



**We design
a new idea
of value.**

Sustainability Report 2019



**We design
a new alliance**

between environment
and human behavior,
nourishing respectful science
and good chemistry.



We are a global scientific company.

**We are a global company producing chemical specialties.
The interaction of multiple scientific frameworks is our specific wealth.**

Our experience stems from over a century of history (Lamberti was founded in 1911). From the initial affiliation to the textile industry, we have learned the value of being part of structured ecosystems. Over time, we have invested in industrial plants and laboratories in diverse locations becoming active part of advanced districts specialized in textiles, leather, ceramics, petroleum and agriculture. The cultural environments of those productive eco-systems have benefited the growth of our scientific knowledge as well as our proficiency cluster.

We have fostered a network of relationships, a rich wellspring of experience that gives value to our people providing training practices and structures, continuous learning and innovation in methods.

Our company organization has been designed as a systemic pattern that links knowledge, experience and research with continuity in manufacturing and new values in the markets.

We combine advanced technologies and tailor-made approaches, methods and systems. When knowledge opens new paths and engages an array of different competences, the connection activates sustainable new warps and wefts among nature, people and society.

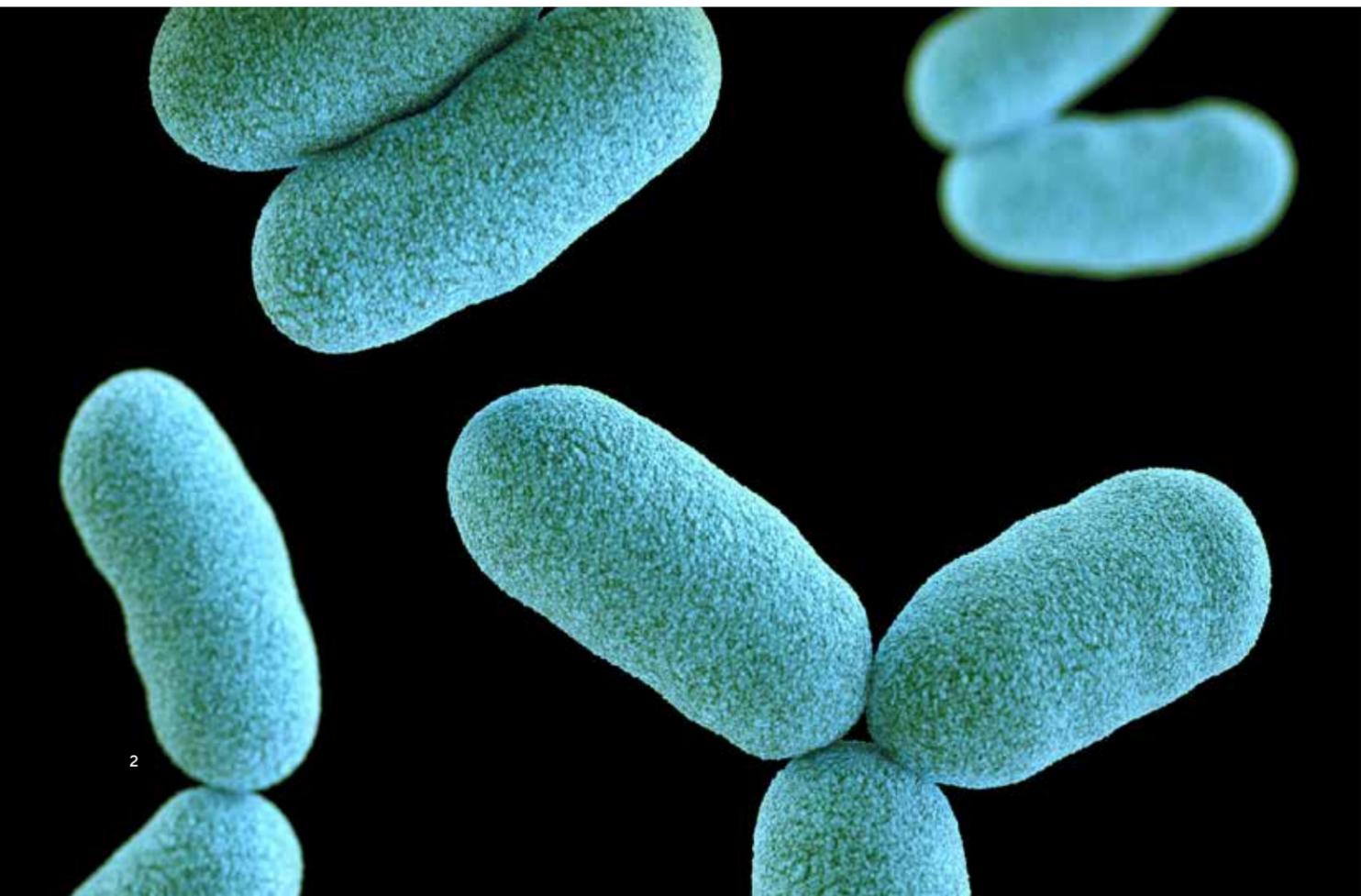
We design and develop processes while ensuring human safety and protection of the communities: our technologies generate value, while minimizing the impact on the environment. We supply worldwide industries with customized chemical

