



# Sustainability Report 2021

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



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## LETTER TO STAKEHOLDERS

Dear readers

2021 was both a very challenging but also rewarding year. The current difficulties have brought us together, not only within our organisation but along the entire supply chain. We were the facilitators of unprecedented transparent and empowering engagement between our suppliers and customers in the pursuit of creative and real solutions in order not to disrupt production through the chain.

Our story this year starts with an important change in our shareholder base due to the generational handover. This had already taken place on an operational level and was now formalised at ownership level. Our chairman, Francesco Conterno, transferred his shares in the group to us, his daughters, Livia and Michela, ensuring continuity of LATI as a third generation family-owned business. Our leadership becomes increasingly pink, underpinning our growing dedication to social responsibility, the wellbeing of the individual and the organisation.

With this in mind, we have learned to live with Covid-19, providing ongoing assistance to our people thanks to the unceasing work of our Health and Safety Officer and HR department. We are fully convinced of the effectiveness of hybrid work, based on trust and results, remote work and flexible working hours for the back office departments. We will always work towards our goal of promoting wellbeing, also through the work/life balance.

And now on to business: the uptick in consumption after the lockdown triggered a huge increase in demand, including for industrial goods. Chemical manufacturers, at the start of our chain, were unprepared for this surge of unexpected proportions after having drastically cut back their capacity and workforce. This has inflated prices and, even worse, caused raw material shortages.

How have we taken on these challenges?

- We have managed inflation by revisiting our price lists promptly in order to protect our profit margins. We have also achieved a better structuring of added value, thanks to an improved product mix (as part of our Repositioning drive) and continuous diversification.
- We have dealt with the shortage crisis by combining the forces of the procurement, sales and supply chain departments to carefully deploy our resources. The R&D department's contribution has been fundamental in deciding how to do without or rapidly sourcing alternatives. Our formulators drew on their creativity without compromising product quality or safety.
- Production capacity could have been a hindrance holding us back. In fact, we encountered difficulties in reconnecting or starting new partnerships with contractors. We have managed to compensate this limited external capacity by increasing our in-house capacity: a new extrusion line, a pilot project in automation and digitalization, was rolled out mid year. This has allowed an increase of approximately 450 tons/month in production capacity at a time of great demand.

Our performance was utterly satisfactory given the current difficulties and uncertainties. Volumes grew 23.7% and, aided by inflation, we are close to turnover of €200 million, with €197 million achieved by the group and €180 million by LATI S.p.A.

Our gross operating profit increased by 32.6% on the previous year to €22.9 million, driven mostly by investments in technology and human capital, as well as fair remuneration and bonuses as part of our family tradition to share the value we generate.

This allows us to continue the Torbissima Project with new enthusiasm. In fact, we decided to outsource the logistics to have more space for production, laying the basis for an increase in internal production capacity (up to 48,000 tons by 2025) and to build a site for special materials, thus achieving two goals at once: productivity for self-extinguishing materials and flexibility for special materials, concurrently offering our customers a better service.

As we write, new challenges are appearing on the horizon. We are apprehensive about the outcome of the war in Ukraine but also calm as we have learnt to deal flexibly with uncertainty, drawing on the experience gained from Covid-19 in the past two years.

Being flexible does not mean sailing through life without making plans; rather, our strategic pillars guide us through the darker times as well. We will thus continue our journey with optimism travelling towards our goals of Repositioning, Industry 4.0, Customer orientation, Sustainability and Global Presence.

Specifically, Sustainability is an encouraging powerhouse and gives us confidence. In fact, we have decided to become a benefit company, to give formal recognition to our nature as a “do-good company”, as we have already been defined by Fondazione Piatti, a third sector body that assists people with autism and intellectual disabilities.

Together with this important transformation, we are also going to renovate our long-standing head office in Vedano Olona, which will house our new offices for hybrid working and a new technological R&D hub. The new premises will give the company a contemporary touch respectful of our industrial background, touting comfort, sustainability and service to the community.

We would like to thank our stakeholders for their constant trust in us and invite you to continue to sustain us through both moments of difficulty and success as we pursue our objectives to create economic and social value. We take your interest seriously.

Michela Conterno



FIGURE 1 - MICHELA CONTERNO, LATI CEO

## METHODOLOGICAL NOTE

Despite the absence of a formal obligation, LATI publishes, one year after the previous edition of the document, its second Sustainability Report (hereinafter also "Document" or "Report"), with the aim, on the one hand, to strengthen its open and transparent approach towards all its stakeholders, and on the other hand, to follow a path of ever greater integration of sustainability in its business strategies and activities.

The Document, drawn by the Quality, Environmental, Safety Organizational Unit in collaboration with all company departments, was approved by LATI's Board of Directors on 28 April 2022, along with the consolidated Financial Statements. The Report has been subject to limited audit by PricewaterhouseCoopers. The results of the audits carried out are contained in the report of the auditing firm attached to this document.

The Report is based on the GRI Sustainability Reporting Standards issued by the Global Reporting Initiative (2016 as amended), applied according to the "core" option. The Document was drawn 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. With reference to the data relating to human resources, if not otherwise specified, the indicators reported refer only to employees operating in Italy and in the EU branches. Unless otherwise indicated, the human resources data refers only to Italian employees. In regard to respondents, any inclusions are indicated at the bottom of the page.

With reference to the selection of the issues covered by this Report, a cycle of materiality analyses was carried out. Based on the provisions of the GRI Sustainability Reporting Standard (2016), the analysis process consists of three steps.

TABLE 1 - THE MATERIALITY ANALYSIS PROCESS

<p><b>(STEP I) IDENTIFICATION OF POTENTIALLY MATERIAL ISSUES AND STAKEHOLDERS TO BE INVOLVED</b></p>	<p>21 issues potentially relevant to LATI</p> <p>9 categories of relevant stakeholders to be involved in the process</p>
<p><b>(STEP II) ASSESSMENT OF THE MATERIALITY OF THE ISSUES BY LISTENING TO INTERNAL AND EXTERNAL STAKEHOLDERS</b></p>	<p>Administration of an online questionnaire to both internal and external stakeholders: assessment of the relevance of all issues on a scale from 1 to 4, considering 1 as the minimum value (not relevant) and 4 as the maximum value (very relevant)</p> <p>In total, about 90 respondents</p>
<p><b>(STEP III) IDENTIFICATION OF MATERIAL ISSUES</b></p>	<p>Analysis of the results of the involvement and construction of the Materiality Matrix.</p>

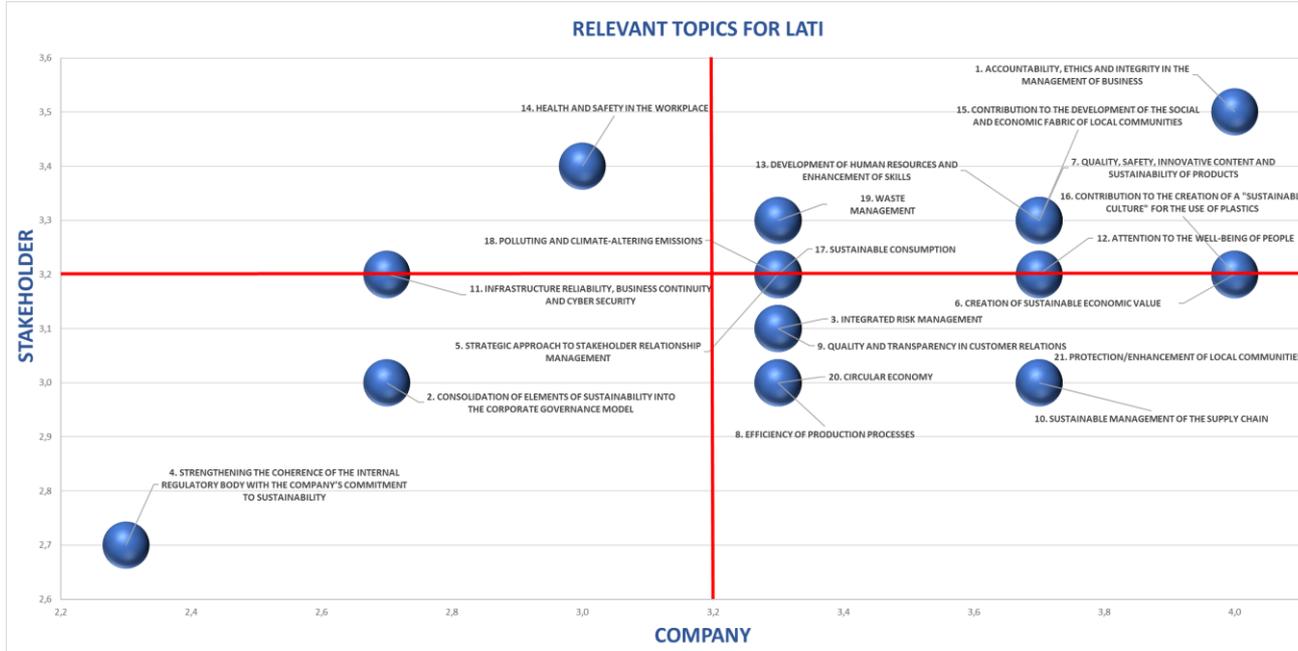


CHART 1 - THE RESULTS OF THE MATERIALITY ANALYSIS

**TABLE 2 - MATERIAL TOPICS COVERED IN THE REPORT**

ISSUE	DESCRIPTION
<b>GOVERNANCE</b>	
<b>ACCOUNTABILITY, ETHICS AND INTEGRITY IN THE MANAGEMENT OF BUSINESS</b>	Proper and efficient management of the enterprise inspired by the highest standards of ethics, integrity and compliance with laws and regulations, including voluntary schemes.
<b>CONSOLIDATION OF ELEMENTS OF SUSTAINABILITY INTO THE CORPORATE GOVERNANCE MODEL</b>	Maintaining the company's corporate governance system aligned with the best international practices in the field of sustainability.
<b>INTEGRATED RISK MANAGEMENT</b>	Integration of risks arising from environmental, social and governance factors into the company's risk identification, analysis and management system.
<b>STRENGTHENING THE COHERENCE OF THE INTERNAL REGULATORY BODY WITH THE COMPANY'S COMMITMENT TO SUSTAINABILITY</b>	Full integration of sustainability-related elements into internal policies, guidelines and procedures.

<b>STRATEGIC APPROACH TO STAKEHOLDER RELATIONSHIP MANAGEMENT</b>	Activation of solid relationships that generate opportunities for collaboration with all stakeholders relevant to the company. Proactive management of critical issues.
<b>ECONOMY</b>	
<b>CREATION OF SUSTAINABLE ECONOMIC VALUE</b>	Solid and sustainable economic and financial performance. Generating shared value.
<b>QUALITY, SAFETY, INNOVATIVE CONTENT AND SUSTAINABILITY OF PRODUCTS</b>	Development of innovative products, in line with the highest quality and safety standards, also capable of generating a positive impact at a social and environmental level.
<b>EFFICIENCY OF PRODUCTION PROCESSES</b>	Efficiency in production, also thanks to a gradual digitalization of processes and an increasing attention to the environmental and social aspects closely connected to production processes.
<b>QUALITY AND TRANSPARENCY IN CUSTOMER RELATIONS</b>	Proximity to the customer and operational simplification, promotion of transparent and user-friendly contact channels.
<b>SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN</b>	Promotion of fair relationships and sustainable behaviors throughout the supply chain. Introduction of social and environmental parameters in the criteria for the selection of suppliers and of goods and services.

<p><b>INFRASTRUCTURE RELIABILITY, BUSINESS CONTINUITY AND CYBER SECURITY</b></p>	<p>Reliable infrastructures and services to prevent and/or mitigate potential situations that could affect business continuity.</p>
<p><b>SOCIAL</b></p>	
<p><b>ATTENTION TO THE WELL-BEING OF PEOPLE</b></p>	<p>Development of appropriate working practices and conditions, aimed at promoting the well-being of employees, ensuring equal opportunities and banning all forms of discrimination, as well as promoting the reconciliation of private and professional life.</p>
<p><b>DEVELOPMENT OF HUMAN RESOURCES AND ENHANCEMENT OF SKILLS</b></p>	<p>Fair and transparent access to development and training programs aimed at enhancing the managerial, technical and organizational skills of employees and consolidating the professional skills required for the role held.</p>
<p><b>HEALTH AND SAFETY IN THE WORKPLACE</b></p>	<p>Development of interventions and practices - beyond what is prescribed by current regulations - aimed at minimizing health and safety risks for employees working at the company's premises and along the supply chain (suppliers, contractors, sub-contractors, etc.).</p>
<p><b>CONTRIBUTION TO THE DEVELOPMENT OF THE SOCIAL AND ECONOMIC FABRIC OF LOCAL COMMUNITIES</b></p>	<p>Contribution to the welfare of the local communities through the creation of direct and indirect economic impacts, such as, for example, the generation of support activities, the development of employment, etc. Promotion of social and cultural initiatives with positive effects on the local communities.</p>

<b>CONTRIBUTION TO THE CREATION OF A "SUSTAINABLE CULTURE" FOR THE USE OF PLASTICS</b>	Raising the awareness of sustainable uses of plastics both through institutional communication activities and the activation of ad hoc programs aimed at stakeholders.
<b>ENVIRONMENT</b>	
<b>SUSTAINABLE CONSUMPTION</b>	Sustainable consumption of resources (water, energy, materials, etc.) at all stages of the production process and, in a broad sense, in the direct and indirect management of all business activities.
<b>POLLUTING AND CLIMATE-ALTERING EMISSIONS (tCO<sub>2</sub>eq)</b>	Control and reduction of direct and indirect emissions deriving from the consumption of electricity from fossil sources, heating, mobility, travel, logistics and FGAS. Emissions into the process atmosphere.
<b>WASTE MANAGEMENT</b>	Optimization of production, management and disposal of non-recovered materials with particular reference to hazardous ones.
<b>CIRCULAR ECONOMY</b>	Application of the principles of circular economy, in particular through the reuse of materials and the formulation of products containing recycled materials (direct processes), the contribution to the lightening of (own) packaging and the reduction of packaging not strictly necessary (customer support).
<b>PROTECTION/ENHANCEMENT OF LOCAL COMMUNITIES</b>	Actions to protect local communities, through support and contributions to areas of valuable environmental value - or needing protection - in the local communities where our production plants are located.

All the material issues, represented in the three highlighted quadrants of the above matrix, are reported in this document.

The reference period is the year 2021: all data refer to the year closed on 31 December 2021. At a descriptive level, the subsequent important innovations were also indicated. The data are compared with those of the previous year. The quantitative indicators were directly taken 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: [ANNEX I – PERFORMANCE DATA](#). Whenever possible, they are presented in a time series with reference to the years 2019 and 2020, in order to ensure the comparability of the performance of 2021 with the previous years.

This document and its Annexes were reviewed by the Chief Executive Officer and then viewed and approved by the Board of Directors on 28 April 2022.

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# 1 CORPORATE IDENTITY AND PROFILE

## 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 producers 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 - TOP VIEW OF THE VEDANO OLONA HEADQUARTERS

Box 1 - 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 SUCCESSES** - Thanks above all to its relationship with Montedison, the company experienced a real boom in the 1950s and 1960s. In the early 1960s, 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 household appliance market, was perfected in the early 1970s. 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 INTERNATIONALISATION 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, internationalisation marked the company's full development.

**21st CENTURY - PRESENT AND FUTURE** - LATI is getting ready to face the challenges of the new millennium following its path of internationalisation and innovation. The company 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 international coverage

LATI maintains its relations with customers through a sales organisation that, over the last few years, has been increasingly integrated into the company thanks to the transformation of the existing subsidiaries, operating as distributors and / or agents in the area, into "branches". Integration process that, concluded in 2020, is linked to the pursuit of greater control of international operations and an increase in operational efficiency, also with a view to developing synergies, in the context of a global reference market.

LATI draws its consolidated financial statements including the following branches: LATI U.K. Ltd., LATI U.S.A. Trading, Inc., LATI Shanghai Co. Ltd.

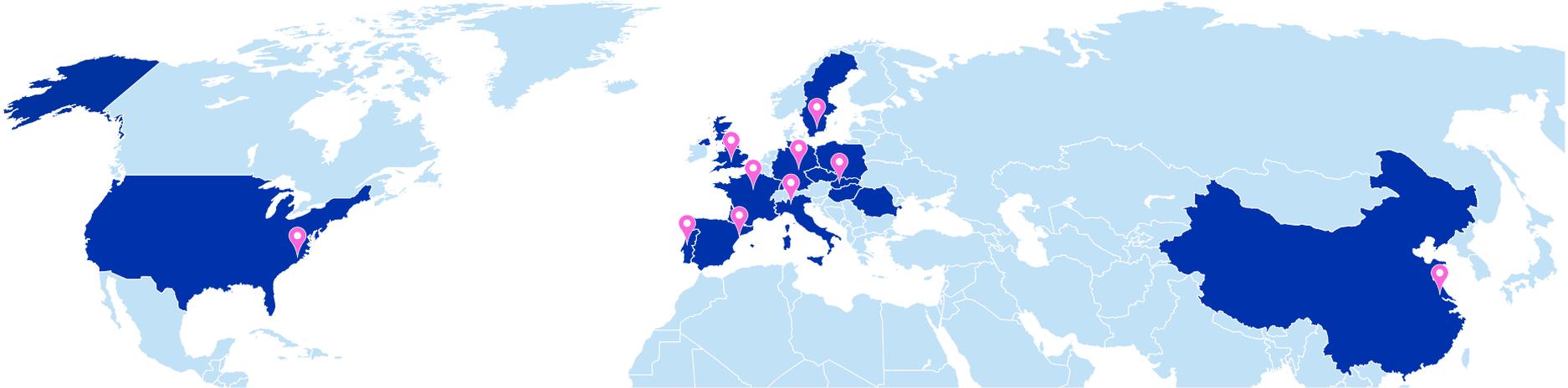


FIGURE 3 - MAP WITH LOCATIONS SIDES: ITALY, FRANCE, GERMANY, POLAND, SLOVAKIA, SPAIN, SWEDEN, UK, CHINA AND US

## 1.3 Our products

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 realisation 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.

Our special compounds, whether they are self-lubricating, thermally or electrically conductive, detectable or destined for 3D printing, have the peculiarity of fitting into increasingly diversified market niches: from automotive to design, from food to the machinery sector, from coffee machines to medical applications..



**FIGURE 4 - GRANULES OF THERMOPLASTIC MATERIAL LATI**

Box 2 - OUR PRODUCTS

<p><b>Engineering</b> Filled and reinforced compounds, the simplest solution for the most varied applications</p>	<p><b>Structural</b> High glass fibre and carbon content for metal replacement applications: robust and resistant</p>	<p><b>Self-extinguishing</b> Certified flame-retardant compounds for multiple application sectors</p>	<p><b>Self-lubricating</b> Formulas that reduce friction and wear without external lubrication</p>
<p><b>Electrically conductive</b> Antistatic, dissipative, electromagnetic radiation shielding compounds</p>	<p><b>Thermally conductive</b> Effective and efficient in conveying heat without using metals</p>	<p><b>High temperature</b> Compounds for safe use even at temperatures higher than 150°C</p>	<p><b>Magnetically detectable</b> Detectable materials for injection moulding, ideal for the food industry</p>
<p><b>Radio opaque</b> X-ray opaque and shielding, lead-free compounds</p>	<p><b>Density-controlled</b> Super-light, free from expanding agents or with elevated specific weight</p>	<p><b>3D printing</b> Designed for the production of special yarns</p>	<p><b>Green and sustainable</b> Sustainable, renewable, low environmental impact</p>

## 1.4 Our business strategy

LATI is a solid, successful company, enjoying a prominent position 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, in line with the objective of contributing to a development model that focuses on the "decoupling" of value and volumes.

2021 confirmed the validity of the Strategic Plan, which, compared to the previous year, formally included a new fundamental pillar supporting the repositioning and resilience of the company's operations: SUSTAINABILITY. LATI's business strategy, in fact, pays more and more attention to the sustainability of its processes, both organisational and productive, but also and above all of products, towards a new idea of development that brings with it a regenerated concept of plastic, at the service of the environment and society and not the other way around. Going in this direction will allow the company not only to further develop its business, but to generate sustainable and shared value, within all the contexts in which it operates. To demonstrate the effectiveness of this strategic approach, LATI has been included by Italypost among the 1000 best Italian companies for its ability to innovate and offer a performance level above the sector average.



FIGURE 5 - PRODUCTION STAGE OF LATI TECHNICAL COMPOUNDS

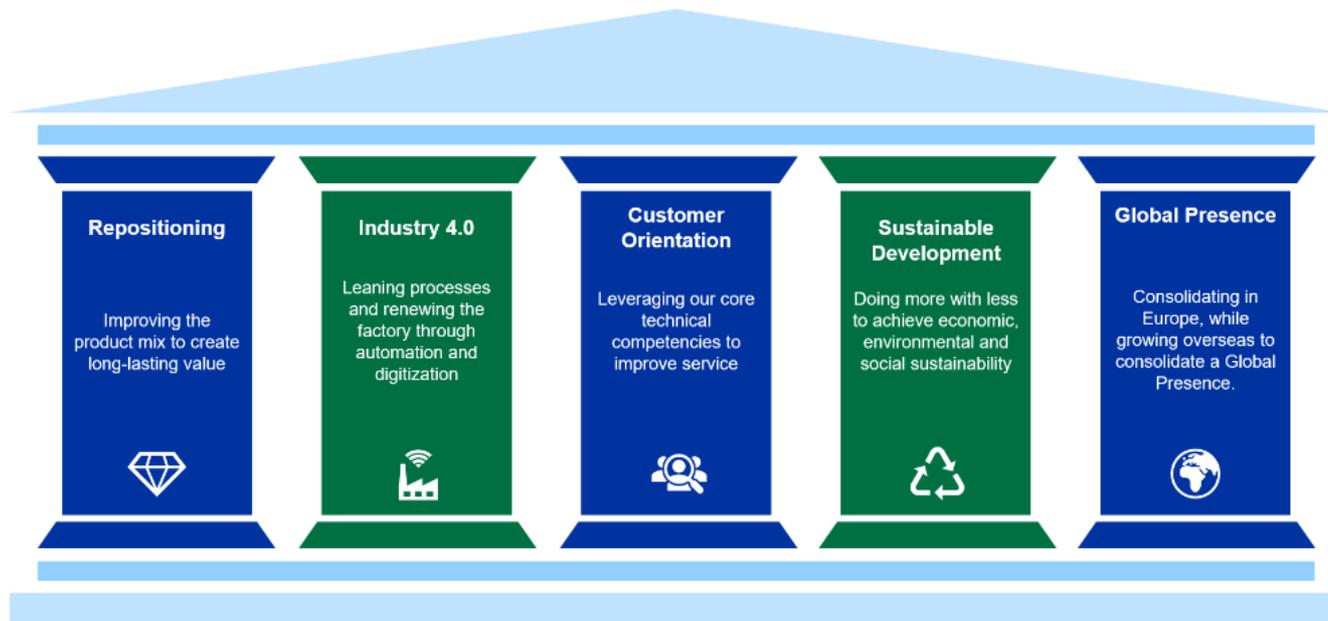


FIGURE 6 - THE 5 PILLARS OF LATI'S STRATEGY



## SUSTAINABILITY AND DIVERSIFICATION FOR GREATER RESILIENCE

The state of emergency that has characterised the last couple of years has strongly impacted the availability of materials and the resilience of many companies. In this sense, to ensure their survival, companies had to adapt their business strategies, to strengthen their ability to respond to external stresses, reasoning from a system perspective and enhancing, as much as possible, an innovative approach oriented towards long-term goals.

In order to strengthen its resilience, in line with the strategic and operational direction already undertaken over the years, LATI has focused, in particular, on two elements: sustainability and diversification.

LATI's sustainability is intrinsic to its products.

Plastic is a valuable and strategic resource, it is one of the most versatile and resistant materials available today for creating unique items. At the same time it is also one of the major sources of pollution at a global level, mainly due to the poor management of the recovery and recycling phases of plastic products at the end of their life.

Fully aware of these issues, LATI has always worked, and even more so in recent years, in antithesis to the approach of single-use plastic which, in particular, impacts on the pollution of ecosystems, with the result of creating products that, thanks to their technical features, are destined to last over time and can be used several times following their recovery/grinding and re-melting. The materials produced by LATI are, in fact, used in the production of goods with an average life of about ten years and are potentially endlessly recyclable.

During these two difficult years, LATI has continued to focus more and more on the sustainability and durability of its products, promoting continuous investments in research, development and innovation.

Thanks to these efforts, LATI today offers a wide range of sustainable products and has managed to position itself as a pioneer within an already strongly growing market. Although still low in absolute terms, the demand for sustainable products has grown significantly during the year.

The attention paid to the use of recycled materials has also allowed the company to manage the long-standing problem of the shortage of materials that has put and continues to put a strain on the world supply chains.

In this scenario, the reuse and recycling of raw materials have become fundamental factors, not only for the sustainability of the product, but also for its very existence. The huge strength of LATI consists of having developed innovative technologies and solutions able to exploit this possibility, allowing the company to fully seize all the opportunities involved.

