



Sustainability Report 2021

Our Commitment to Sustainability: Environment,
Economy, Society and People



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LETTERA AGLI STAKEHOLDER

Dear Reader,

As you study our 2021 Sustainability Report we hope that 3 clear messages will emerge: sustainability is, more than ever, an **ethical imperative**, a **competitive advantage** and - perhaps most importantly - an **achievable goal**.

The report describes our approach to the achievement of this goal. We believe that all of us can make **a material difference** if each of us plays a part in doing so. To cite Ghandi, each of us can “be the change that you wish to see in the world”.

Given the pressing immediacy of the pandemic and its impacts on social, economic and industrial infrastructures, it may seem an odd time to discuss the necessarily long term concept of sustainability.

Yet we believe that the commitment to sustainability is more timely than ever. It is a conviction shared by leading economists, who

have noted that sustainability, alongside digitalization, is the sole macro-trend to have been confirmed during the pandemic.

It is a conviction manifested in the trust shown by our customers and financial partners. We see this in our “B2B” (Business to Business) customers, who show a growing appreciation of our “green” products.

We see it in our access to low-interest “green” financing as a result of our high sustainability rating, demonstrating the willingness of our financial partners to reward sustainability.

And we see it in the trust shown by investors, who are attracted by the resilience and strong performances of truly sustainable enterprises.

The Compass of Sustainability

Sustainability is our compass. It orientates consumption and capital and it attracts **talents**, who seem inspired by our social and environmental policies as much as by our financial performance.

We do not underestimate the challenges of sustainability in our sector. Plastic is often demonized as highly pollutant and the understanding of its positive potential within the **circular economy** is often low. Hence our constant efforts to raise awareness as to the proper and responsible use of our materials throughout their life cycle.

Profit, people and planet

Our approach to sustainability **makes a difference** in 3 key areas: **Economic** Sustainability (Profit), **Social** Sustainability (People) and **Environmental** Sustainability (Planet).

1. Economic Sustainability: our duty to the future

For LATI, **profit** is not an end in itself but rather a means to an end: the creation of economic and social value. It is not an obligation to our shareholders, it is our **duty to the future**. This is why we continually reinvest our profits to finance our ambitious development plan, optimizing profit through **structural growth in margins** thanks to an improved product range.

We also draw inspiration from the concept of «**decoupling**» as we seek to disrupt the traditional correlation between economic growth and a disproportionate consumption of our planet's resources.

The value we generate is used to **remunerate our employees** with fair, competitive salaries, to **reward our financial partners** and to **pay our dues to the public administration**.

This year we will pay **€3.7 million in taxes**. We take pride in this contribution to the process of wealth redistribution and satisfaction in the knowledge that part of this wealth will reach those who are

most vulnerable, helping to offset the social inequalities exacerbated by the pandemic.

2. Social Sustainability: people first

Can LATI, in its small way, truly **contribute to a fairer society**? Most certainly! We make a material difference by:

- creating the conditions for new hirings and stable employment, even through times of crisis;
- guaranteeing equal opportunities, development and training;
- safeguarding the health, safety and wellbeing of our people.

Our people - our most valuable asset - lie at the heart of our social policies, hence our strong focus on **safety** in the workplace and at home. Our stringent protocols for the prevention of the spread of Covid-19 are only the starting point. We are proud of numerous additional initiatives to safeguard the **psycho-physical wellbeing of our people** and of their families: epidemiological mapping, on-demand diagnoses and systematic Smart Working; psychological

counselling and an online gymnastics programme worthy of the finest gyms.

But we are not an island and we have also looked beyond our operational perimeter. As an integral part of the social fabric of our territory we have prioritised **social solidarity initiatives**, including our Donation and Sponsorship policies. We have actively supported the frontline players in the fight against Covid-19: hospitals, the Red Cross and local GPs.

And given that **Knowledge** is a core value for LATI, we have not forgotten the hard-hit world of culture and the arts, hence our decision to support **FAI** (the Italian Environmental Fund) and **Wikipedia**.

3.Environmental Sustainability: pioneers of the circular economy

We embraced the “**circular economy**” well before the term was coined. In 1945 our grandfather set up a factory, staffed entirely by women, to sort and recycle plastic retrieved from residual war materials. Recycling was a question of survival in a country afflicted

by massive shortages. When resources are scarce it is paramount to make the most of what you have. And since that date, we have never abandoned the circular economy.

Our early awareness of the environment also sprang from the location in which LATI was founded: close to a residential zone and against the backdrop of a stunning natural setting. From the outset it was clear to us that beauty, nature and the landscape form a common heritage that must be protected.

This is why LATI has always paid special attention to the **sustainability of its processes**:

- As long ago as 1995 LATI was one of the first companies in Italy to obtain **environmental certification**. Throughout our history we have constantly invested to ensure clean water and air emissions.
- LATI is an **energy-intensive company**, consuming 20 million kWh per year! This fact alone obliges us to work to reduce the impact of our consumption levels: by real time monitoring of our energy consumption per manufacturing

cycle, by investing in photovoltaic technologies and by buying “**green**” energy.

The sustainability of our flagship products

We would like to close this letter with a mention of our **flagship sustainable products**, the testimony of our unique capacity for **innovation**.

For some years now the LATI range has featured sustainable products that embody the principles of the circular economy. We analyse the impact of these products using rigorous **Life Cycle Assessments** (LCA). Of particular note are:

- compounds based on **mechanical recycling**, regenerating post-industrial or post-consumer waste by means of a physical process;
- compounds based on **chemical recycling**, regenerating post-consumer waste by means of a chemical process.
- compounds containing **bio-polymers**, which do not compete with human nutrition.

These products are the fruit of the **open innovation** shared with our suppliers and the ongoing dialogue with our most environmentally aware customers.

Although they currently account for a relatively small part of our revenues, they occupy a high-growth, high added value niche – the cornerstone of our long term **repositioning strategy**.

So are our other products non-sustainable?

Our response borrows from the French term for “**sustainable**”, which draws on a different root compared to English and Italian. The French use the term “durable”, literally meaning **long-lasting**. One of the cardinal principles of sustainability is to make products last as long as possible, and we apply this principle to all our products.

Our longstanding commitment to the supply of flexible, resilient products ensures compliance with “**Right to Repair**” legislation currently in the pipeline in Europe and already in force in the USA. The enhanced reparability of household appliances seeks to reduce

waste and the damage that it causes to the environment - in pursuit of the 2050 EU target of “**climate neutrality**”.

This report illustrates what we have done and what we are doing to contribute to a fairer society and to make our planet more liveable. We are not complacent, and we know that the long journey towards sustainability demands resilience, dedication and an unwavering commitment to continuous improvement.

Yet we also believe that this report provides hard evidence that **sustainability is indeed an achievable goal**.

And **each of us**, in our own small ways, **can make a material difference to the realization of this goal**.

Please join us in making that difference.

Michela Conterno, CEO

Livia Conterno, Amministratrice Delegata alle Politiche Sociali



FIGURE 1 - MICHELA AND LIVIA CONTERNO

METHODOLOGICAL NOTE

LATI is publishing its first Sustainability Report this year, the outcome of the company's commitment to promoting greater transparency, and its intention to go beyond its legal obligations, placing value on the impact generated by sustainable development.

The document, prepared by the Quality, Environmental, Safety Organizational Unit in collaboration with all company departments, was approved by LATI's Board of Directors on 31 May 2021, along with its consolidated Financial Statements. In the context of continuous improvement, starting next year, the document will be subject to assurance by an independent third party. This first edition has been improved by a quality review by PricewaterhouseCoopers during the drafting process.

The report was drafted using the Global Reporting Initiative (GRI) Sustainability Reporting Standards (2016 as amended), applied using the option "*referenced*". The document was prepared in line with the principles set out in the GRI Sustainability Reporting Standards, namely balance, comparability, accuracy, timeliness, clarity, and reliability.

The scope of the report includes the company's headquarters in Vedano-Olona, and its production facilities in Vedano-Olona and Gornate-Olona. Unless otherwise indicated, the human resources data refers only to Italian employees. In regard to interviewees, any inclusions are indicated at the bottom of the page.

With reference to the selection of the issues covered by this report, pending the results of the materiality analysis process which will be completed by summer 2021, reference is made in particular to the themes covered by the Ecovadis questionnaire that the company has been filling out for years in response to requests coming from its customers and that has been customized with the company's business sector and

size in mind. In addition, the report includes the topics that emerged as relevant from in-depth discussions with the top management and with the staff involved in the reporting process.

The reporting period is the year 2020: all data refer to the year ended on 31 December 2020. On a descriptive level, significant changes that have occurred subsequently are also reported. The data are compared with those of the previous year. The quantitative indicators were directly collected from the Company's databases with the aim of providing an overall representation of economic, social, environmental and governance performance.

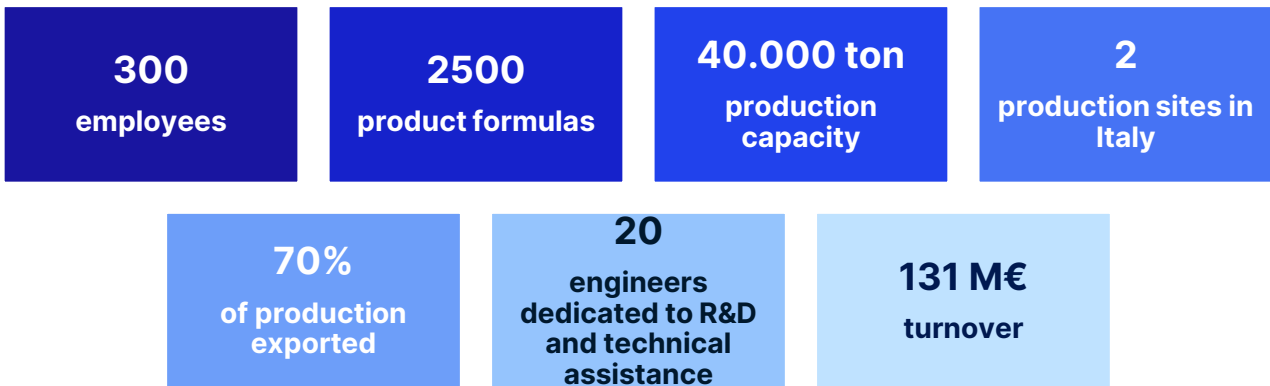
The data, included in this document in a discursive form, are reported analytically in the Annex. Whenever possible, they are presented in a time series with reference to the years 2018 and 2019, in order to ensure the comparability of the performance of 2020 with the previous years.

Starting this year, the Sustainability Report will be published yearly.

The company contact for information on this document is: info@lati.com

1 CORPORATE IDENTITY AND PROFILE

LATI S.p.A. is one of the **largest European producers of engineering thermoplastics**. It is a **third-generation family company**, with operations on the market that have been constantly evolving since **1945**, well established in the area but with a strong drive for **internationalization**, attentive to the welfare and local community where it operates.



Box 1 - LATI BY NUMBERS

1.1 LATI, high-performance thermoplastics for over 70 years

Founded in 1945 by Cosimo Conterno to produce cellulose acetate, over the years, the company has successfully developed under the guidance of family members now in the **third generation**, earning a position of absolute prestige in the field of engineering thermoplastic compounds in Italy and around the world.

With two plants in the Lombardy region of Italy, in the province of Varese - the long-standing headquarters of Vedano-Olona and the operational site of Gornate-Olona - a production potential of ca. 40,000 tons per year and a range of products that includes 2,500 ready-to-use or tailor-made formulations according to customer demand, LATI is among the **major European manufacturers of engineering thermoplastics**.

Our products, researched and developed in-house, are exported all over the world (80% in Europe) through a network of branches and are mainly used in the electrical, electronic, industrial and transport sectors.



FIGURE 2 - MICHELA CONTERNO, CEO LATI WITH HER FATHER FRANCESCO CONTERNO, PRESIDENT OF LATI

Box 2 – OUR HISTORY

**1945 FOUNDING AND
START UP**

- Already in operation since 1943, LATI was officially established in 1945 by its founder, Cosimo Conterno. The company's first business area was the production of cellulose acetate compound by mixing and recycling plastics recovered from wartime waste.

**1950s AND 1960s
ECONOMIC BOOM
YEARS AND FIRST
SUCCESES**

- Thanks above all to its relationship with Montedison, the company experienced a real boom in the 1950s and 1960s. In the early Sixties, it launched a complete range of products reinforced with short and long glass fibre.

**CONSOLIDATION IN THE
1970s**

- The range of Flame Retardant (FR) materials, developed to meet demand on the home appliance market, was perfected in the early Seventies. In this period, the first passage from one generation to another took place. The company management was first entrusted to Giovanni, Cosimo's oldest son, and then to his brother Francesco, who transformed the company into an international enterprise, established and known in many countries around the world.

**INNOVATION AND
INTERNATIONALIZATION
IN THE 1980s AND 1990s**

- In the late 1980s, a strategic change took place: the decision was made to invest in the development of special and high-performance products. Over these years, internationalization marked the company's full development.

**21st CENTURY -
PRESENT AND FUTURE**

- The company is preparing to face the challenges of the new millennium following its path of internationalization and innovation. It places great importance on developing eco-sustainable and eco-compatible products. It was in this period that a second handover to a new generation took place: in 2016 Francesco Conterno transferred full management powers to his daughter, Michela, appointing her CEO.

1.2 Our Values

LATI is inspired by the principles of **civilian economy** as an alternative to traditional capitalism. We believe that profit is not the end goal, but instead a means to **create economic and social value** and, at the same time, that **prosperity** - intended as the tangible and intangible well-being of individuals and their community - must come before profit.

The company is guided by an important and deep-rooted system of **values**, where sustainable growth, respect for the environment and for the well-being of employees and the local communities are the fundamental elements. We ensure that our values are respected in all operations and in the relations with our stakeholders.

The values represented in our **Charter of Values** – drawn up during 2020 following a process that involved a cross-sectorial and heterogeneous work team to which more than twenty people voluntarily adhered - are implemented thanks to the incorporation, in our **Code of Ethics**, of the operating principles that guide LATI's action in the relations with all its main stakeholders.

Box 3 – OUR VALUES



Integrity - Integrity and lawfulness are at the foundation of everything we do. All our relationships are based on reciprocal trust and mutual benefit and reflect a long-term vision of what we hope to accomplish together with our employees, trade partners, and clients.



Occupation and Employability - We can choose our employees – but they must also choose us. The creation and maintenance of employment is a primary goal for our company. We continually invest in our staff to generate opportunities for personal and professional growth. And we do it to promote the growth of LATI and the job market in general.



Well-being - We take heart in the well-being of our staff. We want them to feel involved, inspired, and respected. We guarantee their safety and promote their psychological-physical health.



Participation - We strongly believe that participation promotes action, and this is why we involve our staff in strategic and operative decisions. We are convinced that this is the most efficient way to plan and manage company operations. Externally, we actively participate as partners in the local community, working with institutions, trade associations and civil enterprises to support economic and social development and prosperity.



The Environment and Sustainable Development - Sustainability means "doing more with less". We respect the environment, which we consider to be a common good. We are committed to environmental preservation through constant research into innovative product and process solutions and promoting environmental sustainability in all the areas where we have operations. Our priority is qualitative, not quantitative growth. We want to generate value through "decoupling", namely the generation of value with less than proportional resource consumption.



Know-how - Knowledge reveals the true value of plastic materials, which are a precious resource. We cultivate and apply our know-how to guarantee the production and proper use of this resource. Our success derives from an in-depth knowledge of plastic materials. We renovate and enrich this know-how continually. We constantly raise awareness among our clients and the public opinion about the proper use of these valuable materials throughout their life cycle.

1.3 Our business strategy

LATI is a solid, successful company, positioned well on the **European market of self-extinguishing materials** for the electrical and home appliance industry. Together with continual oversight in its core business and drawing on its unique skills, over the years, LATI has undertaken to **expand its portfolio with products of increasingly higher added value**.

The **special compounds** produced by LATI, whether they are self-lubricating, thermally or electrically conductive, detectable or engineered for 3D printing, are suitable for **increasingly diversified market niches**: from automotive to design, from food to industrial machinery, from coffee machines to medical devices.

LATI produces **thermoplastic compounds**, obtained from **polymers** mixed with different types of **functional additives**, fillers, reinforcing agents, pigments, which, once incorporated, give the material very different performance characteristics compared with those of the original polymer.

These materials, in the form of **granules**, constitute a raw material for the realization of countless parts, components, pieces of highly complex and demanding structures. LATI's product portfolio is extremely rich in materials incorporating raw materials and technically advanced features that, depending on the customer's needs, can be used for the most diverse engineering applications.

Box 4 – OUR PRODUCTS

Engineering

Filled and reinforced compounds, the simplest solution for the most varied applications

Structural

High glass fibre and carbon content for metal replacement applications: robust and resistant

Self-extinguishing

Certified flame-retardant compounds for multiple application sectors

Self-lubricating

Formulas that reduce friction and wear without external lubrication

Electrically conductive

Antistatic, dissipative, electromagnetic radiation shielding compounds

Thermally conductive

Effective and efficient in conveying heat without using metals

High temperature

Compounds for safe use even at temperatures higher than 150°C

Magnetically detectable

Detectable materials for injection moulding, ideal for the food industry

Radio opaque

X-ray opaque and shielding, lead-free compounds

Density-controlled

Super-light, free from expanding agents or with elevated specific weight

3D printing

Designed for the production of special yarns

Green and sustainable

Sustainable, renewable, low environmental impact

Diversification, made possible by constant ability to innovate, has always been our strong point, and it has been even more so during the crisis due to the Covid-19 pandemic. Thanks to a large and technologically advanced product portfolio, we have not only managed to **attenuate the drop in market** demand, but also to **structurally improve our contribution margin**.

In line with the strategic decisions of past years, we have decided to base our business strategy for 2021-2023 on four pillars:

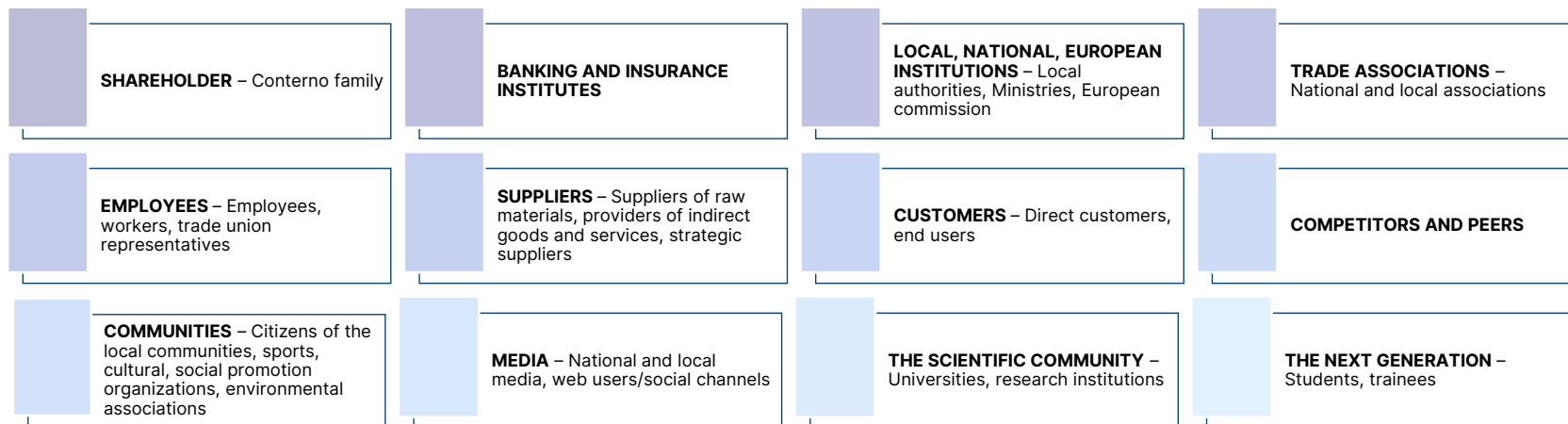
1. **REPOSITIONING**, namely the continual improvement of the product offering, aimed at increasing sales with greater added value, thus enabling us to maximize value rather than volume, and consequently reduce the resources we consume.
2. **INDUSTRY 4.0**, with the aim of modernizing our industrial processes (logistics and production) through automation and digitalization, making them even more efficient.
3. **CUSTOMER APPROACH**, with the aim of increasing our market response time, excelling also in customer service and strengthening our development capacity.
4. **GLOBAL COVERAGE**, with the aim of consolidating our leadership in Europe and increasing global revenues by expanding the share of overseas exports and more generally exports to non-European countries.

