

The strategic sustainability plan published in November 2020 was intended to be a first concrete step on a formal path. Focused on sharing the work that has been carried out to date, this second document is its natural evolution.

It provides confirmation of Gefran's tangible commitment to contributing to the goal of the 2030 Agenda: sustainable development, understood as form of development that satisfies present needs without compromising the ability of future generations to satisfy their own needs in turn.

During 2021 we worked on the four projects of the plan, moving from the theoretical design phase to the implementation of the activities.

With a focus on transparency and increasing involvement and inclusion, through this second document we want to update our stakeholders on the state of progress of our projects.

On behalf of the Sustainability Working Group

#### Fausta Coffano



## Contents

OUR SUSTAINABILITY VISION	6
Letter to stakeholders	8
Sustainable by vocation	12
Gefran in numbers	18
Sustainable development pillars	20
A shared path	34
A future-oriented committment	40
Strategy and projects in practice	42
OUR PROJECTS	44
01 - Talent development and guarantee of constant feedback	46
02 - Diffusion of sustainability culture	56
03 - Obtaining new certifications	68
04 - Sustainable innovation	78



# Our sustainability vision

#### Letter to stakeholders



#### Giovanna Franceschetti

Gefran's 2021 was characterised by outstanding economic results which are even more impressive if we consider that they were achieved at a time of great uncertainty due to procurement difficulties and the persistence of the health emergency. Results which do not only reflect the recovery that began at the end of 2020. In fact, an analysis of the impact of the pandemic shows that, in addition to recording higher increases in productivity, companies with sustainable development policies have reacted better to the shock and taken better advantage of the opportunities presented by the recovery. We are proud to say that Gefran falls into this category.

Our commitment to sustainability, which has characterised various management and development areas over the years, was formalised in November 2020 in a Strategic Plan which we intend to share.

The Plan has identified four projects in three essential sustai-



nable development areas (people, environment and local area) through which Gefran intends to contribute to achieving some of the UN's 17 Sustainable Development Goals.

Four concrete projects linked to our processes: sustainable innovation; updating of certification; the growth of our people; promoting the culture of sustainability among our suppliers, who represent the cornerstone of our competitive strategy. For each of these projects we have established medium-term guidelines (three to five years), as well as commitments, investments and goals to be shared with the various categories of stakeholders.

1) The sustainable innovation project makes the principles of the protection of the environment and natural ecosystems part of the Gefran innovation approach. For Gefran, the responsible use of energy resources, aimed at the reduction and/or improved efficiency of consumption, necessitates the study and application of new technology solutions to its range of products. This explains our commitment to investing in innovation and the development of quality solutions and services, updating our expertise to facilitate the evolution of processes for a more efficient and effective organisation; Industry 4.0 has been the driving force for the development of products with characteristics consistent with this commitment.

Already today, 15% of the products in our portfolio stand out on the market for their sustainable innovation features. The goal is to reach 50% by 2025.

- 2) Gefran is committed to extending its current certification to include internationally recognised standards in the area of workplace health and safety, the reduction of its environmental footprint, and corporate social responsibility. By 2023, the goal is to obtain the IS014001, IS045001 and SA8000 certifications and to integrate them, with IS09001, in a Management System for the Group's four Italian companies. The Plan also envisages extending these certifications to the Group's international companies, and in particular to the United States and China by 2025.
- 3) The Group's commitment to the growth of its people continued over the last year with the creation of kenFly (an evo-



lution of the FLY Gefran Talent Academy), a digital platform that allows the 800 Gefran employees worldwide to hone their skills and competencies, exchange experiences and knowledge, and improve their performances through an appraisal and feedback system.

4) The promotion of the culture of sustainability among suppliers led to the first Supplier Day (25 November), an in-person event reserved for small and medium-sized companies operating in the vicinity of the Group's production facilities. We aim to accompany our suppliers on the journey towards a broader concept of sustainability, making Gefran's skills and experiences available to them and identifying co-design and co-engineering initiatives to reduce the environmental and social impact of products and components.

Our commitment is also a response to an international trend that impacts all the players in the production system. The most recent expression of this trend, in 2021, was the adoption by the European Commission of a package of measures to guide investors towards companies in EU countries that carry out useful activities to tackle the climate emergency. Sustainability is therefore increasingly a means for accessing the financial resources necessary for business development.

The leadership provided by larger companies on the road towards the sustainability of the production system is of fundamental importance. Gefran believes that this leading role must help to ensure that all players in the system are able to adapt, leaving no one behind.

Numerous companies participated in Supplier Day and accepted the challenge, validating our approach aimed at: increasing the level of attention focused on sustainability issues; encouraging greater levels of commitment; sharing knowledge, skills, ideas and projects. We believe that all of this will improve the competitiveness of the entire system. The event highlighted how small and medium-sized enterprises are also becoming increasingly aware of what is at stake: sustainability is not a slogan but an essential condition for facing the future, as well as an opportunity for development. The meeting with other companies generated lots of positive energy which we must now channel towards concrete objectives.

Giovanna Franceschetti

Vice Chairman responsible for sustainability

### Sustainable by vocation

#### Sensors



#### More than fifty years of history, with an eye on tomorrow

IThe Gefran Group was born from a smart piece of business intuition at the end of the 1960s and immediately made its mark in Italy and abroad thanks to the development of a regulation tool that would set the standard in its sector. The company extended its product range to include sensors in the 1980s before further expanding its range of technologies in the 2000s thanks to the acquisition of a historic brand in the electrical motion control business.

Parent company Gefran S.p.A. was listed on the Milan Stock Exchange in 1998 and in 2001 joined the "STAR" (Segmento Titoli con Alti Requisiti) segment of the Automated Stock Market for small to mid-sized companies that meet specific transparency, liquidity and corporate governance requirements, today known as the "Euronext STAR Milan".

Today we design, produce and distribute products in three main business areas: industrial sensors, automation components and motion control devices for the electronic control of electric motors.



#### Components



#### Motion Control



Our product range, unique in terms of its breadth, quality and level of specialisation, enables us to provide tailored turnkey solutions in multiple automation sectors.

**OEM** 



**PLASTIC** 

ELECTRICAL FURNACES



13

DISTRIBUTOR



HVAC

WATER



SYSTEM INTEGRATOR



MOBILE Hydraulics

LIFT



END USERS



**METAL** 

HOIST AND CRANE



#### Local roots, global horizons

With deep roots in the local area in which it was founded, our Group has maintained its head office in Italy, in Provaglio di Iseo (BS), at the heart of Lombardy's industrial fabric, in what has always been its historic headquarters. The development path undertaken over the years has led the strengthening of the Gefran Group: today there are 15 companies operating in Italy and abroad, 10 of which are also production units. We stand out for our total control of the process chain: from design to production and right through to the management of customer relations.

12

production p

sonsors factoria

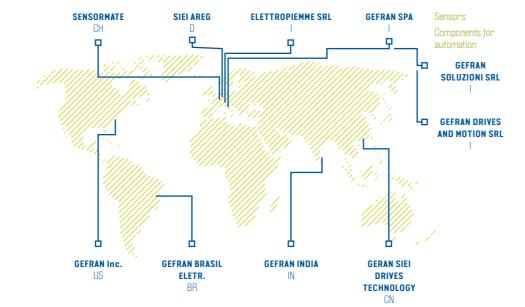
**2** automation components factories

4

14

motion control factories

2



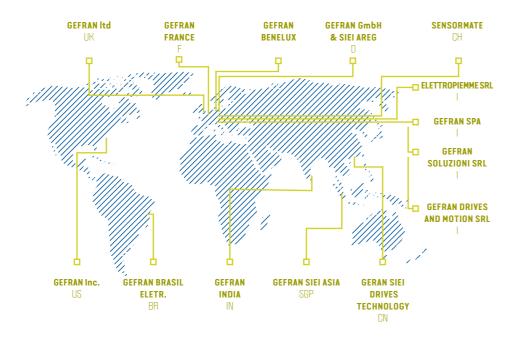
Commercial sales organisations

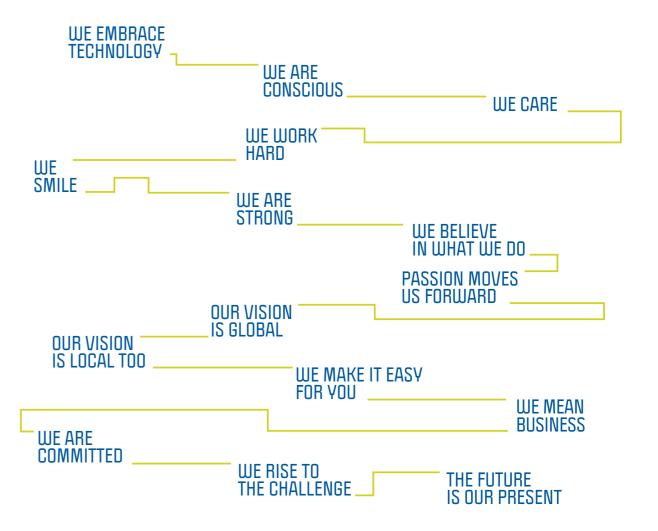
10 in Europe

3 in Asia

in Latin America

in US





#### **Gefran Way: our identity**

The characteristic elements of our corporate identity - our *Promise*, *our Purpose*, our payoff and our guiding principles - embody our approach to sustainability: a choice based on a vision and perspective, a process aimed at building the foundations for tomorrow in the here and now.

Who we are, what we want and how we do it, this is the *Gefran Way*. A compass to guide us and also a yardstick to verify the consistency between what we say and what we do.

The Gefran Way guides us in the decisions we take every day, in every area of our company and with regard to every process; it shapes the way we work together and the way we work with our customers, and shows us where we can improve and further develop

our expertise so they are increasingly aligned with our principles.

The Gefran Way describes the experience we want to offer our stakeholders. It is our reference when we want to transmit value and trust: so that in our company everyone can really feel that they are making a difference, that they are the unmistakable protagonists. This identity of ours is summarised in the payoff we have chosen: BEYOND TECHNOLOGY.