solutions for various fields of application: agriculture, geoscience, ceramics, surfactants, science of surfaces, food industry and personal care. The results of our work are not simply formulations or services, but sets of skills, capabilities, visions, developed with dedication and attention for our customers and projected to satisfy the needs of our customers' customers.

We are committed for being agents of change, reducing consumption of non-renewable raw materials by investing in low-impact, up-cycled or recyclable materials, thus designing de novo, a new generation of products that suit our changing world and its future – that means beauty and sustainability.

We believe the alliance between industry, human activity and the environment, fosters respectful science and good chemistry. We consider our users, clients and suppliers as substantial factors of our competitiveness.

In close cooperation with our stakeholders, we choose to create a sustainable legacy for the future.



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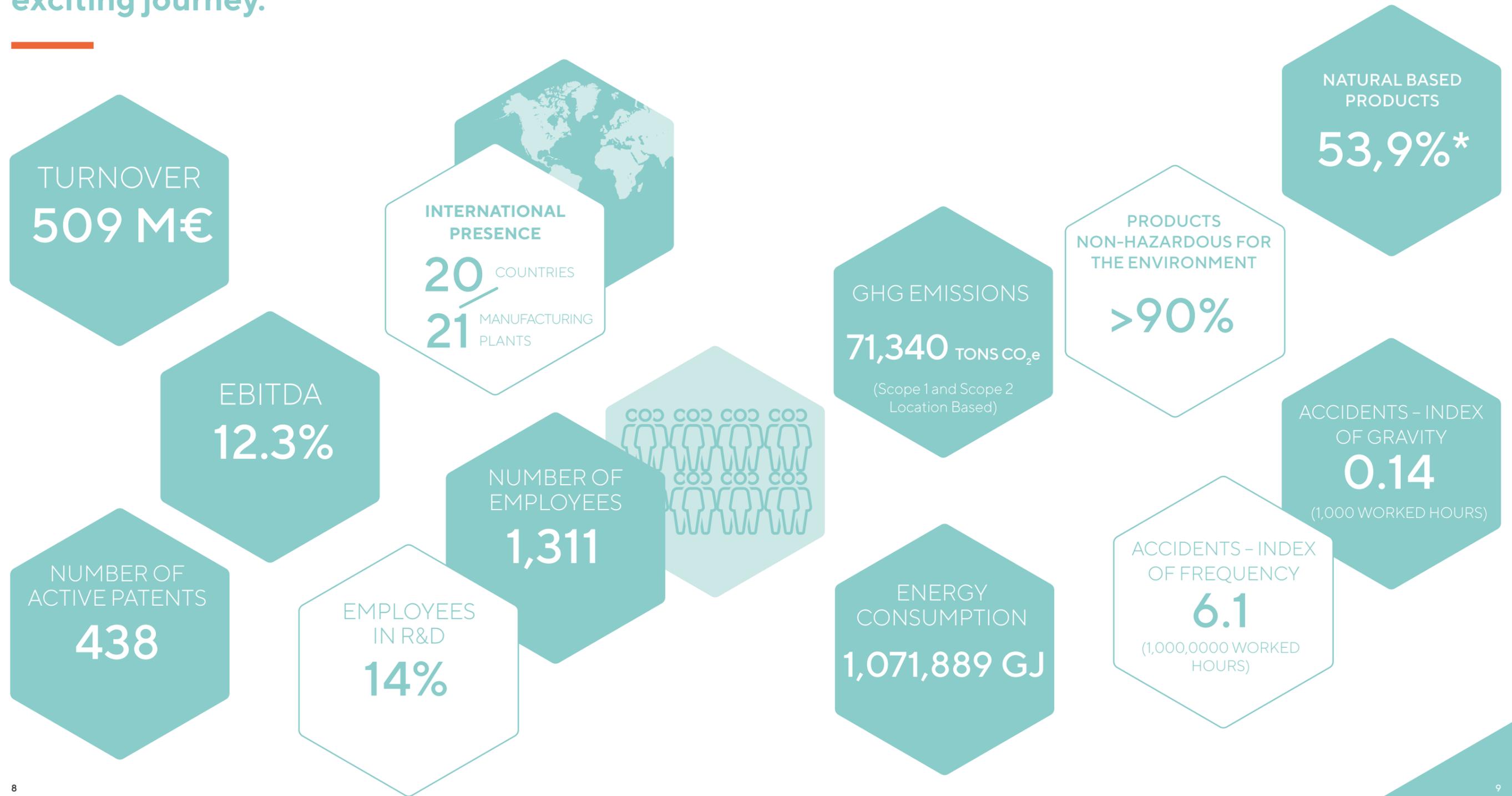
A collaborative, agile
and customer-focused
company, aimed at
inspiring ways of living.