Going in this direction will allow us not only to further develop our business, but also to generate sustainable value with and for the benefit of our stakeholders in the market sectors in which we operate.

1.4 Our stakeholders

LATI believes that collaborating with its stakeholders is fundamental for guiding its business strategy and maximizing its capacity to create value over time. For this reason, the company is committed to playing an active role within its relational network, fostering the values that distinguish its activity and working to build solid and lasting relationships.



Box 5 – OUR STAKEHOLDERS







Using the criteria of relevance, which takes into consideration, on the one hand, the **stakeholder's level of dependence on the organization** and, on the other, the **ability to influence strategic and operational processes**, LATI identifies the stakeholders to be involved in a more structured way with the management of its business operations.



On the operational level, the opportunities for stakeholders' engagement arise in part from corporate requests and objectives, in part from the requests of the stakeholders themselves. The relations with stakeholders are managed horizontally by all company functions involved. The stakeholders' engagement is in fact fully integrated into the ordinary management of business operations.



TABLE 1 - THE RELATIONS WITH OUR STAKEHOLDERS



STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
SHAREHOLDER 	Generation of value	Development plan that aims to optimize profits through a structural growth of margins deriving from improvements in the range of products.	<ul style="list-style-type: none"> • Meetings • Preparation and regular sharing of information material
BANKING & INSURANCE INSTITUTES 	<ul style="list-style-type: none"> • Accountability • Economic & financial solidity • Assessment and risk management 	<ul style="list-style-type: none"> • Maximum transparency in economic-financial and sustainability reporting. • Continuous investment in the solidity of the enterprise and, from a prospective point of view, in innovation and development. 	<ul style="list-style-type: none"> • Meetings • Periodic information material

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
LOCAL, NATIONAL, EUROPEAN INSTITUTIONS 	<ul style="list-style-type: none"> • Taxes • Compliance with the reference legislation • Employment and creation of ancillary activities • Development of territories 	Production operations in Italy, creation of employment in the territory, investment in innovation and development.	<ul style="list-style-type: none"> • Meetings with local institutions • Participation in working groups • Creation of territorial networks to support the management of emergency situations
TRADE ASSOCIATIONS 	<ul style="list-style-type: none"> • Participation in the initiatives promoted by the Association • Sharing of knowledge 	Active participation in the initiatives promoted by trade associations, with particular reference to those with a local basis	<ul style="list-style-type: none"> • Participation in associative initiatives • Sharing of information on LATI and its business activities • Participation in working groups • Participation in research activities promoted by associations

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
EMPLOYEES 	<ul style="list-style-type: none"> • Employment stability • Health and safety at work • Respect for workers' rights • Opportunities for professional growth and development 	<ul style="list-style-type: none"> • Attention to the safety and psycho-physical well-being of workers • Investment in the training and development of staff • Participated leadership model 	<ul style="list-style-type: none"> • Company intranet • Internal communication programmes • Mailing • Periodic meetings for comparison and internal alignment • Internal training activities • Internal surveys for employees • Trade union meetings
SUPPLIERS 	<ul style="list-style-type: none"> • Stable business relationship • Favourable conditions • Reliability/payment procedures • Willingness to cooperate in development projects 	<ul style="list-style-type: none"> • Correctness in the management of business relations • Stability of relations with suppliers and reliability of payment procedures 	<p>Regular meetings</p>

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
CUSTOMERS 	<ul style="list-style-type: none"> • Product quality • Service quality • Technical assistance and management of regulatory aspects • Capacity for innovation • Value for money • Willingness to collaborate in development projects • Sustainability along the supply chain 	<ul style="list-style-type: none"> • Technical assistance from the earliest stages of the project; • Correctness in the management of commercial relations; • Sharing knowledge and collaboration; • ECOVADIS assessment 	<ul style="list-style-type: none"> • Dedicated website section • Preparation and sharing of information material on products (technical data sheets) • Regular meetings • Technical training • Collaboration projects
COMPETITORS & PEERS 	<ul style="list-style-type: none"> • Fair competition • Willingness to cooperate 	Correctness in the management of business relationships and willingness to create opportunities for collaboration	Collaboration projects

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
COMMUNITIES 	<ul style="list-style-type: none"> • Generation of value in the territory • Employment • Participation • Protection of the territory and the environment 	Investment in the community, environmental protection and socio-cultural promotion	<ul style="list-style-type: none"> • Participation in working groups • Promotion and / or participation in projects organized in collaboration with civil organizations • Dialogue with local associations • Creation of territorial networks to support the management of emergency situations • Sponsorships and voluntary contributions
MEDIA 	Clarity and transparency in information	Transparency	<ul style="list-style-type: none"> • Website • Participation in initiatives aimed at sharing information about LATI and its business operations

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
THE SCIENTIFIC COMMUNITY 	<ul style="list-style-type: none"> • Applied research activities • Innovation development • Willingness to collaborate • Sharing of knowledge 	<ul style="list-style-type: none"> • Collaboration in theoretical and applied research activities • Strong innovation orientation 	<ul style="list-style-type: none"> • Participation in European projects • Participation in research projects • Participation in working groups
THE NEXT GENERATION 	<ul style="list-style-type: none"> • Environmental protection • Sustainable innovation • Experimentation of sustainable business models • Creation of job opportunities 	<ul style="list-style-type: none"> • Integration of sustainability into business strategies and operations • Collaboration with educational institutions and universities for the creation of job opportunities 	<ul style="list-style-type: none"> • Coverage of social channels • Innovative projects and / or in support of sustainable development • Meetings in schools • Internships and training • Work-related learning projects

2 OUR SUSTAINABILITY MODEL

Sustainability has always been an integral part of our value system. It is rooted in our business model, and we place it at the heart of the company's lines of development.

Aware of the fact that having values and objectives oriented to sustainability may not be sufficient for making sustainability a true "asset" capable of directly impacting its business strategies and results, LATI has invested in the creation of a **corporate governance model** that is able to support the company's ambition to be a leader in the industry, capable of generating value that is shared over time.

In order to set up a corporate structure capable of supporting the pursuit of the company's goals, LATI has also implemented - and constantly improved - an **Organization, Management and Control Model** that complies with the requirements of the Italian Legislative Decree 231/2001, an Integrated Quality, Environment and Health and Safety Management System and, in recent years, has developed an advanced Business Intelligence (BI) system, which will also integrate sustainability variables.

ECOVADIS RATING

Three years ago, LATI embarked on the path towards the regulated measurement of the ECOVADIS protocol on **environmental performance and sustainability**, obtaining a fully satisfying and better result than the previous year. With reference to the year 2020, in 2021 we were awarded a **"GOLD" merit level**, positioning ourselves in the 95% percentile for our sustainability performance.



Box 6 - ECOVADIS RATING

Over the past ten years, plastic has attracted public opinion not only for its versatile use in all modern contexts, but also and especially for its ubiquitous presence in the environment, resulting from an insufficient culture of management, recovery, and recycling of plastic products at the end of their life. For this reason, all plastics (without any distinction whatsoever) are facing a strong smear campaign, which however does not put the emphasis on what the real problem is.

Box 7 – THE PLASTIC WE LIKE

THE PLASTIC WE LIKE

Plastic is a very important asset and an engineering resource, it is one of the most versatile, resistant and durable materials and, thanks to these characteristics, it allows the creation of products that have no alternative today as well as lifestyles that otherwise would not be possible.

If, data in hand, it is undeniable that the pervasive presence in the environment of plastic at the end of its life span is a serious problem for the planet, in the same way it must be considered that, as many scientific studies confirm, **the problem is not plastic as such, but how plastic is managed.**

LATI produces **compounds** with specific technical features **intended to last over time**. As such, they contribute only marginally to the long-standing problem of throw-away plastics, those which have the greater impact on the pollution of ecosystems.

For years, LATI has been investing and will continue to invest in the search for innovative solutions for the development of increasingly sustainable products, and in order to give its contribution to the management of this issue, it has decided to participate in some important initiatives with the aim of **"making a concrete contribution"**.

In detail, LATI adheres to the **Circular Plastic Alliance (CPA)**, a voluntary initiative launched by over 100 European companies, including SMEs, large corporations, research institutes and governmental authorities, with the aim of making it possible to use up to 10 million tons of recycled plastic every year to produce new goods in Europe, by 2025. In 2020 LATI actively participated in the **CPA EEE group** (electrical and electronic applications), a research and development subgroup committed to individuating the most relevant needs in the field of research and technological development that are essential for achieving the above goals.

LATI has also formally joined in the **Operation Clean Sweep (OCS)** initiative to ensure that resin, pellets, flakes and powders used in plastic production plants do not end up in the environment.

2.1 Our corporate governance model

LATI has adopted a **traditional corporate governance model** including a **Board of Directors** providing for the company's management; a **Board of Statutory Auditors** which, as a supervisory body, has the task of supervising the activity of the directors and checking that the management and administration of the company are carried out in compliance with the law and the articles of incorporation; a **Shareholders' Meeting** deciding - among other things, in ordinary or extraordinary session - on the appointment and dismissal of the members of the Board of Directors and of the Board of Statutory Auditors and on their remuneration and responsibilities, the approval of the Financial Statements and the allocation of profits.

The Board of Directors - appointed in March 2018 and in office until the approval of the 2020 Financial Statements* - is composed of 9 members, 56% of whom, including the Chief Executive Officer, are women. 78% of the members of the Board of Directors are over 50 years old.

President of the Board of Directors	CONTERNO FRANCESCO Company Representative
Chief Executive Officer	CONTERNO MICHELA Company Representative
Vice President of the Board of Directors	VITANGELI DOMENICO
Member of the Board	TUCCI ALDO
Member of the Board	RENAUDIN DOMINIQUE JACQUES MICHEL
Member of the Board	MERCANTE LOREDANA
Member of the Board	BOFFI CRISTINA
Member of the Board	MASSIRONI LAURA
Member of the Board	CONTERNO LIVIA

TABLE 2 - COMPOSITION OF THE BOARD OF DIRECTORS

In April 2021, the company positions were renewed, confirming the composition, the powers and the remuneration of the previous term.

Even though the company is entirely owned by the Conterno family, only three out of nine members of the Board are family members. Over the course of the years, LATI has increasingly strived to build a **"managerialized" company**, selecting the members of the Board based on their professional qualifications. As a result, the Board includes the former director of the French branch, who brings strong strategic and commercial expertise, and the Director of the R&D Department, whose involvement in the company's top management bears witness to our strong interest in innovation. Obviously, there is no lack of organizational, legal, administrative and accounting skills in the company to assist the Board of Directors, today increasingly considered as our first strategic support.

Within the Board of Directors, specific powers have been attributed for the activities concerning the corporate social affairs and, in particular, the corporate welfare as a driver for improving performance, the relations with the **Giunca network of enterprises** which aims at the maximization of well-being for employees, and the **WHP (Workplace Health Promotion) programme**, which promotes health at the workplace. All this testifies to the importance that the company attributes to these issues.

2.2 Ethics and integrity in business operations

We pursue the principles of **lawfulness, honesty, correctness**, and **transparency** to protect our status and meet stakeholder expectations. The general principles we aspire to uphold in carrying out our work are outlined in the company's **Charter of Values** and **Code of Ethics**. Aware of our social responsibility and in the interests of collectivity in carrying out the company's work, we ask our employees – as well as everyone who collaborates with us in running LATI's enterprises – to respect the principles and regulations we have established.

In order to ensure compliance with the applicable legal requirements and other rules governing the company's operations, LATI has drawn up an **Organization, Management and Control Model (MOGC)** in compliance with the provisions of the Italian Legislative Decree 231/2001. An **internal Supervisory Body** has

been appointed with autonomous powers of initiative and control that reports directly to the Board of Directors. The Supervisory Body has the task of supervising the operation, observance and updating of the Model of Conduct pursuant to Legislative Decree 231/2001 and the Code of Ethics as well as to promote its knowledge. While drawing up the Organization, Management and Control Model we identified and mapped the business processes exposed to the possible risk of crime and verified the rules applying specific procedures. An ad hoc channel (e-mail address) has also been created for reporting to the Supervisory Body any violations of the general principles of the Code of Ethics, as well as any violation or suspicion of violation of the principles of conduct and of the executive methods for carrying out activities "at risk" and governed by Model 231 (whistleblowing). During 2020, no reports were made to the Supervisory Body.

2.3 Integrated Quality, Health, Safety & Environment Management System

LATI continually strives to improve its capacity for integrating and developing sustainability in its organization and business operations. It does this primarily by implementing **innovative organizational and management processes** involving everyone on all company levels.

In line with this approach, LATI has implemented an **Integrated Quality, Health, Safety & Environment Management System** in compliance with the following standards: **ISO 9001:2015**, **ISO 14001:2015** and **ISO 45001:2018**.

LATI's **Quality, Health, Safety & Environment policy (QHSE)** is published on the company website and available in four languages to anyone who requests it, with the aim of maximizing dissemination among employees, collaborators and suppliers, and more generally among all stakeholders. This policy is regularly reviewed as part of the Management's reporting activity in order to incorporate its goals and any additions.

Both the Vedano-Olona and Gornate-Olona plants are certified according to ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 by independent certification institutes that verify compliance with the above standards and renew the related certificates annually. The integrated management system for both sites is coordinated at a central level.

**CERTIFIED
MANAGEMENT SYSTEMS**



UNI EN ISO **9001:2015**
UNI EN ISO **14001:2015**
UNI ISO **45001:2018**



CERTIQUALITY
È MEMBRO DELLA
FEDERAZIONE CISQ

FIGURE 3 - ISO CERTIFICATIONS

2.4 Sustainability governance

At LATI, sustainability is the corporate asset in the company's strategic and organizational culture that permeates all business operations, and it is managed - transversally and by competence - by all company departments under the guidance and direction of the CEO. The QHSE Unit is responsible for coordinating and monitoring the related procedures, also for the purpose of a timely and periodic reporting activity for internal use and for the stakeholders.

3 THE SUSTAINABLE MANAGEMENT OF OUR BUSINESS

3.1 Sustainability-oriented innovation

The strategic decision to specialize in the development of **specific high-performance materials** requires continual investment - in order to maintain a competitive edge on the market - aimed at promoting capacity for innovation, with the goal, on the one hand, of expanding the company's range with products of increasingly high added value and, on the other, of making its production processes increasingly effective and efficient.

Innovation, however, is not only a means to ensure the success of the company over time, but it is also one of the drivers that guide LATI's sustainable actions. Thanks to the development of innovative products and processes it is possible, in fact, to maximize the value rather than the volume of production and, in this way, achieve important results with a view to reducing the environmental impacts, increasing the well-being of its employees and satisfying its customers.

3.1.1 La sostenibilità dei nostri prodotti

In recent years, plastics have been the subject of growing suspicion, and often indicated as one of the leading sources of pollution in the oceans, on land, and in air. If, on the one hand, a problem truly exists in relation to the uncontrolled disposal and sustainable end-of-life management of plastics, it is equally true **that the problem is not plastics as such, but the use of plastics**. It is vital to prevent waste, focusing

on **circular economy systems** capable of fighting climate change, reducing dependence on fossil fuels and respecting environmental equilibrium.

LATI's mission has always been that of producing thermoplastic compounds for creating technical components with advanced properties aimed at **guaranteeing safety**. As a result, they are not throw-away goods, but materials with a **longer lifespan**, as they are used in the production of goods lasting about ten years on average. LATI produces thermoplastic compounds which as such can be used several times, provided they are recovered / reground and re-molten. Therefore, these are potentially **endlessly recyclable materials**.

In reality, the process of recovery and separation of the plastic components of a product is not always a straightforward and systematized process, and thus monitoring and managing the end-of-life phase of the product directly in house is a very complex issue for a company. There are in fact objective difficulties, mainly related to the **management of the separation process of plastic materials**, due to their combination with other materials in many of the end products in which they are used. To help solve these problems, LATI is increasingly orienting itself to the production of **materials that guarantee a "sum of functions"**, with a view to delivering compounds that can be used for the production of parts incorporating features that would normally require the addition of other components such as screws, threaded inserts, fixing brackets, etc. It is possible to achieve this with an appropriate addition of components promoting the properties necessary to withstand stresses during the product lifecycle.

LATI is investing to define innovative solutions to better manage the **end-of-life phase of its products**, with the aim of increasingly integrating sustainability into its products, and over the years has decided to focus on the selection of raw materials to be used in the production process. The careful choice of raw materials is, in fact, a very important factor not only for the impact on the quality of the finished product, but also for the environmental impact along the value chain.

LATI has been investing for some time in the promotion of innovative solutions that make it possible to use, into its compounds, polymers recovered from industrial waste flows or post-consumer material flows thanks to regrounding / mechanical recycling or chemical recovery processes.

LATI is developing its expertise in the evaluation and definition of the possible uses of materials from **mechanical recycling**. These are materials coming mainly from the textile supply chain, which undergo a regeneration process in order to be reused in dedicated and more sustainable products, as required by the market.

In order to guarantee the quality of materials from mechanical recycling - which currently account for 6.8% of the non-renewable raw materials used in its production processes - LATI exclusively buys them in the form of qualified regrind (therefore separated and re-extruded) and has taken steps to select with particular care the suppliers who, in most cases, have obtained certifications such as GRS (Global Recycle Standard) or, in the case of pre-existing long-term commercial relationships, they can issue self-declarations that define the product as 100% post-industrial. LATI offers a **line of compounds produced from recycled plastics** and used in self-extinguishing products as well as engineering and special materials.

With regard to chemically recycled polymers, a number of engineering compounds (reinforced, self-extinguishing, special) have been developed with **ECONYL**[®] (PA6 from chemical recycling).

