



SUPPLIERS' CODE OF CONDUCT

First Edition

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1. Introduction

1.1 What the Code of Conduct is

An awareness of the fact that we are in a world in which the natural and social ecosystems are ever more fragile, convinced us of the need to draw up and distribute this Suppliers' Code of Conduct (hereinafter, CofC), which arose from the need to involve our suppliers in questions of vital importance to TM.E. S.p.A. – Termomeccanica Ecologia (abbreviated, TM.E.). It is intended to help to give rise to a joint commitment, asking our suppliers to conform to this document and to the values that we intend transmitting, in line with our Code of Ethics.

1.2 TM.E.'s values and mission

Besides economic goals, TM.E.'s goal is to generate positive effects on the environment and society as well. More specifically, our goals relate to 5 impact areas:

- Stakeholder satisfaction.
- Health and wellbeing of people.
- Development and valorisation of the area.
- Climate changes and circular economy.
- Valorisation of people and Company identity.

In light of these goals, and to amplify their beneficial effects, we feel the need to also act in relation to our supply chain. Our mission is to set up a relationship of loyal collaboration with all our partners and suppliers, in order to ensure that, along with us, they promote respect for the environment, the community, and people.

The principles that TM.E. applies in pursuing its mission are based on:

- Continuous innovation, because there are no limits to the good that can be done other than those we impose on ourselves.
- Collaboration, because we know that real change is only possible by working together and not as individuals.
- Sustainability: because our wellbeing depends on that of the planet, and vice-versa.

Taking these principles as a point of reference, TM.E. aims to improve the impact profile of its supply chain, according to the highest standards of sustainability at an international level, by means of co-evolution and reciprocal learning, as well as sound, transparent reporting.



1.3 Global movements and principles for a sustainable future

In order to guarantee good results, exchanges on guidelines already available and recognised internationally is useful. These are the reference models we decided to base our work on, and some of the respective tools available online:



ISO 14001:2015
Certified
Environmental
Management System



The United Nations' 2030 Agenda,
the Global Plan of Action for
Prosperity, People, and the Planet.
unric.org/it/agenda-2030/



The International Labour
Organisation (ILO), the agency
that specialises on labour and
social policy by defining
international norms. www.ilo.org



The International Solid Waste
Association is an international
network of waste
professionals and experts,
from around the world.
www.iswa.org



The platform for rating a
Company's Social
Responsibility and
sustainable purchases.
www.ecovadis.com



Human rights are inherent rights of all
human beings, irrespective of race,
gender, nationality, ethnicity, language,
religion, or any other status.
<https://www.un.org/en/global-issues/human-rights>



A systemic initiative for involving all
companies in a common path to
improvement and growth in terms of
sustainable performance.
www.openes.io/it



1.4 Guide to reading and application

Selecting "material matters" deemed relevant by both TM.E. and its stakeholders, became one of the key activities for guiding the Company's strategy: as a result, the CofC was drawn up, based on these matters.

The actions of TM.E. and our suppliers must always conform to national and local norms.

However, our ambition is to go beyond legal requirements: therefore, those for whom this CofC is intended, including TM.E., are called upon to always do their utmost, within the limits of what is possible for them.

In line with this principle, the CofC is arranged on two levels:

- Obligatory requirements, which indicate the minimum level that all recipients of this document must conform to.
- Work in progress requirements, which are the minimum level that must be attained by the end of 2024.
- Suggestions, guidelines for suppliers who choose to go beyond the minimum level.

Should the contents of this CofC differ from national legislation, the suppliers undertake to report this so that appropriate actions can be identified.

While some all these matters apply to all suppliers, some matters are of special importance for certain categories (which can be recognised by the symbols shown in the legend below).



2. Material matters

2.1 Governance and transparency



TM.E. promotes its commitment to a process of stepping up governance on a sustainable basis, with a view to greater transparency and involvement.

Legal & Customer requirements:



Obligatory

- Working in full compliance with all laws, regulations, norms, standards and pertinent requirements.
- Being open to outside audits by TM.E. or third parties acting for TM.E., carried out to check conformity to the requirements contained in this document, and application of the same in practice. Committing to share clear, agreed procedures and guidelines that can be applied in practice.
- Training employees on the legal requirements laid down for the relevant sector.
- Informing TM.E. if difficulties are encountered in applying this CofC.