At Gefran we exploit everything that is "behind" the technology and we go beyond technology, beyond the product, beyond meeting the needs of companies and our partners, to extend our vision to tomorrow's market.

#### **OUR PURPOSE**

The future is our present.

Be protagonist in technology evaluation, recognise 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.

#### **OUR PROMISE**

We have solid roots in industrial automation and technological innovation.

We listen and work with passion to find the most effective solutions, create winning and sustainable relationships.

This is our strenght.
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 the local area.

This is our world.
This is the Gefran Way!

#### Our guiding principles

The process of establishing our identity has taken shape through the declaration of the Group's guiding principles, which shape our behaviour:

These have always been our cultural values, the things we believe in.

These principles reflect our needs and aspirations.

#### INTEGRITY

We are fully committed to establishing trust by promoting quality standards and practices, commitment to products and sustainable relationship with stakeholders.

We are experts in designing effective solutions and providing services that anticipate the client's needs.

#### INITIATIVE

We understand the importance of timely responses, flexibility of proposals, and above all, searching for best possible solutions...

#### 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.



KPIs - Economic indicators		2020
Revenues	(Euro / 000)	129,645
EBITDA	(Euro / 000)	17,549
	%	13.5%
EBIT	(Euro / 000)	9,398
	%	7.2%
Profit (loss) before tax	(Euro / 000)	7,583
Result from operating activities	(Euro / 000)	7,583
Profit (loss) from assets held for sale	(Euro / 000)	-
Group net profit (loss)	(Euro / 000)	4,353
	%	3.4%
KPIs - Equity and financial indicators		2020
	,	
Invested capital from operations	(Euro / 000)	81,902
Net working capital	(Euro / 000)	29,799
Shareholders' equity	(Euro / 000)	78,179
Net financial position	(Euro / 000)	(3,723)
Investments	(Euro / 000)	6,003
Operating cash flow	(Euro / 000)	16,953
Return on investment ROI (EBIT/	%	11.5%



KPIs - Human capital	2020	
Total employees	no.	787
of whom Women	no.	238
	%	30.2%
of whom Men	no.	549
	%	69.8%



net invested capital)

11.5%

## Sustainable development pillars

Financial, social and environmental sustainability have always been guiding principles for gefran, as well as precise areas of responsibility.

In fact, throughout its history, our group has demonstrated a continuous interest and commitment to carrying out initiatives and activities related to the sustainable development of the areas in which it operates, with the aim of creating value for its stakeholders.

The local area, people and the environment are therefore cornerstones of a common and shared path that forms part of Gefran's identity.

Group procurement spending in 2020

20

66,501

58,563

from local suppliers

88.1% of market spending

(source Consolidated non-financial statement as at 31 December 2020)

#### Gefran in support of the local area

#### SUSTAINABILITY PACT WITH SUPPLIERS

Since it was founded, many of Gefran's activities have been connected with the area where the company was established and developed. An area with a business fabric made up of solid companies and specialist technical skills, with which a virtuous relationship of mutual collaboration has been developed.

Gefran has developed the same approach in all countries worldwide in which our Group is present with its companies and production units, in the belief that the local vocation is a decisive competitive factor, as well as a source of added value for the various local systems.

At global level, the Group's total spending on procurement in 2020 came to around €66 million, just under 90% of which from local suppliers, i.e. suppliers located in the same country as the Gefran plant they supply.



That's not all. Many of the Group's most important suppliers have their production sites near Gefran plants. A choice guided by the belief - one borne out by the facts - that in terms of total cost local suppliers are able to perform just as well as those located in other parts of the world.

Management of ethical, environmental and social impacts at all levels of the supply chain is considered one of the keys to the success of our Group's business.

As a multinational corporation, Gefran purchases raw materials, products and services from suppliers in various different countries, in different cultural, social and economic contexts. This is why we decided to create a policy that defines general standards for the assessment of suppliers and the basic principles that underlie the Group's approach to the sustainable management of the supply chain.

This document, which we have called the *Sustainability Pact*, supplements the principles of the Global Compact and the Group's Code of Ethics and Conduct with aspects relating to environmental, reputational and financial risk and has been signed by around 130 suppliers.

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

To facilitate the signing of the Sustainability Pact, a form has also been made available on a digital platform, *E-Procurement*, dedicated to the preliminary registration and accreditation of new suppliers: signing the *Sustainability Pact* is a binding prerequisite for the successful conclusion of the accreditation

process.

However, signing the *Sustainability Pact* alone does not guarantee the full assessment and mitigation of the potential risk that human rights may not be fully respected in the supply chain or that suppliers' activities may be subject to a significant risk of incidents related to child labour, forced labour and violations of freedom of association and collective bargaining.

A special section on sustainability, focusing in particular on occupational health, safety and ethics, has therefore been added to the supplier assessment and qualification form.

#### SUPPORT AND PARTICIPATION

For Gefran, community also means collaboration, support and participation.

This belief underpins the long-standing strategic partnership with the University of Brescia, which over the years has resulted in the joint development of various projects, the mutual exchange of skills and resources, and ongoing technical and technological updating.

Equally significant is the collaboration, as part of the industry-innovation relationship, with the CSMT technology centre.

Other collaborations with Universities and Research Institutes have been launched also at the Group's international sites over the years. The Group also promotes various social, medical and educational initiatives aimed at local associations rooted in the local area: partnerships consolidated over time, confirmed and renewed from year to year.

#### Gefran and its people

There is no distinction between company and people because Gefran is its people.

This concept is alluded to in the "Beyond Technology" payoff and inspires the entire *Gefran Way*. This is why we are constantly focused on quality of life both inside and outside the workplace.

The importance of our people, as well as Gefran's commitment to them, was formalised with the "People in Gefran" policy, approved by the Chief Executive Officer in January 2021.

The Group currently employs around 800 people, 69% of whom at the Group's Italian sites, 10% in Europe, 14% in Asia and 7% in North and South America.

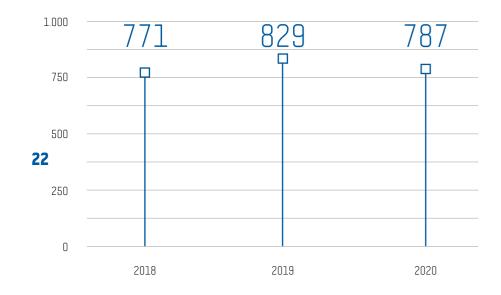
Gefran - Persone ambiente territorio

Gefran - Persone ambiente territorio ──□

#### **OCCUPATIONAL HEALTH AND SAFETY**

With regard to the health of its employees and ensuring compliance with occupational safety legislation, our Group is constantly committed to providing its employees with all the tools they need to carry out their activities in safe conditions, whether in the form of safety equipment or training, a commitment that we have decided to formalise with the "Health, safety and environment policy", approved by the Chief Executive Officer in January 2021.

Thanks to the numerous initiatives we have launched, the number of occupational accidents involving Group employees is regarded as negligible.



Number of employees in the Group:

(source Consolidated non-financial statement as at 31 December 2020)

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

(source Consolidated non-financial statement as at 31 December 2020)

breakdown by geographical region	2020		
	W	M	Т
Italy	170	372	542
Europe	16	62	78
America	13	45	58
Asia	39	70	109
TOTAL GROUP	238	549	787

division by age			2020
	W	M	T
<= 29 years	27	72	99
30-50 years	162	301	463
>= 51 years	49	176	225
TOTAL GROUP	238	549	787
<= 29 years	3%	9%	13%
30-50 years	21%	38%	59%
>= 51 years	6%	22%	29%
TOTAL GROUP	30%	70%	100%



#### HOW GEFRAN LOOKS AFTER ITS PEOPLE, EVEN IN TIMES OF DIFFICULTY

The events of the last two years have led all of us to focus more closely on health and safety issues and, in some cases, review certain working methods.

Since the beginning of 2020, following the worldwide spread of the Coronavirus (Covid-19) and the declaration of a "global pandemic" by the World Health Organization, the governments of the countries involved have found themselves introducing restrictive measures, including the limitation of travel, social isolation and the suspension of all non-essential forms of production and commerce, with the primary goal of halting the spread of the virus and safeguarding human health. These exceptional measures have undeniably had a major impact on society and the economy.

In the meantime, many of us have reviewed our priorities and people's behaviour has changed, all over the world. The events also unexpectedly overwhelmed Gefran, whose sites are located in countries and territories that have been heavily affected by the pandemic: China, the first country affected, immediately followed by Lombardy, and in particular the province of Brescia, subsequently involving also Europe, the United States, India and Brazil.

We reacted straight away, as soon as we received the first reports from our Chinese colleagues in February 2020, drawing inspiration from the community values that characterise us. An **Internal emergency committee** was set up immediately and the priority was to adopt all possible measures in order to safeguard people's health and, at the same time, continue operations within the limits imposed by the governments in the various countries to ensure the economic sustainability of the company as far as possible.

At a time of global difficulty, it was important to demonstrate our solidarity and support both for our people and for the local communities in which our offices are located: we wanted to guarantee all Group employees

equal access to safety devices and this was possible thanks to the centralised management of the supply chain and supply synergies between the Group companies. Thanks to our efforts, it was possible to provide all our employees and their families with the key PPE for combating the spread of Covid-19.

It was also possible to support some local associations and health centres close to our Italian and international sites, providing them with materials and equipment when they were in serious difficulty.

We also expressed our proximity to the territory and nearby organisations by supporting initiatives promoted by local associations, such as the Confindustria Brescia campaigns "A vaccine for all", aimed at promoting vaccination programmes across the world, and "I pay my suppliers". The latter in particular, supported by our offices in the Brescia area, inspired the parent company to instruct the other Group companies to respect their financial commitments to suppliers, even at a critical time such as the healthcare emergency we are experiencing.