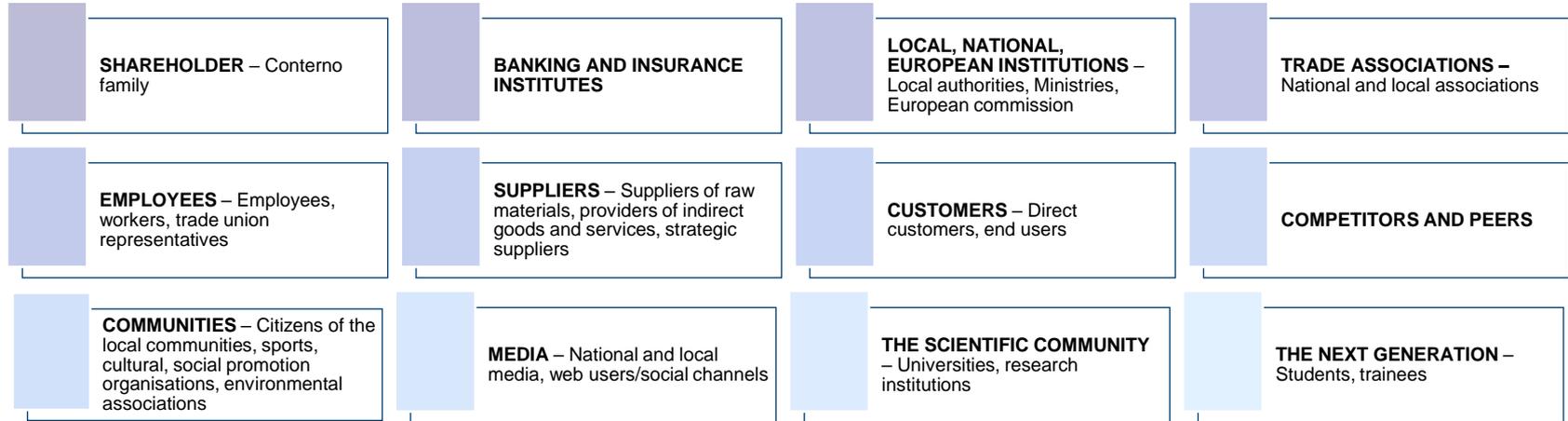
The integrated approach to sustainability within its industrial strategy also earned LATI a green loan from Unicredit, thanks to the company's particularly deserving performance in the field of sustainability, also certified by the Ecovadis gold medal. This is part of the numerous strategic benefits that the company is obtaining thanks to its choice to position itself as a champion of sustainability in the field of thermoplastic materials.

Together with sustainability, the diversification of the reference market areas, made possible by the company's ability to innovate, has represented an important response to the challenges posed by the socio-economic and health crisis linked to the pandemic. It has, in fact, allowed LATI to mitigate the drop in the market demand and to improve its contribution margin in a structural way. Thanks to the strategy of diversification of the company's suppliers - implemented with the aim of making up for the shortage of raw materials - the company has been able not only to respond to the customer needs, but also to expand the generated value by including a wider range of suppliers.

### **Box 3 - SUSTAINABILITY AND DIVERSIFICATION FOR GREATER RESILIENCE**

## 1.5 Our stakeholders

LATI believes that collaborating with its stakeholders is fundamental for guiding its business strategy and maximising 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 4 - OUR STAKEHOLDERS

The foremost commitment of LATI to all its stakeholders is to strive on the one hand to increasingly improve its ability to listen to and accept the requests expressed by them; and on the other hand, to provide them with clear and transparent information, both through its institutional communication channels and through the prompt and timely response to requests for information received frequently from both internal and external stakeholders. Only in this way is it possible to build a successful relationship of mutual trust, an essential aspect to better perform its role.

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

At 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 3 - THE RELATIONS WITH OUR STAKEHOLDERS**

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
<p><b>SHAREHOLDER</b></p> 	<p>Generation of value</p>	<p>Development plan that aims to optimise profits through a structural growth of margins deriving from improvements in the range of products.</p>	<ul style="list-style-type: none"> <li>• - Meetings</li> <li>• - Preparation and regular sharing of information material</li> </ul>

STAKEHOLDERS	EXPECTATIONS	THE COMPANY'S RESPONSE	ENGAGEMENT TOOLS
<b>BANKING AND INSURANCE INSTITUTES</b> 	<ul style="list-style-type: none"> <li>• Accountability</li> <li>• Economic and financial solidity</li> <li>• Assessment and risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum transparency in economic-financial and sustainability reporting.</li> <li>• Continuous investment in the solidity of the enterprise and, from a prospective point of view, in innovation and development.</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Periodic information material</li> </ul>
<b>LOCAL, NATIONAL, EUROPEAN INSTITUTIONS</b> 	<ul style="list-style-type: none"> <li>• Taxes</li> <li>• Compliance with the reference legislation</li> <li>• Employment and creation of ancillary activities</li> <li>• Development of territories</li> </ul>	Production operations in Italy, creation of employment in the local communities, investment in innovation and development.	<ul style="list-style-type: none"> <li>• Meetings with local institutions</li> <li>• Participation in working groups</li> <li>• Creation of territorial networks to support the management of emergency situations</li> </ul>
<b>TRADE ASSOCIATIONS</b> 	<ul style="list-style-type: none"> <li>• Participation in the initiatives promoted by the Association</li> <li>• Sharing of knowledge</li> </ul>	Active participation in the initiatives promoted by trade associations, with particular reference to those with a local basis	<ul style="list-style-type: none"> <li>• Participation in associative initiatives</li> <li>• Sharing of information on LATI and its business activities</li> <li>• Participation in working groups</li> <li>• Participation in research activities promoted by associations</li> </ul>

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

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

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

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

## 2 OUR ORIENTATION TOWARDS SUSTAINABILITY

### 2.1 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

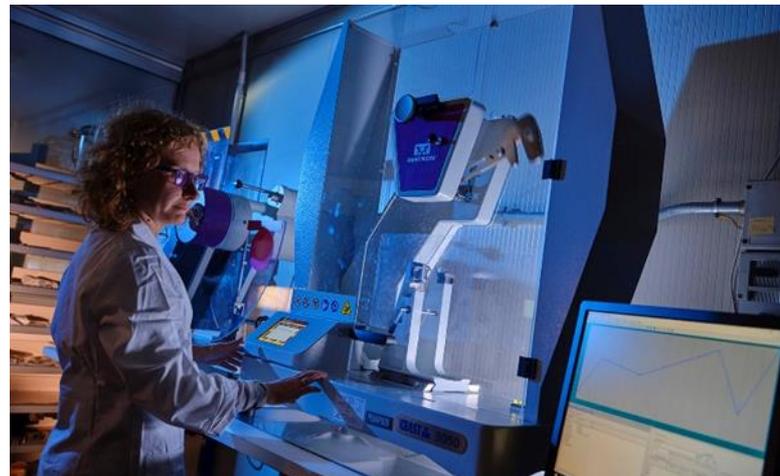


FIGURE 7 - RESEARCH AND DEVELOPMENT ACTIVITIES IN VEDANO OLONA

**Box 5 - OUR VALUES**

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



**Employment 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 run company operations. Externally, we actively participate as partners in the local community, working with institutions, trade associations and civil society 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.

## 2.2 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 on 29 April 2021 and in office until the approval of the 2023 Financial Statements, it 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..

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

TABLE 4 - THE BOARD OF DIRECTORS

Over the years, LATI has become increasingly committed to building a "manager-driven" corporate governance model by including in the Board of Directors figures chosen on the basis of professionalism, who also demonstrate a closeness to the founding values of the company. The small number of family members in the Board is proof of this managerial and meritocratic approach. In fact, although the company is entirely owned by the Conterno family, only three of the nine members of the Board of Directors are part of the family.

In the selection of Board members, LATI also pays particular importance to the heterogeneity of the team, trying to ensure the coexistence of different experiences, so that specific contributions can be received in different areas of expertise. For this reason, the appointment procedure of members is a combination of tradition and innovation. On the one hand, experience is taken highly into account, rewarding the excellent careers spent at LATI, while on the other



Digitalisation



Processes and technologies



Sustainability



Industrial organisation and human resources



Administration, taxes and finance



Corporate strategy and reference market



Product innovation, quality and compliance

**Box 6 - SKILLS OF THE VARIOUS MEMBERS OF THE BOARD**

hand external skills are imported from the market to ensure a stimulating discussion on the new trends. For example, the Board includes the former Director of the French branch who brings his strategic and commercial skills, the Head of the Research & Development Division, whose involvement demonstrates the company's strong interest in innovation, and an external Advisor who brings strong skills in the field of Digital Innovation and Processes.

It is precisely this propensity for heterogeneity that has guaranteed the presence of a considerable number of specialised and diversified skills within the Board.

As evidence of the importance that the company attaches to the well-being of its employees and to the creation of the conditions favourable to their development, within the Board of Directors, a specific mandate has been attributed to Livia Conterno, Michela's sister, with reference to the activity related to corporate social affairs. In particular, the mandate also covers corporate welfare, as a driver of performance improvement, relations with Rete Imprese Giunca, which aims to maximise well-being for network employees and to the WHP – Workplace Health Promotion programme.

President of the Board of Directors remains Prof. Francesco Conterno, the father of Michela and Livia, with an increasingly institutional and less operational role.

The remuneration of the members of the Board reflects the various degrees of responsibility and workloads. The following members have remuneration in descending order, according to their specific mandates:

- President (Francesco Conterno)
- Chief executive officer (Michela Conterno)
- Chief executive officer, Social Affairs (Livia Conterno)

- Chief executive officer, Product Safety – PSB (Loredana Mercante)

The other members of the Board provide their contributions exclusively during the Board meetings, for which they are entitled to an attendance fee.

LATI's strategy, therefore, sees the Board of Directors as an increasingly participatory body in corporate life, interacting with the top management in corporate activities with the aim of increasing the value of LATI. The main tool for alignment and cooperation is the Business Plan in the definition of which both the Board of Directors and the company staff participate, the former to provide guidelines and goals, the latter to outline strategy and operations.

The Board of Statutory Auditors

The Board of Statutory Auditors is composed of experienced professionals of excellent reputation, who hold positions in other contexts, also bringing a voice of comparison with the outside.

The Board of Statutory Auditors was elected in 2021 for a three-year term.

**2.2.1 Conflict of interest**

As evidence of the importance that LATI attaches to the establishment of relationships based on mutual trust, the Board of Directors is composed entirely of people who have deep ties with the company: family members, long-time employees or advisors. For this reason, to date, there is no independent

**TABLE 5 - COMPOSITION OF THE BOARD OF AUDITORS**

<b>President of the Board of Statutory Auditors</b>	De Micheli Sonia
<b>General manager</b>	Pugliese Sonia
<b>Statutory Auditor</b>	Bruno Maria Vittoria
<b>Alternate Auditor</b>	Molea Sonia
<b>Alternate Auditor</b>	Pieretti Sarah

member in the Board of Directors. Although, therefore, there are strong links between LATI and its Board, this circumstance has never created situations of conflict of interest, since there have never been transactions with correlated parties (i.e. close relatives of Board members and top Managers).

In any case, LATI provides for a specific procedure in the event that a similar situation may occur. Business relationships with correlated parties are not prevented beforehand, but require a more careful evaluation of the supplier, comparing it with at least two other alternatives. The proposal must always be reasonable and guarantee ordinary market conditions.

With a view to improvement, LATI is considering, for the future renewal of the Board of Directors, the introduction of an independent member who can play the role of a "sparring partner", so as to be able to objectively evaluate the effectiveness of the current corporate strategy.

## 2.3 Sustainability governance

Sustainability has always been an integral part of our value system, as the heritage of the strategic and organisational culture of the company, and becoming in 2021 a strategic pillar on which the company's development is based. It is deeply 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. As a result, LATI has managed to create an organisational model in which sustainability permeates all business activities and is managed with a precautionary approach, across the board and by competence of all company functions, under the guidance and direction of the Company's CEO.

Box 7 - EcoVADIS RATING

In order to set up a corporate organisation capable of supporting the pursuit of the company's goals, LATI has also implemented - and constantly improved - an Organisation, 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 also developed an advanced Business Intelligence (BI) system, which will integrate sustainability variables. At an operational level, sustainability is attributed to the Quality, Environment and Safety Organisational Unit with the responsibility for coordinating and monitoring activities, also in order to make available a timely and periodic reporting addressed to the internal staff and to the stakeholders.

This organisational model allows the Company to bring to a practical level the values and goals driving its business strategy. The integration of these values in daily working life, as well as in every ordinary or extraordinary strategic choice made by the company, has led LATI to increase investments in research and innovation over the years in order to create processes and products as circular and low impact as possible.

With a view to continuous improvement that drives the company's operations, LATI is committed to creating a solid regulatory corpus at the foundation of the already consolidated sustainability practices, which will accompany the Quality, Environment and Safety Policy (see **Paragraph 0**). And it is always in this perspective of improvement that LATI is working for its conversion into a Benefit Company, so as to take a further step forward towards the complete integration of sustainability within its business model. The conversion into a Benefit Company will translate at a statutory level into something that LATI has always felt and that is part of the very identity of the corporate project, aligning the sustainability goals with the orientation of the company.

## ECOVADIS RATING

Four years ago, LATI embarked on the path towards the regulated measurement of the ECOVADIS protocol on environmental performance and sustainability, obtaining a fully satisfying result. Once again in 2021 LATI was awarded a "GOLD" merit level, positioning again in the 95% percentile for sustainability performance



## 2.4 Ethics and accountability in business operations

LATI pursues 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 rules 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 Organisation, 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 the Italian Legislative Decree 231/2001 and the Code of Ethics as well as to promote its knowledge. While drawing up the Organisation, Management and Control Model we identified and mapped the business processes exposed to the possible risk of criminal attacks 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). The Code of Ethics and the MOGC also incorporate the principles and values that inspire LATI in its anti-corruption initiatives, with specific provisions to ensure compliance with current regulations. Both the MOGC and the Code of Ethics are published on the company's website and have been communicated to all company governance bodies, employees, collaborators and customers. During 2021, no reports were made to the Supervisory Body. In addition, no corruption or anti-competitive behaviour occurred during the year, and there were no legal actions in this regard, nor non-compliance with social and economic rules was reported.

### 2.4.1 Business and tax transparency

LATI decided to also apply its sensitivity towards the issues of transparency and sustainability to tax matters. In particular, the following projects have been undertaken:

#### **Tax Transparency**

LATI also decided to undertake a Tax Transparency analysis with the support of KPMG. The analysis is voluntary and involves an in-depth survey, by KPMG, of all business practices that have an impact on taxation.

This process is targeted to:

- strengthen the relationship of trust with all corporate stakeholders – the Public, Investors, Customers, Suppliers, Employees, local and central Public authorities, the international tax community;
- provide a strong mandate for continuous improvement of corporate governance and tax practices;
- provide a solid starting block for building further tax evolutions.

### **“Advance Pricing Agreement (APA)”**

LATI is a multinational company that cooperates with various legal entities in the main countries of the Eurozone, as well as in the United States of America and China. For this reason, LATI decided to adhere to an APA procedure with the various European tax authorities to establish, bilaterally, the appropriate transfer price that satisfies the definition of the Italian tax base and that of the different European countries involved. LATI has chosen to be supported by KPMG in this matter. The APA procedure has a duration of about 3 years and the agreed transfer price will be valid for five years, placing LATI in a position of absolute transparency in tax matters and therefore of certainty of the agreed price.

## **2.5 Integrated Quality, Health, Safety & Environment Management System**

LATI continually strives to improve its capacity for integrating and developing sustainability in its organisation and business operations. It does this primarily by implementing innovative organisational 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. Both the Vedano Olona and Gornate Olona plants are certified according to the aforementioned standards 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.

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 maximising 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 possible additions. This document commits the Company to continuous improvement towards all its stakeholders, which implies a high degree of attention to customers, a strong responsibility for

safeguarding the psychophysical health of employees and suppliers and attention to professional development and the creation of new skills. In addition, LATI is committed to reducing and mitigating its environmental impacts throughout its value chain.

#### BOX 8 - INTEGRATED RISK MANAGEMENT



### INTEGRATED RISK MANAGEMENT

Within the Integrated Quality, Environment and Safety System, LATI carries out the assessment of business risks integrated with the most relevant social and environmental aspects related to the context in which it operates. In particular, LATI analyses the risks and opportunities deriving from a more sustainable management of the business, from its value chain and from a greater digitalisation and the transition to Industry 4.0. The integrated analysis allows the company to manage the risks analysed, thus managing to mitigate its potential negative impacts and to expand the positive ones also in the social and environmental sphere.

The methodological approach to risk analysis and management consists of eight steps.

1. **Context:** Analysis of the context
2. **Process analysis:** Analysis of the flow of the Organisation's activities, identifying the processes and their interactions and stakeholders; analysis of the potential environmental aspects of the Organisation under normal, anomalous and emergency conditions, spread over the different processes; analysis of risks and opportunities for the managing of the processes and for the assessment of the significance of the individual environmental aspects.

3. **Identification of objectives:** Identification of the company's goals for improvement in the field of quality and environment; subdivision of goals for the different processes involved.
4. **Identification of risks and opportunities:** Identification of risks that could affect the achievement of goals or generate new improvement goals; Identification of opportunities.
5. **Risk assessment:** Quantification of risks (in terms of probability of occurrence and damage)
6. **Risk management:** Identification of the control measures in place for the management / control of risks; quantification of the detectability index (ability to detect any risk in advance)
7. **Improvement activities:** Identification of improvement activities and resources with regard to all risks that are, in terms of value, above acceptable risk limit as defined in this procedure.
8. **Re-assessment:** Re-evaluation of the probability, damage and detectability index assessment, so as to assess the correctness of the actions undertaken to mitigate risks.

In 2021, the analysis showed that an improvement in the sustainability of products and the strengthening of circularity policies can have a positive impact on the turnover and cost reduction, as well as mitigate the risk deriving from poor market positioning which could affect the company's competitiveness. Similarly, green energy generation projects, such as the installation of photovoltaic panels, also have a potential positive impact on production operations, reducing costs and improving the company's reputation. At the same time, the analysis emphasised the importance of the initiatives aimed to the transition towards Industry 4.0, which not only allow a more efficient use of resources, but can mitigate competitive risk by facilitating the development of production process and digital leadership. The initiatives put in place in favour of customers are also relevant, such as webinars, training, order management, supply chain resilience, etc. The particular attention paid by LATI to these aspects has allowed the company to be more dynamic and flexible and to avoid/mitigate the risks of operational discontinuity and the consequent dissatisfaction of its customers.

## QUALITY: IATF 16949:2016

LATI is increasingly active in the automotive sector through innovative and standard products. With the spread of electric and hybrid vehicles, in addition to metal replacement the automotive industry is imposing increasingly specific technical requirements, an area where LATI's know-how is well established, e.g. for self-extinguishing properties.

Approaching IATF 16949:2016 has been a real challenge for LATI, whose main advantage is to consolidate its operations in the automotive sector, but also to seize new business opportunities deriving from the electrification of vehicles. This challenge also involves an evolutionary push towards the continuous improvement of quality of the system, products and processes. In addition to this, the IATF 16949:2016 certification is inherently in line with LATI strategies, as it itself pushes industries towards the digital and sustainable transition, which are already our strategic pillars.

In 2021 LATI started the automotive quality certification process according to the international standard IATF 16949:2016. This includes a two-year plan that will see all business units engaged in challenging activities.



Box 9 - QUALITY: IATF 16949:2016

## 3 GENERATED AND DISTRIBUTED VALUE

LATI's economic performance reflects the efforts made by the company, during the last year, in order to respond to the difficulties related to the health emergency. Following a continuous growth, which was interrupted in 2020 by the pandemic crisis that caused a major drop in demand and sales, LATI closed the year with more than satisfactory results: in fact, 2021 was characterised by a considerable increase in product sales volumes. This success, highlighted by the figures, derives from strategic decisions which allowed the company to react to the numerous systemic difficulties. In particular:

- **optimisation of the management of warehouse shortages;**
- **procurement of alternative raw materials;**
- **attention to sustainability in production.**

LATI has faced these challenges and managed to increase the value of its production also thanks to the expansion of its product range, the selection of logistical allocations and, in general, the increase in production capacity. The financial sustainability of LATI, its reliability and its trust in the reference market and customers, derive from the company's resilience and ability to innovate.

### 3.1 Summary of economic and financial performance

The economic and financial results achieved in 2021 by LATI are more than positive. Gross revenue is just under 180 million euros thanks to a strong increase in sales volumes. EBITDA increased by 32.6% compared to the previous year and reached the highest value ever recorded by the company.

**TABLE 6 - P&L STATEMENT FOR THE THREE-YEAR PERIOD 2019–2021**

P&L STATEMENT	2021	2020	2019	VAR 20/21
<b>GROSS REVENUE</b>	<b>179.884.266</b>	<b>130.974.701</b>	<b>145.493.269</b>	<b>37,3%</b>
Variable costs	127.573.680	88.231.273	107.704.410	44,6%
<b>CONTRIBUTION MARGIN</b>	<b>52.310.587</b>	<b>42.743.428</b>	<b>37.788.859</b>	<b>22,4%</b>
Fixed costs	29.336.026	25.419.385	26.087.565	15,4%
<b>EBITDA</b>	<b>22.974.561</b>	<b>17.324.042</b>	<b>11.701.294</b>	<b>32,6%</b>
Depreciation	3.618.038	3.249.148	3.141.167	11,4%
<b>EBIT</b>	<b>19.356.523</b>	<b>14.074.894</b>	<b>8.560.127</b>	<b>37,5%</b>
Cash	-64.569	754.539	100.586	-108,6%
Charges	240.049	215.018	259.696	11,6%
Equity variation	-729.566	-294.192	-168.326	148,0%
<b>PROFITS BEFORE TAXES</b>	<b>19.910.609</b>	<b>13.399.530</b>	<b>8.368.170</b>	<b>48,6%</b>
Taxes	5.136.063	3.712.608	2.224.832	38,3%
<b>NET PROFIT</b>	<b>14.774.546</b>	<b>9.686.922</b>	<b>6.143.338</b>	<b>52,5%</b>

Compared to gross revenue, EBITDA shows a percentage greater than 12%; this figure expresses how much of the value of production was retained in the company net of the operating costs. All this is the result of a healthy management of the business.

TABLE 7 - ECONOMIC AND FINANCIAL INDICATORS

Indicator	Area	2021	2020	2019	VAR 20/21
<b>ROE</b>	Economic Net profit / PN	17,77%	13,94%	10,24%	27,5%
<b>ROI</b>	Economic Operating result / Assets	11,99%	10,54%	7,40%	13,8%
<b>ROS</b>	Economic Production value and costs / Sales revenue	10,52%	10,40%	5,94%	1,2%
<b>Overall debt ratio</b>	Financial (Short-term liabilities + ML liabilities) / PN	0,90	0,86	0,94	4,7%
<b>Financial debt ratio</b>	Financial (ML liabilities) / PN	0,27	0,36	0,32	-25,0%

With these premises, the company can return and share value through research and development, investments, and its commitment to sustainability.

## 3.2 Investments

In terms of investments, LATI operated in line with its main strategic elements:

- repositioning on the market through the improvement of the product range
- modernisation of industrial processes through automation and digitalisation in the context of Industry 4.0
- customer oriented approach based on trust and good reputation built over time
- increasingly sustainable approach
- global presence focused on the consolidation of the European market and the growth of the overseas market.

In 2021 LATI continued with its technological and digital innovation projects to advance logistical and industrial operations. The importance of these issues is evident when considering the numerous investments already made by the company in the past years; from the purchase of last generation products to the improvement of production processes, the modernisation of the departments, renewable energy solutions for its plants, the optimisation of logistics, up to the strengthening of the IT infrastructure and systems. The organisation aims to generate benefits in a short time in terms of cost, safety and greater production flexibility. During 2021 there were no investments on infrastructures.

LATI has invested heavily in Research and Development projects, seeking increasingly sustainable solutions along the entire life cycle of materials. In continuity with the previous year, the investments in this sense focused on:

- the search for low-impact materials through the study, assessment and development of sustainable solutions;

- the study and formulation of flexible products;
- the search for new applications in the fields of electric mobility.

The POLISTE and SabyNA projects are co-financed by the CARIPLLO foundation together with the Lombardy Region and by the European Union, respectively. The former aims at the development of new cutting-edge and sustainable polymeric materials, while the latter involves the development of a platform for the creation of safer nano-materials.

### 3.3 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:

- the economic value generated through production;
- the economic value distributed to the socio-economic context with which LATI interacts;
- the economic value retained, calculated as the difference between the first two components.

**TABLE 8 - GENERATED ECONOMIC VALUE**

-	2021	2020	2019	VAR 20/21
<b>GENERATED ECONOMIC VALUE</b>	<b>184.896.853</b>	<b>129.734.728</b>	<b>140.146.538</b>	<b>42,52%</b>
<b>Sales revenue</b>	180.060.043	130.931.439	145.370.594	<b>37,52%</b>
<b>Inventory variations</b>	3.301.152	-2.050.416	-6.161.390	<b>261,00%</b>
<b>Other revenues and income</b>	1.535.658	853.705	937.334	<b>79,88%</b>
<b>DISTRIBUTED ECONOMIC VALUE</b>	<b>179.474.779</b>	<b>118.363.334</b>	<b>124.435.508</b>	<b>51,63%</b>
<b>Personnel expenses</b>	19.113.143	16.820.539	16.782.396	<b>13,63%</b>
<b>Operating costs (suppliers)</b>	153.961.124	95.819.779	104.477.485	<b>60,68%</b>
<b>Lenders' remuneration</b>	668.887	762.433	689.018	<b>-12,27%</b>
<b>Public authorities</b>	5.136.064	3.712.608	2.224.832	<b>38,34%</b>
<b>Shareholders' remuneration</b>	555.000	1.206.200	222.000	<b>-53,99%</b>
<b>Investments in the local community</b>	40.561	41.775	39.555	<b>-2,91%</b>
<b>RETAINED VALUE</b>	<b>5.422.074*</b>	<b>11.371.394</b>	<b>15.711.030</b>	<b>-52,32%</b>

\*\* The retained value does not take into account the inventories of raw materials recorded at the end of the year, with a value of approximately € 12 million, which are stored at the company.

