end reporting - the Control and Risk Committee, and the entire Board of Directors.

In this regard, the document was defined in consideration of the interests and input of key Stakeholders, including investors, customers, regulatory bodies and relevant international standards, as well as local communities. The Group monitors the needs of these Stakeholders periodically - at least once a year - through their involvement through questionnaires provided during the double materiality analysis process.

Environmental Policy

The environmental policy encompasses all Group operations, including initiatives to promote good business practices along the entire supply chain, both upstream (suppliers, logistics and procurement) and downstream (distribution, product use and end-of-life management). It also includes all geographic areas in which SECO operates, with a view to aligning the Group's activities with applicable local and international environmental regulations.

Regarding the process of monitoring the guidelines defined within the environmental policy, for each Group company, mandatory data and information necessary for sustainability reporting is collected at least every six months.

If any processes are not in place or are inadequate, a local contact person identified for each Group company is responsible for designing, implementing, and maintaining the necessary processes to ensure proper collection and monitoring of ESG data.

At the request of the CQO or his/her delegates, or the Finance department, the ESG contact persons of each Group company are responsible for arranging specific meetings to provide any clarifications on the shared data.

The data collected, in its final version, is then shared with the Quality and Finance teams by January 30 of each year for final approval.

In terms of the specific aspects addressed within the environmental policy, SECO is moving toward promoting a sustainable energy supply, focusing wherever possible on the use of renewable sources and self-generation and consumption of energy generated through photovoltaic systems. The Group believes that, through this approach, it can contribute to climate change mitigation by supporting the transition to a lower greenhouse gas emission energy model.

With reference to the value chain, SECO is committed to engaging suppliers and logistics partners in adopting practices in accordance with those defined by its own environmental, health and safety standards defined under the ISO:14001 and ISO:45001 certification schemes. This is done with particular reference to responsible sourcing of raw materials and, wherever possible, elimination of hazardous substances and reduction of CO₂ emissions.

In addition, in line with technological constraints, SECO is committed to integrating sustainability principles into product design, prioritizing energy efficiency, the use of recycled materials, and the durability of devices wherever possible.

Although the direct impact of SECO's activities on biodiversity and deforestation has not been found to be significant, the environmental policy includes a commitment to not conduct any activities and to prevent their expansion into forest areas with high carbon storage.

The guidelines outlined in the environmental policy thus contribute both to the mitigation of climate change impacts and to the promotion of energy efficiency solutions and the widespread use of energy from renewable sources.

E1-3 Actions and resources in relation to climate change policies

While it has not yet integrated specific actions to address relevant negative and positive impacts, manage material risks, and pursue relevant opportunities related to climate change into its policies (Ref. ESRS 2, IRO-2, dp 62), SECO has, however, recognized the importance of this issue. It intends to adopt such actions in the near future, following the establishment of a transition plan for climate change mitigation.

Despite this, a number of initiatives relating to the issue were carried out during the reporting period, the most significant of which involved the purchase of certified energy from renewable sources to power the Arezzo and Tregozzano plants.

Metrics and targets

E1-4 Targets related to climate change mitigation and adaptation

The Group has not yet set specific targets for climate change mitigation and adaptation.

As described in section E1-1 of this document, SECO does not currently have a transition plan to address climate change and, as a result, has not yet identified a structured set of actions and goals.

However, based on the results of the carbon footprint analysis conducted in 2024, the Group aims to develop a strategy to manage and reduce its impacts, with the intention of contributing to the global goal of limiting temperature rise to 1.5 degrees, as set by the Paris Agreement.

Timelines for adopting measurable, results-oriented goals will be aligned with those of the transition plan.

Although SECO has not set measurable targets, it actively monitors the effectiveness of its Environmental Policy.

Specifically, monitoring is done by periodically collecting data about key environmental metrics, particularly energy consumption and greenhouse gas emissions, as defined in the Environmental Policy (ref. "E1-2 Policies related to climate change mitigation and adaptation").

E1-5 Energy consumption and mix

Energy consumption related to Group plants is shown in the table below.

The Arezzo plant was designed to ensure high standards of energy efficiency and is equipped with a photovoltaic system with 232 panels, capable of generating a maximum power output of 69.6 kW and producing approximately 83,500 kWh annually, meeting approximately 12% of the building's energy needs.

Since April 2022, a photovoltaic system has also been in operation at the Tregozzano plant. The system consists of 144 panels and has a maximum power output of 50.4 kW.

In addition, in 2020, the Group signed an agreement with its electricity supplier to supply energy exclusively from renewable sources for all Italian production sites.

The Group's activities are related to NACE codes 26.12 (Manufacturing of assembled electronic boards) and 62.09 (Other information technology service activities), the former of which is classified as a high climate impact sector⁹. Data on the Group's energy consumption are therefore shown in the following tables. To provide a complete picture, the data shown are for both NACE codes, since code 26.12 accounts for almost all of the Group's consolidated turnover.

Energy consumption	Unit	2024
Fuel consumption from coal and coal products	MWh	0.00
Fuel consumption from crude oil and petroleum products	MWh	962.39
Fuel consumption from natural gas	MWh	534.35
Fuel consumption from other non-renewable sources	MWh	0.00
Consumption of purchased or acquired electricity, heat, steam and cooling from fossil sources	MWh	3,025.36
Total energy consumption from fossil sources	MWh	4,532.09
Share of fossil sources in total energy consumption (%)	%	73%
Consumption from nuclear sources	MWh	0
Share of consumption from nuclear sources in total energy consumption (%)	%	0
Fuel consumption from renewable sources including biomass	MWh	12.52
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	MWh	1,545.16
The consumption of self-generated non-fuel renewable energy	MWh	147.55
Total renewable energy consumption	MWh	1,705.23
Share of renewable sources in total energy consumption (%)	%	27%

⁹ Regulation (EC) 1893/2006 of the European Parliament and the Council

Total energy consumption	MWh	6,237.32
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Energy production	Unit	2024
Non-renewable energy production	MWh	0,00
Renewable energy production	MWh	147,55

Energy intensity	Unit	2024
Energy intensity	MWh/euro	0,00003
Total energy consumption from activities in high climate impact sectors	MWh	6.178,17
Net revenue from such activities	Euro/000	182.220

EI-6 Gross Scopes 1, 2, 3 and Total GHG emissions

The calculation was made in accordance with the guidelines set forth in the GHG Protocol and using the same corporate scope used in the preparation of the consolidated financial statements for direct GHG emissions in Scope 1, indirect GHG emissions in Scope 2, and other relevant indirect GHG emissions in Scope 3.

The following categories of Scope 3 GHG emissions have not been calculated as they are not material to the Group's business model or activities

Categories of non-material Scope 3 GHG emissions	Reason for exclusion
8. Upstream leased assets	Included in category 2 - Capital goods
10. Processing of sold products	Not applicable as no automated post processing is carried out on products sold by the Group.
13. Downstream leased assets	Not applicable as the Group does not own any assets that it leases to third parties
14. Franchises	Not applicable as the Group does not own franchises
15. Investments	Not applicable as the Group's investments are managed with subsidiaries

The following table shows the results of the Group's carbon footprint calculation.

GHG emissions	2024
Scope 1 GHG Emissions	
Gross Scope 1 GHG Emissions (tCO ₂ eq)	491
Percentage of Scope 1	0
GHG emissions from regulated emission trading schemes (%)	
Scope 2 GHG Emissions	
Gross Location-Based Scope 2 GHG Emissions (tCO ₂ eq)	1.332
Gross Market-Based Scope 2 GHG Emissions (tCO ₂ eq)	972
Material Scope 3 GHG Emissions	
Total Gross Indirect GHG Emissions (Scope 3) (tCO ₂ eq)	225.142
1. Purchased goods and services	61.685

GHG emissions	2024
2. Capital goods	5,079
3. Fuel and energy-related activities (not included in Scope 1 or 2)	126
4. Upstream transportation and distribution	168
5. Waste generated in operations	92
6. Business travelling	324
7. Employee commuting	1,155
9. Downstream transportation	188
11. Use of sold products	155,135
12. End-of-life treatment of sold products	1,188
Total GHG emissions	
Total GHG emissions market-based (tCO ₂ eq)	226,966
Total GHG emissions market-based (tCO ₂ eq)	226,605

Scope 1 Emissions and calculation methodologies

The Group's Scope 1 GHG emissions come from fuels used for company cars and gas used for heating offices and plants.

We also note that biogenic CO₂ emissions from biomass combustion, not counted in the Scope 1 calculations, are 85 tCO₂eq.

The emission factors provided by DEFRA 2024 "UK Government - GHG Conversion Factors for Company Reporting," related to fuels and natural gas were used to calculate the Scope 1 GHG Emissions.

Scope 2 emissions and main calculation methodologies

The Group's Scope 2 GHG Emissions come from power generation purchased and produced outside the corporate scope and consumed by the Group, including:

- Electricity from fossil sources;
- Electricity from renewable sources;

Scope 2 emission factors related to electricity consumption are provided by the most recent documentation from the following sources:

- Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) Annual Report No. 386/2023;
- US Environmental protection agency (EPA), eGRID2023 summary data;
- Association of Issuing Bodies (AIB), Residual Mixes and European Attribute Mix of 2023;
- Ecoinvent database version 3.9.

The share of Scope 2 market-based GHG Emissions related to electricity purchased in conjunction with instruments such as Guarantees of Origin or renewable energy certificates is 99.51 tCO₂eq.

Scope 3 Emissions and calculation methodologies

The following are the methodologies used to calculate each of the Group's material Scope 3 categories.

Category 1 - Purchased goods and services: includes emissions related to the purchase of raw materials and services for the conduct of business activities. Given the high number and complexity of SECO's product base, for the components used in the construction of boards and systems, it was deemed appropriate to identify a few clusters of products that are representative in terms of complexity, customization, and level of integration of board, mechanical parts, and presence or absence of a touch display. For each cluster, a representative bill of materials was identified, whose components were analytically weighed and traced to identify their origin and the most appropriate emission factor. Each code produced by the Group during the reporting period was classified within one of the above clusters. For services, a spend-based approach was used by associating appropriate emission factors. Calculation tools used: Simapro with Ecoinvent 3.9.

Category 2 - Capital goods: this category includes capital goods that were purchased during the reporting year, appropriately categorized (equipment, machinery and plant, electronic office equipment, furniture and furnishings, IT equipment, development, buildings, and other assets). Since capital goods are associated with a monetary expenditure, Exiobase was the database used for the corresponding emission factors. Calculation tools used: Simapro with Exiobase v 3.3.16b1.

Category 3 - Fuel and energy-related activities: includes "well-to-tank" emissions associated with the early life cycle stages of fuels such as natural gas, gasoline and diesel. Specifically, this category takes into consideration the processes of extracting raw materials, transporting them, refining or processing them into usable fuel, and finally transporting and storing them up to point-of-use storage. For each fuel category, the quantities consumed were multiplied by the relevant WTT emission factors published by DEFRA. Calculation tools used: Simapro with Ecoinvent 3.9.

Category 4 - Upstream transportation and distribution: refers to emissions from the transportation of raw materials entering Group plants. The components of the BOMs taken as reference for each cluster were associated with the relevant supplier, for which the distance to the Arezzo headquarters and the relevant means of transportation were identified. In the case of multiple suppliers per component, the distance between suppliers was averaged. This made it possible to calculate the tons*kilometer (t*km) value for each component, to which the corresponding emission factor was applied. Calculation tools used: Simapro with Ecoinvent 3.9.

Category 5 - Waste generated in operations: includes emissions from the management of waste produced by Group companies, such as disposal, recycling, or treatment of waste materials. These waste categories mainly include mixed packaging, plastic, wood packaging, electronic equipment and components, paper and cardboard packaging, glass, and non-recyclable waste. For each category of waste generated during the reporting period, the volume in kilograms was multiplied by an appropriate emission factor that took into account the type of waste, whether it was hazardous, how it was disposed of or recycled, and the distance to the waste disposal plant. Calculation tools used: Simapro with Ecoinvent 3.9 and Eurostat database.

Category 6 - Business travelling: includes emissions generated by employee travel for business purposes, using means of transportation not owned or controlled by the company, such as airline flights, trains, or rental cars. Where available through company management systems, and in particular for SECO S.p.A. and PSM Tech S.r.l., precise information on employee travel (distance and means of transportation) during the reporting period was used. For the other Group companies, the amount of employee travel and relocation costs found in the charts of accounts of each company was used. The mileage and monetary amounts were multiplied by appropriate emission factors according to the means of transportation used and the country of departure. Calculation tools used: Simapro with Exiobase v 3.3.16b1.

Category 7 - Employee commuting: includes emissions associated with employees' daily commutes to work and back home. These emissions are related to the use of private vehicles, public transportation or other means. Data on commuting were collected by administering a questionnaire to employees in which they stated the means of transportation they used to travel to work and the daily kilometers traveled. Using this data, it was possible to estimate the total distance traveled during the reporting period with the various means of transportation used by employees. Related emissions were calculated by multiplying these values by the corresponding emission factors. Data available for this category refer to SECO S.p.A., PSM Tech and SECO NE. Therefore, to calculate a Group value, a proportion of the values obtained was calculated on the number of employees in the other companies. The emission factors used take into account the means of transportation (car, motorcycle, bicycle, train, etc.) and how it is fueled (gasoline, diesel, LPG, electricity, etc.). Calculation tools used: Simapro with Ecoinvent 3.9.

Category 9 - Downstream transportation: includes emissions from the transportation and distribution of finished products to customers, carried out by means of transport not owned or controlled by the company. The calculations were made based on shipments from the various plants to the various customers, and on shipment weights to calculate t*km. Specifically, the calculation used the geographic location of the customer resulting from the management systems, and the weight of the material shipped according to the clustered breakdown methods previously explained. As with category 4, it was assumed that extra-EU transport would be carried out via cargo ship, while transport on European soil would be by truck. For materials sold by Fannal to third-party customers, a flat rate of 1,000 km transportation by truck was considered. The emission factors used take into account the relevant means of transportation. Calculation tools used: Simapro with Ecoinvent 3.9.

Category 11 - Use of sold products: includes the estimated emissions associated with the use of the products during their life cycle. These emissions may be influenced by multiple factors, such as product design, energy efficiency, energy source used, mode of use, life cycle length, frequency of use, and field of application. For the purpose of this calculation, the number of kWh consumed daily by a device was estimated for each cluster, assuming an average Reference Service Life of five years. By multiplying these values by the production volumes attributed to each cluster, the total consumption was obtained: these were then multiplied by appropriate emission factors that took into account the energy mixes of some of the Group's most served countries. Calculation tools used: Simapro with Ecoinvent 3.9.

Category 12 - End-of-life treatment of sold products: includes emissions produced during disposal, recycling, incineration or composting of products at the end of their use. The emissions associated with this category were calculated by multiplying the production volumes for the reporting period by an emission factor that takes into account the emissions generated by the treatment (collection, transport, sorting and recycling) and disposal of e-waste globally. Calculation tools used: Simapro with Ecoinvent 3.9.

The portion of Scope 3 GHG Emissions measured using inputs from specific activities along the upstream and downstream value chain is 219,440 tCO₂eq.

We also note that biogenic CO₂ emissions from biomass combustion, not counted in the Scope 3 calculation, total 73 tCO₂eq.

The following table shows the Group's GHG emission intensity values.

GHG intensity per net revenue						2024
Total GHG emissions (location-based)	per	net	revenue			0.0012
(tCO ₂ eq/monetary unit)						
Total GHG emissions (market-based)	per	net	revenue			0.0012
(tCO ₂ eq/monetary unit)						
Net sales (thousands of Euro) ¹⁰						183,512

Calculation methodologies and exclusions (MDR-M)

E1-5

The data shown for the Group's energy consumption includes activities related to NACE codes 26.12 and 62.09.

The figure shown for energy intensity was calculated using energy consumption and net revenues for activities related to NACE code 26.12 (high climate impact sector).

In addition, due the unavailability or limited availability of certain information related to some group companies, energy consumption data of the companies SECO Microelectronics Co., SECO Mind Germany GmbH, SECO Mind USA LLC, SECO Asia Limited, Piri.ai, Inc., SECO BH d.o.o., none of which carries out any production activity, were estimated by proportioning the energy consumption of the company SECO Mind Srl, comparable in terms of activity, dimension and/or business model, on each company's number of employees at December 31.

¹⁰ Net sales as per the consolidated financial statements

E5 Resource use and circular economy

Impact, risk and opportunity management

ESRS 2 IRO-1 Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

For information regarding the process of identifying and assessing material impacts, risks, and opportunities related to resource use and circular economy, please refer to the Chapter "General Disclosures", (ref. *Description of the processes to identify and assess material impacts, risks and opportunities*).

The table below shows the impacts and opportunity identified related to the E5 topic "Resource use and circular economy", which were identified and assessed as material as part of the Group's double materiality analysis process.

Impacts, risks and opportunities (IROs)

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Contributing to the reduction of the environmental impact of e-waste through the adoption of design practices that extend product life by encouraging reuse and repair, or which facilitate end-of-life recycling	Positive impact	18	<u>Resource outflows related to products and services</u> Waste
Increasing overall volume of e-waste may increase pollution risk to communities	Negative impact	19	<u>Resource outflows related to products and services</u> Waste

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Reduced raw material procurement costs and reputational benefits of using materials from production waste or end-of-life products, which can reduce dependence on virgin raw materials.	Opportunity	O4	<u>Resources inflows, including resource use</u> Waste

E5-1 Policies related to resource use and circular economy

The Group's approach to resource management and the circular economy is outlined in the Group's environmental policy. For details of this in relation to MDR-P requirements see Chapter E1 - Climate Change, Section E1-2.

The policy guidelines promote a reduction in the use of components made from virgin resources, encouraging, wherever possible and in line with the durability or performance requirements of particular applications of its products, the use of secondary resources, such as recycled materials.

Waste management is geared toward both minimizing waste production and encouraging reuse and, when possible, recycling materials. It is believed that this approach can help decrease dependence on scarce and high-impact natural resources, thereby contributing to more sustainable and circular management of materials.

In addition, the Group actively monitors the advancement of the state of the art in technology, checking for the availability of any frontier solutions that would allow components made in whole or in part from recycled materials to be used in place of equivalents made from virgin resources with equal performance and durability.

E5-2 Actions and resources related to resource use and circular economy

While it has not yet integrated specific actions to address relevant negative and positive impacts and pursue relevant opportunities related to resource use and circular economy into its policies (Ref. ESRS 2, IRO-2, dp 62), SECO has, however, recognized the importance of this issue and intends to adopt such actions in the near future.

Nevertheless, a number of initiatives in this area were carried out during the reporting period, including:

- the gradual replacement of foam packaging with an equivalent cardboard alternative, with the aim of facilitating its disposal and recycling along the value chain;
- in board manufacturing processes, the use of a solder paste in which the tin content is at least 90% from recycled sources.

Metrics and targets

E5-3 Targets related to resource use and circular economy

With regard to the material impacts and opportunities identified, SECO has not yet set specific targets in relation to resource use and the circular economy.

A targeted strategy in relation to resource use and the circular economy has not yet been developed. Therefore, the Group has not yet established a structured set of actions and objectives, with specific reference to the material impacts and opportunities identified in the double materiality analysis and related to the topic in question.

Although SECO has not set measurable targets, it actively monitors the effectiveness of its Environmental Policy. Monitoring involves periodically collecting Group data on key environmental metrics, as also defined in the Environmental Policy (ref. "E1-2 Policies Related to Climate Change Mitigation and Adaptation"). Specifically, with regard to resource use and circular economy, data on materials used and waste produced by the Group are collected and analyzed.

E5-4 Resource inflows

Resource inflows include a variety of components and materials needed for the production and assembly of electronic boards that the Group manufactures and sells to third parties.

These streams mainly include electronic components, such as printed circuit boards, memories, CPUs, wiring harnesses, mechanical parts, and other electronic small parts. Sheet metal, plastic components, and glass are also purchased. The electronic components include valuable and critical materials such as gold, silver, tin, tungsten, tantalum, and copper, which are essential for ensuring the functionality and quality of electronic boards.

Secondary materials, on the other hand, include mainly cardboard, foam, wood and plastic packaging.

Resource inflows	Unit	2024
Overall total weight of products and technical and biological materials used during the reporting period	kg	1,080,071
<i>of which technical materials</i>	kg	913,163
<i>of which technical products</i>	kg	157,472
<i>of which biological materials</i>	kg	0
<i>of which biological products</i>	kg	9,436
Biological materials (and biofuels used for non-energy purposes) used by the company to manufacture products and offer services (including packaging) that come from a sustainable supply chain	kg	0
Biological materials (and biofuels used for non-energy purposes) used by the company to manufacture products and offer services (including packaging) that come from a sustainable supply chain	%	0
Reused or recycled secondary components	kg	0
Reused or recycled secondary components	%	0
Secondary intermediary products and secondary materials	kg	191,223
Secondary intermediary products and secondary materials	%	18

E5-5 Resource outflows

The tables below provide detailed information on resource outflows, including waste, related to their material impacts, risks and opportunities.

The Group does not produce finished products directly for the end consumer. On the other hand, SECO's modules and systems are integrated into products that its customers - generally Original Equipment Manufacturers (OEMs) - manufacture for various industry and B2B applications.

Since such products are generally integrated into other devices made by SECO's customers, and may be sold to multiple intermediaries (distributors, system integrators, users) along the value chain before their actual use, the possibility of implementing generalized end-of-life component take-back programs depends mainly on the still limited activities carried out by SECO's direct stakeholders (OEMs or distributors). For this reason, while the Group has evaluated the feasibility of such initiatives, it does not currently consider it effective to introduce take-back programs targeting end-users of devices incorporating SECO products.

However, SECO has introduced some initiatives for the recovery and reuse of materials, including those from e-waste generated by its production activities. This waste is sent to companies specializing in the recovery of precious metals such as gold and copper, which can be reused through this process. In addition, SECO is constantly looking for technological and process innovations to extend the lifecycle of its products, with the goal of increasing their lifespan and, when possible, reusing components or parts of devices that have reached the end of their life in new products.

For example, starting in 2020, in cooperation with one of its customers, SECO initiated a program to manage and recondition some systems installed in the customer's devices. The goal of this program is to reduce the volume of materials directed to disposal by recovering components such as touch displays, LCDs, and plastic parts from existing machinery. After checking for damage, these components are reconditioned and reinstalled in new products for the same customer.

Resource outflows

The company is currently unable to calculate data on resource outflows and therefore cannot provide the requested information regarding the rate of recyclable content in products and packaging for the year 2024.

Waste

The Group is committed to the efficient use of resources, aiming to prevent and minimize the generation of waste. To achieve this, SECO has adopted careful resource management designed to minimize waste generation at every stage of the value chain.

Waste management and monitoring, and its proper disposal, take place in accordance with current regulations and, in particular, with the guidelines established in the ISO:14001-certified Environmental Management System.

In the case of finished products, however, SECO is not responsible for their disposal. This remains the responsibility of the customer, to be carried out in line with the applicable WEEE (Waste from Electrical and Electronic Equipment) regulations, indicated in the appropriate product sheets.

The main sources of waste generation for SECO come from the production process. Among other things, the process generates chemicals, Waste from Electrical and Electronic Equipment (WEEE), hazardous waste, and waste that needs special disposal processes. Similar categories of waste are generated along the value chain, by the supply chain for the production of components, such as printed circuit boards, silicones, wiring harnesses and batteries, and by end-users for the disposal of end-of-life products.

Total amount of waste generated by own operations

	Unit	2024
Total amount of waste generated	kg	197,727
Hazardous waste diverted from disposal	kg	5,907
<i>preparation for reuse</i>	kg	0
<i>recycling</i>	kg	5,907
<i>other recovery operations</i>	kg	0
Non-hazardous waste diverted from disposal	kg	92,691
<i>preparation for reuse</i>	kg	0
<i>recycling</i>	kg	54,099
<i>other recovery operations</i>	kg	38,592
Hazardous waste directed to disposal	kg	7,847
<i>incineration</i>	kg	1,500
<i>landfill</i>	kg	6,347
<i>other disposal operations</i>	kg	0
Non-hazardous waste directed to disposal	kg	91,282
<i>incineration</i>	kg	4,481
<i>landfill</i>	kg	86,801

<i>other disposal operations</i>	kg	0
Total amount of non-recycled waste	kg	99,129
Percentage of non-recycled waste	%	50

Total amount of hazardous waste and radioactive waste¹¹ generated

	Unit	2024
Total amount of hazardous waste	kg	13,754
Total amount of radioactive waste	kg	0

Calculation methodologies and exclusions (MDR-M)

E5-4

In order to calculate the data shown, a methodology was adopted, in line with carbon footprint measurement activities, to identify clusters of representative products, selected on the basis of technical complexity, level of integration between electronic board and touch, and size. A Bill of Material (BOM) of a representative product was selected for each cluster, identifying the weight of each component. Each component was then classified as "Material" or "Product" and as "Technical" or "Biological." The total weights of each of these categories were calculated by multiplying the unit weights by the total production volumes attributed to each cluster.

With the exception of some specific categories of components, the company is currently unable to certify the provenance from recycling or reuse of materials or products used in its production processes.

E5-5

The data shown were aggregated from waste loading and unloading records and, where this was unavailable, summary documents received from waste collection and disposal service providers. Due to the complexity in obtaining data, estimates were used for some waste generated by the production activities of Fannal Electronics Co. Ltd, based on the volumes of materials used in production processes.

In addition, due the unavailability or limited availability of certain information related to some group companies, waste generation data of the companies SECO Microelectronics Co., SECO Mind Germany GmbH, SECO Mind USA LLC, SECO Asia Limited, Piri.ai, Inc., SECO BH d.o.o., none of which carries out any production activity, were estimated by proportioning the waste generation of the company SECO USA, Inc., comparable in terms of activity, dimension and/or business model, on each company's number of employees at December 31.

¹¹ For the definition of radioactive waste, see Article 3(7) of Council Directive 2011/70/Euratom

Disclosures pursuant to Article 8 of Regulation 2020/852 (EU Taxonomy Regulation)

With Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, made effective on July 12, 2020, the European Commission introduced a classification system ("Taxonomy"). The Taxonomy allows for an unambiguous definition of economic activities and investments that may be considered environmentally sustainable because of their ability to actively contribute to the following environmental and climate objectives:

1. Climate change mitigation (CCM);
2. Climate change adaptation (CCA);
3. Sustainable use and protection of water and marine resources (WTR);
4. Transition to a circular economy (CE);
5. Pollution prevention and control (PPC);
6. Protection and restoration of biodiversity and ecosystems (BIO);

To be defined as "aligned" under the Taxonomy, an economic activity must meet the following requirements:

- must contribute substantially to the achievement of one or more of the aforementioned objectives set out in the Taxonomy;
- must meet certain substantial contribution criteria defined for each activity;
- in contributing to one or more of the environmental objectives, must not cause significant harm to the objectives (the "Do No Significant Harm" principle);
- must be carried out in compliance with minimum safeguards, i.e. carried out in line with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the eight core ILO Conventions and the International Bill of Human Rights.

