

SUSTAINABILITY REPORT 2022



Contents

Letter to Stakeholders	3	4. Relational capital	82
Methodological Note	5	4.1 Customer relations	84
1. Identity and strategy	6	4.2 Customers' priorities	95
1.1 Lafert Group	8	4.3 Quality, safety and reliability	96
1.2 The sites	10	of the products	
1.3 The trademarks	14	4.4 Responsible marketing	103
1.4 History	15	4.5 Suppliers: supply chain management	107
1.5 Vision and Mission	19	4.6 Relations with the local area	111
1.6 Industry regulations	20	5. Economic-financial capital	112
1.7 Strategy and sustainability	21	5.1 Operating performance	114
1.8 The business model	29	5.2 The Economic Value Generated	118
1.9 Materiality analysis	40	and the Economic Value Distributed	
2. Governance	46	5.3 Investments	119
2.1 Responsible company management	48	5.4 Fiscal approach	120
2.2 The governance	49	6. Human capital	121
2.3 The organisational structure	52	6.1 The personnel selection policy	124
2.4 The Organisation, Management	53	6.2 Diversity, equal opportunities	125
and Control Model ex D.lgs. n. 231/01		and welfare	
2.5 Code of Ethics	56	6.3 Employees	126
2.6 The Management Systems	57	6.4 Training and skills	132
2.7 Risk management	58	6.5 Occupational health and safety	135
2.8 External initiatives and Memberships	59	7. Environmental capital	140
2.9 Cybersecurity and Data protection	61	7.1 Environmental responsibility	142
2.10 Regulatory Compliance	63	7.2 Energy consumption	144
3. Infrastructural capital	64	7.3 Emissions	146
3.1 Production facilities	66	7.4 Water resources	147
3.2 The production process	71	7.5 Waste generation and management	148
3.3 Innovation and digitalisation	75	GRI Index	153
3.4 Research, development and patents	81		



Letter to Stakeholders



2022 has been a difficult year. Despite a significant growth in the top line, marginality has suffered.

The increase of raw material costs has not reflected timely and fully in consequent prices raise on the market, and we have not been able to mitigate the gap through operational excellence. On contrary, we have recognized several disruptions in supply chain, leading in missing components which have jeopardized our delivery performance. In addition to this critical situation, few production bottlenecks, not helping the overall score with customers, have surfaced.

Booking trend has been quite strong, also due to an abnormal dilatation of lead times.

2023 will be the year of inverting the trend on marginality. Thanks to capacity issues being addressed and general improvements in the whole supply chain, top line will continue to grow but at a slower pace and on time delivery will become a sane obsession. We shall embrace and leverage our fundamentals, quality and customization, to concentrate on operational excellence and rigorous costs control, guarantying value creation to our customers and reaffirming our strong positioning in the market as partner of choice for electrical motors and integrated automated solutions.

With a view to continuous improvement, we have set ourselves the goal of outlining a path of growth in sustainability, reflecting both our commitment to sustainable development and the growing strategic importance we attach to ESG issues.

In fact, during the year 2022 Lafert confirmed his commitment and sensitivity towards these issues not only by following up the Sustainability Report for the year 2021 but elaborating his first Home-Work Travel Plan (or HWTP) with a view to reducing CO2 emissions by identifying alternative measures to use the private car to reach the workplace.

Sustainability has become a daily commitment for Lafert to the point that the company has earned the Ecol Design Award 2022, a recognition created to reward the most virtuous companies that are committed to the sustainability of their activities and their plants by taking all possible measures to improve their environmental impact.

In this context, the renewal of the Group's Code of Ethics and Conduct, as well as the implementation of a Code of Ethics addressed to suppliers (whose subscription is in the process of being signed) redefining the fundamental values of conduct that inspire and guide the activity not only of all employees of the Lafert Group, but of the entire supply chain; during the year 2022 the Organization, Management and Control Model according to D.lgs. n. 231/2001 was also made official.

The year 2023 is characterized by the same sensitivity: in March the first Lafert Group Sustainability Plan was approved by the Board of Directors. This document outlines 82 objectives that we are committed to achieve over the next three years in the environmental, social and governance fields, which can be perfectly expressed in a single ambitious medium-long-term sustainability strategy.



We are aware that our growth must also be sustainable and cannot disregard the adoption of solutions that are capable of increasing the well-being of the society we live in. At Lafert Group, all that is made possible by innovation, the heart of what we are about! Thanks to this awareness, we have strengthened our investment in research and development, despite a critical and uncertain macroeconomic trend. This has made it possible for us to develop new projects and new patents in order to offer high performance solutions that also feature extremely high energy efficiency, contributing to a 4% CO2 reduction through the sale of IE4 and IE5 motors to our customers. All that confirms our sensibility to the environmental, quality and safety impacts by which our products have always stood out.

Drawing up Lafert's second Sustainability Report is in line with this approach besides being an important opportunity not only to show the financial, social and environmental results, but also to highlight the medium to long-term strategies and their consistency with sustainable development.

The sustainable business model, the creation and the sharing of value for Stakeholders has always been in our DNA, guiding us in day-to-day operations

Cesare Savini
CEO Lafert Group

Methodological Note

This document represents the second Sustainability Report of Lafert Group (hereinafter “Lafert” or “the Group”). The document contains information concerning economic, environmental and social issues, useful to understanding the activities carried out by Lafert, as well as its performance, its results and the impact of its activities.

The Sustainability Report has been drawn up by reporting a selection of the “GRI Sustainability Reporting Standards” published by the Global Reporting Initiative (GRI Standards 2021), as indicated in the GRI Content Index of this document, according to the “with Referenced to” reporting option.

Note that Lafert does not fall within the scope of It. Legislative Decree no. 254 30 December 2016 which, implementing Directive 2014/95/EU, has provided for the obligation to draft a Non-Financial Statement (“ESG”) for public interest entities that exceed certain quantitative thresholds.

This Sustainability Report has therefore been drawn up on a voluntary basis and is not a Non-Financial Statement.

The general principles applied for the preparation of the Sustainability Report are those established by the GRI Standards: relevance, inclusiveness, sustainability context, completeness, balance between positive and negative aspects, comparability, accuracy, timeliness, reliability, clarity.

The selected performance indicators are those provided by the adopted reporting standards representative of specific sustainability sectors analysed and consistent with the activity performed by Lafert and the impacts thereof. The selection of these indicators was carried out based on an analysis of their relevance, as described in paragraph “Materiality analysis”. The various sections of the Sustainability Report provide the quantitative information, for which estimates have been used.

The reporting scope of qualitative and quantitative data and information refers to the performance of Lafert S.p.A. and its subsidiaries Lafert Servo Motors S.p.A, Lafert Servo Drives S.r.l (subsidiary of Lafert Servo Motors S.p.A.), ICME S.p.A., Lafert Elektromotorji D.o.o., Lafert (Suzhou) Co. Ltd., Lafert North America Inc., Lafert Moteurs S.A.S., Lafert GmbH, Lafert Motores Electricos S.L.U., Lafert Electric Motors Ltd. as at December 31st, 2022.

Please note that the data relating to the Group’s employees, with reference to the years 2020 and 2021, have been revised following an update of Lafert’s employee classification system: this decision was taken in accordance with the principle of comparability of the GRI standard in order to make the 2022 data as comparable as possible with those of the previous two years.

Any perimeter restrictions that have become necessary in reporting qualitative and quantitative KPIs shall be appropriately reported in specific notes within the document.

The Sustainability Report is drawn up annually. In order to allow data to be compared over time and the performance of Lafert’s activities to be assessed, the data relating to the previous two financial years are set out for comparative purposes.

The process for drawing up the sustainability information involved the managers of the various Lafert’s departments.

The Sustainability Report was approved by the Board of Directors of Lafert S.p.A. on July 28th, 2023 and was not subject to a review by an independent auditor.

The Sustainability Report is published on the Company’s corporate website at www.lafert.com/en/corporate/excellence/sustainability.

To request more information in this regard you can write to: lafert.sustainability@shi-g.com



1. Identity and strategy

- 1.1 Lafert Group
- 1.2 The sites
- 1.3 The trademarks
- 1.4 History
- 1.5 Vision and Mission
- 1.6 Industry regulations
- 1.7 Strategy and sustainability
- 1.8 The business model
- 1.9 Materiality analysis



HIGHLIGHTS | Identity and strategy

- Lafert Group is leader in Europe in the designing and manufacturing of customized electric motors and drives, used primarily in the fields of industrial automation and energy saving. The company's core business is represented by asynchronous and permanent magnet synchronous motors, servo motors and motor-drive packages, to offer maximum energy efficiency in the most diverse application sectors.
- The Lafert Group consists of eleven branches in Europe, North America and Asia, including six production and sales units, and five sales offices.
- In 2022 Lafert crossed the milestone of the 60th anniversary and, with the occasion, strengthened itself as a Group: through a merger agreement, all the Italian companies (Lafert Servo Motors S.p.A., ICME S.p.A. and Lafert Servo Drives S.r.l.) were merged under the leadership of Lafert S.p.A., thus simplifying internal relations.
- Thanks to the strategic role assumed by Lafert in the PTC (Power Transmission & Control) division of the Sumitomo Group, the production area is booming: during 2022 the new plant adjacent to the San Donà di Piave headquarters was inaugurated, and the agreement for the acquisition of a large area, over 67,000 m², in front of the headquarters was concluded.
- As evidence of the Group's commitment to sustainable development and strategic growth in favor of ESG (Environmental, Social and Governance) issues in business activities, in 2022 Lafert drafted the 2023-2026 Sustainability Plan, aimed at continuous monitoring of projects and results.
- The combination of Innovation & Environment themes together with People Engagement one is the basis of the nine pillars that Lafert aims to pursue also through the Sustainable Governance policies and systems that regulate the processes and operations of the company.



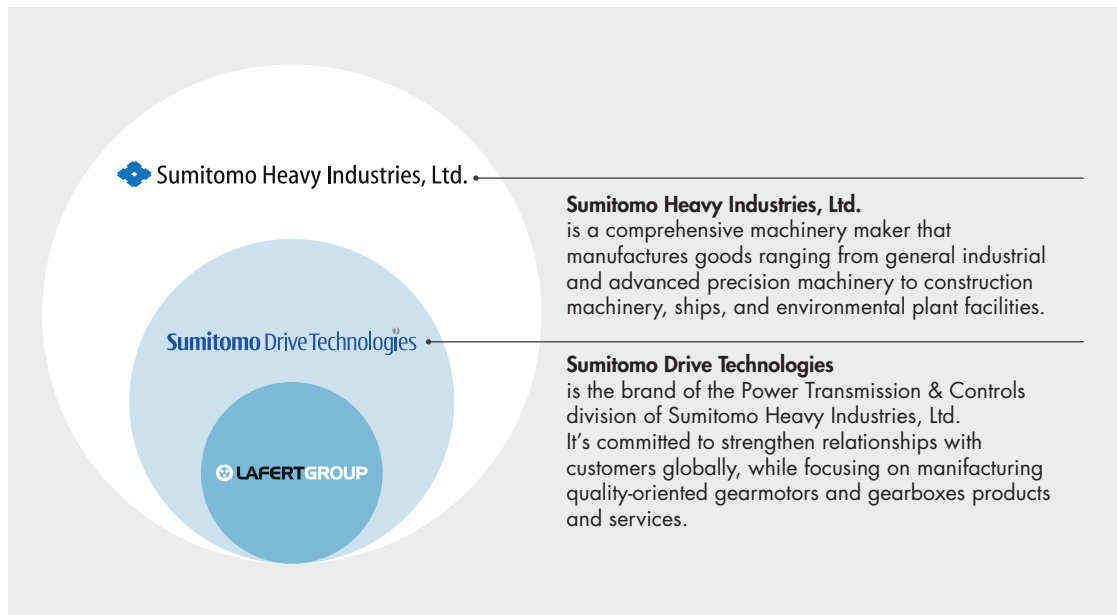
1.1 Lafert Group

Lafert Group is a European leader in the designing and manufacturing of electric motors and customised drives, specifically in the sectors of industrial automation and energy efficiency.

Since 2018, Lafert Group has been part of the international industrial group Sumitomo Heavy Industries, Ltd., with the strategic idea to be the global Competence Centre for research and development of the most modern electric motors, as well as a landmark for the future growth of this market.

Sumitomo Heavy Industries, Ltd. is one of the 33 companies of the Sumitomo Group, founded by Masatomo Sumitomo about 400 years ago in Japan, and has been developing innovative solutions by applying vanguard technologies since its beginning. The company operates in a vast array of business areas using technologies of the latest generation, which contribute to the production of machinery and facilities. Moreover, during the last years, the company has focused its research and development on precision technology, mechatronics, and devices for precision control and for key components such as equipment for the production of LCD and semiconductors, and also digital home appliances.

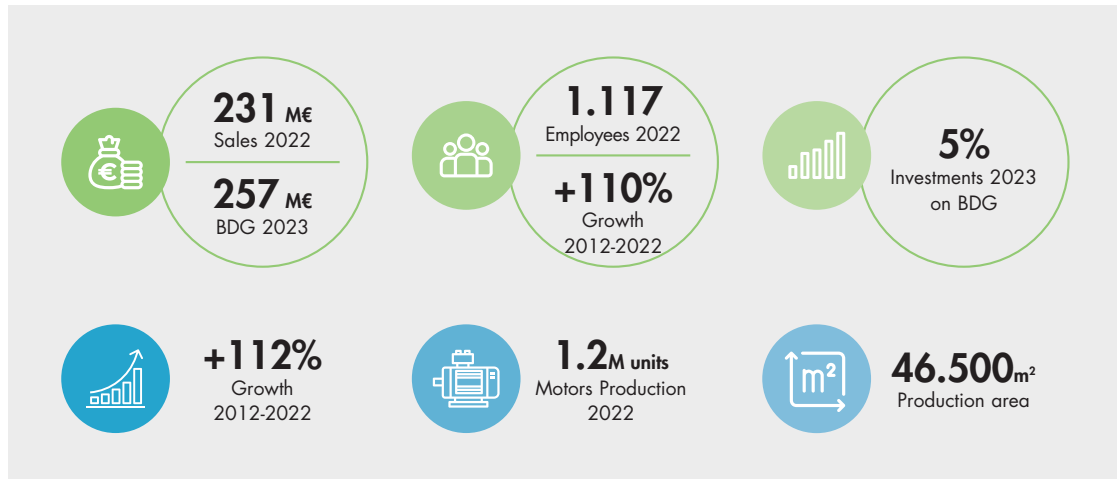
Thanks also to this partnership, Lafert Group has established itself as a world leader in the branch of Super Premium efficiency motors through the expansion strategy of the Sumitomo Drive Technologies brand, also a leader in the products of the sector Power Transmission & Control – PTC.



The core business is high performance, robust and efficient electric motors, with the strength of easily adapt to the most diverse applications. Through a continuous exchange with the customer, Lafert Group studies and defines the best solution for the required application, designing efficient and innovative motors, with all the required customisations.

In 2022, Lafert Group generated revenues of 230.691 thousand euros, with an increase of 21,9% compared to last year.

The overall workforce was 1.117 employees (among them, an average of approximately 84 temporary employees) at December 31st, 2022.



1.2 The sites

The entrepreneurial force is embedded in the companies which make up the Group. Each company of the Group has its own autonomous organization and specialized production, and yet they are always connected by the possibility to combine their skills for further research and development, in a synergy which allows to create the best innovative technology. Lafert is an international group, leader in Europe, with 60 years of experience and solid partnerships with international players, world leaders in their sectors. The Group carries out its business in its 11 branches in Europe, North America and Asia, including 6 production and sales units, and 5 branches that only deal with sales and marketing, plus the associated company in Singapore, set up for trading purposes only.

In 2022, a **merger agreement** between the **four companies** was signed, and starting from 1st January 2023 they were all merged into Lafert S.p.A. With this merger, Lafert S.p.A. incorporated Lafert Servo Motors S.p.A., Lafert Servo Drives S.r.l. and ICME S.p.A., while maintaining its company name.

Therefore, the Group has a presence in the main industrialised countries on three continents to be always close to the customer and assure timely and customised services. This makes it possible to offer the highest flexibility in the design and construction of the various products.

Below is the map showing the distribution of the companies in Lafert Group broken down by production or trading facilities.



Lafert S.p.A.



San Donà di Piave, Venezia - Italy



133.896 thousand Euro

Lafert S.p.A., is based in San Donà di Piave (VE), is the parent company and produces customised electric motors with high technological content.

The production site is strongly expanding. As a matter of fact, in 2022 the deal of acquisition was signed for a vast area (the previous Pflauser productive site) in Via J. F. Kennedy, right in front of the historical site of Lafert S.p.A. The acquisition of this area started the shaping of the project which will see Lafert as the new strategic hub for the development of integrated products for the PTC division in EMEIA. The surface of the subjected area is 67.783 m², of which a maximum of 33.891 m² is buildable.

In 2022, the company generated revenues of 133.896 thousand euros, observing an increase of about 24.9% compared to last year.

ICME S.p.A.



Fusignano, Ravenna - Italy



29.112 thousand Euro

ICME S.p.A., based in Fusignano (RA), of which Lafert S.p.A. owns 100% of the capital, produces and sells small and medium power electric motors, also marketed.

In 2022 the company posted revenues for 29.112 thousand euros, observing an increase of about 31% compared to last year.

Starting from 1st January 2023, the society was incorporated by merger into Lafert S.p.A. while actively maintaining its production site.

Lafert Servo Motors S.p.A.



Noventa di Piave, Venezia - Italy



50.138 thousand Euro

Lafert Servo Motors S.p.A., based in Noventa di Piave (VE), is 100% owned by Lafert S.p.A. produces customised brushless electric motors with high technological content. The subsidiary closed 2022 with revenues for 50.138 thousand euros, observing an increase of about 17,4% compared to last year.

Starting from 1st January 2023, the society was incorporated by merger into Lafert S.p.A. while actively maintaining its production site.

Lafert Servo Drives S.r.l.



Bologna - Italy



9.785 thousand Euro

Lafert Servo Drives S.r.l., based in Bologna, produces and distributes specific components for industrial automation, in particular drives for brushless servomotors and other electronic control systems. It is controlled by Lafert Servo Motors S.p.A. which is its sole shareholder. The company closed 2022 with revenues for 9.785 thousand euros, observing an increase of about 10,7% compared to last year.

Starting from 1st January 2023, the society was incorporated by merger into Lafert S.p.A. while actively maintaining its production site.

Lafert Elektromotorji D.o.o.



Nova Gorica - Slovenia



3.703 thousand Euro

Lafert Elektromotorji D.o.o., of which Lafert S.p.A. owns 100% of the capital, is based in Nova Gorica and has become over the years a centre of excellence in the production of windings for the Italian production facilities. In 2022, the subsidiary generated revenues from sales of 3.703 thousand euros, observing an increase of about 25,7% compared to last year.

Lafert Moteurs S.A.S.



St.Quentin Fallavier - France



4.251 thousand Euro

Lafert Moteurs S.A.S., which is based in St. Quentin Fallavier, and is wholly owned by Lafert S.p.A., markets the products of Lafert Group on the French market. In 2022, the subsidiary generated revenues from sales and services of 4.251 thousand euros, observing an increase of about 45,8% compared to last year.

Lafert Electric Motors Ltd.



Crewe Cheshire - United Kingdom



3.723 thousand Euro

Lafert Electric Motors Ltd., based in Crewe Cheshire and wholly owned by Lafert S.p.A., markets the products of Lafert Group in Great Britain and Ireland. In 2022, the subsidiary generated revenues from sales of 3.723 thousand euros, observing an increase of about 11,8% compared to last year.

Lafert GmbH



Böblingen - Germany



569 thousand Euro

Lafert GmbH, whose capital is 100% owned by Lafert S.p.A, is based in Böblingen and operates as commercial agent for some companies of Lafert Group in Germany. In 2022, the subsidiary generated revenues from sales of 569 thousand euros, observing an increase of about 23,3% compared to last year.

Lafert Motores Electricos S.L.U.



Zaragoza - Spain



4.447 thousand Euro

Lafert Motores Electricos S.L.U., located in Zaragoza, is 100% owned by Lafert S.p.A. and markets Lafert products in Spain as well as, marginally, related products by non-competitor manufacturers. In 2022, it generated revenues from sales and services of 4.447 thousand euros, observing an increase of 58,1% compared to last year.

Lafert (Suzhou) Co. Ltd.

 Suzhou - China

 15.178 thousand Euro

Lafert Suzhou Co. Ltd. manufactures and sells brushless servomotors in China. The company has its head office in Suzhou and it is wholly owned by Lafert S.p.A.

In 2022, the subsidiary generated revenues from sales and services of 15.178 thousand euros, observing an increase of about 12,5% compared to last year.

Thanks to this production site, Lafert Group is able to meet the growing demand for motors in the Asian market, by long-standing customers as well as by fast-growing local companies. The direct presence of this company offers a reduction in delivery times and transport costs, while keeping the quality assurance of Lafert-branded motors. In February 2022, the company underwent a recapitalisation operation, following of a resolution by the Board of Directors of Lafert S.p.A., with the strategic objective of funding the Chinese company for the developments and investments in the medium/long-term plan and to repay part of debts with Sumitomo Heavy Industries, Ltd.

Lafert North America Inc.

 Mississauga - Canada

 40.620 thousand Euro

The Canadian company Lafert North America Inc. with head office in Mississauga is the long-standing distributor of Lafert Group in Canada and the United States and has cooperated with the company for more than 20 years. The company is 100% owned by Lafert S.p.A.

In 2022, the company generated revenues from sales and services of 40.620 thousand euros, observing an increase of about 53,4% compared to last year.

Lafert Singapore Ltd.

 Singapore

Lafert Singapore Ltd., of which Lafert S.p.A. holds 30% of the share capital, is based in Singapore and markets Lafert Group's products in Southeast Asia as well as, marginally, related products of other noncompetitor manufacturers.

1.3 The trademarks

The Group owns two registered trademarks in Italy: **Lafert** and **ICME**.

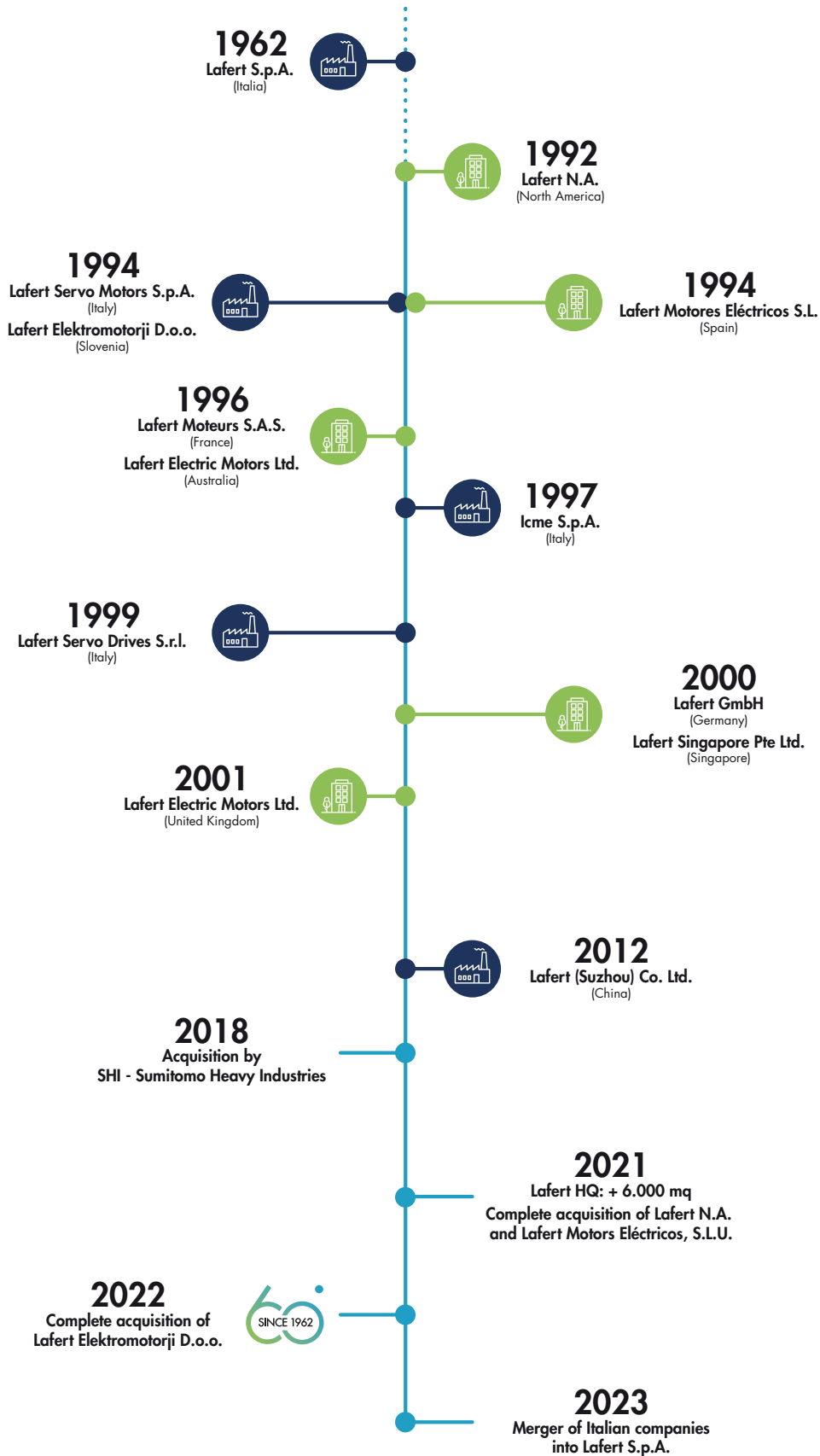


Lafert also markets **Smartris**-branded products, which has been registered by Sumitomo Heavy Industries, Ltd. in Japan.



As a rule, Lafert has always worked to associate its brand with the main company values in order to spread them between different audiences: the institutional campaigns promoted throughout the years focused especially on its most distinctive traits, on core business and the company's commitment both in its choices of colour palette, graphical subjects and slogans or promotional texts. For example, the current institutional campaign concentrates on the innate evolution of Lafert which led us today to a slightly different segment of the market, transforming from components suppliers to packages and integrated solutions suppliers.

1.4 History





1962...

A long history of tireless curiosity

The history of Lafert S.p.A. cannot be seen apart from the proverbial features of its native land, the Veneto region in north-east Italy. A region of hands and brains that is recognized as the virtues of concreteness and tenacity, with the added value of innovative ideas. **Lafert S.p.A. was founded in 1962** in San Donà di Piave, near Venice. Right from the start, the company dealt with the production of asynchronous electric motors, devoting all its efforts to assuring the quality of Lafert's products on the Italian market. The headquarters of Lafert Group are still in San Donà di Piave, where the technical team kick off the customisation process; this is the feature of the company's historical approach to its market. The main milestones of Lafert Group in 60 years of activity are set out below.



1980-1990

The first steps on the international market

At the end of the 1980s, Lafert S.p.A. took its first steps on the international market with its intrinsic propensity for customization. In those years we were introduced to different the demands and regulations from the global markets, often more rigorous than in Italy. In the early 1990s, the North American market already reserved particular attention to energy savings, and required some of the highest efficiency standards in the world. **Lafert North America Inc. was founded in 1992** to meet these needs thanks to a fruitful joint venture in Canada.



1990-1995

Always facing new challenges

In the 1990s, we faced the **first industrial automation projects for the European market** and expanded our production. To ensure the highest levels of customisation, we identified an in-house need that would profoundly change our history: internally producing all the motor components and acquiring proficiency in servo motors sector. In 1994, we founded Lafert Servo Motors S.p.A., located a few km from San Donà di Piave, and Lafert Elektromotorji D.o.o. in Slovenia, to respond to this expansion of the business.



1995-2000

International business development

In the second half of the 1990s, our expansion continued, as we increased the production and the distribution capacity with the establishment of some operative units in Spain, France and Australia. In 1997, Lafert Group acquired ICME S.p.A, a manufacturer of small and medium-power motors.

The following year, Lafert joined the Group AEG Fabrica de Motores, based in Barcelona.




2000-2010

Always one step ahead

In the first decade of the 2000s, Lafert S.p.A. expanded its strength by entering in new markets and applying its products to unique application areas. This step made it possible to study important innovations and develop a strong understanding of specific application that still put Lafert at top of the market today.

In particular, thanks to the expertise in asynchronous motors and servo motors, Lafert S.p.A. was one of the first companies to apply the **permanent magnet technology**. Since then, the Group has been a leader in energy-saving market segments, by producing super-efficient, compact-sized motors with better performances than the limits of the regulations in force.



2010-2015

Technological evolution in Lafert's DNA

In the second decade of the 2000's, the company focused on the needs of the market, and developed a highly innovative approach to create **solutions with built-in electronics**, giving rise to the first integration of a permanent magnet synchronous motor and its drive. This innovative technology allowed Lafert S.p.A. to enter new business areas, such as renewable energies and material handling. In 2012, the market coverage extended also in the Asian market through the setting up Lafert Suzhou Co. Ltd. where the presence of Lafert S.p.A with its know-how and the quality of its motors was expand.



2015-2020

Lafert 4.0

The great expansion and brand recognition led in 2018 to Lafert Group joining the **international Sumitomo Group**. Thanks to this integration, Lafert Group nowadays is able to face challenges that require the ability to address new global needs, developing synergies and integration projects with other global leading companies. The first results led to the development of new business sectors with specific solutions for AGVs and airport baggage handling, developing integrated packages for industrial automation.

Lafert is now an international Group whose quality can be spread worldwide through co-engineering processes and wholly in-house and controlled production.



2020...

Synergy and innovation as groundwork for our future

The entrance into the Sumitomo Group, in the Power Transmission and Control (PTC) division, allows us to create fundamental synergies between the other companies of the Group, develop new integrated products and enter new markets. To support our expansion, we inaugurated a **new site in San Donà di Piave**, totally automated with maximum energy efficiency, proving our history in grounding our work in evolution and market orientation. We also acquired a **new industrial area next to our headquarters** where we will build another piece of our future made of innovation, expansion, and sustainability.

In 2022, we crossed the line of our **sixtieth anniversary** and, with this occasion, we strengthened ourselves as a Group: we simplified the internal relationships by unifying all the Italian societies under the one common leadership of Lafert S.p.A.

1.5 Vision and Mission

Vision

Bring innovation anywhere, leveraging the maximum technological know-how.

Innovation means doing something new every day, something that will improve the world.



Facing new challenges every day, but with a clear vision on how to constantly improve the production capabilities, energy efficiency, product customization and performance, all while reducing our environmental impact.

This is the Vision of Lafert Group.

It is a great responsibility that Lafert assume for the world and future generations, an awareness that allows the Group to understand the future, to think big, and to anticipate future global needs to achieve a more efficient and sustainable world.

Mission

Create innovative motors that are increasingly efficient and optimize performance with advanced integrated solutions.

Engineer customizations for different applications and changing market needs



Evolution is in Lafert's DNA. Through company choices, in-house skills and market demands, the Group has always been committed to technological innovation that matures over time.

Evolution is the ability to optimize integrated industrial processes at the highest technological level, natural inclination towards custom solutions and ambition to improve, look forward, and imagine a future full of new opportunities.

1.6 Industry regulations

In the electric motors sector, the main regulations relate to energy efficiency level of the products introduced into the market. In Europe, the new **EU Regulation 2019/1781 on Ecodesign** directly concerns companies that purchase, sell and use motors and drives. The widest objective of the regulation, obviously, is to allow the EU to achieve the goals set for energy efficiency and CO2 emissions, in order to limit the average global temperature increase.

EU Regulation 2019/1781 will be implemented in two stages, as of July 1st, 2021. The second stage, with a wider scope and increases motor requirements, will start two years later, on July 1st, 2023.

In order to meet the new requirements set by the EcoDesign regulation, Lafert has launched on the market a new range of IE2 three-phase motors, including brake motors, from 0.12 to 0.55 kW, well in advance to the first scheduled step – July 1st, 2021.

Furthermore, in order to meet the needs of customers strongly focused on energy efficiency, Lafert is able to offer the same range of three-phase motors from 0.12 to 0.55 kW also with IE3 efficiency level, thus forestalling further increases in minimum efficiency levels and assuring a significant competitive advantage to the EU market and its customers.

1.7 Strategy and sustainability

Considering that about 70% of the energy used by the industry goes to the electric motors that power the machinery, it is clear that an accurate choice of the electric motors to be purchased is critical to reduce energy consumption levels and moving towards a zero-impact future.

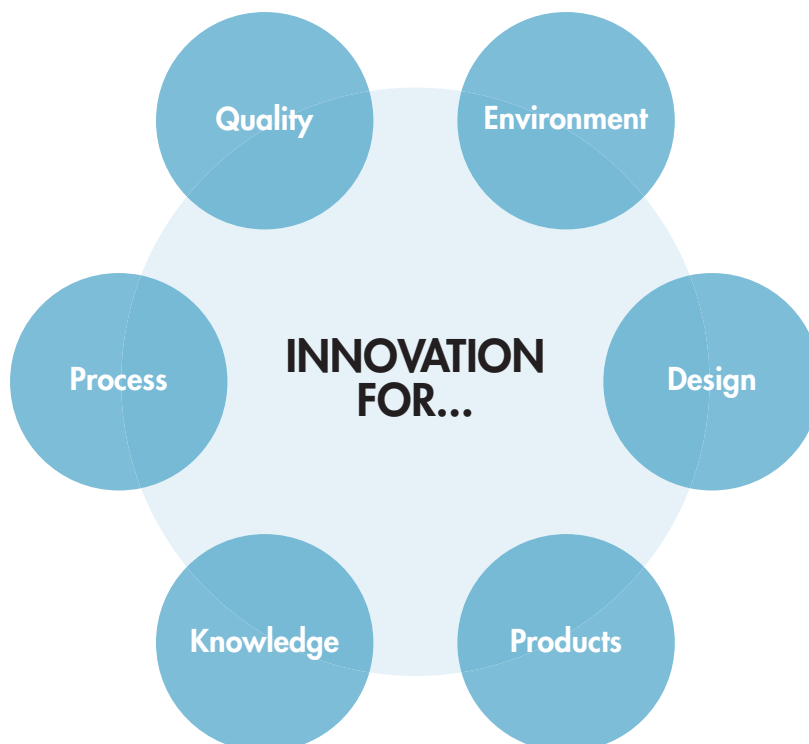
Proving the impact of electric motors, **the 45% of global electrical consumption is indeed due to these motors**, which are essentially indispensable for the operation of the machines on which our economies and societies are based.

Lafert and sustainability

At Lafert, **innovation** is the core around which ideas, projects, products, development processes all rotate. Innovation is fed by research, which promotes the inception of ideas and the sharing of knowledge, supporting the various market segments.

Innovation also leads to sustainable and inclusive development, where it is at the service of people, companies, communities and regions, while respecting environmental sustainability.