Finally, we decided to promote seasonal flu vaccination campaigns as a further sign of our focus on our people and our proximity to local communities: the flu vaccination will simplify the diagnosis and management of suspected cases given the similar symptoms shared by Covid-19 and seasonal flu. By vaccinating against the flu, relative complications in at-risk subjects and admissions to casualty are reduced. Our voluntary support for the initiative was important: a total of more than 350 employees in Italy and China participated in 2020, and today we are organising the 2021 campaign.



#### FLY GEFRAN TALENT ACADEMY and kenFLY

The challenge of creating a professional world to which people want to belong represents Gefran's culture and values. This is part of the mission of the People & Organization department, which leads a series of initiatives to achieve the Group's objectives.

**FLY the Gefran Talent Academy** focuses on the development of people's strong points. The goal is continuing development and support for everybody's distinctive skill sets and enhance the talent of all Gefran people.

Gefran addresses this major challenge with the systematic aim of developing its employees. Talent does not identify a person, but is a unique set of an individual's characteristics.

We use a variety of tools and methods aimed as much at existing staff as at new employees.

Talent can be defined as a set of skills aligned with the company's values and consistent with specific nature of the organisation implementing the corporate strategy.

Thanks to the launch of FLY, it has been possible to manage training in a more structured and inclusive way, and to increase the number of hours of training carried out in the Group, at all levels

As well as being a skills development Academy, today FLY has also become a hub for sharing ideas, experiences, best practices and cooperation. In order to ensure the integration and uniformity of the training paths and development methods used in the Group, in 2021 we designed and developed a digital platform, **kenFLY**, which all Gefran employees can access.

Also through *kenFLY*, Gefran is developing a programme focused on skills development and performance improvement which will involve all Group employees. In fact, one of the pillars of Gefran's sustainability strategy is equal opportunities for professional growth and career development for all of our employees.







Technical training hours			2020			2019			2018
	W	M	T	W	М	T	W	M	Т
Managers	- -	1,202	1,202	- -	1,398	1,398	- -	174	174
Middle managers	141	359	500	141	502	643	152	467	619
Clerical staff	875	2,954	3,829	2,008	5,054	7,062	746	1,722	2,468
Manual workers	272	819	1,090	734	1,283	2,017	130	200	330
TOTAL TECHNICAL TRAINING HOURS	1,288	5,333	6,621	2,883	8,237	11,120	1,028	2,563	3,591
Training hours on cross-functional skills development			2020			2019			2018
	W	M	T	W	M	Т	W	М	Т
Managers	- -	650	650	66	1,461	1,527	32	784	816
Middle managers	528	498	1,026	832	2,508	3,340	249	1,168	1,417
Clerical staff	142	241	383	972	2,342	3,314	500	710	1,210
Manual workers	48	194	242	932	1,099	2,031	16	207	223
TOTAL CROSS-FUNCTIONAL TRAINING HOURS	718	1,583	2,301	2,802	7,410	10,212	797	2,869	3,666

Gefran - Persone ambiente territorio —

#### THE VALUE OF DIVERSITY

"Diversity is a value that generates dialogue and a strategic resource for innovation and change; as such, it must be protected."

Extract from the "People in Gefran" policy

At Gefran we respect people's right to choose a lifestyle that meets their specific needs in the knowledge that each person's uniqueness must be properly encouraged and represen-Different ts a source of great potential for the company's growth.

Within a workplace, different points of view - whether stemming from differences in gender or age, sexual or religious orientation, physical or technical abilities, ethnic or cultural origins - generate dialogue, innovation and change.

Religions

Languages

BABY BOOMERS 1944/1960



**Generations** represented

**GENERATION Z** BORN AFTER 1995

**MILLENNIALS** 1981/1995

1961/1980

#### **WELLFRAN - PEOPLE IN GEFRAN**

WELLFRAN - People in GEFRAN is the set of initiatives and actions through which Gefran looks after the holistic wellbeing of its employees while at the same time giving them the opportunity to reach their full potential.

The logo that we have chosen to represent WELLFRAN has several meanings but is based on a single key concept: that there is common ground on which each of us can cultivate our uniqueness.

The stand-out elements are the two flowers: a flower garden is not just aesthetically beautiful but also tells us that the soil in which these flowers grow is fertile. The "petals" of these flowers are the people whose "feet" are in the same soil but who are each facing outward in their own direction.

The different colours and shapes remind us of the importance of diversity: the uniqueness of the people who make up our organisation and make it strong.

Within WELLFRAN, THERE ARE A NUMBER OF CORPORATE welfare initiatives that involve structured programmes designed specifically to meet the needs and requirements of the different age groups and countries.

In Italy, for example, there is a complete and innovative package of flexible benefits, consisting of numerous services, facilities and agreements which are easily accessible online through a dedicated web portal that offers goods and services to support the family (education, assistance, summer centres, sports, leisure activities, etc.), loans, pension planning, medical assistance, travel, shopping trolley, as well as benefits in terms of flexible working hours and remote work.

In the last 3 years, around 90% of the credit has been used. In 2021, 90% of employees used at least one service, broken down as follows:



in vouchers

17%

in refunds for education or public transport expenses

11%

in the purchase of vouchers (travel, free time, various subscriptions, etc 6%

in payments to the supplementary pension fund

#### Gefran in support of the local area

Gefran promotes sustainable growth geared towards respect for the environment and public health, developing management systems that comply with the laws in force and pursuing continuous improvement in environmental performance, with respect for the ecosystem.

Extract from the Gefran Group Code of Ethics and Conduct

Environmental protection is probably the first topic that people think of when talking about sustainability.

Gefran's production and commercial activities, by their very nature, mean that our company is classified as an non-energy intensive company.

This is also evident from the periodic audits carried out, the monitoring activities implemented (through DATALOGGER control monitors) and periodic performance assessments with regard to energy consumption and atmospheric emissions.

#### **ELECTRICITY AND THE REDUCTION OF EMISSIONS**

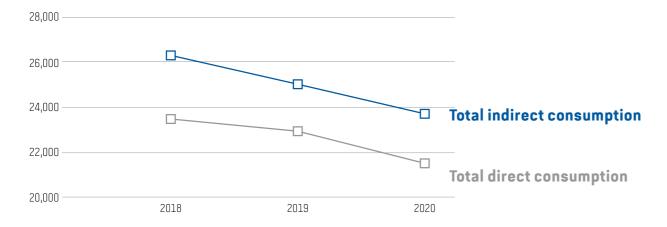
More specifically, the biggest areas of electricity consumption are related to the use of production machinery, cooling and ventilation circuits, but most of all to lighting; the latter alone account for more than 50% of total electricity consumption.

With this in mind, the Group has implemented a series of initiatives aimed at improving energy performance and reducing emissions, such as the installation of LED lighting fixtures managed by DALI (Digital Addressing Lighting Interface) protocols and motion detectors for switching on lights, ongoing structural investments in plants (e.g. the installation of next-generation refrigeration units and the focus on energy performance in the construction of new buildings and the redevelopment of existing areas), and investments in more energy-efficient industrial systems and production machinery, identifying operating areas where energy consumption is more significant (e.g. replacement of reflow and firing ovens, installation of new electronic soldering machines).

The Operation area regularly interacts with the Q-HSE function in order to better shape the investment plan, evaluating technical needs on one hand and the contribution to environmental protection on the other, constantly striving for improved energy efficiency.

#### Consumptions by scope in GJ

30



(source Consolidated non-financial statement as at 31 December 2020)

Energy intensity	2020	2019	2018
GJ over revenues	0.376	0.371	0.401

Emissions in tC02		2019	2018
Diesel for company vehicles	459	639	690
Diesel for other uses	2	4	3
Petrol for company vehicles	65	103	82
Natural gas	661	582	584
Other (F Gas)	61	-	46
Total direct emissions	1,249	1,328	1,406

Emissions in tCO2 - Location-based method (*)	2020	2019	2018
Mains electricity	1,869	2,677	2,815
Electricity acquired from the grid,	688	_	_
from certified renewable sources	000	_	_
Total indirect emissions	2,556	2,677	2,815

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

Emissions intensity	2020	2019	2018
tCO2 over revenues	0.032	0.031	0.034

(source Consolidated non-financial statement as at 31 December 2020)



#### WATER CONSUMPTION

As far as water consumption is concerned, no water is used in the production processes and there are no industrial discharges: the production cycle does not include the processing or treatment of materials and components that may represent a significant risk of pollution or environmental damage.

Nevertheless, in order to mitigate all possible risks, Gefran has introduced a series of controls and monitoring activities such as the installation of level sensors in washing water and compressor condensation collection tanks, automatic warning signals in the case of filling and the installation of differential pressure switches and visual alerts in the case of filter malfunctions before expulsion into the air.

#### THE "QUALITY, SAFETY AND ENVIRONMENT" DEPARTMENT

With a view to optimising the use of energy resources at all levels and reducing their associated environmental impact, a key role in the Group is played by the integrated "Quality, Safety and Environment" department, which also dedicates its expertise to environmental and energy saving issues. Its tasks specifically include:

- / complete management of industrial waste (storage and disposal) in accordance with current legislation and the organisation of separate waste collection in the company;
- I management of general authorisations and related provisions issued by the competent bodies regarding atmospheric emissions.
- / monitoring of energy consumption and collection of data on the consumption of energy resources;
- I organisation of training programmes for personnel on health, safety and environment issues.

The Gefran Group has production and commercial sites in environments with very different characteristics due to their different geographical locations, so actions to protect the environment must be diversified according to the location in question.

With the aim, among other things, of contributing to reducing greenhouse gas emissions, the Group is continuously looking at ways to improve its energy performance and protect resources. This is also possible thanks to the continuous innovations introduced to Gefran's production and management processes. Some of the initiatives launched to this end include the use of 100% recyclable material in our packaging, the implementation of digital solutions to replace paper-based solutions and the optimisation of business trips (use of e-learning platforms, webinars, virtual meetings via digital platforms).

