

GEFRAN GROUP
**SUSTAINABILITY
REPORT**
2022

Consolidated Non-Financial Statement 2022

pursuant to Legislative Decree 254/2016



GEFRAN
BEYOND TECHNOLOGY

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LETTER TO STAKEHOLDERS



Dear Stakeholders,

we are pleased to present, for the first time, the strategic sustainability plan in the same document that reports Gefran's non-financial consolidated data, according to the new GRI Sustainability Reporting Standards 2021.

The form of the publication expresses a substantial fact: the business is conducted in strict compliance with the principles of sustainability. Our company's development strategy is, inevitably, also a sustainability strategy. This vision has given an insight into Gefran's choices and is naturally one of the factors that have allowed the Group to grow steadily over the years.

This focus was formalised for the first time in 2020 in a Strategic Sustainability Plan.

In 2022, commitments were strengthened with a new Plan which, without prejudice to the direction announced in 2020, sets new and more extensive measurable targets consistent with the Business Plan.

In the course of the year, two years ahead of the requests introduced by the new European Directive 2022/2464, we started the double materiality process, integrating the "Inside-out" (impact materiality) process according to the GRI Universal Standards 2021, but also the "Outside-in" (Financial Materiality) perspective. The materiality analysis enabled new discussions on the impacts that the organisation generates (economy, environment, people) and the role in the regions where it operates with a long-term outlook to prevent and mitigate any negative effects.

The Plan is based on four pillars: the centrality of the people; the contribution to the ecological transition; sustainable product innovation; sustainability of the supply chain. For each of these pillars specific objectives have been established to be pursued through 26 projects. Some of these have already begun, others will be developed more in the long term, such as the achievement of carbon neutrality.

In 2022, the Group improved its performance in the various areas that contribute to sustainability and achieved important results.

With regard to the centrality of the people, for example, there are many actions aimed at employer branding and improving employee experience, starting with engagement and loyalty plans (ranging from the WELLFRAN people in Gefran organisational welfare programme to international mobility). There has still been a strong focus on training skills which has resulted in customised plans in collaboration with universities, research centres and high schools, and through the FLY Gefran Talent Academy. An important contribution in this sense also comes from the digital platform which employees from all over the world can access to develop skills, undergo training, and exchange experiences and knowledge. The commitment to recognise people's qualities also includes gender equality, protecting diversity and inclusion.

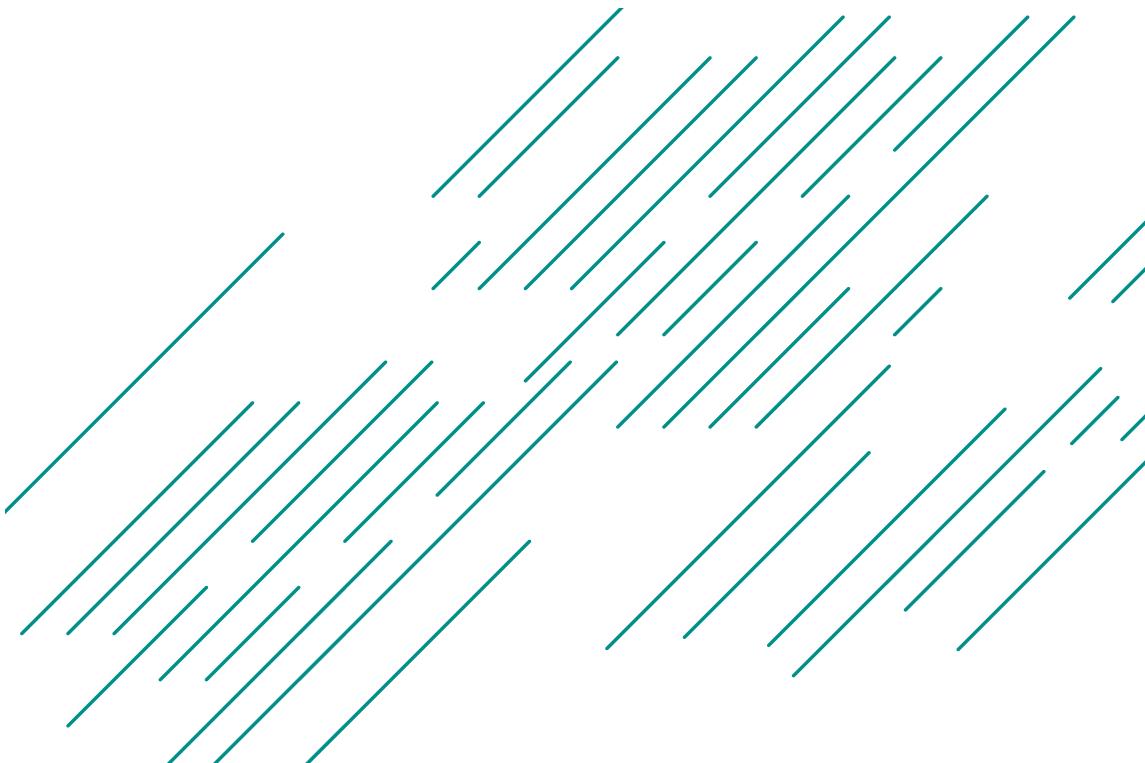
With regard to the ecological transition, Gefran is committed to a decarbonisation strategy based on various levers involving the entire value chain (from suppliers to the end customer).

With the support of an investment plan, the process has already started to ensure the energy efficiency of plants and to use electricity from 100% certified renewable sources by 2025. The commitment to responsible consumption of resources has also resulted in an eco-sustainable approach to the development of new products and the use of components made from recycled materials. The objective is to make investments that generate 15% of total turnover from innovative sustainable products within five years.

The steps taken on the sustainability side of the supply chain are also significant. The aim is to gradually extend membership of the Sustainability Pact to the majority of suppliers, a project which will involve all foreign branches in several stages. Today, the major industrial groups play an essential role in spreading a culture of sustainability in the economic and entrepreneurial fabric of a country. Encouraging dialogue with the small local companies that make up the supply chain, which generally have fewer opportunities and resources to devote to the subject, is the indispensable basis for building a sustainable supply chain.

With Supplier Day in 2021, Gefran launched a process to assist local suppliers by providing them with the Group's expertise and experience and promoting joint initiatives to reduce the environmental and social impact of production activities. In 2022, the process continued with a workshop to share targets and action plans, focused on climate change and measuring the carbon footprint – a factor that will be increasingly relevant in the assessment of suppliers. While dialoguing with suppliers, Gefran presented the plan to map emissions generated by the supply chain and evaluate its impact on the ecosystem, asking companies to make a commitment in this area. By 2025, similar initiatives will be developed for local suppliers in other countries in which Gefran has production plants.

Just over a year ago, in 2021, the project began to build an Integrated Management System aimed at harmonising the working mechanisms between the various Group companies and facilitating the development of continuous improvement processes. In 2022, the Quality, Safety and Environment team worked to align the requirements of standards and audit activities to assess the implementation of the Integrated Management System. In the first quarter of 2023, the process was completed and the ISO 45001 and ISO 14001 certificates were obtained; SA8000 certification will be obtained within the year for the Group's Italian offices.

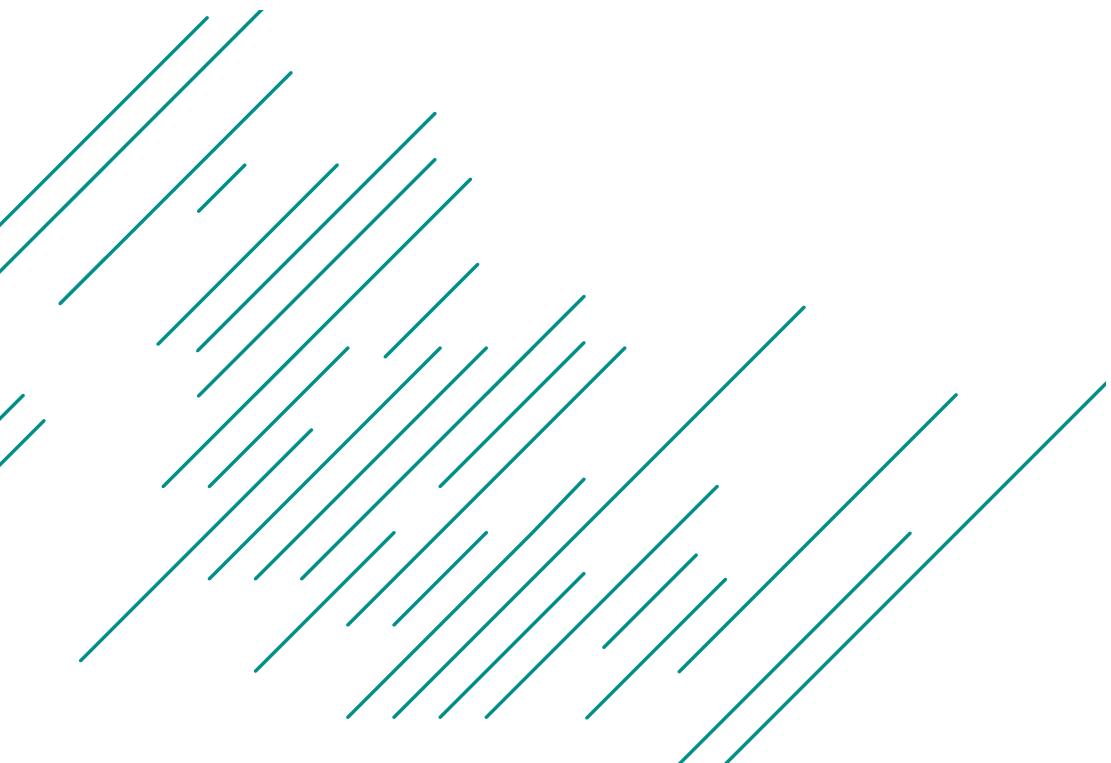


Since 2022 Gefran has been a member of the UN Global Compact, which requires companies and organisations that adhere to them to share, support and implement a set of fundamental principles relating to human rights, labour standards, environmental protection and anti-corruption within their spheres of influence. These can be summarised in 10 principles. These are the same principles that have always characterised our corporate actions and have made the Global Compact a natural conclusion.

This document, which comprises the Strategic Sustainability Plan and the Consolidated Non-Financial Statement, is an integral part of the Group's business model and its day-to-day management; through the projects, objectives and activities described in the document, we wish to share with you how Gefran intends to interpret growth that is sustainable, while also being open to the market, the people and the companies it works with.

Giovanna Franceschetti

Gefran Vice Chairwoman responsible for Sustainability



HIGHLIGHTS

134.4 Million Euro

Group revenues in 2022

+13.3%

vs 2021 on equal perimeter

18.3%

EBITDA/REVENUES

4.7%

INVESTMENTS/REVENUES



Number of countries in
the world where **Gefran**
Products are sold

26 Objectives

to make Gefran
even more **sustainable**

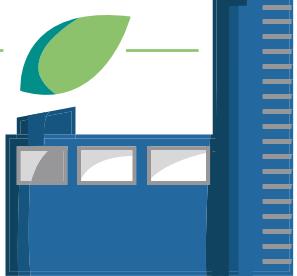


from
11
countries

24 Hours
of training per capita

EMISSIONS

tCO2
1,040
SCOPE1



tCO2
515
SCOPE2



0.299

GJ over revenues

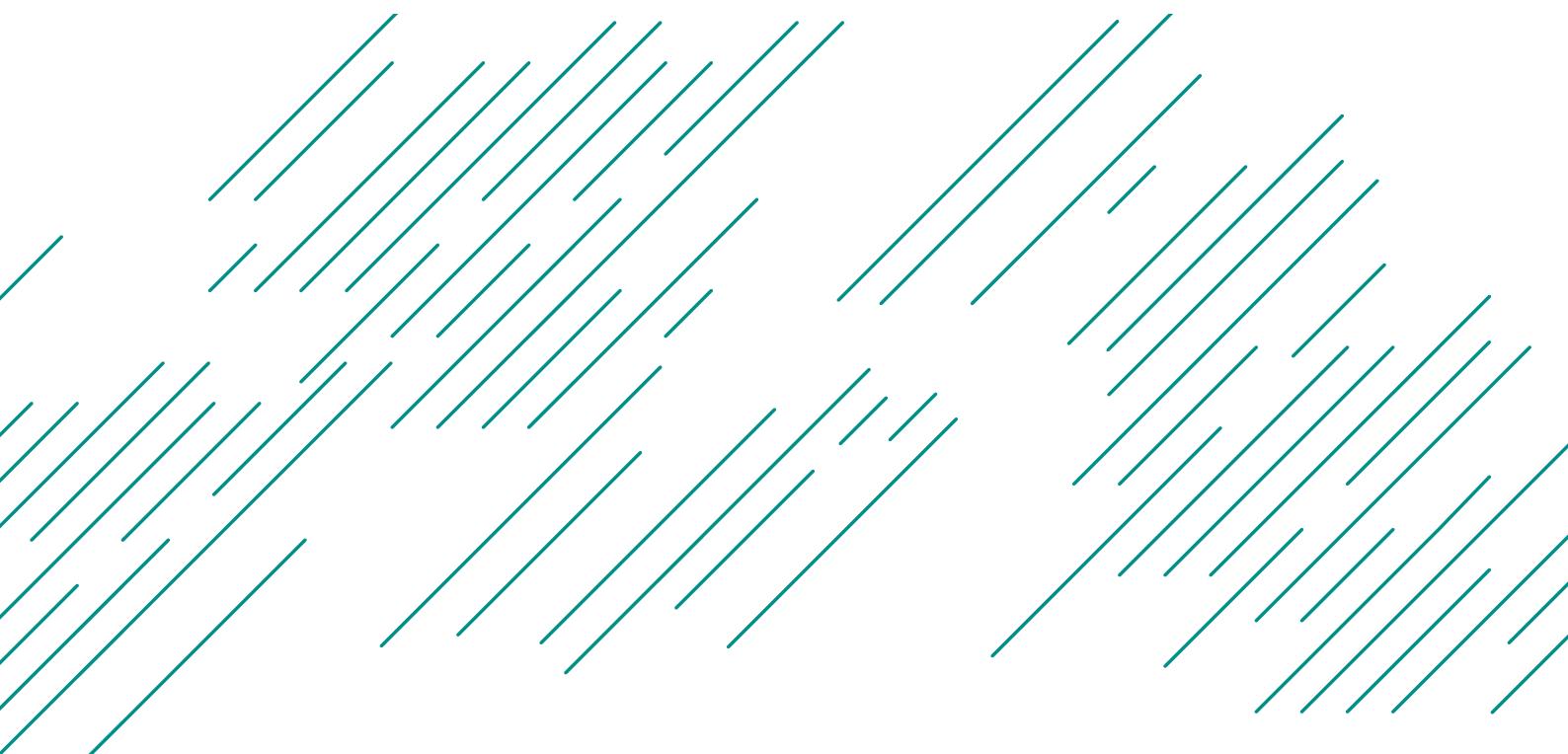


W A S T E
for recovery
66.2%

ENERGY
INTENSITY



GEFRAN'S IDENTITY AND VALUES



A compass guides us in our daily decisions across all areas and business processes, while also inspiring every event and initiative and dictating our relationship management style with our partners.

This compass is the **Gefran Way**, which embodies the spirit, identity and values of the Group and its brand.

Promise, Purpose, Values and Manifesto best express the **Gefran Way**.



1.1

THE PROMISE

We have solid roots in industrial automation and technological innovation. We listen and work with passion to find the most effective solutions, creating winning and sustainable relationships. This is our strength.

We work with companies that want to improve technological processes, with people who believe in professional growth and talent, with stakeholders who have an interest in creating value for the community and its surroundings. This is our world.



1.2

PURPOSE

The future is our present.

Be protagonists in technology evolution, recognised as a point of reference for those who build industrial value and innovation.

Be interpreters of sustainable growth, open to the market, companies and the people we work and live with.

Based on this vision, we wish to give a clear and effective description of how the near future is imagined. Our goals are ambitious, but also concrete and specific.

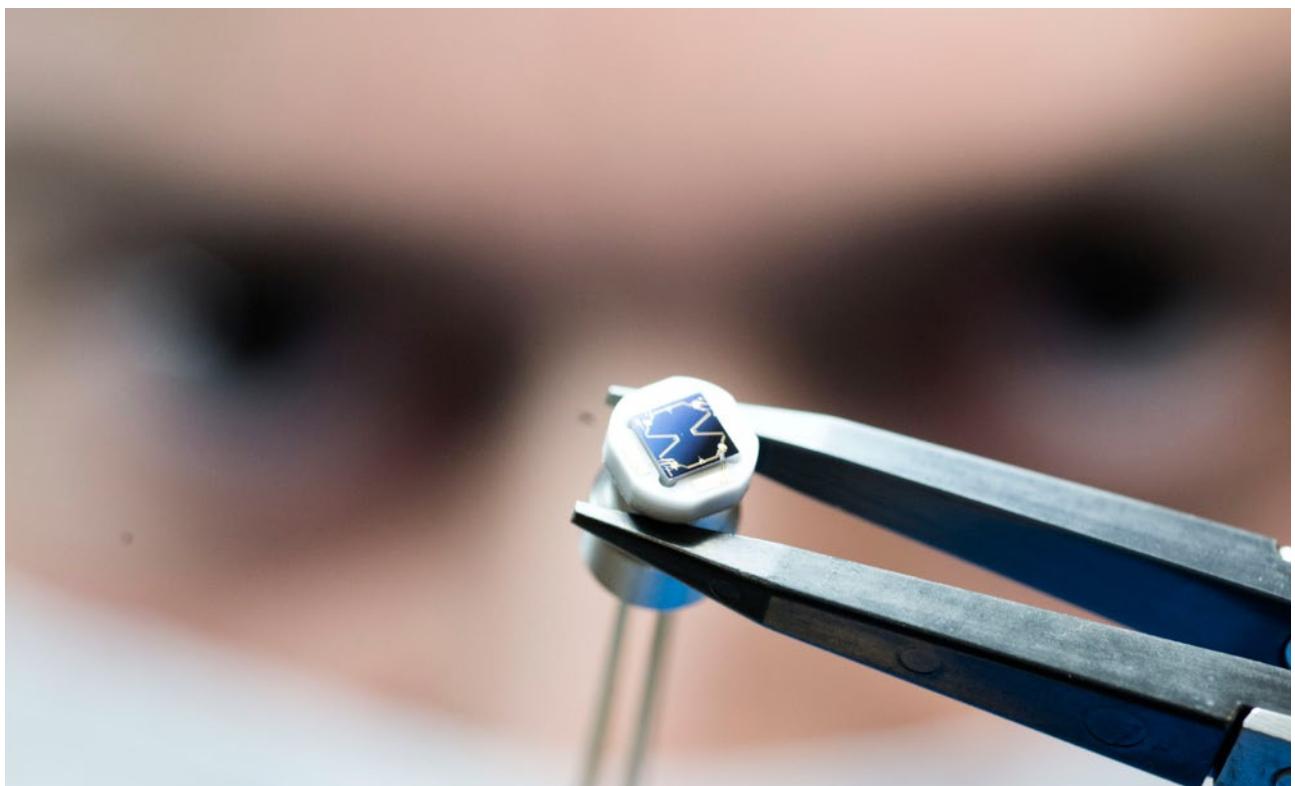
We introduce the concept of economic, social and environmental sustainability in our statement of purpose: playing a leading role gives us responsibilities in relation to the world around us, on which we make a recognisable mark.

Promise and *Purpose* represent a perspective vision and a path aimed at building the foundations of the future, in the present. What is stated must include constant dialogue with our partners, which often takes the form of cooperation.

1.3

BEYOND TECHNOLOGY: WHAT OUR PAYOFF EXPRESSES

Beyond Technology embodies the essence of Gefran, conveying the sense of what it does, what it is, and what it brings with it. It means bringing out all that is *behind* technology and looking beyond the product, beyond meeting companies' needs. It means having a vision of the market of tomorrow.



1.4 VALUES

Our identity is also underpinned by principles that guide attitudes and actions: these are the Group's cultural values, reflecting its convictions, aspirations and commitment to our stakeholders.

RELIABILITY

We believe in trust in all aspects – be it solid strategies, commitment to products or sustainable relationships with stakeholders. We have strong expertise to devise effective solutions and offer a service that can anticipate needs.

DYNAMISM

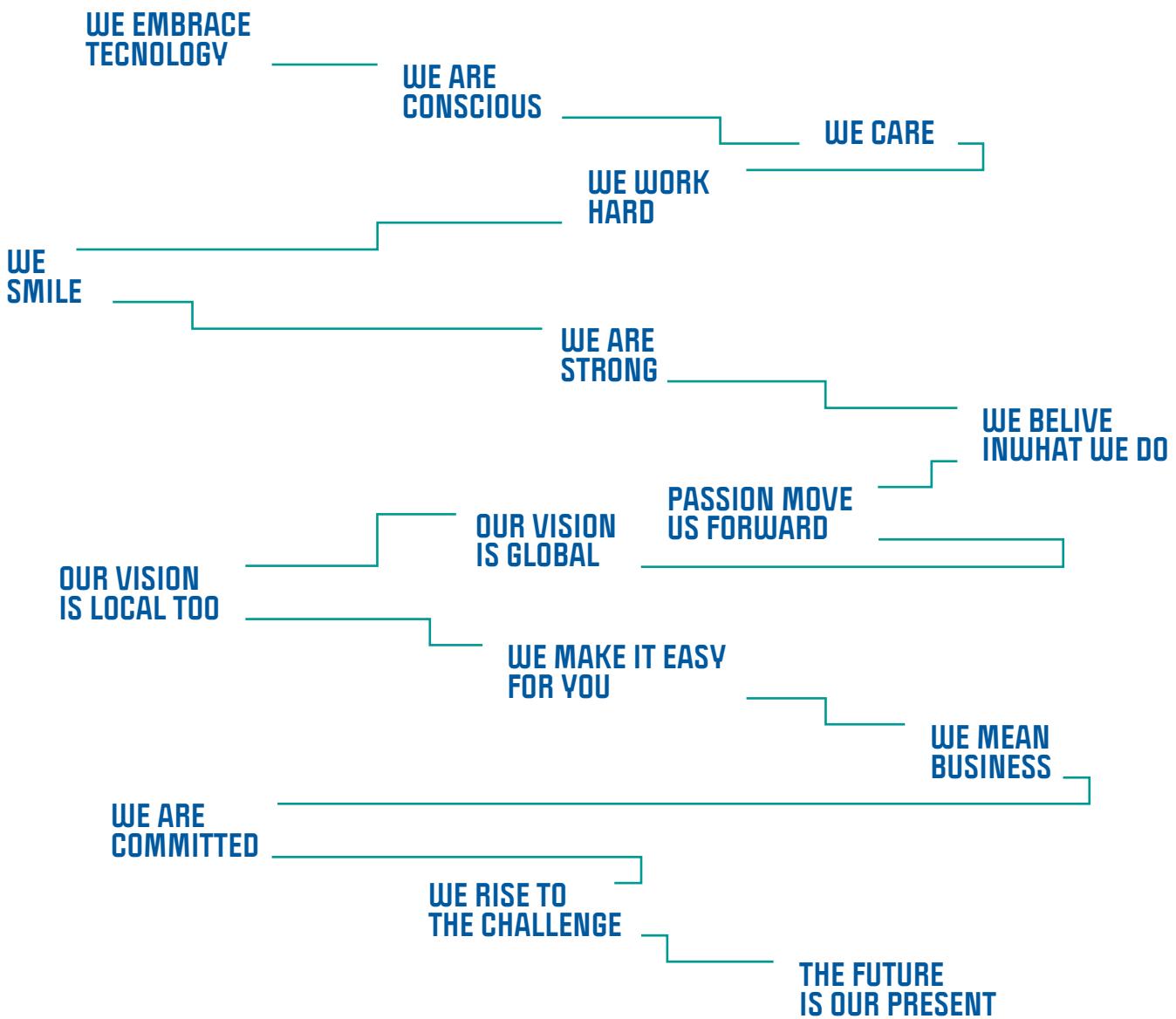
We believe in the importance of timely responses, in the flexibility of our recommendations and, above all, in proactively searching for the best solution.

INNOVATION

We anticipate the needs of the future and understand how to implement our vision in the present. We invest in designing premium quality solutions and services and possess the know-how for ongoing innovation and creativity.

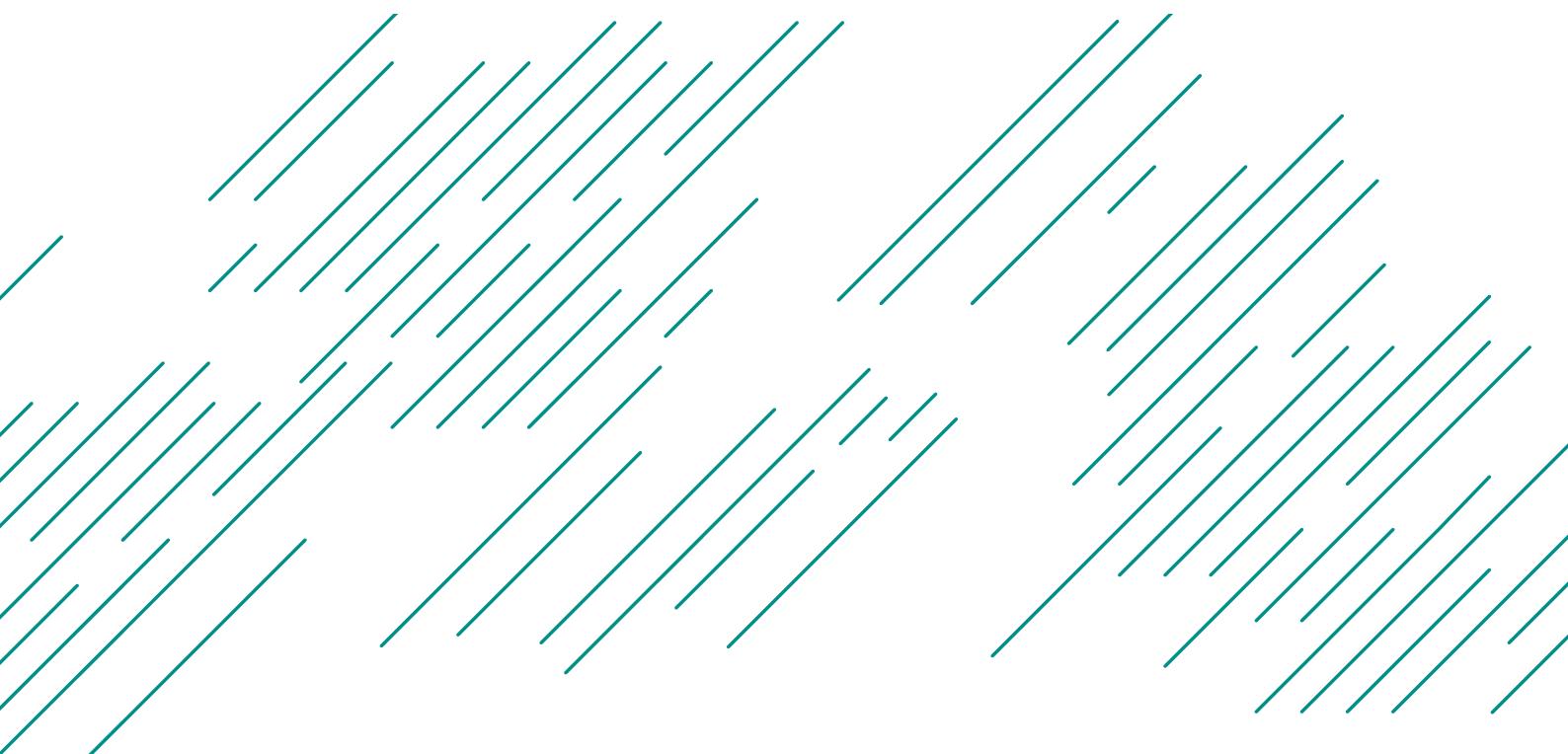
1.5 MANIFESTO

The Manifesto describes the experience Gefran wishes to have with its stakeholders: it is the benchmark for all our partners to deliver value and trust in their work.





COMPANY



2.1

THE PATH

Gefran is an Italian multi-national, specialised in the design and manufacturing of sensors, systems and Components and the control of industrial processes.

It was established in the Sixties in Protaglio d'Iseo (BS) by Giacomo and Ennio Franceschetti (which is the acronym GEFRAN) and immediately stood out in Italy and abroad, devising a tool to regulate the temperatures of plastics processing machinery. One innovation before a long series, which went on to set the standards for the industry.

The company soon evolved into an industrial group, expanding its product range and going international. In the Eighties, it began producing sensors. At the turn of the new century it enjoyed a growingly international presence, building a network of branches located in key strategic and commercial areas, allowing Gefran to reach many markets.

Gefran is now a global organisation, but at the same time it has maintained the characteristics of a family business and its headquarters have remained in Protaglio d'Iseo. In Italy, the Group operates through the Parent Company Gefran Spa and two subsidiaries: Gefran Soluzioni Srl and Elettropiemme Srl.

Its development abroad is driven by the need to monitor the markets and be close to customer companies, a key factor in providing a comprehensive, high-quality service. Being next to the customers, knowing their needs and satisfying them in a timely manner ensures the Group is highly competitive. This is further strengthened by the study of specific applications, local technical support, compliance with delivery times and after-sales service.

The Gefran Group currently has 13 companies in Italy and abroad, 8 of which are also production units, guaranteeing full control of the supply chain. This comprises design, production, product distribution, global sales and technical support. Gefran operates directly in 11 countries and distributes products through its sales network in 87 countries.

Since 1998 the shares of the Parent Company Gefran Spa have been listed on the Milan Stock Exchange on the Euronext STAR segment.



8

production plants

4

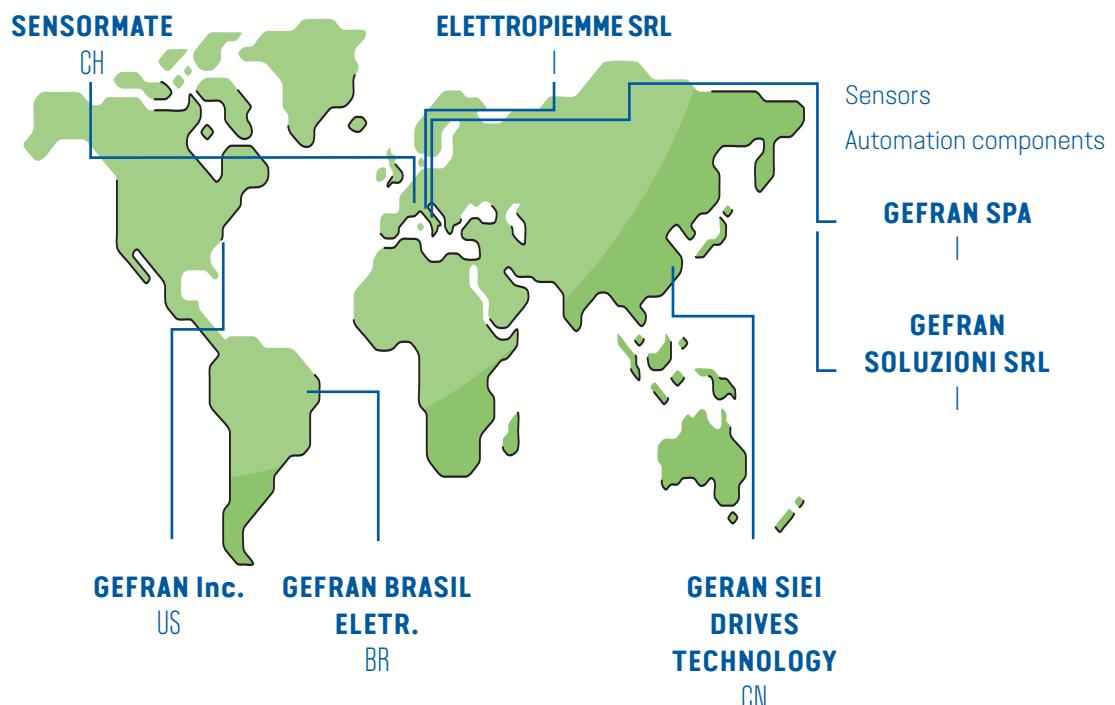
sensors factories

2

automation components factories

2

electric panels factories



13

commercial sales organisation

8

in Europe

3

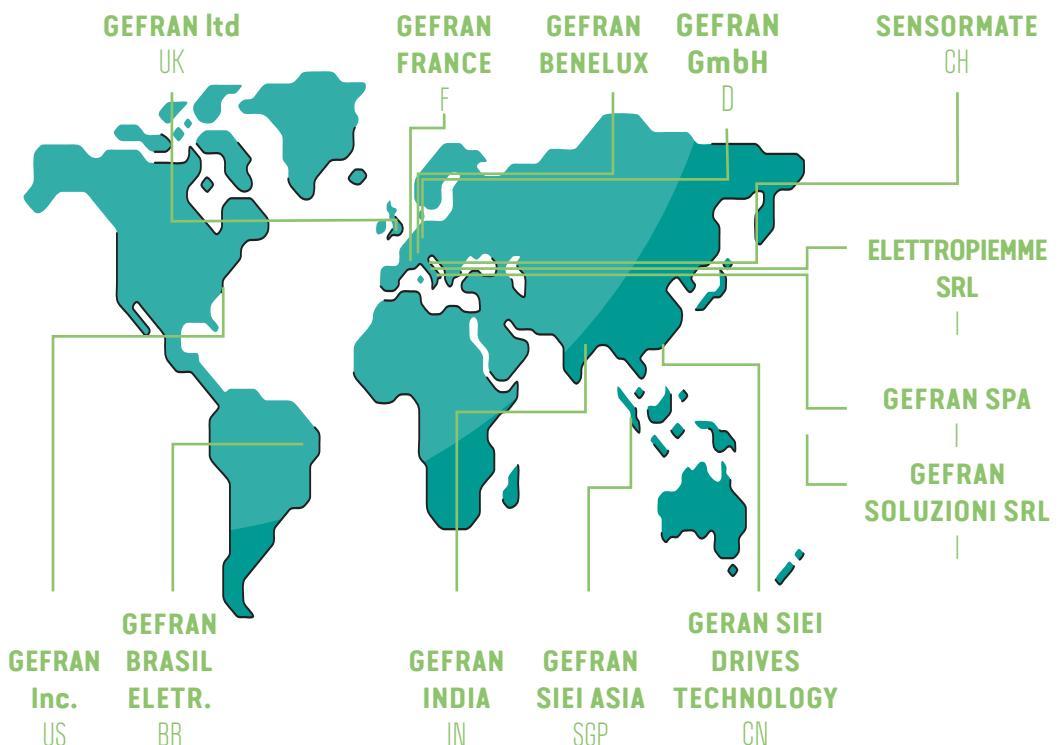
in Asia

1

in Latin America

1

in US



REVENUES

(values in Euro/000)

134,427

Total Revenues 2022

118,598

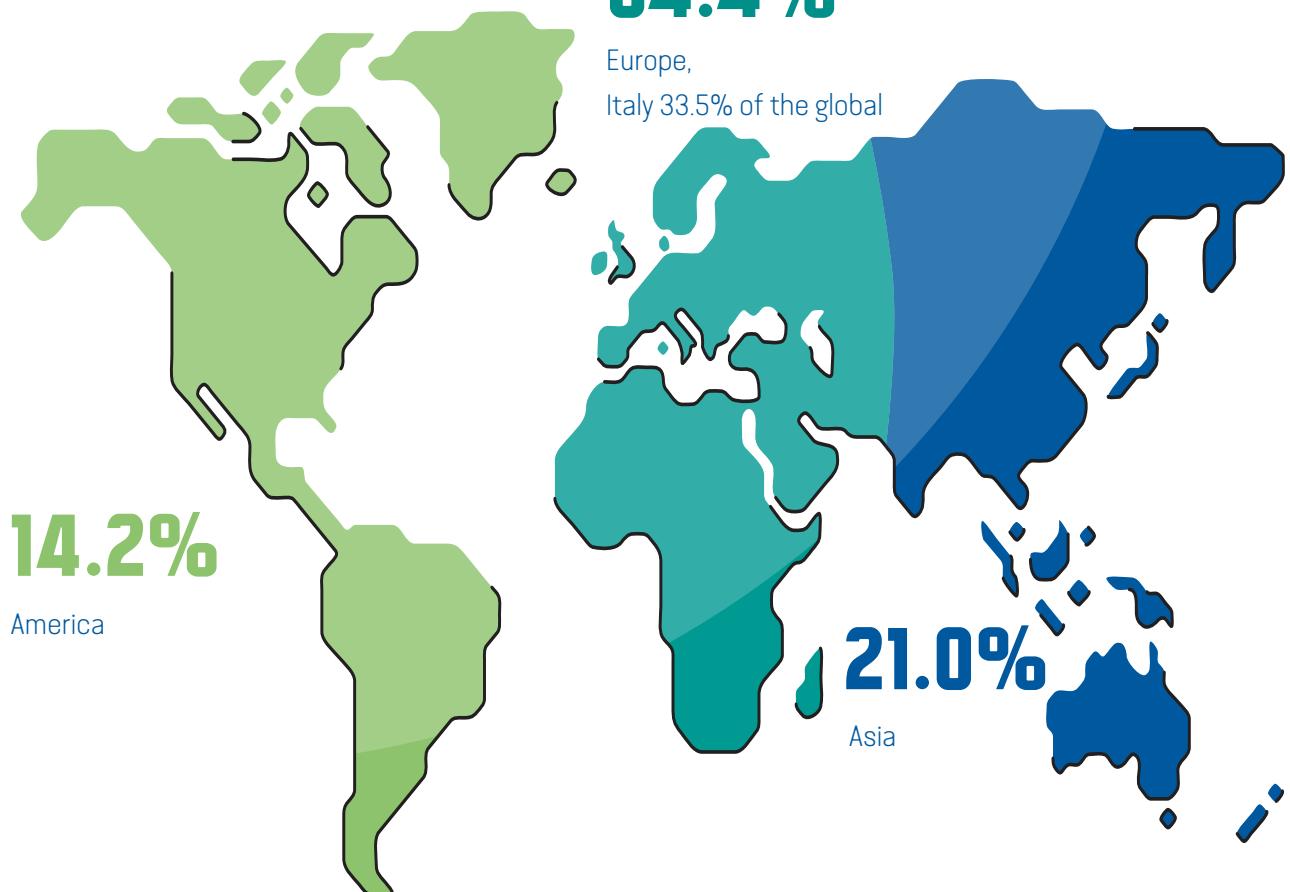
Total Revenues 2021

+13.3%

2022 vs 2021

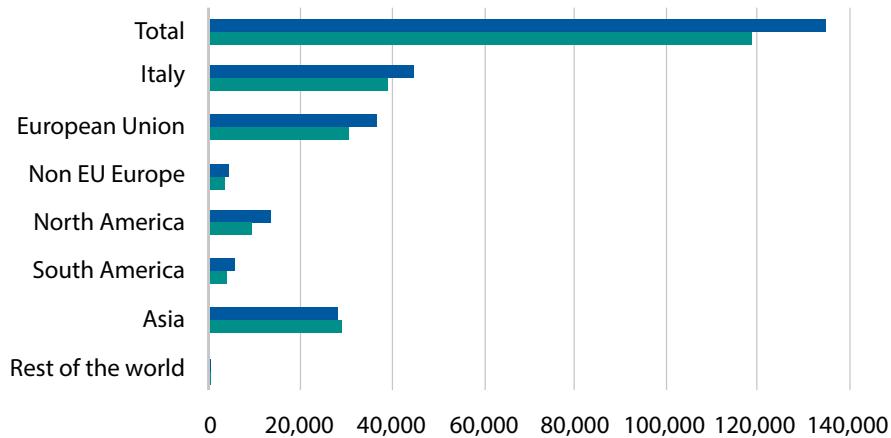
64.4%

Europe,
Italy 33.5% of the global



SALES BY GEOGRAPHICAL REGION

(Values in Euro/000)



2022

2021

2.2

THE GROUP'S ACTIVITIES

In 2022, the Group decided to focus its development strategy on strengthening sensors and automation components, the sectors in which it has invested the most in recent years and in which it aims to accelerate the growth of product lines and workforces.

On 1 August 2022, this led to the signing of a framework agreement to sell the motion control business to the Brazilian Group WEG S.A., a transaction worth a total of 23 million euro. The agreement brought to the sale of shares related to the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg Gmbh (DE), which took place on 3 and 4 October 2022, resulting in the change in scope of current non-financial reporting compared to the same in previous years. The transaction was completed with the sale of the company branches related to the motion control business of the subsidiaries Gefran Siei Drives Technology Co Ltd (CN), sold on 3 January 2023, and of Gefran India Private Ltd headquartered in Pune (IN), sold on 1 March 2023.

The Group's activities are therefore now focused on the design, production and distribution of **industrial sensors** and **automation components**. **Unique in the market in terms of breadth, quality and** specialisation, the product range helps to offer *turnkey solutions* for the automation of companies in different sectors which Gefran serves through multiple channels.

Each line of business is equipped with a specific organisation for the design, manufacture and distribution of products.

OEM



ELECTRICAL
FURNACES



PLASTIC

DISTRIBUTOR

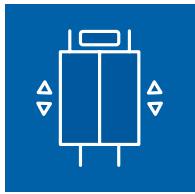


WATER



HVAC

SYSTEM
INTEGRATOR

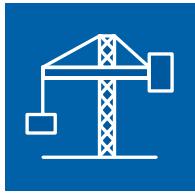


LIFT

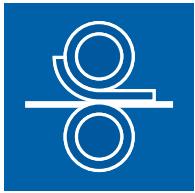


MOBILE
HYDRAULICS

END
USERS



HOISTSTAND CRANE



METAL

Sensors

The Group stands out due to its strong innovative drive and technological leadership offering a comprehensive range of sensors for measuring the four physical values (position, pressure, force and temperature) used in many industrial sectors.

The range is unique in terms of its completeness, and the Group holds a position of international leadership in a number of product families. Sensors are also at the heart of the production plants, i.e. the primary sensitive element.

Gefran has two plants for the production of sensors in Italy, in Protaglio d'Iseo (BS), and three abroad: in North Andover (Massachusetts, United States), Aadorf (Switzerland) and Shanghai (China). This presence makes it possible to reach different markets and better respond to partners' needs.

In recent years, the sensors business has been the subject of an investment plan focused on expanding production lines and spaces (indispensable in supporting the expansion of the business) with a particular focus on energy efficiency.

Investments have also focused on improving the efficiency of processes to adapt them to production capacity and on developing new technologies to be applied to products in the range, as well as on acquiring new patents in addition to those already in the portfolio.

Revenues from the sensors business were confirmed by the growth trend in 2022. Product development and the ability to maintain a high level of service have allowed us to take full advantage of the growth opportunities offered by the market. About 76% of the sensors business revenues are generated by exports.

The figures shown only refer to continuing operations (comparison data restated uniformly).