Building upon innovation, Lafert has plotted a pathway towards sustainability that aims specifically at pursuing the following corporate objectives - driver, also underlying its policies and management systems that regulate the processes and operations of the Company, consistently with sustainable development:



INNOVATION FOR...

Quality	Lafert considers innovation a driver to maintain the quality and safety of its products on which the reputation and brand awareness on the market is based, also related to performance and the reduction of electrical consumption.
Process	Lafert has always striven to innovate production processes in order to streamline the production cycle and optimise lead times also thanks to enabling technologies.
Environment	Lafert's focus on reducing the energy consumption of its products and minimising their environmental impact has always been an essential driver in the development of new projects. This goes hand in hand with the development of production processes, which has made it possible to develop solutions to reduce to the minimum, for instance, water waste, through a Water Management system that assures the recovery, purification and reuse of water in the production system.
Products	The number of patents filed, and product innovations implemented by Lafert, with a view to their environmental and social impacts, have always been a specific feature of the company's offer.
Knowledge	One of the core values of Lafert is its constant commitment to sharing its knowledge on emerging technologies and its use in cutting-edge products, implementing cross-fertilisation initiatives aimed at achieving the utmost energy efficiency and precision of movement in all application sectors.
Design	Lafert develops innovative and integrated solutions that combine the quality of motors and state-of-the-art electronics and assure the highest efficiency in a compact design that makes for ductility and applicability in the most diverse sectors.

Sustainable development goals

Lafert has always pursued an industrial development model that adheres to principles of sustainability, transparency and quality, making tangible commitments and adopting specific management and organisational structures, with the aim of creating shared value for all its stakeholders, for people, for the community and the region, while respecting the environment.



Specifically, Lafert's strategic approach is consistent with the journey towards sustainability it has embarked on this year, which entails progressive integration of the **Sustainable Development Goals (SDGs)**, part of the United Nations' Agenda 2030.

The current context and the megatrends underway require from companies a commitment to pursue economic objectives that are able to generate positive impacts also in environmental and social terms.

The implementation of a sustainable development policy by companies, as an element of the Group's core business, is indeed a lever for achieving the SDGs, jointly with specific projects and initiatives.

In this context, Lafert has carried out a preliminary analysis of the consistency of its business model and strategic goals with the SDGs, also through the assessment of B Lab-Global Compact's SDG Action Manager platform (see the next paragraph), which has made it possible to identify some SDGs as a priority, with respect to which the Company's business is able to give a significant contribution.

SDG Action Manager

In order to assess the company's sustainable development against the 17 Sustainable Development Goals – SDGs – indicated by the United Nations' Agenda 2030, Lafert has measured itself through the **SDGs Action Manager**, an online platform that was set up in 2020 stemming from the integration of the B Impact Assessment by the US no-profit B Lab with the Principles of the United Nations' Global Compact Network.

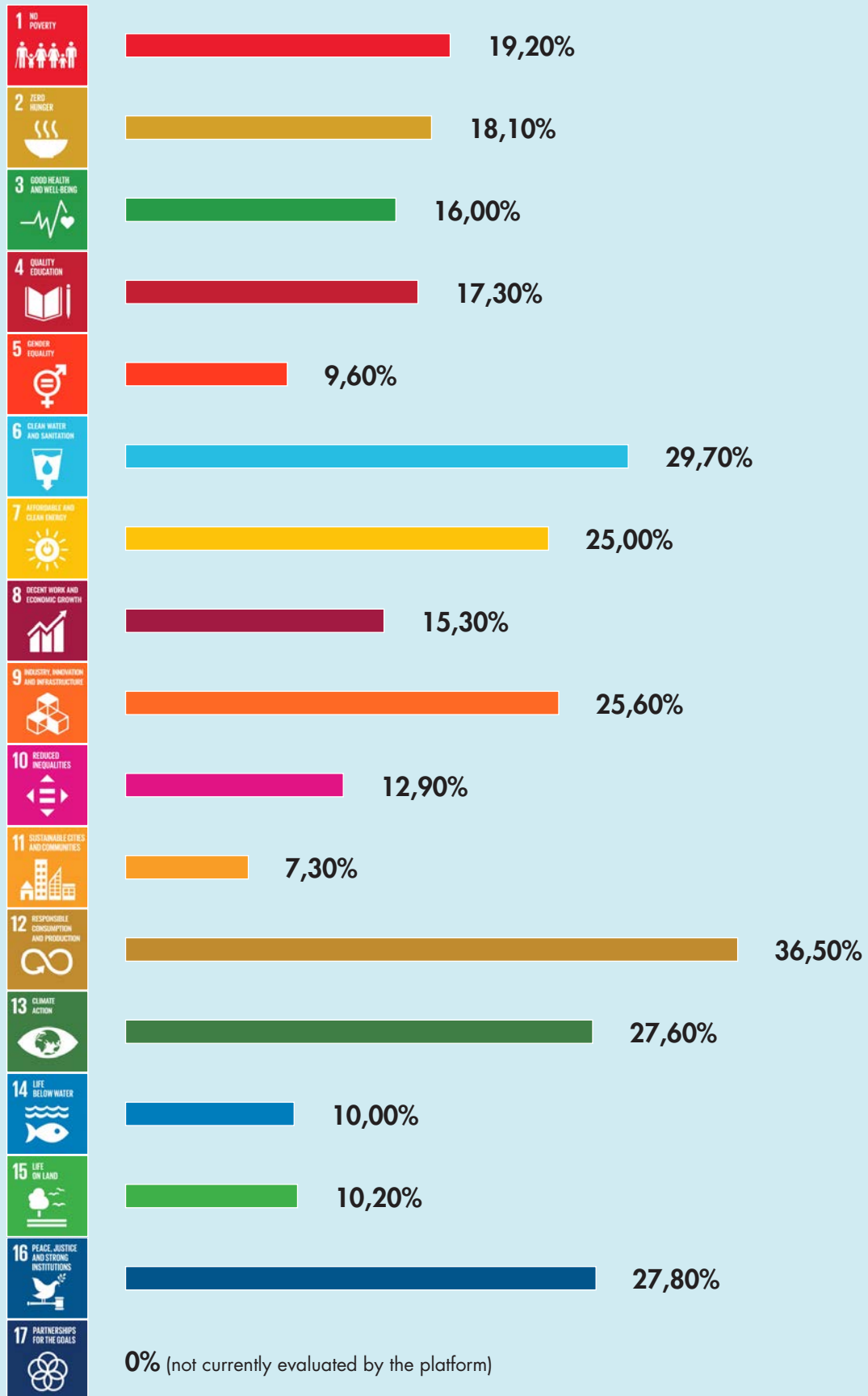


SDG Action Manager is a tool that measures how much a company is contributing to the achievement of the individual goal with respect to its potential.

Indeed, the tool enables a company to self-assess its level of contribution for each SDG (except the seventeenth, which stems from the interaction of the other 16 and is not assessed by the platform now).

The results obtained from the platform for each SDG are set out below, based on Lafert's answers to the questionnaire provided by the system.

Lafert's contribution to SDGs



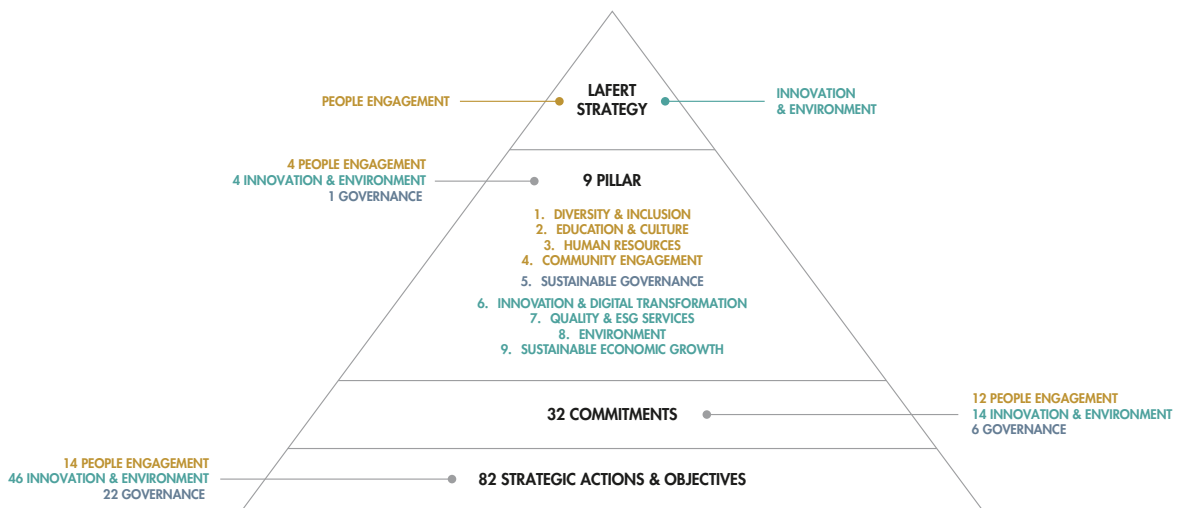
Lafert Group Sustainability Plan

Innovation has always been the beating heart of Lafert, around which all ideas, projects, products, and development processes revolve. Innovation is fuelled by research, which nurtures the development of ideas and the sharing of knowledge, supporting the different market branches. However, when innovation is at the service of people, businesses, communities, and territories, and respects environmental sustainability, it also generates **sustainable and inclusive development**.


Starting right from the bond between innovation and care for the environment (Innovation & Environment) and the attention to people’s welfare (People engagement), Lafert developed a Sustainability Plan 2023-2026 which specifically aims at following **9 pillars**, which also lay the foundations of its policies and its management systems regulating the processes and operativity of the Group, in coherence with the sustainable development:







The established Sustainability Plan declared the strategic guidelines and the targets in the ESG field in the short-medium term, by defining quantitative goals, concrete actions, role assignments, responsibilities of the interested area, and performance indicators (KPI), accordingly to the company mission. The ESG strategy was developed through two trajectories: **innovation and attention to the environment** on one side, and care for the **people’s well-being** on the other. A total of 82 actions and strategic targets were identified, classifiable into 32 tasks and, more generally, into 9 pillars.



	DIVERSITY & INCLUSION	EDUCATION & CULTURE
OBJECTIVES	Enhancing diversity and ensuring inclusion	Promote education and vocational training for the growth of people and the territory
	Manage the diversity and equal opportunities	Develop the culture of internal resources through organizational initiatives and training
	Ensure the gender balance in career paths and recruitment	Develop the training on themes as ethics and transparency
	Exploiting merit and ensuring equal pay and career opportunities	
MATERIAL TOPICS	<ul style="list-style-type: none"> • Respect for human rights and protection of workers 	<ul style="list-style-type: none"> • Training and development of skills
	  	   
	HUMAN RESOURCES	COMMUNITY ENGAGEMENT
OBJECTIVES	Promote the well-being and development of employees' growth	Promote the development of the territory and the employees' growth
	Improving the living conditions work and the business climate	Strengthen the dialogue with the institutions local and national level
	Strengthen the management of health and safety at work	Developing partnerships with schools, universities, non-profit organizations and local authorities
	Develop the corporate welfare system	Encourage initiatives of territorial regeneration
Improving the internal communication with employees		
MATERIAL TOPICS	<ul style="list-style-type: none"> • Respect for human rights and protection of workers • Health and safety at work 	<ul style="list-style-type: none"> • Dialogue and the engagement of stakeholders • Support to the local community and territory
	  	   

SUSTAINABLE GOVERNANCE	
<p>Develop and maintain a governance system aligned to the best practices of sustainability</p>	
OBJECTIVES	<p>Improving compliance, transparency and ethics</p>
	<p>Improving the system of enterprise risk management with ESG impacts</p>
	<p>Create a process of stakeholder engagement</p>
MATERIAL TOPICS	<p>Ensuring sustainability considerations in business strategies</p>
	<p>Improving sustainability sensitivity and corporate brand reputation</p>
	<p>Improving accountability and sustainability reporting</p>
	<ul style="list-style-type: none"> Ethics and integrity in business conduct Transparent governance and management of sustainability claims Dialogue and the engagement of stakeholders
	

	INNOVATION & DIGITAL TRANSFORMATION	QUALITY & ESG PRODUCTS
	<p>Develop innovation and technological transformation to contribute to the digitalization of the territories in which Lafert operates</p>	<p>Develop reliable, quality and “green” products and solutions for the sustainable growth of the country</p>
OBJECTIVES	<p>Promoting internal processes digitalization</p>	<p>Developing projects for the control and optimization of quality of services and of the products</p>
	<p>Developing innovation of the products</p>	<p>Developing initiatives to improve the focus on customers and the measurement of their satisfaction</p>
MATERIAL TOPICS	<p>Increase the safety of products and of customers</p>	<p>Increase the safety of products and of customers</p>
	<ul style="list-style-type: none"> Innovation and technological transformation 	<ul style="list-style-type: none"> Product quality, safety and reliability Satisfaction and customer relationship management
		

	ENVIRONMENT	SUSTAINABLE ECONOMIC GROWTH
OBJECTIVES	<p>Improve environmental impact and achieve Carbon neutrality</p>	<p>Contribute to the social, environmental and economic development of national and international communities</p>
	<p>Implementation of a road map towards Carbon neutrality</p>	<p>Promote the selection and the assessment of suppliers considering ESG factors</p>
	<p>Optimize the use of the materials and the management of waste</p>	<p>Develop initiatives for the access to subsidized loans by projects of sustainable innovation</p>
	<p>Develop the strategy for mobility management</p>	<p>Respect of human rights along the chain supply</p>
	<p>Improve the containment of water consumption</p>	<p>Develop a strategic economic and financial growth considering ESG aspects</p>
MATERIAL TOPICS	<ul style="list-style-type: none"> Fight against climate change Energy efficiency and sustainable products 	<ul style="list-style-type: none"> Creation and distribution of generated wealth Economic strength and resilience Responsible management of the supply chain
		

1.8 The business model

The features of electric motors

Electric motors are used to perform a number of different functions and therefore must, as the need may be, perform different types of movement: in some cases fast, in others precise, or continuously and at constant speed, or with speed changes, etc. **In general, the task of an electric motor is to provide torque at a given speed.**

Furthermore, a motor may be required to perform several demanding activities, hence, in order to sustain them, the system must have appropriate size and electric power.

A first, fundamental distinction between electric motor types concerns the motor's size:

- **small-sized motors** are used in the compressors of air conditioners and refrigerators, in the cooling fans of electronic equipment and in countless commonly used devices;
- **medium-sized motors** are found in conditioning systems (HVAC), in lifts, in metros. They are also widespread in industry to operate pumps, conveyor belts, fans and mechanical movements of all kinds, in machines and in industrial automation systems;
- **the largest electric motors** are used on trains, funiculars, ship propulsion systems and heavy equipment used in mines and paper mills.

There is a further difference between synchronous and asynchronous motors.

- The **synchronous motor** is a type of alternating current electric motor in which the stator, generally three-phase, generates a rotating magnetic field. It cannot be started up directly from the mains and therefore requires a device for the purpose, such as an electronic converter (drive). For high powers it is the wound rotor type, while for powers up to a few tens of kW the rotor is the permanent magnet type. The latter type, thanks to the increasingly widespread use of electronic converters (drives), to its high efficiency and compact size, is used in a high number of applications ranging from computer HDs, as servomotors (as a suitable position transducer) in industrial automation and in robotics, but also more and more generally in variable speed applications such as pumps, fans, compressors, conveyor belts, including with sensor-less control.
- In the **synchronous reluctance motor**, unlike the previous type, the rotor is not the wound type or with permanent magnets but consists of ferromagnetic material in which 'barriers' are obtained in air and the torque originates from the tendency towards alignment between the rotating magnetic field of the stator and the rotor iron. Therefore, it does not require permanent magnets but with volume being equal, the torque is lower.
- The **asynchronous motor** is the most used and widespread type of motor and covers an extremely wide range of applications (industrial and residential) and power (from few W to MW), owing to its sturdiness and ability to be started up directly from the mains. It is made in the single-phase as well as three-phase version. The rotor is typically made with an aluminium cage (or copper as required), but it can also be of the wound type for high power ratings. The name asynchronous derives from the fact that the rotation speed of the rotor is slightly lower than that of the rotating magnetic field generated by the stator, by an amount called slip, which increases with the load. Applications are at fixed and variable speed (by using a drive) for lifting systems such as lifts or hoists, transport systems such as conveyor belts, ventilation, and air conditioning systems (air handling units), vacuum pumps, wind generators, without forgetting perhaps the most common use such as pumps and compressors.

Electric motors and energy efficiency

The efficiency of electric motors may vary from the point of view of energy savings and this aspect significantly affects the purchase by industrial companies.

Choosing the optimal motor rating is an extremely significant aspect to consider: an oversized motor with respect to the task will consume an excessive amount of energy and deliver only a fraction of the available power, while a motor with insufficient power will waste energy due to overheating. This means that choosing the proper motor rating allows companies to save energy and money, while limiting their environmental impact. The efficiency of a motor is measured based on a scale published by IEC, the International Electrotechnical Commission. Nowadays, category IE1 and IE2 motors are considered obsolete.

Some among the most recent motors reach the IE4 standard, which indicates energy dispersion is approximately 15% lower than IE3 motors, while the latest IE5 motors with 'ultra-premium' efficiency offer the highest efficiency level among all motors currently on the market.

IE1 Standard Efficiency	IE2 High Efficiency	IE3 Premium Efficiency	IE4 Super-Premium Efficiency	IE5 Ultra-Premium Efficiency
-----------------------------------	-------------------------------	----------------------------------	--	--

Energy efficiency and the role of drives

In addition to the installation of a state-of-the-art permanent magnet motor, further energy efficiency may be obtained through the combination of a high efficiency motor with a variable speed drive.

A variable speed drive indeed allows an electric motor to be controlled in such a way as to optimise its operation. This is achieved by regulating the speed and torque of the motor based on the system's load requirements.

By using a suitable drive, the electric motor revolves exactly at the speed required by the underlying load, with significant power savings, thus increasing efficiency.

By combining a variable speed drive with the motor of a pump, fan or compressor, the energy consumption is typically reduced by 25%.

Despite that, according to the estimates, only 23% of industrial motors installed worldwide are currently coupled to a drive. This percentage is expected to increase to 26% in the next five years, but further significant savings might be obtained if the implementation rate were higher.

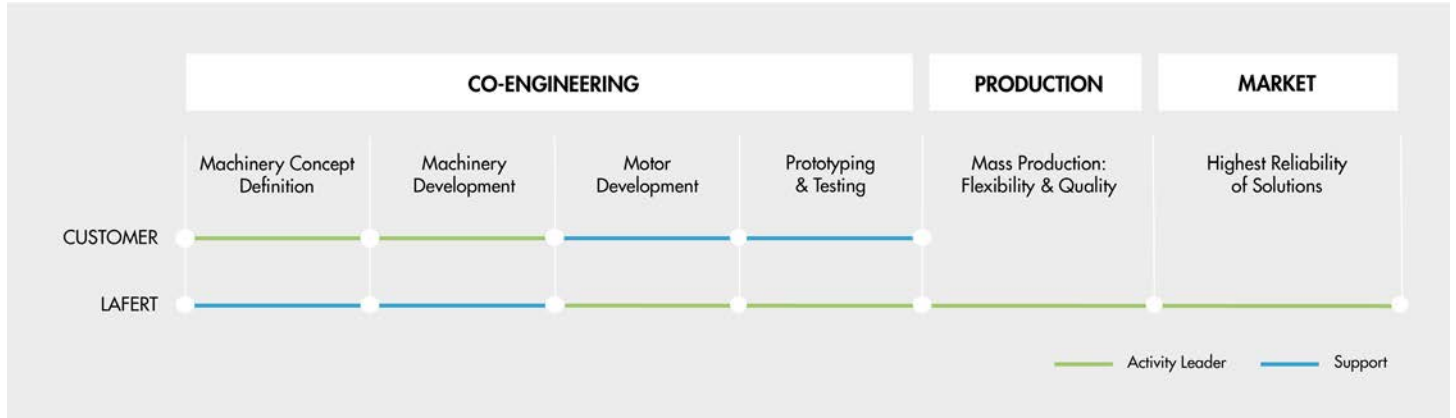
The business model and the value chain

Leader in market segments focused on Energy Efficiency, Lafert produces super-efficient, compact-sized motors, with far higher performances than the limits of the current regulations, and it is always ready to study new technologies and exceed new standards.

Thanks to the control ability, compact size and precision in rapid short and segmented movements, Lafert's motors are perfectly suited to all Industrial Automation systems.

Lafert's core business is asynchronous, synchronous motors, servomotors and drives, wholly customised when required, which are innovative and developed to provide Lafert quality to the sectors of Energy Efficiency and Industrial Automation. With 60 years of experience and partnerships with international players, Lafert stands for innovation that evolves, does not stop and continues looking ahead towards "endless integrated solutions", combining a motor, a gear and a frequency converter in one single package.

The Group's business model is based on direct control of the entire production-distribution process. With flexibility and reliability, Lafert Group focuses **on the market needs**, designing even extremely customised motors with an innovative approach and the highest specialisation in applications and solutions. The value creation development process is summarised below:



Co-Engineering

We work in co-engineering with our customers, international players in their industries, from the construction of machinery to industrial automation, designing high performance solutions for the most diverse sectors.

Production

In order to assure the highest quality of our products, we produce every component in-house. Cutting the sheets in our shearing shop, winding the copper wires, melting the metal components, processing of the permanent magnets and ferrite, up to the electronic boards: all that reflects our attention to quality.

Vertical production allows us to have the flexibility needed to develop motors for any specific application, but also to design integrated products in synergy with other leading international companies and with Sumitomo Heavy Industries, Ltd.



We have also innovated production processes, streamlining them, and setting up a smart customisation system that makes full use of the acquired know-how. Change is also embodied in the new San Donà di Piave production facility, where every aspect is automated and efficient, with state-of-the art interconnected information systems (Industry 4.0).

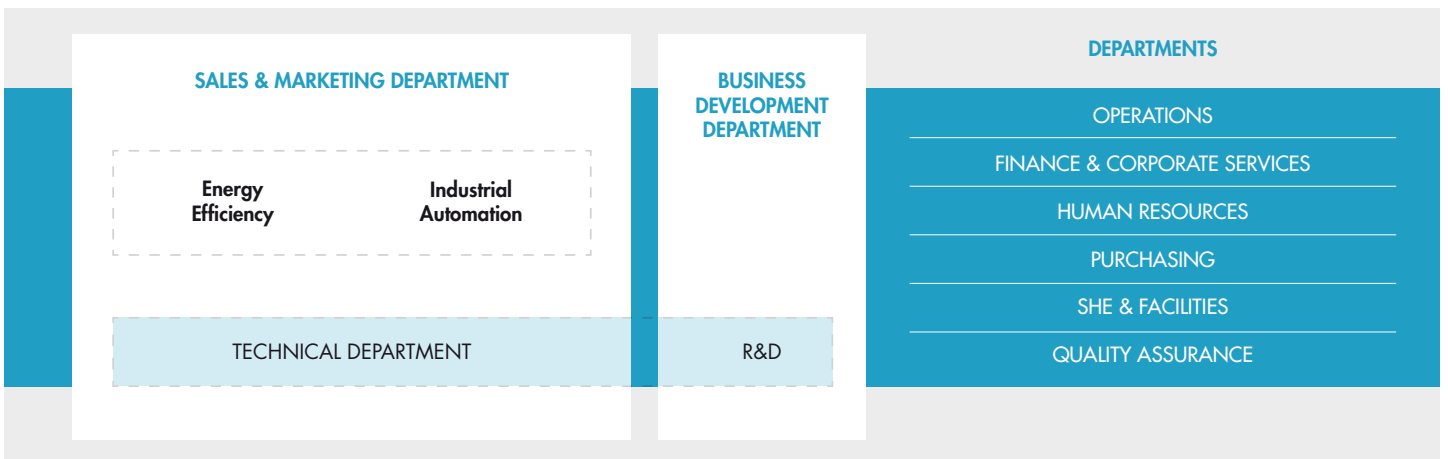
Distribution

We operate through eleven offices in Europe, North America and Asia, including six complex production units in order to foster process integration. This allows us to offer the highest flexibility in the design as well as in the distribution of our products.

Lafert Group’s sales network is present in major industrialised countries on three continents in order to be close to the customer and ensure truly timely and tailor-made service.

Therefore, at Lafert there is a strong interconnection between the Sales Department and the Business Development Department, which makes it possible to work in synergy with the following features:

- **Business Development focused on highly technological and innovative projects and synergistic projects with the companies of Sumitomo Heavy Industries, Ltd.;**
- **Strong integration of Sales and Technical Department to provide the highest support to new applications and our customers;**
- **Strategic role of the Technical Department in assuring the success of Sales and Business Development.**

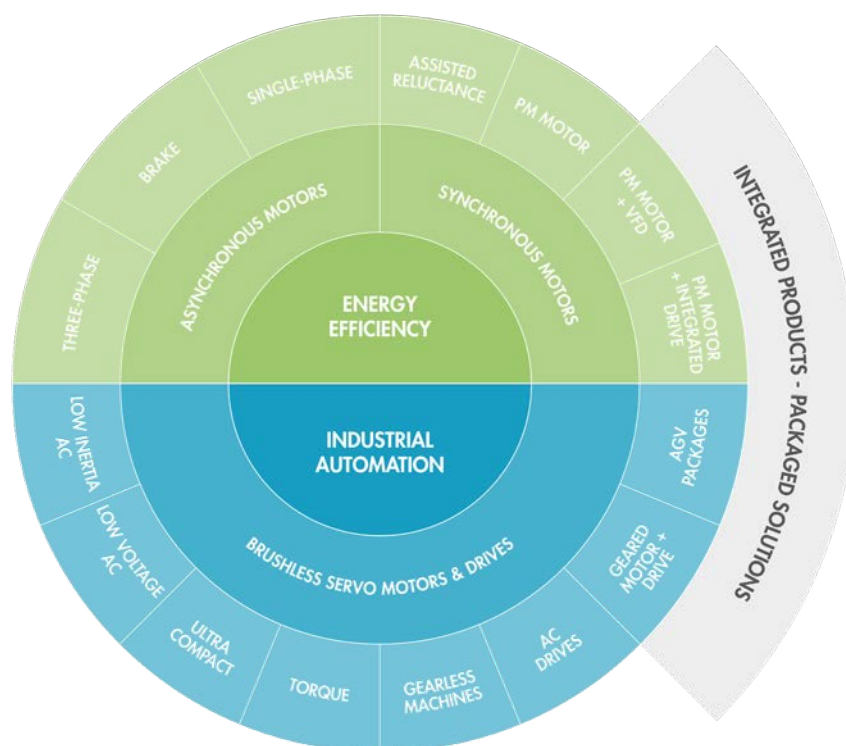


The product lines

Lafert's product lines revolve around three types of motors: **asynchronous, synchronous and servo motors**, wholly customised and designed to provide the highest energy efficiency and movement precision to all sectors of application. Innovative and integrated solutions are developed to combine the quality of motors and state-of-the-art electronics and assure the highest efficiency in a compact design.

Solid and reliable, Lafert's asynchronous and synchronous motors stand for quality worldwide.

Among the very first to develop high efficiency motors thanks to the use of the permanent magnet technology, assuring the highest energy performance.



Brushless servomotors assure high performance in speed, precision and control. Owing to the features and functions, applications for the brushless motor are countless, in the sector of robotics, mechanics and electronics. At the same time, use of these motors is widespread especially in the industrial field, in so-called automatic machines, which require precise and rapid movements. Lafert provides customised, extremely efficient solutions and complete packages with dedicated drives.

The main product lines are as follows:

1. **PM Synchronous Motors - IE4/IE5**
2. **Asynchronous Motors - IE2/IE3**
3. **Self-Braking Motors**
4. **Brushless Servo Motors**
5. **Integrated Solution for AGVs**
6. **Gearless Machines for Lifts**
7. **Servo Drives**

1. PM Synchronous Motors - IE4/IE5

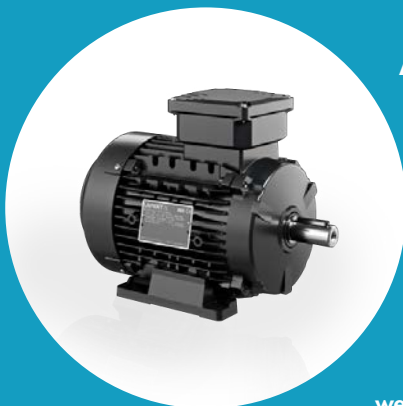
High Performance (HP) is a generation of PM (Permanent Magnet) Synchronous Motors, achieving IE5 Super Premium Efficiency level, that offer improved electrical efficiency and a very compact design.

This uniquely engineered product combines the electrical design of Brushless Servomotors with the mechanical design of AC Induction Motors. The result is a compact motor primarily targeted toward HVAC applications in fans, compressors, and blowers, where there is emphasis on reducing the operating cost or weight and size of the motors.

Finally, Lafert offers wide flexibility in terms of design, by customising the motor's active and mechanical parts based on the customer's specific needs.

This range of motors includes the following series:

- A) PM stand-alone motor -IE4/IE5
- B) PM motor and drive package – IE5
- C) PM motor with integrated drive – IE5
- D) Integrated Direct Drive motor



A) PM stand-alone motor -IE4/IE5

High Performance (HP) is a generation of permanent magnet (PM) synchronous motors that achieve Ultra Premium IE5 Efficiency level, combining the electrical design of brushless servo motors with the mechanical design of AC induction motors.

With higher efficiencies than standard AC induction motors, the HP range also enhances the power/weight ratio, thereby allowing for significant size and weight reductions down to 50%.

Thanks to the torque and the high efficiency, available through the complete speed range, the HPS series is targeted to both quadratic torque applications, typically in HVAC, as well as to constant torque applications like material handling, air compressors and vacuum pumps. These applications require high performances in continuous operation under variable speed, reducing the operating cost and weight/size of the system.

The motor range is based upon Surface Mounted Permanent Magnet (SMPM) design. PM motors typically use rare earth elements such as Samarium and Neodymium in the construction of the magnet elements. Furthermore, in order to address market challenges and multiple application needs, **Lafert has introduced for specific projects a cost effective Interior Permanent Magnet (IPM) design and Surface Mounted Permanent Magnet (SMPM) design and introduced different magnet elements more readily available, without applying rare earth magnets.**



B) PM motor and drive package – IE5

HP Combi is two-in-one, an innovative marriage between a permanent magnet synchronous motor and a variable frequency drive. The Combi package combines the IE5 Ultra Premium Efficiency of our permanent magnet synchronous motors with our variable frequency drive (VFD), achieving the highest energy efficiency standards.

The maximum speed control thanks to the VFD, the system optimisation assured by a single supplier and our extremely high efficiency permanent magnet motor enable energy savings and a reduction in energy supply costs of up to 50%.

The main advantages of HP Combi are:

- **drive pre-configuration** that allows for immediate use after installation;
- **advanced electronic control** that allows you to configure the drive through HP Drive Tools, a user interface available for PC or mobile app;
- **greater efficiency and shorter payback time** thanks to precise speed control and system optimisation.

The variety of configurations cover a wide range of industrial and commercial applications. In fact, HP Combi is designed for both variable torque applications, typically in HVAC, and for constant torque applications such as material handling, air compressors and vacuum pumps.



C) PM motor with integrated drive – IE5

High Performance Integral (HPI) is the second generation of our innovative range of fully integrated PM (Permanent Magnet) Synchronous Motors with variable frequency drive (VFD - IE2 efficiency), which guarantees IE5 Ultra Premium Efficiency and offers low energy consumption thanks to greater energy efficiency.

The original shape of the product combines the superior efficiency of each individual component with variable speed control and maximum compactness, achieving better performance than asynchronous motors in larger sizes.

The main advantages of HP Integral are:

- **drive pre-configuration** with the pre-loading of the operating settings;
- **advanced electronic control** with the option of setting up the drive through a user interface, HP Drive Tools, available for PC or mobile app;
- **precise speed control** and system optimisation granting greater efficiency and shorter payback time;
- **built-in drive for an ultra-compact design.**



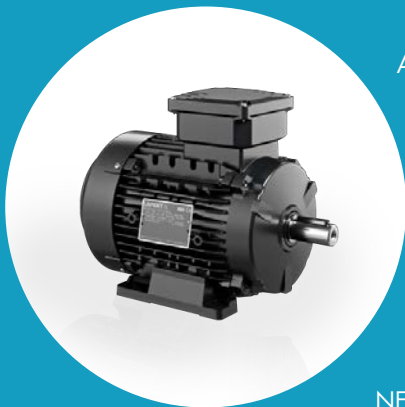
D) Integrated Direct Drive motor

An innovative concept of Synchronous PM Motor with low RPM, specifically designed for application on HVLS fans (High Volume Low Speed), it is introduced on the market as IFM, Integrated Direct Drive Fan Motor. The system offers the advantage of moving a significant amount of air at low speed, consequently distributing it evenly, while consuming less electricity than conventional ventilation systems, up to 50% less.

In buildings with large halls and entrance areas, the most economical way to ensure even temperature distribution and therefore cooling, is identified in a new concept of Permanent Magnet Synchronous Motors which, when activated at a low number of revolutions, operate fans with large diameter blades (up to 7 m), reducing energy consumption. The number of fan RPMs is controlled by a drive built into the motor.

From the livestock to the industrial sector, the IFM range is versatile and can be used in large premises such as gyms, stables, shopping malls or warehouses.

2. Asynchronous Motors - IE2/IE3



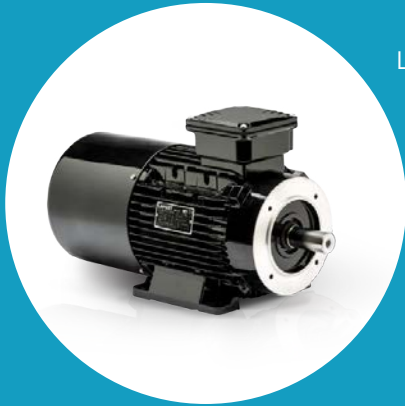
Asynchronous Motors have a significant impact on the total energy operation cost for industrial, institutional and commercial buildings. Today, the major factor influencing the motor industry is energy efficiency, driven by both increasingly demanding legislation and industry's greater awareness of green issue responsibilities.

The range includes the following motors:

- The series **Premium Efficiency IE3** assures conformity to minimum efficiency requirements (MEPS) set by the various EU countries, and to the mandatory NEMA/EISA requirements in the USA and Canada.
- The **High Efficiency IE2** series assures a reliable and robust product, that fully complies with the requirements of the IE2 efficiency class, mandatory in Europe for all motors from 0.12 to 0.55 kW, and in other countries around the world.
- **Two Speed Motors** make it possible to adjust the power consumed based on the needs of the application and thus provide significant energy savings and consequent reduction in CO₂ emissions, since they can be used at low speed, reducing the power input.

