LB TECHNOLOGY

LB SERMAT

BARCOM GREEN TECHNOLOGY

Sustainability report

2022

Index

Letter to the Stakeholders

LB Officine Meccaniche S.p.A. is proud to present the second edition of the LB Group's Sustainability Report.

Changes in the socio-economic environment and external pressures from the Group's principal Stakeholders have, over the years, encouraged us to integrate the various aspects of environmental and social sustainability ever more tightly within our operations and those our customers. In particular, given our business sector, we feel the need to contain the adverse environmental impacts of our activities as much as possible, not least by offering innovative technologies to our customers and monitoring our direct consumption.

This document for 2022 extends the scope of analysis to the subsidiaries of LB Officine Meccaniche and, therefore, contains environmental and social data and information about the Group's Italian companies (LB Officine Meccaniche S.p.A., Sermat S.r.l. and Barcom S.r.l.).

As such, 2022 was another decisive year for the consolidation of LB in the area of sustainable development. Economic and financial growth and the expansion of production volumes were supported by enhancement of the Group's strategy for monitoring and managing key ESG (environmental, social, governance) topics. The new procedural and communication tools (Policies and Sustainability Report) contributing to Stakeholder relations are supported by an ever-growing awareness about and focus on sustainability topics by our collaborators.

This change of pace is part of our journey over the years that has seen the Group become a sector leader in the development of innovative solutions with a lower environmental impact. These solutions aim at the efficient use of resources while also guaranteeing maximum quality, which has always been the hallmark of LB. For example, LB Hybrid is the very latest technology for the preparation of ceramic pastes that optimises energy and water usage and, consequently, production costs as well. The hybrid solution also guarantees maximum plant flexibility, with the ability to adapt to every customer need while specifically

targeting energy saving and eco-sustainability.

In addition, with reference to the activities dedicated to the achievement of sustainability and, therefore, to our internal operations, the Group has developed a carbon footprint analysis that identifies the greatest environmental impacts and, consequently, the corrective and other actions needed to mitigate them.

Accordingly, the purpose of the Sustainability Report is to inform all Stakeholders about the values, commitment and performance of the LB Group with regard to the sustainable development of the business. The Report covers the economic, social and environmental aspects, while noting the positive impacts on the territory and the communities in which the Group operates.

As stated in our Sustainability Policy and reported on a cross-functional basis in the various sections of this document, the Group's sustainability strategy is founded on five priority impact areas considered material for guiding our ESG decision-making processes. These impact areas comprise product quality, innovation and customer focus, the management of human resources, environmental sustainability, responsible management of the value chain and business ethics.

Concluding, I think it is important to thank all employees and collaborators of the Group who have made it possible to reach this milestone, in the hope that we can continue working with the same guiding values that, until now, have underpinned our way of doing business.

CEO
Corrado Fanti

Methodology

This document is the second Sustainability Report of LB Officine Meccaniche S.p.A. and its subsidiaries (hereinafter "LB" or the "Group") covering 2022 (from 1 January to 31 December).
In order to describe the sustainability performance of the Group in a transparent and comparable manner, the Sustainability Report has been prepared in accordance with the "**Global Reporting Initiative Sustainability Reporting Standards**" and related updates defined by the Global Reporting Initiative (GRI), as reflected later in the "GRI Content Index".

The reported **content** was s**elected after assessing the results of the materiality analysis carried out in 2021**, which identified the most material topics for the Group and its stakeholders (hereinafter, the "Stakeholders"). This analysis is presented within the section entitled "**Our path to sustainability**" and has been updated with a description of the impacts for each material topic, as indicated in the 2021 update of the GRI Universal Standards.

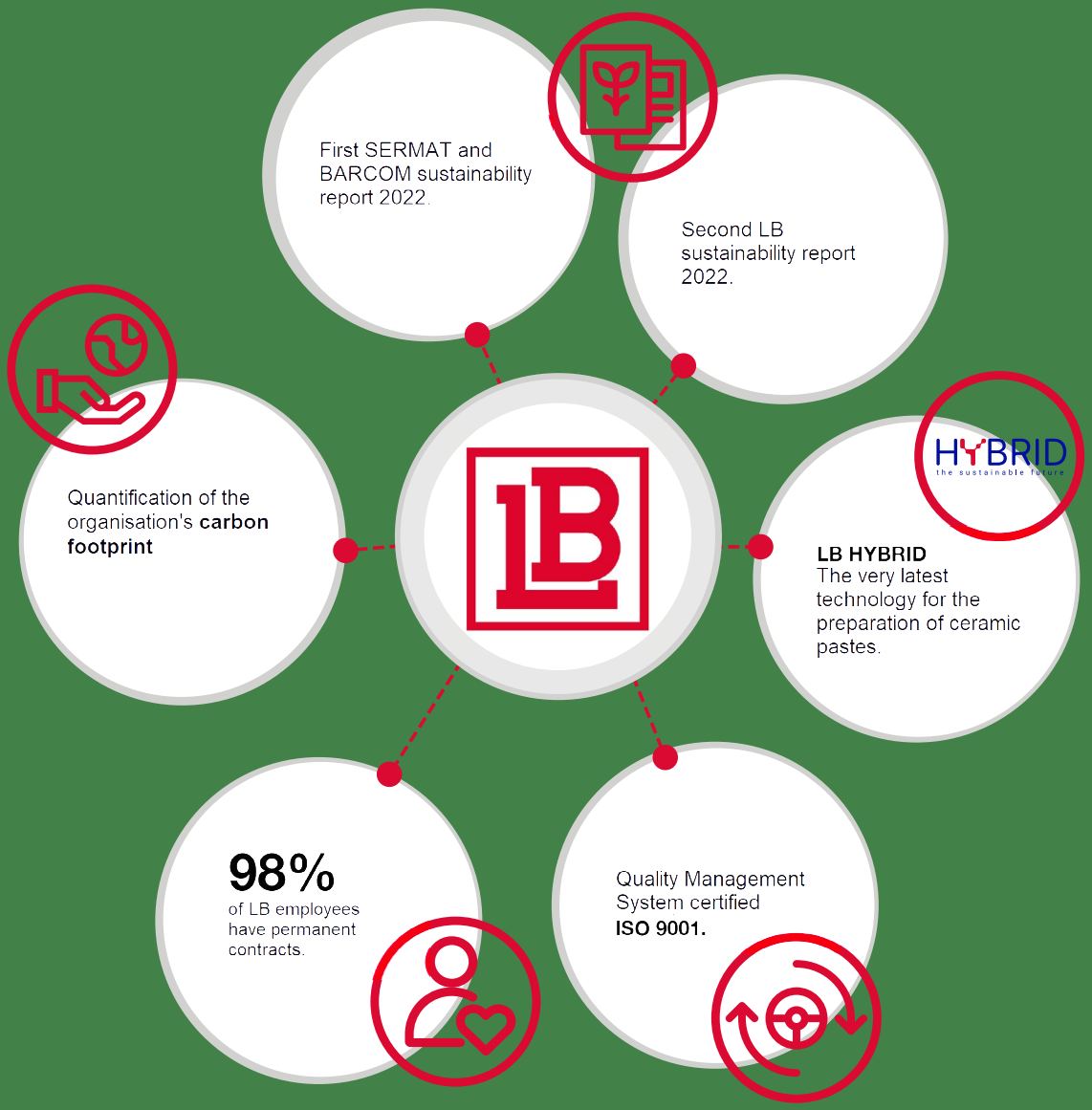
The information contained in this Report relates to 2022 (from 1 January to 31 December 2022) and, where possible, comparative data for the prior year has also been presented, in order to facilitate assessment of the progress made by the Group.

The quantitative information and data cover the LB Group as a whole, while the social and environmental information and data relate to the Italian companies in the Group (LB Officine Meccaniche S.p.A., Sermat S.r.l. and Barcom S.r.l.), excluding the foreign branches and sales offices of the Group (LB USA Inc., LB Mascerca Espana SL, Ligabue Bigi Support PVT Ltd.). These exclusions do not have a particularly material effect on the Report, as the principal social and environmental impacts relate to the activities carried out in Italy.

In order to guarantee the reliability of data, recourse to estimates has been limited as much as possible. Where necessary, these are made using the best methodologies available and disclosed appropriately.
This document was examined and approved by the **Board of Directors of LB Officine Meccaniche S.p.A.** on 27 April 2023. This document has not been audited by an external body.

The LB Sustainability Report is published annually. Further information about the LB Sustainability Report can be obtained by writing to the following address: info@lb-technology.com

Highlight 2022



Who we are

Our history

The LB Group comprises LB Officine Meccaniche S.p.A., Sermat S.r.l. and Barcom S.r.l., together with the Sitec brand. These integrated and complementary businesses work in synergy to develop innovative technological solutions, helping customers to decide on the design, manufacture and maintenance of plant and machinery. LB Officine Meccaniche carries out its activities at the Fiorano Modenese plant, Sermat S.r.l. has separate facilities near Sassuolo and Barcom S.r.l. is based in Castellarano (RE).

A Group composed of people, aware of their mission, who work with **passion** alongside customers to satisfy their needs. A market leader in the processing of raw materials, capable of offering and receiving trust, that creates effective and efficient solutions in each phase of the value chain.

1973 Foundation of the business

Activity

As a point of reference in the design and manufacture of powder treatment plant, LB operates on a full-service basis and manufactures plant used throughout the world for the processing of raw materials. LB is specialised in dry processing technologies. In recent years, applications have been designed and installed successfully in the ceramics industry, as well as in the pre-mix, fertiliser and chemicals industries.

106 Number of employees at 31.12.22

1980 Foundation of the business

Activity

Sermat makes plant and machinery on a turnkey basis for the processing of raw materials in granular and powder form. The company is able to meet the most diverse needs, mainly in the ceramics and mining sectors. Attention is also paid to other areas, such as the recovery of production and processing waste in other industrial sectors.

16 Number of employees at 31.12.22

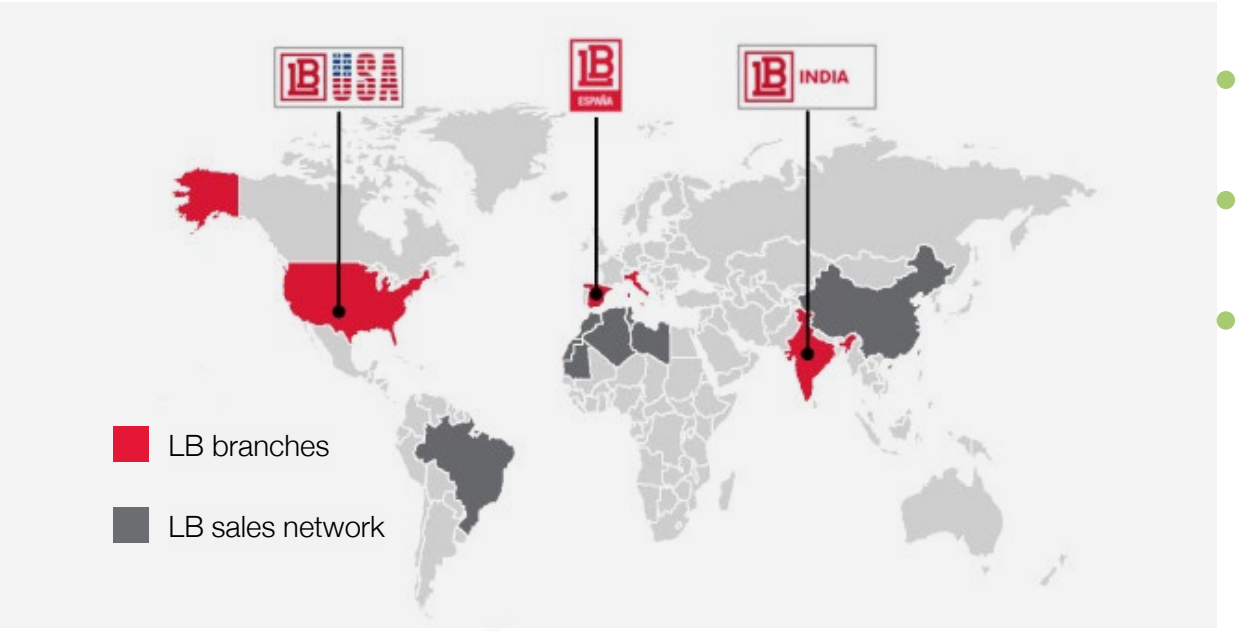
1986 Foundation of the business

Activity

Barcom carries out with the best technology installations completes for the treatment and purification of water and water and solutions for heat recovery. The mature experience over the years with the multiple installations and the constant impregnated in the technological research are based on the reliability and productive capacity of the business.

20 Number of employees at 31.12.22

With a long-established **vocation for exports**, LB manufactures plant sold all over the world via a **network** of **international collaborations** including, in particular, sales branches in Spain (4 employees), **India** (4 employees) and the **USA** (1 employee), and sales networks active in **North Africa**, **Brazil** and **China**. Close collaboration and synergies between the Fiorano technical office and the foreign commercial branches, staffed with project managers and other professionals, mean that testing and commissioning can be managed quickly and efficiently on a remote basis, without degrading support and efficiency levels. LB has also signed various **commercial agreements** in Latin America, Asia, the Middle East and the Far East, as well as in other European countries.



The continuous innovation of products and processes is baked into the DNA of the business, resulting over time in the **development of technical porcelain tiles** and paving the way to a new generation of technologies for the treatment of ceramic powders.
This philosophy has resulted in creation of the **LB Technology Centre**, a modern R&D laboratory equipped with systems and technologies similar to those used in industrial facilities.

> For LB, innovation means combining productivity, quality and technological progress and ensuring that they evolve together, with a view to assisting customers in every phase of the supply, from design advice to after-sales support. Investment in **research and innovation** is indispensable for LB, as the only way to improve efficiency that translates into an ever-increasing ability to provide customer service.

LB has accumulated 50 years of experience in the manufacture of plants for the ceramics sector, with various patents filed over the years.

1970-1990

1973
Work starts on the refurbishment of trolleys for press-feeding systems

1983
Installation of the first porcelain stoneware plant with batch weighing

1990-2000

'90 - '95
Extension of the range to include dry and wet granulation plants for porcelain stoneware

1996
Extension of the range to include plant for the production of pre-mixes for the building sector

2000-2010

1999
Patented Easy Color plants for the dry colouration of ceramic pastes

2007
Acquisition of TecnoSider Automazioni Srl, active in the production of industrial automations for various sectors

2010
Patented Migratech plants for dry microgranulation

2010-2021

2013
Extension of the range to include plant for the pre-processing of raw materials

2018
Launch of the new Migratech 4.0 technology

2019
First contracts in the circular economy (SAXA) and in waste (Benfante)

2021
Design of desiccation machines for the recycling of sewage sludge

2022

2022
Start of the process to patent our LB Hybrid technology

Vision and mission

VISION

The LB Group develops **innovative technological solutions**, helping customers to decide on the design, manufacture and maintenance of plant and machinery.

- **We act as an innovative partner for sustainable development, offering expertise, professionalism, resources and tools for tackling changes and managing their effects, while maximising the resulting opportunities.**
- **We listen to and appreciate our people, in a stimulating working environment that is open to change, supporting their growth with merit-based decisions.**
- **We promote the social dimension of our activities, supporting our local territory while remaining open to the world, via projects that facilitate cohesion, inclusion and development.**

MISSION

We design and manufacture innovative systems for mixing, grinding, granulating, colouring and recycling that transform raw materials using efficient and sustainable processes.

- **We are responsible for expanding and improving the productive capacity of our customers in quantitative and qualitative terms, offering solutions that study, support and realise their plans.**
- **We promote a culture of innovation for products, services and processes, working with transparency and organisational and operational effectiveness, while developing sound relations with all Stakeholders.**
- **We strive each day to maintain efficient business operations that are both profitable and sustainable over time.**

Products and services

The LB Group specialises in the development, engineering, production, assembly and installation of plant and machinery for the **processing of pastes and powders in numerous industrial sectors**.
The LB product range is focused on the supply of plant for four processing technologies, organised into the following business units: **Porcelain Tile Technology, Dry Grinding Technology, Dry Mixing Technology and Powder Treatment Technology**.

Porcelain Tile Technology

Dry-colouring of ceramic powders for porcelain stoneware and press-feeding systems.
Technologies underlying new processes for the production of porcelain stoneware.
Dry-colouring and press-feeding systems.

Dry Grinding Technology

Dry grinding of natural stone and other materials.
Systems for the dry grinding, micronisation, granulation and desiccation of raw materials.

Dry Mixing Technology

Mixing of powders for the preparation of final products (e.g. pre-mixes for the building sector).
Complete systems for producing pre-mixes for the building sector.

Powder Treatment Technology

Transformation of powders into granules (increasing the diameter of particles via adhesion).
Complete powder treatment systems for various industrial sectors. Granulation plants for fertilisers and animal feed.

LB holds a **leadership** position in plant for the production of **ceramic** tiles and slabs. In particular, LB focuses on the **preparation of raw materials and paste**, being **fundamental** for **determining the quality** (performance, hardness, workability) and **aesthetics** of the finished product.

LB is a **full-service player in the processing of raw materials**, capable of guiding selection of the most appropriate plant, considering geo-physical conditions at the installation location and the desired result. Activities range from design of the machinery to after-sales support, with dedicated customer service tailored to the needs of customers.

For LB, full service means combining **the customisation of our technologies** with engineering, construction, installation and after-sales services, as well as **automation and digitalisation**.

Our path to sustainability

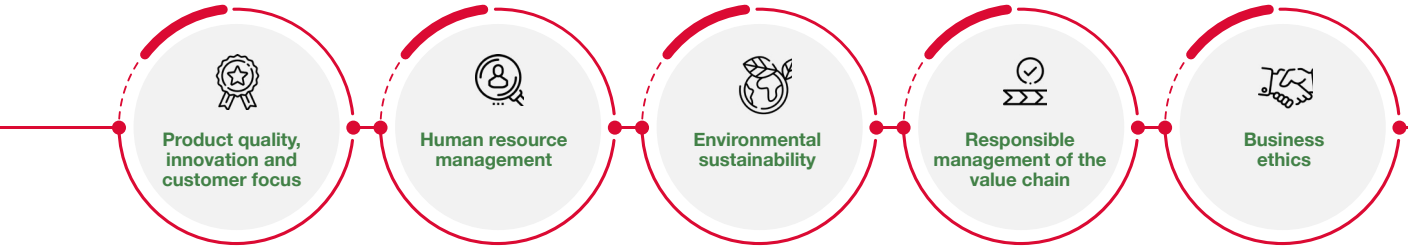
In recent years, LB has decided to expand its strategic guidelines to include economic, environmental and social sustainability factors. This has made it possible to identify those activities, processes and persons involved directly in improving and optimising the impact of the business, thus finding the best way to be sustainable within the various production, supply and value chains.

For LB, sustainability means the transformation of raw materials using efficient processes, striving each day for high-quality business operations that are profitable and sustainable over time.

Using the Sustainability Report, LB intends to provide information about its **performance in terms of economic, social and environmental responsibility**. This decision translates into action the commitment to sustainability made by LB, positioning it as an important driver of growth and integrating it as a key aspect of business operations.

The same commitment can be found in the LB **Sustainability Policy**, developed in 2021. That document responds to the growing regulatory pressure for sustainability and the ever-broader environmental and social awareness expressed by the Stakeholders of the Group. The Policy details guidelines for the LB **sustainability strategy**, which seeks to disseminate a series of aware social-environmental practices that do not hamper the ability of future generations to benefit from available natural resources.

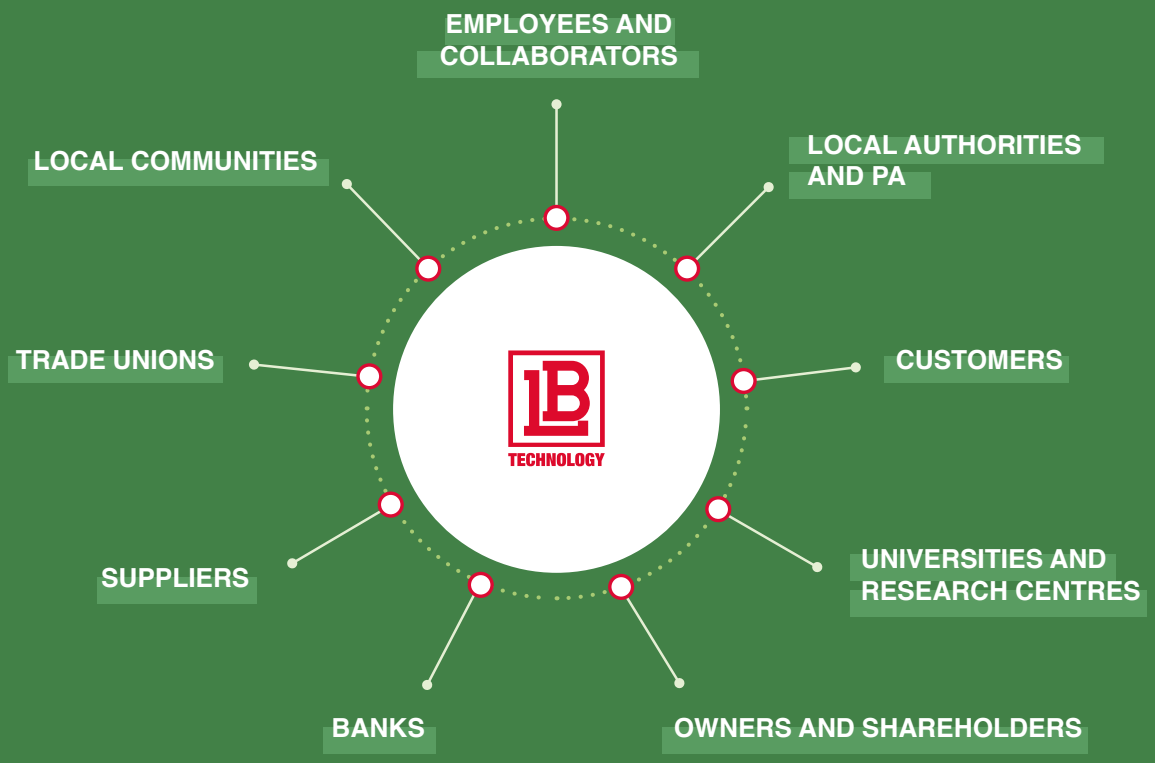
By analysing the expectations of both internal and external Stakeholders, LB has identified **five impact areas** fundamental to the decision-making processes that underpin its sustainability strategy.



The stakeholders of LB

As defined in the **GRI Standards** and the principal reference frameworks (e.g. AA1000), **Stakeholders** comprise all those individuals or entities that, reasonably, might be significantly influenced by the activities, products and services of the organisation, or whose actions might reasonably affect the ability of the organisation to implement its strategies successfully and achieve its objectives.

When working on preparation of the materiality matrix, **LB identified the following Stakeholders** with reference to the characteristics of the business. The principal channels used by the Group to involve the identified Stakeholders are also presented below.



Involvement of and dialogue with Stakeholders

STAKEHOLDERS	INVOLVEMENT AND DIALOGUE
Owners and Shareholders	• Board of Directors • Periodic reports • Dedicated meetings
Customers	• Website • Meetings at LB or customer premises • Financial reports
Suppliers	• Dedicated meetings • Definition of selection and qualification criteria • Audit checks
Banks	• Dedicated meetings • Desk analysis
Local communities	• Website • Territorial support
Employees and collaborators	• Written communications • Personal and dedicated meetings • Informal appraisals
Local authorities and PA	• Official communications
Universities and research centres	• E-mails, brochures • Attendance at conferences, courses • Collaborative projects
Trade unions	• Periodic meetings with workers' representatives

Materiatility analysis

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**.

Analysis initially focused on **benchmarking** against other **firms operating in the industrial machinery and equipment sector** that prepare sustainability or non-financial reports, as well as on the preparation of internal and sector-level analyses, to identify **domestic and international best practices and the principal sustainability frameworks**. This analysis resulted in the identification of a series of sustainability topics that might be important for the Group.

Subsequently, the material topics identified were assessed by the **Sustainability Working Party** established by the Group, having regard for the recommendations made by **LB Stakeholders**. This assessment determined the **importance of each topic**, given its current impact and future significance for the Group and its Stakeholders. The output of this process was the definition of **fourteen material topics**, positioned within the **materiality matrix**.

Consistent with the 2021 update of the GRI Universal Standards, during 2022 the organisation identified, for each material topic, the impacts deriving from its activities and business relationships on the economy, the environment and individuals, as well as on their human rights.

AREA	TOPIC	IMPACT	DESCRIPTION
Governance	**Business integrity and sustainable governance**	Compliance with the applicable laws, regulations and internal and external standards, with related social/environmental/economic impacts	Positive impact in terms of consolidating the capital represented by long-term stakeholder relationships that are mutually beneficial
	Economic performance	Direct generation of economic value and related distribution of that value to the stakeholders (e.g. employees, suppliers and the local community)	Definition of an innovative business strategy, with consequent generation of economic value that is distributed to the stakeholders
Product	**Research & development**	Offer of innovative products	Expansion of the product range by investing in research and the development of new technologies that make possible the offer of innovative and efficient products
	Automation, reduction of environmental impacts	Positive environmental impact due to reduced consumption by machines	Positive impact for the company and the environment from products and technologies whose design, operation, productivity and materials used lower environmental impacts throughout the entire value chain

AREA	TOPIC	IMPACT	DESCRIPTION
Product	**Satisfying the expectations of Customers**	Customer satisfaction	Vicinity to customers and effective and timely responses to their requests, thus helping to increase their loyalty and satisfaction, in part by monitoring after-sales safety and training activities
	Quality and safety of products and services	Offer of safe, high quality products	Positive impact on customers from the offer of safe products, assured by an integrated quality management system
Human resources	**Professional development of employees and safeguarding of corporate expertise**	Development of the skills of employees	Positive impact deriving from the constant enhancement of human capital via both general and specific training programmes
		Attraction and retention of employee know-how	Positive impact in terms of retaining the strategic know-how of specialist personnel, partly by the implementation of well-being programmes
	Safeguarding of Workers' rights and equal opportunities	Promotion of a fair and inclusive working environment	Positive impact on the well-being of employees by maintaining a working environment in which ethics and integrity are guiding principles
	Health, safety and well-being of employees	Workplace injuries	Adverse impact of production processes that expose employees to the risk of injuries
Environment	**Reduction of consumption and emissions by productive activities**	Contribution to climate change via direct/indirect GHG emissions	Contribution to climate change and adverse impacts on the environment in terms of GHG emissions (direct and indirect) and other emissions that derive, principally, from productive activities and consumption
		Reduction of indirect emissions	Direct benefits in terms of lower environmental emissions from renewal of the vehicle fleet (company cars and forklifts)
		Greater energy efficiency and lower consumption	Reduced consumption, with the partial satisfaction of energy needs by photovoltaic installations located at the principal manufacturing plants
	Use of sustainable raw materials	Adverse environmental impact due to the use of non-renewable raw materials	The tendency to use a high volume of non-renewable raw materials, with respect to renewable materials, increases the generation of processing waste that is hard to recycle, resulting in adverse environmental impacts
	Waste management	Production of hazardous and non-hazardous waste	Adverse environmental impact in terms of the waste generated (especially waste unfired ceramics and waste ink)
Social responsibility	**Local involvement and awareness**	Direct/indirect economic impacts on households, local communities and schools	The creation of jobs in communities where the business operates, together with constant interactions with schools and the academic world, help to preserve corporate know-how and generate direct benefits for the local area
		Support for local development via donations and sponsorships	Support and donations with a positive impact on the local community
	Responsible supply chain management	Local economic benefits	Positive economic impact on the community by selecting local suppliers, which comprise the majority of the commercial partners chosen at national level
		Responsible supply chain management	Positive social impact deriving from particular focus by the Group on sustainability practices when selecting suppliers (especially their respect for human rights)

Governance and corporate ethics

Governance

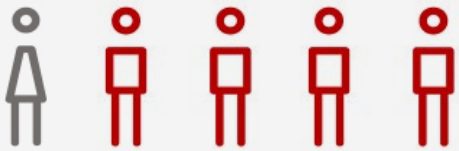
Between 2017 and now, LB has been on an **organisational journey** that has transitioned operations from a typical family business model to a form of structured governance.

The governance structure of the Group comprises a Shareholders' Meeting, a Board of Directors (Board) appointed at the Shareholders' Meeting, responsible for the decision-making process and supervising the work of the Managing Director, and such independent bodies as the Supervisory Body (SB) pursuant to Decree 231, which supervises the prevention of offences attributable to the organisation but committed by its employees and executives, and the Board of Statutory Auditors, which supervises the work of the Board.

Each member of the Board of Directors and the Board of Statutory Auditors is appointed for three years and may be reappointed; the same applies to the Managing Director.

The duration of the mandate granted to the SB is unspecified and the appointments of its members may be revoked at any time.

The current Board, appointed on 27/04/2022, **comprises 5 members, 4 of whom are independent**. In addition to the chairman, there are four other directors including the Managing Director. Consistent with the prior year, at 31 December 2022, the Board is represented **80%** by **men** and **20%** by **women**. Additionally, **80% of Board members** are aged between **thirty and fifty**, while the other **20%** is **over fifty**. The Chairman of the Board does not have an executive role within the organisation.
At this time, the organisation has not established a process for evaluating the performance of the Board.



BOARD OF DIRECTORS OF LB AS OF 31.12.22

Board members are paid quarterly, while executives receive fixed remuneration plus a variable element determined as a percentage of their gross annual income. The targets for the variable portion of executive remuneration are defined in a manner consistent with the economic, environmental and operational (social) objectives of the Group. The annual remuneration of the highest-paid individual was 3.94 times the median remuneration of employees in 2022.

The Board is responsible for making all decisions, other than those delegated in the mandate granted to the Managing Director. The responsibilities of the Board include examining and approving the Sustainability Report, together with the list of topics identified as material by the organisation.

The Board, the Managing Director and all senior executives are directly involved in the definition and development of policies, strategies and objectives that pursue sustainable development. Additionally, the Managing Director and the Board approve all corporate policies and strategies. Board and Executive Committee meetings are held quarterly, or more frequently, to examine the ESG Plan with a view to disseminating collective awareness, know-how and experiences.

In order to prevent conflicts of interest, a **procedure has been prepared for the identification of related parties and the related-party transactions that must be authorised**. Pursuant to this procedure, when the annual financial statements are presented to the Board, all Board members and executives with strategic functions are requested to disclose their appointments and equity interests in other companies, as well as the related status of their adult household members. After the identification of related parties, the procedure requires Board approval for any related-party transactions of “greater significance”, being those with a value that exceeds 5% of shareholders’ equity or 5% of total assets. Conversely, no approval is requires for transactions deemed to be of “lesser significance”, being those up to Euro 10,000 with related natural persons and those up to Euro 25,000 with related legal persons.
During 2021, the Group introduced procedures covering inter alia related parties, financial reporting, credit collection, receipts and payments, personnel search and selection and the management of gifts, as well as an IT **risk management model**. All these aspects are linked to the Organisation, Management and Control Model pursuant to Decree 231/2001, and its definition and implementation within the Group.

In addition, from 2021, the new **Enterprise Resource Planning (ERP) system** – fully implemented from June 2022 – integrates the various procedures in order to control budgets and costs more completely.
At this time, LB does not play a significant role in sector associations or other trade associations at national or international level.

LB ethics

In compliance with **Decree 231/2001** dated 8 June 2001 on "Governance of the administrative responsibilities of legal persons, companies and associations, including those that are not legal persons", LB has always **respected fully the related rules and regulatory and ethical principles**, consistent with the international conventions previously signed by the Italian State.

The Confindustria recommendations for the preparation of model-building guidelines provided an essential starting point for development of the **Organisation, Management and Control Model** (the "Model") **of LB Officine Meccaniche S.p.A.**, which has been built on a structured and organic system of procedures, other regulatory tools and checking activities designed, primarily, to prevent (via ex ante checks) commitment of the offences specified in the Decree.
In particular, by identifying the risk areas and, consequently, procedures for mitigating the risk of committing offences, the **Model seeks to**:

- **Make all those who work in risk areas in the name and on behalf of LB Officine Meccaniche S.p.A. aware that, in the event of violating the instructions contained in the Model, they might commit an unlawful deed subject to administrative and criminal penalties for not only themselves, but also the Company;**

- **Reiterate that such forms of unlawful conduct are strongly condemned by LB Officine Meccaniche S.p.A. (even if there might appear to be an advantage for the Company), because they contravene the law and the ethical-social principles that underpin all corporate activities;**

- **Enable LB Officine Meccaniche S.p.A. to monitor the risk areas and take timely action to prevent and tackle the commitment of specified offences.**

The Model **comprises two distinct documents**, the General Part and the Special Part. The General Part is provided to all recipients in the same form, as it contains prevention protocols of a general nature i.e. protocols that represent common tools for the prevention and repression of every type of offence specified in Decree 231/2001. The **Special Part** contains specific prevention protocols that are communicated selectively to the Organisational Units responsible for their implementation.
The activities of the Company exposed to the **risk of committing offences** are described in the respective Special Parts. The **Mapping of Risks** document is an integral part of the Model, but subject to precise confidentiality rules. The members of the Supervisory Body (SB) and the Board have direct access to this document, as do the Shareholders.

The Company is responsible for implementing the Model in relation to the activities carried out; the specific task of the SB is to **verify and check on the effective implementation in practice of the Model** in relation to those activities. In addition, the SB makes an e-mail address available to employees and all those who work with the Group, so that unlawful activities can be reported with an assurance of complete anonymity for the whistleblower.

In order to report possible non-conformities by the Group or its employees, a channel has been made available (the e-mail address of the SB) that is available to all on a fully confidential basis.
Furthermore, a report on the performance of the business and its activities is discussed at each monthly Board meeting, which also examines any issues concerning corporate projects or identified via the whistleblowing channel.

With reference to the commitment of the Group to the fight against corruption, during 2022 (as in 2021) **the Supervisory Body did not find any confirmed cases of corruption** involving the employees or commercial partners of the Group, or **cases of non-compliance with laws or regulations**. Additionally, no issues reported to the Board in 2022 were raised originally via the reporting mechanisms in place.

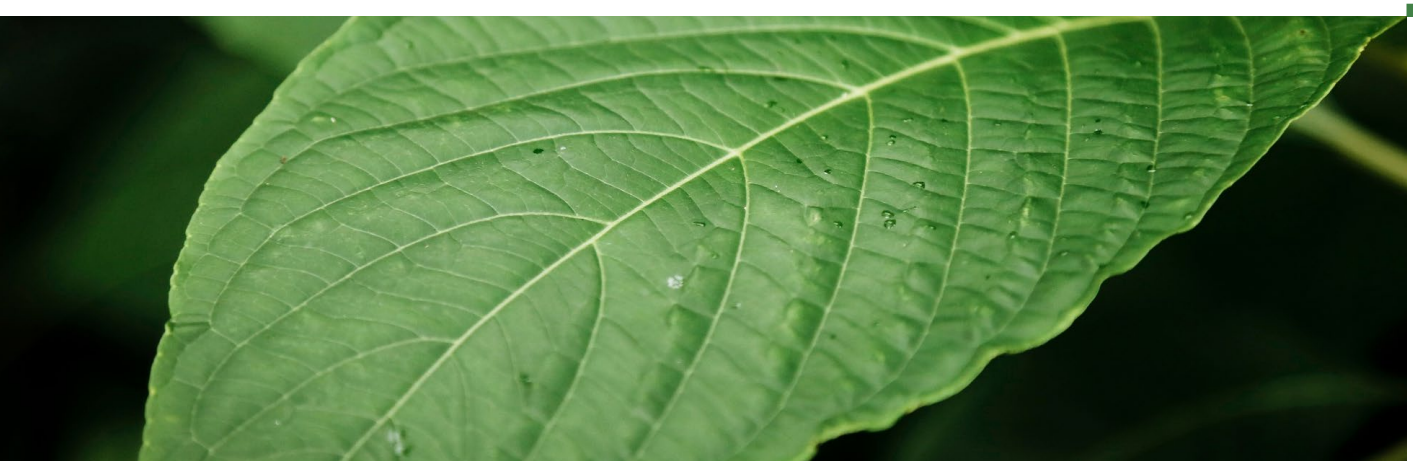
Sustainable economic performance

Economic performance

LB supports and pursues **sustainable business growth over time** that is not entirely profit oriented, **seeking also to develop a circular economy model** that generates lasting wealth, regenerative over time, for the benefit of all Stakeholders in the value chain.

These values are also found in the **solutions and technologies** developed for customers, which clearly seek to optimise the economic impact of their investment and the resulting production, thus contributing to the creation of an **economic model that is sustainable over time**.

Furthermore, LB recognises the importance of balanced **distribution of the economic value generated** by its activities **to the Stakeholders** that contributed, directly or indirectly, to its creation. Analysis of the **economic value generated and distributed** shows the flow of resources generated by LB and distributed to its suppliers, collaborators, investors and lenders, the public administration and the community, as well as those retained by the Group for self-financing purposes.



Consistent with the approach taken in recent years, the Company has continued to increase its penetration of the pre-mix sector for construction and the granulation sector for fertilisers, drawing on the technologies and advanced know-how accumulated over the past 50 years. The growth rates of these newer markets are slower than that of the ceramics sector, but their performance is not correlated with it; accordingly, they will offset any slowdowns in the demand for ceramic plants by, in particular, the arrival of commercial opportunities from developing countries.

Economic value (thousands of euro)	31 December 2021	31 December 2022
Economic value generated directly	**€ 44,128.00**	**€ 62,059.00**
Economic value distributed	**€ 43,422.00**	**€ 58,577.00**
Operating costs	€ 34,130.00	€ 47,328.00
Remuneration of collaborators	€ 8,345.00	€ 9,847.00
Remuneration of lenders	€ 1,023.00	€ 993.00
Remuneration of the public administration	€ 81.00	€ 408.00
Donations and gifts	€ 5.00	€ 1.00
Economic value retained	**€ 706.00**	**€ 3,482.00**

Despite the ongoing difficulty of sourcing certain strategic components, due to the geopolitical situation that has resulted in delayed deliveries from suppliers and increased purchasing prices, turnover during the year ended 31 December 2022 rose 19% to Euro 48.6 million, from Euro 41 million in the prior year, while the value of production climbed by 26% from Euro 41.4 million to Euro 52.3 million.

EBITDA at 31 December 2022, Euro 2.96 million, is Euro 0.7 million more than in the prior year due to the greater volumes achieved. These offset the higher cost of purchasing the principal factors of production and the consequent reduction, by almost two percentage points, in value added with respect to turnover.
Net borrowing at 31 December 2022, Euro 14.6 million, has risen from about Euro 9.5 million at the end of the prior year. This reflects investment during the year, the inevitable absorption of liquidity linked to higher volumes and the need to finance the increase in working capital. In part, this last aspect reflects the concentration of shipments and sales in the final part of the year, due to plant production and delivery delays attributable to supply chain bottlenecks that, in turn, were caused by the difficulties described.
In 2022, the **economic value generated directly grew by 41%**, while that **distributed was 35% greater** than in 2021.

Human resources

Safeguarding of workers' rights and equal opportunities

LB recognises the value of **diversity** and the safeguarding of workers' rights as a fundamental push towards sustainability, inclusivity and the growth of the Group. As specified in the **LB Code of Ethics**, the promotion of an **open and positive working environment** and the **rejection of any form of discrimination** are central to the activities of the Group. In relations with Stakeholders, LB resolutely avoids all forms of discrimination and moral or psychological harassment linked to gender, age, ethnicity, religion or sexual orientation.

As of 31 December 2022, the workforce of the Group comprises **140 persons**, almost all (97%) of whom have **permanent contracts**. This reflects an **11% increase in the workforce** compared with 2021, mainly following acquisition by the Group of Barcom S.r.l.

Part-time workers comprise about 4% of the total, with one more part-time worker in 2022 than in 2021, while the number of full-time workers has risen by 11%. Furthermore, the Group did not employ any workers on zero-hours contracts during 2022.

There were 14 external workers in 2022, up by 27% compared with the prior year, comprising 11 on **internships** and 3 employed under **agency contracts**.

The **entire workforce** employed by LB is **covered** by **collective bargaining agreements**, highlighting the importance attached by the Group to working conditions and employer-worker relations.

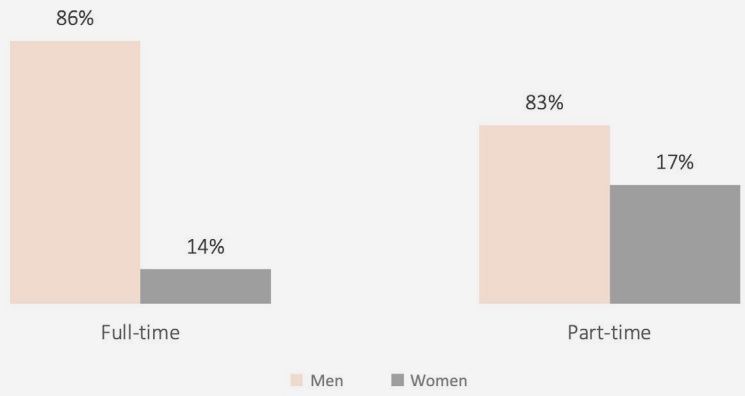
Number of employees by type of contract (permanent and fixed term) and gender

Contract type	31 December 2021			31 December 2022		
	Men	Women	Total	Men	Women	Total
Permanent	109	16	**125**	118	18	**136**
Fixed term	1	-	**1**	3	1	**4**
Total	**110**	**16**	**126**	**121**	**19**	**140**

Number of employees by type of contract (permanent and fixed term) and gender

Full-time / Part-time	31 December 2021			31 December 2022		
	Men	Women	Total	Men	Women	Total
Full-time	107	14	**121**	116	18	**134**
Part-time	3	2	**5**	5	1	**6**
Total	**110**	**16**	**126**	**121**	**19**	**140**

Employment by type of work and by gender in 2022



Percentage of employees by professional category and gender

Professional category	31 December 2021		31 December 2022	
	Men	Women	Men	Women
Executives	100%	0%	100%	0%
Managers	100%	0%	100%	0%
White collar	80%	20%	78%	23%
Blue collar	100%	0%	98%	2%
Total	**87%**	**13%**	**86%**	**14%**

As shown in the tables, the **gender distribution of Group employees** has not changed significantly compared with 2021. The male population comprises about 86% of the total workforce while, as in prior years, the female presence is greatest in the category of white-collar workers.

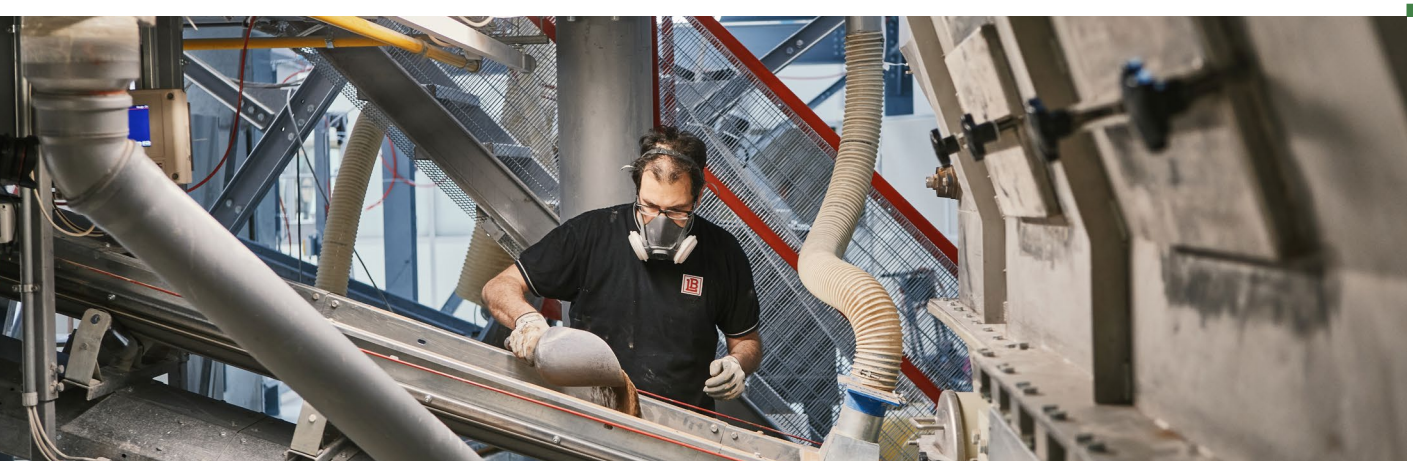
Percentage of employees by professional category and age group

Professional category	31 December 2021			31 December 2022		
	←30 years	30-50 years	→50 years	←30 years	30-50 years	→50 years
Executives	0%	0%	100%	0%	50%	50%
Managers	0%	43%	57%	0%	10%	90%
White collar	16%	51%	33%	16%	54%	30%
Blue collar	14%	41%	46%	13%	40%	48%
Total	**14%**	**47%**	**39%**	**14%**	**46%**	**40%**

As shown in the tables, during 2022 the greater part of the workforce (**46%**) was in the **30-50 age group**, followed by the **over 50s** (**40%**). The percentage of employees aged under 30 during 2022 was essentially the same as in 2021.

Notably, compared with 2021, the LB workforce added **one white-collar worker belonging to a protected category** in 2022.

In 2022, the **ratio of basic salary of women to men** was 0.76 for white-collar workers (down from 0.83 in 2021) and 0.77 for blue-collar workers (there were no women in that category during 2021).



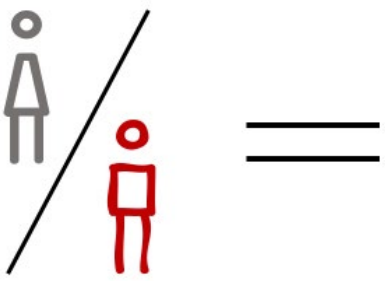
Ratio of basic salary and remuneration of women to men[1]

Ratio of basic salary of women to men	2021	2022
Executives	n/a	n/a
Managers	n/a	n/a
White collar	0.83	0.76
Blue collar	n/a	0.77

Ratio of total remuneration of women to men	2021	2022
Executives	n/a	n/a
Managers	n/a	n/a
White collar	0.80	0.82
Blue collar	n/a	0.65

[1] "n/a" indicates the absence of women in that professional category during the reporting year concerned.

Ratio of basic salary and remuneration of women to men in 2022 for the white-collar category



F/M ratio Base salary

0,77

F/M ratio Total remuneration

0,82

Development of professional and business skills

LB promotes a **safe and welcoming working environment** that facilitates the **personal and professional growth of each individual**, promoting such values as reciprocal respect, trust and a sense of belonging to the Group. Given this, LB ensures that the professional development of personnel is central to its plans, while offering a working environment that safeguards **workers' rights and equal opportunities**.

The Group attaches fundamental importance to **seeking and developing new human resources** for inclusion in its professional team, with **scouting** initiatives on the LinkedIn platform that focus on contacting young graduates in particular.

Additionally, the Group has signed **agreements with the University of Modena and the local technical high school (ITS)**, offering internship opportunities to their students. Further agreements with academic institutions are currently under consideration.

During 2022, **nineteen new persons** joined the Group on the acquisition of Barcom S.r.l. A high percentage (45%) of the new hires fall into the 30-50 age range, while the remainder (55%) are distributed between the younger (under 30) and older (over 50) brackets.

Overall, the inbound **turnover rate** is 19%, while the outbound rate is 23%.

New recruits by age band

Number of recruits	31 December 2021			31 December 2022		
	←30 years	30-50 years	→50 years	←30 years	30-50 years	→50 years
Men	5	10	7	7	9	6
Women	-	-	-	1	3	1
Total	**5**	**10**	**7**	**8**	**12**	**7**
Inbound turnover rate (%)	**28%**	**17%**	**14%**	**42%**	**19%**	**12%**

Leavers by age band

Number of leavers	31 December 2021			31 December 2022		
	←30 years	30-50 years	→50 years	←30 years	30-50 years	→50 years
Men	1	7	11	4	13	11
Women	-	-	-	1	1	2
Total	**1**	**7**	**11**	**5**	**14**	**13**
Outbound turnover rate (%)	**6%**	**12%**	**22%**	**26%**	**22%**	**23%**

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.

Technical training needs are formalised with a view to **maintaining qualitative standards** at corporate and individual level. These include awareness about occupational health and safety matters, as well as the development of soft skills.

In total, **1,338 hours** of training were delivered in 2022, down by 70% from 4,512 hours in 2021. This change reflects the training delivered during 2021, on activation of the new ERP system. As a consequence, the average number of training hours received by each employee has declined from about 36 to 10 hours.

Average hours of training by professional category

Average training hours	31 December 2021	31 December 2022
Executives	88	6
Managers	59	16
White collar	45	13
Blue collar	10	2
Total	**36**	**10**

Average hours of training by gender

Average training hours	31 December 2021	31 December 2022
Men	36	8
Women	35	16
Total	**36**	**10**

Health, safety and well-being of employees

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. In addition, workplace injuries are monitored and analysed, implementing **ad hoc training courses** on health and safety matters.

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 this light, LB has introduced an **updated system of corporate welfare and internal communications** for personnel. In addition, **the health insurance and supplementary insurance** that the Group offers to all employees guarantee adequate support in the event of injuries, even outside of work, that result in invalidity.

The Group identifies the **various work-related hazards** that may result in serious injury in the **DVR** (Risk Assessment Document).

In order to internalise the fundamental criteria specified in Decree 81/2008, as amended, the business has been analysed from a **dynamic standpoint**, in order to **improve the existing situation** regarding occupational health and safety as much as possible. As such, all relevant hazards (i.e. possible health risks and causes of injury) have been examined with a view to defining all the risk factors to be addressed by LB as a whole.

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. This is checked during the weekly inspections carried out by the RSPP (Prevention and Protection Manager) and, periodically, at meetings of the SPP (Prevention and Protection Office), with a view to implementing system and process improvements.

In addition, at least four weeks **before opening a work site**, an **inspection** is carried out to check for possible interference and **define the applicable safety measures**. During the first week of site work, the RSPP carries out another inspection to check compliance with the actions previously agreed and prepare for future visits.

The principal hazards associated with the work performed by LB include a **chemical/silica toxicity risk** at the Technology Centre, where **suitable face masks** are provided and the **presence of free silica is monitored** periodically via laboratory analyses. Furthermore, in order to eliminate these hazards and minimise the risks, LB implements a **Worksite Start-up Procedure** and, via the RSPP, carries out **periodic site inspections**.

Another principal hazard consists in **working at height**, with the risk that employees at external sites might fall. This risk is mitigated via the **on-site cutting of all sheet metal** needed for silos, thus avoiding the need for aerial platforms with dangerous openings.

On the other hand, the routine activities of production operatives are considered to be low risk, as they involve manual work without the use of hazardous equipment or the removal of shavings.
In confirmation of the attention dedicated by LB to the health and safety of employees, **just one injury - a strain due to exertion - was recorded in 2022**, two fewer than in 2021. No external workers have been injured in the past two reporting years.

The Group strives to spread awareness of the risks associated with workplace activities, by delivering additional (non-mandatory) training courses on health and safety matters (e.g. training on work sites, the use of PPE and electronic devices). In addition, **travelling technicians** are **trained on all aspects of occupational health and safety** and visit customers that have been requested, in advance, to provide the **training certificates and "UniLav" forms** used by employers within the European Union to comply with their obligation to provide corporate safety information.

Work-related injuries to employees

	31 December 2021	31 December 2022
Number of registrable work-related injuries	**3**	**1**
of which serious work-related injuries (excluding death)	-	-
of which, deaths following work-related injuries	-	-
Hours worked[2]	**224,945**	**262,153**
Rate of registrable work-related injuries[3]	**2.66**	**0.76**
Rate of serious work-related injuries (excluding death)	**0**	**0**
Rate of deaths following work-related injuries	**0**	**0**

[2]The number of hours worked by Group employees has been estimated with reference to the average number of hours worked by each employee.
[3]Injury rates are calculated as follows: ((number of injuries by category/total hours worked) x 200,000).

Environmental responsibility

Use of sustainable 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).

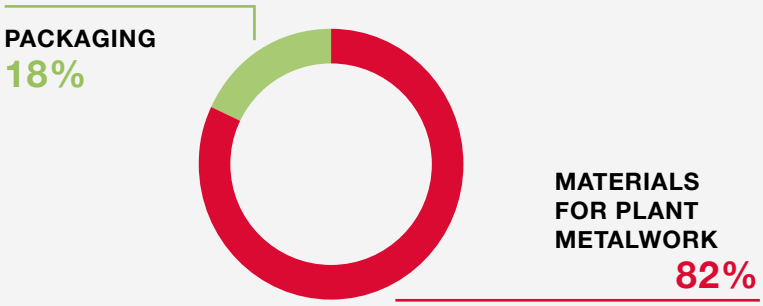
Thanks to the quality of the raw materials used, innovation and the efficiency of production processes, the **life cycle of LB machines** lasts about thirty years, offering **longevity** and **durability** over time.

Materials used by weight or volume

Weight of raw materials used (kg)	31 December 2021	31 December 2022
Packaging	18,009	49,932
of which renewables (%)	*27%*	*96%*
Materials for plant metalwork	922,934	216,090
of which renewables (%)	*0%*	*0%*
Total raw materials used	**940,943**	**266,022**
Of which renewable (%)	**1%**	**18%**

With regard to the use of raw materials by LB, **packaging** is distinguished between **renewable** such as crates, cages, pallets and cardboard boxes, and **non-renewable** such as plastic, polyethylene, nylon. The use of packaging increased significantly in 2022, due to the **greater output of machines** by the Group and, consequently, to the increase in shipments and related packaging materials.

TOTAL RAW MATERIALS USED IN 2022

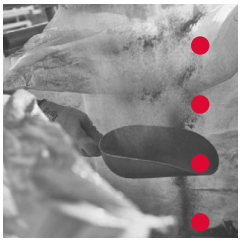


The use of plastics refers to a **packaging service** provided to LB that usually includes packaging tape made from nylon, polyethylene and similar materials. By contrast, this service also uses renewable materials, such as **paper and wood**, the volume of which is hard to distinguish from the rest so, for reporting purposes, it is all considered to be non-renewal packaging.

In view of the nature of the business, the use of materials for plant metalwork refers to the purchase of **semi-finished products**, such as canopies, sheet metal and beams used in the manufacture of plant and that, being ferrous materials, cannot be included in the category of renewable materials. The quantity of metalwork materials decreased significantly during 2022 (-77% compared with 2021), due to a reduction in the number of plants produced directly by LB.

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. The principal sources of the energy consumed by the Group comprise **electricity** purchased from the grid for use by machinery and in the various processes, as well as for lighting, and **natural gas** used to heat internal spaces and work areas.



The Fiorano Modenese plant also has a **photovoltaic installation** that covers part of the energy needs of LB Officine Meccaniche S.p.A. Another photovoltaic installation at the Sassuolo plant covers part of the electricity needs of Sermat. Some of the electricity generated by these installations is sold to the grid (about 29% of the power generated in 2022). In this regard, it is worth noting that about 264,000 kWh of electricity were generated in 2022.

The vehicle fleet of the Group comprises **thirty-seven company cars**. Recently, the Group has given employees the option to choose hybrid cars on the expiry of existing lease contracts. LB has also worked to **replace all diesel forklift trucks with electric models**. This transition to electric forklifts has been completed.

Energy consumption within the organisation

Energy consumption[4] (GJ)	31 December 2021	31 December 2022
Fuel (natural gas)	4,927	4,289
Electricity purchased from the grid (from non-renewable sources)	1,765	2,138
Electricity self-generated from renewable sources	673	678
of which sold to the grid	265	274
Vehicle fleet (diesel)[5]	2,339	2,024
Total energy consumption	**9,969**	**9. 403**
Of which renewable sources (%)	**7%**	**7%**

[4]The factors used for the conversion of energy consumption into GJ are published by ISPRA (2019) and in the FIRE Report on Energy Managers, 2018.
[5]The factors used for the conversion of fleet consumption into GJ are published by NIR: ITALIAN GREENHOUSE GAS INVENTORY 1990- 2017- NATIONAL INVENTORY REPORT 2019 and FIRE: Energy Manager Guidelines 2018. Data for the two-year period 2020-2021 was estimated from the average distance travelled (km) by company cars, which is monitored annually.

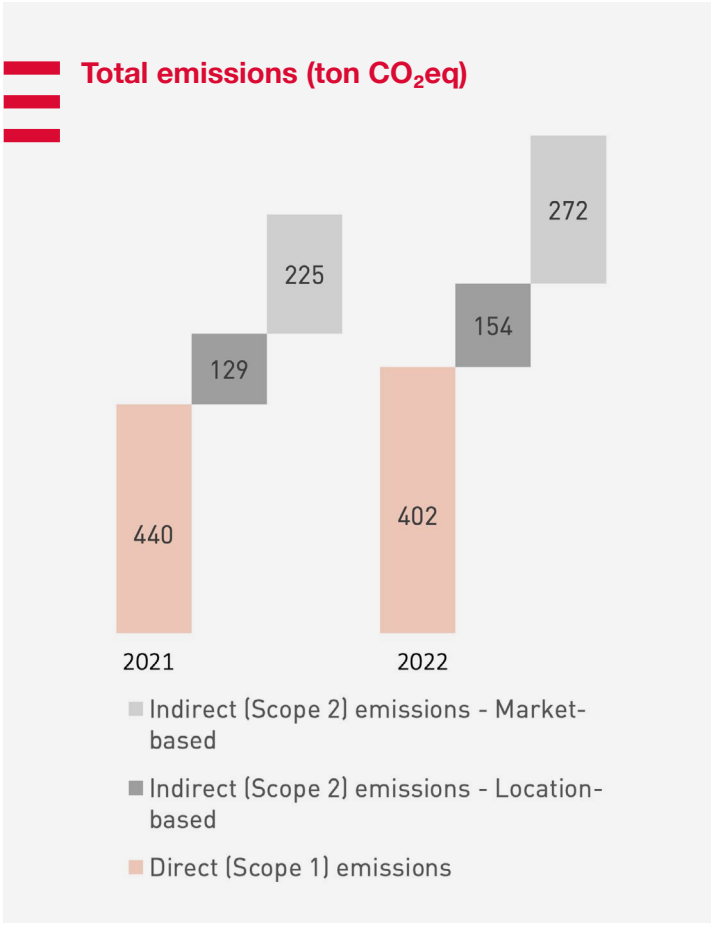
The **GHG** (GreenHouse Gases) **Protocol Corporate Standard** classifies emissions into Direct (Scope 1) Emissions, Indirect (Scope 2) Emissions and Indirect (Scope 3) Emissions.

Direct **Scope 1** emissions derive from sources owned or controlled by the organisation.

Indirect **Scope 2** emissions derive from the production of electricity, heat or steam imported and consumed by the organisation.

There are **two distinct ways to calculate** Scope 2 emissions: “Location-Based” and “Market-Based”.

The **“Location-Based”** approach uses **average emission factors** for energy generation within **well-defined geographical boundaries**, including local, sub-national or national boundaries. The **“Market-based”** approach uses an emission factor defined contractually with the electricity supplier. Given the absence of specific contractual agreements between Group companies and the electricity supplier (e.g. purchase with Guarantee of Origin), the emission factor for the national **residual mix** was used for this approach.



Direct (Scope 1) GHG emissions and Indirect (Scope 2) GHG emissions from energy consumption

Emissions (ton CO_2eq)	31 December 2021	31 December 2022
Total direct (Scope 1) emissions[6]	440	402
Total indirect (Scope 2) emissions - Location-based[7]	129	154
Total indirect (Scope 2) emissions - Market-based[8]	225	272
Total Scope 1 and Scope 2 emissions (Location-based)	**570**	**557**
Total Scope 1 and Scope 2 emissions (Market-based)	**665**	**675**

[6] The Scope 1 emissions in 2020 and 2021 were calculated using the emission factors published the Ministry of the Environment- Table of national standard parameters for monitoring and reporting in greenhouse gases.

[7] The Scope 2- Location-Based emissions were calculated using the emission factors published by ISPRA- GHG atmospheric emission factors in the national electricity sector and in the principal European countries.

[8] The Scope 2- Market-Based emissions were calculated using the emission factors published by the Association of Issuing Bodies (AIB) European Residual Mixes (2019 and 2020).

Analysing the activities of the Group on a like-for-like basis with respect to 2021, the Scope 2 emissions (location-based) have decreased by 16%, while the market-based emissions have declined by 14%. However, considering the addition of Barcom to the Group, the **environmental impact** linked to the direct and indirect emissions of CO2 into the atmosphere in 2022 was **in line with the values for the prior year**. In addition, compared with 2021, there was a 9% decrease in total Scope 1 emissions and a 21% decrease in total Scope 2 Location-Based and Market-Based emissions.

The reduction in GHG emissions highlights the concrete commitment of the Group to **improve** constantly its **environmental performance** and **minimise** the emission of polluting agents into the atmosphere.
LB has a total of **six emission points**, including two that are hot (one dryer for tiles and one for raw materials), located on the premises of LB Officine Meccaniche S.p.A., which is the only unit whose activities result in significant atmospheric emissions.

Consistent with current regulatory requirements governing atmospheric emissions and noise pollution, the LB plant is required to obtain a **Combined Environmental Authorisation (AUA)** from an external agency, following a technical investigation and the receipt of a favourable opinion from the Municipality of Fiorano Modenese with regard to the town planning aspects.

CARBON FOOTPRINT FOCUS

For the first time in 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 targets and devising an integrated, medium/long-term strategy for the reduction of its environmental impact. As a result of this analysis, in 2022 LB was able to improve the recording of energy consumption data related to use of products sold.

The principal purpose of this study was to quantify the potential environmental impacts of the core business activities of the Group in terms of greenhouse gases (GHG), using a rigorous, scientific methodology recognised internationally. As this was the first report on greenhouse gas emissions, 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 data collected was used to identify the operational boundaries, being those activities generating GHG emissions that are under the direct control of the organisation or that,

although not directly attributable to LB, may be influenced by its activities (indirect emissions). As required by Standard UNI EN ISO 14064-1: 2019, the emission categories deemed **significant** for the activities of the Group were identified unambiguously and a GHG inventory was compiled, making it possible to quantify the emissions of each category and highlighting the sources that make the greatest contribution.

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.

In particular, with regard to the category of goods purchased, the products containing carbon steel (obtained from mechanical processing) have the greatest impact in carbon footprint terms, contributing about 99% of the total category 4 emissions in the GHG inventory. With regard to sub-category 5.1, the indirect emissions generated by use of the goods sold mainly derive from the considerable estimated consumption of energy during the lives of the plants concerned, consisting of the electricity and natural gas needed for their operation at normal capacity.

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.

The organisation will repeat this analysis each year, so that the Group can improve further its impact on climate change.

Responsible management of production waste

On completion of the various processing activities carried out at LB facilities, part of the materials used is recognised as waste and managed in accordance with **current environmental regulations** and the relevant **internal procedures**. The traceability of the waste produced is guaranteed by the input/output register and the **Combined Environmental Declaration Form (MUD)**, which waste producers must file every year.

Most of the waste produced during 2022 consisted of **iron and steel** (50% of the total), following the acquisition of Barcom. Waste mixes not subjected to heat treatment (22%) comprise the other most significant category of waste generated by the Group. Additional types of waste include mixed packaging materials (4%) and cardboard packaging (3.6%). In addition, waste ink has decreased by 85% from 6% of total waste in the prior year.

There was a significant **increase** (11%) in **waste production in 2022** compared with 2021, while the ratio of hazardous to non-hazardous waste was unchanged. This rise mainly reflects the greater quantity of iron and steel waste, as well as the scrapping of obsolete equipment. Conversely, there were significant decreases in inorganic waste (-92%) and scrap ceramics (-76%).

Certain processes, such as those deriving from the washing of plant, are still subject to treatment to reduce the level of hazard by using decantation tanks.

During 2020 and 2021, LB **did not make recourse** to the use of **oils and lubricants** for the machinery used in processing, which only consumes them "as needed". Accordingly, LB managed to ensure the fundamental and proper functioning of its machinery, without any need to generate waste that is not always easy to eliminate.

In addition, LB sends used **organic and other additives** directly to authorised firms for disposal or back to their suppliers. Further, 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.

Waste produced, not sent for disposal and sent for disposal

Composition of waste produced (tons)	31 December 2021	31 December 2022
Hazardous waste	4.1	3.3
Non-hazardous waste	299.2	491.8
Total waste	**303.4**	**495.09**
Of which sent for disposal (%)	**100%**	**75%**

Compared with 2021, the percentage of waste sent for disposal has fallen by 25%, reflecting the fact that 120 tonnes of waste generated by Barcom S.r.l. were sent for recycling.

Responsibility for products and services

Product quality, innovation and safety

Continuous **investment in R&D** by LB has resulted in the creation of an **advanced technology laboratory**, capable of processing all types of powders and raw materials. This laboratory employs **highly experienced professionals**.

In the porcelain stoneware sector, customer demand constantly pushes LB to develop **unique and exclusive products**, with a consequent need to expand business productivity and produce large formats. Further market pressure focuses on the **reduction of production costs** and, above all, of **environmental impact**, not least by the use of technologies and services compatible with the requirements of **Industry 4.0**.

Over the years, the Group has developed numerous **industrial systems** for the processing of raw materials and ceramic powders, in a drive for the **technical and aesthetic enrichment of porcelain stoneware**. Consider the systems for the **colouring and granulation of powder**, the **micronisation** and **scaling** technologies, the innovative single and dual-load **press-feeding systems**, to mention just some.

LB presented **LB Hybrid** at the Tecna trade fair in September 2022. This innovative technology for the preparation of ceramic pastes is designed to **optimise production costs**. The **hybrid solution** guarantees maximum **plant flexibility**, with the ability to adapt to every customer need while targeting **energy saving** and **eco-sustainability**.

Today, the **LB brand** is a **synonym for technological innovation**, perceived as representative of absolute excellence by all producers of porcelain stoneware around the world. The multiple **technologies associated with the business units** contribute to the various processes carried out by LB.

LB Technologies	Description	Technological and environmental advantages
EASY COLOR BOOST DRY COLOURING SYSTEM	**Easy Color Boost** (ECB) is an **evolution** of the process currently known as **dry colouring**, a bridge between the traditional and consolidated technology already patented by LB and the new system, also covered by patents. This innovative colouring method, which **reduces and optimises the cycles and times** for colouring/mixing and washing, eliminates the defects of the systems currently in use; ECB also distributes the colouring oxides better and makes the finished product more homogeneous, even when colouring with several pigments.	**CONTINUITY** Ability to upgrade existing plants. **EFFICIENCY** Shorter production times. **FLEXIBILITY** Increased chromatic intensity and opportunity for rapid product differentiation. **SUSTAINABILITY** Lower energy and water consumption and maintenance costs. **SIMPLICITY** Ease of use and maintenance. **INNOVATION** Elimination of mechanical stress, greater homogeneity of granules, reduction in colouring times, ability to replace the kit in order to obtain different aesthetic effects, elimination of production downtime. Respect for the environment.
DIVARIO MULTI-FEEDING SYSTEM	**DIVARIO** is a new concept feeder that combines **greater aesthetic-productive potential** with a marked **reduction in operating and maintenance costs**. **Simplicity and flexibility** are the two key concepts underpinning the technological research that produced DIVARIO, following the most advance design criteria and with greater focus on **reducing the footprint and downtime and improving energy efficiency**.	
FREESTILE DRY COLOURING AND PRESS FEEDING SYSTEM FOR PORCELAIN TILE	**FREESTILE** is a revolutionary system to prepare powder that **simplifies and reduces ceramic production layouts** and increases effectiveness, flexibility and chromatic variability when producing fine **porcelain stoneware, whether technical or enamelled**. The process **employs** the **EASY COLOR BOOST** innovative technology to dry-colour ceramic paste and **DIVARIO**, the revolutionary press-feeding system.	
LBXTRA	**LBXTRA** technology guarantees high production flexibility and, **with dual loading, enables aesthetic effects to be achieved** even on large format tiles.	
MIGRATECH DRY MICRO-GRANULATION TECHNOLOGY	In the ceramics sector, the innovative LB **MIGRATECH** technology for dry grinding with microgranulation means that the paste obtained has good **smoothness** and is easy to **de-aerate** during pressing, ensuring even **compaction** of the ceramic product. The high quality obtained is comparable to that of wet grinding processes, but stands out due to the **reduced environmental impact** in terms of lower gas (-74%), electricity (-53%) and water (-80%) consumption, as well as lower carbon dioxide emissions (-74%), with recovery of the investment in 12/18 months on average.	

LB HYBRID® the sustainable future	The **LB Hybrid** technology for the preparation of ceramic pastes has been designed to optimise production costs; this solution (**patented**) allows dry grinding and wet grinding to co-exist. The **hybrid solution** guarantees maximum **plant flexibility**, with the ability to adapt to every customer need while targeting **energy saving** and **eco-sustainability**. The powder obtained from dry grinding is homogenised with the slip obtained from wet grinding to obtain a **microgranulate**. Even in terms of space, the optimisation allowed by the Hybrid technology reduces significantly the footprint with respect to standard plants.	

In addition to the above processing technologies, the Group has supplemented its range with **modular plant solutions** that allow customers to operate with great flexibility. In particular, these solutions envisage the use of machines installed in containers so the technology can be transported between distant locations, leveraging the possibility to **reuse plant** that, otherwise, would remain installed at work sites with consequent environmental impact risks and related disposal issues. This solution is particularly effective in the context of extracting calcium carbonate.

With regard to **product safety**, LB complies with **Machinery Directive 2006/42/EC** (the "Directive"). Application of the relevant regulations involves carrying out specific activities to enhance the safety of plant, including via the integration of safety into the **design** and **manufacturing** phases, as well as by ensuring proper **installation** and **maintenance**. Together with the Directive, application of the **other reference regulations** governing safety and the conformity of products put on the **European market** (e.g. ATEX 2014/34/EU, Directive 2014/35/EU a.k.a. the Low Voltage Directive etc.) means that LB meets the highest standards and demonstrates the care and attention given by the Group to every customer.

The high level of engineering quality and compatibility offered by LB allows customers to include the products purchased within composite infrastructures comprising other machinery. In such cases, LB provides customers with **"quasi-machine" certification** for incomplete applications, or if the end-use envisaged by the customer is not predetermined in the sales phase.

LB also performs **after-sales safety checks** for customers that request maintenance and provides **training during the acceptance tests** that covers usage and both routine and special maintenance. The **manual** supplied at the same time covers use of the mechanical components and the software.

As confirmation of the care taken by LB in this regard, during 2020 and 2021, **the Group did not receive any complaints that resulted in the payment of penalties for product quality or safety issues**.

Focus on ISO 9001:2015

LB guarantees the offer of products and services that satisfy the highest quality standards, not least by implementing a Quality Management System that is certified ISO 9001:2015. This QMS ensures constant checks on the quality of business processes and on the risks linked to the satisfaction of internal and external quality requirements throughout the entire value chain of the Group.

In addition to support, the requirements of this standard apply to the design, production and installation of plant and machinery for the ceramics industry and for the processing of powders and materials in other industrial sectors. The Quality Manual was updated in 2022 in order to extrapolate a series of procedures for the maintenance of qualitative standards.

Customer satisfaction

Even after the installation of production lines, LB remains **alongside customers via on-site technical support and on-line assistance** in accordance with Industry 4.0, helping them with daily operations and guaranteeing rapid response times in the event of malfunctions.

The R&D division of LB has developed specific **software systems** for controlling the production cycle, even **on a remote basis with augmented reality**.