Pursuant to Regulation (EU) 2020/852 and Legislative Decree No. 152/2024, which implemented the CSRD, the percentages of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) that qualify as aligned against the six aforementioned objectives are reported below.

Eligible activities identification

The first step was to assess whether the activities carried out by the Group could qualify as one or more of those identified as potentially contributing to the aforementioned climate objectives by EU Regulation 2020/852, Delegated Regulation (EU) 2021/2139 - as subsequently amended by Delegated Regulation (EU) 2023/2485 - and Delegated Regulation (EU) 2023/2486.

The selected activities were:

- For the production of edge computing solutions carried out by SECO and its subsidiaries, activity number CE 1.2 called *Manufacture of electrical and electronic equipment* (NACE code: C26);
- For the development of IoT and data analytics software solutions carried out by SECO and its subsidiaries, activity number CE 4.1 called *Provision of IT/OT data-driven solutions* (NACE code: J62).

Using the "Taxonomy Compass" tool provided by the European Commission, it was found that both activities identified are included among those that can contribute to the "Transition to a Circular Economy" objective. Therefore, SECO's activities (and the related revenue, OpEx and CapEx amounts attributable to them) were analyzed for eligibility and, at a later stage, possible alignment with the taxonomy.

Group consolidated turnover was attributed to each activity on the basis of the NACE code assigned to each company included in the scope or, where this was not available, on the basis of the activity carried out by each of them.

Of the scope being reported, 100% of the turnover¹², amounting to Euro 183,512 thousand, was eligible for taxonomy purposes. This amount was used as the KPI denominator on turnover pursuant to EU Regulation 2021/2178, Annex 1, Article 1, paragraph 1.1.1.

With reference to the indicator related to OpEx (i.e., operating expenditures), an analysis was performed of the consolidated costs incurred during the year. The amounts identified as eligible were selected on the basis of their nature, referring to the ability to ascribe them to one of the following categories, identified in accordance with Article 1, paragraph 1.1.3.1 of EU Regulation 2021/2178, Annex 1:

- Direct non-capitalized costs related to research and development activities;
- Building renovation measures, short-term leases;
- Costs associated with maintenance and repair measures as well as any other direct expenses related to the day-to-day maintenance of property, plant and equipment, either by the undertaking or by third parties to whom such tasks are outsourced, necessary to ensure the continuous and effective operation of such assets.

Within the reporting scope, 2.9% of the OpEx examined, amounting to Euro 5,067 thousand out of a total of Euro 177,222 thousand under analysis, was eligible for taxonomy purposes. This amount was used as the OpEx KPI denominator pursuant to EU Regulation 2021/2178, Annex 1, Article 1, paragraph 1.1.3. We note that due to their nature, the following items in the Consolidated Income Statement were not considered as "OpEx" to be assessed for eligibility: Finance Costs/(Revenues), Taxes, Duties and Fines, Depreciation and Amortization, Accruals and Provisions, Financial income, Financial costs, Exchange gains/losses, and Income taxes.

With reference to the CapEx (i.e., capital expenditures) indicator, consolidated investments made in tangible assets (land and buildings, plant and machinery, fixed assets under construction, and other tangible assets) and right-of-use of real estate and capital assets were analyzed.

Within the reporting scope, 21.3% of the CapEx examined, amounting to Euro 5,136 thousand out of a total of Euro 24,118 thousand being analyzed, was eligible for taxonomy purposes. This amount was used as the CapEx KPI denominator pursuant to EU Regulation 2021/2178, Annex 1, Article 1, paragraph 1.1.2.1. CapEx classified as unaligned, amounting to Euro 18,982 thousand, relate to investments in intangible assets.

Analysis and identification of aligned activities

With reference to possible alignment, a precise analysis of the substantial contribution of activities classified as eligible to the achievement of the "Transition to a Circular Economy" goal was carried out.

The activities of producing edge computing hardware systems and developing IoT and data analytics solutions were analyzed according to the technical screening criteria applicable to each.

With reference to the first of the two areas of activity, these activities are not considered to be aligned with respect to some of the criteria identified in Sections 2.4 (Design for dismantling) and 2.5 (Design for recyclability) of the Substantial Contribution Criteria identified in Commission Delegated Regulation (EU) 2023/2486. This can be attributed mainly to reasons related to the state of the art of

¹² Net sales as per the consolidated financial statements

technologies currently used in the manufacturing processes of industrial edge computing devices and in the production of related components.

On the other hand, in terms of data-driven solution development activities, the features of the CLEA software platform marketed by SECO were examined. This platform is an enabler for SECO's customers in integrating data-driven solutions, decisions and services into their business models, leveraging the connectivity of their devices and using data analytics capabilities. Should CLEA find application in vertical solutions or activities - owned by Group customers - that meet the appropriate criteria for substantial contribution, these could potentially be aligned with the Taxonomy. However, CLEA is not currently designed and marketed as a ready-to-use product for specific applications in certain verticals; on the contrary, it is a horizontal solution that requires integration with the customer's infrastructure. For these reasons, SECO's data-driven solution development activities are not considered to be aligned with the Taxonomy.

As the substantial contribution criteria were not met for any of SECO's activities, the additional criteria to verify alignment (DNSH, minimum safeguards) were not examined.

Proportion of turnover¹³ from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute Turnover k€	Proportion of turnover %	Substantial contribution criteria						DNSH criteria						Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover year N-1 %	Category (enabling/transitional activity) E/T
				Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N			
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
Manufacture of electrical and electronic equipment	CE 1.2	-	-	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	/	
Provision of IT/OT data-driven solutions	CE 4.1	-	-	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	/	
Turnover of environmental sustainable activities (Taxonomy-aligned activities) (A.1)	/	-	-															
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
Manufacture of electrical and electronic equipment	CE 1.2	182.220	99,3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								/	
Provision of IT/OT data-driven solutions	CE 4.1	1.291	0,7%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								/	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		183.512	100,0%															
Total (A.1+A.2)		183.512	100,0%															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy-non-eligible activities (B)		-	-															
Total (A+B)		183.512	100,0%															

¹³ Net sales as per the consolidated financial statements

Proportion of capital expenditure (CapEx) from products or services associated with Taxonomy-aligned economic activities - 2024

Economic activities	Code(s)	Absolute CapEx k€	Proportion of CapEx %	Substantial contribution criteria						DNSH criteria						Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover year N-1 %	Category (enabling/transitional activity) E/T
				Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N			
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
Manufacture of electrical and electronic equipment	CE 1.2	-	0,0%	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	N	/
Provision of IT/OT data-driven solutions	CE 4.1	-	0,0%	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	N	/
CapEx of environmental sustainable activities (Taxonomy-aligned activities) (A.1)		-	0,0%															
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
Manufacture of electrical and electronic equipment	CE 1.2	5.068	21,0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL									/
Provision of IT/OT data-driven solutions	CE 4.1	68	0,3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL									/
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5.136	21,3%															
Total (A.1+A.2)		5.136	21,3%															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
CapEx of Taxonomy-non-eligible activities (B)		18.982	78,7%															
Total (A+B)		24.118	100,0%															

Proportion of operating expenditure (OpEx) from products or services associated with Taxonomy-aligned economic activities - 2024

Economic activities	Code(s)	Absolute OpEx k€	Proportion of OpEx %	Substantial contribution criteria						DNSH criteria						Minimum safeguards	Taxonomy-aligned proportion of turnover year N-1 %	Category (enabling/transitional activity) E/T
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
A. TAXONOMY-ELIGIBLE ACTIVITIES																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																		
Manufacture of electrical and electronic equipment	CE 1.2	-	0,0%	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	/	
Provision of IT/OT data-driven solutions	CE 4.1	-	0,0%	N/EL	N/EL	N/EL	N	N/EL	N/EL	N	N	N	N	N	N	N	/	
OpEx of environmental sustainable activities (Taxonomy-aligned activities) (A.1)	/	-	0,0%															
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																		
Manufacture of electrical and electronic equipment	CE 1.2	4.565	2,6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								/	
Provision of IT/OT data-driven solutions	CE 4.1	502	0,3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								/	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5.067	2,9%															
Total (A.1+A.2)		5.067	2,9%															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																		
OpEx of Taxonomy-non-eligible activities (B)		172.155	97,1%															
Total (A+B)		177.222	100,0%															

In addition, disclosure is provided below regarding the economic activities listed below, in accordance with Delegated Regulation (EU) 2022/1214.

Activities related to nuclear energy		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO

3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
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Fossil gas related activities

4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Social information

S1 Own workforce

Strategy

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

This section presents the material impacts, risks and opportunities related to issues pertaining to own workforce, identified as part of the double materiality analysis process. For further information see the "General disclosures" chapter (*ref. Description of the processes to identify and assess material impacts, risks and opportunities*).

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Strengthen employees' skills, with a primary focus on digital skills, in order to ensure their adequate professional and personal growth.	Positive impact	I11	Training and skills development
Increase the personal satisfaction of employees through initiatives to redistribute the economic value generated, work-life balance policies, and the promotion of a healthy and inclusive environment.	Positive impact	I12	Adequate wages
			Working time
			Work-life balance
Active contribution to safeguarding its employees from work-related injuries related to Group activities by implementing appropriate prevention systems.	Negative impact	I14	Health and safety

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Increased revenues resulting from the acquisition of personnel with cutting-edge digital skills and subsequent improvement of products offered by SECO.	Opportunity	O5	Training and skills development
Reduced costs associated with recruiting and training new staff by creating initiatives in support of SECO's staff well-being, designed to maintain a positive and motivating work environment.	Opportunity	O6	Working time
			Adequate wages
			Work-life balance
Reduced costs associated with recruitment owing to increased attractiveness - resulting from valuing diversity, such as gender, age and culture - and retention of talent and specialized	Opportunity	O7	Gender equality and equal pay for work of equal value

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
professionals, resulting in increased corporate know-how.			Diversity
Negative impacts on business performance due to a decrease in specific and vertical skills as a result of SECO's inability to reduce its turnover rate, owing to suboptimal work-life balance, weak welfare system, and unequal pay.	Risk	R6	Working time
			Adequate wages
			Work-life balance
			Gender equality and equal pay for work of equal value
			Training and skills development
Increased costs related to sanctions or unauthorized access to company information for multiple purposes and alteration of sensitive company data as a result of a lack of segregation of roles, both operationally and managerially.	Risk	R7	Privacy
Increased costs associated with penalties if OSH regulations are not complied with or if major injury incidents occur.	Risk	R8	Health and safety
Negative reputational consequences for the company as a result of the absence of a mission to enhance diversity.	Risk	R9	Gender equality and equal pay for work of equal value
			Diversity

The different categories of workers included in the Group's own workforce reporting are Executives, white-collars workers and blue-collars workers. Non-employee workers include people who perform duties at Group offices under contracts other than an employment relationship, such as temporary workers, self-employed workers, and trainees.

In 2024, SECO reported no major negative impacts on its own workforce. Significant positive impacts were identified (ref. ESRS 2, IRO-1), which occur in all Group companies and uniformly affect all employees, without distinction of risk groups, as each is covered by local labor agreements.

Actions that result in these positive impacts include (I11) various training initiatives aimed at developing cross-cutting and department-specific skills. In addition, for Italian companies covered by national collective bargaining agreements for metalworkers, a (I12) welfare plan has been introduced that offers a wide range of services. These services include healthcare, reimbursement of schooling expenses (such as registration and tuition for kindergartens, schools, purchase of school books, etc.), care for family members, public transportation subscriptions, supplementary welfare, vouchers for the purchase of goods in kind (such as supermarket shopping vouchers, e-commerce vouchers, fuel vouchers, etc.), leisure-related services (cinema admissions, theaters, subscriptions, etc.), sports (gyms, sporting events, etc.) and travel (travel packages, vacations, hotels, etc.). In addition, a smartworking arrangement is in place for the Italian offices, where possible in line with the nature of the activity performed, to

encourage flexible working arrangements. Regarding health and safety issues, SECO adopts a (114) management system in accordance with the ISO:45001 certification scheme. This system includes health and safety training, periodic and biannual medical examinations related to the specific job or type of risk, monthly presence of the company doctor for regular and targeted medical examinations.

All of the above material impacts, risks and opportunities affect the Group's entire workforce.

The Group has not identified any operations at serious risk of forced, compulsory or child labor.

Impact, risk and opportunity management

S1-1 Policies related to own workforce

SECO recognizes the importance of respecting diversity, protecting inclusion and promoting equal opportunities.

The Ethics Code¹⁴ approved by the Board of Directors on December 11, 2018, provides, among other things, for the company's commitment to the protection of personal safety and respect for human rights, the protection of employees from the point of view of equal employment opportunities, occupational health and safety, the protection of corporate assets, respect for the environment, and combating all forms of corruption and money laundering. In addition, it provides for a disciplinary system that governs violations of the Code and channels for reporting any non-compliance, in combination with the Organizational Model pursuant to Legislative Decree No. 231/01.

The Group does not have specific policies dedicated to the sub-sub-topics found to be material by the double materiality analysis (ref. ESRS 2, IRO-1), with the exception of the sub-sub-topic related to health and safety. Regarding the latter, a policy has been formally defined, approved and implemented by the Group in line with the requirements of the ISO:45001 certification on occupational health and safety management systems. The policy is aligned with the core principles of the International Labour Organization (ILO), the Principles of the United Nations Global Compact, and the United Nations 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (ref. MDR-P - Policies adopted to manage material sustainability matters).

This policy is the framework for managing sustainability impacts, risks and opportunities related to Occupational Health and Safety (ref. MDR-P – Policies adopted to manage material sustainability matters).

The monitoring activity is carried out through a process structured according to a hierarchy of prevention and protection measures. Among other things, it involves adopting appropriate actions for the elimination of hazards such as technical planning, work reorganization, and administrative measures (including training activities and operational procedures), in addition to the identification of scenarios that require the use of personal protective equipment.

The Group has also established specific processes to monitor and manage changes that may impact health and safety performance. These include the introduction of new products, services or processes, and changes in them, including changes in workplaces, work organization, working conditions, facilities, equipment and workforce composition. Changes in legal and regulatory requirements, evolving knowledge or information about potential occupational health and safety hazards and risks, and technological and scientific advances are also considered.

¹⁴ The Ethics Code is available on SECO's website.

The policy applies to employees and to stakeholders involved in the occupational health and safety system.

We note that although the policy does not explicitly address issues related to human trafficking, forced, compulsory or child labor, SECO did not identify any situations during the year that were at risk of violating the relevant legislation.

S1-2 Processes for engaging with own workforce and workers' representatives about impacts

SECO takes into account the requests and perspectives of its workforce in business decisions by employing an approach that involves discussion and engagement. This is implemented by means of annual engagement surveys, periodic team meetings, and six-monthly performance evaluations, fostering a constant flow of feedback. Responsibility for ensuring effective employee engagement rests with the front-line management and the HR Director, who are responsible for collecting, analyzing, and integrating employee feedback into strategic and operational decisions (ref. *SBM-2 Interests and views of stakeholders*).

Through its regular engagement activities, SECO is able to identify and respond to the needs of any vulnerable or marginalized groups, ensuring equal opportunities and appropriate support for all categories of employees.

S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

SECO is committed to promoting a culture of open and safe communication. The Group has a Whistleblowing system: an independent and autonomous channel through which employees can report concerns or potential violations. For a more detailed description, refer to Section G1 Business conduct and for further discussion, see the procedure for reporting violations available at the following link <https://www.seco.com/it/note-legali/whistleblowing>.

S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

Although it has not yet integrated into its policies specific actions to address material negative and positive impacts, manage material risks, and pursue material opportunities in relation to its own workforce (Ref. ESRS 2, IRO-2, dp 62), SECO has recognized the importance of the issue and intends to do so in the near future.

In the area of health and safety, although the policy does not state specific actions to be taken, in 2024, in accordance with applicable regulations and according to the ISO:45001 certified quality system, SECO introduced initiatives that sought to mitigate the material risk and positive impact inherent in health and safety.

Initiatives adopted include, for example, periodic medical examinations of employees, updating and maintenance of detection and alarm devices and infrastructure, and periodic training activities for employees on safety in the workplace.

Metrics and targets

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

SECO cannot disclose information about targets (Ref. ESRS 2, MDR-A, dp 72) on topical ESRs found to be material because, despite recognizing the importance of these issues and intending to adopt them in the near future, it has not set targets on specific sustainability matters.

The next sections present quantitative details related to the SECO Group's own workforce.

S1-6 Characteristics of the undertaking's employees

As of December 31, 2024, the Group has 839 employees, about half of whom are based in Italy. Of the total number of employees, 33% are female and the remaining 67% are male.

The tables below show the main characteristics of the employees who make up the Group's own workforce:

Country	Number of employees	Gender	Number of employees
Italy	418	Male	563
Germany	216	Female	276
PRC	155	Total	839
Other	50		
Total	839		

	Unit	Female	Male
Number of employees	no.	276	563
Number of permanent employees	no.	178	501
Number of temporary employees	no.	98	62
Number of non-guaranteed hours employees	no.	-	-
Number of full-time employees	no.	244	540
Number of part-time employees	no.	32	23

In the reporting year, 139 people left the group, constituting a turnover rate of 17%.

S1-7 Characteristics of non-employees in the undertaking's own workforce

The SECO Group is also supported by a number of non-employee workers, who totaled 79 in 2024. 8 of these are self-employed workers, 69 are workers provided by companies engaged in recruitment, selection and provision of personnel (temporary workers), and 2 are trainees.

S1-9 Diversity metrics

The distribution of executives between women and men is shown in the table below.

Executives	Female	Male	Total
Total	5	28	33
%	15%	85%	100%

Executives include five women, or 15% of the total category, and 28 men, or 85% of the total.

The distribution of Group employees by age group is shown below.

Employees	2024
< 30	205
30 < x < 50	502
> 50	132
Total	839

S10- Adequate wages

SECO is committed to ensuring that employee wage levels are aligned with the market in the relevant country. Each employee's specific remuneration is determined through an individual agreement, based on the nature of the position, market wage dynamics, skills, experience, performance, and geographic area of the employee, with an aim to ensure equal pay for equal work.

S1-13 Training and skills development metrics

With a view to developing and promoting the professionalism and competence of employees, while also encouraging their professional growth through training and refresher programs, a total of 12,327 hours of training were provided during 2024. The table below shows training hours by employee category.

Training hours by job classification	2024	
	Female	Male
Executives	5	28
Total training hours by gender	80	350
Average training hours by gender	16.0	12.5
White-collar workers	130	333
Total training hours by gender	1,440	3,457
Average training hours	11.1	10.4
Blue-collar workers	141	202
Total training hours by gender	2,799	4,201
Average training hours	19.9	20.8
Total number of employees by gender	276	563
Total training hours by gender	4,319	8,008
Average training hours by gender	15.6	14.2

Regarding periodic performance and career development reviews, the percentage of performance reviews conducted, by employee category, is shown below.

Employee category	Unit	Female	Male
Executives	%	40%	64%
White-collar workers	%	60%	64%
Blue-collar workers	%	3%	6%

S1-14 Health and safety metrics

The health and safety management system at SECO sites is developed in accordance with Legislative Decree No. 81/08 and provides that:

- a risk assessment document (RAD) in which for each work phase, all the connected dangers and derived risks are reported, the prevention measures prepared, including the person responsible for implementation and planning;
- a plan for dealing with detected non-conformities and improvement actions;
- a risk-monitoring system;
- an employee training program.

In July 2022, the process of obtaining ISO 45001:2018 certification on Occupational Health and Safety Management Systems was also successfully completed. Consequently, SECO integrates health and safety concerns into its management systems and operational procedures, including those based on the ISO 9001:2015 and ISO 14001 standards: 2015, in order to improve the level of integration of the various control tools.

Health and safety assessments have been incorporated into the risk-management document and in the internal audit system with new procedures and operating instructions.

The occupational health and safety management system, subject to internal and external audits, covers 100% of the workers, both employees and non-employees, at the Italian sites.

In 2024, there were no incidents of work-related deaths or ill health among employees or non-employees. There were three injuries among employees (injury rate of 0.00018%) and no injuries among non-employees.

S1-16 Remuneration metrics (pay gap and total remuneration)

Provided below are data on the wage gap by gender, measured as the ratio of (i) the difference in average wage levels paid to female and male workers, and (ii) the average wage level of male workers. The breakdown is presented by country, both for base salary and total salary.

	Unit	Italy	Germany	PRC	USA	Bosnia and Herzegovina
Executives						
Gross hourly wage (base salary)	%	10%	12%	n/a	n/a	n/a
Total remuneration (Gross Annual Salary + bonus, and extras on an annual basis)	%	30%	19%	n/a	n/a	n/a
White-collar - sales						
Gross hourly wage (base salary)	%	34%	34%	43%	n/a	n/a
Total remuneration (Gross Annual Salary + bonus, and extras on an annual basis)	%	34%	44%	-34%	n/a	n/a
White-collar workers						
Gross hourly wage (base salary)	%	22%	29%	14%	29%	n/a
Total remuneration (Gross Annual Salary + bonus, and extras on an annual basis)	%	25%	30%	9%	28%	n/a
Blue-collar workers						

	Unit	Italy	Germany	PRC	USA	Bosnia and Herzegovina
Gross hourly wage (base salary)	%	3%	12%	-4%	n/a	9%
Total remuneration (Gross Annual Salary + bonus, and extras on an annual basis)	%	3%	12%	-4%	n/a	6%

In addition, the ratio of total annual remuneration of the highest wage earner to the median total annual remuneration of all employees is 85. The numerator of this indicator, which amounts to Euro 2,701 thousand Euro, includes Euro 2,075 thousand relating to the 2024 portion of the actuarial value of the 2024-27 stock option plan assigned to the Chief Executive Officer.

S1-17 Incidents, complaints and severe human rights impacts

Incidents of discrimination or any complaints filed through the Group's formal channels are handled through the Whistleblowing channel and procedure (ref. G1-1: Business conduct policies and corporate culture).

There were no reported cases of discrimination, including any harassment, during the reporting period, so there were no fines or penalties related to the topic. Furthermore, there were no serious incidents related to human rights in our workforce and no resulting sanctions, fines or compensation in this regard.

Assumptions and methodologies

S1-6

Number of employees

The values presented in the table - broken down by employee characteristics, including age, gender, country of employment, and contract type - are compiled based on management systems and precise information received from Group companies. Employees can identify themselves as male and female; they also have the option of not declaring their gender if they prefer.

The total number of employees is reported at December 31 of the reporting year.

Italy, Germany and China are the countries with 50 or more employees, individually accounting for at least 10% of the Group's total own workforce. The countries that fall into the "Other" category are Bosnia and Herzegovina and the USA.

Number of full-time equivalent employees

The values for the number of full-time equivalent employees are compiled based on management systems and precise information received from Group companies. For the classification of permanent and temporary, non-guaranteed-hours, full-time and part-time employees, the Group has used the definitions provided by the national law of the countries in which the employees of each company work.

Departures and turnover

Departure and turnover data are compiled based on management systems and precise information received from Group companies, and refer to all Group employees. Departures refer to employment terminations during the reporting period, whether voluntary or involuntary.

The turnover rate is provided by the ratio between the number of employees who left the company to December 31 of the reporting year and the number of employees at January 1 of the reporting year.

S1-7

The number of non-employee workers refers to the total number of workers who are not directly employed by the Group, i.e., self-employed and temporary workers, as the latter are not employed by Group companies but by third-party staffing companies. The value is calculated based on extractions from management systems and precise information received from Group companies, considering the number of workers at December 31 of the reporting year.

S1-9

Executives included those persons classified as Executives under Italian law, together with the CEOs of foreign subsidiaries and those reporting directly to them.

Distribution percentages by category are calculated by dividing the number of Executives falling into that category by the total number of Group Executives on the workforce at December 31 of the reporting year.

The age distribution value was calculated based on extractions from management systems and precise information received from Group companies.

S1-10

Adequate wages

In order to verify that SECO Group employees receive adequate wages, an analysis was conducted for each country within the scope, differentiating between countries in the EEA and those outside it. Specifically, it was checked whether or not each country's legislation provided for a minimum wage, and the value of it. The benchmarks of the Wage Indicator Foundation methodology were used for the purpose of the analysis.

For Italy, the salary of a worker with the lowest classification (D1-seventh level) in the national collective bargaining agreements of the metalworking industry was taken as the reference for identifying the appropriate wage. This national contract applies to workers at the Italian sites.

For Germany, Bosnia and Herzegovina and Hong Kong, the minimum wages in each country were taken as a reference.

For the People's Republic of China, because the minimum wage varies significantly between different provinces and cities, the minimum wage in the Hangzhou area was taken as the reference. We also note that the People's Republic of China provides a monthly minimum wage for full-time workers and an hourly minimum wage for part-time workers.

For the U.S., the minimum wage of a worker employed by a company located in Montgomery County, Maryland, and ranging in size from 11 to 50 employees was selected.

Finally, for Euro conversion rates, the average exchange rates calculated between January 1 and December 31 of the reporting period were used. These rates can be found on the Bank of Italy's Exchange Rates portal.

S1-13

Percentage of employees that participated in regular performance and career development reviews

The percentage of employees who completed performance appraisal cycles was calculated by dividing the number of employees who had completed performance appraisals as at December 31 by the total number of employees on the payroll at that date. Values were compiled based on management systems and precise information received from Group companies.

Training hours

The average number of training hours by category is calculated as the ratio of the total training hours provided to employees in that category to the total number of employees on the payroll at December 31 of the reporting period. The values were compiled based on management systems and precise information received from Group companies.

S1-14

Number of fatalities as a result of work-related injuries and work-related ill health

The number of fatalities as a result of work-related injuries and ill health and the number of injuries to employees and non-employees are compiled from management systems and precise information received from Group companies.

The work-related injury rate was calculated as the ratio of the number of work-related injuries to the total number of hours worked during the reporting year, multiplied by the normalization factor 1,000,000.

Where the actual number of hours worked has not been tracked, reference is made to the number of daily, weekly or monthly hours stipulated in each country's regulations, assuming full-time employment.

S1-16

The figure for the gender pay gap was calculated as the ratio, on a percentage basis, of

- the difference between the average hourly wages paid to male and female workers in a given category, and
- the average hourly wage paid to male workers in that category.

These indicators were calculated considering both base and total remuneration, including any additional monetary bonuses and benefits. The figure is also broken down by country to ensure a better representation of information and a more accurate interpretation of the data.

The pay ratio, on the other hand, was calculated by dividing the total pay of the highest paid person by the median of the total annual pay of all other Group employees.

The values were compiled based on management systems and precise information received from Group companies.

S1-17

Incidents, complaints and severe human rights impacts

The number of incidents of discrimination - including harassment - is recorded by the number of reports received through the Group's Whistleblowing platform to December 31 of the reporting year.

S3 Affected communities

Strategy

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

This chapter presents the material impacts, risks and opportunities related to the topic Affected communities, identified as part of the double materiality analysis process. For further information see the "General disclosures" chapter (*ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities*).