This type of motors is mainly used for **Machinery (Textiles, Packaging / Labelling, Tools, Woodworking, Food), Pumps, Fans, Air Conditioning, Compressors and Vacuum Pumps, Blowers, Heat Exchangers.**

3. Brake Motors



Lafert's Brake Motors are engineered according to the customer's specification. Total control over all aspects of production permits multiple design options including flanges, shafts, brakes plus optimum resistance to external agents and offshore environments for paints, seals, and magnet surfaces.

The result is a range of AC motors with DC and AC brake, produced entirely in-house which incorporates Lafert's own technical solutions for achieving robustness and performance, combined with the option for application-specific customization.

This type of motors is mainly used for **Machine Tools, Woodworking Machines, Food Industry, Conveyors, Cranes and Hoists, Yaw Drive - Nacelle Rotation.**

4. Brushless Servo Motors



Lafert's know-how in manufacturing permanent magnet motors is combined with the company's on-going drive for excellence and its ability to offer non-standard solutions, all of which is invested in this product range. On-going research and development, often in conjunction with customers, continues to bestow superior performance in terms of speed, accuracy and control to satisfy application needs. The range of Brushless Servo Motors is one of the most complete available on the market with wide range of nominal torques from 0.18 to 390 Nm and includes:

- The range of Direct Drive Motors covers a range of torques from 10 to 500 Nm.
- The entire range is available with ATEX Certification - Zone 2 and 22, for use in potentially explosive areas.

The Ultra Compact range is the very latest addition, developed to achieve high dynamic performance in minimum dimensions.

Available in 5 ratings, the power, precision, compactness and availability to co-design with the customer allow to create high performing machines. An ideal solution for all applications that require dynamic performance and maximum power density.

This type of motors is used mainly for **Textile Machines, Machines for Plastic and Rubber, Packaging / Labelling Machines, Printing Machines, Robotics.**

5. Integrated Solution for AGVs



Smartris is the new complete package solution including gear, servo motor and drive for AGV systems (Automated Guided Vehicles), and combines the extensive technological competences of two companies. Lafert's customized solutions for electric motors & drives meet Sumitomo expertise in gears and gearboxes. Both brands have strong reputation respectively in the motor and gear market and in the AGV sector, and with this new integrated package they are offering very competitive advantages and benefits.

6. Gearless Machines for Lifts



Lafert's LIFT range has established the company internationally as one of leading manufacturer. The motor's innovative design, with its protected encoder and no external cabling, offers compactness and low weight, ideal for home lift systems or new concept M.R.L..

Its novel inner rotor and fractional slot gearless technology are of products of Lafert's in-house design and manufacturing expertise. It provides the highest levels of performance and energy efficiency plus enhanced response to satisfy today's needs and trends in the elevator market: higher speed to greater heights.

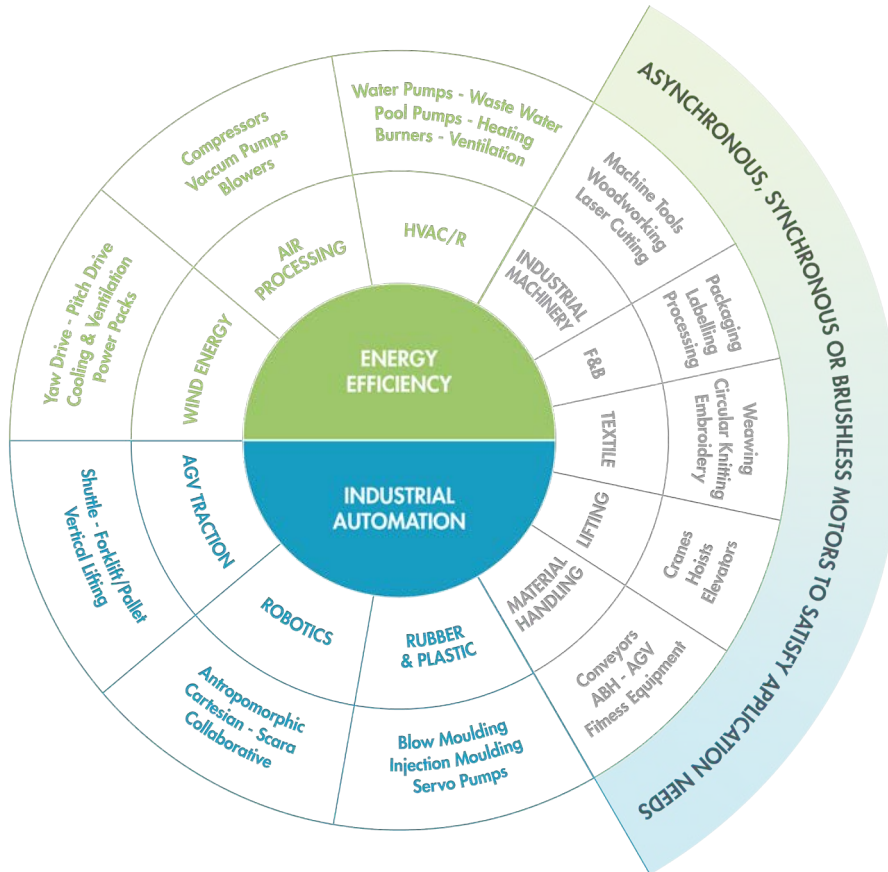
7. Servo Drives



Lafert's servo drive range is designed to drive brushless servo motors and includes standard products and custom solutions that ensure high performance and energy cost reductions for diverse applications across the fields of Industrial Automation and battery-powered applications, such as the automated handling of materials and/or people.

The distinctive features of Lafert's business model

Strongly focused on the market, we have acquired unbeatable know-how in various applications, including very special ones. Lafert's motors and servomotors are wholly customisable to assure the best performance to any environmental condition and industrial system.



The main distinctive features are as follows:



Continuous growth

Assuring continuous growth while **preserving distinctive Lafert's features** (focus on the market and product) **and achievement of strategic objectives**



Integration with Sumitomo

Integration within Sumitomo PTC structure and strategy, **strengthening the focus on the market and enhancing skills** in the various markets through synergistic projects



Business Development

Assuring the development of new products **ensuring the timeliness of projects and anticipating market needs**, thanks to the extensive technological know-how of PTC

1.9 Materiality analysis

Stakeholders are those subjects (individuals or groups) that are vested with diverse interests in a company and with whom a company interacts in its operations. The engagement of stakeholders not only makes it possible to understand their needs, expectations and assessments, but also allows the company to better define its strategies and business objectives, assessing change, risks and opportunities.

Lafert's relations with its stakeholders are carried out through differentiated tools and channels for dialogue according to the various categories of stakeholders, consistently with their level of interdependence and influence on the organisation.

Stakeholder Category	Engagement activities (Projects – Initiatives – Relations)
Banks and lenders	Shareholders' Meeting - Website
Investors and shareholders	Shareholders' Meeting - Website - Periodic meetings
Employees	Constant dialogue with Human Resources Manager - Informal / corporate meetings - Training sessions - Corporate welfare initiatives - Social networks - Website - Monthly report
Suppliers	Periodic meetings - Definition and sharing of standards
Customers and consumers	Periodic meetings/ presentations - Project meetings - Partnerships on projects (products and innovation) - Social networks - Website and other dedicated communication channels - Informative Newsletters
Distributors and dealers	Periodic meetings/ presentations - Project meetings - Social networks - Website and other dedicated communication channels – Informative Newsletters
Community and region, Local institutions and Associations	Meetings with representatives of local communities - Cooperation in open innovation projects - Training and social responsibility - Sponsorships
Industrial associations	Periodic meetings - Website - Presentations
Media	Interviews - Press conferences - Corporate website - Press releases
Public Administration	National and local public authorities / National authorities / local authorities - Control authorities and regulators: meetings / sending and exchange communications for specific requirements or requests

Material topics

The relevant aspects to balance on the Sustainability Report in adherence to the GRI Standards 2021 (GRI 3 – material topics) are those reflective of the significant economic, environmental, and social impact of the organization. The first step in non-financial reporting consists in identifying through the so-called “materiality analysis” the topics of sustainability which are most significant for the Organization.

Such topics are defined as “material” inasmuch they are associated with the most significant impacts (either positive or negative, real or potential, short- or long-termed) that the business is or might be able to generate on the economy, environment and people, including the impacts on human rights as well.

Following the approach of the European Union, as defined by the Communication from the European Commission published in June 2019 and containing the guidelines on the climate change notice in which in the NFR / Non-Financial Reporting Directive 95/2014, the material topics are the sustainability matters which may generate significant impacts on the development, performance, and value of a company. At the same time, a material topic is defined by the relationship between the matters and topics of social and environmental aspects upon which a company might have a relevant impact through its activity. The two “trajectories” of materiality are interlinked with each other.

The ESG material topics for the Lafert Group were identified through a so-structured investigation:

- analysis of the existing company documentation;
- analysis of public documents, articles, statistics and observatory results based on the type of international standards and frameworks adopted for sustainability reports;
- analysis of the characteristics of the industry affiliation, in order to identify the key topics on which competitors and comparable manufacturers also tend to focus.

Concerning this last point, considering the absence of the GRI Sector Standard for the industry affiliation of Lafert, a preliminary benchmark analysis was conducted through the examination of the websites and public documents of companies rated as “best-in-class” or “comparable” on the subject of non-financial reporting. Such analysis took into account the following elements:

- the presence of non-financial documentation/reports;
- the type of published documentation (ex: Sustainability Report, Non-Financial Declaration, Integrated Report, Social Report, etc.);
- the used report standards and related levels of application;
- the presence of a materiality matrix or a list of material topics;
- the type of topics defined as material for such companies.

This analysis allowed the identification of sustainability topics leading to 4 different macro-areas: Governance, economic and service Responsibility, Social Responsibility, and Environmental Responsibility.

The identified impacts were clustered according to their relative affinity level, in order to obtain a more limited list of 27 ESG topics to put under the quantitative evaluation of the Heads of Management and a representative cross-section of the main categories of the company’s stakeholders.

To evaluate the topics, a questionnaire was taken, by which it was required to prioritize each topic, according to the level of relevance.

Particularly, the evaluation of the level of “relevance” of the ESG impacts connected to each topic accounted for the following elements:

- **scale:** entity (in the positive or negative sense, depending on the case) of the impact directly or indirectly generated by the business activities;

- **range**: spread of the impact expressed in geographical terms (ex: local level, national level, etc.), considering the number of stakeholders involved, etc.;
- **character of remediability**: measure by which it is possible either to mitigate or remedy the impact once it already took place (to be taken into account only for the negative impacts);
- **probability**: probability by which said impact might take place in the short, medium or long term (to be taken into account only for potential impacts).

To identify the topics and the truly “material” ESG impacts for the Lafert Group, a so-called “**materiality threshold**” was defined, considering for each macro field, 50% of the topics that obtained the highest priority threshold.

At the end of the process, the obtained results underwent discussion and validation by the managing board.

The following chart highlights, for each identified material topic, the reasons for the relevance of the topic (impacts generated on the economy, environment, and people), the related KPIs which were reported, and the monitoring processes which were adopted.

Material issues	Impacts and relevance of the theme	KPI/GRI Standards	Commitments, policies and monitoring tools
Governance			
Ethics and integrity in business conduct	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the management of financial resources for the benefit of society and the economic ecosystem in which it operates. • Possibility of positively or negatively affecting the maintenance of relations with the main stakeholders with whom the Organization interacts. 	GRI 2-27 GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 207-1	<ul style="list-style-type: none"> • Code of Ethics and Conduct • Organization, Management and Control Model ex D.lgs. n. 231/01 • Sustainability Plan
Transparent governance and sustainability risks management	<ul style="list-style-type: none"> • Possibility of having a positive or negative impact on the protection of legality and the prevention of illegal behaviour. 	GRI 2-27 GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 207-1	<ul style="list-style-type: none"> • Code of Ethics and Conduct • Organization, Management and Control Model ex D.lgs. n. 231/01 • Risk management system (ERM)
Involvement and dialogue with stakeholders	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the social and economic conditions of the territory and local communities. • Possibility of positively or negatively affecting involvement and participation in social inclusion activities. • Possibility of positively or negatively affecting the management of financial resources for the benefit of society and the economic ecosystem in which the organization operates. 	GRI 2-26 GRI 2-29 GRI 413-1	<ul style="list-style-type: none"> • Stakeholder engagement

Material issues	Impacts and relevance of the theme	KPI/GRI Standards	Commitments, policies and monitoring tools
Economic Capital			
Creation and distribution of generated wealth	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the management of financial resources for the benefit of the company and the economic ecosystem in which it operates (eg: reference sector, geographical district, etc.). • Possibility of positively or negatively affecting the maintenance of relations with the main stakeholders with whom the Organization interacts. • Possibility of positively or negatively affecting the ability to retain human resources, attract new ones and ensure employment stability. 	GRI 201-1 GRI 203-1	<ul style="list-style-type: none"> • Group Industrial Plan • Stakeholder Engagement • Take measures to ensure business continuity, financial stability and profitability
Economic strength and resilience	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the management of financial resources for the benefit of the company and the economic ecosystem in which it operates (eg: reference sector, geographical district, etc.). • Possibility of positively or negatively affecting the maintenance of relations with the main stakeholders with whom the Organization interacts. • Potential to have a positive or negative impact on attractiveness to investors and capital providers. 	GRI 201-1 GRI 203-1	<ul style="list-style-type: none"> • Group Industrial Plan
Productive Capital			
Product quality, safety and reliability	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the well-being of customers, in terms of the absence of toxic materials/substances in the products offered by the company. 	GRI 416-1 GRI 416-2 GRI 417-1	<ul style="list-style-type: none"> • Quality Management System ISO 9001 • Product certifications
Technological innovation and digitisation	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the management of financial resources for the benefit of society and the economic ecosystem in which it operates. • Possibility of positively or negatively affecting the availability in the markets of products and services able to meet the needs of customers. 	GRI 203-1	<ul style="list-style-type: none"> • Quality Management System ISO 9001

Material issues	Impacts and relevance of the theme	KPI/GRI Standards	Commitments, policies and monitoring tools
Human Capital			
Respect for human rights and protection of workers	<ul style="list-style-type: none"> • Possibility of having a positive or negative impact on the protection of the fundamental rights of the members of the company's staff and of all the collaborators with whom the Company deals. 	GRI 401-1 GRI 406-1	<ul style="list-style-type: none"> • Code of Ethics and Conduct • Suppliers' Code of Ethics • Whistleblowing System • Monitoring of incidents of discrimination • Gender Equality certification UNI/Pdr 125:2022 • Human Resources Management – Diversity and Inclusion ISO 30415
Occupational health and safety	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the guarantee of safety and health of staff by reducing accident rates within the Company and the levels of related work stress accused by company staff. 	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9 GRI 403-10	<ul style="list-style-type: none"> • Commitment of accident monitoring, also through the risk assessment document (RAD) update • Quality Management System ISO 9001 • Health and Safety Management System ISO 45001
Training and development of skills	<ul style="list-style-type: none"> • Possibility to positively or negatively affect the opportunities of each employee to undertake a career path and to fully realize their potential. • Possibility of positively or negatively affecting the availability of pathways aimed at strengthening and developing professional skills and competences. • Possibility of positively or negatively affecting the ability to retain human resources, attract new ones and ensure employment stability. 	GRI 404-1 GRI 404-2	<ul style="list-style-type: none"> • Commitment to training • Gender Equality certification UNI/Pdr 125:2022 • Human Resources Management – Diversity and Inclusion ISO 30415 (Diversity and inclusion training)
Relational Capital			
Responsible management of the supply chain	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the management of environmental and social impacts along the entire supply chain (e.g.: greenhouse gas emissions, energy and water consumption, responsible selection of materials, health and safety of workers, protection of human rights, appropriate remuneration policies, etc.). • Possibility of positively or negatively affecting the availability of products/services with sustainability characteristics. • Possibility to influence positively or negatively the quality of work and respect for human rights along the supply chain. 	GRI 2-6 GRI 204-1 GRI 308-1 GRI 414-1	<ul style="list-style-type: none"> • Suppliers' Code of Ethics

Material issues	Impacts and relevance of the theme	KPI/GRI Standards	Commitments, policies and monitoring tools
Relational Capital			
Satisfaction and customer relationship management	<ul style="list-style-type: none"> • Possibility to positively or negatively affect the realization and satisfaction of customer needs in terms of product offer and quality of services. 	GRI 416-1 GRI 416-2 GRI 417-1 GRI 418-1	<ul style="list-style-type: none"> • Periodic survey plan • CRM
Support to the local community and territory	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the social and economic conditions of the territory and local communities. • Possibility of positively or negatively affecting involvement and participation in social inclusion activities. • Possibility of positively or negatively affecting the management of financial resources for the benefit of society and the economic ecosystem in which the organization operates. 	GRI 201-1 GRI 413-1	<ul style="list-style-type: none"> • Donations and initiatives to support the territory
Environmental Capital			
Fighting climate change	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the protection of ecosystems and safeguarding biodiversity. • Possibility of having a positive or negative impact on the protection of local communities and territory with respect to exposure to extreme weather events (eg: floods, floods, hurricanes, desertification, etc.). 	GRI 305-1 GRI 305-2	<ul style="list-style-type: none"> • ISO 14001 • Annual comparison and verification of emission reduction results
Energy efficiency and sustainable products	<ul style="list-style-type: none"> • Possibility to positively or negatively affect energy costs through energy efficiency actions and projects. • Possibility of having a positive or negative impact on the protection of local communities and territory with respect to exposure to extreme weather events (eg: floods, floods, hurricanes, desertification, etc.). 	GRI 302-1	<ul style="list-style-type: none"> • Environmental Management System Certification ISO 14001 • Sustainable Packaging
Waste Management	<ul style="list-style-type: none"> • Possibility of positively or negatively affecting the protection of the environment and safeguarding natural resources. • Possibility of positively or negatively affecting the health and well-being of local communities through proper and responsible waste management. • Possibility of positively or negatively affecting the sensitivity and awareness of staff and consumers on proper waste management and disposal, reuse and recycling practices. 	GRI 306-1 GRI 306-2 GRI 306-3 GRI 306-4 GRI 306-5	<ul style="list-style-type: none"> • Sustainable Packaging

2. Governance

- 2.1 Responsible company management
- 2.2 The governance
- 2.3 The organisational structure
- 2.4 The Organisation, Management and Control Model
ex D.lgs. n. 231/01
- 2.5 Code of Ethics
- 2.6 The Management Systems
- 2.7 Risk management
- 2.8 External initiatives and Memberships
- 2.9 Cybersecurity and Data protection
- 2.10 Regulatory Compliance



HIGHLIGHTS | Governance

- Lafert strongly believes that the definition of specific procedures aimed at regulating the management of the Group by creating added value is fundamental to pursue the responsible and sustainable success of the Company.
- Added to this, the influence by the Sumitomo Group, which is highly sensitive to sustainable issues, has led Lafert to create, on a voluntary basis, the Sustainability Report, the Sustainability Plan and the Home-Work Travel Plan.
- In March 2023, Lafert set up a Sustainability Committee and intends to raise awareness of sustainability themes within the Group through periodic newsletters and specific training courses, dealing with issues such as transparent governance, gender equality, discrimination, and inclusion, etc.
- During 2023 Lafert undertook several projects for the acquisition of new certifications and the extension of existing certifications in the various Italian plants.
- In 2022, the new Group Code of Ethics was created, together with the implementation of the new Organization, Management and Control Model pursuant to Legislative Decree no. 231/2001.
- The specific Suppliers' Code of Ethics has also been created and already signed starting from 2023.

2.1 Responsible company management

Lafert strongly believes that defining specific procedures that govern company management aimed at creating shared value is essential to pursue the sustainable success of the company.

The Company, consistently with the traditional alignment of the Group with best practices in corporate governance, has defined a system of corporate governance rules that pays attention to external communication, in order to promote transparent, timely and complete information to stakeholders regarding the company's strategic and operational developments.

The sensitivity towards sustainable topics is also a chief priority for the Sumitomo holding company. To this end, in March 2020, the SHI Group established with the resolution of the Board of Directors the "Group Sustainability Policy". The goal of this policy is to integrate sustainability into business activities, paying particular attention to the development of products and services which contribute to sustainable growth, technological and economic development, and a reduction to the minimum in the environmental impact of the production. In March 2021, a Sustainability Committee was nominated in direct contact with the Board, with the task of monitoring the medium- and long-term strategy of the Group.

Proving their commitment to the topics of sustainability, in 2022 Sumitomo Heavy Industries, Ltd. obtained the "Silver Rating" from Eco Vadis.

Being part of the Sumitomo Group, Lafert Group is heavily influenced by this sensitivity and so, it has voluntarily outlined the [Sustainability Report](#), the [Sustainability Plan](#), and the [Mobility Plan](#).

In March 2023, Lafert nominated a Sustainability Committee too and is planning to spread more awareness in the Group about the topics of sustainability during the year by organizing specific training courses for all the working staff about themes such as transparent governance, gender equality, discrimination vs inclusivity, etc. Moreover, in order to raise collective knowledge about these topics, surveys and newsletters will periodically be sent to all stakeholders.

During the year 2022, Lafert Group started several projects concerning sustainable governance. During the year 2023, aside from outlining the second Sustainability Report 2022 and the Sustainability Plan 2023-2026 with a medium-long-term perspective (considering all the goals and actions herewith contained), Lafert also decided to achieve some certifications. For some of these, such as the [Legality Rating](#) or the [ISO 37001:2018 "Anti-Bribery Management System"](#), the Group already has all the required tools and internal procedures available to obtain them easily, while others, such as the [ISO 30415:2021 "Diversity&Inclusion"](#) and the adherence to the procedure [UNI PDR 125:2022 "Guidelines on the management system for gender equality"](#) will require a considerable and remarkable effort.

In addition to the ex-novo achievement of certifications such as the aforementioned ones, Lafert Group will periodically update and extend to the Group perimeter the already obtained certifications, such as ISO 9001:2015 "Quality Management System", ISO 45001:2018 "Safety Management System", ISO 14001:2015 "Environmental Management System".

The picture offered shows an ever-growing sensitivity to the achievement of a mature and responsible company management, with particular regard towards the topics of sustainability, ethics, transparency, and respect of human rights.



2.2 The governance

Lafert adopts the traditional governance system consisting of the following corporate bodies:

- **the Shareholders' meeting** (competent to resolve on the matters set forth by law and by the Articles of Association);
- **the Board of Directors** (the executive body of the company to whom the corporate governance is entrusted);
- **the Board of Statutory Auditors** (entrusted with the vigilance over the activities of the administrators, and the adherence to the law of the management and administration of the company).

On April 26th, 2021, KPMG S.p.A. was appointed to carry out the **statutory audit** of the accounts. This mandate is valid until the approval of the financial statements as at December 31st, 2023.

The **"Supervisory Body"** (S.B.) has a control function. It had been already present in Lafert in monocratic form but, given the considerable size reached by the Group over the years, the Company Management has taken the decision to make it a collegiate-type body, whose appointment took place on March 23rd, 2022.

The Board of Directors

The company is managed by a Board of Directors, the members of which are appointed by the Shareholders' meeting.

The directors are vested with the powers for ordinary and extraordinary management of the company without any limitation whatsoever and are therefore entitled to carry out all the deeds they deem most appropriate for implementing and achieving the corporate purpose, bar excluded only those the law and the Statute reserved to the Shareholders' Meeting.

The current members of the Board of Directors were nominated on 21st April 2023 to remain in charge for the next three years.

Board of Directors					
Shaun Dean			Chairman		
Cesare Savini			Chief Executive Officer (CEO)		
Florian Butzmann			Director		
Akira Yamamoto			Director		
Shoko Takita			Director		
Joris Felicitas F. Blommaerts			Director		
Board of Directors – Diversity (gender – age groups)					
Women		Men		Total	
N. 1	17%	N. 5	83%	N. 6	100%
Younger than 30		Between 30 and 50		Older than 50	
N. 0	0%	N. 2	33%	N. 4	67%

The Board of Directors is vested with the widest powers for the ordinary and extraordinary management of the Company and all the powers necessary for implementing and achieving the corporate purposes that are not strictly reserved to the Shareholders' Meeting by law or by the Statute.

The Board of Directors has the following powers, among others¹:

- power of company representation vis-a-vis several parties;
- power to make expenditures, investments and general expenses, and to stipulate the related contracts;
- power to enter contracts for purchase and sale and to modify their terms and conditions;
- power to withdraw cash from bank accounts;
- power to negotiate with banks, credit institutions and financial institutions;
- power to comply with the applicable regulatory fulfilments;
- power to perform activities concerning personnel management and organisation.

The Board of Directors meets periodically to discuss the economic and financial trend of the Group and the commercial strategies for the pertaining business. Moreover, the very same is informed, trained and approves the new projects which Lafert undertakes regarding sustainable development.

During the actualization of the new projects, the managers and members of the Board of Directors are preliminarily involved regarding the instance of approval in order to accept possible observations and/or suggestions. The existing dialogue between the management and the members of the Board of Directors is considered an essential and constant element of Lafert Group. Focusing on the topics of sustainability, the BoD is informed since the beginning of the projects started concerning these aspects; the members are involved and educated on the related topics, concluding the process by the approval of such projects.

The BoD delegates its executive function of the management of the Group regarding the topics of economy, environment and governance to the so-called **Lafert Group Management Team**, a body made up of five directors (with reference to the following areas: Finance & Corporate Services, Sales, Operations, Business Development, and Human Resources) and one Managing Director.

The Management Team meets periodically with the members of the BoD regarding the progress, results, and current state of the company activities. Moreover, on a trimestral basis (or more frequently when needed), a formal meeting is held to discuss the relevant topics.

The BoD independently evaluates the matters brought to their attention by delegating the achievement of the validated corrective actions to the Management Team, which will act firsthand.

During the examined time period, the Board of Directors was not informed of any particular criticalities.

¹ For greater detail, refer to the company registration certificate.

The Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and the Statute, compliance with the principles of fair management and in particular the adequacy of the organisational, administrative and accounting structure adopted by the company and its effective functioning.

The Board of Statutory Auditors consists of 5 members appointed by the Shareholders' Meeting: a chairman, two 2 standing and two 2 alternate auditors.

The current Board of Statutory Auditors was appointed on April 26th, 2021 and shall remain in office until approval of the 2023 Financial Statements.

Board of Statutory Auditors	
Camilla Menini	Chairman
Luca Angelo Pandolfi	Standing Auditor
Sandro Miotto	Standing Auditor
Lorenzo Brocca	Alternate Auditor
Alessandra Tavella	Alternate Auditor

2.3 The organisational structure

The organisational structure expresses the system of roles, powers, delegations, decision-making processes and company procedures, providing a clear identification of each person’s tasks and responsibilities with respect to company activities.

Lafert’s organisational structure is strongly focused on providing governance to the Group and its subsidiaries, as well as defining the principles of business organisation, process and resource management.

To incorporate the tasks into its policies, so as to develop a responsible business conduct, Lafert structured an organization chart which displays all the positions, roles, and responsibilities. Moreover, the company relies on a file named “Authorization Chart” which displays all the internal procedures of approval. Each year, a budget is outlined which defines the strategic goals to achieve and their referring supervisor.

Following this event, the organizational structure of Lafert S.p.A. was revised, identifying variations in tasks, roles, and responsibilities.

Here follows the updated company organizational chart of Lafert S.p.A. which came into force on 1st January 2023.



2.4 The Organisation, Management and Control Model ex D.lgs. n. 231/01

In order to ensure, in performing its activities, compliance with the applicable regulations and with the principles of clarity and transparency, as well as in order to prevent instances of bribery, Lafert S.p.A. has drawn up an **Organisation, Management and Control Model (hereinafter also “the Model”)** in accordance with It. Legislative Decree 8 June 2001, no. 231.

In 2012, Lafert deemed it essential to adopt said Model in order to ensure ethically shared behaviour and to pursue compliance with the principles of legitimacy, fairness and transparency in conducting its business.

However, this Model, is limited to the cases of environmental crime and security crimes.

During the year 2022, therefore, the Company Management has considered necessary its revision, aimed at extending the perimeter of the crimes considered having regard to the organizational and operational characteristics of Lafert.

The Company decided to prepare the Model in the belief that it represents a tool for improving corporate governance, as well as an opportunity to raise the awareness of company personnel, through process control, on the need to prevent or avert crimes.

The Model consists of a General Part and Special Parts.

The **General Part** sets out the essential components of the Model, with reference to the Supervisory Body, personnel training and dissemination of the Model within and outside of the company, the disciplinary system and the measures to be adopted in the event of non-compliance with its requirements.

The **Special Parts** are dedicated to the various types of crime and administrative offence considered a possible risk for Lafert Group. To this end, each Special Part contains reference to the individual crimes listed by It. Legislative Decree no. 231/2001 and to the principles of conduct that should inspire all areas identified as being at risk of crimes, even potentially. Each Special Part identifies the sensitive processes, possible ways in which offences may be committed, as well as the operational principles for control and internal audit.

Therefore, by implementing this Model, Lafert S.p.A. aims at promoting transparent behaviours by employees and all those who deal with the Company every day and in various roles, consistently with the objective of preventing any crimes from being committed.

Based on the provisions of It. Legislative Decree no. 231/2001, the Company may be exempted from the liability arising from crimes committed by persons who hold representative, administrative, management roles or having financial and functional autonomy if it can prove to have:

- adopted and effectively implemented, through the Board of Directors, a suitable Organisation, Management and Control Model ex D.lgs. n. 231/01 to prevent the crimes in question;
- entrusted an internal body vested with autonomous powers of initiative and control the task of overseeing the functioning and compliance with the Model as well as updating it.

In compliance with the Decree and having regard to the considerable size of the Group, as mentioned above, Lafert considered it appropriate to have a Supervisory Body (S.B.) of a collegial form (and no longer monocratic as up to that moment constituted) which was appointed by the Board of Directors on 23rd March 2022, deliberating the duration of the office until the approval of the 2024 Financial Statements.

To date, the S.B. has not received any reports, nor has it observed instances of bribery.

Supervisory Body (S.B.)	
Alessia Oddone	Chairman
Camilla Menini	Councillor
Elena Bonafè	Councillor

The powers of the Supervisory Body are to be referred to specific supervisory tasks on the effective and proper functioning of the Organisational, Management and Control Model, on its consistency with the objectives and on its periodic updating. It is specified that, in order to perform its duties, the S.B. meets periodically at least on a quarterly basis and minutes are drawn up for the meetings, entered into an appropriate register of meetings.

Regarding the management of the "conflict of interest"², in order to mitigate the happening chance of such situations, Lafert S.p.A. dealt with this topic by establishing an anticorruption internal policy, as well as including it in the Code of Ethics of the Group, especially highlighting each employee's personal effort to prevent the origination of situations of conflict of interest and, in case of happening or of the potential doubt of the happenstance, the duty to report immediately via the designated e-mail address or to the independent and collegial Supervisory Body (S. B.)

If a situation of conflict of interest were to emerge, the Management Team is tasked with internally resolving the issue and, in case of extreme relevance, the issue should be brought to the attention of the BoD, which enacts the required considerations and examinations..

Throughout the process of establishing the Organization, Management and Control Model in adherence to D.lgs n. 231/2001, a map of the risks was outlined (where all the activities at risk of corruption are listed). Hereinafter all the crimes identified as "potential" correlated to the risk of corruption which Lafert might incur are reported, followed by an example of conduct:

- 1) **Embezzlement against the State**: after securing public funding, failing to allocate them to the declared ends;;
- 2) **Undue perception of disbursements against the State**: using documents or releasing false statements in order to obtain funding;
- 3) **Supply fraud**;
- 4) **Fraud**: gaining unrightful profit through artifice or ruse;
- 5) **Instigation to corruption**: offering or promising undue money so that an individual exercises their function or power.

The risks linked to corruption are reported to the Anti-bribery team via the designated e-mail address, the physical mailbox and/or by sending the report to the company's postal address.

² "Conflict of interest" means any situation in which an individual's self-interest and/or activity interferes, or even appears to interfere, with Lafert's interests.

In the last two years, Lafert S.p.A. introduced two procedures inherent to the treatment of the risk of corruption:

- 1) the first, "Antibribery – rapporti with the Public Administration" defines the conduct to follow in case of rapporti with Public Officers and the adherence to this policy concerns the entire Group;
- 2) the second one, "Antibribery – rapporti with Private Entities" defines the conduct to follow in case of rapporto with private entities and the adherence to this policy currently concerns only Lafert S.p.A.

The procedures were established respectively in 2021 and 2022, with subsequent communication to the entire personnel of the Group and the governing bodies, and the entire staff were trained on the two policies. The training session on the anticorruption policies was developed in different modes: in presence, online, and by handing out informative papers. The training materials (as well as the very procedures) were shared with and made available to the entire staff.

However, the existing anticorruption procedures enforced by the Lafert Group have not been shared currently with third parties.

In 2021, 2 out of 5 members of the BoD took part in a training session about anticorruption policies, while in 2022, 609 employees of the Italian seats took part in an equivalent one.

In 2022, Lafert Group did not report any confirmed case of corruption.

2.5 Code of Ethics

Lafert Group is aware of the importance of its social and ethical responsibility towards individuals inside and outside the company and is determined to ensure the utmost fairness in the conduct of its business and related company activities, also to protect its image and reputation.

The Code of Ethics, an integral part of the Model, defines the essential standards of ethical and responsible conduct to be adhered to every day by all company employees and associates. Said Code has also been adopted by each company of the Group.

The document collates the various policies and procedures with the company's core values, creating a common basis for each employee's decision-making process.

In order to achieve its objectives, Lafert complies to the following principles:

- Customer satisfaction;
- Ethics and integrity in conducting business;
- Compliance with laws and regulations;
- Protection of the environment and safety ;
- Respect for human rights, diversity and non-discrimination of human resources;
- Social responsibility and commitment towards the community;
- Confidentiality of information and protection of corporate know-how.

During the year 2022, Lafert started the implementation of the Suppliers' Code of Ethics. It is applied globally to all suppliers, agents, contractors, subcontractors and business partners of Lafert Group.

The Code of Ethics was published on the company's website and is available for consultation for whomever at the following link: <https://www.lafert.com/storage/files/407926CodiceEtico-IT.pdf>

All the other existing policies and procedures are internally available and open for consultation for all employees.

The principles on which Lafert's Code of Ethics is based are also set out in the Suppliers' Code of Ethics in a more analytical and exhaustive manner, with the aim of ensuring they are aligned with the Group's values. Indeed, Lafert requires each of its suppliers to read and to adhere to the Suppliers' Code of Ethics: any breach of the Code might undermine the commercial relationship between Lafert and the supplier, up to termination of the contract.

In 2023, the Code of Ethics will be shared with all the company's suppliers, who ought to undersign it as a confirmation of their effort to operate in adherence to its general principles as outlined in the document.

2.6 The Management Systems

As a global manufacturer of electric motors, Lafert seeks to grow in a continuous, sustainable and ethical manner, in order to be the go-to partner and create value for its stakeholders. With this aim, the company over time has put in place its management system in compliance with international standards through an Integrated Environmental, Health and Safety Management System (IMS).