In 2021, LATI's Generated Economic Value amounted to approximately € 185 million, 42.52% higher than the previous year. This increase, as highlighted above, is due not only to the period that followed the lockdown – marked by the growth in the demand for industrial goods – but also to the company's ability to increase its production by resorting to digitalisation, automation and diversification strategies of the product range and the raw materials used.

In 2021, the Board of Directors decided to allocate the profit of the year, amounting to € 14.7 million, to the extraordinary reserve, recording a distributed value of approximately 97% of the generated economic value, or over 179 million euros, which was thus assigned to the following stakeholders:

- the biggest share, about 154 million euros, is represented by the costs incurred for the purchase of materials (suppliers), services (contractors and subcontractors) and other goods. This item recorded an increase of 60.7% due to the inflation caused by raw material prices and the increase in the company's production capacity;
- about € 19 million to employees, mainly for wages, salaries, social security and welfare charges. LATI, in fact, has increased its staff and implemented additional health protocols for the personnel;
- approximately € 5 million was paid to the State Treasury and the local authorities for direct and indirect taxes;
- approximately € 0.55 million to the shareholders in the form of dividends;
- about € 0,66 million to lenders, in the form of interests, fees, financial charges;
- just over € 40,000 in investments in the local community, in particular through sponsorships and donations for social, cultural and sports initiatives related to the local communities.

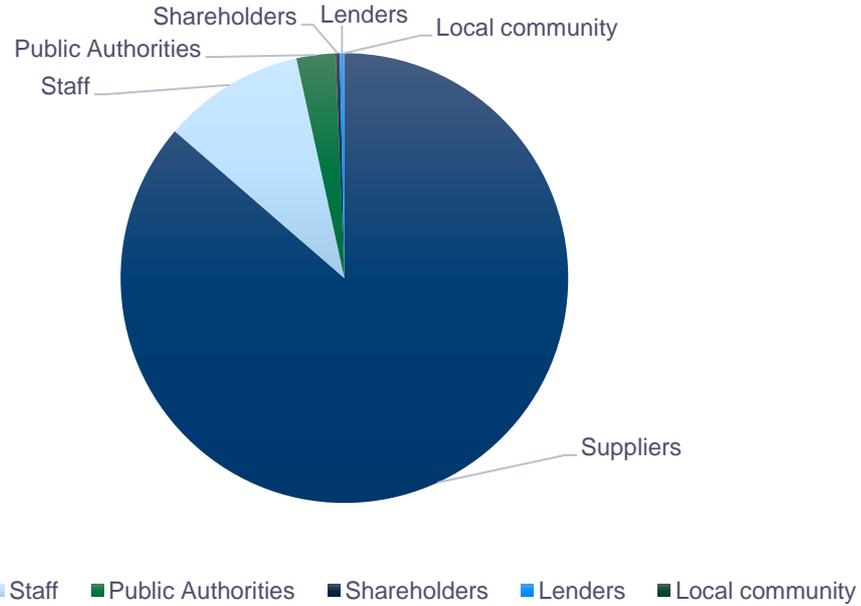


CHART 2 - BREAKDOWN OF DISTRIBUTED ECONOMIC VALUE

Part of the generated economic value, about 3%, was not distributed but retained by the company. The value retained by the company is approximately € 5 million: it consists mainly of depreciation and amortisation, provisions, undistributed operating profit.

### 3.4 Financial assistance from the Government

In 2021, LATI enjoyed contributions for a total of € 1.066 million. In addition to the subsidies and credits received through Agenzia delle Entrate (Italy's revenue agency) and the facilities provided by the Cassa per i servizi energetici e ambientali, the company received contributions from SACE S.p.A. as a measure to support companies affected by the Covid-19 emergency, from FONDIMPRESA and the Municipality of Vedano Olona.

TABLE 9 - PUBLIC CONTRIBUTIONS RECEIVED DURING 2021

Contributor	Contribution received	Cause
<b>Agenzia delle Entrate</b>	225.511	R&S&I credit – L. 160/2019
<b>Municipality of Vedano Olona</b>	19.120	Reimbursement for the functions of mayor from the Municipality - art. 80 Dlgs 267/2000
<b>Cassa per i servizi energetici e ambiente</b>	537.378	Facilitations for energy-intensive industrial operations
<b>FONDIMPRESA</b>	11.161	Measures for training (art.31)
<b>SACE S.P.A.</b>	273.494	COVID-19: Sace Garanzia Italia – MidCap

## 4 THE SUSTAINABLE MANAGEMENT OF OUR BUSINESS

### 4.1 Sustainability and innovation of our products

LATI's mission has always been to produce thermoplastic compounds to make engineering components with advanced features aimed at ensuring safety. Therefore, these are not single-use materials, but materials intended to be used for longer times, as they are employed in the production of goods that will have an average life of about ten years. LATI's commitment, however, is based not only on durability, but also covers innovation processes that guarantee the sustainability of its products, their reusability as well as the raw materials for the creation of a more circular economy, placing itself as a driver of change within the Sustainable Development Goal no. 12 "Responsible consumption and production" (see Paragraph 5.2).

With a view to continuous development and improvement, LATI is constantly engaged in Research and Development (R&D) initiatives. This activity is mainly oriented to the search for innovative solutions that make it possible, on the one hand, to offer an increasing quantity of high-performance eco-sustainable products, and on the other hand to reduce the environmental impacts generated along the value chain. R&D initiatives are put in place, in some cases, also in response to external requests directly coming from customers or indirectly through market developments.

In 2021, 99 Research & Development projects were started, which led to the coding of 104 new products, the formulation and processing of 453 experimental batches, of which 131 were sampled for customer application tests. The main research issues in 2021 were:

- a) the development of solutions in harmony with the environment, throughout the life cycle;
- b) the introduction of a wide selection of flexible materials;
- c) the study of new materials for electric mobility, in order to support sustainable innovation.

### **Products in harmony with the environment**

For several years now, LATI has been developing a wide range of compounds based on bio-polymers, with different properties and characteristics that mitigate the environmental impact: the LATIGEA compounds. They range from biobased and biodegradable materials (e.g. PLA) to biobased non-biodegradable polymers such as PE and certain PAs. LATI is committed to promoting this type of products in the relevant market. In 2021, the LATIGEA family, which includes compounds based on polymers from renewable sources, has been enriched with 4 new codes for materials based on PLA and 3 codes for durable products made with a new PA from renewable sources as an alternative to self-extinguishing additives or fibre-reinforced materials made with PA6 or PA66 of fossil origin. Currently in its portfolio, LATI has about thirty-four references that contain materials totally or partially obtained from renewable sources ("biobased"). These include LATIGEA B01. The reliable quality of LATIGEA products and their environmental sustainability has also been confirmed by a renowned international laboratory, TÜV Austria, which awarded the "Ok Biobased" four-star certificate (the maximum rating) to LATIGEA B01 L/07 GREY:2865. The analyses have in fact confirmed that the LATIGEA B01 L/07 GREY:2865 compound is totally originated from renewable sources, thanks also to a filler of natural origin: wood flour from sustainable forests.

## MULTIFIX BIO

The products of the Multifix Bio range are made using a LATI compound designed specifically for this application and based on LATIGEA 45/7-GW, a HDPE of completely sustainable and renewable origin. The polymer is a high-density polyethylene obtained from the processing of sugar cane with the I'm Green certification of Braskem Europe.

Attention to the environment, however, cannot be separated from the absolute safety of the product. This is the reason why LATI has developed a compound with the indispensable flame retardant properties and the necessary mechanical strength. The material is obviously free of any toxic substance recognised as such by RoHS and SVHC, and is deliberately formulated without pigments of any kind in order to further reduce the risk related to potentially dangerous additives.

Schneider Electric awarded to Multifix Bio the Green Premium™ reserved for those products that comply with the most up-to-date and stringent standards and rules on environmental impact, information transparency and the circularity of sustainable solutions.

The life expectancy of a box, estimated at least 20 years, confirms the validity of Schneider's choice with respect to polymers of sustainable origin.



Box 10 - MULTIFIX BIO

In 2021, the new LATIECO family was created, which includes compounds containing raw materials totally or partially obtained from mechanical recycling or chemical recycling; these products, totally formulated and coded, include 13 LATIECO grades consisting of different categories of materials (self-extinguishing, 3D printing, coloured versions) and different base polymers (PA6, PA 66, PP, PC), as well as self-extinguishing versions based on chemically recycled PA6.

In addition, during 2021, LATI confirmed its commitment to sustainability, and to the offering of alternatives to plastics from fossil fuels, thanks to a distribution agreement with The Hemp Plastic Company. The agreement provides for the creation and distribution of a line of ecological plastics containing hemp supplied by The Hemp Plastic Company. These plastics can be used in different sectors of the plastic industry, from packaging to cars, furniture, toys, and many others, and reduce the environmental impact of products, creating ecological compounds able to meet the technical, safety and supply needs of different industrial sectors.

#### Box 11 - PRODUCT LCA



### PRODUCT LCA

Already in the previous decade LATI had carried out several assessment analyses of the impact of the most representative products on the market (Life Cycle Assessment Studies – LCA), which were reflected into important guidelines to be used in the production of our compounds. In 2021, LATI finalised the project started during the previous year, carrying out a specific assessment of product sustainability through a detailed life cycle study (LCA – Life Cycle Assessment) that quantifies the impact of a product throughout its life, starting from the production of raw materials to the delivery of the material to the customer/moulder. Different product categories were compared in this study:

- self-extinguishing material based on PA66 and red phosphorus reinforced with glass fibres compared to an equivalent formulation in which 50% of virgin PA66 has been replaced with mechanically recycled PA66 from post-industrial textile waste;
- assessment of a self-extinguishing PA6 based compound with reinforced melamine cyanide compared to an equivalent formulation made with chemically recycled PA6;
- assessment of a self-extinguishing compound made with PE of fossil origin in comparison with the same product made with PE from renewable sources (sugar cane biomass).

The results of these analyses highlighted the advantages of using recyclates for the different indicators analysed in the LCA (climate-altering potential; potential ozone depletion; POCP = Photochemical Ozone Creation Potential in the troposphere; acidification potential; eutrophication potential; potential destruction of non-fossil abiotic resources – minerals and metals; potential destruction of fossil abiotic resources; depletion of fossil resources; water depletion potential).

The data from the study show that there is a significant reduction in these indicators when recycled products or products from renewable sources are used. In particular, with regard to the climate-altering potential indicator a reduction up to 80% was observed on the polymer, with the use of mechanically recycled polymer; up to 60% - always on the polymer - with the use of chemically recycled polymer. The assessment of the reduction of the impact of polymers from renewable sources will be the subject of further studies. Following these results and, also, in response to the market demands, in 2022 a specific study will be carried out on this indicator, which represents the CO<sub>2</sub> emissions per kg of product, or the Global Warming Potential (GWP). This assessment will be carried out on a wide range of products, taking into account potential variations that may affect the indicator itself (e.g. raw materials from different origins, suppliers or production sites, etc.)

### **Starting the development of flexible materials**

LATI has always produced rigid materials, with the exception of a few ones made with reinforced polyurethane. The idea of developing "soft" materials was born from the desire to study and create new types of products – in the field of elastomers – that could incorporate all those properties that the company has developed for rigid materials (self-extinguishing, thermal or electrical conductivity, self-lubrication, suitability for 3D printing).

There are 12 types of soft materials designed and produced on a pre-industrial scale - based on a thermoplastic elastomer (Styrene Ethylbutylene Styrene - SEBS) - that form the LASTIFLEX family. The products studied include halogen-free self-extinguishing compounds, controlled-density grades (LATIMASS 31), metal detector and X-ray detectable products (LATIGRAY 31 MDT: for the detection of fragments in the food production and handling chain), thermally conductive (LATICONTHER 31) or electrically conductive/dissipative products (LATIOHM 31). Some of these materials have been offered to selected customers in order to evaluate their applications.

### **Products for sustainable innovation – towards electric mobility**

The climate change emergency has raised the need for switching to cleaner energy sources also in the field of mobility. In this sense, the transition to electric cars represents a fundamental element. In this context, there is an intense growth in the demand for new products necessary for this transition, a trend that is also confirmed in the field of thermoplastic compounds. Recognising this need from the market and aiming at becoming a driver of change for the ecological transition, too, LATI started to study engineering materials for applications in the electric mobility and E&E sectors.

New materials with potential use in the field of electric mobility and alternative solutions to existing ones subject to situations of monopoly or the shortage of RM have also been investigated.

All these materials must meet the demands for reliability – from different points of view – and safety. For example, the new compounds of the LARAMID T family, based on a new aromatic polyamide, are able to offer greater chemical resistance and excellent mechanical performance even in conditions of high humidity and high operating temperatures (even over 200 °C). Seven products have been studied and industrialised up to now, of which two are self-extinguishing grades (halogenated and not), reinforced with 50% glass fibres, one is a thermally conductive compound and one is a self-lubricating compound.

In addition, new raw materials or combinations of raw materials already available were evaluated with the idea of formulating new halogen-free self-extinguishing grades that, in addition to excellent flame retardancy, maintain good mechanical properties and stability in humid environments, which would allow their use in very demanding applications. This has led us to the realisation of small samples of two types of materials that are currently being evaluated by our customers.

The Research & Development unit is also currently involved in two publicly funded projects



## POLISTE

The POLISTE project is funded by Fondazione CARIPO and the Lombardy Region and aims to develop new sustainable advanced polymeric materials from modified lignocellulosic biomass (micro/nanoparticles and fibres). Lignin is currently a widely available biomass by-product of the pulp&paper industry and from various bio-refinery processes, as well as digestate fraction of the biogas industry (locally very relevant in Lombardy). A potential advantage of lignin lies in its aromatic nature (virtually the only source of renewable aromatics available on a large scale), and in its environmental stability that is superior to that of other biopolymers currently available.



In 2021, compounds with different lignin content by mass, of a type already marketed and yet not functionalised in different concentrations (7%, 15%, 25%, 35%) were created on a PP basis from fossil sources and on bio-HDPE from renewable sources, to study the effect of adding natural fillers and identify the optimal percentage. Based on the mechanical and moulding properties, the 15% grade was selected. Starting from this base, a second test campaign was carried out to verify the effect of different compatibilising additives, in order to improve the adhesion between the polymer matrix and the lignin and therefore the mechanical properties. None of the three additives had significant effects. The drying of lignin before the extrusion process was also investigated; it was observed that it slightly embrittles the material, but improves the process.

In a third campaign, considering that it may be interesting in a circular economy perspective, two compounds were developed based on different biopolymers, a PBS (biobased) and a PHB (biobased, biodegradable), with 10% and 15% lignin, respectively. In addition, in order to investigate the possibility of alternative sources of lignin, two additional tests were carried out on the PBS and PHB with the addition of 15% of walnut shells. At the same time, a recycled PP (rPP), supplied by a project partner, was analysed and two compounds with 10% and 15% lignin were developed. The results, also confirmed by the tests carried out at Politecnico di Milano, showed much better results, in terms of mechanical properties, than virgin PP, confirming the validity of this option.

### **Progetto SabyNA**

The SabyNA project, funded by the European Union, aims to become a guidance platform to support the development of safer nano-materials. Nano-materials promise to substantially change our everyday life. However, as with any innovation, scientists need to shed light on the potential health and environmental risks throughout the product's life cycle. The EU-funded SabyNA project plans to develop an intuitive platform with optimal work flows to support the development of safe nano-materials and nano-enabled products. The work flows will integrate safety strategies and risk mitigation measures along with decision trees that facilitate the identification of the most suitable approaches for personnel, consumers and the environment. Continuous dialogue with different stakeholders and end users will maximise the added value of the safe guidance platform starting from the design stage, which will also be demonstrated in industrial case studies.



### **LATI R&D contribution to the SabyNA project**

LATI is the leader of Work Package 7 (WP7, industrial partners). As such, the company coordinates all the activities of the working group (organisation of meetings, management of internal communication, drafting of minutes, communication to industrial stakeholders). As coordinator of WP7, LATI is also delegate of the group in the Scientific Committee and participates in the activities of all the other working groups concerning the industry and the case studies.

As an industrial partner, LATI and LATI3Dlab have developed and characterised, after numerous process iterations, innovative filaments for 3D printing (FDM technology), in particular a polycarbonate grade for antistatic applications (containing single wall carbon nanotubes) and a polypropylene grade for antibacterial applications (containing silver nanoparticles).

During 2021 these filaments were handed over to the research body LEITAT, which by applying an additive manufacturing technology, has successfully printed the first prototypes of vacuum system parts for professional ATEX applications and for the orthopaedics sector. At the same time, part of the material was provided to research bodies that characterised the release of substances of concern under process conditions and the composition of the materials used using state-of-the-art analytical tools.

The contribution of Work Package 7 has been delivered to the auditor of the European Commission in accordance with the established deadlines and reports (deliverables), and no observations have been forwarded so far regarding any delays or deviations in the project.

The scientific contribution of Work Package 7 during 2021 led to the drafting of two papers which, if accepted, will be presented at an international conference during 2022.

## 4.2 Our commitment to environment protection

LATI has always invested in the promotion of environmental protection. This is not only because the company is fully aware of the impacts of its operations, but also, and above all, because it believes it is its duty to contribute to the protection of the local communities in which it operates and, more generally, of the environment. Starting from a deep knowledge and a careful evaluation of its products and its production processes, LATI constantly monitors and improves the impact of its operations. With this goal in mind, the company has been committed to the careful selection of the raw materials it uses and their appropriate treatment, investing in the design and development of materials that meet sustainability criteria as much as possible (see Paragraph 4.1). For this reason, LATI is constantly looking for technological and organisational solutions to make its production process, and in a broader sense its value chain, more efficient and less impactful.

LATI ranks among the first companies in Italy to have implemented and certified, in 1995, an Environmental Management System complying with ISO 14001, thus committing itself over time to 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 2021, no damage caused to the environment occurred and no lawsuits were brought or sanctions issued for environmental crimes or damage

### 4.2.1 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 summarised in the following four phases.

TABLE 10 - THE PRODUCTION PROCESS AT A GLANCE

PROCESS PHASES	MAIN IMPACT VARIABLES
<p><b>PREPARATION</b></p> <p><b>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.</b></p>	<ul style="list-style-type: none"> <li>• raw materials</li> <li>• raw material packaging</li> <li>• energy consumption</li> <li>• emissions</li> </ul>

PROCESS PHASES	MAIN IMPACT VARIABLES
<p><b>EXTRUSION</b></p> <p>The molten plastic polymers are homogeneously mixed with specific additives (powders, fibers 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"> <li>• energy consumption</li> <li>• water consumption</li> <li>• emissions</li> <li>• production waste (industrial waste)</li> </ul>
<p><b>DRYING</b></p> <p>Drying of extruded materials through vacuum rotary ovens, which exploit a diathermal oil system and are heated by electric exchangers.</p>	<ul style="list-style-type: none"> <li>• energy consumption</li> <li>• emissions</li> </ul>
<p><b>PACKAGING</b></p> <p>Packaging of finished products.</p>	<ul style="list-style-type: none"> <li>• energy consumption</li> <li>• emissions</li> <li>• packaging for outgoing materials</li> </ul>

## 4.2.2 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 (see Paragraph 4.1)

LATI regularly uses between 300 and 400 qualified raw materials (in the form of pellets, flakes, fibres, powders, reinforcements, mineral fillers, etc.), many of them with particular specifications, others more generic. The share of recycled materials used in 2021 is 5%, in line with the trend of previous years.

The additives (powders, pellets and liquids) are also used in the production process, which, together with the raw materials, make up the final compound, as well as a number of so-called "ancillary materials" (e.g. lubricants, toners, etc.). During the last year there has also been a significant increase in the use of materials from recycled PA6 fishing nets (Econyl) for processing operations on the request of some customers for specific projects.



FIGURE 8 - COIL FOR THE PRODUCTION OF CUSTOMIZED BAGS

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 the packaging of incoming raw materials. For example, with the realisation 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, generating additional scraps, but thanks to the use of bag reels 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.

### 4.2.3 Resource consumption

LATI pays particular attention to the efficient consumption of resources with particular regard to energy and water consumption.

One of the biggest items of energy consumption for LATI is electricity, in 2020 supplied exclusively by the grid and derived from renewable sources.

During 2021, 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 will guarantee a return on the investment made within maximum 7 years. In addition, 60

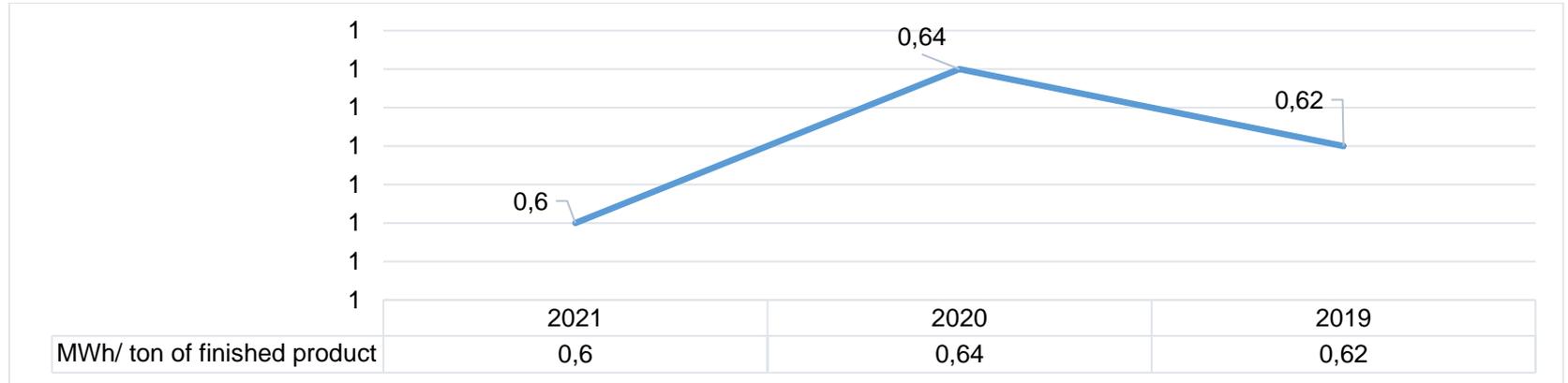


FIGURE 9 - PHOTOVOLTAIC SYSTEM OF GORNATE OLONA

tons of CO2 will be avoided every year, the equivalent of 1,800 trees planted every year. During 2021, around 61,180 kWh of clean energy were self-produced.

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 “emissions” on process efficiency. In relation to the contribution measured in MWh per ton of finished product, the trend shows a drop of over 5%.

**CHART 3 - ENERGY INTENSITY\* PER TON OF FINISHED PRODUCT**



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

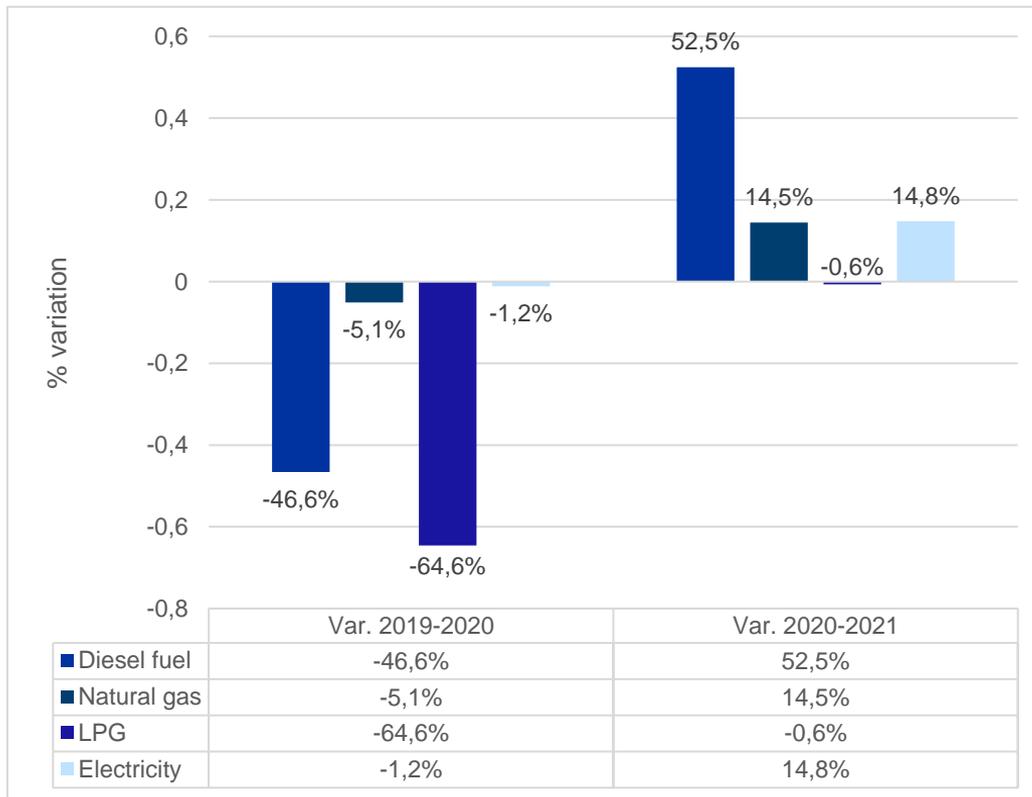
With regard to other energy consumption (fuels), natural gas consumption is particularly significant due to the company's thermal energy needs. The consumption values for the year 2021 are on the rise, driven by:

- 1) Higher consumption of diesel fuel in relation to the pandemic situation of the previous years, increasing the need for work trips due to the decrease in agile work in 2021.
- 2) Increased natural gas consumption at all sites.
- 3) Slight decrease in LPG consumption thanks to the use of battery-powered forklifts.

