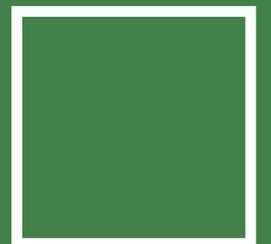


Sustainability Report

executive summary



2021



Sustainability report



The Sustainability Report aims to present to all Stakeholders the values, commitments and performances of the LB Technology Group in the context of sustainable business development from an economic, social and environmental point of view and with reference to the positive impacts on the territory and communities in which we operate.

2021 represented a decisive year for the consolidation of LB in the context of the sustainable development of the sector, the choice to draw up the first Sustainability Report represents one of the phases of realization of our commitment in the field of sustainability, placing it as an important growth driver and integrating it into business management.

The economic-financial growth and production volumes were accompanied by a significant evolution of the Group’s strategy with reference to the monitoring and management of ESG (Environmental, Social and Governance) issues. The new safeguards from a procedural and communication point of view towards Stakeholders were accompanied by an ever-increasing attention and sensitivity of our collaborators with reference to sustainability issues.

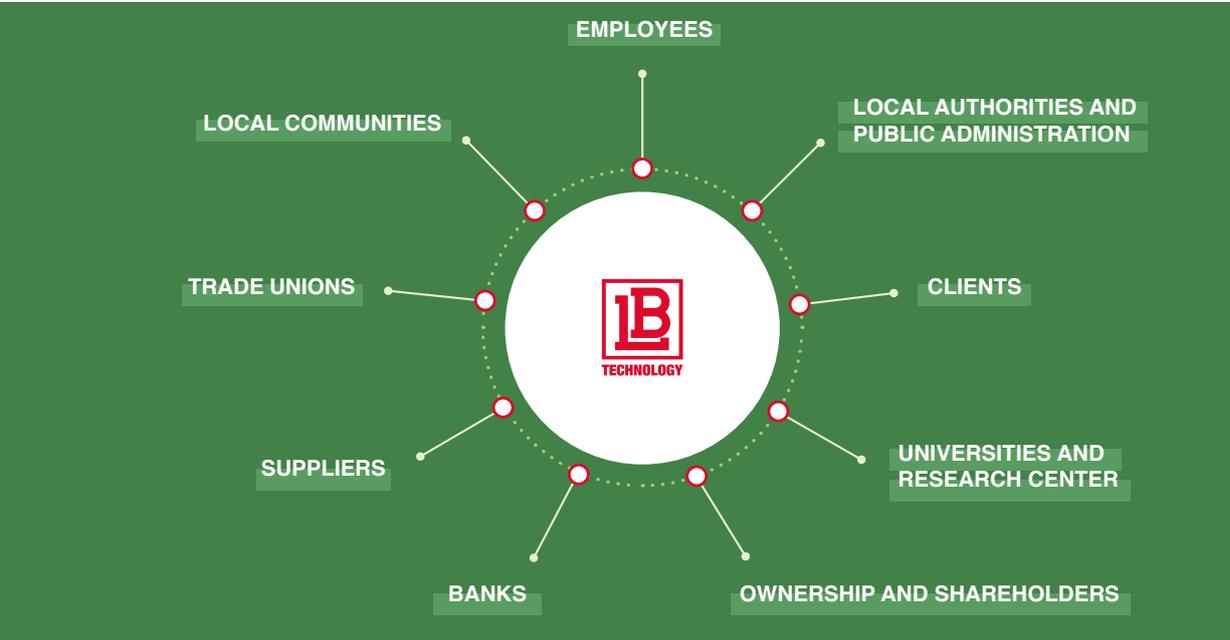


The Group’s sustainability strategy is based on five impact areas that have been assessed as the most priority and material in order to guide decision-making in the ESG field. These areas of impact concern product quality, innovation and customer care, human resource management, environmental sustainability, responsible management of the value chain and conducting an ethical business.

The reporting was carried out with the assistance of Deloitte and in compliance with the “Global Reporting Initiative Sustainability Reporting Standards” defined by the Global Reporting Initiative (GRI).