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Sharing knowledge and skills in technology and digitalization to create positive synergies with the local area, e.g., supporting STEM education in local schools to foster inclusive growth.	Positive impact	I17	Land-related impacts

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Increase in revenues driven by the expansion of SECO's future workforce, thanks to a greater commitment to local awareness and training initiatives focused on STEM education	Opportunity	O8	Land-related impacts

In 2024, SECO reported no major negative impacts related to affected communities. Meanwhile, some significant positive impacts were identified (*ref. ESRS 2, IRO-1*), which affect the communities living in the area in which SECO operates, with a focus on the Arezzo headquarters area and Tuscany.

The activities with positive impacts that have been deemed material include the close relations that SECO has forged with the academic community. The Group periodically participates in career days organized by universities nationwide and collaborates with technical institutes in the Arezzo and Tuscany area, helping to organize events dedicated to technology and electronics. Since November 2020, SECO has been part of the Steering Committee of the university foundation Polo Universitario Aretino, as part of a project to promote interaction between the academic world and businesses, and new local growth and employment opportunities for young people. The partnership aims to bring educational and academic training courses closer to the actual needs of companies, encouraging the development of new professional figures with technical and technological skills in electronics, digitalization and mechanical engineering.

Impact, risk and opportunity management

S3-1 Policies related to affected communities

Although there is no policy on this issue (*Ref. ESRS 2, IRO-2, dp 62*), over the years, SECO has undertaken to support and sponsor various local and national initiatives of a cultural, social, economic nature, in order to enhance the area in which it operates and the communities there.

S3-2 Processes for engaging with affected communities about impacts

SECO takes on board the perspectives of the communities living in the area in which it operates through an approach of constant feedback. This is carried out directly through annual sponsorships of sports, cultural activities and social projects. Responsibility for ensuring effective engagement rests with frontline management and the HR & Communication team.

S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns

In striving to promote a culture of open and safe communication, SECO has a Whistleblowing system, an independent and autonomous channel through which employees can report concerns or potential violations. For a more detailed description, refer to Section G1 Business conduct and for further discussion, see the procedure for reporting violations available at the following link: <https://www.seco.com/it/note-legali/whistleblowing>.

S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions

Although SECO has not yet defined specific actions and initiatives to address any material positive impacts and pursue material opportunities in relation to affected communities (Ref. ESRS 2, IRO-2, dp 62), it recognizes the importance of the issue, participating in outreach and training initiatives on STEM education, and collaborating with high schools and technical institutes at the local level.

Metrics and targets

S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

SECO cannot disclose information about targets (Ref. ESRS 2, MDR-A, dp 72) on material ESRS topics, as it did not adopt targets on specific sustainability matters.

S4 Consumers and end-users

Strategy

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

This section presents the material impacts, risks and opportunities related to issues related to consumers and end-users, identified as part of the double materiality analysis process. For further information see the "General disclosures" chapter (ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities).

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Developing a direct, structured dialogue with customers using AI to better understand reported issues and reduce SECO's response times.	Positive impact	I18	Access to products and services
Enhancing usability of SECO products by end-users by focusing on simple, user-friendly and accessible interfaces, with a consequent increase in satisfaction and reduction in discrimination against customers with less understanding of the digital/IT sphere	Positive impact	I20	Access to products and services

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Increase in revenues thanks to the development of highly personalized customer offerings and increased customer loyalty	Opportunity	O9	Access to products and services
Potential increase in SECO's turnover thanks to a larger market share related to the offering of simple and intuitive products that ensure greater inclusion of end-users	Opportunity	O10	Access to products and services
Potential reputational damage and costs related to legal sanctions arising from non-compliance with national and international regulations on the management of personal data associated with SECO's products or semi-finished goods, resulting in the loss of customer and end-user data (including with reference to the new Regulation (EU) 2023/2854)	Risk	R11	Privacy

SECO does not make products that can be directly used by end-users. SECO's modules and systems are integrated into products that its customers - generally Original Equipment Manufacturers (OEMs) - manufacture for various industry and B2B applications.

In 2024, the Group reported no major negative impacts on consumers and end-users.

In terms of the material positive impacts identified (ref. ESRS 2, IRO-1), the Group (I18) works synergistically with its customers to integrate digitalization into the devices they make, enabling innovative human-machine interfaces and data-driven services to be integrated into their business models. This synergy allows the Group to develop innovative solutions that add value to customers' products, making them increasingly complete and integrated. The adoption of production processes based on lean production

and make-to-stock principles helps optimize operational efficiency, ensuring short lead times and high efficiency levels. To continuously improve its performance, the Group (I20) monitors customer satisfaction both through surveys and through frequent interactions in its daily operations. It also implements monitoring methods and permanent improvement plans for processes and products. Its goals also include increasing the usability of products, enabling customers to provide increasingly accessible and engaging user experiences.

Impact, risk and opportunity management

S4-1 Policies related to consumers and end-users

Due to the nature of its products, which are intended almost exclusively for use by B2B customers to be integrated into the solutions they implement, there is little or no interaction between SECO and consumers or end-users.

However, the Group recognizes the importance of responsible management of impacts related to its products for its customers, particularly with regard to quality, safety and respect for recognized fundamental rights. Although no specific policies have been adopted in this area at present (Ref. ESRS 2, IRO-2, dp 62), the Group is aware of the importance of the issue and the need to develop a structured approach to identify, assess and mitigate any risks, as well as to seize opportunities for improvement and innovation.

S4-2 Processes for engaging with consumers and end-users about impacts

Due to the nature of its products, which are intended almost exclusively for use by B2B customers to be integrated into the solutions they implement, there is little or no interaction between SECO and consumers or end-users.

With its customers, the Group takes a proactive approach to listening and engaging with customers, fostering an ongoing dialogue through various tools and channels. Feedback is gathered on an annual basis through questionnaires and calls with third-party consultants. Responsibility for ensuring effective engagement rests with front-line management and business contacts (Ref. ESRS 2, SBM-2, dp 45).

S4-3 Processes to remediate negative impacts and channels for consumers and end-users to raise concerns

The gathering and monitoring of customer feedback, with the aim of assessing their level of satisfaction and responding effectively to their needs, takes place both in the course of daily activities and in a structured manner.

If the customer has its own vendor rating system, targets are defined to establish performance goals, monitoring methods and plans for continuous improvement of products and services. These aspects are supervised with periodic reviews. In other cases, SECO makes use of dedicated surveys carried out by the sales team: this tool allows for the collection of feedback on various aspects, including service quality, delivery timelines, management of repairs and any complaints.

Through these channels, customers have the opportunity to return feedback and express any needs or concerns. The information collected is a useful tool for identifying possible areas for improvement and identifying corrective actions.

SECO has developed a problem-solving procedure to ensure adequate monitoring of reports and provide for actions to continuously improve the quality offered. This procedure defines the responsibilities and interactions between different business functions and, based on a case-by-case assessment, classifies the reports received into categories of nonconformity, for each of which a specific set of

resolution actions is provided. These actions are defined by specific operating instructions contained within the procedure itself.

Finally, SECO is committed to promoting a culture of open and safe communication. It has therefore established a Whistleblowing system, an independent and autonomous channel through which employees can report concerns or potential violations. For a more detailed description, refer to Section G1 Business conduct and for further discussion, see the procedure for reporting violations available at the following link: <https://www.seco.com/it/note-legali/whistleblowing>.

S4-4 Taking action on material impacts on consumers and end-users, and approaches to mitigating material risks and pursuing material opportunities related to consumers and end-users and effectiveness of those actions

Due to the nature of its products, which are intended almost exclusively for use by B2B customers to be integrated into the solutions they implement, there is little or no interaction between SECO and consumers or end-users.

For this reason, SECO has not defined specific actions and initiatives to address any material positive impacts, manage material risks and pursue material opportunities in relation to consumers and end-users (Ref. ESRS 2, IRO-2, dp 62).

Metrics and targets

S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

Due to the nature of its products, which are intended almost exclusively for use by B2B customers to be integrated into the solutions they implement, there is little or no interaction between SECO and consumers or end-users.

For this reason, SECO has not identified targets (Ref. ESRS 2, MDR-A, dp 72) on material ESRS topics, nor has it adopted targets on specific sustainability matters.

Governance information

G1 Business conduct

Governance

GOV-1 The role of the administrative, management and supervisory bodies

The Group's corporate governance system is based on the applicable recommendations of the Self-Governance Code for Listed Companies issued by Borsa Italiana S.p.A., with which the Company complies. Corporate governance consists of the following bodies:

Shareholders' Meeting;

- BoD;
- Board of Statutory Auditors;
- Auditor;
- Added to these is the Supervisory Board under Legislative Decree No. 231/2001 (SB).
- The BoD consists of 10 members: the Chairperson, the Chief Executive Officer (CEO), and 8 Directors, 4 of whom are non-executive and 4 of whom are independent.

The appointment of the Board of Directors takes place on the basis of slates, in compliance with the applicable regulations in force concerning gender balance and the need for Directors to meet independence requirements. Directors must meet the eligibility requirements of professionalism and integrity, are appointed for a period of three financial years and may be re-elected.

If the Shareholders' Meeting has not so provided, the Board of Directors shall elect a Chairperson from among its members, who in turn may elect a Vice-Chairperson to replace him/her in the event of absence or impediment. The Chairperson exercises the functions provided for under the applicable laws, regulations and By-Laws. On the proposal of the Chairperson, the Board of Directors also appoints a Secretary, who need not be an employee of the Company.

The Board of Directors - and in particular the CEO - develop, approve and update strategic guidelines regarding the management of ESG issues.

The Board of Statutory Auditors has three standing members, including a Chairperson and two Statutory Auditors, plus two Alternate Auditors, who may be re-elected and who are appointed and operate in accordance with the law. The members of the Board of Statutory Auditors shall remain in office for three years until the date of the Shareholders' Meeting called to approve the financial statements for the third year following their appointment.

Impact, risk and opportunity management

ESRS 2 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities

This section presents the material impacts, risks and opportunities related to business conduct, identified as part of the double materiality analysis process. For further information see the "General disclosures" chapter (ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities).

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
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Reduced corruption and bribery thanks to practical measures in line with current rules and regulations, creating increased transparency and accountability for SECO in relation to area governance.	Positive impact	I21	Prevention and detection including training
			Incidents

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Greater access to ESG-linked financing thanks to SECO's ability to provide financial stakeholders with adequate guarantees regarding compliance with the ESG performance targets they require	Opportunity	O11	Corporate culture
Loss of market share and decline in revenues due to the Company's inability to identify and implement sustainable development strategies, resulting in the failure to meet sustainability targets (e.g., defining a Net Zero strategy to support the identification of strategic solutions)	Risk	R12	Corporate culture
Difficulty accessing financing due to lack of recognized sustainability strategy by financial stakeholders	Risk	R13	Corporate culture
Legal sanctions and reputational damage from poor management of product compliance	Risk	R14	Management of relationships with suppliers including payment practices

G1-1 Business conduct policies and corporate culture

SECO's corporate culture is inspired by respect for and adherence to ethical principles of fairness, transparency and good faith, while ensuring compliance with antitrust laws, regulations and rules. Aware of the need for continuous improvement of internal and external safeguards and to ensure business integrity, the Group has equipped itself with the following tools:

The organization and management model, pursuant to Legislative Decree No. 231/2001 (updated in November 2020), was adopted to prevent the commission of offenses under the Decree and, consequently, any administrative liability for the Company. The Model contains a "General Section" which describes the contents of the Decree, the objectives and functioning of the Model and the tasks of the Supervisory Board, and indicates the measures put in place to protect the Model. Conversely, the "Special Section" identifies the processes that are sensitive to the risk of offences being committed and defines the preventive protocols for mitigating the relative level of risk, divided according to the type of offence.

According to the provisions of the Company's 231 Model in relation to the offenses under Legislative Decree No. 231/2001, the functions within the company most at risk of corruption and bribery are: Administration Finance and Control, Human Resources, Legal and Corporate Affairs, Sales, Marketing, R&D, Procurement.

The Supervisory Board (SB) is appointed by the Board of Directors, which also defines its remuneration. The Supervisory Board must be guaranteed hierarchical-functional independence from top management in order to ensure its maximum effectiveness and impartiality of judgement, is entrusted

with the task of supervising the operation, implementation, effectiveness and compliance of the Organizational Model pursuant to Legislative Decree No. 231/2001.

The Supervisory Board must be informed by the recipients of the Model of any circumstance relating to the implementation of and/or compliance with the Model or, at any rate, with regard to any and all events that could, even potentially, render SECO liable under the Decree. Therefore, and in order to facilitate the flow of information between the recipients of the Model and the Supervisory Board, special dedicated lines of communication have been set up through which recipients can send information, data, documents and reports, including in anonymous form.

The Ethics Code is an integral and substantial part of the system of values and rules detailed in the Model. It sets down the lines of conduct for compliance with the Group's ethical and legal requirements (ref. S1-1).

To combat corruption in all its forms, the Company has adopted additional measures such as publishing its Ethics Code on the company website and providing anti-corruption training.

With reference to the parent company SECO S.p.A., training on the Organizational Model and the anti-corruption policies and procedures adopted by the Group is conducted through a corporate e-learning platform.

In accordance with the provisions of Legislative Decree No. 24 of March 15, 2023, which transposes Directive 2019/1937, SECO has a Whistleblowing Procedure regarding the protection of people who report violations of national or European Union regulatory provisions. This decree extends protections in the event of whistleblowing, expanding the subjective and objective scope, and adds to the procedures to preserve whistleblowers from possible retaliation. Entities covered by the scope of the new regulations are required to set up not only internal channels for conveying information, but, more importantly, must ensure that these provide adequate security standards to protect the identity of reporters.

The procedure as updated applies to the SECO Group's Italian and German companies, and specifically the parent company SECO S.p.A. and the subsidiaries PSM Tech S.r.l., SECO Mind S.r.l. and SECO Northern Europe GmbH. It seeks to regulate the process for handling reports in compliance with privacy regulations and the protections provided by law, in particular the aforementioned Decree-Law. The procedure identifies those persons who may make a report and the cases that may be the subject of the report, with particular reference to:

- administrative, accounting, civil or criminal offenses;
- illegal conduct pursuant to Legislative Decree No. 231 of June 28, 2001, or violations of the organization and management models adopted by each Group company;
- offenses committed in violation of the EU regulations set out in Annex 1 of the Decree and all national provisions that implement them;
- acts or omission or fraud that damage the financial interests of the European Union;
- acts or omissions regarding the single market;
- acts or conduct that impinge on the object or purpose of the provisions set out in EU Acts.

Pursuant to the procedure, reports can be made using a guided completion procedure on a special platform accessible from the company website. The methods for reporting using an external channel (ANAC) or through public dissemination (print, electronic media or means of dissemination capable of reaching a large number of people) are also governed.

Report management is the responsibility of:

- for the parent company SECO S.p.A., an internal collegiate committee comprising the directors of the Legal Affairs and Human Resources functions, along with the Chairperson of the Supervisory Board;
- for the subsidiary companies PSM TECH S.r.l. and SECO Mind S.r.l., the Supervisory Board.

At every stage following the report, the reporter's identity and the elements of the report made shall be confidential.

For further discussion, please see the violation reporting procedure available at the following link: <https://www.seco.com/it/note-legali/whistleblowing>.

G1-2 Management of relationships with suppliers

The procurement process is managed by the Purchasing Area. Supplier initial selection, qualification, assessment and product evaluation methods and criteria are governed by the integrated Quality Management System and the Procurement Procedure. In addition, suppliers with whom the Group collaborates are required to read SECO's Ethics Code.

With a view to business continuity and the strategic importance of the supply chain, at the end of 2020, the Group launched a vendor rating project for new and existing suppliers. Using such technologies allows the identification, analysis, and monitoring of supplier performance, in addition to the resolution of any major supply chain issues encountered. The vendor rating present within the organization also makes evaluations obtained on an aggregate of HSE issues, the result of surveys for the areas of health, safety and environment taking into account the parameters defined by ISO 14001 and ISO 45001 certifications.

The first step in the selection and evaluation process involves a compliance screening. Aspects considered include, among others, verification of possible involvement in corruption, possible legal and financial penalties and the adoption of adequate ESG safeguards (regarding knowledge and/or level of implementation of the requirements of ISO 14001, ISO 45001 and SA 8000 certifications). Suppliers are also evaluated on the basis of elements such as business organization, project management, the presence of processes and procedures implemented at different stages of the work and measures to guarantee the security of the IT systems used. Environmental, social and governance sustainability principles and practices are also examined, some of which are presented in the infographic below.



The answers are subject to an internal audit carried out by SECO through the acquisition of documentary evidence. Following the analysis, an Assessment Report is prepared, identifying any critical issues and corrective actions. Corrective and Preventive Actions (CAPAs) depend on the type of measure, supplier, context and risk assessment, and are agreed between the parties on a case-by-case basis. Where requested corrective actions are not taken, SECO reserves the right to then terminate the commercial relationship.

The Group monitors deadlines and takes operational measures to manage any late payments: while it does not have a structured policy to prevent them, it does have a more general policy related to supply chain management (ref. MDR-P - Policies adopted to manage material sustainability matters).

The goal of the policy is to optimize the management of the Global Supply Chain, ensuring the procurement of high-quality goods and services on competitive terms, so as to strengthen SECO's advantage in the market. In addition, the process is structured to ensure defect-free supplies, contributing to high standards of efficiency and reliability. This policy is the framework for managing all sustainability impacts, risks and opportunities related to the supply chain.

G1-3 Prevention and detection of corruption and bribery

The system for preventing, detecting and handling allegations or cases of corruption and bribery is regulated in the Whistleblowing procedure, whose reporting mechanism and/or more information is detailed in paragraph G1-1. The SECO Group promotes awareness of the Whistleblowing Procedure through publication on the Company's corporate website and, on the occasion of the launch of the new Whistleblowing platform, held an information seminar on October 30, 2024 for the benefit of all employees of Italian companies.

The table below shows the number of at-risk functions included in the training programs and the percentage of participation compared to the total number of at-risk functions.

	Unit	2024
Number of at-risk functions included in training programs	no.	7
Total at-risk functions	no.	7
Percentage of functions-at-risk covered by training programmes	%	100%

Metrics and targets

G1-4 Incidents of corruption or bribery

The Group operates nationally and internationally, ensuring full compliance with both local and EU antitrust and tax regulations. The controls carried out did not reveal any cases of non-compliance related to corruption and taxation in 2024.

In addition, there were no reported convictions for legal violations during the year, nor were any incidents of corruption or bribery identified.

G1-6 Payment practices

For the purposes of this analysis, invoices received from suppliers of materials and components were considered, as well as suppliers of different categories of services including, e.g., technical, tax and administrative consulting, logistics services, marketing activities, maintenance, rental of tangible and intangible assets, and non-employee staffing.

The analysis was carried out by selecting a sample representative of the whole set of supplier invoices, with nearly 90% coverage of the consolidated amount of the Trade payables at December 31, 2024. As regards the analyzed sample, the average invoice payment time during the reference period (95 days) did not significantly deviate from the number of rotation days calculated from consolidated figures, equal to 97 days¹⁵.

Invoice payment terms are agreed upon taking into account several criteria such as the nature of the product or service offered, geographic location and the size of the supplier. Payments made during the reporting period were mainly to suppliers of materials and capital goods, accounting for a total of 66% of the invoices paid in terms of monetary value. The average time for payment for this category of suppliers was 103 days: 94% of invoices (accounting for 91% of the monetary value for this category) were paid according to the payment terms, while an additional 5% of invoices (accounting for 7% of the monetary value for this category) were paid within 60 days of the due date. Other types of suppliers chiefly include suppliers of consulting and services of a commercial, administrative and logistical nature, maintenance, personnel administration, rent and lease of premises and equipment, water, electricity and energy utilities. The average time for payment for this category of suppliers was 81 days: 78% of invoices (accounting for 80% of the monetary value for this category) were paid according to the payment terms, while an additional 18% of invoices (accounting for 18% of the monetary value for this category) were paid within 60 days of the due date.

In addition, as of the end of the reporting period, there are no significant legal proceedings pending due to late payments.

Entity-specific information

Management of technological innovation and Artificial Intelligence

Governance

In the past, SECO took a highly customized approach based on customer needs in developing Artificial Intelligence (AI) solutions. This method, although tailored, limited the possibility of reuse and scalability of the developed solutions. In addition, models developed in this way may require ongoing training, and delivery activities may need maintenance that is likely to extend the time initially planned.

To address these challenges, over the past year, SECO has structured a governance process with three main steps:

- Qualification Review: initial assessment of projects to ensure alignment with strategic goals and overall feasibility.
- Delivery Review: in-depth analysis of the technical feasibility of proposed solutions.
- Deal Review: final review of the contractual terms and conditions of the deal.

This process considers the entire life cycle of AI projects, recognizing the need to continuously train models to prevent unexpected results. During the development of the project, continuous reviews of the activities performed are carried out, aimed at verifying that the project is proceeding in line with the set objectives, meeting the parameters established regarding time, cost and quality. As customer

¹⁵ Such indicator is calculated as follows:
$$\frac{\text{Trade payables}}{(\text{Raw materials, ancillaries, consumables and goods} + \text{Costs for services} + \text{Other operating costs})} \times 360$$

expectations may evolve over time, acceptance milestones are also established where interim results are evaluated and approved in order to monitor project progress.

Impact, risk and opportunity management

This section presents the material impacts, risks and opportunities related to issues related to artificial intelligence and technology, identified as part of the double materiality analysis process. For further information see the "General disclosures" chapter (*ref. IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities*).

Material impacts	Category	ID	Sub-topic or Sub-sub-topic
Promoting employees' awareness and understanding of ethical challenges related to AI within SECO and across the value chain.	Positive impact	I22	Management of technological innovation and Artificial Intelligence
Negative social impacts due to uncontrolled use of AI, such as replacement of human job, misinformation, and privacy violations	Negative impact	I23	Management of technological innovation and Artificial Intelligence

Material Risks / Opportunities	Category	ID	Sub-topic or Sub-sub-topic
Loss of revenues from failure to properly leverage the potential of AI when developing the business model	Risk	R15	Management of technological innovation and Artificial Intelligence
Risks (direct losses, legal sanctions, and business continuity) linked to potential cyberattacks on IT systems	Risk	R16	Management of technological innovation and Artificial Intelligence
Potential decrease in revenues and increase in costs due to the Company's inability to anticipate, perceive or manage innovation (in processes, products or technologies)	Risk	R17	Management of technological innovation and Artificial Intelligence

Strategy

SECO understands that a highly customized approach to providing artificial intelligence services may carry the risk of non-replicable solutions that are difficult to scale, thus limiting opportunities for business expansion.

For this reason, the CLEA platform, initially focused on IoT, was enhanced with the integration of artificial intelligence technologies, both in edge and cloud environments.

The adoption of Edge AI offers numerous benefits in relation to end customers, such as the ability to process data directly in the field which allows for greater privacy and security of information, and a reduction in traffic to the cloud, minimizing transmission costs and improving operational efficiency.

This new strategy can also allow artificial intelligence algorithms to be deployed directly on the edge, creating common libraries that can be used by multiple customers or system integrators. This approach allows both customers to independently develop AI components of interest to them and SECO to open up to new business opportunities and sectors. By doing so, instead of devoting numerous resources to individual custom developments, the Group creates several libraries that customers can draw on independently for their own developments and is also able to offer more standardized solutions, characterized by greater scalability of the solutions offered.

Actions

In 2024, new modules were developed and integrated within the CLEA platform, introducing functionality to enable no-code, user-driven development of applications to enable the adoption of solutions based on data analytics and artificial intelligence.

At the same time, the Group has not defined specific actions and initiatives to address material impacts, manage material risks in relation to the issue (Ref. ESRS 2, IRO-2, dp 62).

Goals

SECO cannot disclose information about targets (Ref. ESRS 2, MDR-A, dp 72) on material ESRS topics as, while currently evaluating the preparation of a broader sustainability plan, it did not adopt targets on specific sustainability matters.