It is therefore particularly significant the variation recorded in long-term consumption trends, mainly related to constantly shrinking energy and LPG consumption and the decline in volumes occurred in the last two years, following the post-pandemic production recovery.

Water consumption is an important aspect for LATI's operations, although the company does not use it in the

CHART 4 - VARIATION OF CONSUMPTION FROM 2019

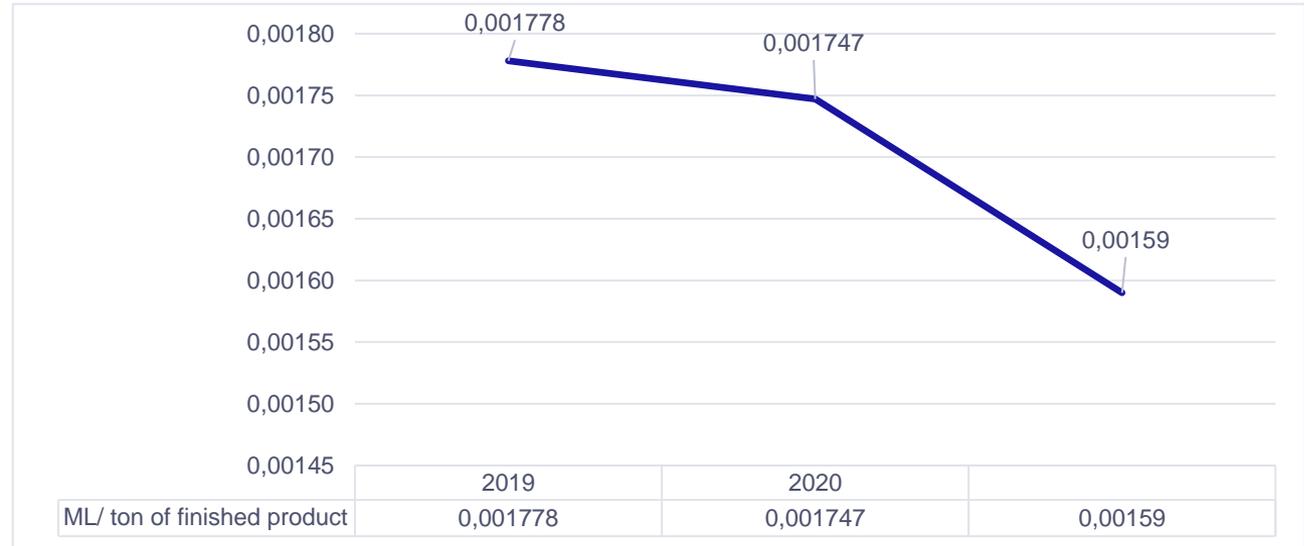


actual production process but only for cooling and washing the equipment. In the former case, the company has set up a closed-loop system. In the latter, after being used in washing operations, the water is treated and discharged into the sewer. The company does not use steam.

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 authorisations).

The trend in water consumption is generally constant; however, there is a decrease in water discharges into surface water bodies thanks to the construction of first flush rainwater collection tanks in 2021.

**CHART 5 - WATER CONSUMPTION INTENSITY PER TON OF FINISHED PRODUCT**



#### 4.2.4 Emissions

Direct greenhouse gas emissions (Scope 1) recorded in 2021 shows a rising trend in total values (+17%) due 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 strong reduction recorded in the three-year period 2019-2021. During 2021 a radical decrease was observed thanks also to the decision to purchase 100% green energy. The hydroelectric energy purchased from a new supplier (small hydro) allows LATI S.p.A. to certify the energy it consumes as originated from renewable sources.



TABLE 11 - TOTAL GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)

	UdM	Year			% variation	
		2021	2020	2019	2020-2021	2019-2020
<b>Total greenhouse gas emissions (scope 1 and 2)</b>	Tco2eq	2538,11	7731,48	7971,92	<b>-61,17%</b>	-3%

\* The accounting method used is the location-based one, i.e. the Italian national average emission factors have been applied.

The volume of indirect greenhouse gas emissions (Scope 3) is in the process of methodological finalisation, in the context of data collection for the year 2022. It was, however, approached the qualitative dimension of the related impacts, described as follows:

1. **Commuter employees and staff**

In order to quantitatively determine the indirect emissions caused by the commuting habits of LATI employees, a questionnaire was administered to the entire company population in February 2022. The respondents were about 114, of which more than 96% use their private car. The evaluation carried out allows to obtain the first quantitative data, defining a pre-pandemic and a post-pandemic scenario where the contribution of agile work has actually determined a decrease in emissions of about 23%.

TABLE 12 - TOTAL INDIRECT EMISSIONS. COMMUTER EMPLOYEES AND STAFF

	UdM	Year			% variation	
		2021	2020	2019	2020-2021	2019-2020
<b>Total indirect emissions. Commuter employees and staff</b>	tCo2 eq	282,78	272,78	369,64	=	-23,31%

## 2. Incoming freight transport and logistics

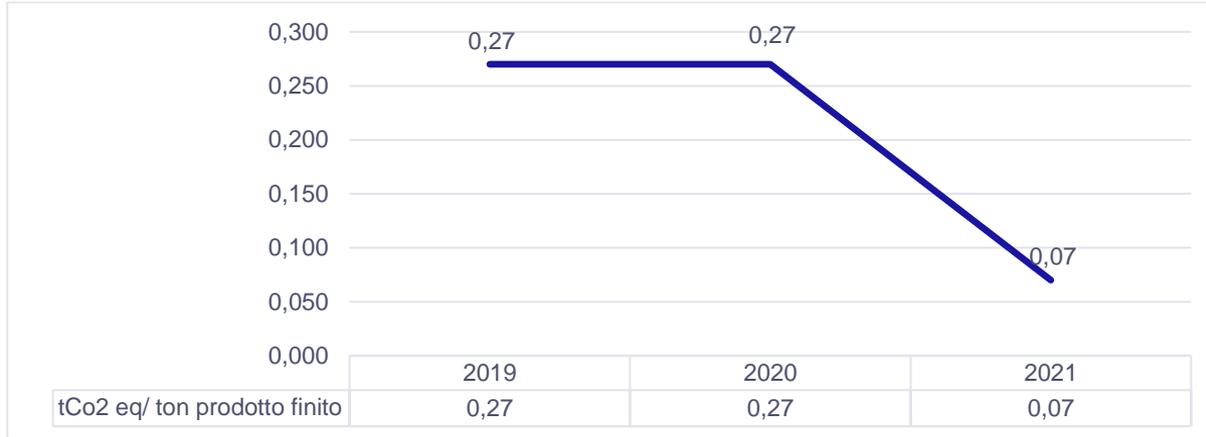
In 2021 the material purchased from different countries in very specific ways amounted to about 44,000 tons. 63% of the total materials come from EU countries through multimodal transport (mainly by road and by rail), 27% directly from Italy, followed by Belgium and the Netherlands with percentages around 9% each. 20% of the total comes from Asia, mainly from China and Malaysia, while the remaining 10% from the Americas (USA and Brasil) mainly via sea transport for most of the journey and a residual part by road for the sorting and delivery phases. Air transport, on the other hand, represents a means of transport used in exceptional circumstances for insignificant quantities.

## 3. Freight transport and logistics – shipments

60% of the goods shipped are destined for the European Union, over 30% for Italy and the remaining part, just under 10%, for non-EU countries. Shipments take place mainly through multimodal transport mainly by road (and in some cases by rail), through usual suppliers in the vast majority of cases. About 5% of shipments take place through direct withdrawals by the customer. The use of shipments via multimodal carriers that also include the use of containers by sea concerns represents only about 5% of cases. As with incoming goods, air shipments are residual and take place only in exceptional cases..

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 “emissions” on process efficiency. It notes a constant trend in the intensity of emissions per ton of finished product compared to previous years.

CHART 6 - GREENHOUSE GAS EMISSION INTENSITY\*/TON OF FINISHED PRODUCT



\* Scope 1, Scope 2 and partly Scope 3 emissions were included in the calculation of the GHG intensity index

Not considering Scope 2 emissions, even including only those directly produced in the company and Scope 3 indirect emissions, there is still a significant decrease in the intensity of greenhouse gas emissions per ton of finished product.

#### 4.2.5 Waste management

Waste management is a critical issue for the company's sustainability strategy aimed at the efficient use of resources. In 2021, LATI recorded an overall increase of about 25.48% in waste production, attributable to the considerable growth of production activities. The company generates a total of 2,856,033 kg of waste. Only 7% of this, mainly batteries, powders, non-chlorinated emulsions, neon, and sulphuric acid from the production process, are classified as hazardous and are directed to disposal. The majority of non-hazardous waste is also directed to disposal. Over 23 % of hazardous waste is sent for recovery.

In the face of a 21.95% growth of non-hazardous waste, due to the increase in production, there is a -56.32% drop in waste directed to disposal in favour of an increase in excess of 133% in those sent for recovery.

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 directed to 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.

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.



## RECOVERY OF PRODUCTION SCRAP

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 scrap, as it can be partly re-introduced, in defined quantities, into the production process without affecting the quality of the finished product.

The management of “off-specs” 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.

## RECOVERY OF PRODUCTION SCRAP

BOX 12 - RECOVERY OF PRODUCTION SCRAP



FIGURE 10 - GORNATE OLONA RAW MATERIALS WAREHOUSE

### 4.3 Together with our staff

LATI has always promoted the centrality of its people, which are considered the backbone of the company business. This is the reason why the LATI has never stopped investing in the empowerment and development of its staff, confirming its attention to human resources, even in the last two years characterised by the difficult situations linked to the COVID-19 pandemic, where LATI has continued to guarantee employment stability and expanded the staff without losing sight of their well-being.

What has been generated in LATI over the years - thanks to company policies aimed at promoting people and increasing the attention in the selection and recruitment of new resources - is a combination between the enhancement of personnel's 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.

In 2021, LATI confirms its focus on employees, the stability of working relationships and the centrality of training and the professional development of its resources. During this year, in fact, LATI has oriented its operational and managerial approach to a strategy that takes into account the intrinsic value of its employees, who are the primary unit of measure of the overall value of the company itself. For this reason, LATI has increased the hours of training, enhanced the corporate welfare programme and reshaped existing activities to make them more responsive to the needs of employees. LATI has also continued to work on the values of diversity and has embarked on a path in this regard that will engage the company in a specific reporting activity on gender equality in the years to come.

### 4.3.1 Our staff – data and figures

As of December 31, 2021, there were a total of 342 people working in LATI, 79% of whom were employed under an employment contract. The remaining 21% consists mainly of staff with an outsourcing contract (96%) and other forms of external collaboration (4%). The decision to increase flexible forms of work was made by LATI in order to better manage the uncertain period and ever-changing market conditions. However, this choice did not affect the employment stability of LATI, which has in fact also seen an expansion in the number of employees.

The majority of employees operating in Italy and in the EU branches are between 35 and 55 years old (approximately 64%). About 12% of Italian and EU employees are under 35 years old, while the remaining (24%) are over 55. Of particular interest is the comparison of the age of the staff with the average company seniority, which in 2021 was 17.13 years, testifying to the mutual investment made by employees and the company in ensuring the stability of the employment relationships. This is the result of a corporate culture that has always focused on employees and their needs, for the establishment of solid relationships that are based on mutual trust and create a corporate climate promoting the development and well-being of the personnel.

**342** in total **79% under an employment contract, 20% under an outsourcing contract and 1% under other types of contract**

**270** employees in total

**89,6% in Italy, 6,3% in UE branches and 4,4% in non EU branches**

**100%** of employees are hired under **an open-ended contract.**

**90%** of employees work under a full-time employment contract (Italy and EU branches)

**49%** of employees are **factory workers, 32% clerical workers, 11% executives** and the remaining **4% managers**

BOX 13 - OUR STAFF

Even during 2021, in fact, LATI maintained full employment and increased the staffing both in the personnel and in the operations sectors. With reference to Italy and the EU branches, 22 new employees were hired during 2021 (8 more than the previous year), of which 21 in Italy and 1 in the EU branches. More than 40% of newly hired personnel are under 35 years old, and all of them in Italy work under an open-ended contract. Still with reference to Italy and the EU branches, 20 people left the company during the year, of which 17 were men and 3 were women. 84% of exits was due to retirement, the remaining share was mainly due to voluntary termination. In 2021 there was only one dismissal for just cause. During the year, two work disputes were closed with a settlement, concerning two dismissals for just cause that occurred during the previous years.

In 2021, the rate of new hires and the turnover rate are both 8%.

62% of employees in Italy are high school or university graduates, the figure grows significantly (88%) with reference to EU branches. However, the data must be evaluated in consideration of the different type of activity carried out, which is purely commercial for the personnel employed at foreign branches.

96% of employees in Italy work under the terms of collective bargaining agreements (Rubber and Plastic collective agreement). The minimum notice periods regarding operational changes is 30 days, but can be extended up to 6 months for higher qualifications.

The women employed in the company represent 18% of the total number of employees (EU and Italy branches). The percentage of women employed in Italy in 2021 is 19%, given that it is confirmed as constantly on the rise compared to previous years (18% in 2020, 16% in 2019). It is interesting to note that this figure increases significantly with regard to women who hold the qualification of clerical worker, where the percentage of hires rises to 42%. In addition, in line with the corporate culture of LATI that strongly pushes towards the promotion of equal opportunities for its employees, in 2021 LATI promoted 2 women from clerical worker to executive, who were given team management responsibilities. In fact, the figure for women executives grew by 8% compared to the previous year (15.4% in 2020 to 23% in 2021).

Box 14 – WOMEN IN LATI

The women employed are all hired with an open-ended contract and 78% are classified as clerical workers. Women account for 86% of part-time employees.

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

During 2021, 9 employees (1 woman and 8 men) took parental leaves and returned to work during the same financial year.

LATI is committed to ensuring employment opportunities and professional development for the most vulnerable. In 2021, its workforce sees the presence of 16 people with disabilities, which make up 7% of employees.

### 4.3.2 Health and safety at work

As part of the social dimension of sustainability, LATI considers the protection of the health and safety of its staff to be of paramount importance and is constantly committed to improving the levels of safety achieved, also through the sharing of cultural values and pursuing not only the reduction of work-related injuries and occupational diseases but also organisational well-being.

The Organisation operates in compliance with a voluntary Occupational Health and Safety Management System, certified in 2020 according to the International Standard ISO 45001: 2018 and implemented at its production sites in Vedano Olona and Gornate Olona, and in all activities linked to the work cycle (research, development, production, sale and technical assistance for thermoplastic compounds). All LATI employees are, therefore, covered by this Management System.



WOMEN IN LATI	
WOMEN ON TOTAL EMPLOYEES (Italy)	19%
WOMEN ON TOTAL MANAGERS (Italy)	30%
WOMEN ON TOTAL EXECUTIVES (Italy)	23%
WOMEN ON TOTAL CLERICAL WORKERS (Italy)	42%
WOMEN ON TOTAL WORKERS (Italy)	1%



The Prevention and Protection Service, together with the Competent Doctor and other professionals involved according to their specific skills, identifies the hazards within the company's work cycle, assessing the risks to which workers are exposed. In this way, where necessary, all measures necessary for the elimination - or mitigation at an acceptable level of the hazards and risks assessed – can be identified and implemented. This assessment process, described and regulated by a specific System Procedure, is updated periodically or according to the needs dictated by new requisites applicable to the Organisation.

Downstream of this process, moreover, the improvement goals, the training needs and the operational control methods are identified in order to constantly improve the Occupational Health and Safety Management System and, therefore, the safety levels achieved.

For the purpose of the effectiveness of the process described, each worker may report the presence of hazards or dangerous situations to his supervisors, to the Workers' Safety Representatives, as well as to the H&S manager. The company considers this practice essential for the purposes of continuous improvement and encourages it through specific procedures to allow the analysis of an event in all its aspects, so as to be able to remove any causes that generated it and identify, where possible, corrective or improvement measures.

Within the Organisation, an occupational health service has been activated and the Competent Doctor has been appointed. This figure visits the production plants at least twice a week to carry out the medical examinations provided for in the health monitoring plan, including preventive visits for new hires, regular visits or on the occasion of job changes, and visits at the request of the staff in order to verify their suitability for the specific task. Where deemed necessary by the Competent Doctor, medical examinations include clinical and biological examinations as well as diagnostic investigations related to the risks to which the staff are exposed.

The Competent Doctor also regularly visits the workplace for the purpose of his participation in the risk assessment procedures and collaborates in the implementation and enhancement of voluntary health promotion schemes. In this regard, all LATI staff have been offered membership in the FasG&P Health Fund, which provides supplementary healthcare services in addition to the national health service. The fee for membership of the fund is equal. In addition to its 50% share, LATI takes charge of 87% of the costs of the service.

All information collected as part of the above services is managed with utmost confidentiality, as required by current legislation on the processing of personal data.

The participation of LATI 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 and other meetings organised with the aim of providing updated information on the measures adopted against the spread of COVID. Every six months a regular meeting is organised with the Workers' Safety Representatives and once a year the Toxicology Commission is summoned.

During 2021, as part of the process of evaluation and improvement of the working environment promoted by LATI Industria Termoplastici S.p.A. and in compliance with legislative requirements, the company implemented the updated version of the Work-Related Stress Risk Assessment procedure. The Work-Related Stress Risk Assessment is part of the Risk Assessment procedure, which according to Article 28 of Italian Legislative Decree no. 81/08, must consider all the risks to which employees are exposed. The analysis aims to assess the organisation, the context and content of the work to prevent/ identify / manage any critical elements within the working activity. To carry out a timely and effective assessment, LATI decided to involve its employees in answering to an anonymous questionnaire on these issues, defined according to the model proposed by the INAIL manual. The results of the questionnaire will be used during 2022 to analyse the employees' perception of work-related stress and define possible lines of intervention or consolidate the good practices already in place.

LATI annually plans and organises general and specific training courses for its workers, in order to make them aware of the risks to which they are exposed at work as well as to provide them with the necessary tools to adopt the most correct behaviours for the purpose of protecting themselves and others. The training courses concern procedures and operating instructions and are accompanied by specific training actions for the use of equipment and PPE. Where

possible, education and training activities are integrated taking into account the requests coming from supervisors, employees, Workers' Safety Representatives or the specific proposals of the H&S manager and the Competent Doctor.

The ideation and delivery of the activities described above are entrusted to personnel competent in the specific subject. The activities themselves, of course, are carried out during working hours paying particular attention to the comprehensibility of the contents and the effectiveness of the training initiatives. In 2021, in particular, 1,922 hours of training on health and safety were provided (over 300 hours more than the previous year), representing 27.8% of total training hours.

The involvement of the Occupational Health and Safety Management System is not limited to LATI employees, but also includes the company suppliers and contractors. These are involved not only for the implementation of the cooperation and coordination measures expressly provided for by current legislation, but also in order to promote the health and safety protection of the contractors' staff, a proof of the responsibilities that an economic activity entails along the entire supply chain. LATI has institutionalised its Procurement



FIGURE 11 - TRAINING IN THE TRAINING ROOM OF THE GORNATE OLONA OFFICE

Management procedure, according to which each contractor is subject to screening, in terms of documentary compliance with Occupational Health and Safety measures, before entering the company premises.

LATI systematically monitors the trend of work-related injuries and occupational disease cases throughout the year. In 2021, the total hours worked by employees were 423,109, compared to 441,594 in 2020. Although the decrease in hours worked was not significant, injuries dropped significantly, from 10 in 2020 to 6 in 2021 (with a consequent reduction in the rate of recordable injuries from 4.53 in 2020 to 2.85 in 2021, calculated on the basis of 200,000 hours worked). With reference, instead, to other staff, in 2021 the hours worked were 90,443 with 2 injuries recorded and a related rate of recordable injuries of 4.42. None of the injuries recorded had serious consequences. In 2021, as in 2020, no occupational disease cases were reported and recorded.

### 4.3.3 Recruitment, training, professional development, assessment and remuneration

LATI's attention to its staff is demonstrated at all stages of the employment relationship. This is necessarily reflected into a commitment not only to professional development and the recognition of goals for those who are already employed, but also to the implementation of recruiting policies aimed at supporting the company's evolution. In the personnel recruitment process, in fact, LATI always aims at enriching its know-how with technical and multidisciplinary skills that can promote digital development and internationalisation in the



## COVID

During 2021, the punctual and timely monitoring of employees' health and safety conditions continued in accordance with the current regulations. The collaborators were systematically followed in the evolution of possible infections, with swabs offered by the Company.

The Competent Doctor worked promptly and timely, offering clarifications also in support of the vaccination campaign, for which LATI had confirmed an expression of interest through the manufacturers' association. In addition, LATI opened a psychological counselling desk to support its employees in overcoming any problems or difficulties at a psychological level that might be related to the pandemic.

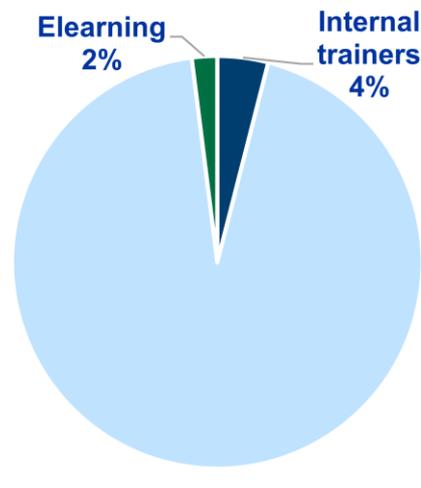
company, focusing at the same time on guaranteeing equal opportunities and the continuation of a favourable business climate. The criteria of objectivity, competence, and professionalism, applying the principles of equal opportunity without favouritism, are targeted to hire the best skills available on the job market. Each stage of the recruitment process is supported by document evidence and traceable, in order to ensure transparency in all phases and reduce the risks associated with the process itself. The channels used for recruiting are various: the publication of ads on the company's website, websites specialised in personnel research, operators in the sector, selected according to the desired employee profile. 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 specialised recruitment companies. The selection is then carried out on the basis of the professional skills and abilities of the candidates.

In line with the corporate approach oriented to the development of knowledge, the professional growth of employees and the increase in the quantitative and qualitative level of their skills and professionalism expressed, training is once again a central element of LATI's strategy. The company invests annually and constantly in a training process that contributes to innovation and supports people in acquiring the necessary tools for a better understanding and ability to manage the challenges brought about by the evolution of the sector's markets. A similar approach perpetuated over the years has promoted a corporate culture in which training assumes a strategic significance, not only for the functions involved but for all company departments. In LATI, it is increasingly common, in fact, a request for training activities by employees and their superiors, a proof of the awareness of how much this activity can affect not only the development of the person, but also on the growth of the top management and therefore of the company as a whole.

## OUR TRAINING BY NUMBERS

**6915** hours - training delivered

**28,6** number of average hours of training per employee



Box 15 - OUR TRAINING BY NUMBERS

The training programmes include technical-specialist refresher courses for all employees, with the aim of enhancing their specific working skills; multidisciplinary training programmes are also proposed aimed at developing priority skills to accompany the organisation in its process of change. The hybrid working mode (from home and at the company's premises) and the digitalisation of the courses have greatly facilitated access to the training offer, both internal and external, giving employees the opportunity to participate in an agile way in courses (executive, multidisciplinary, specialised, etc.) even further to those required by the company.

The training courses are mainly held by high-profile external professionals. As far as possible, LATI also enhances internal skills by involving the most qualified employees as teachers in training programs. In this regard, LATI also started a "train the trainer" activity, aimed at training the skills of internal trainers for the management of classrooms / events, both in person and virtual.

As proof of the importance that LATI attaches to training, which is considered a major aspect of the professional growth of the employee, the new agreement for the 2021-2023 Performance Bonus includes the provision of training to all employees and an attendance indicator linked to the bonus. This is also accompanied by the increase in the hours of training. In 2021, in fact, a total of 6,915 hours of training were provided, that is 1,500 more than the previous year. This absolute growth is also confirmed in relative terms by the additional 6 hours of training recorded on average for each employee compared to the previous year (28.6 in 2021 and 22.6 in 2020).

In 2021, the new blended model of training was consolidated. Several initiatives were offered remotely and / or in a hybrid manner, in order to always guarantee the conditions of maximum protection from the risks of Covid infections. The company's training plan was full of initiatives, divided into four areas:

- Courses on soft skills: particular emphasis was placed on initiatives aimed at fostering skills related to cross-collaboration and digital agility. The courses focused on issues such as the promotion of a collaborative culture between functions (at a time when distance has been a forced condition), the stimulus to proactivity and curiosity in the face of changes and the control of both written and oral communication;

- Courses for factory workers, according to the training plan (2 hours at the end of the work shift), were provided, where possible, with external trainers connected via Teams and in-house trainers divided into the different rooms available, in order to carry out simultaneous training at the two sites of Vedano and Gornate. The courses covered different thematic areas related to sustainability, knowledge of the market and LATI products, attention to well-being and correct lifestyles, cybersecurity;
- Courses on multidisciplinary skills: the year 2021 marked the restart of language courses (with the introduction of German in addition to English) and Excel courses;
- Training on safety, provided according to the current laws, online where allowed by law, or in person in the case of practical training. In addition to mandatory training, LATI was also committed to raising awareness of safety, through the "Safety Coaching" course, which involved a large part of the company personnel, enjoying wide success and consensus.

