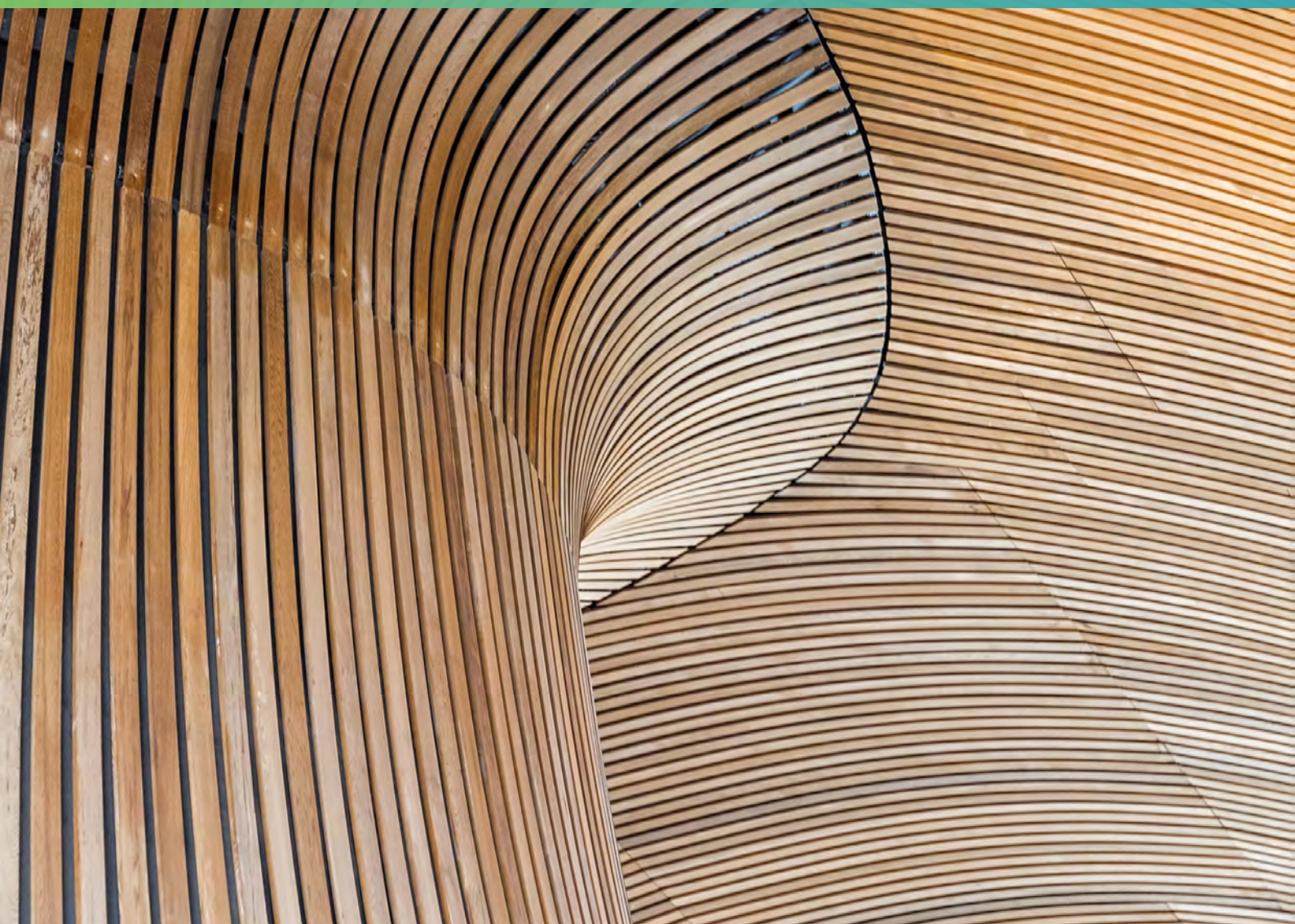


SUSTAINABILITY REPORT 2021



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Letter to Stakeholders



The year 2021 was still characterised by the consequences of the effects of Covid - 19 Pandemic on world economies. Despite this macroeconomic scenario, we were able to widely offset the negative impacts on 2020 revenues thanks to a significant sales growth in 2021, made possible by the upturn in demand in almost all sectors served.

The pandemic has also boosted some far-reaching global megatrends, from labour shortages to supply chain uncertainties, through to the growing pressure on companies to operate sustainably and resiliently. All that has consequently encouraged the industrial automation trend at companies as well as boosting robotics, which requires increasingly high-performance, well-designed and lightweight electric motors with low energy consumption. Against this background, we are absolutely pleased with our performance, but this increases even more our responsibility towards the people who work for our organisation, as well as the communities and the region in which we operate.

*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 first 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.

We believe that truly sustainable development depends on care for people and the environment, by sharing resources and skills and always experimenting with innovative solutions.

Indeed, a sustainable business model requires the consistent development of the social fabric and ecosystems that sustain us. We believe in a business culture that connects and shares through the complex intertwining of multiple players and partners who cooperate in creating shared value in the long term.

In recent years, we have turned out many innovative products, but the challenges and continuous improvement are the essence of our growth and the starting point on a journey towards sustainability, for the growth of our company, of our region and of the world around us.



Shaun Dean
CEO Lafert Group



Methodological Note

This document is the first 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), as indicated in the GRI Content Index of this document, according to the “Referenced” 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, 2021.

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 financial year 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 August 4th, 2022 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

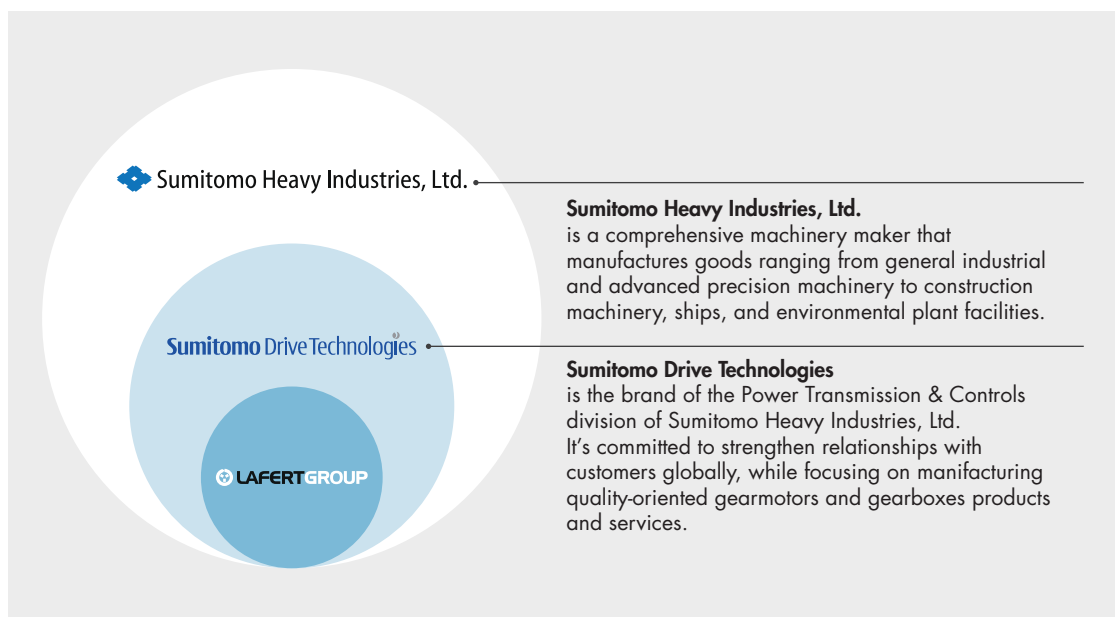


1.1 Lafert Group

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 Sumitomo Group, founded by Masatomo Sumitomo about 400 years ago in Japan.

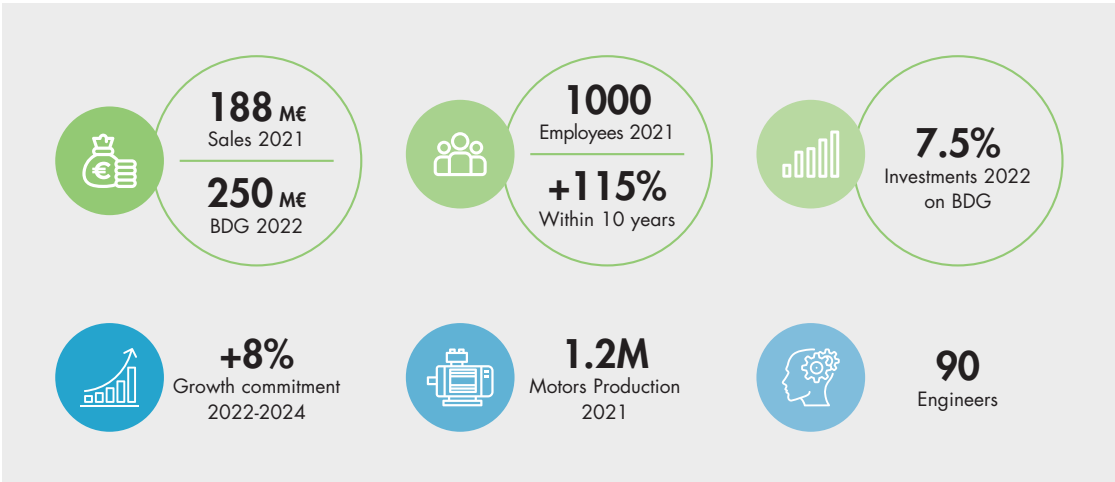
Thanks to this shareholding, Lafert Group is the world leader in the sector of Super Premium efficiency motors through the strategy for the expansion of the Sumitomo Drive Technologies brand, leader in power drive and control products.



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.

Lafert’s registered office is in San Donà di Piave (Venice) with 4 production facilities in Italy (San Donà di Piave, Noventa di Piave, Bologna and Fusignano), one in Slovenia (Nova Gorica) and one in China (Suzhou).

In 2021, Lafert Group generated revenues of 188,126 thousand Euro.
The overall average workforce was approximately 910 employees, which added 90 temporary workers during the year.



1.2 The sites

The entrepreneurial strength is based on the companies that make up Lafert Group, each with an independent organisation and specialised production, but always with the option of combining skills in the research and development of the best innovative technologies.

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. 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



107,241 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.

In 2021, the company posted revenues for 107,241 thousand Euro.

ICME S.p.A.



Fusignano, Ravenna - Italy



22,215 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 2021 the company posted revenues for 22,215 thousand Euro, and worked for Italian as well as foreign customers, including Germany, Netherlands and Britain.

Lafert Servo Motors S.p.A.



Noventa di Piave, Venezia - Italy



42,561 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 2021 with revenues for 42,561 thousand Euro, with sales both on the Italian market, representing almost 27%, and on foreign markets (73% of the total), including Austria and Germany.

Lafert Servo Drives S.r.l.



Bologna - Italy



8,836 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 2021 with revenues for 8,836 thousand Euro.

Lafert Elektromotorji D.o.o.



Nova Gorica - Slovenia



2,947 thousand Euro

Lafert Elektromotorji D.o.o., of which Lafert S.p.A. owns 90% 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 2021 the subsidiary posted revenues from sales of Euro 2,947 thousand. In April 2022, the acquisition of the remaining 10% of shares by Lafert S.p.A. was completed allowing thus to hold 100% of the company's shares.

Lafert Moteurs S.A.S.



St.Quentin Fallavier - France



2,915 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 2021 the subsidiary posted revenues from sales and services of 2,915 thousand Euro.

Lafert Electric Motors Ltd.



Crewe Cheshire - United Kingdom



3,331 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 2021, the subsidiary posted revenues of 3,331 thousand Euro.