#### **WASTE PRODUCTION**

With particular reference to the production of industrial waste, it should be noted that the waste generated is mainly of a non-hazardous nature: the incidence of hazardous waste generated at Group level is in fact very low, around 8% of the total.

in kg	2020	2019	2018
Total waste produced	467,989	507,379	557,311
of which hazardous	39,498	34,347	38,453
% of total	8.4%	6.8%	6.9%
of which non-hazardous	428,492	473,032	518,858
% of total	91.6%	93.2%	93.1%

(source Consolidated non-financial statement as at 31 December 2020)



34

Gefran has always been active in terms of sustainability, demonstrating continuous interest and commitment to the implementation of initiatives and activities related to these issues.

In line with its principles, our Group has always been committed to taking more responsibility in this area with the goal of creating value for its stakeholders and contributing to the sustainable development of the areas in which it operates.

It is in Gefran's nature to seize opportunities and turn them into strengths.

The introduction of European Directive 2014/95/EU and its application in Italy through the issuing of Legislative Decree 254/16, which has essentially made it mandatory to correctly and objectively communicate the non-financial impacts of the activities of entities considered to be of public interest, has proven to be an excellent opportunity for Gefran to explicitly demonstrate its interest in sustainability issues.

With this in mind, we decided to take a further step forward by making sustainability an even more integral part of our business, our strategic choices and our daily activities, embarking on a path to consolidate our commitment in 2019.

Our path, which saw us draft the strategic sustainability plan in November 2020, has involved a number of key milestones:

- I the definition and structuring of our sustainability governance;
- the performance of stakeholder engagement and materiality analysis activities;
- I the definition of our sustainability strategy.

We followed up the drafting of the Strategic sustainability plan by launching its underlying projects and signing and disseminating the following sustainability policies to the entire Group:

**HEALTH, SAFETY & ENVIRONMENT POLICY** 

**PEOPLE IN GEFRAN POLICY** 

**QUALITY POLICY DECLARATION** 

Sustainability governance

Giovanna Franceschetti



Marcello Perini



Cristina Mollis

Project Manager

Fausta Coffano

#### Working Group

Assistance of the Project Manager

Commercial Department

Chiara Mazzucchelli

HSE Department

Marcello Sbardolini

Marco Debellini

People & Organization Department
Patrizia Belotti

Procurement Department

Operations Department

37

Stefano Mazzola

Gianluigi Gritti

Compliance Department

Vittorio Grasso (Legal) Silvio Fanini (Quality)

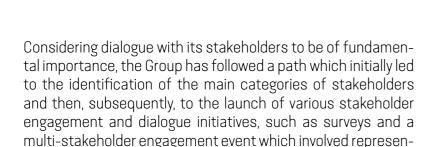
Gefran's **Sustainability Committee** is responsible for supervising all of the Group's sustainability activities and reporting their progress to the Board of Directors.

To carry out these tasks, the Committee relies on a **Working Group**, led by the Group CFO, which includes representatives of the various company departments and is responsible for developing all the preparatory activities for defining and implementing Gefran's sustainability strategy and drafting the first sustainability policy document.

The **Working Group** carries out these activities also in close collaboration with representatives of all of the Group's subsidiaries.

Today the Working Group mainly focuses on 2 areas: the constant monitoring of the management practices launched in the Group, also through the updating and dissemination of sustainability policies, and the application of the sustainability strategy through the implementation of the four projects defined in the Strategic plan, reporting on their progress to the Sustainability Committee and, in general, to all stakeholders.

The materiality matrix is a tool that maps the importance of the identified material issues according to the point of view of the Company and its stakeholders. In tracing the importance of the issues, the matrix makes it possible to identify the areas around which one's strategic approach to sustainability should be structured.



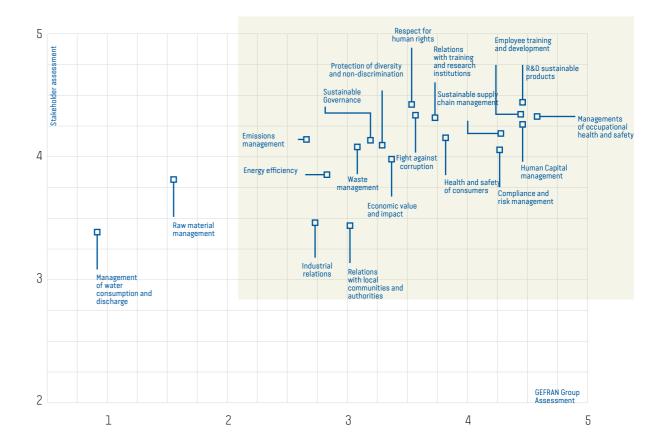
The information obtained from the stakeholder engagement activity made it possible to develop the engagement process and update the position of the material issues in the materiality matrix in order to more accurately reflect the opinions of our stakeholders.

tatives of all categories of stakeholders.

Gefran is committed to organising regular events to engage its stakeholders. In addition to engagement activities specifically aimed at individual categories of stakeholders, we also aim to organise multi-stakeholder events at least once a year.

This allows us to maintain an open dialogue and line of communication with our stakeholders, and to periodically verify our alignment with the issues that emerge.





### A future-oriented committment

We have chosen to align behind a broad strategic initiative, defining a series of commitments in line with the Sustainable Development Goals of the United Nations.

#### The United Nations Global Compact

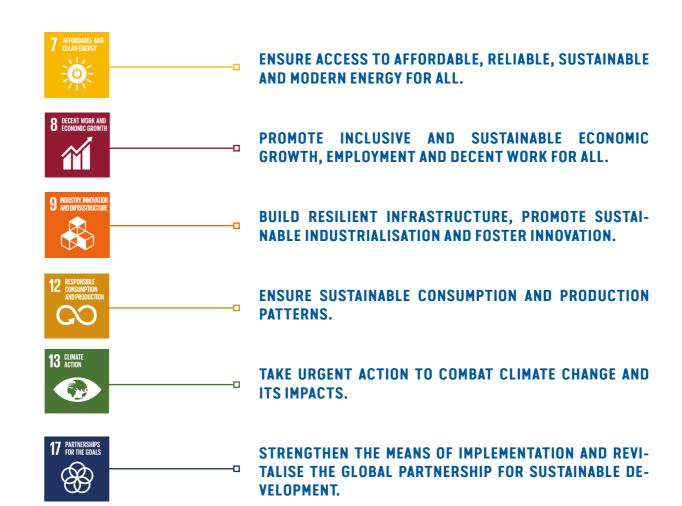
The United Nations Global Compact stems from the need to promote a shared global initiative for a sustainable economy, possible through collaboration on the most critical aspects of globalisation, aligning the objectives of the international community with the private interests of the business world.

It is a voluntary initiative, which invites companies all over the world to align their approach to the issues of human rights, environmental protection, workers' rights and the fight against corruption, through the adoption and dissemination of policies, with the single and shared purpose of achieving a number of common objectives, known as the Sustainable Development Goals (SDGs).

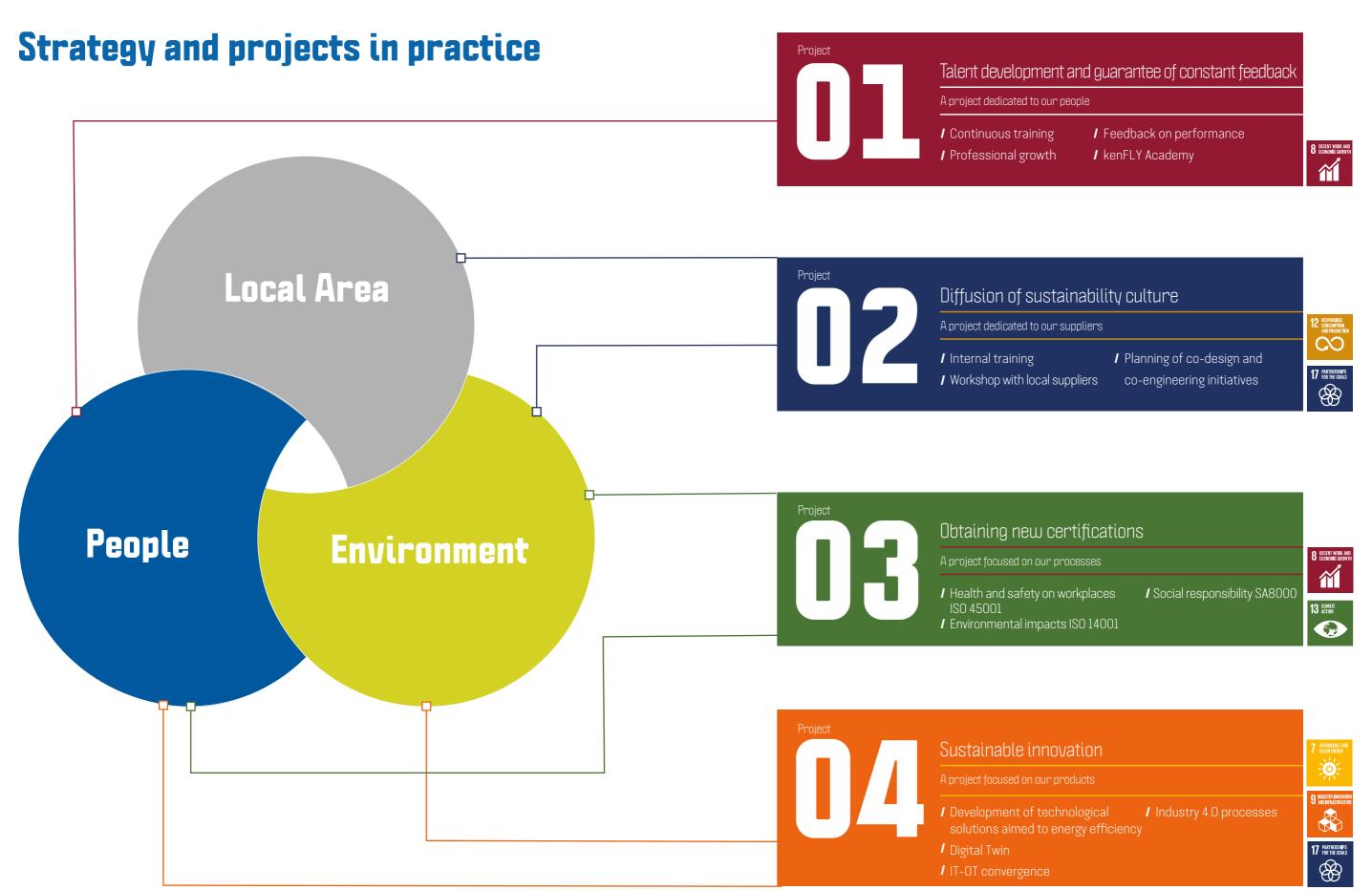




#### The Sustainable Development Goals (SDGs) most interconnected with Gefran's commitments



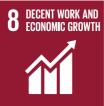








## **Talent** development and guarantee of constant feedback



#### 49

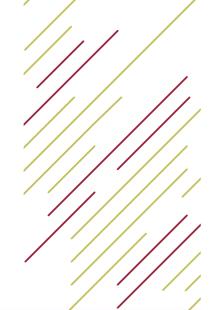
#### We shape the future. We kenFLY.