The assessment of professional performance is one of the fundamental goals of personnel management policies. For this reason, LATI created a special procedure for the assessment by objectives, which concerns the personnel covered by Management by Objectives - MBO policies, and / or by individual performance systems, or 19% of all the staff hired (17% men and 29% women), a percentage that increases significantly for managers (90%) and executives (92%). The procedure outlines the methods and metrics for performance assessment, which include objective criteria for defining and possibly assigning bonuses based on the achievement of specific targets, or the management of complex situations deserving recognition. The assessment is carried out according to procedures, systems and methods that ensure the recognition of actions and behaviours that respond to LATI's culture and expectations, in compliance with the Code of Ethics and the principles of plurality, equal opportunities, enhancement of knowledge and professionalism of the personnel. In this way, LATI aims to enhance and give visibility to personal models of excellence in performance and in the profession, which give proof of positive impact on motivation.

In 2021, the agreement for the Performance Bonus was renewed, which provides for a series of objective criteria for the assignment of the bonus covering 100% of the company personnel. The criteria focus on service and product quality, training and efficiency. Of particular importance is the organisational efficiency criterion. This criterion, still through objective and pre-established methods, tends to assess the "intrinsic added value" of each employee, which for LATI is inextricably linked to the level of collaboration of the employees. LATI believes, in fact, that the strengthening of the professionalism of its resources and the inclusion of their skills in an organic way within the corporate organisation and strategy, are the measure of what is the global value of business efficiency. This vision is the natural evolution of a corporate culture focused on the employees, combining the company's development strategy with the professional development of its resources.

Within this context, 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.

#### 4.3.3.1 The 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 the value of its business operations. This has made it necessary to invest in the development of new skills that - alongside the solid technical skills already available at 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 are associated to a set of interpersonal skills and a set of behaviours expected by the organisation with reference to all business functions.

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

TABLE 13 - THE SKILLS MODEL

A behavioural model explaining and implementing the 7 skills as above has been developed in two versions, one for people managers and one for collaborators. This is because people managers, unlike collaborators, are required to demonstrate a "managerial" approach: this means, for example, not only obtaining results, but above all managing team members to ensure that they achieve results.

The company's choice to pay particular attention to behaviour arises from the awareness of what a behaviour represents, that is, the visible, measurable and evaluable manifestation of skills, of what the person actually does. In the model, each behaviour is assessed by applying a 5-point scale: from low to excellent. The model identifies "key" behaviours for both collaborators and people managers with respect to each specific skill. The ability of staff to implement such behaviours is, at LATI, assisted by a corporate culture that focuses on the professional development of employees, which in this case is aimed not only at personal improvement, but also at creating a more inclusive and sustainable behavioural model. Once again LATI shows the way it wants to become the protagonist of a correct transition: by starting with its own people.

For this reason, 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 involving the entire organisation. Moments of confrontation on the theme of skills will take place continuously over the year, in order to allow the employees to develop the necessary and adequate skills to implement the set of behaviours that guarantee a sustainable development of the organisation as a whole

In 2021, in fact, all employees (both Italian and foreign) were assessed not only in consideration of the results achieved, but also of the overall system of the organisational behaviours in place. The process led to a first snapshot of the organisation, outlining a good average level of self-assessment of the set of skills, also confirmed by the interviews with the managers. The analysis of the assessment sheets made it possible to identify some areas of intervention useful to accompany the company in its growth towards innovation: the model proposes some of the talents functional to the development of a digital mindset (such as collaboration, multidisciplinary and agility at the service of the business), and its assessment allows the organisation to think of targeted initiatives to grow people in this direction.

#### 4.3.4 Inclusion and attention to the needs of our staff

In 2021 LATI was confirmed as a **WORKPLACE THAT PROMOTES THE HEALTH** and the well-being of its employees, obtaining - on a continuous basis - the relative Certificate by the WHP Network of the Lombardy Region. The Certificate recognises the many initiatives in place in the company, with particular regard to the "work-life balance" area.

LATI is ALSO 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 its participation, the company allows its personnel to take advantage of opportunities for themselves and



#### AGILE WORK

The challenge linked to the health emergency of the year 2020 represented for LATI an opportunity to evolve in favour of new ways of organising work in a "work-life balance" perspective.

The experimental introduction of Smart Working, from August to December 2020, proved to be very positive. Therefore, during 2021, Agile Work has been confirmed as a stable institution in the company with the right to use up to 5 days / week. This change has strengthened the relationship of trust and empowered employees, favouring a flexible and performance-oriented work environment.

In line with this evolution, LATI also modified the management of working time at the headquarters, introducing, through an agreement with the trade unions, the exemption from the control of working time cards for all people who previously benefited from the model "working time bands with flexibility on an annual basis".

#### Box 16 - AGILE WORK

their families, special arrangements and services at discounted prices.

LATI considers inclusiveness and diversity an added value for corporate and individual development, which is given particular emphasis within the skills model. "Appreciating diversity", in fact, enunciates one of the skills expected by the organisation to support evolution and change. In addition, to ensure equal opportunities and greater inclusion, in 2021 LATI committed to helping parents with special family needs, who were granted a part-time employment contract and offered distance learning support (DAD) for their children. By building an inclusive and caring corporate culture, LATI has managed to create a business climate conducive to diversity. Even in 2021, in fact, no episodes of discrimination were reported.

In order to improve the psychophysical well-being of its employees and create a more welcoming work environment, as a result promoting a healthy lifestyle allowing a better balance between family, personal life and work. In general, to be able to fully respond to the needs of its employees, the Company also:

- Joined the supplementary pension fund "Fondo Gomma Plastica" including a prevention package for men and women employees.
- supported the registration and part of the participation fees of the employees' children in summer camps;
- started a tailoring service with collection of garments at the company premises at advantageous rates, establishing a virtuous system to promote sustainability;
- expanded the offer of fitness courses, with different schedules to balance work and family needs. The courses are entirely accessible remotely and offered free of charge to all interested employees;
- expanded the offer of agreements with external gyms and swimming pools;
- offered a free annual check-up for managers;
- expanded the offer of fitness courses available in the company gym and online;
- varied the company canteen menu, always providing healthy foods and at least one portion of vegetables and fruit per day;
- implemented the "Frutta in Azienda (Fruits at the Company)" service, which provides for the delivery of fruit weekly at the offices and two times a week at the factory;



- incentive the consumption of healthy snacks, through the supply of fruit juices and dried fruit for the vending machines at the company premises.

## LATI SCHOLARSHIP

In 2021, the traditional LATI scholarship aimed at employees' children, a merit award strongly desired by the Conterno family, was also reviewed. The Scholarship to be awarded in 2022 is opened to a wider group of candidates (including children, brothers or sisters, grandchildren and cohabitants of LATI collaborators), and even the themes have been reconsidered. The new generations will have to submit projects that outline the corporate spaces of the future. In fact, LATI will undergo a major renovation of its offices in the coming years; it was therefore decided to involve young people in this project of change, stimulating reflections on strategic issues for the company both internally (environments that favour digital development and collaboration between colleagues) and externally (attention to sustainability, integration with the local communities, prevention of urban degradation).



## BOX 18 - THE "NUOVI LATI" PROJECT



## The “nuovi LATI” project

LATI is currently engaged in works for the reorganisation and upgrading of its sites. The production site in Torba will be enlarged, while the Vedano Olona site will be the subject of a renovation and functional restructuring works, inspired by the current evolutionary orientations of the work space.

Confirming the inclusive and listening approach that the company has long adopted, LATI has set up, in view of the renovation of the Vedano Olona headquarters, moments of involvement of the personnel, in order to collect practical indications on the real needs and desires related to the characteristics and functions of the new headquarters.

The four drivers that guided the investigation and the stakeholder engagement were:

- COLLABORATIVE EVOLUTION (socialisation, breaking down barriers, attractiveness and branding)
- LEARNING SPACES (flexibility, hospitality, usability and evolution of spaces)
- PERSONAL HARMONY (welfare and cultural services)
- LOCAL COMMUNITIES AND SUSTAINABILITY (relations with the local communities, attention to sustainability)



LATI then organised 6 discussion sessions in which 64 employees were involved. From these focus groups, two macro-areas emerged on which to focus for the renovation of the new headquarters:

- A workspace that facilitates socialisation, collaboration, exchange of ideas and cross-contamination of functions and business areas.
- A workspace that enables personal and professional development, while allowing a closer connection with local stakeholders and the environment, with a view to sustainability and mitigation of impacts and / or creation of positive impacts.

Thanks to this initiative, LATI has been able to understand that the company can no longer be just a workplace, but must be a place of sociality, where the employee, who spends most of his day there, is the protagonist. With the "Nuovi LATI (LATI's New Dimensions)", the Company has not only involved its workers, listening to them and considering their needs in one of the most impactful decisions for their psychophysical well-being, but has also begun a path of evolution towards a new way of conceiving the company. The change of space becomes an enabling element for the transition to a new mindset and a new approach to sustainability. By building spaces tailored to the employees and able to respond to their needs, LATI will guarantee the exchange of ideas and flows necessary to build an agile and efficient company in every process, as the Industry of the future should be.

In this sense, LATI has identified three assumptions on which to base the renewal activities:

- Architectural approach and sustainability

Adopting architectural solutions that encourage social, economic and environmental sustainability, aiming at an efficient use of space, resources and circularity of processes.

- Structure and integration in the local communities

Ensure the harmonisation of the structure with the local communities

- People and initiatives:

Guarantee operational spaces for the company personnel to promote the well-being of those who work there and accompany the development of the digital mindset in the organisation, also hosting cultural and recreational initiatives

## 4.4 Suppliers and customers for sustainability throughout the value chain

LATI is well aware of the role of strategic importance that its suppliers and its customers have in achieving its business targets and, for this reason, it is committed to building with them a true partnership relation based on transparency and mutual trust in line with its Code of Ethics.

Contamination, sharing, collaboration, which in some cases lead to co-design and co-production projects, characterise LATI's approach towards its customers and suppliers. An approach that, over the years, has provided an important contribution, allowing LATI to strengthen its market position and develop its business. Thanks also to the consolidated relationships with the supply chain players, the company has managed to react to the challenges originating from the pandemic with a flexible and receptive attitude, on the one hand ensuring the continuity of production operations and obtaining economic results in line with those of the previous year, and on the other hand keeping relations of mutual confidence and esteem with both suppliers and customers.

### 4.4.1 The sustainability of our supply chain

Any efficient supply chain must have reliable suppliers as a key component. In 2021 LATI relied on 856 suppliers in total, 30% of which were raw material suppliers and the remaining 70% providers of indirect goods and services, for a total value exceeding 140M euros. These figures show a major increase compared to the previous year: over 10% more suppliers, for a total of about 50 million euros more spent than in 2020. These figures are the result of both the increase in production, recovering from the slowdown caused by the pandemic crisis, and the diversification strategy undertaken by the company in order to respond to the difficulty of in the procurement of raw materials that has affected supply chains at a global level.

In the year 2021, the purchasing department suffered the strong impact brought about by the acceleration of demand after the pandemic shock. Already from the fourth quarter of 2020, the production of chemical derivatives for plastics was faced with a progressive increase in orders from all industrial sectors with the supply chain that was struggling to restart at the same speed.

The pandemic has effectively disrupted the regular activity of the chemical supply chain and impacted the replenishment of stocks in the world, which did not keep pace with the growth of the sector's demand. During the first quarter of 2021, the supply of raw materials was already partially compromised and LATI's stocks at the end of March 2021 were drastically reduced from the typical 4-5 weeks to one week, especially for the polymer-derived product categories. Warehouse management has also been impacted by the increasing delays of maritime transportation on which LATI and its suppliers depend substantially, especially for Asian imports, driven by the strong relocation policy adopted by large multinationals in recent decades.

The Purchasing department has, therefore, reacted during 2021 with a massive campaign of new registrations of alternative raw materials to cope with the shortages that otherwise would have led to potential production interruptions. The number of alternative codes to be used in BOMs in collaboration with the Product Research & Development and Industrialisation departments was doubled, replacing products that cannot be supplied in line with the delivery times or volumes required by the Planning and Sales departments.

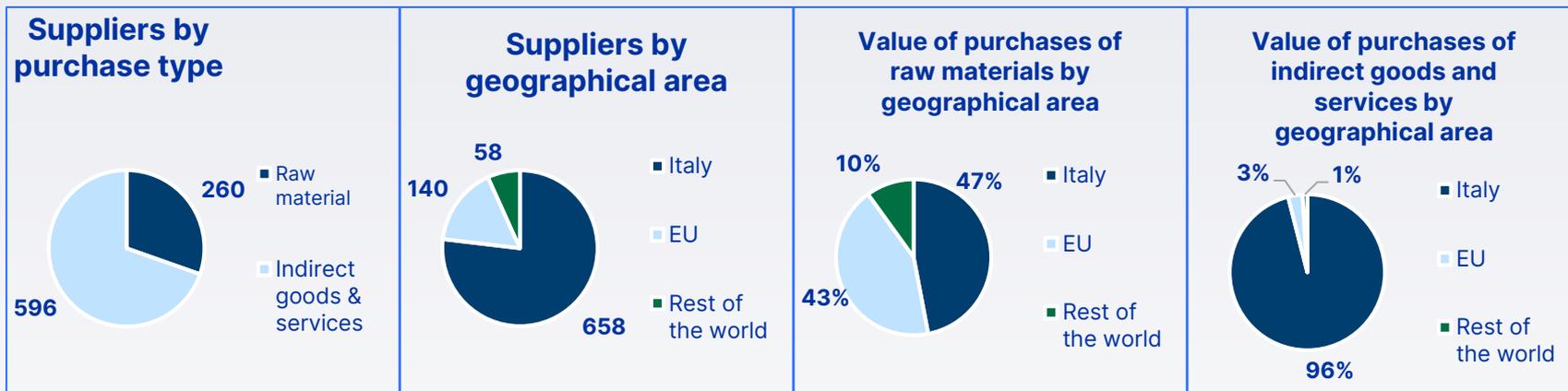
This situation has also had a major impact on the company's ability to shorten its supply chain. Although LATI purchases from suppliers all over the world, in fact, where possible, it has always preferred local suppliers. LATI in this way undertakes, on the one hand, to reduce the distance of its value chain to prevent potential social and environmental impacts that a long chain could cause, and on the other hand contributes to the creation of satellite activities at local level, creating value in the local communities in which it operates. The difficulty of finding raw materials, however, has placed even more stringent constraints on the ability to choose suppliers and the possibility of purchasing materials locally, however limited due to the technical requirements of the product. For this reason, the share of local suppliers involved by the company in the purchase of materials decreased during the year by six percentage points, although they continue to account for more than 50% of them.

On the other hand, the context of suppliers of goods and services is different, an area that is not affected by the aforementioned criticalities. LATI's approach has made it possible to consolidate over time many relationships with suppliers of goods and services active on the Italian territory, which constitute 87% of the suppliers of this category of purchases, representing in total 96% of the value of all goods and services purchased by LATI.

Box 19 - OUR SUPPLY CHAIN

## Our supply chain

**856** suppliers **142 M €**, of which 90% is destined for the purchase of raw materials



**BOX 20 - CONFLICT MINERALS POLICY**

LATI selects its suppliers according to criteria of impartiality and correctness, exclusively adopting objective evaluation parameters, 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. Where the possibility of supply with correlated parties (i.e. close relatives of directors and top managers) arises, LATI provides for a specific procedure to avoid conflict of interest (see Paragraph 2.2.1), while ensuring the possibility of participation to any entity that guarantees reasonable market conditions.

100% of the suppliers that for the first time start a relationship with LATI participate in a screening procedure in which the possession of a Quality Management System (UNI EN ISO 9001:2015) and/or Environment (UNI EN ISO 14001:2015) certificates is assessed with the attribution of a rewarding score. The score obtained during the screening phase is updated after evaluating the service provided. In 2021, 266 suppliers underwent an environmental screening

**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.

procedure. In addition, during the financial year, no activities and suppliers were reported where the right to freedom of association and collective bargaining can be considered at risk, or at significant risk of episodes of child, forced or compulsory labour.

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. In this way, LATI promotes the establishment of lasting relationships with its suppliers who over time become real partners for the company. As a proof of this commitment, the average duration of LATI's relationships with its suppliers, and in particular with strategic ones, is about 20 years.

#### 4.4.2 On the customer's side

As evidence of the fundamental importance that LATI attaches to the satisfaction of its customers, the company has included this element as one of the five pillars on which it bases its business strategy ("The Customer at the Centre"). 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 hand, working alongside its clients and establishing relationships with them which, in addition to being commercial, are in many cases true strategic and operating partnerships.

The solidity of the relationships established over time has allowed the company to overcome in a flexible way the difficulties emerged during these two years characterised by severe emergency situations. The shortage of materials and the consequent delays that have affected the supply chains on a global scale have caused difficulties in responding to customer needs also at LATI. The company has, however, managed to respond to these issues by implementing an approach based on cooperation and confidence, thanks to the relationships created with its customers over the years. LATI organised moments of involvement of its customers to be able to listen to their needs and find together solutions that could be a compromise between the customers' needs and the objective difficulties and force majeure cases faced by the company. This has allowed LATI to maintain the relationships of trust established over the years and to improve, at the same time, the quality of its supplies even whenever it was not possible, due to external limits, to

guarantee the provision of our services within the usual timeframe. LATI's ability to respond in a flexible and innovative way to these difficulties is confirmed by the customer satisfaction ratings expressed during the year.

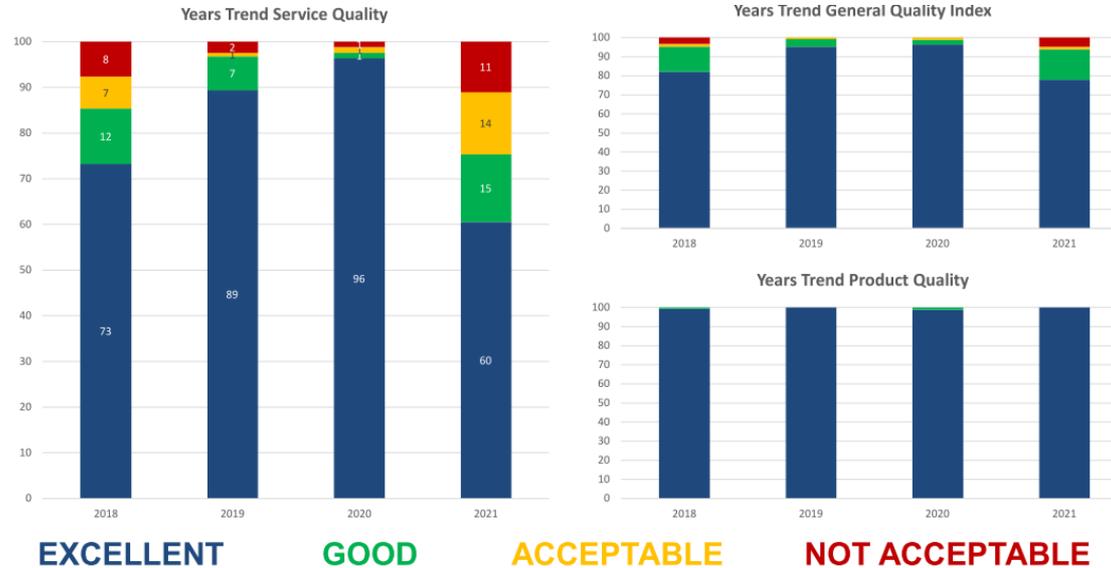


CHART 7 - VENDOR RATING

The Vendor Rating testifies to LATI's resilience. Despite the objective difficulties that the company has faced, the ratings of customers remains mainly positive. Although, in fact, LATI was considered excellent by 37% less of its Customers, the overall assessment is still good: only 11% of Customers considered LATI's performance unacceptable, a relatively positive figure considering the incredible difficulties posed by the emergency period. As proof of the relationship between the changes recorded in the 2021 assessment, there are the complaints that LATI received during the year. In fact, 16 complaints were registered in 2021, mainly referring to late deliveries, and none of which concerned non-conformity cases with respect to Customer/LATI specifications. This demonstrates that, despite all logistical difficulties, the quality of products has remained unaltered.

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 use in final applications. In many cases, the company undertakes to offer a tailor-made product in response to specific customer requirements. Each formulation is in fact optimised to provide the best response to the application



FIGURE 12 - LATI TECHNICIAN DEDICATED TO TECHNICAL ASSISTANCE ACTIVITIES.



FIGURE 13 – TECHNICIANS LATI INVOLVED IN SIMULATION ACTIVITIES

needs, even if the required formulation differs significantly from its standard version.

LATI also offers its customers the opportunity to verify the validity of the projects through the help of FEM simulations through which it is possible not only to optimise the thermal and mechanical performance of the end product by directly varying the formulation of the engineering 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 delivering, 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 optimise 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 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.

LATI protects its customers at all stages of the business relationship. The company carries out a careful assessment of the safety of its products, to which 100% of the products in the company's portfolio are subjected. At the same time, LATI is committed to ensuring the protection of the privacy of its Customers, for which it provides a specific statement in conformity with current laws. During 2021, there were no non-compliance issues regarding the impacts on health and product safety nor were reported and / or ascertained violation of the privacy laws concerning its Customers.

To ensure the quality of its products, the company provides a labelling system that makes it possible to verify the procurement process of the various components of the products, the content of the same and specifically the possible presence of substances with potential negative impacts of an environmental or social nature, methods of disposal of the products and the related environmental or social impacts. LATI's attention to these issues has allowed the company to always operate in compliance with internal regulations and procedures. Even in 2021, in fact, there were no incidents of non-compliance concerning product and service information and labelling.

The company operates in the international market and its products cover a wide range of sectors.

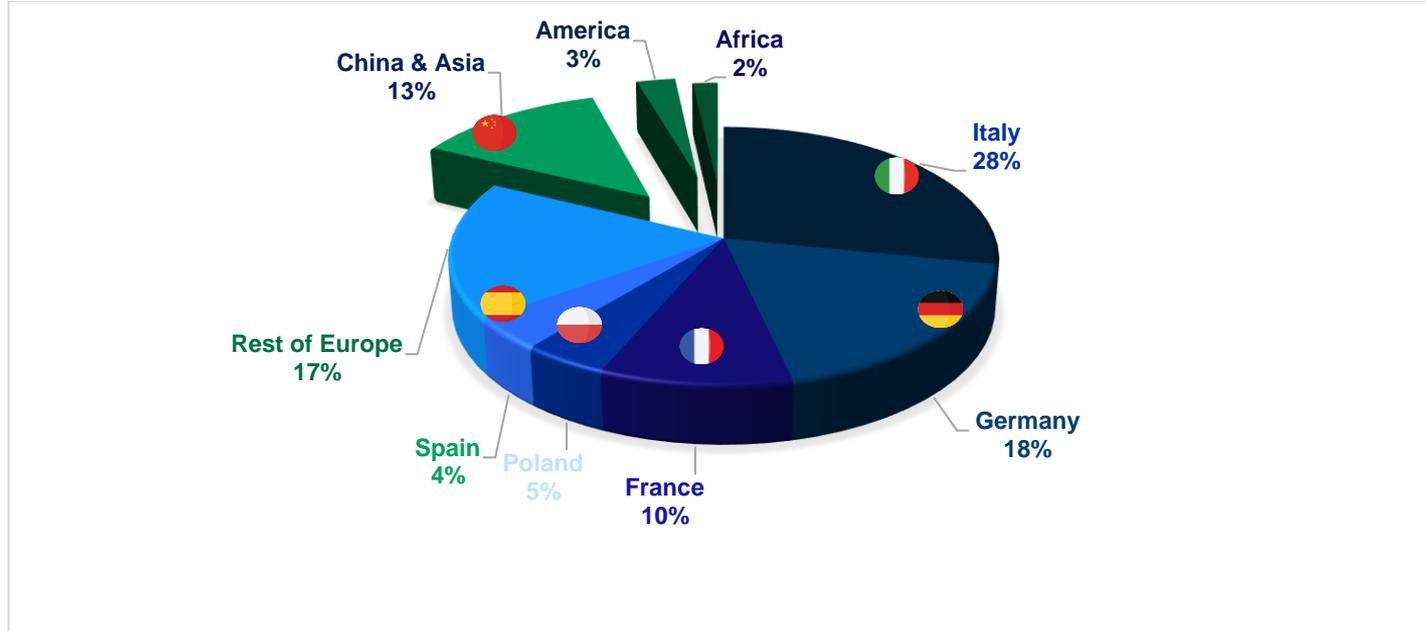


CHART 8 - SALES VOLUMES BY GEOGRAPHIC AREA

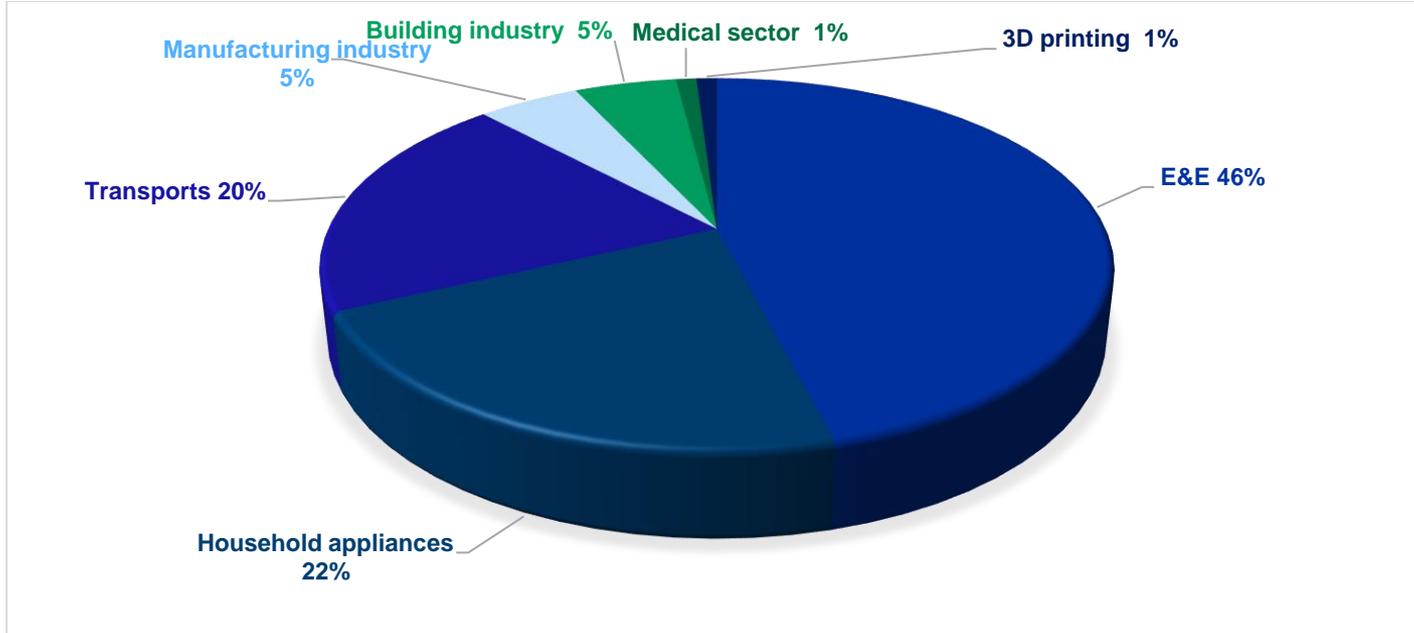


CHART 9 - SALES VOLUMES BY MARKETS

Last but not least, through specific training courses, organised by qualified personnel, useful knowledge is offered to employees and interested customers regarding the properties of thermoplastic compounds; the goal is to disseminate knowledge on the subject and to raise awareness, among its stakeholders, of the new plastics, more sustainable, more durable, safer. During 2021, nine events were organised, including a specific vertical meeting on the sustainability of thermoplastic materials.