Lafert GmbH



Böblingen - Germany



461 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 2021 the company posted revenues from sales and services of 461 thousand Euro.

Lafert Motores Electricos S.L.U.



Zaragoza - Spain



2,812 thousand Euro

Lafert Motores Electricos S.L.U. is based in Zaragoza and markets Lafert's products in Spain as well as, marginally, related products of other non-competitor manufacturers.

Lafert S.p.A. held a 50% stake in the Company and in March 2021 it purchased the remaining 50% of the shareholding, thus holding 100% of the company's shares.

In 2021 the company posted revenues from sales and services of 2,812 thousand Euro¹.

¹ The data refer to a 9-month period, from March to December 2021 as they pertain to Lafert Group from the date the controlling share was acquired.

Lafert (Suzhou) Co. Ltd.



Suzhou - China



13,494 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 2021 the subsidiary posted revenues from sales and services of 13,494 thousand Euro.

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



26,472 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. On April 1st, 2021, Lafert S.p.A. acquired 100% of the stake of the Canadian company from Y.W.E. Holdings Inc.

In 2021, the company generated revenues from sales and services of 26,472 thousand Euro².

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 non-competitor manufacturers.

² The data refer to a 9-month period, from March to December 2021 as they pertain to Lafert Group from the date the controlling share was acquired.

1.3 The trademarks

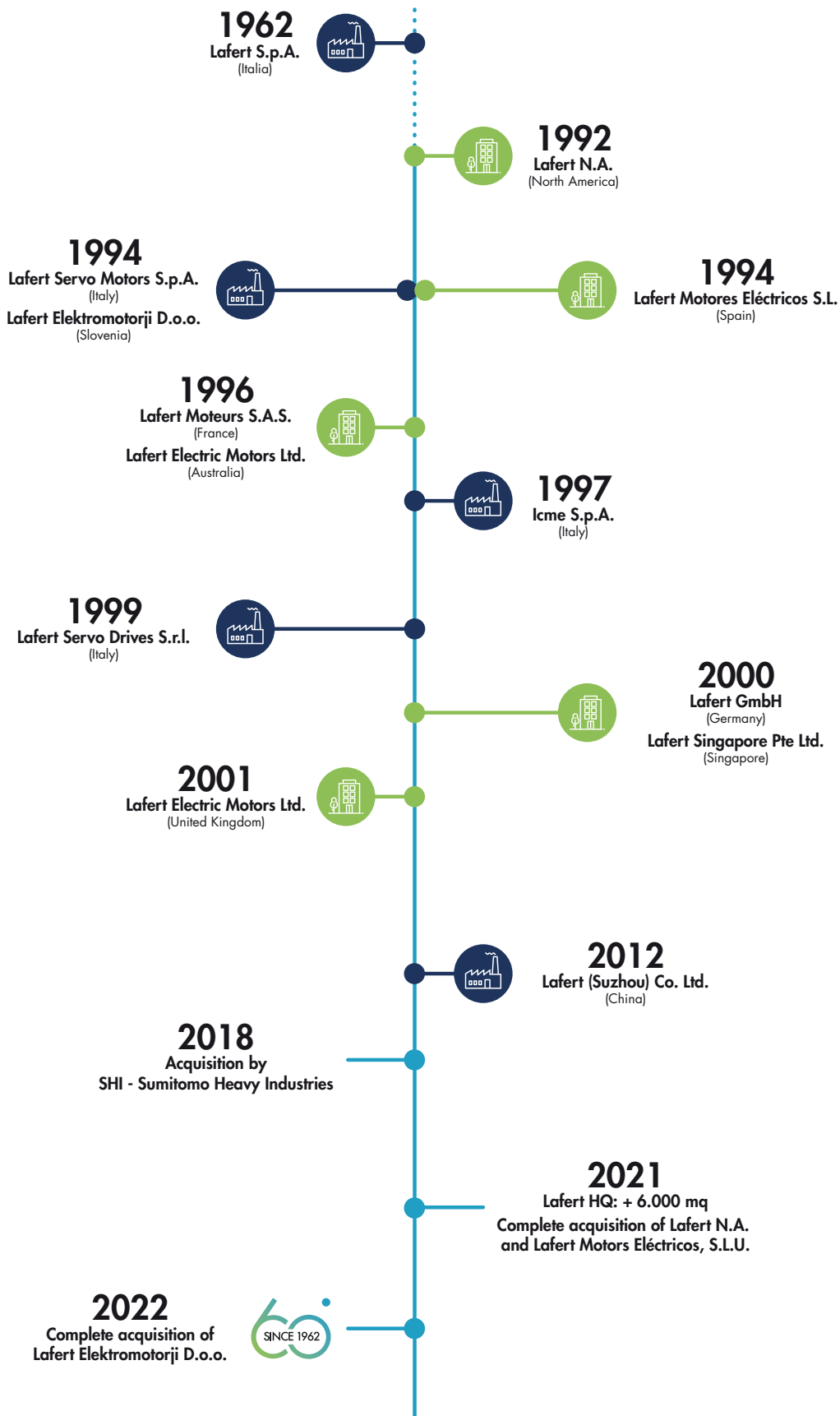
The Group owns two registered trademarks in Italy: **Lafert** and **ICME**.



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



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...

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.

The new facility in San Donà di Piave is fully automated with the highest energy efficiency, showcasing the Group's history, based on the cornerstones of evolution and the ability to provide what the market needs.

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.

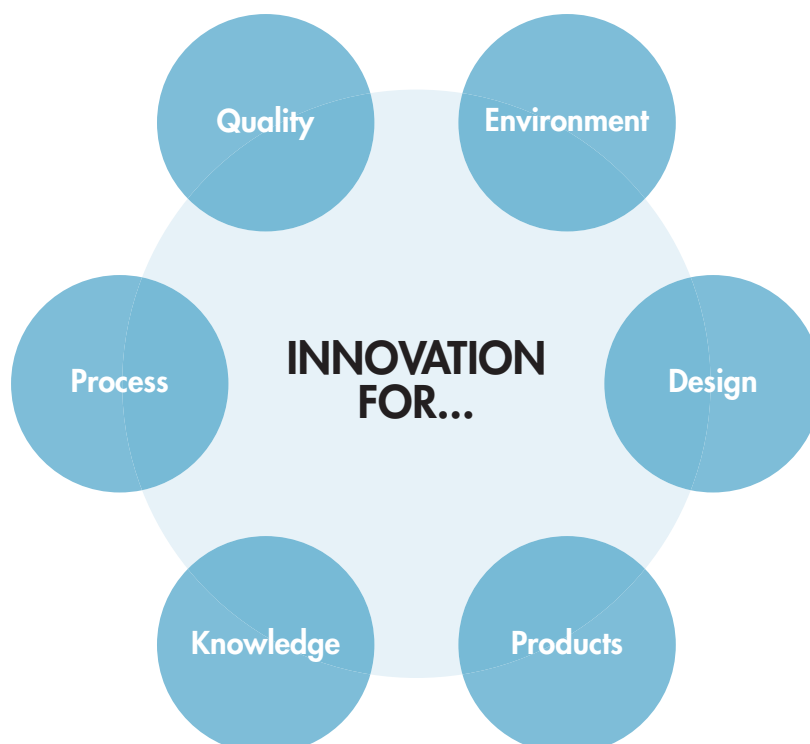
Proving the impact of electric motors, **the 45% of global electrical consumption is indeed due to these motors**, which are essentially indispensable for the operation of the machines on which our economies and societies are based.

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 SDGs 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.

SDGs 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.

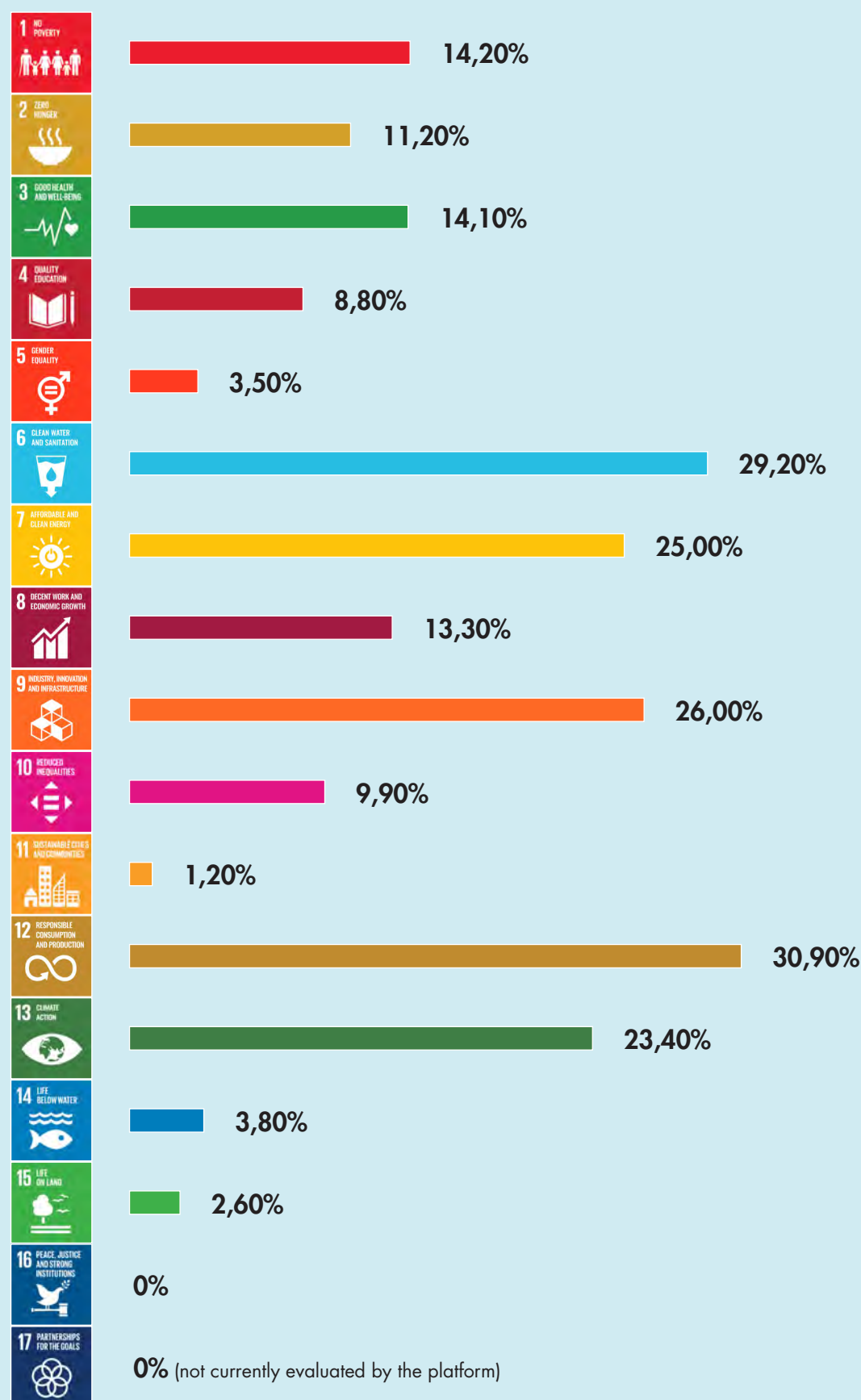


SDGs Action Manager is a tool that measures how much a company is contributing to the achievement of the individual goal with respect to its potential.

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



The drivers of Lafert's Development Plan with respect to the Sustainable Development Goals are integrated in Lafert's activities, projects and actions, as set out in the scheme below.