Specifically, it is important to highlight that thanks to a strategic alliance with **Aquafil** - a key supplier of polyamides specialized in PA6 and producer of ECONYL[®] - LATI has approved ECONYL polymers[®] obtained from the regeneration of pre-consumer waste, e.g. from carpet production processes, as well as of post-consumer waste such as end-of-life fishing nets and textile flooring. Chemically recycled waste is

therefore given a second life as new uncontaminated polymers, which makes its use flexible and unconditional in the existing applications of the basic polymer, delivering a lot of flexibility and a concretely sustainable alternative.

Box 8 - PARTNERSHIP WITH AQUAFIL

PARTNERSHIP WITH AQUAFIL

Da più di 50 anni il Gruppo Aquafil opera nel mercato del **Nylon 6**, sviluppando prodotti e processi industriali dal carattere fortemente innovativo. La sostenibilità è alla base dei valori del Gruppo, e, come tale, è saldamente integrata nel suo modello di business e nella sua strategia di crescita.

Nel 2011 Aquafil ha creato il **Sistema di Rigenerazione ECONYL®**, un modello di filiera e produttivo che permette di sostituire la materia prima vergine di origine non rinnovabile, con materia prima seconda derivante dal riciclo di vari rifiuti tra cui le reti da pesca a fine vita, il fluff dei tappeti e altri. Questo sistema consente non solo di recuperare rifiuti destinati alla discarica o nelle migliori ipotesi all'incenerimento, ma anche di ridurre sensibilmente le emissioni di gas serra legate alla produzione di materiale vergine.

LATI, grazie alla importante partnership strategica instaurata con Aquafil, ha iniziato ad introdurre ECONYL® tra le sue materie prime. Si tratta al momento ancora di quantità molto limitate (<1% delle materie prime non rinnovabili impiegate in produzione), che tuttavia aprono la strada ad ulteriori attività di ricerca e sperimentazione in questa direzione.

Alongside this activity, for several years now LATI has been developing a wide range of **compounds based on bio-polymers** with different properties and environmental impact - the **LATIGEA** compounds. They include **bio-based biodegradable materials** (e.g. PLA) and **bio-based non-biodegradable polymers** (such as PE and some PAs). LATI is committed to promoting these compounds in the relevant markets. LATI currently has about **thirty references** in its portfolio that contain bio-based materials. Among them the **LATIGEA B01**.

LATIGEA OBTAINS THE "OK BIOBASED" CONFORMITY MARK

In March 2020 the highly innovative formulation of **LATIGEA B01** was awarded the **"OK Biobased"** conformity mark by the renowned international laboratory **TÜV Austria**, an independent body specialized in environmental certifications. Thanks to the careful selection of raw materials, LATIGEA B01 has obtained the coveted OK Biobased four stars, usually reserved for pure biopolymers. The analyses carried out detected 100% bio-based content, that is, a composition totally originated from renewable sources, thanks to a material that uses reinforcements of natural origin such as wood fibres from sustainable forests. In addition to resins, the product includes fillers and reinforcements of natural origin: from vegetable fibres to waste from food processing.



FIGURE 4 - GRANULES AND MOULDED PARTS IN LATIGEA B01 L/07
GREY:2865

Box 9 - LATIGEA OBTAINS THE "OK BIOBASED" CONFORMITY MARK

Box 11 - EVALUATING THE LIFE CYCLE OF OUR PRODUCTS

EVALUATING THE LIFE CYCLE OF OUR PRODUCTS

In the previous decade LATI carried out several assessments of the impact of the most representative products on the market (Life Cycle Assessment studies – LCA), which provided important guidelines used in the production of our compounds. Using modern methodologies, we have recently reintroduced the evaluation of new compounds and the impact that the use of recycled materials and / or biopolymers may have in the reduction of sustainability indicators. For this reason, several product LCA analyses have been evaluated and are now underway to determine and quantify the benefits of these materials. We are currently engaged in several Life Cycle Assessment studies on different products of the LATI range, proceeding in parallel to analyze the overall impacts generated by the current version of the product – which includes virgin raw materials – and a "sustainable" version of the same – which involves the use of raw materials from post-industrial waste and / or bio-based polymers.

Box 10 - TECHNICAL WEBINARS ON THERMOPLASTIC COMPOUNDS

TECHNICAL WEBINARS ON THERMOPLASTIC COMPOUNDS

In December 2020 LATI has "opened the virtual doors" of its technical know-how, inaugurating a series of technical webinars aimed at sharing sector-specific knowledge with its customers and, more generally, with all those who desire to deepen their knowledge of plastic materials. The first webinar, focused on thermally conductive thermoplastic compounds, deepened the analysis of design choices, FEA simulations and the study of application cases of these materials. The webinar attracted a wide audience with **over 100 participants**.



3.1.2 Our evolution from an Industry 4.0 perspective

In 2020, LATI continued, decisively and systematically, to develop **production and logistics improvement projects** involving both production equipment and services, with the aim of achieving major improvements in technical/production aspects and production with environmental impacts, and protecting the health and safety of its employees.

Most of these investments have involved interventions aimed at the expansion and rationalization of manufacturing and logistics operations at the **Gornate Olona plant (Torba)**. Some of the investments made will also make it possible to reduce the environmental impacts related to production operations and improve working environments.



FIGURE 5 - THE NEW EXTRUSION LINE AT THE GORNATE OLONA PLANT

Box 12 - EVOLUTION TOWARDS INDUSTRY 4.0, HIGHLIGHT 2020**2020 HIGHLIGHTS**

During 2020, despite the difficulties caused by the impacts on the company's business generated by the pandemic, the innovation activities involving production and logistics operations continued according to the corporate development plan without particular slowdowns.

In particular, the construction of the **new building for the preparation and mixing department (ARUPE)**, which is located between the current production department and the raw materials warehouse with the aim of optimizing pre-extrusion internal flows.

From the point of view of production systems, the Gornate plant has been modernized with the **addition of new technologically advanced equipment**, as well as the updating of existing systems through functional and **safety revamping interventions**.

The key point of this industrial renovation project was the conclusion of the installation of **a new extrusion line** for the production of thermoplastic compounds, highly reinforced and filled, and of special compounds. The new line brings benefits related, above all, to the data generated over the entire extrusion process. Once monitored and analysed, moreover, this data will benefit from the future implementation of a **data analysis system**. The correlation of process data and external data will enable the further improvement of current formulations. In addition, the constant monitoring of the line will ensure feedback on production and on any changes that have occurred.

Another important benefit, which most of all involves the economy and sustainability of the company, concerns the **modification of the feeding system of the extruder**. The loading of the ingredients directly on board the machine reduces the cost, time and energy necessary for the preparation and handling steps. In fact, the number of silos used during the processes will be cut down and this - in addition to the evident economic advantages - will bring greater safety for operators by reducing the use of forklifts.

As regards energy controls and savings, and in line with the company's sustainability strategy, the new **PME - Power Monitoring Expert** factory energy control system has been introduced, specifically designed to help energy-intensive companies maximize their operational efficiency through the monitoring of their environmental impact.

Box 13 - POWER MONITORING EXPERT

POWER MONITORING EXPERT

The issue of energy efficiency is of paramount importance to LATI. As illustrated in detail in the following paragraphs, the company has been investing in photovoltaics and renewable energy for some time. We believe, however, that a serious commitment to energy efficiency cannot be separated from a **full awareness of energy consumption**.

For this reason, LATI has decided to adopt the **EcoStruxure Power Monitoring Expert software from Schneider Electric** - a customer company with which LATI has established an effective collaboration relationship over the years. This collaboration has offered the possibility of collecting and classifying energy consumption data directly from the field, taking advantage of IoT connectivity, and displaying them through a dashboards and analysis system.

This system, which will become fully operational from 2021, will allow in-depth analysis of the costs that are generated in the production stages on each plant and therefore will make it possible to directly correlate costs to products in accordance with the requirements of the management planning system. The PME software will also allow LATI to set itself specific improvement targets for maximizing energy efficiency.



Watch the Schneider Power Monitoring Expert Case Video



Our roadmap towards Industry 4.0, which in the past was focussed above all on the digitalization of logistics and manufacturing processes and then on the whole company, has been further integrated in response to the needs dictated by the management of the Covid-19 emergency.

During 2020, in fact, LATI has not only started a **process of computerization and digitalization of the production-logistics area** – which will lead it within a two-year period to have real-time control of data and of the progress of each phase relating to production, internal and external logistics, and online and off line checks – but has also made **a sizeable investment aimed at the revision and enhancement of IT infrastructures and architectures**, with particular reference to networking and security, and structures not directly connected to production.

In the belief that, beyond all the necessary "infrastructural" investments, the real driver of the digitalization process is our **staff**, between the end of 2020 and the beginning of 2021, LATI conducted the **survey "Digital Mindset to develop skills"** among employees in order to measure the level of digital maturity of the organization, the awareness in the use of current technologies as well as the existence of an attitude of curiosity, proactivity and positivity towards technological innovation. Having identified the state of the art, LATI has planned **training courses to be provided to everyone** with the aim of enhancing the skills functional to the development of a Digital Mindset. La nostra roadmap verso Industria 4.0, che riguardava soprattutto la digitalizzazione del polo logistico e della fabbrica, per arrivare in un momento successivo a quella dell'intera azienda, è stata ulteriormente integrata in risposta alle esigenze dettate dalla gestione dell'emergenza COVID-19.

3.1.3 Research and development projects

LATI is constantly committed to **research and development (R&D)**. This work is mainly aimed at research into innovative solutions that permit, on the one hand, to make an increasingly large quantity of eco-sustainable, high-performance products available, and on the other, reduce the environmental impacts generated throughout the value chain of its products.

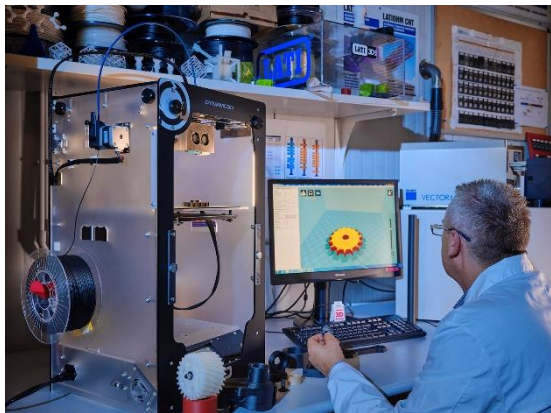


FIGURE 6 - ANALYSIS ACTIVITIES ON MATERIALS FOR 3D PRINTING IN THE R&R DEPARTMENT

R&D activities are developed, on a case-by-case basis, also in response to external requests directly from clients, or indirectly in response to the market's evolution.

In particular, during 2020, the R&D department has invested heavily in the **development of new materials** featuring high technical content and performance, using recycled raw materials, and has studied the long-term impact on functional properties and consistency of the final performance and stability of these new products.

In particular, during 2020, the R&D department has invested heavily in the development of new materials featuring high technical content and performance, using recycled raw materials, and has studied the long-term impact on functional properties and consistency of the final performance and stability of these new products.

Versions of **self-extinguishing materials** with high mechanical strength and rigidity properties have been created with a significant content of post-consumer or post-industrial **recycled materials**; solutions have been developed with the use of recycled materials from

food containers or selected and recycled bottles; other developments contain raw materials (polymers, fillers or reinforcements) produced from biomass derived from sugar cane, or other **biomass** obtained from the recycling of agricultural residues or wood meal or other vegetables. An interesting project involved **polycarbonate** from sheets recovered after their use in the roofs of greenhouses and other structures.

Also in 2020, important studies were aimed at the **development of new materials for applications in the field of electric mobility**, with the aim of responding to the critical issues and challenging requirements for use in this sector.

Our R&D department is also currently engaged in two projects. The **POLISTE project - advanced POLymeric materials based on Lignin for Sustainable Technologies**. The initiative, sponsored by the **CARIPLO Foundation** and the **Lombardy Region**, aims to **develop new advanced polymeric materials from modified wood-cellulosic biomass**. In this project LATI is engaged in the formulation, production and characterization of compounds containing lignin as a structural reinforcement or to give the material various functional features (self-extinguishing properties, dimensional stability, etc.). The polymers selected for the project are sustainable polymers, i.e. PE produced from biomass and recycled PP. The materials will be used in household appliance applications of the companies that participate in the project consortium.

The **SAbYNA project** is funded by the **European Community** under the **Horizon 2020 programme**. SAbYNA intends to **develop a user-friendly IT platform that facilitates the risk assessment and control of nanomaterials** (NMs and NEPs) and the related production processes

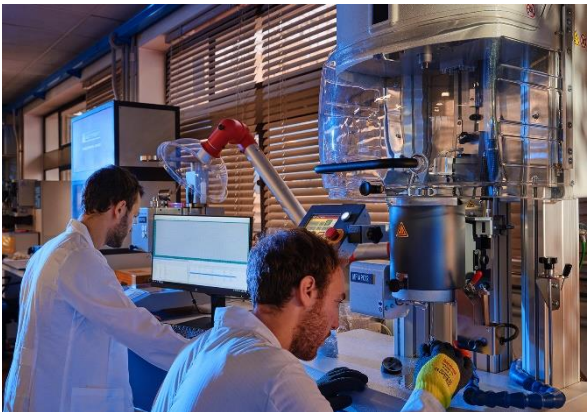


FIGURE 7 - TESTING ACTIVITIES IN R&D DEPARTMENT

according to the **Safe-by-Design principles**. The project redesigns existing methods, models and tools in order to reduce their complexity and costs. As part of this project LATI is providing support in the creation of materials and processes (3D printing – one of the case studies selected) and is carrying out the validation tests of the instrument with the support of in vivo tests and the characterization of the toxicological impact of the process and the nanotechnological end product.

3.2 Together with our staff

The **people** who work at LATI have always represented the **main resource in which the company feels the need to invest** in order to build its future. In this difficult year, LATI has once again placed attention on its employees, guaranteeing job stability and focusing on the needs of individuals.

LATI has not only managed to keep employment levels stable, benefiting in a limited way from the Covid-19 employment support funds, but, in July, the company has expanded its workforce with new hires. During the year, accelerating, in many cases, the process of digitalization and transformation already underway in an Industry 4.0 perspective, we have developed new tools to allow employees to continue working safely, reorganized training programs, activated support actions to protect the well-being of employees and implemented new corporate welfare policies, also in response to the employees' emerging needs.

MANAGING THE COVID-19 EMERGENCY

2020 began with the global **challenge posed by the Covid-19 pandemic**, which forced the company to reconsider many aspects of daily operations and highlighted the importance of resilience, collaboration, and transparency.

During this period the company has demonstrated its **ability to rapidly adapt to circumstances**, its flexibility, determination and involvement, the result of pre-existing and consolidated relationships of trust between people who feel part of a community, made even more united by events.

In the management of the health emergency, the main goal of LATI has been that of **safeguarding the health and well-being of employees**, implementing a number of specific actions:

- the implementation of a strict **Covid-19 protocol at the workplace**;

- the establishment of an **internal Covid Committee** with regular meetings to monitor the measures put in place and the possible interventions;
- interventions aimed at **ensuring the safe management of common areas** (e.g. canteen, changing rooms, services);
- the possibility of **voluntary serological tests**, with the aim of enhancing the serenity of employees and contributing to an epidemiological mapping project by the local health service unit;
- the stipulation of an **agreement with a specialized Medical Centre** for swabs and serological screenings.

Although a process of transformation of the company has been started for some years now for the promotion of the digitalization and innovation of back-end processes, at the beginning of 2020 LATI had not foreseen an extension of the possibility of home working for the personnel not employed in the production department. In response to the emergency that dictated this change, a large task force was created which, in a few weeks,

made it **possible to extend smart working** – previously provided exclusively for the company's front end and some pilot functions – to all those who can take advantage of it.

After the first emergency phase, LATI decided to seize this opportunity for developing new ways of organizing work in a "**work-life balance**" perspective and collected, after several meetings through an internal survey in July, the opinion of the staff forced to work remotely from March 2020 because of the pandemic. In accordance with the anti-Covid legal provisions, LATI has:

- drawn internal rules for Smart Working, signed with the trade union representatives;
- signed the relevant agreement with the trade unions;
- provided the mandatory training on Smart Working;
- finalized the individual agreements provided for by law.

Smart work has thus been institutionalized with the formula of **maximum organizational flexibility** up to 5 days per week, according to the needs of each company department.

To support this evolution, **specific training** was provided online on fundamental issues in order to facilitate change and strengthen the adoption of coordination and leadership styles based on trust, autonomy, responsibility, communication, time management, digital collaboration.

Throughout 2020, LATI has demonstrated closeness to its staff, constantly interacting with them and continuing, as far as possible, to take care of their well-being. **Free psychological assistance** has been offered to employees, and several **on-line fitness courses** (yoga, pilates, roll up) have been made available free of charge. The **CEO of LATI has opened a direct communication channel** with all the company's employees sending, on a periodic basis, emails on the progress of the business, on the actions taken to cope with the crisis and on the various initiatives planned to support the people who work at LATI and more generally the local community

3.2.1 Our employees

As of December 31, 2020, there are a total of **298 people working at LATI**, about **90% of whom under an employment contract**. The remaining share is hired under external collaboration contracts.

Most of the **240 employees working in Italy**, about **60.4%**, are aged **between 35 and 55 years old**. Approximately **10% of Italian employees are younger than 35 years old**, while **the remaining (29.6%) are over 55**. The **average age of employees in Italy is 49 years old**, unchanged from last year.

Of particular interest is the comparison of **the age of the staff with the average company seniority**, which **in 2020, was 18 years**, testifying to the mutual investment made by the employees and the company in ensuring the stability of the employment relationships. What has been generated in LATI over the years - thanks to company policies aimed at enhancing people and increasing attention in the selection and recruitment of new resources - is a combination between the enhancement of personnel's

266 number of employees

90,2% in **Italy**, **6,4%** in **European branches** and **3,4%** in **non-European branches**

99,2% of employees are hired under an **open-ended contract**

Just under **97% of employees** work under a **full-time employment contract** (Italy and European branches).

49% of employees are **manual workers**, **37.4% clerical workers**, **10.1% executives** and the remaining **3.5% managers**.

Box 14 – OUR EMPLOYEES

skills and professional experiences and drive for innovation. A combination guaranteed by the availability, inside the company, of figures with solid skills and a great professional experience, helpful above all for providing support to customers and in the development of new formulations, where more and more often young resources are introduced, motivated and oriented to the development of innovative processes.

59% of employees in Italy are high school or university graduates, the figure grows significantly (91.7%) with reference to foreign branches - UK excluded in consideration of the

DIVERSITY IN THE COMPANY

Women employees represent 19.2% of the workforce. The percentage of women employed in Italy in 2020 is 17.9%, slightly up and continuing to rise against the two previous years. Women employees all have an open-ended contract and 85% of them are managers or executives.

- **WOMEN ON TOTAL EMPLOYEES (Italy)** 17,9%
- **WOMEN ON TOTAL MANAGERS (Italy)** 33,3%
- **WOMEN ON TOTAL EXECUTIVES (Italy)** 15,4%
- **WOMEN ON TOTAL CLERICAL WORKERS (Italy)** 44,3%
- **WOMEN ON TOTAL WORKERS (Italy)** 0,8%



With the same hours worked, sectors of employment and jobs, LATI guarantees **substantial equal pay for men and women.**

LATI is committed to extending work and professional development opportunities beyond legal requirements to the more vulnerable. **In 2020, 17 people with disabilities were employed by the company.**

LATI considers diversity an added value for the company's and the individual's development. In the new model of expertise, **"appreciating diversity"** is one of the seven skills identified in the organization as supporting evolution and change.

different type of activity carried out, that is purely commercial.