This issue is particularly sensitive to market demands. In the last two years, customers' attention to sustainability issues has been growing strongly: in fact, they demand more and more products and production processes with a lower environmental impact. The automotive industry was the pioneer in this field, as it was the first to introduce – in non-engineering parts – significant quantities 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 engineering and special products is increasingly growing in various 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 tCO<sub>2</sub>eq emissions into the atmosphere.

Thanks to the long-standing consolidated relationship with one of its most important customers (Schneider Electric), LATI has held, for its internal staff and customers, two seminars focused on the need and usefulness of digitalisation for process sustainability and energy efficiency. These initiatives round off LATI's efforts for the sustainable transition to Industry 4.0. (see Paragraph 5.1)

## Box 21 - A PARTNERSHIP FOR SUSTAINABLE INNOVATION

## A PARTNERSHIP FOR SUSTAINABLE INNOVATION

In 2021, LATI has entered into an important partnership with two of its customers, Vudafieri Saverino Partners and Gimac, for the development of a set of lamps obtained from the LATIECO 87 MR AM compound, derived from totally recycled material, through 3D printing technology.

Thanks to 3D printing, or rather to additive manufacturing technology - in this case Robotic Additive Moulding (RAM) - even the most daring evolutions take shape as a result of the extreme freedom of expression guaranteed by this 6-axis process, capable of preserving the chemical and physical properties of the material, conditioning its microstructural properties, thus acting as a closed link between material and design. The characteristics of 3D printing allow a substantial reduction in the impact of the production process, as well as of the supply chain.

These lamps with reduced environmental impact testify to what is possible today by combining the flexibility of the production method, the competence in the world of materials and the inspired vision of Italian design, with the utmost respect for the environment and in accordance with the principles of sustainability, testifying to how much cooperation and cross-contamination through lasting partnerships is important for sustainable development.



## 4.5 Our role in 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. Following 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. In 2021 too the company supported local events and cultural visits to the territory, as well as the projects of charitable associations in favour of vulnerable individuals and participation in socially relevant initiatives. During the year, LATI disbursed € 40,561 in the form of sponsorships and donations.

With a view to contributing to the promotion and accessibility of culture, in 2021 LATI was confirmed as Corporate Golden Donor of the Italian Environment Fund (FAI), as well as official benefactor of the Wikimedia Foundation - Wikipedia, the Free Encyclopedia, for the essential support to free information and democratic access to knowledge, the main goals of the Wikimedia Foundation. Interesting, in the field of culture and awareness of the territory, was the participation of LATI in TEDxVarese 2021, where the Technical Assistance and Marketing Director of LATI held a workshop on the challenges related to the need to make plastic a truly sustainable material.

LATI's contribution to initiatives to promote training that concerned the community of reference was also important. Significant examples are the scholarship "A scuola di plastica sostenibile (Lessons on sustainable plastics)"; the TMP graduation thesis initiative, which rewards the best graduation thesis works on thermoplastic materials; the seminar at Politecnico di Milano on the importance of the Research & Development activities of a thermoplastic materials industry; the in-depth study project at the Research Master on Innovation and Technology Management of the Catholic University of the Sacred Heart; the PMI DAY initiative, in collaboration with the manufacturers' association of the Province of Varese, which aims to make eighth graders aware of enterprises

and their activities. LATI's support is also relevant in two festivals of nation-wide significance focused on sustainability: the Festival of sustainability, circular economy and business ethics of Radici Future 2030 and the Festival of sustainable development of Asvis.

LATI confirms, therefore, its long-standing attention to the community of reference, with a particular focus on young people and the need to promote and raise awareness of a sustainable development culture also in the world of plastics.

In addition, LATI supports several national and international associations to emphasise its commitment to sustainable development for the benefit of the community. The company:

- supports the Circular Plastic Alliance (CPA) voluntary initiative launched by over 100 European companies, including SMEs, large companies, research institutes and public authorities, with the aim of using up to 10 million tons of recycled plastics every year to produce new goods in Europe by 2025.
- formally signed the Operation Clean Sweep (OCS) programme which aims to ensure that resin, pellets, flakes and powders that pass through plastic production plants do not end up in the environment.
- is part of Rete Giunca, the first corporate welfare network in Italy founded in 2012, in order to cooperate through joint actions to improve the well-being of employees.
- supports the Work Health Place Programme that promotes health in the workplace.

## 5 Our contribution to the achievement of Sustainable Development Goals

TABLE 14 - OUR CONTRIBUTION TO THE ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS



**SDG 8 - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.**

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.

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.

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 focus on the reduction of the waste generated, and to large investments aimed at transforming the company in a 4.0 perspective (see Paragraph 5.1).

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.

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.



**SDG 9 - Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.**

The attention to the innovative and sustainable development of its industry model, aimed at making its processes more efficient with a view to conserving resources and mitigating environmental impacts, has led LATI to implement various measures with a view to Industry 4.0. In line with the 9.3 and 9.4 targets, LATI, also in 2021, has made innovations in terms of digitalisation and automation, essential for the transition to a more sustainable industrial model (for more information, see Paragraph 5.1)



**SDG 12 - Ensure sustainable consumption and production patterns.**

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 (see Paragraph 4.1).

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 (see Paragraph 5.2 and Paragraph 4.2.5)



**SDG 3 - Ensure healthy lives and promote well-being for all at all ages.**

LATI recognises 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.

LATI's contribution to SDG 3 is reflected in particular into a number of initiatives aimed at promoting health prevention and control. Firstly, the integrated management system allows LATI to monitor, avoid and mitigate any event that may have repercussions on the health and safety of workers. In addition, LATI is a member of the Rete 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 for men and women.

During 2021, a number of initiatives were organised to promote a healthy lifestyle from the point of view of nutrition and physical activity (see Paragraph 4.3.2).



**SDG 4 -**  
**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.**

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 Paragraph Errore. L'origine riferimento non è stata trovata., LATI promotes staff training activities in order to allow the development of both technical and managerial skills.

In addition, there are many outward-directed initiatives that LATI implements that contribute to the achievement of targets 4.3, 4.4, such as scholarships provided, participation in festivals and collaborations with universities (see Paragraph 4.5)



**SDG 13 - Take urgent action to combat climate change.**

LATI has taken several initiatives in the fight against climate change. As an example, the use of renewable sources for the production of electricity, the installation of a photovoltaic system and an energy control system PME - Power Monitoring Expert, the decision to use battery forklifts.

For more information see Paragraph 5.3.



**SDG 14 - Conserve and sustainably use the oceans, seas and marine resources for sustainable development**

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. 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.

## 5.1 SDG 8 and 9 - Our transition to Industry 4.0

During 2021 LATI continued, systematically and with decision, its projects for the evolution of the industrial and logistics functions related to production plants and service systems, through measures aimed at achieving major improvements related to the technical / production aspects, and undertaking an important strategic roadmap for the digitalisation of the factory, with a view to the transition towards Industry 4.0.

This effort has also been significantly improved thanks to some important organisational changes, requested by the Management, which took place during the year: the inclusion of an independent Technology Innovation area focused on engineering activities, the creation of an engineering and industrialisation department covering a number of activities ranging from process to service systems (which was completely separated from maintenance at both production plants).

In addition to these organisational innovations, LATI added several technological innovations, with the potential to make the company



FIGURE 14 - TOP VIEW OF THE GORNATE OLONA PLANT

increasingly automated and digitalised, in order to optimise its processes with the aim of mitigating the environmental and social impact of its operations, in harmony with the transition towards Industry 4.0. During the year, therefore, LATI continued the "Torbissima" multi-year industrial programme aimed at industrial and logistical development with a view to expanding and rationalising the company's resources

In this panorama of innovation and digitalisation LATI, therefore, implemented the following technological improvements:

- **Semi-automatic weighing system:** a semi-automatic weighing system for additives and colorants was installed and started up at the Gornate site. The system automatically carries out weighing as provided for by the recipe and the label on the bag, manages and controls the dosing operation performed manually by the operator, generating a report of the operations performed manually. The improvements are designed to ensure the tracking and traceability of the batch, the online inventory updating of each activity connected to weighing, the reduction in the

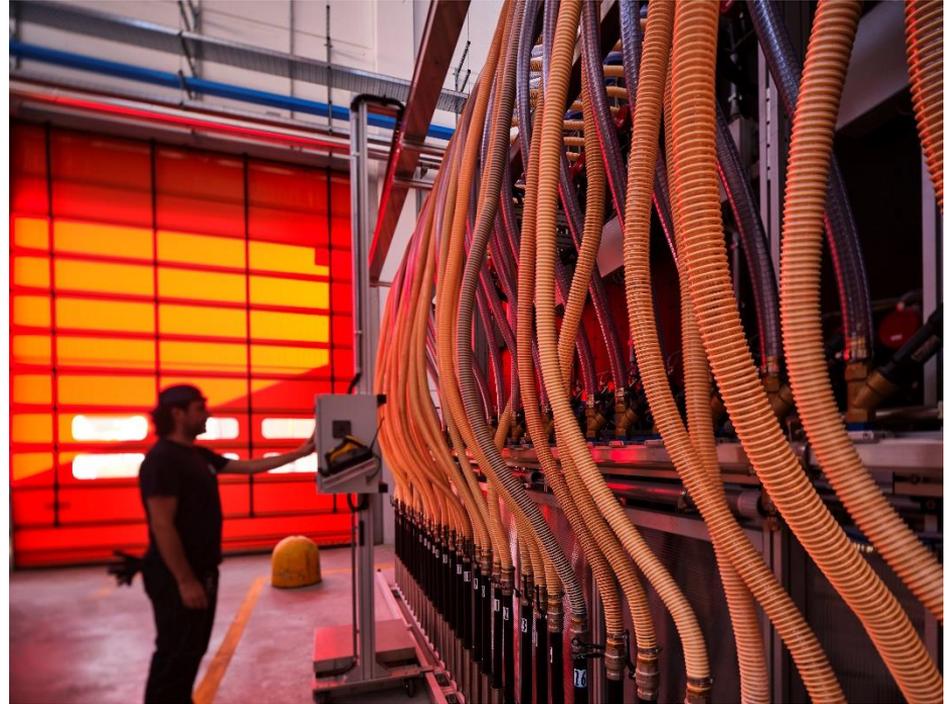


FIGURE 15 - SEMI-AUTOMATIC WEIGHING SYSTEM

number of operations and decrease in the possibility of error, the control of plant loading and weighing operations through the use of scanner guns. This inevitably translates into improvements in ergonomics and a significant reduction in manual activities, which if implemented in a thoughtful way may have a significantly positive impact on human resources, limiting exhausting workloads and improving working conditions at the factory. The weighing, labelling and storage systems are interfaced with each other and communicate with the SAP resource planning system and the MES system, ensuring traceability and maximum control of the plant and the operations. Thanks to the direct connection with the company ERP system, the remote diagnostics, the simplification of the HMI interface and the high level of digitalisation, the resulting plant functions can be totally associated with an Industry 4.0 project.

- **New BV 84 Extrusion Line:** this new equipment makes it possible to streamline pre-extrusion activities and reserve dosing lines to individual raw materials in order to limit cleaning operations (or, if necessary, make them as flexible and lean as possible) and the possibility of cross-contamination with other products. The machine is also equipped with digital control unit connected in line with the company ERP software, with the IoT system that takes the data from the field and transfers them to the MES factory management system.
- **Digitalisation of the factory sector (MII):** as part of the "Torbissima" project, the General Management requested to redefine the entire production process and the methods of collecting data from the field in an Industry 4.0 perspective, with a review of the processes and computerisation of the factory, thanks to the use of the IoT system (Internet of Things Platform system). LATI has therefore adopted a solution within its ERP software (SAP): the MII system. The company has thus been able to streamline the factory management procedures thanks to the functions that this system offers, such as online order advancement, direct controls of production and service / energy costs, complete and real-time tracking of production orders (in integrated connection with the Compass company scheduler), online recordings of production times, volumes and downtimes. Finally, the MII system allows direct integration of energy and maintenance variables for an intelligent management of the same, with a view to optimising resources.

- **Maintenance App:** In order to significantly improve maintenance activities, the company deployed a Maintenance APP, currently under UAT testing at the Vedano and Gornate sites, with a New Maintenance System directly interfaced with the SAP software. In this way LATI can improve its maintenance processes in a more "mobile" and interactive manner - thanks to the use of different field devices - and record data generated from the plants and from ordinary, programmed and extraordinary maintenance activities, with a view to achieving a better organised and planned maintenance model interfaced with ERP systems. This model also allows the statistical analysis of KPIs, with a view to continuous improvement of company performance.

In addition, LATI continued the computerisation and digitalisation process of the production-logistics functions, started in 2020, which will allow the company to achieve real-time control of the data and the progress of each step related to production, internal and external logistics, as well as online and offline controls. In this area, the main advances have been:

- completion of the migration to a new ERP system - S4HANA (June 2021),
- increase in the number of connected field machines for recording production data (IoT),
- release of new features within the Business Intelligence project,
- continuation of the development of the MES factory advancement system,
- launch of the Maintenance system using tablets given to maintenance engineers (December 2021),
- improvement of the Power Monitoring Expert system

During 2021, IT infrastructures and architectures were also strengthened through:

- the installation of 14 new Azure servers to expand the structure, bringing the total number of units to 33;

- the doubling of the Wi-Fi infrastructure at both sites, aimed at ensuring signal coverage for the purposes of maintenance projects and future developments;
- the completion of the migration to Microsoft Outlook for the entire staff.

While the advances in terms of Industry 4.0 have reached a crucial stage in the construction of the industry of the future, which will necessarily have to be more efficient and "intelligent" to allow a prudent and ethical use of resources, as well as an improvement in the working conditions of employees and collaborators, this conversion will not take place without negative effects. These can be identified in two macro-areas: security in the management of data and of IT technologies and the diversification of employees' skills to allow their retraining. LATI has demonstrated its commitment to both areas.

First, the company has reserved particular attention to the issue of cybersecurity, for which it has put in place the following measures:

- Introduction of a remote management system for mobile terminals to ensure compliance with company policies and facilitate the configuration of the same.
- Activation of a new control system for malware elements within emails, with additional protection on the links included in them.
- Deployment of a HoneyPot system, in order to "frame" any attacks and distract them from the main targets.
- Activation of an automatic internal system for verifying vulnerabilities in corporate servers.
- Vulnerability Assessment, for a timely assessment of the state of IT security.

In addition, LATI organised mandatory courses on cybersecurity issues. The courses are divided into two macro-groups, with a different level of insight depending on the target audience of the course, (respectively clerical and factory workers). The first edition of the course on digital security involved the workers of the production department, who attended a multidisciplinary training course, including cross-sectorial digital security issues, as well as aspects unrelated to the company situation, providing them with a wealth of knowledge that may also be helpful in their private life.

Secondly, LATI confirmed and renewed its commitment to the transition to a new industry model in a fair and equitable way, leaving no one behind. LATI has therefore put into practice a reconversion of the skills of its staff, in order to allow a reallocation of resources to different tasks. In this way, LATI has embarked on a migration path towards a corporate model that, although increasingly oriented towards innovation, takes into account the needs and presence of a wide range of employees.

There are various initiatives and activities that LATI has put in place to be able to reorganise and harmonise its corporate model, skills and culture with the approach to digitalisation and automation. To proceed organically towards this reconversion, LATI has embarked on a process of systematisation of its staffing plans, taking into account the needs that have emerged in response to innovation and digitalisation processes. In this sense, an Innovation & Technology department has been created, which deals directly and specifically with the various aspects related to Industry 4.0. It is interesting to note that this department is also entrusted with the upgrade of the machines that are linked to the industrial transition project underway, as proof of the desire to make this evolution organic also in terms of skills. Always with this in mind, specific figures have been created for the management of digital and innovative processes. Among these, we can mention the IoT Manager and the Data Science Manager, key roles for a rational reconversion of skills in a 4.0 perspective. For these figures, ad hoc specialised training courses are also being provided at qualified institutes such as the Politecnico di Milano.

A further important step in this direction is represented by the assessment of digital maturity undertaken by LATI. Thanks to the involvement of 281 people, including employees, managers and collaborators, LATI analysed three fundamental variables for its digital evolution:

- digital maturity in the strict sense, understood as the experience with digital technologies such as analytics, artificial intelligence, machine learning, social and mobile technologies, the Internet of Things, etc..
- Hard skills, or how confident people feel in the use of collaborative tools in a broader sense, from virtual meetings to the sharing of files and information
- Emotional intelligence, which indicates the attitude to change.

In this analysis, LATI has identified some priorities in order to ensure a fair, inclusive and rational digital conversion:

- with regard to hard skills, shortcomings have been identified in the field of cybersecurity skills and the ability to use collaborative tools;
- with regard to emotional intelligence, difficulties have been encountered with regard to digital agility, and the ability to respond to change.

To respond in a timely manner to these needs, LATI has introduced specific goals in its training plan. Therefore, to facilitate the strengthening of hard skills, the training plan has been enriched with cybersecurity (outlined above) and digital writing issues, the latter aimed at improving telematic communication between the office staff. In addition, to address the critical issues encountered in terms of emotional intelligence, LATI has provided training seminars regarding digital agility and the ability to react in a dynamic way to changes across the table. During 2021, these training seminars were provided to all the office staff. The corresponding disbursement for the clerical and factory workers is scheduled for 2022.

Finally, it is important to highlight how the Skills Model plays a fundamental role in terms of reconversion of skills for the company staff. This not only includes, among the 7 areas of interest, also the digital mindset area, but allows more generally a reshaping of the approach to work, understood in its more agile and open to change aspects. A similar prerogative can also be attributed to the "New LATI" project, which provides for a reorganisation of spaces aimed at collaboration and openness, setting up a system capable of establishing the drivers of change in people's behaviour.

## 5.2 SDG 12 – Our contribution to the circular economy

LATI has always been committed to the development of a circular economy based on the recovery and reuse of materials, focusing not only on the durability and recyclability of its products, but also on increasing the share of recycled materials in its production processes. The original idea of Prof. Cosimo Conterno, founder of LATI, pre-dates the modern circular economy model: recycling the materials given to the Italian people under the Marshall Plan, such as petticoats and synthetic linen, military masks, etc. in order to convert them back into plastic, so as to give them a new life.

Since then LATI has made great strides forward and has been investing for some time in innovative solutions that make it possible to use, in its compounds, polymers recovered from the flow of production scrap or post-consumer waste through mechanical reprocessing / recycling processes, or through chemical recovery processes.

LATI produces thermoplastic compounds which, as such, have the ability to be used several times after recovery / regrinding and re-melting. These are, therefore, materials that are potentially infinitely reusable. In reality, however, the process of recovery and separation of plastic components from waste is not always simple and systematised, so there is a consequent complexity regarding the monitoring and management, directly by the company, of the end-of-life phases of products. There are, in fact, objective difficulties mainly related to the management of the process of separation of plastic materials due to their composition combined with other materials in many of the products in which they are used. To help solve this problem, LATI is increasingly focusing on the production of materials that apply the concept of the "sum of functions", working with a view to offering compounds that can be used for the production of items with properties that would normally have required the addition of other components (screws, threaded inserts, brackets, etc.).

Parallel to its commitment to the definition of innovative solutions to better manage the end-of-life phase of its products, LATI has also invested over the years in the selection of raw materials used in the production process with a view to circularity. A wise choice of raw materials is, in fact, a very important aspect not only for the impact on the quality of the end product, but also for the environmental impact along the entire value chain.

In this sense, LATI is focusing on the identification of innovative solutions that make it possible to use, in its compounds, polymers recovered from the flow of production scrap or post-consumer waste through mechanical reprocessing / recycling processes, or through chemical recovery processes.

LATI is developing its expertise in the evaluation and definition of the possibilities of use of materials originated from mechanical recycling. These materials mainly come from the textile supply chain, and undergo a regeneration process in order to be then reintroduced into dedicated, and more sustainable, products required by the market. To guarantee the quality of materials from mechanical recycling, which currently represent 4.3% of all non-

renewable raw materials used in production, LATI purchases them exclusively in the form of already qualified pellets (therefore separated and re-extruded upstream). In addition, the company pays particular attention to the selection of suppliers who, in most cases, have obtained certificates such as the GRS (Global Recycle Standard) or, in the case of pre-existing long-term business relationships, can issue self-declarations that define the material as 100% post-industrial.

The quantities of recycled materials used increase significantly in certain product categories. The LATIECO compounds, in fact, incorporate up to 100% resins obtained from chemical and mechanical recycling, testifying to how LATI's commitment to innovation is aimed at the design of a circular product since the inception.

Compared to chemically recycled polymers, a good number of technical compounds (reinforced, self-extinguishing, special compounds) have been developed from ECONYL® (PA6 from chemical recycling). Specifically, it is important to highlight that thanks to the strategic alliance with Aquafil, a key supplier of polyamide resins (specialising in PA6 and producer of ECONYL®), LATI has approved ECONYL® polymers obtained from the regeneration of both pre-consumer waste, such as waste from carpet production, and post-consumer waste such as end-of-life fishing nets and textile floor coverings. Chemically recycled waste is given a second life in the form of new uncontaminated polymers, which makes their use flexible and unconditional for the applications currently available for the basic polymer, thus offering a lot of flexibility and a concretely sustainable alternative.

This system makes it possible not only to divert waste directed to disposal or, in the best cases, to incineration plants, but also to significantly reduce greenhouse gas emissions associated with the production of virgin resins.

Thanks to the strategic partnership established with Aquafil, LATI has begun to introduce ECONYL® among its base materials. Although the use of ECONYL has grown by 1,850% compared to the previous year, the general increase in materials used, linked to the current recovery of production, means that these materials still account for a limited share of the non-renewable semi-finished products used (<1% of non-renewable raw materials used

in production). However, research in this field paves the way for further experimentation and refinement activities that will lead to an increasingly wider use of recycled materials in production processes.

The POLISTE project is also part of this innovation effort in favour of circularity. The possibility of introducing certain amounts of lignin into the composition of LATI compounds will allow the company to increase the amount of recycled materials within its products. Lignin can, in fact, be recovered from waste from various industrial processes (pulp&paper, bio-refinery processes, as well as from digestate in the biogas industry), thus increasing the circularity features of the product in which it is used.

LATI's efforts in this direction have also generated significant positive impacts on other sustainability indicators. The product life cycle (LCA) study revealed significant improvements in the environmental performance of polymers derived from recycled materials. This improvement is particularly strong with regard to the climate-altering potential of the polymer, which measures the quantities of CO<sub>2</sub> emitted throughout the life cycle of the material (Global Warming Potential Index). The use of recycled polymers, in fact, corresponds to a substantial reduction in greenhouse gas emissions: up to 60% in case of use of chemically recycled polymers; and up to 80% with the use of mechanically recycled polymers.