Driver	SDG	SDG Target	Actions
Quality		Ensure sustainable consumption and production patterns 12.2 By 2030, achieve the sustainable management and efficient use of natural resources. 12.4 By 2030, achieve the environmentally sound management of chemicals and all waste throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.	• Develop products that make it possible, through innovative products, to reduce the use of materials and chemicals also limiting the generation of waste and scraps. • Study ever more innovative and efficient electric motors (I5) that allow energy consumption to be reduced to the minimum, maximising their performance.
		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.2 Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.	
Process		Build resilient infrastructure, promote sustainable industrialisation and foster innovation 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	• Innovate production processes to increase economic growth and increase the development of new models that further reduce the CO₂ emissions of companies.

Driver	SDG	SDG Target	Actions
Process		Ensure sustainable consumption and production patterns 12.1 Implement the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries.	• Develop technological and innovative industrial processes by using Lafert's motors to create sustainable production models with low environmental impact.
		Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels 16.6 Develop effective, accountable and transparent institutions at all levels. 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.	• Develop a supply chain policy to increase accountable governance and the fight against corruption.
		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.	• Ensure employees' work safety especially in production processes.
Environment		Ensure access to affordable, reliable, sustainable and modern energy for all 7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology. 7.3 By 2030, double the global rate of improvement in energy efficiency.	• Develop new models of electric motors that allow energy use to be further reduced. • Develop initiatives to use clean energy for production and company offices (photovoltaic energy and energy savings in production and facilities).

Driver	SDG	SDG Target	Actions
Environment		Ensure availability and sustainable management of water and sanitation for all 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	Develop Water Management systems in the production activity that allow water use and waste to be reduced to the minimum.
Products		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.2 Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.	Develop innovative products and patents that make it possible to increase economic growth and local employment of the production area.
		Build resilient infrastructure, promote sustainable industrialisation and foster innovation 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, as well as, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people, in addition to public and private research and development spending.	Implement research and innovation programs both in-house and with major Universities, developing centres of expertise, expanding and enhancing the study of innovative products and technologies aimed at reducing the impact on the environment.

Driver	SDG	SDG Target	Actions
Knowledge		Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all 4.3 By 2030 ensure equal access for all women and men to affordable quality technical, vocational and tertiary education, including university. 4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship. 4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training [...].	• Develop initiatives to increase knowledge of innovative technologies to increase product quality, also enhancing the skills of the female population. • Develop initiatives to promote the sharing of the knowledge of innovative technologies through specialist courses and training on the job.
		Achieve gender equality and empower all women and girls 5.1 End all forms of discrimination against all women and girls everywhere. 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	
Design		Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.	• Promote economic growth by studying new designs for more compact electric motor models that allow fewer materials to be used as well as being more easily used and functional within the various production processes of companies.

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
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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.

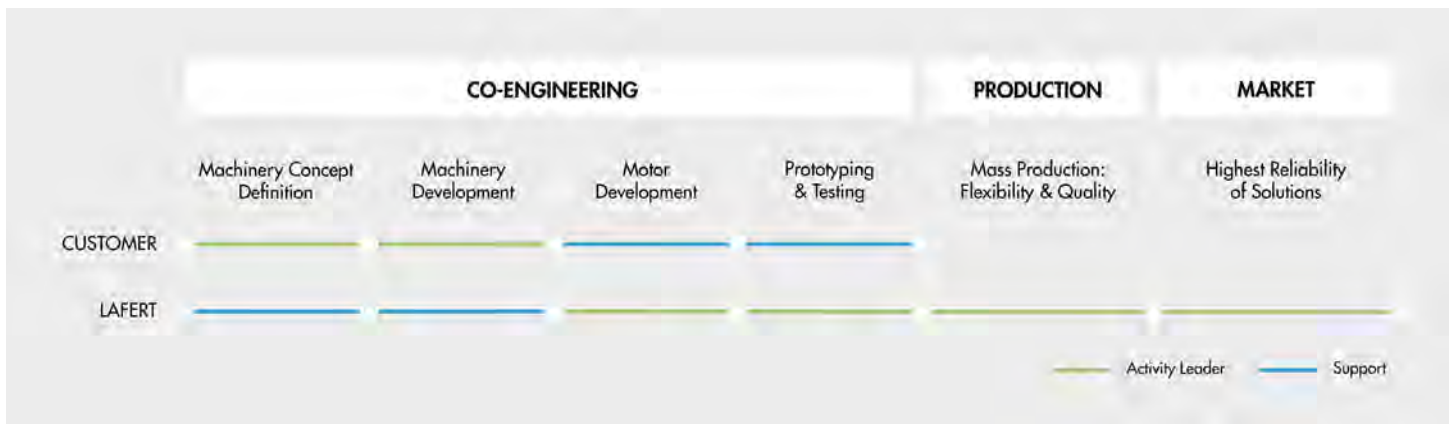
Thanks to the control ability, compact size and precision in rapid short and segmented movements, Lafert's motors are perfectly suited to all Industrial Automation systems.

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).

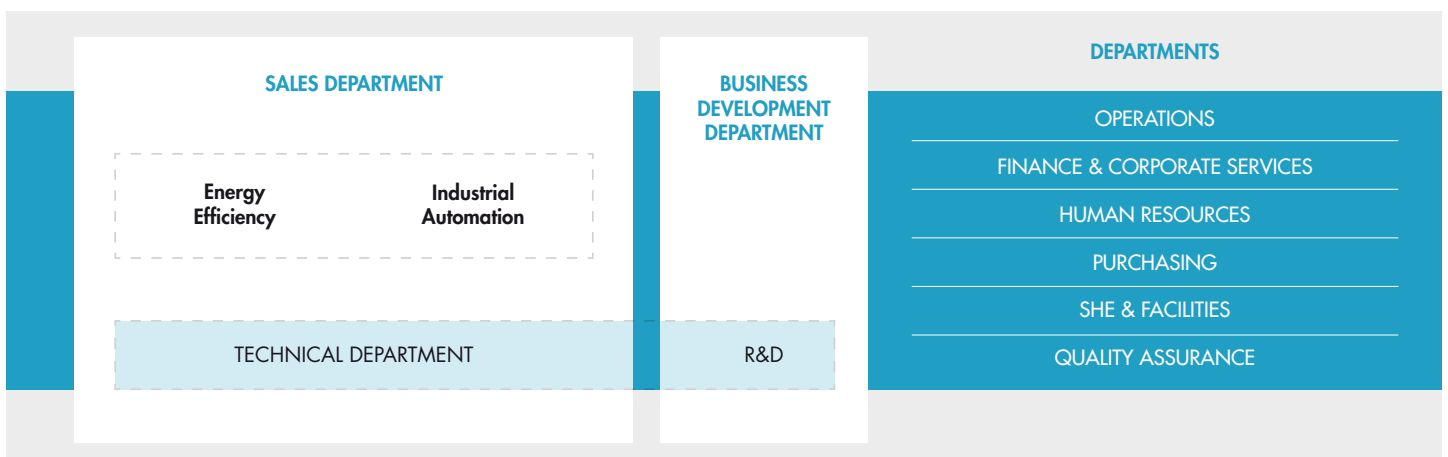
Distribution

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.**

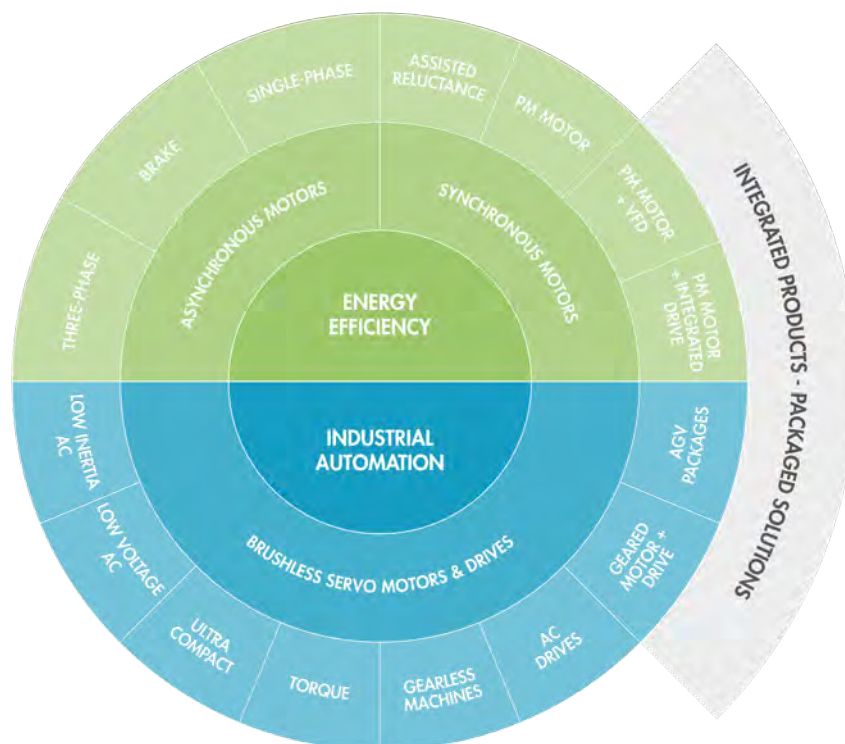


The product lines

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

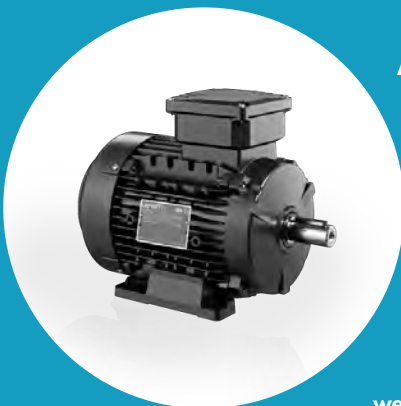
High Performance (HP) is a generation of PM (Permanent Magnet) Synchronous Motors, achieving IE5 Super Premium Efficiency level, that offer improved electrical efficiency and a very compact design.

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.**



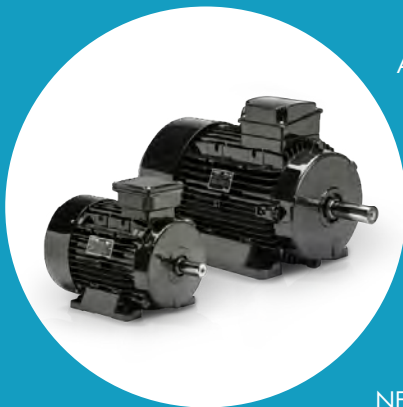
D) Integrated Direct Drive motor

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.