96.3% of employees work under the terms of collective bargaining agreements (CCNL Rubber and Plastic). The minimum period for notifying work assignment changes is two weeks.

With reference to Italy and the European branches, the **people recruited during 2020 are 14, of which 57% are women**. The **average age of personnel employed in Italy is 30 years**. **The staff who left the company in the year are 17**, of which 11 are men and 6 women. 29% of exits are due to retirements, the remaining share mainly to voluntary exits or to the termination of the employment contract. **In 2020 there were 3 dismissals** for just cause being concluded with the legal parties. In 2020 the **share of new hires was 5.4%** while the **turnover rate was 6.6%**.

3.2.2 Personnel search and recruitment

In looking for and hiring new staff, LATI follows the **criteria of objectivity, competence, and professionalism**, applying the **principles of equal opportunity** without favouritism, with the aim of acquiring the best expertise on the job market. Each stage of the selection process is supported by **document evidence and tracked**, in order to ensure transparency in all phases and reduce the risks associated with the hiring process. The **channels used for recruiting are various**: the publication of ads on the company's website, websites specialized in personnel research, operators in the sector, chosen according to the figure to be searched. The archive of CVs on the LATI website is also consulted, in the "Join us" section, as well as possible internal applications are also considered to promote job rotation and the professional development of people. If useful / necessary, the task is entrusted to specialized recruitment companies. The selection is then carried out on the basis of the **professional skills and abilities** of the candidates.

3.2.3 A new skills model

Since 2016, LATI has been pursuing an important **process of strategic and technological change** that will lead to a real company transformation and will enable it to operate with greater efficiency, further developing its business operations in the context of value.

This has made it necessary to invest in the **development of new skills** that - alongside the solid technical skills already present in LATI - enable the company to support and make the current transformation possible.

With this goal in mind, during 2020 LATI redefined its **skills model**. It is based on **7 key factors** to which a set of **interpersonal skills** are associated to a set of **behaviors expected** by the organization with reference to all its business functions.

The behavioural model explaining and implementing the 7 skills as above has been developed in two versions, one for people managers and one for collaborators.

Following the adoption, in June 2020, of the new Skills Model - and in order to allow its widespread dissemination - a **high-impact training project** was developed. The entire organization was involved in two macro phases of training: a specific training activity and the assessment of skills between the manager and the employee.

Starting from 2020, in fact, all employees (both Italian and foreign) will be evaluated annually not only in consideration of the results achieved, but also of the overall system of massive organizational behaviours in place.

SKILLS	
Promoting our economic sustainability	We want to grow in a way that is sustainable to ensure the future and create economic and social value
The client at the heart	We integrate the customer's perspectives and offer reliable and effective product/service solutions with a reciprocally sustainable approach.
Agility in the service of business	We adapt flexibly and rapidly to the market evolution and the needs of our sector.
Sustaining the growth of talent	We create a team of engaged collaborators motivated to collaborate pro-actively.
Acting with team spirit	We work in synergy with the entire organization to create transversal responsibility to accomplish team and company goals.
Humanly intelligent	We practice empathy for an open, reciprocal, and collaborative climate, even in periods of market uncertainty.
Appreciating diversity	We create an inclusive and innovative environment for sustainable international development.

TABLE 3 - SKILLS MODEL

3.2.4 Training supports the development of our skills

Training activities are a strategic element for developing know-how, the professional growth of employees and growth in the quantitative and qualitative level of skills and professional standards. LATI is investing in a training programme that contributes to the **company's drive for innovation**, supporting people in the acquisition of the tools needed for better comprehension and the ability to manage the challenges generated by the market evolution in our sector.



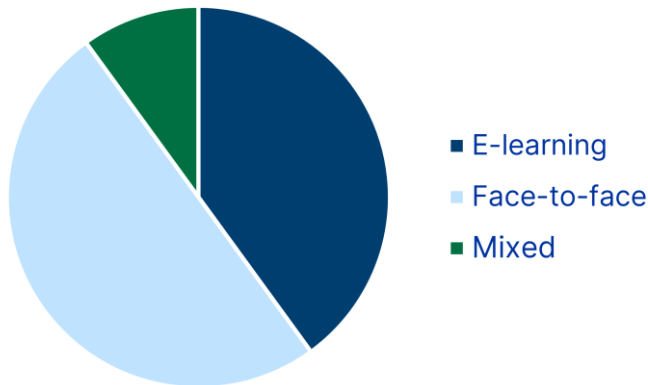
FIGURE 8 - TRAINING COURSE IN THE HEAD OFFICE OF GORNATE OLONA

OUR TRAINING BY NUMBERS

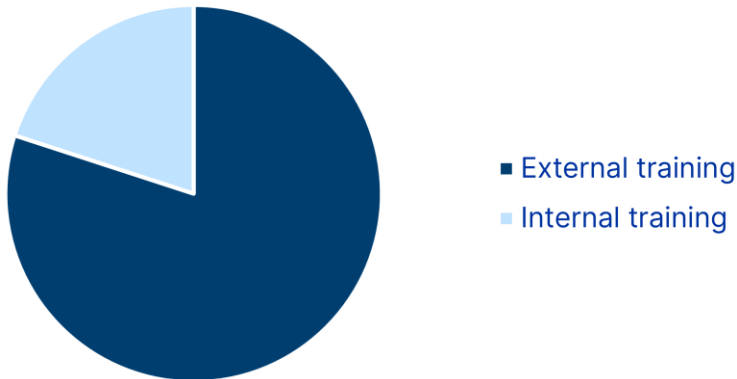
4.355,5 hours of training delivered

18 number of average hours of training per employee

Delivery Methods



Teaching mode



BOX 16 – OUR TRAINING BY NUMBERS

The training programmes provide for **technical-specialized refresher training** for all employees with the aim of enhancing specific skills in their jobs; **cross training programmes** are also offered aimed at developing the skills considered as priorities for managers and clerical workers.

The training courses are mainly entrusted to **high-profile external professionals**; as far as possible, LATI also enhances internal skills by involving the most qualified employees as teachers in training programmes.

In 2020 training courses at LATI have undergone a strong reorganization in terms of delivery methods, duration and content in order to make all the courses - accessible online or with mixed methods if no internet connection is available - always being able to guarantee the conditions of maximum protection of the health of the people involved.

In detail:

- **the courses on soft skills** (skills, negotiation, communication, smart working) have been partly reconsidered in terms of their duration and calendar, they have been offered as e-learning courses to the employees who have the opportunity to work remotely
- **the courses for factory workers**, according to the training plan (2 hours at the end of the work shift), were provided, where possible, with trainers connected via Teams and staff divided into the different rooms available. This innovation has brought the advantage - also usable in the future - of being able to carry out simultaneous training at the two sites of Vedano and Gornate.
- **training on safety** has been provided according to the provisions of current laws, online where allowed by law, or face-to-face in the case of practical training.

To support the management of face-to-face courses in times of emergency, a specific procedure - still in force - has been drawn up by Health & Safety manager aimed at ensuring the safety of people and the environment.

In addition to the training hours planned by the company, employees were given the **opportunity to participate**, by agreement with their managers and during working hours, in **numerous training and / or refresher courses** aimed at promoting the self-development of people. These were mainly courses and/or webinars promoted by the trade associations to which LATI adheres and/or by partner organizations, focused on issues related to specific roles – for example, refresher webinars for commercial, administrative and HR management functions; courses on sustainability and the circular economy – requested by the staff themselves in order to refresh and develop their skills.

3.2.5 Evaluating performance

Evaluating professional performance is one of the fundamental goals of staff management policies. The system of evaluating performance, in fact, identifies efficient methods for valuing and giving visibility to personal models of excellence in performance and professionalism, with positive effects on morale. The evaluation of employees is conducted with **processes, systems and methods that ensure the promotion of actions and behaviours that respond to the culture and expectations of the company**, in compliance with the Code of Ethics and the principles of plurality, equal opportunities, enhancement of knowledge and professionalism of people.

At LATI, the evaluation of performance is described by a special procedure that indicates the criteria for defining and possibly delivering awards based on the achievement of specific targets assigned, or the management of complex situations deserving recognition.

3.2.6 Salary policies

Salary policies are devised as one of the factors that contributes to the improvement in company performance and the creation of value in the medium-long term. LATI's policies in this field aim to be competitive, transparent and effective in attracting, motivating and retaining resources

that - due to their technical and managerial skills and their different profiles of origin, gender and experience - represent a key factor for the success of the company and for the achievement of its strategic goals.

3.2.7 Listening to the employees

Paying attention to our staff is part of our DNA here at LATI. This attention is expressed in the extent to which value guides the company's work, it is formalized in the governance model, thanks to the recent attribution of specific powers regarding the company's social affairs, with particular reference to company welfare, and is part of the daily tasks as it is fully integrated in the management approach to staff, well beyond what is required by law.

In this sense, there are three elements that characterize LATI's approach: **psycho-physical well-being**, the **creation of a relationship of trust with the personnel** and, as a consequence of all this, a **flexibility that listens to the employees**, albeit within the limits of what is necessary to ensure maximum efficiency and operational effectiveness.

Within this framework, **LATI promotes internal engagement** through the organization of initiatives aimed at its employees, designed with particular attention to improving the quality of their individual and family life.

Every year LATI makes available important **preventive healthcare programmes** to its employees: health check-up for all managers; drug delivery service in the company in collaboration with a local pharmacy; support, including economic support, for the adhesion to the Supplementary health care fund and to the "Fondo Gomma Plastica" pension fund that includes a preventive healthcare package.

In addition, during 2020 a **course dedicated to the promotion of healthy lifestyles** was organized addressing the issue of eating habits at work and at home and, for the Christmas holidays, a free **programme of fitness courses** was offered to all employees and their families, also online, for their well-being.

Box 18 – PARTECIPATION IN THE WHP PROJECT

PARTICIPATION IN THE WHP PROJECT - WORKPLACES HEALTH PROMOTION

LATI has joined the WHP - Workplaces Health Promotion project in workplace health promotion. The project includes a number of choices that have a direct impact on the lives of employees such as the adoption of a quality external canteen service evaluated by a 'Canteen Committee' composed of employees; the availability of fruit for free use by the staff; initiatives aimed at the culture of nutrition, also through the intervention of nutritionist in dedicated workshops. LATI has been recognized as one of the most virtuous companies obtaining the Certificate of "workplace that promotes health" for the year 2020 by the WHP Network of the Lombardy Region.

PARTICIPATION IN RETE GIUNCA

LATI is a member of RETE GIUNCA, the first corporate welfare network in Italy established in 2012 with the aim of collaborating through joint actions geared to improving the well-being of employees. Through this participation, the company allows its personnel to take advantage of opportunities for themselves and their families, special arrangements and services at discounted prices.

Box 17 – PARTECIPATION IN RETE GIUNCA

3.2.8 Health and safety at work

LATI considers the task of **protecting staff** with the utmost attention and is constantly committed to the **dissemination of a safety culture** within the company, implementing specific tools aimed at boosting awareness and providing suitable training for its employees.

In 2020, a **Management System for Worker Safety** was implemented and certified to **International Standard ISO 45001:2018**.

The company applies a **regular monitoring system for accidents and occupational diseases**. During 2020, although the number of hours worked in a year increased significantly - from 317,483 to 441,594 - the number of accidents remained unchanged compared to 2019. None of the 10 accidents reported in 2020 had serious consequences. In addition, no occupational diseases were reported and recorded in 2020.

The efficient management of risks in the field of Health and Safety at Work is guaranteed by the **Prevention and Protection Service** and by the Competent Doctor through continuous processes of identification, evaluation, accountability, control and improvement of health and safety.

The **employees have the opportunity to report at any time the existence of hazards or near misses** at work to their superiors, to the Workers' Safety Representatives, to the H&S manager. Any initiative in this sphere is appreciated and encouraged by the company. In the case of an accident / incident, or a near miss event, a specific procedure is applied for analysing, managing and possibly removing the causes that generated the event.

The **Competent Doctor** is an external figure who is present in both plants of the company at least twice a week for carrying out planned activities such as medical examination of new hires, regular examinations, inspections, etc. The **internal health surveillance service** is specifically responsible for preventive health checks to establish that there are no contraindications for the task entrusted to the employee, for

the purpose of assessing his/her specific suitability; regular checks on the state of health; formulation of the judgment of suitability for the specific task. The Competent Doctor also collaborates in the implementation and enhancement of voluntary health promotion schemes and participates in the risk assessment procedures with the Employer and the Head of the Prevention and Protection Service.

As regards the company's health promotion activities, the employees have been offered the possibility of adhering to the **FasG&P Health Fund** which provides healthcare services in addition to the Italian national health service to employees, workers, special qualified staff, clerical workers and managers of the plastics industry.

LATI implements **awareness-raising, training and refresher activities on the theme of Health and Safety**, aware of the fact that the behavioural factor represents the main cause, or a contributory cause, of accidents at work.

During 2020, LATI provided 1,619 hours (37.2% of total training hours) of health and safety training to the staff. Annually the programme and a specific training plan are proposed for:

- training for any new hires;
- refresher courses for employees;
- mandatory training;
- training on operational procedures and instructions;
- training requested by managers, workers, Workers' Safety Representatives and following inspection visits.

The participation of employees is accomplished through their representatives, the involvement takes place for all activities, initiatives and projects that may have impacts on Health and Safety. All employees attend the general meeting. During the COVID emergency period, the half-

year meetings were replaced by a monthly communication from the CEO. Every six months a regular meeting is organized with the Workers' Safety Representatives and once a year the Toxicology Commission is summoned.

3.3 Suppliers and customers for sustainability throughout the value chain

LATI is well aware of the role of strategic importance that its suppliers and its clients have in achieving its business targets and, for this reason, it works to build with them a **true partnership** based on **transparency** and **reciprocal trust** in line with its Code of Ethics.

Contamination, sharing, collaboration, which in some cases lead to **co-design and co-production projects**, characterize LATI's approach towards its customers and suppliers. An approach that, over the years, has provided an important contribution, allowing LATI to position itself on the market and develop its business, and has proved to be fundamental during 2020 when, also thanks to the consolidated relationships with the supply chain players, the company has managed to **react to the challenges originated by the pandemic with a flexible and resilient approach**, ensuring the **continuity of production operations** and obtaining **economic results in line with those of the previous year**.

3.3.1 The sustainability of our supply chain

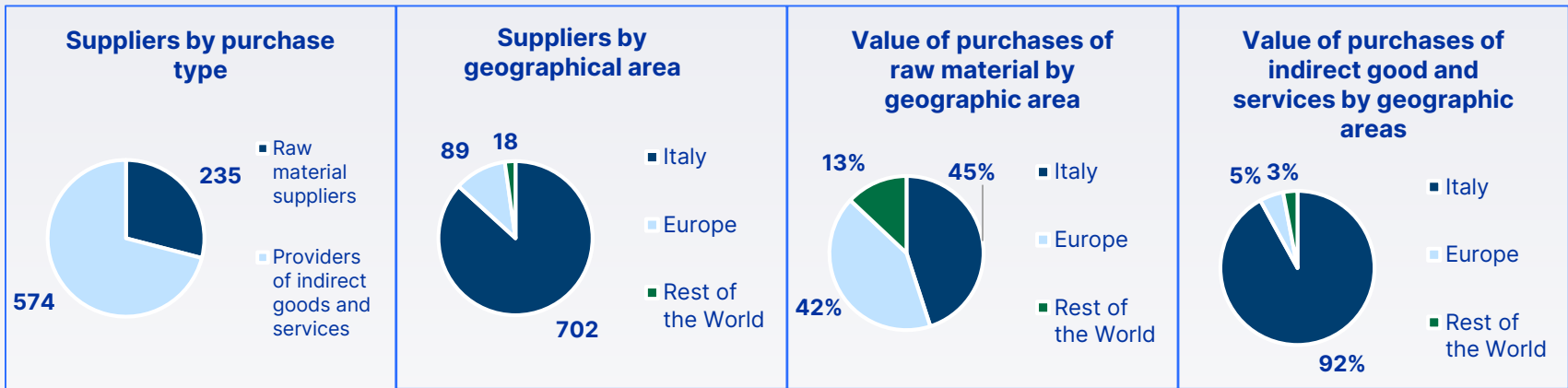
Any efficient supply chain must have **reliable suppliers** as a key component. In 2020 LATI turned to **809 suppliers** in total, **29% of which were raw material suppliers** and the remaining **71% providers of indirect goods and services**, for a **total value exceeding 90M euros**. Although the company purchases from suppliers all over the world, in the choice of providers of indirect goods and services it has managed to **favour local supplies**, which is not always possible for purchases of raw materials, due to technical product requirements. However, **about 87% of our suppliers are located in Italy**.

Box 19 – OUR SUPPLY CHAIN

Our Supply Chain

809 suppliers

>90 M of Euros of purchases, of which **88%** for raw material



LATI selects its suppliers in line with the criteria of **impartiality** and **correctness**, exclusively adopting criteria of objective evaluation, in line with its declared, transparent methods, with the aim of not precluding anyone who meets the requirements from the possibility of competing for an order from LATI and avoiding actual and potential conflicts of interest.

Box 20 - CONFLICT MINERALS POLICY

CONFLICT MINERALS POLICY

In conformity with the current European rules, LATI has adopted a company policy aimed to voluntarily adopt the principles of the "Dodd-Frank Wall Street Act, Section 1502", and carry out a series of preventive and communication actions along the supply chain.

Section 1502 of the "Dodd-Frank Wall Street Act", the U.S. Federal Act of 2010 introduced the term "Conflict minerals", referred to gold, tantalum, tin and tungsten and their respective derivatives columbite-tantalite, cassiterite, wolframite sourced from the Democratic Republic of the Congo (DRC) and surrounding countries.

The suppliers of these raw materials, used in the manufacture of products, are required to provide a declaration of the absence of conflict metals and minerals and their derivatives. In addition to this, during the validation process, a chemical analysis is performed on the raw materials and, where necessary, corrective actions are implemented according to the ISO 9001:2015 standards. If any of the above minerals is detected, the imported annual volumes are monitored and information insights are required. Any raw material that does not comply with this policy cannot be purchased by LATI.

100% of the suppliers that for the first time start a relationship with LATI participate in a **qualification process** in which the possession of a Quality Management System (UNI EN ISO 9001:2015) and/or Environment (UNI EN ISO 14001:2015) certificates is evaluated with the attribution of a rewarding score. The score obtained during the qualification phase is updated after evaluating the service provided.

LATI promotes the establishment of **lasting relationships with its suppliers** who over time become real partners for the company. LATI has drawn up, and shared with all its suppliers, a '**Supplier Quality Manual**', written in Italian and English, with the aim of coordinating the collaboration between LATI and its suppliers aimed at long-term relationships, the alignment of expectations and transparency. As a proof of this commitment, the **average duration of relationships with its suppliers**, and in particular with strategic ones, **is about 20 years**.