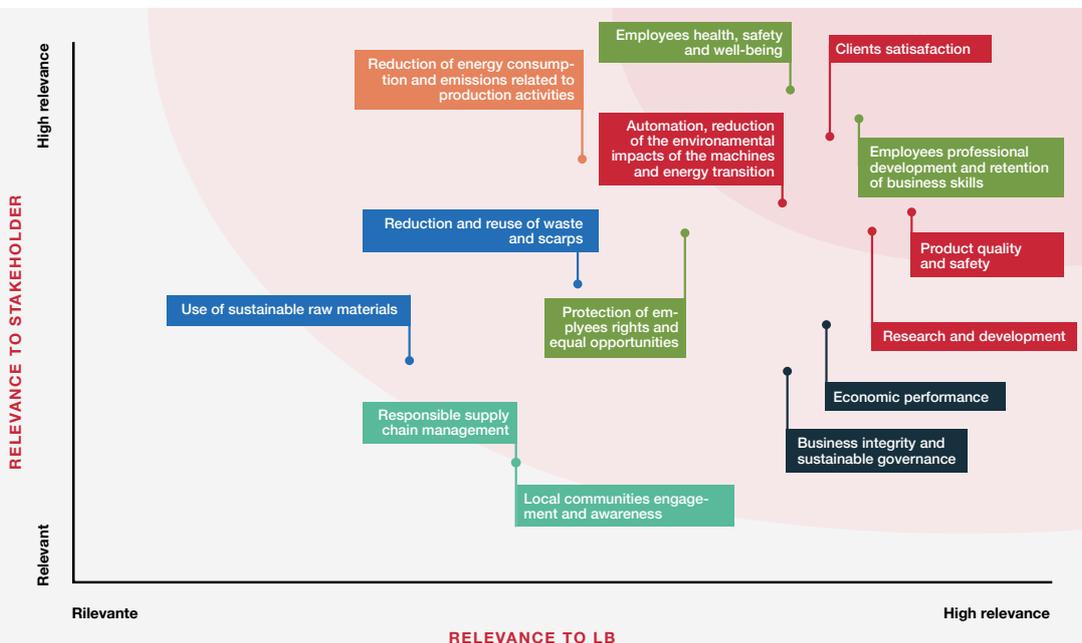
Stakeholders



Products and services

As required by the GRI Standards, **the contents of this Report have been determined via a materiality analysis** that identified those topics with the greatest **economic, environmental and social impacts on LB**, and which might influence significantly the assessments made and decisions **taken by its Stakeholders**.

LB Materiality Matrix



Governance and corporate ethics

Current composition of the Board of Directors: 80% men, 20% women, 80% between 30 and 40 years, 20% over 50 years.



**BOARD OF DIRECTORS OF LB
AS OF 31.12.21**

Organization, Management and Control Model compliant with Legislative Decree 231/2001; compliance with norms and principles, both regulatory and ethical, in line with international conventions.

IT risk management model; risk mapping performed following Confindustria guidelines; presence of a supervisory body (SB) as required by the law; implemented a new integrated ERP of international class.

Sustainable economic performance

LB also recognizes the importance of balanced **distribution of the economic value generated** by its activities **to the Stakeholders** who have directly or indirectly contributed to its creation. Analysis of the **economic value generated and distributed** highlights the flow of resources produced by LB and addressed to its suppliers, collaborators, investors and financiers, the Public Administration and the community, as well as those retained by the Group for self-financing purposes.

Economic value (thousands of euro)	31 December 2020	31 December 2021
Economic value generated directly	€ 28,771.00	€ 44,128.00
Economic value distributed	€ 33,687.00	€ 43,422.00
Operating costs	€ 24,613.00	€ 34,130.00
Remuneration of collaborators	€ 8,053.00	€ 8,345.00
Remuneration of lenders	€ 840.00	€ 1,023.00
Remuneration of the public administration	€ 129.00	€ 81.00
Donations and gifts	€ 52.00	€ 5.00
Economic value retained	- € 4,916.00	€ 706.00

Human resources

LB recognizes the value of diversity and the safeguarding of workers’ rights as a fundamental push towards sustainability, inclusivity and the growth of the Group.