4. CONSOLIDATED BALANCE SHEET AND CONSOLIDATED INCOME STATEMENT AT DECEMBER 31, 2024

CONSOLIDATED BALANCE SHEET

(in Euro thousands)	Note	31/12/2024	of which Related Parties	31/12/2023	of which Related Parties
Property, Plants and Equipments	1	17,271	-	16,726	-
Intangible Assets	2	102,392	-	104,019	-
Right of Use	3	9,833	-	11,755	-
Goodwill	4	157,108	-	165,216	-
Non-current financial assets	5	10,839	2,068	13,201	1,069
Deferred tax assets	6	3,051	-	2,289	-
Other non-current assets	7	1,525	-	1,623	-
Total non-current assets		302,020	2,068	314,829	1,069
Inventories	8	72,647	-	85,827	-
Trade receivables	9	31,886	5,105	49,489	5,044
Current tax assets	10	6,974	-	9,458	-
Other receivables	11	4,816	510	4,077	260
Cash and Cash Equivalents	12	72,586	-	74,816	-
Total current assets		188,908	5,613	223,668	5,304
TOTAL ASSETS		490,928	7,681	538,497	6,372
Share capital	13	1,296	-	1,296	-
Share premium reserve	13	232,036	-	232,037	-
Reserves	13	59,609	-	45,425	-
Group Net Profit/(loss)		(21,034)	-	11,864	-
Total Group Equity	13	271,907	-	290,622	-
Minorities Equity and Reserves		16,453	-	19,109	-
Minorities Profit for the year		3,371	-	2,766	-
Minorities Equity		19,824	-	21,875	-
Total Equity	13	291,731	-	312,497	-
Employee benefits	14	3,728	471	3,312	390
Provisions	15	1,279	-	1,235	-
Deferred tax liabilities	16	23,717	-	24,084	-
Non-current financial liabilities	17	97,734	-	106,928	-
Non-current lease liabilities	18	6,752	-	8,603	-
Other non-current liabilities	19	8	-	8	-
Total non-current liabilities		133,218	471	144,170	390
Current financial liabilities	20	8,023	-	11,031	-
Current portion of non-current financial liabilities	21	10,212	-	11,211	-
Current lease liabilities	22	2,358	-	2,126	-
Trade payables	23	31,713	399	36,402	221
Other current payables	24	10,845	119	11,728	715
Tax payables	25	2,827	-	9,332	-
Total current liabilities		65,978	518	81,830	936
TOTAL EQUITY AND LIABILITIES		490,928	989	538,497	1,326

CONSOLIDATED INCOME STATEMENT

(in Euro thousands)	Note	31/12/2024	of which Related Parties	31/12/2023	of which Related Parties
Net Sales	26	183,512	1,569	209,822	2,931
Other Revenues	27	3,068	-	2,151	1,299
Raw materials, ancillaries, consumables and goods	28	(78,429)	(13)	(101,684)	(12)
Changes in Inventories	8	(12,459)	-	2,970	-
Costs for services	29	(28,843)	(318)	(20,010)	(290)
Personnel costs	30	(42,247)	-	(40,657)	-
Depreciation and amortization	31	(30,018)	-	(20,435)	-
Accruals and Provisions	32	(142)	-	(28)	-
Other Operating Costs	33	(10,025)	(3,419)	(7,570)	(2,496)
Operating Profit		(15,582)	(2,181)	24,559	1,433
Financial income	34	6,312	-	4,433	-
Financial costs	34	(8,485)	-	(9,772)	-
Exchange gains/losses		1,194	-	14	-
Profit / (loss) before tax		(16,560)	(2,181)	19,234	1,433
Income taxes	35	(1,103)	-	(4,603)	-
Profit / (loss) for the year		(17,663)	(2,181)	14,631	1,433
Minorities Profit / (loss) for the year		3,371	-	2,766	-
Group Profit / (loss) for the year		(21,034)	(2,181)	11,864	1,433
Earning per Share	36	0.00	0.00	0.09	0.00
Diluted Earning per Share	37	0.00	0.00	0.09	0.00

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)	Note	31/12/2024	31/12/2023
Profit/(loss) for the year		(17,663)	14,631
Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:		(1,281)	(5,775)
Translation differences		1,210	(1,785)
Profit / (loss) on Cash Flow Hedge		(3,278)	(5,250)
Tax effect profit / (loss) on cash flow hedge		787	1,260
Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:		81	(99)
Discounting employee benefits		97	(131)
Tax effect discounting employee benefits		(16)	32
Total comprehensive income	38	(1,201)	(5,874)
Non-controlling interests		3,984	1,741
Parent company shareholders		(22,847)	7,014
Total comprehensive income		(18,863)	8,756

CONSOLIDATED STATEMENT OF CASH FLOWS

(in Euro thousands)		31/12/2024	31/12/2023
Profit/(loss) for the year		(17,663)	14,631
Income taxes	35	1,103	4,603
Amortization & Depreciation	31	30,018	20,435
Change in employee benefits		497	385
Financial income/(charges)	34	2,172	5,360
Exchange gains/(losses)		(1,194)	(14)
Costs for share-based payments		5,029	2,673
Other non-monetary revenues and income		(1,456)	
Cash flow before working capital changes		18,505	48,073
Change in trade receivables	9	17,094	(1,237)
Change in inventories	8	13,181	(2,551)
Change in trade payables	23	(5,065)	(8,446)
Other changes in tax receivables and payables		(160)	(1,046)
Other changes in current receivables and payables		(1,320)	(422)
Other changes in non-current receivables and payables		(150)	(557)
Use of provisions for risks, receivables and inventories		44	(167)
Interest collected		6,010	3,699
Interests paid		(8,877)	(9,555)
Exchange gains/(losses) realized		589	757
Income taxes paid	35	(4,963)	(2,858)
Cash flow from operating activities (A)		34,888	25,690
(Investments) /Disposals of property, plant and equipment	1	(5,107)	(2,959)
(Investments) /Disposals of intangible assets	2	(15,370)	(16,748)
(Investments) /Disposals of financial assets	5	280	(282)
Acquisition of business units net of cash and cash equivalents		-	-
Acquisition of subsidiaries net of cash and cash equivalents		-	-
Cash flow from investing activities (B)		(20,197)	(19,989)
New loan drawdowns		1,570	-
(Repayment) of bank loans		(11,763)	(20,779)
Change in current financial liabilities	20	(2,616)	(10,811)
Repayment lease liabilities	22	(2,363)	(2,169)
Dividends paid		(2,960)	-
Paid-in capital increase		(1)	64,666
Acquisition of treasury shares		-	-
Acquisition of shares from minorities		-	(173)
Cash flows from financing activities (C)		(18,132)	30,734
Increase (decrease) in cash and cash equivalents (A+B+C)		(3,441)	36,435
Cash & cash equivalents at beginning of year		74,816	39,586
Conversion differences		1,210	(1,204)
Cash & cash equivalents at end of year	12	72,585	74,817

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in Euro thousands)	01/01/2024	Share capital increase	Allocation result	Dividends paid	Other movements	Comprehensive Profit/(Loss)	31/12/2024
Share capital	1,297	0	0	0	0	0	1,297
Legal Reserve	289	0	0	0	0	0	289
Share premium reserve	232,036	(1)	0	0	0	0	232,035
Other reserves	45,613	0	11,864	0	4,133	(2,491)	59,119
Translation reserve	(216)	0	0	0	0	598	382
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	109	0	0	0	0	80	189
Group Net Profit/(loss)	11,864	0	(11,864)	0	0	(21,034)	(21,034)
Group equity	290,621	(1)	0	0	4,133	(22,847)	271,908
Non-controlling interests capital and reserves	19,107	0	2,766	(2,960)	(3,074)	613	16,452
Discounting employee benefits	0	0	0	0	0	0	0
Non-controlling interests profit	2,767	0	(2,766)	0	0	3,371	3,372
Minorities Equity	21,875	0	0	(2,960)	(3,074)	3,984	19,824
Total Equity	312,496	(1)	0	(2,960)	1,059	(18,863)	291,732

The main items affecting changes in consolidated equity were: the allocation of stock options to managers and Directors; the distribution of dividends by the subsidiary Fannal. For further information, reference should be made to the section on "Equity" (13).

(in Euro thousands)	01/01/2023	Share capital increase	Allocation result	Dividends paid	Other movements	Comprehensive Profit/(Loss)	31/12/2023
Share capital	1,154	143	0	0	0	0	1,297
Legal Reserve	289	0	0	0	0	0	289
Share premium reserve	168,543	63,252	0	0	241	0	232,036
Other reserves	34,365	0	11,039	0	4,199	(3,990)	45,613
Translation reserve	545	0	0	0	0	(761)	(216)
FTA Reserve	(371)	0	0	0	0	0	(371)
Discounting employee benefits	215	0	0	0	(7)	(99)	109
Group Net Profit/(loss)	11,039	0	(11,039)	0	0	11,864	11,864
Group equity	215,778	63,395	0	0	4,433	7,014	290,621
Non-controlling interests capital and reserves	17,250	0	3,530	0	(648)	(1,025)	19,107
Discounting of employee benefits (non-cont. interests)	(7)	0	0	0	7	0	0
Non-controlling interests profit	3,530	0	(3,530)	0	0	2,766	2,767
Minorities Equity	20,773	0	0	0	(641)	1,741	21,875
Total Equity	236,552	63,395	0	0	3,792	8,756	312,496

5. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2024

The publication of the consolidated financial statements as at December 31, 2024 was approved by the Board of Directors on March 17, 2025.

ACCOUNTING STANDARDS AND BASIS OF PREPARATION

Content and form of the Financial Statements

The consolidated financial statements for the year ended December 31, 2024 have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the provisions issued under Article 9 of Legislative Decree No. 38/2005. IFRS refers to all the revised international accounting standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC").

The accounting policies and principles applied in the preparation of the 2024 consolidated financial statements are in continuity with those of the previous year, since, for the purpose of preparing its consolidated financial statements, the Company has adopted IFRS as of the year ended December 31, 2020, with a transition date of January 1, 2018.

The consolidated financial statements at December 31, 2024 were prepared on the going concern basis. Taking into account the Group's financial strength and operating profitability, the Directors have assessed that there are no significant uncertainties regarding the ability of the companies included in the consolidation to operate as going concerns in the foreseeable future.

The consolidated financial statements at December 31, 2024 consist of the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Statement of changes in Equity, the Consolidated Cash Flow Statement and these Explanatory Notes.

These Financial Statements have been prepared in thousands of Euro - the Parent Company's functional and "Reporting" currency - in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". This could produce rounding differences when individual line items are added together as the individual line items are calculated in Euro (rather than in thousands of Euro).

The consolidated financial statements at December 31, 2024 were audited by Deloitte & Touche S.p.A. (appointed by the Shareholders' Meeting of March 1, 2022).

Consolidation principles and consolidation scope

The consolidated financial statements include the statutory financial statements of SECO S.p.A. (Parent Company) and the companies in which the parent company directly and/or indirectly holds a controlling interest. The line-by-line consolidation method has been used for these companies.

The following companies are included in the consolidation scope:

- SECO S.p.A., with registered office in Arezzo 52100, Via Achille Grandi No. 20, Tax/VAT No. 00325250512, share capital Euro 1,296,944.48;
- PSM Tech S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, Tax/VAT No. 02301580516, share capital Euro 30,000.00;
- Seco Mind S.r.l., with registered office in Arezzo 52100, Via Achille Grandi No. 18, share capital Euro 61,200.00.
- SECO Asia, limited, with registered office in Hong Kong, share capital Euro 6,999,957.05;
- Fannal Electronics Co., Ltd, with registered office at 6F, No. 77, Bowang Street, Yuhang District, Hangzhou, Zhejiang (People's Republic of China), share capital RMB 7,365,517.00;

- Seco USA Inc., with registered office in Rockville, Maryland (USA), share capital USD 3,291,786.37;
- Seco Mind USA, LLC, with registered office in San Jose, California, USA, share capital USD 12,857,142.86;
- Piri.ai Inc, with registered office in Ahmedabad (India), share capital INR 100,000.00;
- Seco Microelectronics Co., Ltd., with registered office in Hangzhou (People's Republic of China), share capital RMB 64,763,000.00;
- Seco BH d.o.o, with registered office in Tuzla, Bosnia & Herzegovina, share capital BAM 20,000.00;
- SECO Northern Europe Holding GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 25,000.00;
- SECO Northern Europe GmbH, with registered office in Hamburg, Federal Republic of Germany, share capital Euro 102,661.00;
- SECO Mind Germany GmbH (Stuttgart), with registered office in Stuttgart, Federal Republic of Germany, share capital Euro 25,000.00;
- E-GITS India Private Ltd. (Chennai, India), with registered office in Chennai, India, share capital INR 640,200.00

Any associated undertakings and minor companies in which the interest held is less than 20% and which constitute non-current financial assets are valued on the basis described in the paragraph entitled "Recognition, classification and valuation criteria".

For the consolidation, the statutory financial statements or reporting packages of the individual companies were used, already approved by the respective Boards for approval, reclassified and adjusted in line with the accounting standards and policies adopted by the Group.

As per IFRS 10, the Group exercises control when it is exposed to or has the right to variable income streams, based on the relationship with the investee, and, at the same time, has the capacity to affect such income streams through the exercise of power over the investee.

Generally, there is presumption that the majority of the voting rights results in control. To support this presumption, when the Group holds less than a majority of the voting rights, the Group, in accordance with IFRS 10 standard, considers all relevant facts and circumstances to determine whether it has control of the entity, including any contractual arrangements with other holders of voting rights.

Consolidation is carried out according to the line-by-line method; the assets and liabilities, charges and income of the consolidated companies are fully included in the consolidated financial statements from the moment control is acquired until the date when it ceases. In accordance with IFRS 3, the subsidiaries acquired by the Group are accounted for using the acquisition method, according to which:

- the amount transferred in a business combination is valued at fair value, calculated as the sum of the fair value of the assets acquired and the liabilities assumed by the Group at the acquisition date and any equity instruments issued in exchange for control of the company acquired; accessory charges to the transaction are expensed to the income statement when incurred;
- Goodwill is initially recognized at cost, represented by the excess of all the consideration paid and the amount recorded for minority interests over the fair value of the net identifiable assets acquired and liabilities assumed by the Group. This goodwill is not amortized but is subject to impairment testing at least annually, and in any case whenever events occur that suggest a reduction in value, in order to verify its recoverability;
- If the fair value of the net assets acquired exceeds the total consideration paid, the Group again verifies if it has correctly identified all the assets acquired and all the liabilities assumed and reviews the procedure utilized to determine the amount to be recorded at the acquisition date. If from the new valuation the fair value of the net assets acquired is still above the consideration, the difference (gain) is recorded in the income statement.

The share of equity and result for the period attributable to non-controlling interests are recorded separately, in the balance sheet, income statement and comprehensive income statement respectively.

The payables and receivables and income and charge relating to transactions between companies in the consolidation scope are eliminated. Profits arising from transactions between these companies and relating to amounts included in equity attributable to the shareholders of the parent company are eliminated. The tax effects of consolidation adjustments are taken to the account "deferred tax liabilities", where liabilities and to the account "deferred tax assets" where assets;

Foreign currency transactions are recorded at the current exchange rate on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the operative currency at the exchange rate at the reporting date.

The separate financial statements of each company belonging to the Group are prepared in the primary currency where they operate (operational currency). For the purposes of the consolidated financial statements, the financial statements of each foreign entity are expressed in Euro, which is the operational currency of the Group and the presentation currency of the consolidated financial statements. All of the assets and liabilities of foreign subsidiaries in currencies other than the Euro which are included in the consolidation are translated using the exchange rate at the balance sheet date (current foreign exchange rate method). Income and costs are translated at the average exchange rate for the year. The exchange rate differences resulting from the application of this method, as well as the exchange rate differences resulting from the comparison between the opening equity converted at current exchange rates and the same converted at historical exchange rates, pass through the comprehensive income statement and are accumulated in a specific equity reserve until the investment is sold.

In the preparation of the consolidated cash flow statement the average exchange rates for the year are used to convert the cash flows of foreign subsidiaries.

The exchange rates used for the translation to Euro of the financial statements of the companies included in the consolidation are shown in the table below.

Currency	Exchange rate at 31/12/2024	Average January-December 2024	Exchange rate at 31/12/2023	Average January-December 2023
US Dollar (USD)	1.03890	1.08240	1.10500	1.08130
Chinese Renminbi (CNY)	7.58330	7.78750	7.85090	7.66000
Indian Rupee (INR)	88.93350	90.55630	91.90450	89.30010
Convertible mark	1.95583	1.95583	1.95583	1.95583

IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FROM JANUARY 1, 2024

The following IFRS Accounting Standards, amendments and interpretations were applied for the first time by the Group from January 1, 2024:

- On January 23, 2020, the IASB published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current" and on October 31, 2022 published an amendment entitled "Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants". The purpose of the amendments is to clarify how to classify payables and other short or long-term liabilities. In addition, the amendments also improve the information that an entity must provide when its right to defer

settlement of a liability for at least 12 months is subject to meeting certain parameters (i.e. covenants). The adoptions of these amendments do not have significant effects on the Group consolidated financial statements.

- On September 22, 2022, the IASB published an amendment entitled "Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback". The document requires the seller-lessee to measure the lease liability arising from a sale & leaseback transaction so as not to recognize income or losses relating to the retained right of use. The adoption of this amendment does not have effects on the consolidated financial statements of the Group.

On May 25, 2023, the IASB published an amendment entitled "Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements". This requires an entity to provide additional information on reverse factoring arrangements to enable users of financial statement to assess how financial arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of such arrangements on the entity's exposure to liquidity risk. The adoptions of these amendments do not have any effects on the Group consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EUROPEAN UNION AT DECEMBER 31, 2023, NOT YET MANDATORILY APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE GROUP AT DECEMBER 31, 2024

At the reporting date, the relevant bodies of the European Union have concluded the process necessary for the implementation of the amendments and standards described below, although these standards are not mandatory and were not adopted in advance by the Group at December 31, 2024:

- On August 15, 2023, the IASB published an amendment entitled "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document requires an entity to apply a consistent methodology in order to ascertain whether one currency can be converted into another and, when this is not possible, how to determine the exchange rate to be used and the disclosure to be made in the notes to the financial statements. The amendment will be applicable from January 1, 2025, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AT DECEMBER 31, 2024

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 30, 2024, the IASB published the document "**Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7**". This clarifies a number of problematic issues emerging from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary upon achievement of ESG objectives (i.e., green bonds). Specifically, the changes aim to:
 - Clarify the classification of financial assets with variable returns and linked to environmental, social and corporate governance (ESG) objectives and the criteria to be used for the SPPI test assessment;
 - determine that the date of settlement of liabilities through electronic payment systems is the date on which the liability is settled. However, an entity is permitted to adopt an

accounting policy to allow a financial liability to be derecognized before transferring liquidity on the settlement date under certain specific conditions.

With these amendments, the IASB has also introduced additional disclosure requirements with respect to investments in equity instruments designated to FVOCI in particular. The amendments will be applicable to financial statements for periods beginning January 1, 2026. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

- On July 18, 2024, the IASB published a document called "**Annual Improvements Volume 11**". The document includes clarifications, simplifications, corrections and changes to improve the consistency of several IFRS Accounting Standards. The modified standards are:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards;
 - IFRS 7 Financial Instruments: Disclosures and related guidance on the implementation of IFRS 7;
 - IFRS 9 Financial Instruments;
 - IFRS 10 Consolidated Financial Statements; and
 - IAS 7 Statement of Cash Flows.

The amendments will be applicable from January 1, 2026, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 18, 2024, the IASB published an amendment entitled "Contracts Referencing Nature-dependent Electricity - Amendment to IFRS 9 and IFRS 7.". The document seeks to support entities in reporting the financial effects of renewable electricity purchase agreements (often structured as Power Purchase Agreements). Based on these contracts, the amount of electricity generated and purchased can vary based on uncontrollable factors such as weather conditions. The IASB has made targeted amendments to IFRS 9 and IFRS 7. The amendments include:
 - a clarification regarding the application of "own use" requirements to this type of contract;
 - the criteria for allowing such contracts to be accounted for as hedging instruments; and,
 - the new disclosure requirements to enable financial statement users to understand the effect of these contracts on an entity's financial performance and cash flows.

The amendment will be applicable from January 1, 2026, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

- On April 9, 2024, the IASB published a new standard - **IFRS 18 Presentation and Disclosure in Financial Statements** - which will replace IAS 1 Presentation of Financial Statements. The new standard seeks to improve the presentation of financial statement formats, with particular regard to the income statement format. Specifically, the new standard requires that:
 - revenues and expenses are classified into three new categories (operating section, investment section, and financial section), in addition to the tax and discontinued operations categories already in the income statement;
 - Two new sub-totals are presented: operating income and earnings before interest and taxes (i.e., EBIT).

The new standard also:

- requires more information on the performance indicators defined by management;
- Introduces new criteria for aggregation and disaggregation of information; and,
- introduces a number of changes to the format of the cash flow statement, including a requirement that operating income is used as the starting point for the presentation of the cash flow statement prepared using the indirect method and that certain classification options are eliminated for some existing items (such as interest paid, interest received, dividends paid and dividends received).

The standard will be effective from January 1, 2027, although advance application is permitted. The Directors are currently assessing the possible effects of introduction of this new standard on the Group's consolidated financial statements.

- In data 9 maggio 2024 lo IASB ha pubblicato un nuovo principio **IFRS 19 Subsidiaries without Public Accountability: Disclosures**. On May 9, 2024, the IASB published a new standard - **IFRS 19 Subsidiaries without Public Accountability: Disclosures**. The new standard introduces a number of simplifications with reference to the disclosure required by IFRS Accounting Standards in the financial statements of a subsidiary that meets the following requirements:
 - it has not issued equity or debt instruments listed on a regulated market and is not in the process of issuing them;
 - it has its own parent company that prepares consolidated financial statements in accordance with IFRS.

The standard will be effective from January 1, 2027, although advance application is permitted. The Directors do not expect this amendment to have a significant impact on the Group consolidated financial statements.

- On 30 January 2014, the IASB published **IFRS 14 Regulatory Deferral Accounts** which permits only those adopting IFRS for the first time to continue to recognize amounts concerning Rate Regulation Activities according to the previous accounting standards adopted. As the Group is not a first-time adopter, this standard is not applicable.

Financial Statements

The financial statements of the SECO Group are presented as follows:

- the Balance Sheet reports assets and liabilities analyzed by maturity, separating current and non-current accounts as due within and beyond 12 months;
- the Income Statement is reported by the nature of income and expense items;
- the Comprehensive Income Statement shows the components of net income suspended in equity and is presented as a separate statement and is presented in accordance with the revised version of IAS 1. The items presented in Other Comprehensive Income are grouped based on whether or not they can be reclassified to profit or loss subsequently;
- the Statement of Changes in Equity shows changes in capital, reserves and net profit for the period;
- the Consolidated Cash Flow Statement was prepared reporting financial cash flows according to the "indirect method", as permitted by IAS 7. In order to provide a clearer picture of cash flows, certain changes were made with respect to the format adopted in the previous year, reclassifying for comparative purposes the cash flows relating to the previous year.

The functional and presentation currency of the Group is the Euro. Unless otherwise specified, amounts shown in the Notes to the Financial Statements are expressed in thousands of Euro.

Accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at December 31, 2024 are disclosed below.

Property, plant & equipment

The Group applies the provisions of IAS 16 "Property, Plant & Equipment".

Property, plant and equipment is recorded at cost, including directly allocated accessory costs and those necessary for the asset being in the condition for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset. If major components of such tangible fixed assets have different useful lives, such components are accounted for separately. Land, both constructible and relating to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Property, plant & equipment are presented net of accumulated depreciation and any losses in value, calculated as described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset; useful life is reviewed annually and any changes, where necessary, are made on the basis of the new estimate. The main economic-technical rates used are those derived from the individual useful lives:

Category	Rates
Buildings	3%
Light constructions	10%
General plant	10%
Specific plant	15%
Machinery	25%
Equipment	15%
Furniture & fittings	12%
Motor vehicles	25%
Trade fairs stands	10%
Molds	25%
Other assets	20%

The depreciation criteria as well as useful lives and residual values are reassessed and re-defined at least at the end of each year in order to take any significant changes into account.

A tangible fixed asset is eliminated from the financial statements when the asset is sold or when no expected economic benefits exist from its use or disposal. Gains and losses on disposal are determined by comparing the consideration with the net book value. The amount so determined is recorded in the income statement on an accruals basis.

Borrowing costs that are directly attributable to the acquisition, construction or production of a tangible fixed asset which requires a lengthy period before availability for use shall be capitalized as part of the cost of that asset. All other financial charges are recognized as a charge in the period in which they are incurred. Financial charges consist of interest and other costs that a Group entity incurs in connection with obtaining financing.

Intangible assets

Intangible assets purchased or constructed internally are recorded when it is probable that the use of the asset will generate future economic benefits and when its cost can be reliably calculated. Intangible assets acquired separately are initially recognized at cost, while those acquired through

business combinations are recognized at fair value on the acquisition date. After initial recognition, the intangible assets are recorded at cost less accumulated amortization and any loss in value. Intangible assets internally generated, with the exception of development costs, are not capitalized and are expensed to the income statement in the year they are incurred.

An intangible asset purchased or produced internally is recognized, in accordance with IAS 38 – Intangible Assets, only if identifiable, controllable, where future economic benefits are expected and its costs can be reliably calculated.

Development costs are recognized as assets only if all of the following conditions are met: the Group is able to demonstrate:

- the technical feasibility to complete the intangible asset, so as to be available for use or sale;
- the intention to complete the asset and its capacity and intention to utilize or sell the asset;
- the means by which the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the capacity to reliably value the cost attributable to the asset during development.

Capitalized costs include only those costs that are directly attributable to development. The development costs capitalized are amortized on a straight-line basis, commencing from the beginning of the production over the estimated life of the product. During the development period the asset is subject to an annual impairment test.

Costs that are not related to development or that do not meet the requirements identified above are recognized in the income statement when incurred.

The useful life of the intangible assets is measured as finite or indefinite. The finite intangible assets are amortized over the useful life of the asset and verified for any indications of a possible impairment. The amortization period and method applied is reviewed at the end of each year or more frequently if necessary. Changes in the expected useful life or of the manner in which the future economic benefits related to the intangible assets are received by the Group are recorded amending the period and method of amortization, and treated as changes in the accounting estimates. The amortization of finite intangible assets is recorded in the income statement under the category of costs relating to intangible assets.

Category	Rates
Software, licenses and others	20%
Development costs	20%
Other intangible assets	20%

Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization but are subject to an impairment test at least once a year, aimed at verifying whether their book value has reduced.

At each reporting date, the Group reviews the carrying value of its tangible, intangible and right-of-use assets to determine if there are indications that these assets have incurred a loss in value (impairment test).

Amortized assets are subjected to an impairment test if there are events or circumstances such that the carrying amount cannot be recovered (trigger event). In both cases, any impairment is recorded at the

amount of the book value that exceeds the recoverable value. This latter is the higher between the fair value of the asset less costs to sell and its value in use. If it is not possible to determine the value in use of an asset individually, it is necessary to determine the recoverable value of the CGU (Cash Generating Unit) that includes the asset. The CGU is the smallest group of assets that comprises the asset being tested for impairment and generates cash inflows that are largely independent of the cash inflows from the other assets or groups of assets. The directors have identified three CGU's within the Group.

In the determination of the value in use of each CGU, the estimated future cash flows are discounted by the Group at a post-tax rate that reflects the market assessment of the present value of money and the risks specific to the asset. In the determination of the fair value net of selling costs, account is taken of recent market transactions. Where it is not possible to identify these transactions, an adequate valuation model is utilized. These calculations are made utilizing appropriate valuation multipliers, listed equity prices for publicly traded securities and other fair value indicators available.

The Group bases its impairment test on recent budgets and forecasts, approved by the Board of Directors. These budgets and forecasts generally cover a period of three years. A constant long-term growth rate is calculated to project future cash flows beyond the third year.

The losses in value of operating assets are recorded in the income statement in the category of costs relating to those assets.

The value of an asset previously written down may be restated only if there have been changes in the assumptions used to determine the recoverable value, after the last recording of a loss in value. The recovery of value cannot exceed the carrying amount which would have been calculated, net of depreciation or amortization, where no such loss in value was recorded in previous years. This recovery value is recognized in the income statement.

Right-of-use

Lease agreements entered into as a lessee result in the recognition of an asset representing the right to use the leased asset and the financial liability for the obligation to make payments under the agreement. The assessment as to whether a contract contains a lease is made on the date of inception. In particular, the lease liability is initially recorded at the present value of future payments to be made, adopting a discount rate equal to the implicit interest rate of the contract or, if this cannot be easily determined, using the lessee's incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost using the incremental interest rate and is restated following renegotiation of contracts, changes in rates, changes in the valuation of any contractual options. The Right-of-use is initially recognized at cost and is subsequently adjusted to take account of the amortization recognized, any impairment losses and the effects of any restatement of lease liabilities.

If the lease transfers ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the asset consisting of the right-of-use reflects the fact that the lessee will reasonably exercise the option to purchase, the lessee shall depreciate the asset consisting of the right-of-use from the commencement date to the end of the useful life of the underlying asset.

The Group determines the lease term as the non-cancellable period of the lease to which the periods covered by the lease extension option should be added, if there is a reasonable certainty of exercising such option.

The Group uses its judgement in assessing whether it is reasonably certain that the option will be renewed. However the Group considers all relevant factors that may result in an economic incentive to exercise renewal options or to terminate the contract. After inception, the Group reassesses the lease term where there is a significant event or significant change of circumstance within its control that may

affect its ability to exercise (or not to exercise) the option to renew (for example, investments in leasehold improvements or significant specific changes on the leasehold).