Continuous training constitutes a strategic cornerstone for the development and growth of the company and its people, both to maintain the company's distinctive legacy of knowledge and to adapt the level of *employability* of its people to the current scenario, preparing them for the future.

The dynamism of the current context, a characteristic that will also increasingly define periods in the future, is an additional factor that has spelled out just how important it is to align the behaviours and objectives of our people with the new business models of the organisation.

The empowerment and engagement of people is crucial for responding to medium- and long-term business challenges in a sustainable organisation, as well as for strategically addressing the digital transformation.







#### SDG TARGET

Sustainable Development Goals

#### **GEFRAN'S COMMITMENT**

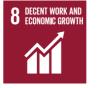
to achive sustainable development goals



By 2030, ensure full and productive employment and decent work conditions for women and men, including young people and people with disabilities, and fair remuneration for work of equal value.

ortive Offer all employees equal opportuondi- inities for professional growth and ording career development.

Increase the company population with access to regular feedback on performance.



These are the premises for the launch of a concrete project through which we aim to offer all employees equal opportunities for professional growth and career development. It is our intention to ensure that all those who work for the Group have the opportunity to develop their skills and improve their performance levels.

One of the questions that constantly guides us in this project is how to strike a virtuous balance between the needs of the business and the expectations of people in terms of *employability*.

We think that the answer is to guarantee everyone, in every company role, access to a structured, widespread and shared system which brings together the skills model, the assessment of strengths and behavioural styles and a new process of *performance management*.

In practice, the project aims to create a transparent and structured performance management system for the periodic assessment and analysis of performances and skills development. The system will enable everybody to align themselves with the strategy and challenges of the organisation, offering everyone the opportunity for continuous growth.

To carry out this project we have chosen to use a genuine "Human Capital Development Platform" to support the growth of our people, within which we are developing a new *performance management* system and a coherent path for the development of key skills for Gefran, in accordance with the principles of the *Gefran Way*.

The chosen infrastructure is **kenFLY Academy**, the new Gefran digital hub created to manage training, which will support training courses, virtual working and discussion tables, coaching, cultural exchanges, reverse mentoring programmes, shared and social engagement walls, and *gamification*.

The addition of *gamification* to learning processes lightens the cognitive load required for people to understand certain concepts and notions. By combining practical and didactic activities through "play", people find themselves applying the things they have learned in a safe environment specially created to constantly simulate the ideal setting for putting the specific thing to be learned, understood or trained into practice. As such, training, or rather cultural evolution, becomes more practical and faster. Thanks to gaming, differences are minimised and cultural and generational characteristics acquire greater value.

The adoption of the Skills Model, based on our organisation, and a "Behaviour Style Assessment Tool" called "Lifo" (Life Orientations), both known internationally, ensure we have a codified, homogeneous and reproducible tool which represents some of the basic needs of the project.



The goal we pursue through this integrated system is twofold: to help strengthen everyone's transversal skills and, at the same time, to activate and empower the management team, strengthening their aptitude for mentoring and providing continuous, objective and specific feedback.

Fully consistent with the founding principles of the Strategic sustainability plan, the project aims to gradually develop an integrated system in which people can take advantage of a holistic and organic professional growth and development experience.

Also extended to our associated companies, the project will involve 100% of the Group's employees through the creation of training clusters composed of groups of employees with similar characteristics, such as the same geographical origin or similar roles within the organisation.

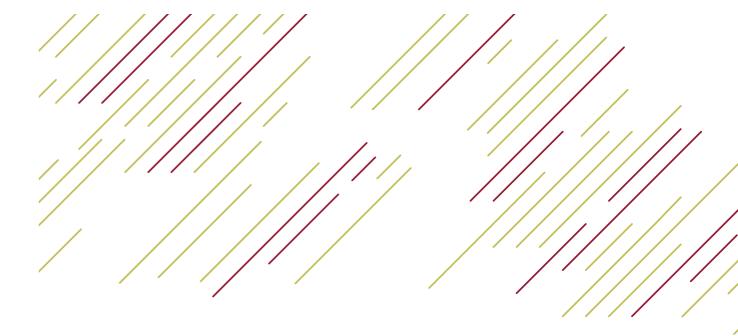
The monitoring of the effect of the feedback will take place through the administration of surveys, the analysis of which will require a large database, which we believe will be possible as of 2024, and gamification programmes, launched in parallel with the training activity.

#### Skills Model

Will include the declaration of each skill and the criteria for assessing them on the basis of behaviour. The same model will become a "common language" not only for assessment and feedback, but also for the definition of job descriptions and scouting and recruitment criteria.

Lifo

Lifo's approach is to highlight a person's strengths and behaviours, both in "normal" scenarios and "stressful" conditions, maximising their potential by encouraging the use of underused strengths. Through Lifo a moment of dialogue is created in which feedback is centred on the strengths observed and on those required which, on the basis of different situations, must be managed.



The progress of the project will be measured through a number of KPI, such as:

	% of employees who can access the kenFLY platform	
	% of employees who have actually used the kenFLY platform	
	% of employees who have received feedback via LIFO	
_52	% response rate to surveys	

To date, 98% of the Group's employees can access the kenFLY platform, through the invitation they have been sent, and 56% have actually used the platform (paths followed, content views, interaction in the focus groups created).

Prompt reporting is guaranteed as *kenFLY* supports a reporting system which must be structured in accordance with the defined KPI.

We are committed to completing this project, involving all Group employees, by 2024.

#### Timeline with project milestones

Identification of infrastructure to provide the necessary training Creation of the dedicated digital platform	Q4 2020	<b>Q4 2020 completed</b> 100%	
PHASE 1 Population of the platform and defin	nition of reference	e models	
Creation of the skills matrix		completed 100%	
Definition of the "performance appraisal" model to be adopted		completed 100%	
KenFLY platform active from March 2021 for all group employees with content, gamification and progress tracking Population of the platform with content	2021	ongoing and will continue throughout 2021	
Creation of role job descriptions specifying distinctive skills and KPI		<b>in progress</b> 30% done	
Identification of infrastructure for the management of "performance appraisals"  Creation of a new dedicated tool or adaptation of existing tools		<b>in progress</b> 70% done	
PHASE 2 Training			
Training activity disseminated to all employees	2022	<b>to do</b> 0%	
PHASE 3 Behaviour Style Assessment Too	I		
Execution of the evaluation plan via LIFO for all employees	2022	<b>to do</b> 0%	
PHASE 4 Collection of feedback			
Start of initial feedback for all employees	2023	<b>to do</b> 0%	
Survey for monitoring			
Survey to monitor the achievement of the project's objectives for all employees	2024	<b>to do</b> 0%	

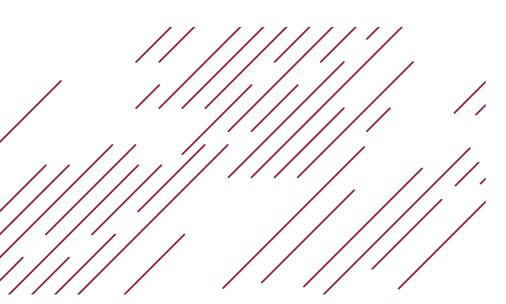
#### Needs highlighted

- Have a unique and globally reproducible model for the entire Group
- Transparency and visibility of where you are in your growth and development path
- Take into account both quantitative objectives "WHAT" (results, implementation times, resources used, etc.) -, and qualitative objectives - "HOW" (how I perform core competencies) -
- Consistency of opportunities for all people in the organisation
- Have a dual language platform to reach everyone equally: ITA-ENG



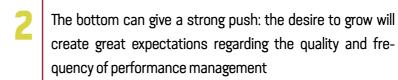


**54** 



#### Critical success factors

Creation of a single performance management system with role-related evaluation and development



- The system works if it is designed for those who want to invest in their own development, proactively putting themselves to the test
- It must not be perceived as an external and "automatic" process: opportunities will be given to those who are interested and proactive
- Future creation of a single HUB where you can consult everything related to your personal performance and growth
- Integration with MBO system
- Merger with the KenFly platform for a consistent development process
- User experience: fast, intuitive and easy to use for every actor involved in the process

The tool will become a modus operandi and its evolution will involve projects related to topics of versatility in collaboration with the trade unions and internal job posting processes thanks to the growth of employability.

The opening of the kenFLY hub to other stakeholders is also being evaluated.





## Diffusion of sustainability culture





58

## We know the value of doing it together.

In the analysis of the panel of our stakeholders, suppliers are one of the categories most interconnected with the activities we carry out on a daily basis.

The partnership between company and territory has been part of Gefran's production history since the outset. Suppliers, in particular, have always been seen as a resource both for the production of materials and services, and for the generation of ideas and skills for development.

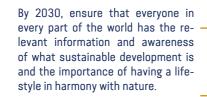
#### SUG TVBGET

Sustainable Development Goals

#### GEFRAN'S COMMITMENT

to achive sustainable development goals

12.8



Promote a culture of economic, social and environmental sustainability in the Gefran world.