SENSOR BUSINESS REVENUES

(values in Euro/000)

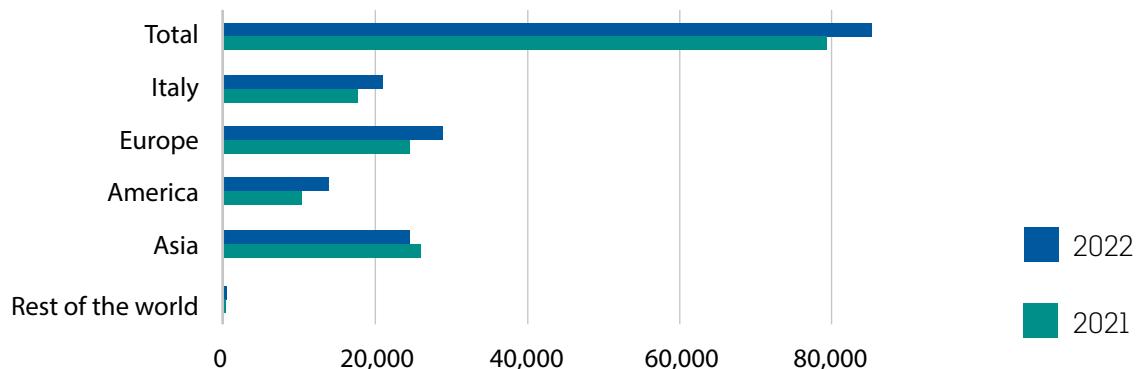
88,557
Total Revenues 2022

79,365
Total Revenues 2021

+11.6%
2022 vs 2021

SENSORS REVENUES BY GEOGRAPHICAL

(Values in Euro/000)



Automation components

AUTOMATION COMPONENTS BUSINESS REVENUES (values in Euro/000)

53,796

Total Revenues 2022

46,286

Total Revenues 2021

+16.2%

2022 vs 2021

The electronic automation components business includes three product macro lines of products widely used in the control of industrial processes: **instrumentation, power control** and **automation platforms**.

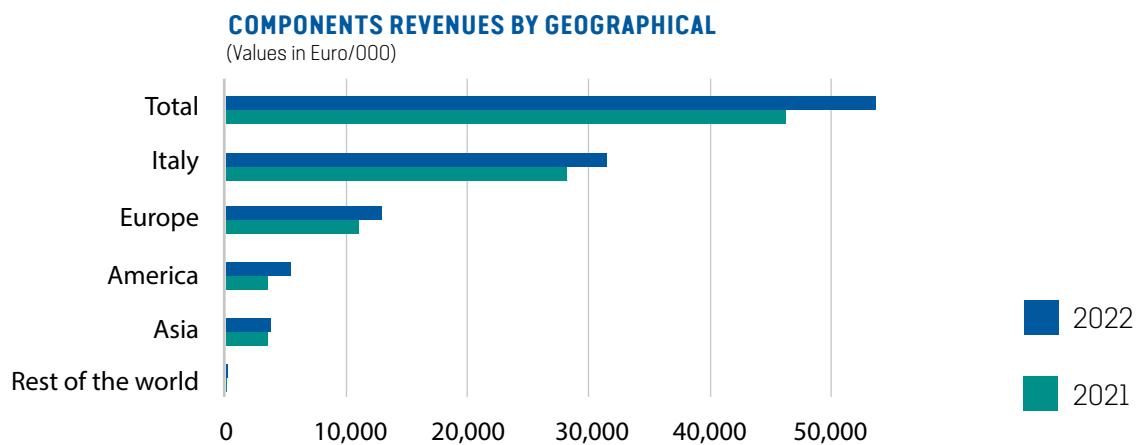
Gefran offers customers customised and turnkey solutions for global automation, by developing a partnership in the design and production of electrical panels.

Design, engineering and production are concentrated in Italy, divided between the Parent Company Gefran Spa, the subsidiary Gefran Soluzioni Srl (in the historic plants for the Provaglio d'Iseo business) and the subsidiary Elettropiemme Srl, which is based in Trento and joined the Group in 2019 as a subsidiary of Gefran Soluzioni Srl. Some assembly lines are located in Sao Paulo (Brazil), supporting the South American market.

In 2021, in line with the multi-year plan for the strengthening, development and growth of automation components, the investment plan also included, in addition to automation of manufacturing processes, the expansion of infrastructures that support the business. Specifically, a new building was built to meet the highest energy efficiency standards, accommodating the management centre of Gefran Soluzioni Srl, a subsidiary that designs and manufactures systems and panels for industrial automation.

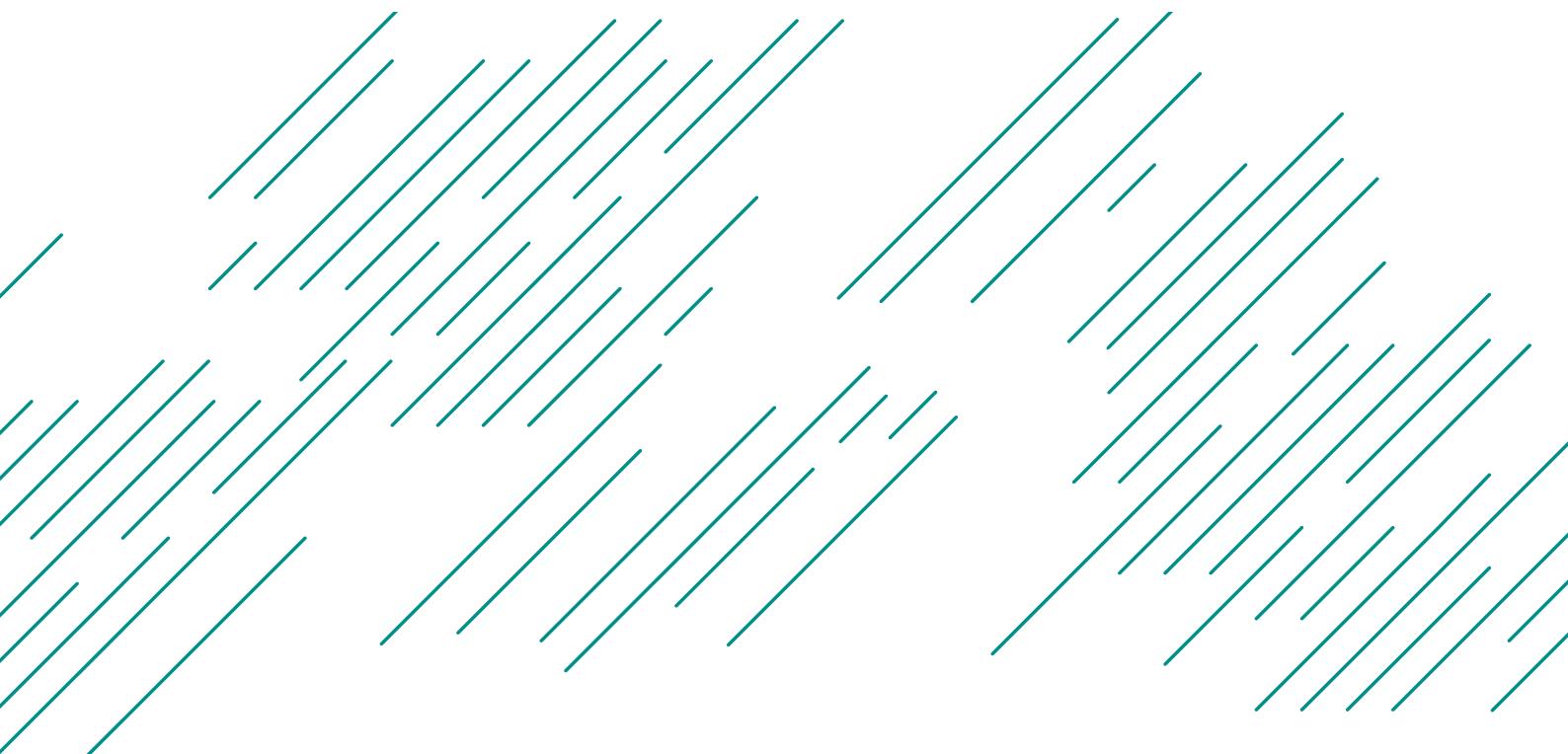
The results achieved by the business reflect the new commercial approach to customers (including through the adoption of digital instruments), the ability to effectively tackle supply chain critical issues, and the expansion and improvement of the product range with the integration of new and more modern functionalities (in the terms of connectivity and diagnostics, and reducing the energy consumption and maintenance operations necessary when machine stoppages occur). All this allowed us to take advantage of the growth opportunities offered by the market. The increases in revenues, which started in the last quarter of 2020 and were recorded throughout 2021, continued in 2022.

The figures shown only refer to continuing operations (comparison data restated uniformly).





THE ORGANISATIONAL STRUCTURE



3.1

THE CORPORATE GOVERNANCE MODEL

The Parent Company Gefran Spa provides direct and indirect coordination functions in the operational activities of **business lines and subsidiaries**. This responsibility lies with the HQ team, composed of the managers of the individual functions.

Each business line:

/ includes dedicated **technical and production areas** (operations), whose activities are focused on the reference product:

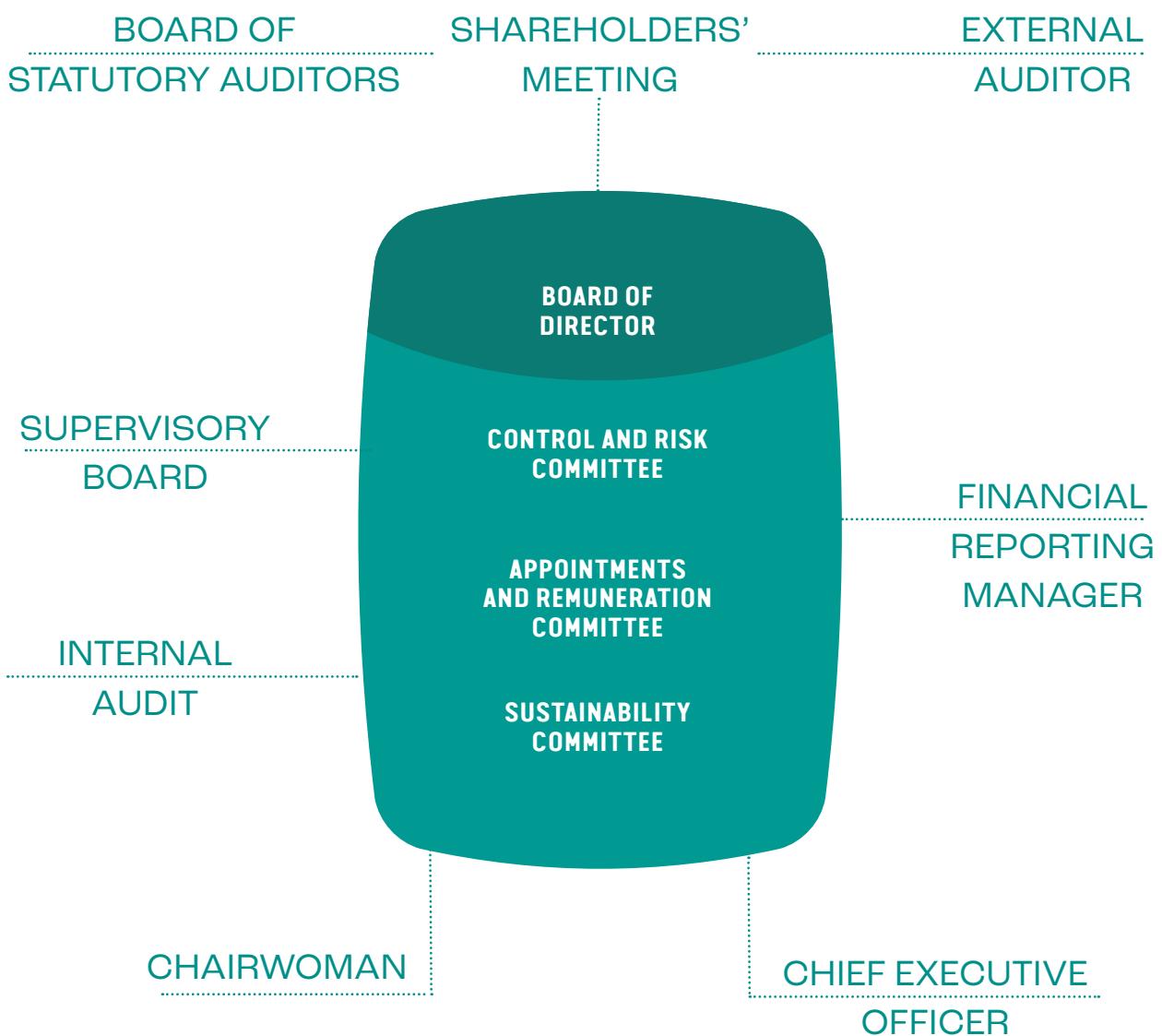
- Production departments
- R&D and design
- Engineering
- Production services
- Logistics

/ has a **sales organisation** concerned with distribution of its products, which operates through:

- Sales networks covering geographical regions
- Internal order processing
- Finished product warehouses

The centralised functions of the Parent Company support all business lines and subsidiaries, whether coordinated directly or indirectly. The functions are:

1. Administration, Finance and Control
2. Purchasing
3. Legal and Corporate
4. Public relations
5. Information Systems
6. People and Organisation
7. Quality, Health, Safety and Environment



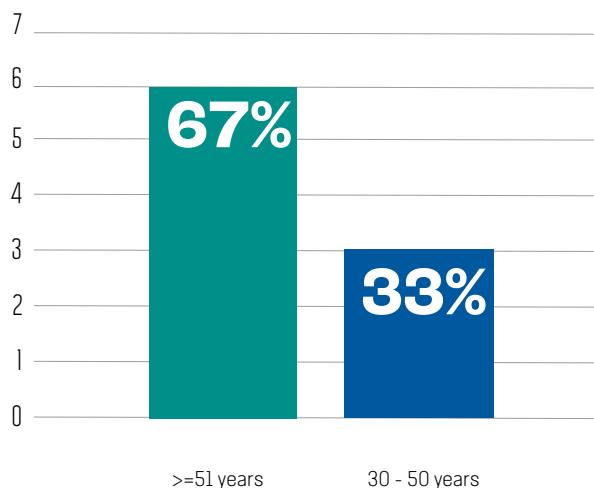
In the Investor Relations section of the Group's website (<https://www.gefran.com/governance/corporate-bodies/>), all the information and documentation on the governance system are available in more detail on the composition of the corporate bodies.

The **Board of Directors** currently in office, appointed by the Shareholders' Meeting held on 28 April 2020, consists of 9 members (4 women and 5 men), three of whom are Directors:

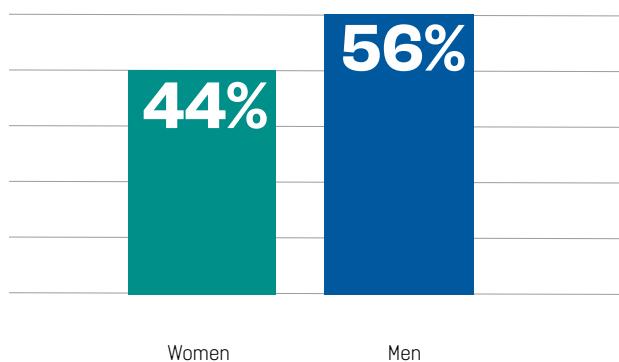
OFFICE	MEMBERS
Honorary Chairman	Ennio Franceschetti
Chairwoman	Maria Chiara Franceschetti
Vice Chairman	Andrea Franceschetti
Vice Chairwoman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Director	Daniele Piccolo
Director	Monica Vecchiati (*)
Director	Cristina Mollis (*)
Director	Giorgio Metta (*)

(*) Independent directors pursuant to the Consolidated Law on Finance (TUF) and the Corporate Governance Code.

AVERAGE AGE OF THE BoDs



RATIO WOMEN VS MEN IN THE BoDs



The Board's independence requirements are verified annually. As of the date of this Statement, non-executive directors Monica Vecchiati, Cristina Mollis, (Lead Independent Director) and Giorgio Metta meet these requirements. Director Daniele Piccolo is a non-independent non-executive director. Ennio Franceschetti, Maria Chiara Franceschetti, Andrea Franceschetti, Giovanna Franceschetti and Marcello Perini are Executive Directors.

In accordance with and by effect of principle XIV and recommendations 19 and 21 of the Corporate Governance Code, on 10 March 2022 the Board of Directors expressed its positive assessment of the size, composition and functioning of the Board and its Committees, following the results of the self-assessment questionnaires completed by the Directors.

The Board of Directors met 13 times in 2022, with an average attendance of 96%.

Board of Directors	2022	2021	2020	2019	2018
Number of meetings	13	8	13	10	9
average attendance %	96.0%	98.6%	98.3%	91.1%	97.5%

Three **Committees** were appointed within the Board of Directors: the **Control and Risks Committee**, the **Appointments and Remuneration Committee** and the **Sustainability Committee**, composed of the Vice-Chairwoman, the Chief Executive Officer and an Independent Director.

The **Control and Risks Committee** is currently composed of three Non-executive Directors (1 woman and 2 men), two of whom are independent, accounting, financial and/or risk management experts. The composition was deemed adequate by the Board of Directors.

OFFICE	MEMBERS
Committee Chairwoman	Monica Vecchiati
Non-executive Director	Daniele Piccolo
Independent Director	Giorgio Metta

The Control and Risks Committee met 5 times in 2022.

Control and risks committee	2022	2021	2020	2019	2018
Number of meetings	5	5	6	5	5
average attendance %	93.3%	100.0%	100.0%	100.0%	93.3%

The **Appointments and Remuneration Committee** is composed of three non-executive Directors (2 women and 1 man), two of whom are independent experts in finance and/or remuneration policies. The composition was deemed adequate by the Board of Directors.

OFFICE	MEMBERS
Committee Chairwoman	Cristina Mollis
Independent Director	Monica Vecchiati
Non-executive Director	Daniele Piccolo

The Appointments and Remuneration Committee met 3 times in 2022.

Appointments and Remuneration Committee	2022	2021	2020	2019	2018
Number of meetings	3	3	5	4	4
average attendance %	100.0%	100.0%	100.0%	100.0%	100.0%

The **Board of Statutory Auditors**, appointed by the Shareholders' Meeting on 27 April 2021, and in office until the financial statements for 2023 are approved, is composed of three standing auditors and two deputy auditors.

OFFICE	MEMBERS
Chairwoman	Roberta Dell'Apà
Standing auditor	Luisa Anselmi
Standing auditor	Primo Ceppellini
Deputy auditor	Simona Bonomelli
Deputy auditor	Stefano Guerreschi

Number of meetings of the Board of Statutory Auditors:

Board of Statutory Auditors	2022	2021	2020	2019	2018
Number of meetings	9	10	10	9	8
average attendance %	100%	100.0%	100.0%	92.6%	91.6%

The legal **Auditing Firm** on the Consolidated and Separate Financial Statements is appointed by the Shareholders' Meeting among those registered in the Register of Consob. The current audit firm is PricewaterhouseCoopers Spa, appointed by the Shareholders Meeting held on 21 April 2016 for the 2016–2024 period in response to a reasoned proposal of the Board of Statutory Auditors.

As set forth in Legislative Decree 231/01, the Board also appointed the **Supervisory Body (SB)**, composed of two members (Nicola Picchi, Chairman, and Monica Vecchiati), providing it with regulations and the appropriate means to operate. The Supervisory Body may use external collaborators for risk assessment activities and the necessary audits.

In 2022, PierMario Barzaghi was responsible for **Internal Audit**, an external and independent entity. The appointment was approved by the Board of Directors on 10 February 2022, following a favourable opinion from the Control and Risks Committee and having consulted the Board of Statutory Auditors. KPMG Advisory Spa was tasked with conducting internal audit activities in the past year.

Following the resignation of the Chief Financial Officer and Financial Reporting Director, Fausta Coffano, on 13 April 2022, following the favourable opinion of the Board of Statutory Auditors, the Board of Directors appointed Marcello Perini as **Executive in charge of preparing the corporate accounting documents of Gefran Spa**, pursuant to art. 154 bis of Legislative Decree 58/98, with effect from 30 April 2022 and until the appointment of the new Chief Financial Officer for this role.

On 4 August 2022, following a favourable opinion of the Board of Statutory Auditors, the Board of Directors appointed Paolo Beccaria as Chief Financial Officer of the Group and, therefore, **Executive in charge of preparing the accounting and corporate documents of Gefran Spa**. The Chief Financial Officer oversees direct supervision of the control model pursuant to Law 262/2005 and the related administrative and accounting procedures.

The activities and composition of various company bodies are also described in detail under Company bodies in the Gefran Group's Annual Financial Report and in the Report on Corporate Governance and Shareholding Structure to which reference is made.

3.2

RESPONSIBLE BUSINESS MANAGEMENT

3.2.1

The Group's Code of Ethics and policies

Gefran has adopted a **Code of Ethics and Conduct**, applied to all Group companies, the most recent update of which was approved by the Board of Directors on 10 March 2022. Gefran conducts its internal and external activities in compliance with the laws in force, market rules and the following ethical principles and values:

INTEGRITY

HONESTY AND PROFESSIONALISM

ENTHUSIASM AND PASSION

PRATICALITY AND RELIABILITY

FLEXIBILITY

SUSTAINABILITY

The principles of the Code provide a clear benchmark for anyone working with the Group: observance of these principles is the fundamental condition for starting and/or continuing working with Gefran. The operational implementation of these principles is guaranteed by the company's procedures which raise awareness of them. The Code of Ethics and Conduct is published on the company's intranet and on the Group's website, and it is delivered to every employee on recruitment.

Gefran's directors and employees are required to ensure that the Code is respected within the Group and by all its stakeholders, who have a duty to act in accordance with its principles. The provisions of the Code must cover all business processes, with particular reference to employee selection and management, customer and public authority relationship management, and the selection and management of suppliers of goods and services, lenders and external collaborators (consultants, professionals and agents).

Anyone who becomes aware of possible breaches of the rules and principles established by the Code of Ethics and Conduct is required to report to the Supervisory Body in the manner prescribed by the Organisational Model. Gefran moreover declares that it is free not to enter into or continue any relationship with anyone who demonstrates that they fail to comply with the content and spirit of the Code or violates its principles and rules of conduct. The same channels may be used to report violations of the law and of the company's internal control principles, procedures and regulations, as stated in the **Group Whistleblowing Procedure** approved by the Board of Directors on 13 November 2018 and published on the company's website.

On 13 February 2008, the Board of Directors approved the adoption of an **Organisation, Management and Control Model** (referred to simply as the Organisational Model), aimed at preventing the offences envisaged in Decree 231/01. The model is updated periodically in line with changes in legislation. The Organisational Model prepared on the basis of the Confindustria Guidelines implements the Corporate Governance rules of the "Code of Conduct for Listed Companies" promoted by Borsa Italiana Spa, with which Gefran complies. On 16 December 2020, the Gefran Spa Board of Directors resolved to adhere to the January 2020 edition of the Corporate Governance Code, approved by the Corporate Governance Committee on 31 January 2020 and in force as of 1 January 2021.

Finally, on 10 March 2022, Gefran approved a policy to **Manage dialogue with Shareholders and Investors**, in accordance with the Corporate Governance Code approved by the Italian Corporate Governance Committee. The policy reflects a principle that has always characterised the Group: developing proper dialogue with stakeholders to create value over the medium to long term.

Over the years, Gefran has set out the following policies and procedures.

/ People in Gefran Policy. Sum up the principles and values that guide the management of people, including honesty, integrity and respect, safeguarding diversity and equal opportunities, and developing and promoting skills and competences.

/ Health, safety and environment Policy. It contains the guidelines which all companies in the group are committed to complying with.

/ Social Media Policy. This is the line of conduct established by the Group to manage social media channels, which have assumed a central role in corporate communication and require special attention also on account of how they typically operate (high level of interactivity and instantaneous global deployment).

/ Quality Policy. The quality management system is the tool to ensure stakeholder satisfaction by identifying needs, expectations and solutions to their problems.

3.2.2

Integrated risk management

The Group adopts a process of periodically identifying, evaluating, managing and monitoring the main risk factors that may influence its performance.

This activity allows the Board of Directors and management to be informed of situations that could jeopardise the achievement of strategic objectives, and to take appropriate decisions to mitigate risk exposure.

The internal control and risk management system is structured as follows:

/ the **Board of Directors** defines guidelines for the internal control and risk management system, consistent with the Group's strategies, and assesses its adequacy and effectiveness;

/ the **Control and Risks Committee** is entrusted with supporting the Board of Directors' assessments and decisions regarding internal control and risk management with appropriate preliminary activities, verifying correct application of accounting standards and their homogeneity for the purposes of preparation of the consolidated financial statements;

/ the **Chief Executive Officer**, in line with the provisions of the Corporate Governance Code, is responsible for identifying the main corporate risks and implementing the risk management guidelines, verifying their suitability;

- / the **Executive in charge financial reporting** oversees the application of the control model pursuant to Law 262/2005, the related administrative and accounting procedures and any updates;
- / the **Internal Audit** function is entrusted with the task of verifying the operation and suitability of the internal control and risk management system (continuously and in relation to specific needs), through an audit plan approved by the Board of Directors and based on structured analysis of the main risks;
- / the **Board of Statutory Auditors** monitors the effectiveness of the internal control and risk management system
- / the **Supervisory Body** monitors the correct application of the Organisational Model pursuant to Legislative Decree 231/01.

Some time ago Gefran started a structured process aimed at promoting the integration of an Enterprise Risk Management (ERM) model into business processes, organisational structures and systems that contribute to strategic and performance objectives.

In 2022, the model was further developed through a three-step path, described below in detail.



ERM Maturity Assessment



Risk Assessment



Risk Monitoring

ERM Maturity Assessment

By analysing the Group's governance, the documents and the tools relating to risk management (which involve management), the evolutionary guidelines have been defined to encourage alignment with *best practices*.

The main changes identified in the *Maturity Assessment* phase were:

- / review of the *Risk Model* to integrate **ESG risks** among those potentially applicable;
- / strengthening the **link between the Group's risks and the pillars of the business plan** potentially impacted;
- / **inherent and residual risk assessment** aimed at enhancing the effectiveness of the current management system.

The *Maturity Assessment* highlighted the Group's good level, with particular reference to the areas of risk culture, management, monitoring and reporting.

key highlights



16
Managers interviewed

Risk Assessment

Following the critical assessment of the internal control and risk management system, a *Risk Assessment* session was completed and the risk portfolio was updated in line with changes to the internal and external environment, thanks also to the involvement of the main corporate functions reporting directly to the Chief Executive Officer.



1 hour and a half
Average duration of interviews



42
Mapped Risk / updated
in the risk register

The updating process of the risk register was based on the results of the 2021 risk assessment, which were confirmed, modified and/or eliminated with the support of selected managers in order to provide an up-to-date view of the risk profile:



Mapping business risks also took into account the risks associated with Environmental, Social and Governance (ESG risks).

The risks mapped at this stage are represented in the **Risk Model** and grouped into **four categories** and **eleven families**, outlined below:



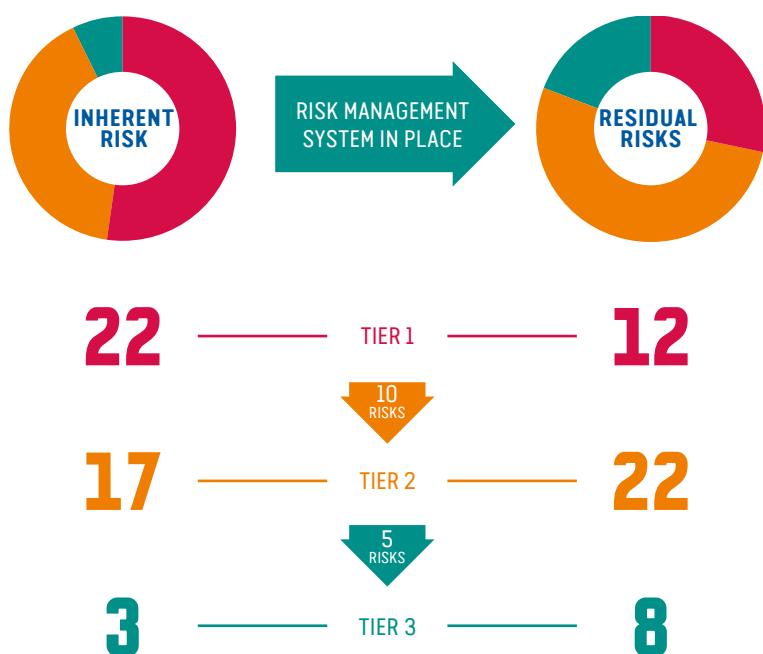
/ **External risks.** They result from factors that are difficult for the Group to influence (macroeconomic conditions, regulatory and/or market changes).

/ **“Strategic” risks.** They might derive from the management of the business and influence the strategic choices and performance of the Group. Over the years, this category has mainly covered potential risks related to the timing of innovation processes, the composition of the product portfolio, the management of customers, suppliers and/or key partners, and the management of extraordinary operations.

/ **“Internal” risks.** They are connected to the internal environment and depend, at least in part, on corporate choices. They mainly concern aspects of governance, IT and cybersecurity issues, compliance with laws and regulations (internal and external) and corporate operations, including the selection and management of human resources.

/ ESG risks. They derive from the management and evolution of the environmental and social impacts of the Group's activity and the system of governance. Growing stakeholder attention to these issues and the possible impact on financial and operational performance make these risks of primary importance. The management of these risks follows three directions: ensuring the protection of the environment, maintaining a relationship of trust with employees and external stakeholders, monitoring the implementation of sustainability strategies.

The risks have been broken down, depending on seriousness, into three categories (Tier 1, Tier 2 and Tier 3), taking into account both the risk in the abstract (the so-called inherent risk), and the mitigation effects of the internal control system (so-called residual risk). Comparing the residual risks and inherent risks reveals the safeguards, actions taken and **the effectiveness of the internal control system**. Following the actions, the Gefran Group's *Top Risks* (Tier 1) fell to 12 in 2022 (from 22 in 2021).



As a result of the Risk Management system,
10 tier 1 risks were reduced to tier 2 level
and 5 tier 2 risks were reduced to tier 3 level



Top Risks include health and safety issues, supply chains and product portfolio evolution. Specifically:

- ✓ the evolution of pandemic management in some countries, which could lead to new restrictions on the freedom of movement of goods/persons, requiring immediate action to protect the health and safety of employees;
- ✓ the possible unavailability and/or increase in the cost of raw materials, semi-finished products and services critical to the Group, arising from and/or aggravated by environmental, social and business factors;
- ✓ the importance of continuing to invest in product innovation, to ensure alignment with the best technologies in the market and support the pursuit of sustainability objectives.

The overview of the risks allows the Board of Directors and Management to reflect on the Group's propensity for risk, identify risk management strategies, assess which risks and priorities require new mitigation actions to be adopted, improve and optimise actions under way, or more simply monitor exposure to individual risks over time.

Risk Monitoring and Reporting

In order to ensure the adequacy of the risk management system and assess its effectiveness, a reporting system and a dashboard are provided for monitoring the mitigation actions taken by individual functions.

Risk reporting and related information provides an authentic view of the strengths and weaknesses of risk management. The disclosure of this information to key stakeholders also supports decision-making processes and increases transparency on risks that could have an impact on the attainment of targets. Systematic monitoring of the risks identified and assets to manage them according to established metrics enables timely and proactive responses.

3.2.3

Fiscal responsibility

Relations with authorities is managed on the basis of the values of ethics and transparency, declared in its Code of Ethics and Conduct and applied in every area of business and all related activities. The Code also sets out the principles which guide Gefran in its relations with the public administration: legality, transparency, fairness and compliance with current legislation. The anti-corruption guidelines adopted by the Group prevent behaviour aimed at obtaining all undue advantages, including tax benefits. Through Enterprise Risk Assessment activity, which is carried out periodically, Gefran maps exposure to risks, including tax risks.

To ensure timely compliance with the rules in force in the different countries of operation, taxation is managed by the Group's national corporate entities, in collaboration with the Country's tax experts.

As with other business areas, the Parent Company also supervises and coordinates the actions carried out by the individual corporate entities through the Finance and Control Department of the Group. Any alerts can be carried out through the channels described in the Whistleblowing Procedure.

Information on the taxation impacts per Country deriving from the Group entities is provided below. The figures from the Group's Financial Report only refer to continuing activities. In particular, with regard to *Corporate income tax accrued on profits/losses*, current taxes accrued on company income are reported only (previous and deferred tax assets are therefore excluded).

Taxation by country

2022

	Entity's principal activities	Number of employees at 31.12	Revenues from sales to third parties	Revenues from infragroup transactions with other tax jurisdictions	Pre-tax profit/ (loss)	Corporate income taxes accrued on profits/ losses
			Euro/.000	Euro/.000	Euro/.000	Euro/000
Italy		424	52,767	40,223	14,658	(3,235)
	Gefran S.p.A.	Production, Marketing and Central Services				
	Gefran Soluzioni S.r.l.	Production and Marketing				
	Elettropiemme S.r.l.	Production and Marketing				
Belgium	Gefran Benelux NV	Marketing	16	6,100	-	581 (157)
France	Gefran France S.A.	Marketing	6	4,969	-	620 -
Germany	Gefran Deutschland GmbH	Marketing	26	20,512	18	2,519 (760)
UK	Gefran UK Ltd	Marketing	2	671	-	112 -
Switzerland	Sensormate AG	Production and Marketing	16	1,962	2,968	(1,100) -
Turkey	Gefran Middle East Ltd Sti	Marketing	-	-	-	(12) -
US	Gefran Inc	Production and Marketing	36	13,754	1,418	1,496 (460)
Brazil	Gefran Brasil Elettroel. Ltda	Production and Marketing	32	5,169	2	975 (281)
Singapore	Gefran Siei Asia Pte Ltd	Marketing	10	6,016	1	261 (27)
China (PRC)	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing	63	15,516	406	434 -
India	Gefran India Private Ltd	Production and Marketing	28	5,056	-	(6) (48)
Total current taxes within the Group attributable to companies						(4,968)

3.2.4

Fight against corruption

Gefran is committed to combating any form of corruption through the enforcement of Italian and international law and the voluntary adoption of ethical principles when carrying out business.

The main risk profiles linked to the Group's activities, with regard to corruption, are identified and mapped in risk assessments. For further information, please refer to section "3.2.2. Integrated risk and opportunity management."

To prevent corrupt activities, the Group has adopted, in the context of the 231 Organisational Model, the **Code of Ethics and Conduct** and a **Procedures Manual** which contain the principles of conduct that the Company's employees, contract staff, customers and suppliers are required to comply with. These instruments are in addition to the procedures required for compliance with **Model 262**.

The Group has also adopted **Anti-Corruption Guidelines**, shared with all subsidiaries, to outline typical situations in which an attempt at corruption may occur and how to manage them. In this regard, a training programme was implemented for all General Managers.

Compliance with anti-corruption procedures and guidelines is usually carried out through audits carried out at the Group's Italian and foreign sites. The following are the audits for the last three years and the related findings.

audit activity	2022	2021	2020	2019	2018
in the Parent Company Gefran S.p.A. (*)	5	8	9	10	8
in the Subsidiaries	4	3	4	7	5
TOTAL AUDITS	9	11	13	17	13
type of audit	2022	2021	2020	2019	2018
Administrative and Accounting Control Model under Law 262/05	-	-	4	5	2
231 Organisational Model	-	-	5	5	2
Other (**) (**) Other indicates audits of the following types: Integrated (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231), IT, or "General Review" of subsidiaries.	9	11	4	7	9
TOTAL AUDITS	9	11	13	17	13

(*) Audits of the Parent Company apply to centrally managed processes.

(**) Other indicates audits of the following types: Integrated (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231), IT, or "General Review" of subsidiaries.

The findings of the auditors, classified based on the seriousness and subject matter of the audit, are set out below.

number of findings, by degree of severity and type of audit	2022	2021	2020	2019	2018
High	2	9	1	4	8
of which:					
Administrative and Accounting Control Model under Law 262/05	-	-	-	-	-
231 Organisational Model	-	-	1	-	4
Other (**)	2	9	-	4	4
Medium	51	44	61	64	52
of which:					
Administrative and Accounting Control Model under Law 262/05	-	-	3	-	-
231 Organisational Model	-	-	32	29	20
Other (**)	51	44	26	35	32
Low	23	13	20	20	16
of which:					
Administrative and Accounting Control Model under Law 262/05	-	-	2	2	2
231 Organisational Model	-	-	10	10	11
Other (**)	23	13	8	1	3
TOTAL IRREGULARITIES	76	66	82	81	76

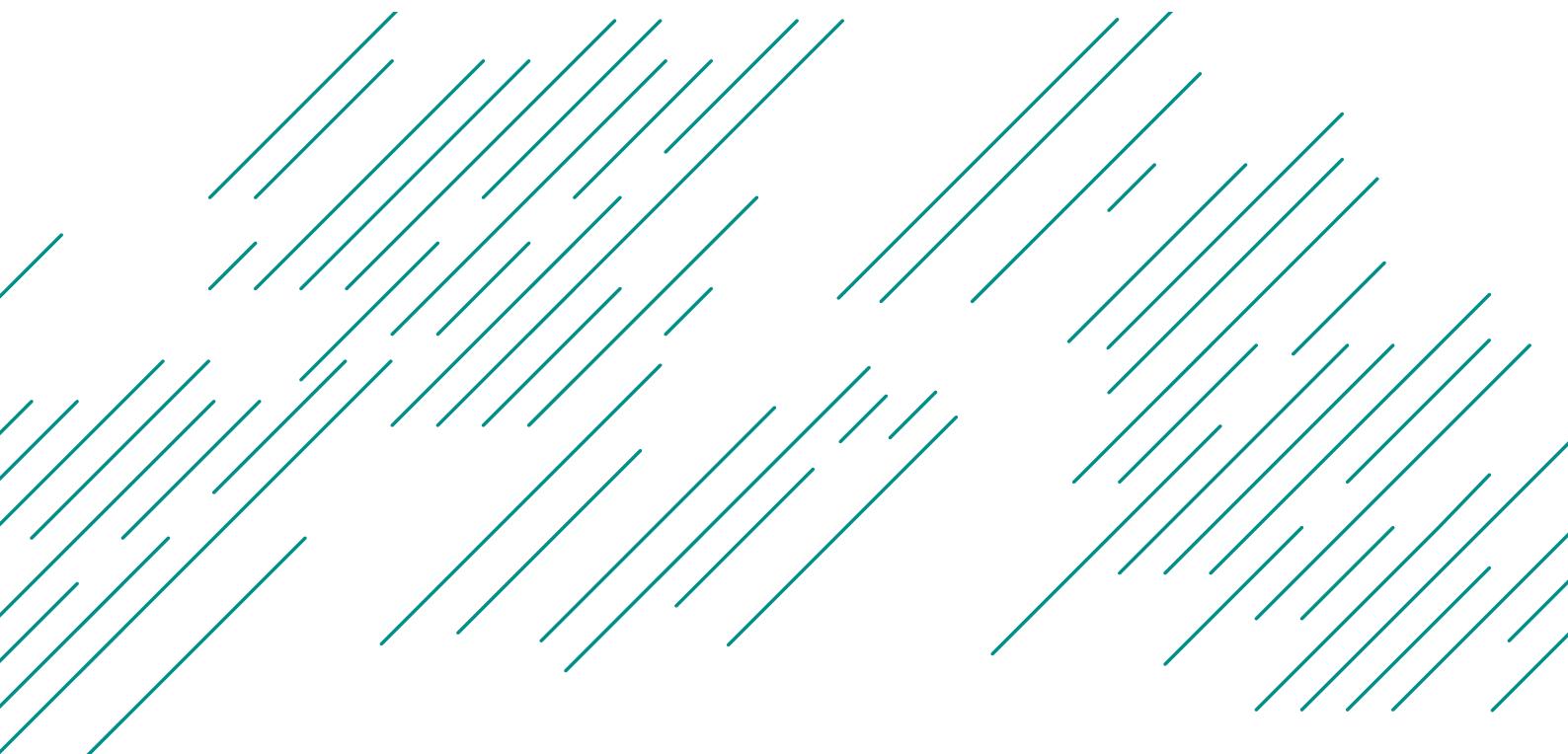
(**) Other indicates audits of the following types: Integrated (Administrative and Accounting Control Model under Law 262/05 and Organisational Model under Legislative Decree 231), IT, or "General Review" of subsidiaries.

type of irregularity	2022	2021	2020	2019	2018
Related to corruption offences	-	-	-	-	-
Other	76	66	82	81	76
TOTAL IRREGULARITIES	76	66	82	81	76

Under its Whistleblowing Procedure, the Group has implemented various channels of communication to the Supervisory Board, through which any breaches of the principles and procedures may be reported. To date, no reports have been received.



SUSTAINABILITY



4.1

SUSTAINABILITY GOVERNANCE

The Gefran Group is aware that, to achieve its sustainability objectives, it is crucial to structure governance with a clear allocation of responsibilities and roles. In this regard, the Board of Directors plays a central role in pursuing the Group's sustainable success, as required by principle I of the Corporate Governance Code. With this in mind, and with the desire to structure the Group's sustainability governance, Gefran first set up a steering committee entrusted with the task of directing the Group to prepare and implement operational choices consistent with the materiality analysis.

And then, in May 2020, the Board of Directors of Gefran Spa formally set up a **Sustainability Committee** among its board committees and approved its regulations. Gefran's Sustainability Committee is responsible for supervising all the Group's sustainability activities and reporting on its progress to the Board of Directors. It is currently made up of three members:

OFFICE	MEMBERS
Committee Chairwoman	Giovanna Franceschetti
Chief Executive Officer	Marcello Perini
Independent Director	Cristina Mollis

The Sustainability Committee met three times during 2022.

Sustainability committee	2022	2021	2020	2019	2018
Number of meetings	3	2	3	n.a.	n.a.
average attendance %	100.0%	100.0%	100.0%	n.a.	n.a.

To carry out its duties effectively, the Committee relies on a **Working Group**, led by the *Sustainability Projects Director*. The Group involves representatives of the main corporate functions to achieve a comprehensive and organic view of sustainability issues. Those responsible for the procurement department, operations, people & organisation, HSE and quality, legal and representatives of the AFC and sales department are part of the Group. This team, working in close cooperation with the contact persons in all Group subsidiaries, was responsible for carrying out all preparatory activities for the definition and implementation of Gefran's sustainability strategy, and specifically the preparation of the Strategic Sustainability Plan, formalised for the first time in November 2020, and updated in 2021. The plan was further developed and improved in 2022. For further information, please refer to section "5. The Strategic Plan: the pillars".



4.2

THE METHOD OF SETTING OUR PRIORITIES

4.2.1

Dialogue with stakeholders

Gefran constantly strives to develop relationships of trust with its stakeholders. These include individuals, groups or institutions having a direct or indirect impact on the Group's sustainable success or those who have an interest in its activities.



Keeping open and stimulating regular dialogue with stakeholders allows better identification of risks, present and future challenges (social, environmental or economic) and opportunities for creating value over the medium to long term.

Stakeholder input is collected through different methods of involvement and dialogue set out below.