1

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Highlights of an exciting journey.



Our Value proposition

Vision

We want to be a Company that expresses, through our people, values of innovation distinguished by the ability to integrate chemistry and industrial effectiveness. We aim to do so by continuously comparing our research and the market to find a wide range of satisfactory solutions to ever-changing complex problems, in coherence with the requirements of sustainable development.

Mission

We want to be renowned as a global leader in the field of certain chemical specialties used in high potential industrial sectors, to facilitate their production processes or improve their finished products. In doing so, we want to establish partnerships with the most important customers in the market and, where possible or appropriate, also with our suppliers. We strive to combine

the domain of the technologies we practice with the correct level of service aiming to satisfy the interests of the shareholders, staff, customers and suppliers also by setting up stable organizations in the various geographical areas of interest, with full respect for the environment and the local communities.

Values

We established five values at the basis of our corporate culture. These are, respectively:

1

The individual, winning spirit, integrity

Believing in and recognizing the value of each individual, by establishing relations based on mutual respect and honorable behavior. Developing the potential, professionalism and skills of each person. Boosting the individual's sense of pride in belonging to a winning international group. Building an organization capable of attracting and retaining talented resources; using rewarding systems that promote growth, the sharing of skills, continuous improvements, delegating and group work.

2

Innovation and creativity

Promoting excellence by adopting product technologies and applications that are original, proprietary and capable of generating value. Supporting initiatives and projects geared to favoring innovation of the company products and processes in synergy with all the partners: customers, suppliers and other third parties that collaborate with the Company.

3

Working together

Working "together" and striving to understand one another's requirements and needs fully, in order to make the most of all the opportunities for growth. Developing, with inter-departmental work groups, a relationship of contiguity and efficiency, working towards the achievement of shared objectives, with an approach oriented to results and a global vision.

4

Sustainable industrial development

Planning, running and developing industrial activities geared to developing technologies, processes and products while ensuring people's safety, safeguarding the environment and protecting the community.

5

Economic stability and independence

Creating value and maintaining the conditions for ensuring the long-term development of the Company, by guaranteeing economic stability and financial autonomy.

We acknowledge that in order to ensure the growth of the company, we must implement long-term approaches to environmental sustainability and employee health and safety. To do so, as well as to foster continuous progress, we strive to share our core values with all our employees.