In addition, to make its production more circular, LATI has been committed to innovating its processes to be able to recover production waste. With this in mind, the company has implemented a separation process and – when this does not create a significant chemical or mechanical degradation of the product – the mechanical recycling of its production scrap, so that a part of it can be reintroduced, in defined quantities, into the production process without affecting the quality of the end product. The management of off-specs materials takes place, instead, through a multidisciplinary effort that evaluates the possibility of direct placement in the market of the downgraded material, its specific recovery with targeted actions or its use in other less performing products.

LATI does not limit itself to promoting the circularity of its products, but applies this value to the entire production process. For this reason, LATI has been committed for years to the reduction of its waste and promotes the recycling and recovery of the same. In 2021, although in the face of an increase in the volume of its waste, attributable to the recovery in production levels, LATI decreased the amount of non-hazardous waste directed to disposal by - 56.32%, in favour of an increase of over 133% in those sent for recovery. The recovery of waste has been confirmed as a business strategy even in the most complex case of hazardous waste. In 2021, the company has managed to send 43.36% of its hazardous waste for recovery, a very significant percentage if we consider the uniqueness of the characteristics of this type of waste (see Paragraph 4.2.5).

### 5.3 SDG 13 – Our commitment to the fight against climate change

In accordance with the United Nations Framework Convention on Climate Change (UNFCCC), LATI S.p.A. recognises the urgency of contributing immediately to addressing the issue of global warming caused by human activities. According to the latest report by the Intergovernmental Panel on Climate Change (IPCC), global warming is causing unprecedented, in some cases even irreversible, changes to the environment. The European legislation on climate has therefore introduced into the EU's goals of achieving zero climate impact by 2050 by stimulating sustainable economic growth and generating health and environmental benefits. LATI is committed to taking part in global and community action against the Climate Change by promoting practices and policies to achieve the sustainability goals of the company.

Over the last few years LATI has successfully implemented short and long term strategies that have made it possible to significantly reduce its emissions through technological solutions as well as to optimise the energy supply chain. The decision to purchase entirely renewable energy thanks to a portfolio of sources - mainly from hydroelectric plants - is part of an integrated vision that considers, also through the self-production of photovoltaic energy at its sites, the fight against climate change a pillar of its environmental policy. In addition, the monitoring and control of consumption levels make it possible to constantly

verify the performance of the machines used, contributing to a system analysis aimed at energy efficiency for a sustainable energy transition, also in economic terms.

During 2021, a new photovoltaic system was activated on the roof of the new preparation and mixing department and on the canopy of the recharge bay of the electric forklifts, which allows the renewable energy produced to be introduced directly into the power lines of the production departments, thus avoiding about 30 tons of CO2 emitted also through the purchase from the Italian national grid of energy from various sources.

TABLE 15 - EMISSIONS OF CLIMATE-ALTERING GASES IN THE LAST THREE YEARS

	UdM	Year			% variation	
		2021	2020	2019	2020-2021	2019-2020
<b>Total greenhouse gas emissions (scope 1 e 2)</b>	TCo2eq	2061,94	7731,48	7971,92	-73,33%	-3%

\* The accounting method used is the market-based, i.e. the average emission factors current in the Italian market have been applied.

In order to qualitatively identify the emissions in Scope 3, the indirect emission processes and areas were investigated, considering on the one hand the travel habits of commuter employees, and on the other hand the contribution of logistics relating to both the goods sold and the incoming materials with reference to the distances travelled and the freighters used. For more information, please refer to the dedicated paragraph (see **Paragraph 0**).

## 6 A LOOK TO THE FUTURE

Over time, LATI has been committed to generating value through hefty investments, its commitment to reduce impacts on the environment and the creation of well-being for people, the community, the territory. This way of doing business stems from LATI's orientation to integrate sustainability into its strategies and business processes. For this reason, LATI has decided to become a Benefit Corporation and integrate profit goals with the generation of common benefit, already a part of its DNA.

From the next year, the corporate governance will move even more decisively towards sustainability by committing itself to achieving the goals of common benefit. The transformation of LATI into a Benefit Corporation will entail a change in the articles of association, integrating into the corporate purpose the positive impacts that the company will undertake to generate. An Impact Manager will also be appointed who will look after the management trends in the direction of these goals and will draw a yearly Impact Report to be attached to the financial statements and made public to all stakeholders through the company's website.

The Impact Report itself will be a useful tool to understand the contribution of the company in the context of the Sustainable Development Goals of Agenda2030 thanks to the tools used for measuring the various areas of impact. To LATI, this transformation represents the formalisation of a model deeply rooted inside the company, as well as the opportunity to strengthen its role as a leader in the field of sustainability, on which it places enormous trust as a driver of development.

## ANNEX I – Performance data

### Social performance

#### Personnel

Employees by place of employment (no.)

PERSONNEL	2021	2020	2019
Italy	242	240	243
<b>OTHER EU</b>			
France	5	5	5
Germany	6	6	6
Poland	1	1	1
Slovakia	1	1	1
Spain	3	3	3
Sweden	1	1	1

NON-EU				
	China	10	7	0
	UK	2	2	0
<b>TOTAL</b>		<b>271</b>	<b>266</b>	<b>260</b>

Employees by type of contract and gender - Italy (no.)

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Open-ended contract</b>	45	197	242	43	195	238	40	201	241
<b>Apprenticeship contract</b>	3	3	6	5	3	8	2	2	4
<b>Temporary contract</b>	0	0	0	0	2	2	0	2	2
<b>Total</b>	<b>45</b>	<b>197</b>	<b>242</b>	<b>43</b>	<b>197</b>	<b>240</b>	<b>40</b>	<b>203</b>	<b>243</b>

**Employees by type of contract and gender - EU (no.)**

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Open-ended contract</b>	4	13	17	4	13	17	4	12	16
<b>Temporary contract</b>	0	0	0	0	0	0	0	1	1
<b>Total</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>4</b>	<b>13</b>	<b>17</b>

**Employees by employment relationship and gender - Italy (no.)**

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Full time</b>	39	196	235	36	196	232	33	202	235
<b>Part time</b>	6	1	7	7	1	8	7	1	8
<b>Total</b>	<b>45</b>	<b>197</b>	<b>242</b>	<b>43</b>	<b>197</b>	<b>240</b>	<b>40</b>	<b>203</b>	<b>243</b>

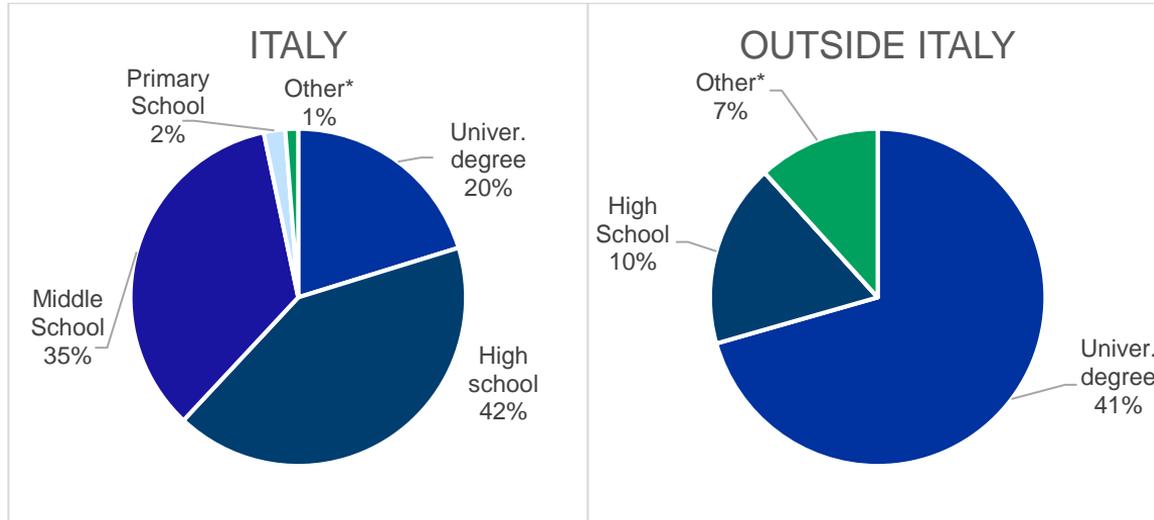
**Employees by employment relationship and gender - EU (no.)**

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Full time</b>	4	13	17	4	13	17	4	13	17
<b>Part time</b>	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>4</b>	<b>13</b>	<b>17</b>

**Employees by qualification and gender - Italy (no.)**

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Managers</b>	3	7	10	3	6	9	3	6	9
<b>Executives</b>	6	20	26	4	22	26	5	21	26
<b>Clerical workers</b>	32	45	77	35	44	79	29	45	74
<b>Workers</b>	1	122	123	1	125	126	1	129	130
<b>Apprentices</b>	3	3	6	0	0	0	2	2	4
<b>Total</b>	<b>45</b>	<b>197</b>	<b>242</b>	<b>43</b>	<b>197</b>	<b>240</b>	<b>40</b>	<b>203</b>	<b>243</b>

Employees by educational qualification %



\* Other qualifications (e.g. desk job).

Evolution of personnel

Incoming and outgoing staff by gender (n.)

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>INCOMING</b>									
<b>Italy</b>	5	16	21	8	5	13	6	4	10
<b>World</b>	0	1	1	0	1	1	3	1	4
<b>Total</b>	<b>5</b>	<b>17</b>	<b>22</b>	<b>8</b>	<b>6</b>	<b>14</b>	<b>9</b>	<b>5</b>	<b>14</b>
<b>OUTGOING</b>									
<b>Italy</b>	3	16	19	6	11	17	3	13	16
<b>World</b>	0	1	1	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>17</b>	<b>20</b>	<b>6</b>	<b>11</b>	<b>17</b>	<b>3</b>	<b>13</b>	<b>16</b>

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Voluntary termination</b>	0	2	2	0	3	3	0	5	5
<b>Retirement</b>	3	14	16	0	5	5	0	5	5
<b>Dismissal</b>	0	1	1	1	2	3	0	1	1
<b>Other*</b>	0	0	0	5	1	6	3	2	5
<b>Total</b>	<b>3</b>	<b>17</b>	<b>19</b>	<b>6</b>	<b>11</b>	<b>17</b>	<b>3</b>	<b>13</b>	<b>16</b>

\* Closure of temporary employment contracts

#### Staff turnover - Italy and Europe (%)

	2021			2020			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Turnover rate (incoming)</b>	10,2%	8,1%	8,5%	17,0%	2,9%	5,4%	20,5%	2,3%	5,4%
<b>Turnover rate (outgoing)</b>	6,1%	8,1%	7,7%	12,8%	5,2%	6,6%	6,8%	6,0%	6,2%

## Skills and training

Hours of training provided by type - Italy (n.)

	2021	2020
Sustainability	308	14
Compliance	118	519,5
Multidisciplinary training	834	1851
Languages	1258,5	20
Management	274	209
Quality	142	123
Health & safety	1922	1619
Technology (TECHNOLOGY + DATA SCIENCE + IT)	1209	1059,5
Other (DIGITAL MINDSET)	849,5	0
<b>Total</b>	<b>6915</b>	<b>5415</b>
Average training hours	28,6	22,6

## Periodic Assessment

Percentage of employees submitted to periodic assessment, by qualification and gender

	2021		
	Women	Men	Total
<b>Managers</b>	100%	85%	90%
<b>Executives</b>	66%	100%	92%
<b>Clerical workers</b>	20%	16%	18%
<b>Factory workers</b>	0%	0%	0%
<b>Apprentices</b>	0%	0%	0%
<b>Total</b>	<b>29%</b>	<b>17%</b>	<b>19%</b>

Staff submitted to assessment, by qualification and gender (n.)

Assessment type	Total	Managers		Executives		Clerical workers	
		Women	Men	Women	Men	Women	Men
<b>MBO</b>	<b>9</b>	3	6				
<b>GOALS</b>	<b>32</b>			4	13	7	8
<b>SALESPEOPLE</b>	<b>9</b>				7		2
<b>TOTAL</b>	<b>50</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>20</b>	<b>7</b>	<b>10</b>

Health and safety at work

Work-related injuries trend - Italy

	2021	2020	2019
<b>Worked hours</b>	423.109	441.594	317.483
<b>Reportable injuries</b>	6	10	10
<b>Injury rate</b>	2,84	4,53	6,30

## Equal opportunities and remuneration policies

### Women in total employees by qualification - Italy (%)

	2021	2020	2019
<b>Women on total</b>	19%	17,9%	16,5%
<b>Women - managers</b>	30%	33,3%	33,3%
<b>Women - executives</b>	23,1%	15,4%	19,2%
<b>Women – clerical workers</b>	42%	44,3%	39,2%
<b>Women - apprentices</b>	50,0%	50,0%	50,0%
<b>Women – factory workers</b>	0,8%	0,8%	0,8%

### Remuneration – Italy

In 2021, the ratio between the total annual salary of the individual with the highest salary in Italy and the median values of the total annual salary of all employees (excluding the individual with the highest pay) in Italy was equal to 5.2%.

The ratio of the basic salary and pay of women to men is 83% for managers, 87% for executives, 95% for clerical workers and 102% for factory workers.

Employees covered by collective bargaining agreements - Italy

	2021	2020	2019
<b>Under collective bargaining agreement</b>	232	231	234
<b>Share</b>	95,9%	96,3%	96,3%

\* The number of employees covered by collective bargaining agreement coincides with the total number of employees in Italy excluding the managers.

## Environmental performance

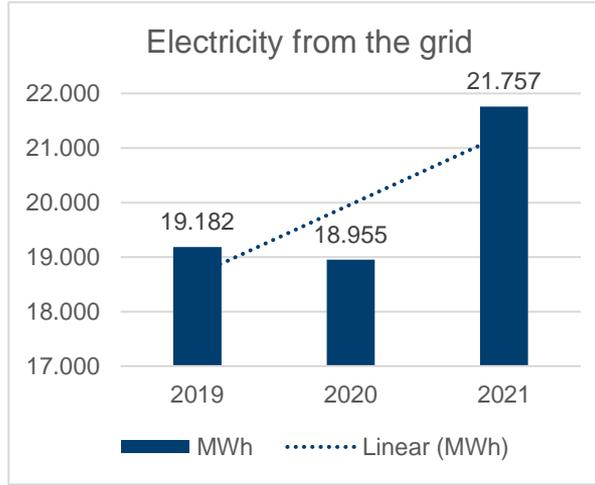
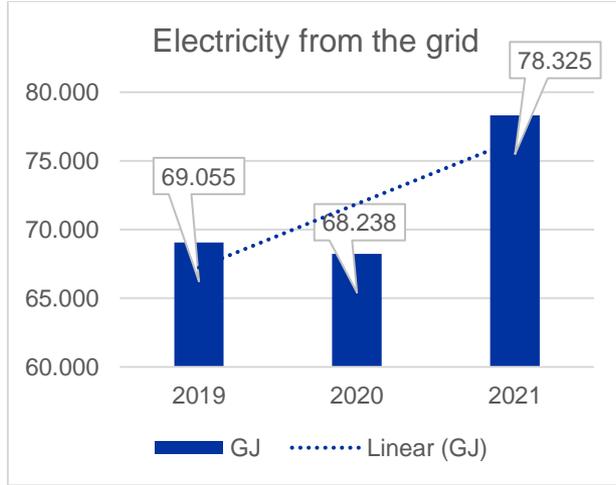
### Materials

	UdM	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Total materials</b>	Kg	42.721.040	34.254.797	31.783.190	24,74%	7,78%
<b>Non-renewable materials</b>	Kg	41.482.243	33.363.108	30.816.824	24,34%	8,26%
<b>Renewable materials</b>	Kg	1.238.797	891.689	966.366	39,75%	-7,73%
<b>Recycled materials</b>	Kg	1.952.569	1.940.949	1.617.876	0,6%	19,97%
<b>Regenerated or recovered materials</b>	Kg	210.239	915.585	603.361	-77,04%	51,75%

	UdM	2021	2020	2019
<b>Recycled materials</b>	%	4,57%	5,67%	5,09%
<b>Regenerated or recovered materials</b>	%	0,50%	3,07%	1,95%

## Energy

One of the major components of energy consumption for LATI is electricity, supplied exclusively from the grid and totally derived from renewable sources. The attention paid to consumption in 2021 has led to a satisfactory growth of the share of photovoltaic energy. The following diagrams show the upward trend from the period 2019 - 2021, due to a recovery in output after the negative result in 2020 due to the pandemic



N.B. – The conventional factor (1 MWh equal to 3.6 GJ) was used for the calculation of electricity consumption in GJ.

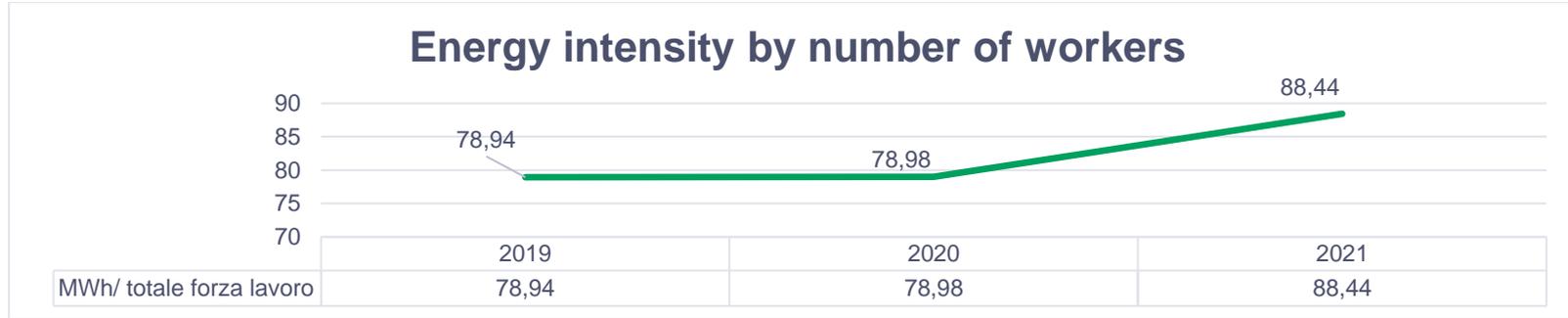
Total electricity purchased from the grid (MWh)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Total electricity purchased from the grid</b>	<b>21.886 MWh</b>	<b>18.955 MWh</b>	<b>19.182 MWh</b>	15,46%	-1,18%

The per capita contribution of workforce to total electricity consumption shows an increase of about 12% in terms of performance in 2021 compared to 2020, due to the general economic recovery and increase in productivity following the pandemic.

Energy intensity by number of workers (MWh/ total workforce)

		2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Energy intensity by number of workers</b>	MWh/ total workforce	90,44	78,9	78,9	14,63%	0,05%

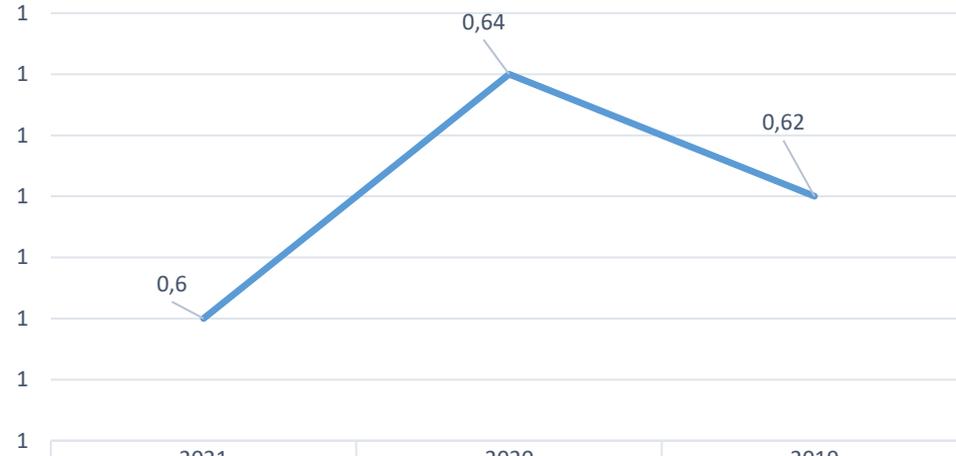


#### Energy intensity per finished product (MWh/ton finished product)

In relation to the contribution in terms of MWh per ton of finished product, the trend shows a slight increase mainly due to the decrease in production volumes that occurred in the first two-year period, and the subsequent increase in production in 2021 supported, however, by a decrease in energy intensity.

	2021	2020	2019	Δ 2019-2020	Δ 2018-2019
<b>Energy intensity per finished product</b>	0,54	0,62	0,61	-3,23%	2,61%

### Energy intensity per ton of finished product



	2021	2020	2019
MWh/ ton of finished product	0,6	0,64	0,62

### Other energy consumption

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 2021 are on the rise, driven by:

- 1) Higher consumption of diesel fuel in relation to the pandemic situation of the previous years, increasing the need for work trips due to the decrease in agile work in 2021.
- 2) Increased natural gas consumption at all sites.
- 3) Slight decrease in LPG consumption thanks to the use of battery-powered forklifts.

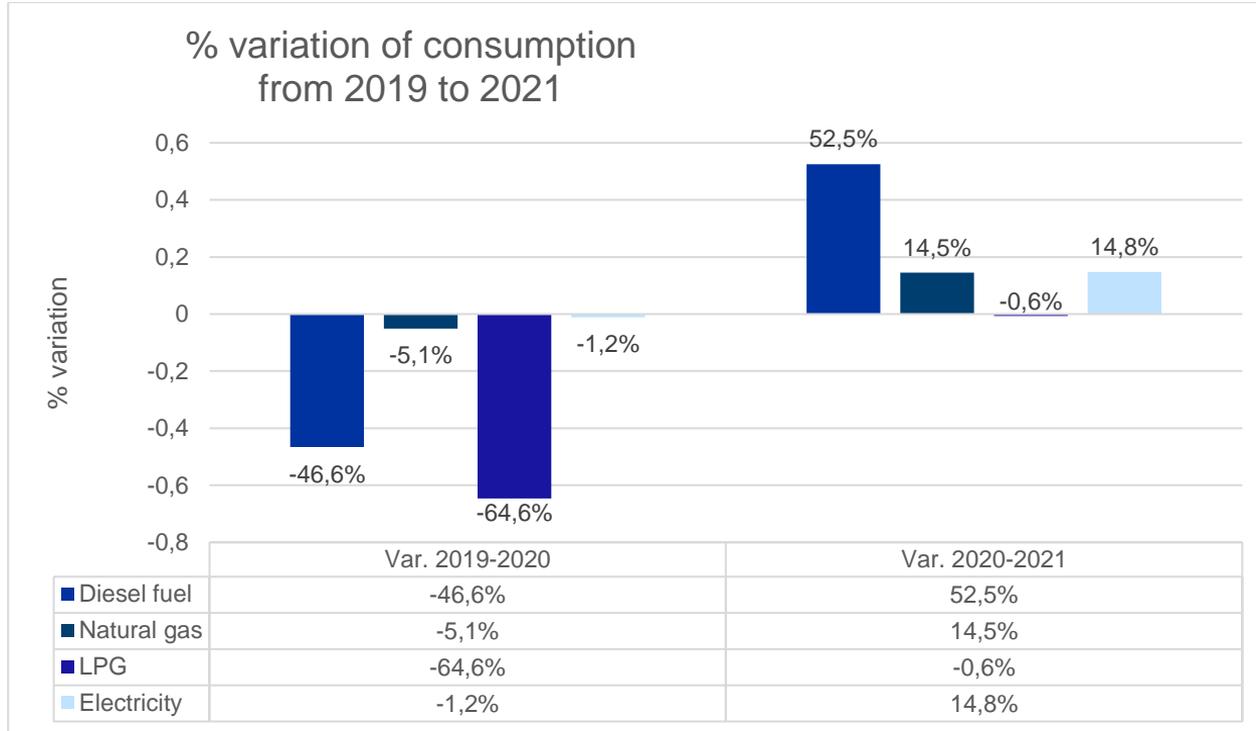
	UdM	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Diesel fuel for vehicles</b>	T	34,20	22,43	41,97	52,49%	-46,6%
<b>Petrol</b>	T	1,1	-	-	-	-
<b>LPG</b>	T	12,18	12,26	34,68	-0,63%	-64,6%
<b>Natural gas (heating)</b>	m3	970.245 ,19	847.458	892.618 ,0	14,49%	-5,1%

It is therefore particularly significant the variation recorded in long-term consumption trends, mainly related to constantly shrinking energy and LPG consumption and the decline in volumes occurred in the last two years, following the post-pandemic production recovery.