Stakeholder category	Methods of involvement and dialogue
Employees	<ul style="list-style-type: none"> / Gefran News intranet channel / KenFLY, the Gefran Academy's digital hub / Internal employee events / Dialogue through Human Resources / Social media / Website / Thematic corporate welfare programme portal / Negotiating tables with trade unions / Regular meetings with top management
Suppliers	<ul style="list-style-type: none"> / Industry meetings / Trade fairs / Supplier Day / Surveys/questions/survey / Dialogue through Purchasing / Dialogue/involvement during audits/inspections / Communication of values at the contractual stage and renewals / Request documentation for compliance with national and international regulations
Customers	<ul style="list-style-type: none"> / Market research / Dedicated communication channels / Dialogue through Sales / Training for certain categories of customers / Website and social media / Meetings, workshops, focus groups / Participation in exhibitions, fairs, conventions / Membership meetings / Company visits
Local communities	<ul style="list-style-type: none"> / Meetings with regional institutions / Media monitoring (press, specialist magazines, TV, web, social networks) / Orientation and involvement of high school and university students, recruitment programmes / Involvement in social and educational initiatives for local associations
Shareholders	<ul style="list-style-type: none"> / Engagement Code / Shareholders' Meeting / Corporate Governance Report / Financial reports and periodic presentations / Dedicated website section / Mailing lists / Regular meetings with top management organised by Investor Relations
Training and research bodies	<ul style="list-style-type: none"> / Collaboration projects / PhD programmes
Institutions	<ul style="list-style-type: none"> / Specific meetings / Discussion tables and dialogue with the Public Administration / Institutional communication

Gefran encourages collaborative relations with industrial companies in the sectors in which it operates and is a member of various sector-based associations and technical consortia, at local and international level.

Trade associations

CONFINDUSTRIA BRESCIA

It represents industrial companies in the province of Brescia (around 1,300 companies employing around 70,000 employees). It is one of the major Italian associations for member companies and belongs to the Confindustria System. The association contributes to protecting member companies by supporting the free enterprise, labour, and the expectations of industry, offering complete public representation and an integrated system of relations with local stakeholders.

ANIPLA

Italian National Association for Automation

It aims to encourage and spread knowledge, studies and application of automation in Italy, in terms of the technological, economic and social aspects. Among the most active technical and scientific associations in Italy, it actively contributes to gradual developments in the country's technical culture.

ANIE Federation

Assoautomazione and Assoascensori

It is one of the largest industry group organisations in terms of size and representativeness. It plays a leading role in technological and regulatory monitoring, promoting initiatives to standardise products and systems, taking know-how and skills into the processes adopted by decision-making bodies at all levels.

AMAPLAST

National Association of manufacturers of plastics and rubber machinery and molds

It promotes Italian technology for the processing of plastics and rubber around the world. It aims to promote Italian companies in the sector abroad.

ANIMA

Confindustria various mechanical industries

This is the industrial organisation in the Confindustria system that represents companies in mechanical industry. It consists of 30 associations and product groups, and counts over 1,000 member companies, at the top of their respective sectors of production.

ASSONIME

It is the Italian joint-stock company association. Its purpose is to investigate and deal with problems relating directly or indirectly to the interests and development of the Italian economy.

GISI

Association of Italian Instrumentation Companies

Brings together companies that operate in the production process instrumentation and automation field, including both manufacturers and economic operators.

AIM

Italian Metallurgy Association

A cultural entity promoting the science and technology of metals and of other engineering materials. The purpose of the association is to promote the exchange of ideas and experiences among parties with an interest in developing knowledge of metal materials, promoting meetings between producers, users and researchers.

CTI

Italian Thermotechnology Committee for Energy and the Environment

Concerned with regulation and standardisation in various sectors of thermotechnology. The Committee aims to provide users with regulatory tools for the development of the thermotechnology sector.

Technical associations and consortia

CEI

Italian Electrotechnical Committee

Publishes regulatory documents on good practice in Italy, is involved in drawing up the corresponding European and international standards, ensures that they are accepted with specific regard to European regulatory documents harmonised with EU directives and regulations, and promotes technical and scientific culture in general and technical standards in particular.

UNI

Italian standardisation organisation

Represents Italy in the European (CEN) and global (ISO) standardisation organisations and organises the involvement of national delegations in supranational standardisation work, to promote the harmonisation of standards needed for the single market to operate, and to implement the distinctive features of Italian production through techniques that recognise national experiences and production traditions.

CANOpen

Brings together users and producers of the CAN (Controller Area Network) protocol at the international level to provide a transparent platform for future development of the CAN protocol and promote the image of CAN technology.

PROFIBUS Network

Works closely with other organisations in the world of automation to promote the use of PROFIBUS and PROFINET technologies.

ODVA

Supports the network of technologies built on the Common Industrial Protocol (CIP™) – EtherNet/IP™, DeviceNet™, CompoNet™, and ControlNet™.

HART COMMUNICATION FOUNDATION

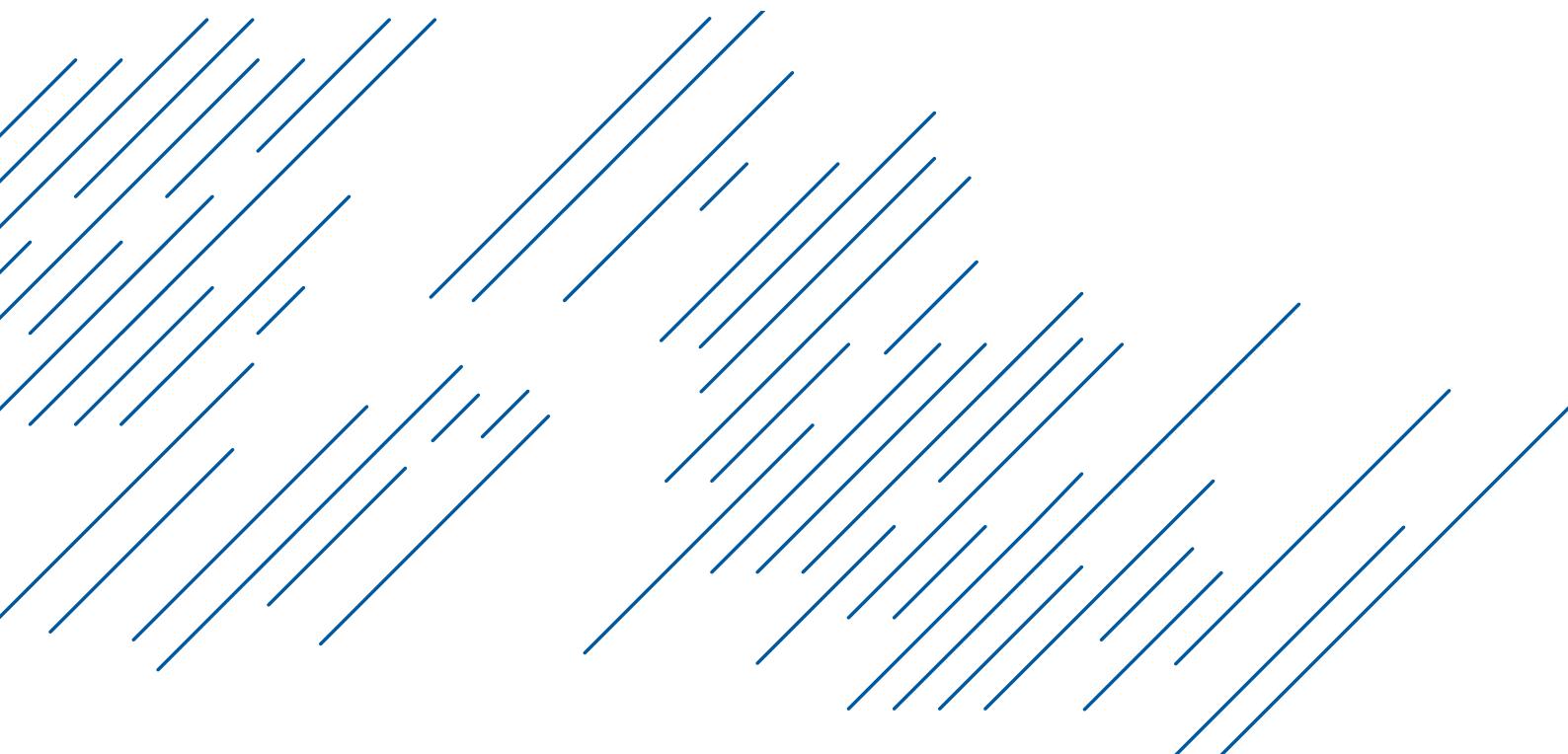
This is an organisation supporting and developing standards for the HART communication protocol.

The Group's cooperation with the Associations is also developed by foreign branches. For example, Gefran is a member of ABIMAQ (Brazilian Machinery and Equipment Industry Association) and ABINEE (Brazilian Association of Electrical and Electronic Industry) in Brazil, NADCA (North America Diecasting Association) in the United States and the AMA (Association for Sensor Technology and Measurement) in Germany.

The Group also adheres to some international industrial communication protocols adopted in developed products: Ethercat, Ethernet IP, CANOpen, IO Link, HART and Foundation Fieldbus.



Since 2022, Gefran has been a member of the United Nations Global Compact, the world's largest voluntary and at the same time strategic corporate citizenship initiative. the UN Global Compact requires companies and organisations that adhere to them to share, support and implement a set of fundamental principles relating to human rights, labour standards, environmental protection and anti-corruption within their spheres of influence. These can be summarised in 10 principles. These are the same principles that have always characterised our actions and have made the Global Compact a natural conclusion.



4.2.2

Materiality analysis

Since 2017, Gefran has conducted the materiality analysis process to identify and evaluate the non-financial components of its business and define the relevant aspects on which to focus the relevant disclosure. The materiality matrix – the outcome of this analysis – has been updated several times over the years.

A new materiality analysis was conducted in 2022 to align the Group with the new GRI Universal Standards 2021, which introduce the concept of *impact materiality*. An initial internal exercise was also conducted to comply with the future requests of the Corporate Sustainability Reporting Directive (CSRD) of the European Union, in accordance with the provisions of the European Financial Reporting Advisory Group (EFRAG).

The materiality analysis enabled new discussions on the impacts that the organisation generates (economy, environment, people) and the role in the regions where it operates with a long-term outlook to prevent and mitigate any negative impacts. The analysis was divided into three phases.

IDENTIFICATION

Context analysis in order to identify the relevant aspects for Gefran in consideration of the activity carried out, the business relationships, the sustainability context and the expectations of the Group stakeholders

ASSESSMENT

Internal and external stakeholders engagement in order to assess the significance of the impacts identified

PRIORITISATION

Aggregation of the results in order to obtain an impact materiality value for each topic

Prioritization of topics based on the values obtained and definition of a materiality bound

Identification. In the first phase, an **internal assessment** of the Group's characteristics (corporate identity, activities undertaken, stakeholder types) was carried out, followed by a **benchmark analysis** to assess the main trends in the sector. Similar competitors and the requirements of the main international standards, research institutions and investors were considered. A comparison was also made with the aspects identified in the 2021 materiality analysis.

In accordance with the new GRI Universal Standards 2021, the analysis identified the **impacts** of the Gefran Group. The term *impact* relates to the effect an organisation has or might have on the economy, the environment and people as a result of its activities or business relationships. The analysis took into account impacts, whether actual or potential, negative or positive, short- or long-term, foreseeable or unforeseeable, or reversible or irreversible. The negative impacts relate to the effects that Gefran directly causes or to which it contributes through its activities, in addition to those directly related to its processes, products or services. The positive impacts are linked to the way the Group contributes, or might contribute to sustainable development through its activities, its range of products and services, investments and procurement and recruitment policies.

An initial internal exercise was conducted aimed at the *financial materiality* envisaged by CSRD. **Sustainability risks and opportunities** was identified which may influence the creation of corporate value of each of the relevant aspects identified in the previous phase's analysis. The exercise is to be considered entirely voluntary and unaudited.

Potentially material issues were reclassified according to strategic priorities and aligned with the industrial plan: **the centrality of people, the contribution to the ecological transition, sustainable product innovation, sustainability of the supply chain** (for more information see section "5. The Strategic Plan: the pillars").

Assessment. The identification phase was followed by the validation and/or integration of the impacts identified by involving internal and external stakeholders with the aim of assessing the significance of the impacts identified.

5 stakeholder categories were identified in relation to whom certain initiatives encouraging involvement were already under way, in individual form (visits, dedicated events in the company) and collective form (publications on websites, social networks and media, participation in and organisation of conferences).

Internally, the heads of the Parent Company departments were involved through an interview to assess potentially material issues of each department.

Selected among the Italian and foreign branches, 46 employees participated in the evaluation of the topics based on knowledge of the company and operational involvement in achieving sustainability projects.

Externally, a list of strategic stakeholders for the Group was shared, including customers, suppliers and research institutions. In order to gather thoughts for reflection and feedback, interviews were conducted with customers and suppliers on the expectations and main drivers of sustainability. Finally, two research organisations were contacted with which Gefran has historically partnered.

The main thoughts for reflection and feedback that emerged related to people and products. The strategic pillar *The centrality of people* is a priority for all stakeholders (internal and external), reflecting awareness that without proper human resources development it is not possible to achieve one's strategic objectives.

Product innovation is a theme of major interest, which is validates the company's long-term commitment to invest in developing a portfolio of eco-sustainable products in synergy and collaboration with business partners.

Prioritisation. Out of the 18 potentially material issues, 3 were excluded as they were irrelevant. Prioritisation led to an **orderly list of 15 material issues** detailed in the table. The most significant for the Group include stakeholder relations, customer care and staff training and development.

The results confirmed a clear connection between the material issues and the business strategy based on valuing people, partners and customers and sharing a value system through choices and behaviours.

Gefran Group's material issues

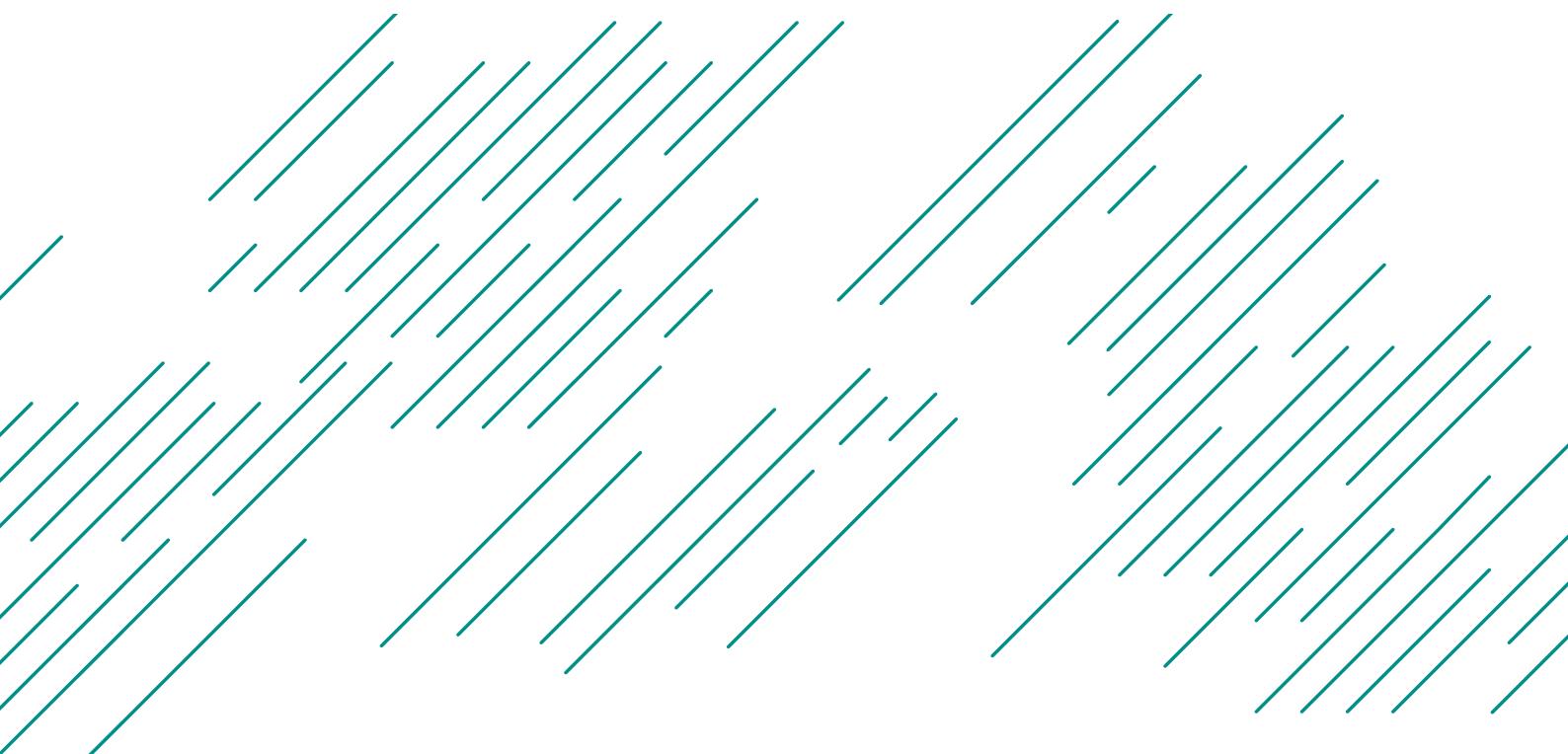
SDG	Pillar	Material issue	Description of the theme and its impacts
  17 PARTNERSHIPS FOR THE GOALS	The centrality of people	Stakeholder relations	The working relationships with stakeholders, generated by industrial synergies and collaborations with business partners (for example, co-design initiatives with customers) have a positive impact on the environment and customer satisfaction.
 	The centrality of people	Customer focus	Through its involvement with innovative models and the preparation of clear information, attention to the customer creates shared value.
 	The centrality of people	Personnel training and development	Training is essential to build employees' specialist technical know-how and enable them to grow professionally and improve their performance. If adequate opportunities for discussion and feedback are not promoted, there is a risk of not effectively integrating employees, of not aligning them with objectives and of hindering professional development.
 	The centrality of people	Employee health and safety management	By spreading health and safety know-how and culture (inside and among third parties who interact with the company), beyond regulatory requirements and through training and awareness, this reduces accident and illness levels.
  13 CLIMATE ACTION	Sustainable product innovation	Product innovation and technological development	Through a circular economy approach, technological development and innovative design allows greater traceability of products as well as increasing customer satisfaction.
 	The centrality of people	Diversity, inclusion and equal opportunities	The company promotes respect for diversity, inclusion and equal opportunities through pay equality, meritocracy and a working environment that respects cultural, linguistic, religious, political and ethnic diversity.
 	Contributing to ecological transition	Climate change: GHG emissions and energy	Climate change, generated by air pollution and the exploitation of non-renewable resources, causes catastrophic natural events, which has a negative impact on the health and safety of people and communities. The effects of climate change can be mitigated through the use of renewable resources and energy efficiency initiatives.
  13 CLIMATE ACTION	Sustainable product innovation	Product quality and safety	Compliance with the highest production standards maintains a high level of product quality and strengthens customer relationships.
  13 CLIMATE ACTION	Supply chain sustainability	Social, community and territorial development	A company can promote the social development of the communities and territories where it operates through donations and the development of projects that are not strictly business related. Establishing a lasting, participatory and mutually beneficial relationship between third sector entities, universities and research centres facilitates access to the work of new generations in areas where the company operates.

SDG	Pillar	Material issue	Description of the theme and its impacts
 	The centrality of people	Ethics, integrity and compliance	Business ethics and integrity, as well as regulatory compliance, are material themes of strong interest to a company. A lack of control can foster corruption and distort the competition. This also includes the commitment to tax transparency to ensure the regularity of transactions and respect for market participants.
 	The centrality of people	Employee welfare	Corporate welfare initiatives, support for families and a competitive compensation and benefits system have a positive impact on employees' welfare and lifestyle. An uninspiring and unrewarding work environment reduces well-being, efficiency and loyalty.
  	Supply chain sustainability	Waste management	The focus on waste reduction, proper disposal and maximising the share of waste for reuse, recovery or recycling reduces the environmental impact. Reduced disposal capacity can lead to increased waste generation and environmental pollution (soil, water and air) with effects on human health and safety as well.
  	Supply chain sustainability	Responsible procurement	Sustainable procurement, guaranteed through responsible purchases (including minerals from conflict zones), ensures the traceability of the supply chain, has a positive impact on people (for example, it directly and indirectly increases employment) and has a positive impact on respect for human and social rights (hindering forced and child labour, infringement of the right to strike and collective bargaining). It also protects the environment from biodiversity reduction risks, the consumption of non-renewable raw materials and the pollution of water aqueducts or the soil.
 	The centrality of people	Data protection and cybersecurity	Data protection and cybersecurity measures help protect business data and prevent the disclosure of sensitive data and information. An inappropriate level of cybersecurity could undermine the company's reputation and jeopardise the relationship of trust with stakeholders.
 	The centrality of people	Respect for human rights	Respect for human rights is guaranteed only if forced and child labour practices are prohibited along the supply chain and if the right to strike and collective bargaining are guaranteed.

The correlation matrix between the material aspects and the indicators provided for by the GRI is set out in Appendix.



THE STRATEGIC PLAN: THE PILLARS



The emergence of new risks, including the growing instability of the global geopolitical and economic scenario, as well as the rapid spread of new environmental and social sensitivities, have in recent years forced companies to undergo a transformation, which have been called upon to reconsider their longer-term strategies in addition to immediate response actions. Incorporating sustainability into business development plans has become an essential factor in maintaining competitiveness and laying the foundations for sustainable growth.

The principle of sustainability has historically guided Gefran's development and operational management, allowing the Group to grow steadily and gain strength over the years. In 2020, Gefran formalised its sustainability strategy for the first time, inspired by the United Nations Sustainable Development Goals, accompanying it with a commitment plan consisting of 4 projects.

In 2022, commitments were strengthened with a new Plan which, without prejudice to the strategy announced in 2020, sets measurable targets consistent with the Business Plan. The **2022 Sustainability Strategic Plan** is an integral part of the Group's business model and its day-to-day activities: Gefran intends to be an interpreter of sustainable growth, attentive to the expectations of the market, people and companies with which it works, in the areas where it operates.

The four projects envisaged in the 2020 plan, which have already achieved some of the objectives (on the employee evaluation system, on the promotion of a sustainability culture along the supply chain, in obtaining new certifications and in developing sustainable product solutions), have been integrated into the new strategic plan.

The new plan to achieve the Sustainable Development Goals consists of **four pillars**, reflecting the corporate DNA: **the centrality of people, contributing to the ecological transition, sustainable product innovation and supply chain sustainability.**

Specific objectives have been defined for each pillar to be pursued through **26 medium and long-term projects**. The objectives are the outcome of a process that began with the analysis of Gefran's positioning and the risk/opportunity framework of the reference market. At all levels of the Group, the management has been involved to define key indicators and monitor results over time. Dialogue has been opened with stakeholders and people who work in Gefran have been heard. The following paragraphs illustrate the policies of the four pillars accompanied by the projects to implement the strategy and its objectives.

The centrality of the people

Support the training and the talents development
Educate to respect diversity and inclusion
Promote a robust culture of safety
Guarantee the Customer Satisfaction



The sustainability of the supply chain

Ensure responsible sourcing
Responsibly manage of the supply chain
Share the Group's own values with suppliers



The contribution to the ecological transition

Reducing the impact on the climate change developing a decarbonisation strategy

Increase the use of renewable energy



Sustainable product innovation

Develop products with a eco-sustainable approach
Use recyclable packaging and digitize technical documentation
Reduce paper consumption
Reduce the production of waste





THE CENTRALITY OF PEOPLE



IMPACTED GRIs

- 204-1 Proportion of expenditure spent with local suppliers
- 302-1 Energy consumed within the organisation
- 302-3 Energy intensity
- 303-3 Water consumption
- 305-1 Direct GHG emissions (scope 1)
- 305-2 Indirect GHG emissions from energy consumption (scope 2)
- 305-4 Intensity of GHG emissions
- 305-5 Reduction of GHG emissions
- 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant emissions
- 306-3 Waste produced
- 306-4 Waste not intended for disposal
- 306-5 Waste for disposal
- 401-1 New recruits and turnover
- 401-3 Parental leave
- 403-5 Occupational health and safety training for workers
- 403-9 Occupational injuries
- 404-1 Average annual training hours per employee
- 405-2 Ratio between basic salary and remuneration of women compared to men

There is no distinction between company and people: Gefran is its people. With its own specific features, each contributes to a fundamental asset for long-term value creation. Gefran is *Beyond Technology* and beyond technology you have people: the promise is to **create value for all stakeholders** through a professional organisation which people enjoy belonging to. The Group has set ambitious goals in terms of quality of life within the company and outside it, health and safety in the workplace, equal opportunities for professional growth and career development, respect for diversity and customer satisfaction.

For this reason, it is crucial to provide employees with ongoing quality training focused on key skills development and awareness of the importance of ESG aspects for corporate performance. To strengthen this dimension, Gefran considers it important to introduce MBOs and performance bonuses upon achievement of purely ESG objectives.

Awareness around sustainability also means educating in respect of diversity and inclusion, an objective that, internally, will be pursued by creating a dedicated community and, externally, through educational activities in local schools aimed at encouraging girls to study STEM disciplines (Science, Technology, Engineering and Mathematics).

This involves the introduction of an integrated management system and the promotion of a safety culture. The goal is ambitious: zero accidents at work.

Cyber security also depends on the human factor: the goal is to maintain a **medium-to-low level of IT risk** through employee training and the use of advanced technologies.

Particular attention is paid to **customer** satisfaction: a two-year listening course has been created to meet expectations and increase satisfaction.

Projects	Objectives
Develop training plans	By 2026, train 90% of employees in skills that are crucial to Gefran's development in the coming years
Deliver a sustainability training plan	By 2026, involve 80% of employees in training activities on ESG issues, tailored to the needs of corporate functions
Integrate ESG goals into annual MBOs and all managers' LTIs	By 2024, extend an evaluation system on the achievement of ESG targets to all managers
Integrate ESG into employees' and workers' performance bonus	By 2024, assign part of the performance bonus for employees and workers after ESG objectives are achieved
Create a community on D&I	Create a space dedicated to the D&I community on the kenFLY platform to promote opportunities for discussion and training and to promote diversity and inclusion values at all levels. By 2028, reach 80% of employees through space access
Boost female access to STEM disciplines	By 2024, start an educational campaign in local schools
Introduce an Integrated Management System to harmonise the operating standards of Group companies	By 2025, obtain all certifications (ISO 9001, ISO 45001, ISO 14001 and SA 8000)
Promote a culture of security	Reaching the Group's zero injuries target by 2025
Train employees on IT risks	Train all employees on cyber and cybersecurity risks by 2024
Minimise IT risk	By 2024, reach and maintain a low-to-medium level of cyber risk 4.0
Monitor Customer Satisfaction	Conduct a biennial customer survey, reaching a rate of compliance (RI) greater than 95% by 2028



THE CONTRIBUTION TO THE ECOLOGICAL TRANSITION



IMPACTED GRIs

- 204-1 Proportion of expenditure spent with local suppliers
- 302-1 Energy consumed within the organisation
- 302-3 Energy intensity
- 305-1 Direct GHG emissions (scope 1)
- 305-2 Indirect GHG emissions from energy consumption (scope 2)
- 305-3 Other indirect GHG emissions (scope 3)
- 305-4 Intensity of GHG emissions
- 305-5 Reduction of GHG emissions
- 305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant emissions

In order to counter the negative effects of climate change, the international community has set itself a goal of reducing greenhouse gas emissions by 55% by 2030, and of achieving climate neutrality by 2050. Achieving these objectives requires the implementation of energy efficiency strategies and the deployment of energy from renewable sources.

These issues have characterised and guided governments' actions in recent years, but have further accelerated following Russia's invasion of Ukraine and the ensuing conflict. Accelerating the energy transition to stop **relying on electricity** produced through fossil fuels from Russia has become a very short-term objective and has fostered further investment in electricity produced from alternative and renewable sources. Gefran will be involved in these challenges with a **decarbonisation strategy** (providing more levers and involving the entire value chain, from suppliers to the end customer) and an investment plan that will ensure the energy efficiency of plants and that **all** energy used is from **certified renewable sources**. This process, which has already started, will be completed by 2025.

Projects

Objectives

Map emissions

Develop a carbon footprint management model to collect and calculate Scope 1, 2 and 3 data by 2023

Develop a decarbonisation strategy

By 2024, identify the initiatives to reduce CO2 emissions (taking into account regulatory, economic, technological and market contexts) estimating the impact of the initiatives in relation to the levers activated

Only use electricity from certified renewable sources

Ensure all energy used by all Group companies is from certified renewable sources by 2025

Reduce the environmental impact of the fleet

Introduce vehicles with a reduced environmental impact in the company fleet by 2029

Only use airlines with sustainable policies

By 2026, draw up a plan to use airlines that have already adopted policies to reduce impacts



SUSTAINABLE PRODUCT INNOVATION



IMPACTED GRIs

- 204-1 Proportion of expenditure spent with local suppliers
- 305-2 Indirect GHG emissions from energy consumption (scope 2)
- 305-3 Other indirect GHG emissions (scope 3)
- 305-4 Intensity of GHG emissions
- 306-3 Waste produced
- 306-4 Waste not intended for disposal
- 306-5 Waste for disposal

Supply innovation must take into account the principles of environmental protection and natural ecosystems. Hence Gefran's commitment to responsible consumption of resources, resulting in an eco-sustainable approach to the development of new products and the use of components made from recycled materials. Evaluating **sustainable components** in the early stages of the **product life cycle** (PLC) has led the company to strengthen interaction between the Innovation and Technology Development and Purchasing departments, aimed at identifying sustainable materials and defining the trade-off thresholds between cost and material sustainability level. To this end, training initiatives will be launched on the PLC, enhanced by a sustainability analysis.

The Group intends to invest the resources needed to develop a commercial strategy and achieve 15% of its total turnover from innovative, sustainable products within five 5 years.

The pillar of low-impact, innovative products includes the packaging component. Packaging, often made to be disposed of, feeds a linear economy based on waste. Gefran intends to promote the circular economy by using **fully recyclable packaging** that reconciles respect for the environment, minimising waste and packaging functionality, starting with product protection. The project will be divided into three phases: mapping the composition of the product packaging and the logistics packaging; identification of the materials to be replaced; evaluation of alternatives, up to the development of specific projects, such as increasing the percentage of recyclable packaging for each product family.

The **Smart Manufacturing project** aiming for paperless production is part of this design. The project includes an initial analysis of the use of paper in production and business activities. A pilot project for the complete digitisation of information, including the technical documentation on the output product, will then be carried out.

With the gradual improvement of processes, Gefran also aims **to reduce production waste** and to ensure lower input consumption. This will mean defining KPIs on the generation of waste for each as-



sembly line and periodically analysing the economically relevant aspects. The monitoring outcome will also generate projects to eliminate/reduce the causes of waste or monitor variables directly or indirectly related to waste.

Projects	Objectives
Offer developed products with a sustainable approach	Achieve 15% of total revenues from developed products with a sustainable approach by 2025
Reduce production waste	Reduce production waste by 30% by 2028 through process controls and the use of more effective materials in production processes, both internal and supplier
Use fully recyclable packaging	Use fully recyclable material for packaging in logistics processes by 2028
Reduce paper purchase and consumption	Ensure that all paper bought is Forest Stewardship Council (FSC) certified paper by 2026. By 2026, reduce the percentage of paper used with respect to the previous year by raising employee awareness
As part of the Smart Manufacturing project, achieve paperless production (including product technical documentation)	By 2028, eliminate paper consumption on the number of production orders generated and handled in a year
Introduce products with a recycled raw material component	By 2025, ensure 25% of product life cycles (PLC) are completed and approved in the year for which recycled raw material content is expected to exceed 30% of the weight of the product



THE SUSTAINABILITY OF THE SUPPLY CHAIN



IMPACTED GRIs

- 204-1 Proportion of expenditure spend with local suppliers
- 305-2 Indirect GHG emissions from energy consumption (scope 2)
- 305-3 Other indirect GHG emissions (scope 3)
- 305-4 Intensity of GHG emissions
- 306-3 Waste produced
- 306-5 Waste for disposal

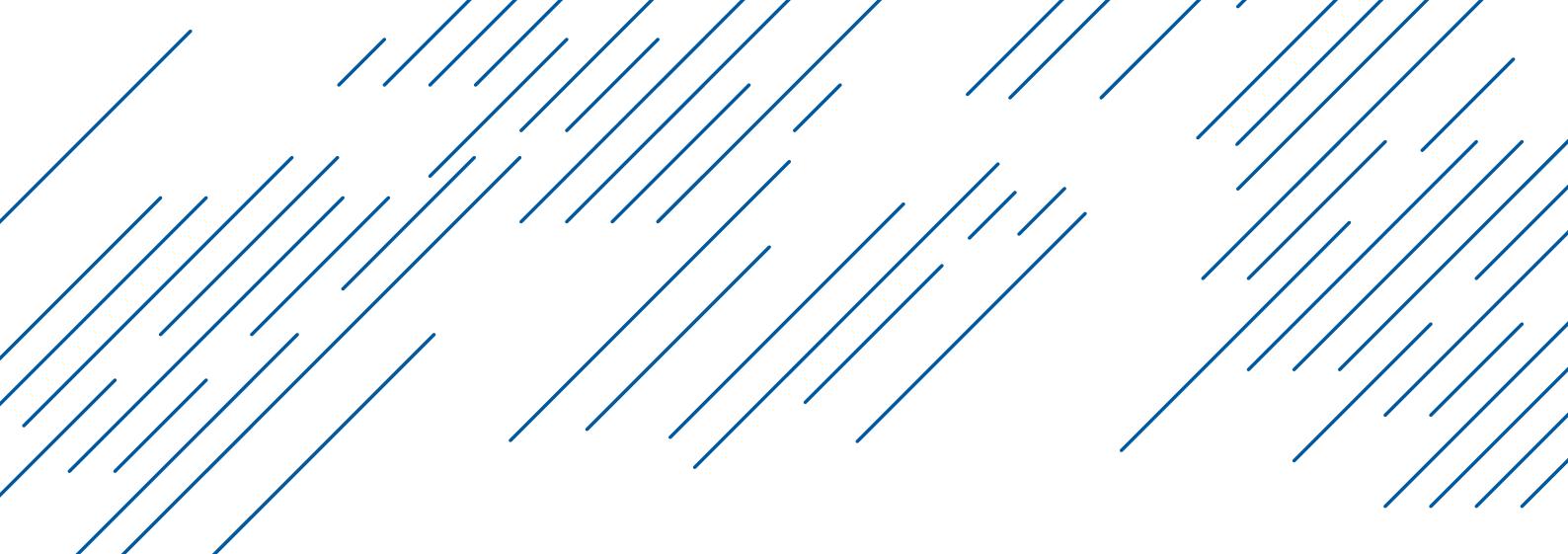
Gefran constantly monitors the strength of the supply chain, which has received a growing amount of attention from stakeholders and institutions in recent years, as a result of increased exposure to disruption risks. Proper chain due diligence is now considered essential.

The aim of the Group is to gradually ensure that the majority of supplies adhere to the **Sustainability Pact**. In particular, this includes suppliers contributing to 80% of purchases, labour-intensive suppliers, waste disposal suppliers and suppliers whose product or service explicitly mentions a point expressed in the Sustainability Pact. The project will develop in several stages before reaching all foreign branches.

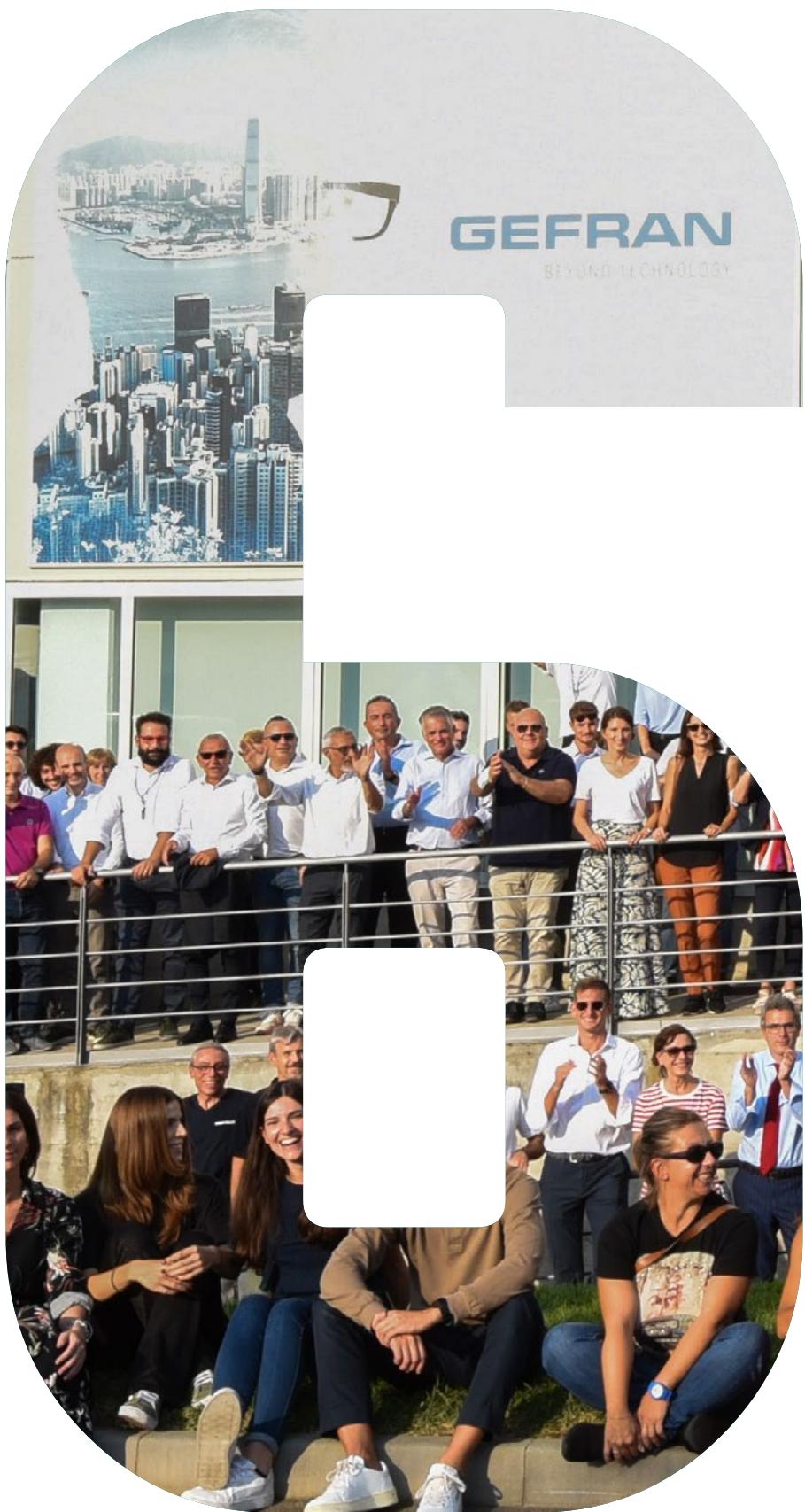
In order to verify compliance with the criteria of the Sustainability Pact and, more generally, assess areas for improvement in relations with suppliers, the objective envisages a **multi-annual audit plan** for the Group's main suppliers up to total coverage.

In addition, Gefran undertakes to implement initiatives to ensure up-to-date and easy-to-use data is collected on **conflict minerals**, in accordance with the European Regulation 2017/821, establishing duty and diligence obligations in the supply chain for importers in the European Union of tin, tantalum, tungsten, minerals and gold originating in conflict or high risk areas.

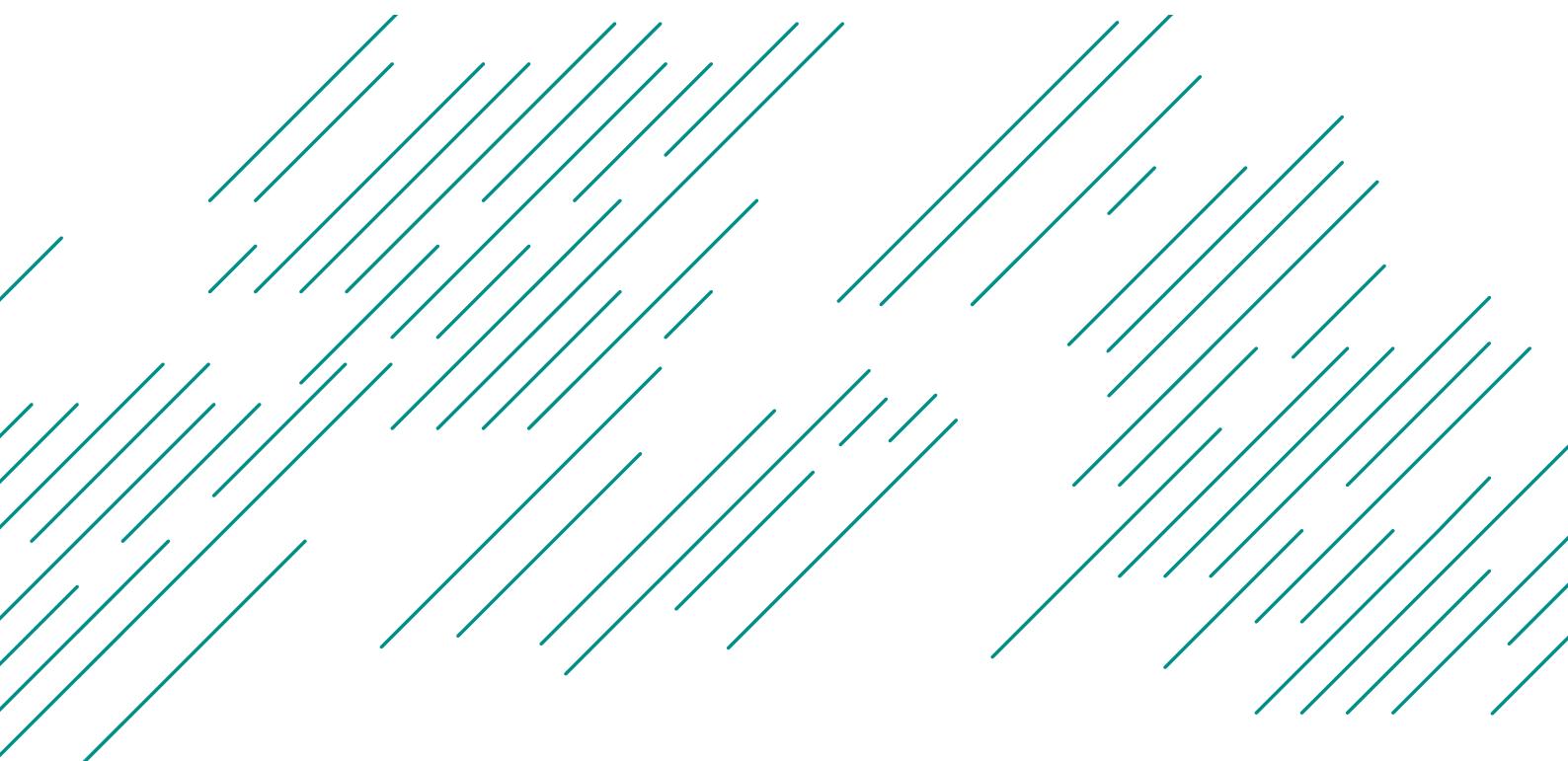
The Group's objective is to reduce the share of waste for landfill or incineration to 30% and develop plans to increase the share of waste for reuse and recycling.