Suggestions

- Drawing up monitoring procedures that make it possible to check fulfilment of legal obligations and any other relevant requirements.
- Creating procedures and mechanisms that make it possible to receive any notifications from employees or the community, in relation to non-conformity to in-house and external commitments, and making it possible to act timeously.

Security, privacy, and protection of data:



Obligatory

- Safeguarding the privacy of all those who interact with the Company, protecting all confidential information.
- When necessary, updating procedures that ensure fulfilment of obligations related to privacy and confidential information.
- Only sharing sensitive data with people legally authorised and instructed on how to process data in terms of privacy.

Report on social and environmental KPIs:



Obligatory

- Adopting instruments for monitoring environmental consumption levels.



Work in progress

- Adopting instruments for monitoring environmental impacts by identifying specific KPIs for defining the targets set as part of concrete improvement plans.



Suggestions

- Beginning to measure oneself via Ecovadis, and share the performance level attained.



22 Anti-corruption

TM.E. is committed to combating active and passive corruption: at the centre of this approach is the 231/01 organisational model and the Code of Ethics, both tools of good governance that TM.E. reviews periodically, with a view to adding specific protocols aimed at combating phenomena of this kind.

Company integrity: corruption and reporting policy:



Obligatory

- Prohibiting any form of corruption, extortion, and undue appropriation. Not paying or accepting bribes and recourse to illegal incentives business deals or governance, aimed at obtaining undue or illegitimate advantages. The same applies to receiving costly gifts or financial advantages aimed at influencing company and commercial decisions, and at obtaining undue advantages.



Suggestions

- Implementing mechanisms that allow workers to openly communicate and interact with Company management, to report problems of illegal actions in the working environment, guaranteeing their safety (whistleblowing).

Fair competition between suppliers:



Obligatory

- Carrying out business in accordance with the principles of fair competition and pertinent anti-trust laws, committing to define policies aimed at facilitating fair, true competition between suppliers at a local level.



23 Human rights

At TM.E. we expect our suppliers to act with due diligence in order to avoid and effectively combat any type of violation of human rights.

Freedom of association:



Obligatory

- Where the law does not require, respecting workers' rights to freedom of association and membership of trade unions, to be represented by and united with workers councils. Where the law limits, encouraging and facilitating workers in evaluating alternative forms of free association.
- All workers who exercise or have in the past exercised the right of association in any form, must not suffer threats, penalisation, discrimination, disciplinary retaliation or coercion.



Suggestions

- Encouraging open communication with workers and informing them of their rights and responsibilities.

Fair working conditions, working hours, holidays, days off, and fair compensation, salaries, and benefits, as well as dignified remuneration:



Obligatory

- Dealing with all workers and persons involved in the activities, with full dignity and respect.
- Ensuring that, besides the breaks during the day, workers have at least one day of rest per week. Guaranteeing a minimum number of days paid leave during the year, not including national public holidays.
- Workers may be absent from work due to illness or injuries at work, subject to submitting a suitable certificate, while maintaining their remuneration.
- Workers also have a right to days off for serious family motives, subject to submitting a suitable certificate, and in this case too that must be remunerated as provided for by the national norm and employment contract.



Suggestions

- All overtime must be agreed beforehand and a track must be kept of the same.
- Monitoring and reacting to excessive overtime, accidents, and injuries. Detecting working practices that are potentially irregular and unusual.
- Making sure that the workers involved have adequate skills for their job, and that the staffing levels are correctly sized for carrying out day to day activities.

Minors and young workers, rejection of inhuman treatment, rejection of slavery:



Obligatory

- Operating in full compliance with all laws and regulations applicable to the matter of forbidding work by minors and safeguarding young workers. Workers over the legal age required to work in their country, or the age established for completion of obligatory education (whichever is the higher of the two), must not engage in activities that can obstruct their education or be harmful due to the results of heavy, prolonged physical work.



Work in progress

- Clearly communication regulations and policies in relation to work by minors.



Suggestions

- Collaborating with organisations recognised internationally to safeguard the rights of young workers and minors, or any other form of abuse.



24 Occupational health and safety



Italian legislation on safety (D.Lgs. [Legislative Decree] 81/2008) requires companies to do an analytical assessment of risks to the health and safety of workers. However, a healthy working environment must also be able to ensure satisfaction and the psychological / physical wellbeing of those who use it.