3.3.2 On the customer's side

Meeting customers' expectations is a fundamental priority for LATI. The company is committed to meeting these expectations, on the one hand, investing continuously in its ability to respond to all challenging applications that require technical solutions and special materials, and on the other, working alongside its clients and establishing relationships with them which, in addition to being commercial, are in many cases true strategic and operating partnerships.

LATI **supports its customers from the early stages of design**, in the choice of the most suitable material or in the creation of a new product, offering adequate assistance in all phases of its application in final goods.

In many cases, the company undertakes to offer a **tailor-made product** in response to specific customer requirements. Each formulation is in fact optimized to provide the best response to the application needs, even if the required formulation differs significantly from standard ones.

LATI also offers its customers the opportunity to **verify the validity of the projects** through the help of FEM simulations on the computer through which it is possible not only to optimize the thermal and mechanical performance of the products by intervening directly on the formulation of the technical compound used for its production, but also to correct the design of the mould before it is built or to solve moulding and deformation problems.

LATI also aims to support its customers even **in the "use" of the product** by providing, when necessary, **injection moulding assistance**, providing engineers with thirty years of experience in the field of injection moulding processes, machines and moulds, not only to solve problems and optimize productivity and quality, but also to start up production processes and correctly interpret the particular features of the most sophisticated compounds.

In addition to this, the company offers its customers detailed **support in the management of regulatory issues**, making the necessary documentation available for each product all



FIGURE 9 - FEM ANALYSIS PERFORMED BY THE TECHNICAL ASSISTANCE TEAM

and, when necessary, assisting customers in the certification procedures of materials at worldwide accredited laboratories and bodies. LATI releases **internal certifications of compliance** with the laws of all countries.

Last but not least, through **specific training courses** organized by qualified personnel, the employees and customers concerned are offered all useful and necessary information for the performance of their tasks; here the aim is to develop and improve the professional and managerial skills of the individuals involved, responding to the specific technical-cognitive needs emerging in certain business sectors.



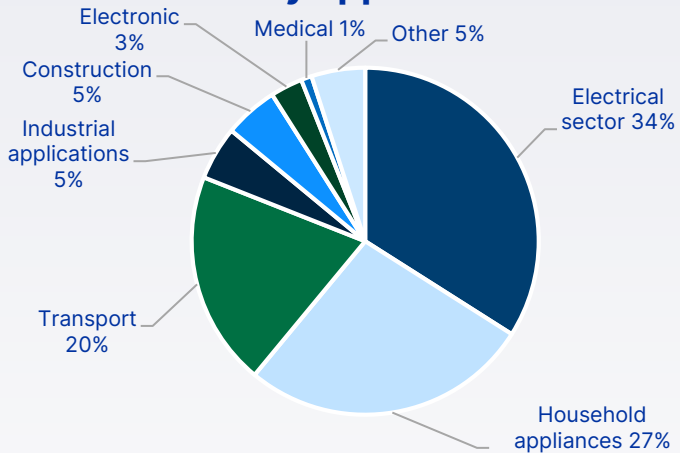
**FIGURE 10 - FLAME RESISTANCE TESTS CARRIED OUT AT VEDANO OLONA
LABORATORY**

Box 21 – OUR TARGET MARKET

Our Target Market

1800 customers

Turnover by application sector



Turnover by region

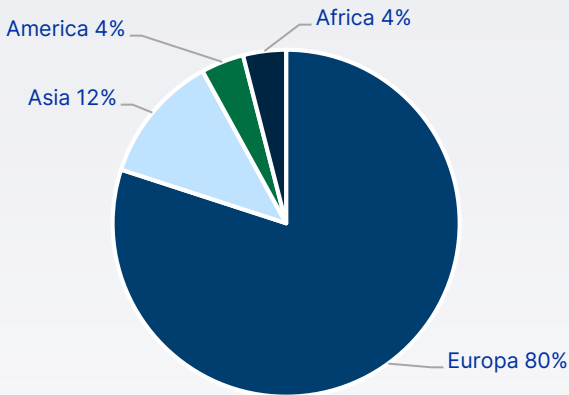











TABLE 4 – APPLICATION AREAS OF LATI MATERIALS

Application Sector	Details	3 key properties	End products
Energy and electronics 	<p>In this area, a complex challenge due to the extreme variety of project requirements: maximum attention to productivity, costs and environmental impact. LATI responds by offering structural, self-extinguishing, self-lubricating and conductive compounds developed from PP, PA, PBT, PPS and PPA. Always keeping in mind the RoHS, REACH and WEEE regulations on traditional and halogen free compounds.</p>	<p>Self-extinguishing, mechanical strength, markable</p>	<p>Electric power distribution, connectors, components, lighting, electromechanics, alternative energies</p>
Household appliances 	<p>The concept of household appliance is assuming a less and less defined meaning due to their versatility and multifunctional features. Safety, reliability, durability as well as lightness, noiselessness, aesthetics. From UL and VDE certified self-extinguishing features for halogen-free self-extinguishing compounds, to glow wire GWEIPT, GWIT 775°C and GWFI 960°C tests, structural strength for metal replacement projects, chemical and thermal resistance, self-lubrication, suitability for contact with food and water. LATI compounds offer all this without losing sight of competitiveness and productivity.</p>	<p>Self-extinguishing, mechanical strength, self-lubrication</p>	<p>Large and small appliances, professional lines, HVAC systems</p>

Application Sector	Details	3 key properties	End products
Transports 	<p>The means used for the transport of people or goods represent a very important application field for plastic compounds, especially in the current phase of revision of the ecological footprint of transports. The main guidelines: lightness, resistance to fire, heat, chemical and weather agents, aesthetics, robustness. Not only structural parts redesigned in order to optimize safety and reliability, even without the use of metals, but also interiors, engine compartments, brakes and mechanical parts, accessories, infotainment and connected systems. Keeping in mind the disposal of the vehicle at the end of its life.</p>	<p>High temperatures, mechanical strength, chemical resistance</p>	<p>Automotive, advanced mobility, railway and marine applications</p>
Water and food 	<p>For polymers, the issue of contact with food and drinking water is of fundamental importance, especially for those applications geared to containing, processing and transporting what we eat and drink. From agricultural production and livestock farming, along the entire processing line, to our tables – food safety is imperative today. LATI guarantees the quality of its materials and their compliance with international food safety standards. With a range of products including PE, PEEK, transparent materials such as PPSU and biobased, structural, antistatic, self-lubricating and detectable compounds.</p>	<p>Safety, self-lubrication, magnetic detectability</p>	<p>Drinking water management, food production and processing, coffee machines</p>

Application Sector	Details	3 key properties	End products
Industrial applications 	<p>The world of industrial machines needs reliable solutions over time, capable of increasing the performance, productivity and profitability of processes, improving the competitiveness of the product and service offered. Today's challenges to engineering polymers are many: high temperatures, intense and repeated mechanical stress over time, chemically aggressive environments, accumulation of electrostatic charges and heat loads. LATI is ready to stand up to these challenges with its range of structural, conductive and self-lubricating materials, also developed on very high-performance resins such as PA, PPS, PPA, PPSU and PEEK.</p>	<p>High temperatures, chemical resistance, electrostatic charges</p>	<p>Hydraulics and pneumatics, work vehicles, industrial machinery, professional tools, safety and PPE</p>

Application Sector	Details	3 key properties	End products
Home 	<p>In the future, more and more companies will encourage a gradual merger of work and leisure activities, as described by the concept of work-life balance. The house will no longer be the place to stay only a few hours a day. In the revaluation of the function of the domestic environment, LATI wants to be a protagonist with flexible, pleasant, safe and suitable materials for any type of project. Therefore, not only technical products, such as structural or self-extinguishing compounds, but also new solutions for the lighting of environments, for functional furnishings, for sanitary ware and kitchens. For increasingly comfortable and smart homes.</p>	<p>Versatility, self-extinguishing, mechanical strength</p>	<p>Doors and windows, furniture, lighting, home automation and anti-intrusion security</p>
Medical 	<p>Medical equipment is subject to a continuous process of technological innovation as well as to the stringent requirements imposed by sector regulations. LATI provides the most advanced skills and materials to overcome both challenges. Solving complex issues of resistance to disinfectants and sterilization, to X-rays, heat and mechanical stress. Where necessary, bacteriostatic compounds can also be formulated.</p>	<p>Chemical resistance, X-ray shielding, mechanical strength</p>	<p>X-ray, electromedical, sanitary and laboratory equipment</p>

Application Sector	Details	3 key properties	End products
Sport and free time 	<p>In sports activities, the equipment must not be a limit to the athlete's performance and enjoyment. For this reason LATI takes into great consideration the requests coming from sport enthusiasts of all levels, agonists, amateurs or lovers of simple physical exercise, providing light and rigid super-structural compounds as metal replace solutions, thermosets, wood and composites, controlled-density materials for both heavy and ultra-light parts, impact resistant grades even at low temperatures, products of high aesthetic value and made with resins suitable for sunlight exposure and many others.</p>	<p>Super structural, controlled density, mechanical strength</p>	<p>Water sports, outdoor and shooting sports, motorsports</p>
New trends 	<p>Plastics are changing their face thanks to bio-based resins with low environmental impact and innovative formulations incorporating raw materials from renewable or recycled sources. The way in which polymers are perceived is also changing: materials with extraordinary sensory characteristics are applied in sectors traditionally precluded to them. These are the trends of a near future still to be invented, in which plastics will write new pages of history of design, fashion, consumer goods.</p>	<p>Bio-based resins, design, versatility</p>	<p>Design and fashion, cosmetics, bio-based and recycled materials</p>

In the last two years, **customers' attention to sustainability issues has been growing strongly**: in fact, they require more and more products and production processes with a lower environmental impact. The **automotive sector was the pioneer** in this field, as it was the first to introduce – in non-technical parts – significant percentages of recycled polypropylenes and polyolefins inside the passenger compartment or in non-structural applications. The trend dictated by the need to introduce recycled materials also in technical and special products is increasingly growing.

The demand for sustainable solutions has been advancing not only in the automotive industry, but also in other sectors, in particular in the **E&E** industry which is **asking for green solutions**, with requests for products with a content of up to 30% of recycled material, or stricter measures for the reduction up to 50% of tCO₂eq emissions into the atmosphere.

LATI takes care of its relations with customers through a **commercial structure** that, over the last few years, has been increasingly integrated into the company organization thanks to the upgrading of the existing sales offices – operating as distributors and / or area agents – into full-fledged **branches**. This integration process, concluded in 2020, is linked to the pursuit of a **greater control over international operations and an increase in operational efficiency**, also aiming at developing synergies in the context of a global market.

In addition to this, LATI signed **commercial agreements** such as the one in 2020 with **Star Plastics Inc.** a US company based in Ravenswood, West Virginia. Through this agreement, LATI is aiming to assist customers and expand the sales network of LATI materials in North America as well as to strengthen the special product lines of both companies.

3.3.3 Our commitment to the local community

A strong international vocation does not prevent LATI from feeling like an integral part of the local community which, since its inception, has hosted the company and its production facilities. Decisively follows a strategy of **generating shared value**, each year the company is committed to **sustaining the community's well-being**, creating jobs and income for **Vedano Olona** and, more generally, the entire **province of Varese**, with an attentive eye on sustainable growth and respect for the environment.

LATI is also committed to the **promotion and support of numerous social initiatives in the sphere of culture, sport, inclusion and health**. We support cultural events and visits in our territory, we participate with the Municipality of Vedano Olona in socially relevant initiatives and every year we support various projects of charities in favour of the weakest, in the form of donations or specific activities.

Even in a complex year such as 2020, LATI has not denied its support to the local community. In line with its values and attention to employment, employability and well-being of its employees, despite the concrete difficulties related to the pandemic, **LATI has maintained full employment**, hiring new resources in the second half of the year.

LATI has also contributed to **actively supporting both the protagonists of the fight against the pandemic** – hospitals, the Red Cross and Basic Medicine – **and, in a broader sense, the local communities**, participating in – and, in some cases, directly activating – a territorial network for ensuring support in the most acute phase of the health emergency. This is the context, for example, of the **donation of 7,000 surgical masks to the community of Vedano Olona**. On several occasions LATI has also made available its technical know-how – and in some cases its raw materials – for the development of special projects, supporting various local associations in facing the health emergency.

In line with its strategic approach that has always been oriented towards considering challenges as development opportunities in a future-oriented perspective, LATI decided in 2020 to **invest in culture**, in the belief that it can contribute to the recovery of the territory and more generally of Italy. With this in mind, we supported the creation of the documentary film "Un film per ripartire (A Film to Start Again)" in which the inhabitants of Vedano tell the present and the past of their community with the aim of providing ideas to react and start building the Vedano of the future.

As a contribution for the future and recognizing the fundamental role of culture, in 2020 LATI became **Corporate Golden Donor of the Italian environment fund** (FAI) and supported the **Wikimedia Foundation** - Wikipedia the Free Encyclopedia, and its projects in favour of knowledge and open information.

3.4 Our commitment to environment protection

Investing in the promotion of environmental protection has always been part of our commitment. This is not only because we are fully aware of the impact of our operations, but also, and above all, because we believe it is our duty to do our part in contributing to the protection of the territory in which we operate and, more generally, of the environment. Starting from a deep knowledge and careful evaluation of our products and production process, we aim to constantly **monitor and limit the impact of our operations**. With this goal in mind, we are committed to the careful choice of the raw materials we use and their appropriate treatment, we invest in the design and development of materials that meet sustainability criteria as much as possible (to know more read the [Sustainability-oriented innovation](#) paragraph), we are constantly looking for technological and organizational solutions that can allow us **to make our production processes** - and in a broader sense our value chain - **more efficient and less impactful**.

LATI is **among the first in Italy to have implemented and certified, in 1995, an Environmental Management System complying with the ISO 14001** standard, thus committing itself to pursuing the continuous improvement of its environmental performance. Currently, the sites of Vedano Olona and Gornate Olona are certified according to the **UNI EN ISO 14001:2015** standard.

During 2020, there was no damage to the environment as well as no lawsuits or penalties for environmental crimes or damage.

3.4.1 Our impact on the environment

The main impact of LATI on the environment is undoubtedly connected to its production processes, which, without going into details, can be summarized in the following **four phases**.

TABLE 5 - THE PRODUCTION PROCESS AT A GLANCE

PROCESS PHASES	MAIN IMPACT VARIABLES
PREPARATION The production phase begins with the arrival, weighing and storage of raw materials that can be fed into mixers in order to partially mix their contents.	<ul style="list-style-type: none"> • raw materials • raw material packaging • energy consumption • emissions

PROCESS PHASES	MAIN IMPACT VARIABLES
EXTRUSION <p>The molten plastic polymers are homogeneously mixed with specific additives (powders, fibres and liquids) and stabilized through cooling, before being cut into extruded profiles of constant section and variable length.</p>	<ul style="list-style-type: none"> • energy consumption • water consumption • emissions • production waste (industrial waste)
DRYING <p>Drying of extruded materials through vacuum rotary ovens, which exploit a diathermic oil system and are heated by electric exchangers.</p>	<ul style="list-style-type: none"> • energy consumption • emissions
PACKAGING <p>Packaging of finished products.</p>	<ul style="list-style-type: none"> • energy consumption • emissions • packaging for outgoing materials

3.4.2 Use of materials

With regard to the use of materials, particularly significant is the **management of raw materials** to which, as already mentioned, LATI pays great attention. The company invests on raw materials in the constant search for innovative solutions (read the [Sustainability-oriented innovation](#) to know more).

LATI regularly uses **between 300 and 400 qualified raw materials** (granules, flakes, fibres, powders, reinforcements, mineral fillers, etc.), many of them with particular specifications, others more generic. During 2020, a total of **28,630,724 kg of non-renewable raw materials** were purchased (approx. 5.7% of which deriving from the post-industrial cycle of the textile industry) and **17,258 kg of renewable raw materials**.

The **additives** (powders, granules and liquids) are also used in the production process, which, together with the raw materials, make up the final compound (4,571,189 kg purchased in 2020), as well as a number of so-called "**ancillary materials**" (e.g. lubricants, toners, etc.).

Although outside the production process in its strict sense, other types of materials such as paper, wood and plastic packaging may be worthy of consideration in a general approach to reducing the consumption of resources.

With particular reference to packaging the company - in line with the principles of the circular economy, as well as with the aim of improving the efficiency of the production process - is increasingly moving towards the **reduction of packaging for incoming raw materials**. For example, with the construction of eight new silos that, in addition to the current twelve silos, will allow the storage of a higher quantity of bulk raw materials, pushing suppliers to use larger containers (bulk or big bag) as incoming packaging whenever possible. With reference to the packaging purchased for the shipment of outgoing goods, LATI reduced the weight and thickness of the packaging. In addition, the company does not use standard size bags that need to be trimmed, creating additional scraps, but thanks to the use of bag coils it has managed to

produce bags of the right size and, consequently, to reduce the amount of scrap material: these bags are preformed and cut to size directly on the line.

3.4.3 Resources consumption

LATI is particularly attentive to operating in the context of **efficient consumption of resources** with particular regard to energy and water consumption.

One of the biggest items of **energy consumption** for LATI is electric power, in 2020 supplied exclusively by the grid and derived from renewable sources in line with Italy's national energy mix. The attention placed on energy efficiency in 2020 led to satisfying results in terms of reducing consumption, currently -1.2% lower than in 2019.



FIGURE 11 - REEL FOR PRODUCING BAGS OF THE RIGHT SIZE

Nel During 2020, a **photovoltaic system** with a peak power of 117.78 kWp was placed on the roof of the new preparation and mixing department and on the roof of forklift recharge bay. This system allows solar energy to be introduced directly into the power supply lines of the production departments. The annual production of about 120 thousand kWh will guarantee a return on investment in a maximum of 7 years. In addition, 60 tons of CO₂ will be avoided every year, the equivalent of 1,800 trees planted every year.



Watch Elmec Solar B Corp
Photovoltaic Plant Case Video



With the aim of monitoring the energy efficiency of its operations, **LATI calculates the energy intensity value, comparing it with the value of production**, and considering the latter value more significant than the real impact of the 'emissions' factor on process efficiency. In relation to the contribution measured in MWh per ton of finished product, the **trend shows a slight increase (+3.2%) mainly due to the drop in production volumes over the last three years.**

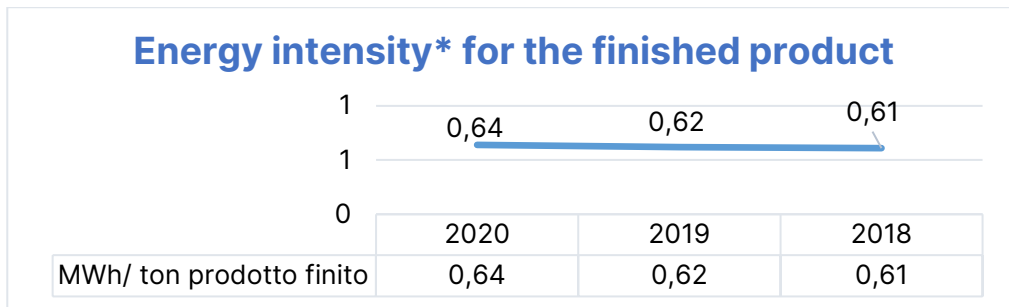


CHART 1 - ENERGY INTENSITY FOR THE FINISHED PRODUCT

* The type of energy included in the calculation of this index is electric power.