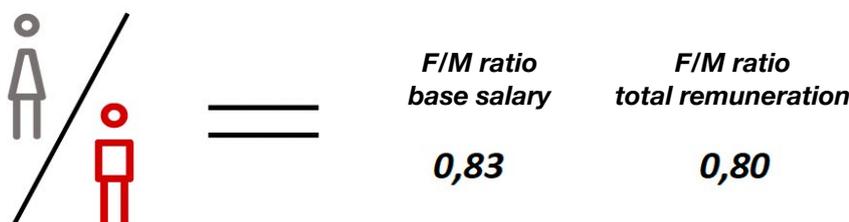
As at 31 December 2021, the composition of the Group’s personnel was 126 workers, almost all (99%) hired with permanent contracts. Compared to 2020, there is a 2% increase in the total number of workers.

Percentage of employees by professional category and age group

Professional category	31 December 2020			31 December 2021		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Executives	0%	100%	0%	0%	0%	100%
Managers	0%	71%	29%	0%	43%	57%
White collar	16%	59%	25%	16%	51%	33%
Blue collar	10%	35%	55%	14%	41%	46%
Total	13%	52%	35%	14%	47%	39%

In 2021, Given the gender composition within the Group and the lower number of female employees, there was a **reduction in the wage gap** (from 0.81 to 0.83) in 2021 compared with 2020, and in the **remuneration gap** (from 0.78 to 0.80) with regard to the **professional white-collar category**.

Ratio of basic salary and remuneration of women to men in 2021 for the white-collar category



Professional development and business skills

LB implements a **programme of personnel development paths and training initiatives** designed to build on the expertise of employees and collaborators, including by the delivery of ad hoc training courses (e.g. courses for specialists), with a view to constant enhancement of the human capital of the Group.

In addition, **strategies are defined for periodic assessment of the needs**, satisfaction and performance of personnel, in order to manage the risks associated with losing specialists. In 2021, the total number of hours for training reached a total of 4,512 hours. .

Employee health, safety and wellbeing

LB adopts management systems designed to guarantee **high standards of occupational health and safety**, especially with regard to its production facilities and work not performed on corporate premises.

LB also promotes **welfare initiatives** (e.g. benefits, smart working) intended to guarantee the quality of the working environment and **enhance the work-life balance of employees**.

In compliance with Legislative Decree 81/2008 + DVR, construction site opening and management procedures are in place and constantly evolving which include inspection by RSPP and competent professional figures aimed at identifying interference and preparing adequate safety measures.

LB has also prepared a Role Identification and Implementation Programme that describes the progress made on the prevention and protection work defined in the investment plan, which is periodically verified during the weekly inspections carried out by the RSPP.



Environmental responsibility

Use of raw materials

LB promotes an **aware use of resources** within the **circular economy**, in order to align productive activities with the strategic guidelines for sustainability. This responds to the ever-increasing demand from customers for innovative machines that lower the direct environmental impacts of production (with particular focus on energy consumption and the materials used).

Thanks to the quality of the raw materials used, innovation and the efficiency of production processes, **the life cycle of LB machines lasts about thirty years**, offering **longevity** and **durability** over time.

Materials used by weight or volume

Weight of raw materials used (kg)	31 December 2020	31 December 2021
Packaging	10,085	18,009
of which renewables (%)	27%	27%
Materials for plant metalwork	516,843	922,934
of which renewables (%)	0%	0%
Total raw materials used	526,928	940,943
of which renewables (%)	1%	1%

Energy consumption and emissions

LB monitors periodically and records energy consumption at its offices and factories, in order to identify possible areas for savings and greater energy efficiency.

A photovoltaic system was installed at the Fiorano Modenese plant which is used to cover part of the energy needs. The Fiorano Modenese plant also has a photovoltaic installation that covers part of the energy needs of LB Officine Meccaniche S.p.A. Some of the electricity generated by this installation is sold to the grid (about 16% of the power generated

in 2021). In this regard, it is worth noting that about 170,000 kWh of electricity were generated in 2021. Another photovoltaic installation at the Sassuolo plant covers part of the electricity needs of Sermat.