The Group decided to adopt a number of simplifications, as provided for by the standard, excluding from the above treatment contracts with a duration of 12 months or less and that do not contain a purchase option (so-called "short-term", calculated on the residual duration at the time of first-time adoption or, in the event of stipulation after January 1, 2018, on the contractual duration), those with a value of less than Euro 30 thousand (so-called "low-value") and those relating to intangible assets. The Group has its own production facilities even in countries where ownership rights are not allowed. Advance rentals, paid to obtain the availability of the land on which their production facilities are located, are recorded under right-of-use. Rentals related to contracts that do not contain a lease, and those related to short-term leases and low-value assets are recognized as expenses on a straight-line basis over the term of the contract.

Goodwill

Goodwill, in application of IFRS 3, is initially recognized at cost represented by the excess of the total amount paid and the amount recognized for minority interests in respect of the fair value of the net identifiable assets acquired and the liabilities assumed by the Group. It represents an intangible asset with indefinite life. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the fair value of the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under service expenses.

Goodwill is not amortized but subjected annually, or more frequently if certain events or changed circumstances indicate the existence of a permanent loss in value, to impairment tests in accordance with IAS 36. After initial recognition, goodwill is measured at cost net of accumulated impairment. When all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Business combinations

Business combinations are recognized using the acquisition method. The acquisition cost is calculated as the total of the fair value at the date of acquisition and the value of any minority equity holding in the acquisition measured at fair value. For every business combination, the buyer must measure any minority holding, which remains subsequently in the fair value of the business combination, at fair value or in proportion to the amount held in the fair value of the identifiable net assets of the acquisition. The acquisition costs are expensed and classified under administration expenses. When the Group acquires a business, i.e., a business consisting of inputs and substantial processes applied to those inputs that are capable of contributing to the creation of output, it must classify or designate the assets acquired or liabilities assumed in accordance with the contractual terms, economic conditions and other relevant terms in place at the date of acquisition. Every potential payment is recorded by the acquirer at fair value at the acquisition date. The change in the fair value of the potential payment classified as an asset or liability will be recorded in accordance with IFRS 9, in the income statement. If the contingent consideration is classified as equity, its value does not need to be recalculated and its settlement will be accounted for against equity.

Business Combinations by the Group

On December 17, 2024, the Group acquired a 30% stake in Seco Mind USA LLC from Oro Network Inc., so the company is now a wholly-owned subsidiary. The acquisition of this minority interest is attributable to the termination of the collaboration with the manager Ajay Malik, the ultimate owner of Oro Network

Inc. and coordinator of software development by the US team. In 2024, the team achieved the objectives of upgrading the agreed upon applications, which have been integrated into the CLEA platform. With this transaction, Ajay Malik and the team of developers in the US will be pursuing their careers outside of the Group. Having achieved their objectives in terms of the technical contribution to Group software, Seco Mind USA LLC and Piri India Inc. are to be liquidated. In exchange for the 30% stake in Seco Mind USA LLC, Oro Network Inc. received intangible assets and capital goods needed for the continuation of Mr. Malik's business. The software developed by Mr. Malik and integrated into CLEA remain the property of the Group.

Financial assets

IFRS 9 provides for a single approach for the analysis and classification of all financial assets, including those contained in embedded derivatives. The classification and the relative measurement is made considering both the management model of the financial assets and the contractual characteristics of the cash flows from the asset. Depending on the characteristics of the instrument and the business model adopted for its management, a distinction is made between the following three categories: (i) financial assets valued at amortized cost; (ii) financial assets valued at fair value with recognition of the effects to other comprehensive income (also, OCI); (iii) financial assets valued at fair value with recognition of the effects to the income statement. Financial assets are valued using the amortized cost method when both of the following conditions are met: - the management model of the financial asset consists of holding it for the sole purpose of collecting the related cash flows; and - the financial asset generates, at contractually predetermined dates, cash flows that exclusively represent the return on the financial asset. Using the amortized cost method, the initial carrying amount is subsequently adjusted to take account of capital repayments, any write-downs and the amortization of the difference between the repayment value and the initial carrying amount. Amortization is carried out on the basis of the effective internal interest rate which represents the rate that makes the present value of expected cash flows and the expected initial carrying amount at the time of initial recognition. Receivables and other financial assets measured at amortized cost are shown net of the related doubtful debt provision. Financial assets represented by debt instruments whose business model provides both the possibility of collecting contractual cash flows and the possibility of realizing capital gains on disposal (so-called business model hold to collect and sell), are measured at fair value with the effects recognized to OCI. In this case, changes in the fair value of the instrument are recognized in equity, among other components of comprehensive income. The cumulative amount of changes in fair value, recognized in the equity reserve that includes the other components of comprehensive income, is reversed to the statement of profit and loss when the instrument is derecognized. Interest income calculated using the effective interest rate, exchange rate differences and write-downs are recorded in the income statement. A financial asset representative of a debt instrument which is not valued at amortized cost or at FVTOCI, is valued at fair value with recognition of the effects to the income statement.

Receivables

In accordance with the above criteria, trade and other receivables are financial assets initially recognized at fair value and subsequently measured based on the amortized cost method, net of the doubtful debt provision. IFRS 9 defines an impairment/write-down model of these assets, with the objective to provide useful information to the readers of financial statements in relation to expected losses. According to this model, the Group assesses receivables using an expected loss approach. For trade receivables the Group adopts a simplified approach to valuation which does not require the recording of periodic changes in credit risk, but rather the estimation of an Expected Credit Loss ("ECL") calculated over the entire life of the receivable (so-called lifetime ECL). In particular, the policy

implemented by the Group provides for the stratification of trade receivables into categories on the basis of days past due, defining the allocation based on historical experience of losses on receivables, adjusted to take account of specific forecast factors relating to creditors and the economic environment. Trade receivables are fully written down if there is no reasonable expectation of recovery, i.e. in the presence of inactive trade counterparties. The carrying amount of the asset is reduced through the use of an allowance for impairment and the amount of the loss is recognized in the income statement. When collection of the consideration is deferred beyond the normal commercial terms practiced to customers, the receivable is discounted.

In the case of factoring and, in particular, to non-recourse assignments of trade receivables, which provide for the almost total and unconditional transfer to the assignee of the risks and benefits relating to the assigned receivables, the receivables themselves are removed from the financial statements.

In the case of assignments in which risks and benefits are not transferred, the related receivables are retained in the financial statements until the assigned debtor is paid. In this case, any advances collected by the factor are recorded under payables to other lenders.

Inventories

Inventories are recorded at the lower of purchase or production cost, determined by attributing to the products the costs directly incurred plus the portion of indirect costs reasonably attributed to production under conditions of normal use of production capacity, and realizable value at the balance sheet date, represented by the amount that the company expects to obtain from their sale in the normal course of operations. The cost of raw materials and finished goods is determined by applying the weighted average purchase cost per movement, including ancillary purchase charges. The production costs of finished and semi-finished products include the direct cost of the materials and the labor, in addition to general production expenses based on the normal production capacity, but not considering financial charges.

Obsolete, slow-moving inventories and/or those in excess of normal requirements are written down through a specific provision, in relation to their possibility of use or future realization. Write-downs are restored in future years should the reason for the write-down no longer exist.

Government grants

Public grants are recognized when there is reasonable certainty that they will be received and that the conditions will be satisfied for their attainment.

1) Operating grants

Operating grants consist of government grants and subsidies received and intended to supplement revenues. The Group accounts for these contributions on an accruals basis in accordance with IAS 20.

2) Capital grants

In the event that the grant is linked to an investment, the investment and the grant are recorded at their nominal value and the release to the income statement takes place progressively over the expected useful life of the relevant investment on a straight-line basis, reducing the initial deferred income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and bank and post office deposits.

Equity

Share capital

This represents the subscribed and paid-up capital of the Parent Company.

Costs related to the issuance of new shares or options are classified, if any, in equity as a decrease in the amounts arising from the issuance of such instruments.

Reserves

These comprise:

- legal reserve
- specific allocation reserve
- IAS/IFRS transition reserve, net of the tax effect
- share premium reserve
- retained earnings

Treasury shares

As of December 31, 2024, 522,898 treasury shares are held in escrow in connection with SECO MIND's "minority purchase agreement". These shares are recognized as a reduction of equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognized as equity movements.

Employee benefits

The liability relating to the benefits paid to employees and directors on or after termination of employment under defined-benefit plans is determined, separately for each plan, on the basis of actuarial assumptions, estimating the amount of future benefits that employees have accrued at the reference date (the so-called "projected unit credit method"). The liability, recorded on the balance sheet net of any plan assets, is recognized on an accrual basis over the vesting period. The liability is calculated by independent actuaries. The components of defined benefit cost are recognized as follows: - service costs are recognized in the income statement as part of personnel costs; - net finance costs on the defined benefit liability or asset are recognized in the income statement as Financial income/(expense), and are determined by multiplying the value of the net liability/(asset) by the rate used to discount the obligations, taking into account contribution and benefit payments that occurred during the period; - the remeasurement components of the net liability, which include actuarial gains and losses, return on assets (excluding interest income recognized in the income statement) and any change in the asset limit, are recognized immediately in Other comprehensive income (loss). These components should not be reclassified to the Income Statement in a subsequent period.

Termination benefits are recognized on the earliest of the following dates: i) when the Company can no longer withdraw its offer of such benefits, and ii) when the Company recognizes the costs of a restructuring.

Incentive plans

In line with the provisions of IFRS 2, the Group classifies medium/long-term incentive plans as "share-based payments" and requires, for those falling into the "equity-settled" category, which requires the

physical delivery of the shares, the determination at the grant date of the fair value of the option rights issued and its recognition as a cost recognized on a straight-line basis over the vesting period, with a counter-entry in a specific equity reserve. This allocation is made on the basis of an estimate of the rights that will actually accrue in favor of the staff entitled to them, taking into account the conditions of use of the same not based on the market value of the rights.

At the end of the fiscal year, the equity reserve is reclassified to available reserves.

Provisions for risks and charges

Where the Group has a legal or implicit obligation as a result of a past event and it is probable that it will incur a loss of economic benefits in order to meet that obligation, a provision is recorded. If the time factor of the expected loss of benefits is significant, the amount of future cash outflows is discounted at a pre-tax interest rate that takes into account market interest rates and the specific risk of the liability to which it relates.

No provision is made for any future operating losses. Provisions are measured at the current value of management's best estimate of expenditures to meet the current obligation as of the reporting date.

In the case of lawsuits, the amount of provisions has been determined on the basis of estimates made by the Group, together with its legal advisors, in order to determine the probability, timing and amounts involved and the probable outflow of resources. The provision made will be adjusted as the case develops. At the conclusion of the dispute, the amount that may differ from the provision set aside in the financial statements will be charged to the income statement.

The risk and charges provisions mainly comprise the Seco Northern Europe Product warranty provision and the Supplementary Agents Indemnity Fund (FISC), which is allocated in relation to the termination of agency contracts at the initiative of the principal for reasons not attributable to the agent or representative. In fact, the agent or representative will be paid a supplementary agents indemnity, to be calculated on the overall amount of the commissions for which the right to payment arose in favor of the agent for the entire duration of the relationship (from the date of stipulation of the contract to the date of termination) even if the same sums have not been paid in full at the time of termination of the relationship.

Deferred tax assets and liabilities

Deferred taxes are calculated using the liability method on temporary differences at the reporting date between the fiscal values of the assets and liabilities and the corresponding values in the financial statements. Deferred tax liabilities are recorded on all temporary assessable differences, with the following exceptions:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- the reversal of the temporary differences, related to investments in subsidiaries, associates and joint ventures, can be controlled and it is probable that such will not occur in the foreseeable future.

Deferred tax assets are recognized on all temporary deductible differences, credits and unused fiscal losses carried forward, to the extent of the probable existence of adequate future tax profits, that can justify the use of the temporary deductible differences, credits and fiscal losses carried forward, with the following exceptions:

- when the deferred tax assets related to the temporary deductible differences derives from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, has no effects on the result in the financial statements or on the fiscal result;
- in the case of temporary differences related to investments in subsidiaries, associates and joint ventures, the deferred tax assets are only recognized to the probable extent that the temporary differences will reverse in the foreseeable future and there are sufficient assessable amounts to utilize such temporary differences.

The carrying value of deferred tax assets is revised at the end of the year and reduced to the extent that it is no longer likely that there will be sufficient taxable income against which to recover all or part of the assets. Deferred taxes are determined based on the tax rates that are expected to apply in the period in which such deferrals will be realized, considering the rates in effect and those already enacted, or substantially in effect, at the date of the financial statements. Deferred taxes are recognized directly to the income statement, with the exception of those relating to accounts directly recognized to the comprehensive income statement, in which case the deferred taxes are also recognized to the comprehensive income statement.

Financial liabilities

Financial liabilities include borrowings, current financial liabilities and financial liabilities arising from leases. Pursuant to IFRS 9, they also include trade and other payables. Financial liabilities are recorded at fair value net of transaction costs. After initial recognition, loans are recognized on the basis of amortized cost, calculated by applying the effective interest rate. A financial liability is derecognized when the underlying obligation of the liability is settled, cancelled or fulfilled. If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values recorded in the income statement. With the introduction of IFRS 9, in the event of renegotiation of a financial liability that does not qualify as an "settlement of the original debt", the difference between i) the carrying amount of the liability prior to modification and ii) the present value of the cash flows of the modified debt, discounted at the original rate (IRR), is recognized in the income statement.

Amortized cost and measurement of fair value

All financial liabilities are recognized according to the amortized cost method.

Under this approach, the nominal amount of the liability is reduced by the amount of the related issue and/or signing costs plus any costs related to the refinancing of existing liabilities. These costs are amortized using the effective interest rate as the discount rate for future interest expense and repayments of principle at the net carrying amount of the financial liability.

IFRS 13 – Fair Value Measurement defines fair value as the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date. In the absence of an active and properly functioning market, fair value must be measured using valuation techniques. The standard also establishes a fair value hierarchy:

- level 1 - assets or liabilities subject to valuation listed on an active market;
- level 2 - input based on prices listed at the previous point, which are directly observable (prices) or indirectly (derivatives from the prices) on the market;
- level 3 - input which is not based on observable market data.

Derivative instruments and hedge accounting

The derivative instruments entered into by the Group are designed to cover exposure to the interest rate risk associated primarily with loan agreements. On the date the contract is entered into, derivative instruments are initially recognized at fair value and, if the derivative instruments are not formally designated as hedging instruments, changes in fair value recognized subsequent to initial recognition are treated as a financial component of net income for the year. If, on the other hand, the derivatives meet the requirements to be classified as hedging instruments and are formally designated as such, the subsequent changes in fair value are accounted for by following the specific criteria set out in IFRS 9 below. For each derivative financial instrument identified as a hedging instrument, its relationship to the hedged item is documented, including risk management objectives, hedging strategy, and assessment of hedge effectiveness. The effectiveness of each hedge is tested both at the time of inception of each derivative instrument and during its life. Generally, a hedge is considered to be highly "effective" if, both at its inception and during its life, changes in the fair value in the case of a fair value hedge or in the expected future cash flows in the case of a cash flow hedge of the hedged item are substantially offset by changes in the fair value of the hedging instrument. When the hedge concerns changes in the fair value of assets or liabilities recorded in the financial statements (fair value hedge), both the changes in the fair value of the hedging instrument and the changes in the hedged item are recorded in the Income Statement. In the case of a hedge aimed at neutralizing the risk of changes in future cash flows deriving from the future execution of transactions that are expected to be highly probable at the reporting date (cash flow hedge), the changes in the fair value of the derivative instrument posted subsequent to initial recognition are accounted for, limited only to the effective portion, among the components of Comprehensive Income and Loss. When the economic effects arising from the hedged item become apparent, the reserve is reversed to the Income Statement among the operating components. If the hedge is not perfectly effective, the change in fair value of the hedging instrument, referring to the ineffective portion of the hedge, is immediately recorded in the income statement. If, during the life of a derivative instrument, the expected transaction for which the hedge was activated is no longer expected to take place, the part of the "reserves" item relating to this instrument is immediately reversed to the Income Statement for the year. On the other hand, if the derivative instrument is sold or no longer qualifies as an effective hedging instrument, the part of the "reserves" item representing the changes in fair value of the instrument, recorded up to that moment, is maintained as a component of Comprehensive Income and is reversed to the Income Statement in accordance with the classification criterion described above, at the same time as the economic effects of the transaction originally covered by the hedge occur. Financial assets are derecognized from the balance sheet when the right to receive the cash flows from the instrument ceases and the Company has transferred all the risks and rewards relating to the instrument and the relative control.

Revenues from sales and services

On the basis of the five-stage model introduced by IFRS 15, the Group recognizes revenue after identifying the contracts with its customers and the related services to be provided (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the provision of each of these services, and assessing the way in which these services will be provided (provision at a specific time versus provision over time). In particular, the Group recognizes revenues only if the following requirements are met (so-called identification requirements of the "contract" with the customer):

- a) the parties have approved the contract (in writing, orally or in compliance with other normal commercial practices) and have committed to fulfill the respective obligations; an agreement

therefore exists between the parties which creates the applicable rights and obligations irrespective of the form with which this agreement takes;

- b) the Group may identify the rights of each of the parties with respect to the goods or services to be transferred;
- c) the Group can identify the payment conditions for the goods or services to be transferred;
- d) the contract has commercial substance;
- e) it is likely that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the client.

If the above requirements are not met, the related revenue is recognized when: (i) the Group has already transferred control of the goods and/or provided services to the customer and all, or almost all, of the consideration promised by the customer has been received and is non-refundable; or (ii) the contract has been terminated and the consideration the Group has received from the customer is non-refundable. If the above requirements are met, the Group applies the recognition rules described below. Revenues from sales are recorded when control of the asset subject to the transaction is transferred to the purchaser, or when the customer acquires full capacity to decide on the use of the asset as well as to derive substantially all the benefits, on the basis of the terms defined with the customer. Revenues from services are recognized when they are rendered with reference to the stage of completion. The Group uses an input-based method to measure the progress of services because there is a direct relationship between labor hours expended and the transfer of services to the customer.

Revenues are represented net of discounts, including, but not limited to, sales incentive programs and customer bonuses, as well as taxes directly related to the sale of goods.

Costs

Costs are recognized net of returns, discounts and allowances in accordance with the accrual basis of accounting.

Costs for the purchase of goods are recorded when all risks and rewards have been transferred, which normally coincides with the shipment of the goods. Costs for services are recorded on an accrual basis based on when the services are received.

Financial income

Financial income is recognized on an accrual basis. This includes interest income on funds invested, foreign currency gains and income deriving from financial instruments, when not offset by hedging operations. Interest income is recorded in the income statement at the moment of maturity, considering the effective yield.

Financial charges

Financial charges are recognized on an accrual basis. They include interest expense on borrowings calculated using the effective interest method, foreign currency losses and losses on derivative financial instruments. The interest expense portion of finance lease payments is charged to the income statement using the effective interest method.

Income taxes

Income taxes represent the sum of current and deferred taxation. Taxes allocated in the financial statements of the individual companies included in the consolidation scope are recorded in the consolidated financial statements, based on an estimate of the taxable income determined in accordance with the national legislation in force on the reporting date of the financial statements,

taking into account any applicable exemptions. Income taxes are recognized in the income statement, except for those related to items directly charged or credited to the statement of comprehensive income. These are shown under "Tax payables" net of advances and withholding taxes.

Earnings per share

1) Basic

Basic earnings per share is calculated by dividing the overall result for the period attributable to holders of ordinary shares of the Parent Company by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares.

2) Diluted

Diluted earnings per share is calculated by dividing the total earnings per share for the period attributable to holders of the Parent Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares. In order to calculate the diluted earnings, the average weighted number of shares outstanding is adjusted in respect of the dilution potential of ordinary shares, while the profit or loss of the company is adjusted to take into account the effects, net of income taxes, of the conversion.

Use of estimates

The preparation of the financial statements and notes in application of IFRS requires the Directors to apply accounting principles and methods that may be based on historical experience and assumptions that depend on the circumstances in which the valuations are made.

Estimates are used to value assets subject to impairment testing, as well as to recognize the doubtful debt provision, the inventory obsolescence provision, provisions for risks and charges and employee benefits. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized to the income statement. It should be noted that in the current general economic and geopolitical environment, given its impacts on the global financial situation, the assumptions regarding future performance feature a particular degree of uncertainty. Therefore it cannot be excluded in the next year results differ from those estimated which could require adjustments, even significant, today obviously not foreseeable nor expected.

The principal measurement processes and key assumptions used by the Group in applying IFRS and which may have significant effects on the values recorded in the financial statements or give rise to significant adjustments to the accounting values of assets and liabilities in the year subsequent to the reporting date are summarized below.

Recoverable value of non-current assets

Non-current assets include Property, plant and equipment and intangible assets, Goodwill, Non-current financial assets and Other non-current assets. The Group periodically reviews the carrying value of the non-current assets held and utilized and of assets to be disposed of, when events and circumstances require such. For Goodwill, this analysis is carried out at least annually and wherever required by circumstances. The analysis of the recoverability of the book value of Goodwill is carried out using estimates of the cash flows expected from the use or sale of the assets and adequate discount rates to calculate the present value. The recoverable amount is measured by determining the value in use, which is based on a discounted cash flow model. Cash flows are derived from the five-year budget and do not include the effects of restructuring activities to which the Group has not yet committed or significant future investments that will increase the results of the business included in the cash generating

unit being evaluated. More specifically, the impairment testing procedure for goodwill and intangible and tangible assets described under the accounting policies "Impairment of Non-Financial Assets" entails, when estimating value in use, the use of assumptions regarding: i) the expected cash flows of the cash-generating units (CGUs) identified, in reference to the 2025-2029 business plan approved by the Board of Directors on March 17, 2025; ii) the determination of an appropriate discount rate (WACC); and iii) determination of a long-term growth rate (g).

These assumptions reflect the potential impact of the macroeconomic landscape, particularly with regard to the increase in market costs for raw materials, transport, and energy.

The Group has also implemented an analysis and assessment of risks and of short, medium and long-term opportunities related to climate change and the reduction of polluting emissions. In this regard, it should be noted that the Group considered the impact on investments, on costs, and on cash flows when conducting these accounting estimates.

The recoverable amount depends significantly on the discount rate used in the discounted cash flow model, in addition to the expected future cash flows and the growth rate used for the extrapolation. The key assumptions used to determine the recoverable value for the CGU, including a sensitivity analysis, are described in detail in Note (4) Goodwill.

Provisions for risks

The Group accrues a liability against disputes and lawsuits in progress when it considers it probable that there will be a financial payable and when the amount of the losses arising can be reasonably estimated. In the case in which a payment is considered possible, but is not yet determinable, such is reported in the financial statements. Estimates and assumptions were made in determining the value of the provisions for contingencies, due to the uncertainty associated with these valuations, and it is possible that the estimates may need to be revised in subsequent periods.

Employee benefits

Employee benefit provisions and net financial charges are valued according to an actuarial method which requires the use of estimates and assumptions for the calculation of the net value of the obligation. The actuarial method considers parameters of a financial nature such as, for example, the rate of inflation and the growth rates of salaries, and considers the probability of occurrence of potential future events through the use of parameters of a demographic nature, such as, for example, rates relating to mortality and employee resignation or retirement. Due to the complexity of the valuation and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed on an annual basis.

The assumptions used for the valuation are detailed in paragraph (14) Employee benefits.

Doubtful debt provision

The allowance for losses reflects management's estimate of expected losses associated with the customer portfolio. The company applies the simplified approach of IFRS 9 and recognizes the expected losses on all trade receivables based on the residual duration, defining the provision based on the historical experience of the losses on receivables, adjusted to take into account specific forecast factors relating to the creditors and the economic environment (Expected Credit Loss – ECL concept). Further details on the valuation of the doubtful debt provision can be found in paragraph (9) Trade receivables. The amount of ECL's is sensitive to changes in circumstances and expected economic conditions. The Group's historical credit loss experience and forecast economic conditions might also fail to be representative of actual defaults by customers in the future.

Inventory obsolescence provision

The provision for inventory obsolescence reflects management's estimate of the Group's expected losses, determined based on past experience. Abnormal trends in market prices could be reflected in future inventory write-downs.

Fair value estimates

IFRS 13 defines a precise hierarchy of fair value organized on three levels, which take into account the degree of observability of the inputs used for the estimate. They determine, in fact, different levels of fair value reliability.

Inputs represent the assumptions that market participants would make in determining the relative price of the asset or liability, including assumptions about risk.

In general terms, IFRS 13 requires that valuation techniques use the highest and most reliable level of information.

Level 1 inputs are listed prices in active markets for identical assets or liabilities that the Group can access at the measurement date. A market is active if transactions take place frequently enough and in sufficient volume to provide continuous, up-to-date price information.

Level 2 inputs consist of listed prices for similar assets or liabilities in active markets, listed prices for identical or similar assets or liabilities in inactive markets, inputs other than observable listed prices for assets or liabilities (e.g., interest rates, spreads, etc...), inputs corroborated by the market through correlation processing or other means.

Level 3 inputs are those that are unobservable, for which market data are not available, and that reflect the assumptions a market participant would make in trying to assign a price to an asset or liability.

Climate change

Within a regulatory context in which the European Union has developed a strategy focused on more sustainable economic models in order to achieve the goal of climate neutrality by 2050, the Group has launched a process to identify and analyze the risks and opportunities arising from climate change, which could affect measurement and recognition. For more information, see the Sustainability Statement included herein.

Sector disclosure

Management has identified three operating segment, consistent with the management and control model used. In particular, the structure of the information corresponds to the structure of the reports periodically analyzed by the Board of Directors for the purposes of business management.

(in Euro thousands)	Seco	Seco Mind US	Seco NE	Eliminations	Consolidated
Revenues from sales	128,015	1,085	83,048	(28,636)	183,512
Other revenues and income	5,038	28	1,558	(3,555)	3,068
Costs for services, goods and other operating costs	(109,624)	(4,915)	(57,406)	42,189	(129,756)
Personnel costs	(28,266)	(346)	(13,853)	217	(42,247)
Amortization & Depreciation	(17,753)	(6,561)	(5,703)	-	(30,018)
Provisions and write-downs	(19)	-	(123)	-	(142)
EBIT	(22,609)	(10,709)	7,521	10,215	(15,582)
Financial income	8,465	-	37	(2,190)	6,312
Financial charges	(8,224)	(22)	(2,428)	2,190	(8,485)
Exchange gains/(losses)	1,255	(0)	(0)	(60)	1,194
Profit/(loss) before taxes	(21,114)	(10,731)	5,129	10,155	(16,560)
Income taxes	1,025	(79)	(2,446)	396	(1,103)
Profit/(loss) for the year	(20,089)	(10,809)	2,683	10,551	(17,663)

(in Euro thousands)	Seco	Seco Mind US	Seco NE	Elisioni	Consolidated
Total non-current assets	109,629	1,736	180,697	9,958	302,020
Total current assets	156,720	196	55,475	(23,484)	188,908
Total non-current liabilities	(117,107)	(476)	(78,036)	62,400	(133,218)
Total current liabilities	(57,163)	(429)	(36,352)	27,966	(65,978)

As required by IFRS8, information on the geographical distribution of revenues is also provided below. Specifically, 4 regions have been identified: EMEA, USA, APAC and ROW. The breakdown of revenues by region are provided below:

Category	31/12/2024	31/12/2023	Change	Change %
EMEA	150,746	165,921	(15,175)	-9.15%
of which Italy	63,501	71,822	(8,321)	-11.59%
USA	18,425	28,160	(9,735)	-34.57%
APAC	12,446	15,717	(3,271)	-20.81%
Rest of the world	1,895	24	1,871	7863.89%
Revenues by region	183,512	209,822	(26,311)	-12.54%

Net sales decreased from Euro 209,822 thousand in 2023 to Euro 183,512 thousand in 2024, a contraction of 12.54% on the previous year.