With regard to other **energy consumption** (fuels), natural gas consumption is particularly significant due to the company's thermal energy needs. The consumption values for the year 2020 are slightly decreasing, but substantially stable, in relation to:

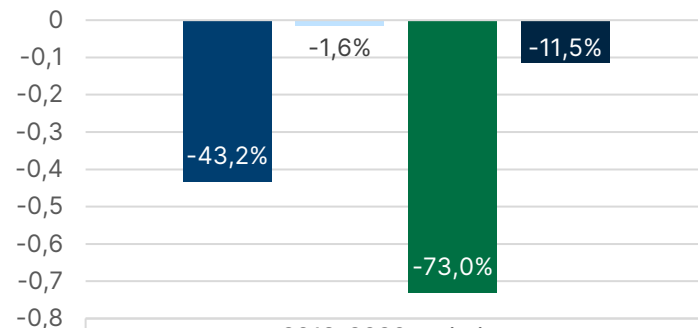
1. Lower consumption of diesel fuel in relation to the pandemic situation, decreasing the need for work trips due to the increase in agile working methods in 2020.
2. Decreased natural gas consumption at all locations.

The **decrease in LPG consumption by about 65%** deserves particular attention as the fleet of LPG-powered forklifts for the Gornate site was halved during 2019 and replaced with battery-powered forklifts.

It is therefore **particularly significant the variation recorded in long-term consumption trends**, mainly related to constantly decreasing energy and LPG consumptions and the decline in volumes occurred in the last two years.

The **use of water** is an important aspect for LATI's operations, although the company does not use it in the actual production process but only **for cooling and washing the equipment**. In the former case, the company has set up a closed-loop system. In the latter, after being used in washing operations, the water is treated and disposed of into the sewer. The company does not use steam.

% variation of consumption from 2018 to 2020



2019-2020 variation	
■ Diesel gas	-43,2%
■ Natural gas	-1,6%
■ LPG	-73,0%
■ Electric power	-11,5%

CHART 2 - % VARIATION OF CONSUMPTION FROM 2018 TO 2020

At the Gornate Olona site, water is taken from a well, while in Vedano Olona directly from the water supply. Both the supply and the disposal phases - at both sites always into the sewer after a chemical-physical treatment - are managed with great care in accordance with the general and specific regulatory aspects (with ad hoc authorizations).

The **trend in water consumption** is generally constant compared to the previous year, also in terms of intensity, with respect to production values.

Water consumption intensity for the finished product

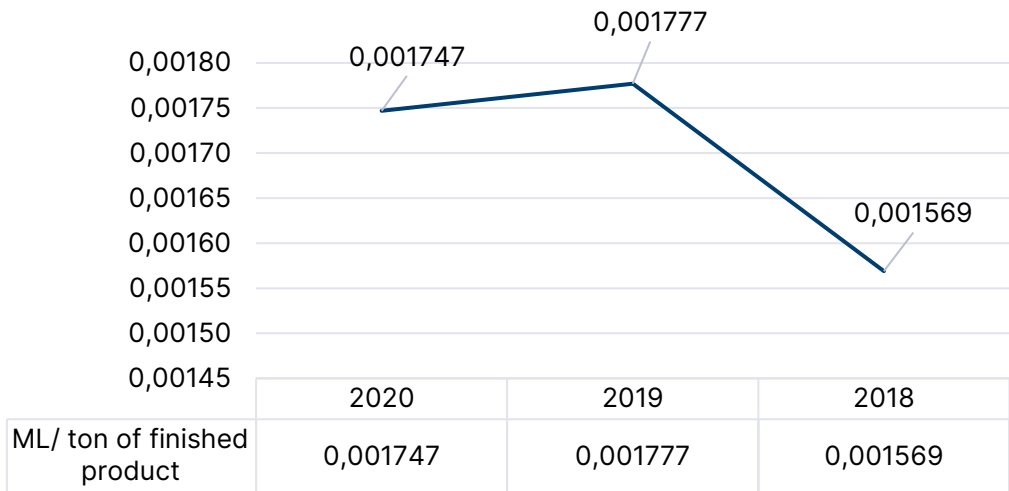


CHART 3 - WATER CONSUMPTION INTENSITY FOR THE FINISHED PRODUCT

3.4.4 Emissions

Direct greenhouse gas emissions (Scope 1) recorded in 2020 shows a **decreasing trend in total values** (-11%) thanks to the changes in use already reported in the 'other energy consumption' section.

With reference to **indirect greenhouse gas emissions** (Scope 2), as mentioned above, LATI's energy performance confirms the **success of the long-term strategies** being implemented, with a **reduction of almost 12% in the three-year period 2018-2020**.

The **volume of indirect greenhouse gas emissions** (Scope 3) is in the process of **methodological finalization**, in the context of data collection for the year 2021, although the difficulties of the current year due to the global pandemic will significantly affect this data and its significance.

TABLE 6 - TOTAL GREENHOUSE GAS EMISSIONS

	UdM	Year			% variation	
		2020	2019	2018	2019-2020	2018-2019
Total greenhouse gas emissions (scope 1 and 2)	TCo2eq	8.150,6	8.445,4	9.158,4	-3,5%	-7,8%

Also in the case of emissions, LATI records the intensity data by comparing it to the production values, considering this last dimension more significant than the real impact of the 'emissions' factor on process efficiency. It notes a constant **trend in the intensity of emissions per finished product compared to previous years.**

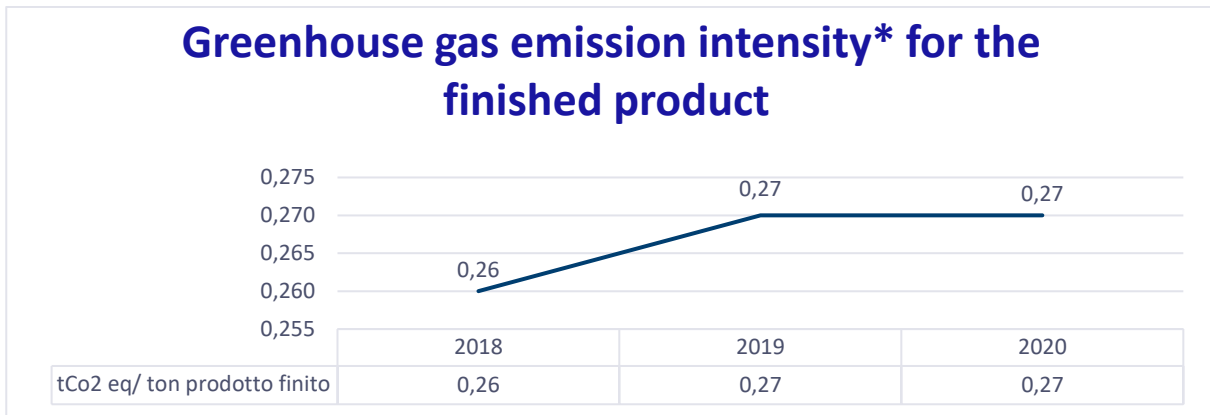


CHART 4 - GREENHOUSE GAS EMISSION INTENSITY FOR THE FINISHED PRODUCT

*Both Scope 1 and Scope 2 emissions were included in the calculation of the GHG intensity index.

3.4.5 Waste management

Waste management is a critical issue for the company's sustainability strategy aimed at the efficient use of resources. **The company produces a total of 3,136,160 kg of waste. Only 3.2% of this**, mainly batteries, powders, non-chlorinated emulsions, neon, and sulphuric acid from the production process, **are classified as hazardous and are sent for disposal.** The majority of non-hazardous waste is also sent for disposal. **About a third of non-hazardous waste is sent for recycling.**

A significant share of non-hazardous waste derives, in fact, from the packaging of incoming raw materials that due to the variety of component materials – paper, laminated material, polyethylene, etc. – can hardly be recovered and are therefore sent for disposal as special waste equivalent to urban waste.

In any case, **LATI takes care of waste management** and where possible recovers the packaging of raw materials - paper, plastic film and wooden pallets - or reuses it internally (the drums) in the weighing phases.

RECOVERY OF PRODUCTION WASTE

LATI has adopted a separation and (when this does not create a significant chemical or mechanical degradation of the product) mechanical recycling process for its production waste, as it can be partly re-introduced, in defined quantities, into the production process without compromising the quality of the finished product.

The management of “out-of-spec” materials, instead, is entrusted to a cross committee that evaluates the possibility of direct placement of the downgraded material on the market, specific recovery with targeted actions or the use these materials in less performing products. In 2020, the management of materials within the production cycle led to a recovery of about 915,585 kg of waste (3% of total waste).

BOX 22 – RECOVERY OF PRODUCTION WASTE

LATI has also entered a **partnership with a German supplier that recovers some of the packaging of raw materials** (essentially big bags) on a monthly basis and takes charge of their regeneration through a consortium operating in the Netherlands.

4 GENERATED AND DISTRIBUTED VALUE

Flexibility, determination, involvement, and trust, together with an **agile and innovative approach**, enabled the company's governance structure to adapt and to react quickly to the 2020 economic crisis triggered by the pandemic.

Although the manufacturing sector was hit by the fall in demand and sales were down until summer, LATI's economic performance was above average thanks to the company's growing resilience and **capacity for innovation** that has generated a more profitable offering of products and a market expansion in different sectors and applications.

4.1 Summary of economic and financial performance

In spite of the difficulties following the Covid-19 pandemic crisis, the economic and financial results achieved in 2020 by LATI are substantially positive.

The **strong recovery after summer 2020**, has positively affected the figures and indicators in the company's financial statements, as they remained broadly in line with those of the previous year, with a slight 4.5% decrease in revenues. Thanks to a **€ 17 million EBITDA** the company will continue its **investment plan for a total of € 8.5 million per year**.

During 2020 the EBITDA has always been healthy thanks to a good coordination between the Purchasing and Sales departments, which has allowed timely intervention in the management of price dynamics, with a beneficial effect on the company's added value.

In general, the **diversification of products and markets** has made it possible to attenuate fluctuations in demand and to improve EBITDA, which increased by approximately € 5.1 million compared to 2019, reaching € 17,308,571.

TABLE 7 - P&L STATEMENT FOR THE THREE-YEAR PERIOD 2019 -2020

CONTO ECONOMICO GESTIONALE	2020	2019	VAR
P&L STATEMENT	130.974.701	145.493.269	-9,98%
GROSS REVENUES	88.231.273	107.704.410	-18,08%
Variable costs	42.743.428	37.788.859	13,11%
CONTRIBUTION MARGIN	25.419,385	26.087.565	-2,56%
Fixed costs	17.324.042,5	11.701.294	48,05%
EBITDA	3.249.148	3.141.167	3,44%
Depreciation	14.074.894	8.560.127	64,42%
EBIT	754.539	100.586	650,14%
Liquidity	215.018	259.696	-17,20%

TABLE 8 - ECONOMIC AND FINANCIAL INDICATORS

Indicator	Type	2020	2019	VAR.
ROE	Economic Net income / PN	13.94%	10.24%	36.13%
ROI	Economic Gross earnings / Assets	10.54%	7.40%	42.43%
ROS	Economic Value and costs of production / Sales proceeds	10.40%	5.94%	75.08%
Total debt rate	Financial (Short-term liabilities + Liabilities to ML) / PN	0.86	0.94	-8.51%
Financial debt rate	Financial (Liabilities to ML) / PN	0.31	0.32	-3.13%

4.2 Investments

In 2020, LATI continued purposefully and systematically with its **projects to advance the entire industrial and logistical operations**, both in terms of production as well as service, working to create sizeable improvements to technical/production areas, as well as to the environment and safety, undertaking an important and strategic path of total digitalization in the factory embracing the principles of Industry 4.0.

The **Torbissima project** - aimed at industrial and logistical development with a view to the expansion and rationalization of the Gornate-Olona site - has been the subject of significant investments that will continue over the next few years with the aim of generating benefits, already in a short time, in terms of lower operating costs and greater safety and ergonomics, allowing the company greater flexibility at the production level.

During 2020, the company has also embarked on a process of **computerization and digitalization of the production-logistics departments** that will lead it within a two-year period to have real-time control of the data and the progress of each phase of the production and logistic processes, both internal and external, as well as to online and off line checks.

The company's IT infrastructures and architectures have also been strengthened during 2020 in order to support the projects related to Industry 4.0 and to **overall corporate computerization and digitalization**.

During 2020, the R&D department focused on the study of:

- **different materials in which the need to highlight sustainability prevails**, i.e. materials whose environmental footprint is lower in terms of resource use and CO2 emissions than the materials currently used;

- **solutions for new mobility models**, in particular materials that meet the extreme requirements related to energy distribution in electric vehicles.

The funded projects in which the R&D department is currently involved are the following (to know more read the [Research and development projects](#) paragraph):

- **POLISTE**: advanced POLymeric materials based on LIg nin for Sustainable Technologies. A project sponsored by the CARIPLO Foundation and the Lombardy Region.
- **SAbyNA**: a project funded by the European community in the framework of the Horizon 2020 programme

4.3 Generated and Distributed Economic Value

The **generated and distributed economic value statement** represents LATI's ability to generate profits and provides a detailed picture of the **relationships between the company and the socio-economic system** with which it interacts.

This statement provides for the **determination and reclassification of the economic value** according to its three main components:

- generated economic value
- distributed economic value
- retained economic value

In 2020, LATI's Generated Economic Value amounted to approximately **€ 130 million**, 7.43% down compared to the previous year.

In 2020, **LATI distributed about 91.2% of the generated economic value**. The distributed value amounted to approximately 118 million euros and was allocated to the following stakeholders:

- the biggest share, about 96 million euros, is represented by the costs incurred for the purchase of materials (suppliers), services (contractors and subcontractors) and other goods;
- about € 17 million to employees, mainly for wages, salaries, social security and welfare charges;

	2020	2019	VAR
GENERATED ECONOMIC VALUE	129.734.728	140.146.538	- 7,43 %
Sales revenues	130.931.439	145.370.594	-9,93%
Inventory variations	-2.050.416	-6.161.390	-66,72%
Other revenues and income	853.705	937.334	-8,92%
DISTRIBUTED ECONOMIC VALUE	118.363.334	124.435.508	- 4,88%
Personnel expenses	16.820.539	16.782.396	0,23%
Operating expenses (Suppliers)	95.819.779	104.477.485	-8,29%
Investor remuneration	762.433	689.018	10,66%
Public authorities	3.712.608	2.224.832	66,87%
Shareholder remuneration	1.206.200	222.222,00	442,79%
Investments in the community	41.775	39.555	5,61%
RETAINED VALUE	11.371.394	15.711.030	-27,62%

TABLE 9 - GENERATED ECONOMIC VALUE

- approximately € 3.7 million was paid to the State Treasury and the local authorities for direct and indirect taxes;
- approximately € 1.2 million to shareholders in the form of dividends;
- approximately € 0.76 million to investors, in the form of interests, fees, financial charges;
- approximately € 42,000 in investments in the local community.

Part of the generated economic value, about 8.8%, was not distributed but retained by the company. The value retained by the company is approximately € 11.3 million: it consists mainly of depreciation and amortisation, provisions, undistributed operating profit.

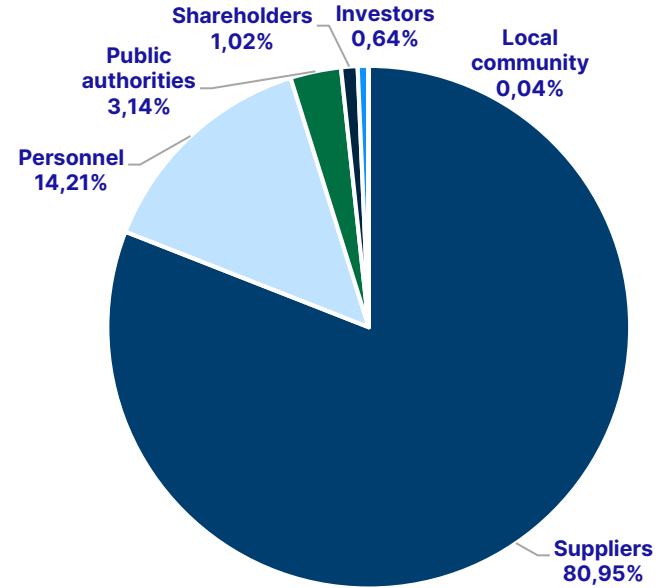


CHART 5 - BREAKDOWN OF DISTRIBUTED ECONOMIC VALUE

FINANCIAL CONTRIBUTIONS FROM PUBLIC AUTHORITIES

In 2020 LATI Spa enjoyed contributions for a total of € 406,117. In addition to the subsidies and credits received through Agenzia delle Entrate (Italy's revenue agency), the company has received contributions from SIMEST (a company of the Cassa depositi e prestiti Group that since 1991 has been supporting the growth of Italian companies through the internationalization of their operations), the Lombardy Region and the Municipality of Vedano Olona.

**Box 23 - FINANCIAL CONTRIBUTIONS FROM PUBLIC
AUTHORITIES**

Contributor	Contribution received	Cause
SIMEST	108.934	Subsidised financing for the assets of exporting SMEs
Lombardy Region - DG Education and Training	22.500	Adoption of the Smart working business plan
FONDIMPRESA	7.685	F.A.L.CO: Training in Lombardy Companies
Agenzia delle Entrate	163.475	Allowance for the first instalment of IRAP 2020 - art. 24 DL 34/220
Agenzia delle Entrate	26.073	Sanitization and PPE credit - art. 125 DL 34/2020
Agenzia delle Entrate	60.646	R&D credit - L. 232/2016
Municipality of Vedano Olona	16.804	Reimbursement for the functions of mayor from the Municipality - art. 80 Dlgs 267/2000

TABLE 10 - DETAIL OF PUBLIC CONTRIBUTIONS RECEIVED DURING 2020

4.4 Our contribution to the achievement of Sustainable Development Goals

In September 2015, in order to direct the actions of the institutional and economic operators towards a sustainable development model, the **United Nations** adopted the **2030 Agenda for Sustainable Development**. Signed unanimously by the 193 UN member states, it contains **17 Sustainable Development Goals (SDGs)**, divided into **169 specific targets** to be achieved by 2030, to meet the main environmental and social challenges facing today's society.


Unlike previous action and development plans adopted at a global level, the 2030 Agenda explicitly recognizes the **importance of enterprises**, regardless of their size and business sector, in achieving these goals.

With the aim of allowing LATI to direct its commitment to sustainability issues and maximizing its ability to contribute to the achievement of the SDGs, a preliminary analysis was conducted in 2020 aimed at adjusting the actions and initiatives undertaken in the year within the framework of the 17 Goals of the 2030 Agenda.