Occupational health and safety:



Obligatory

- Ensuring a working environment that is safe and healthy from a physical, psychological, and social point of view, protecting workers against physically risky tasks in all workplaces (by means of documentation, signage, etc.).
- Timeously identifying emergency situations and adopting effective remedies.
- Developing training programmes, intended for all workers, on health, safety, and emergency situations.

Personal satisfaction:



Suggestions

- Measuring the level of satisfaction of workers, identifying strategies aimed at improving the overall conditions.
- Introducing advanced company welfare measures (e.g., spaces set aside for breaks, etc.).



25 Quality

Safeguarding the client means paying the utmost attention to product quality.

National quality norms:



Obligatory

- Ensuring full conformity to all current national laws and good practices in the sector, in relation to quality aspects applicable to our activities.

Product quality:



Obligatory

- Respecting TM.E.'s quality requirements and being able to share documentation backing the checks aimed at respecting these requirements.
- Having formal processes and mechanisms in place for minimising product quality risks during production and storing of the same.
- Having formal processes and mechanisms in place to ensure that the Company's indoor spaces used for processing products conform to occupational health and safety norms.
- Being open to welcoming TM.E. for any internal audits aimed at checking the quality of products and processes.



Suggestions

- Monitoring and reporting the use of raw materials that are scarce in nature or have a high environmental and social impact.
 - References:
 - OECD Directives
 - List of critical raw materials.
- Before working with other companies, evaluating their environmental and social profile by means of the right requests and considerations.
- Helping our partners to improve their environmental and social profile by creating improvement plans based in specific targets and sharing of resources and knowledge.



26 Energy, emissions and mitigating climate risks



The phenomenon of climate change and its effects pose a serious threat to everyone. TM.E. intends to actively promote policies aimed at mitigating these risks.

Energy efficiency:



Obligatory

- Measuring and monitoring energy consumption, and sharing the related data with TM.E. when requested.



Work in progress

- Gradually reduce the use of energy from non-renewable sources, with intermediate goals and constant monitoring of results, opting for purchasing certified renewable (from low impact sources) or self-produced energy.

Emissions and waste:



Obligatory

- Adopting waste disposal processes that do not damage the environment, reducing pollution of water, air and the ground to a minimum in all phases of the production process.



Work in progress

- Having systems that make it possible to map, monitor and manage scope 1 and 2 emissions transparently and in conformity to the international norms.



Suggestions

- Preparing a carbon neutrality plan, paying particular attention to the most significant areas for the Company in this field.
- Compensation for emissions must be part of the carbon neutrality strategy, only as a last resort for emissions that cannot be minimised. To do so, rely on designs and standards recognised internationally, which provide certified carbon credits (The Gold Standard).
- Monitoring indirect emissions (scope 3), sharing information gathered.
- Drawing up and updating a waste management policy, emphasising prevention, reduction at the source, and recycling and recovery of material, with disposal as a last resort.
- Introducing good waste reducing practices among workers, for all work phases.

Process safety:



Obligatory

- Having plans aimed at preventing / reducing harmful emissions of chemical substances, during production related tasks.
- Setting up (internal or external) auditing mechanisms to check the safety of processes. If there is a risk related to the local community or environment, make contact with the authorities and local community to provide an effective response to emergencies.



27 Sustainable mobility



Suggestions

- Adopting guidelines for a low-emission Company mobility policy.
- Gradually introducing vehicles without fossil fuel powered engines (electric, hybrid and/or plug-in vehicles).

28 Circular economy



Promoting the circular economy involves actions aimed at rational use of the various natural resources, with particular attention to the entire lifecycle of products and services, as well as to all the opportunities related to reuse, recycling, and recovery of the same.

Efficient management of natural resources:



Obligatory

- Acting responsibly and effectively to minimise the negative effects of the activities on the environment, limiting the use of hazardous materials as far as possible.



Suggestions

- Limiting as much as possible the use of non-renewable resources such as petroleum, coal and rare earth, and natural resources that are continuously diminishing (clean water, timber), and adopting policies and procedures for sustainable purchases.
- Planning products and services according to circular economy principles, extending the approach to components or packaging choices as well.
- If required, exploring alternative materials or processes, considering their entire lifecycle, from raw material to end of life.

Water treatment:



Obligatory

- Ensuring management, measuring, control, and appropriate treatment of all types of waste water, with emphasis on the usage phases associated with water emission, which could have negative effects on human health or the environment.