Projects	Objectives
Reduce the proportion of waste disposal	By 2025, reach a share of unsorted waste of less than 30%
Standardise collection from Conflict Minerals Reporting Template (CMRT) suppliers	By 2023, keep a CMRT file updated annually, automating the processing of the annual survey results
Introduce the Sustainability Pact for new suppliers and gradually ensure that all suppliers in the register adhere to it	By 2024, ensure 80% of the participating suppliers, selected according to certain criteria* (excluding distributors) <small>*Direct, indirect suppliers and services for turnover, strategic/critic suppliers, labour-intensive suppliers, waste management suppliers</small>
Establish a multi-annual audit plan on suppliers of direct materials globally	By 2027, carry out an audit of 10 suppliers of direct materials per year



THE CENTRALITY OF PEOPLE



6.1

HUMAN CAPITAL MANAGEMENT¹

First place, for Gefran, is people: protecting and enhancing their identity, views, diversity, qualities and skills is essential to be competitive and successful.

Care and attention undergird each phase of the relationship. Gefran's commitment to its employees is to provide a working environment that respects the ethical principles of the company, is inclusive and safe and supports personal, technical and professional growth.

A cross-pollination of experiences, international cultures and the ability to work with people from different cultures vitally contribute to the smooth functioning of the company. This requires systems that promote integration, involvement and sharing of information and experiences, enabling everyone to make their own contribution. Gefran sees cultural and gender diversity working in tandem to achieve common goals as a strong point, a driver for innovation and sustainable value.

The document summarising the company policy (*Gefran and its people*), the Code of Ethics and Conduct and the Brand Book, which defines the *Gefran Way*, specify the Group's values, starting with the protection of diversity, equal opportunities and respect for human rights.

Empowering people also helps to manage the risk of losing talent and skills. There are many actions aimed at *employer branding* and improving *employee experience*, starting with engagement and loyalty plans ranging from the *WELLFRAN people in Gefran* organisational welfare programme to international mobility. For example, employees' performance-related pay can be converted fully or partly into goods and welfare services allowing tax and social security benefits, guaranteed by law, and a company bonus of up to 10%.

¹ Reporting on data on personnel management, on gender equality, on discussions with social partners and on respect for human rights, except as otherwise provided, involved all Gefran Group companies. It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg (DE) from the Group. To provide more transparent information to the reader, key data relating to these two entities are highlighted in section "11.2. The centrality of people – appendix".

There has been a strong focus on training skills with customised plans in collaboration with universities, research centres and high schools, and through the *FLY Gefran Talent Academy*. Gefran also has a digital platform (hub) that employees around the world can access to acquire skills and know-how, and exchange experience and knowledge.

The results of the commitment to recognising people and their qualities are reflected in the stability of the workforce.

The exit turnover rate, calculated as the ratio of exits to the number of employees and excluding inter-company movements, was up at the end of 2022. The increase on previous periods reflects employees' exit from the Group to Gefran Drives and Motion S.r.l. and Siei Areg GmbH, as part of the sale of both companies' shares.

no. leavers/no. employees 31.12	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Turnover rate of leavers	36.6%	68.5%	57.7%	6.2%	11.7%	10.1%	10.5%	9.7%	9.9%

Appreciation of the company's human resources management policy has come from many different quarters. Gefran has been mentioned on national radio and television programmes as an example of excellence. For the last three years in a row, Gefran has won the prestigious **Top Job prize** (awarded by the German Institute for Quality and Finance ITQF), hosted the Senate Labour Commission, and is often invited to bring its experience to universities conferences and training schools (Bocconi University, Polytechnic University of Milan, University of Brescia and RCS Business School). Gefran has a key role in the HR Innovation Practice Polytechnic University of Milan, has won the *She SPS Italia Award* and the *La Fabbrica del Future Contest* organised by Confindustria for Brescia Bergamo Capital of Culture.

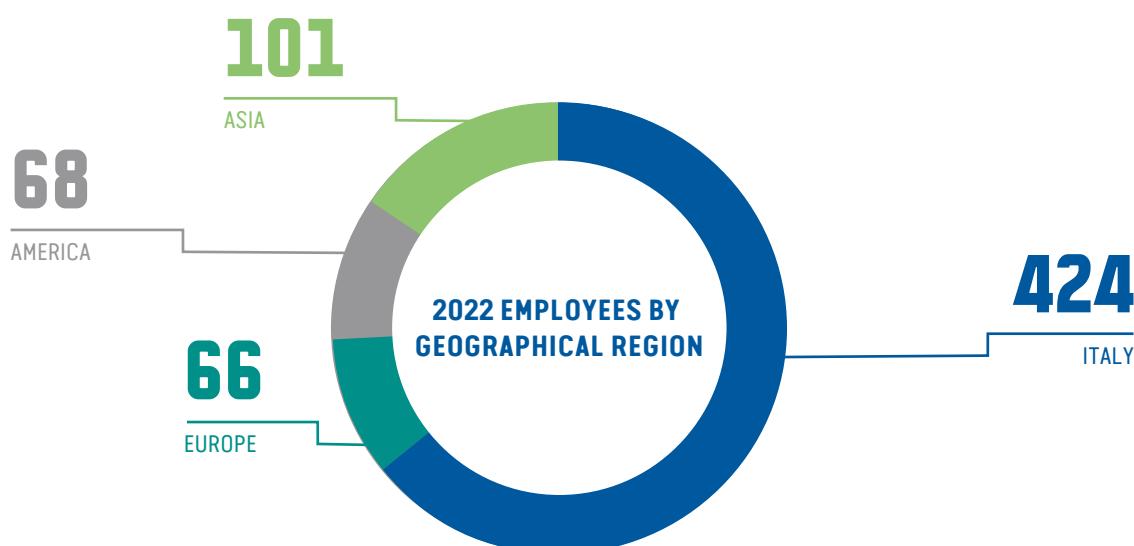
6.2

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES²

Protecting diversity is one of the principles of business ethics. Gefran believes that people's uniqueness should be duly recognised and is a great potential for growth. In a working environment, diversity (of gender or age, sexual or religious orientation, physical or technical skills, ethnic or cultural background) fosters dialogue, new ideas and innovation. Diversity is protected in a range of different ways, from *reverse mentoring* programmes to enhance generational diversity and respect for dietary habits through corporate cafeterias.

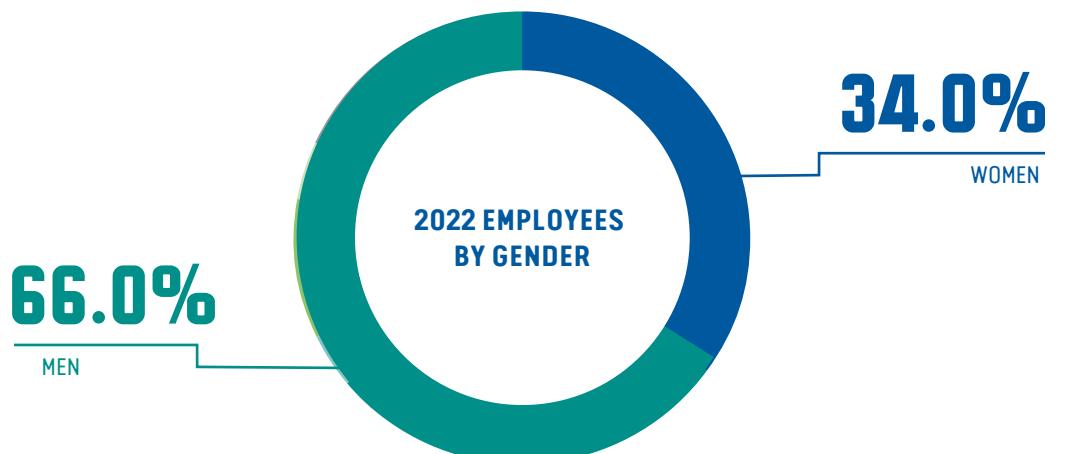
The figures recorded during the 2022 reporting period and a comparison with the same for previous years are presented below.

As at 31 December 2022, the Group had 659 employees: 64.3% employed in Italy, 15.3% in Asia, 10% in Europe, 10.3% in America.

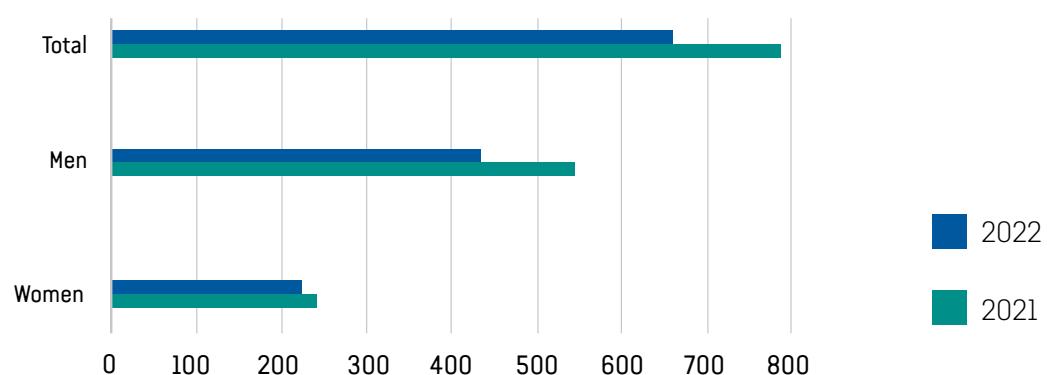


² Reporting on data on personnel management, gender equality, discussions with social partners and respect for human rights, except as otherwise provided, involved all Gefran Group companies. It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg (DE) from the Group. To provide more transparent information to the reader, key data relating to these two entities are highlighted in "11.2. The centrality of people – appendix".

In 2022, the number of female employees grew from 30.7% to 34%.



2022 AND 2021 EMPLOYEES BY GENDER



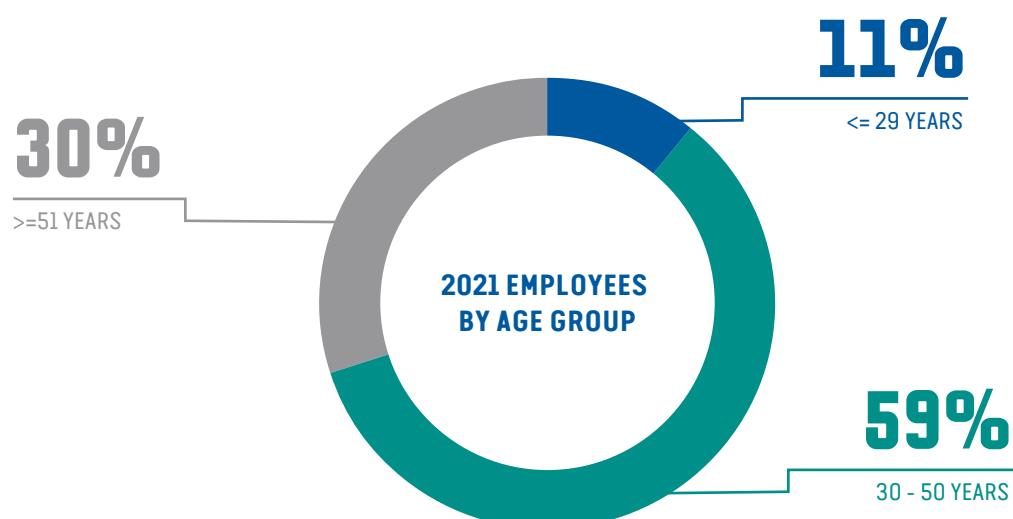
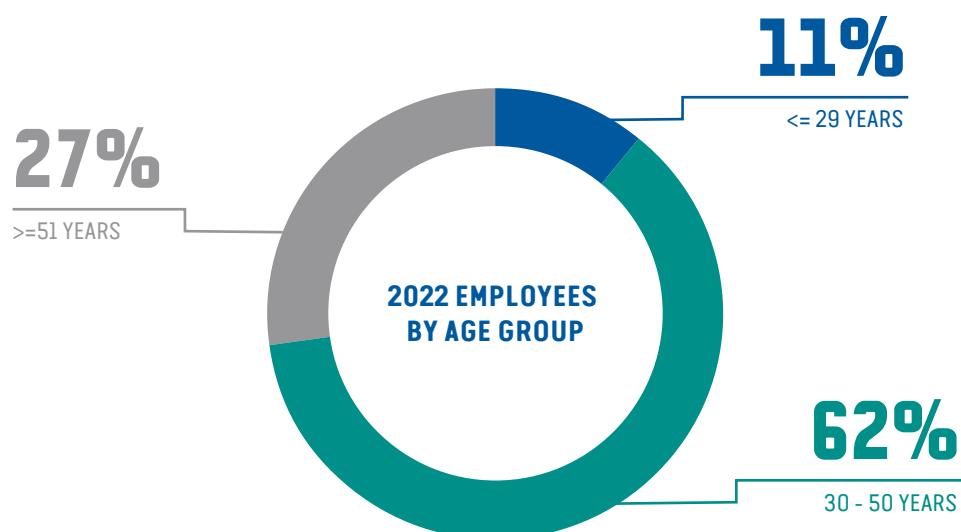
Below is the ratio of the gross annual average basic salary (excluding the variable portion) of female employees and that of male employees³.

Gender pay ratio Group	2022	2021	2020
GROUP average	82%	81%	83%
Managers	100%	101%	106%
Middle managers	104%	91%	85%
Clerical staff	74%	75%	77%
Manual workers	92%	89%	90%

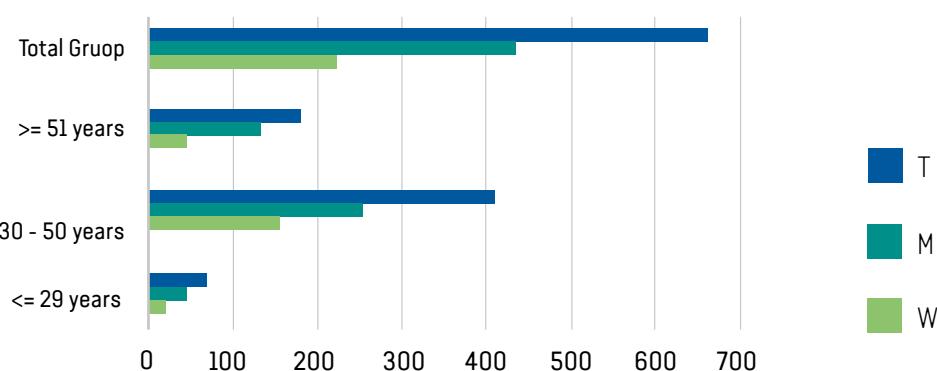
In 2022, the breakdown of employees per group recorded 11% under 30 years of age (in line with 2021), 62% between 30 and 50 (up from 59% in 2021) and 27% above 50 (30% in 2021).



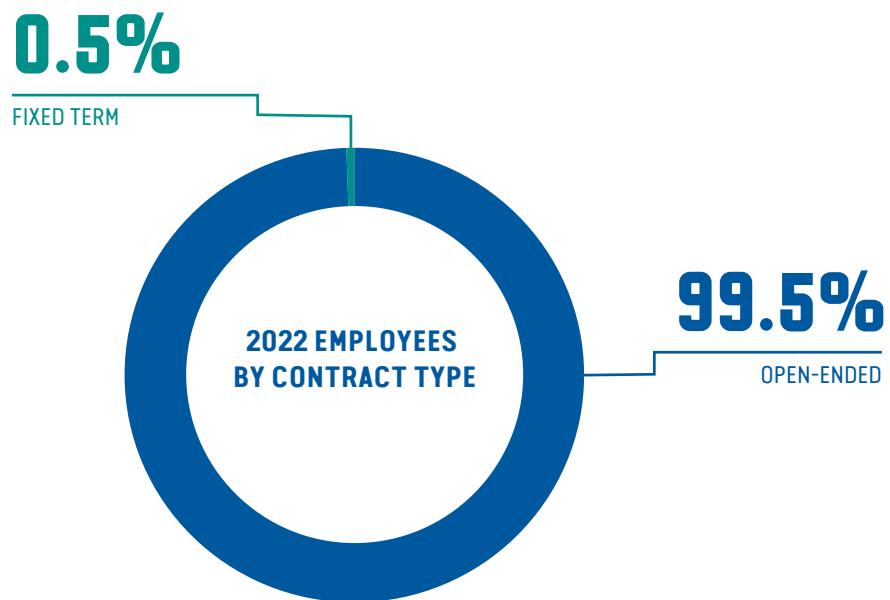
³ The ratios were determined as the ratio between the gross annual average basic salary (excluding the variable portion) of female employees and that of male employees, in individual Group companies, for each job classification. The Group indicators are calculated weighting the ratios of the individual companies by the number of employees in each, for each job classification, where the calculation was applicable. The Group average is determined as the average of the ratios of each job classification, weighted by number of employees, where the calculation was applicable.



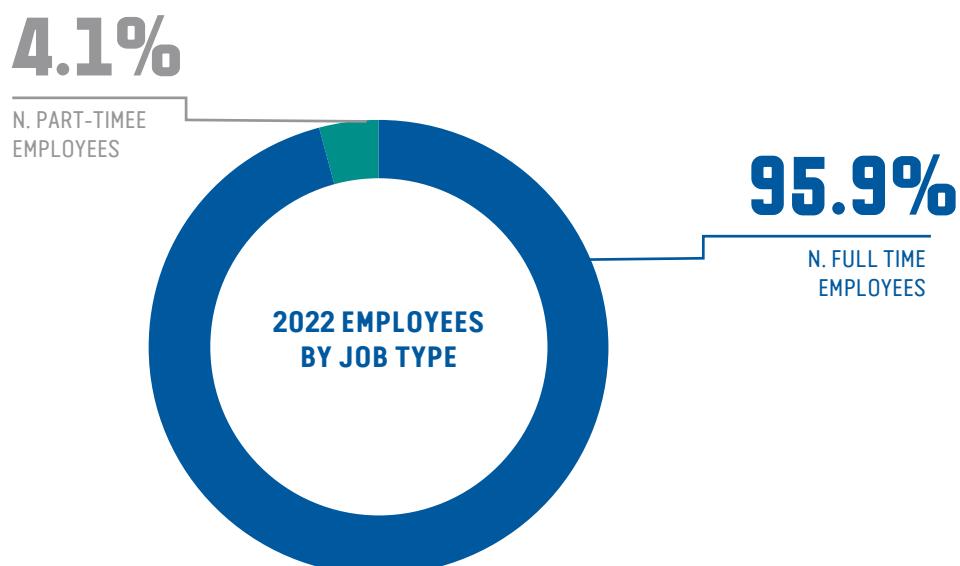
2022 EMPLOYEES BY AGE GROUP AND BY GENDER



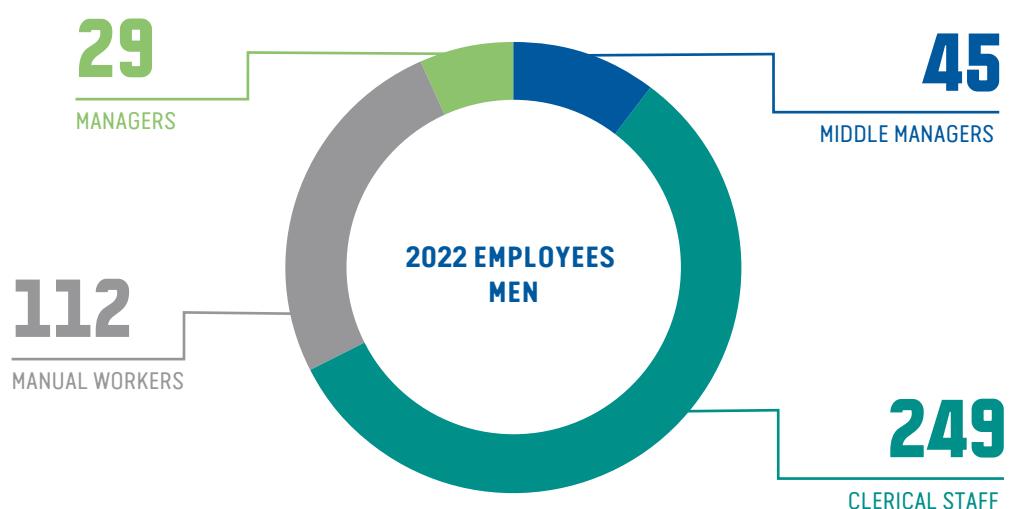
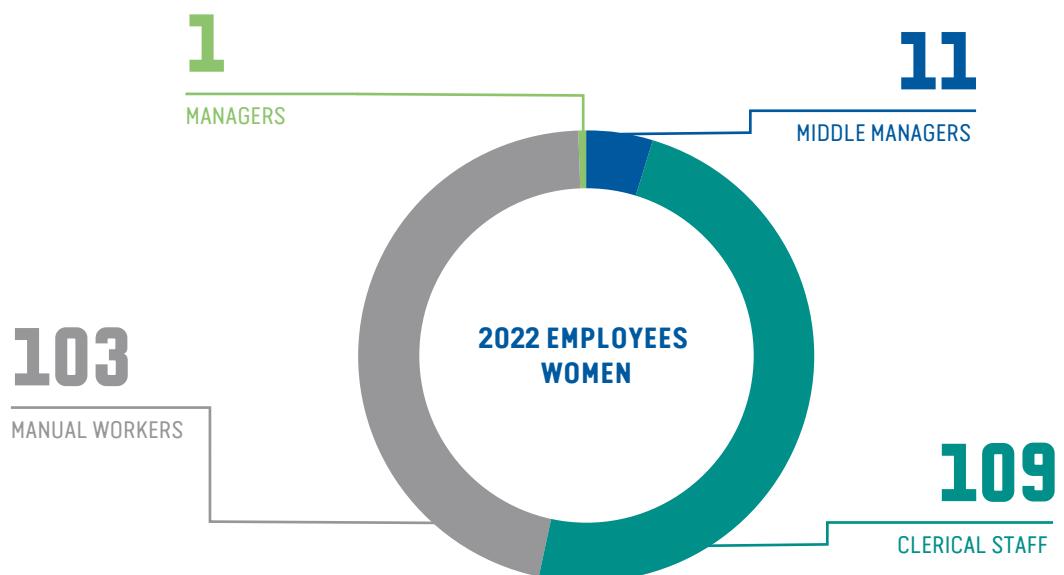
An analysis of contract types shows that in 2022 almost all of them will be open-ended contracts, since it does not deviate significantly from previous years.



In terms of job type, 4.1% of employees, mainly women, signed a part-time contract with the company (as at 31 December 2022).



Below is a breakdown of Group employees by classification and gender as at 31 December 2022.



There were no cases of discrimination in Group companies in 2022.

6.3

EMPLOYEE WELFARE⁴

The **Wellfran – People in Gefran** programme represents the actions adopted by Gefran to take care of its people and protect their overall well-being. An emphasis is placed on feeling well and being able to express oneself to the best of one's abilities.

The company provides employees with a corporate welfare programme, together with a comprehensive and innovative package of flexible benefits, consisting of services, facilities and agreements that are easily accessible through a dedicated web portal.



⁴ Reporting on data on personnel management, gender equality, discussions with social partners and respect for human rights, except as otherwise provided, involved all Gefran Group companies. It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg (DE) from the Group.

FAMILY

To cope with school or family expenses, you can ask for incurred costs to be reimbursed in just a few clicks: boarding school fees for younger children as well as university studies, and other expenses for older family members, will no longer be a problem.

PENSIONS

The supplementary pension fund offers added security and our employees can use this service to put their bonus in their chosen fund.

SPORT, CULTURE AND LEISURE

We cover all aspects of lifestyle in providing many activities to enhance your life and make it easier; there are over 2000 partner facilities across the country to choose from.

WORK LIFE BALANCE

Balancing work commitments and private life has never been so easy. The Wellfran portal provides a host of services to solve all day-to-day problems, from home maintenance to filling in your tax return.

LOANS

The loan service makes it easy for you to claim for reimbursement of a proportion of the interest payments on loans such as those to buy, build or renovate your home.

TRAVEL

Indulge your passions and treat yourself to some relaxing time off on a weekend break, a romantic get-away, a wellness package or a sports course.

TRAVEL AND GIFT BOXES

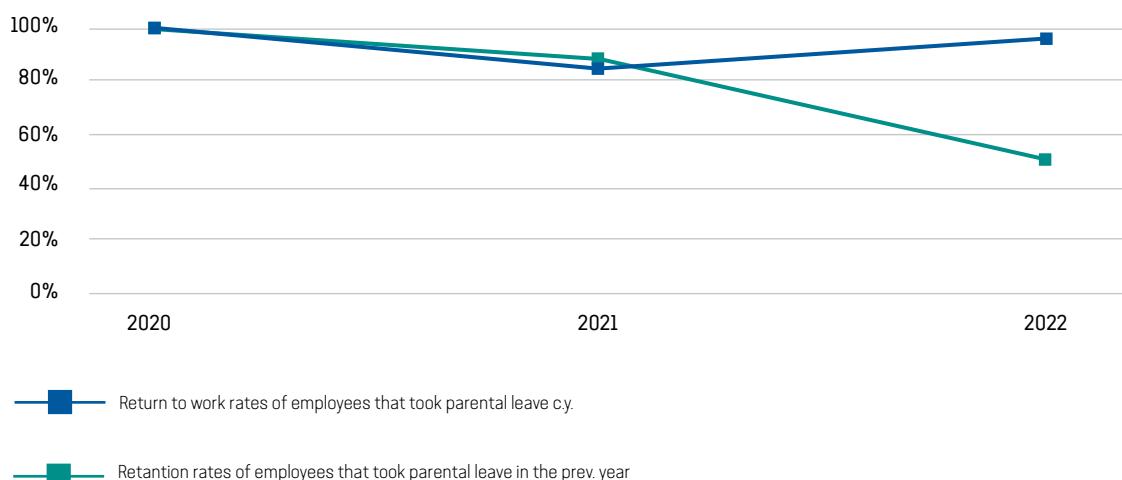
We offer a wide range of gift boxes and cards, from petrol vouchers to shopping cards, so that you can choose from the best brands on the market.

Employees are also entitled to parental leave. Those who took advantage of it in 2022 returned to work in 96% of cases (84.6% in 2021) while the job retention rate in the 12 months following parental leave was 50% (88.5% in 2021).

Employees who return from maternity leave, if requested, are guaranteed part-time hours until their child is two years old.

Parental leave rate		2022		
		W	M	T
Employees using the right to parental leave	no.	15	10	25
of whom returned to work after using the right to parental leave	no.	14	10	24
Rate of return after parental leave	%	93.3%	100.0%	96.0%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	9	4	13
Rate of jobs retained after parental leave (ref. previous year)	%	81.8%	26.7%	50.0%

RATE OF RETURN AND JOB RETENTION AFTER PARENTAL LEAVE



In addition to the benefits referred to, employees can benefit from a Medical Costs Support Fund and paid leave for medical appointments.

Smart working has been introduced for business functions that are compatible with this way of working to facilitate a better work-life balance. Smart working is in place for all employees in staff positions. Production operators have been defined as so-called menu times, which improve work-life balance while ensuring flexibility, efficiency and effective production processes.

6.4

HEALTH AND SAFETY⁵

Protecting the health and safety of employees and workers from outside companies operating in the Group's plants is a core value that the company puts into practice in all areas.

Underlying this is the constant mapping of operational risks, the monitoring of their development and the implementation of actions to minimise them.

The company has implemented a system of best practices affecting all Group companies through regular meetings with safety actors, aiming to consolidate a culture of occupational health and safety. In addition to being a regulatory obligation, this represents an important act of social responsibility.

This process involves securing new certifications that will lead to an Integrated Management System (SGI) for the Group's companies, with the aim of harmonising the working mechanisms between the different companies and facilitating the development of continuous improvement processes. The consolidated base, established by ISO 9001 (Quality), allows the System to evolve to include the ISO 14001 (Environment), ISO 45001 (Health and Safety) and SA 8000 (Social Responsibility) requirements. In 2022, the Quality, Safety and Environment team worked on developing the work plan to fully align with the requirements of the standards and carried out audits to assess the implementation of the Integrated Management System. In January and February 2023 the initial audits carried out by the accreditation body to obtain ISO 45001 and ISO 14001 certification were successfully completed, and the third entity is expected to issue the certification in March 2023. The SA8000 initial audit was carried out in 2023, with the aim of obtaining certification for the Group's Italian offices within the year.

⁵ It is specified that some companies have been omitted from the data reporting on health and safety because though they are included in the Group's structure, they are purely concerned with marketing, and have a limited volume of business and a small number of employees. For these reasons, their impact on this form of data reporting is deemed to be of marginal relevance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR) and Gefran Benelux Nv (BE). Moreover, in light of the sale of the motion control business described in the section "Group Activities: the Businesses", the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE). For further details, please refer to section "11.2. The centrality of people - appendix".

The effectiveness of health and safety policies and practices are confirmed by the small number of accidents over the last three years.

There were no fatal or serious accidents (i.e. with permanent damage 6 months from the accident). Only one accident occurred in 2022, which occurred in the Parent Company; more specifically, it was a blunt trauma after an assembly staff member crushed their finger. A loss of 9 working days was recorded, a figure that has been steadily improving since 2018. In general, the main causes of accidents are attributable to shocks, slipping and shear injuries in assembly production or when handling goods.

Only one accident during a journey occurred in 2022, which corresponds to 4 days lost.

The trend for accident rates has continued to improve in recent years.

Accident ratios - accidents to employees	2022	2021	2020
Total accident frequency rate	0.89	1.46	3.89
no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked			
Accident frequency rate recorded (with number of lost working days)	0.89	1.46	3.89
no. accidents recorded, with number of lost working days, per 1,000,000 hours worked			
Severity ratio	0.01	0.03	0.09
no. of working days lost due to accidents recorded per 1,000 hours worked			

In 2022 two accidents affecting non-employee workers were recorded⁶, in particular temporary workers: an injury to a machine shop worker's hand during a tool assembly operation and a blunt trauma from a fall.

⁶ With reference to the GRI 403 "Occupational health and safety 2018", non-employee partners are to be understood as temporary workers and/or workers carrying out their tasks in the Group's plants and under its control.

COVID-19 risk management

Work continued during 2021 to monitor the health situation and related provisions applied by the governments of the countries in which the Group operates. The measures and protocols adopted have been constantly adapted in response to the changing scenario of the pandemic.

The procedures implemented were announced and updated through internal communication channels and published on the company's portal in order to reach all employees.

A series of measures were retained in 2022 to mitigate the risk of Covid-19 infection in the workplace. Rules on conduct to adopt in the business environment are still being implemented, although global restrictions have gradually eased and the pandemic situation is generally improving.

A seasonal flu vaccination campaign was conducted in the Group companies with the largest number of employees once again in 2022, vaccinating 128 employees in Italy.

Training

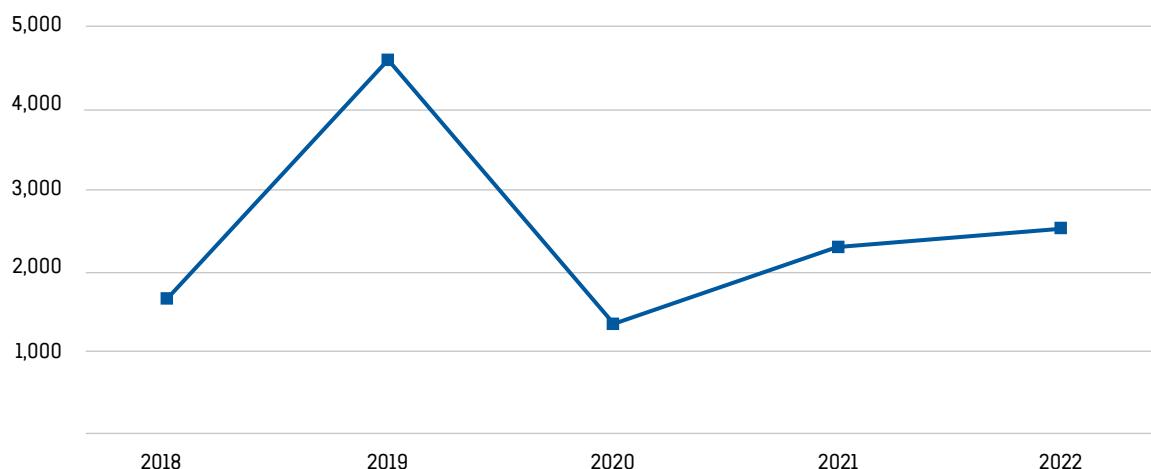
Protecting health and safety is the subject of constant training activities. Gefran has chosen to rely on a team of professionals in the sector so that training might provide opportunity to further examine themes and grasp content through effective teaching methodologies. In addition to this, the work of the internal team allows actions to be taken to change individual behaviour, promote a safety culture and, where necessary, adapt the company organisation.

Special attention was paid to the role of Health and Safety Directors in promoting corporate culture in 2022, increasing their involvement through meetings intended to provide information and share relevant topics for each site.

In addition, monitoring the risk of interference in contract works continued in 2022; this confirmed the adequacy of management and the absence of critical issues.

The reporting of health and safety training activities organised at Group level since 2018 shows a fall in hours in 2020 compared to 2019, due to the necessary reorganisation of company activities and priorities in response to the health and economic emergency. While not returning to the 2019 levels seen before the pandemic, in 2021 and 2022 hours dedicated to these activities increased significantly.

HOURS OF OCCUPATIONAL HEALTH AND SAFETY INSTRUCTION



Health and safety in business activities

Gefran's commitment is to provide employees and collaborators of external companies with all the tools to allow activities to be carried out in the plants under safe conditions, be they safety or information devices and structured training. This commitment underpins the health, safety and environment policy, which defines the Group's guidelines on the subject.

To minimise operational risks (for example, those generated by handling materials and products in inappropriate areas) and to reduce the risks of storage build-up, the company adopts a *lean manufacturing* logic by organising work islands according to the specific features of the assembly process (differentiated for each product) and clearly defining the spaces dedicated to materials handling and storage spaces.

Work continued in 2022 on overhauling of certain production lines. To linearise flows, as described, particular attention was paid to the handling and storage of materials under safe conditions and the reduction of ergonomic loads on operators. At the same time, in the areas where the layout was revised, internal colour coding continued to be applied in horizontal identification and floor markings. The specification not only complies with the recommendations of standard OSHA 1910.144 but goes further, providing a complete colour scheme helping visually identify work areas and pathways and clearly indicating designated storage locations for materials, finished products, instruments and tools.

With the creation of the Gefran Soluzioni Srl headquarters in 2021, conditions were created to improve and expand the layout of the production area, which was carried out in 2022.

Extensive work was carried out in 2022 to revise the structure of the Via Cave 11 plant (sensor production).

6.5

PERSONNEL TRAINING AND DEVELOPMENT⁷

The company of today and its successes of tomorrow are also the result of recognising people and their talents. For Gefran, *talent* is an individual's unique qualities. It encompasses skill, passion, concentration, courage and tenacity. Bringing out talent requires a willingness to innovate, a focus that is expressed in everyday work.

Gefran has always heavily invested in employees' development, knowing that competitiveness also depends on each individual's contribution to achieving goals.

Over the years many different programmes, initiatives and partnerships with academic institutions and training schools have helped to give shape to the company's vision of developing business potential.

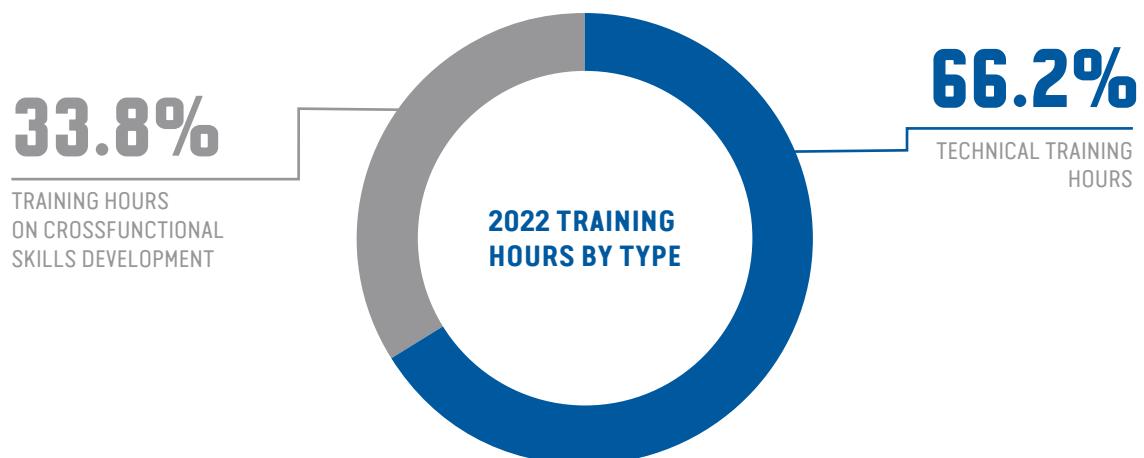
In 2022, there were 24 hours of training per capita, up significantly from 16.7 hours in 2021.

For a better understanding of the data, it should be noted that until 2021 the training hours provided to employees of the companies sold following the transaction described in section "2.2 The Group's activities" (a total of 1,376 hours in 2021 and 377 hours in 2020) are also reported.

training hours	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Managers	160	1,529	1,689	70	1,775	1,845	-	1,852	1,852
Middle managers	737	1,124	1,861	749	1,243	1,992	669	857	1,526
Clerical staff	1,900	7,437	9,337	1,066	5,410	6,476	1,017	3,195	4,212
Manual workers	1,139	1,188	2,327	904	1,522	2,426	320	1,013	1,332
TOTAL TRAINING HOURS	3,936	11,278	15,214	2,788	9,950	12,738	2,006	6,916	8,921

AVERAGE NUMBER OF HOURS (hours/no. employees)	18.1	27.0	24.0	11.9	18.8	16.7	8.6	13.1	11.8

⁷ With respect to the Gefran Group, excluding commercial companies of marginal significance in terms of turnover and number of employees (Gefran Uk Ltd, Gefran France SA and Gefran Benelux Nv). It should also be noted that until 2021 the training hours offered to employees of the divested companies were also accounted for in the context of the sale described in section "2.2 The Group's activities" (a total of 1,376 hours in 2021 and 377 hours in 2020). For further details, please refer to section "11.2 The centrality of people – appendix".





FLY is the Gefran **Talent Academy**. Its mission is to develop the company's distinctive skills and to bring out its people's talents.

The programmes are aimed at both new and existing members of the organisation:

- collaboration with universities;
- masters in innovation;
- managerial coaching;
- mentoring and reciprocal mentoring;
- on the job training;
- participation in focus groups and workshops;
- training (in the classroom and online) divided into activities to develop technical and professional skills (e.g. language courses and communication, courses on technical matters) and activities to improve cross-sectoral skills.



In March 2021 *kenFLY* was launched, a digital hub of the Academy which employees around the world can access to acquire skills and know-how, and exchange experiences and knowledge.

kenFLY was created to open up to options available to FLY Gefran Talent Academy to all Gefran personnel worldwide. It is a strategic project that adds to the range of training tools based on individual strengths.

Through *kenFLY* it is possible to follow courses on the six skill areas that make up the matrix of skills (intellectual, relational, management, innovative, emotional and technical/business). The platform and its communication, learning and engagement dynamics have been designed taking into account the particular features of each generation. Gamification plays an important role in the training methodology.

kenFLY shows you which strengths are being trained in the most and which areas can be successfully improved. The language, which is common for the whole Group, encourages people to take responsibility for their own training and clear feedback.

The **FLY Performance** plan was launched in 2022: a transparent system to regularly analyse and compare performance evaluation, competence development and feedback sharing. The first performance management sessions were held in the second quarter. In 2023, the system will be completed with the **Individual Development Plan**.

kenFLY has already received a number of awards and acknowledgements, and was shortlisted for an innovation award by the Observatory of Polytechnic University of Milan.

Gefran continues to offer opportunities for students and recent secondary school and university graduates. Thanks to the partnerships with universities and secondary schools, curricular and extra-curricular apprenticeships are offered, while school/work agreements and opportunities also exist for students to begin work in the areas studied, leading to possible employment compatibly with the company's capacity and the talent demonstrated.



FLY Youth is the programme dedicated to **recent graduates**, gradually integrated into the company to allow for generational change. The *FLY Youth* structure is called 4x4: 4 labs to develop 4 fundamental soft skills led by external teachers and coaches and sessions held by managers of the main company departments that also include Gefran as a Company System.

At the end of the training course, *FLY Youth* participants compete in contests on the development of innovative projects. These young people, guided by senior mentors, also participate in initiatives for research or presentation of the company in the country's principal universities.

All new employees are also offered an induction process to help them become acquainted with processes, products/services and people (the department they belong to and interdependent departments).

6.6

DATA PROTECTION AND CYBERSECURITY

Another aspect to which Gefran has been paying particular attention in recent years is the protection and security of data and information. This theme has become particularly important in the global political and economic landscape due to the growing influence of new technologies, the digitisation of processes and the proliferation of cyber attacks. Motivated by these issues, a number of actions were taken during 2022 to prevent and mitigate risk factors related to cybersecurity issues and their possible negative impacts.

In collaboration with the External SOC (Security Operation Center) new sources of data network logs have been added to increase the scope of analysis. Secondly, the antivirus solution that was in place has been replaced with a new, much more powerful and advanced system.

In addition, company *firewalls* interventions were carried out by updating the latest versions and the configurations have been revised and improved. In particular:

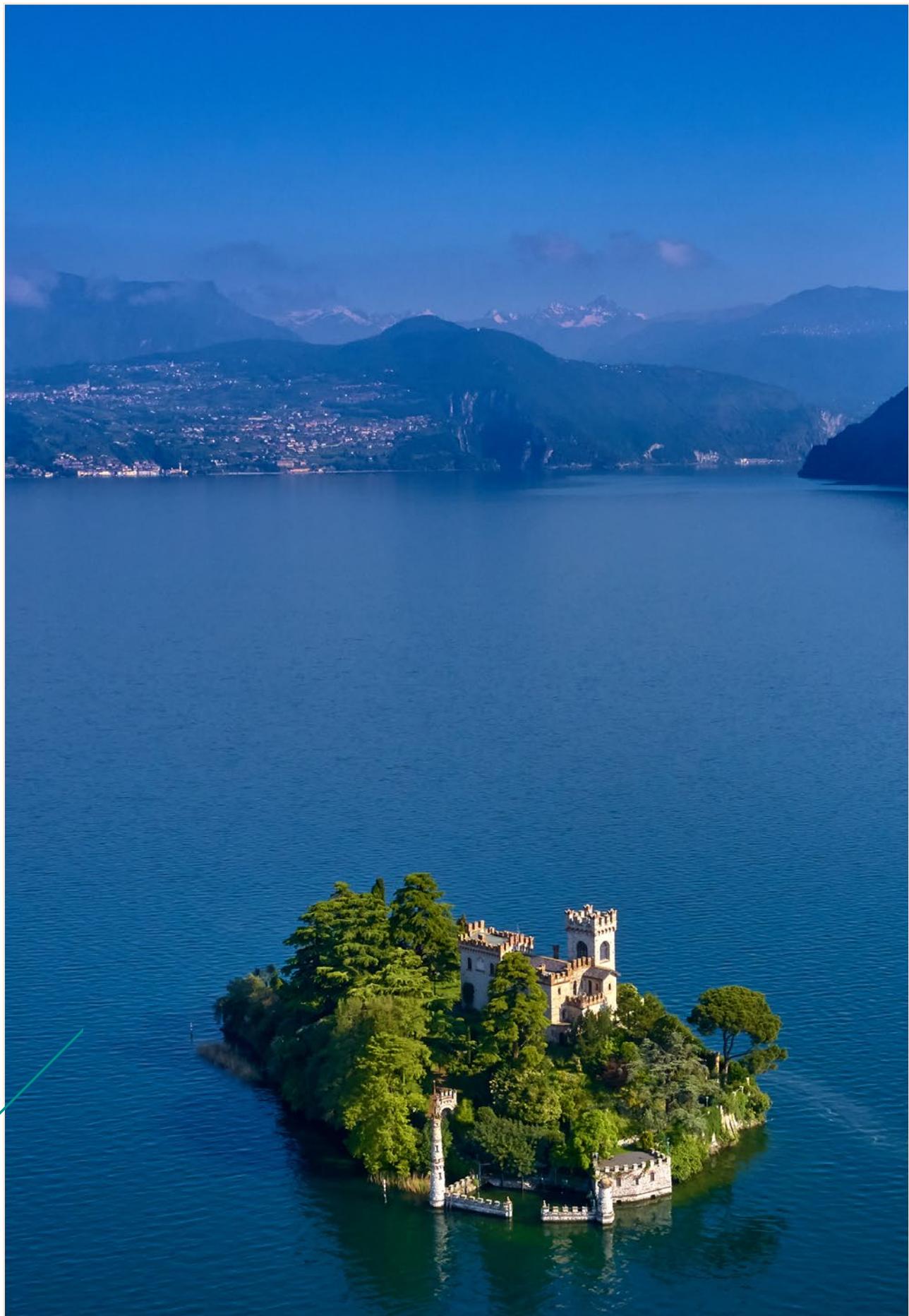
- a software tool has been implemented for centralised *patching management* (Qualys);
- the Group's spam system has been updated;
- a new, more secure *backup* policy has been implemented (*immutable back-up*);
- cyber risk insurance has been renewed.