Invest in raising awareness of the Group, its supply network and the surrounding community on the importance of achieving sustainable development.



SDG TARGET Sustainable Development Goals GEFRAN'S COMMITMENT to achive sustainable development goals

17.16



Strengthen global partnerships for sustainable development, supported by multilateral partnerships that develop and share knowledge, skills, technological and financial resources, in order to achieve Sustainable Development Goals in all countries, especially developing countries.

Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.

The specific aim of the "Promoting the culture of sustainability" project is to share and promote the culture of sustainability among our suppliers, focusing in particular on small- and medium-sized enterprises located in the vicinity of our companies.

In fact, according to our findings, by their very nature partners with these characteristics may not be able to easily implement sustainability in their businesses, either due to lack of training or because of the difficulty in procuring the resources necessary to launch concrete initiatives.

Through this project we aim to promote training and responsibility activities and to partner in concrete initiatives and projects, in line with the cornerstones of the 2030 Agenda.



Internal training

Training delivery



Review of qualification criteria

 Identification of new qualification criteria and review of supplier pre-assessment

and audit forms



Promotion of the culture of sustainability

 Promotion and development of the culture of sustainability involving select partners

 Identification of specific activities, initiatives and projects



Project development

 Development of various tangible projects

Internal training represented the first step for the realisation of this project: we recognised the need to provide the people of the purchasing and Q-HSE team with in-depth preparation on sustainability issues and concepts so that they can effectively accompany our suppliers towards a path of growth and awareness on the issues in question.

An ad hoc training course was designed and structured into three macro-areas:

- / general principles of sustainability
- / Gefran strategic sustainability plan
- / sustainability in the supply chain

Recognising that the supplier qualification and auditing process represents the first form of connection between Gefran and this category of stakeholders, in terms of documentation we have reviewed our procedures and identified new supplier qualification and audit criteria to ensure that it is consistent with Gefran's sustainability strategy; this activity will be completed by the end of 2021.

Gefran undertakes to include ESG issues in all supplier audits carried out as of January 2022.

During the first phase of the project, the criteria for selecting and identifying the panel of suppliers to be involved in the subsequent phases were also defined. The parameters used for selecting suppliers were geographical location, the turnover of the supplier and the ratio between this and the amount of turnover generated with Gefran.



The suppliers who form part of the panel are the focal point of the third phase of the project, in which they play an active role in Supplier Day, a collective in-person event dedicated to training on the basic concepts of sustainability, disseminating the Gefran strategy and engagement in initiatives, activities and projects related to sustainability.

An assessment survey was sent to suppliers invited to the event with the dual aim of producing an objective snapshot of their level of awareness and implementation of sustainability principles, and receiving practical and concrete ideas on their specific areas of interest. Finally, the assessment also makes it possible to evaluate the feasibility of the subsequent design phase with each supplier.

The 40 or so suppliers involved used the assessment survey to express their opinions on various issues: certifications and policies implemented in their companies, with particular regard to the management of HSE/social/ethical aspects, the most relevant environmental/social/economic aspects for them and initiatives aimed at improving them, sustainability strategies or projects already developed.

The date of 25 November was chosen for this event, a day which in recent years Gefran has dedicated to sustainability both with in-person events, like in 2019 when the Sustainability project was officially launched, and with Webinars, as in the case of the presentation of the sustainability policy document "The future is our present" in 2020.

40 suppliers involved 37 assessments administered 30 assessments completed This event had various goals. First of all, to train and raise awareness of the basic principles of sustainability among all participants; secondly, to illustrate in detail the Gefran Strategic Sustainability Plan, emphasising in particular the importance of interaction between Gefran and its stakeholders, with particular focus on suppliers. Finally, to identify supplier activities and/or projects to which Gefran can contribute

In the first six months of 2022 audits will be carried out on suppliers invited to the event who have expressed interest in the initiative. There will then be a follow up phase with indications for improvement and alignment actions.

During the new financial year, we will mainly work on the activities and/or projects identified during the *Supplier Day*.

The third phase of the project will end with the second *Supplier Day*, which we plan to hold exactly one year after the first, during which the results of the audits and the level of implementation of ESG issues at suppliers will be illustrated. One key moment of the event will be the presentation of the work carried out during the year on the project chosen at the end of the first event.

In preparation for the second event we plan to administer a new assessment in order to independently and objectively assess the progress and implementation of the principles of sustainability by our suppliers, as well as to once again ascertain the openness of participants to the project and their willingness to participate in dedicated activities.

The results of the audits carried out in 2022, participation in the two workshops described and the degree of openness towards the initiative as expressed via the assessments will represent the basis for identifying one or more specific projects on which to work further ahead.

Regardless of *Supplier Day*, we also envisage both the development of ad hoc projects by suppliers on specific areas (for example,

supplier requests to carry out joint projects to improve their processes, development of joint activities that benefit our products) and requests for support from suppliers particularly sensitive to these issues but with little internal knowledge on sustainability and planning, with whom we can productively collaborate.

One or more of these initiatives will subsequently be developed in the fourth phase of the project.

When performing the periodic audits carried out as part of the customary periodic supplier assessment process, we will also pay particular attention to ESG issues: in the case of audits with good scores in all areas except ESG, the supplier could become the subject of a dedicated project.

The scope of the "Promoting the culture of sustainability" project activities was initially limited to the Group's Italian companies. As of 2024, the international companies of the Gefran Group will also gradually be involved, according to the procedure adopted in Italy. These companies will mainly be chosen on the basis of the number of active local suppliers.

By 2025 we are committed to involving the suppliers of the most important Group companies on an annual basis through the administration of assessments and training sessions.

#### Timeline with project milestone

Training delivery		2021	completed 100%	
PHASE 2	Review of qualification criteria			
Review of supplie	er pre-assessment and audit forms	2021	<b>completed</b> 90% done	
PHASE 3	Promoting the culture of sustainabi	lity		
sustainability involution of section of section of any section of		from November 2021 to November 2022	<b>in progress</b> 15% done	6
PHASE 4	Project development			
initiatives with se	ects, actions and activities identified	2023	<b>to do</b> 0%	

#### Needs highlighted

Increase culture and specific knowledge within the organisation

Make our commitment to suppliers formal and tangible

Adapt supplier qualification and assessment procedures



#### Critical success factors

Periodic evaluation and communication of updates on activities with examples and success stories

Availability of specific resources and skills

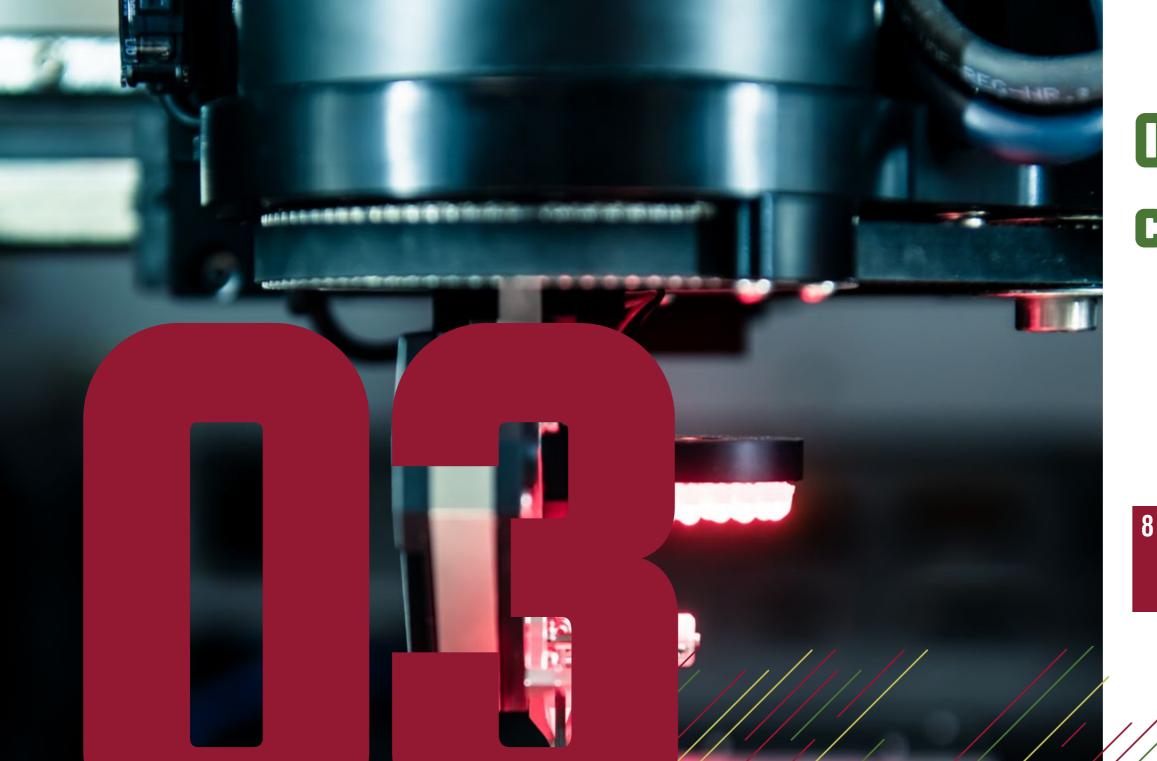
Mutual and concrete commitment by both Gefran and suppliers







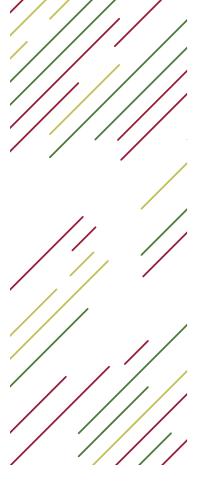




## Obtaining new certifications







70

# We mark the path.

Looking after people and their safety in the workplace and environmental protection are some of the cornerstones on which we have chosen to base our sustainable development strategy. For us, these aspects are not just a case of legal compliance or a social duty but form the basis of all our activities, on daily basis and in the medium/long-term projects that we undertake.