Our Guidelines to promote a sustainable development, illustrated in our Health, Safety, Environmental and Quality Policy, are:



• **Promotion of a Chemistry respectful of the Environment** through the introduction of new products which combine the continued use of renewable raw materials with improved performance and attention to the environmental impact of the products throughout their full product life-cycle and manufacturing process.



• **Clear and transparent communication** when addressing internal operations shall be provided to the local community and authorities with full awareness of our social responsibility.



• **Company decision-making processes** must be based on respect for the Safety, Health and Environment of both employees and neighboring communities.



• **Responsible Industrial Manufacturing**, through the adoption of innovative processes, involving lower consumption of resources and minimum environmental impact.



• **Improvement indicators** shall be developed and periodically re-analyzed, in order to evaluate the performance and appropriate application of the Company Policy for Health, Safety, Environment and Quality.



• **Full Compliance** to applicable regulations for Safety, Health and Environment is mandatory for all Company functions.



• **Investment towards employee education and training** in order to:

- Develop and promote new talent;
- Ensure the respect of Health, Safety and Environment;
- Guarantee excellent Quality standards;
- Promote correct working practices;
- Encourage tolerance of others as a shared value;
- Guarantee equal opportunities and avoid any discrimination.

This Group Policy is then enriched and supplemented at local level by the Policies of the individual Affiliates and Manufacturing Sites.