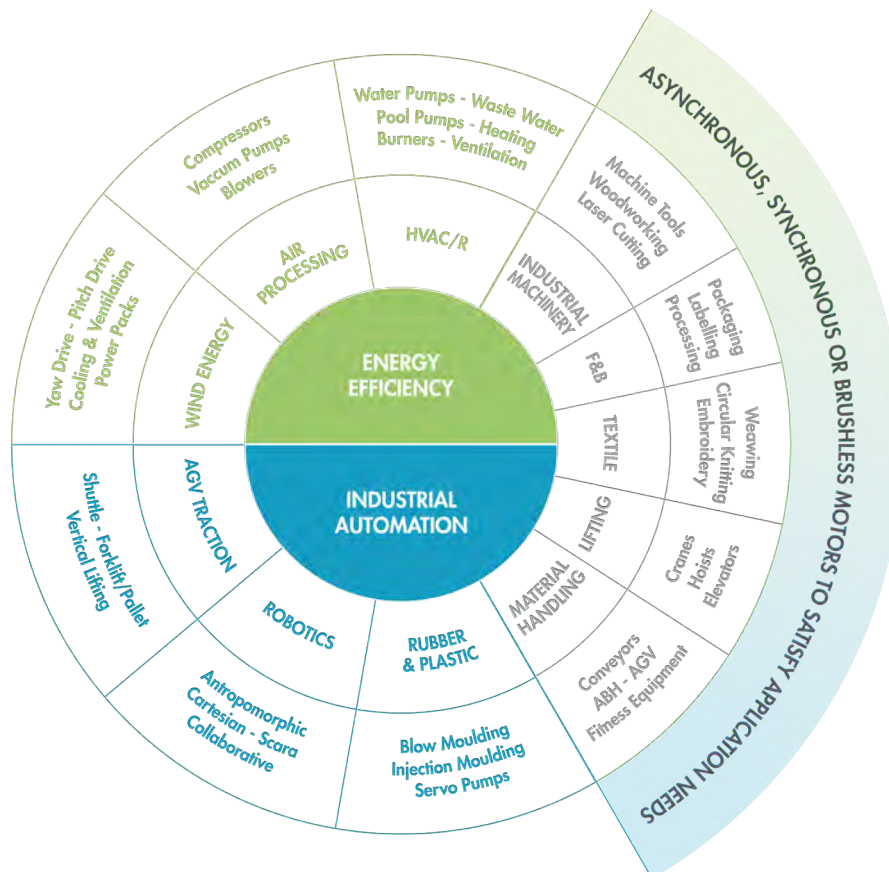
7. Servo Drives



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

Material topics

The significant aspects, to be reported in the Sustainability Report in compliance with GRI Standards, are those that reflect the significant economic, environmental and social impact of the organisation. In this context, the impact refers to the effects that an organisation has on the economy, on the environment or society (positive or negative), but also with respect to the expectations, interests and opinions of its stakeholders.

According to the European Union's approach, defined in the European Commission Communication published in June 2019 containing the guidelines on information on climate change referred to in the NFRD / Non-Financial Reporting Directive - Directive 95/2014, material topics are those areas of sustainability that may have significant impacts on the development, performance and value of a company. At the same time, a material issue is defined in relation to the spheres and topics having a social and environmental character on which the company may have a significant impact through its activities. The two 'directions' of materiality are interconnected.

Not all material aspects have equal significance, and the emphasis in a report reflects their relative priority. For the purpose of drawing up the first sustainability report, albeit drawn up according to the GRI Referenced reporting option, Lafert has carried out a materiality analysis, consistently with the GRI Standards. The analysis was carried out also taking into account the provisions of It. Legislative Decree no. 254/2016, which regulates the drawing up of the ESG.

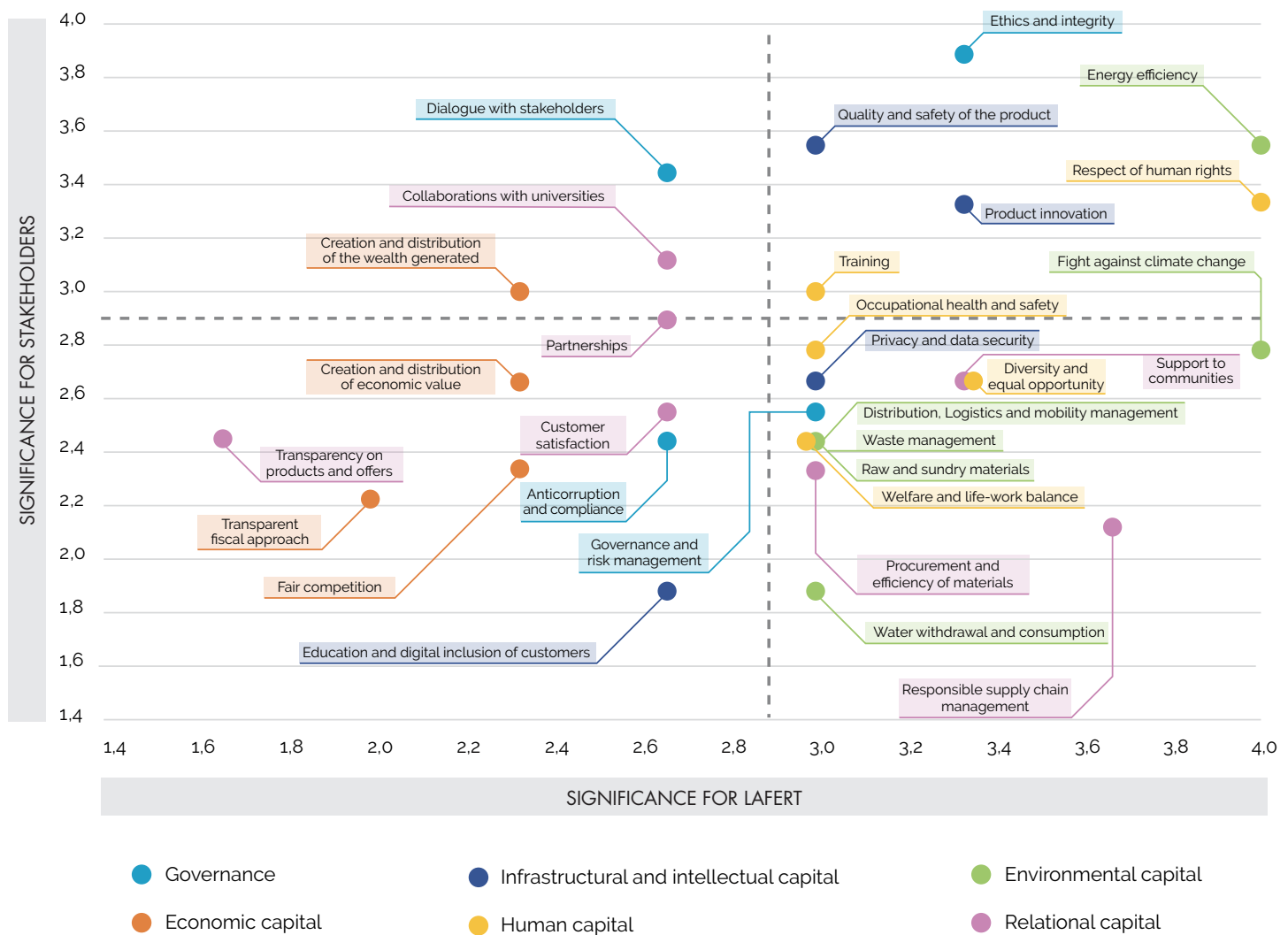
Process: Steps	
1	Stakeholder identification and mapping
2	Guidelines of the industrial plan and related objectives
3	Documentary analysis of the scenario of reference: regulations of the sector and megatrends (in particular, EU Green Deal policies – EU Next Generation Plan and PNRR)
4	Analysis of sector benchmarks: Sustainability reporting of national and international comparables
5	SASB Materiality map analysis: • Electrical & Electronic Equipment • Industrial Machinery & Goods
6	Stakeholders: • Analysis of recurring engagement activities carried out with the various categories of stakeholders • Expectations from the analysis of the context
7	Assessment by top management and department managers, also according to the perspective of the respective specific stakeholders for the department
8	Validation of materiality issues and priority level by Lafert's top management

For the assessment of the issues under items 7 and 8 a questionnaire was sent to the contact persons, requiring them to assign a score for each significant issue (from 1=not very significant to 4=extremely significant).

The Materiality Matrix therefore identifies the significant issues, understood as those aspects that may generate significant economic, social and environmental impacts on the company's activities and that, by affecting stakeholders' expectations, decisions and actions, are perceived by the latter as critical, either in a positive or negative sense.

Once all the questionnaires were collected, they were analysed and consolidated. The result is a materiality matrix that makes it possible to synthetically set out the analysed issues. It only sets out the issues that have passed the so-called materiality threshold, i.e. those that obtained on both axes an **average score higher than 2.84**.

The materiality matrix set out below provides a summary and overall view of the issues, in relation to their impact, taking into account the assessments and interests of stakeholders.



For each material issue identified, the following table shows the reasons for its significance, and the related GRIs that were reported.

Material issues	Impacts	GRI Standard (Specific Topics)
Ethics and integrity in conducting business	Commitment to assuring good corporate Governance inspired by the highest standards on the matter of ethics, integrity and compliance with laws and regulations (e.g. Code of Ethics). The commitment also includes training personnel with regard to the ethics principles adopted, and actions undertaken to reduce conflicts of interest.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 307-1 GRI 419-1
Technological innovation and Digitalisation	Ability to implement ever more sustainable solutions through continuous investments in research and development that lead to an increase in technical skills and the use of cutting-edge technologies to offer increasingly innovative services to customers.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 203-1 GRI 418-1
Quality, safety and reliability of the products	Constant commitment in assuring and maintaining adequate levels of quality of the product and service provided, as well as compliance with the legal requirements.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 416-1 GRI 416-2 GRI 417-1 GRI 417-2 GRI 417-3 GRI 418-1
Respect of human rights and workers' protection	Development of working practices and conditions conducive to ensuring equal opportunities, by removing any form of discrimination and creating conditions that encourage diversity and promote dignity at work.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 401-1 GRI 406-1
Training and skills development	Offer of schemes to enhance individual potential, training and professional development of workers that contribute to the overall growth of the company organisation.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 404-1 GRI 404-2
Energy efficiency and sustainable products	Contribution to the mitigation or prevention of the effects of climate change through a reduction in consumption, the use of renewable energy sources and increasing process efficiency in order to reduce energy waste/inefficiencies.	GRI 103-1 GRI 103-2 GRI 103-3 GRI 302-1 GRI 305-1 GRI 305-2

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



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.

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** (in charge of the Company management);
- **the Board of Statutory Auditors** (which is entrusted with supervisory powers).

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 appointed on June 24th, 2020 and shall remain in office until approval of the 2022 Financial Statements.

Board of Directors	
Shaun Dean	Chairman and Chief Executive Officer (CEO)
Florian Butzmann	Director
Hidehiko Nishiyama	Director
Shoko Takita	Director
Joris Felicitas F. Blommaerts	Director

Board of Directors - Diversity (gender - age groups)					
Women		Men		Total	
Nr 1	20%	Nr 4	80%	Nr 5	100%
Younger than 30		Between 30 and 50		Older than 50	
Nr 0	0%	Nr 2	40%	Nr 3	60%

The Board of Directors are 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 others³:

- 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 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

³ For greater detail, refer to the company registration certificate.

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.



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 int an appropriate register of meetings.

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 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.

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 focuses mainly on the control activities and on monitoring these activities at the process level (e.g. approvals, authorisations, verifications and reconciliations). Lafert is not subject to this type of control and must not submit any PLC questionnaire.
- 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.

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

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.

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 2021, 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.

No report and/or complaints from outside or from regulatory bodies has been received by the Company for non-compliance with social and economic laws and regulations, nor have any penalties been imposed for breaches on product safety regulations, on industrial and intellectual property, in marketing activities, for anti-competitive behaviour.

3. Infrastructural capital

- 3.1 Production facilities
- 3.2 Innovation and digitalisation
- 3.3 Research, development and patents



3.1 Production facilities

The production activity takes place in 6 innovative production facilities.



Lafert S.p.A. 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.



27.000 m²
Total area



521
Employees



Activities:
Asynchronous Motors,
PM Synchronous Motors



2.600
motors/day
600K
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.



5.500 m²
Total area



189
Employees



Activities:
Brushless Servo Motors,
Gearless Machines



750
motors/day

170K
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.



800 m²
Total area



14
Employees



Activities:
Servo Drives - Design and Assembly



40
drives/day
8.800
drives/year



ICME S.p.A.

Fusignano, Ravenna - Italy

This production site is devoted 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 to cater 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.



4.200 m²
Total area



65
Employees



Activities:
Asynchronous Motors - design and assembly



1.200
motors/day
270K
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.