Suggestions

- Investing in technologies to reduce the use of clean water and recycling waste water.



2.9 Biodiversity



The loss of biodiversity (the combination of animal and vegetable species and microorganisms in a system) is a direct consequence of unsustainable use of the ground, deterioration of habitats, and climate changes. All activities that depend greatly on natural resources are more exposed to the risks associated with this phenomenon.



Suggestions

- Committing to contributing to safeguarding natural ecosystems by means of targeted initiatives (e.g., synergies with NGOs and institutions on special projects such as planting, reforestation, actions that actively involve the community, etc.).
- Committing, where possible, to implementation of ecological infrastructures and ecosystem services (implementation and caring for green company areas, flowering areas for pronubus insects, etc.).
- Informing oneself on the impact of activities, products and services on biodiversity, taking suitable actions for mitigation over time into consideration.

2.10 D&I and development of human capital



For TM.E. respecting the diversity of one's collaborators is essential for the purposes of a positive company climate, that is inclusive and careful of any type of discrimination. Constantly valorising individual capacities and potential is another important success factor.

Diversity and Inclusion (D&I):



Obligatory

- Taking into consideration proposals of collaboration by TM.E. on D&I matters deemed to be of interest for our Company.



Suggestions

- Creating training programmes aimed at dealing with questions of diversity, inclusion, and non-discrimination.
- Measuring the degree of diversity in the company, monitoring it over time and setting goals should criticalities arise.
- Supporting policies and practices for inclusion and diversity, aimed at making all disadvantaged people in disadvantaged groups or at risk of marginalisation responsible, as well as increasing presence among the workers.
- Promoting in-house programmes aimed at facilitating inclusion in the workplace of groups in disadvantaged categories.

Equal opportunity and non-discrimination, policy against violence and harassment:



Obligatory

- Guaranteeing a total absence of discrimination based on race, colour, age, gender, cast, sexual orientation, ethnicity, country of origin, disability, religion, political affiliation, trade union membership, or civil status, in any workplace.
- Preventing and combating molestation or violent acts in the workplaces.
- Also guaranteeing equal opportunity and the absence of discrimination in all phases of the selection process and regarding working conditions, such as: remuneration, professional development, promotions, firings, and reporting of problems. Declarations regarding the professional status of employees must be based on merit, ability, and performance criteria.



Suggestions

- Training managers to monitor and apply the policies related to diversity, equal opportunity, and non-discrimination.

Training:



Obligatory

- Acknowledging the importance of training as an essential tool for socially responsible behaviour, aimed at attaining relevant objectives for the purposes of this CofC.
- The training programmes must generate new knowledge and skills among personnel for adequately dealing with matters covered by the CofC.



Suggestions

- Identifying a manager for creating and implementing training programmes aimed at increasing the required performance.
- Periodically reviewing the effectiveness of the training actions carried out.

2.11 Open innovation and shared value



Engaging in Open Innovation means positioning the Company differently in relation to stakeholders such as institutions, universities, and research institutes, as well as start-ups: open dialogue and collaboration with these entities provide an opportunity for innovating products, services, and technologies, reaching new markets, or lowering the environmental impacts in unexpected ways.

Continuous improvement, technologies, scientific research



Obligatory

- Taking collaboration proposals from TM.E. with academic and scientific bodies into consideration, in relation to matters of interest to our Company or deemed useful for effective application of the CofC.



Work in progress

- Continuous improvement of the activities by making plans based on clear goals.



Suggestions

- Supporting scientific research, training, and international cooperation projects, pertinent to our activity.
- Promoting the development of technological capacities in our ecosystem, in order to satisfy or exceed the technological developments of our reference sector.
- Including continuous improvement goals in the performance goals for managers.
- Including a regular process of comparative analysis with competitors, based on criteria, objectives, and methodologies for continuous improvement.

Note on Interdependence

TM.E. has taken on board the concept of interdependence, which relates to the indissoluble link between safeguarding the planet and that of the economy of society: there is no long-lasting balance if the development of one of these three dimensions takes place damaging the others. The threat of climate changes, the need to rethink our economy in a circular view, and the increasing scarcity of resources that are essential to our survival, are all the result of a development model that ignored this balance for too long. For this reason, TM.E. has undertaken a journey that aims to attain a responsible economy, based on regenerating resources, and not merely using them for profit motives.



For signing

Date:

Company:

Signature:
