



SERMAT



Sustainability report



2022



Sustainability report



The Sustainability Report therefore aims to present to all Stakeholders the Group's values, commitments and performance LB in the area of sustainable business development in terms of the economic, social and environmental profile and with reference to the positive impacts on the territory and communities in which the company operates.

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.

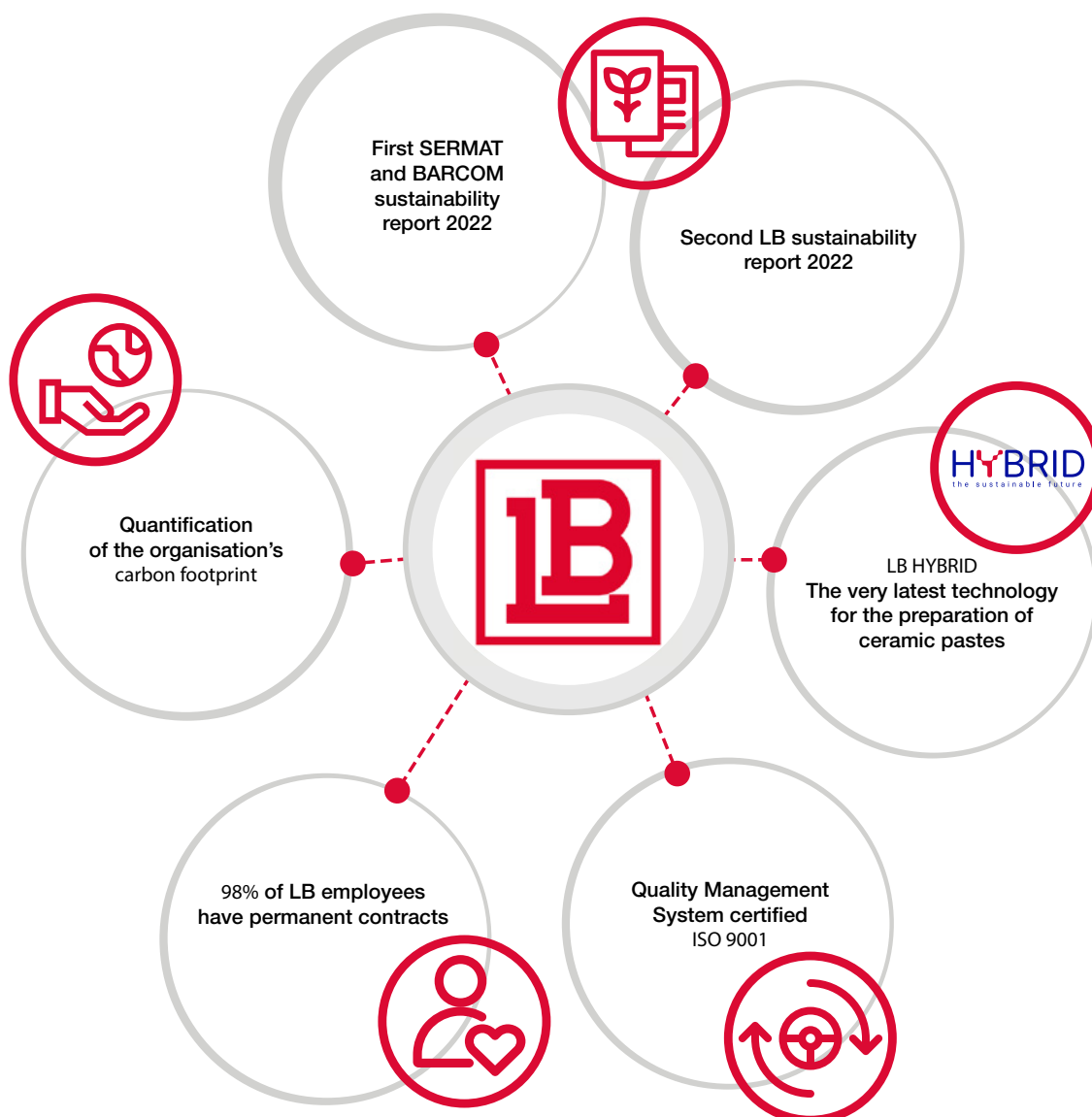
This change of pace is part of our journey over the years that has seen the Group become a sector leader in the development of innovative solutions with a lower environmental impact. These solutions aim at the efficient use of resources while also guaranteeing maximum quality, which has always been the 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.

The Group's sustainability strategy is based on five impact areas that have been assessed as most prioritized and material in order to guide decision-making in the ESG sphere. These impact areas cover product quality, innovation and customer focus, human resource management, environmental sustainability, responsible value chain management, and conducting ethical business



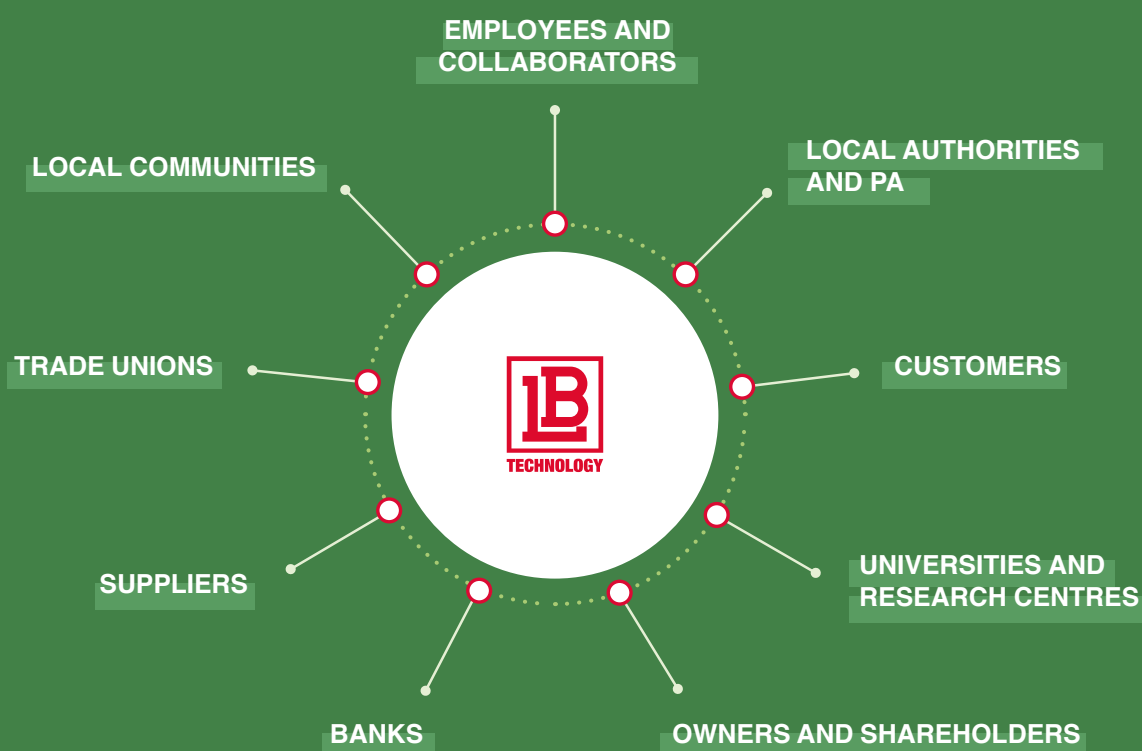
Highlight 2022



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.

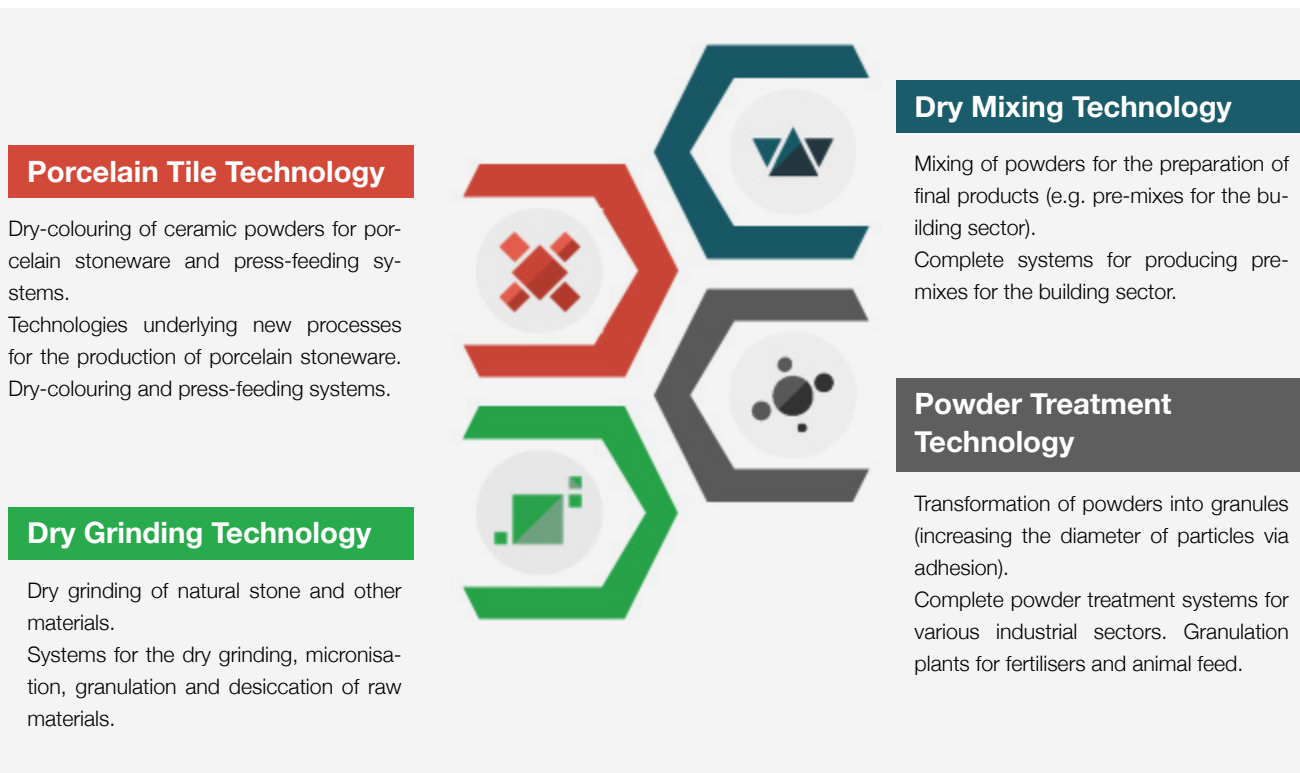
When working on preparation of the materiality matrix, **LB identified the following Stakeholders** with reference to the characteristics of the business. The principal channels used by the Group to involve the identified Stakeholders are also presented below.



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**.



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**.

Materiality 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**.

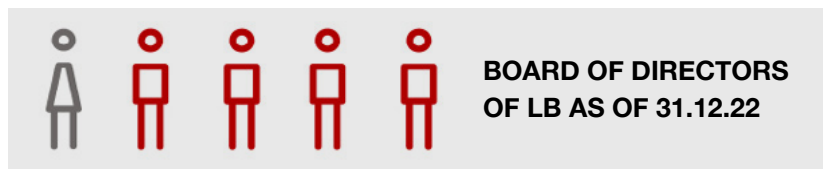
AREA	TOPIC	IMPACT	DESCRIPTION
Governance	Business integrity and sustainable governance	Compliance with the applicable laws, regulations and internal and external standards, with related social/environmental/economic impacts	Positive impact in terms of consolidating the capital represented by long-term 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

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.

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**.



LB ethics

LB has always **respected fully the related rules and regulatory and ethical principles**. 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.

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 **Mapping of Risks** document is an integral part of the Model, but subject to precise confidentiality rules. 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**.

Sustainable 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.

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.

Economic value (thousands of <u>euro</u>)	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 geo-political 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.

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 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.

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

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.

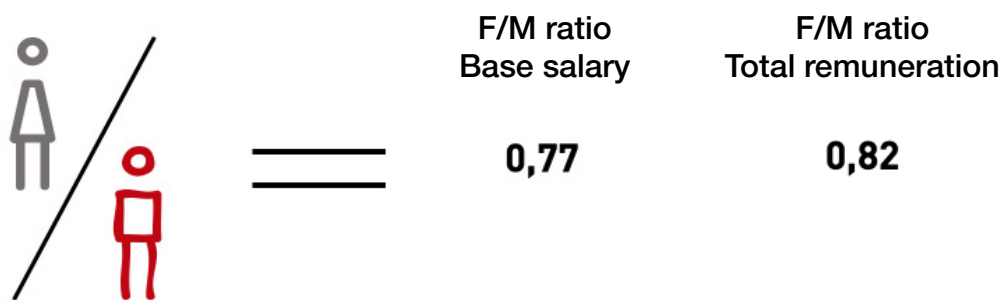
Percentage of employees by professional category and age group

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%

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 in 2022 for the white-collar category



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.

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 total, **1,338 hours** of training were delivered in 2022.

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**.

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 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.

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
<i>of which renewables (%)</i>	<i>27%</i>	<i>96%</i>
Materials for plant metalwork	922,934	216,090
<i>of which renewables (%)</i>	<i>0%</i>	<i>0%</i>
Total raw materials used	940,943	266,022
Of which renewable (%)	1%	18%

ENVIRONMENTAL RESPONSIBILITY

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 Fiorano Modenese plant also has a **photovoltaic installation** that covers part of the energy needs of LB Officine Meccaniche S.p.A.

LB TECHNOLOGY

Energy consumption within the organisation

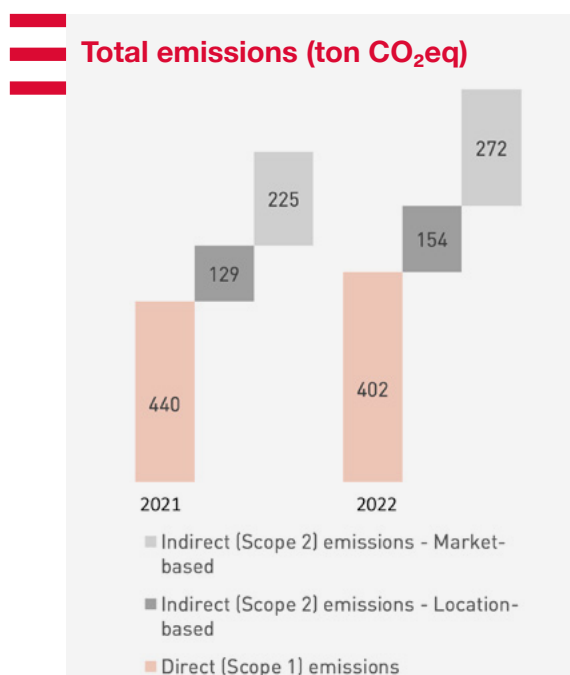
Energy consumption ⁴ (GJ)	31 December 2021	31 December 2022
Fuel (natural gas)	4,927	4,289
Electricity purchased from the grid (from non-renewable sources)	1,765	2,138
Electricity self-generated from renewable sources	673	678
<i>of which sold to the grid</i>	265	274
Vehicle fleet (diesel) ⁵	2,339	2,024
Total energy consumption	9.704	9.129
Of which renewable sources (%)	6.9%	7.4%

⁴The factors used for the conversion of energy consumption into GJ are published by ISPRA (2019) and in the FIRE Report on Energy Managers, 2018.

⁵The 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 ₂ eq)	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

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

⁷The 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.

⁸The 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.

CARBON FOOTPRINT FOCUS

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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

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.

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”.

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.

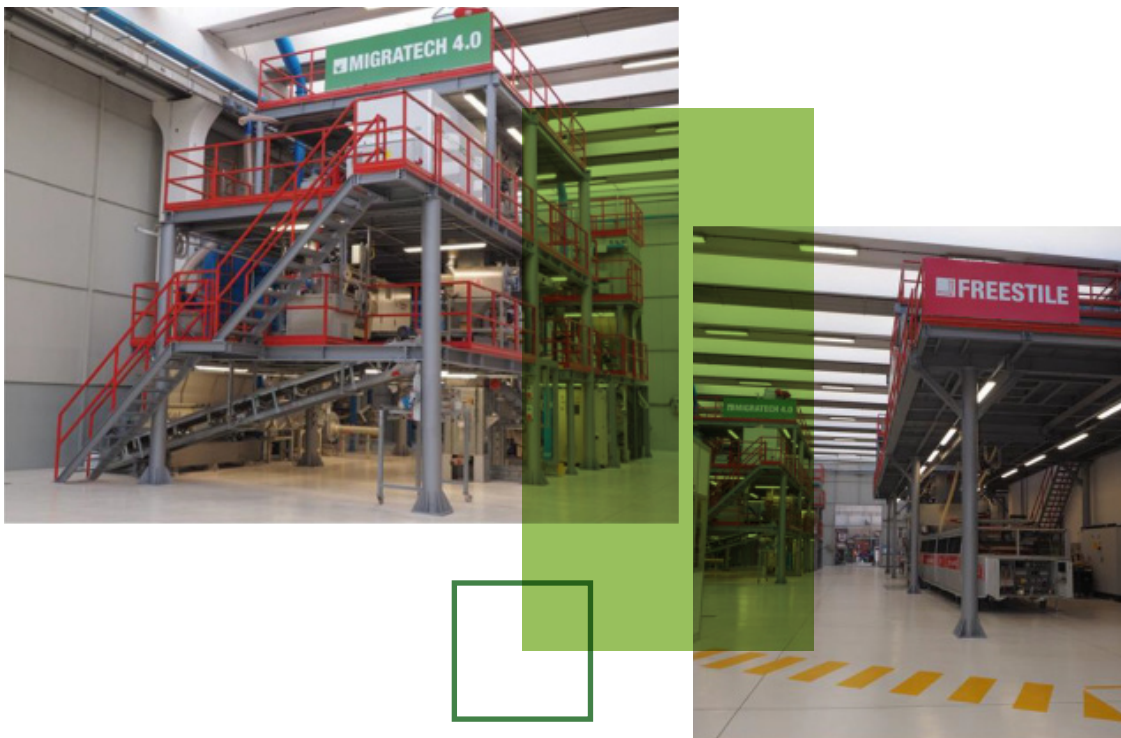
Waste produced, not sent for disposal and sent for disposal

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**.



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**.

All LB Group technologies are accumulated by the following technological and environmental advantages:

- **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.

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**.

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.

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.

Social responsibility: Responsible supply chain management

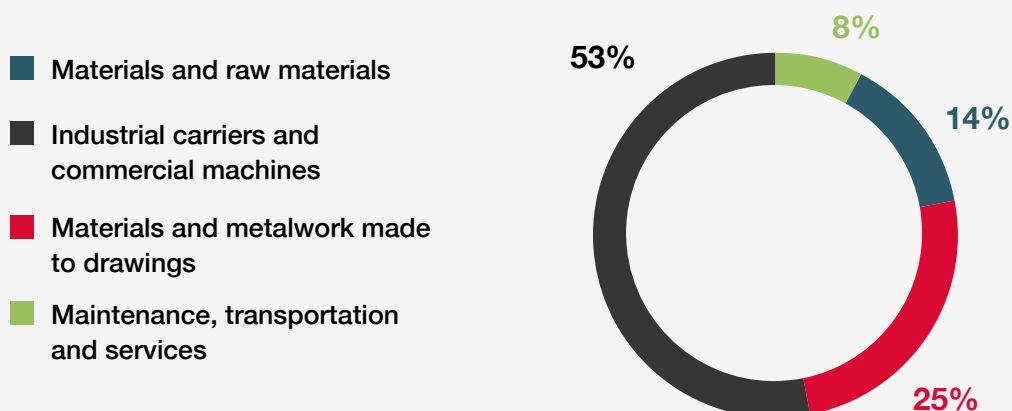
For LB, suppliers represent a true ally in efforts to consolidate the core business and develop the new businesses of the Group.

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).

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.

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**.

Percentage of payments made by type of supply in 2022



Local involvement and awareness

LB has activated a series of actions to support local initiatives, including:

- Partnerships with **AS Fiorano** and **AS San Michele**, both football schools for children;
- 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;
- 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;
- Funding **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.

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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LB TECHNOLOGY



LB Officine Meccaniche SpA