Specifically, on quality, environment and health and safety issues, the Group has implemented a quality system and a system for managing the environmental risk and health and safety issues that are certified according to standards **UNI EN ISO 9001:2015** (quality), **UNI EN ISO 14001:2015** (environment) and **UNI EN ISO 45001:2018** (health and safety) respectively.

Thanks to this integrated management system, the Company ensures that the products and the services provided to customers comply with specific requirements, monitors and reduces to the minimum the adverse effects on the environment due to its business activities and is committed to providing a safe and healthy workplace, preventing injury and occupational diseases.

Also considering the companies that belong to Lafert Group, as Lafert Servo Motors S.p.A., ICME S.p.A. and Lafert (Suzhou) Co. Ltd., have also obtained the **UNI EN ISO 9001:2015** certification.

Since Lafert has been a part of Sumitomo Group, it must comply to which is applied by the Japanese holding company in terms of regulation systems. Indeed, In Japan there are two important acts regarding corporate compliance: the **Companies Act** and the **Financial Instruments & Exchange Act** (commonly called **J-SOX**, the Japanese version of the Sarbanes-Oxley Act (SOX)). In particular, the first one is only applied to the parent company, whereas the second one affects all companies listed on the stock exchange in Japan is therefore also applicable to all subsidiaries, including Lafert.

The J-SOX compliance law introduces strict rules for internal control of financial information in order to protect all stakeholders and to improve the accuracy and the reliability of corporate information.

The control is carried out in a two-fold manner:

- at Process level (**Process level control - PLC**): it mostly focuses on the activities of monitoring and control of such activities on a process level (ex. approvals, authorizations, verifications, and reconcilements). Subsequent to the merger of the four Italian societies, which took place on 1st January 2023, Lafert is subject to this type of control. For this reason, it has embarked on a project which foresees the first official Go-Live date in January 2025. The Process Level Control – PLC focuses on six macro-projects, that is to say: sales, purchasing, cost accounting, inventory, IT general control, and financial reporting. The project result will be the compilation of four documents such as: Risk Assessment and Pattern Analysis Risk Matrix (RCM), the flowchart with processes and subprocesses description, and Design Effectiveness (Walkthroughs).
- at Company level (**Company level control - CLC**): it is assessed whether the company has implemented and has managed control activities in an appropriate manner with respect to general organisational aspects, to the IT dimension and to financial reporting. About this aspect, Lafert had to fill in a questionnaire with 67 questions, 37 of which relating to the general part with the request for information on governance and monitoring, risk assessment and risk response, information and communication, and other monitoring activities. On the other hand, 17 questions concerned the part of financial reporting in terms of implementation and review of accounting rules, control on the accuracy and completeness of the closure procedures, inspection of the estimated items and summary of the closure, inspection of the accuracy and completeness of the data sheets and a check on the accounting system. Last but not the least, 13 questions concerned IT strategy and policy, as well as IT safety systems.

2.7 Risk management

Following the takeover by Sumitomo, **Lafert has adopted a Risk Matrix system, in order to measure the impact of each identified risk on business continuity, reducing the likelihood of its occurrence or limiting its adverse effects.**

The risk matrix is only filled in by Control Management Office after collecting information from the key people of relevant departments (Sales, Purchasing, Human Resources, SHE & Facilities, Operations - Plant Management, Quality Assurance).

The main business risks identified, monitored and managed by the Company are classified as follows:

- **Operational risks:** this concerns any risk produced within the company that depends on the strategies, procedures, supply chain that could adversely affect the company's operations and performance;
- **Business risks:** this concerns any risk produced from outside the company that depends on macroeconomic situations (e.g. fluctuations on stock markets, pandemics, market trends, political instability), which could adversely affect the company's operations and performance.

The Risk Matrix is updated on a quarterly basis (March/June/September/December), it is subsequently reviewed by the Group's Management team and then it is sent to Sumitomo, which reviews it and sends a feedback.

The BoD delegates to the Management Team its executive function in the Group and meets monthly to discuss the management, governance, and economic and financial performance of the Organisation, analysing the issues which surfaced during the month and those emerging according to the market trend, and trying to offer solutions and actions of enhancement/prevention depending on the potential issues.

The Management Team then periodically communicates with the BoD to analyse the results of the Group performance and other aspects related to the organization and its management.

During 2023, the company decided to extend the matrix by including the risk assessment related to the business management system. In the matrix, each risk will be graded by a score (Risk Priority Number – RPN) in order to identify the tolerance level of the risk and the eventual necessity of intervention from the executive body of the company (Lafert Group Management Team).

2.8 External initiatives and Memberships

Lafert is a member of several trade associations, in the industrial as well as electronic sector. The associations it is a member of are listed below:



Confindustria is the main association representing manufacturing and service companies in Italy. The voluntary membership of Confindustria comprises of over 150,000 small, medium and large enterprises, for a total of 5,382,382 employees.

The association's mission is to promote the central importance of companies, as drivers of Italy's economic, social and civil growth. In this sense, it defines common strategies and – while respecting their spheres of autonomy and influence – it shares objectives and initiatives with the world of economy and finance, of national, European and international institutions, the Public Administration, Social Partners, culture and research, science and technology, politics, information and civil society.

Lafert is a member of Confindustria



ANIE Federazione is one of the foremost trade organisations of the Confindustria system in terms of weight, size and representativeness.

1,400 companies of the electrotechnical and electronics industry are members of ANIE. The sector employs 500,000 people with an aggregate turnover (at the end of 2021) of 76 billion Euro. The associated companies, suppliers of cutting-edge technological systems and solutions, embody Made in Italy technological excellence, stemming from significant annual investments in Research and Innovation. 30% of private expenditure in Research and Innovation invested in Italy every year originates from ANIE sectors.

Lafert is a member of ANIE



CEMEP is the European Committee of Manufacturers of Electrical Machines and Power Electronics, officially set up in November 2013. CEMEP members are the twelve European associations representing manufacturers of HV/LV electrical motors, Drives and UPS.

Federazione ANIE, through its two associations ANIE Automazione and ANIE Energia, is a member of CEMEP and has held the position of General Secretariat since 2013. CEMEP supports the interests of the industry at European level in the technical, regulatory and legislative fields.

Lafert is a member of CEMEP



Wind is a European Association of wind turbine manufacturers.

Lafert is a member of Wind Europe



IRIS LAB is a Research Organisation where the companies involved in the project actively cooperate with several established University Consortiums which operate in the mechatronics and industrial electronics sector and are active in the field of high-dynamic performance drives, high-efficiency equipment for electric energy static conversion, advanced sensor technology, and the application of AI systems for advanced diagnostics and Industry 5.0.

The net of established collaboration active in the advanced research projects comprehends Universities, Italian and international Research Bodies, and the most important European Doctorate School in the field of Power Electronics, Electrical Machines and Drives.

These collaborations, together with the training of the involved young university researchers and highly qualified staff, contribute to the development of vanguard technology projects and the growth of generations of specialized and expert researchers.

Lafert cooperates with IRIS LAB

2.9 Cybersecurity and Data protection

The protection of personal data and IT security are primary objectives for Lafert S.p.A., whose commitment is embodied in a series of parallel and coordinated activities, also using the services of external consultants.

In particular, the Company has long established an in-house governance on the collection and processing of personal data, preparing and implementing internal procedures on security, data protection and periodic personnel training and information activities.

The Company's decisions and operations that may have impacts on Cybersecurity or on personal data protection are carefully weighed by the personnel in charge. Vigilance on compliance and continuously updating any corporate policy on cybersecurity and personal data protection is made possible thanks to a [privacy compliance programme](#), in which the roles and responsibilities relating to the fulfilment of obligations in matters of personal data processing are assigned according to the specific skills of the employees in charge.

The Company has also adequate information notices on privacy, processing register, privacy policy and cookie policy on its website, internal procedures for the management of the main privacy obligations as well as protected IT systems constantly updated by the responsible departments, in order to be able to assure, always, the highest standards of data security and integrity.

The choice to adopt the new ERP software was a steppingstone for the company's growth of Lafert S.p.A. This allows to manage the information in a safe and sequestered way, tracking all the transactions while keeping to the existing database platform in DB2 (AS400). At the same time, the possibility of a cloud shift towards Oracle is being evaluated.

Cybersecurity is a pillar of the Company, and for this reason, Lafert S.p.A. armed itself with an advanced system for data traffic management in the network such as DarkTrace, which, thanks to its AI engine Antigena, verifies the standard traffic trend in order to intercept eventual anomalies and automatically answer according to every single suspect event.

In 2023, the new training course on Cybersecurity will be implemented. It consists of a multiyear web-based program which aids the users in the comprehension of the risks that may arise during the daily work function. Besides the informative pills, the course consists also of practical tests and simulations of the consequences of a possible incorrect answer.

To safeguard the Company means also protecting the know-how, which is to say the process of engineering and manufacturing the final product by means of PDM-PLM software. This project has already been started and is currently in the stage of development and implementation on the PDM side.

In order to better safeguard personal data, the Company limits collection as much as possible, in compliance with the principle of data minimisation, making sure to specify, from time to time, the specific legal basis legitimising the collection and processing of said data, providing any useful information that might be required to exercise the rights of the data subjects.

In B2B dealings, the integrity and confidentiality of any personal data exchanged during the execution of commercial contracts is guaranteed by clauses specifically designed for the purpose.

For some Group's companies, owing to the recent takeover, an analysis of the procedures and general governance on personal data protection and cybersecurity is underway, in order to evaluate their consistency with the Company's own Privacy Compliance Programme. If any amendments or integrations are required, they shall be promptly indicated to the companies recently taken over, and thorough compliance therewith shall be monitored and assured by the Company.

The Company's commitment is proved by the fact that no data leaks, theft or loss has been recorded, nor have there been to date any reports or notices of investigation proceedings being initiated by the competent Authorities.

2.10 Regulatory Compliance

During 2022, as in the previous year, there were no events that gave rise to sanctions and/ or litigation for non-compliance with laws, standards, regulations on the environmental matters.

Likewise, at the date of preparation of this Sustainability Report, there are no pending environmental disputes.

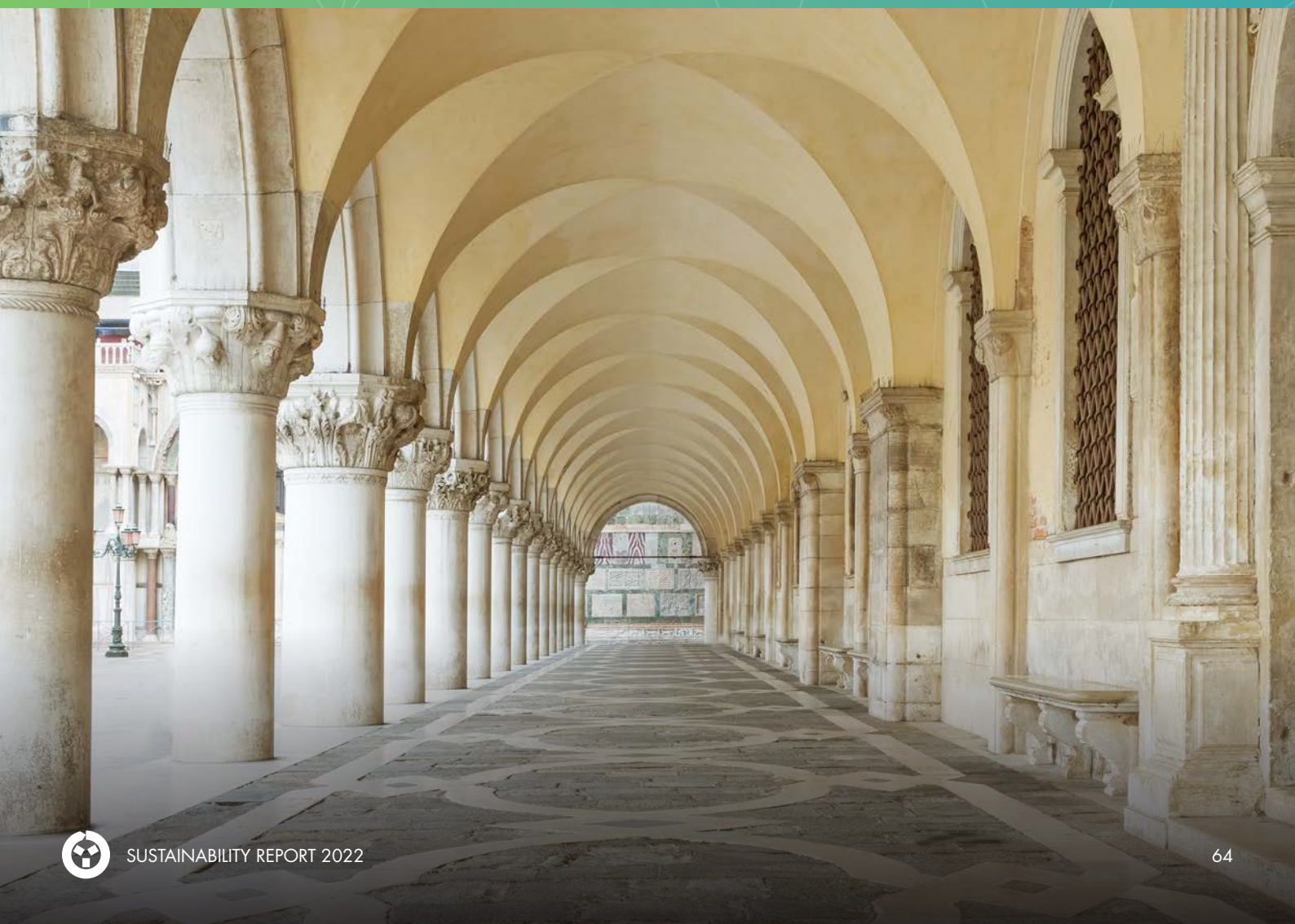
As of today, no complaint nor report from outside or regulatory bodies has been received by the Company for failing to comply with the social and economic laws and regulations, among which anti-competitive behaviour, antitrust and monopolistic practices; nor have any penalties been imposed for breaches on product safety regulations, on industrial and intellectual property, marketing activities, or for anti-competitive conduct.

Moreover, Lafert established internally a multidisciplinary committee called **Team Chemicals**, coordinated by the Health Safety & Environment (HSE) and the Quality Assurance (QA) offices, which deals with the analysis of the incoming chemical products in the business site and the production process. This Team analyses both the aspects linked with the use of chemical products by the employees, those linked with the surrounding environment, and finally those linked with the product, by the adherence to the Reach Regulation and RoHS Directive.

Overall, the Organisation did not report any relevant case of non-conformity to the laws and regulations in the timeframe of reference.

3. Infrastructural capital

- 3.1 Production facilities
- 3.2 The production process
- 3.3 Innovation and digitalisation
- 3.4 Research, development and patents



HIGHLIGHTS | Infrastructural capital

- Lafert Group consists of six production units: four in Italy, one in Slovenia and one in China, with an extension of over 50.000 m². To these is added the acquisition of the over 67.000 m² area in front of the headquarters in San Donà di Piave which will be progressively built for a maximum of 33.891 m².
- In 2022, more than 1.2 K motors were produced.
- For its dimension, the Group performance is inevitably related to an accurate management of the production process, to a correct implementation of all phases of the production cycle and to a planned management of the tools and resources available, in particular the maintenance of the machinery fleet.
- Innovation and digitalization are the basis of the constant improvement of both the company's production capacity and its positioning in the market in terms of offered competitive advantage.
- The R&D Department follows and anticipates the main market trends by designing and testing new and increasingly innovative solutions, especially in synergy with the other companies of the Sumitomo Group. Over the last few years, it has activated several collaborations with Universities, Consortia and other Research Institutes.
- As of December 31, 2022, the Lafert Group can count on one valid patent, two utility models and one design patent.



3.1 Production facilities

The production activity takes place in 6 innovative production facilities.

Lafert S.p.A. - Headquarter

San Donà Di Piave, Venice - Italy



Extremely efficient synchronous and asynchronous, three-phase, single-phase and self-braking electric motors are manufactured at the facility of **Lafert S.p.A.**, the Group's historical production site, for the most diverse uses and applications.

In recent years it has significant expanded thanks to a new production plant designed with automated lines and integrated systems according to Industry 4.0 principles. In 2021, installation of a 370 kw photovoltaic system began.

A virtuous mechanism is in place for the **management of the emulsified water** used in machine tools: the emulsified water is separated by means of an internal evaporator that separates the aqueous phase from the oily phase. The oily phase is then disposed of with an authorised supplier while the aqueous phase is reused to fill the storage tank of the fire-fighting system and is reused by the foundry department for production.

Leak tests are regularly conducted on the compressed air system in order to limit leaks and carry out preventative maintenance. The compressor unit is managed with specific monitoring and recently underwent energy optimisation procedures.

All electric consumption is recorded and broken down by category (production services, general and auxiliary services) as well as other consumption (e.g. water) in order to take action in the event of abnormalities and to enable its monitoring.



27.000 m²
Total area



548
Employees



Activities:
Asynchronous Motors,
PM Synchronous Motors



2.458
motors/day
573K
motors/year



Lafert S.p.A. - Building 1

San Donà Di Piave, Venice - Italy

This new production site, inaugurated in 2022 and located in San Donà di Piave near the historic headquarters, was built to face a customer's specific request pertaining to a line of products with low varieties and high volumes.

Considering the type of business, regarding the production plants and their management, the company decided to aim at the highest achievable levels of technology and automation, implementing also the complete traceability of the product, starting first from the raw material until the finished motor, fully exploiting the potentials of the Industry 4.0.

The site includes an additional productive area, currently not in use, with the possibility of dedicating it to new productions for future projects.



6.000 m²
Total area



52
Employees



Attività:
PM Synchronous Motors



447
motors/day
104K
motors/year



Lafert Servo Motors S.p.A.

Noventa di Piave, Venice - Italy

Highly customised, cutting-edge and highly efficient brushless servomotors are produced at this facility, intended for industrial automation.

The strength of this production facility is the combination of asynchronous technology with the features of servomotors, achieving ever more innovative product transformations.

The entire production process of all brushless motor components takes place at this plant, allowing to achieve a high degree of flexibility, as well as products with a high level of reliability and quality.

Leak tests are regularly conducted on the compressed air system in order to limit leaks and carry out preventative maintenance. The compressor unit is managed with specific monitoring and recently underwent energy optimisation procedures.

All consumption is recorded in order to take action in the event of abnormalities and to enable its monitoring.



5.500 m²
Total area



219
Employees



Activities:
Brushless Servo Motors,
Gearless Machines



769
motors/day
179K
motors/year



Lafert Servo Drives S.r.l.

Bologna - Italy

The production of specific components for industrial automation takes place at this facility, specifically, drives to control brushless servomotors.

Lafert Servo Drives S.r.l. also develops customised solutions based on specific customer's needs, while supporting energy savings and environmental sustainability.

All consumption is recorded in order to take action in the event of abnormalities and to enable its monitoring.



800 m²
Total area



13
Employees



Activities:
Servo Drives - Design and Assembly



38
drives/day
8.700
drives/year



ICME S.p.A.

Fusignano, Ravenna - Italy

This production site is dedicated to the development of small and medium sized asynchronous motors where quality, strenght and speed of delivery are the essential features.

Strongly geared towards the customer and highly focused on customisation, the production of this site is specialised for niche applications.

The in-house engineering department supports customers in the design thanks to the know-how acquired in specific sectors and becomes a project partner.

All consumption is recorded in order to take action in the event of abnormalities and to enable its monitoring.



4.200 m²
Total area



70
Employees



Activities:
Asynchronous Motors - design and assembly



1.338
motors/day
307K
motors/year



Lafert (Suzhou) Co. Ltd.

Suzhou - China

Inaugurated in 2012, this facility is wholly devoted to the production of brushless servomotors and gearless motors for lifts, catering for the Asian market.

Thanks to this production facility located in China, Lafert Group is able to address the growing demand for motors on the Asian market, by long-standing customers as well as by fast-growing local companies.

The direct presence ensures a marked decrease in delivery time frames and transport costs, while continuing to assure the quality of Lafert-branded motors. All consumption is recorded in order to take action in the event of abnormalities and to enable its monitoring.



5.500 m²
Total area



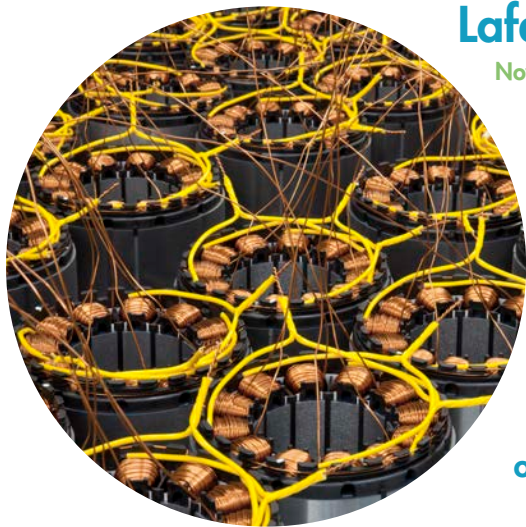
74
Employees



Activities:
Brushless Servo Motors,
Gearless Machines



243
motors/day
58K
motors/year



Lafert Elektromotorji D.o.o.

Nova Gorica - Slovenia

Lafert Elektromotorji D.o.o. production facility, is located at the Italian-Slovenian border and has become over the years a centre of excellence in the production of windings for the Italian production facilities. Professionalism and timeliness in dealing with the requests of production facilities have turned it into a cornerstone of Lafert Group's growth.

This production facility supports the constant growth in production capacity and promotes the implementation of ever more compact-sized and efficient designs.

All consumption is recorded in order to take action in the event of abnormalities and to enable its monitoring.



2.000 m²
Total area



90
Employees



Activities:
Windings for
Asynchronous Motors



1.430
windings/day
333K
windings/year

3.2 The production process

The performance of an industrial Group of Lafert's dimension is inevitably correlated with an accurate management of the production process. The correct implementation of all the stages of the production process requires a careful and planned management of the available tools and resources: the machinery, equipment, materials, paints, and other necessary resources for the manufacturing of the final product are key components of the creation process of the company's wealth. A meticulous planning of the logistics, the management of orders and incoming materials is also of primary relevance, as well as the management of the production waste, the scrap recovery and the analysis of the energy consumption constitute additional elements of significant impact both under the perspective of cost efficiency and of the parameters of Lafert's sustainability.

Such characteristics and peculiarities of the production process of the Group are the foundation of the upstream creation of the wealth generated by the company and distributed between its stakeholders. Hereinafter are highlighted in detail said characteristics of the production process of Lafert Group.

Machinery park management

In order to rely on a high-quality and efficient machinery park, almost all the critical machinery installed in the production area is subjected to preventive analysis and maintenance.

On the other hand, the maintenance of the older machinery is primarily done by the internal squads, which "manually" register the type of intervention required; during the interventions, the responsible operator, aside from intervening as necessary, reports the critical components to order the necessary spare parts so as to guarantee a swift repair in case of malfunctioning.

For what concerns the new machinery, especially the specific and customized systems, multiyear periodically programmed maintenance mandates are signed to guarantee the correct and efficient functioning.

The new MES (Manufacturing Execution System) currently at the installation stage, while serving for the data collection of the production, will also implement the module for maintenance management: this enables the scheduling of the maintenance interventions by opening a "ticket" directly from the production in case of breakage and, at the same time, allows to manage the programmed maintenance thanks to "alerts" specifically dedicated to their deadlines. All the interventions are then digitally registered alongside the list of the replaced or maintained parts.

Order management and material planning

The motor orders are inserted and elaborated through two main processes: the direct input by the Customer Support, respecting the load availability of the lines as supplied by the Production Planning, or by the Production Planning themselves, through the execution of the MPS (Master Production Schedule) to input the orders which cover the warehouse stock, or the forecast supplied by the costumers.

The first category is input by ERP and then imported into Cyberplan, a program which manages the analysis of the demands and scheduling of the orders; the second category is input by Cyberplan and subsequently imported into the ERP system.

Independently from the input channel of the orders, the material demands are exploded by the Cyberplan MRP system (Material Requirement Planning), which, basing the calculations on the set stock, the minimum/multiple batches of reorder, storage, and the forecast goals, elaborates the purchase/production offers which are then analysed and released by the Production Planning.

At least once a year, if not after specific inputs such as, for example, product phase-out, the consumption trends are analysed and, consequently, the numbers of stock and minimum batches are updated in order to reduce the risk of obsolescence to the minimum.

Logistic deals

To guarantee shorter times of delivery and a better service level, logistic deals are signed with some customers to ensure the stock of critical components, provided the customer's commitment to guarantee an established rotation of the warehouse.

In these deals, there are always clauses of obsolescence present, so the customer, facing a "phase out", must guarantee, depending on the type of product, a forewarning which may vary from 3, to 6, to 12 months.

Inbound and Outbound Logistics

The management of Lafert's logistics is divided into three main macro-categories: intrabranh logistics, inbound logistics and outbound logistics.

- The **intrabranh logistics** involves all the transportation of materials between the different plants of the Group (ex: from San Donà to Noventa, or from San Donà towards Slovenia and the other way around) and it is managed both by the company's own means of transport and by specific local carriers. Considering the constant flux of materials between the different sites of the Group, the optimization of the transports is easily achievable and only in exceptional cases the transports are not fully loaded.
- The **inbound logistics** involves suppliers from different geographic areas and far from each other, so it is managed with the support of the big players in the field of transportation, which are able to optimize with groupage the small shipments thanks to their thick web, and also with the support of local carriers; in the second instance, the transports are optimized by identifying a group of suppliers in a common geographic area and the transports are scheduled, usually on regular basis, both to deliver the materials to the subcontractors and to collect the machined components.
- The **outbound logistics** concerns the commercially agreed restitution with each customer. For the customers with restitution DAP (Delivery At Place), Lafert commits to directly managing the transport: in this case, the company relies, according to the serviced geographic area, on suppliers that guarantee the most coverage alongside the best service, both in terms of punctuality and in terms of costs. The logistics department, aligned with the production and verifying the dates requested by the customer, schedules the collection of the goods, incorporating and optimizing the arrival destinations. In the case of EXW restitution (EX Works), once the material is stocked in the warehouse, the customer is notified of the goods ready for delivery and schedules the collection with the chosen trusted carrier; some customers can also count on a dedicated portal to book the collection directly. For overseas shipments, the containers are booked from time to time, calculating to optimize the transport by loading a 40-foot container. Since 1st January 2003, after the merger and considering the different plants share several customers, some actions were initiated to explore possible synergies in the logistics area in order to reduce the number of carriers and optimize the management.

Data collection and analysis of electric consumption

Digital counters were installed on all the main electric lines, divided by driving force and light force, in order to detect the electric energy consumption of the different productive areas.

The consumption, expressed in kW/h, is monthly detected and manually registered in order to keep track of it, so as to verify eventual significant deviations from the consumption average or to consider possible bettering actions.

The next step will be to connect the counters to the net, in order to detect automatically the data and improve the usability thanks to the remote reading.

Painting area

In the last years, in addition to progressively transitioning from solvent-based paints to water-based paints (which currently consist of more than 90% of the total consumption) electronic systems for the management of paint and colours were installed to reduce the waste and optimize the consumption.

The new Multi Spray system allows to mix instantaneously the two components necessary for the paint catalysis, consuming only the required quantity and eliminating the process of manual preparation which, based on the consumption estimates, led to the waste of significant quantities of material.

The tintometer, on the other hand, allows to prepare internally, and only according to necessity, even small quantities of special colours which, having low consumption rates, would lead to the proliferation of the paint stock with consequent waste risks, not to mention the obsolescence of the colours.

Tools storage system

Considering the significant consumption of small tools, especially in the machining departments, an automatic set of drawers was installed as a pilot project for the management of special tools of higher value.

Once they scan their badge, the operators can request the retrieval of the desired tool; the system, after initialising the request, will make available and identify by a led light a drawer and its related subcompartment from where the operators may retrieve the tool.

This will allow us to monitor punctually the retrieval of each tool, giving the possibility to analyse eventual anomalies in consumption, and reduce waste.

Manufacturing waste management and scrap recovery

The major quantity of scraps generated by the production is mostly produced by the process of **stamping** (scraps of magnetic metal sheets), **mechanical machining** (aluminium and steel) and **windings** (copper).

The scraps of the stamping process are collected through magnetic bands, one for each machine, and transported outside in a big tank from which the scraps are daily retrieved and processed by specialized companies. The used stamping moulds are designed with the ultimate goal to reduce the scrap: the produced waste, then, is minimal.

The scraps of the mechanical machining are mostly divided into bar or extruded shavings and clips. The clips are produced by the cutting process, as a consequence of manufacturing shaft machining or the boxes made from extruded pipe.

Regarding the extruded pipe, analyses were run to set the optimal lengths of some high-rotating specific codes, in order to reduce the waste to a minimum.

As long as the process to optimize and reduce the clips of steel bars is concerned, since the bars are purchased in standard measures of approximately 6 m, the merging and the sequencing of work orders which share the same raw material is established, reducing the setup and correlated waste of the end of the lot.

The disposal of metallic shavings and clips also requires the division by material type and, subsequently, the collection by specialized companies.

The copper scraps, produced by the winding process, are retrieved in designated containers located on the side of each working station; subsequently, they are collected in a single container, which is weighed and emptied on a mostly regular basis, always registering the weight and the date of emptying.

3.3 Innovation and digitalisation

The R&D team and the innovation creation process

Lafert Group faces new challenges daily with a clear vision of continuously improving the market's production capacity: energy saving and product customisation are the two cornerstones to increasing performance and reducing environmental impact.

The innovation in Lafert Group is developed through the R&D structure, a part of the "Business Development" area, which currently includes a team of two electrical engineers and one mechatronic engineer. The goal of the R&D structure is to study and develop solutions that can ensure the medium-long term competitiveness of Lafert's products, following and possibly anticipating the main market trends. In particular, the R&D department deals with the analysis, electromagnetic design and testing phase of asynchronous and synchronous electrical motors.

Its activities rely on the support and collaboration of the Technical Department, particularly regarding mechanical design, the creation of BOMs (Bills of Materials) and laboratory tests.

Under a perspective of continuous evolution and development of new platforms, Lafert embarked on a collaboration path with the University of Bologna, aimed at researching new advanced technological solutions through the use of "general purpose" software and firmware modular systems for high-performance motor control. Additionally, contacts with the University of Padua were also established to evaluate possible collaboration strategies with this athenaeum.

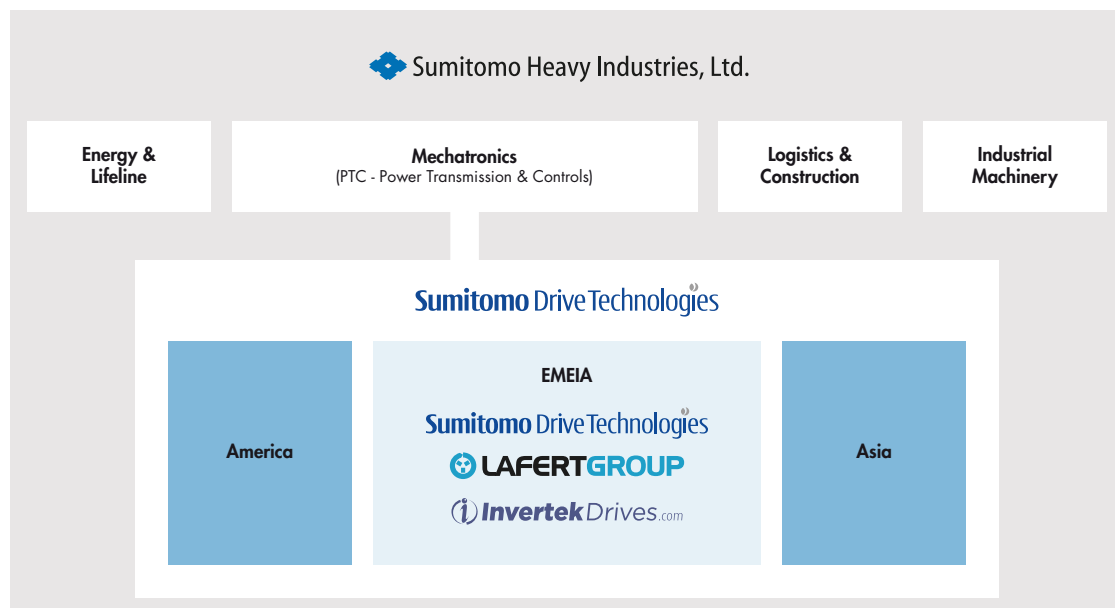
Lafert is also a member of the Research and Innovation consortium called IrisLab. Said consortium will be acknowledged as a technological platform for the launch of projects based on innovative and high-efficiency technologies.

Moreover, aiming at furtherly strengthening the product synergy projects between Lafert and Sumitomo, the R&D team has been recently enriched with a senior electrical engineer and a senior mechanical engineer from the Sumitomo R&D.

Integrated innovation: Lafert and Sumitomo

Lafert Group develops highly innovative, customised and high-quality products through its technical departments in the country and the R&D department.

Despite the diversity in product types, Lafert Group appears perfectly cohesive and single-minded in pursuing objectives with the Japanese parent company Sumitomo Heavy Industries, Ltd. (in particular, PTC Power Transmission & Controls division); this result is possible thanks to constantly liaising with it daily.



More efficient and optimised motors and drives nowadays represent cutting-edge integrated solutions for some important industrial sectors. The combination of these two elements is the ideal platform embodying Lafert Group’s DNA and its in-house skills, thanks to which the Group has been able to tap into many new ideas and tackle challenges aimed at developing technologically innovative products in synergistic action with the other companies, to integrate Lafert Group’s skills with those, albeit different, of the companies in the Sumitomo Group. Lafert Group’s diversification policy is the spark from which innovative products can be born that anticipate the future.

Indeed, right since the Sumitomo Group took it over in 2018, Lafert Group has embarked on a process of further development of its technological areas and investments, some of which are already available while others will be available within the next three years, to support this ambitious project, which can be summed up in **four lines of development**:

1. **New innovative solutions and products that anticipate future market needs;**
2. **Continuous improvement of offerings and catalogue of products with ever-new customisations and features;**
3. **Research and development activities aimed at identifying new technologies conducive to future applications that might pave the way to new business opportunities;**
4. **Developing technologies in the electrification and digitalisation area, the purpose of which is an increasingly more sustainable and resilient future, where the focus is on man and the environment, even in the relationship with machines.**

Lafert's innovation and continuously evolving solutions are made possible by the ability to streamline integrated industrial processes at the highest technological and safety level, with a particular focus on reducing the environmental impacts of production to the minimum.

For Lafert Group, developing new, highly innovative and technological products means equipping companies with tools that reduce their environmental impact.

The innovative projects of Lafert

Lafert's innovative projects are focused on the development of the leading market trends, which can be summed up as:

- energy savings;
- electrification;
- digitalisation;
- optimisation of weights, dimensions and materials use (compact and integrated solutions);
- product safety.