That installation generated about 90,000 kWh of electricity in 2021.

Energy consumption within the organisation

Energy consumption (GJ)	31 December 2020	31 December 2021
Fuel (natural gas)	3,916	4,927
Electricity purchased from the grid (from non-renewable sources)	1,398	1,765
Electricity self-generated from renewable sources	1,112	939
of which sold to the grid	455	265
Vehicle fleet (diesel)	2,339	2,339
Total energy consumption	8,320	9,704
of which from renewable sources	8%	7%

CarbonFootprint Analysis (GHG)

During 2021, the LB Group decided to make an assessment of the **Carbon Footprint of the Organisation** in accordance with Standard UNI EN ISO 14064-1:2019, with a view to setting **improvement objectives** and devising an integrated, medium/long-term strategy for the reduction of its environmental impact.

the analysis has established a baseline for comparison with future GHG studies by the Group, as well as for the implementation of an approach to carbon management that identifies and plans possible actions for the **reduction and mitigation of GHG emissions**.

The study identified that sub-categories 4.1 (indirect emissions deriving from the manufacture of raw materials) and 5.1 (indirect emissions deriving from the use of goods sold) make the largest contributions to the inventory, totalling respectively about 60% and 40% of the total emissions calculated.

Lastly, based on the results obtained, it was possible to identify and suggest possible **improvements**: the greatest potential for reductions relates to the procurement of raw materials and production processes upstream from LB. The creation of forms of collaboration with suppliers, as well as the ability to identify and select suppliers able to document the lower carbon footprint of their products, will be important action areas for reducing the carbon footprint of the Group over time.

Responsible management of production waste

The traceability of the waste produced is guaranteed through the loading and unloading register and the **Single Model of Environmental Declaration (MUD)**, the waste is managed in accordance with current legislation; 56% raw ceramic waste, 30% aqueous sludge, 9% fired waste, 6% ink waste. In 2021, 99% of the waste produced, equal to 303 tons, was non-hazardous waste.



Waste produced, not sent for disposal and sent for disposal

Composition of waste produced (tons)	31 December 2020	31 December 2021
Hazardous waste	6.9	4.1
Non-hazardous waste	172.3	299.2
Total waste	179.2	303.4
<i>of which sent for disposal (%)</i>	100%	100%

LB promotes initiatives intended to raise employee awareness about and spread the **responsible consumption of plastic**, with a view to limiting its use internally and encouraging full recycling.



Product

Responsibility for products and services (Quality, innovation and safety)

LB's continuous investment in Research & Development has led to the creation of a laboratory with advanced technology, capable of handling any type of powders and raw materials.

Over the years, the Group has developed numerous industrial systems for processing raw materials and ceramic powders, in a logic of technical and aesthetic enrichment of porcelain stoneware.

All the technologies of the LB Group share the following **technological and environmental advantages**.

- **CONTINUITY** Possibility of evolution of existing plants.
- **EFFICIENCY** Reduction of production times.
- **FLEXIBILITY** Increased chromatic intensity and possibility of rapid differentiation of the product.
- **SUSTAINABILITY** Reduction of energy consumption, water and maintenance costs.
- **SIMPLICITY** Ease of use and maintenance..
- **INNOVATION** Elimination of mechanical stress, greater homogeneity of the grain, reduction of coloring time, possibility of replacing the kit to obtain different aesthetic effects, elimination of production stops. Respect for the environment.

With respect to product safety, it complies with the Machinery Directive 2006/42 / EC ("Directive"). The application of the Directive, together with that of other reference regulations on the safety and conformity of products that are placed on the European market (eg. ATEX 2014/34 / EU, Directive 2014/35 / EU also called Low Voltage , etc.), guarantees compliance with the highest standards by LB and expresses the attention paid by the Group to its customers.

LB guarantees the offer of products and services that comply with the highest quality standards also through the implementation of **a certified Quality Management System according to the ISO 9001: 2015 standard**.