As has been the case for some years now, an internal score card has been used to analyse the results of the remedial actions put in place. Current risk has improved and is defined as "Medium". In addition to this indicator, reports generated by the various protection systems in use are analysed on a weekly basis. Data analysis is carried out quarterly to define the actions required to improve the Group's cybersecurity set-up.

The solutions put in place show that the number of vulnerabilities is decreasing significantly.

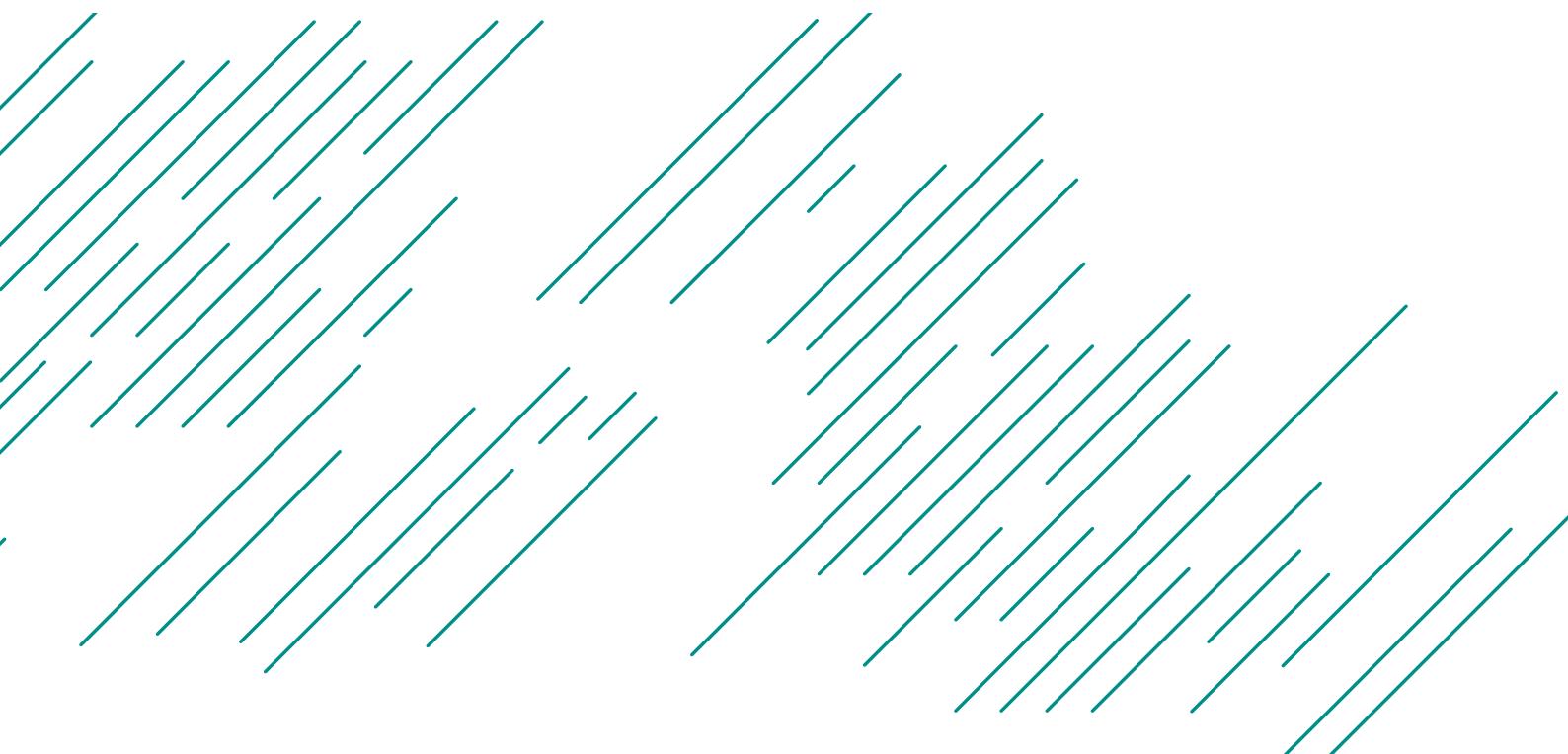
These activities are planned for 2023:

- training on security awareness for Italian branches;
- an IAS-ENPT-OSINT security assessment carried out by external suppliers;
- the installation of new firewalls for the headquarters in Protaglio;
- the introduction of a new Vpn ssl system for remote employees with ZTNA;
- the implementation of an MFA on the most at-risk systems;
- the recruitment of a dedicated figure within the IT department.





CONTRIBUTING TO ECOLOGICAL TRANSITION



7.1

ENERGY EFFICIENCY AND REDUCTION OF CO₂ EMISSIONS⁸

Gefran is committed to implementing a policy of environmental responsibility to reduce atmospheric greenhouse gas **emissions**, **focusing on** continuous improvements in the energy efficiency levels of plants and the search for sustainable solutions in various different business areas.

The company continually analyses the risks associated with production and management processes and focuses on the most innovative solutions to ensure the energy efficiency of plants and the use of energy from renewable sources. An investment plan supports this commitment.

In order to identify any potential environmental risk and comply with legal requirements, Gefran controls and monitors environmental aspects of industrial activity, in particular atmospheric emissions.

The monitoring data has revealed that the most significant electricity consumption is from the use of machinery in the production departments, from cooling and ventilation circuits and, in particular, from lighting. Hence an action plan for progressive energy efficiency, partly already realised, partly planned for the near future.

In order to contribute to United Nations sustainable development goal 13 (fighting climate change) around 800 thousand euro has been invested over the years to built **photovoltaic systems** for electricity production (with a total power of 410 kWp) serving the Provaglio d'Iseo production plants. In 2022, an analysis was carried out of potential areas to increase the Group's photovoltaic park to improve energy performance (reduction of energy consumption taken from the grid and consequent reduction in CO₂ equivalent emitted). The head office plant has emerged as the best opportunity. A specific project will be launched in 2023.

⁸ The reporting of energy efficiency and emissions data, except as otherwise provided, has been carried out involving all the companies in the Gefran Group with the exception of certain companies, since they are purely concerned with marketing, as well as having a limited volume of business and a small number of employees. For these reasons, their impact on reporting energy and environmental data is deemed to be of marginal relevance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR) and Gefran Benelux Nv (BE). It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE). To provide more transparent information to the reader, key data relating to these two entities are highlighted in "11.3. Contributing to the ecological transition – appendix".

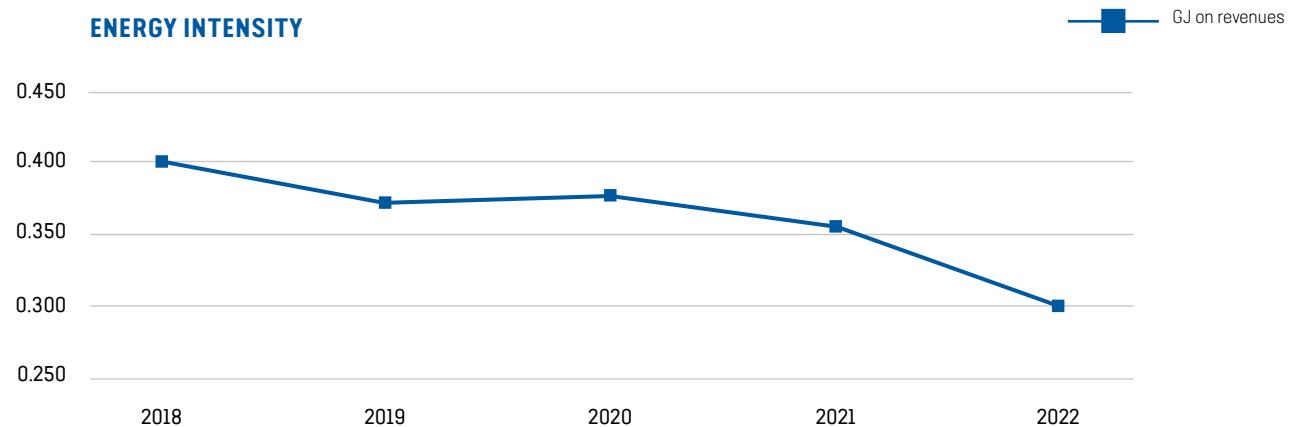
The digital projects launched in 2021 to optimise operational (Gefran Smart Factory) and logistical (Gefran Smart Logistic) processes have also been considered. In the second case, the aim is to better manage outgoing finished product packaging to streamline transport and reduce its environmental impact.

The path the Group is taking towards an **Integrated Management System (IMS)** (see section 6.4) also includes obtaining environmental certifications. In 2021, the Integrated Quality and Environment function started work on a project for obtaining ISO 14001 environmental certification. The completion of the certification process for the Group's Italian companies is expected in March 2023. The certification of foreign production companies will then take place gradually.

Finally, Gefran has launched initiatives in **collaboration with some partners** in line with sustainable development goal 17 (partnership for objectives). For example, the signing of contracts with suppliers for the supply of certified electricity or equipment which, depending on their use, allow a reduction in emissions produced.

The **energy intensity indicator⁹** has steadily improved over the last five years, with the exception of 2020 due to the decline in revenues caused by the pandemic. In 2018 the energy intensity index was 0.401, while today it stands at 0.299 with a 25.5% improvement. This result was achieved thanks to the implementation of investments and the care taken to adopt technologically advanced solutions aimed not only at satisfying the requirements of the business but improving energy performance, in both buildings and production plants, and in the organisation of processes.

ISO 14001: sets out the requirements for an adequate management system to keep the environmental impacts of an entity's activities under control, and systematically seeks to improve them in a consistent, effective and above all sustainable manner.



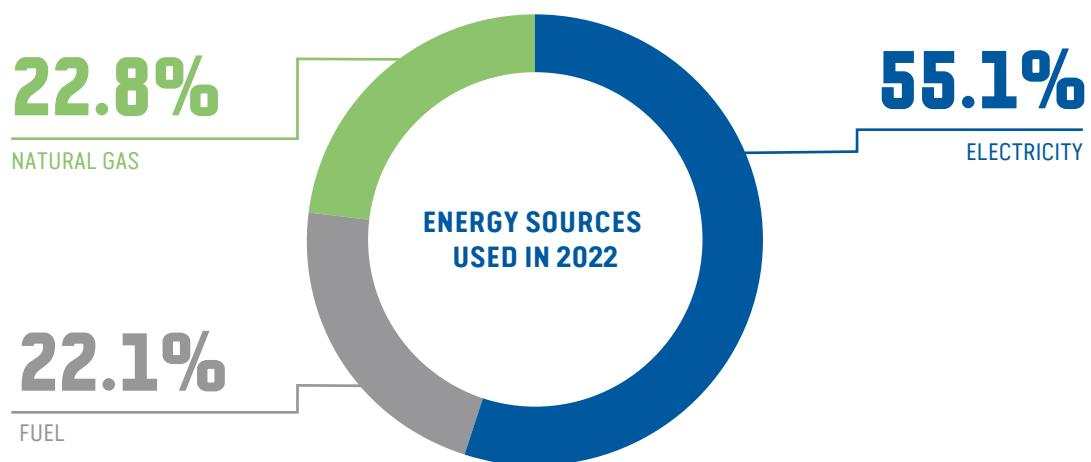
⁹ The Group's energy intensity indicator is calculated as the ratio between the energy consumed (GJ) and the sales achieved (in thousands of euro), limited to the companies included in the scope of reporting.

Energy consumption was 38,421 GJ in 2022.

	2022	2021	2020	2019	2018
Total energy consumption in GJ	38,421	52,986	45,359	48,078	49,759

Until 2021, the energy consumption for companies outside the 2022 scope was also reported following the sale of the motion control business to the WEG Group. With reference only to 2021, consumption totals 13,755 GJ (for further details refer to "11.3. Contributing to the ecological transition – appendix"). Comparing the figure in 2022 with the 2021 figure on a like-for-like basis, there was an overall decrease of 2.1%.

In 2021, the Group's production and commercial activities resumed at full capacity, even exceeding pre-pandemic levels. Hence the need to organise daily production on multiple shifts, even at night, resulting in greater use of electricity for lighting and the plants' power supply.



The **electricity** consumed, which accounts for more than half of its total energy consumption, is mainly used in production processes, in the cooling and ventilation circuits and for lighting of the workspace.

Electricity in GJ	2022	2021	2020	2019	2018
Self-generated electricity	1,505	1,506	738	813	839
Mains electricity	4,137	4,103	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	15,543	22,066	6,894	-	-
Total Electricity	21,185	27,675	24,501	25,854	27,107
Percentage of total energy consumption	55.1%	52.2%	54.0%	53.8%	54.5%

80.5% of the total electricity consumed by the Group in 2022 was produced from **renewable sources**: a portion (7.1%) produced through photovoltaic systems installed on the roofs of some of the Group's Italian plants in Gefran Spa and Gefran Soluzioni Srl (self-generated electricity); 73.4% of the total derives from certified renewable sources (electricity purchased from the grid).

In Italy, the electricity purchased from the grid comes from signing contracts for the purchase of **100% GREEN** energy from certified renewable sources as of September 2020¹⁰. These contracts initially concerned the Gefran Spa and Gefran Soluzioni Srl plants, the companies with the highest electricity consumption. Elettropiémme was also added in 2022. All the Group's Italian companies are now covered by these contracts. Thanks to the 100% *Guarantee of Origin* from renewable sources certified by the supplier, Gefran is classified as a "company sensitive to environmental issues".



With regard to self-generated electricity, production doubled from 738 GJ in 2020 to 1,506 GJ in 2021 (level confirmed in 2022), a result that is also due to the increased efficiency achieved by renovating the plant (replacement of some panels).

¹⁰ According to art.2 of Legislative Decree 387/03, energy sources are: "Non-fossil energy sources (wind, solar, geothermal, wave motion, tidal motion, hydraulics, biomass, landfill gas, residual gas from purification and biogas processes). Biomass specifically refers to the biodegradable part of products, waste and residues from agriculture, including plant and animal substances, and from forestry and related industries, as well as the biodegradable portion of industrial and urban waste."

Natural gas, the second largest source of energy used (22.8% in 2022), is not used in the production process. Consumption is therefore for heating of the workplace.

Natural gas in GJ	2022	2021	2020	2019	2018
Total Natural gas for heating	8,752	16,438	13,682	12,041	12,090
Percentage of total energy consumption	22.8%	31.0%	30.2%	25.0%	24.3%

The increase in gas consumption between 2020 and 2021 is driven by the expansion of operating areas. The 2022 drop is mainly attributable to the change in the reporting scope following the sale of the motion control business.

In 2021, natural gas consumption was 5,688 GJ. On a like-for-like basis, it decreased by 18.6% in 2022.

Fuel consumption represents 22.1% of total energy consumption and comes mainly from diesel and petrol for company vehicles; the item diesel for other uses relates to the supply of fire pumps and generators.

Fuel in GJ	2022	2021	2020	2019	2018
Diesel for company vehicles	6,567	7,763	6,186	8,616	9,303
Diesel for other uses	17	18	26	48	45
Petrol for company vehicles	1,900	1,092	964	1,519	1,214
Total Fuel	8,484	8,873	7,175	10,182	10,562
Percentage of total energy consumption	22.1%	16.7%	15.8%	21.2%	21.2%

Consumption decreased by 4.4% in 2022 compared to 2021, affected by the sale of motion control business activities. The increase registered between 2020 and the following years is due to temporary lockdowns imposed to fight the pandemic, which increased car travel and therefore engine fuel consumption for company vehicles.

In analysis of the Group's activities and the energy consumption associated with them, Gefran takes into consideration **direct consumption** of energy:

- ✓ the use of fuels for company vehicles and for emergency generator units which only come into operation in the event of a black-out;
- ✓ the electricity self-generated by photovoltaic systems installed on the rooftops of factories and used for the operation of systems;
- ✓ the natural gas purchased and used for heating workplaces.

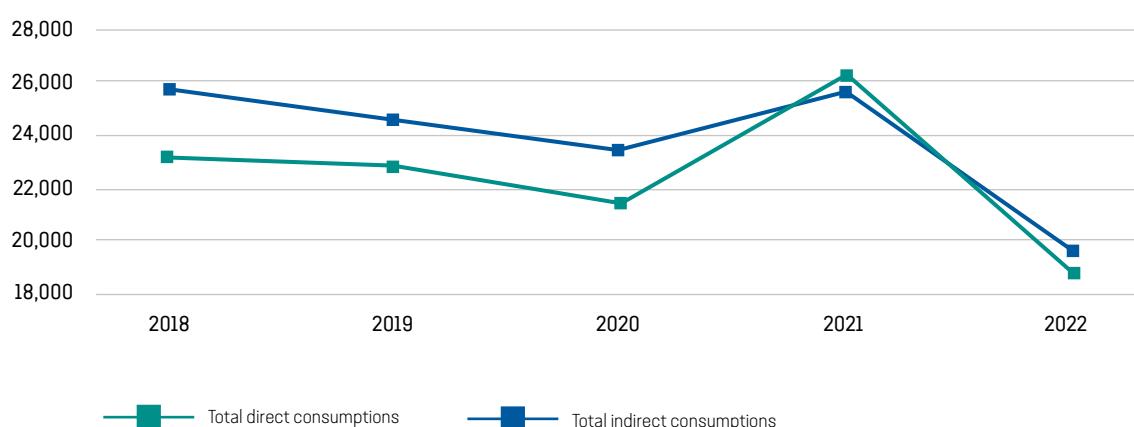
A summary is given in the table below.

Direct energy consumption in GJ	2022	2021	2020	2019	2018
Diesel	6,584	7,781	6,211	8,664	9,348
Petrol	1,900	1,092	964	1,519	1,214
Self-generated electricity	1,505	1,506	738	813	839
Natural gas	8,752	16,438	13,682	12,041	12,090
Total direct consumption	18,741	26,817	21,595	23,036	23,491

The **indirect energy consumption** (reported in the table) refers to electricity from the grid, used mainly in offices.

Indirect energy consumption in GJ	2022	2021	2020	2019	2018
Mains electricity	4,137	4,103	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	15,543	22,066	6,894	-	-
Total indirect consumption	19,680	26,169	23,764	25,041	26,268

CONSUMPTIONS BY SCOPE IN GJ



After gathering data on energy consumption for various purposes, greenhouse gas emissions were calculated. Greenhouse gas emissions connected to Gefran's activities arise from the direct and indirect consumption of energy, and from leakage resulting from consumption of refrigerant gas (F Gas).

Emissions in tCO2	2022	2021	2020	2019	2018
Diesel for company vehicles	487	576	459	639	690
Diesel for other uses	1	1	2	4	3
Petrol for company vehicles	129	74	65	103	82
Natural gas	423	794	661	582	584
Other (F Gas)	-	26	61	-	46
Total direct emissions	1,040	1,471	1,249	1,328	1,406

With reference to the emissions deriving from indirect consumption of electricity acquired from the grid, the calculation is provided with two different approaches: *location-based*¹¹ and *market-based*¹².

Emissions in tCO2 - Location-based method	2022	2021	2020	2019	2018
Mains electricity	546	550	1,869	2,677	2,815
Electricity acquired from the grid, from certified renewable sources	1,360	1,931	688	-	-
Total indirect emissions	1,906	2,480	2,556	2,677	2,815

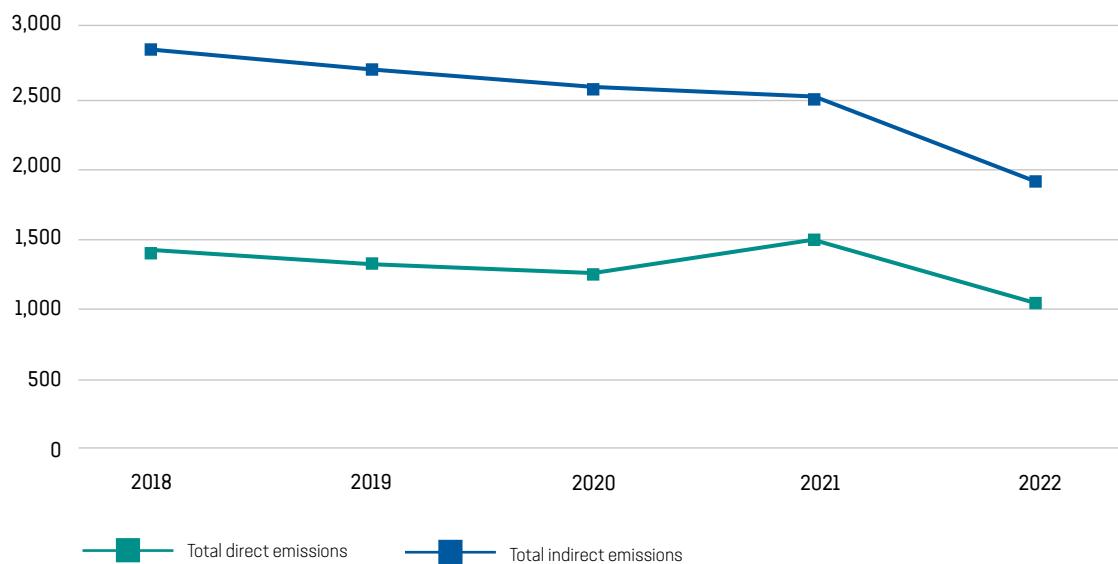
Emissions in tCO2 - Market-based method	2022	2021	2020	2019	2018
Mains electricity	515	532	2,215	3,274	3,464
Electricity acquired from the grid, from certified renewable sources	-	-	-	-	-
Total indirect emissions	515	532	2,215	3,274	3,464

The dynamics described led to a decrease between 2021 and 2022 in indirect consumption emissions in 2021/2022, as per the *location-based* (23%) and *market-based* (-3%) methods.

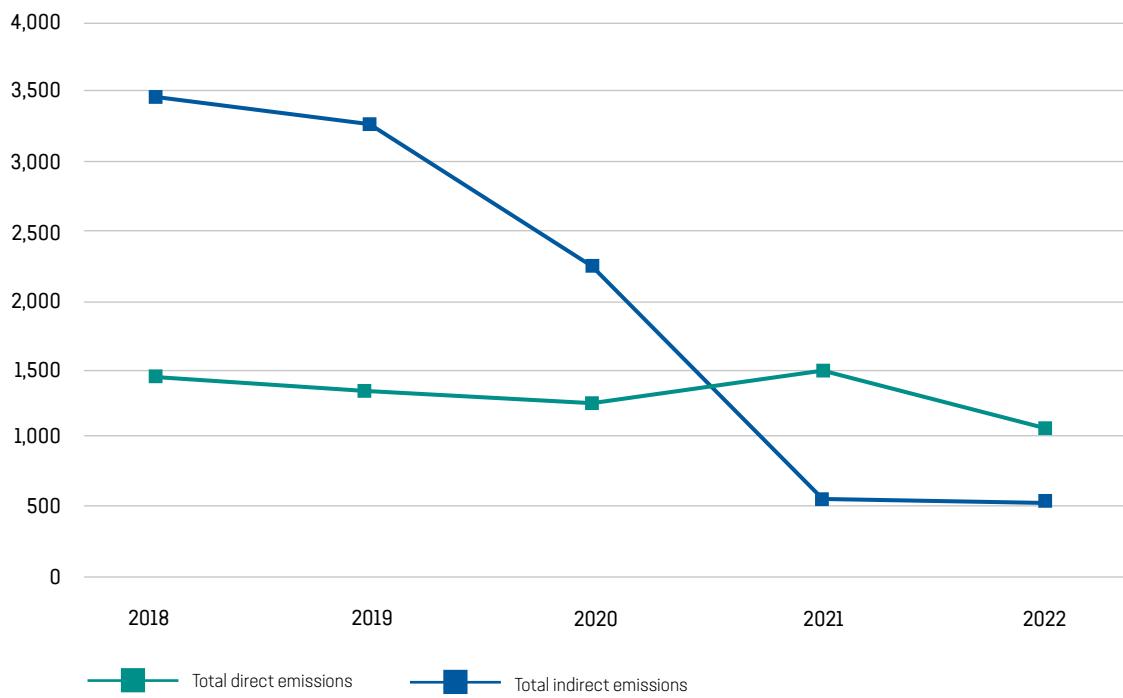
¹¹ Emissions calculated according to the so-called location-based method, taking into account the average intensity of GHG emissions from the grids in which energy consumption is being calculated, using primarily data from the average grid emissions factor.

¹² Emissions calculated according to the market-based method, taking into account the different forms of supply that the Company has chosen, where the energy generation method is certified; the "residual mix" parameter was used in the calculation where the organisation's emissions intensity level is not specified in the signed contracts; for countries where the "residual mix" reference benchmark did not apply (particularly China, Brazil, India, and Singapore), *location-based* conversion factors are applied.

GREENHOUSE GAS EMISSIONS IN tCO2 - LOCATION BASED



GREENHOUSE GAS EMISSION IN tCO2 - MARKET BASED



The emissions intensity indicator¹³ for the last three years, calculated as the ratio between the emissions produced (in tCO2) and the turnover (in thousands of euro) of the plants reported, is set out below:

Emissions intensity	2022	2021	2020	2019	2018
tCO2 over revenues	0.023	0.026	0.032	0.031	0.034

The table below shows the value of **emissions not released into the environment¹³ thanks to the production of electricity obtained from photovoltaic plants installed and the purchase of electricity from certified renewable sources.**

	2022	2021	2020	2019	2018
Yield of PV systems (in MWh)	418	418	205	226	233
Electricity purchased from the grid, certified renewable sources (in MWh)	4,317	6,130	1,915	-	-
Emissions not emitted into the atmosphere (in tCO2)	1,492	2,063	761	81	84

A decrease was recorded in 2022, mainly due to the change in the reporting scope due to the sale of the motion control business to the WEG group. The figure for 2021 (equal to 2,063 tCO2) is significantly higher than the figure recorded in previous years, as a result of both improved performance of the plants achieved thanks to the measures described and the increase in the share of electricity purchased from the green certified network.

¹³ For the purpose of calculating the emission intensity indicator, the so-called location-based approach was used, with a conversion factor of 315 KgCO2/MWh (Terna 2019 data) for 2021 and 2022 and the conversion factor of 359 KgCO2/MWh (Terna 2014 data) for previous years.

Figures for Nox (nitrogen oxide), SO2 (sulphur oxide) and other significant emissions are reported below for companies included in the scope of reporting, breaking them down into vehicle emissions and emissions from production processes:

Emissions in t	2022	2021	2020	2019	2018
Emissions into the atmosphere from motor vehicles					
NOx					
NOx	2.047	2.344	1.874	2.622	2.802
SO2	0.003	0.003	0.002	0.003	0.004
PM10	0.133	0.150	0.120	0.169	0.180
VOC	0.438	0.275	0.239	0.369	0.309
Emissions into the atmosphere from production processes					
VOC	0.961	1.180	0.223	0.293	0.344

The increase in atmospheric emissions from production process in 2021 and 2022 compared to 2020 is due to the inclusion of the Gefran Spa and Gefran Soluzioni Srl plants in the calculation, where were not included until 2020.

7.2

WATER MANAGEMENT¹⁴

Contributing to the ecological transition also means protecting water resources. Gefran operates to ensure proper management and monitoring of water withdrawals, discharges and consumption, although it is not used in production processes. The company's consumption is only civil in nature and relates mainly to water withdrawals.

As with energy data, for water withdrawals as well, in 2020, due to the effects of the pandemic, a reduction was recorded compared to the previous year. Less recourse to smart working in 2021 contributed to increased withdrawals. It should also be noted that beginning in 2021, groundwater withdrawals by Gefran Spa for the irrigation of green areas are also invariably reported.

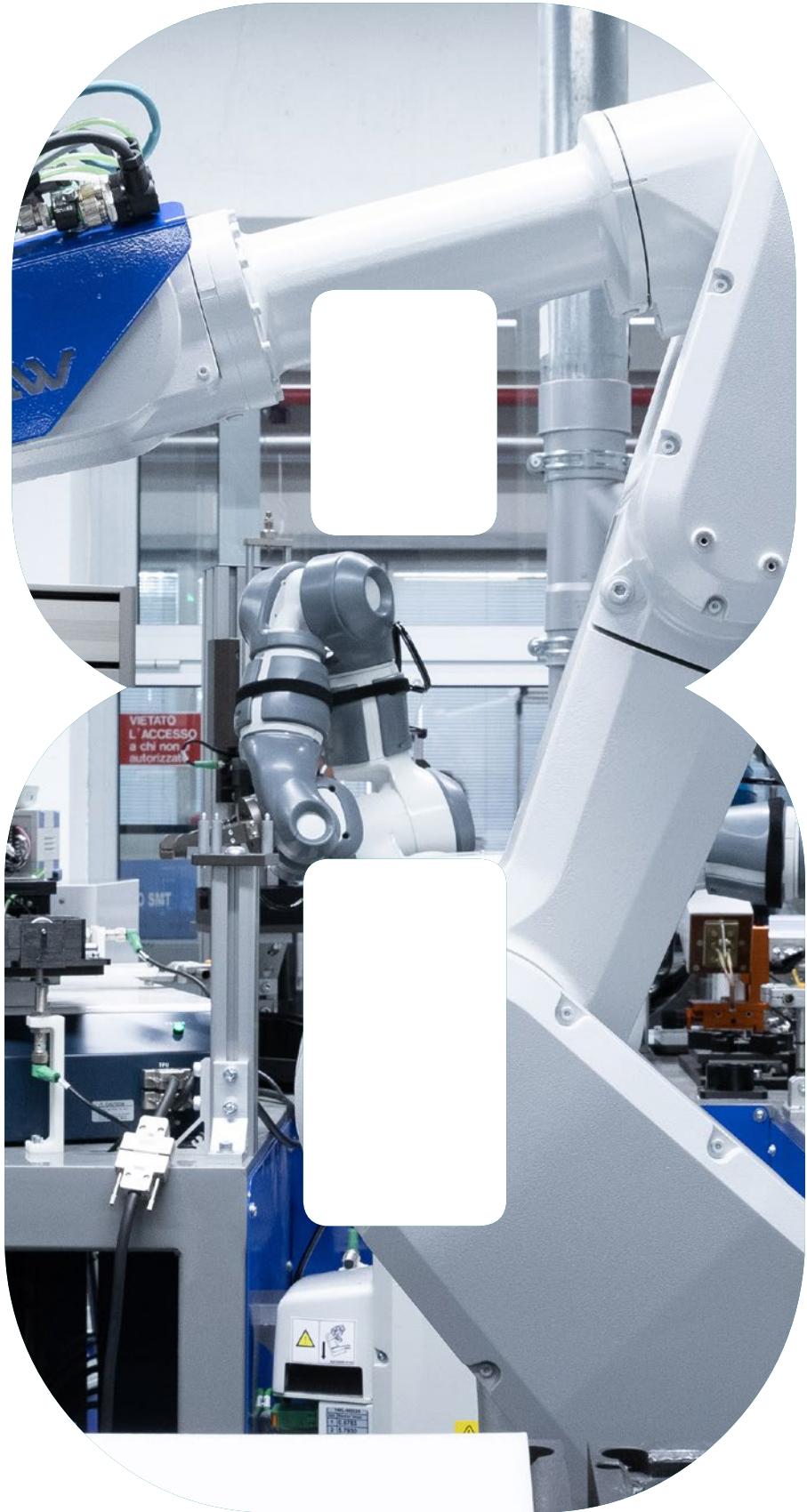
As already noted for other types of consumption, water withdrawals in 2022 were also lower than 2021 due to the sale of the motion control business to the WEG group.

Water withdrawals in m ³	2022	2021	2020	2019	2018
underground water	2,304	2,055	-	-	-
third-party water resources (from water mains)	10,713	17,648	17,252	19,970	24,671
Total volume of water taken	13,017	19,703	17,252	19,970	24,671

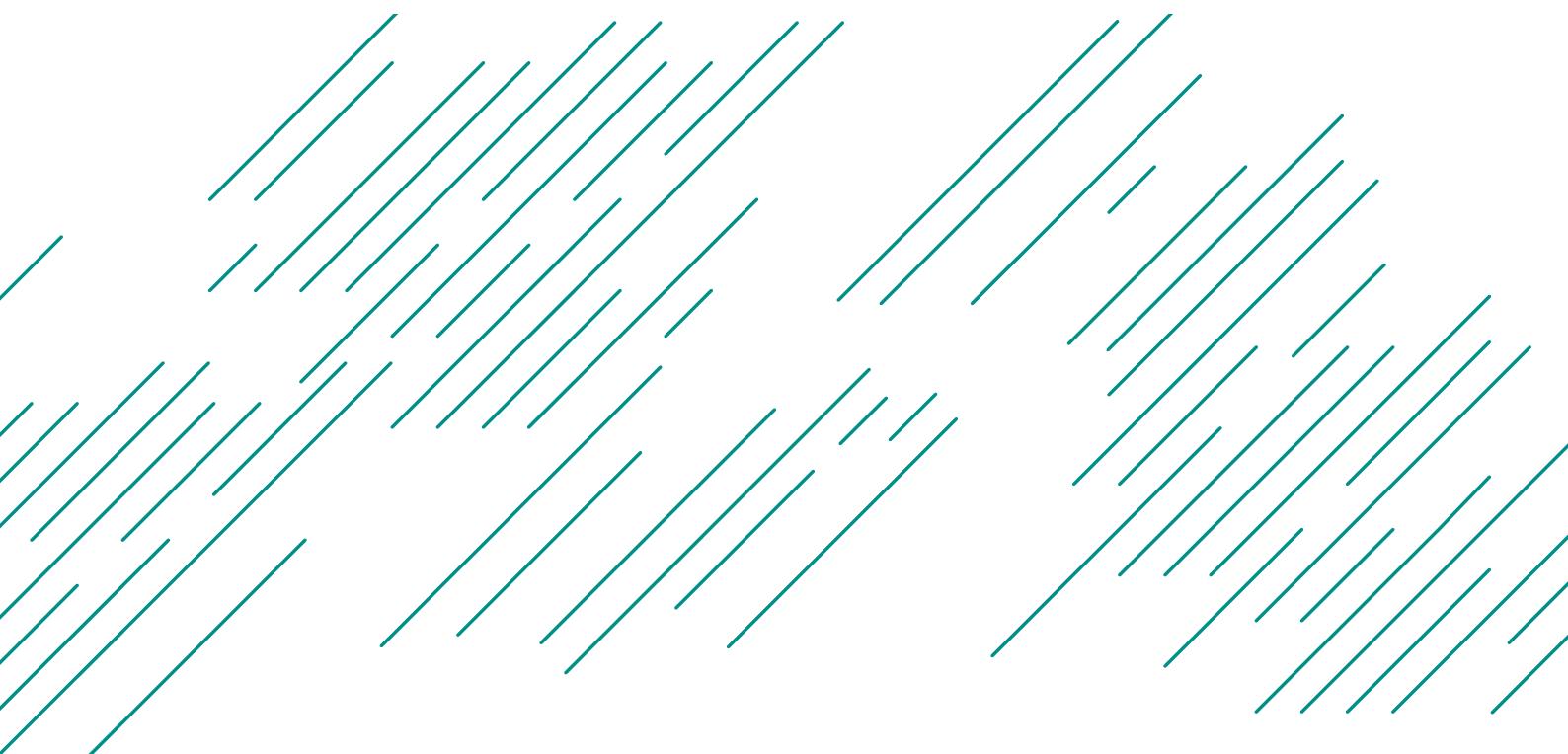
¹⁴ The reporting of water withdrawal data, except as otherwise provided, has been carried out involving all the companies in the Gefran Group with the exception of certain companies, since they are purely concerned with marketing, as well as having a limited volume of business and a small number of employees. For these reasons, their impact on reporting energy and environmental data is deemed to be of marginal relevance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR) and Gefran Benelux Nv (BE). It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE). To provide more transparent information to the reader, key data relating to these two entities are highlighted in section "11.3. Contributing to the ecological transition – appendix".

Some Group companies were unable to report and therefore estimates have been reported based on average consumption for employees in companies of a similar size. This applies to Gefran Siei Asia Pte Ltd (Singapore), while up to the year 2020, estimates were made not only for Gefran Siei Asia Pte Ltd but for Gefran India Private Ltd (India) as well.

The water withdrawal analysis was also conducted, in relation to geographical areas, in terms of **water stress**, according to the World Resources Institute classification. 91.2% of the Group's total water consumption in 2022 (54.6% of the total volume in 2021) took place in areas classified as "high" or "extremely high" water stress. These categories include the withdrawals of Gefran Spa and Gefran Soluzioni Srl (Italy), Gefran Siei Drives Tech. Pte Ltd (China), Gefran Brasil Elettroel. Ltda (Brazil), Gefran Deutschland GmbH (Germany), Gefran India Private Ltd (India), the latter the only Group company located in an area classified as "extremely high" water stress. The deterioration of the indicator is due to the change in the reporting scope which, following the sale of the motion control business, has no longer included Gefran Drives and Motion Srl (Italy) from 2022, whose plant is located in areas classified as low water stress.



SUSTAINABLE PRODUCT INNOVATION



8.1

PRODUCT SAFETY AND QUALITY

Safety and product quality are key factors and competitive levers of strategic importance. Gefran has obtained certifications guaranteeing operator safety such as, for example, those based on the **Atex specifications** or **Sil2/Pl'd' industrial safety standards**. The development processes of new products (acceptance of materials, intermediate production phases, final testing) are carried out with particular attention to identifying applicable regulations and the evaluation of subsequent performance.

The commitment to **supply cutting-edge safety products** is also reflected by the involvement in the work of the **Italian Electronic Technical Committee (CEI)**, which enables the acquisition of knowledge to be applied in product innovation, and the employment of specialised consultants in product certification.

There is an ongoing commitment to product innovation taking into account European and international safety directives. Since 2017, Gefran has been developing production processes, products and technologies that reduce the potential negative impacts on the environment and people in compliance with the **ROHS directive**, which introduced restrictions on the use of hazardous materials in electrical and electronic equipment. As a downstream user of chemicals, Gefran operates to ensure that its supply chain fulfils the tasks set out in the European REACH Regulation, ensuring continuity of supply and information to client companies when required.

With specific reference to the **pressure sensor** range, Gefran provides customers and end users with products with high standards of functional safety (**PL-Performance Level** and **SIL-Safety Integrity Level**) and sensors suitable for use in areas exposed to explosion risk (**IECEx, ATEX, FM, EAC Ex, Kosha, PESO, Nepsix**).

The **automation components** range also demonstrates the ongoing effort to operate in line with high functioning and safety standards (such as **SCCR approval under UL 508**) to guarantee that users enjoy a level of protection.

To maintain leadership in product quality and health and safety assurance for users, Gefran has established an effective quality management system, which is systematically updated in compliance with the **UNI EN ISO 9001:2015** requirements. The standard ensures that products comply with certain requirements and applicable regulations (also on a voluntary basis). It is also aimed at finding, selecting and working with suppliers that best meet the company's needs in terms of technological capacity, quality and service. The system contributes to the correct interpretation of needs by laying the foundations for better service delivery, full customer satisfaction and the building of lasting relationships.

The following is an outline of the processes, involving several company areas, that are applied under the Quality Management System.