Development of integrated gear motors and servo gear motors IE5



In this process of synergic strengthening with Sumitomo, the collaboration is defining a **new array of integrated gear motors equipped with IE5+ efficiency class motors** (that is to say with better performance compared to what is currently expected from the highest defined efficiency class). Sumitomo offers integrated gear motor solutions among which, paired with the vast array of Sumitomo gears, figures an IE3 asynchronous motor: the goal of the project is to update the array integrating in the same mechanics electromagnetic parts of Lafert's PM motors with IE5+ extra-high efficiency. The purpose is the efficiency increase, given the rising sensitivity of the market about energy saving. The year 2022 saw the halt of the array (0.55 -> 7.5 kW), the dimensioning, cost analysis, and prototype manufacturing for the trial tests. The test stage will take place during 2023.

Keeping to the synergy projects with Sumitomo, an array of servo gear motors integrated with Sumitomo right-angle gear with hollow shaft is being developed. The non-finned mechanics without ventilation is especially suitable for **Beverage applications**, for cleanliness and hygiene reasons. Specifically, an array which involves the integration of n.3 Sumitomo high-efficiency gear sizes with n.3 **Lafert latest-generation servomotor sizes (ultra-compact "U" series)** is being worked on. The purpose of the project is to develop an array of gear motors, scalable 0.4-2.7 kW, extremely compact, with extra-high performance (IE5+), speed up to 3000rpm, with encoder option and integrated drive. Specifically, the designing of the new mechanics to integrate motor and gear is in progress, as well as the manufacturing of prototypes and the validation tests.

HPI motors with integrated drive

The update of the HPI 2.0 array with integrated drive (sizes 71, 90 and 112) with better performances and features was completed. The launch of the series production is planned for the start of 2023.

IE2 Monophase asynchronous motors

The design of the monophase asynchronous motors array for the increase of the IE2 efficiency class was started, in adherence to the European regulation 2019/1781 which requires this qualification for monophase motors from 0.12 kW power, starting from 01.07.2023. The range will comprehend the power 0.12-2.2 kW, both in 2- and 4-pole versions.

Development of ferrite-assisted synchronous reluctance motors



The year 2019 marked the start of the development of ferrite-assisted synchronous reluctance motors (F.A.S.R.), a technology that makes it possible to achieve high efficiency (IE4-IE5) without using rare-earth-based magnets.

The main advantages of this type of motor are the cost (the significant price fluctuations of Neodymium-based magnets are avoided) and environmental sustainability, given the lower impact that the production of rare-earth-based magnets has on the environment nowadays.

However, the torque density of these motors (Nm/kg) is lower than that of motors with rare-earth-based magnets.

In these motors, it is possible to place the magnets inside the rotor plate instead of on the surface. Therefore, it is possible to reach high rotation speeds (e.g. 9000rpm), which produce significant power densities (kW/kg).

A 132 rating was developed in 2019-2020 for a variable speed screw compressor for HVAC applications. In 2021, prototypes were also made in other ratings (frame sizes 71 and 90), optimising, in particular, **the noise level**, including variable speed pumps and fans as a possible sector of application (quadratic torque applications), where this type of motor shows, among other things, a less pronounced decline in efficiency as the speed decreases compared to a conventional SPM synchronous motor.

Automated Guided Vehicle Projects



Also, in 2021, R&D worked on AGV projects (Automated Guided Vehicle), where a range of wheel motors with the relevant drive was developed; of particular interest is the emerging market of (electric) traction by wheel motor of small agricultural machines, as part of the growing electrification trend of the farming sector (Agriculture 4.0).

To meet the needs in this sector, the development of the extension of the AGV range is underway with Sumitomo, initially designed for use within the factory, at higher torques, to meet the needs of the agricultural sector, where there may be bumps and slopes. Projects were not limited to traction: for instance, in another exciting application, electrification concerned a sprayer, in which the AGV package was applied, although without the gearbox.

Always on the topic of electrification, Lafert was also involved as a significant global player in the production of the electrical drive motor for off-road machines for agriculture, construction, earthmoving and material handling, with powers up to 275 kW, which Lafert was asked to produce, but also to streamline product and processes.

About drives, owing to the product's history and specific expertise, Lafert Servo Drives S.r.l. has always focused on the **design of particular drives for the control of permanent magnet motors**. As a consequence, it has always made its products seek more significant energy efficiency.

Specifically, in 2021 Lafert Servo Drives S.r.l. worked to broaden the range of products designed for **AGVs (automated guided vehicles)**. The designers of Lafert Servo Drives S.r.l. created a new, compact-sized Drive to replace a previous, decidedly larger drive. Work focused on achieving greater efficiency of the drive + motor package and reducing the drive size, which also makes it possible to reduce the environmental impact by reducing the plastic and components used in the drives.

Indeed, the volume of the compact solution is indicatively 1/8 of the standard version. Furthermore, the weight was significantly reduced, from 1,480 grs. for the standard product to 290 grams for the compact product, with positive impacts on waste management in the event of scrapping.

Drive-in projects

In 2021 Lafert Servo Drives S.r.l., in synergy with ICME S.p.A., explored the possibility of developing a new range of products, called **"Drive-In"**, in which low efficiency single-phase motors will be **replaced by IE3 three-phase motors** (hence with higher efficiency) fitted with an appropriate Motor Inverter. These devices might be used in more complex systems (e.g. vacuum pumps), which will work in the S1 Duty Cycle, i.e. continuous cycle, thereby assuring significant savings in energy consumption.

Projects for large fans for industrial and agricultural applications



Finally, in 2021, the range of products regarding large fans for industrial and farming applications was revised. Based on the second generation **IFM (Integrated Fan Motor)**, a product consisting of a permanent magnet motor was developed, fitted with a specific drive. These systems were designed to prevent **air stratification**.

Indeed, the hot air produced by heating systems inevitably rises upwards, stratifying under ceilings and then slowly dispersing outwards, making the high costs incurred by companies to heat premises ineffective and unaffordable. The waste in terms of energy and expenses are all the more significant, the taller the structure in question and the poorer its roof insulation.

Each linear metre in height corresponds to an increase of one-degree centigrade in temperature; therefore, in a 7-metre high industrial building, the difference between the ceiling and the ground is at least 7 degrees!

Project for the safety of test engineers

Work is also being carried out at Lafert Servo Drives S.r.l. on the design and development of new test benches to increase test engineers' safety, thereby increasing the quality of Lafert's products.

These benches will be equipped with intrinsic safety devices, reducing the likelihood of human contact with energised parts of drives and preventing the possibility of contact with moving motor parts.

Finally, controlled access areas will be in place to prevent unskilled and unauthorised personnel from entering areas where electromechanical work is being carried out.

3.4 Research, development and patents

Lafert Group, as evidenced by some important projects described in the previous paragraphs, conducts research and development activities in synergy with its customers.

The strategy is to start from precise market demands, based on which projects are initiated, to create products that address these demands. Thanks to this strategy, Lafert can achieve significant savings in resources and higher efficiencies in identifying and addressing market trends and its customers' demands.

The Group's R&D expenditure has been increasing significantly recently, from just over one million euros in 2020 to nearly 2 million euros in 2022. Through these projects, the Group has also secured two patents, two utility models and one design patent.

Patents and Utility Models

Valid patents and utility models at the end of 2022 were as follows:

- the patent, developed in recent years in three countries, i.e. Italy, China and USA, for **"rotor of permanent magnet electrical motor"**: concerns the IPM rotor (Interior Permanent Magnet) with ferrite magnets, developed for application on hydraulic pumps, in particular, it concerns the type of skew adopted, to optimise the noise level and at the same time the process in this type of rotor, specifically the rotor has a continuous skew of the external shape, but the linear internal structure still allows magnets with standard parallelepiped shape to be housed. It was filed in Italy in 2014 and then extended to China and USA. It has a validity of 10 years.

About utility models, the patents filed are as follows:

- **"Stator component for concentrated winding permanent magnet synchronous"**: it concerns the insulation solution between the coils of the winding of a permanent magnet motor with a concentrated winding, with the insertion of a plastic stick, suitably shaped, between the coils. It filed in China in 2015. It lasts ten years.
- **"Thermoplastic end-cap and concentrated winding permanent magnet synchronous motors"**: it concerns the insulation solution of the winding heads from the pack of laminations in a permanent magnet motor with concentrated slot, by using a plastic component, suitably shaped, also for proper routing of the coil connections, to be placed at the ends of the lamination pack. It filed in China in 2015. It lasts ten years.

The Group also holds a **Design patent** called **"Electric motor"**. This concerns the peculiar features of Lafert's servomotor aesthetics, such as the shape of the case. It was filed in China in 2015.

4. Relational capital

- 4.1 Customer relations
- 4.2 Customers' priorities
- 4.3 Quality, safety and reliability of the products
- 4.4 Responsible marketing
- 4.5 Suppliers: supply chain management
- 4.6 Relations with the local area



HIGHLIGHTS | Relational capital

- The success of Lafert Group is linked to the strong appreciation of the products by the market, influenced by the high quality and variety of the products offered, the high efficiency of the motors and the strong customization of the proposed solutions, perfectly adaptable to infinite fields of applications.
- The Group adopts a co-engineering approach with the customer, developing a very strong relationship and mutual trust that favors fruitful and long-lasting collaborations.
- The quality, safety and reliability of Lafert motors are guaranteed by the ISO 9001: 2015 Certification – “Quality Management System” which covers all management processes, from design to shipment through the very important testing phase.
- All motors produced are subjected to test and control at all stages of the production cycle, and to final testing before delivery to the customer.
- For its products, Lafert has both safety and efficiency certifications to guarantee compliance with national, European and global directives.
- The Group’s commitment to improving environmental impact has been recognized by the Ecol Design Award 2022, which rewards the most virtuous companies in sustainability.
- The link with the territory and the involvement of the local community were the basis of the celebrations of the 60th anniversary organized by Lafert Group in September 2022, to which all employees and their families, local authorities and main Sumitomo stakeholders were invited.

4.1 Customer relations

Lafert Group’s success is significantly linked to appreciation of its products by its customers, which is influenced by the quality of the products offered, allowing the Group to achieve margins in line with or higher than those of competitors.

Flexibility and reliability assure customers’ confidence and **strong visibility in the international competitive arena**. From robotics to renewable energies, material handling to air processing, or even the most diverse industrial machineries, the fields of use for our products are endless. For this reason, we are the ideal partner to supply high-performance solutions for all applications

Thanks to the co-engineering approach, the Group builds very close relationships and high mutual appreciation with its customers, which fosters profitable and above all, long-lasting relations.

The integration of Lafert Group into Sumitomo multiplies the opportunities for collaboration with global partners and gives us the opportunity to intensify our international presence.

A new CRM³ was also introduced, which will include possible improvements in the project sharing both inside Lafert and in the SHI world, especially for synergetic projects or customers in common with SHI.

In March 2023, an ad-hoc training course was held and, in the future, Lafert expects to identify improvements in the market approach, both in terms of expansion of the offer and optimization of the response time, with special regard to the new leads.

Finally, the Sales team was organized with a special **focus on applications**: consequently, the activities will not be divided by geographic areas any longer, but rather by application, introducing the figures of the application manager and specialist, who will be the directional contact person for the entirety of the Lafert products, both for the market and the sales network.

Lafert’s main target markets

Lafert’s customers are mainly manufacturers or distributors in the following fields:



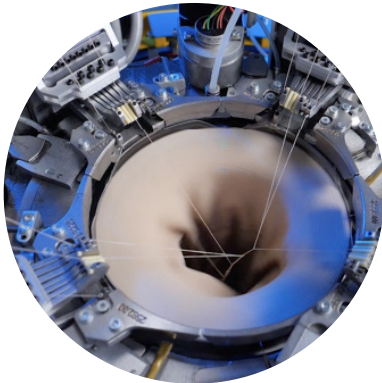
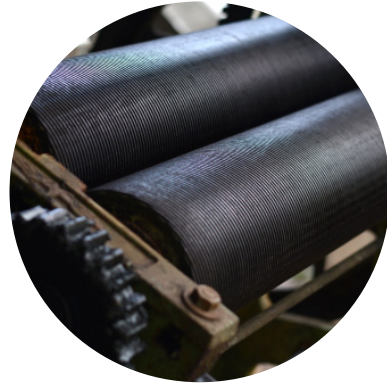
³ Customer Relationship Management



Industrial machinery

Plastic and rubber machines

The solid and compact design of motors designed for plastic and rubber machines makes it possible to use them under heavy-duty conditions. The motor overload capacity and high performance provide excellent dynamism, appropriate acceleration and deceleration control based on the speed and pressure managed by the system at any time, thereby increasing energy efficiency. The diversity of applications and performance required for the motor imply a diverse demand for technologies, from asynchronous motors to high torque, water-cooled servomotors. Lafert offers a wide range of motors suitable for the sector of rubber and plastic processing, as well as providing customised solutions on request.

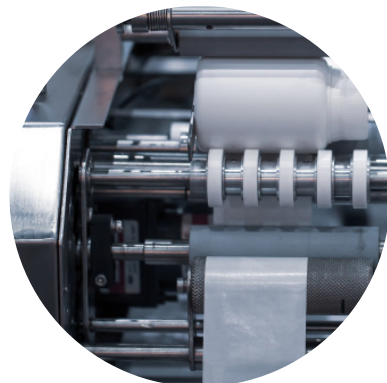


Textile machines

Winding kilometres of delicate and fragile thread at very high speed without producing vibration, tears or sudden changes in speed, requires high-precision and a highly reliable technology to ensure accurate speed control.

Packaging/labelling machines

The efficiency of these machines focuses on cutting, folding and shaping precision. Products move on the line at significantly high speeds and undergo various operations, often only taking a few instants. The overall performance of a machine cannot disregard the possibility of quick and precise calibration, essential to assure proper speed and positioning settings.



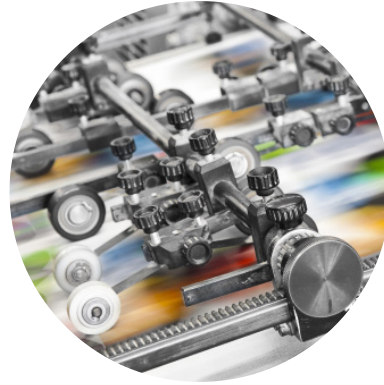


Industrial machinery

Printing machines

The final result of the printing process directly shows the consequences of the quality level of the machine movements in terms of speed, accuracy and reliability.

All the internal movements have to run and be perfectly synchronised with extremely short start-up times and high operation speeds.



Machine tools

These customers manufacture precision lathes, tools for grinding gears, machines manufacturing parts and components of other machines; the quality of the machinery and its products depends on some main aspects:

- possibility of dedicated design of internal components;
- absolute precision of the operating movements;
- low level of vibrations and cogging;
- maximum reduction of space and dimensions;
- ease of maintenance.

Woodworking Machines

These customers are companies that manufacture large-scale industrial plants with the highest degree of automation but also small companies with high quality productions, which share specific safety requirements in the operation and locking of the machinery and an ever-increasing demand for reducing production times, while maintaining high standards of precision and quality.



Food processing machines

Applications in this sector must first of all comply with the strict regulatory requirements regarding hygiene. The workplace is also made difficult by frequent and long washing, often carried out with aggressive chemicals.

The manufacturing and packaging processes also require great ability for synchronisation and control, even at high speeds.



Material handling



Conveyors

The extreme variety of possible applications, for example from mining plant to an industrial assembly line, conveying any combination of material from sand to chemicals, grease and oil in any environment or ambient temperature requires a motor for all seasons and environments. With long running hours and pre-established constant speeds, significant targets for efficiency and performance will be specified.



Robotics

Rapid short and segmented movements, operations requiring precise control of acceleration, braking and peak torque. Design and development of the machine are often carried out step by step with the development of the motor that can end up completely customised.

AGVs

The AGV sector (Automated Guided Vehicles) includes battery powered applications for automated handling of materials or people within industrial facilities, which range from forklift trucks to automated vehicles for industrial cleaning and hydraulic pumps. The diverse application requirements range from motor efficiency to noiselessness of the control system and drastic reduction of emissions compared to conventional drive systems.





Material handling



Gear reducers

A gearbox uses mechanical advantage to increase output torque and reduce rpm; the motor shaft is fed into a gear box and through a series of internal gearing provides torque and speed conversion with the best efficiency possible.

The efficiency focus and energy saving favour such machines.



Treadmills

Introduced before the development of powered machines to harness the power of animal or humans to do work. More recently are used as exercise machines for running or walking in one place. The stability, the smooth running coupled with high efficiency and power consumption reduction favour such motors.



HVAC/R (Heating, Ventilation, Air Conditioning/Refrigeration)

This sector accounts for 60% of global energy consumption and that is why it is under significant pressure by world Governments, which have mandated minimum efficiency levels, of the motor only at first and later of the entire machine (fan or pump combined with motor and control system).

Pumps

Pumps operate by some mechanism either reciprocating or rotary and consume energy to perform the mechanical work by moving the fluid.

Long running hours for this type of application give an ideal opportunity to improve performance and reduce energy consumption.



Fans

HVAC/R applications (Heating, Ventilation, Air Conditioning / Refrigeration) have typically a variable demand controlling either air pressure and temperature, water pressure and temperature, etc.. Typically HVAC/R applications are designed for continuous operation of such applications. Due to the continuous running of HVAC/R applications the electrical motors installed need to warrant and secure great resistance and high reliability.

In HVAC/R applications the most significant parameter to fulfil will be high efficiency level and energy performance to secure low running cost.

Cooling Compressors

Widely used method for air conditioning and also used in domestic and commercial refrigeration. Application of a constant torque type with long running hours often at high speeds with speed control. It is an ideal opportunity for efficiency improvement and power consumption reduction. Ideal application to implement motorisations aimed at energy savings.





Air technology

Applications in the sector of compressed air and vacuum technologies significantly contribute to the global energy consumption. Compressors, vacuum pumps and blowers generally operate for many hours per day and, since they require variable performance, they are suitable for coupling with high-efficiency motors that control speed via drives.

Air Compressors and vacuum pumps

Air compressors convert power, usually from electric motors into a kinetic energy by compressing and pressurising air and on command can be released in quick burst. Constant torque application with long service renders this application a target for efficiency improvement and energy consumption reduction.



Blowers

Air blower generally uses centrifugal force to propel air forward. This type of load coupled with speed control and long running hours is a prime target for efficiency improvement and energy consumption.



Lifting

Cranes and Hoists

This sector requires maximum progressive interventions, high accuracy and very low noise levels. The use of fitted brake with direct current, double braking surfaces and high braking torque ensures precise and reliable braking.

Safety and fast interventions are requirements that often result in customisation of the motor with the installation of special safety devices such as hand release lever.

Their installation in offshore plants or areas with tropical climate, require special treatments against corrosion and special coating.



Elevators and escalators

In recent years, the elevator market has witnessed a substantial technological shift towards the MRL (machine room less) systems with gearless traction that allow the design of reliable, noiseless and comfortable systems, thus overcoming the typical constraints of the traditional hoist.

The market requires compact size, higher speed, rapid braking and low noise levels.



Renewable energy

Coolers

These installations often operate in harsh environments (offshore) and this demands guaranteed quality on special finishes and anti-corrosion treatments offering resistance to chemicals and extreme weather conditions and aggressive environments. These are often motors designed for specific applications that require maximum customisation of the motor components such as shaft, flange and brake. Energy saving is extremely important in this sector as well.



Yaw Drive - nacelle rotation

In order to generate a maximum amount of energy from wind, the optimal orientation and the positioning of the nacelle are of a fundamental importance.

The yaw mechanism requires reliable and efficient components. The robustness coupled with high reliability favours Lafert's motors.

Types of customers

For each of the target markets analysed, Lafert builds the commercial relation with three different types of customers:

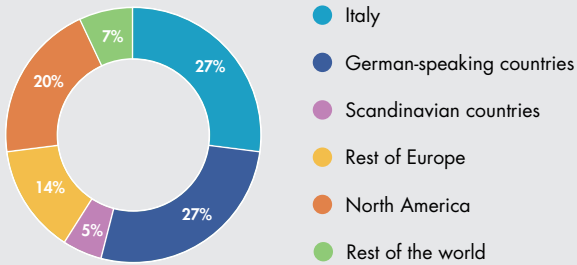
- **OEM (Original Equipment Manufacturer)**, in other words, a company that makes products, parts or components used by other companies referred to as “parent company” which affix their own logo on them;
- **Distributors**, the entity that deals with marketing Lafert branded products to the end customer;
- **Systems integrator**, that is, a company that deals with integrating systems and machinery, even very heterogenous, in order to manufacture a single and functional end product that suits the end customer’s needs.

In Industrial Automation applications, the distributor is indeed a system integrator, which provides the machine/system manufacturer with an all-round service, including study/sizing/configuration, supply of the motor/drive/control package, commissioning at start-up and assistance on application.

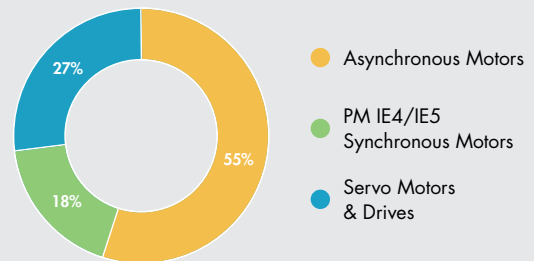
In terms of geography, the Group’s customers are mainly located in six main areas:

- **Italy**
- **German-speaking countries**
- **Scandinavian countries**
- **Rest of Europe**
- **North America**
- **Rest of the world**

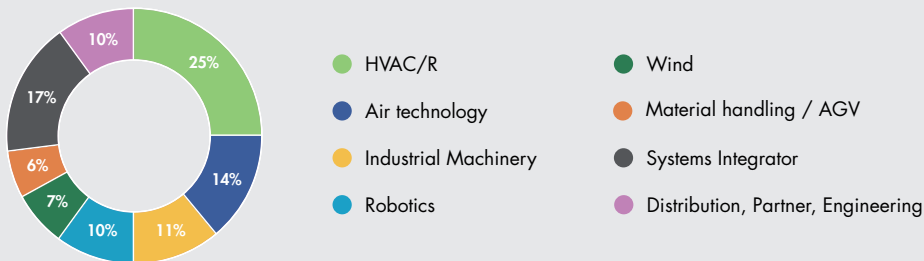
SALES BY GEOGRAPHIC AREA



SALES BY PRODUCT RANGE



SALES BY APPLICATION



The customer acquisition process

The positioning of Lafert brand is high especially in the customised motor segment and the know-how is well-established in certain application sectors.

That is why, in most cases, customers are acquired through search and direct contact by companies interested in the service and products offered by Lafert Group. In their turn, satisfied customers contribute to promoting and increasing the Group's reputation by word of mouth. Trade fairs are another essential tool in promoting the Group's image and reputation.



DIRECT CONTACT



"WORD OF MOUTH"



TRADE FAIRS

Customer relations management

Customer relations are assured by a widespread coverage of the areas served, overseeing the whole sale process.

At commercial level, the relationship is managed by Country Sales Managers, Sales Engineers or Agents. They have the task of acknowledging the customer's needs, collecting their requests, guiding their choices, and monitoring their degree of satisfaction in the relationship with Lafert, with a view to developing new business opportunities related to the same customer.

At delivery level, however, customer relations are entrusted to the various **local Customer support** officers, whose role it is to assure coordination of all resources, promptly processing requests and liaising with the customer.

4.2 Customers' priorities

The ability to meet customers' needs and anticipate their expectations is key to Lafert's growth and it is essential in order to maintain and ensure the relationship is based on trust.

With this aim, the company has developed an action plan aimed at improving customer satisfaction through:

- **Fostering innovation as the driver to improve product efficiency, aimed at the growth of enterprises, streamlining their processes and reducing environmental impacts to the minimum;**
- **Focus on the customer and on meeting their needs - such as quality and high product performance - through co-engineering activities;**
- **Looking for technological excellence as a response to customers' needs;**
- **Pursuit of the well-being of the people who work at and for Lafert.**

With these assumptions, in its relations with customers Lafert, also in line with the principles of the Code of Ethics:

- **undertakes to meet their expectations, acting in good faith, with loyalty, fairness and transparency;**
- **carries out its business respecting customers' right not to receive products or services that do not conform to that agreed and which might be detrimental to their business;**
- **addresses its customers' demands, which might lead to improvements in the quality of the services and products offered;**
- **refrains from engaging in conduct that may in any way undermine the integrity, reliability and security of IT or telematic systems and data of its customers and end consumers.**

In order to contribute to an improvement of the Group's commercial abilities, the market must be based on fair and loyal competition, i.e. on compliance with laws and regulations on the matter.

The Group does not engage in unlawful or however disloyal conduct in order to obtain confidential information nor does it lead the personnel or customers to disclose sensitive information. Furthermore, it does not carry out sales to commercial counterparts that carry out unlawful or risky activities.

Finally, it is prohibited to provide services, carry out sales or make agreements with the counterparts for the purpose of obtaining benefits of any kind.

4.3 Quality, safety and reliability of the products

The system adopted by Lafert, highly process-centred and aimed at assuring the highest level of quality to its customers, makes it possible to assure the utmost transparency in carrying out the various steps of projects, leading to the supply of customised and complex solutions in the expected time frames.

Lafert holds the ISO 9001:2015 certification of its Quality Management System, covering all management processes, from Research & Development to sales, from delivery and installation to after-sale support.

The Quality System has been designed to achieve the core objectives of design control which is often carried out jointly with the customer in order to adapt to the specific features of each request.

Lafert's Quality System also makes it possible to ensure compliance with legal regulations and international standards on quality and safety, starting from design all the way to internal and external production processes.

The production process is verticalized, as a consequence it is thoroughly controlled throughout, by production personnel as well as by the facility's Quality Control resources, and includes the following stages:

- Magnetic lamination stamping;
- Rotor Die-casting;
- Machining of shafts, rotors and components in cast iron and aluminium;
- Hand and Machine Winding manufacturing;
- Assembly;
- Painting.

Quality, conformity and safety are assured by adequate plans for testing, measurement and control throughout the production cycle (acceptance, fabrication, assembly and final), performed by trained and qualified personnel. **Specifically, for example, upon final testing all manufactured motors from size 56 to size 160 are 100% electrically and functionally tested prior to delivery to the customer, as follows:**

Frequency	Test description	Type of test
100%	Winding resistance measurement	Functional test
100%	Continuity of thermal protector (if any)	Functional test
100%	High voltage test vs earth at 2.5/3.0kV ac	Safety test
100%	High voltage test between phases at 1.3/2.2kV ac	Reliability test
100%	External ground cable/connection at 25A (if any)	Safety test
100%	Insulation resistance measurement vs earth at 500V or 1kV dc	Additional safety test
100%	No-load test: current, unbalancing and power or V/Ke	Functional test
100%	No-load test: noise and sense of rotation	Functional test

For the purpose of traceability, all motors produced at Lafert Group's facilities (regardless of the brand used) are identified with appropriate plates and markings that identify their origin, certify their compliance with applicable standards, define their electrical and performance specifications and above all ensure full traceability through production batch and/or serial numbers linked to ERP production orders.

Product non-conformity reports and complaints

Normally, the non-conformity report of a product or a process, generated by the Restitution and/or complaints, a non-conformity, scraps, and deviation in the manufacturing, and non-conformities imputable to the supplier starts a chain of actions, depending on the gravity of the issue, which focus on identifying the causes and planning activities meant to contain, correct, and prevent the repetition of the issue. Specifically:

1 - Containment actions

Regardless of the origin of the report, it is necessary to analyse the issue and define a containment action. Actions of this type are meant to “plug” or “resolve” a specific problem which manifested, attempting to limit the possible damage.

The containment actions are followed by a statistic and risk analysis to evaluate whether the considered case is a single/isolated one or whether it concerns a non-conformity classified as “grave”.

2 - Corrective actions

The corrective actions are meant to prevent a specific issue, especially a grave one, from occurring again in the future.

The corrective actions are usually initiated in the presence of deviations, variances or non-conformities which have already been verified/confirmed, whose resolution is not sufficient to prevent the phenomenon from reoccurring and so they lead to the necessity to intervene by correcting, revisioning or modifying one of the following elements which are typically at the origin of the issue.

3 - Preventive actions

The preventive actions represent the actions held in place to prevent the manifestation of potential non-conformities and are usually short- medium-termed activities aimed at enhancing the effectiveness of other correlated actions (usually corrective ones).

The improvement process takes into consideration the reports directly originated from:

- first-part internal audits (of a process/product) and external audits operated by customers or Certification Bodies;
- the re-examination of the Lafert Group quality system;
- the periodic risk evaluation derived directly from the analysis of all single/isolated cases, and all the grave or recurrent non-conformities reported in a specific timeframe derived from non-conformities reported by customers, internally or by external suppliers.

Particularly, the output of these processes, followed by an evaluation in terms of risk/possibility, may generate corrective and preventive actions and chances for improvement.

The chances for improvement (generally reported by the QA function) are suggestions which may originate real and actual “improvement actions” normally used to increase the quality, reliability, potentialities, and performance of specific products/processes/technologies, besides improving managerial aspects, and so they represent one of the primary elements of the so-called “Continuous Improvement”.

These actions, in more complex cases, may be implemented through medium- long-termed “improvement projects” which may generally include investments and involve inter-functional work teams. Because of the technical-managerial complexity, the existence of economic and temporal constraints, the necessity to interact on an inter-functional level, and for the strategic importance that they normally imply, these improvement projects which require any type of investment, are usually managed and approved according to the modalities stated in the internal procedures of the organization.

Usually, the time periods requested for the implementation of improvement opportunities/suggestions vary depending on the complexity of the actions to be taken.

Generally, complaints may come:

- directly from the customer;
- through the personnel of the sales area which operates on the market by name and on behalf of Lafert Group (agents, representatives, Key Account Manager, foreign branches, etc.);
- from other Companies of Lafert Group;
- from people and/or companies which have no direct contact with Lafert Group but are direct or indirect users of the products sold by Lafert.

The staff who receives the complaint have the task of verifying the completeness and the correctness of the received inputs before they proceed with the internal circulation/distribution. Once it is verified that the product or service in the object of the complaint originates from Lafert, that the inputs are complete and that the report has a reasonably objective foundation, the person who received the report assigns a complaint number to the communication. Where the reported issue is not easily resolvable by sharing data, documentation, or information, and so it requires more complex management, the most competent business functions are involved in order to evaluate the level of importance, gravity and urgency of the report, as well as the time frame of its resolution.

The resolution of a complaint involves the implementation of the most urgent or immediate actions suit to circumscribe, contain, limit, and possibly avoid the potential negative effects which may derive from a failed management of the reported issue.

At the end of the related evaluations, of the investigations and/or verifications, the assigned function has the responsibility to communicate the most suitable proposals to close the complaint. It is of fundamental importance to ensure that the received information/decisions are promptly notified to the complainant and that the closure of the complaint is opportunely registered in a specific form in order to guarantee traceability for future occurrences.

The resolution of a complaint does not imply necessarily the implementation of corrective actions, however, when the managing of a complaint identifies the causes which generated it, it becomes the assigned function's responsibility to identify, promote, suggest, and/or implement (with the eventual support of the Quality Assurance area and/or of the involved functions) the useful or necessary corrective actions.

The main certifications of Lafert

In order to guarantee quality and safety to customers, Lafert's products are covered by a set of certifications assuring compliance with national, European and worldwide directives.

Below are the main certifications of Lafert.



CE Certificate

The CE mark, which means **European Conformity Mark**, consists of a specific graphical symbol (logotype) that guarantees to the consumer conformity of the product with all the provisions of the European Community that concern its use from design, to manufacture, to marketing, from commissioning of the product to disposal.

This symbol was created in 1993 and, on many products, it is mandatory for them to be marketed within the European Economic Area (EEA) which includes European Union countries and the 3 EFTA countries (Norway, Iceland and Lichtenstein).

Therefore, a product that is marketed in Europe must have the CE mark whether it is manufactured in China or in a European Union country such as Italy.

All Lafert's products have the CE mark since 1995.



CSA Certificate of Conformity - Canada

The legal basis of reference for the safety of machinery and electrical apparatuses in workplaces, **to export into the Canadian market** consists of the **Occupational Health and Safety (OHS) Act**. This code, in addition to being legal in nature, also contains technical requirements and indicates the so-called consensus standards.

Lafert has the CSA certificate of conformity for AC motors.



UL Certificate of conformity

The UL Mark indicates that UL has tested representative samples of a product and assessed them as suitable for applicable standards or other requirements, in relation to their potential risks of fire, electric shock and mechanical hazards.

The UL Mark on a product attests to the manufacturer's constant conformity to applicable safety regulations. UL is the only independent certification body authorised to issue the UL Mark. The UL Mark is the most widely recognised, acknowledged and accepted **proof of the conformity of a product to US and Canadian safety requirements.**

Lafert has the UL certificate for AC motors, synchronous PM motors and brushless servo motors.



CCC Certificate

The China Compulsory Certification (CCC) is a mandatory scheme in force since 2002. **Before being imported or marketed into the Chinese market, products belonging to certain categories included in the CCC must obtain the relevant certificate.** The certification obligation is valid for electronic products and others.

The CCC certificate entails passing safety tests and EMC tests. Manufacturers must have their goods tested solely by certification laboratories in China. Furthermore, the relevant certificate of conformity must be issued by a certification body designated by the China Authority for Certification and Accreditation (CNCA).

Lafert has the CCC certificate for AC motors, synchronous PM motors and the range of ATEX Brushless Servo Motors.



EAC Certificate

In the last decade, the Eurasian Economic Union, consisting of the **Russian Federation, Armenia, Belarus, Kazakhstan and Kyrgyzstan**, has introduced new regulations that require mandatory EAC certification for industrial and consumer products in order to access these markets.

The EAC certification is therefore a mandatory requirement, very often included within the specifications of supply contracts, to be able to export to Russia and other member countries of the Eurasian Economic Union. Furthermore, the EAC certificate is mandatory also for distribution to CIS countries (Azerbaijan, Ukraine, Moldova, Tajikistan, Uzbekistan and Turkmenistan).

The mark is applied to products that have passed all tests of conformity to mandatory technical requirements. The conformity can be formalised in the form of certification or declaration, either **serial** or by **batch**.

Lafert has the EAC Certificate for AC motors.



UKCA certificate – UK Conformity Assessed

Since January 1st, 2021, UKCA has been the conformity assessment mark required for Great Britain (England, Wales and Scotland) and applicable to most products currently subject to CE marking.

Lafert has the UKCA Certificate for its products.



cURus certificate - UL Underwriters Laboratories Inc.

cURus is a certified mark certified by Underwriters Laboratories. The mark has been designed for the US and Canadian markets and, unlike the cULus mark, it is designed for semi-finished products that are part of larger products or systems. Adopting a cURus-marked semi-finished product simplifies the cULus certification of the end product. For example, a power supply unit may be cURus certified, while the computer that includes it may be cULus certified.