The result for the period under review reflects the downturn in demand brought about by the destocking efforts that began back in the third quarter of 2023. The context was also influenced by the macroeconomic market environment of high interest rates, which has led companies to pay more attention to investments and the containment of inventory levels.

The decrease is the result of a negative trend across all geographical areas in which the Group operates, in particular: in the EMEA region, sales revenues decreased from Euro 165,921 thousand in 2023, to Euro 150,746 thousand in 2024 due to the volume decline from long-standing customers

operating in the Industrial Automation, Medical, and Transportation sectors; in the USA, revenues decreased from Euro 28,160 thousand in 2023, to Euro 18,425 thousand in 2024, with this reduction linked to customers operating in the Medical sector; in the APAC area, revenues decreased from Euro 15,717 thousand in 2023, to Euro 12,446 thousand in 2024 due to a contraction among customers in the Industrial Automation sector; in the rest of the world, sales revenues in 2024 amounted to Euro 1,895 thousand, recording growth compared to the previous year particularly related to orders from customers in Latin America.

Risk management policies

IFRS 7 requires additional disclosure in the financial statements which permits readers to assess:

- the significance of financial instruments with reference to the Balance Sheet and the Group's earnings;
- the nature and amount of risks deriving from financial instruments to which the Group is exposed during the year and at the reporting date, and the manner in which they are managed.

The requirements of the standard supplement the criteria for the recognition, measurement and presentation of financial assets and liabilities in the financial statements contained in IAS 32 "Financial instruments: presentation and disclosure" and IFRS 9 "Financial instruments: recognition and measurement". The present section therefore provides supplementary disclosures as required by IFRS 7.

Group operations are exposed to a series of financial risks which may impact the balance sheet/financial position, the result and the cash flows, through the relative impact on financial instrument transactions. These risks may be summarized as follows:

- a) credit risk;
- b) liquidity risk;
- c) interest rate risk;
- d) exchange rate risk.

Overall responsibility for the creation and supervision of the Group's financial and operating risk management system lies with the Board of Directors. The various organization units functionally responsible for the operational management of each type of risk report to the Board of Directors.

Under guidelines issued by the Board of Director and for each specific risk, these units define the tools and techniques to cover the risks and/or transfer them to third parties (insurance) and evaluate risks neither covered nor insured.

The level of the Group's exposure to the various categories of financial risk identified is commented upon below.

Credit Risk

The Group is exposed to the risk that its customers may be late or not comply with their payment obligations, according to the agreed terms and conditions and that the internal procedures adopted to assess credit standing and the solvency of customers are not sufficient to ensure collection. The occurrence of such risks could have an adverse effect on the Group's financial position, results of operations and cash flows.

The Group considers its exposure to credit risk to be as follows:

Category	31/12/2024	31/12/2023
Trade receivables	31,886	49,489

Current tax assets	6,606	9,458
Other receivables	4,816	4,077
Total	43,308	63,024

To mitigate this risk, considered contained on the approval of the Consolidated Financial Statements in relation to trade receivables from third parties, the Group controls the credit quality of the counterparty based on internal or external ratings and sets credit limits that are monitored regularly.

Liquidity risk

The Group is exposed to the risk of not being able to obtain new loans or the renewal of existing ones on terms that are not worse than those already in place, or it may be unable to meet its covenant commitments under existing loan agreements. Moreover, breach of the covenants provided for in certain existing loan agreements could, in certain cases (due to cross-default clauses), lead to forfeiture of the benefit of the term with respect to other loan agreements. The occurrence of such risks could have a material adverse effect on the Group's financial position, results of operations and cash flows.

Cash flows relating to the Group's financial liabilities by maturity are presented below:

Category	31/12/2024	Total cash flows	Less than 1 year	Between 1 and 5 years	Beyond 5 years
Non-current financial payables	97,734	97,734	0	97,734	0
Non-current financial lease liabilities	6,752	6,752	0	6,752	0
Total non-current financial liabilities	104,486	104,486	0	104,486	0
Current financial liabilities	8,023	8,023	8,023	0	0
Current portion of non-current financial liabilities	10,212	10,212	10,212	0	0
Current finance lease liabilities	2,358	2,358	2,358	0	0
Total current financial liabilities	20,593	20,593	20,593	0	0
Total financial liabilities	125,080	125,080	20,593	104,486	0

All the amounts in the table above refer to the nominal amounts not discounted, stated with regards to the residual contractual maturities, both in terms of the capital and interest portions.

In view of the Group's current net debt and its current ability to generate positive cash flows from operating activities, liquidity risk is assessed as low in the economic climate in which the Group finds itself at the time of approving these Consolidated Financial Statements. The Group has credit facilities granted by the banking system, which are adequate in relation to its operating needs.

The Group's cash flows, financing requirements and liquidity are carefully monitored and managed by:

- maintaining an appropriate level of available liquidity;
- diversifying the methods used to raise financial resources;
- arranging appropriate credit facilities;
- monitoring prospective liquidity conditions, in relation to the business planning process.

Interest rate risk

The Group is subject to interest rate fluctuation risk related to its debt. Any changes in interest rates (EURIBOR) could affect the increase or decrease in financing costs.

In the event of significant fluctuations in interest rates, borrowing costs arising from loan agreements could also increase significantly.

The Group regularly assesses its exposure to the risk of changes in interest rates and manages these risks through the use of derivative financial instruments, which are formally designated as hedging relationships. The use of derivative financial instruments is reserved exclusively for the management of exposure to fluctuations in interest rates connected with monetary cash flows.

At December 31, 2024, the following hedging derivatives are outstanding:

Type	ID	Notional contract	Notional at the reporting date	Variable rate	Fixed rate	Maturity	Fair value at December 31, 2024
CAP	MMX_29068750	24,000,000	24,000,000	Euribor 6M	0.20%	11/10/2028	1,853,155
CAP	MMX_29068675	16,000,000	16,000,000	Euribor 6M	0.06%	11/10/2027	436,050
CAP	43432008	16,000,000	16,000,000	Euribor 6M	0.06%	11/10/2027	434,811
CAP	43423339	24,000,000	24,000,000	Euribor 6M	0.20%	11/10/2028	1,847,675
CAP	26630416	8,000,000	8,000,000	Euribor 6M	0.06%	11/10/2027	217,087
CAP	26630417	12,000,000	12,000,000	Euribor 6M	0.20%	11/10/2028	922,244
CAP	134247400000	12,000,000	12,000,000	Euribor 6M	0.20%	11/10/2028	931,699
CAP	134246600000	8,000,000	8,000,000	Euribor 6M	0.06%	11/10/2027	219,413
CAP	197795	4,472,289	4,472,289	Euribor 6M	N/A	31/12/2025	51,709
Total		124,472,289					6,913,843

Exchange rate risk

The Group also carries out its activities outside the Eurozone. Moreover, the financial statements of foreign subsidiaries outside the EU are drawn up in local currency and converted into Euro. Therefore, the Group is exposed to the risk of significant fluctuations in exchange rates: (i) the so-called economic exchange rate risk, i.e. the risk that revenues and costs denominated in currencies other than the euro take on different values compared to the time at which the price conditions were defined; (ii) the so-called translation exchange rate risk, arising from the fact that SECO - although it prepares its financial statements in euros - holds controlling interests in companies that prepare their financial statements in different currencies and, consequently, carries out translation operations on assets and liabilities expressed in currencies other than the euro.

At the date of preparation of these Financial Statements, the Group does not adopt instruments to hedge fluctuations in exchange rates. In order to manage exchange rate risk, the Group carries out purchase and sale transactions in the same local currency through current accounts opened in the individual countries.

Risk associated with ICT Systems

With reference to the category under consideration, the main risk factors that could compromise the availability of the Group's ICT systems include cyber attacks, which may result in the possible interruption of production and sales support activities or compromise the confidentiality, integrity and availability of the personal data managed by the Group. In order to mitigate the occurrence of such risks, Seco has introduced a centralized control system to improve the Group's IT security.

Financial assets and liabilities

Financial assets and liabilities by valuation method applied are presented below:

Financial assets at 31/12/2024	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	92	6,914	3,833	10,839
Trade receivables	0	0	31,886	31,886
Other receivables	0	0	4,816	4,816
Total financial assets as per IFRS 7	92	6,914	40,535	47,541

Financial assets at 31/12/2023	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial assets	1,524	10,287	1,391	13,201
Trade receivables	0	0	49,489	49,489
Other receivables	0	0	4,077	4,077
Total financial assets as per IFRS 7	1,524	10,287	54,957	66,767

Financial liabilities at 31/12/2024	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	0	0	6,752	6,752
Non-current financial payables	0	0	97,734	97,734
Total non-current financial liabilities	0	0	104,486	104,486
Current financial liabilities	0	0	8,023	8,023
Current finance lease liabilities	0	0	2,358	2,358
Current portion of non-current financial payables	0	0	10,212	10,212
Total current financial liabilities	0	0	20,593	20,593
Trade payables	0	0	31,713	31,713
Other non-current liabilities	0	0	8	8
Other current payables	0	0	10,437	10,437
Total financial liabilities as per IFRS 7	0	0	167,236	167,236

Financial liabilities at 31/12/2023	Assets at FVPL	Assets at FVTO	Assets at amortized cost	Total
Non-current financial lease liabilities	0	0	8,603	8,603
Non-current financial payables	0	0	106,928	106,928
Total non-current financial liabilities	0	0	115,531	115,531
Current financial liabilities	0	0	11,031	11,031
Current finance lease liabilities	0	0	2,126	2,126

Current portion of non-current financial payables	0	0	11,211	11,211
Total current financial liabilities	0	0	24,368	24,368
Trade payables	0	0	36,402	36,402
Other non-current liabilities	0	0	8	8
Other current payables	0	0	11,728	11,728
Total financial liabilities as per IFRS 7	0	0	188,037	188,037

Guarantees provided and other contractual commitments

At December 31, 2024, the Group has not undertaken guarantees or contractual commitments beyond those reflected in the balance sheet.

Disclosure as per Article 1, paragraph 125 of Law No. 124 of August 4, 2017

In relation to the provisions of Article 1, paragraph 125 of Law 124/2017, the following table shows the sums of money received during the financial year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from the public administrations and the entities referred to in paragraph 125 of the same article. They are shown below according to the cash principle.

Company	Grantor	Description	Amount received 2024	Reporting period
SECO S.P.A.	SUSTAINABLE GROWTH FUND	"SECO Edge IoT Services" project grant	391,452.71	05/2020 - 12/2022
SECO S.P.A.	MADE SCARL	"IoT Module with TensorFlow Acronimo del progetto SIMwTF" project grant	88,000.00	2022
SECO S.P.A.	FONDO IMPRESA	Training contribution	14,633.00	2024
SECO S.P.A.	FONDIRIGENTI G. TALIERCIO FOUNDATION	Training contribution	3,300.00	2024

PROPOSAL FOR THE ALLOCATION OF THE RESULT OF THE COMPANY

The Board of Directors will propose to the shareholders, at their meeting convened for the ordinary session at the Company's headquarters in Arezzo, Via Achille Grandi 20, on April 28, 2025, to cover the loss for the year of Euro 17,663,439 through the use of the "Extraordinary Reserve" for an equal amount.

NOTES TO THE BALANCE SHEET

(1) Property, Plants & Equipment

Category	31/12/2024	31/12/2023	Change
Land & buildings	6,134	4,921	1,213
Plant & machinery	5,555	6,535	(980)
Other tangible assets	4,429	4,645	(216)
Assets in progress	1,152	626	526
Total property, plant and equipment	17,271	16,726	543

The main investments made by the Group in the year totaled Euro 4,333 thousand and mainly concerned the "Land and buildings" and "Other tangible assets" categories.

"Land and buildings" increased by Euro 1,370 thousand following the acquisition of new land by SECO S.p.A., while the "Other tangible assets" account increased by Euro 1,419 thousand as a result of the continual investments made in the equipment necessary for R&D to support the development of new products and updating to the latest sector technological standards.

The relative movements in the year are reported below:

	Land and buildings	Plant and machinery	Other tangible assets	Assets in progress	Total
Historical cost 31/12/2023	5,884	15,081	9,101	626	30,692
Increases	1,370	1,018	1,419	527	4,333
Decreases	0	(520)	(81)	0	(601)
Historical cost 31/12/2024	7,254	15,579	10,439	1,152	34,424
Accumulated depreciation 31/12/2023	(964)	(8,546)	(4,455)	0	(13,966)
Amortization & Depreciation	(156)	(1,729)	(1,630)	0	(3,515)
Decreases	0	252	76	0	328
Accumulated depreciation 31/12/2024	(1,120)	(10,024)	(6,010)	0	(17,153)
Net value 31/12/2023	4,920	6,534	4,645	626	16,725
Net value 31/12/2024	6,134	5,555	4,429	1,152	17,270

(2) Intangible assets

Category	31/12/2024	31/12/2023	Change
Development costs	29,172	24,917	4,255
Software	33,890	35,913	(2,023)
Customer list	28,710	30,030	(1,320)
Other intangible assets	8,976	10,770	(1,794)
Assets in progress	1,645	2,389	(744)
Total intangible assets	102,392	104,018	(1,626)

The account increased by Euro 19,339 thousand in the year, mainly related to: i) the purchase and introduction of new software, chiefly attributable to the companies SECO Northern Europe and SECO S.p.A. for a total of Euro 2,840 thousand, and ii) the recognition of project development costs for "standard products" with long-term utility incurred during the period for Euro 15,796 thousand. The development costs of "custom" products (developed for a specific customer) are fully expensed in the year.

Movements during the period are shown below:

Category	Net value 31/12/2023	Increases	Decreases	Amortization and depreciation	Net value 31/12/2024
Development costs	25,256	15,796	0	(11,880)	29,172
Software	35,972	2,840	(1,144)	(3,777)	33,890
Customer list	30,030	0	0	(1,320)	28,710
Other intangible assets	10,634	(623)	2	(1,037)	8,976
Assets in progress	2,128	1,326	(1,610)	(199)	1,645
Total intangible assets	104,019	19,339	(2,752)	(18,213)	102,392

Intangible assets were recognized at purchase or internal production costs, including directly attributable accessory costs, and where amortized on a straight-line basis in relation to their residual possibility of use. The value of fixed assets at the end of the year has been compared with the residual cost of such assets to be amortized, in order to record the lower of these values. There are no intangible assets whose duration can be defined as "indefinite". The Directors have made no changes to the amortization criteria and coefficients applied.

Capitalized costs recognized related to the development activities undertaken by the Group, and refer to development projects during the year. These development costs, which are expected to benefit the Group for several years, are posted to the assets of the balance sheet, as the Group has ascertained that they will be useful in the future, there is an objective correlation between them and the related benefits that the Group will enjoy, and the recoverability of such costs can be reasonably estimated. Development costs for the application of research are related to specific, clearly defined products or processes and are identifiable and measurable. The projects for which research is undertaken, are executable and technically feasible for which the Group has the necessary resources. Finally, these projects are considered recoverable, as the Group expects to earn revenues from them in excess of the costs incurred for the research and other development costs.

Assets in progress includes costs incurred in the present year, or in previous years, for development activities in progress. The projects relate to clearly defined products or processes, which will be useful in the future; there is an objective correlation with the related future benefits to be enjoyed by the company and their recoverability can be estimated with reasonable certainty. These costs relate to development activities (i.e. the application of research results to other knowledge owned or acquired for the production of materials, devices, processes and systems) aimed at a specific standard product.

(3) Right of use

Category	31/12/2024	31/12/2023	Change
Land & buildings	7,372	8,777	(1,405)
Plant & machinery	2,472	2,950	(479)
Depreciation	(12)	27	(38)
Right-of-Use	9,832	11,754	(1,922)

The Right-of-use includes lease contracts for land and buildings, motor rental and machinery.

The increase in this account of Euro 841 thousand mainly refers to the new leasing contracts for the acquisition of three production machines by SECO S.p.A. and the signing of a new lease agreement for the offices of SECO S.p.A.

Changes in right-of-use in 2024 are presented below:

	Land and buildings	Plant and machinery	Other tangible assets	Total
Historical cost 31/12/2023	11,791	5,492	355	17,639
Increases	330	512	0	841
Decreases	(104)	(102)	0	(206)
Reclassifications	109	0	0	109
Historical cost 31/12/2024	12,126	5,901	355	18,383
Accumulated depreciation 31/12/2023	(3,014)	(2,541)	(329)	(5,884)
Depreciation	(1,740)	(888)	(38)	(2,666)
Decreases	0	0	0	0
Reclassifications	0	0	0	0
Accumulated depreciation 31/12/2024	(4,754)	(3,429)	(367)	(8,550)
Net value 31/12/2023	8,777	2,950	27	11,754
Net value 31/12/2024	7,372	2,472	(12)	9,832

(4) Goodwill

Goodwill, in application of IFRS 3, is initially recognized at cost represented by the excess of the total amount paid and the amount recognized for minority interests in respect of the net identifiable assets acquired and the liabilities assumed by the Group. It represents an intangible asset with indefinite life. For each business combination, the Group decides whether to measure the minority interest at fair value or in proportion to the amount held in the identifiable net assets of the investee. The acquisition costs are expensed in the year and classified under service expenses.

Goodwill is not amortized but subjected annually, or more frequently if certain events or changed circumstances indicate the existence of a permanent loss in value, to impairment tests in accordance with IAS 36. After initial recognition, goodwill is measured at cost net of accumulated impairment. When all or part of a previously acquired company (whose acquisition produced goodwill) is sold, the corresponding residual value of goodwill is considered when calculating the capital gains or losses generated by such sale.

Category	31/12/2024	31/12/2023	Change
Goodwill	157,108	165,216	(8,108)
Total Goodwill	157,108	165,216	(8,108)

The balance at December 31, 2024 decreased Euro 8,108 thousand compared to the end of the previous year. The decrease is due to the full write-down of the goodwill of SECO Mind USA LLC following the acquisition of the remaining 30% stake in the company by the SECO Group and the decision for the company to no longer be operational, but to use only the remaining assets developed, which are mainly related to the development of Clea add-ons.

The Directors of the Group chose to measure the recoverable value of the Group's assets by way of the discounted cash flow method described below.

The goodwill was allocated to the cash generating units ("CGU") as follows: i) Seco CGU for Euro 23,600 thousand; ii) Seco Mind US CGU for Euro 8,108 thousand (pre write-down in the year) and iii) Seco Northern Europe CGU for Euro 133,509 thousand.

The recoverability of the amounts recorded is verified by comparing the net book value of the cash generating units with the recoverable value (value in use). This recoverable value is represented by the

present value of future cash flows that are estimated to derive from the continuous use of the assets referred to the individual cash generating unit and the terminal value attributable to the same. The recoverability of goodwill is tested at least once a year (as of December 31) even in the absence of indicators of impairment.

The main assumptions used by the Group to determine future cash flows, relating to a time horizon of 5 years, and the consequent recoverable value (value in use) refer to:

- the future cash flows expected from the 2025-2029 Business Plans, approved by the Board of Directors on March 17, 2025, using an explicit five-year period to which the estimated terminal value is added;
- the WACC discount rate;
- in addition to the explicit period, a growth rate (g) was estimated.

With regard to revenues and consequent cash flows used by the Group over the explicit forecast period, i.e. 2025-2029, the Group has prepared a bottom-up, not top-down, business plan for the purpose of applying the discounting model. This means that the Group did not start with an analysis of the market, of expected market growth, and of the market share that the Group could achieve in the future because, firstly, there is no clearly defined market for the Group with publicly available data, given that we operate in a highly fragmented niche and in dissimilar segments. The Group develops revenues for the business plan by individual customer based on forecasts of the account manager for each specific customer relationship, and this same process is replicated for all consolidated companies. As such, the calculation of revenues is the result of detailed work by the Group's commercial department, which also includes specific interviews with the customers, and is an approach that we believe to be more accurate than turning to market research, which is not available for our industry segment and too general in nature. In this way, the Group is able to monitor sales performance in detail throughout the plan's timeline.

Revenue development over the 2025-2029 horizon with the above bottom-up approach leads to an expected growth of the CGUs that can be summarized as follows:

CGU #1 SECO:

- Revenue development in all geographical areas of Group operations through penetration of existing customers and the acquisition of new customers; along these lines, the 2025-29 plan calls for a CAGR for sales revenues of 13.7%;
- In terms of profitability, plan execution calls for going from an EBITDA margin of 15.9% in 2025 to 22.5% in the final year of the plan, i.e., 2029. The primary reason for this margin increase can be attributed to leveraging operational efficiency on fixed/semi-variable costs. The Group has, in fact, invested heavily in recent years, and the existing structure is capable of achieving increasing revenue levels with a less than proportional increase in operating costs.

CGU #2 SECO Mind USA

- In conjunction with the SECO Group's purchase, through SECO USA, of the additional 30% stake, it was decided to discontinue providing IoT & AI services to customers, and instead use the software products developed in CLEA by SECO MIND USA through other Group companies and alongside other development on this software. For this reason, an impairment test was conducted at the time of the 30% acquisition based solely on intercompany flows derived from a contract for the use of software development by SECO Mind USA.
- Considering the results of the impairment test and the closure of the CGU, the entire goodwill attributed to it was written down. The residual assets, which are primarily related to the above-

mentioned CLEA developments, not being separately sellable and therefore not generating autonomous cash flows, were assessed for recoverability through the value-in-use of CGU#1 SECO.

CGU #3 SECO Northern Europe

- Reduction in revenues for the first 4 years of the plan compared to what was achieved in 2023 and 2024, in order to reflect the period of economic downturn in Germany and the short/medium-term reduction in expectations of the main customer of this CGU;
- Increase in revenues in 2029 compared to what was achieved in 2024 by 7%;
- Increase in revenues from high-margin software/Clea sales and consequent improvement in EBITDA margin from approximately 16% achieved in 2024 to 26% in 2029; in addition to the sales mix, the increase in profitability is attributable to leveraging the operational efficiency effect on fixed/semi-variable costs of the CGU.

For the discounting of cash flows, the Group adopted a discount rate (WACC) that varies from one CGU to another, reflecting current market valuations of the cost of money and taking account of the specific risks of the activity and geographical area in which the CGU operates, as well as the execution of the Plan objectives. It should also be noted that, for the purpose of estimating the risk-free rate used to determine the WACC, for all three tests of the CGUs defined, the Group has used the average yield on ten-year notes in the region covered by the given CGU over the 6 months prior to the testing date, in continuity with the methods adopted for the 2023 Reporting. The WACC was identified in its post-tax configuration. The latter is equal to the weighted average of the cost of equity, calculated on the basis of the Capital Asset Pricing Model ("CAPM") and the cost of debt capital. As required by IAS 36, the WACC was determined with reference to the sector operating risk and the financial structure of a sample of listed companies comparable in terms of risk profile and business sector. The decrease in risk-free interest rates has led to a decrease in WACCs for all CGUs under analysis compared to 2023; however, an execution risk was incorporated into the WACC calculation for all CGUs, equal to 1.48% for SECO and SECO Mind USA, and 0.9% for the period 2025-2028 and 1.8% for 2029 and for the terminal value of the SECO Northern Europe CGU. A comparison of WACC 2024 with 2023 is shown below.

WACC	2024	2023
Seco CGU	10.31%	10.17%
Seco Mind US CGU	11.19%	11.28%
Seco Northern Europe CGU	7.40% / 8.20%	8.00%

In the discounted future cash flow model, a terminal value is included at the end of the cash flow projection period to reflect the residual value that each CGU is expected to generate. The terminal value represents the present value, at the last year of the projection, of all subsequent cash flows calculated as a perpetual annuity, and has been determined using a growth rate (g rate) differentiated by CGU to reflect the different growth potential of each CGU. In order to appropriately take into account the nominal growth expectations for the various CGUs, as a result of the largely unchanged inflationary environment compared to 2023, the g rates were 2.0% for the CGUs SECO and SECO Northern Europe, -0.1% compared to the previous year, whereas for SECO Mind USA the assumed growth rate was zero.

Based on these assumptions, the analyses point to a recoverable value at December 31, 2024, that is greater than the carrying amount for the CGUs SECO and SECO Northern Europe, whereas for the CGU

SECO Mind US, the recoverable value was lower than the carrying amount by Euro 8,608 thousand, as shown in the table below:

	Carrying amount	Recoverable value	Cover/(Impairment)
Seco CGU	145,831*	178,988	33,157
Seco Mind US CGU	10,315	1,707	(8,608)
Seco Northern Europe CGU	187,734	191,341	3,607

*Including the assets of SECO Mind US after the impairment of goodwill

As a result, and as described previously, the goodwill of the CGU SECO Mind US has been written down in its entirety in the amount of Euro 8,108 thousand.

However, although the Directors consider that the assumptions used are reasonable, there is a possibility that significant changes will occur in any of the key assumptions described above, depending on the nature of the forecasts. Factors that could lead to a reduction include:

- a significant deterioration in actual performance compared to forecasts;
- a deterioration in the operating and financial environment and in the markets in which the Group operates.

To support their assessments Management, with the support of an independent expert in terms of the Seco NE CGU, carried out sensitivity analyses on the results of the test with respect to changes in the basic assumptions (growth rate in the processing of the terminal value and discount rate) that condition the value in use of the CGUs. Specifically, the sensitivity analyses developed were carried out for Seco and Seco Northern Europe CGUs for values +/- 1% on WACC and +/- 0.5% on g rate. For the SECO CGU, a combined worsening of the WACC by one point and of the growth rate by half a point compared to the base scenario would result in values below the carrying amount. For the CGU SECO Northern Europe, on the other hand, given the limited cover of the base scenario, any worsening in WACC and growth would result in values below the carrying amount.

A sensitivity analysis was also performed on the results of the impairment test by varying the assumptions used with reference to cash flows. This analysis shows a breakeven with respect to carrying amounts with a reduction of approximately -18.5% and -2.0% for the SECO and SECO NE CGU's respectively, in projected cash flows, for each year of explicit forecast and in Terminal Value, all other assumptions being equal.

Based on this analysis, the Directors believe that it is reasonable that the recoverable amount of the CGUs, net of the values already recognized, will not fall below their carrying amount.

The Directors do not consider the market capitalization from the stock prices of SECO S.p.A. to be representative, which, since October 2024, has been lower than the related Group's equity at December 31, 2024. The Directors confirm the asset values of the SECO Group, not considering, therefore, the market capitalization below the reference carrying amount of equity as representative of an impairment loss. In making this assessment, the Directors considered the following:

- the limited value of the free float (slightly below 28%) means that the value of shares on the stock market does not reflect the economic value of the "majority stake";
- the consistent positive operating performance achieved by the SECO Group in past years;

- the results emerging from the 2025-2029 plan approved by the Company's Board of Directors on March 17, 2025;
- the stock price usually reflects a short-term view such as that of an ordinary investor, whereas the Directors consider a medium-term horizon by way of a 5-year plan.

Furthermore, the Directors deemed it appropriate to perform a "second-level" impairment test of the net invested capital of the entire Group, based on the Group's 2025-2029 financial plan approved by the Board of Directors on March 17, 2025. The impairment test was conducted by applying the same methodology illustrated previously, considering a WACC of 8.82% for the period 2025-2028 and a WACC of 9.21% for 2029 and in the calculation of the terminal value, and a long-term growth rate of 2%. The test did not result in any impairment.

A sensitivity analysis was also performed on the results of the impairment test by varying the assumptions used with reference to cash flows. This analysis shows a breakeven with respect to carrying amounts with a reduction of approximately -10.5% in projected cash flows, for each year of explicit forecast and in terminal value, all other assumptions being equal.

Given that, as mentioned above, the recoverable amount was determined based on growth estimates, the Directors cannot assure, with greater regard to SECO Northern Europe, that there will be no impairment of goodwill in future periods. Given the current economic environment, the various factors used in drawing up the estimates could be revised; the Group will constantly monitor these factors and the existence of impairments.

(5) Non-current financial assets

Category	31/12/2024	31/12/2023	Change
Non-current financial assets	3,925	2,915	1,010
Assets for derivative financial instruments	6,914	10,287	(3,373)
Total non-current financial assets	10,839	13,201	(2,363)

Non-current financial assets decreased from Euro 13,201 thousand to Euro 10,839 thousand, mainly due to the Mark to Market value of the interest rate hedges on the medium/long-term loans undertaken by the Group.

The item also includes the equity investment in the related party Laserwall S.r.l. for Euro 2,002 thousand, which, based in part on recent external appraisals, approximates its fair value.

(6) Deferred tax assets

Category	31/12/2024	31/12/2023	Change
Deferred tax assets	3,051	2,289	763
Total deferred tax assets	3,051	2,289	763

Deferred tax assets, the recognition of which is subject to the reasonable certainty of their recoverability, as assessed by the Directors on the basis of the expected results of Group companies reflected in the business plans, are determined on the basis of the tax rates in force, corresponding to those that will apply when these differences will reverse. It should be noted that tax assets relating to the actuarial valuations of defined-benefit plans and the effects of consolidation adjustments are charged directly to equity. Total deferred tax assets increased from Euro 2,289 thousand at December 31, 2023 to Euro 3,051 thousand at December 31, 2024.

(7) Other non-current assets

The total of Euro 1,525 thousand at December 31, 2024 (Euro 1,623 thousand at December 31, 2023) mainly includes the tax receivable due beyond one year for Industry 4.0 capital goods and for research and development.

(8) Inventories

Inventories at December 31, 2024 totaled Euro 72,647 thousand, decreasing Euro 13,181 thousand on the previous year. The breakdown of this account is shown in the table below:

Category	31/12/2024	31/12/2023	Change
Raw materials	55,656	63,899	(8,244)
Semi-finished products	16,063	16,826	(763)
Finished products	9,352	7,593	1,760
Advances to suppliers	1,092	1,148	(57)
Inventory obsolescence provision	(9,515)	(3,639)	(5,877)
Total inventories	72,647	85,827	(13,181)

The decrease in the period is principally due to the raw materials item, as a result of the progressive optimization of stock levels.

The inventory obsolescence provision is calculated to align the value of inventory with its estimated realizable value, recognizing where necessary its obsolescence and slow turnover.

The amount of the provision increased by Euro 5,877 thousand compared to December 31, 2023, and its percentage on the gross value of inventories increased from 4.1% at December 31, 2023, to 11.6% at December 31, 2024.

It should be noted that the increase in the obsolescence provision also includes a non-recurring write-down in the amount of Euro 4,130 thousand. SECO, in fact, chose to fully write off the inventory materials for the Biorespira ventilator, which was launched during the COVID-19 pandemic. The slowdown in the medical sector, particularly in the field of respiratory issues, worsened by the high level of interest rates, has led to this decision. Indeed, over the last 24 months, inventory turnover of these products has declined significantly due to the high levels of stock maintained by hospitals during COVID-19.

(9) Trade receivables

Category	31/12/2024	31/12/2023	Change
Trade receivables	32,538	50,141	(17,603)
Doubtful debt provision	(652)	(652)	0
Total trade receivables	31,886	49,489	(17,603)

Trade receivables at December 31, 2024 amounted to Euro 31,886 thousand, down Euro 17,603 thousand compared to the end of the previous year.

The doubtful debt provision has remained unchanged from the previous year.

There are two customers whose turnover is more than 10% of total revenue.

(10) Current tax assets

Category	31/12/2024	31/12/2023	Change
VAT	2,514	5,526	(3,012)
Income taxes	3,498	2,448	1,050
Others	961	1,484	(523)

Total Current tax assets	6,974	9,458	(2,485)
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Tax receivables at December 31, 2024 amounted to Euro 6,974 thousand, down Euro 2,485 thousand compared to the end of the previous year. This decrease is mainly due to the reduced VAT receivable.

(11) Other receivables

Category	31/12/2024	31/12/2023	Change
Advances to suppliers	456	187	269
Other receivables	3,036	2,078	958
Prepayments and accrued income	1,323	1,811	(488)
Total other receivables	4,815	4,076	739

Other receivables at December 31, 2024 amounted to Euro 4,815 thousand and increased Euro 739 thousand on the previous year. This change is mainly due to the increase in other receivables for the gradual increase in receivables for grants.

(12) Cash and cash equivalents

This item includes the cash and cash equivalents of the companies included in the consolidation scope.

Category	31/12/2024	31/12/2023	Change
Cash	14	23	(9)
Cash and cash equivalents	72,571	74,793	(2,222)
Other liquidity	10,000	26,000	(16,000)
Total cash and cash equivalents	72,586	74,816	(2,231)

Refer to the consolidated cash flow statement for an analysis of changes in financial resources.

Other liquidity concerns the two restricted current accounts that can be divested rapidly.

For further details, please refer to the "Liquidity Risk" paragraph above.

(13) Shareholders' Equity

Movements in and breakdown of equity are shown in the Statement of Changes in Consolidated Equity, to which reference should be made.

SHARE CAPITAL - At December 31, 2024, the authorized share capital totaled Euro 1,454,010.85 and was divided into 132,976,117 shares. The paid-up share capital at December 31, 2024 amounted to Euro 1,296,944.48.

LEGAL RESERVE - The legal reserve, amounting to Euro 289 thousand at December 31, 2024 is unchanged compared to December 31, 2023.

SHARE PREMIUM RESERVE - The share premium reserve, amounting to Euro 232,036 thousand at December 31, 2024, remained unchanged from the previous year.

OTHER RESERVES - Other reserves, amounting to Euro 59,119 thousand at December 31, 2024, refer to:

- Euro 48,733 thousand (Euro 37,765 thousand at December 31, 2023) to non-distributable reserves;
- Euro 9,305 thousand (Euro 4,276 thousand at December 31, 2023) to the accounting of the incentive plans granted to employees subject to the retention of the employment relationship at the end of the vesting period (see the paragraph "Incentive plans" for more information);

- negative Euro 4,135 thousand (negative Euro 4,135 thousand at December 31, 2023) to the treasury share purchase plan reserve. The number of treasury shares held by the Company at December 31, 2024 was 522,898 shares, which were tied to the purchase of the shares of the minority shareholders in SECO Mind S.r.l..
- Positive Euro 5,216 thousand (Euro 7,707 at December 31, 2023) to the cash flow hedge reserve.

TRANSLATION RESERVE - The translation reserve, amounting to Euro 383 thousand at December 31, 2024, includes exchange differences from the translation of financial statements of foreign subsidiaries.

FTA RESERVE - The First-Time Adoption reserve related to the adoption of international accounting standards, which was negative for Euro 371 at December 31, 2024, is unchanged from December 31, 2023.

RESERVE FOR LOSSES RECORDED IN OCI - The reserve, positive for Euro 190 thousand at December 31, 2024, includes the result of discounting employee benefits.

DIVIDENDS - During the first half of 2024, dividends were distributed by the company Fannal for Euro 4,114 thousand, of which 45% (Euro 1,851 thousand) distributed to the minorities of Fannal, with the remainder of Euro 2,263 thousand distributed within the Group to the company Seco Asia, of which the parent company Seco S.p.A. holds 51%.

Description	Amount	Origin/Nature	Possible uses	Quota available	Uses in the three previous years
Share capital	1,296		A	1,296	
Share premium	232,036		A, B	232,036	
Legal Reserve	289	Profits	A, B	289	
Extraordinary Reserve	48,733	Profits	A,B,C	48,733	
Merger reserve	0	Profits	A,B,C	0	
Cah flow hedge reserve	5,216		E	5,216	
IAS reserve	9,495	Assessment		9,495	
FTA Reserve	(371)	Assessment		(371)	
Revaluation reserve	0		A,B,C	0	
Ex SNC Reserve	0	Profits	A,B,C	0	
Other reserves	0	Profits	A,B,C	0	
Exchange gains reserve	0		E	0	
Translation reserve	383		A,B,C	383	
Residual amount distributable	0			0	
Shares in Portfolio	(4,135)			(4,135)	
Total	292,943		-	292,943	0

Key: A: for share capital increase B: for coverage of losses C: for distribution to shareholders D: for other statutory restrictions E: other

Incentive plans

At December 31, 2024, incentive plans have been granted, the main features of which are shown below. These plans provide for the granting of rights for the vesting of shares with regular dividend

entitlement, subject to the retention of the employment/management relationship at the end of the vesting period, in addition to the achievement of any performance objectives. All of the plans fall into the category of equity-settled plans, i.e., involve equity awards.

The main features of the incentive plans can be summarized as follows:

	Management 20 Shares	Management Performance Shares	IPO Management Plan	Management plan 24-27	CEO Plan 24-27 Part A	CEO Plan 24-27 Part B	Management team 24-27
Grant date	30/11/2020	30/11/2020	26/04/2021	31/08/2023	28/07/2023	28/07/2023	31/08/2024
Vesting period	30/11/2020 - 30/06/2024	30/11/2020 - 30/06/2024	26/04/2021 - 26/04/2024	31/08/2023 - 31/5/2027	28/07/2023 - 30/04/27	28/07/2023 - 30/04/27	31/08/2024 - 31/07/2027
Period of exercise/allocation	From May 2021, in stages	From June 2024	From May 2021, in stages	From May 2025, in stages	From April 25, in stages	From April 27	From August 2024, in stages
No. rights	2,500	1,000	5,280,000	1,980,000	3,000,000	1,000,000	3,300,000
Fair value	6,395	189,054	4,614,192	2,449,588	3,516,000	736,073	4,082,760
Translation reserve	1:100	Minimum 1:2.800 Maximum 1:3.200	1:1	1:1	1:1	1:1	1:1

Incentive plans are recorded in the financial statements at their fair value in accordance with IFRS 2.

The following is a summary of changes in incentive plans:

	Management 20 Shares	Management Performance Shares	IPO Management Plan	Management plan 24-27	CEO Plan 24-27 Part A	CEO Plan 24-27 Part B	Management team 24-27
Rights in circulation at 01/01/2024	2,500	1,000	4,033,950	1,980,000	3,000,000	1,000,000	0
Allocated during the year	0	0	0	0	0	0	3,300,000
Exercised during the year	0	0	0	0	0	0	
Expired during the year	0	0	0	0	0	0	
Rights in circulation at 31/12/2024	2,500	1,000	4,033,950	1,980,000	3,000,000	1,000,000	3,300,000

Non-controlling interest equity

Non-controlling interest equity amounted to Euro 19,866 thousand at December 31, 2024 and consists of minority interests in:

- SECO Asia Limited, which is 49% owned by third parties;
- SECO Microelectronics, 49% owned by third parties;
- Fannal Electronics Co. Ltd, owned 72% by third parties;
- Piri.ai, Inc, owned 1% by third parties.

Reconciliation Parent Company and Consolidated equity and result

Category	Share capital and reserves	Net Profit	Equity
Equity SECO SpA	(281,057)	14,113	(266,944)
Net result and equity of the consolidated companies	(65,640)	11,567	(54,073)
Elimination carrying amount of equity investments	147,533	(10,156)	137,377
PPA Fannal Electronics	(2,971)	0	(2,971)
PPA InHand Electronics	(1,656)	0	(1,656)
PPA SECO Mind	(2,269)	0	(2,269)
PPA Garz&Fricke Group	(102,405)	924	(101,481)
PPA Seco BH DOO	(36)	0	(36)
Elimination effects of inter-company transactions	260	61	321
Distribution of dividends	(1,154)	1,154	0
Reserves and profit on non-controlling interests	16,454	3,371	19,824
Group Equity	(292,941)	21,034	(271,907)
Equity attributable to Non-Controlling Interests	(16,454)	(3,371)	(19,824)
Total Equity	(309,395)	17,663	(291,732)

(14) Employee benefits

Category	31/12/2024	31/12/2023	Change
Post-employment benefit provision employees	(3,258)	(2,921)	(336)
Post-employment benefit provision directors	(471)	(390)	(80)
Total employee benefits	(3,728)	(3,312)	(416)

The account includes the post-employment benefit payable and the Group's post-employment benefit payable matured by the directors and the employees of the Italian companies at December 31, 2024. The overseas companies do not recognize employee benefits or other components attributable to long-term benefits. The Group is assisted by an expert in actuarial valuation who, with regard to determining the discount rate, made reference to the iBoxx Eurozone Corporates AA 10+ at the valuation date. For the choice of the annual inflation rate, reference was made to the DEF 2024 published on April 9, 2024, which reports a consumption deflator for the years 2025, 2026 and 2027 of 1.9%, 1.9% and 1.8%, respectively. Based on that indicated and the current inflationary trends, it was considered appropriate to utilize a constant inflation rate of 2.0%. The actuarial valuation of post-employment benefits was done on a closed-group basis, i.e. not taking account of new hires over the given time horizon.

The director's and employee post-employment benefit payables increased by Euro 416 thousand at December 31, 2024 compared to the previous year.

(15) Provisions

Category	31/12/2024	31/12/2023	Change
Agent's supplementary indemnity provision	(107)	(102)	(5)
Others	(1,172)	(1,133)	(39)
Total Provisions	(1,279)	(1,235)	(44)

The total consists of the provision for supplementary indemnity amounting to Euro 107 thousand and "Other", which is mainly composed of the provision for product warranty relating to SECO Northern Europe.

(16) Deferred tax liabilities

At December 31, 2024, deferred tax liabilities totaled Euro 23,717 thousand. The item mainly includes the deferred tax liabilities arising from the purchase price allocation on the transaction for the transfer of the business unit from Camozzi Digital S.r.l and the Garz&Fricke customer list. The decrease of Euro 366 thousand compared to December 31, 2023 is mainly due to the release of the deferred tax liabilities for SECO Spa due to the amortization of the intangible assets identified on the above purchase price allocation.

(17) Non-current financial liabilities

Category	31/12/2024	31/12/2023	Change
Non-current financial liabilities	(97,734)	(106,928)	9,194
Total non-current financial liabilities	(97,734)	(106,928)	9,194

This item refers to the medium/long-term portion of outstanding loans. In line with market practice for borrowers of similar credit standing, the main financing agreements call for meeting certain financial covenants, based on which the company is committed to meeting certain financial indicators defined by contract, the most significant of which is the ratio of net debt to EBITDA, measured at the consolidated level as defined in the agreements with the lenders. These covenants had been complied with at December 31, 2024.

It should also be noted that: the current and non-current loans, contracted by the Company for the acquisition of the Garz & Fricke Group (now renamed SECO Northern Europe), granted by a bank syndicate (Unicredit S.p.A., Intesa San Paolo S.p.A., Banco BPM S.p.A. and Banca Nazionale del Lavoro S.p.A.) for a total value at December 31, 2024 of Euro 101,760 thousand are counter-guaranteed by the shares of the acquired company; the loan (current and non-current) granted by the bank Monte dei Paschi di Siena S.p.A. for a total value as of December 31, 2024 of Euro 2,408 thousand is secured by a mortgage on the building for production use located in Arezzo.

(18) Non-current lease liabilities

Category	31/12/2024	31/12/2023	Change
Non-current lease liabilities	(6,752)	(8,603)	1,851
Total Non-current lease liabilities	(6,752)	(8,603)	1,851

The account refers to the present value of the medium/long term portion of the financial liabilities assumed by the Group as a result of accounting for lease and rental agreements in accordance with IFRS 16.

The Group in 2024 entered into new leasing contracts that mainly relate to the purchase of three new production machines at SECO S.p.A. and the new lease agreement for the offices of SECO S.p.A.

(19) Other non-current liabilities

Category	31/12/2024	31/12/2023	Change
Other non-current liabilities	(8)	(8)	0
Total other non-current liabilities	(8)	(8)	0

Other non-current liabilities at December 31, 2024 mainly include security deposits and is unchanged on the previous year.

(20) Current financial liabilities

Category	31/12/2024	31/12/2023	Change
Current financial liabilities	(8,023)	(11,031)	3,009
Total current financial liabilities	(8,023)	(11,031)	3,009

The account includes credit lines, current account overdrafts, credit card payables, payables for advances on invoices and short-term loans falling due within one year for operational purposes existing at December 31, 2024.

(21) Current portion of non-current financial payables

The account includes the instalments on existing loans due in the next 12 months.

Category	31/12/2024	31/12/2023	Change
Current portion of non-current financial payables	(10,212)	(11,211)	999
Total current portion of non-current financial payables	(10,212)	(11,211)	999

The account includes the instalments on existing loans due in the next 12 months account includes the instalments on existing loans due in the next 12 months.

(22) Current lease liabilities

Category	31/12/2024	31/12/2023	Change
Current lease liabilities	(2,358)	(2,126)	(233)
Current lease liabilities	(2,358)	(2,126)	(233)

The account includes the present value of installments due within the next 12 months in relation to lease and rental agreements entered in accordance with IFRS 16.

(23) Trade payables

Category	31/12/2024	31/12/2023	Change
Trade payables	(31,713)	(36,402)	4,689
Total trade payables	(31,713)	(36,402)	4,689

The account includes accounts payable for production supplies, capital expenditures and services received at December 31, 2024. The decrease of Euro 4,689 thousand is due to the gradual decrease in average procurement times.

(24) Other current payables

Category	31/12/2024	31/12/2023	Change
Accrued liabilities	(1,381)	(1,067)	(314)
Payables to social security institutions and personnel	(5,866)	(7,879)	2,012
Other liabilities	(939)	(1,271)	331
Advances - contract liabilities	(2,659)	(1,512)	(1,146)
Total other current payables	(10,845)	(11,728)	883

The item decreased by a total of Euro 883 thousand. This decrease is mainly attributable to payables to social security institutions and to employees.

(25) Current tax liabilities

Category	31/12/2024	31/12/2023	Change
Income tax payables	(648)	(5,724)	5,076
Tax payables	(2,179)	(3,608)	1,429
Total Current tax liabilities	(2,827)	(9,332)	6,505

The account "Income tax payables" includes the tax liabilities recorded in the financial statements of the individual consolidated companies, set aside in relation to the tax charges pertaining to the individual companies on the basis of the applicable national legislation. Amounts due to tax authorities primarily refer to withholding taxes on employee income, severance indemnities and consultants.

NOTES TO THE INCOME STATEMENT

(26) Net sales

Category	2024	2023	Change	Change %
EMEA	150,746	165,921	(15,175)	-9.15%
of which Italy	63,501	71,822	(8,321)	-11.59%
USA	18,425	28,160	(9,735)	-34.57%
APAC	12,446	15,717	(3,271)	-20.81%
Rest of the world	1,895	24	1,871	7863.89%
Total Net sales	183,512	209,822	(26,311)	-12.54%

Net sales decreased from Euro 209,822 thousand in 2023 to Euro 183,512 thousand in 2024, a contraction of 12.54% on the previous year.

The result for the period under review reflects the downturn in demand brought about by the destocking efforts that began back in the third quarter of 2023. The context was also influenced by the macroeconomic market environment of high interest rates, which has led companies to pay more attention to investments and the containment of inventory levels.

The change is the result of a negative trend across all geographical areas in which the Group operates, in particular: in the EMEA region, sales revenues decreased from Euro 165,921 thousand at December 31, 2023, to Euro 150,746 thousand at the end of 2024 due to the volume decline from long-standing customers operating in the Industrial Automation, Medical, and Transportation sectors; in the USA, revenues decreased from Euro 28,160 thousand at December 31, 2023, to Euro 18,425 thousand at December 31, 2024, with this reduction linked to customers operating in the Medical sector; in the APAC area, revenues decreased from Euro 15,717 thousand at December 31, 2023, to Euro 12,446 thousand in 2024 due to a contraction among customers in the Industrial Automation sector; in the rest of the world, sales revenues at December 31, 2024, amounted to Euro 1,895 thousand, recording growth compared to the previous year particularly related to orders from customers in Latin America.

(27) Other revenues

Other revenues and income amounted to Euro 3,068 thousand in 2024, compared to Euro 2,151 thousand in 2023.

Category	2024	2023	Change	Change %
Operating grant tax credit R&D	659	960	(301)	-31.36%
Capital grant tax credit Industry 4.0	394	409	(15)	-3.77%
Other operating grants	1,124	560	564	100.60%
Other revenues and income	891	222	670	302.14%
Total other revenues	3,068	2,151	917	42.61%

This account mainly includes:

- the operating grant tax credit for research and development and innovation amounting to Euro 659 thousand;
- the capital grant tax credit for the purchase by SECO S.p.A. of capital goods under "Industry 4.0" amounting to Euro 394 thousand;
- the pro-rata contribution related to the Group's participation in the tenders for the "Eupex" project for Euro 433 thousand and for the "SAAM SECO AI Apps Market" project for Euro 673 thousand;

(28) Raw materials, ancillary, consumables and goods

Costs of raw materials, ancillary, consumables and goods for resale amounted to Euro 78,429 thousand in 2024, compared to Euro 101,684 thousand in 2023, a decrease of Euro 23,256 thousand. For 2024, the total includes the non-recurring allocation of Euro 4,130 thousand related to the inventory materials for the Biorespira ventilator, which was launched during the COVID-19 pandemic. The slowdown in the medical sector, particularly in the field of respiratory issues, worsened by the high level of interest rates, has led to this decision.

The impact of these costs on revenues, net of changes in inventories and non-recurring inventory obsolescence provisions, is 47.3% at December 31, 2024, compared to 47.0% at December 31, 2023, the effect of the normalization of prices and of delivery times in the electronic components market.

(29) Costs for services

Category	2024	2023	Change
Transport costs	4,361	3,498	863
Commission costs	1,083	1,214	(131)
Rentals and operating leases	3,508	2,513	995
Maintenance costs	423	585	(162)
Consultancy costs	8,472	3,380	5,092
Bank charges	146	142	4
Administrative and utility costs	3,116	2,780	337
Other taxes	428	341	87
Outsourcing costs	4,947	3,123	1,824
Marketing costs	1,771	1,861	(90)
Insurance costs	588	573	15
Costs for services	28,843	20,010	8,833

Service costs amounted to Euro 28,843 thousand in 2024, compared to Euro 20,010 thousand in 2023.

Specifically, the increase in Service costs in the year can be attributed to:

- increase in transport costs to Euro 4,361 thousand in 2024, rising Euro 863 thousand compared to the previous year, on the basis of the increased volumes of the North European group company;
- the increase in rentals and operating leases of Euro 995 thousand is mainly due to higher costs incurred for fees related to software licenses;
- the increase in consultancy costs, equal to Euro 8,472 thousand in 2024, due mainly to increased costs incurred for the management of the Group's software platform, in addition to extraordinary consulting related to the tax assessment by the Italian tax authorities regarding fiscal years from 2015 to 2022, technical consulting for development carried out for customers of the Group, and consultancy costs related to potential corporate transactions that were not completed;
- increase in outsourcing costs of Euro 1,824 thousand on the previous year, mainly due to an increase at SECO S.p.A. and SECO Northern Europe GmbH;

(30) Personnel costs

Category	2024	2023	Change
Salaries and wages	28,233	27,464	769
Social security costs	7,033	6,516	518
Post-employment benefit provision	1,165	904	261
Other personnel costs	5,815	5,773	42
Total personnel costs	42,247	40,657	1,590

Personnel costs in 2024 totaled Euro 42,247 thousand, increasing Euro 1,590 thousand compared to the previous year. The increase is mainly due to: (i) the costs related to the expanded Group workforce, for the hire of key figures in 2024 to support the R&D, production and sales development plans; (ii) the recognition of the cost for the stock option plans awarded to the management team and employees of the companies of the group; (iii) the introduction of meal vouchers for employees of the group's Italian companies;

The average number of employees broken down by category is shown below:

Category	2024	2023
Executives (*)	32	40
White-collar	478	478
Blue-collar	340	293
Average number of employees	850	811

(*) The category includes the number of Executives as defined by Italian regulations and the Executives/Managers categories of the overseas companies included in the consolidation scope

(31) Depreciation and Amortization

Amortization and depreciation increased from Euro 20,435 thousand in 2023 to Euro 30,018 thousand in 2024, an increase of Euro 9,583 thousand, mainly as a result of the increased amortization of development costs and due to the leased assets as per IFRS 16, as well as to the write-down recognized in relation the goodwill of SECO Mind USA.

(32) Accruals and provisions

The item, amounting to Euro 142 thousand, mainly includes the doubtful debt provision for Euro 83 thousand, in addition to the agent supplementary severance indemnities.

(33) Other operating costs

Category	2024	2023	Change
Directors' fees and related charges	3,747	3,329	418
Board of Statutory Auditors' fees	112	82	30
Travel and transfer costs	337	343	(6)
Losses on receivables	210	45	165
Other operating costs	5,619	3,771	1,848
Total other operating costs	10,025	7,570	2,455

Other operating costs totaled Euro 10,025 thousand in 2024, an increase of Euro 2,455 thousand on 2023. This increase mainly refers to: (i) tax settlements following the audits by the administrative authorities for Euro 2,275 thousand. In relation to this latter item, in the period between December 2023 and June 2024 the Parent Company was subject to a tax audit by the Tax Agency for the 2015-2022 tax periods, which covered direct and indirect taxes and tax credits. The assessment concluded following an agreement to pay back taxes or fiscal benefits with a Tax Assessment Report dated May 30, 2024; (ii) "Directors' remuneration and related charges", which increased compared to the previous year by a total of Euro 418 thousand, mainly resulting from the recognition of the cost of stock option plans granted to directors; (iii) recognition of losses on receivables totaling Euro 210 thousand, an increase of Euro 165 thousand compared to the previous year.