The **Automation** division has developed **PLUS**, an innovative software platform that integrates the concept of **Industry 4.0 for technological systems**. Working 24/7, the software collects, analyses and processes sensitive machine and system data, so that **advance warning can be given about shutdowns or significant reductions in productivity**. Customers have direct access to AST4-qualified personnel for advice, checks, support and the arrangement of preventive maintenance with the customer care team. A service pack of support, parts, advisory and training services is also provided.



Social Responsibility

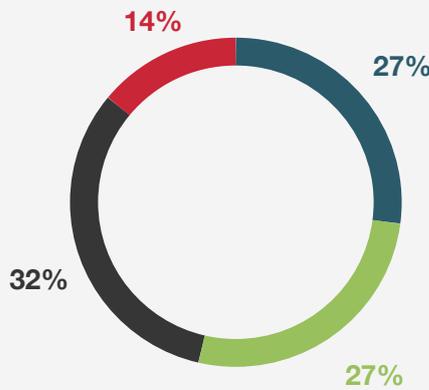
Responsible supply chain management

Suppliers represent a true ally in efforts to consolidate the core business and develop the new businesses of the Group.

In fact, the Group interfaces with a **wide variety of suppliers**, especially with regard to **metallic raw materials**, hydraulics in general and rubber, or purchases complete machines and services (e.g. assembly, software, electrical panels, transport and design).

Percentage of payments made by type of supply in 2021

- Materials and raw materials
- Industrial carriers and commercial machines
- Materials and carpentry designed by LB
- Maintenance and transport activities and services



LB's supply chain is mostly made up of **loyal suppliers**.

In the rare cases where the need arises to open new supply channels, LB has identification and scouting initiatives aimed at maintaining and increasing its quality standards.

In this sense, the qualification of suppliers takes place above all on the basis of criteria linked to technical **specifications, delivery times, ease of installation and price**, which contribute to the assignment of a specific score.

From a geographical standpoint, during **2020** the Group purchased almost **82% of all goods, work and services in Italy**, of which 83% essentially from suppliers **located in the area between Reggio Emilia and Modena**.

The other **18%** of spending was directed to **EU and non-EU suppliers**.

In 2021 the percentage of **goods purchased in Italy** jumped to almost **94%** (including 79% between Reggio Emilia and Modena), while only **6%** of total spending went to **foreign suppliers**.

Local involvement and awareness

LB has activated a series of activities related to the support of initiatives in support of local and territorial induced activities including:

- **Partnership with AS Fiorano**, a football school for children and **Modena Volley**, a historic sporting reality of excellence
- Support in the editing of a book on the history of ceramics, the proceeds of which were donated to the **Modena Parkinson Association**
- Fundraising for **Anffas** - the national association of families with intellectual and/or relational disabilities.
- **Carani Theater Foundation**, with a mission to acquire ownership of the Carani Theatre and gift it to the City of Sassuolo, following renovations that spotlight the historical, artistic and cultural wealth represented.

The Group has signed **agreements with the University of Modena** for the organisation of career days and with the local **technical high school (ITS)**, offering internship opportunities for the professional development and technical growth of students and budding specialists alike.

Lastly, LB has participated over the years in initiatives organised by the **municipalities of Fiorano and Sassuolo**, with which close ties are maintained with a view to maximum collaboration.



DEPLOYMENT PLAN ESG

1. Governance

- Working group dedicated to sustainability
- Annual update of sustainability report and the Carbon Footprint
- Implementation of a single system of procedures and tools compliant with GDPR

2. Human Resources

- Sustainability policy based on issues of health protection and safety at work
- Evaluation system by objectives e KPI with annual assessment
- Integrated training plan with ESG issues (management of environmental plants)

6. Reporting

- Improvement of data collection regarding the purchase and sale of products
- Quarterly update KPI in the environmental field
- Definition of methods for updating the sustainability report and GHG inventory



3. Environment

- Quantification and reporting of GHG emissions
- Plan of initiatives aimed at reducing environmental impacts
- Identification, management and disposal of new laboratory waste

5. Social responsibility

- Support activities and participation in social initiatives, charities or foundations
- Implementation of screening and assessment systems for suppliers on ESG issues

4. Product

- R&D activities with environmental impact and the reduction of consumption
- ISO9001 - updating of the quality and procedures manual