Lafert has the cURus certificate for AC motors, synchronous PM motors and the range of Brushless Servo Motors.



Conformity to Directive 2014/34/EU ATEX - 3G/D for use in potentially explosive zones

With regard to the risk due to the presence of potentially explosive atmospheres, the European Union has adopted two directives on matters of health and safety.

Directive ATEX 2014/34/EU was implemented in Italy with Legislative Decree no. 85 19 May 2016 and applies to products marketed or commissioned as of April 20th, 2016. It applies to products marketed or commissioned as of April 20th, 2016, defining the responsibilities of the main economic operators (art. 6, 7, 8 and 9 of Atex Directive 2014/34/EU) and the methods for certifying products (art. 13 of Atex Directive 2014/34/EU).

Lafert has the ATEX Certificate for the range of Brushless Servomotors.

Quality of the products and environmental impact

In December 2021, Lafert's HPS permanent magnet motors obtained recognition of the CEL energy rating - Class 2, which is the efficiency level required for exporting to China in accordance with regulation GB 30253-13 that regulates synchronous permanent magnet motors.

CEL – China Energy Label is an energy consumption label for electrical appliances used in China in all applications, from industrial to home appliances. Manufacturers of electrical motors must affix the CEL label on products intended for the Chinese market, including the energy rating, to inform consumers of the product's energy efficiency. The Chinese government's choice has the goal of progressively reducing energy consumption and Co₂ emissions in the country

- **Lafert's HPS permanent magnet motors have achieved Class 2 in the 0.55-37 kW range.** Achieving Class 2, similar to the European rating IE4/IE5, proves the care for producing high-performance motors, with low consumption and low environmental impact.
- **Furthermore, the energy rating of Lafert's asynchronous motors has been updated to Class 3 in compliance with the most recent Chinese regulations, approving the AMPE/AMPH range 0.75-22 kW 2-4 poles and 0.75-11 kW 6 poles.** Indeed, according to the GB18613 regulation of 2020, only asynchronous motors with CEL Class 3 label can be imported, produced and used in China.

The achievement of new CEL certified levels for motors, either synchronous or asynchronous, is an important milestone for Lafert: the countless tests that the motors undergo at an external laboratory and by a local certification Body are the guarantee of the quality and high efficiency of the products. Furthermore, thanks to these certifications, Lafert is able to guarantee an even greater range of products for the Chinese market, suitable not only for industrial automation but also for all those applications where energy efficiency is essential. The energy efficiency of Lafert's electrical motors has substantially contributed to improving the country's environmental impacts.

4.4 Responsible marketing

In the belief that acting ethically and responsibly underlies the company's success, Lafert's activities are inspired by the constant and ambitious search for uncompromising quality. Customer relations are therefore based on the full satisfaction of their needs, with the aim of creating a solid relationship inspired by the values of fairness, transparency and trust.

Therefore, the company undertakes to:

- assure the highest quality standards of the products sold;
- provide truthful and exhaustive information so that the Customer may make an informed choice;
- censure the use of any communication tool that may mislead the Customer about the quantity, quality, origin and provenance of the products/services offered;
- assure the utmost attention to suggestions and any complaints from Customers;
- certify that the products comply with the market requirements in compliance with the laws in force in the countries where they are marketed, also in terms of safety;
- ensure the advertisements to Customers are inspired by criteria of clarity and transparency, prohibiting the use of any a deceptive, misleading and incorrect practice.

The Marketing & Communication structure supports the sales network, in planning sales activities, and also deals with the Group's marketing activities proper, which includes how the corporate image is presented, raising brand awareness, the organisation of corporate events, definition of the messages to be conveyed to stakeholders.

Specifically, Lafert's marketing activities target the channels described below.

Website

In 2021 a project began to develop **a new website** with the main aim of repositioning the brand after the takeover by Sumitomo.

In view of the heftiness of the project, the launch was scheduled in 2 stages:

- **Stage 1** (online as of September 2021) concerned the more purely corporate aspects: from creating the logo to the corporate image, vision and mission to turnover data.
- **Stage 2** (online within 2022) it will focus on the part of products and applications by adding a number of case studies aimed at positioning Lafert as a specialist in its target sector.

To further confirm the highest transparency of Lafert Group, it is pointed out that from the **"Download area"** a set of flyers and brochures with detailed information on the products, the company, the certifications, safety instructions and energy efficiency levels of all the solutions supplier can be downloaded.

The website is the communication channel through which all stakeholders are kept abreast of product news, corporate changes and initiatives of Lafert Group.

Internal communication

The communication with the personnel takes place mostly through the monthly sending of a Newsletter, intending to inform all the employees of the initiatives, successes, events, new partnerships and results, thus nurturing the employer branding.

Among the initiatives which are being evaluated to facilitate the change and innovation process, explaining and sharing it with the employees, there is the design of a Group Intranet which ought to allow to:

- communicate Purpose, Vision and Mission, spread the company values and the sense of belonging;
- create a shared company culture of trust and participation in the innovation processes;
- simplify and fasten the onboarding process for new employees;
- centralize the information and render it prompt, sure and accessible to everyone, enhancing its safety;
- optimize the internal processes and the authorization/work fluxes, archive and share documents;
- render available to all employees a shared space to develop reciprocal knowledge, especially during the trying pandemic time, which forced a huge part of the personnel to operate remotely.

A monthly synthetic document is also active, called **Monthly report**, which is distributed to the directors of the primary units. In the Monthly report, each area contributes to the redaction of a text meant to supply an update on the activities and projects in progress under the responsibility of the direction. The administrative area, on the other hand, supplies economic, financial, and strategic information to inform all the managers about the performance of the companies of Lafert Group.

Newsletter

Lafert distributes a periodic newsletter (monthly) to all company personnel and to a selection of customers and distributors which aims to update stakeholders about news on participation in trade fairs, new product launches, plant/product certifications, corporate events, publication of financial data, sharing of strategies, etc. All these articles are then published in full on the website, in the "News section".

Social media

Lafert Group promotes its contents on the **Linkedin platform**. With the aim of sharing news with its employees every day and more in general with the local community, the opening of **Facebook page** is imminent.

Trade fairs

Lafert has always taken part in a number of European and world trade fairs.

During 2022, the fair activity resumed after the stop imposed by COVID in 2020/2021, and Lafert partook in 16 specialised sector fairs mostly in Europe.

Corporate events



In September 2022, Lafert Group held a party for the celebration of the 60^o anniversary since its founding, to which all the employees and their families, the local authorities and Sumitomo's main stakeholders were invited, with the purpose of involving the entire local community and strengthening the relationship with the territory. The 23rd, 24th and 25th September were three days full of stories, meetings, concerts, shows and tastings which animated the spaces of the city of San Donà. A program thick with diversified events to involve the entire local community, cultural realities and associations, and all Lafert's employees.

During the Convention "Improving ourselves by looking at the future between innovation and sustainability", one of the most significant of the program, some of the strategic lines for the future of the company were

explained. Shaun Dean, CEO of Lafert Group and in charge until April 2023, emphasized SHI's will to keep Lafert well-rooted in the territory, with constant special attention to the needs of the local community. The event was enriched by the speech of some authoritative lecturers such as Valerio Rossi Albertini, physicist, academic and scientific populariser, and Enrico Pagliarini, journalist of Sole24Ore and radio speaker, with the moderation of Marianna Aprile, journalist and tv presenter.

During these three days of celebrations, the company opened the doors of its production sites to the citizenry, offering the chance to visit the plants, see where the quality of our products is born, and experience the real business climate. The Factory Tour involved approximately 650 people counting employees, relatives, and citizens, who were taken in groups at the discovery of the production processes in the plants of San Donà and Noventa, led by some special guides: our colleagues of the Operations Department.

The inauguration of the new plant in San Donà di Piave was a moment of particular importance for all Lafert. The new plant was entirely built in an Industry 4.0 perspective with automated production lines, and fully sustainable. The local authorities, the Mayor of San Donà and the vice-president of Confindustria took part in the inauguration.

Videos

Corporate videos and video presentations of products and applications were made with the aim of disseminating knowledge of Lafert's solutions and know-how as well as innovation across the Group.

Awards and recognition

The main recognition received by Lafert Group are listed below.



Lafert was granted the Ecol Design Award 2022

Ecol Design Award 2022 is an award by Recycla, created to honour the most virtuous companies that are committed to the sustainability of their own business and their own plants by adopting all the possible measures to improve their environmental impact. The award wants to testify to the continuous perseverance in working together with Recycla to create an environmentally friendly path through the correct management of waste. The award considers the efforts and the results achieved by the company, evaluating the performance utilizing chosen measurable indicators as critical factors to judge the effectiveness in the achievement of the set goals of each company partnering with Recycla. Specifically, in 2022, Lafert S.p.A. achieved extraordinary results in the following five KPIs:

445 Kg

reduced waste generation

7.726 l

liters of water preserved

24 Kg

carbon dioxide not produced

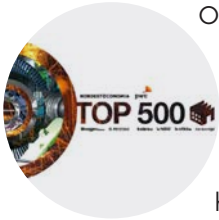
75%

recovery material

592 Kg

fossil fuel saved

Lafert among the 100 Italian Excellencies, VIII Edition



On 1st December 2022, we took part in the award ceremony of the eighth edition of the 100 Italian Excellencies Award in the hall of Campidoglio in Rome. The purpose of the award is to acknowledge the 100 protagonists of the best Italy, in virtue of the precious contribution given to the growth of our Country by each of the elite. Lafert, which has been developing vanguard technologies for energy efficiency and industrial automation for sixty years, was selected for its history and its annual contribution to environmental sustainability thanks to the reduction in emitted CO₂ of the business plants which use our motors.

The story and the achievements of Lafert were narrated and inserted in the printed volume redacted by the Liber Association, which collects the stories of the companies which distinguished themselves in 2021 in the development of our country. The volume wants to tell the face of beautiful Italy through the stories of 100 Italian Excellencies, through characters, companies, and organizations which with their work contribute and contributed to the enhancement of our Country and to the quality of our products as it is acknowledged in the whole world.

Lafert conquered a place among the Gotha of Made in Italy production by being listed in the ADI Design Index for the third time.



Lafert's quality and unique and innovative design have earned a place among the best Italian industrial products. With the HPI 2.0 motor, size 71, Lafert earned its place on the pages of the 2020 ADI Design Index, after winning over the permanent Observatory of the ADI (Association for Industrial Design), consisting of more than 100 experts.

This is already the third time Lafert has been listed by the ADI. In 2012, Lafert entered the world of Industrial design with the range of 1st generation HPI motors, also awarded the honourable mention in the Golden Compass competition. In 2017, the IE3 Premium asynchronous motor won over the ADI again with its extremely high energy efficiency, the innovative design and more than 200 customisations to adapt to any type of need. In 2021, the new generation of HPI 2.0 motors confirmed once again Lafert's focus on innovation and product design.

HPI 2.0 is a permanent magnet motor with fully integrated electronics that achieves extremely high performance levels with a decidedly more compact design and more modern electronics. Developed to meet the needs of those who show awareness of the need to conserve energy and resources but also require careful and simple management of technological systems. With significantly more powerful electronics, the motor indeed enables greater control and more user-friendly integration in industrial systems.

The final appearance stems from the close synergy of Lafert and the Miquadra Design studio, which used market surveys to identify, among key points, the users' new receptivity towards industrial components designed with a view to Industry 4.0

Lafert is among the Top 500 companies in the Venetian industrial arena.



Lafert has been listed **among the Top 500 companies in the Venetian industrial arena** that have proven to be driving forces for the local economy and have developed innovative proposals to address common problems and concrete solutions in the field of sustainability.

Top 500 Venezia is the research curated by PWC in collaboration with the Ca' Foscari University of Venice and Nordest Economia that identifies the companies that most contributed to regenerating the region with their plan of investments and their strategy for growth. The research aims to provide a snapshot of the provincial entrepreneurial fabric by showcasing to the economic, business and social community of the area best practices, stories and key players who can provide inspiration in addressing current changes and issues.

Lafert has been listed as one of the driving companies in 2021, as one of the Venice area's good practices for the growth policies pursued over the course of our history in terms of technological research, international standing and competitiveness, and investments in HR and sustainability.

4.5 Suppliers: supply chain management

Lafert Group believes in the importance of fostering synergies, in the close collaboration and engagement of its suppliers, who not only assure the reliability of production performance but at the same time share the values and expectations of the Company, also in terms of ethical, environmental and social standards.

The guidelines in supply chain management

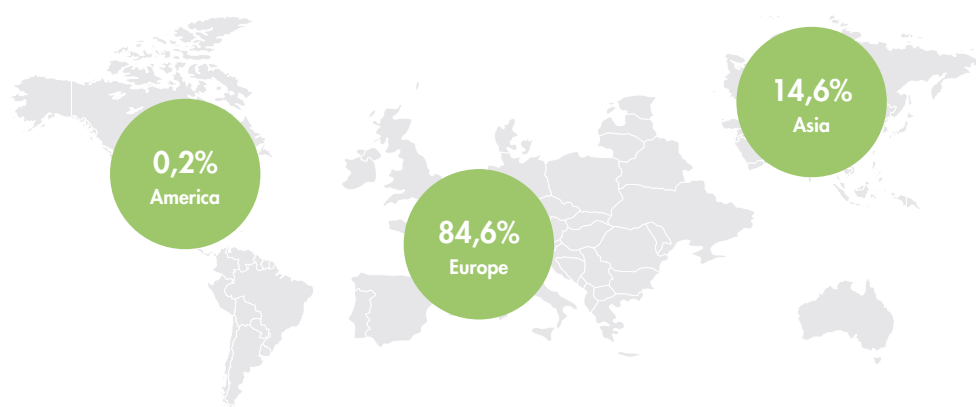
In activities for selecting and assessing suppliers, **impartiality and respect for all parties must always be assured** and, especially in negotiations, the principles set forth by Lafert's Code of Ethics must always be complied with.

The search, selection and qualification/approval of new suppliers are activities that involve a large number of resources across departments of Lafert Group, usually even in the medium-long term. These activities must therefore be scheduled in time, shared with the departments concerned and implemented in the face of real and objective organisational/business needs, opportunities or criticalities.

The types of suppliers

The suppliers of Lafert Group mainly deal with procurement of **raw materials, components and finished products**. The weight of each category on total purchases is set out below in detail:

Magnetic steel	16,3%	Electronics components	1,4%
Copper wire	14,7%	Wiring	1,3%
Diecasting	10,9%	Extruded aluminium	1,2%
Windings	9,3%	Steel bars	1,2%
Rods	7,2%	Connectors	1,1%
Brakes	5,7%	Cast iron	1,0%
Magnets	5,7%	Fan cover (steel)	0,9%
Sheared laminations	4,4%	Motors	0,6%
External processing	3,6%	Paints, primers	0,6%
Bearings	3,2%	Insulating material	0,6%
Hardware	2,7%	Aluminium alloy	0,6%
Plastic	2,0%	Consumables	0,4%
Packaging	1,6%	Anodising	0,4%
Indirect & Services	1,4%		



73,3% of Lafert Group's total purchases concentrates in Italy, most of which between Veneto, Lombardy, Friuli-Venezia Giulia and Emilia-Romagna, no further away than 300 km from the Group's Italian production facilities.

The following charts report specific information on the suppliers of the main productive plants⁴ of Lafert Group. Referring to FY 2022, approximately 73,3% of these suppliers are located in Italy, 14,6% in Asia, 11,3% in Europe and the remaining percentage in the rest of the world. No significant variations were reported compared to the previous two years, proving the solidity of the commercial relationships of Lafert Group with its partners.

Nr. Suppliers	2020		2021		2022	
	n.	% of total	n.	% of total	n.	% of total
In Italy ⁵	429	74,48%	455	73,27%	448	73,32%
In Europe	62	10,76%	64	10,31%	69	11,29%
In America	0	0,00%	1	0,16%	1	0,16%
In Asia	82	14,24%	97	15,62%	89	14,57%
In Rest of the World	3	0,52%	4	0,64%	4	0,65%
Total	576	100%	621	100%	611	100%

⁴ The data about the suppliers in the following charts refer to the Companies Lafert S.p.A., Lafert Servo Motors S.p.A., ICME S.p.A. and Lafert (Suzhou) Co. Ltd. The Group presents two other production Societies, Lafert Servo Drives S.r.l. and Lafert Elektromotorji D.o.o., excluded from this perimeter as some data are not available: Lafert Servo Drives S.r.l. (Bologna) deals with assembling the drives with the motors which are supplied by Lafert S.p.A. and Lafert Servo Motors S.p.A., while Lafert Elektromotorij (Slovenia) mostly deal with windings. So, in terms of procurement and materials, there are no relevant aspects to notify.

⁵ Lafert Group suppliers with registered office in Italy have been identified as "local" suppliers.

The following chart reports the total expenditure of Lafert Group towards the suppliers of the main productive companies, divided by geographic area. Neither in this case, any significant fluctuation was reported in 2022 compared to the percentages of the previous two years. However, in 2022 the absolute value of Lafert's total expenditure increased by 28,5% compared to 2021, the datum also due to the general increase of costs in 2022. During the last fiscal year, the budget spent on suppliers for Lafert's production Society concentrated mostly in Italy (76%), Asia (14,2%) and in Europe (9,7%). In total, in 2022 the Group spent almost **168 million euros** for the suppliers of its production societies.

Value spent on Suppliers (Value in k€)	2020		2021		2022	
	€	% of total	€	% of total	€	% of total
In Italy	66.996	79,44%	100.533	76,96%	127.624	76,02%
In Europe	7.724	9,16%	12.637	9,67%	16.235	9,67%
In America	-	0,00%	1	0,00%	113	0,07%
In Asia	9.565	11,34%	17.389	13,31%	23.803	14,18%
In Rest of the World	50	0,06%	70	0,05%	111	0,07%
Total	84.335	100%	130.630	100%	167.886	100%

The major categories of goods purchased by Lafert, as reported in the chart hereinafter, are divided into finished products, raw materials, and semi-finished products. The purchase of raw materials is the most significant voice, corresponding to more than 75% of the overall expenditure. Approximately 23% of the expenditure is, conversely, related to the purchase of semi-finished products, while the remaining percentage is to be attributed to the finished products.

Type of goods (Raw Materials, Semi-Finished Products, Finished Products)	2020	2021	2022
Finished Products	2.476	1.979	2.735
Raw Materials	59.533	95.008	126.583
Semi-Finished Products	22.326	33.643	38.568
Total	84.335	130.630	167.886

Suppliers' selection criteria

The search and selection of new suppliers is an activity typically linked to the need to improve the pool of suppliers with regard to the following primary factors:

- Reduction of the purchase price;
- Increase of product quality;
- Improvement of the service level (deliveries, supply conditions etc.);
- Opportunities connected to procurement flexibility;
- Reduction of supply risks (business continuity, contingency plan, etc.);
- Compliance with sustainability aspects (ESG).

Based on these needs, the search for potential new suppliers is independently activated by the **Purchasing department (PCS)**, supported if required by the departments directly concerned.

1. When a range of available suppliers emerges in the scouting activity, the PCS department acquires (through registers, brochures, catalogues, telephone contacts, internet, introductory visits, etc.) the largest amount of information regarding potential suppliers, thus leading to preliminary sifting.
2. After assessing the risks, opportunities and strengths of each potential supplier, the PCS department (with the contribution of the departments concerned, if required) starts the process of qualification, approval and negotiation with the selected supplier(s), collecting all the information relating to the supply and the necessary cost estimates.
3. After acquiring the information documents and the offer for the required supply, the Buyer may enter the supplier in the database and issue the purchase order for approval/acceptance of the required supply.

During 2022, as it was reported in the paragraph "Code of Ethics", Lafert Group started and finished the realization of the new "Suppliers' Code of Ethics": the document was subsequently formalized and its signing by the suppliers will become a mandatory condition to work with Lafert.

In February 2023, the Suppliers' Code of Ethics was sent to all the suppliers of raw materials, processed goods, and components of the Group. The sharing of this document should be completed by the end of the first semester of 2023. Subsequently, the Group will proceed to send the document also to the main suppliers of services and maintenance, with the target to complete the activity by September 2023.

The Central Purchasing Department is also defining a **Vendor rating** model to classify and monitor all the active suppliers in terms of financial solidity, terms of payment, punctuality of payment, quality, etc. To this end, an attentive mapping of all the suppliers of the Group is currently underway.

As of today, the Organisation does not yet present formalized selection criteria for the suppliers concerning topics strictly linked with sustainability, however, there is the intention to integrate said aspect in the future.

Periodic suppliers' assessment

The suppliers that Lafert Group deals with periodically undergo a comprehensive assessment of their performance and prices applied.

This assessment takes place according to a specific method, which is based on the calculation of the so-called "TQF", i.e. the supplier's overall assessment data, based on three specific aspects: quality, service and price applied.

In the area of trimestral risk assessments, presented in the section "Risk Management", the impact of each risk identified on the business continuity is analysed also in relation to the supply chain and the suppliers of the Group.

4.6 Relations with the local area

Despite being an international concern, Lafert Group is strongly rooted in the region where it was born and where the historical headquarters is still based: San Donà di Piave (Venice).

The Group is focused on region's issues and local community, without making any distinctions between local or international communities. The company is committed to systematically supporting through financial contributions forms of volunteering and participation in multi-year projects, such as:

- initiatives organised by the Municipality of San Donà di Piave such as **sports events or young people's education and entertainment**;
- **open day** organised for the schoolchildren and the players of the local Rugby team;
- **redevelopment project of the industrial estate of Via John Fitzgerald Kennedy (San Donà di Piave)**, scheduled for the coming years in collaboration with other local companies in the area (probably, starting from 2024);
- regularly taking part in the **sustainable mobility initiative** promoted by the Municipality of San Donà di Piave for the disabled, contributing to the purchase of vehicles for transporting the disabled or people in need;
- **Lafert Academy**: training programme about production topics for young people. At the end of the training period, Lafert select and hire people particularly deserving;
- For over 10 years, at Christmas, Lafert has made **a donation to the CRO (Oncology Referral Centre)** of Aviano. Recently, the company has also allocated to the CRO the funds raised in memory of some colleagues who passed away.

Associations

For over 20 years, Lafert Group has supported the local rugby team, Rugby San Donà, which bears the company's name.

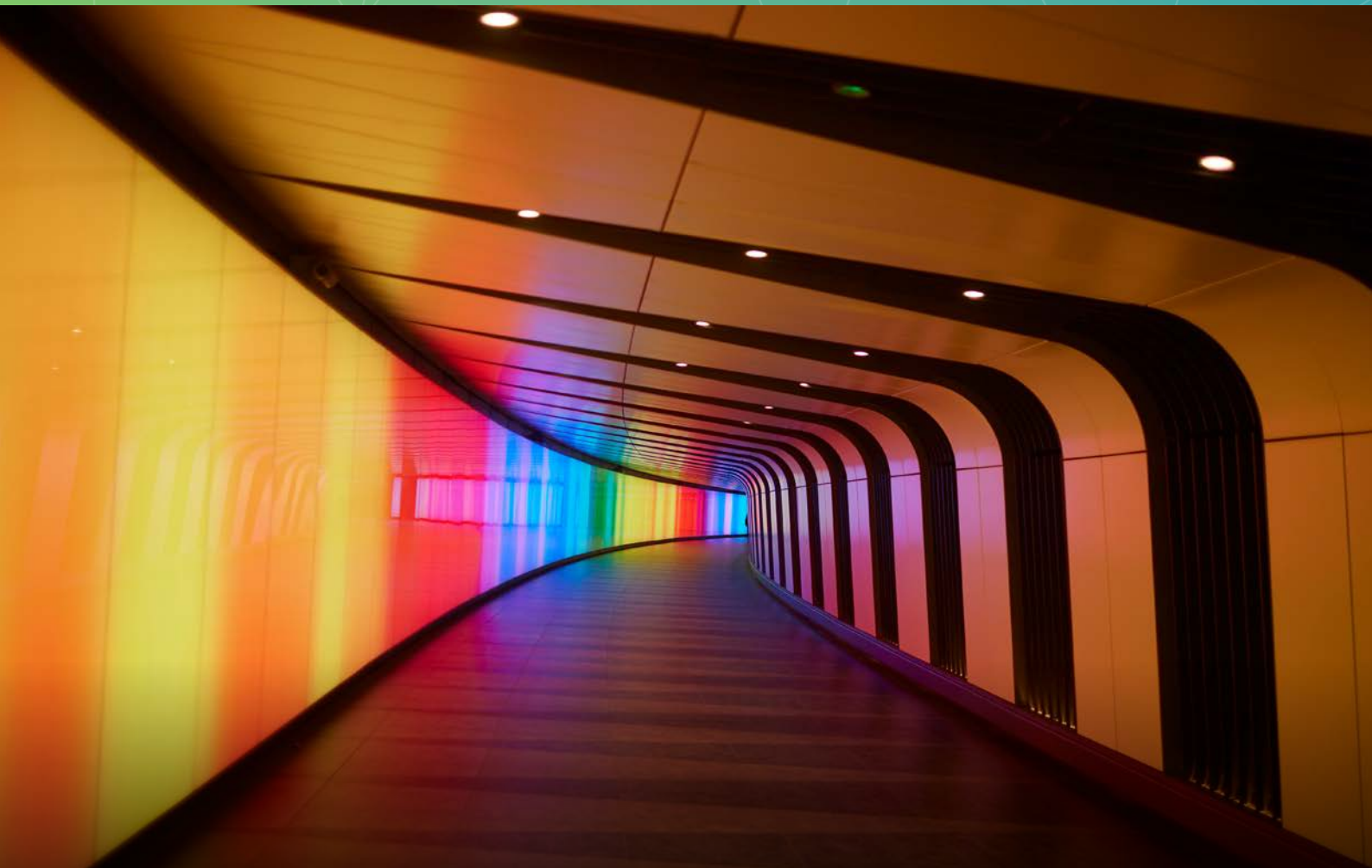
The sponsorship not only includes awarding scholarships to the most deserving players, but also Open days in the company to introduce children and young people to the industrial concern that is the sponsor.



Through this sponsorship, Lafert not only promotes healthy growth and exercise, of which rugby is a very good example, but also supports the local community through scholarships and hires.

5. Economic-financial capital

- 5.1 Operating performance
- 5.2 The Economic Value Generated and the Economic Value Distributed
- 5.3 Investments
- 5.4 Fiscal approach



HIGHLIGHTS | Economic-financial capital

- Revenues from sales and services in 2022 according to the reclassified income statement amounted to € 227.547 thousand (+21% vs 2021). Sales in Italy: 28,2% - Sales abroad: 71,8%.
- During 2022 the following are highlighted:
over € 243.443 thousand of economic value generated (+20,9% vs 2021) and
over € 233.459 thousand of economic value distributed (+22,8% vs 2021).
- Lafert Group's investments in Research and Development projects almost reached € 2 million in 2022.

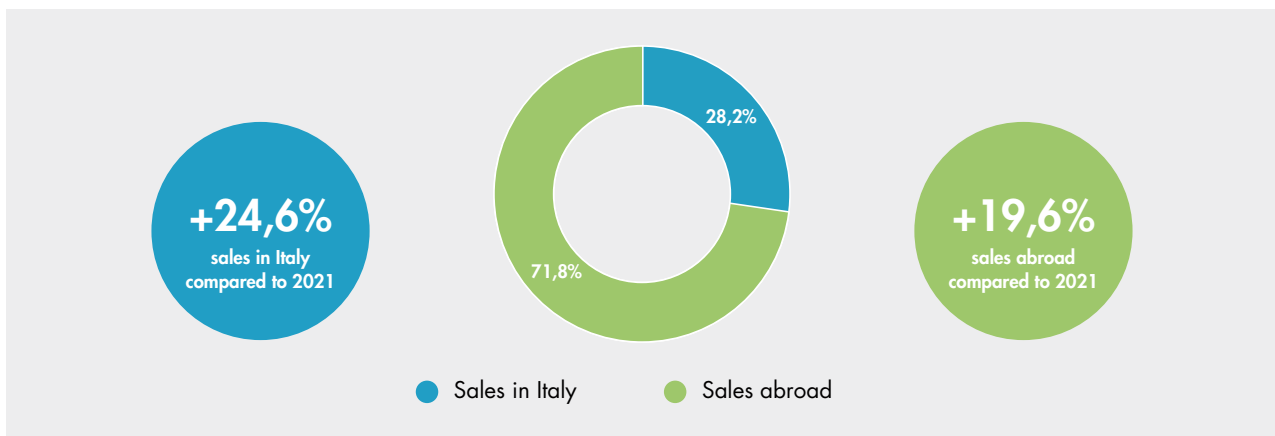
5.1 Operating performance

The sales trend registered highly superior scores from the previous practice thanks to the growth in the market demand in most of the sectors and markets and to the long-termed partnership built throughout the years with the customers, who entrusted Lafert with their production, growth, and success. After the 2020 practice, marked by the global crisis due to Covid-19, the years 2021 and 2022 were very positive in terms of ordered and invoiced and, especially thanks to the growing applications such as those linked with the production machinery, like “Air Technology” with the compressor and above all the vacuum pumps which are directly linked with the electronic production, the production of batteries for electric vehicles and many other productions. The partners in the production of machinery for “system integrators”, “robotics”, and “textiles” have also increased their demand well beyond expectations, led by an overall demand for an increase in productive capacity.

The 2022 practice was also interested by the revision of the selling prices as a consequence of the rises in the market which concerned the economies of the main sectors in Italy and in the world. Specifically, the rise in the prices of the main raw materials for the production of asynchronous motors and servomotors, together with the rise in the prices of energy and transportation, required significant actions to safeguard the marginality of the core business.

The revenues from sales and services in 2022, according to the reclassified income statement, amounted to **227.547 thousand euros** (+20,95% compared to 2021) while the order intake amounted to 169.569 thousand (-35,76% compared to 2021).

The sales on the Italian market, which comprised 28.2%, increased by 24.6% compared to the previous year, while the sales abroad (71.8% of the total) registered an increase of 19.6%.



The order book to be processed by 31st December 2022 amounted to 118.977 thousand, a slight increase compared to the book from the end of 2021, guaranteeing a coverage of approximately 6 months of production. The significant increase in the order book is ascribable mainly to the strong recovery in terms of post-pandemic ordered, which interested all the main sectors of the business applications, the issues of raw material and component supply, and the requirements of production capacity which extended the time to fulfil orders. Despite the abovementioned positive trend in sales, the overall result of the Group thinned in comparison to the previous practice as a consequence of the investments made.

Procurement

Compared to the previous practices, the cost of the main raw materials suffered very significant increases, independently from the specific product category.

- In 2022 and compared to 2021, the **price of copper** suffered averagely from an increase of 11% with a resulting increase in the price of the wound stators.
- The price of the **magnetic metal sheet**, after the decrease reported in 2020 and the sudden increase of almost 50% in 2021, suffered from an additional increase of 64% as well as **steel**, whose price increased averagely to 55%.
- The same trend is registered in the **prices of primary aluminium** and **alloy**, which increased by approximately 64% in comparison to the previous practice.
- The **price of the permanent magnets** increased to about 40% compared to the previous practice.
- In the last trimester of 2021, **the costs related to electric energy and gas** also increased with a trend which continued for a good part of 2022 due to the tensions in the markets caused by the outbreak of the war in Ukraine.



The enormous challenge linked to the increase in the cost of raw materials led to several campaigns for the increase of the selling prices, in different stages, to regain the profitability of the company even though the uncertainty in the raw material and purchased goods market remains, due to the tensions in the conditions of demand and supply, in the commercial controversies between Countries, the current geopolitical risks and the fluctuations in the prices of oil and currencies.

Russia-Ukraine war

Since February 24, 2022, Russia has been waging a war against Ukraine, still ongoing, with a significant impact on the geopolitical scenario and the resulting socio-economic implications.

The directors of Lafert Group and of the Sole Shareholder, Sumitomo Heavy Industry Ltd., have carefully evaluated the implications of the event on the business, on margins and on the equity and financial situation. The analyses did not bring to light any significant risks linked to dealings with third parties located in the areas affected or effects on the recognition and valuation of assets and liabilities. To date, the events and sanctions imposed by Italy and Europe have not affected the balance of Lafert Group, since there are no trade relations with the states concerned.

Therefore, **top management believes that the Russia-Ukraine conflict has no impact on the items of estimation, valuation and measurement of assets and liabilities as at the financial reporting date, 31 December 2022, and should be viewed as a non-adjusting event based on IAS 10.**

A breakdown of revenues by geographic area and market segment is provided below.

Revenues by geographic area (Value in k€)	2020		2021		2022	
	Revenues	%	Revenues	%	Revenues	%
Italy	38.890	27,09%	51.417	27,33%	63.170	27,76%
Austria	21.932	15,28%	25.151	13,37%	29.488	12,96%
USA	15.026	10,47%	22.965	12,21%	4.478	1,97%
Germany (Deutschland)	16.772	11,68%	21.926	11,65%	27.982	12,30%
China	5.803	4,04%	10.142	5,39%	9.857	4,33%
Rest of the World	45.148	31,45%	56.525	30,05%	92.572	40,68%
Total	143.571	100%	188.126	100%	227.547	100%

The below table gives the evidence of the turnover by application sector for the last three years.

Turnover by application sector (Value in k€)	2020		2021		2022	
	Revenues	%	Revenues	%	Revenues	%
Air Technology	19.234	13,40%	24.437	12,99%	31.129	13,68%
Automotive, Car Equipment	2.216	1,54%	3.050	1,62%	3.806	1,67%
Distribution, Partner, Engineering	12.293	8,56%	9.571	5,09%	21.933	9,64%
Food, Beverage, Tobacco, Hospitality	4.238	2,95%	5.473	2,91%	7.935	3,49%
HVAC/R	31.589	22,00%	41.267	21,94%	58.842	25,86%
Machine Tools	3.362	2,34%	5.161	2,74%	7.811	3,43%
Materials Handling / AGV	8.236	5,74%	9.403	5,00%	13.501	5,93%
Robotics	4.663	3,25%	6.101	3,24%	7.601	3,34%
Rubber & Plastics	1.655	1,15%	1.526	0,81%	1.355	0,60%
Systems Integrator	25.789	17,96%	32.569	17,31%	38.194	16,78%
Textile	7.741	5,39%	11.209	5,96%	12.811	5,63%
Wind	17.628	12,28%	16.175	8,60%	15.968	7,03%
Woodworking	379	0,26%	798	0,42%	673	0,30%
Other	4.548	3,18%	21.386	11,37%	5.988	2,63%
Total	143.571	100%	188.126	100%	227.547	100%

The following table gives a detailed breakdown of Lafert Group's expenses for the services during 2022.