### SDG TARGET

Sustainable Development Goals

#### **GEFRAN'S COMMITMENT**

to achive sustainable development goals

8.7



Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and ensure the prohibition and elimination of the worst forms of child labour, including the recruitment and employment of child soldiers. Finally, by 2025, put an end to child labour in all its forms.

Work to avoid all forms of child labour and slavery throughout the supply chain, especially in countries where workers' rights are not explicitly protected.

Ensure respect for and protection of human rights for all personnel and the supply chain of the entire Group.

Adoption of management systems aimed at complying with internationally recognised standards in the field of human rights protection, including throughout the supply chain.

#### **SDG TARGET**

Sustainable Development Goals

#### **GEFRAN'S COMMITMENT**

to achive sustainable development goals





Protect labour rights and promote a healthy and safe working environment for all workers, including immigrants, particularly immigrant women, and temporary workers.

Ensure a safe working environment within the company and promote safety at work also throughout the supply chain, especially in those countries where workers' rights are not explicitly protected.



Implementation of an OHS management system in all Group companies.

13.3



Improve education, awareness-raising and human and institutional capacity on climate change in the areas of mitigation, adaptation, impact reduction and early warning.

Invest in solutions to reduce the impact of the Group's activities on climate change.

These targets are our inspiration in the day-to-day management of the company as well as in our business process improvement activities, also through the development of projects in collaboration with our partners, such as the signing of supply contracts closely focused on safeguarding environmental resources and reducing greenhouse gas emissions.

With this in mind, when defining our sustainability strategy we wanted to clearly declare, in a transparent and non-self-referential way, our commitment to ensuring respect for the fundamental rights of the people who work in the Group and along the supply chain, and to guaranteeing that all our activities are carried out in healthy workplaces with high safety standards, a commitment that we have also decided to formalise with the "Health, safety and environment policy", approved by the Chief Executive Officer in January 2021.

Ever attentive to the surrounding area, we asked ourselves how we could effectively and actively contribute to achieving Goal 13 of the 2030 Agenda, which advocates taking urgent action to combat climate change and its impacts. Due to the nature of its activities, Gefran is not an energy-intensive company. Nevertheless, it pays particular attention to improving its energy performance and safeguarding environmental resources, seeking more suitable solutions in line with this goal through the constant analysis of risks and opportunities.

We have chosen to further expand and formalise our commitment, also as evidence of our intention to contribute to achieving our shared global objectives, by embarking on a path that will lead to the implementation of an integrated management system which extends our current certification to include internationally recognised standards on the protection of health and safety in the workplace, the monitoring of the environmental impacts of the company's activities and corporate social responsibility.

We are committed to implementing the system in the four Italian companies by 2023.

### ISO 45001

Defines the requirements for an occupational heal-th and safety management system and provides guidance for its use, enabling organisations to provide safe and healthy workplaces, preventing occupational accidents and health problems, as well as proactively improving OHS

### 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 their improvement in a consistent, effective and above all sustainable manner.

### SA8000

The international standard drawn up by CEPAA and aimed at certifying certain aspects of company operations relating to corporate social responsibility, such as respect for human rights, respect for workers' rights, protection against the exploitation of minors, as well as guarantees regarding workplace health and safety.

The project was launched at the beginning of 2021 and the first step was the performance of a preliminary activity to analyse and identify the reference standards.

One key moment was the analysis of the reference context and the mapping of the most significant aspects connected with the company's activities, relative to the issues of Quality, Health, Safety and the Environment, and the areas of Social Responsibility, where Gefran has already adopted a series of principles that focus on people and their wellbeing, which took place during the second quarter of the current year.

The primary objective of the first phase of the "Obtaining new certification" project is the creation of an Integrated Management System, through the achievement of the certifications identified, by 2023 and concerns the four Italian companies of the Group: parent company Gefran S.p.A. and the subsidiaries Gefran Soluzioni S.r.l., Elettropiemme S.r.l. and Gefran Drives and Motion S.r.l.

Specific audits were carried out at the sites involved in this first phase of the project with

sampling to verify the main binding areas applicable to our company, simulating the activity carried out by the third party in the first phase of the process to obtain the aforementioned certifications.

The identification of significant aspects was structured by distinguishing between internal aspects (under the control of the company) and external aspects (those which for various reasons, both subjective and objective, are not or cannot be under the control of the company), taking account of regulatory obligations, identified threats and opportunities for improvement, as well as the strengths and weaknesses of the organisation in the management of its processes.

In 2021 the Group Q-HSE (Quality, Health, Safety & Environment) department was set up with the aim of improving the level of expertise necessary to obtain the chosen certifications and the governance of the Integrated Management System, also through high-level training on ISO standards and the strengthening of the HSE area with the arrival of new professionals.

The second phase of the project was launched in the third quarter of 2021 and is expected to conclude in early 2023.

The objective of this phase is the definition and sharing of a plan aimed at bridging the gaps identified during the first phase and implementing actions aimed at improving the quality of processes in terms of performance and results, through these macro steps:

- / Drafting of procedures and documentation
- / Training
- / Implementation and bedding-in period
- / First party audit and review
- / Third-party audit

By the end of 2023 our goal is to obtain IS014001, IS045001 and SA8000 certification which, in addition to the IS09001 certification currently held, will enable us to obtain an Integrated Management System in the four Italian companies.

The development of the Integrated Management System is based on fundamental elements such as the harmonisation of the Group's operating strategy and the active participation of all levels of the company in the process of continuous improvement, essential and necessary elements to extend the model to the Group's international subsidiaries and make Gefran increasingly sustainable

In fact, we want to go beyond the application of the identified standards only in the Group's Italian sites to extend this certification to all Gefran production companies around the world through a gradual integration plan.

This plan will be shaped by an assessment of the unique features of each business, such as, for example, number of employees, turnover, size of the subsidiary and related activities, as well as by opportunities to improve processes and finally by approaches to the organisation of activities and the optimisation of resources.

Based on these initial assessments, we have already identified the international companies on which we will focus starting from the second half of 2023: the American Gefran Inc and the Chinese Gefran Siei Drives Technology, which already possess ISO9001 certification, the first step in the realisation of an Integrated Management System.

# We aim to complete the certification process in these companies by 2025.

The subsequent and natural evolution of the system will be the

implementation of the identified standards also in the other international companies that have a production plant, namely Gefran India, Sensormate (Switzerland), Siei Areg (Germany) and Gefran Brasil.

We aim to complete the certification process in these companies by 2030.

The main phases of the project will be repeated for each company according to the model developed for the Italian businesses.

Achieving an integrated certification system at Group level is the final goal: the combined management of Quality, Safety and Environment issues will help to harmonise processes and the connections between the parent company and the Group's subsidiaries, as well as enable the more efficient management of audit processes compared with the coordination of independent schemes.

During the project we have identified some KPI that will help us measure performance trends:



Ater obtaining the certifications, the effectiveness of the management system will be monitored by measuring the non-conformities detected during the periodic audit.

Organisational development of the Group Q-HSE Department

Q1 2021

completed 100%

#### PHASE 1 Initial context analysis

Gap Analysis with respect to the requirements of the reference standards (ISO14001 - ISO45001 - SA8000

· Third party audit and attainment of certification

**76** 

Analysis of compliance with regulatory aspects (e.g.: Legislative Decree 81/08, Legislative Decree 152/06) Q2 2021

completed 100%

#### PHASE 2 Design and implementation of the IMS in the Italian companies

<ul><li>Definition and sharing of Action Plan</li><li>Drafting of IMS procedures and documents</li></ul>	20% Q3 and Q4 2021	<b>in progress</b> 15% done
IMS training     Implementation and bedding-in of IMS	60% 2022	<b>to do</b> 0%
<ul><li>First party audit of IMS</li><li>Management review</li></ul>	Q3 and Q4 2023 / 2024 / 2025	<b>to do</b> 0%

#### Design and implementation of the IMS in the international companies 1

Booign and implementation of the	mio in tho intornati	onar companico z
· Analysis of compliance with regulatory aspects		
· Definition and sharing of Action Plan		
· Drafting of IMS procedures and documents	00 - 104 0000	
· IMS training	Q3 and Q4 2023 / 2024 / 2025	to do
· Implementation and bedding-in of IMS	USA and China	0%
· First party audit of IMS	OSA and Cinna	
· Management review		
· Third party audit and attainment of certification		

#### Design and implementation of the IMS in the international companies 2

I IIAGE I		in to in the internati	onai oompamoo =
· Analysis of compl	iance with regulatory aspects		
· Definition and sha	aring of Action Plan		
· Drafting of IMS pr	ocedures and documents	2026-2030	
· IMS training		remaining pro-	to do
· Implementation a	nd bedding-in of IMS	duction com-	0%
· First party audit o	fIMS	panies	
· Management revi	ew .		
· Third narty audit a	and attainment of certification		

### Needs highlighted

Formalise our commitment

Transparency

Refer to internationally recognised standards

Uniform application of management methods and procedures within the Group and in the supply chain



### Critical success factors



Definition of roles, responsibilities and operating methods to conduct the various company processes, with a commitment to monitor, review and improve them periodically

Strengthening of the corporate culture through the dissemination and sharing of these topics within the Group, with our partners and with all those who come into contact with us

Process review, seizing opportunities for improvement





# Sustainable innovation







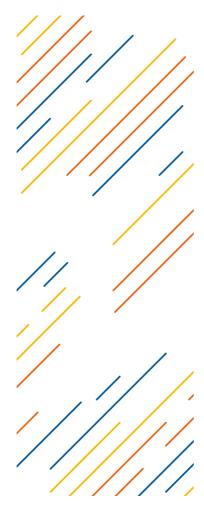
## We advance at a sustainable pace.

Innovation and sustainability are increasingly interconnected, so much so that one is fuelled by the other.

As underlined in Sustainable Business Revolution 2030, presented by Capgemini during the World Climate Summit 2019, only by working together and integrating technology into our strategies is it really possible to make a difference. All technology investments - the report reiterates - must be assessed in terms of their impact and oriented towards the global sustainability goals. Business leaders have a responsibility to understand how technology can enable new sustainable consumption, business and sales models, as well as products and services that have a positive impact on people's wellbeing, the environment and profits.