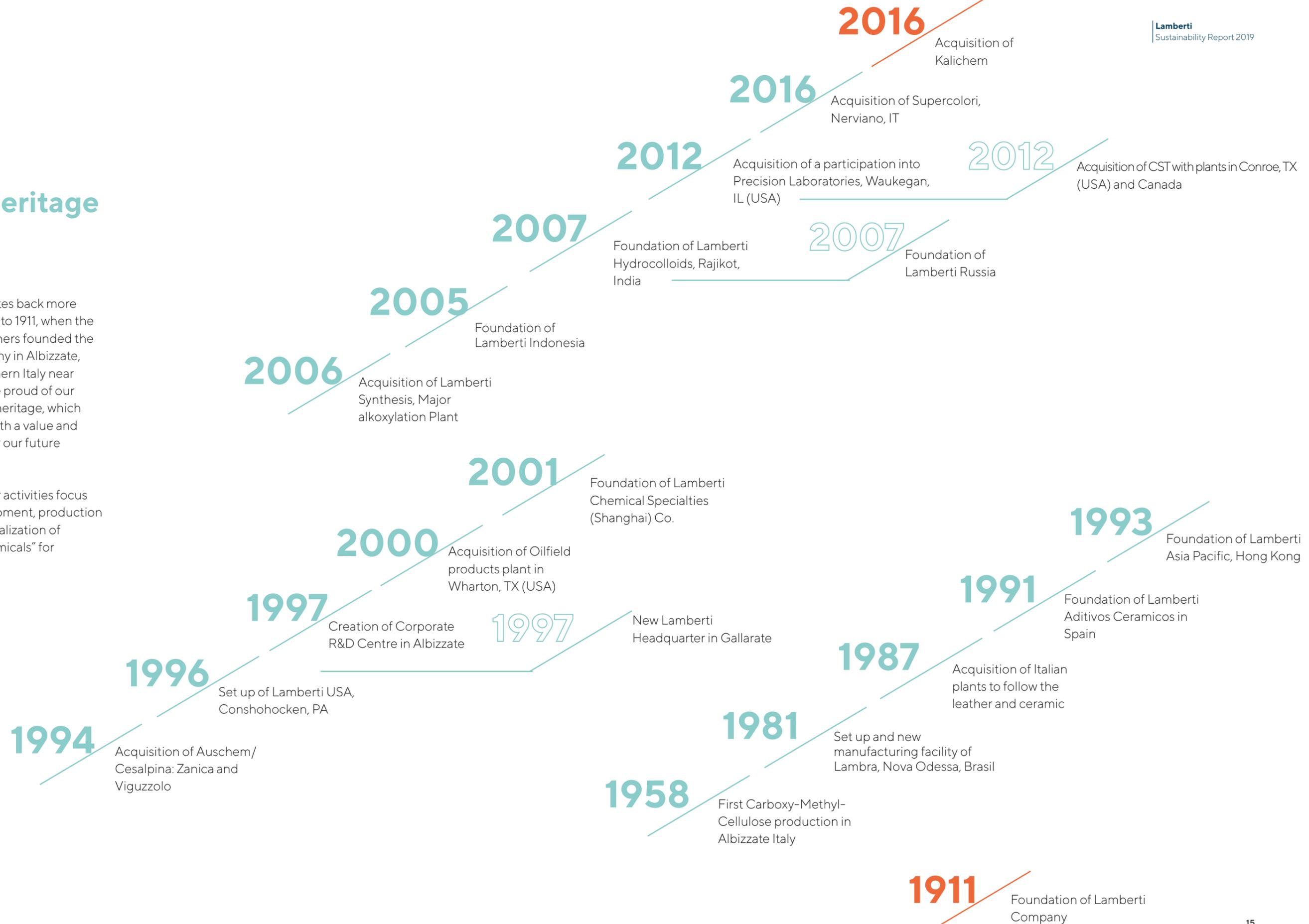


• **Company functions** shall consider Quality as an essential factor for development and as a necessary tool to create a long-term competitive advantage through continuous care to the customer.

Our Heritage

Our history dates back more than a century to 1911, when the Lamberti brothers founded the parent company in Albizzate, a town in northern Italy near Varese. We are proud of our longstanding heritage, which exemplifies both a value and a solid base for our future development.

Nowadays, our activities focus on the development, production and commercialization of "specialty chemicals" for industrial use.



Our expertise for the market

Lamberti Group and the market

All areas of our organization are engaged in improving the well-being of people and the planet:

Science of surfaces for all surface treatments (paper, leather, paints and varnishes, ceramics, inks, etc.)

GeoScience for operations below the earth's surface (oil drilling, oil extraction, civil tunnels and mining)

Agriculture for cultivating sustainably and feeding the world

Cosmetics, Personal Care, and **Food** to enable people to feel and live better.

Our expertise stems from a variety of technologies, supported by focused, innovative research and development activities. We operate in a matrix structure; laboratories in different business areas interact with each other in order to collaborate with customers and partners. Our customer focus allows us to offer fine-tuned solutions, not just conforming to requests, but also excelling them.

Designing a new idea of value

Chemistry, physics, biology, and mechanics come together to foster a holistic relationship with our partners. We produce high performance chemicals and customized specialties. Our solutions are designed to formulate and improve the life-cycle performance of commercial products for personal or industrial use, as well as to optimize processes in specific systems and contexts.

We fulfil this idea of value through close cooperation with our clients and suppliers thanks to our Research and Development Center, dedicated to empower our solutions. Together, we create a positive legacy for the future.



International presence

The turnover allocation by geographical area exemplifies the international presence of the group; about 85% of Lamberti S.p.A.'s turnover derives from international sales.

Our systemic solutions serve different markets:

- Geo Science (oil & gas, mines and civil engineering)
- Cosmetics and Personal Care
- Science of Surfaces (ceramics, construction & paints, paper, leather finishing, soft and textile coating compounds, industrial coating, printing ingredients for textile & digital industrial inks, surfactant for polymerization & the chemical industry)
- Agriculture