Strategic processes	Operative processes	Support processes
<ul style="list-style-type: none"> - Strategy - Product plan approval - Three-year plan 	<ul style="list-style-type: none"> - Commercial - Innovation - Operations - Procurement 	<ul style="list-style-type: none"> - Management control - Information Systems - Human resources - Measurement, analysis and improvement

For each process, specific responsibilities are attributed to ensure product quality and safety:

/ the Division management and the Chief Technology Officer define the product plan and submit it for the Chief Executive Officer's approval, also for the purposes of integration into the Company's three-year plan;

/ Product Managers indicate the requirements of the customer or the market served (with the assistance of the sales staff), integrate input from the innovation area on trends in technological evolution, and monitor the development of binding regulations and certifications which increase security and therefore add a competitive advantage;

/ R&D develops the product and certifies that it complies with all the characteristics and standards in the technical specifications identified by the **Product Managers, including any additional** certifications;

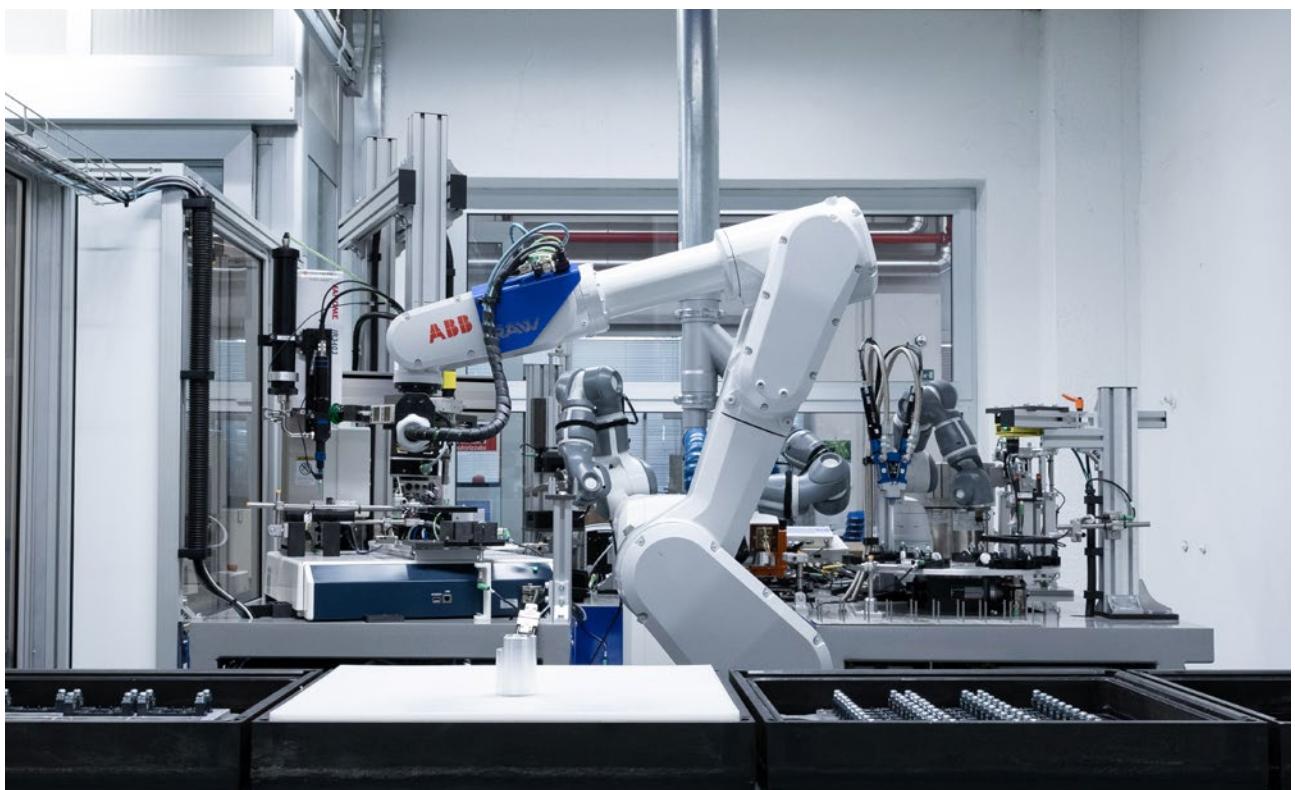
/ the Product Compliance department, in collaboration with the R&D area, continuously strives to adapt product characteristics to meet the safety requirements of different application sectors and best meet customer needs;

/ Engineering industrialises and develops products through the analysis and identification of production procedures that mitigate possible risks deriving from the incorrect management of production processes;

/ the **Operations** area takes care of manufacturing: during the process the necessary control points will be in place to ensure compliance with the product characteristics (Gefran performs control tests for 100% of the products and aims to insert automated controls to make them more effective than the manual controls);

/ Quality measures and analyses performance to guide continuous improvement.

In case of critical issues, Purchasing and R&D are promptly involved, which implement specific investigations to diagnose problems, minimise risks and implement prevention plans. If necessary, with the support of the Marketing team, actions are performed to return the product with repair or replacement.



8.2

TECHNOLOGICAL INNOVATION

Gefran came about and established itself through important investments in innovation: R&D is a fundamental trait of the company and still represents the fundamental value creation lever. This mission naturally equips the company to achieve the sustainability objectives, which require the ability to innovate processes and products.

R&D is therefore focused on the investigation and application of **eco-friendly solutions** products, which improve energy consumption.

Sustainable innovation is developed along two lines, both focused on producing products that have evolved functionality, and can guarantee better performance and energy savings: **incremental innovation** and **discontinuous innovation**.

Incremental innovation involves enhancement and development of new capabilities and functionalities of products that guarantee energy savings thanks to the intrinsic efficiency of the product and the possibility of managing the process more efficiently (through the greater availability of field data and more advanced control functions).

The company has laid out a product development roadmap across both business areas, which resulted in two main lines of action in 2022:

- / sensors, static units and power controllers equipped with IO Link connectivity, also able to digitalise the deepest components of the machinery and extract the data needed to increase process efficiency;
- / evolution of the firmware and software portfolio to enter new market segments (e.g. pharmaceuticals) and increase control capabilities, also to improve machine and plant efficiency.

Discontinuous innovation is mainly aimed at expanding the product range in the field of industry 4.0 solutions. The goal is to promote digital culture, the open innovation focus and a market approach to result in an offer that can complement the product with innovative services. Services made possible by collecting data from our sensors and devices and transforming data into information, through algorithms and business intelligence, to improve our customers' core processes.

A unique example of **eco-sustainable product** is the melt sensor without filling fluid (Impact), developed since 2007 and placed on the market in 2009 in anticipation of the European RoHS Directive 2011/65/EU (issued in June 2011 and regulating the placing on the market of industrial monitoring and control devices since 22 July 2017). Along the same lines, the evolution of the melt sensor range with the introduction of NaK sensors, filled with a mixture of sodium and potassium, an alternative to mercury. Turning to power control in thermal processes, Gefran has renewed almost the entire portfolio in less than three years, introducing products that increase plant control options and **enable actions to reduce the energy consumption of end users**.

In 2022, the R&D area of the components business released new products that allow **substantial changes in production processes** by optimising performance, energy efficiency and error prediction/prevention. In addition to the GRP, launched in late 2021 and brought to the market in 2022, the first power controller in the world was released with **IO-Link connection**. This connection bus allows the GRP and the GRM to transmit diagnostic data that anticipate, prevent or mitigate machine malfunctions while increasing user safety.

In the R&D area of the sensors business, significant resources have been invested to expand the range of available field buses. Development of the first Gefran magnetostrictive sensor has started for Ethercat machine architectures, with high metrological performance and the ability to collect and transmit diagnostic data useful for preventing or mitigating plant failures.

The KS-I pressure probe with the IO-Link connection has also been brought to the market, and is also equipped with diagnostics (e.g. peak detection of pressure or overheating) to prevent potentially risky situations for operators. Finally, the Twiist multivariable sensor was launched, with 3D Hall technology for measuring pressure. Equipped with IO-Link and CanOpen connections, this sensor is able to measure, process and transmit a wide range of data representing the operating conditions of the machinery to which it is applied. For example, it is able to measure vibration at critical points in the machine cycle. With Twiist, the amount of information that can be used to prevent risk situations increases significantly.

In 2022, Innovation continued to develop Digital Twin solutions to accompany Gefran's products, *condition monitoring* algorithms and architectures for data transmission from the field to the edge and cloud. These projects maximise the potential of products in Ethercat and IO-Link, allowing the use of data generated to develop *predictive maintenance* or performance optimisation solutions.



8.3

DIGITAL TRANSFORMATION

In 2021 Gefran launched important digital transformation projects aimed at optimising operations processes (Gefran Smart Factory). The projects, which are still in progress, include an analysis and review of processes to streamline and improve quality assurance and efficiency. It aims to digitalise processes that are also believed to bring environmental benefits.

The enhanced analysis capacity resulting from the introduction of monitoring systems and standardised procedures will enable actions aimed at production efficiency, including with regard to material waste generated by production. Digital document management will help to reduce the use of paper and printed matter; better management of different types of outgoing product packaging will streamline transport.

Some management methods initiated in recent years have now been consolidated:

- the management of meetings held by the company's governance bodies through the support of digital tools avoids documents being printed on paper; optical archiving of invoices and books reduces paper consumption;
- the management of documents concerning relations with employees (pay slips, refunds, etc.) is carried out through a dedicated digital platform avoiding the use of paper forms;
- the use of inkjet printers reduces energy and material consumption.

All the devices installed will save electricity and emissions: about 11,064 kWh in consumption and 3,662 Kg of CO₂ in the period 2020-2025, certified by *Energy Savings*.

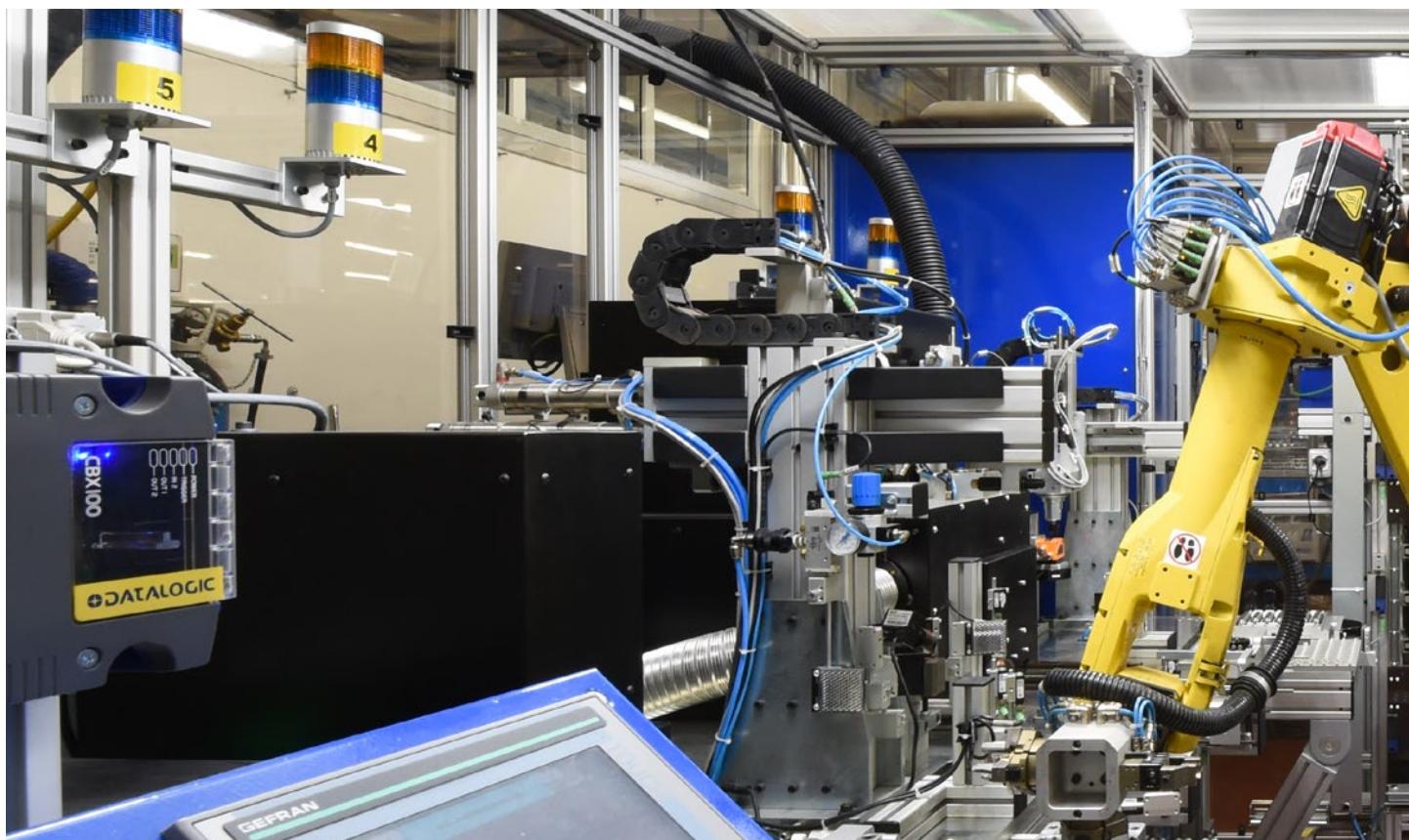
In packaging management, digital transformation helps to optimise transport by more efficiently managing the different types of output product packaging and has helped to replace the printed product manuals, initially (2012) with digital CD media, later (2019) through the publication of online documentation that provides customers and end users with the most up-to-date version. Product packaging is made of fully recyclable material.

8.4

CUSTOMER CARE

One of the Gefran's key goals is to support customer companies in improving the performance of technological processes, by ensuring continuity and maximising value. Passion, energy, expertise and innovation allow effective and targeted responses through proprietary technologies that deliver the company promises of reliability, quality and safety.

Customers are overseen by Sales staff in collaboration with the Marketing area, which work together to study specific needs, fields of application and the areas in which the products will be installed to guide the companies' choice as well as possible in compliance with the safety protocols of each application sector.



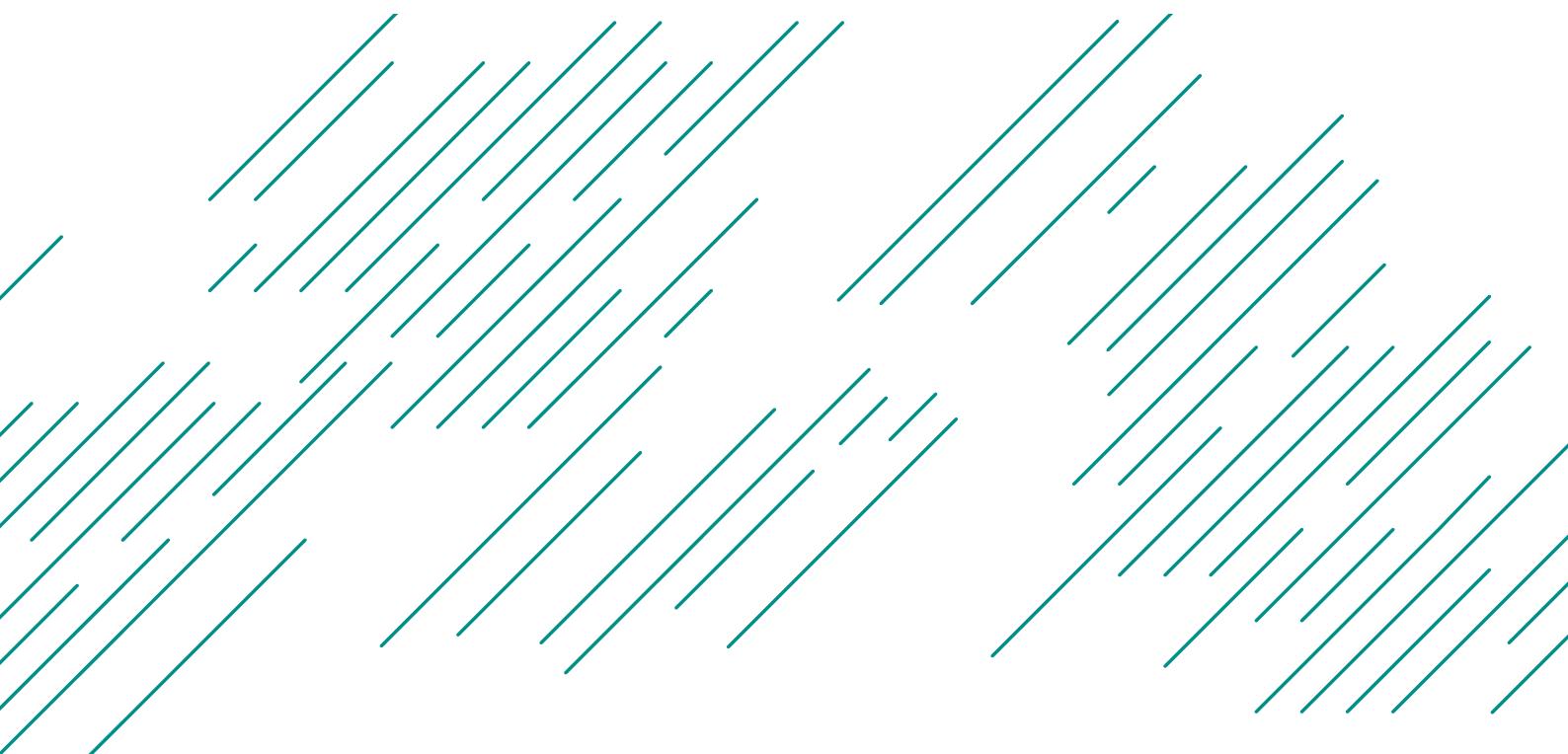
Gefran also offers its customers a pre- and after-sales technical service and a RMA (Reparation) service accessible from the company portal, which, depending on the geographical area, directs to a telephone contact or an e-mail address to take care of the need.

The customer care also entails the ongoing assessment of the health and safety impacts associated with the use of the products and services provided by the Group. The analysis of the product categories sold, and excluding the binding certifications, shows that for 42% of the series available in the catalogue and sold by the Group in 2022 third-party voluntary product certifications were obtained, which require certain safety requirements in the various areas of application (UL/FM, CSA, EX, PL / SIL and E1 to name a few).





SUPPLY CHAIN SUSTAINABILITY



9.1

SHARING CULTURE

Sharing values and ethical principles with the components of the supply chain is a requirement that Gefran considers primary to achieve sustainability objectives. It means ensuring that suppliers are committed to respecting human rights, protecting workers' health and safety, protecting the environment and ensuring traceability of raw materials.

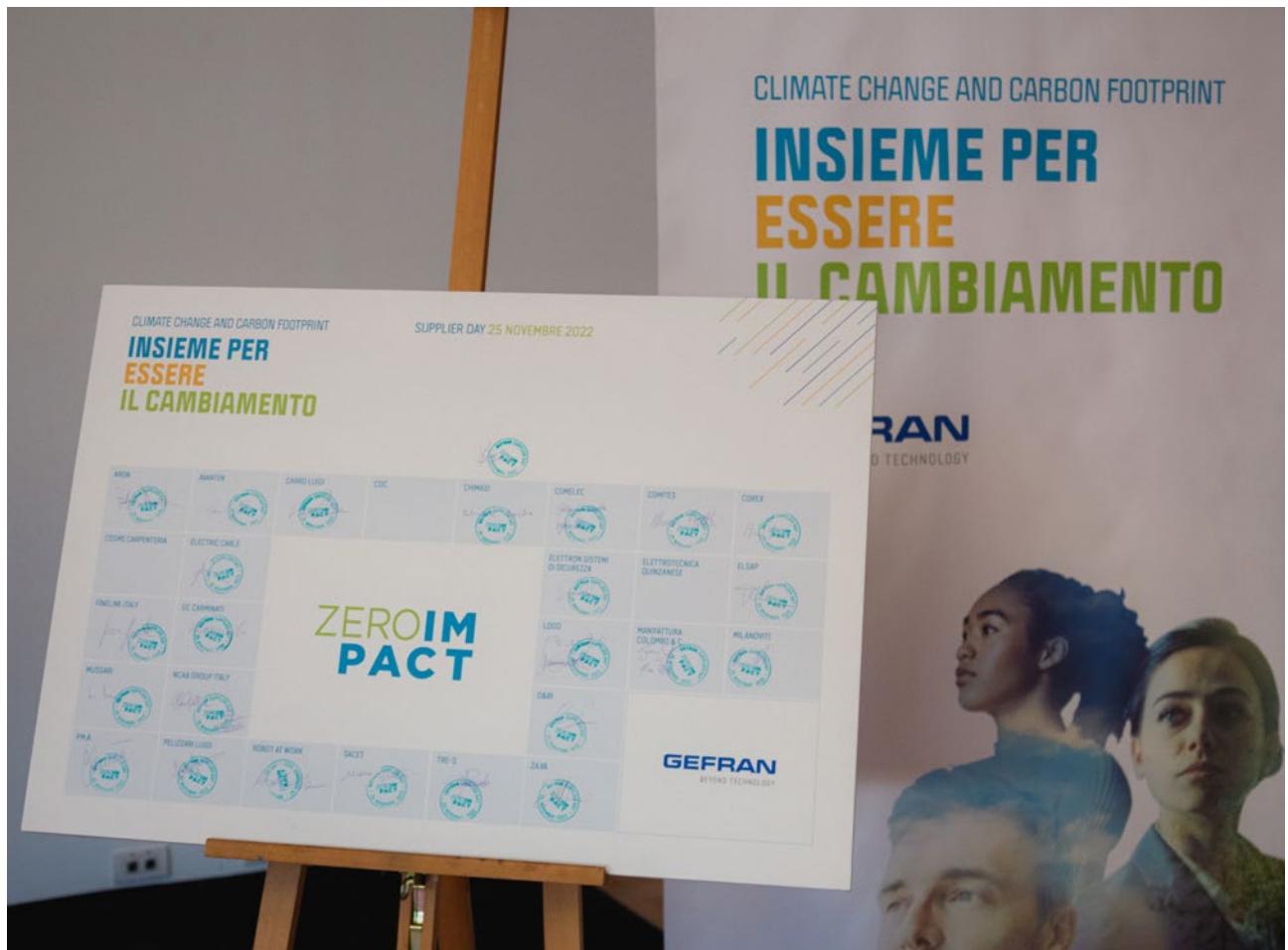
In 2020, Gefran launched the project **Promoting a sustainability culture**. This targets local suppliers, which are generally small companies with limited access to sustainability solutions and not always equipped with resources to develop actions in this area, even when sensitive to the issues.

The project launch was structured into three phases. In the first phase, an internal training session was held for the working group (the Purchasing and Quality, Safety and Environment department) to acquire basic skills. In the second phase, the documentation used for supplier evaluation audits was reviewed by integrating it with a section dedicated to sustainability issues. In the third phase, an event was organised to involve suppliers: on 25 November 2021, the day Gefran had been dedicating to sustainability for the past three years, the first Supplier Day took place.

The project continued in 2022 with a focus on cutting emissions, the core objective of the business strategy. Two projects were developed with local suppliers, arising from ideas and requests following the 2021 Supplier Day. The first project led to the replacement of traditional packaging that can only be used once with an innovative solution developed to be fully reusable. Packaging is specially designed to pack, protect and ship the materials to Gefran and, once delivered, the packaging is returned to the supplier for reuse. This solution reduces the carbon footprint of both Gefran and the supplier.

The second project was carried out by a company that, thanks to the support of Gefran and a specialised consulting company, was able to start the path towards sustainability with an on-site assessment of its context. The evaluation report generated recommendations and possible applications which were translated into an action plan implemented by the company.

During Supplier Day 2022, the Scope 3 emissions calculation plan was shared with suppliers. At the end of the day, a membership pact (**ZeroIMPact**) was symbolically signed which the relevant suppliers then formally signed themselves.



9.2

THE SUPPLY CHAIN

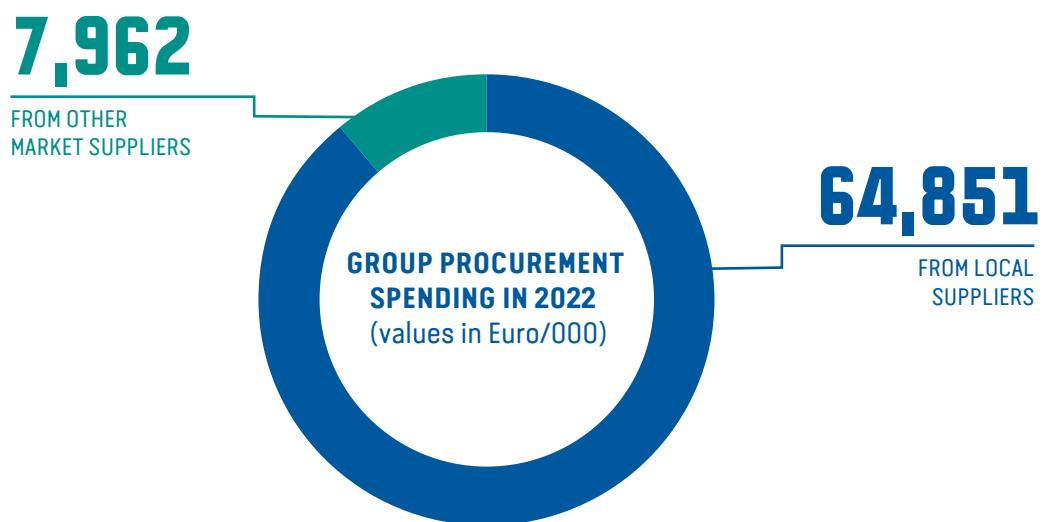
Gefran's strategic stakeholders are its **suppliers and business partners**. Closely involved in the running of the business, they are an essential factor in ensuring the highest quality standards and achieving performance, economic and sustainability objectives.

The market in which Gefran operates has variable demand and offers very quick delivery times. Add to this the fact that most of the production is classifiable as *high mix-low volume* (many finished product codes in the catalogue, each with recurring volumes that are not high), the need arises for a short supply chain, capable of acting quickly and flexibly. For this reason, local suppliers are involved in drawing up procurement plans to respond to rapidly changing demand. It is often the case that some suppliers, owing to their skills and know-how, are involved from the development phase of new products in jointly designing components and specific or custom parts.

Gefran's supplier base consists of large multinational groups and local suppliers with specific *know-how* and flexibility. They make up the supply chain: suppliers of materials in BOM; suppliers of materials not in BOM and services.

Local suppliers mean suppliers from the country where the plant is based. An in-depth analysis of the expenditure for local suppliers was carried out for all the production companies. for the sales companies, it was conducted in a marginal way, as 71.1% of their procurement comes from intercompany purchases and the remaining part from local supplies.

The analysis showed that procurement expenditure in 2022 totalled 72.8 million euro (93.2 million euro in 2021, when the amount included purchases for motion control business activities, which was sold and left the reporting scope in 2022), with local supply accounting for 89.1% of total purchases (85.8% in 2021). To provide more transparent information to the reader, key data relating to these two entities are highlighted in section "11.4. The sustainability of the supply chain – appendix".



2021 was also marked by strong demand for active electronic components (especially microcontrollers and chips), which resulted in significant increases in supply times and a general shortage of materials. For this reason, purchases were also made on the open market (suppliers not located in the territory) which guaranteed the continuity of flows of materials and prevented production shutdowns. In 2022, the chip market crisis intensified, and at certain times exacerbated, prompting the introduction of new and more effective measures.

Collaboration with R&D intensified and made it possible, through partial or total product redesign, to activate second sources for materials that are more difficult to source and yet fundamental to product implementation. At the same time, inter-departmental teams (Logistics and Production) were created to overcome the increase in delivery times, with flexible and dynamic solutions adapted to the complexity and unpredictability of the moment. It has thus been possible to guarantee the continuity of the flows along the supply chain and avoid interruption of production.

9.3

THE RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

Gefran purchases raw materials, products and services from suppliers in culturally and economically different countries. This is why Gefran sets out the general standards for evaluating suppliers and the principles that characterise the Group's approach to sustainable management of the supply chain. Monitoring procurement processes is essential to ensure the highest standards of quality and product security, while respecting the environment and human rights.

Responsible procurement is based on the selection of suppliers through **a qualification process** that is applied differently according to the category of supplier (direct or indirect). Gefran uses an *e-procurement portal* on which a form allows preliminary registration and accreditation of new suppliers.

In the case of suppliers of materials employed directly in the production process, information on the productive and economic structure is collected through evaluation questionnaires and information from third parties. The Quality department also performs an audit to certify the suitability of suppliers of components deemed strategic.

For suppliers of indirect materials and services, the qualification procedure is simplified, with the exception of undertakings for the disposal of waste and suppliers of contracted services, which are required to produce the documentation stipulated by the regulations in force for qualification purposes. Since 2020, a dedicated procedure has also been developed for service providers. In compliance with the regulations in force, all service providers who require the physical presence of personnel on company premises for the provision of the service are obliged to complete a procedural accreditation process involving the signature and delivery of documents attesting to their professional and documentary qualifications in terms of safety and job protection.

During the qualification process for new suppliers of BOM, the **signing of the Sustainability Pact**, which integrates adherence to the principles of the Global Compact and the Group **Code of Ethics and Conduct**, is required as a prerequisite for activating a partnership with aspects relating to the management of environmental, reputational and financial risks.

The key goal of this document is to direct Group companies to work with suppliers who share and implement the Group's vision of sustainability and manage their business in an ethical, responsible way, demonstrating respect for people and the environment.

These are the assumptions on which the Pact is based, which includes the elements considered essential for a supplier to have a commercial relationship with Gefran:

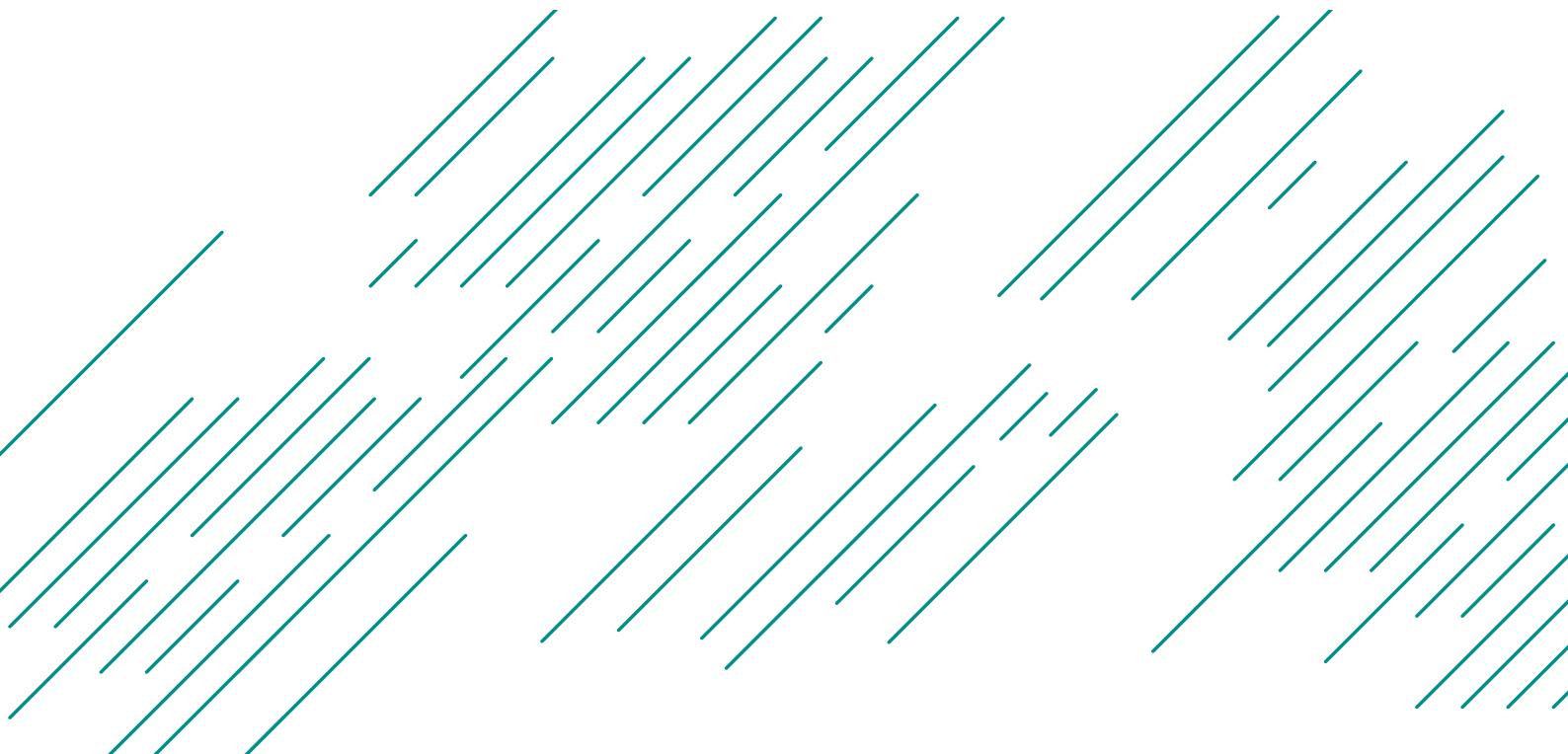
- ✓ Human rights;
- ✓ Occupational health and safety;
- ✓ Environment;
- ✓ Fight against corruption;
- ✓ Financial solidity;
- ✓ Reputation.

To mitigate the risks of non-respect for human rights, work accidents by minors, forced labour and breaches of freedom of association and collective bargaining, the **supplier's evaluation and qualification sheet** has been integrated with a section dedicated to workplace health, safety and ethics.

Gefran has established procurement policies published on the Group's website (<https://www.gefran.com/it/pages/85-product-compliance>) to assure customers that products comply with the main European and international human rights regulations.

As regards minerals from conflict zones (referred to as **Conflict Minerals**), Gefran undertakes to procure responsibly and considers mining activities that fuel conflicts to be unacceptable. Gefran's commitment is in line with the activity **of the Electronic Industry Citizenship Coalition® (EICC®)** and of the **Global and Sustainability Initiative (GeSI)** to improve the transparency and traceability of metals in the supply chain.

For this purpose, the BOM of the products manufactured by the Group is periodically mapped to identify the presence of the four minerals covered by the regulations (tungsten, tantalum, gold and tin). After this first check, suppliers are subsequently identified who could potentially use such minerals in their production process, and they are required to certify that their procurement does not occur in conflict zones, collecting information according to standards made available by **Responsible Minerals Initiatives (RMI)**.



9.4

COMMUNITY AND ITS TERRITORY

Gefran's close ties with the community and the territory where it operates is reflected by its partnership with schools and universities, and the social, educational, health and sports initiatives carried out by the Parent Company Gefran Spa, which bring together several local organisations.

SOCIAL PROJECTS

As has been the case for more than 10 years, Gefran supported the international project S.F.E.R.A. in 2022. Onlus, a non-profit association promoting Development, Fraternity, Education, Responsibility and Hospitality through the "Maison de Paix" S.F.E.R.A. project, was founded in 2011. It is committed to building a multi-purpose centre in Kikwit (Congo) to contribute to a healthy and productive life for the local population.

Thanks to Gefran's support, four buildings have been built over the years: an infants' school, a home for the nuns and a chapel, workshops and warehouses, and technical utility areas. The project envisages the construction of other buildings: the women's vocational training centre, accommodation and medical clinics.

In 2022, the Parent Company Gefran Spa also confirmed the adoption of the *Children's enterprise* programme, promoted by Save the Children Italia Onlus. Through the charity organization companies can pay an annual contribution to support projects that help the most disadvantaged children in Italy and across the world.

Gefran also supported the Italian organ donation association (AIDO), Caritas Brescia emergency in Ukraine, the Nadia Toffa Foundation and the Carolina Zani Foundation.

TRAINING PROJECTS

In 2022, the Parent Company Gefran Spa financed a number of initiatives to better educate young people.

The company is one of the promoters of Fondazione Itis Benedetto Castelli, a foundation which:

- proposes and manages initiatives of all kinds aimed at preserving and adding to the technical infrastructure at Istituto di Istruzione Superiore Benedetto Castelli in Brescia;
- proposes and manages initiatives of all kinds aimed at involving teachers and students from the I.I.S. Castelli to improve the efficacy and efficiency of teaching and learning;
- promotes and manages initiatives of all kinds aimed at developing synergies between businesses and I.I.S. Castelli to help educate students in the best possible way;
- promotes initiatives of all kinds aimed at helping I.I.S. Castelli graduates find employment, also by promoting on-the-job experience opportunities.

Gefran helped an I.S.E.O. student participate with a scholarship. Summer School: an academic course on matters relating to the global economy, organised by the Istituto di Studi Economici e per l'Occupazione (Institute for Studies on Economics and Employment), currently chaired by Professor Robert Solow, the winner of the 1987 Nobel Prize for economics.

CULTURAL PROJECTS

In 2020, based on a three-year agreement, Gefran joined the cultural project *Alleanza Arte Culture* which aims to build a lasting, participative and mutually beneficial relationship between the foundation, companies, educational institutions, organisations and foundations to enhance the artistic heritage of the city of Brescia including by supporting major cultural events.

PROJECTS FOR SPORT

Gefran sponsored some youth football and basketball teams and *Gimondi Bike*, an event created for entertainment purposes and to appreciate the nature of the area including the Franciacorta trails, the shores of Lake Iseo and the surrounding hills.

Young people are also supported by the sponsorship of the sports club Rugby Brescia, which over the past two years has also carried out a project with social, educational, health, sports and social inclusion purposes.

9.5

WASTE MANAGEMENT¹⁵

The responsible disposal of waste produced is an integral part of the environmental sustainability policy.

Gefran manages it in compliance with the regulations in force in the various countries where it operates, collecting information and data on waste produced to ensure constant monitoring. The activity is implemented through a timely reporting system, followed by the integrated Quality, Safety and Environment function.

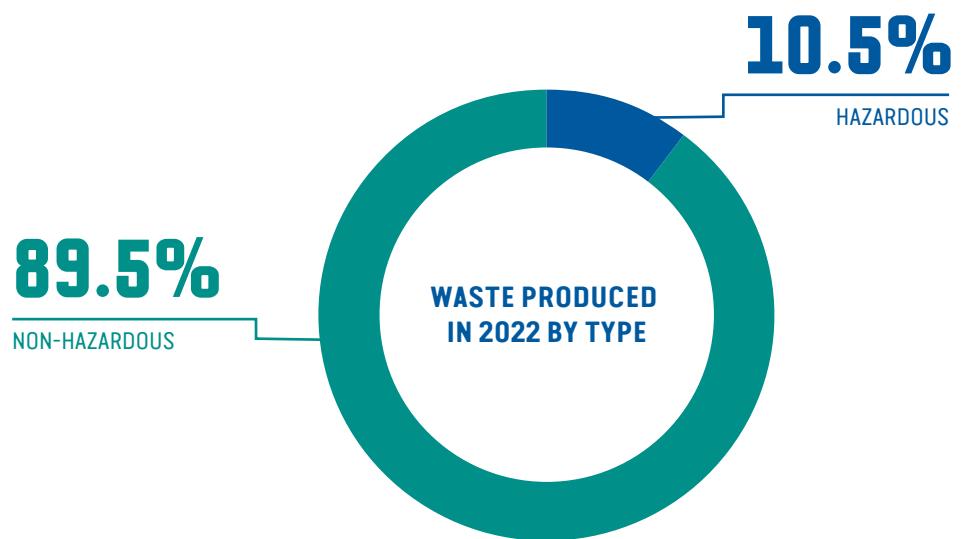
For all Group companies, there is a systematic classification of waste types with timely collection of the relevant quantities produced. This allows the identification of waste compliant with the European Waste Code (EWC) and the standardisation of temporary storage areas prior to collection.

To facilitate data monitoring and reporting, aggregate indicators based on the values generated by individual establishments have been defined, paying particular attention to the distinction between hazardous and non-hazardous waste and how they are disposed and recovered.

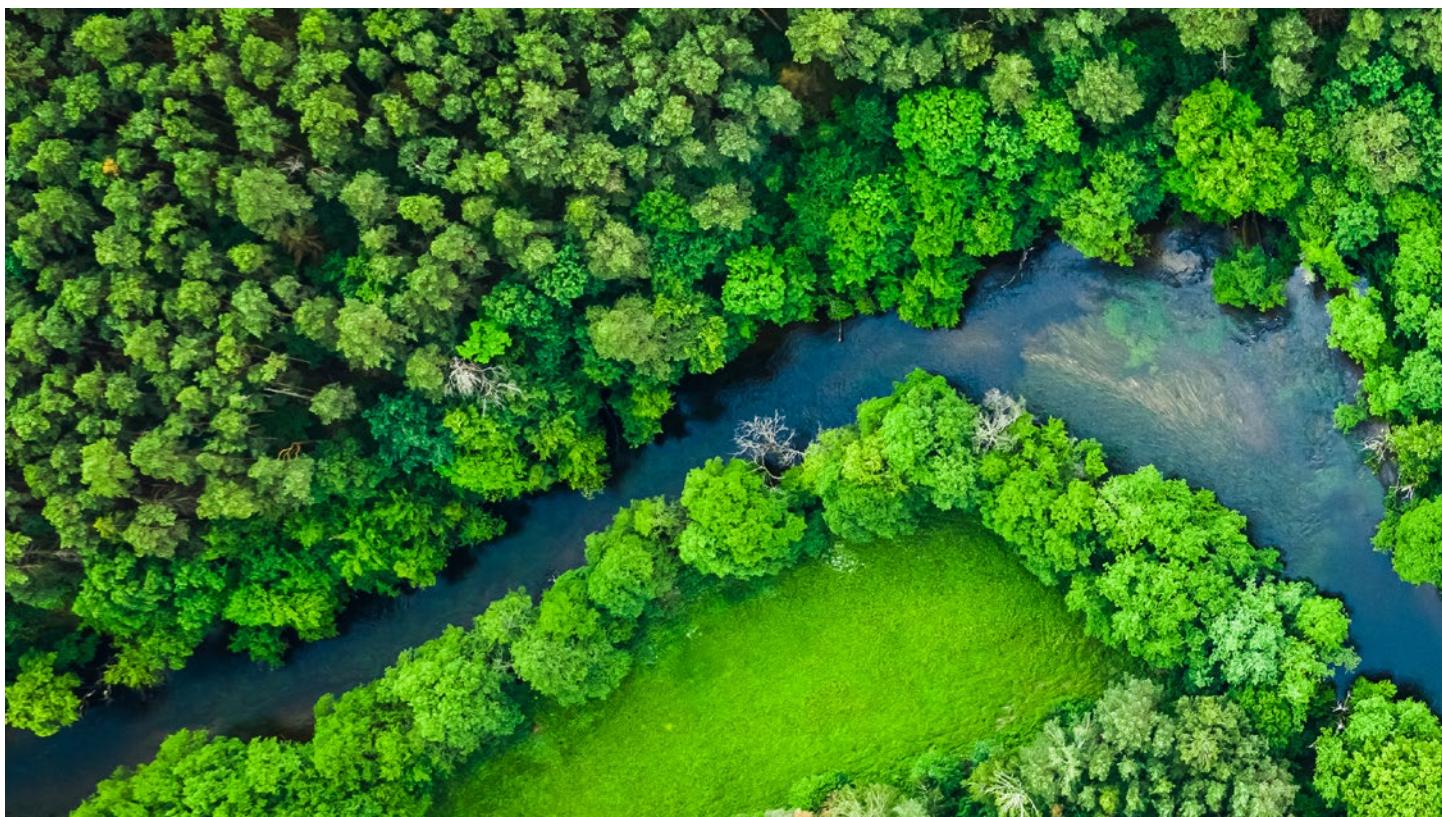
At the same time, training activities (for those involved in handling, providing and managing temporary deposits) and awareness-raising takes place among all workers.

In addition, reference figures for the implementation of the Environmental Management System have been appointed and an internal waste management audit programme has been introduced. These latter activities, together with the monitoring of performance indicators, help to identify the actions necessary to continuously improve environmental performance.

15 Data on waste produced has been reported, except as otherwise provided, involving all Group companies but excluding certain companies (Gefran UK Ltd, Gefran France SA and Gefran Benelux Nv) purely concerned with marketing, with a limited turnover and a small number of employees whose impact on the energy and environmental data reporting is therefore marginal. Following the sale of the motion control business, the 2022 reporting scope changed as a result of the subsidiaries Gefran Drives and Motion Srl, leaving the Group. (IT) and Siei Areg GmbH (DE). To provide more transparent information to the reader, key data relating to these two entities are highlighted in section "11.4. The sustainability of the supply chain – appendix".