In short, sustainable innovation combines the goal of safe-guarding the environment and natural ecosystems with the paradigm of corporate innovation, seeking to supply essential goods and services that guarantee the achievement of social goals such as public health, environmental equity and environmental justice.

Gefran has always been dedicated to identifying innovative solutions to apply to its products. Our sustainability strategy therefore naturally includes an innovation project which also embraces some of the SDGs that best represent our commitments.



#### SDG TARGET

Sustainable Development Goals

#### GEFRAN'S COMMITMENT

to achive sustainable development goals

7.3

By 2030, double the overall rate of energy efficiency improvement.







9 5

Strengthen scientific research, promote the technological capabilities of the industrial sector in all countries, especially in developing countries, as well as encourage innovation and considerably increase the number of workers per million people in the research and development sector and expenditure – both public and private – on research and development by 2030.

Promote research and development of innovative and quality solutions and services, as well as the evolution of business processes and practices aimed at defining a more efficient and effective organisation.

Invest in innovation, in the research and development of quality solutions and services, constantly and creatively renewing our know-how.



17.16

Strengthen global partnerships for sustainable development, supported by multilateral partnerships that develop and share knowledge, skills, technological and financial resources, in order to achieve Sustainable Development Goals in all countries, especially developing countries.

Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.

For us, participating in partnerships, both at local and international level, with research and development bodies, consortiums, unions and trade associations or public authorities, is one of the key drivers for promoting the achievement of the Sustainable Development Goals.

When performing the assessments and evaluations that formed the basis of our sustainability strategy, we asked ourselves how Gefran, through its commitments, can play an active and decisive role in the path towards achieving the objectives of the 2030 Agenda. For Gefran, promoting the responsible use of energy resources, contributing to reducing energy consumption and/or improving energy efficiency, requires the study and implementation of new technology solutions, to be applied to its range of products.

Along similar lines, we are also committed to investing in innovation, research and the development of quality solutions and services, constantly and creatively updating our expertise in order to drive the evolution of processes for a more efficient and effective organisation.

The attention we have focused in recent years on improving performances and scenarios from an Industry 4.0 perspective has been the driver for the development of products with technological characteristics consistent with this trend. Sustainable innovation aims to continue more systematically along the path we have already begun - one based on a number of reference technological prerequisites:

Digital Twin: i.e. the digital representation of equipment, including the properties and capabilities of the object itself, such as the 3D representation, the circuit diagram, the description of the electrical or thermal behaviour, the modelling of the managed data. This representation is fundamental both for simulating the operation and functionality of the apparatus as early as the design phase and for interacting with the object during the operation phase while viewing it.

- IT-OT convergence: the management applications for the operational phases (Operation Technology OT), used for production management, field data acquisition and maintenance management, are integrated with management, financial and logistic application systems (Information Technology IT), allowing a more focused, reactive and resilient business process approach with a view to improving efficiency, reducing consumption and minimising downtime.
- *I Industry 4.0 processes:* the need to develop pilot solutions aimed at industrial applications, which allow predictive maintenance or optimisation of the resources used.

The "Sustainable Innovation" project develops along two lines, both focused on the development of products with advanced functionalities capable of guaranteeing better performance and energy consumption savings for end users: incremental innovation on one hand and discontinuous innovation on the other, both of which structured into macro-areas of activity in turn

### Incremental Innovation

This approach is based on the enhancement and development of new capabilities and functionalities in existing products, guaranteeing energy savings thanks to both the intrinsic efficiency of the product itself and the possibility of managing the entire process more efficiently because of the greater availability of field data and more advanced control functions:

- Communication capacity
- Self-diagnosis
- Performance analysis and control

### Products under development

A product development roadmap transversal to the three company businesses has been defined, meeting the identified characteristics and taking the form of:

- the expansion of communication protocols in the Sensor ranges
- a platform based on a scalable architecture, which integrates advanced self-diagnosis and communication functions
- an energy consumption control and optimisation platform associated with the Power Control product ranges
- smart lift management, with specific optimisation and safety functions and the possibility of monitoring same

### Direttrice Innovazione discontinua

This approach aims to expand the product range within the context of Industry 4.0. We aim to contribute to the spread of the "digital culture" and the service-based business approach, extending our focus on Open Innovation to the reference ecosystem.

- Integration of process control and data acquisition/processing architectures for Industry 4.0 solutions, at single device, machine and/or line intelligence and cloud level.
- Development of product Digital Twins to support virtual design and implementations of predictive maintenance and performance optimisation solutions.
- Development of predictive condition monitoring algorithms and gradual opening to machine learning solutions

### Scouting of technological standards

for the modelling of data, equipment and processes from a Digital Twin perspective, aimed at the creation of an information set that accompanies the product throughout its entire life cycle, the creation of the information prerequisites for the implementation of Industry 4.0 processes, and the optimisation of the software tools used by research and development and marketing. The activity aims to acquire information in terms of market standards, the requirements of Original Equipment Manufacturers (OEM) or End Users, and the product offers of reference vendors.

### Analysis of IT-OT architectures

aimed at defining and comparing the possible architectures for data acquisition to support Industry 4.0 processes. This activity also aims to identify any technological or skills gaps with respect to the implementation of the identified architectures, providing suggestions aimed at bridging these gaps.

### Implementation of Industry 4.0 pilot solutions

through the identification of technological applications on which to implement software applications to support processes, such as predictive maintenance or performance optimisation. This activity aims to both create marketable solutions and put the architectural and modelling skills covered by the previous two areas of activity into practice, developing a standard method and tools to extend the approach to other application areas.



With particular reference to Discontinuous innovation and with the aim of strengthening the foundations for the implementation of this approach, in 2021 we have taken concrete action regarding some key levers:

/ we have begun setting up a laboratory for the analysis of IT-OT architectures which will be completed in 2022;

*I* a doctorate on the analysis of Industry 4.0 algorithms has been launched.

Finally, during the preliminary analysis activities carried out prior to this project we identified a number of KPI that will enable us to measure the effectiveness and level of progress of the project itself:



rercentage of the sold quantities of products that stand out from the market for their sustainable innovation features

identified today

86

87

sustainable innovation features; based on our projections, in 2024

this percentage will be 20%, with reference only to the products

By 2025, 50% of Gefran's product range will consist of products with unique sustainability characteristics that set them apart from the market.

### prodotti dell'innovazione sostenibile



### **GPC Series**

Power Controllers from 40A to 600A with predictive maintenance features for Industry 4.0 applications



### GSLM

Electrical loads power management unit with smart functions for heating resistances



### ADL500

Inverter with advanced technology and performance for elevator industry



WPL

Linear position transducer with IO-Link connectivity for integration into Industry 4.0 architectures

Timeline with project milestones, for each of the approaches:

### Incremental innovation - Products under development

### 10-Link sensors

<ul> <li>Application of the IO-Link protocol to sensor ranges:</li> <li>Pressure</li> </ul>	01 2022	in progress
- Magnetostrictive		70% done

### **Evolution GPC and GRS-H**

<ul> <li>Development of a platform based on a scalable architecture which integrates advanced self- diagnosis and communication functions</li> </ul>	Q1 2023	in progress
· Product platform translated into a roadmap		60% done
· Individual product releases defined and planned		

### GSLM (Gefran Smart Load Management)

<ul> <li>Development of an energy consumption control and optimisation platform associated with the Power aControl product ranges</li> </ul>	Q1 2021	completed 100%
--	---------	-------------------

### ADL500 drive

Drive for smart lift management, with specific optimisation and safety functions and the possibility of monitoring	Q4 2021	completed 100%
--	---------	-------------------

### Discontinuous innovation

#### Scouting of technological standards

<u> </u>		
<b>√</b> · Structuring of a dedicated work team		
✓ Product life cycle management analysis process launched in collaboration with Milan Polytechnic (Industrial Management Lab)	Q3 2021 - 2023	in progress
√ Technology scouting activity launched (digital twin model)	Q0 2021 2020	10% done
<ul> <li>Plan confirmed and expanded with further developments</li> </ul>		

### Analysis of IT-OT architectures

<ul> <li>Set up of the laboratory:</li> <li>✓ - Implementation of three advanced technological "use cases"</li> </ul>	2021 - 2022	<b>in progress</b> 30% done
<ul> <li>Definition of a set of "use cases" for technical validations</li> </ul>		30 % done

### Realisation of Industry 4.0 pilot solutions

<ul> <li>V Start of collaboration within the Group</li> <li>V Launch of a doctorate on the analysis of Industry</li> <li>4.0 algorithms</li> <li>Realisation of pilot solutions, the first of which by H1</li> <li>2022</li> </ul>	Q2 2021 - 2023	<b>in progress</b> 20% done
--	----------------	--------------------------------

### Needs highlighted

Innovation as a lever for developing Gefran's environmental sustainability and ecosystem: efficient use of resources, development of more eco-sustainable products



Technological evolution as a lever of social sustainability: human resources skills development, creation of jobs focused on innovation and technology, focus on continuous training

Increase in the economic sustainability of Gefran and the companies in its ecosystem (suppliers, customers, partners) thanks to product diversification and the enabling of new business models based on data and service



### Critical success factors:

Open innovation as an acceleration lever for the generation of new ideas and product and system development



Adoption of open standards and paradigms and a platform approach to product development for the acceleration of time-to-market and for the development of scalable and interoperable solutions

Development of transversal corporate skills and capabilities: automation + information technology; expertise in algorithms and machine learning + process knowledge; focus on usability + excellence in software development









GEFRAN S.p.A.
Share capital 14,400,000 fully paid-up
Registered offices in Provaglio d'Iseo (BS), Via Sebina, no. 74
Tax code and Brescia Companies' Register No. 03032420170

www.gefran.com

#### **Editorial Coordination**

Gefran

**Artistic Direction and Graphic Project** 

SGI

All rights reserved