5.500 m²
Total area



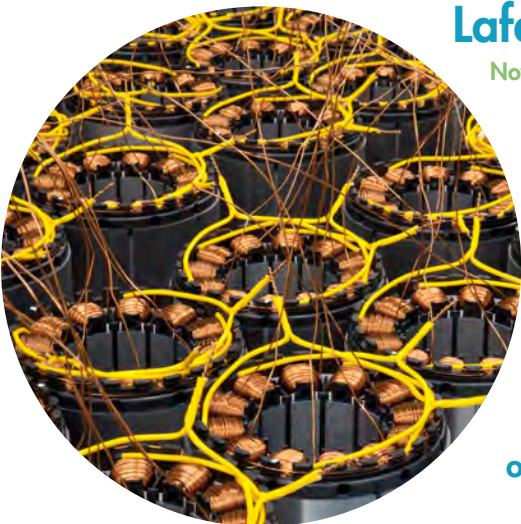
64
Employees



Activities:
Brushless Servo Motors,
Gearless Machines



100
motors/day
20K
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.



2.000 m²
Total area



64
Employees



Activities:
Windings for
Asynchronous Motors



1.715
windings/day
390K
windings/year

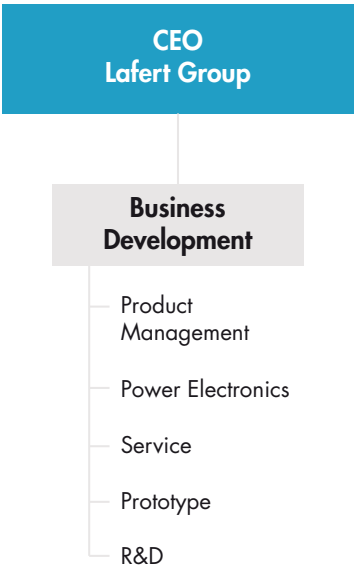
3.2 Innovation and digitalisation

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 4 people: three 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, design, and testing phase of asynchronous and synchronous electrical motors.

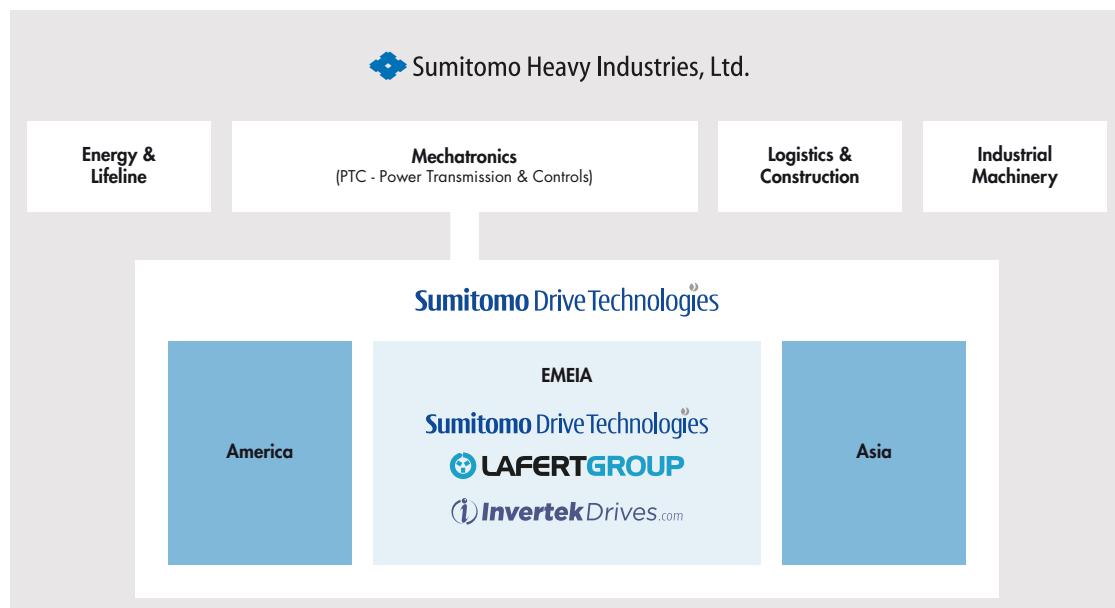
Its activities rely on the support and collaboration of the Technical Department, particularly regarding mechanical design, the creation of BOMs (Bills of Materials) and laboratory tests.



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.

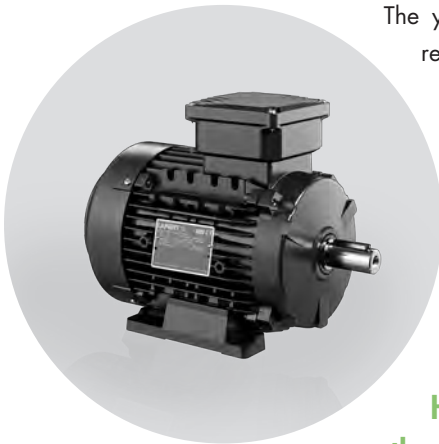
For Lafert Group, developing new, highly innovative and technological products means equipping companies with tools that reduce their environmental impact.

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 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.

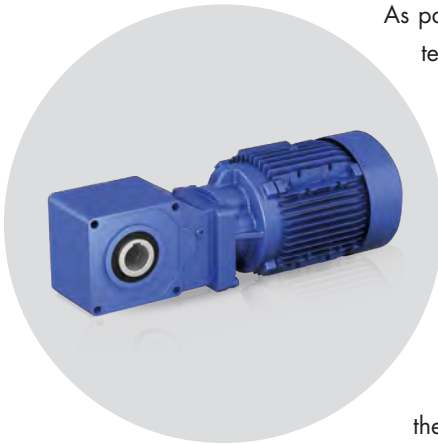
The main advantages of this type of motor are the cost (the significant price fluctuations of Neodymium-based magnets are avoided) and environmental sustainability, given the lower impact that the production of rare-earth-based magnets has on the environment nowadays.

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.

Development of integrated Gearmotors with IE5 motors

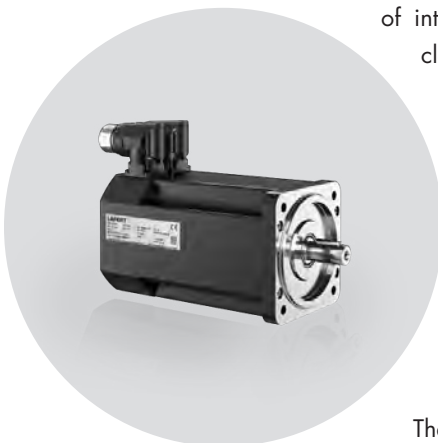


As part of the synergistic strengthening with Sumitomo, collaboration with a dedicated team in Japan began in 2021 to define a **new range of integrated gearmotors equipped with IE5 efficiency class motors** for conveyor belt applications.

To date, Sumitomo has integrated Gearmotor solutions where, combined with the wide range of Sumitomo gearboxes (Cyclo, Hyponic, BBB-4, BBB-H, Prest Neo, etc.), there is an IE3 asynchronous motor (produced by Sumitomo), with finned and self-cooled mechanics: the objective of the project is to update the range by integrating the active parts of highly efficient motors (efficiency class IE5) into the same mechanics, thereby implementing a solution that is increasingly demanded by the **conveyor belt market and in material handling in general**, given the ever-growing awareness, also at a regulatory level, of the energy saving aspect.

The project was set up by adapting (with some changes to the size of the lamination) the design of Lafert's high-efficiency PM motors (SPM with concentrated winding) to the Sumitomo mechanics, therefore exploiting the know-how of both companies whilst maintaining compatibility with the entire extended Sumitomo family of gearboxes. Furthermore, a solution with an integrated drive will be developed in the future.

Always within the synergistic projects with Sumitomo, an important collaboration is underway with a current Lafert's customer operating in the field of power electronics for the development of a range of integrated gearmotors suitable for **Food & Beverage applications**, therefore with cleanliness/hygiene requirements, which the customer will integrate with their innovative drive.



Lafert intends to use in this product its **latest generation synchronous servomotors (called "U" or "Ultra-compact" series, which uses modern "segmented sector" technology)**, which offer the highest torque density available on the market today, to obtain particularly compact products, with extremely high efficiency (IE5), with speeds up to 3000rpm, possibly also with encoder (DSL) and integrated drive (by the customer).

The partnership with the same customer also includes the objective of developing a more "general purpose" range of integrated motor + drive, without the gearbox, to **extend the application to other sectors in Industrial Automation**, in particular in all those applications where the advantages offered by decentralised solutions may be attractive, i.e. flexibility, simplification of installation and wiring, smaller panel footprint.

The Ultra compact series of servomotors will be assembled with a highly automated system (1 operator only and 150sec. cycle time), which will make it possible to streamline the process, with benefits also in terms of energy. This system will also be set up for quick integration into the company network, in line with Industry 4.0 requirements.

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.

3.3 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 2019 to nearly 2 million euros in 2021. 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 2021 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



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.

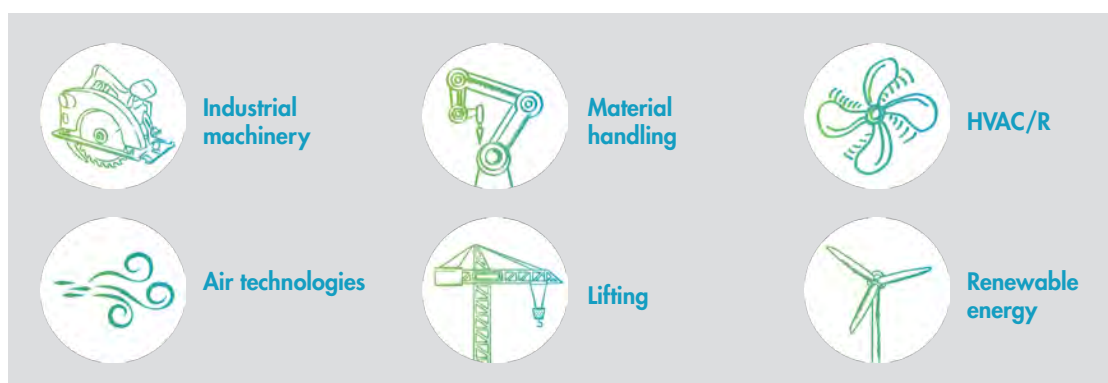
Flexibility and reliability assure customers' confidence and **strong visibility in the international competitive arena**. From robotics to renewable energies, material handling to air processing, or even the most diverse industrial machineries, the fields of use for our products are endless. For this 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.

Lafert's main target markets

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





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.



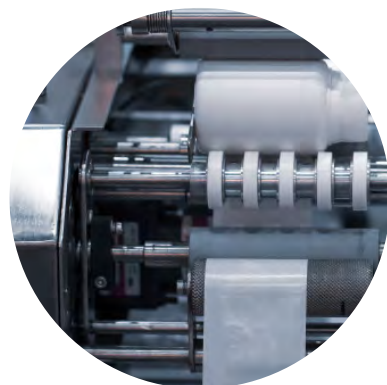
Textile machines

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:

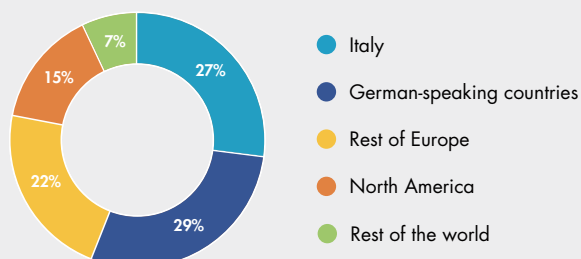
- **OEM (Original Equipment Manufacturer)**, in other words, a company that makes products, parts or components used by other companies referred to as "parent company" which affix their own logo on them;
- **Distributors**, the entity that deals with marketing Lafert branded products to the end customer;
- **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.