Expenses by services (Value in k€)	2022
External processing	33.022
Shipping costs	6.209
Fees and sales commissions	1.646
Maintenance and repair costs	3.060
Utilities	3.015
Legal, tax and accounting advice	3.061
Expenditure on advertising, marketing and sponsorship	1.449
Rentals and operating leases	1.502
Personnel services	515
Directors and auditors' fees	107
Insurance costs	910
Travel expenses for employees	492
Charges and banking commissions	219
Surveillance and cleaning expenses	562
Telephone expenses	435
Entertainment expenses	500
Rights of use and royalties	66
Other services	99
Stationery and postal charges	11
Total	56.880

The table below shows the total value of the financial assistance that Lafert has received from the government over the last three years.

Financial assistance received from the government (Value in k€)	2020	2021	2022
Grants for investment, research and development and other major forms of assistance	358	1799	2.373
Financial assistance from Export Credit Agencies (ECAs)	-	-	280
Total	358	1799	2.653

5.2 The Economic Value Generated and the Economic Value Distributed

Added value ⁶ (Values in k€)	2020	2021	2022
Revenues	143.885	198.641	237.970
Other income	425	1.146	3.144
Financial Income	464	1.610	2.329
Total Economic Value Generated	144.774	201.397	243.443
Operating costs	96.153	144.004	178.431
Remuneration of personnel	35.870	43.518	50.239
Remuneration of lenders	1.293	901	3.131
Remuneration of investors	0	0	0
Remuneration of the Public Administration	997	1.662	1.654
Charitable contributions	8	7	4
Total Economic Value Distributed	134.321	190.092	233.459
Economic Value Retained	10.453	11.305	9.974

The income statement, which shows the Economic Value Generated and the Economic Value Distributed, is drawn up based on the consolidated income statement of the period of reference, with the aim of showing the economic value directly generated by Lafert Group and its distribution to internal and external stakeholders.

The Economic Value Generated refers to Lafert's net revenues (Revenues, Other Operating Revenues, Net of losses on receivables), whereas the Economic Value Distributed shows costs reclassified by stakeholder category and any distributed dividends.

The Economic Value Retained refers to the difference between Economic Value Generated and Economic Value Distributed and includes depreciation and amortisation of tangible and intangible assets, provisions and prepaid/deferred taxes.

As can be seen from the table above, the values changed significantly between 2021 and 2022 for almost all items: revenues increased by almost 19,8%, as did costs; operating costs increased by 24% and personnel costs by more than 15,4%.

These changes are partly due to a general increase in the inflation rate, which has led to higher costs for the Group, especially in relation to the supply of raw materials and energy costs.

Consequently, an increase in the Total Economic Value Distributed was recorded in 2022 compared to the previous year of 22,9%.

⁶ The data in the table, relating to the economic value generated, distributed and retained, have been updated following a different way of reclassifying the items in the Income Statement.

5.3 Investments

Every year, Lafert Group invests in projects for the technological innovation of products and processes, pursuing a development which proves sustainable over time.

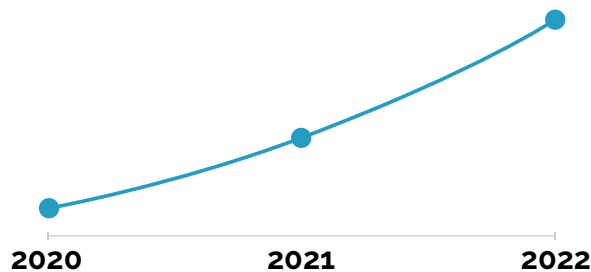
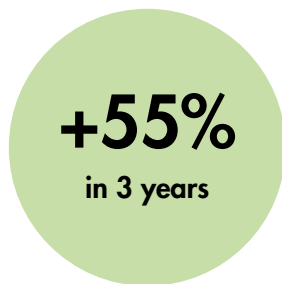
In 2022, the investments in material goods amounted approximately to 15 million euros, equal to 6.5% of the overall turnover of the Group for the examined practice. Of this amount, the most significant part refers to the purchase of highly technological machinery and systems to increase production efficiency and safety and reduce energy consumption in the line, complying with the principles of the national plan for transition 4.0. Approximately 2.4 millions of the investments refer to the purchase of a buildable area in Via Kennedy, in front of the present society headquarters of Lafert S.p.A., currently in the design stage to define its best use. The majority of the resources was used in the Italian plants of the Group which, aside from the abovementioned goods, invested in the implementations of new control and managing systems in the area of software for the process business management and for the activities of research and development.

The research and development activity is considered a strategic lever from a competitive point of view to respond to the market’s evolution as well as from the point of view of sustainability. Many of the ongoing projects target the improvement of energy efficiency, the reduction of the consumption of raw materials used in the production process and the improvement of the reliability and durability of products, reducing environmental impacts.

Over the last three years, expenses for research and development projects have increased, confirming they are key to the Group’s business plan.

For the analysis of the main innovative projects carried out in 2021 see chapter 3 “Infrastructural capital”, paragraph “Innovation and digitalisation”.

Research and Development expenses (Value in k€) ⁷	2020	2021	2022
Research and development expenses	1.249	1.948	1.938



⁷ The data for 2020 and 2021 in the table have been updated following a reclassification of R&D expenditure.

5.4 Fiscal approach

Lafert Group undertakes to apply the fiscal laws in force, ensuring that the spirit and purpose set forth by the law and the legal system for the matter being interpreted are complied with. The approach adopted hinges on principles of prudence, responsibility and transparency towards the tax administrations and all the Stakeholders.

Lafert Group promotes the spread of a fiscal culture in compliance with the regulations and with the Code of Ethics. In cases where the fiscal discipline raises interpretative doubts or application difficulties, a reasonable line of interpretation is pursued, making use of the advice of qualified consultants.

The Group's fiscal headquarter is in Italy, where the parent company Lafert S.p.A. and the most significant companies in terms of revenues and tax paid are located. **The focus is on counteracting the phenomena of tax avoidance and evasion at national and international level.** Indeed, the shareholdings held in foreign companies are not used for planning an international fiscal policy aimed at favouring taxation in countries with lower tax burdens, but have the strategic purpose of commercial expansion of Lafert's business in foreign countries. Regarding this issue, **as of fiscal year 2019 the Group has adopted the Master file on transfer pricing** which will be updated for each financial year in order to improve transparency on transfer price policies. Furthermore, each year the Group cooperates with the shareholder Sumitomo in preparing the document on international taxation **"Country by Country" report.**

The governance of tax control is delegated to the Group's Accounting Management Department which, also through the support of external consultants, monitors the correctness of transactions, the evolution of tax regulations and provides single guidelines on the management of tax risk to the Group's companies.

All requests made to Lafert Group by tax authorities are managed within the proper flow of information, with an approach by the Group that aims at responding promptly and thoroughly. Relations with the authorities are key to the Group's tax policies and are collaborative and proactive.

In 2022, no tax disputes or claims were recorded and, as at the date of this document, there are no significant tax disputes.

6. Human capital

- 6.1 The personnel selection policy
- 6.2 Diversity, equal opportunities and welfare
- 6.3 Employees
- 6.4 Training and skills
- 6.5 Occupational health and safety



HIGHLIGHTS | Human capital

- Lafert Group's workforce on 31 December 2022 amounted to 1.117 people, registering an increase of 7,1% compared to 2021.
- 87,4% of the workforce is hired on open-ended contract.
- In relation to the year 2022, the company registered a positive turnover of 72,9% for under 30 men and 95,8% for under 30 women.
- People growth is one of the most pursued corporate values, from the recruiting phase and throughout the stay in the company, as well as the well-being of people pursued through the organization of initiatives aimed at strengthening the link between the company and employees.
- Lafert adopts Agile Working as a new approach to business organization, in which the individual needs of the worker are considered as complementary with those of the company.
- In 2022, the company recognized all workers the maximum fringe benefit value according to the legislation in force, and almost 4.000 hours of training were provided to Group employees.
- Lafert Group adopts an Occupational Health and Safety Management System – ISO 45001:2018. This system is adopted and certified for the parent company Lafert S.p.A. and applicable to all other plants.
- During 2022, there were no deaths as a result of accidents at work nor accidents with serious consequences.
- During 2023, Lafert Group undertook for the Italian companies the project to acquire the Gender Equality Certification pursuant to UNI/PDR 125:2022 and at the same time the issue of ISO 30415:2021 Certification - Human Resources Management - Diversity and Inclusion.



For Lafert Group, people are the key factor in achieving its purposes. That is why the Group protects and promotes their value and works to improve and increase the wealth of skills held by each employee, also in order to develop the professional expertise of each for the benefit of the company and, more generally, of all Stakeholders.

Honesty, talent, professionalism, seriousness and technical expertise are the features the Group demands from its employees.

The “growth of people” is one of the key corporate values that is pursued, from the recruitment stage, throughout one’s career at the company, thanks to the organisation of initiatives aimed at strengthening the bond between the company and its employees.

Personnel management is inspired by principles of fairness and impartiality, avoiding favouritism or discrimination, all while respecting the worker’s professionalism and skills. At the same time, in pursuing goals, the employees must work in the awareness that ethics is of primary importance for Lafert Group and, therefore, all their actions must always comply with the Organisation, Management and Control Model pursuant to It. Legislative Decree no. 231/2001 adopted, the Code of Ethics and the company protocols and regulations. For this purpose, said documents are provided to all employees.

Lafert Group requires all resources, at all levels, to cooperate in order to keep a climate of mutual respect within the Company, safeguarding the dignity, honour and reputation of each.



6.1 The personnel selection policy

Top management believes that proper human resource management – also in terms of information, training and education – is an essential condition for achieving the commitments taken on and the goals assigned each year to the entire organisation. In the delicate phase of selecting new personnel as well as in cases of internal changes in job positions, there is generally the need to assure an adequate level of knowledge and expertise. To this end, there is a procedure aimed at disseminating to all levels of the organisation the necessary information on the objectives, rules, procedures and operating methods established by top management, supporting, where necessary, said information with specific training and education activities on specialist aspects that may positively influence the performance of the organisation.

The selection processes

Selection processes play an essential role for the Group as they are intended to identify candidates that have specific skills, such as professionalism, seriousness and technical expertise. The result of this process leads to the identification of profiles that meet the Company's needs, and which also share the ethical principles and values of honesty and loyalty that inspire Lafert.

To this end, selection is carried out in full compliance with equal opportunities, therefore without any discrimination whatsoever, avoiding favouritism, any form of facilitation and clientelism, with choices inspired exclusively by objective criteria of professionalism and talent.

The requesting department assesses the candidate's academic qualifications and skills, attitudes, motivation and anything else required to provide a neutral opinion on qualification. The information required in the selection phase is strictly related to the need to ensure the characteristics foreseen by the professional, psychological and skills profile, respecting the private sphere and opinions of the candidate and respecting equal opportunities for all parties concerned. The personnel of Lafert Group involved in the personnel assessment and selection is required to adhere to the following rules of conduct:

- **impartiality in the treatment of the candidates taking part in the recruitment process;**
- **confidentiality of the information acquired during the selection;**
- **independence in performing their tasks and abstaining from getting involved in operations that may lead to a conflict of interest;**
- **prohibition of any undue pressure from internal or external subjects.**

The selection process varies depending on the professional category, with particular reference to office workers and production workers. For the office workers, an individual/specialized plan is programmed, depending on the figure/activity, which allows them to be put in touch with the supervisors of the different company areas in order to know all the company organization. For the production workers, this activity is led by the Head of Prevention and Protection Service (HPPS) and the Workers' Safety Representative (WSR), who explain to the new entries the topics of safety rules to adopt inside the production area, as well as the internal rules of procedure. Lastly, they are instructed about the correct behaviour to maintain inside the company.

After the selection process is successfully completed, the candidate is supported during the induction phase through an **on-boarding process, differentiated according to the professional profile.**

6.2 Diversity, equal opportunities and welfare

Lafert promotes the dissemination of an inclusive corporate culture, aimed at assuring respect for equal opportunities, considering each person's value regardless of their gender, sexual orientation, disability, ethnic origin, nationality, political opinions and religious beliefs, according to the principle of impartiality.

In compliance with the principles of the Code of Ethics, Lafert expresses its attention to a fair management and growth of the intellectual potential of its human resources, in line with criteria of merit and the results achieved, assuring equal treatment and censuring any attitude or behaviour that is threatening, hostile, discriminatory or harmful to the person and dignity of the worker, of their beliefs and preferences, or such as being able to undermine the peaceful performance of their tasks.

All people at Lafert are required to promote and maintain a climate of mutual respect of each other's sensitivity in the workplace.

Lafert's Code of Ethics shares its commitment to the protection and promotion of human rights, in compliance with the Universal Declaration of the United Nations, the fundamental Conventions of the International Labour Organization (ILO) and the OECD Guidelines, believing in a society founded on the primary principles of equality, solidarity, protection of civil and political rights, of social, economic and cultural rights and so-called third generation rights, such as the right to self-determination, to peace, to a healthy environment.

Specifically, Lafert promotes the topic of gender equality and professional growth of the women in the company, knowing that in the industry sector, the percentage of female professionals is contained. With the purpose to consolidate the attention towards the abovementioned topics, the Group will embark in 2023 on the journey to obtain the Certification on Gender Equality in compliance with UNI/PDR 125:2022 as well as the Certification ISO 30415:2021 – Human Resources Management – Diversity and inclusion.

6.3 Employees⁸

Number of employees	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
	143	663	806	169	788	957	191	835	1026

Compared to 2020, **an increase has been observed during 2021 in the number of employees by 9.3%**, mainly due to two factors: the takeover of two new companies, Lafert North America Inc. and Lafert Motores Electricos S.L.U., and the resumption of activities after the pandemic.

The personnel mainly consist of men working in the production of electrical motors. Lafert's employees are hired solely with a regular employment contract, through the National Collective Labour Agreement of metalworkers, in compliance with the laws and regulations in force.

Forms of employment

Number of employees by type of contract/by gender	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
On open-ended contracts	128	611	739	139	648	787	163	734	897
On temporary contracts	15	52	67	30	140	170	28	101	129
Total	143	663	806	169	788	957	191	835	1026

Approximately 87,4% of employees are hired on open-ended contracts.

In order to accommodate the personal and family needs of employees, there is the option of making use of flexible working hours and the part-time scheme is available, although most employees – more than 97,2% – work on a full-time contract.

Number of employees by type of hours/by gender	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time	123	660	783	148	782	930	167	830	997
Part-time	20	3	23	21	6	27	24	5	29
Total	143	663	806	169	788	957	191	835	1026

⁸ In the total amount, the employees of Lafert Elektromotorji D.o.o. located in Slovenia were not counted, as a punctual accounting data system is not yet active to recount gender and age. The total number of employees of this society amounted to 90 individuals in 2022, with no significant variations compared to the previous year. The employees are almost totally production workers (86 people).

The table below shows the total number of non-employees in Lafert Group, which amounted to 82 in 2022. Most of them (93,9 %) are temporary workers.

Non employees by type of contract by gender and region	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Interns and Trainees	1	4	5	0	2	2	2	3	5
Temporary workers	3	19	22	13	97	110	14	63	77
Self-employed workers	0	3	3	0	0	0	0	0	0
Total	4	26	30	13	99	112	16	66	82

Diversity

Number of employees by category/by gender	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	2	8	10	2	10	12	2	12	14
Middle managers	2	13	15	3	17	20	2	16	18
Office workers	64	107	171	78	125	203	84	144	228
Production workers	75	535	610	86	636	772	103	663	766
Total	143	663	806	169	788	957	191	835	1026

The high number of men, especially in production, is due to the type of processing and operations required by the business.

Indeed, over the total number of employees, 74,7% (766 out of 1.026) are production workers and only 10% of them are women. Most female employees, however, work in offices or in production – respectively 84 and 103 over a total of 191 women.

The percentages of employees broken down by category and gender are set out below, in relation to the total number of employees as at December 31st, 2020-2021-2022.

Percentage of employees by category/by gender	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	0,2%	1,0%	1,2%	0,2%	1,0%	1,3%	0,2%	1,2%	1,4%
Middle managers	0,2%	1,6%	1,9%	0,3%	1,8%	2,1%	0,2%	1,6%	1,8%
Office workers	7,9%	13,3%	21,2%	8,2%	13,1%	21,2%	8,2%	14,0%	22,2%
Production workers	9,3%	66,4%	75,7%	9,0%	66,5%	75,4%	10,0%	64,6%	74,7%
Total	17,7%	82,3%	100,0%	17,7%	82,3%	100,0%	18,6%	81,4%	100,0%

The ratio of the percentage of female to male employees is fairly constant over time. However, in 2022 the percentage of female employees in the Group rose by 1,0% compared to the previous year, amounting to 18,6% of Lafert's total employees.

Number of employees by category/by age range	2020				2021				2022			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Managers	0	2	8	10	0	2	10	12	0	3	10	13
Middle managers	0	9	6	15	0	13	8	20	0	10	9	19
Office workers	22	118	31	171	30	139	34	203	38	155	35	228
Production workers	124	328	158	610	173	379	170	722	174	408	184	766
Total	146	457	203	806	203	532	222	957	212	576	238	1026

In 2022 most Lafert's employees were between 30 and 50 years old (56,1%), with nearly 15,1% office workers and nearly 39,8% production workers.

% of employees by category/by age range	2020				2021				2022			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Managers	0,0%	0,2%	1,0%	1,2%	0,0%	0,2%	1,0%	1,3%	0,0%	0,3%	1,0%	1,3%
Middle managers	0,0%	1,1%	0,7%	1,9%	0,0%	1,3%	0,8%	2,1%	0,0%	1,0%	0,9%	1,9%
Office workers	2,7%	14,6%	3,8%	21,2%	3,1%	14,5%	3,6%	21,2%	3,7%	15,1%	3,4%	22,2%
Production workers	15,4%	40,7%	19,6%	75,7%	18,1%	39,6%	17,8%	75,4%	17,0%	39,8%	17,9%	74,7%
Total	18,1%	56,7%	25,2%	100,0%	21,2%	55,6%	23,2%	100,0%	20,7%	56,1%	23,2%	100,0%

Parental leave	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees who took parental leave	8	10	18	9	26	35	15	27	42
Number of employees who returned to work during the reporting period after taking parental leave	8	10	18	9	26	35	15	27	42
Number of employees who returned to work after taking parental leave and who are still employed by the company in the 12 months following their return	8	10	18	9	26	35	ND	ND	ND ⁹

All the 42 employees who took parental leave in 2022 regularly returned to work and did the same job or an equivalent job.

Parental leave is valid indiscriminately for full-time and part-time employees hired on open-ended contracts and for workers on temporary contracts. The return-to-work rate¹⁰ and the retention rate¹¹ are both 100% for 2020 as well as for 2021 for all genders, evidencing the corporate policies adopted by the Group, based on equity and gender equality in terms of parental leave.

The return to work rate and retention rate are 100% for 2020 and 2021 for both genders. The return to work rate for 2022 is also 100%.

These data highlight the effectiveness of the Group's corporate policies, based on equity and gender equality in terms of parental leave.

⁹ The 2022 figure will be available in the 2023 report, that is, when 12 months have passed since this report and the number of employees who have taken parental leave in 2022 and who will still be effectively in force in 2023 can be verified.

¹⁰ The **return to work rate** refers to the total number of employees who actually returned to work after parental leave in relation to the total number of employees who should have returned to work after taking parental leave.

¹¹ The **retention rate** refers to the total number of employees still employed 12 months after returning to work at the end of parental leave in relation to the total number of employees returning to work following parental leave in the previous reporting period.

Turnover

Hires	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Until 29 years	3	35	38	6	134	140	23	137	160
From 30 to 50 years	9	30	39	15	76	91	33	98	131
Over 50 years	3	6	9	2	11	13	5	27	32
Total	15	71	86	23	221	244	61	262	323

Terminations	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Until 29 years	5	34	39	1	52	53	14	104	118
From 30 to 50 years	10	31	41	5	42	47	17	83	100
Over 50 years	4	16	20	4	19	23	10	26	36
Total	19	81	100	10	113	123	41	213	254

Turnover rate	2020							
	Women				Men			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Negative turnover - terminations	41,67%	10,64%	10,81%	13,29%	25,37%	8,54%	9,64%	12,22%
Positive turnover - hires	25,00%	9,57%	8,11%	10,49%	26,12%	8,26%	3,61%	10,71%
Overall turnover	66,67%	20,21%	18,92%	23,08%	51,49%	16,80%	13,25%	22,93%

Turnover rate	2021							
	Women				Men			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Negative turnover - terminations	5,88%	4,59%	9,30%	5,92%	27,96%	9,93%	10,61%	14,34%
Positive turnover - hires	35,29%	13,76%	4,65%	13,61%	72,04%	17,97%	6,15%	28,05%
Overall turnover	41,18%	18,35%	13,95%	19,53%	100,0%	27,90%	16,76%	42,39%

Turnover rate	2022							
	Women				Men			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Negative turnover - terminations	58,33%	13,82%	22,73%	21,47%	55,32%	18,32%	13,40%	25,51%
Positive turnover - hires	95,83%	26,83%	11,36%	31,94%	72,87%	21,63%	13,92%	31,38%
Overall turnover	154,17%	40,65%	34,06%	53,40%	128,19%	39,96%	27,32%	56,89%



During the last triennium, the Group always maintained a positive turnover rate, registering more hirings than terminations in each accounted fiscal year, testifying to the continuous growth and stability of the business.

For the majority, the hirings involved already qualified personnel with a background in a wide range of fields, with an age between 30 and 50. This is precisely the aspect that distinguishes Lafert from its competitors, testifying to the fact that the Group strongly believes in the younger generations, investing time and money in enhancing them with a view to growth and modernisation of the business.

In relation to FY 2022, we ought to highlight the positive turnover of 72,9% for men under 30 and 95,8% for women under 30.

The turnover percentages were calculated on the overall number of employees on 31st December of each year, in adherence to the request of the GRI Standard.

6.4 Training and skills

Training and skills

Lafert believes it is important to ensure all the personnel working at the company have access to appropriate levels of information, training and education. This activity is diversified based on the various contract levels and respecting professional profiles, as described below.

Upon hiring, or immediately following confirmation, each worker is informed by the competent department about the company organisation (see the paragraph “The Selection Processes”), the policy and objectives for quality, procedures, existing production flows, safety in the workplace and all other matters concerning the employment relationship. Each new recruit is handed a document containing basic information and the Group’s Code of Ethics laying down all the rules of conduct one must abide by. A meeting plan with all the supervisors of the different company areas is programmed for all the office workers.

After hiring, and for the entire period deemed necessary by the department manager, each new employee (including personnel transferred internally to new positions) is adequately trained to perform the assigned duties correctly, through coaching and supervision by experienced company personnel.

Training may be requested by the person in charge, the manager or the worker himself. The HR function, together with the area manager, analyses the specific request and then takes action to meet individual and/or area needs.

Training planning

All training activities carried out by company personnel are documented in an appropriate form by recording the topics covered, trainer’s name, duration of the course and participants’ names. At the end of the training/ education activity, said form is handed by the trainer to the HR department for updating the records of the personnel involved.

After an appropriate period, the HR department has the task of sending the form to the department manager concerned asking them to close the training activity. If the required knowledge and training activities carried out have been sufficiently effective, the department manager will formally declare that the training activity is closed by stating it on the appropriate form; at this point it will be the responsibility of the HR department to update the relevant system information. Otherwise, the department manager will report to the HR department the failed “qualification” and/or limitations shown by certain participants, recommending the usefulness of further training activities or otherwise.

All training activities provided by external entities or trainers are documented as a rule in appropriate registers, lists and/or certificates issued by the provider. A copy of the documents issued by the entity shall be handed by the parties concerned to the HR department and finally recorded in the appropriate archives. In courses provided by external entities, the course normally ends with a test of the effectiveness of the training activities carried out. In these cases, and in all cases where certificates are issued by the provider, no further internal testing and assessment activity by Lafert is required.

A total of 3,9 average hours of training were provided during 2022, including both compulsory and specific training.

The table below sums up the average training hours recorded in 2020, 2021 and 2022:

Average training hours	2020			2021			2022		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Managers	4,0	1,3	1,8	26,0	5,0	8,5	23,0	0,3	3,5
Middle managers	4,0	0,6	1,1	2,7	0,9	1,2	-	1,6	1,4
Office workers	1,2	2,1	1,8	1,1	3,7	2,7	5,4	6,4	6,1
Production workers	0,3	2,2	2,0	1,2	1,7	1,6	2,6	3,4	3,3
Total	0,8	2,2	1,9	1,5	2,0	1,9	4,0	3,8	3,9

Lafert Group provided a total of 3.961 hours of training to all its employees in 2022.



The **WorkDay platform** was implemented in 2021, for assessing performance and assigning annual objectives. It also provides a section relating to the assessment of acquired skills in connection with previously customised professional training pathways.

Company welfare

Lafert Group promotes as much as possible forms of work flexibility to support work-life balance and childcare. The option of flexible working hours is provided, and the **part-time** arrangement is easily accessible, as well as **parental leave**.

With a view to that, **Smart Working** – adopted as a necessary tool to carry out work activities during the Covid 19 pandemic – is taking shape as a new approach to company organisation, in which the worker’s individual needs are balanced, in a complementary manner with those of the company, within an overall strategy aimed at the well-being of the individual as worker, also aimed at preventing, where possible, situations of “work stress” caused by the growing complexity of the tasks to be performed.

For this reason, within its sustainability and work-life-balance initiatives, the Company wishes to introduce systematically the **Agile Working mode**, as of the end of the emergency status in March 2022 and stipulate the consequent individual agreements between company and employee as required by lt. law 81/2017 according to each worker’s type of job.

In 2022, the company granted to all employees the maximum value provided by the current legislation for the fringe benefit theme.

To provide economic support to employees, the Company has implemented a welfare platform which offers to workers a personalised incentive system, with the option of subscribing to supplementary pension schemes.

Company cars are allocated to personnel in connection to their job position and is normally related to the contractual level of the assignees. The cars are assigned for specific work needs in order to ensure the employee is able to adequately perform his or her tasks and, where deemed appropriate, acknowledge a benefit to himself/herself.

The following chart reports the number of Lafert’s full-time employees who accessed the reported benefits in 2022.

Benefit for full-time employees	2020	2021	2022
Life insurance	10	13	13
Health care	761	820	920
Coverage for disability	761	820	920
Parental leave	761	820	920
Pension contribution	761	820	920

6.5 Occupational health and safety

Policy for health and safety in the workplace

As part of the respect due to people as an essential element for achieving the company's objectives, Lafert Group undertakes to ensure that its activities, its plants and services are compatible with the best prevention and protection of workers' health and safety, in order to reducing the risks arising from normal work activities, particular situations or emergencies.

The Group undertakes to spread and consolidate a culture of safety, developing awareness of risks and compliance with the regulations in force on prevention and protection, promoting responsible behaviour by everyone.

Furthermore, it works to preserve and improve the working conditions, health and safety of employees, especially with preventive actions.

Therefore, Lafert Group undertakes to:

- eliminate/reduce to the minimum risks in relation to the knowledge acquired based on technical progress, favouring actions taken at the source;
- adopt equipment, machinery and plants to perform production activities that comply with the essential safety requirements;
- replace, as regards the products used, what is dangerous with what is not, or is less dangerous;
- limit to the minimum the number of workers who are or may be exposed to risks;
- adopt appropriate management systems to assure and maintain a high level of prevention and protection from the risks of accidents and occupational diseases;
- assure suitable information, education, awareness-raising and training on the matter of health and safety to all workers.

For the purpose of prevention, the Group not only assures compliance with the laws and regulations of the sector, but, through suitable planning, it adopts specific objectives and ensures the preparation of programmes and means to achieve them, assess and periodically review them. This procedure is aimed at achieving a continuous improvement of health and safety conditions, also on the basis of technical regulations, directives or recommendations by international bodies.

Occupational Health and Safety Management System

Lafert Group adopts an Occupational Health and Safety Management System - **ISO 45001:2018**. This system is adopted and certified for the parent company Lafert S.p.A. and applicable to all other production companies, therefore covering all the Group's employees.

The prevention policy on health and safety in the workplace is implemented and made operational through the management and the engagement of personnel at all levels and departments concerned according to the procedures set forth by standard ISO 45001:2018.

In order to assure the application and effectiveness of the measures on occupational health and safety, the Group:

- adopts a preventative approach to the management of safety issues;
- periodically reviews the effectiveness of the management system adopted by assessing the achievement of the objectives and goals set for the purpose;
- promotes knowledge of the objectives by personnel, awareness of the results to aim for, acceptance of responsibilities, individual motivation and commitment in the implementation of the system, encouraging participation and consultation at all levels;
- communicates its health and safety policy to all stakeholders and whoever requests it;
- commits the human and financial resources required to achieve the objectives and to implement the improvement programmes.

Hazard identification, risk assessment and accidents investigation

The regulatory framework, specifically It. Legislative Decree no. 81/08, defines the responsibilities, activities and deadlines.

The procedures and protocols set forth by the ISO 45001 management system in this connection call for:

- the adoption by the organisation of rules and procedures, in addition to the mere legal requirements, which cover one's own quality aspects and health and safety risks;
- monitoring the trends of accidents, near-misses and occupational diseases and improving how they are managed;
- the adoption of all the necessary measures to limit the occurrence of emergency conditions and any impacts thereof;
- the adoption of measures aimed at eliminating, where possible, the hazards and reduce the health and safety risks;
- the involvement of all company departments and of the entire organisation through proactive behaviour.

Lafert Group, through the prevention and protection service, has implemented processes for assessing and maintaining the prevention and protection measures put in place to eliminate or reduce structural risks and risks deriving from work activities.

These internal assessments take place through several channels, such as internal audits, monitoring by officers and/or managers and reports by personnel. The internal communication system adopts both a horizontal and vertical system for monitoring nonconformities, leading to their assessment and elimination. **Lafert Group promotes the culture of workplace safety through education**, which is carried out according to legal requirements jointly with workforce information and training.

As part of the health and safety policy, the **Risk Assessment Document (RAD)** has been drawn up, identifying the specific potential risk factors relating to these operational sectors, and the **Interference Risk Assessment Document (IRAD)**, which assesses the "interference risks" in relation to contracts. Furthermore, a document containing the work plan and improvement actions is periodically drawn up and updated (Improvement plan).

Occupational health services and workers' health promotion

As set forth by It. Legislative Decree no. 81/08, a health surveillance service is provided (company doctor) with the purpose of checking the health condition of employees and express a judgement of fitness for the specific task assigned to the employee.

Health welfare

The health welfare system is assured by being a member of **Fondo Metasalute**. The aim of the Fund is to support workers' needs, providing supplementary healthcare services to those of the Italian National Health System (SSN). Registration of workers to Fondo Metasalute is mandatory and automatic, paid by the company with a monthly fee. Companies that apply the National Metalworking Labour Agreement, among others, are eligible for the Fund.

Participation and consultation with workers and communication on matters of occupational health and safety

In application of It. Legislative Decree no. 81/2008, Lafert Group has appointed a Health and Safety Manager (or Head of Prevention and Protection Service - HPPS).. This role coordinates the prevention and protection service, goes to the company and deals with the management of safety in the workplace and relations with the various control and certification bodies and entities, coordinating with the workers' safety representatives and Directors.

The Board of Directors, upon the proposal put forth in the Management review meeting, establishes objectives in the short and medium-term, which are disclosed and shared throughout the organisation. Meetings are held regularly, organised by the H&S Manager, the minutes of which are then shared with the trade union representatives. The company has also identified and formalised a Safety Officer, with a proxy signed by both.

Workers' training on health and safety at work

Lafert Group pays close attention to the training issue and to the growth of workers' personal skills in relation to health and safety issues. Specific trade union agreements are defined and signed for submitting company training plans to Fondimpresa that include training courses on workplace safety.

Hereinafter, we report the overall training hours on Health, Safety and Environment¹² provided to Lafert's employees divided by category.

Type of training ¹³	2022	
	Hours	Employees
General training	162	79
Specific training	62	22
Other	3311	936
Total	3535	1037

¹² The hours related to the updating of the course on "environment and safety" are divided as follows: about 1/3 environment and 2/3 safety.

¹³ The data in this table refer to all Group companies with the exception of Lafert Elektromotorji d.o.o., Lafert Moteurs S.A.S., Lafert GmbH and Lafert Motores Electricos S.L.U. Data from the Slovenian headquarters are not available, while those of the other three companies are not considered relevant as they are business premises that have few employees and very low health and safety risks.

Hereinafter is the list of the training courses provided to Lafert's employees:

- Fire training and emergency management, and updates;
- Yearly HSE update (Health, Safety and Environment);
- License for defibrillator use and updates;
- Legislative update D.lgs. n. 81/2008 addressed to managers;
- First aid training and/or related updates;
- Training on topics such as alcohol and work;
- Training on forklift use;
- Training on stacker use;
- Training on overhead crane use;
- General training and specific High Hazard training;
- General training and specific Low Hazard training;
- Member of the Prevention and Protection Service training;
- ADR basic training – dangerous goods handling.

Since 2022, it was decided to provide 3 hours of yearly training, 2 about safety and one about the environment, for each employee: the covered topics of 2022 were **the prevention of musculoskeletal disorders** and **sustainable mobility**.

Prevention and mitigation of impacts on occupational health and safety within trade relations

The potentially critical aspects relating to occupational health and safety that concern trade relations are dealt with by Lafert Group according to the following approach:

- monitoring and raising awareness in the supply chain;
- monitoring the supply chain regarding quality and possible nonconformities of products;
- assessment of the impacts on health and safety associated with the supply chain;
- promotion with stakeholders of the actions undertaken by the organisation and results it achieves within the sphere of health and safety in the workplace.

⁶ The rate of registrable work-related injuries has been calculated as follows: number of injuries over number of hours worked per 200,000.

Accidents

Data on accidents	2020	2021	2022
Number of deaths following work accidents	0	0	0
Number of work accidents with serious consequences (except deaths)	0	0	0
Number of work accidents	37	28	31
Hours worked	1.293.900	1.697.997	1.595.050
Rate of recordable work accidents¹⁴	5,72	3,30	3,89
Number of deaths derived from occupational disease	0	0	0

The overall number of accidents registered in 2022 by the Group amounts to 31. The datum related to the rate of recordable accidents at work rose slightly compared to the previous year, as the overall working hours decreased. As a matter of fact, in absolute numbers, the number of accidents rose by only 3 units, on a total of over 1,000 employees.

All the accidents recorded by Lafert Group during the last triennium are of non-significant entity, as no deaths nor accidents with grave consequences ever occurred.

During 2022, Lafert invested greatly in implementing the level of safety of the company, and the safety and environment managing system allows to reduce significantly the accidents.

The data reported for 2022 refer to the productive societies¹⁵ of the Group, where more risks related to work activities are present.

Most accidents occur due to accidental impacts, sudden movements (e.g. back strain, falls, sprains), injuries/bruises while using equipment/hand tools.

Every injury/accident is declared by the department heads by filling in an appropriate form which is sent to the competent manager. After that, the prevention service analyses the dynamics of the accident and shares with the competent area any improvements required to prevent recurrence of the event.