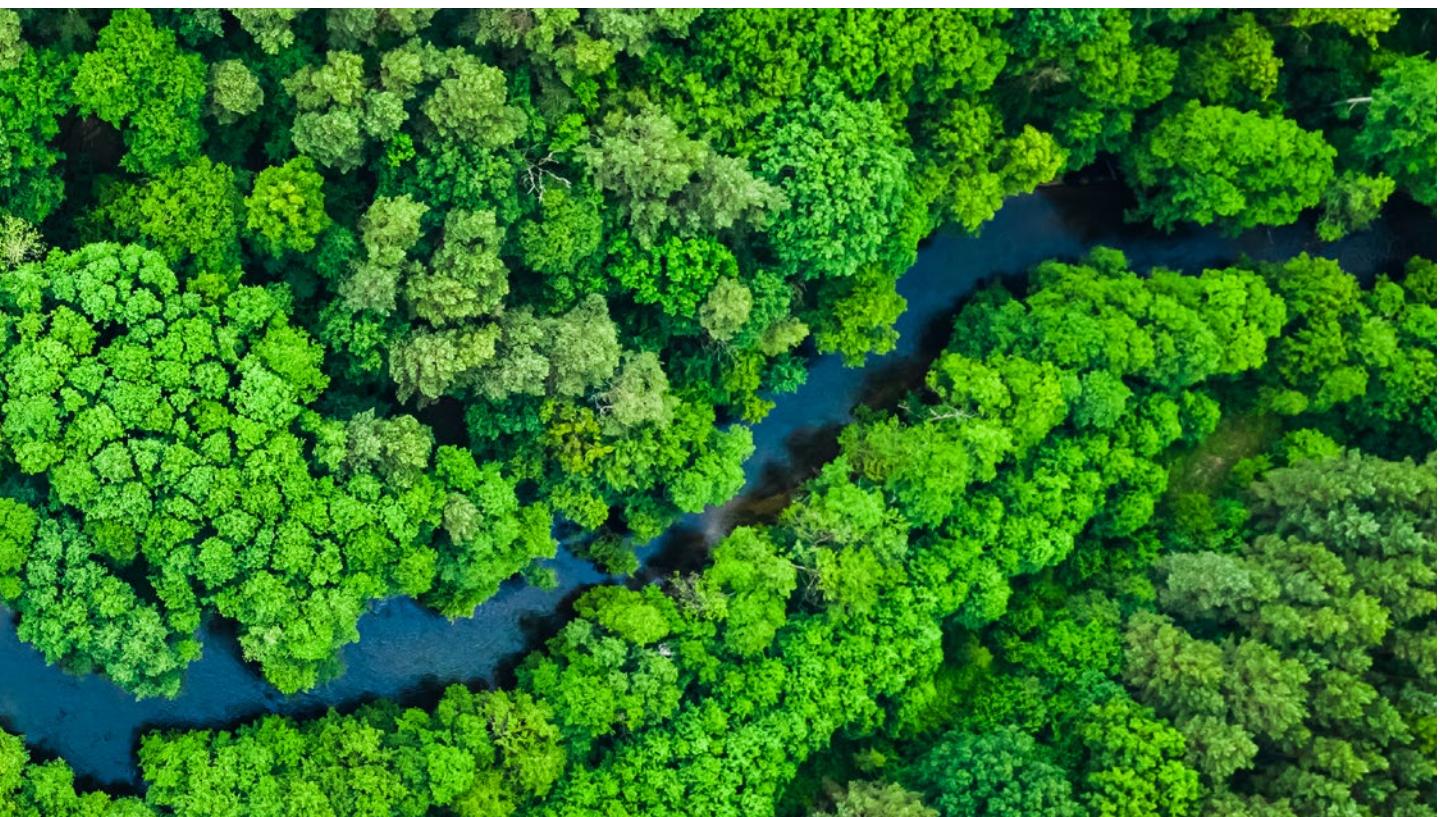
In 2022, the waste produced decreased in absolute value following the disposal of the motion control business. On a like-for-like basis, a 1.2% increase against 2021 was recorded due to the increase in production volumes and the relative increase in waste.



47 tonnes of hazardous waste was produced in 2022, down significantly (-34.6%) compared to 72 tonnes in 2021, even on a like-for-like basis (-32.8%).

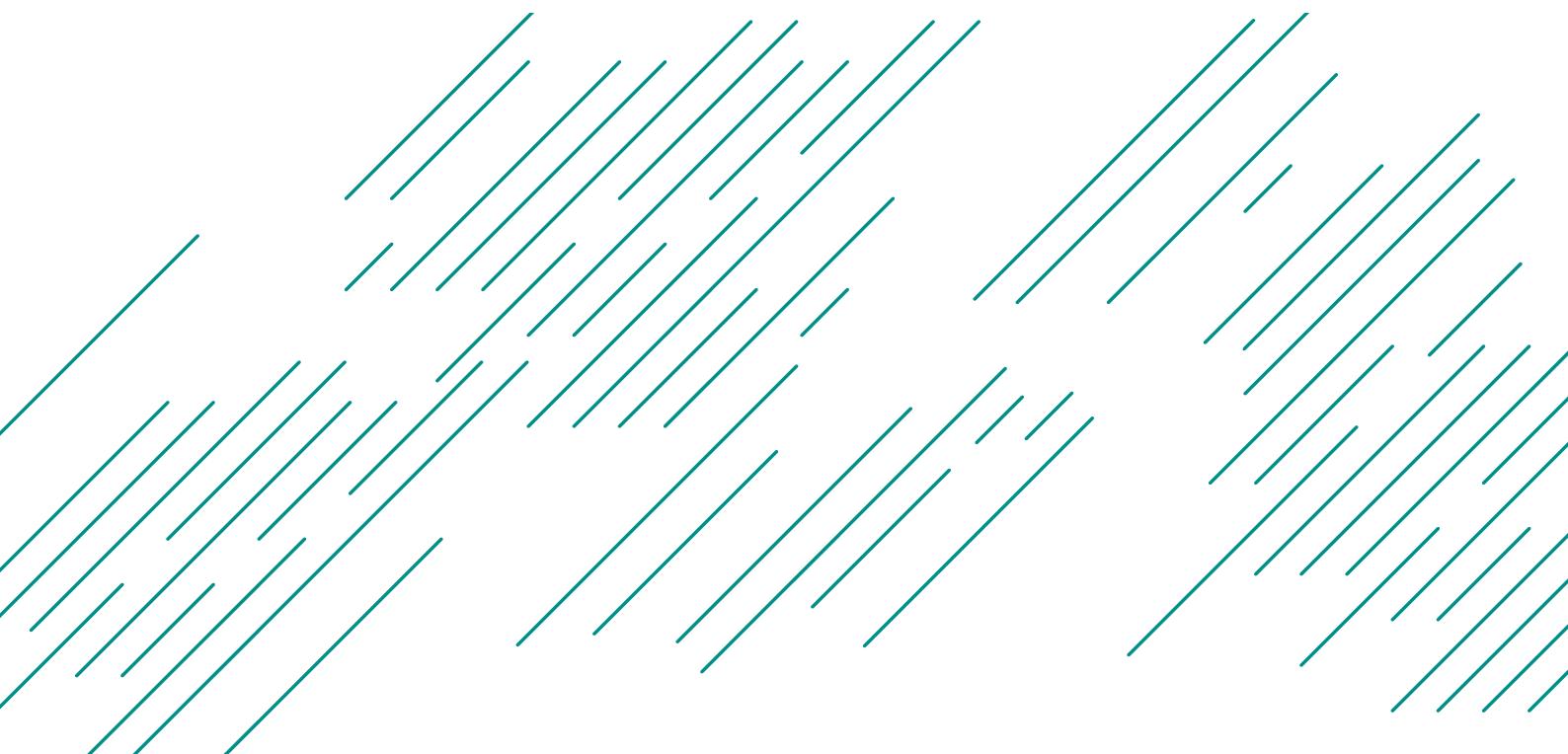


The analysis shows a significant weight of waste for recovery (66.2% in 2022) made possible also by waste sorting and supervision of this activity by the Quality, Safety and Environment department.





REGULATIONS 2020/852, 2021/2139 AND 2021/2178 ON EU TAXONOMY



To increase sensitivity to the effects of climate change, the European Union urges companies to assess the impact of its activities and define business strategies taking into account environmental and social variables.

In order to guarantee transparency and comparability, the European Union has defined common criteria to establish the effective sustainability of an economic activity collected in the so-called EU Taxonomy (Reg. EU 2020/852). The Regulation, which represents an important step towards clear reporting of commitments and activities undertaken by companies, has established a classification system that identifies ineligible economic activities.

In particular, an economic activity can be considered eligible if it materially helps to achieve at least one of the two overarching environmental objectives: climate change mitigation and adaptation to climate change.

Other environmental objectives will then be introduced, such as the transition to a circular economy, and social and governance objectives.

In order for an activity to be admissible, it is also necessary for it not significantly damage the attainment of the environmental goals identified, to be carried out in compliance with the minimum safeguards (CSR and Human Rights Requirements, OECD Guidelines and UN Guiding Principles on Business and Human Rights, etc.) and comply with the technical criteria set out in the Delegate Act of 4.6.2021 and its Annexes I and II.

Regulation 2020/852 (article 8), requires in particular that companies subject to the obligation to publish non-financial information pursuant to article 19 bis or article 29 bis of Directive 2013/34/EU (and therefore Directive 2014/95/EU - NFRD and Legislative Decree 254 of 30 December 2016, which has transposed it into Italian law) include, in their Non-financial Statements starting on 1 January 2022, information on how and to what extent their activities are environmentally sustainable. The methodology and indicators to be reported are specified in the underlying Delegate Act C2021/4987 and its Annexes.

In the first year of application, the European legislator has requested to provide a measure of the so-called "eligibility" of economic activities in relation to the scope of application of the taxonomy. It should be noted in this regard that "eligible activity" means the economic activity described in the delegated acts adopted pursuant to articles 10 to 15 of EU Regulation 2020/852, regardless of whether it meets some or all of the technical examination cri-

teria laid down in the acts. From 1 January 2023 checks are required to confirm whether the identified activities are aligned with the technical criteria described in the Annex to the Regulation.

In this section, evidence is given of the activities carried out by Gefran which relate to the first two environmental goals (mitigation of climate change and adaptation to climate change), the share of turnover generated, investments (Capex) and operating costs (Opex) for 2022. The following were considered:

- | revenues from the sale of goods and services to third parties by the Group in accordance with international accounting standards as set forth in the Group's Annual Financial Report;
- | investments made by the Group, as an increase in the historical cost of intangible assets, tangible fixed assets and usage rights, in accordance with international accounting standards as set forth in the Group's Annual Financial Report;
- | the Group's total operating costs, including labour costs, service costs, other operating expenses/income and any other ancillary costs, as set out in the Group's Annual Financial Report.

For the purpose of calculating the share of operating costs relating to eligible and aligned economic activities, repair and maintenance costs (including functional IT costs), research and development costs, personnel costs for repairs and maintenance, building renovation refurbishment measures, and short-term rentals for the activities subject to reporting shall be taken into account.

To identify eligible and aligned activities, the Group carried out an analysis in different areas.

An analysis of the activities included in the scope was carried out (following the statistical classification of economic activities of the European Union, NACE code) identifying, if any, the correlation with the activities declared eligible as indicated in the Delegate Act and the respective Annex.

Following the analysis, the activities listed in the table are considered to be aimed at climate change mitigation and adaptation objectives and suitable for taxonomy.



Eligible economic activities		NACE	Description of the Group's activities	Climate change mitigation	Adaptation to climate change
Construction and real estate activities	7.3	Installation, maintenance and repair of energy efficiency equipment	F.43.21	Installation of photovoltaic or lighting systems employing energy-saving technologies	x
Construction and real estate activities	7.6	Installation, maintenance and repair of renewable energy technologies	F.43.21	Installation of photovoltaic or lighting systems employing energy-saving technologies	x

These activities were recorded as follows in 2022.

Economic activities	Code	Associated turnover	Share of turnover	Criteria for substantial contribution								
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems			
				(Euro/000)	%	%	%	%	%			
A. ELIGIBLE ACTIVITIES (aligned with taxonomy)												
A1 Eco-sustainable activities (aligned with taxonomy)												
"Construction and real estate activities - Installation, maintenance and repair of energy efficiency equipment"	7.3	9	0,0%	100%	0,0%	N/A	N/A	N/A	N/A			
Construction and real estate activities - Installation, maintenance and repair of renewable energy technologies	7.6	727	0,5%	100%	0,0%	N/A	N/A	N/A	N/A			
Turnover of eco-sustainable activities (aligned with taxonomy) (A.1)		736	0,6%									
A2 Taxonomy-eligible but not eco-sustainable activities (activities not aligned with taxonomy)												
Turnover of taxonomy-eligible but not eco-sustainable activities (activities not aligned with taxonomy) (A.2)			-	0,0%								
Total (A.1 + A.2)		736	0,6%									
B. INELIGIBLE ACTIVITIES (aligned with taxonomy)												
Turnover of non-taxonomy-eligible activities (B)				131.755	99,4%							
Total (A + B)				132.491	100,0%							

Criteria for "not causing significant damage"

Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of sales aligned with 2022 taxonomy	Share of sales aligned with 2021 taxonomy	Category (enabling activities)	Category (transition activities)
S/N	S/N	S/N	S/N	S/N	S/N		%	%	A	T
N	Y	N/A	N/A	N/A	N/A				A	
N	Y	N/A	N/A	N/A	N/A				A	
							0,6%	N/A		
							0,6%	N/A		

Economic activities	Code	Criteria for substantial contribution								
		Absolute capital expenditure	Share of capital expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		(Euro/000)	%	%	%	%	%	%	%	
A. ELIGIBLE ACTIVITIES (aligned with taxonomy)										
A.1 Eco-sustainable activities (aligned with taxonomy)										
"Construction and real estate activities - Installation, maintenance and repair of energy efficiency equipment"	7.3	-	0,0%	0,0%	0,0%	N/A	N/A	N/A	N/A	
Construction and real estate activities - Installation, maintenance and repair of renewable energy technologies	7.6	-	0,0%	0,0%	0,0%	N/A	N/A	N/A	N/A	
Capital expenditure on eco-sustainable activities (aligned with taxonomy) (A.1)		-	0,0%							
A.2 Taxonomy-eligible but not eco-sustainable assets (assets not aligned with taxonomy)										
Capital expenditure on taxonomy-eligible but non-sustainable activities (activities not aligned with taxonomy) (A.2)		-	0,0%							
Total (A.1 + A.2)		-	0,0%							
B. INELIGIBLE ACTIVITIES (aligned with taxonomy)										
Capital expenditure on non-taxonomy-eligible activities (B)		7.424	100,0%							
Total (A + B)		7.424	100,0%							

Criteria for "not causing significant damage"							Portion of capital expenditure aligned with 2022 taxonomy %	Portion of capital expenditure aligned with 2021 taxonomy %	Category (enabling activities)	Category (transition activities)
Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards				
S/N	S/N	S/N	S/N	S/N	S/N					
N	Y	N/A	N/A	N/A	N/A				A	
N	Y	N/A	N/A	N/A	N/A				A	
							0,0%	N/A		
							0,0%	N/A		

Economic activities	Code	Criteria for substantial contribution								
		Absolute operating expenses	Share of operating expenses	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	
		(Euro/000)	%	%	%	%	%	%	%	
A. ELIGIBLE ACTIVITIES (aligned with taxonomy)										
A.1 Eco-sustainable activities (aligned with taxonomy)										
"Construction and real estate activities - Installation, maintenance and repair of energy efficiency equipment"	7.3	2	0,0%	100%	0,0%	N/A	N/A	N/A	N/A	
Construction and real estate activities - Installation, maintenance and repair of renewable energy technologies	7.6	55	0,1%	100%	0,0%	N/A	N/A	N/A	N/A	
Operating expenses for eco-sustainable activities (aligned with taxonomy) (A.1)				57	0,1%					
A.2 Taxonomy-eligible but not eco-sustainable activities (activities not aligned with taxonomy)										
Operational expenditure of taxonomy-eligible but not eco-sustainable activities (activities not aligned with taxonomy) (A.2)				-	0,0%					
Total (A.1 + A.2)		57	0,1%							
B. INELIGIBLE ACTIVITIES (aligned with taxonomy)										
Operational expenditure of non-taxonomy-eligible activities (B)				70.627	99,9%					
Total (A + B)				70.684	100,0%					

Criteria for "not causing significant damage"

Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Share of operating expenses aligned with 2022 taxonomy	Share of operating expenses aligned with 2021 taxonomy	Category (enabling activities)	Category (transition activities)
S/N	S/N	S/N	S/N	S/N	S/N	S/N	%	%	A	T
N	Y	N/A	N/A	N/A	N/A	N/A			A	
N	Y	N/A	N/A	N/A	N/A	N/A			A	
							0,1%	N/A		
							0,1%	N/A		

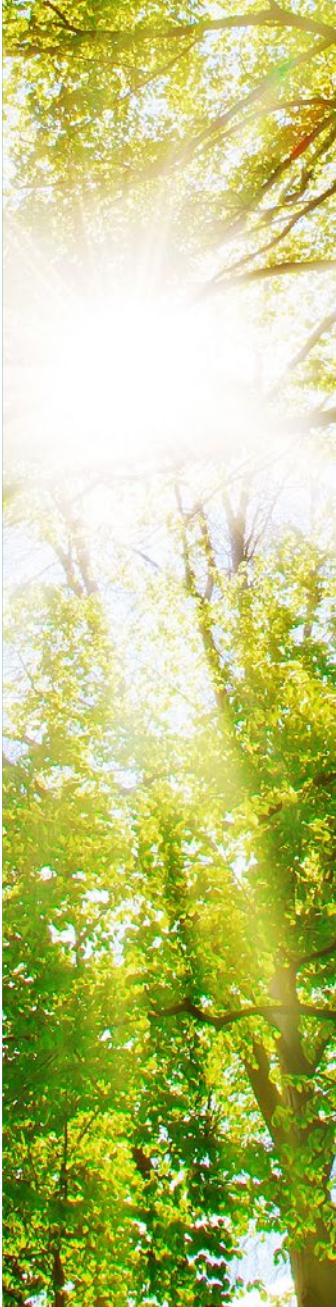
The analysis was then extended to R&D and Operations. The 2022 investment plan was analysed to identify which were aimed at increasing energy efficiency and reducing CO2 emissions.

The analysis identified a number of Capex consistent with the activities included in the taxonomy for a total value of 228 thousand euro pursuant to the points (point c) of appendix 1 described below.

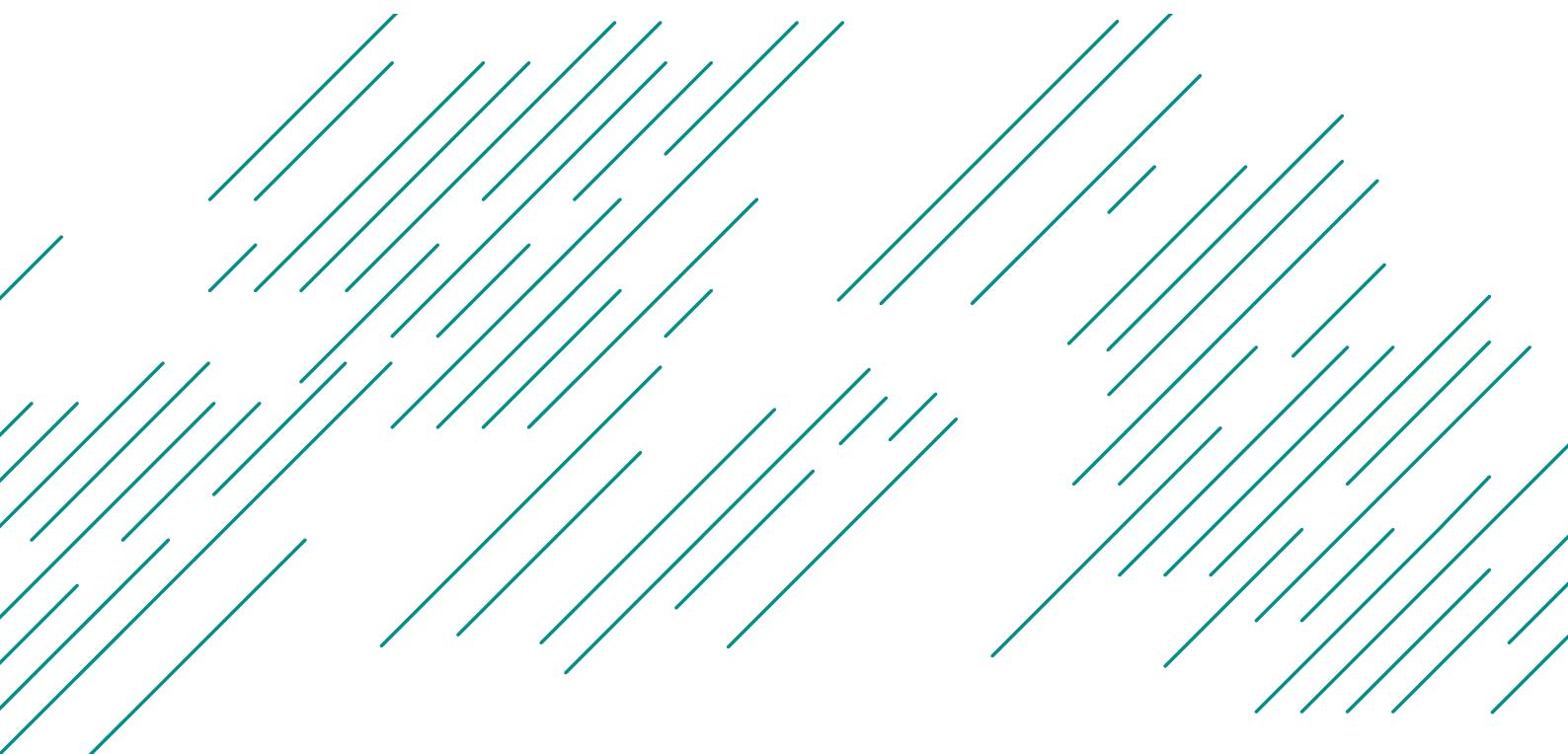
- 7.1 "Construction of new buildings": the investment in question, with a total value of 37 thousand euro, is the conclusion of the investment launched in 2021 and the construction of a new area attached to the building, which already houses the production and commercial activities of the subsidiary Gefran Soluzioni Srl. Thanks to the focus on energy efficiency criteria in construction of this building, it was classified as "Class A2" in the Energy Performance Certificate (EPC), in line with the energy performance of new building units.
- 7.3 "Installation, maintenance and repair of energy efficiency equipment": the investment, amounting to 19 thousand euro, involved the replacement of lighting systems with new energy-saving (LED) ones.
- 7.4 "Installation, maintenance and repair of charging stations for electric vehicles in buildings": the investment involved the installation of a station for charging electric cars, equipped with a solar panel, for a value of 54 thousand euro.
- 3.6 "Manufacture of other low carbon technologies": the investment (119 thousand euro) refers to the purchase of a new press, installed in the plastic moulding department, which will save electricity as it replaces obsolete and less efficient equipment.

Further investments are planned for 2023: to improve the energy performance of buildings, a significant investment has already started in the first months of the year in one of the Parent Company's plants, and an additional solar power plant is expected to be installed, which will lead to reductions in the emissions produced.

While the search for innovative solutions aimed at achieving the overall environmental objectives applicable to the Group's products is an integral part of Group's business strategy, at present, with reference to the activities carried out in the Operation and Research and Development areas, there is no information to permit classification of these activities as eligible according to the taxonomy. The advantages offered by these activities, and therefore the degree of contribution to the achievement of global targets, are not objectively measurable: they are only appreciable by end-users of the products, and are therefore based on levers and factors external to the Group (for example, the intensity of use of installations or the environmental conditions of application). In 2023 the activities will continue to be analysed, to identify possible eligible activities that are not currently reportable, and assess their actual degree of alignment with the technical eco-sustainability criteria of the taxonomy against which to provide the necessary disclosure.



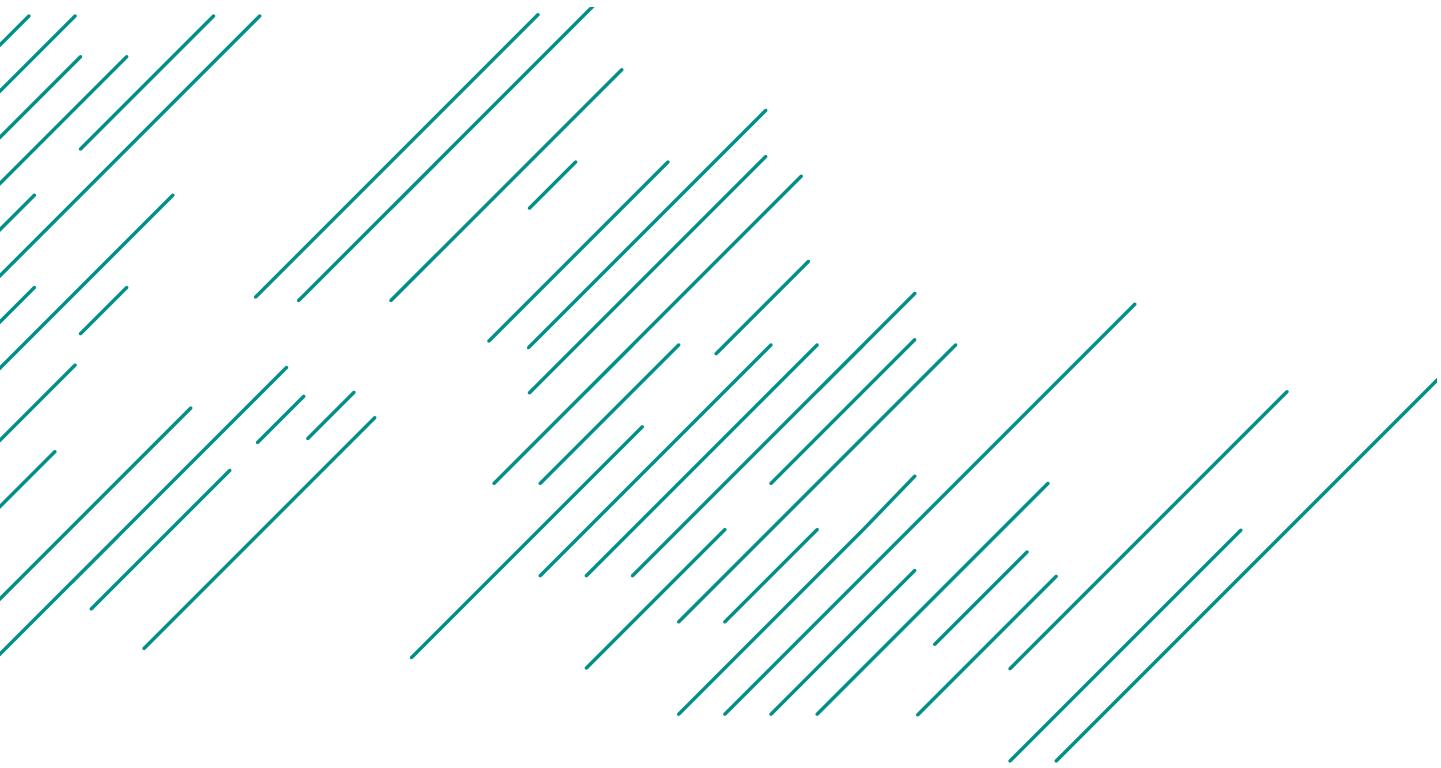
APPENDIX



11.1

RESPONSIBLE MANAGEMENT OF THE BUSINESS – APPENDIX

Information on the tax impact of the Group's entities operating in each jurisdiction is provided below. Note that the figures derive from the Group's Financial Report, referring only to ongoing activities and in particular, with regard to the item *Income taxes of the companies accrued on profits/losses*, report only current taxes accrued on corporate income during the period (deferred tax assets and liabilities are therefore excluded).



Taxation by country

2022

	Entity's principal activities	Number of employees at 31.12	Revenues from sales to third parties	Revenues from infragroup transactions with other tax jurisdictions	Pre-tax profit/ (loss)	Corporate income taxes accrued on profits/ losses	
			Euro/.000	Euro/.000	Euro/.000	Euro/.000	
Italy		424	52,767	40,223	14,658	(3,235)	
	Gefran S.p.A.	Production, Marketing and Central Services					
	Gefran Soluzioni S.r.l.	Production and Marketing					
	Elettropiemme S.r.l.	Production and Marketing					
Belgium	Gefran Benelux NV	Marketing	16	6,100	-	581	(157)
France	Gefran France S.A.	Marketing	6	4,969	-	620	-
	Gefran						
Germany	Deutschland GmbH	Marketing	26	20,512	18	2,519	(760)
UK	Gefran UK Ltd	Marketing	2	671	-	112	-
Switzerland	Sensormate AG	Production and Marketing	16	1,962	2,968	(1,100)	-
Turkey	Gefran Middle East Ltd Sti	Marketing	-	-	-	(12)	-
US	Gefran Inc	Production and Marketing	36	13,754	1,418	1,496	(460)
Brazil	Gefran Brasil Elettroel. Ltda	Production and Marketing	32	5,169	2	975	(281)
Singapore	Gefran Siei Asia Pte Ltd	Marketing	10	6,016	1	261	(27)
China (PRC)	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing	63	15,516	406	434	-
India	Gefran India Private Ltd	Production and Marketing	28	5,056	-	(6)	(48)
Total current taxes within the Group attributable to companies						(4,968)	

Taxation by country

							2021
	Entity's principal activities	Number of employees at 31.12	Revenues from sales to third parties	Revenues from infragroup transactions with other tax jurisdictions	Pre-tax profit/ (loss)	Corporate income taxes accrued on profits/ losses	
			Euro/.000	Euro/.000	Euro/.000	Euro/.000	
Italy		542	75,532	42,503	14,312	(3,215)	
	Gefran S.p.A.	Production, Marketing and Central Services					
	Gefran Drives and Motion S.r.l.	Production and Marketing					
	Gefran Soluzioni S.r.l.	Production and Marketing					
	Elettropiemme S.r.l.	Production and Marketing					
Belgium	Gefran Benelux NV	Marketing	16	5,284	-	426	(119)
France	Gefran France S.A.	Marketing	5	4,646	-	558	-
Germany		34	20,996	107	1,337	(375)	
	Gefran Deutschland GmbH	Marketing					
	Siei Areg Gmbh	Production and Marketing					
UK	Gefran UK Ltd	Marketing	2	615	4	52	-
Switzerland	Sensormate AG	Production and Marketing	17	1,481	2,671	(57)	-
Turkey	Gefran Middle East Ltd Sti	Marketing	-	-	-	(48)	-
US	Gefran Inc	Production and Marketing	32	9,943	1,194	593	(131)
Brazil	Gefran Brasil Eletroel. Ltda	Production and Marketing	29	3,725	2	472	(142)
Singapore	Gefran Siei Asia Pte Ltd	Marketing	10	7,587	1	538	(65)
China (PRC)	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing	69	20,233	983	1,455	-
India	Gefran India Private Ltd	Production and Marketing	30	8,340	6	391	-
Total current taxes within the Group attributable to companies							(4,047)

Taxation by country

							2020
	Entity's principal activities	Number of employees at 31.12	Revenues from sales to third parties	Revenues from infragroup transactions with other tax jurisdictions	Pre-tax profit/(loss)	Corporate income taxes accrued on profits/losses	
			Euro/000	Euro/000	Euro/000	Euro/000	
Italy		542	60,657	31,232	8,614	(582)	
	Gefran S.p.A.	Production, Marketing and Central Services					
	Gefran Drives and Motion S.r.l.	Production and Marketing					
	Gefran Soluzioni S.r.l.	Production and Marketing					
	Elettropiemme S.r.l.	Production and Marketing					
Belgium	Gefran Benelux NV	Marketing	16	4,871	1	312	(89)
France	Gefran France S.A.	Marketing	8	3,218	-	76	-
Germany		34	18,321	207	508	(16)	
	Gefran Deutschland GmbH	Marketing					
	Siei Areg Gmbh	Production and Marketing					
UK	Gefran UK Ltd	Marketing	2	582	12	2	-
Switzerland	Sensormate AG	Production and Marketing	16	1,461	1,778	(251)	-
Turkey	Gefran Middle East Ltd Sti	Marketing	2	263	28	(103)	6
US	Gefran Inc	Production and Marketing	31	9,384	986	738	96
Brazil	Gefran Brasil Elettroel. Ltda	Production and Marketing	27	3,111	-	(349)	(112)
Singapore	Gefran Siei Asia Pte Ltd	Marketing	10	6,427	16	(114)	16
China (PRC)		67	13,991	591	301	-	
	Gefran Siei Drives Tech. Pte Ltd	Production and Marketing					
	Gefran Siei Electric Pte Ltd	Marketing					
India	Gefran India Private Ltd	Production and Marketing	32	6,086	-	(416)	-
Total current taxes within the Group attributable to companies							(682)

11.2

THE CENTRALITY OF PEOPLE – APPENDIX

Reporting on data on personnel management, on gender equality, discussions with social partners and respect for human rights, except as otherwise provided, involved all Group companies. It should be noted that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg (DE) from the Group.

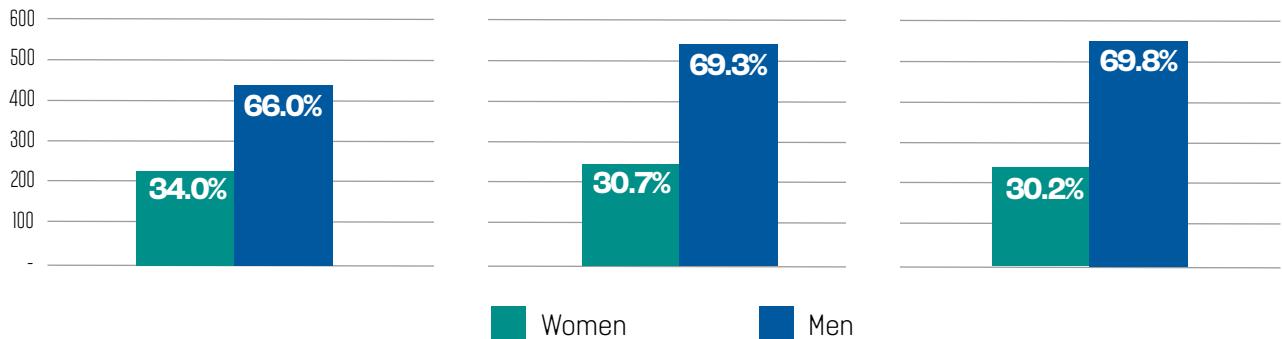
Employees by company and gender

		2022			2021			2020		
		W	M	T	W	M	T	W	M	T
Gefran S.p.A.	Italy	136	195	331	127	183	310	130	181	311
Gefran Drives and Motion S.r.l.	Italy	-	-	-	32	110	142	31	116	147
Gefran Soluzioni S.r.l.	Italy	8	51	59	9	46	55	7	41	48
Elettropiemme S.r.l.	Italy	2	32	34	2	33	35	2	34	36
Gefran Benelux NV	Belgium	5	11	16	4	12	16	4	12	16
Gefran France S.A.	France	1	5	6	1	4	5	1	7	8
Gefran Deutschland GmbH	Germany	9	17	26	7	15	22	6	16	22
Siei Areg Gmbh	Germany	-	-	-	1	11	12	-	12	12
Gefran UK Ltd	UK	1	1	2	1	1	2	1	1	2
Sensormate AG	Switzerland	4	12	16	3	14	17	4	12	16
Gefran Middle East Ltd Sti	Turkey	-	-	-	-	-	-	-	2	2
Gefran Inc	US	10	26	36	6	26	32	7	24	31
Gefran Brasil Eletroel. Ltda	Brazil	9	23	32	7	22	29	6	21	27
Gefran Siei Asia Pte Ltd	Singapore	5	5	10	5	5	10	5	5	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	30	33	63	32	37	69	31	36	67
Gefran India Private Ltd	India	4	24	28	4	26	30	3	29	32
TOTAL GROUP		224	435	659	241	545	786	238	549	787

RATIO WOMEN VS MEN 2022

RATIO WOMEN VS MEN 2021

RATIO WOMEN VS MEN 2020



Employees by geographical area and gender

	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Italy	146	278	424	170	372	542	170	372	542
Europe	20	46	66	17	57	74	16	62	78
America	19	49	68	13	48	61	13	45	58
Asia	39	62	101	41	68	109	39	70	109
TOTAL GROUP	224	435	659	241	545	786	238	549	787

Employees by age group and gender

	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
<= 29 years	23	47	70	26	57	83	27	72	99
30-50 years	155	254	409	159	308	467	162	301	463
>= 51 years	46	134	180	56	180	236	49	176	225
TOTAL GROUP	224	435	659	241	545	786	238	549	787
<= 29 years	3%	7%	11%	3%	7%	11%	3%	9%	13%
30-50 years	24%	39%	62%	20%	39%	59%	21%	38%	59%
>= 51 years	7%	20%	27%	7%	23%	30%	6%	22%	29%
TOTAL GROUP	34%	66%	100%	31%	69%	100%	30%	70%	100%

Employees by contract type and gender

	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Open-ended	223	433	656	240	545	785	238	549	787
Fixed term	1	2	3	1	-	1	-	-	-
TOTAL GROUP	224	435	659	241	545	786	238	549	787

Employees by employment type and gender

	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
No. full time employees	200	432	632	214	539	753	212	540	752
No. part-time employees	24	3	27	27	6	33	26	9	35
TOTAL GROUP	224	435	659	241	545	786	238	549	787

Employees by classification and gender

	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Managers	1	29	30	2	31	33	2	29	31
Middle managers	11	45	56	14	52	66	12	54	66
Clerical staff	109	249	358	111	311	422	105	305	410
Manual workers	103	112	215	114	151	265	119	161	280
TOTAL GROUP	224	435	659	241	545	786	238	549	787

2022 movements ¹⁶		No. EMPLOYEES 31.12.2021	NEW HIRES			LEAVERS			No. EMPLOYEES 31.12.2022
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	310	13	25	38	(4)	(13)	(17)	331
Gefran Drives and Motion S.r.l.	Italy	142	1	7	8	(33)	(117)	(150)	-
Gefran Soluzioni S.r.l.	Italy	55	1	7	8	(2)	(2)	(4)	59
Elettropiemme S.r.l.	Italy	35	1	3	4	(1)	(4)	(5)	34
Gefran Benelux NV	Belgium	16	1	-	1	(1)	-	(1)	16
Gefran France S.A.	France	5	-	1	1	-	-	-	6
Gefran Deutschland GmbH	Germany	22	2	4	6	-	(2)	(2)	26
Siei Areg GmbH	Germany	12	-	-	-	(1)	(11)	(12)	-
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	17	2	-	2	(1)	(2)	(3)	16
Gefran Middle East Ltd Sti	Turkey	-	-	-	-	-	-	-	-
Gefran Inc	US	32	5	5	10	(1)	(5)	(6)	36
Gefran Brasil Elettroel. Ltda	Brazil	29	3	4	7	(1)	(3)	(4)	32
Gefran Siei Asia Pte Ltd	Singapore	10	-	-	-	-	-	-	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	69	2	6	8	(4)	(10)	(14)	63
Gefran India Private Ltd	India	30	-	1	1	-	(3)	(3)	28
TOTAL GROUP		786	31	63	94	(49)	(172)	(221)	659

¹⁶ 2 employees moved to a different company during 2022, but still within the Group; two people (-2) are recorded as having left the company they worked for until 31 December 2021 and as having been hired by their new company (+2). In addition, in view of the sale of the motion control business to the WEG Group (as described in section "2.2 the Group's activities"), a total of 159 employees (33 women and 126 men) left the Gefran Group during 2022.

2021 movements		No. EMPLOYEES 31.12.2020	NEW HIRES			LEAVERS			No. EMPLOYEES 31.12.2021
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	311	6	17	23	(9)	(15)	(24)	310
Gefran Drives and Motion S.r.l.	Italy	147	2	6	8	(1)	(12)	(13)	142
Gefran Soluzioni S.r.l.	Italy	48	2	10	12	-	(5)	(5)	55
Elettropiemme S.r.l.	Italy	36	-	6	6	-	(7)	(7)	35
Gefran Benelux NV	Belgium	16	-	-	-	-	-	-	16
Gefran France S.A.	France	8	-	-	-	-	(3)	(3)	5
Gefran Deutschland GmbH	Germany	22	1	2	3	-	(3)	(3)	22
Siei Areg Gmbh	Germany	12	1	-	1	-	(1)	(1)	12
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	16	-	3	3	(1)	(1)	(2)	17
Gefran Middle East Ltd Sti	Turkey	2	-	-	-	-	(2)	(2)	-
Gefran Inc	US	31	1	6	7	(2)	(4)	(6)	32
Gefran Brasil Elettroel. Ltda	Brazil	27	1	4	5	-	(3)	(3)	29
Gefran Siei Asia Pte Ltd	Singapore	10	-	-	-	-	-	-	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	67	3	2	5	(2)	(1)	(3)	69
Gefran India Private Ltd	India	32	1	4	5	-	(7)	(7)	30
TOTAL GROUP		787	18	60	78	(15)	(64)	(79)	786

2020 movements		No. EMPLOYEES 31.12.2019	NEW HIRES			LEAVERS			No. EMPLOYEES 31.12.2020
			W	M	T	W	M	T	
Gefran S.p.A.	Italy	322	2	8	10	(9)	(12)	(21)	311
Gefran Drives and Motion S.r.l.	Italy	149	1	2	3	(1)	(4)	(5)	147
Gefran Soluzioni S.r.l.	Italy	53	1	-	1	-	(6)	(6)	48
Elettropiemme S.r.l.	Italy	42	-	-	-	(1)	(5)	(6)	36
Gefran Benelux NV	Belgium	15	-	1	1	-	-	-	16
Gefran France S.A.	France	7	-	1	1	-	-	-	8
Gefran Deutschland GmbH	Germany	22	-	1	1	-	(1)	(1)	22
Siei Areg Gmbh	Germany	14	-	-	-	(1)	(1)	(2)	12
Gefran UK Ltd	UK	2	-	-	-	-	-	-	2
Sensormate AG	Switzerland	19	-	1	1	-	(4)	(4)	16
Gefran Middle East Ltd Sti	Turkey	4	-	-	-	(1)	(1)	(2)	2
Gefran Inc	US	32	-	3	3	-	(4)	(4)	31
Gefran Brasil Elettroel. Ltda	Brazil	30	-	2	2	(3)	(2)	(5)	27
Gefran Siei Asia Pte Ltd	Singapore	10	-	1	1	-	(1)	(1)	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	76	6	4	10	(7)	(12)	(19)	67
Gefran India Private Ltd	India	32	2	-	2	(2)	-	(2)	32
TOTAL GROUP		829	12	24	36	(25)	(53)	(78)	787

No. leavers/no. employees 31.12 ¹⁷	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Turnover rate of leavers	36.6%	68.5%	57.7%	6.2%	11.7%	10.1%	10.5%	9.7%	9.9%
Reason for leaving									
Reason for leaving	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Voluntary leavers	7	30	37	9	48	57	16	33	49
Retirement	5	6	11	1	4	5	7	7	14
Dismissal	4	7	11	3	6	9	1	8	9
Other ¹⁸	33	129	162	2	6	8	1	5	6
TOTAL LEAVERS	49	172	221	15	64	79	25	53	78

Parental leave rate	2022		
	W	M	T
Employees using the right to parental leave	no.	15	10
of whom returned to work after using the right to parental leave	no.	14	10
Rate of return after parental leave	%	93.3%	100.0%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	9	4
Rate of jobs retained after parental leave (ref. previous year)	%	81.8%	26.7%
			50.0%

Parental leave rate	2021		
	W	M	T
Employees using the right to parental leave	no.	11	15
of whom returned to work after using the right to parental leave	no.	8	14
Rate of return after parental leave	%	72.7%	93.3%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	6	17
Rate of jobs retained after parental leave (ref. previous year)	%	75.0%	85.0%
			88.5%

Parental leave rate	2020		
	W	M	T
Employees using the right to parental leave	no.	8	20
of whom returned to work after using the right to parental leave	no.	5	20
Rate of return after parental leave	%	62.5%	100.0%
Employees working at Gefran 12 months after using the right to parental leave the previous year	no.	8	17
Rate of jobs retained after parental leave (ref. previous year)	%	100.0%	100.0%
			100.0%

¹⁷ Calculated net of inter-company movements.