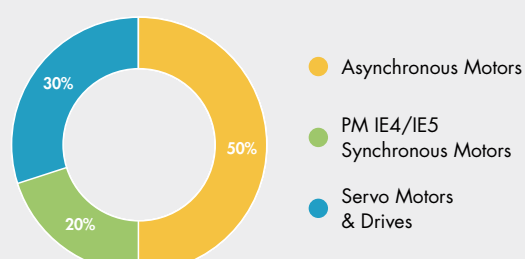
In terms of geography, the Group's customers are mainly located in five main areas:

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

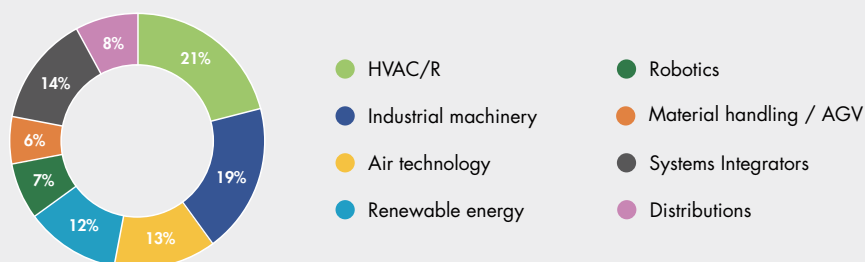
SALES BY GEOGRAPHIC AREA



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.

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

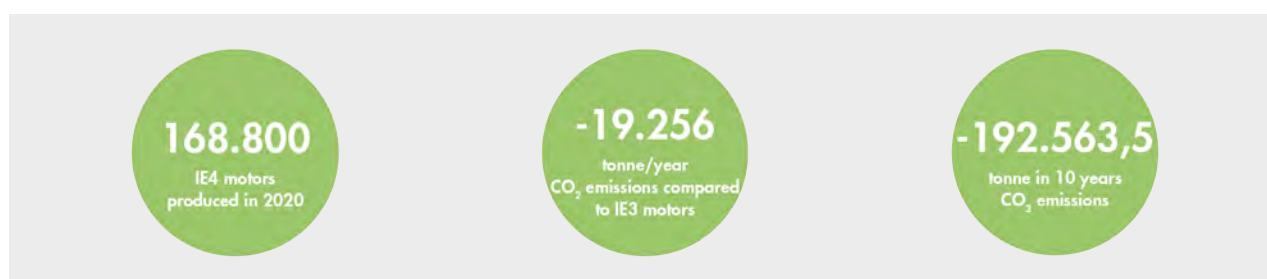
In December 2021, Lafert's HPS permanent magnet motors obtained recognition of the CEL energy rating - Class 2, which is the efficiency level required for exporting to China in accordance with regulation GB 30253-13 that regulates synchronous permanent magnet motors.

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.

In 2020 alone, 168,800 IE4 Motors were produced, which reduced CO₂ emissions by 19256 tonnes in one year compared to high efficiency IE3 motors. Indeed, every IE4 motor in 2020 reduced CO₂ emission by 3.5% on average compared to the motors with the lower IE3 energy rating. Considering the average life cycle of Lafert's IE4 motors which is 10 years, in 2020 the Group contributed to safeguarding the planet by producing motors that will reduce CO₂ emissions for a total of 192563.5 tonnes in 10 years.



In 2021, the sale of types IE4 and IE5 increased by approximately 35% compared to the previous year, therefore providing a positive contribution to CO₂ reduction.

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.

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.

In 2021, owing to the Pandemic, the Group did not take part in any event due to restrictions or cancellations.

Participation in trade fairs resumed in 2022 and Lafert scheduled participation in 16 specialised trade fairs, mainly in Europe.



Corporate events

In September 2022, the Group will organise celebrations for the 60th anniversary of the foundation, inviting employees, local authorities and the main Sumitomo stakeholders.

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 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

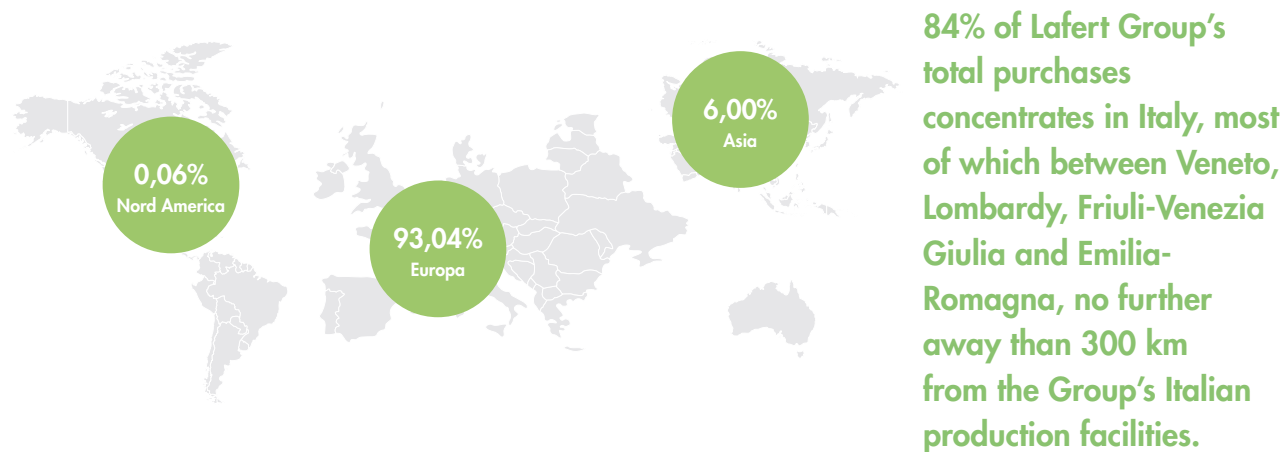
In activities for selecting and assessing suppliers, **impartiality and respect for all parties must always be assured** and, especially in negotiations, the principles set forth by Lafert's Code of Ethics must always be complied with.

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%		



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.

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.

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**;
- **redevelopment project of the industrial estate of Via John Fitzgerald Kennedy (San Donà di Piave)**, scheduled for the second half of 2022 in collaboration with other local companies in the area.
- 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 Operations
- 5.2 The Economic Value Generated and the Economic Value Distributed
- 5.3 Investments
- 5.4 Fiscal approach

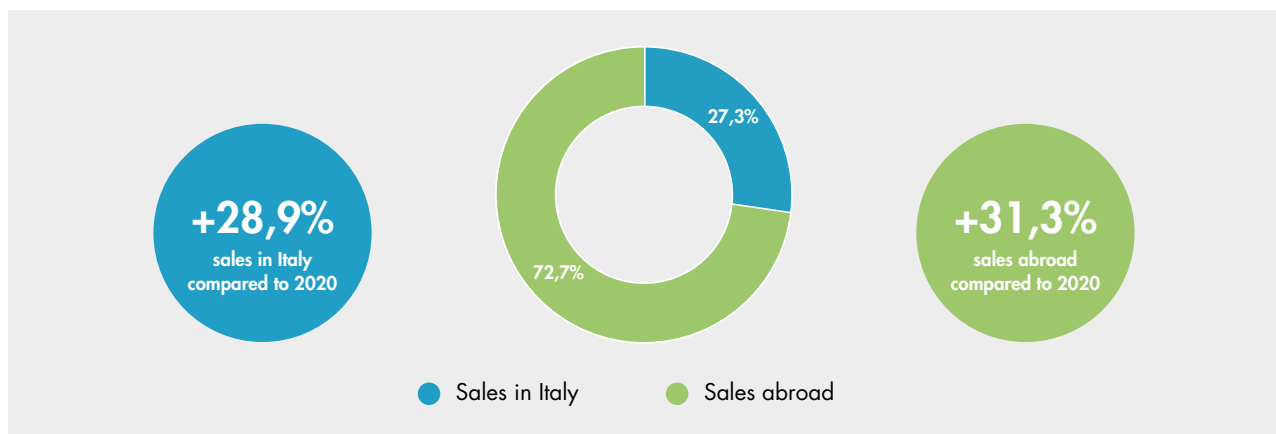


5.1 Operations

After the 2020 financial year, which was marked by the global crisis linked to Covid-19, **the turnover trend** in 2021, despite the continuing Pandemic, **recorded a significant growth in sales** thanks to the increase in demand in most sectors and markets and to the long-term partnerships that Lafert has built with its customers over the years.

Part of the increase in sales and orders was achieved as a result of the acquisition of 100% of the shares of the Canadian company Lafert North America Inc. and of the remaining 50% of the shares of the Spanish company Lafert Motores Electricos S.L.U. respectively on April 1st, 2021 and March 31st, 2021.

Sales on the Italian market, which amounted to 27.3% of the consolidated financial statements, increased by 28.9% compared to the previous year, while foreign sales (72.7% of the total) increased by 31.3%.



The order backlog to be processed as at December 31st, 2021 amounted to 104,672 thousand Euro, with a net increase compared to the one at the end of 2020, thus guaranteeing coverage of approximately 6 months of production. **The significant increase in the order backlog is mainly due to the marked upturn in post-pandemic orders** (which concerned all the main sectors of the business), considering that the procurement problems of raw materials and components and the production capacity requirements have considerably extended the time frames of order fulfilment.

The Group's production volumes in 2021, in terms of quantity of finished products, were 26.6% higher than the previous year. Specifically, in the second half of 2021, the Group had to manage procurement difficulties arising due to quantity shortages, delays in supplier deliveries, purchase cost increases that created slowdowns in the production lines, production planning difficulties and extension of delivery times. In the last months of 2021 and in the first few months of 2022, as a result of the synergistic work with the Group's suppliers and the reorganisation of some types of supply, better supply stability was achieved, which will make it possible to manage and make up for the delays accumulated in early 2022.

Procurements

In 2021, the cost of the main raw materials increased most significantly, regardless of the commodity class of reference, compared to previous years.

- During 2021 and compared to 2020, the **price of copper** increased on average by 47% with a consequent rise in the prices of wound stators;
- The **price of magnetic laminations**, after the decrease recorded in 2020, increased by almost 50%, as well as **steel**, whose price rose on average by 25%;
- The same trend can be observed in the **prices of primary aluminium** and **alloy** which increased by approximately 35% compared to the previous year;
- The **prices of permanent magnets** increased by approximately 16% compared to the previous year;
- There was also an increase in **costs linked to electricity and gas** in the last quarter of 2021, a trend that continued in the first months of 2022.



The huge challenge connected to the increase in raw material costs led to several campaigns to increase sales prices, with the main goal of recovering company profitability. In spite of all, **uncertainty remains in the market for raw materials and purchased products** due not only to tensions in the conditions of supply and demand, but also to trade disputes between countries, ongoing geopolitical risks and fluctuations in oil prices and currencies.

In addition to the price issues, the company had to deal with the market shortage in the supply of some product categories, such as magnetic laminations, which caused knock-on delays in supply and shipments.

In summary, the latter may be identified as the factors that were the main cause of the decreased profitability of the Group during 2021.

The supply of raw materials gradually improved in the last quarter of 2021 and in the first months of 2022, leading to greater stability.

Russia-Ukraine war

Since February 24th, 2022, Russia has been waging a war against Ukraine 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 Industries 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 the sanctions imposed by Italy and by Europe have not particularly affected the balances of Lafert Group, since relations with the countries concerned are not significant: at Group level, in the 2021 financial year, sales

in Russia were 0.15% of the total (approximately Euro 100 thousand) and no purchases were made, neither of goods nor of services in general; moreover, there are no strategic business relations with customers and suppliers or with related parties.