Through an analysis and subsequent calculation activity – both mainly qualitative and based on indications provided in the documents released by major international organizations such as the *Global Reporting Initiative*, the *UN Global Compact*, etc. – it emerged that LATI's commitment, also due to the nature of its operations, contributes mainly to the achievement of three goals: SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all"; SDG 12 "Ensure sustainable consumption and production patterns" and SDG 3 "Ensure healthy lives and promote well-being for all at all ages". Minor and indirect contributions also concern SDG 4 "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all", SDG 14 "Conserve and sustainably


use the oceans, seas and marine resources for sustainable development" and SDG 13 "Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy"




TABLE 11 - OUR CONTRIBUTION TO THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS

	<p>SDG 8</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Through the generation and distribution of economic value, the research and development activities aimed at mitigating environmental impacts and the promotion of a safe working environment, LATI contributes positively to the achievement of SDG 8, the goal most impacted by its business operations.</p> <p>In line with target 8.1, in 2020 LATI distributed 91.2% of generated economic value (about € 118 million), to stakeholders, mainly located in Italy, supporting the country's economy through the payment of salaries, taxes and the purchase of materials from suppliers.</p> <p>As required by target 8.4, LATI is improving its production capacity through innovation, trying to free economic growth from the disharmonious consumption of the planet's resources. This target is pursued through an important research and development activity oriented to the search for more sustainable solutions – use of eco-sustainable materials, post-production and post-consumer recycling – with a</p>
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		<p>focus on the reduction of the waste generated, and to large investments aimed at transforming the company in a 4.0 perspective.</p> <p>In line with the provisions of targets 8.3 and 8.5, LATI promotes a decent and inclusive working environment, combating all forms of discrimination. The company, in fact, adopts principles of objectivity, competence, and equal opportunities in the selection of personnel, which takes place through documented procedures, and applies the principles of its Code of Ethics and Charter of Values in the evaluation of the performance of its employees.</p> <p>Thanks to its commitment to the protection of workers' rights, LATI also contributes to the achievement of target 8.8. During 2020 the company has implemented and certified an occupational health and safety management system according to the ISO 45001:2018 international standard and has obtained the Certification of "Luogo di lavoro che promuove la salute (Workplace that promotes health)" for the year 2020 by the WHP Network of the Lombardy Region.</p>
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	<p>SDG 12</p> <p>Ensure sustainable consumption and production patterns</p>	<p>As repeatedly mentioned in this report, LATI produces durable plastics, committing itself to finding solutions for improving the management of the final phase of the product life cycle. The company has also made investments with the aim of limiting the environmental impacts of its products and production processes, as a result contributing directly to the achievement of SDG 12.</p> <p>More specifically, in line with the target 12.2, the company has undertaken initiatives in the energy field, including, for example, the use of renewable sources for electric power generation, the deployment of a photovoltaic system and the PME - Power Monitoring Expert energy control system, as well as the use of battery powered forklifts.</p> <p>Of particular interest for the nature of LATI production processes are also the targets 12.4 and 12.5, which require companies to implement an ecologically correct management of all waste and reduce waste substantially. As described in section 3.1 LATI has been active for some time and will continue to invest on these aspects in future years.</p>
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	<p>SDG 3</p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>LATI recognizes the importance of the health and well-being of people, in particular of its employees. The company is committed not only to ensuring their safety at the workplace, but also to protecting their psycho-physical integrity.</p> <p>LATI's contribution to SDG 3 is reflected in particular into a number of initiatives aimed at promoting health prevention and control. In particular, LATI is a member of the Giunca network, thanks to which the company promotes actions aimed at improving the well-being of its employees. In addition, it has joined the WHP - Workplace Health Promotion project which promotes health at the workplace, and supports, even economically, the adhesion of its employees to the Supplementary healthcare fund and to the “Fondo Gomma Plastica” pension fund that includes a preventive healthcare package.</p> <p>During 2020 a course dedicated to the promotion of healthy lifestyles was organized addressing the issue of eating habits at work and at home. In the Christmas holidays, a free programme of fitness courses was offered to all employees and their families, also online, for their well-being.</p>
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	<p>SDG 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>LATI is aware that the growth of the company, and more generally of Italy, also depend on the growth of its employees. In line with the requirements of target 4.4 and as described in section 3.3.4 above, LATI promotes training activities for the personnel in order to develop their technical and managerial skills.</p>
 	<p>SDG 13 Take urgent action to combat climate change and its impacts</p> <p>SDG 14 Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<p>Dealing mainly with plastic materials, Lati's commitment to implementing a production model that is as sustainable as possible, also indirectly contributes to preventing and reducing marine pollution, as required by SDG 14, and to mitigating its negative impacts on climate change according to SDG 13. With these goals in mind and in order to further expand the effectiveness of the actions undertaken, LATI has joined the Circular Plastic Alliance and takes part in the Operation Clean Sweep.</p>

5 A LOOK TO THE FUTURE

The pandemic triggered by the spread of Covid-19 dramatically exposed the multiple fragilities of our current growth model and made it even more clear that, in an increasingly interconnected world, there cannot be long lasting development and well-being if economic growth does not go hand in hand with social cohesion and the protection of the environment.

It is inevitable, today, to think of starting anew and of a post Covid-19 world. It is impossible not to predict that both will involve a **strong connection to sustainability**

Companies are moving forward in this direction, LATI is moving forward in this direction and for years it has successfully invested in a development model focused on **decoupling** value and volume, on increasingly efficient processes, on the use of innovative and safe solutions and components, on strengthening partnerships with its employees, with its customers and suppliers, and generating value for the local community.

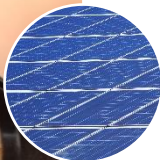
In the coming years, LATI will continue along the path it has undertaken, it will continue to invest in the construction of an increasingly sustainable business model capable of **generating value shared with and for its stakeholders**.

Thinking about the "near future", there are three guidelines along which LATI's sustainable commitment will be oriented: producing increasingly sustainable goods, reducing CO2 emissions, designing work spaces that are increasingly tailored to people.

Box 24 - ALOOK TO THE FUTURE



SUSTAINABILITY OF PRODUCTS – LATI will continue to invest in sustainable innovation, carrying out R&D activities increasingly oriented to the identification of raw materials and process solutions aimed at reducing the environmental and social impacts of its products.



REDUCING EMISSIONS – Taking up the challenge from one of its main customers, today LATI is committed to reducing its CO2 emissions by 50% by 2025. While important initiatives have already been implemented in the first half of 2021 – 100% supply contract from renewable sources starting from January 2021, installation of a photovoltaic system, etc. – LATI will continue to invest on these aspects to achieve this ambitious goal.



CO-DESIGN OF WORKSPACES – LATI confirms its commitment to ensuring a healthy and stimulating working environment, within which the staff can express themselves and meet their aspirations. As part of the renovation project of the Vedano Olona headquarters - which also includes the carbon neutrality of the buildings - the project "I nuovi LATI dell'ufficio (New offices at LATI)" was launched with the aim of involving colleagues in rethinking and renovating the company's offices.

Constantly pursuing the path towards ever greater **integration of sustainability in its strategies and business operations**, in 2021 the company will implement a process (so-called materiality analysis), at times working with its stakeholders, aimed at identifying the most significant areas of intervention, the areas where it needs to focus its energy and investments.

This goal, which may appear to just be a formality, is, instead, an important turning point because it will enable the company to more closely identify and analyse not only its economic impact, but also its social and environmental impact and, working with its stakeholders, to develop a roadmap that will guide LATI's sustainable actions over coming years.

This path might even lead to major changes to the LATI's corporate structure, as the company is currently evaluating the possibility of becoming a Benefit Corporation, giving form and structure to something that already exists in its DNA.

ANNEX 1 – OUR PERFORMANCE FIGURES

Corporate performances

Personnel

No. of employees working at the company's sites

* * The Spanish office became a branch in July 2019

** In addition to the Italian sites and European offices, from 2020 the reporting scope also includes offices located in other parts of the world.

	2020	2019	2018
ITALY	240	243	253
OTHER EU COUNTRIES			
FRANCE	5	5	5
GERMANY	6	6	5
POLAND	1	1	1
SLOVAKIA	1	1	1
SPAIN	3	3	--*
SWEDEN	1	1	1
NON-EU COUNTRIES			
CHINA	7	--**	--**
UK	2	--**	--**
Total	266	260	266

Breakdown of employees by gender and labour contract type - Italy

	2020			2019			2018		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Open-ended contract	195	43	238	201	40	241	206	39	245
of which apprenticeship	3	5	8	2	2	4	2	2	4
Temporary contract	1	1	2	2	--	2	8	--	8
Total	196	44	240	203	40	243	214	39	253

Breakdown of employees by gender and labour contract - Europe

	2020			2019			2018		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Open-ended contract	13	4	17	12	4	16	11	1	12
Temporary contract	0	0	0	1	0	1	1	0	1
Total	13	4	17	13	4	17	12	1	13

Breakdown of employees by gender and work relationship - Italy

	2020			2019			2018		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Full time	196	36	232	202	33	236	212	33	246
Part time	1	7	8	1	7	8	2	6	8
Total	197	43	240	203	40	243	214	39	253

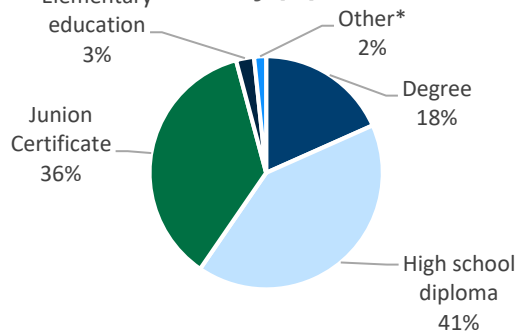
Breakdown of employees by gender and work relationship - Europe

	2020			2019			2018		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Full time	13	4	17	13	4	17	12	1	13
Part time	0	0	0	0	0	0	0	0	0
Total	13	4	17	13	4	17	12	1	13

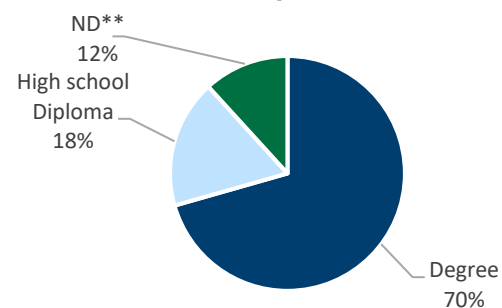
Breakdown of employees by gender and position - Italy

	2020			2019			2018		
	Men	Women	TOTAL	Men	Women	TOTAL	Men	Women	TOTAL
Managers	6	3	9	6	3	9	6	3	9
Executives	22	4	26	21	5	26	22	5	27
Clerical workers	41	30	71	45	29	74	46	28	74
Workers	125	1	126	129	1	130	138	1	139
Apprentices	3	5	8	2	2	4	2	2	4
Total	197	43	240	203	40	243	214	39	253

Breakdown of employees by qualification - Italy (%)



Breakdown of employees by qualification - Europe (%)



* Other types of educational qualifications (e.g. executive clerical work.)

** Data are not available for a Spanish employee and a French employee.

Women on total employees by position - Italy (%)

	2020	2019	2018
Women on total	17,9%	16,5%	15,4%
Women – managers	33,3%	33,3%	33,3%
Women – executives	15,4%	19,2%	18,5%
Women - clerks	42,3%	39,2%	37,8%
Women - apprentices	62,5%	50,0%	50,0%
Women - workers	0,8%	0,8%	0,7%

Staff development

Breakdown of hires and exits by gender

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
HIRES									
ITALY	8	5	13	6	4	10	11	23	34
OTHER EU COUNTRIES	0	1	1	3	1	4	1	8	9
Total at 31 Dec.	8	6	14	9	5	14	12	31	43
EXITS									
ITALY	6	11	17	3	13	16	11	26	37
OTHER EU COUNTRIES	0	0	0	0	0	0	1	1	2
Total at 31 Dec.	6	11	17	3	13	16	12	27	39

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Exit cause:									
Voluntary exit	0	3	3	0	5	5	3	3	6
Retirement	0	5	5	0	5	5	1	4	5
Layoffs	1	2	3	0	1	1	0	0	0
Other*	5	1	6	3	2	5	8	20	28
Total at 31 Dec.	6	11	17	3	13	16	12	27	39

*Termination of temporary contracts

Staff turnover - Italy and Europe (%)

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Hires turnover rate	17,0%	2,9%	5,4%	20,5%	2,3%	12%	30,0%	13,7%	16,2%
Exits turnover rate	12,8%	5,2%	6,6%	6,8%	6,0%	6,2%	30,0%	11,9%	20,5%

Skills and training

Breakdown of training hours by type - Italy

	2020
Sustainability	14
Compliance	519,5
Cross training	1851
Foreign languages	20
Manager training	209
Quality	123
Safety	1619
Technology	1059,5
Total	4355,5
Average hours of training per employee	18

Health and safety at work

Trend of accidents at work - Italy

	2020	2019	2018
Worked hours	441.594	317.483	436.431
Reportable accidents	10	10	8
Accident rate	4,53%	6,30%	3,67%

Equal opportunities and salary policies

Employees covered by collective bargaining agreements - Italy

	2020	2019	2018
Employees covered by collective bargaining agreements	231*	234*	244*
Share on total employees	96,3%	96,3%	96,4%

* The number of employees covered by collective bargaining agreements coincides with the total number of employees with the exception of managers.

Minimum period for notifying work assignment changes - Italy

	2020	2019	2018
No. of weeks	2	2	2

Salaries - Italy

In 2020, the gap between the total annual salary of the highest paid individual and the median value of the total annual salaries of all employees is 6.25 %

The ratio of basic salary for women and men is 100% for managers, 88% for executives, 97% for clerical workers and 100% for workers.

Environmental Performances

Materials

Non-renewable materials (kg)

		2020	2019	2018	Δ2019-20	Δ2018-19
Semi-finished goods (incorporated into the finished product)	Raw material: (granules, flakes, fibres, powders, reinforcements, mineral fillers)	28.630.724	26.600.661	35.676.580	7,6%	-25,4%
	Additives: powders, granules and liquids	4.571.189	4.017.153	5.666.893	13,8%	-29,1%
Ancillary materials (not incorporated into the finished product)	Plastic products (Polyester labels - new from 2021)	0	0	0	=	=
	Toner for prints (labeling + office use)	87	97	81	-10,3%	19,8%
	Lubricants (extrusion oils, blends from ovens and machines) indirect purchase dept. (engineering dept.)	4.757	4.760	6.957	-0,1%	-31,6%
Purchased packaging	Plastic products (packaging -- > octabin bags, stretch films)	14.000	38.841	45.902	-64%	-15,4%

		2020	2019	2018	Δ2019-20	Δ2018-19
	Plastic products (packaging -- > aluminum poly laminated coil bags)	117.506	119.474	150.180	-1,6%	-20,4%
	Plastic products (wrapping film coils (polyethylene), stretch hood coils (polyethylene))	24.845	35.838	32.041	-30,7%	11,9%

Renewable materials (kg)

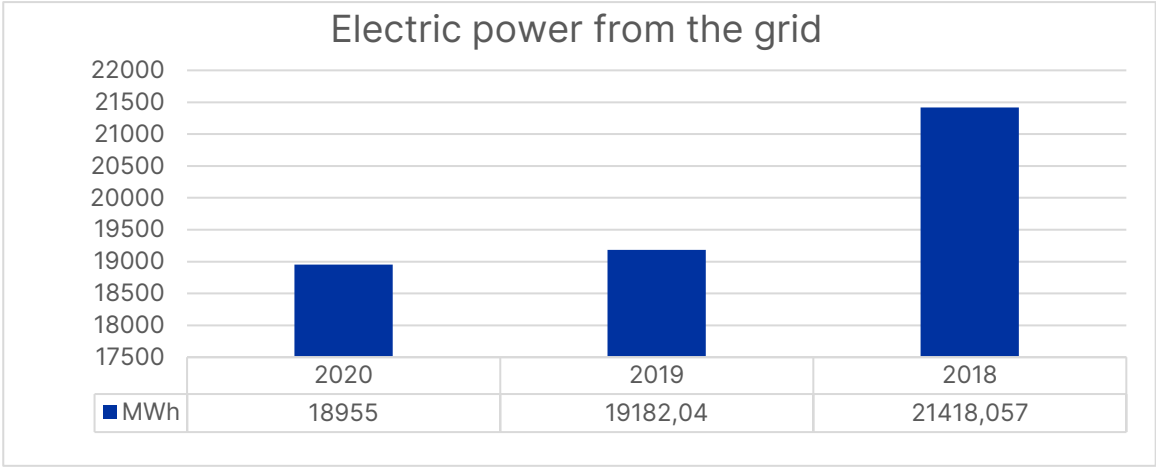
Materiali rinnovabili (kg)		2020	2019	2018	Δ2019-20	Δ2018-19
Purchased cardboard packaging	High and low octabin	148.292	149.021	182.914	-0,5%	-18,5%
Paper	Office use + labels + forms)	9.096	19.374	18.927	-53,1%	2,4%
Semi-finished products	Incorporated into the finished product, granules, flakes, fibres, powders, reinforcements, mineral fillers, PLA, etc..	17.258	22.656	20.023	-23,8%	13,1%
Biobased raw materials						
Purchased wooden packaging	Pallets	717.043	775.315	932.886	-7,5%	-16,9%

Recycled materials from recycling (%)

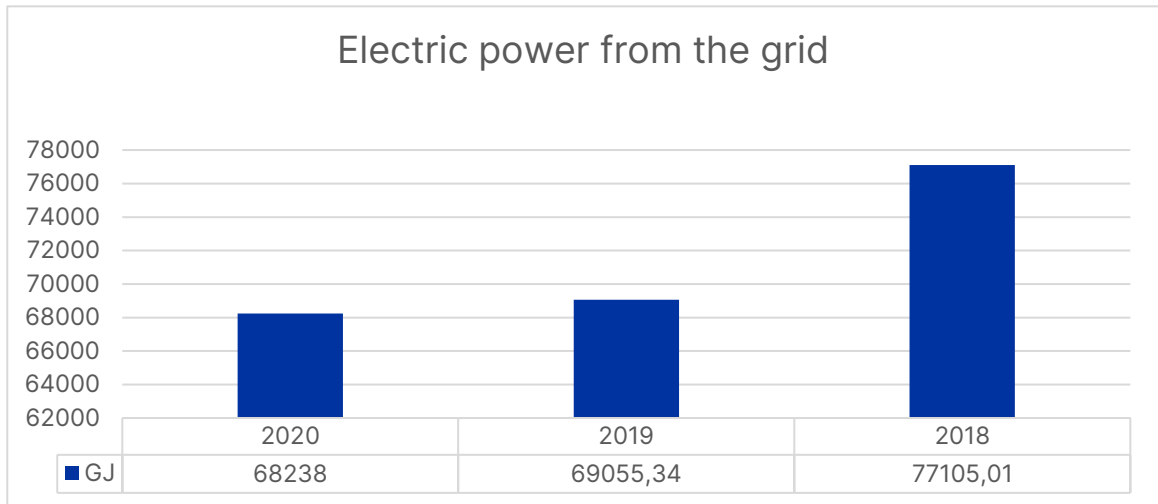
	2020	2019	2018
Share of recycled material	5,7%	5,1%	6,4%

Energy

Electric power consumption (MWh)



Electric power consumption (GJ)

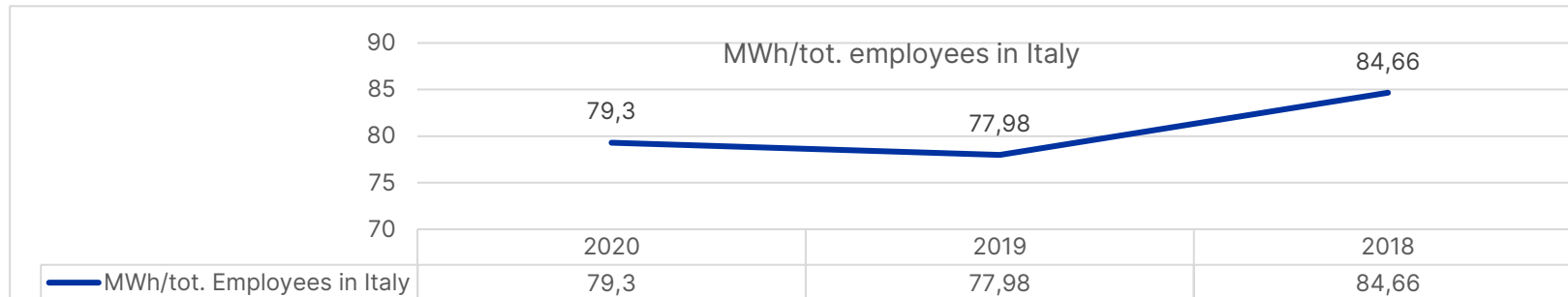


NB – the conventional factor (1 MWh equal to 3.6 GJ) was used for calculating electric power consumption in GJ.