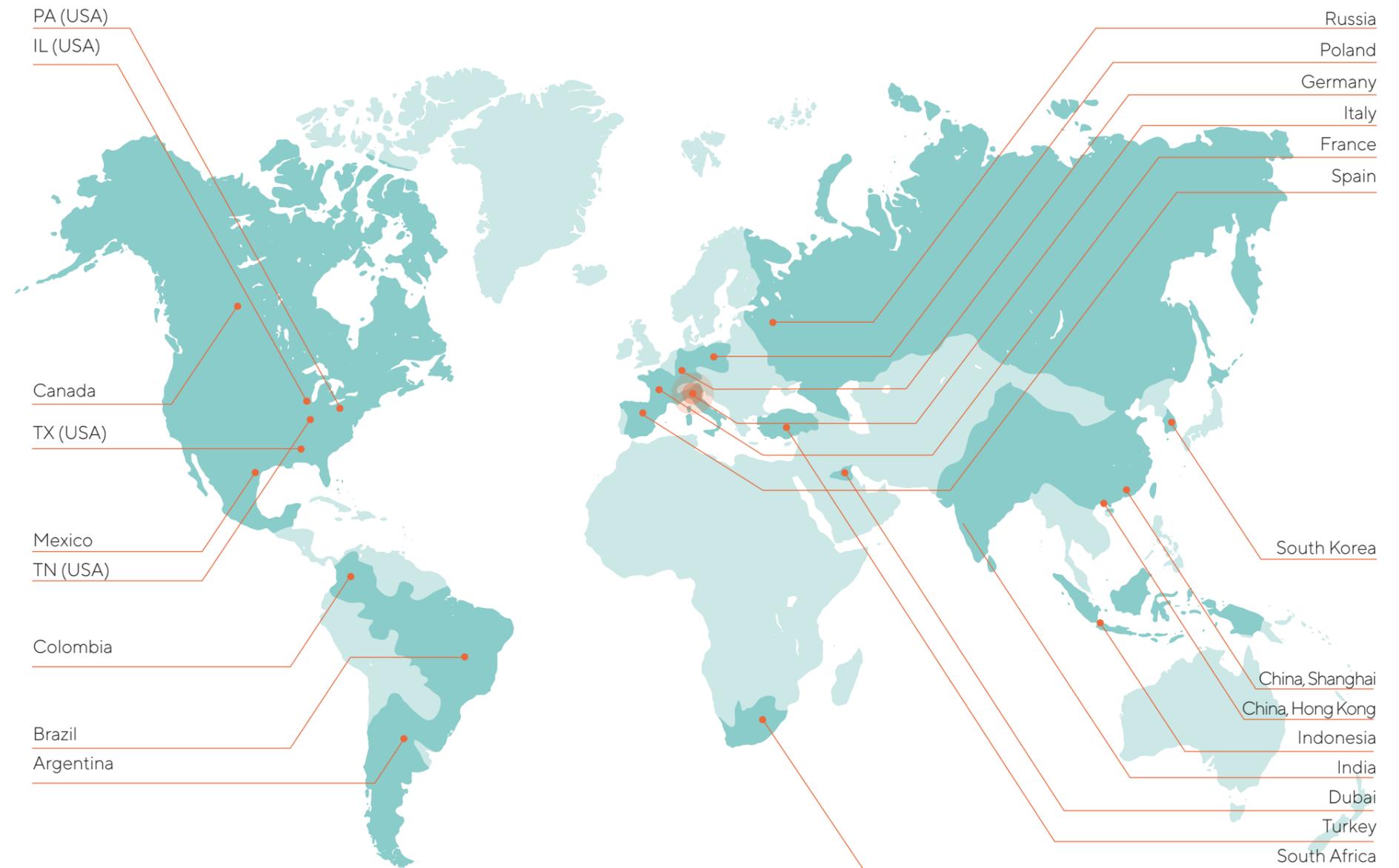
Our solutions are supported by an array of industrial technologies and strong Research & Development (R&D) Departments located in Italy and abroad.

Our technological expertise develops:

- natural polymers, carboxymethylcellulose and hydrocolloids
- waterborne synthetic polymers (acrylic and polyurethanes)
- oleochemicals and fatty derivatives

- waterborne polyurethane beads
- industrial waxes and nitro solutions
- hydroxyapatite
- active ingredients for cosmeceuticals (or cosmeceutical products)

Regarding the supply chain, the chemicals sector typically features large amounts of raw materials and many suppliers, due to the high number of finished products tailored for numerous and varied applications. The constant volatility of the demand for materials significantly influences the supply chain management. For this reason, we are currently undertaking a project of revision and reorganization for the optimization of our supply chain. Procurement management of both raw materials and services is a primary strategy for Lamberti. Optimal organization of the supply chain is an essential asset for reaching the objectives established by top management and site managers.



We aim to create
a safe and nurturing
environment to unlock
people's full potential.