Therefore, **top management believes that the Russia-Ukraine conflict has no significant impact on the items of estimation, valuation and measurement of assets and liabilities as at December 31st, 2021 and, should be viewed as a non-adjusting event based on IAS 10.**

Considering the volatility of the geopolitical situation and the marked uncertainty on the duration and consequences of the war, it is not currently possible to predict with certainty the future effects on the macroeconomic variables affecting the Group and on the main risks which it is subject to. Therefore, monitoring is constant considering the evolution of the current geopolitical situation.

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

Revenues by geographic area (Amounts in €/000)	2021		2020	
	Revenues	%	Revenues	%
Italy	51.417	27,33%	38.890	27,09%
Austria	25.151	13,37%	21.932	15,28%
United States	22.965	12,21%	15.026	10,47%
Germany	21.926	11,65%	16.772	11,68%
China	10.142	5,39%	5.803	4,04%
Rest of the world	56.525	30,05%	45.148	31,45%
Total	188.126	100%	143.571	100%

Revenues by market segment (Amounts in €/000)	2021		2020	
	Revenues	%	Revenues	%
HVAC/R	43.198	22,96%	31.647	22,04%
Systems Integrator	32.569	17,31%	25.841	18,00%
Air technology	24.437	12,99%	19.309	13,45%
Renewable energy	16.175	8,60%	17.596	12,26%
Distribution	12.575	6,68%	11.713	8,16%
Other	59.172	31,45%	37.465	26,10%
Total	188.126	100%	143.571	100%



5.2 The Economic Value Generated and the Economic Value Distributed

Added value (in million Euro)	2020	2021
Revenues	143.885	198.641
Other income	425	1.146
Financial income	464	1.610
Total Economic Value Generated	144.774	201.397
Operating costs	96.153	144.004
Remuneration of personnel	35.870	43.518
Remuneration of lenders	1.293	901
Remuneration of investors	0	0
Remuneration of the Public Administration	997	1.662
Charitable contributors	8.000	7.180
Total Economic Value Distributed	142.313	197.265
Economic Value Retained	2.461	4.132

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 2020 and 2021 for almost all items: revenues increased by almost 40%, as did costs; operating costs increased by 50% and personnel costs by more than 20%.

These changes are due to a significant increase in production recorded by the Group during 2021, also thanks to the post pandemic economic recovery.

Consequently, an increase in the total distributed economic Value was recorded in 2021 compared to the previous year of 38.6%.

5.3 Investments

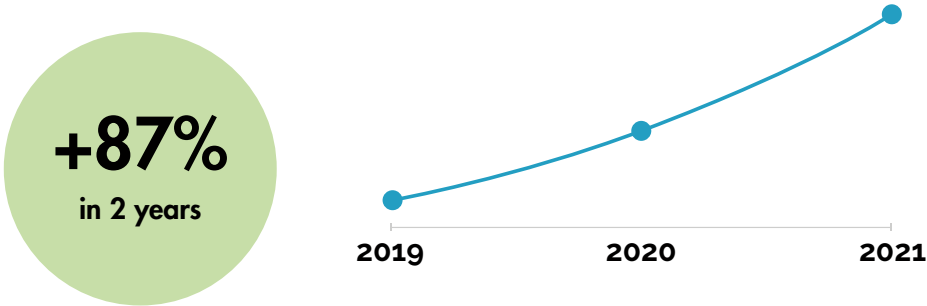
Lafert Group invests in projects aimed at product and process technological innovation, pursuing sustainable growth over time.

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”.

Value (in million Euro)	2019	2020	2021
Research and development expenses	1.065	1.265	1.995



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 2021, 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 Occupational health and safety



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.**

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, being aware that in its sector the percentage of female professionals is low, Lafert promotes the issue of gender equality and the professional growth of women within the company.

Employees

Nr. employees	2020			2021		
	Women	Men	Total	Women	Men	Total
	144	706	850	156	773	929

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		
	Women	Men	Total	Women	Men	Total
On open-ended contracts	143	673	816	155	745	900
On temporary contracts	1	33	34	1	28	29
Total	144	706	850	156	773	929

Approximately 97% 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		
	Women	Men	Total	Women	Men	Total
Full-time	125	703	828	136	767	903
Part-time	19	3	22	20	6	26
Total	144	706	850	156	773	929

97.2% of employees have a full-time contract.

Diversity

Number of employees by category/by gender	2020			2021		
	Women	Men	Total	Women	Men	Total
Managers	2	9	11	2	12	14
Middle managers	2	13	15	3	19	22
Office workers	67	108	175	76	125	201
Production workers	73	576	649	75	617	692
Total	144	706	850	156	773	929

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% (692 out of 929) are production workers and only 10% of them are women. Most female employees, however, work in offices or in production – respectively 76 and 75 over a total of 156 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.

% of employees by category/by gender	2020			2021		
	Women	Men	Total	Women	Men	Total
Managers	0,2%	1,1%	1,3%	0,2%	1,3%	1,5%
Middle managers	0,2%	1,5%	1,7%	0,3%	2,0%	2,3%
Office workers	7,9%	12,7%	20,6%	8,2%	13,5%	21,7%
Production workers	8,6%	67,8%	76,4%	8,1%	66,4%	74,5%
Total	16,9%	83,1%	100%	16,8%	83,2%	100%

The ratio of the percentage of female to male employees is fairly constant over time, especially in the area of office workers: the percentage of women employed in both 2020 and 2021 years is about half that of men.

Number of employees by category/by age range	2020				2021			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Managers	0	2	9	11	0	2	12	14
Middle managers	0	9	6	15	0	13	9	22
Office workers	19	125	31	175	29	140	32	201
Production workers	105	368	176	649	128	398	166	692
Total	124	504	222	850	157	553	219	929

In 2021 most Lafert's employees were between 30 and 50 years old (59.5%), with nearly 25% office workers and nearly 72% production workers.

% of employees by category/by age range	2020				2021			
	< 30 years	30 < x > 50 years	> 50 years	Total	< 30 years	30 < x > 50 years	> 50 years	Total
Managers	0,0%	0,2%	1,1%	1,3%	0,0%	0,2%	1,3%	1,5%
Middle managers	0,0%	1,0%	0,7%	1,7%	0,0%	1,3%	1,0%	2,3%
Office workers	2,2%	14,7%	3,7%	20,6%	3,1%	15,1%	3,5%	21,7%
Production workers	12,4%	43,3%	20,7%	76,4%	13,8%	42,8%	17,9%	74,5%
Total	14,6%	59,2%	26,2%	100,0%	16,9%	59,4%	23,7%	100,0%

Parental leave	2020			2021		
	Women	Men	Total	Women	Men	Total
Number of employees who took parental leave	8	10	18	9	26	35
Number of employees who returned to work during the reporting period after taking parental leave	8	10	18	9	26	35
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

All the 35 employees who took parental leave in 2021 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 rate⁴ and the retention rate⁵ 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.

⁴ 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.

⁵ 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		
	Women	Men	Total	Women	Men	Total
Until 29 years	1	14	15	3	36	39
From 30 to 50 years	5	17	22	7	43	50
Over 50 years	2	0	2	0	3	3
Total	8	31	39	10	82	92

Terminations	2020			2021		
	Women	Men	Total	Women	Men	Total
Until 29 years	2	5	7	0	10	10
From 30 to 50 years	5	12	17	2	13	15
Over 50 years	2	6	8	2	15	17
Total	9	23	32	4	38	42

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	18,2%	5,4%	5,0%	6,3%	4,4%	2,9%	3,3%	3,3%
Positive turnover - hires	9,1%	5,4%	5,0%	5,6%	12,4%	4,1%	0,0%	4,4%
Overall turnover	27,3%	10,8%	10,0%	11,8%	16,8%	7,1%	3,3%	7,6%

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	0,0%	2,0%	5,1%	2,6%	7,0%	2,9%	8,3%	4,9%
Positive turnover - hires	20,0%	6,9%	0,0%	6,4%	25,4%	9,5%	1,7%	10,6%
Overall turnover	20,0%	8,8%	5,1%	9,0%	32,4%	12,4%	10,0%	15,5%

In the 2020-2021 two-year period the company population grew from 850 units to 929 units at the end of 2021. Moreover, qualified personnel were hired, highly experienced in the activities that the company business consists of, aged between 30 and 50.

The turnover percentages were calculated over the total number of employees as at December 31st of each year, in compliance with the GRI Standard requirements.

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, 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.

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.

At any time the need arises, each department manager may ask his or her reference manager for authorisation to take part, for himself and/or his or her collaborators, in specialised training activities where these are deemed useful for increasing knowledge, professionalism, skills and/or multi-role capabilities.

In these cases, the training activity will be agreed between the parties concerned from time to time, informing the HR department beforehand and, according to the topics dealt with, it may be provided by company personnel or by consultants, in-company or at the places indicated by the organiser.

Training planning

Each department manager has the task of informing the HR department on the training and education activities agreed with their first and second level manager in order to be able to keep track of the planned activities. If the need to define a pathway of integration, induction, training and education for a new employee intended to hold a prominent professional office, it will be the manager's task to plan and to manage the additional training in full agreement with the HR department.

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.

During 2021, 20 training hours were provided on average, including mandatory training and specific courses.

Númer of employees by category / by gender	2020			2021		
	Women	Men	Total	Women	Men	Total
Managers	8,0	2,0	10,0	2,0	0,3	2,3
Middle managers	0,0	0,5	0,5	1,3	4,2	5,5
Office workers	1,6	2,8	4,4	0,8	1,9	2,7
Production workers	0,4	2,6	3,0	3,8	5,2	9,0
Total	10,0	7,9	17,9	7,9	11,6	19,5



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, **Remote 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 It. law 81/2017 according to each worker's type of job.

Furthermore, Lafert has taken out a **supplementary health insurance** which makes it possible to access specialist care at affiliated facilities at discounted rates for pathologies linked to Covid 19.

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.

6.3 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 (DVR)** has been drawn up, identifying the specific potential risk factors relating to these operational sectors, and the Interference **Risk Assessment Document (DUVRI)**, 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 (RSPP). 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.

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.

Covid-19 impacts and measures

In order to safeguard workers' health, Lafert Group has defined and applied, for each company of the Group, a Protocol laying down the measures to counteract and limit the spread of the Covid-19 virus in workplaces, aligned with the protocol shared with the social partners. The measures regulated and implemented concerned the following:

- methods to access the company, which involves checking the green pass for employees as well as external personnel;
- personal hygienic precautions by providing hand sanitiser and disinfecting spray;
- all personnel were provided with personal protection equipment (such as surgical masks and/or FFP2 masks);
- cleaning and disinfection of company premises;
- management of common areas including the company canteen;
- remote management of in-company events and meetings;
- setting up an in-company unified centre in accordance with the local health authorities for notifying Covid-19 positivity by workers with a special telephone number;
- health surveillance for personnel who were in direct contact with a Covid-positive person;
- setting up a Committee for application and assessment of the protocol rules.

Accidents

Data on accidents	2020	2021
Number of deaths following work accidents	0	0
Number of work accidents with serious consequences (except deaths)	0	0
Number of work accidents	37	28
Hours worked	1.293.900	1.697.997
Rate of recordable work accidents⁶	5,72	3,30
Number of deaths derived from occupational disease	0	0

The total number of accidents recorded by the Group in 2021 is 28, down 9 units compared to the 37 cases in 2020. The rate of recordable work accidents went down by 42% compared to the previous year, because accidents at group level decreased while the overall hours worked increased.

The figures reported refer to all Group's companies, production ones as well as purely commercial ones. The number of accidents refers especially to production companies, where there are higher risks related to work activities. It should be pointed out that none of the accidents recorded by Lafert Group was serious, considering the reporting period examined.

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

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

Every 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.