30 minutes

A CALL IS RECEIVED

1 hour

START SUPPORT WORK ON PROBLEMS THAT AFFECT THE FUNCTIONING OF THE PLANT

2 hours

START SUPPORT WORK ON PROBLEMS THAT RESTRICT FUNCTIONING OF THE PLANT

24 hours

START SUPPORT WORK ON PROBLEMS THAT DO NOT AFFECT OR RESTRICT THE FUNCTIONING OF THE PLANT

The **myPlus** software platform provides precise and effective information for the optimal management of production processes. This is made possible by the simple and intuitive graphic interface for operators, as well as by the optional functional modules available.

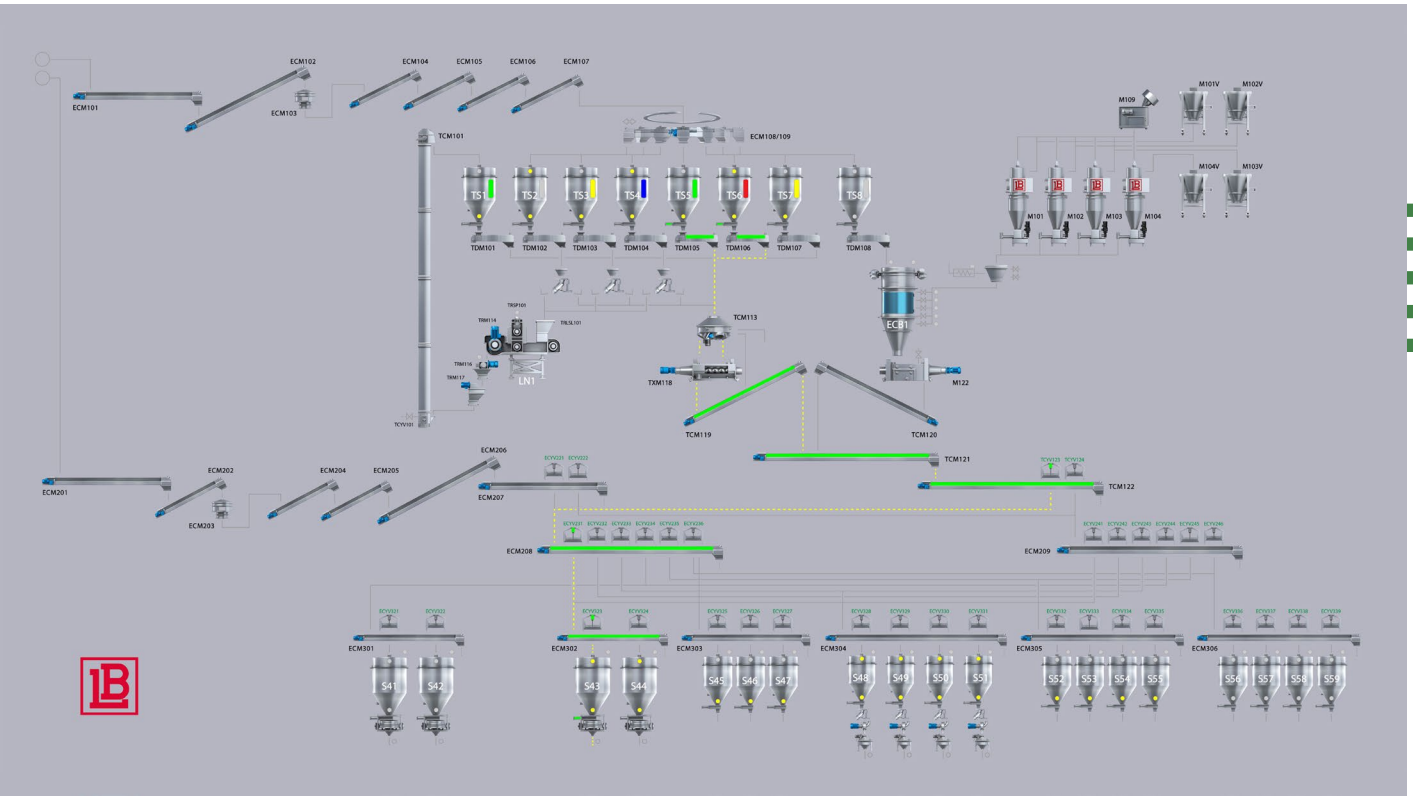
The **maintenance** management function is used to **schedule**, **optimise** and address the qualitative aspects of **maintenance work**, thus guaranteeing the lifespan and quality of LB plants.

Usage statistics identify inefficiencies and issues so that corrective actions can be focused where necessary, while process analyses that chart trends ensure that machine and line set-ups can maximise productivity considering both **efficiency** and **consumption**.

Reports on the consumption of materials enhance the efficiency of procurement and overall control of the production process.

myPlus is a veritable platform that provides a modular and scalable software solution for all systems using LB technologies, as well as a user-friendly operator experience.

MY PLUS
The user tailored digital interface



Social responsibility

Responsible supply chain management

For LB, suppliers represent a true ally in efforts to consolidate the core business and develop the new businesses of the Group.

The efforts made to deepen and consolidate relations with suppliers are of fundamental importance to LB, resulting in the **sharing of capabilities and expertise**, with the end-goal of developing and promoting **sustainable practices throughout the entire value chain**.

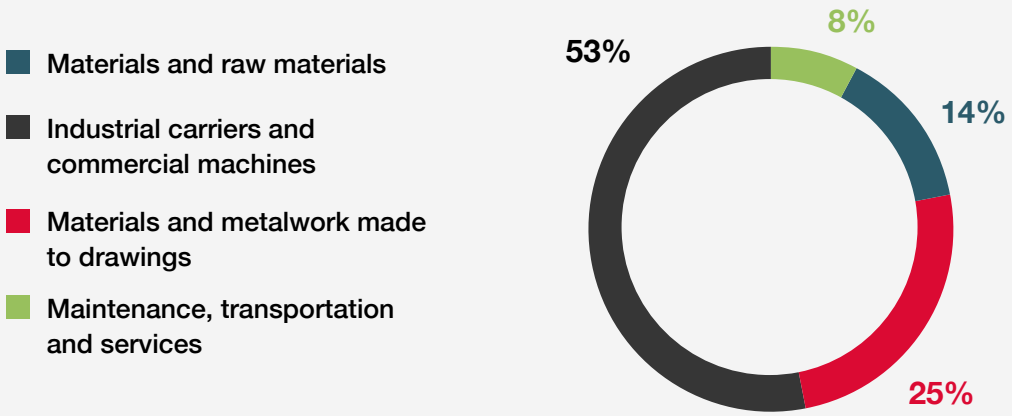
In this sense, the Group strives for the **responsible management** of procurement processes within the **supply chain** as a whole. This is confirmed by the introduction of **clauses** in contracts signed **between LB and suppliers** in countries **"at risk of potential human rights violations"**, which require the acceptance of **specific social obligations** to respect the fundamental rights of workers and reject the exploitation of child labour. More generally, these clauses are intended to **spread** and promote **socially responsible practices** and conduct that encourage suppliers to adopt sustainable behaviours.

Responsibilities for the management of suppliers are centralised and entrusted to an expert **Buying team**, which looks after the various expenditures based on the product categories concerned.

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).

The **principal product categories** that absorbed Group spending in **2022** included **in-**

Percentage of payments made by type of supply in 2022



dustrial carriers and commercial machines (53%), followed by **materials and metalwork made to drawings** (25%), **materials and raw materials** (14%) and **maintenance and services** (8%).

By comparison, Group spending in 2021 mainly related to materials and raw materials (27%), with the remainder shared between maintenance and transportation (27%), materials designed by LB (32%) and industrial transportation (27%). The most significant changes with respect to supplies in 2021 were due to the **different mix of customer orders**, as well as to the **strategic decision**, following the acquisition of SITEC, to **produce in-house** various tapes and components for machines designed by LB in prior years.

For the most part, the LB supply chain comprises **long-established suppliers**. In rare cases when it becomes necessary to open new supply channels, LB activates search and scouting processes intended to maintain and enhance the qualitative standards already reached. In this regard, the qualification of suppliers is founded - above all - on such key criteria as **technical specifications**, **delivery lead times**, ease of **installation** and **price**, which contribute to the assignment of a specific score.

As part of supply chain management, LB uses a **virtual interface** to gather such information as qualifications and legal requirements that contribution to compilation of the **Register of Suppliers**.

In addition, LB carries out periodic **audits** of suppliers, depending on their **strategic and economic significance**. These are carried out on-site both before and after the signature of supply contracts, focusing on such topics as the quality of work and compliance with the procedures and standards that govern occupational health and safety.

From a geographical standpoint, during **2022** the Group purchased almost **80%** of all **goods**, **work** and **services in Italy**, of which **63%** essentially from **suppliers located in**

the area between Reggio Emilia and Modena. The other 20% of total spending was directed to **EU and non-EU suppliers**.

In this regard with respect to **2021**, the higher incidence of spending with foreign suppliers reflects the increase in metalwork production carried out abroad (up from 6.5% in 2021 to 20% in 2022). As a consequence, the percentage of spending with Italian suppliers has fallen.

Local involvement and awareness

The attention dedicated to all Stakeholders in the **value chain** of the Group, and the sharing of sustainable relations over time, has resulted in the **creation of shared values**.

In this regard, LB has activated a series of actions to support local initiatives, including partnerships with **AS Fiorano** and **AS San Michelese**, both football schools for children, and collaborations with the Help Sassuolo association, to donate aid to the victims of the earthquake in Syria and Turkey, and with "Consorzio comuni della pedemontana" to aid Ukrainian refugees in the area.

LB has also sponsored the preparation of a book on the history of ceramics, the proceeds from which were donated to **Associazione Modena Parkinson**. Fund-raising initiatives support **Anffas** - national association of families with intellectual and/or interpersonal disabilities - and **Fondazione Teatro Carani**, 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.

Having regard for the business sector in which it is active, 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.

These activities, along with other collaborations planned in the near future with the academic world, confirm the commitment of the Group to the development of expertise and the **creation of new talents** within the local community in which LB operates.

In the period prior to the COVID-19 pandemic, LB periodically granted internships to students resident in the Modena area, offering them the chance to **alternate between school and work**. These initiatives, suspended temporarily over the past two years, will recommence once the healthcare emergency has been overcome.

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.

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307-1	Non-compliance with environmental laws and regulations	In 2022, there were no cases of non-compliance with environmental laws and regulations
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Statement of use	LB has reported in accordance with the GRI Standards for the period from 1 January 2022 to 31 December 2022	
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GRI 3: MATERIAL TOPICS (2021)		
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