¹⁸ The reasons "Other" include terminations of fixed-term contracts and exits linked to extraordinary movements between Group companies and, for 2022, exits connected with employees leaving the Group due to the sale of the motion control business to the WEG group described in section "2.2 The Group's activities".

Gender pay ratio Group ¹⁹	2022	2021	2020
GROUP average	82%	81%	83%
Managers	100%	101%	106%
Middle managers	104%	91%	85%
Clerical staff	74%	75%	77%
Manual workers	92%	89%	90%

Certain companies have been omitted because though they are included in the Group's structure, they are purely concerned with marketing, and have a limited volume of business and a small number of employees, so their impact on the reporting of the data in question is considered of marginal importance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR), Gefran Benelux Nv (BE) and Gefran Middle East Ltd Sti (BE). Moreover, in light of the sale of the motion control business described in the section "2.2 The Group's activities", the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg Gmbh (DE). To provide more transparent information to the reader, in addition to the aggregated statements, key data relating to these two entities are also highlighted.

Type of employee injury	2022	2021	2020	2019	2018
Total accidents on the job	1	2	5	5	4
Injuries registered without lost work days	-	-	-	-	-
Fatal accidents (no. of deaths)	-	-	-	-	-
Accidents recorded with lost work days	1	2	5	5	4
including serious injuries (with serious consequences)	-	-	-	-	-
Working days lost due to accidents	9	44	119	317	198
Total hours worked	1,127,459	1,368,376	1,286,899	1,467,541	1,347,049

¹⁹ The ratios were determined as the ratio between the gross annual average basic salary (excluding the variable portion) of female employees and that of male employees, in individual Group companies, for each job classification. The Group indicators are calculated weighting the ratios of the individual companies by the number of employees in each, for each job classification, where the calculation was applicable. The Group average is determined as the average of the ratios of each job classification, weighted by number of employees, where the calculation was applicable.

Type of accident to employees on the way to and from work	2022	2021	2020	2019	2018
Accidents on the way to or from work	1	3	-	2	1
Working days lost due to accidents on the way to or from work	4	25	-	5	55
Accident ratios - accidents to employees	2022	2021	2020	2019	2018
Total accident frequency rate no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked	0.89	1.46	3.89	3.41	2.97
Accident frequency rate recorded (with number of lost working days) no. accidents recorded, with number of lost working days, per 1,000,000 hours worked	0.89	1.46	3.89	3.41	2.97
Severity ratio no. of working days lost due to accidents recorded per 1,000 hours worked	0.01	0.03	0.09	0.22	0.15
Type of non-employee injury	2022	2021	2020	2019	2018
Total accidents on the job	2	1	-	-	-
Injuries registered without lost work days	-	-	-	-	-
Fatal accidents (no. of deaths)	-	-	-	-	-
Accidents recorded with lost work days including serious injuries (with serious consequences)	2	1	-	-	-
Total hours worked	146,354	171,993	90,008	27,130	30,286
Working days lost due to accidents	32	7	-	-	-
Accident ratios - accidents to non-employees	2022	2021			
Total accident frequency rate no. of accidents, excluding accidents on the way to or from work, per 1,000,000 hours worked	13.67	5.81			
Fatal accident frequency rate (no. deaths) no. fatal accidents (no. deaths) x 1,000,000 / hours worked	-	-			
Accident frequency rate recorded (with number of lost working days) no. accidents recorded, with number of lost working days, per 1,000,000 hours worked	13.67	5.81			
Serious injuries frequency index (with serious consequences) no. serious accidents (with serious consequences) x 1,000,000 / hours worked	-	-			
Severity ratio no. of working days lost due to accidents recorded per 1,000 hours worked	0.22	0.04			

Hours of Occupational Health and Safety instruction	2022			2021			2020			2019			2018		
	W	M	T	W	M	T	W	M	T	W	M	T	W	M	T
Managers	-	29	29	7	191	198	12	186	198	-	18	18	-	1	1
Middle managers	8	21	29	39	157	196	4	66	70	8	187	195	16	140	156
Clerical staff	111	855	965	169	891	1,060	12	544	556	181	1,531	1,712	371	598	969
Manual workers	720	760	1,480	195	633	828	160	356	516	1,126	1,543	2,669	185	335	520
TOTAL hours in the Group	839	1,664	2,503	410	1,871	2,281	188	1,152	1,340	1,315	3,279	4,594	572	1,074	1,646

Specifically, as regards Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE), out of scope in 2022:

Type of employee injury, companies out of scope in 2022	2021	2020	2019	2018
Total accidents on the job	-	1	1	1
Injuries registered without lost work days	-	-	-	-
Fatal accidents (no. of deaths)	-	-	-	-
Accidents recorded with lost work days	-	1	1	1
including serious injuries (with serious consequences)	-	-	-	-
Working days lost due to accidents	22	2	13	122
Total hours worked	250,516	243,389	265,513	259,355

Type of accident to employees on the way to and from work, companies out of scope in 2022	2021	2020	2019	2018
Accidents on the way to or from work	1	-	2	-
Working days lost due to accidents on the way to or from work	6	-	5	-

During the reporting period presented, no injury to “non-employees” occurred in companies out of scope in 2022.

**Health training hours,
companies out of
scope in 2022**

	2021			2020			2019			2018		
	W	M	T	W	M	T	W	M	T	W	M	T
Managers	-	-	-	-	-	-	-	12	12	-	-	-
Middle managers	-	90	90	-	50	50	-	154	154	-	54	54
Clerical staff	4	149	153	2	20	22	111	720	831	9	176	185
Manual workers	-	104	104	-	22	22	148	340	488	96	154	250
TOTAL hours in the Group	4	343	347	2	92	94	259	1,226	1,485	105	384	489

Reporting of training hours is extended to Group companies, excluding commercial companies of marginal significance in terms of turnover and number of employees (Gefran Uk Ltd, Gefran France SA and Gefran Benelux Nv). It should also be noted that until 2021 the training hours offered to employees of the divested companies are also accounted for in the context of the sale described in section “2.2 The Group’s activities” (a total of 1,376 hours in 2021 and 377 hours in 2020).

Training hours	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Managers	160	1,529	1,689	70	1,775	1,845	-	1,852	1,852
Middle managers	737	1,124	1,861	749	1,243	1,992	669	857	1,526
Clerical staff	1,900	7,437	9,337	1,066	5,410	6,476	1,017	3,195	4,212
Manual workers	1,139	1,188	2,327	904	1,522	2,426	320	1,013	1,332
TOTAL TRAINING HOURS	3,936	11,278	15,214	2,788	9,950	12,738	2,006	6,916	8,921
AVERAGE NUMBER OF HOURS (hours/no. employees)	18.1	27.0	24.0	11.9	18.8	16.7	8.6	13.1	11.8

Technical training hours	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Managers	34	456	490	42	874	916	-	1,202	1,202
Middle managers	180	424	604	186	584	770	141	359	500
Clerical staff	1,049	5,776	6,825	668	4,731	5,399	875	2,954	3,829
Manual workers	1,043	1,114	2,157	726	1,246	1,972	272	819	1,090
TOTAL TECHNICAL TRAINING HOURS	2,306	7,770	10,076	1,621	7,435	9,056	1,288	5,333	6,621

Training hours on cross-functional skills development	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Managers	126	1,073	1,199	28	901	929	-	650	650
Middle managers	557	700	1,257	563	659	1,222	528	498	1,026
Clerical staff	851	1,661	2,512	398	679	1,077	142	241	383
Manual workers	96	74	170	178	276	454	48	194	242
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	1,630	3,508	5,138	1,167	2,515	3,682	718	1,583	2,301

Training hours by geographic region	2022			2021			2020		
	W	M	T	W	M	T	W	M	T
Italy	1,564	4,373	5,936	610	4,591	5,201	168	1,504	1,672
Europe	16	1,354	1,370	-	138	138	52	12	64
America	318	2,784	3,102	339	2,585	2,924	302	2,624	2,926
Asia	2,038	2,768	4,806	1,839	2,637	4,476	1,484	2,776	4,260
Rest of the world	-	-	-	-	-	-	-	-	-
TOTAL GROUP	3,936	11,278	15,214	2,788	9,950	12,738	2,006	6,916	8,921

11.3

CONTRIBUTING TO THE ECOLOGICAL TRANSITION – APPENDIX

Data on energy efficiency, emissions and water withdrawals, except as otherwise provided, has been reported with the involvement of all Group companies, with the exception of some companies, since they are purely concerned with marketing, as well as having a limited turnover and a small number of employees, whose impact on energy and environmental data is considered of marginal importance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR) and Gefran Benelux Nv (BE). It is also specified that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE). To provide more transparent information to the reader, in addition to the aggregated statements, key data relating to these two entities are also highlighted.

Energy intensity	2022	2021	2020	2019	2018
GJ over revenues	0.299	0.354	0.376	0.371	0.401

Total energy consumption	2022	2021	2020	2019	2018
Total energy consumption in GJ	38,421	52,986	45,359	48,078	49,759

Electricity in GJ	2022	2021	2020	2019	2018
Self-generated electricity	1,505	1,506	738	813	839
Mains electricity	4,137	4,103	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	15,543	22,066	6,894	-	-
Total Electricity	21,185	27,675	24,501	25,854	27,107
Percentage of total energy consumption	55.1%	52.2%	54.0%	53.8%	54.5%

Natural gas in GJ	2022	2021	2020	2019	2018
Total Natural gas for heating	8,752	16,438	13,682	12,041	12,090
Percentage of total energy consumption	22.8%	31.0%	30.2%	25.0%	24.3%

Fuel in GJ	2022	2021	2020	2019	2018
Diesel for company vehicles	6,567	7,763	6,186	8,616	9,303
Diesel for other uses	17	18	26	48	45
Petrol for company vehicles	1,900	1,092	964	1,519	1,214
Total Fuel	8,484	8,873	7,175	10,182	10,562
Percentage of total energy consumption	22.1%	16.7%	15.8%	21.2%	21.2%

Direct energy consumption in GJ	2022	2021	2020	2019	2018
Diesel	6,584	7,781	6,211	8,664	9,348
Petrol	1,900	1,092	964	1,519	1,214
Self-generated electricity	1,505	1,506	738	813	839
Natural gas	8,752	16,438	13,682	12,041	12,090
Total direct consumption	18,741	26,817	21,595	23,036	23,491

Indirect energy consumption in GJ	2022	2021	2020	2019	2018
Mains electricity	4,137	4,103	16,869	25,041	26,268
Electricity acquired from the grid, from certified renewable sources	15,543	22,066	6,894	-	-
Total indirect consumption	19,680	26,169	23,764	25,041	26,268

Emissions in tCO2	2022	2021	2020	2019	2018
Diesel for company vehicles	487	576	459	639	690
Diesel for other uses	1	1	2	4	3
Petrol for company vehicles	129	74	65	103	82
Natural gas	423	794	661	582	584
Other (F Gas)	-	26	61	-	46
Total direct emissions	1,040	1,471	1,249	1,328	1,406

Emissions in tCO2 - location-based method (*)	2022	2021	2020	2019	2018
Mains electricity	546	550	1,869	2,677	2,815
Electricity acquired from the grid, from certified renewable sources	1,360	1,931	688	-	-
Total indirect emissions	1,906	2,480	2,556	2,677	2,815

(*) Emissions calculated according to the so-called *location-based method*, taking into account the average intensity of GHG emissions from the grids in which energy consumption is being calculated, using primarily data from the average grid emissions factor.

Emissions in tCO2 - market-based method (**)	2022	2021	2020	2019	2018
Mains electricity	515	532	2,215	3,274	3,464
Electricity acquired from the grid, from certified renewable sources	-	-	-	-	-
Total indirect emissions	515	532	2,215	3,274	3,464

(**) Emissions calculated according to the so-called market-based method, taking into account the different forms of supply that the Company has chosen, where the mode of energy generation is certified. The "residual mix" parameter was used in the calculation where the organisation's emissions intensity level is not specified in the contracts signed. For countries where the "residual mix" reference benchmark did not apply (particularly China, Brazil, India, and Singapore), location-based conversion factors are applied.

Emissions intensity	2022	2021	2020	2019	2018
tCO2 over revenues	0.023	0.026	0.032	0.031	0.034

Non-atmospheric emissions	2022	2021	2020	2019	2018
Yield of PV systems (in MWh)	418	418	205	226	233
Electricity purchased from the grid, certified renewable sources (in MWh)	4,317	6,130	1,915	-	-
Emissions not emitted into the atmosphere (in tCO2)	1,492	2,063	761	81	84

NOx SO2 emissions and other significant emissions in t	2022	2021	2020	2019	2018
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Emissions into the atmosphere from motor vehicles	2022	2021	2020	2019	2018
NOx	2.047	2.344	1.874	2.622	2.802
SO2	0.003	0.003	0.002	0.003	0.004
PM10	0.133	0.150	0.120	0.169	0.180
VOC	0.438	0.275	0.239	0.369	0.309

Atmospheric emissions from production processes	2022	2021	2020	2019	2018
VOC	0.961	1.180	0.223	0.293	0.344

Water withdrawals in m ³	2022	2021	2020	2019	2018
underground water	2,304	2,055	-	-	-
third-party water resources (from water mains)	10,713	17,648	17,252	19,970	24,671
Total volume of water taken	13,017	19,703	17,252	19,970	24,671

Water withdrawals in "high" or "extremely high" water stress areas in m ³ (*)	2022	2021	2020	2019	2018
underground water	2,304	2,055	-	-	-
third-party water resources (from water mains)	9,563	8,711	9,796	9,707	15,037
Total volume of water taken	11,867	10,766	9,796	9,707	15,037

(*) according to World Resources Institute classification

Specifically, as regards Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE), out of scope in 2022:

Total energy consumption, companies out of scope in 2022	2021	2020	2019	2018
Total energy consumption in GJ	13,755	12,210	13,045	12,457

Electricity in GJ, companies out of scope in 2022	2021	2020	2019	2018
Self-generated electricity	60	61	69	62
Mains electricity	170	5,900	6,891	6,266
Electricity acquired from the grid, from certified renewable sources	6,497	625	-	-
Total Electricity	6,727	6,587	6,959	6,328
Percentage of total energy consumption	48.9%	53.9%	53.3%	50.8%

**Natural gas in GJ,
companies out of scope in 2022**

	2021	2020	2019	2018
Total Natural gas for heating	5,688	4,531	4,592	4,573
Percentage of total energy consumption	41.4%	37.1%	35.2%	36.7%

**Fuel in GJ,
companies out of scope in 2022**

	2021	2020	2019	2018
Diesel for company vehicles	1,334	1,087	1,476	1,549
Diesel for other uses	5	5	18	6
Petrol for company vehicles	-	-	-	-
Total Fuel	1,340	1,092	1,494	1,555
Percentage of total energy consumption	9.7%	8.9%	11.5%	12.5%

**Emissions in tCO2,
companies out of scope in 2022**

	2021	2020	2019	2018
Diesel for company vehicles	99	81	110	115
Diesel for other uses	0	0	1	0
Petrol for company vehicles	-	-	-	-
Natural gas	275	219	222	221
Other (F Gas)	26	5	-	46
Total direct emissions	400	305	333	382

**Emissions in tCO2 - location-based method (*),
companies out of scope in 2022**

	2021	2020	2019	2018
Mains electricity	19	433	695	632
Electricity acquired from the grid, from certified renewable sources	569	225	-	-
Total indirect location-based emissions	587	658	695	632

(*) Emissions calculated according to the so-called *location-based method*, taking into account the average intensity of GHG emissions from the grids in which energy consumption is being calculated, using primarily data from the average grid emissions factor.

Emissions in tCO2 - market-based method (),
companies out of scope in 2022**

	2021	2020	2019	2018
Mains electricity	28	560	884	804
Electricity acquired from the grid, from certified renewable sources	-	-	-	-
Total indirect emissions	28	560	884	804

(**) Emissions calculated according to the so-called market-based method, taking into account the different forms of supply that the Company has chosen, where the mode of energy generation is certified. The "residual mix" parameter was used in the calculation where the organisation's emissions intensity level is not specified in the contracts signed. For countries where the "residual mix" reference benchmark did not apply (particularly China, Brazil, India, and Singapore), location-based conversion factors are applied.

**Water withdrawals in m³,
companies out of scope in 2022**

	2021	2020	2019	2018
underground water	-	-	-	-
third-party water resources (from water mains)	8,185	6,933	8,808	8,479
Total volume of water taken	8,185	6,933	8,808	8,479

11.4

THE SUSTAINABILITY OF THE SUPPLY CHAIN - APPENDIX

The reporting of data on waste produced has been reported with the involvement of all Group companies, excluding certain companies, since they are purely concerned with marketing, as well as having a limited turnover and a small number of employees, whose impact on this type of reporting is considered of marginal importance. The scope therefore does not include the companies Gefran Uk Ltd (UK), Gefran France S.A. (FR) and Gefran Benelux Nv (BE). In addition to this, for Gefran Siei Asia Pte Ltd, a company purely concerned with marketing and operating in the market through triangular sales with the other Group companies, it was not possible to report precisely and therefore estimates were made based on quantities of paper purchased and packaging consumed.

It is also specified that, in light of the sale of the motion control business, the 2022 reporting scope differs from the same in previous years, due to the exit of the subsidiaries Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE). To provide more transparent information to the reader, in addition to the aggregated statements, key data relating to these two entities are also highlighted.

Waste produced in kg	2022	2021	2020	2019	2018
Total waste produced	448,102	531,899	467,989	507,379	557,311
of which hazardous	47,147	72,039	39,498	34,347	38,453
% of total	10.5%	13.5%	8.4%	6.8%	6.9%
of which non-hazardous	400,955	459,860	428,492	473,032	518,858
% of total	89.5%	86.5%	91.6%	93.2%	93.1%

Waste produced in kg, by intended purpose	2022	2021	2020	2019	2018
Total waste to be recovered (reuse or recycle)	296,866	360,500	294,987	312,123	374,092
% of total	66.2%	67.8%	63.0%	61.5%	67.1%
of which hazardous	11,918	10,858	11,934	10,509	5,037
of which non-hazardous	284,948	349,642	283,053	301,614	369,055
Total waste to be disposed of (landfill or waste-to-energy)	151,236	171,400	173,002	195,256	183,219
% of total	33.8%	32.2%	37.0%	38.5%	32.9%
of which hazardous	35,229	61,181	27,564	23,838	33,416
of which non-hazardous	116,007	110,219	145,439	171,418	149,803

Specifically, as regards Gefran Drives and Motion S.r.l. (IT) and Siei Areg GmbH (DE), out of scope in 2022:

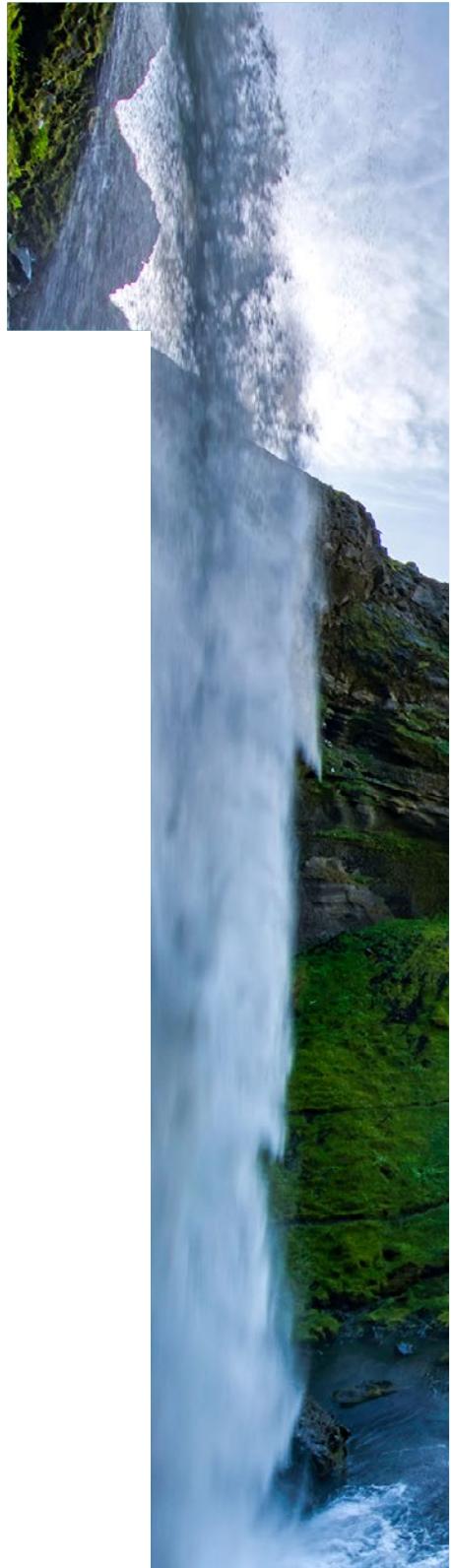
Waste produced in kg, companies out of scope in 2022	2021	2020	2019	2018
Total waste produced	89,106	92,649	88,898	131,218
of which hazardous	1,900	5,903	1,700	4,875
% of total	2.1%	6.4%	1.9%	3.7%
of which non-hazardous	87,206	86,746	87,198	126,343
% of total	97.9%	93.6%	98.1%	96.3%
Waste produced in kg, by intended purpose companies out of scope in 2022	2021	2020	2019	2018
Total waste to be recovered (reuse or recycle)	84,825	89,391	85,401	128,208
% of total	95.2%	96.5%	96.1%	97.7%
of which hazardous	1,650	5,614	1,360	4,458
of which non-hazardous	83,175	83,777	84,041	123,750
Total waste to be disposed of (landfill or waste-to-energy)	4,281	3,258	3,197	3,010
% of total	4.8%	3.5%	3.6%	2.3%
of which hazardous	250	289	340	417
of which non-hazardous	4,031	2,969	2,857	2,593

An in-depth analysis of procurement expenditure in the Group's production companies was carried out. For companies that are purely concerned with marketing, it was conducted in a marginal way, as 71.1% of their procurement comes from intercompany purchases and the remaining portion from local supplies. **Local suppliers** mean suppliers from the country where the company is based.

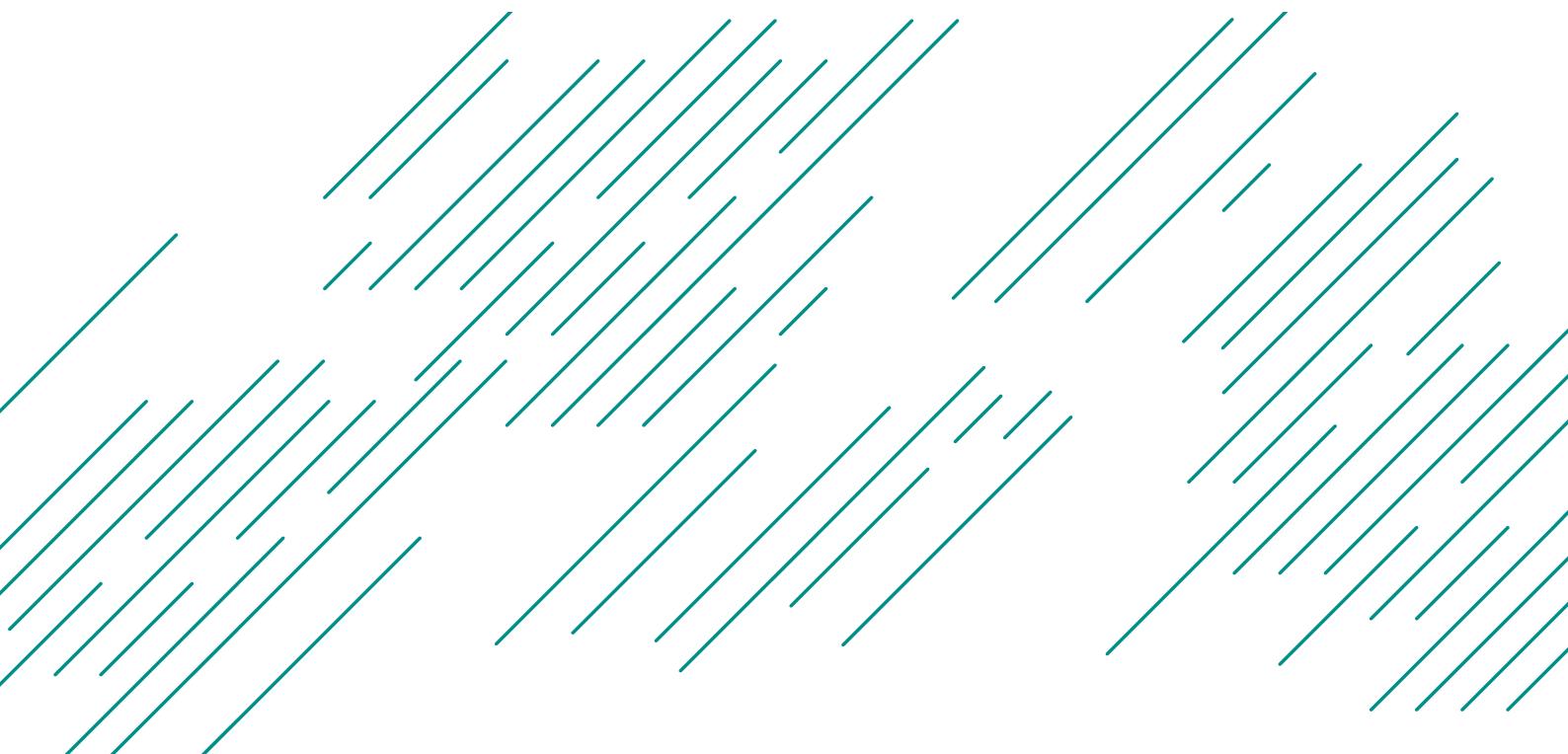
Group procurement expenditure (Euro/000)	2022	2021	2020	2019	2018
Group procurement expenditure	72,813	93,178	66,501	82,284	74,490
of which from local suppliers	64,851	79,951	58,563	73,691	66,659
% local expenditure over total market	89.1%	85.8%	88.1%	89.6%	89.5%
Group procurement expenditure (Euro/000)	2022	2021	2020	2019	2018
Gefran S.p.A. plants (IT)	53,041	45,832	30,479	37,976	55,220
from Group companies	1,629	1,709	1,302	1,702	1,914
from the market	51,412	44,123	29,177	36,274	53,306
of which from local suppliers	45,626	38,479	26,474	33,672	47,344
% local expenditure over total market	88.7%	87.2%	90.7%	92.8%	88.8%
Gefran Drives and Motion S.r.l. plant (IT)	-	28,119	19,520	23,469	4,868
from Group companies	-	1,989	1,709	2,761	1,785
from the market	-	26,130	17,811	20,708	3,083
of which from local suppliers	-	21,825	15,221	17,924	2,762
% local expenditure over total market	-	83.5%	85.5%	86.6%	89.6%
Gefran Soluzioni S.r.l. plant (IT)	7,436	7,037	5,011	6,318	6,992
from Group companies	3,047	3,297	2,760	3,150	3,551
from the market	4,389	3,740	2,251	3,168	3,441
of which from local suppliers	4,213	3,532	2,066	2,937	3,253
% local expenditure over total market	96.0%	94.4%	91.8%	92.7%	94.5%
Elettropiemme S.r.l. plant (IT)	3,750	4,452	2,004	3,438	-
from Group companies	120	86	27	24	-
from the market	3,630	4,366	1,977	3,414	-
of which from local suppliers	3,607	4,343	1,932	3,343	-
% local expenditure over total market	99.4%	99.5%	97.7%	97.9%	n.a.
Gefran Inc plant (US)	8,655	7,217	9,404	12,862	7,167
from Group companies	5,529	4,618	3,381	5,614	4,306
from the market	3,126	2,599	6,023	7,248	2,861
of which from local suppliers	2,980	2,493	5,892	7,088	2,745
% local expenditure over total market	95.3%	95.9%	97.8%	97.8%	95.9%



Group procurement expenditure (Euro/000)	2022	2021	2020	2019	2018
Gefran Brasil Elettroel. Ltda plant (BR)	3,583	2,786	2,081	2,252	2,536
from Group companies	1,804	1,703	1,132	1,365	1,392
from the market	1,779	1,083	949	887	1,144
of which from local suppliers	1,779	1,083	949	887	1,144
% local expenditure over total market	100.0%	100.0%	100.0%	100.0%	100.0%
Gefran Siei Drives Tech. Pte Ltd plant (CN)	15,961	17,614	11,231	10,194	11,175
from Group companies	11,060	12,172	7,637	6,480	6,783
from the market	4,901	5,442	3,594	3,714	4,392
of which from local suppliers	4,771	5,129	3,367	3,606	4,339
% local expenditure over total market	97.3%	94.2%	93.7%	97.1%	98.8%
Siei Areg GmbH plant (DE)	-	3,083	3,994	5,637	5,654
from Group companies	-	1,652	2,038	2,540	2,566
from the market	-	1,431	1,956	3,097	3,088
of which from local suppliers	-	880	1,168	2,048	2,941
% local expenditure over total market	-	61.5%	59.7%	66.1%	95.2%
Sensormate AG plant (CH)	2,492	2,547	1,983	2,798	2,634
from Group companies	1,074	834	922	1,122	1,057
from the market	1,418	1,713	1,061	1,676	1,577
of which from local suppliers	1,076	1,449	821	1,451	1,419
% local expenditure over total market	75.9%	84.6%	77.4%	86.6%	90.0%
Gefran India Private Ltd plant (IN)	6,248	7,175	4,292	5,355	5,307
from Group companies	4,090	4,624	2,590	3,257	3,709
from the market	2,158	2,551	1,702	2,098	1,598
of which from local suppliers	799	738	673	735	712
% local expenditure over total market	37.0%	28.9%	39.5%	35.0%	44.6%



NOTE ON METHODOLOGY



The Gefran Group's Consolidated Non-Financial Statement was drawn up pursuant to Legislative Decree 254/16 and with reference to the international reporting standards issued by the Global Reporting Initiative "Sustainability Reporting Standards" in the GRI Standard 2021 version, with a "with reference to" application level. The list of selected indicators that was inspired for the purpose of drafting this Statement is shown in an appendix in this document, in the "Table of correlation to Legislative Decree 254/16". The GRI Standards state that the Statement should contain information about aspects considered material, which reflect the significant impacts for the organisation from an economic, environmental and social point of view and which can substantially influence the stakeholders' evaluations and decisions.

The process of collecting the data and information for preparing this Statement was managed in conjunction with the various company functions, in accordance with the following principles set out in the GRI Standards:

- comparability and clarity: to make the Statement usable by all stakeholders, clear and concise language was used together with tables and charts. The information appearing in the report refers to the period between 1 January 2021 and 31 December 2022. Where possible, data relating to previous years was recorded for comparison purposes so that the trend of the Group's activities can be evaluated over several time periods. However, the absence of such a comparison is due either to the trend over the years not being important or to the impossibility of recovering information about previous years. Finally, with regard to the quantitative information in this document for which estimates were used, this detail is appropriately indicated in the various sections;
- balance: the data and information in the Statement are represented objectively and meticulously; the indicators reflect the Group's performance in the reporting period;
- accuracy: the data and information in the Statement were checked by the respective function heads to confirm their accuracy and authenticity;
- timeliness: the Consolidated Non-Financial Statement will be published annually at the same time as the Annual Financial Report;
- reliability: the Consolidated Non-Financial Statement was drafted by an ad-hoc working group whose members were chosen from the Group's various departments and who validated the contents relating to their areas of responsibility. The final document, in its entirety, was presented and discussed by the Board of Directors.

The Consolidated Non-Financial Statement was reviewed by the independent external auditor PricewaterhouseCoopers S.p.A.

In general terms, the data and information in this Statement refer to the companies consolidated using the line-by-line method in the Gefran Group's Annual Financial Report at 31 December 2022.

Specifically, based on the distribution of personnel within the Gefran Group (where 91% of the workforce is concentrated in the Group's production companies), the sales companies are excluded from the reporting scope for some aspects where, given the nature of their activities, their contribution was not significant.

Please refer to section "2. The company" for details of the composition of the Group.

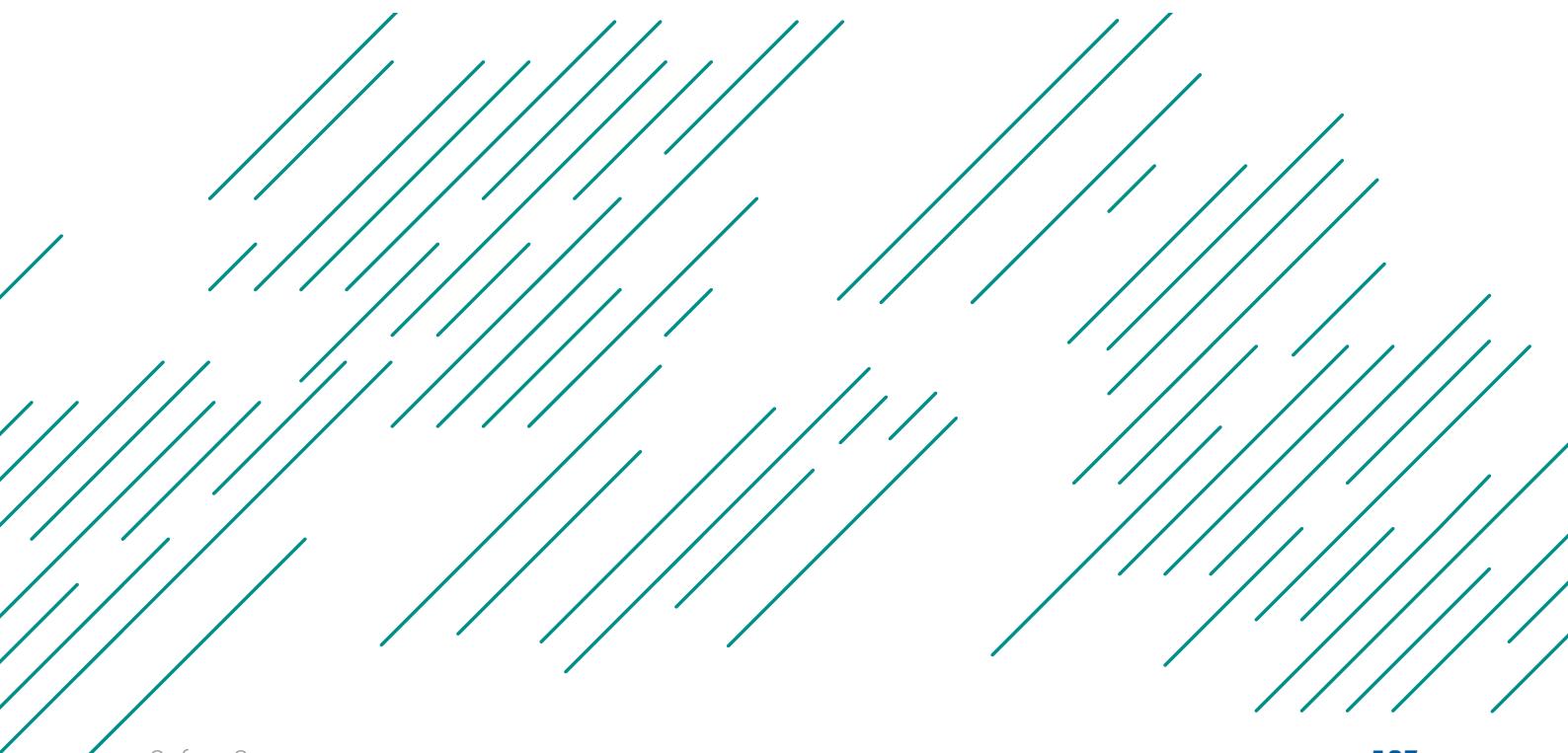
In summary, based on the information about the scope given in each section:

- ✓ for the social and occupational health and safety areas, all of the Group companies are included in the scope;
- ✓ for the consumer health and safety area, the policies and practices implemented by the production companies and the Parent Company are analysed;
- ✓ with regard to the environment, the analysis was conducted for all the production companies and two sales companies (Gefran Siei Asia Pte Ltd and Gefran Deutschland GmbH);
- ✓ the aspects concerning involvement of local communities and governance were dealt with based on the initiatives/policies and practices implemented by the production companies and the Parent Company;
- ✓ with regard to the supply chain, the analysis was conducted for all the production companies whereas, for the sales companies, it was conducted in a marginal way, as approximately 71.1% of their procurement comes from intercompany purchases and the remainder from local supplies.

In addition, this Statement includes the information required by art. 8 of EU Regulation 2020/852 of 18 June 2020 (referred to as the Taxonomy Regulation) and the related Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139. The limited examination carried out by the external auditor (PricewaterhouseCoopers S.p.A.) on this Consolidated Non-Financial Statement does not extend to the information provided pursuant to the Taxonomy Regulation in section "10 EU Taxonomy 2020/852, 2021/2139 and 2021/2178" thereof.



TABLE OF CORRELATION UNDER LEGISLATIVE DECREE 254/16



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Company and Group activities	2-1 2-6	Organisational details Activities, Value chain and other business activities	2	18-27	
Information on employees	2-7 2-8	Employees Non-Employee Employees	11.2	162-165	
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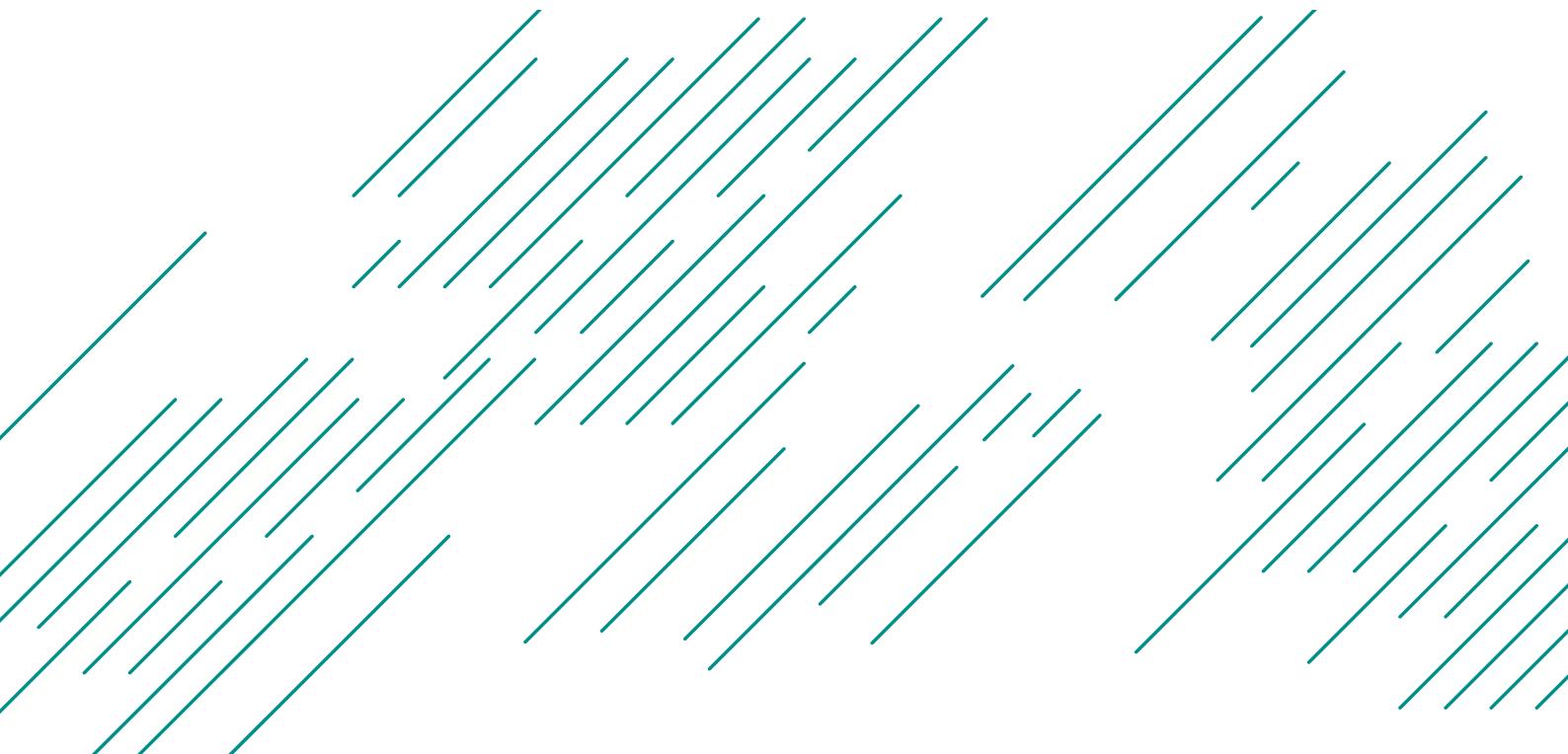
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	3-3	Management of material issues	4.2.2	59-63	
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	404-2 a	Professional development and digital transition assistance programmes for employees	6.5	95-98	
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Overview	GRI	Disclosure	Section ref.	Page ref.	Omissions
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	205-3 a	Episodes of discrimination identified and actions taken in response	3.2.4	48-49	
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Overview	GRI	Disclosure	Section ref.	Page ref.	Omissions
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AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENTS





GEFRAN SPA

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED
NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND
ARTICLE 5 OF CONSOB REGULATION NO. 20267 OF JANUARY
2018**

YEAR ENDED 31 DECEMBER 2022

Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree no. 254/2016 and article 5 of CONSOB regulation no. 20267

To the Board of Directors of Gefran SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Gefran SpA and its subsidiaries (the "Group") for the year ended 31 December 2021 prepared in accordance with article 4 of the Decree approved by the Board of Directors on 9 March 2023 (the "NFS").

Our review does not extend to the information set out in the paragraph "11. Regolamento tassonomia art.8" of the NFS, required by article 8 of European Regulation 2020/852.

Responsibilities of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2021, by the GRI – Global Reporting Initiative (the "GRI Standards"), with reference to a selection of GRI Standards, indicated at paragraph "Note on methodology" of the NFS, identified by them as the reporting standards.

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

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the Code of Ethics for Professional Accountants published by the International Ethics Standards Board for Accountants, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards, with reference to a selection of GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information (“ISAE 3000 Revised”), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standard adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - a. business and organisational model of the Group with reference to the management of the matters specified by article 3 of the Decree;
 - b. policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - c. key risks generated and/or faced by the Group with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS.

In detail, we held meetings and interviews with the management and with the personnel of Sensormate AG and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify its consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information.
- for Sensormate AG, which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Gefran Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to the selection of GRI Standards included in the NFS.

Our conclusions on the NFS of Gefran Group do not extend to the information set out in the paragraph “11. Regolamento tassonomia art.8” of the NSF, required by article 8 of European Regulation 2020/852.

Brescia, 29 March 2023

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti
(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 NFS 2021 translation



GEFRAN S.p.A.

Share capital 14,400,000 fully paid up.

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EDITORIAL COORDINATION
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