Total electric power from the national grid (MWh)

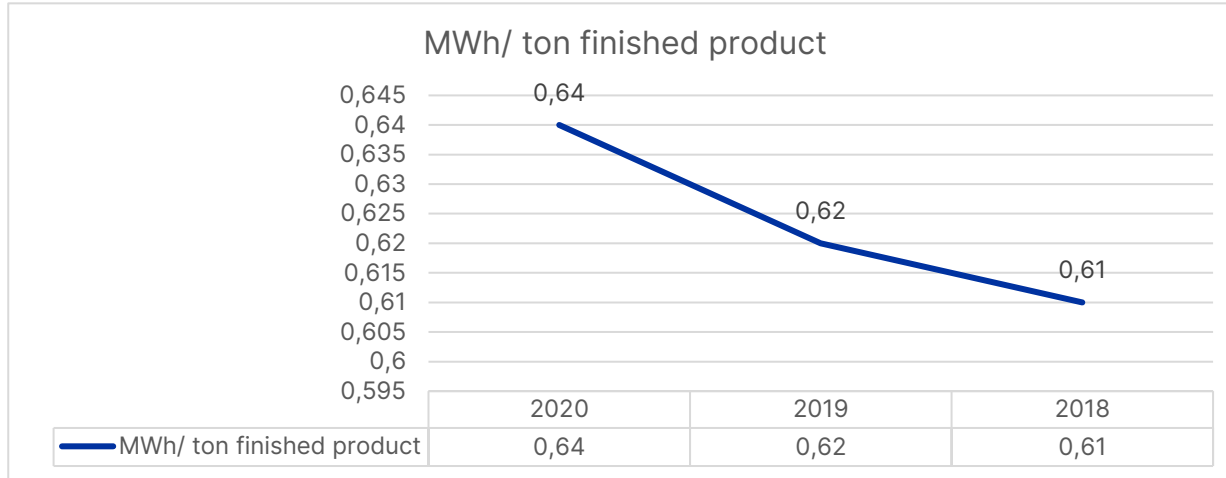
	2020	2019	2018	Δ 2019-20	Δ 2018-19
Electric power from the national grid	18.955	19.182	21.418	-1,2%	-10,4%

Energy intensity by employee (MWh/ total employees in Italy)



NB – for the calculation of this index, the total consumption of electricity was considered, which coincides with the total consumption of energy consumed outside the organization.

Energy intensity for the finished product (MWh/ ton finished product)



NB – for the calculation of this index, the total consumption of electricity was considered, which coincides with the total consumption of energy consumed outside the organization.

Consumption of fuels (ton)

	2020	2019	2018	Δ 2019-20	Δ 2018-19
Diesel oil for vehicles	22,43	41,97	39,51	-46,6%	6,2%
Petrol	-	-	-	-	-
LPG	12,26	34,68	45,33000	-64,6%	-23,5%

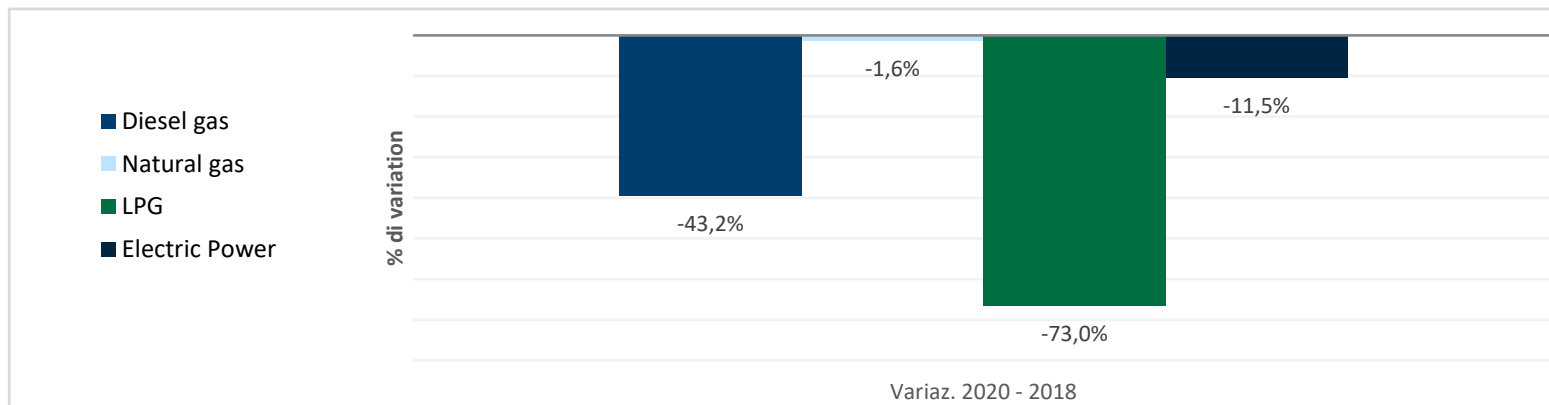
Consumption of fuels (m3)

	2020	2019	2018	Δ 2019-20	Δ 2018-19
Natural gas (heating)	847.458	892.618,0	862.148,0	-5,1%	3,5%

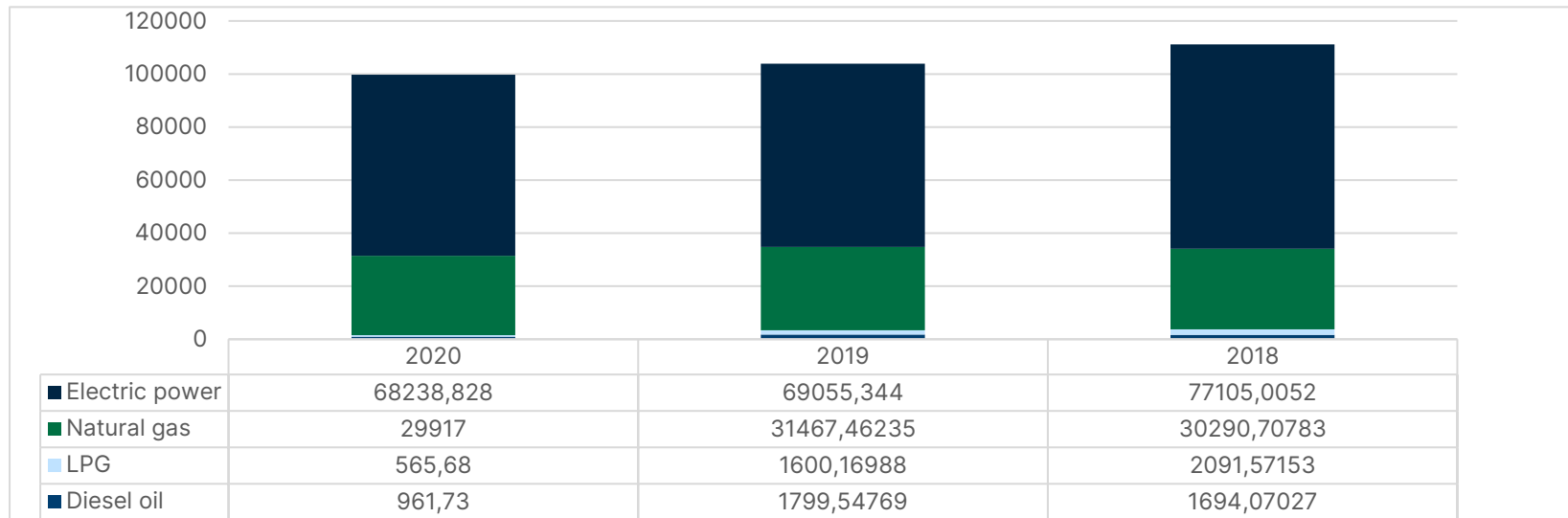
Total consumption of fuels (Gj)

	2020	2019	2018	Δ 2019-20	Δ 2018-19
Total energy consumption (GJ)	31.445,23	34.911,81	34.178,95	-9,9%	2,1%

Percent variation of energy consumption - 2018/2020



Energy consumption trend (GJ)



NB – for the calculation of consumption in GJ, the conversion factors published by ISPRA 'Tabella parametri standard nazionali (National Standard Parameters Table)' were used, including data updated at 2019. Riduzione del consumo di energia (GJ)

Decrease in energy consumption (GJ)

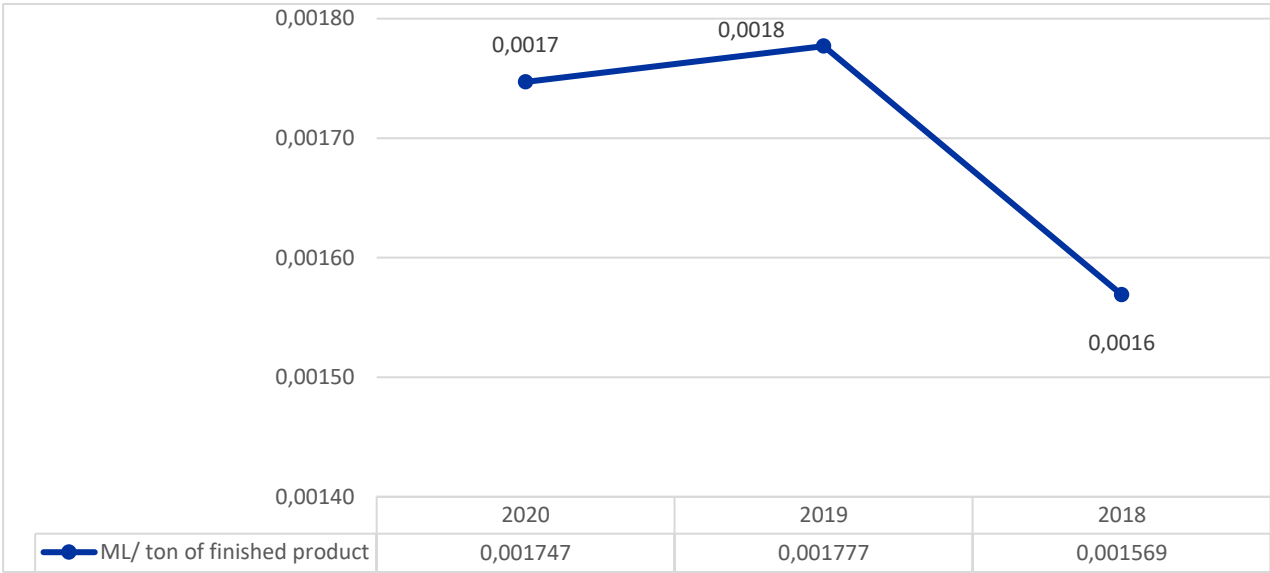
	2020	2019	2018
*Diesel oil	-837,81658	105,47742	ND
*LPG	-1.034,48122	-491,40165	ND
*Natural gas	-1.594,28348	1.118,78981	ND
*Electric power	-816,51600	-8.049,66120	

Water

Water supply and disposal volumes (MI)

	2020	2019	2018	Δ 2019-20	Δ 2018-19
Total water supply	52,108	55,042	54,782	-5,3%	0,5%
groundwater	1,964	4,46	2,913	-56%	53,1%
municipal water supply or other public or private water services	50,144	50,582	51,869	-0.9%	-2,5%
Waste water disposal	52,108	55,042	54,782	-5,3%	0,5%
into the sewer	35,496	38,43	34,963	-7,6%	9,9%
into receiving bodies of water	16,612	16,612	19,819	0,00%	-16,2%

Water consumption intensity for the finished products (ML/ ton finished products)



Emissions

Direct emissions of greenhouse gas (Scope 1) (tCo2 eq)

	2020	2019	2018	Δ 2019- 20	Δ 2018- 19
Diesel oil	70,8	132,4	124,7	-46,5%	6,2%
LPG	37,1	104,9	137,2	-64,6%	-23,5%
Natural gas	1673,7	1762,9	1700,2	-5,1%	3,7%
Total direct emissions	1781,59	2000,28	1961,98	-10,9%	2,0%

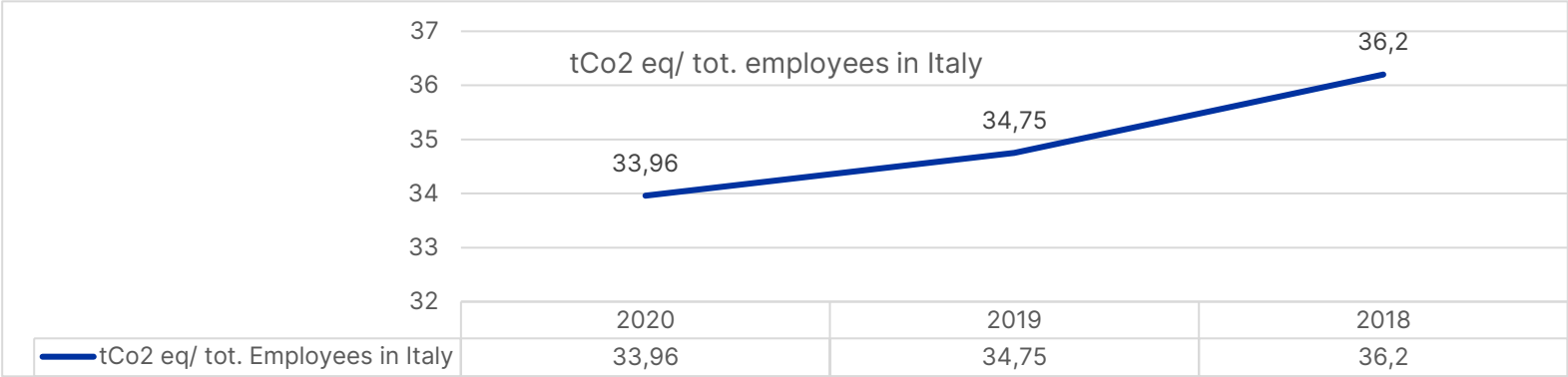
NB – for the calculation of emissions from diesel oil, petrol and natural gas consumption, the conversion factors published by ISPRA 'Tabella parametri standard nazionali (National Standard Parameters Table)' were used, including data updated at 2019.

Direct emissions of greenhouse gas (Scope 2) (tCo2 eq)

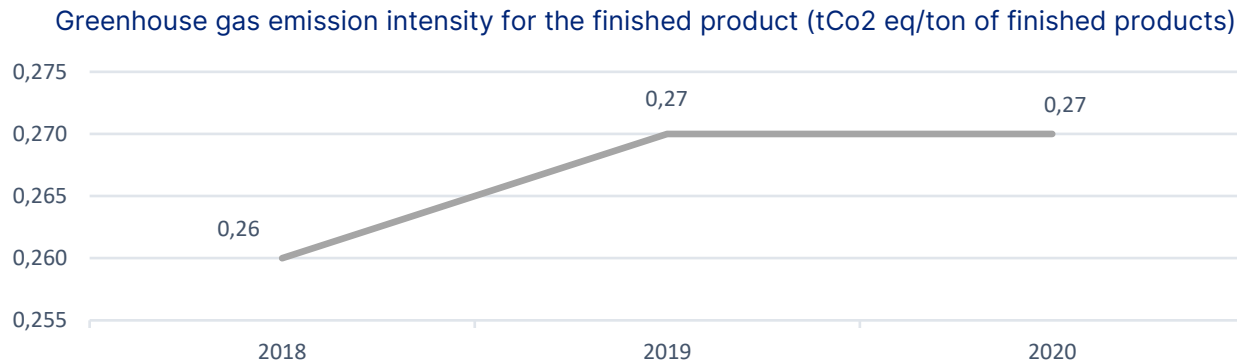
	2020	2019	2018	Δ 2019-20	Δ 2018-19
Total electric power from the national grid	6368,96	6445,16	7196,46	-1,2%	-10,4%

NB – for the calculation of emissions from electric power consumption, the conversion factor provided by Terna was used (including data updated at 2017).

Greenhouse gas emission intensity by employee (tCo2 eq/total employees in Italy)



NB – both Scope 1 and Scope 2 emissions were included in the calculation of the GHG intensity index



	2020	2019	2018	Δ 2019-20	Δ 2018-19
GHG emission intensity	0,27	0,27	0,26	0,00%	3,8%

NB – both Scope 1 and Scope 2 emissions were included in the calculation of the GHG intensity index

Waste management

Hazardous and non-hazardous waste produced (kg)

	2020	2019	2018	Δ 2019-20	Δ 2018-19
Hazardous waste	100.684,00	98.017,00	100.953,00	2,72%	-2,91%
sent for recovery	-	-	500	-	-
sent to landfills	100.684,00	98.017,00	100.453	2,72%	-2,43%
Non-hazardous waste	3.035.476,00	2.861.992,00	3.038.445,00	6,06%	-5,81%
sent for recovery	886.668	802.950	823.840	10,43%	-2,54%
sent to landfills	2.148.808	2.059.042	2.214.605	4,36%	-7,02%
Total waste produced	3.136.160,00	2.960.009,00	3.139.398,00	5,95%	-5,71%

The supply chain

Breakdown of suppliers by type and geographical area

	2020
Raw materials	235
Italy	138
Other EU countries	79
Non-EU countries	18
Indirect goods and services	574
Italy	564
Other EU countries	10
Non-EU countries	0

Quality of the relationships with suppliers

	2020
Average payment time (dd)	95,11
Average duration of relationship (yy)	20

Share of expenditures for purchases from local suppliers (%)

	2020
Raw materials	87,8%
Italy	45,2%
Other EU countries	41,6%
Non-EU countries	13,1%
Indirect goods and services	12,2%
Italy	92,1%
Other EU countries	5,1%
Non-EU countries	2,8%

Quality of the relationships with suppliers

	2020
Total number of suppliers examined	252
Total number of suppliers examined according to environmental criteria	252



HEADQUARTER

Via F. Baracca, 7

ITALY - 21040 - VEDANO OLONA (VA)



+39-0332-409111



+39-0332-409307



www.lati.com



info@lati.com

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