Internal communication

Communication with personnel mainly takes place by sending a monthly Newsletter, with the aim of informing all employees of the initiatives, achievements, events, new partnerships, results, thus fostering employer branding.

Among initiatives currently being examined to promote the process of change and innovation, explaining and sharing it with employees, there is the project of a Group Intranet that should make it possible to:

- communicate Purpose, Vision and Mission, spread corporate values and the sense of belonging;
- create a shared corporate culture, based on trust and participation in innovation processes;
- simplify and speed up the on boarding process for new employees;
- centralise information and make it prompt, certain and accessible to all, strengthening its security;
- streamline internal processes and work/authorisation flows, file and share documents;
- provide employees with a shared space for them to get to know one another, especially in the difficult pandemic period which has forced most personnel to operate remotely.

Furthermore, a synthetic monthly document is active, called **Monthly Report** which is sent to the managers of the main units. In this report, each area contributes to drafting a text providing an update on activities and projects in progress that the manager is responsible for. The accounts area adds economic, financial and strategic information, to apprise all managers of the performance of the companies in Lafert Group.

7. Environmental capital

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



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.**

7.2 Energy consumption⁷

Energy consumed (GJoule) ⁸	2020	2021
Electricity		
Electricity purchased	19.671,36	23.212,00
<i>Of which from non-renewable sources</i>	<i>19.671,36</i>	<i>23.212,00</i>
<i>Of which from renewable sources</i>	<i>0</i>	<i>0</i>
Fuels		
Natural Gas	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 ⁹	0	0,23
Total consumption	59.947,31	60.228,44

The consumption of electricity purchased by Lafert Group in 2021 increased by 18% compared to 2020, mainly due to an increase in production.

However, Natural Gas consumption decreased by 8.7% compared to the previous year, while LPG use remained the same.

Production is powered by electricity as well as by gas, which is used for heating and die-casting.

The total energy consumption of the Group remained almost the same in the two years reported.

⁷ Compared to that reported in the rest of the document, the figures for energy consumption and emissions for FY 2020-2021, refer to the following Group companies: Lafert S.p.A., Lafert Servo Motors S.p.A., Lafert Servo Drives S.r.l., ICME S.p.A., Lafert Elektromotorji D.o.o (Slovenia), Lafert (Suzhou) Co. Ltd. (China) and Lafert Electric Motors Ltd. (Great Britain). Furthermore, for the trading companies Lafert North America Inc. and Lafert Motores Electricos S.L.U., located respectively in Canada and in Spain, only the data relating to the second half of 2021 are available, since they were taken over by Lafert. The remaining two companies of the Group, located in France and Germany, were not included in the scope because they are quite small in size and do not have a thorough data collection system.

⁸ The rate of registrable work-related injuries has been calculated as follows: number of injuries over number of hours worked per 200,000.

⁹ Data relating to the Spanish company Lafert Motores Electricos S.L.U. for the year 2021, since it was acquired by Lafert Group.

7.3 Emissions

GHG Emissions Scope 1 (tCO ₂ e) - Scope 1 ¹⁰	2020	2021
Direct emissions		
Natural Gas	2.188,29	1.998,03
LPG	27,19	27,19
Diesel fuel	68,45	61,93
Petrol	9,83	24,24
LPG (automotive)	-	0,01
Overall emissions – Total Scope 1	2.293,76	2.111,40

GHG Emissions Scope 2 (tCO ₂ e) - Location Based ¹¹	2020	2021
Indirect emissions		
Electricity purchased	3.104,97	3.740,82
Overall emissions – Total Scope 2	3.104,97	3.740,82
Total emissions Scope 1 + Scope 2	5.398,73	5.852,22

GHG Emissions Scope 2 (tCO ₂ e) - Market Based ¹²	2020	2021
Indirect emissions		
Electricity purchased	2.756,11	3.342,94
Overall emissions – Total Scope 2	2.756,11	3.342,94
Total emissions Scope 1 + Scope 2	5.049,87	5.454,34

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 decreased by 8% compared to 2020. Vice versa, scope 2 emissions increased in 2021 compared to 2020, regarding Location Based calculation criterion (+8.4%) as well as Market Based calculation criterion (+8%).

The total emissions produced by the Group in 2021 according to the market-based criterion amounts to 5,454.34 tCO₂e, with an 8% increase compared to 2020.

¹⁰ The source of the emission factors used to calculate direct GHG emissions is the Defra database 2021 (UK Department for Environment, Food and Rural Affairs).

¹¹ The source of the emission factors used to calculate indirect GHG emissions "Location Based" for Italy is Terna Confronti Internazionali 2020, while for the remaining countries of the reporting perimeter, Terna emission factors were used on Enerdata values, the latest publication available (International comparisons table, 2020).

¹² The source of the emission factors used to calculate indirect market based GHG emissions for European countries is the European Residual Mixes "AIB" last update (31.05.2021). For non-European countries for which residual mix factors are not publicly available from accredited sources at the time of writing, the same emission factors applied in the Location Based calculation have been used.

7.4 Water resources¹³

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

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.

A virtuous mechanism is in place for the management of the emulsified water used in machine tools: the emulsified water is separated by 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.

¹³ This paragraph sets out the data concerning withdrawal of the water resource. 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. and Lafert (Suzhou) Co. Ltd. For Lafert Servo Drives S.r.l. only quantitative data are available for fiscal year 2019/20, while the other Group companies are unable to obtain the specific information.

7.5 Waste generation and management¹⁴

2020	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	6833,24	6480,84	352,40
Hazardous waste by type of materials	248,44	46,24	202,20
Sealant adhesives (CER 080409*)	0,20	0,20	-
Oily emulsions (CER 120109*)	181,00	-	181,00
Waste oil (CER 130208*)	3,00	3,00	-
Solvents (CER 140603*)	15,00	15,00	-
Solvent sludge (CER 140605*)	14,00	14,00	-
Absorbent material (CER 150202*)	21,20	-	21,20
Antifreeze (CER 160114*)	0,20	0,20	-
Electronics with hazardous components (CER 160213*)	0,08	0,08	-
Hazardous components removed from unserviceable equipment (CER 160215*)	0,03	0,03	-
Neon (CER 200121*)	0,06	0,06	-
Lead batteries (CER 160601*)	1,40	1,40	-
Insulating materials containing hazardous substances (CER 170603*)	0,05	0,05	-
Contaminated packaging (CER 150110*)	11,50	11,50	-
Spray cans (CER 150111*)	0,27	0,27	-
Waste containing oil (CER 160708*)	0,20	0,20	-
Discarded equipment containing chlorofluorocarbons (CER 160211*)	0,20	0,20	-
Surgical masks (180103*)	0,05	0,05	-

¹⁴ 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	6833,24	6480,84	352,40
Non-hazardous waste by type of materials	6584,80	46,24	202,20
Filing and shavings of ferrous materials (CER 120101)	5860,30	5860,30	-
Filing and shavings of non ferrous materials (CER 120103)	122,20	122,20	-
Non-ferrous metal dust and particulate matter (CER 120104)	57,00	57,00	-
Plastic filing and shavings (CER 120105)	7,90	7,90	-
Paper and cardboard packaging (CER 150101)	92,70	92,70	-
Plastic packaging (CER 150102)	27,00	27,00	-
Wood packaging (CER 150103)	10,30	10,30	-
Mixed material packaging (CER 150106)	106,00	-	106,00
Sundry electronics (CER 160214)	2,30	2,30	-
Electric cables (CER 170411)	5,50	5,50	-
Septic tank sludge (CER 200304)	41,00	-	41,00
Aqueous suspensions containing paints and varnishes (CER 080120)	1,60	-	1,60
Absorbent material (CER 150203)	0,20	-	0,20
Aqueous liquid waste (CER 161002)	1,00	-	1,00
Metal packaging (CER 150104)	0,20	0,20	-
Sundry electronics (CER 160214)	1,80	1,80	-
Components removed from unserviceable equipment (CER 160216)	35,50	35,50	-
Other batteries and accumulators (160605)	0,17	0,17	-
Iron and steel (CER 170405)	108,00	108,00	-
Abrasive grindstones (CER 120121)	0,40	-	0,40
Glass (CER 170202)	0,13	0,13	-
Plastic (170203)	1,60	1,60	-
Washing solutions (CER 110112)	102,00	102,00	-

2021	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	7519,82	7174,75	345,07
Hazardous waste by type of materials	247,59	54,29	193,30
Sealant adhesives (CER 080409*)	0,20	0,20	-
Oily emulsions (CER 120109*)	167,00	-	167,00
Waste oil (CER 130208*)	3,28	3,28	-
Solvents (CER 140603*)	5,80	5,80	-
Solvent sludge (CER 140605*)	29,00	29,00	-
Absorbent material (CER 150202*)	26,30	-	26,30
Antifreeze (CER 160114*)	-	-	-
Electronics with hazardous components (CER 160213*)	0,04	0,04	-
Hazardous components removed from unserviceable equipment (CER 160215*)	-	-	-
Neon (CER 200121*)	-	-	-
Lead batteries (CER 160601*)	-	-	-
Insulating materials containing hazardous substances (CER 170603*)	-	-	-
Contaminated packaging (CER 150110*)	15,00	15,00	-
Spray cans (CER 150111*)	0,29	0,29	-
Waste containing oil (CER 160708*)	-	-	-
Discarded equipment containing chlorofluorocarbons (CER 160211*)	0,10	0,10	-
Surgical masks (180103*)	0,58	0,58	-

2021	Quantity (tonne)	Of which not for disposal	Of which for disposal
Total waste generated	7519,82	7174,75	345,07
Non-hazardous waste by type of materials	7272,23	7120,46	151,77
Filing and shavings of ferrous materials (CER 120101)	6391,1	6391,1	-
Filing and shavings of non ferrous materials (CER 120103)	152,3	152,3	-
Non-ferrous metal dust and particulate matter (CER 120104)	58,00	58,00	-
Plastic filing and shavings (CER 120105)	-	-	-
Paper and cardboard packaging (CER 150101)	105,40	105,40	-
Plastic packaging (CER 150102)	38,00	38,00	-
Wood packaging (CER 150103)	30,70	30,70	-
Mixed material packaging (CER 150106)	104,00	-	104,00
Sundry electronics (CER 160214)	0,77	0,77	-
Electric cables (CER 170411)	2,20	2,20	-
Septic tank sludge (CER 200304)	46,00	-	46,00
Aqueous suspensions containing paints and varnishes (CER 080120)	0,60	-	0,60
Absorbent material (CER 150203)	0,07	-	0,07
Aqueous liquid waste (CER 161002)	0,60	-	0,60
Metal packaging (CER 150104)	0,09	0,09	-
Sundry electronics (CER 160214)	2,00	2,00	-
Components removed from unserviceable equipment (CER 160216)	35,70	35,70	-
Other batteries and accumulators (160605)	-	-	-
Iron and steel (CER 170405)	210,00	210,00	-
Abrasive grindstones (CER 120121)	0,50	-	0,50
Glass (CER 170202)	0,20	0,20	-
Plastic (170203)	-	-	-
Washing solutions (CER 110112)	94,00	94,00	-

Waste management is carried out according to internal procedures compliant with the legal provisions in force.

In 2021, Lafert Group generated approximately 7520 tonnes of waste, up by 10% on 2020 due to the post-pandemic resumption of activities. Approximately 97% of this consists of non-hazardous waste.

Waste generation in 2021 mainly concerns oily emulsions as hazardous waste (67% of the total hazardous waste) and filings and shavings of ferrous materials as non-hazardous waste (88% of the total non-hazardous waste). Furthermore, there is a small amount of waste relating to paper and cardboard and mixed material packaging, in addition to iron and steel.

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



Unless indicated otherwise, the GRI Standards published in 2016 were used.

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