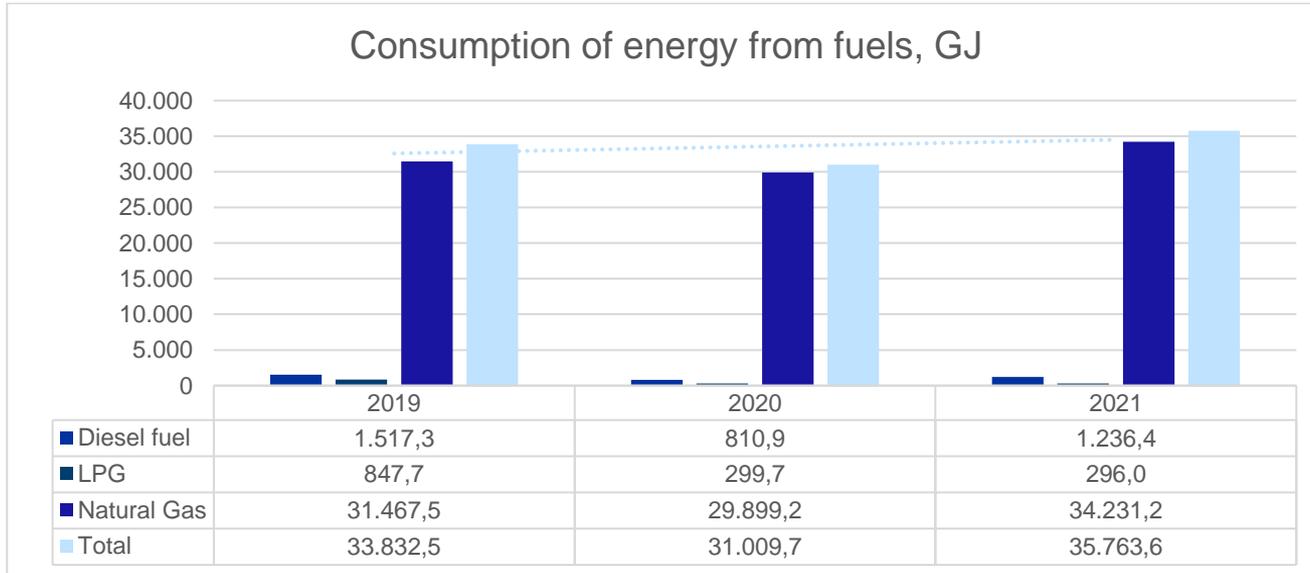
Self-produced electricity (kW/year)

In addition, the implementation of a photovoltaic system in 2021 allowed a production of 61,180 kWh / year as measured by the internal energy system \*.

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Self-produced electricity (measured)</b>	61.180	0	0	+	=



With reference to the analyses in GJ, an inverse trend was recorded compared to the previous points.



N.B. – The conversion factors published by ISPRA in ‘Tabella parametri standard nazionali’ including data updated to 2021 were used for the calculation of emissions from diesel, petrol and natural gas consumption. In addition, all the coefficients of previous years have been updated.

## Water

### Withdrawal and discharge volumes of water (ML)

Water consumption is an important aspect for LATI and for this reason the company has equipped itself with water treatment systems for the water used in the production process and for industrial purposes at both the Vedano and Gornate sites.

The trend in water consumption is generally constant; however, there is a decrease in water discharges into surface water bodies thanks to the construction of first flush rainwater collection tanks in 2021.

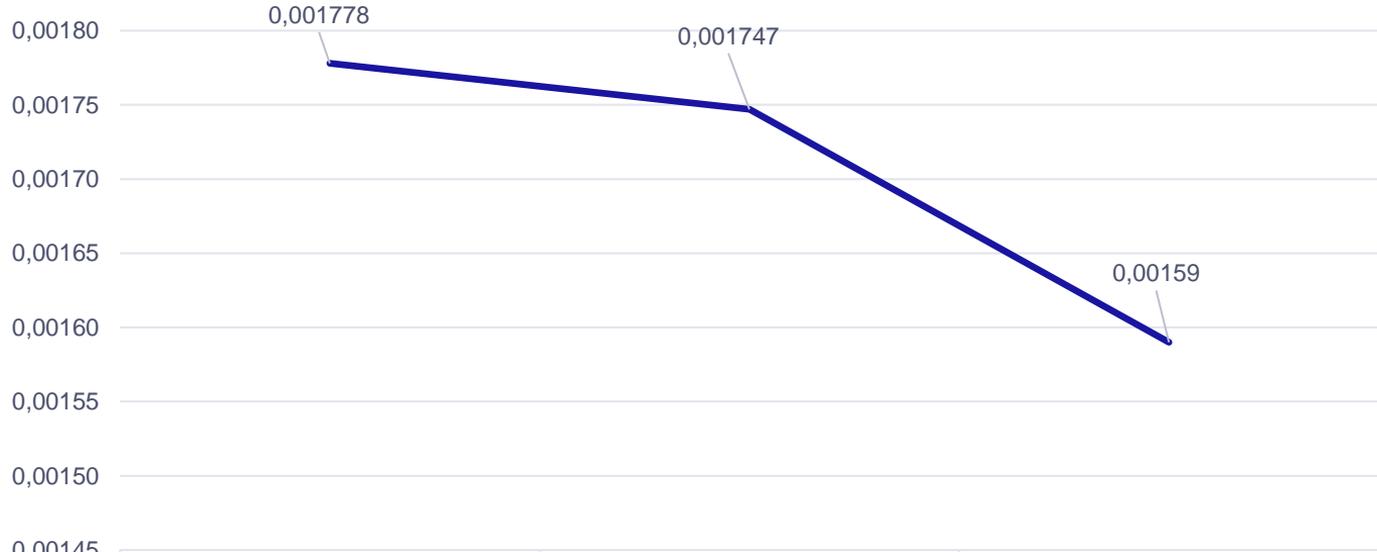
	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Total water withdrawal</b>	57,34	52,11	55,04	10,04%	-5,33%
...from groundwaters	6,37	1,96	4,46	224,34%	-55,96%
... from municipal water supply or other public or private water services	50,969	50,144	50,582	1,65%	-0.87%

<b>Total water discharge</b>	50,526	52,108	55,042	-3,04%	-5,33%
...into public sewers	47,663	35,496	38,43	34,28%	-7,63%
...into receiving water bodies	2,863	16,612	16,612	-82,77%	0,00%

Water consumption intensity per ton of finished product (ML/ ton finished product)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Water consumption intensity per ton of finished product</b>	0,001590	0,001747	0,001778	-9,02%	-1,70%

### Water consumption intensity per ton of finished product



	2019	2020	
ML/ ton of finished product	0,001778	0,001747	0,00159

## Emissions

Direct greenhouse gas emissions (scope 1) (tCo2 eq)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Diesel fuel</b>	91,39	59,67	111,65	53,16%	-46,56%
<b>Petrol</b>	2,58	0	0	-	=
<b>LPG</b>	19,53	19,65	55,59	-0,63%	-64,65%
<b>Natural gas</b>	1924,21	1681,26	1.762,34	14,45%	-4,60%
<b>Total direct emissions</b>	2037,70	1760,58	1929,58	15,74%	-8,76%

N.B. – The conversion factors published by ISPRA in ‘Tabella parametri standard nazionali’ including data updated to 2021 were used for the calculation of emissions from diesel, petrol and natural gas consumption. In addition, all the coefficients of previous years have been updated.

## Indirect greenhouse gas emissions (scope 2) (tCo2 eq)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Indirect greenhouse gas emissions (Scope 2) – Location-based</b>	503,39	5.970,90	6.042,34	-91,57%	-1,18%

*N.B. – In 2021, following the change in supply, a market-based emission factor was used for the hydro segment with a value aligned with the IPCC estimates, which therefore it is equal to 0.*

### Indirect greenhouse gas emissions (scope 3) (tCo2 eq)

#### Commuter employees and staff

In order to quantitatively determine the indirect emissions caused by the commuting habits of LATI employees, a questionnaire was administered to the entire company population in February 2022. The respondents were about 114, of which more than 96% use their private car. The evaluation carried out allows to obtain the first quantitative data, defining a pre-pandemic and a post-pandemic scenario where the contribution of agile work has actually determined a decrease in emissions of about 23%.

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Total indirect emissions. Commuter employees</b>	282,78	272,78	369,64	3,67%	-23,21%

### Incoming freight transport and logistics

In 2021 the material purchased from different countries in very specific ways amounted to about 44,000 tons. 63% of the total materials come from EU countries through multimodal transport (mainly by road and by rail), 27% directly from Italy, followed by Belgium and the Netherlands with percentages around 9% each. 20% of the total comes from Asia, mainly from China and Malaysia, while the remaining 10% from the Americas (USA and Brazil) mainly via maritime transport for most of the journey and a residual part by road for the sorting and delivery phases. Air transport, on the other hand, represents a means of transport used in exceptional circumstances for insignificant quantities.

### Freight transport and logistics – shipments

60% of the goods shipped are destined for the European Union, over 30% for Italy and the remaining part, just under 10%, for non-EU countries. Shipments take place mainly through multimodal transport mainly by road (and in some cases by rail), through usual suppliers in the vast majority of cases. About 5% of shipments take place through direct withdrawals by the customer. The use of shipments via multimodal carriers that also include the use of containers by sea concerns represents only about 5% of cases. As with incoming goods, air shipments are residual and take place only in exceptional cases.

### Total emissions

Also in the case of emissions, LATI records the intensity data by comparing it to total workforce, but above all to the production values, considering the latter more significant than the real impact of the 'emissions' factor on process efficiency.

Similar to energy intensity, also in the field of greenhouse gas (GHG) emissions it is relevant to analyse the contribution of the company staff to the overall greenhouse gas emissions, regardless of whether they are direct (Scope 1) or indirect (Scope 2 and Scope 3). In this sense, thanks to the reduction of

Scope 2 emissions, due to the company's choice to source 100% green energy, the overall performance of the LATI is significantly improved compared to previous years, with a total reduction of over 71% in CO<sub>2</sub>eq emissions in 2021 compared to the previous year.

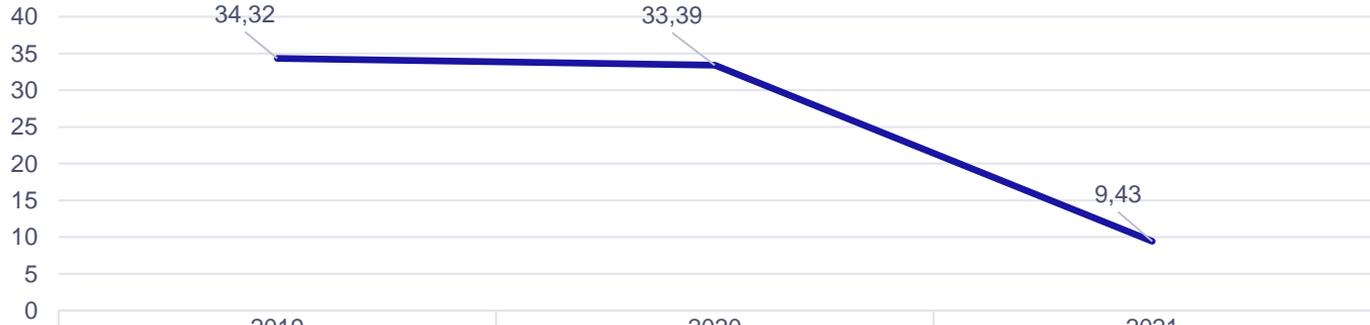
Considering only Scope 1 and Scope 3 emissions, a stable situation is reported, with emission rates substantially unchanged in 2021 compared to 2019.

In addition, as already mentioned, the implementation of a photovoltaic system in 2021 allowed the production of about 61,180 kWh / year of clean energy corresponding to about 30 tons of CO<sub>2</sub>eq saved if the same energy quantity had been purchased from the Italian national grid, obtained from various sources.

#### Greenhouse gas emission intensity by workforce (tCo<sub>2</sub> eq/ total workforce)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Greenhouse gas emission intensity by workforce</b>	9,69	33,39	34,32	-70,98%	-2,71%

### Greenhouse gas emission intensity by workforce



	2019	2020	2021
tCo2 eq/ total workforce	34,32	33,39	9,43

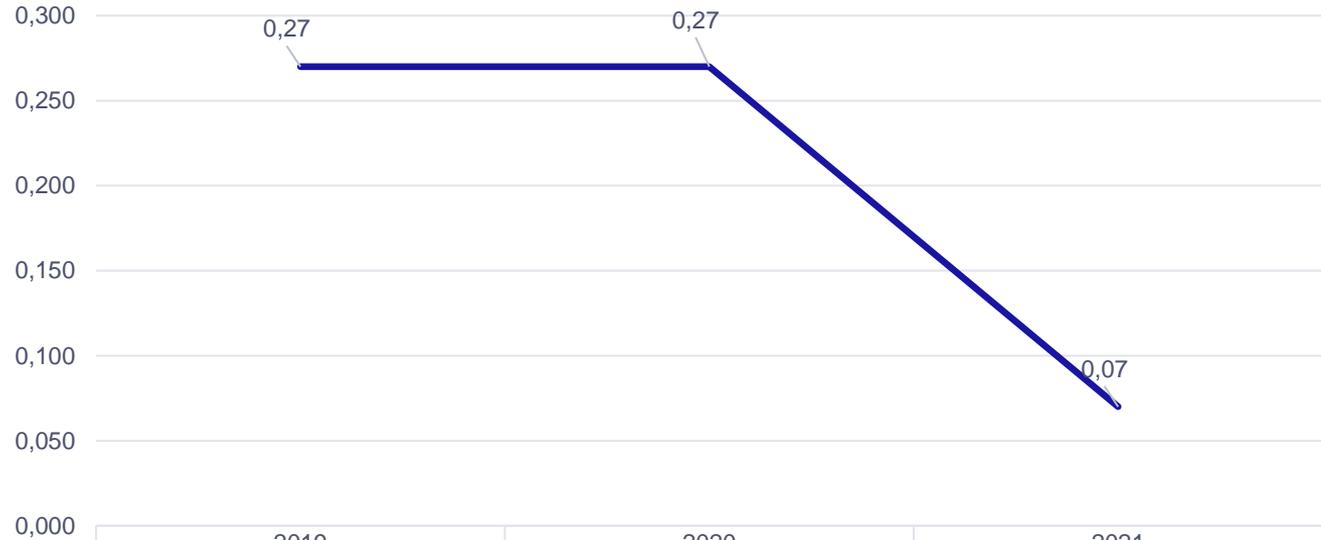
With regard to the energy intensity referred to the production values, there has been a drop in production in the last two years compared to the use of 100% green energy purchased from the grid.

Leaving aside Scope 2 emissions, even considering only those directly produced in the company and Scope 3 emissions, there is still a significant decrease in the intensity of greenhouse gas emissions per ton of finished product.

Greenhouse gas emission intensity per ton of finished product (tCo2 eq/tons of finished product)

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
<b>Greenhouse gas emission intensity per ton of finished product</b>	0,06	0,27	0,27	-77,78%	-0,23%

### Greenhouse gas emission intensity/ton of finished product



tCo2 eq/ ton of finished product

2019

2020

2021

0,27

0,27

0,07

## Waste management

Waste management is a critical issue for the company's sustainability strategy aimed at the efficient use of resources. The Research and Development projects undertaken by LATI greatly affect the aspect related to the management of production waste, with a view to circular economy and cutting-edge technology. In detail, the waste generated during 2021 shows an almost constant trend.

Value chain	Process	Stage	Activity	Impact
<b>Upstream</b>	Purchase	Preparation	Material reception	Production of packaging waste
<b>In-house activity</b>	Production	Extrusion	Scrap management and sorting	Production of non-recoverable waste
<b>In-house activity</b>	Production	Drying	Treatment	Production of dried dehydrated sludge
<b>In-house activity</b>	Production	Drying	Degassing	Production of liquid sludge
<b>In-house activity</b>	Production	Maintenance	Machinery maintenance	Production of metallic waste, cans, etc.
<b>Downstream</b>	Sale	Post-consumer	Market launch	End-of-life products

### End-of-life product management

LATI is committed to the recovery of products, components and materials from waste through preparation for reuse and recycling (a single raw material can be part of dozens of different products, and it is therefore very easy to reuse recovered materials) and specifically:

- Materials that become obsolete;
- Production scrap (off-specs): as pure waste, LATI produced about 250 tons (a very low share, less than 2% compared to total output). Off-specs materials are kept in stock and then largely recovered for subsequent products
- Residual slow moving raw materials (very rare)

Also in 2021, R&D has also focused on the recovery of post-consumer plastics such as water bottles, transforming them in engineering compounds, with very promising results. Research is also pushing towards post-consumer waste as a source of supply beyond the use of post-industrial material.

Total waste produced classified as hazardous and non-hazardous (kg)\*

	2021	2020	2019	Δ 2020-2021	Δ 2019-2020
A) <b>Hazardous waste</b>	222,602.00	100,684.00	98,017.00	121.09%	2.72%
... of which sent for recovery	50,229.00	-	-	-	-
... of which directed to disposal	172,373.00	100,684.00	98,017.00	71.2%	2.72%
B) <b>Non-hazardous waste</b>	2,633,431.00	2,148,808.00	2,059,042.00	22.55%	4.36%
... of which sent for recovery	2,070,088.00	886,668.00	802,950.00	133.47%	10.43%
... of which directed to disposal	563,343.00	1,262,140.00	1,256,092.00	-55.37%	0.48%
<b>Total waste</b>	2,856,033.00	2,249,492.00	2,157,059.00	26.96%	4.29%

N.B.– The reference values for the years 2019 and 2020 have been updated compared to previous reports following a process of optimisation of the data collection methods.

22.56% of hazardous waste in 2021 sent for recovery.

+26.96% total waste generated during the last year.

-55.37% of waste directed to disposal in the last year in favour of an increase in waste sent for recovery (+133%)

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<b>GRI 103-1 Explanation of the material topic and its Boundary</b>	METHODOLOGICAL NOTE
<b>GRI 103-2 The management approach and its components</b>	Paragraph 4.2.2 Paragraph 4.2.3
<b>GRI 103-3 Evaluation of the management approach</b>	Paragraph 4.2.2 Paragraph 4.2.3
<b>GRI 301 - 1 Materials used by weight or volume</b>	Paragraph 4.2.2 Annex I
<b>GRI 301-2 Recycled input materials used</b>	Paragraph 4.2.2 Annex I
<b>GRI 301-3 - Reclaimed products and their packaging materials (percentage)</b>	Paragraph 4.2.2 Annex I
<b>GRI 302 - 1 Energy consumption within the organization</b>	Paragraph 4.2.3

	Annex I
<b>GRI 302 - 2 Energy consumption outside of the organization</b>	Paragraph 4.2.3 Annex I
<b>GRI 302 - 3 Energy intensity</b>	Paragraph 4.2.3 Annex I
<b>GRI 302 - 4 Reduction of energy consumption</b>	Paragraph 4.2.3 Annex I
<b>GRI 303-1 Interactions with water as a shared resource</b>	Paragraph 4.2.3 Annex I
<b>GRI 303-2 Management of water discharge-related impacts</b>	Not Applicable
<b>GRI 303-3 Water withdrawal</b>	Annex I
<b>GRI 303-4 Water discharge</b>	Annex I

GRI 303-5 Water consumption	Annex I
<b>TOPIC 18 - POLLUTING AND CLIMATE-ALTERING EMISSIONS (T CO2EQ)</b>	
GRI 103-1 Explanation of the material topic and its Boundary	METHODOLOGICAL NOTE
GRI 103-2 The management approach and its components	Paragraph 4.2.4 Paragraph 5.3
GRI 103-3 Evaluation of the management approach	Paragraph 4.2.4 Paragraph 5.3
GRI 305-1 Direct (Scope 1) GHG emissions	Paragraph 4.2.4 Annex I
GRI 305-2 Energy indirect (Scope 2) GHG emissions	Paragraph 4.2.4 Annex I

<b>GRI 305-3 Other indirect (Scope 3) GHG emissions</b>	Paragraph 4.2.4 Annex I
<b>GRI 305-4 GHG emissions intensity</b>	Paragraph 4.2.4 Annex I
<b>GRI 305-5 Reduction of GHG emissions (as a result of the initiatives undertaken)</b>	Paragraph 4.2.4 Annex I
<b>GRI 305-6 Emissions of ozone-depleting substances (ODS)</b>	Paragraph 4.2.4 Annex I
<b>GRI 305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions</b>	Paragraph 4.2.4 Annex I
<b>TOPIC 19 – WASTE MANAGEMENT</b>	
<b>GRI 103-1 Explanation of the material topic and its Boundary</b>	METHODOLOGICAL NOTE

<b>GRI 103-2 The management approach and its components</b>	Paragraph 4.2.5
<b>GRI 103-3 Evaluation of the management approach</b>	Paragraph 4.2.5
<b>GRI 306 - 1 Waste generation and significant waste-related impacts</b>	Paragraph 4.2.5 Annex I
<b>GRI 306 - 2 Management of significant waste-related impacts</b>	Paragraph 4.2.5 Annex I
<b>GRI 306 - 3 Waste generated</b>	Paragraph 4.2.5 Annex 6
<b>GRI 306 - 4 Waste diverted from disposal</b>	Paragraph 4.2.5 Annex 9
<b>GRI 306 - 5 Waste directed to disposal</b>	Paragraph 4.2.5 Annex 15

<b>TOPIC 20 – CIRCULAR ECONOMY</b>	
<b>GRI 103-1 Explanation of the material topic and its Boundary</b>	METHODOLOGICAL NOTE
<b>GRI 103-2 The management approach and its components</b>	Paragraph 4.2.5 Paragraph 5.2
<b>GRI 103-3 Evaluation of the management approach</b>	Paragraph 4.2.5 Paragraph 5.2
<b>GRI 306 - 2 Management of significant waste-related impacts</b>	Paragraph 4.2.5 Annex I
<b>GRI 306 - 4 Waste diverted from disposal</b>	Paragraph 4.2.5 Annex I
<b>TOPIC 21 – PROTECTION/ENHANCEMENT OF LOCAL COMMUNITIES</b>	

<b>GRI 103-1 Explanation of the material topic and its Boundary</b>	METHODOLOGICAL NOTE
<b>GRI 103-2 The management approach and its components</b>	Paragraph 4.2.2 Paragraph 4.2.3 Paragraph 4.2.4
<b>GRI 103-3 Evaluation of the management approach</b>	Paragraph 4.2.2 Paragraph 4.2.3 Paragraph 4.2.4
<b>GRI 413 - 2 Operations with significant actual and potential negative impacts on local communities</b>	Paragraph 4.5

## ANNEX III – Report of the Auditing Company



**LATI INDUSTRIA TERMOPLASTICI SPA**

**LIMITED ASSURANCE REPORT ON SUSTAINABILITY  
REPORT**

**YEAR ENDED 31 DECEMBER 2021**



## ***Limited Assurance report on Sustainability Report***

To the Board of Directors of LATI Industria Termoplastici SpA

We have been engaged to undertake a limited assurance engagement on the Sustainability Report of LATI Industria Termoplastici SpA (hereinafter the “Company”) and its subsidiaries (hereinafter “LATI Group”) for the year ended 31 December 2021.

### ***Responsibilities of the Directors for the Sustainability Report***

The Directors of LATI Industria Termoplastici SpA are responsible for the preparation of the Sustainability Report in accordance with the “Global Reporting Initiative Sustainability Reporting Standards” issued in 2016 and updated to 2020 by GRI - Global Reporting Initiative (the “GRI Standards”), as illustrated in the “Methodological note” section of the Sustainability Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for defining the sustainability performance targets of LATI Group, as well as for identifying its stakeholders and material topics to be reported on.

### ***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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#### ***PricewaterhouseCoopers Business Services Srl***

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Società soggetta all’attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl  
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### ***Our Responsibilities***

Our responsibility is to express a conclusion, based on the procedures performed, on whether the Sustainability Report complies with the requirements of the GRI Standards. We conducted our work in accordance with “International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Information” (hereinafter also “ISAE 3000 *Revised*”) issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. That standard requires that we plan and perform procedures to obtain limited assurance about whether the Sustainability Report is free from material misstatement.

The work performed was less in scope than in a reasonable assurance engagement conducted in accordance with ISAE 3000 *Revised* and, consequently, we did not obtain assurance that we became aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgement and included inquiries, primarily of personnel of the Company responsible for the preparation of the information presented in the Sustainability Report, inspection of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

- 1) We analysed the process of definition of the material topics reported on in the Sustainability Report, with reference to the method of their identification in terms of priority for the various categories of stakeholders and to the internal validation of the results of the process;
- 2) We obtained an understanding of the processes underlying the generation, collection and management of significant qualitative and quantitative information included in the Sustainability Report.

In detail, we inquired of and discussed with management personnel of LATI Industria Termoplastici SpA and we carried out limited analyses of documentary evidence, in order to obtain information about the processes and procedures supporting the collection, aggregation, processing and submission of non-financial information to the corporate function in charge of the preparation of the Sustainability Report.

Furthermore, for significant information, taking into account the activities and characteristics of the Group:

- at Group level,
  - a) with reference to the qualitative information presented in the Sustainability Report, we carried out interviews and obtained supporting documents to verify its consistency with available evidence;
  - b) with reference to quantitative information, we performed both analytical procedures and limited tests to verify, on a sample basis, the accuracy of data aggregation.
- for the plants based in Vedano Olona and Gornate Olona, which we selected based on their activities, contribution to performance indicators and location, we carried out onsite visits during which we met the persons responsible and obtained documentary evidence, on a sample basis, about the correct application of the procedures and calculation methods applied for the indicators.



### ***Conclusion***

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of LATI Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with the requirements of the GRI Standards as illustrated in the “Methodological note” section of the Sustainability Report.

### ***Other Matters***

No assurance procedures were performed on the comparative information presented in the Sustainability Report in relation to the year ended 31 December 2020.

Milan, 30 June 2022

PricewaterhouseCoopers Business Services Srl

*Signed by*

Paolo Bersani  
(Partner)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the Sustainability Report 2021 translation.*



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