(34) Financial income and Financial costs

	2024	2023	Change
Financial income	(6,312)	(4,433)	(1,880)

Total financial income of Euro 6,312 thousand in 2024, shows an increase compared to the same period of the previous year of Euro 1,880 thousand, mainly due to the recognition of interest income on hedging derivative contracts as well as the recognition of the portion of dividends paid by the group company Fannal Electronics Co., Ltd. attributable to the SECO Group, amounting to Euro 1,806 thousand.

	2024	2023	Change
Interest charges on loans	7,098	8,436	(1,338)
IFRS 16 interest charges	168	146	23
Other financial charges	1,219	1,190	28
Total financial costs	8,485	9,772	(1,287)

Total financial charges decreased from Euro 9,772 thousand in 2023 to Euro 8,485 thousand in 2024. This decrease was mainly due to the reduction in the interest rates on short-term credit lines and on the medium/long-term bank debt.

(35) Income taxes

Category	2024	2023	Change
IRES	0	109	(109)
IRAP	0	513	(513)
Foreign taxes	2,517	5,224	(2,707)
Prior year taxes	(859)	(86)	(773)
Deferred tax charges	(554)	(1,158)	603
Other taxes for the year	0	0	0
Total income taxes	1,103	4,603	(3,500)

Current income taxes are determined on the basis of a prudent forecast of such charges, in application of current tax regulations. Income taxes for the year are not calculated on taxable income but on pre-tax profit, net of permanent or long-term tax changes, such as provisions to reserves in suspense for tax purposes permitted by law. The difference between taxes calculated in this way and those on taxable income constitutes, depending on the case, either taxes deferred to future years, as a result of a tax relief regulation and therefore posted to the Provision for taxes, or taxes paid in advance with respect to the year in which they accrue, in accordance with specific tax provisions.

The recognition of deferred taxes is omitted if it can be demonstrated that their payment is unlikely or not due. Deferred tax assets are only recognized where there is reasonable certainty of their recovery. All the above valuations have been determined with a view to the company's continued operation.

The reconciliation to the theoretical rate is shown in the table below:

Category	2024		2023			
	Taxable	Rate %	Category	Taxable	Rate %	Category
Profit/(loss) before taxes	(16,560)			19,234		
Profit before tax foreign companies	1,831			18,353		
Assessable and theoretical IRES tax	(18,391)	24%	0	881	24%	(212)
Temporary differences	5,255			5,649		
Permanent differences	199			(3,380)		

Category	2024			2023		
	Taxable	Rate %	Category	Taxable	Rate %	Category
Deductible losses	0			0		
ACE deduction	0			(2,251)		
Effects of consolidation entries or transition to IAS/IFRS	285			318		
Assessable and actual IRES tax	(12,651)	24%	0	215	24%	(52)
<i>Effective tax charge</i>		0.0%			5.9%	
Other tax items						
Actual taxes of foreign Group companies			(3,553)			(5,224)
IRAP taxes	(3,140)	3.9%	0	11,134	3.9%	(513)
Income taxes for the year IRES - IRAP			(3,553)			(5,789)

(36) Basic earnings per share

Category	2024	2023
Group net profit [A]	(21,034)	11,864
Number of shares at the beginning of the year	132,453	117,624
Number of shares at the end of the year	132,976	132,453
Weighted average number of shares for basic EPS [B]	132,976	128,267
Basic earnings per share (Euros) [C]=[A]/[B]	0.00	0.09

(37) Diluted earnings per share

Category	2024	2023
Group net profit [A]	(21,034)	11,864
Number of shares at the beginning of the year	137,039	122,649
Number of shares at the end of the year including dilutive effect	148,562	137,039
Weighted average number of shares for diluted EPS [B]	145,812	133,258
Diluted earnings per share (Euro) [C]=[A]/[B]	0.00	0.09

As reported in the basis of preparation, diluted earnings per share were calculated by dividing the total earnings per share for the period attributable to holders of the Company's ordinary shares, excluding treasury shares, by the weighted average number of shares outstanding, adjusted to take account of the effects of all dilutive potential ordinary shares.

(38) Consolidated Comprehensive Income Statement

The tax effect relating to other components of the Consolidated Comprehensive Income Statement breaks down as follows:

Category	2024			2023		
	Gross value	Tax (Charge)/Benefit	Category	Gross value	Tax (Charge)/Benefit	Category
Translation differences	1,210	0	1,210	(1,785)	0	(1,785)
Net gain/(loss) on Cash Flow Hedge	(3,278)	787	(2,491)	(5,250)	1,260	(3,990)
Discounting employee benefits	97	(16)	81	(131)	32	(99)
Total comprehensive income	(1,971)	771	(1,201)	(7,167)	1,292	(5,874)

RELATED PARTY TRANSACTIONS

In accordance with the provisions of IAS 24, the following entities are considered Related Parties: (a) companies that directly or indirectly through one or more intermediate companies, control, or are controlled or are under common control with the reporting entity; (b) associated companies; (c) natural persons who directly or indirectly have voting power in the reporting entity that gives them a dominant influence over the company and their immediate family members; (d) senior executives, i.e. those who have the power and responsibility for planning, directing and controlling the activities of the reporting entity, including directors and officers of the company and the immediate family members of such persons; (e) companies in which any natural person described under (c) or (d) has, directly or indirectly, significant voting power, or over which such person has such power. Case sub (e) includes undertakings owned by the directors or major shareholders of the reporting entity and undertakings which have a manager with strategic responsibilities in common with the reporting entity.

A list of related parties is provided below, indicating the type of relationship:

Type	List of Related parties	Type and main nature of relationship
Legal person	Consortium Ubiquitous Technologies S.c.a.r.l (CUBIT)	Company 22.5% owned by the Parent Company
Legal person	SECO Northern Europe Holding GMBH	Wholly-owned subsidiary of the Parent Company
Legal person	SECO Northern Europe GMBH	Subsidiary held 27% by the Parent Company and remainder 73% indirect shareholding via the subsidiary SECO Northern Europe Holding GMBH
Legal person	SECO Mind Germany GMBH	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Northern Europe GMBH
Legal person	e-GITS India Private Ltd. (Chennai, India)	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO Mind Germany GMBH
Legal person	SECO USA, Inc.	Wholly-owned subsidiary of the Parent Company
Legal person	SECO Mind USA, LLC	Subsidiary of the Parent Company with a 100% indirect shareholding via the subsidiary SECO USA, Inc.
Legal person	Piri.ai, Inc	Subsidiary of the Parent Company with a 99% indirect shareholding via the subsidiary SECO USA, Inc.
Legal person	SECO Asia Limited	51% subsidiary owned by the Parent Company
Legal person	SECO Microelectronics Co., Ltd.	Subsidiary of the Parent Company with a 100% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	Fannal Electronics Co., Ltd	Subsidiary of the Parent Company with a 55% indirect equity investment through the subsidiary SECO ASIA Limited
Legal person	SECO Mind Srl	Wholly-owned subsidiary of the Parent Company
Legal person	PSM Tech S.r.l.	Wholly-owned subsidiary of the Parent Company
Legal person	SECO BH d.o.o.	Wholly-owned subsidiary of the Parent Company
Legal person	Fondo Italiano d'Investimento SGR S.p.A.	4.47% shareholder of the Parent Company
Legal person	7-Industries	11.34% shareholder of the Parent Company
Legal person	DSA S.r.l.	16.51% shareholder of the Parent Company, 100% controlled by Conti Daniele
Legal person	HSE S.r.l.	16.48% shareholder of the Parent Company, 100% controlled by Secciani Luciano

Legal person	HCS S.r.l.	7.35% shareholder of the Parent Company, 50% controlled by Secciani Luciano and 50% by Conti Daniele
Legal person	Camozzi Group S.p.A.	8.14% shareholder of the Parent Company
Legal person	Olivetti S.p.A.	7.73% shareholder of the Parent Company
Legal person	Laserwall S.r.l.	Company 9.09% owned by HCS S.r.l. and 13.99% owned by Seco S.p.A.
Legal person	LAE S.r.l.	Sole Director Massimo Mauri, Director and CEO of the Parent company
Legal person	Simest S.p.A.	49% shareholder of Seco Asia Limited
Legal person	Finsystem 2.0 S.r.l.	Company in which a close relative of the Chief Innovation Officer, Gianluca Venere, directly or indirectly holds a stake with voting rights of greater than 20%.
Legal person	Solenica, Inc.	Company in which the independent director Diva Tommei directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	Arcdata	Company in which a close relative of the independent director Diva Tommei directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	Peter Pan Holding S.r.l.	Company in which the Group's managing director, Massimo Mauri, directly or indirectly holds a stake with voting rights of greater than or equal to 20%.
Legal person	SPEM S.r.l.	Luca Tufarelli, a partner in the law firm, holds a 100% stake in SPEM S.r.l., which in turn holds a 0.74% interest in the Parent Company.
Legal person	Studio Legale Ristuccia Tufarelli & Partners	Luca Tufarelli, a partner in the law firm, holds a 100% stake in SPEM S.r.l., which in turn holds a 0.34% interest in the Parent Company.
Legal person	Lomarini & Lomarini Consultants S.r.l.	Company controlled by the director Luciano Lomarini
Legal person	EQValue	Pierpaolo Guzzo, chairman of the issuer's Board of Statutory Auditors, holds a 37.5% stake in EQValue S.r.l.; Maurizio Baldassarini, an alternate auditor of the issuer appointed on March 1, 2021, holds a 32.5% stake in EQValue S.r.l.
Natural person	Daniele Conti	Chairperson of the Board of Directors of the Parent Company, appointed on 29/04/2024
Natural person	Massimo Mauri	Chief Executive Officer of the Parent Company, appointed on 29/04/2024
Natural person	Claudio Catania	Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Luciano Lomarini	Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Michele Secciani	Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Kurt Tosja Zywiets	Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Valentina Montanari	Independent Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Anna Zattoni	Independent Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Valentina Beatrice Manfredi	Independent Director of the BoD of the Parent Company, appointed on 29/04/2024

Natural person	Paolo Lavatelli	Independent Director of the BoD of the Parent Company, appointed on 29/04/2024
Natural person	Lorenzo Mazzini	Legal representative and Executive Officer for Financial Reporting of the Parent Company
Natural person	Davide Catani	Legal representative and Chief Technology Officer of the Parent Company
Natural person	Vincenzo Difronzo	Legal representative and Chief Sales Officer of the Parent Company
Natural person	Gianluca Venere	Legal representative and Chief Innovation Officer of the Parent Company
Natural person	Cesare Beolchi	Chairperson of the Board of Statutory Auditors of the Parent Company, appointed on 29/04/2024
Natural person	Pierpaolo Guzzo	Statutory Auditor of the Parent Company, appointed on 29/04/2024
Natural person	Micaela Badiali	Statutory Auditor of the Parent Company, appointed on 29/04/2024
Natural person	Prospero Accogli	Alternate Auditor of the Parent Company, appointed on 29/04/2024
Natural person	Edda Delon	Alternate Auditor of the Parent Company, appointed on 29/04/2024
Natural person	Emanuela Sala	Director of the BoD of the Parent Company, appointed on 27/04/2023 and remaining in office until 29/04/2024
Natural person	Luca Tufarelli	Director of the BoD of the Parent Company, appointed on 01/03/2021 and remaining in office until 29/04/2024
Natural person	Elisa Crotti	Independent Director of the BoD of the Parent Company, appointed on 05/05/2021 and remaining in office until 29/04/2024
Natural person	Diva Tommei	Independent Director of the BoD of the Parent Company, appointed on 05/05/2021 and remaining in office until 29/04/2024
Natural person	Gino Faralli	Statutory Auditor of the Parent Company, appointed on 01/03/2021 and remaining in office until 29/04/2024
Natural person	Fabio Rossi	Statutory Auditor of the Parent Company, appointed on 01/03/2021 and remaining in office until 29/04/2024
Natural person	Marco Badiali	Alternate Auditor of the Parent Company, appointed on 01/03/2021 and remaining in office until 29/04/2024
Natural person	Maurizio Baldassarini	Alternate Auditor of the Parent Company, appointed on 01/03/2021 and remaining in office until 29/04/2024

Transactions carried out with related parties are part of the ordinary course of business of the companies and have been regulated at market conditions. No atypical or unusual transactions were recorded.

The balance sheet and income statement effects of the transactions have been eliminated in the consolidation process. Details of transactions with related parties are provided on the following page.

Balance Sheet accounts	CUBIT S.c.a.r.l	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Camozzi	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Non-current financial assets	65	0	0	0	2,003	0	0	0	2,068	10,839	19.08%
Trade receivables	89	0	0	0	5,016	0	0	0	5,103	31,886	16.00%
Other receivables	0	510	0	0	0	0	0	0	510	4,816	10.59%
Employee benefits	0	471	0	0	0	0	0	0	471	3,728	12.62%
Trade payables	251	0	80	68	0	0	0	0	399	31,713	1.26%
Other current payables	0	119	0	0	0	0	0	0	119	10,845	1.10%

Income Statement accounts	CUBIT S.c.a.r.l	Board of Directors	Board of Statutory Auditors	SB and Internal Committees	Laserwall	Camozzi	Finsystem 2.0 S.r.l.	Studio Legale Ristuccia Tufarelli & Partners	Total	Total book value	% on total account items
Revenues from sales	0	0	0	0	869	700	0	0	1,569	183,512	0.86%
Other revenues and income	0	0	0	0	-	0	0	0	-	3,068	0.00%
Raw materials, ancillaries, consumables and goods	13	0	0	0	0	0	0	0	13	78,429	0.02%
Service costs	291	0	0	0	0	0	14	13	318	28,843	1.10%
Other operating costs	0	3,240	101	77	0	0	0	0	3,419	15,818	21.61%

REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDIT FIRM

The fees in 2024 of the Board of Directors of the parent company totaled Euro 860 thousand (Euro 913 thousand in 2023), while those of the Board of Statutory of Auditors totaled Euro 80 thousand (Euro 80 thousand in 2023). The company also recognized a charge of Euro 2,076 thousand in relation to incentive plans.

The fees of the independent audit firm for the audit of the separate financial statements and the consolidated financial statements and for other activities requested of the audit firm totaled Euro 281 thousand in 2024 (Euro 419 thousand in 2023).

DISCLOSURE PURSUANT TO ARTICLE 149-DUODECIES OF THE CONSOB ISSUER'S REGULATION

The following table, prepared pursuant to Article 149-duodecies of the Consob Issuers Regulations, shows the payments made in 2023 for audit and other services provided by the independent auditors and entities associated with them.

Type of service	Service provider	Company	2024 Fees
Audit	Deloitte & Touche S.p.A.	Parent Company	150
	Deloitte Germany	Subsidiaries	79
	Deloitte China	Subsidiaries	17
Certification work	Deloitte & Touche S.p.A.	Parent Company	35
Total			281

SUBSEQUENT EVENTS TO YEAR END

It should be noted, in accordance with IAS 10 (9), that no events have occurred from December 31, 2024, to the date of approval of this financial report that could have a significant impact on the financial performance or standing as presented herein.

6. DECLARATION OF THE ANNUAL FINANCIAL REPORT PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

1. The undersigned Massimo Mauri, Chief Executive Officer, and Lorenzo Mazzini, Executive Officer for Financial Reporting, of SECO S.p.A. declare, also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:
 - the adequacy considering the company's characteristics and
 - the effective applicationof the administrative and accounting procedures for the drafting of the consolidated annual financial statements for 2024.
2. They also declare that the annual financial report:
 - corresponds to the underlying accounting documents and records;
 - were prepared in accordance with international accounting standards, recognized in the European Union pursuant to EU Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002;
 - provide a true and fair view of the equity and financial position and of the operating performance of the issuer and of the other companies in the consolidation scope.
3. The Directors' Report includes a reliable analysis on the performance and operating result, in addition to the situation of the Company and of the companies included in the consolidation, together with an outline of the main risks and uncertainties to which they are exposed. It also presents a reliable analysis of the significant transactions with related parties.
4. It is also declared, pursuant to article 154-bis, paragraph 5-ter, of the Legislative Decree n. 58 of February 24, 1998, that the sustainability reporting included in the Directors' report, was prepared:
 - a) In accordance with the reporting standards applied pursuant to the European Directive 2013/34/UE of the European Parliament and Council, of June 26 2013, and the Legislative Decree no. 125 of September 6, 2024;
 - b) With the specifications adopted pursuant to article 8, paragraph 4, of the European Regulation EU 2020/852 of the European Parliament and Council, of June 18, 2020.

Arezzo, March 17, 2025

Chief Executive Officer

Signed: Massimo Mauri

Executive Officer for Financial
Reporting

Signed: Lorenzo Mazzini

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Seco S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Seco S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Seco S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of the goodwill**Description of the key audit matter**

In the consolidated financial statements as at December 31, 2024, after having fully devalued the goodwill present at December 31, 2023 relating to CGU SECO Mind USA LLC for a total of Euro 8.108 thousand, the Group shows Goodwill relating to CGU SECO for Euro 23.600 thousand and Euro 133.509 thousand relating to SECO Northern Europe.

This Goodwill, in compliance with “IAS36 Impairment of assets”, is not amortized, but is subject to an *impairment test*, at least annually, by comparing the recoverable value of the CGU - determined according to the value in use method - and the book value, which takes into account both goodwill and other tangible and intangible assets allocated to the CGU.

The impairment test process, prepared by the Management, is complex and it is based on assumptions related to, among other things, the CGU cash flow forecast, and the determination of an appropriate discount rate (WACC) and growth rate (g-rate). The impairment test's underlying assumptions are, moreover, by their nature, influenced by future expectations about the external market conditions, including those connected to the business, and they depend on factors that may vary over time, this leads to uncertainty in the estimates.

Considering the significance of the carrying amount of the goodwill, the subjectivity and uncertainty of the estimates related to the forecasting of the cash generating unit's cash flows and the key parameters of the impairment test and the multiplicity and unpredictability of factors that may influence the performance of the markets in which the Group operates, we considered the impairment test a key matter in the audit of the consolidated financial statements.

The illustrative notes of the consolidated financial in the paragraph “Recoverable value of non-current assets” describe the management's assessment process. Note (4) “Goodwill” discloses the methods and parameters used by Management for the impairment test, the main assumptions applied in performing the tests, the sensitivity analysis that shows the effects on the result of the test changing the main key factors. In this note, the Directors highlight the percentage reductions in cash flows, for each year of explicit prediction and in terminal value, which would bring the tests to break-even.

Audit procedures performed

We have carried out the following procedures, with the involvement of our experts too:

- Observing and understanding the procedures and relevant controls carried out by the Management for the preparation and approval of the impairment test;
- Obtaining an understanding of the method used by the Management, also with the support of the independent expert for the CGU Seco Northern Europe, for the determination of the value in use of the cash-generating unit (CGU), analyzing the methods and assumptions used by Management for the preparation of the impairment test;
- analysis of the reasonableness of the main assumptions made in estimating the cash flow forecast and the parameters used by the Management for the impairment test. For this purpose, we examined industry studies and sector analyses and reperformed the methods used by Management to calculate WACC and g-rate;
- Analysis of the actual results compared to the expectations, in order to investigate the nature of the variations and evaluate the reliability of the planning process, possibly reflected in the WACC determination through an execution risk;
- analysis of the report prepared by the independent expert appointed by Management for the CGU Seco Northern Europe, also evaluating their skills, competence and objectivity;
- verification of the correct determination of the carrying amount of the assets and liabilities allocated to the CGU;
- verification of the clerical accuracy of the model used to determine the value in use of the CGU;
- verification of the sensitivity analysis carried out by the Management both in terms of increase and decrease of g rate and WACC and reduction of future cash flows;

Furthermore, we examined the adequacy of the disclosures provided by the Group in the consolidated financial statements as of December 31, 2024 on the impairment test and its compliance with IAS 36

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the

preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Seco S.p.A. has appointed us on March 1, 2021 as auditors of the Company for the years from December 31, 2021 to December 31, 2029.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Seco S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2024 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter) of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Seco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Seco Group as at December 31, 2024, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements;
- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;
- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Seco Group as at December 31, 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by another auditor in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Neri Bandini
Partner

Florence, Italy
March 27, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

SECO S.p.A.

Independent auditors' limited assurance report on the consolidated sustainability statement pursuant to article 14-bis of Legislative Decree no. 39 of 27 January 2010

Consolidated sustainability statement at 31 December 2024

This independent auditors' limited assurance report has been translated into English language from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

Independent auditors' limited assurance report on the consolidated sustainability statement pursuant to article 14-bis of Legislative Decree no. 39 of 27 January 2010

To the shareholders of
SECO S.p.A.

Conclusion

Pursuant to articles 8 and 18, paragraph 1, of Legislative Decree no. 125 of 6 September 2024 (the "Decree"), we have been engaged to perform a limited assurance engagement on the 2024 consolidated sustainability statement of the SECO Group (the "Group") prepared in accordance with article 4 of the Decree, presented in the specific section of the report on operations.

Based on the procedures performed, nothing has come to our attention that causes us to believe that:

- the Group's 2024 consolidated sustainability statement has not been prepared, in all material respects, in accordance with the reporting standards endorsed by the European Commission pursuant to Directive 2013/34/EU (the European Sustainability Reporting Standards, "ESRS");
- the information presented in the "Disclosure pursuant to article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)" section required by article 8 of Regulation (EU) 2020/852 of 18 June 2020 (the "taxonomy regulation") of the consolidated sustainability statement has not been prepared, in all material respects, in accordance with article 8 of the taxonomy regulation.

Basis for conclusion

We have performed the limited assurance engagement in accordance with the Standard on Sustainability Assurance Engagements - SSAE (Italia). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our responsibilities under that standard are further described in the "*Auditors' responsibilities for the limited assurance engagement on the consolidated sustainability statement*" section of our report.

We are independent in accordance with the ethics and independence rules and standards applicable in Italy to sustainability assurance engagements.

Our firm applies International Standard on Quality Management (ISQM Italia) 1 and, accordingly, is required to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have acquired is sufficient and appropriate to provide a basis for our conclusion.

Other matters

In the specific section "Disclosure pursuant to article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)" in accordance with article 8 of the taxonomy regulation, the 2024 consolidated sustainability statement presents the 2023 comparative information required by article 8 of the taxonomy regulation, which has not been subjected to an assurance engagement.

Responsibilities of the directors and the board of statutory auditors of SECO S.p.A. for the consolidated sustainability statement

The directors are responsible for designing and implementing the procedures to identify the information included in the consolidated sustainability statement in accordance with the ESRS (the “materiality assessment process”) and for the description of these procedures in the “Impact, risk and opportunity management - IRO-1 - Description of the processes to identify and assess material impacts, risks and opportunities” section of the consolidated sustainability statement.

The directors are also responsible for the preparation of a consolidated sustainability statement in accordance with article 4 of the Decree, which contains the information identified through the materiality assessment process, including:

- compliance with the ESRS;
- compliance of the information presented in the “Disclosure pursuant to article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation)” section with article 8 of the Taxonomy Regulation.

Moreover, the directors are responsible, within the terms established by the Italian law, for designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of a consolidated sustainability statement in accordance with article 4 of the Decree that is free from material misstatement, whether due to fraud or error. They are also responsible for selecting and applying appropriate methods to produce disclosures and formulating assumptions and estimates about specific information on sustainability matters that are reasonable in the circumstances.

The board of statutory auditors is responsible for overseeing, within the terms established by the Italian law, compliance with the Decree’s provisions.

Inherent limitations in preparing the consolidated sustainability statement

As discussed in section “ESRS 2 - General Disclosures - BP-2 - Disclosures in relation to specific circumstances”, for the purpose of disclosing forward-looking information in accordance with the ESRS, the directors are required to prepare such information based on assumptions, described in the consolidated sustainability statement, regarding future events and the group’s actions that are not necessarily expected to occur. Actual results are likely to be different from the forecast sustainability information since anticipated events frequently do not occur as expected and the variation could be material.

As discussed in section “ESRS 2 - General Disclosures - BP-2 - Disclosures in relation to specific circumstances” and in section “E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions”, disclosures about greenhouse gas Scope 3 emissions are subject to more inherent limitations than those on Scope 1 and Scope 2 emissions, given the lack of availability and relative precision of information used for determining both qualitative and quantitative Scope 3 information from value chain.

As discussed in the section “ESRS 2 General Disclosures - BP-2 - Disclosures in Relation to Specific Circumstances” and in the paragraph “E5-4 - Resource inflows”, disclosures provided about materials used in the production of products are subject to more inherent limitations than other metrics due to the assumptions and estimation methodologies applied.

Auditors’ responsibilities for the limited assurance engagement on the consolidated sustainability statement

Our objectives are to plan and perform procedures in order to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of intended users taken on the basis of the consolidated sustainability statement.

As part of a limited assurance engagement in accordance with SSAE (Italia), we exercise professional judgement and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify disclosures where a material misstatement is likely to occur, whether due to fraud or error;

- designing and performing procedures to address disclosures where a material misstatement is likely to occur. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- directing, supervising and performing the limited assurance engagement on the consolidated sustainability statement and assuming full responsibility for the conclusion on the consolidated sustainability statement.

Summary of the work performed

A limited assurance engagement involves carrying out procedures to obtain evidence as a basis for our conclusion.

The procedures performed are based on our professional judgement and include inquiries, primarily of the SECO S.p.A.'s personnel responsible for the preparation of the information presented in the consolidated sustainability statement, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

We have performed the following main procedures:

- we gained an understanding of the Group's business model, strategies and operating environment with regard to sustainability matters;
- we gained an understanding of the processes underlying the generation, recording and management of the qualitative and quantitative information disclosed in the consolidated sustainability statement;
- we gained an understanding of the process adopted by the Group to identify and assess material sustainability-related impacts, risks and opportunities, based on the double materiality principle;
- we identified disclosures where a material misstatement was likely to occur, whether due to fraud or error;
- we designed and performed procedures, based on our professional judgement, to respond to identified risks of material misstatement;
- we gained an understanding of the process adopted by the Group to determine taxonomy-eligible activities and whether they were aligned under the taxonomy regulation and checked the related disclosures presented in the consolidated sustainability statement;
- we checked the consistency of the disclosures contained in the consolidated sustainability statement with those included in the consolidated financial statements pursuant to the applicable financial reporting framework, the underlying accounting records or the accounting management figures;
- we checked the structure and presentation of disclosures included in consolidated sustainability statement in accordance with the ESRS;
- pursuant to article 9-bis, paragraph 8-ter, of Legislative Decree no. 39 of 27 January 2010, exchange with the external auditor in charge of the audit of the Group's consolidated financial statement of any information pertaining to the verification of the elements of connection of the consolidated sustainability statement with the financial statements, necessary for the performance of our engagement;
- we obtained the representation letter.

Bologna, 27 March 2025

BDO Italia S.p.A.
Signed in the original by
Annarosa Disarlo
Partner

SECO

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