¹⁴ The rate of recordable work accidents has been calculated as follows: number of work accidents over worked hours by 200,000.

¹⁵ Lafert S.p.A. and all its Italian plants, Lafert Elektromotorji D.o.o. e Lafert (Suzhou) Co. Ltd.

7. Environmental capital

- 7.1 Environmental responsibility
- 7.2 Energy consumption
- 7.3 Emissions
- 7.4 Water resources
- 7.5 Waste generation and management



HIGHLIGHTS | Environmental capital

- Lafert is aware that the development of high efficiency and high performance motors is not enough to reduce the impact on the environment and the territory. Therefore, it has started a series of improvement activities looking at internal processes and collaborations with partners and suppliers.
- Lafert Group adopts the Environmental Management System according to the UNI EN ISO 14001: 2015 standard.
- During 2022, Lafert created its first Home-Work Travel Plan within San Donà di Piave perimeter, launching a sustainable mobility project aimed at reducing the home-work journeys of its employees.
- A first photovoltaic system of 381.000 KWh/year has been installed in the new plant in San Donà di Piave, and in 2023 the installation of an additional 247.000 KWh/year plant is planned at the Noventa di Piave plant.
- The project to replace petrol and diesel company cars with plug-in models has begun.
- Lafert adopts a virtuous mechanism for managing emulsified water that allows the collected water to be reused in the production process.
- In 2023, a project was launched to analyze and study the life cycle of Lafert products in collaboration with the University of Trento, which will lead to the identification of areas for improvement with a view to increasing the sustainability of the Group's business model.

7.1 Environmental responsibility

Lafert Group, considering environmental protection as essential for sustainable development, aims at reconciling the needs of economic development with attention to the environmental impact.

The company is aware that the development of electrical motors with low energy impact and high efficiency has a significant impact on the environment and the land.

Furthermore, Lafert has always been actively promoting initiatives aimed at constantly reducing the environmental impacts of its business, adopting the best possible practices and factual cooperation with suppliers and partners.

With a view to that, on November 26th, 2021 Lafert S.p.A. obtained the certification of the environmental management system pursuant to standard **UNI EN ISO 14001:2015** with the aim to reach and prove a good level of behaviour towards the environment, controlling the impact of activities, products and services on the environment, adopting an environmental policy and setting safeguarding objectives.

The Environmental Management System is the set of processes, tools and models implemented by a company to meet the requirements of the regulatory framework. They are useful for sustainable development, as the company that is certified makes a tangible commitment to limit the direct environmental impacts deriving from its activities and control indirect ones, relating to the environmental behaviour of its suppliers, in order to improve the reduction of emissions, encourage waste recycling and proper environmental practices.

The international environmental management standard has indeed the purpose of providing organisations with the foundations of an effective environmental management system which, integrated with the other specific needs of each production concern, help organisations achieve their environmental and economic objectives.

In particular, UNI EN ISO 14001:2015 specifies the requirements of the Environmental Management System and allows each organisation to:

- identify the environmental impacts and risks and related opportunities for improvement;
- assure compliance with the legal requirements on environmental matters of interest for the company;
- bear witness to the commitment towards the environment and the community for external stakeholders;
- obtain the administrative simplifications and fiscal benefits arising from the voluntary environmental certification;
- obtain advantages in terms of image and cost reduction linked to better use of the natural resources in production processes;
- obtain internal advantages related to better management of environmental aspects and greater personnel engagement.

Environmental sustainability and adoption of green practices make up the main commitment of the certified company, which decides to pursue the continuous improvement of its performance in order to respect and protect the environment.

Lafert's environmental commitments

Lafert's top management, aware of its role and its obligations towards the environment in which it operates, has undertaken a process to improve its performance and those of customers, with a view to developing valuable and sustainable solutions, in compliance with regulations and capable of meeting the demands and expectations of its stakeholders.

The main objectives of the Environmental policy are summed up below:

- comply with laws, standards and regulations in force concerning the sector and any other obligations the Company is subject to;
- effectiveness, efficiency and reliability, using all the required resources in order to assure compliance with the principles of diligence and fairness;
- personnel engagement, assuring a high level of professionalism, also in issues of environmental sustainability;
- choose partners and suppliers who declare they operate with a view to continuous improvement of their environmental performance;
- operate by reducing waste generation, preventing pollution and carrying out waste disposal in compliance with the laws in force;
- systematically renew its vehicle fleet, ensuring the environmental impact of the vehicles used remains low;
- sustainably manage natural resources and energy at the company premises, reducing waste and monitoring and controlling environmental aspects.

Lafert's top management has defined the guidelines to achieve its environmental objectives, including:

- **continuous reduction of energy consumption, by optimizing the use of machinery and production processes;**
- **strengthening the use of remote working, regardless of the health emergency, for the efficient management of offices at company headquarters and to improve the efficiency of energy consumption;**
- **increase in the percentage of waste recovered, reduction of the amount of CER 150106 waste (packaging in mixed materials) through the introduction of waste separation down to the individual user;**
- **The project of sustainable mobility, through the implementation of an introduction to solutions in support of the employees for the reduction of the home-work commutes;**
- **The implementation of an analysis and research project on the life cycle of Lafert's products.**

It is also interesting to consider the project for the installation during 2023 of a photovoltaic system which involves the production site in Noventa di Piave, and the substitution of the petrol- and diesel-fuelled cars with plug-in models in the Italian plants of the Group.

Regarding the Lafert North America Inc. seat, recently, the light panels in the offices and the warehouse were replaced with high-energy efficiency LEDs.

7.2 Energy consumption¹⁶

Lafert S.p.A. manages energy resources carefully, monitoring the consumption of every single product and studying new implementation projects of supporting technologies.

An important percentage of the energy consumption of Lafert S.p.A. is destined for the production of compressed air in the factory, for this reason, much attention is dedicated to the topic. As a matter of fact, the company's compressor plants are designed in a way that the air production is provided by a series of base compressors which manage the air demand in normal production with maximum optimization and a fleet of compressors equipped with inverters designed for the management of the air surplus demanded by the different departments. So, to avoid waste, 70% of the compressors are equipped with an IPM motor with permanent magnets and IE5 energy consumption class.

The remaining part of the electric energy is used by Lafert mostly for the fuelling of machinery, tools and systems, and in a minimum part for the fuelling of offices and services.

In order to guarantee more sustainably the generation of a percentage of the necessary energy, in 2022, Lafert decided to install in its plant in San Donà di Piave a photovoltaic system of 381.000 kWh/year and plans the installation of a photovoltaic system of 247.000 kWh/year in the site of Noventa di Piave.

The table below shows Lafert's energy consumption for 2020, 2021 and 2022:

Energy consumed (GJoule) ¹⁷	2020	2021	2022
Electricity			
Electricity purchased	19.671,36	23.212,00	23.212,00
<i>Of which from non-renewable sources</i>	<i>19.671,36</i>	<i>23.212,00</i>	<i>23.212,00</i>
<i>Of which from renewable sources</i>	<i>0</i>	<i>0</i>	<i>0</i>
Fuels			
Natural Gas ¹⁸	38.799,94	35.426,42	
LPG	424,96	424,96	
Automotive fuels			
Diesel fuel	914,16	827,09	
Petrol	136,90	337,74	
LPG ¹⁹	0	0,23	
Total consumption	59.947,31	60.228,44	

¹⁶ Compared to what was reported in the rest of the document, the data related to the energetic consumption and the emissions for FY 2020-2021, refer to the following societies of the Group: Lafert S.p.A. and all the Italian sites, Lafert Elektromotorji D.o.o. (Slovenia), Lafert Suzhou Co. Ltd. (China), and Lafert Electric Motors Ltd. (UK). For FY 2022, the data of the society Lafert North America Inc. (Canada), purchased in 2021, was also taken into account. Moreover, for the commercial activities of Lafert North America Inc., and Lafert Motores Electricos S.L.U., respectively located in Canada and Spain, only the data from the second half of 2021 are available, since when they were purchased by Lafert S.p.A. The remaining two societies of the Group, located in France and Germany, were not included in the perimeter as they are very contained in dimensions and do not have a punctual data collection system available.

¹⁷ The source of the emission factors used to calculate direct GHG emissions is the Defra database 2022 (UK Department for Environment, Food and Rural Affairs).

¹⁸ Natural gas consumption of Lafert Servo Drives S.r.l. has been estimated.

¹⁹ Data concerning the Spanish company Lafert Motores Electricos S.L.U. for the year 2021, when it was taken over by Lafert Group.

In 2022, the consumption of purchased electric energy of Lafert Group increased by 11,5% compared to year 2021, due to the production increase and the inclusion of the Canadian society Lafert North America Inc., whose data were not available last year.

The consumption of natural gas, for the same considerations reported on the electric energy consumption, also increased to 7,1% compared to the previous year.

The production is fuelled both by electric energy and gas, the latter used for heating and die-casting.

The Group's total energy consumption for the year 2022 increased by 9,5% compared to 2021.

7.3 Emissions²⁰

GHG Emissions Scope 1 (tCO ₂ e) - Scope 1 ²¹	2020	2021	2022
Direct emissions			
Natural Gas	2.188,29	1.998,03	2.131,25
LPG	27,19	27,19	-
Diesel fuel	68,45	61,93	112,90
Petrol	9,83	24,24	43,85
LPG (automotive)	-	0,01	-
Overall emissions - Total Scope 1	2.293,76	2.111,40	2.288,01
GHG Emissions Scope 2 (tCO ₂ e) - Location Based ²²	2020	2021	2022
Indirect emissions			
Electricity purchased	1.685,29	2.043,43	2.283,25
Overall emissions – Total Scope 2	1.685,29	2.043,43	2.283,25
Total emissions Scope 1 + Scope 2	3.979,04	4.154,83	4.571,26
GHG Emissions Scope 2 (tCO ₂ e) - Market Based ²³	2020	2021	2022
Indirect emissions			
Electricity purchased	2.586,20	3.052,59	3.444,50
Overall emissions – TotalScope 2	2.586,20	3.052,59	3.444,50
Total emissions Scope 1 + Scope 2	4.879,95	5.163,99	5.732,51

In calculating the emissions of Lafert Group, direct ones (scope 1) and indirect ones (scope 2) were considered. The former refers to the emissions generated directly by the company in relation to the production process, while the latter are indirect emissions deriving from the purchase of electricity from third parties, required for production as well as for the routine management of facilities.

The table above shows that direct scope 1 emissions increased by 8,4% compared to 2021.

According to the "Location Based" criterion, indirect emissions generated by the Group in 2022 increased by 11,7% compared to the previous year. This change is mainly due to the increase in production by Lafert Group, which inevitably led to higher consumption.

The total emissions produced by the Group in 2022 according to the Location Based criterion amounts to **4.571,26 tCO₂e**, with an 10% increase compared to 2021.

²⁰ Lafert Group's GHG scope 2 emissions for the last three years have been recalculated following an update of the conversion factors.

²¹ The source of the emission factors used for the calculation of the direct GHG emission is the Defra 2022 database (UK Department for Environment, Food and Rural Affairs).

²² The source of the emission factors used for the calculation of indirect GHG emissions is the Joint Research Centre Data Catalogue for data of companies located in Europe, while for the values related to locations located in Canada and China were used factors from Terna International Comparisons (last publication available). The three-year values were recalculated in the light of the update of the emissive factors of reference.

²³ The source of the emission factors used to calculate indirect GHG Market Based emissions for European countries is the European Residual Mixes "AIB" latest update (May 31st, 2022). For non-European countries for which, at the time of drafting the document, the residual mix factors are not publicly available from accredited sources, the same emission factors applied in the Location Based calculation were used.

7.4 Water resources²⁴

Water withdrawal by source by type (in mega-litres)	2020	2021	2022
Third party water resources – water providers (total) - water mains			
Of which freshwater	12,43	15,82	10,45
Of which other types of water	-	-	-
Total water withdrawal	12,43	15,82	10,45

The collection of water by Lafert Group takes place from the public aqueduct network and mainly concerns sanitary and productive uses.

Water consumption in 2020 was low as it was affected by the pandemic situation. Indeed, in 2020, approximately 12,43 mL were used while in 2021 consumption increased by 27%, reaching 15,82 mL. The water consumption of 2022, referred to the Group about which we have punctual data, amounts to 10,45mL.

A virtuous mechanism is in place for the management of the emulsified water used in machine tools: the emulsified water is separated by means of an internal evaporator that separates the aqueous phase from the oily phase. The oily phase is then disposed of with an authorised supplier while the aqueous phase is reused to fill the storage tank of the fire-fighting system and is reused by the foundry department for production.

At the moment, Lafert cannot evaluate the water consumption saved and auto-produced employing this system.

²⁴ The present paragraph reports the data relating to the withdrawal of water resources. Compared to what was reported in the rest of the document, for FY 2020 and 2021, only the data relating to the societies Lafert S.p.A., Lafert Servo Motors S.p.A., ICME S.p.A and Lafert (Suzhou) Co. Ltd. were considered. For Lafert Servo Drives S.r.l. only the quantitative data of FY 2020 are available, while the other societies of the Group are unable to record specific information. Regarding FY 2022, the data relating to Lafert S.p.A., Lafert Servo Motors S.p.A., Lafert Elektromotorji D.o.o., Lafert Electric Motors Ltd. and Lafert North America Inc. were considered.

7.5 Waste generation and management²⁵

2020	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	6.833,24	6.480,84	352,40
Hazardous waste by type of materials	248,44	46,24	202,20
Hazardous waste containing solvents, paints and waste adhesives	0,20	0,20	-
Oils and oil emulsions	181,00	3,00	181,00
Solvents	15,00	15,00	-
Solvent sludge	14,00	14,00	-
Dangerous absorbent material	21,20	-	21,20
Waste from dismantling end-of-life vehicles and maintenance	0,20	0,20	-
Waste from hazardous electronics	0,28	0,28	-
Hazardous components removed from equipment out of use	0,03	0,03	-
Neon	0,06	0,06	-
Batteries and accumulators	1,40	1,40	-
Insulation materials containing hazardous substances	0,05	0,05	-
Contaminated packaging	11,50	11,50	-
Spray cans	0,27	0,27	-
Waste containing oil	0,20	0,20	-
Surgical masks	0,05	0,05	-

²⁵ This paragraph sets out the data concerning waste management. Compared to that reported in the rest of the document, for the fiscal year 2019/20 and 2020/21 one only considered the figures concerning the companies Lafert S.p.A., Lafert Servo Motors S.p.A., ICME S.p.A. A sound data collection system has not yet been implemented for the other Group companies, also due to the small size and/or type of activity carried out (commercial).

2020	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	6.833,24	6.480,84	352,40
Non-hazardous waste by type of materials	6.584,80	6.434,60	150,20
Scrap metal and production	6.039,50	6.039,50	-
Filings and plastic chips	7,90	7,90	-
Non-hazardous packaging waste	236,20	130,20	106,00
Waste from non-hazardous electronics	2,30	2,30	-
Scrap metal and production	113,50	113,50	-
Sludge from septic tanks	41,00	-	41,00
Aqueous suspensions containing paints and varnishes	1,60	-	1,60
Non-hazardous absorbent material	0,20	-	0,20
Aqueous liquid waste	1,00	-	1,00
Waste from non-hazardous electronics	1,80	1,80	-
Scrap metal and production	35,50	35,50	-
Batteries and accumulators	0,17	0,17	-
Abrasive wheels	0,40	-	0,40
Glass	0,13	0,13	-
Plastics	1,60	1,60	-
Washing solutions	102,00	102,00	-

2021	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	7.519,82	7.174,75	345,07
Hazardous waste by type of materials	247,59	54,29	193,30
Off-specification products and unused products	0,20	0,20	-
Oils and oil emulsions	170,28	3,28	167,00
Solvents	5,80	5,80	-
Solvent sludge	29,00	29,00	-
Dangerous absorbent material	26,30	-	26,30
Waste from hazardous electronics	0,14	0,14	-
Contaminated packaging	15,00	15,00	-
Spray cans	0,29	0,29	-
Surgical masks	0,58	0,58	-
Non-hazardous waste by type of materials	7.272,23	7.120,46	151,77
Scrap metal and production	6.601,40	6.601,40	-
Waste from non-hazardous electronics	278,19	174,19	104,00
Various electronics	0,77	0,77	-
Sludge from septic tanks	46,00	-	46,00
Aqueous suspensions containing paints and varnishes	0,60	-	0,60
Non-hazardous absorbent material	0,07	-	0,07
Aqueous liquid waste	0,60	-	0,60
Waste from non-hazardous electronics	2,00	2,00	-
Scrap metal and production	35,70	35,70	-
Scrap metal and production	212,20	212,20	-
Abrasive wheels	0,50	-	0,50
Glass	0,20	0,20	-
Washing solutions	94,00	94,00	-

2022	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	7.664,72	7.663,68	1,04
Hazardous waste by type of materials	87,47	86,43	1,04
Hazardous waste containing solvents, paints and waste adhesives	5,60	5,60	-
Off-specification products and unused products	0,84	0,84	-
Oils and oil emulsions	62,91	62,91	-
Dangerous absorbent material	4,92	4,92	-
Waste from dismantling end-of-life vehicles and maintenance	1,66	1,66	-
Waste from hazardous electronics	0,08	0,08	-
Batteries and accumulators	0,10	0,10	-
Contaminated packaging	10,32	10,32	-
Dangerous cleaning solutions	1,04	-	1,04
Non-hazardous waste by type of materials	7.577,25	7.577,25	-
Scrap metal and production	6.956,11	6.956,11	-
Non-hazardous absorbent material	12,80	12,80	-
Non-hazardous waste containing solvents	9,20	9,20	-
Non-hazardous packaging waste	565,32	565,32	-
Waste from non-hazardous electronics	1,83	1,83	-
Scrap metal and production	31,26	31,26	-
Batteries and accumulators	0,09	0,09	-
Non-hazardous packaging waste	0,64	0,64	-

Waste management is carried out according to internal procedures compliant with the legal provisions in force.

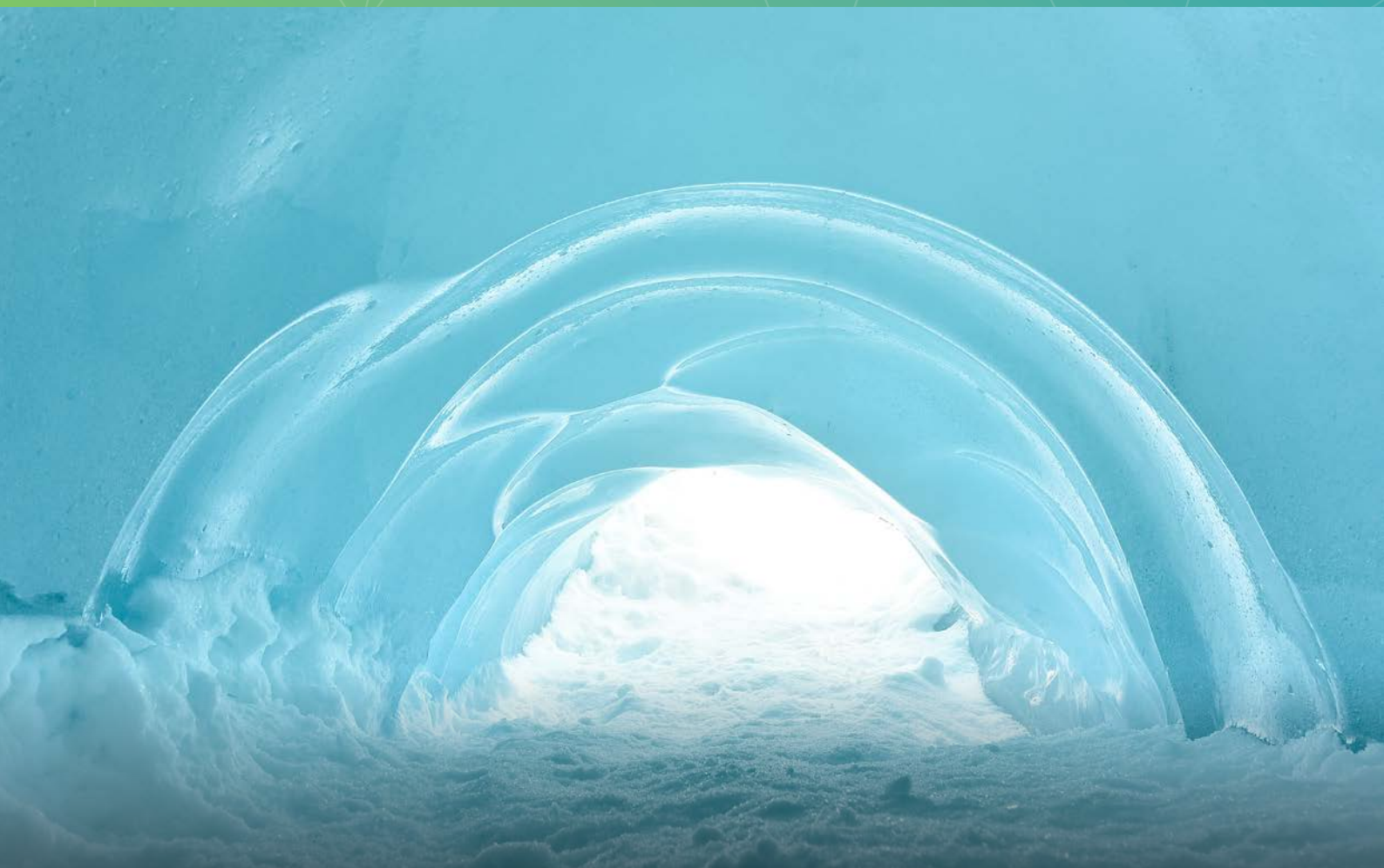
In 2022 Lafert Group generated approximately 7.665 tonnes of waste, with no significant change from 2021. Approximately 98,9% of this consists of non-hazardous waste.

In 2022 Lafert Group generated approximately 7.665 tonnes of waste, with no significant change from 2021. Approximately 98,9% of this consists of non-hazardous waste.

Waste production in 2022 is mainly related to the category "metal and production waste" (88.7% of total non-hazardous waste). Other waste that has been produced in significant quantities compared to the total is non-hazardous packaging waste.

The waste is collected in the production departments in first collection containers and identified by type of material. These containers are then periodically emptied by authorised personnel and is stored in special outdoor areas in containers suitable for disposal. The temporary storage area is periodically emptied, and the waste is picked up by selected firms for disposal and/or recovery of the waste.

GRI Index



Statement of use	Lafert Group has reported in this non-financial statement the information contained in the GRI Content Index for the period 1 January 2022 - 31 December 2022 according to the option "with referenced to GRI Standards"
GRI 1	GRI 1: Foundation 2021

GRI Sustainability Reporting Standard		Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions	
General disclosures					
GRI 2: General Disclosures 2021	2-1	Organisational details	1. Identity and strategy/Lafert Group	8	
	2-2	Entities included in the organisation's sustainability reporting	Methodological Note	5	
	2-3	Reporting period, frequency and contact point	Methodological Note	5	
	2-4	Reviewing the information	Methodological Note	5	
	2-5	External assurance	Methodological Note	5	This Sustainability Report has not been reviewed by a third party
	2-6	Activities, Value Chain and other business relationship	1. Identity and strategy/ The business model	29	
			3. Infrastructural capital	64	
			4. Relational capital / Suppliers: supply chain management	107	
	2-7	Employees	6. Human capital/Employees	126	
	2-8	Non-employee workers	6. Human capital/Employees	126	
	2-9	Governance structure and composition	2. Governance/The governance	49	
	2-10	Appointment and selection of the highest governing body	2. Governance/The governance	49	
	2-11	Chairman of the highest governing body	2. Governance/The governance	49	
	2-12	Role of the highest governing body in the control of impact management	2. Governance/The governance 2. Governance/Risk management	49 58	
	2-13	Delegation of responsibility for impact management	2. Governance/The governance	49	
	2-14	Role of the highest governing body in sustainability reporting	Methodological Note	5	
2-15	Conflict of interest	2. Governance/ Code of Ethics	56		
2-16	Communicating critical concerns	2. Governance/The governance	49	No critical concerns were communicated to the highest governing body as they were not identified in the reporting period	

GRI Sustainability Reporting Standard			Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
GRI 2: General Disclosures 2021	2-17	Collective knowledge of the highest governing body	2. Governance/ Responsible company management	48	
	2-18	Performance assessment of the highest governing body	2. Governance/The governance	49	
	2-22	Declaration on the sustainable development strategy	Letter to Stakeholders	4	
	2-23	Commitment in terms of policy	2. Governance/ Responsible company management	48	
	2-24	Integration of policy commitments	2. Governance/ The organisational structure	52	
	2-25	Processes to address negative impacts	1. Identity and strategy / Materiality analysis 2. Governance/ Responsible company management 4. Relational capital / Quality, safety and reliability of the products	40 48 96	Part of the material issues management approach
	2-26	Mechanisms to request clarification and raise concerns	2. Governance/ Code of Ethics	56	
	2-27	Compliance and laws and regulations	2. Governance/ Regulatory Compliance	63	
	2-28	Membership in associations	4. Relational capital / Relations with the local area	111	
	2-29	Approach to stakeholder involvement	1. Identity and strategy / Materiality analysis	40	
2-30	Collective agreements	6. Human capital/Employees	126		
Material issues					
GRI 3: Material issues 2021	3-1	Process of determining material issues	1. Identity and strategy / Materiality analysis	40	
	3-2	List of material issues	1. Identity and strategy / Materiality analysis	40	
CREATION AND DISTRIBUTION OF THE WEALTH GENERATED					
GRI 3: Material issues 2021	3-3	Management of material issues	5. Economic-financial capital	112	
GRI 201: Economic performance 2016	201-1	Economic value directly generated and distributed	5. Economic-financial capital / The Economic Value Generated and the Economic Value Distributed	118	
	201-4	Financial assistance received from the government	5. Economic-financial capital / Operating performance	114	
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services financed	5. Economic-financial capital / Investments	119	

GRI Sustainability Reporting Standard			Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
ETHICS AND INTEGRITY IN BUSINESS CONDUCT					
GRI 3: Material issues 2021	3-3	Management of material issues	2. Governance	46	
GRI 205: Antibribery 2016	205-1	Transactions assessed for corruption risks	2. Governance/ Code of Ethics	56	
	205-2	Communication and training on anticorruption policies and procedures	2. Governance/ Code of Ethics	56	
	205-3	Verified corruption incidents and actions taken	2. Governance/ Code of Ethics	56	
GRI 206: Anticompetitive conduct 2016	206-1	Actions for anticompetitive behaviour, antitrust and monopolistic practices	2. Governance/ Regulatory Compliance	63	
GRI 207: Taxes 2019	207-1	Fiscal approach	5. Economic-financial capital / Fiscal approach	120	
	207-2	Tax governance, control and risk management	5. Economic-financial capital / Fiscal approach	120	
	207-3	Stakeholder involvement and management of tax concerns	5. Economic-financial capital / Fiscal approach	120	
TRANSPARENT GOVERNANCE AND MANAGEMENT OF SUSTAINABILITY RISKS					
GRI 205: Antibribery 2016	205-1	Transactions assessed for corruption risks	2. Governance / Code of Ethics	56	
	205-2	Communication and training on anticorruption policies and procedures	2. Governance / Code of Ethics	56	
	205-3	Verified corruption incidents and actions taken	2. Governance / Code of Ethics	56	
GRI 206: Anticompetitive conduct 2016	206-1	Actions for anticompetitive behaviour, antitrust and monopolistic practices	2. Governance / Regulatory Compliance	63	
GRI 207: Taxes 2019	207-1	Approach to taxation	5. Economic-financial capital / Investments	119	
	207-2	Tax governance, control and risk management	5. Economic-financial capital / Fiscal approach	120	

GRI Sustainability Reporting Standard			Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
TECHNOLOGICAL INNOVATION AND DIGITALISATION					
GRI 3: Material issues 2021	3-3	Management of material issues	3. Infrastructural capital / Innovation and digitalisation	75	
GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and services financed	5. Economic-financial capital / Investments	119	
FIGHTING CLIMATE CHANGE					
GRI 3: Material issues 2021	3-3	Management of material issues	7. Environmental capital/Emissions	146	
GRI 305: Emissions 2016	305-1	Direct emissions of GHG (Scope 1)	7. Environmental capital/Emissions	146	
	305-2	Indirect GHG emissions from energy consumption (Scope 2)	7. Environmental capital/Emissions	146	
ENERGY EFFICIENCY AND SUSTAINABLE PRODUCTS					
GRI 3: Material issues 2021	3-3	Management of material issues	7. Environmental capital	140	
GRI 302: Energy 2016	302-1	Energy consumed within the organization	7. Environmental capital/ Energy consumption	144	
RESPECT OF HUMAN RIGHTS AND WORKERS PROTECTION					
GRI 3: Material issues 2021	3-3	Management of material issues	6. Human capital	121	
GRI 401: Occupazione 2016	401-1	Recruitment and turnover	6. Human capital/Employees	126	
GRI 406: Non discriminazione 2016	406-1	Discrimination and corrective action taken	6. Human capital/Employees	126	

GRI Sustainability Reporting Standard			Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
OCCUPATIONAL HEALTH AND SAFETY					
GRI 3: Material issues 2021	3-3	Management of material issues	6. Human capital	121	
GRI 403: Salute e sicurezza sul lavoro 2018	403-1	Occupational health and safety management system	6. Human capital/ Occupational health and safety	135	
	403-2	Hazard identification, risk assessment and accident investigation	6. Human capital/ Occupational health and safety	135	
	403-3	Occupational health services	6. Human capital/ Occupational health and safety	135	
	403-4	Worker participation and consultation and communication on health and safety at work	6. Human capital/ Occupational health and safety	135	
	403-5	Workers' health and safety training	6. Human capital/ Occupational health and safety	135	
	403-6	Promoting the health of workers	6. Human capital/ Occupational health and safety	135	
	403-7	Prevention and mitigation of occupational health and safety impacts in trade relations	6. Human capital/ Occupational health and safety	135	
	403-8	Workers covered by an occupational health and safety management system	6. Human capital/ Occupational health and safety	135	
	403-9	Workplace accidents	6. Human capital/ Occupational health and safety	135	
	403-10	Occupational diseases	6. Human capital/ Occupational health and safety	135	
TRAINING AND SKILLS DEVELOPMENT					
GRI 3: Material issues 2021	3-3	Management of material issues	6. Human capital	121	
GRI 404: Training and education 2016	404-1	Average annual training hours per employee	6. Human capital/Training and skills	132	
	404-2	Employee skills upgrading programmes and transition assistance programmes	6. Human capital/Training and skills	132	

GRI Sustainability Reporting Standard		Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
CUSTOMER SATISFACTION AND MANAGEMENT				
GRI 3: Material issues 2021	3-3	Management of material issues	4. Relational capital/ Quality, safety and reliability of the products	96
GRI 416: Customers health and safety 2016	416-1	Assessment of health and safety impacts by product and service categories	4. Relational capital/ Quality, safety and reliability of the products	96
	416-2	Incidents of noncompliance regarding health and safety impacts of products and services	4. Relational capital/ Quality, safety and reliability of the products	96
GRI 417: Marketing and labelling 2016	417-1	Information and labelling requirements for products and services	4. Relational capital/ Quality, safety and reliability of the products	96
	417-2	Non-compliances in the information and labelling of products and services	4. Relational capital/ Quality, safety and reliability of the products	96
	417-3	Non-conformities concerning marketing communications	4. Relational capital/ Quality, safety and reliability of the products	96
GRI 418: Customers privacy 2016	418-1	Proven complaints about customer privacy breaches and customer data loss	2. Governance/Cybersecurity e Data protection	61
PRODUCT QUALITY, SAFETY AND RELIABILITY				
GRI 3: Material issues 2021	3-3	Management of material issues	4. Relational capital	82
GRI 416: Customers health and safety 2016	416-1	Assessment of health and safety impacts by product and service categories	4. Relational capital/ Quality, safety and reliability of the products	96
	416-2	Incidents of noncompliance regarding health and safety impacts of products and services	4. Relational capital/ Quality, safety and reliability of the products	96
GRI 417: Marketing and labelling 2016	417-1	Information and labelling requirements for products and services	4. Relational capital/ Quality, safety and reliability of the products	96
	417-2	Non-compliances in the information and labelling of products and services	4. Relational capital/ Quality, safety and reliability of the products	96
	417-3	Non-conformities concerning marketing communications	4. Relational capital/ Quality, safety and reliability of the products	96

GRI Sustainability Reporting Standard			Reference to chapter / Paragraph	Page	Standard Application Notes / Omissions
RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN					
GRI 3: Material issues 2021	3-3	Management of material issues	4. Relational capital	82	
GRI 204: Procurement practices 2016	204-1	Proportion of expenditure to local suppliers	4. Relational capital/ Suppliers: supply chain management	107	
GRI 308: Environmental assessment of suppliers 2016	308-1	New suppliers evaluated using environmental criteria	4. Relational capital/ Suppliers: supply chain management	107	
GRI 414: Social evaluation of suppliers 2016	414-1	New suppliers that have been evaluated using social criteria	4. Relational capital/ Suppliers: supply chain management	107	
WASTE MANAGEMENT					
GRI 3: Material issues 2021	3-3	Management of material issues	7. Environmental capital / Waste generation and management	148	
GRI 306: Waste 2020	306-1	Waste generation and significant wasterelated impacts	7. Environmental capital / Waste generation and management	148	
	306-2	Management of significant impacts related to waste	7. Environmental capital / Waste generation and management	148	
	306-3	Waste generated	7. Environmental capital / Waste generation and management	148	
	306-4	Waste not for disposal	7. Environmental capital / Waste generation and management	148	
	306-5	Waste for disposal	7. Environmental capital / Waste generation and management	148	
STAKEHOLDER ENGAGEMENT AND DIALOGUE COMMUNITY AND LOCAL SUPPORT					
GRI 3: Material issues 2021	3-3	Management of material issues	4. Relational capital / Relations with the local area	111	
GRI 413: Local communities 2016	413-1	Activities involving local community involvement, impact assessments and development programmes	4. Relational capital / Relations with the local area	111	
	413-2	Activities with significant negative, potential and current impacts on local communities	4. Relational capital / Relations with the local area	111	No negative or potentially negative impact activities were launched during the reporting period

GRI Sustainability Reporting Standard		Reference to chapter / Paragraph		Page	Standard Application Notes / Omissions
OTHER INDICATORS REPORTED					
WATER AND WASTE WATER					
GRI 303: Water and waste water 2018	303-3	Water intake	7. Environmental capital/Water resources	147	
DIVERSITY AND EQUAL OPPORTUNITIES					
GRI 405: Diversity and equal opportunities 2016	405-1	Diversity in government bodies and among employees	6. Human capital/Employees	126	
COMPANY WELFARE AND WORK-LIFE BALANCE					
GRI 401: Employment 2016	401-2	Benefits for full-time employees that are not available for temporary or part-time employees	6. Human capital/Employees	126	
	401-3	Parental leave	6. Human capital/Employees	126	