2

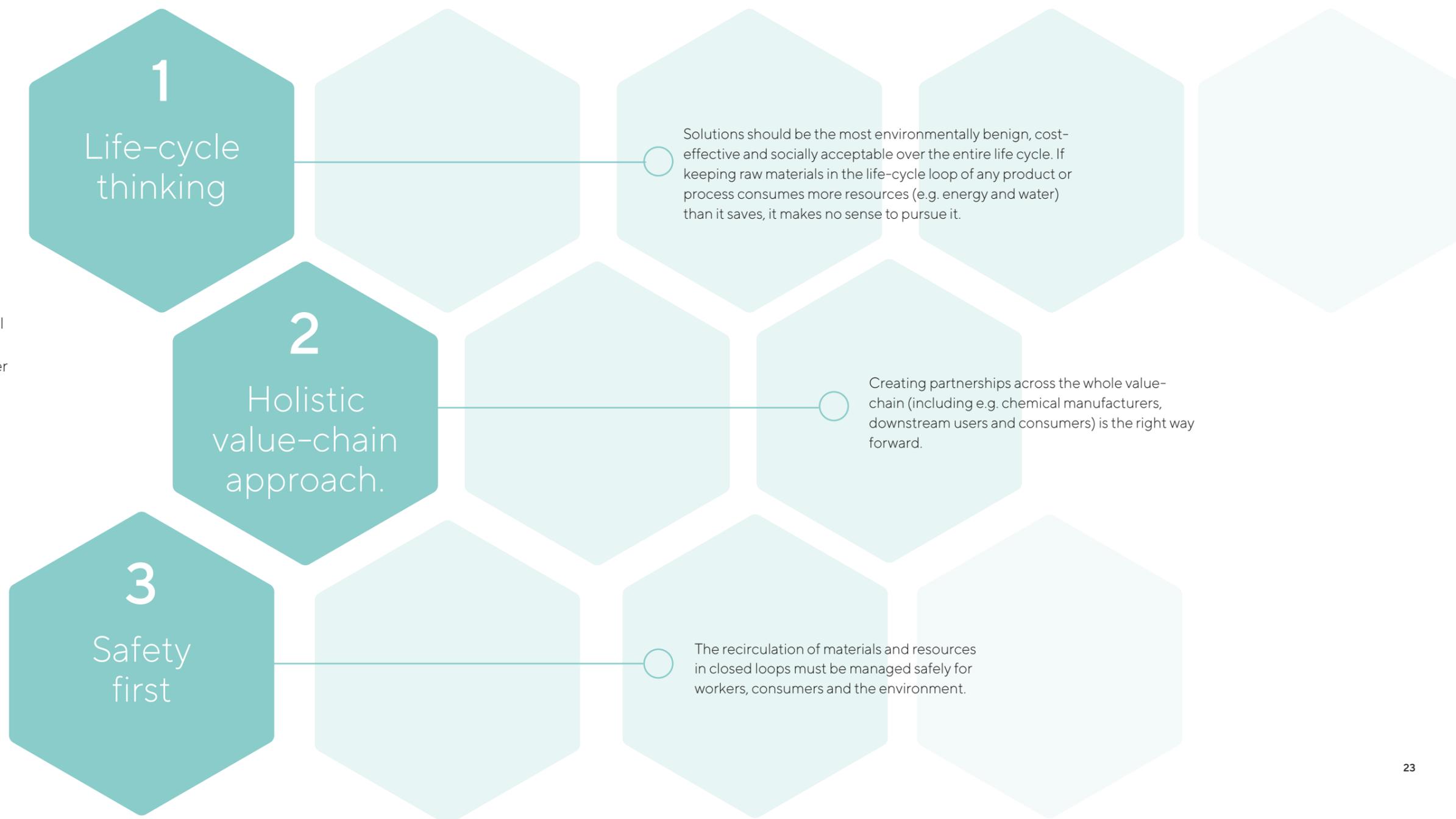
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Our approach to sustainability

Lamberti, as a chemical company, is an integral part of one of most active industrial sectors in the **European Green Deal**, where sustainability and the circular economy are the pillars of any initiative. Lamberti fully supports the CEFIC (European Chemical Industry Council) strategies.

The chemical industry has both the knowhow and the capability to make Europe more resource efficient over time. To tap the full potential of a circular economy, we ask policy-makers to consider the following principles:

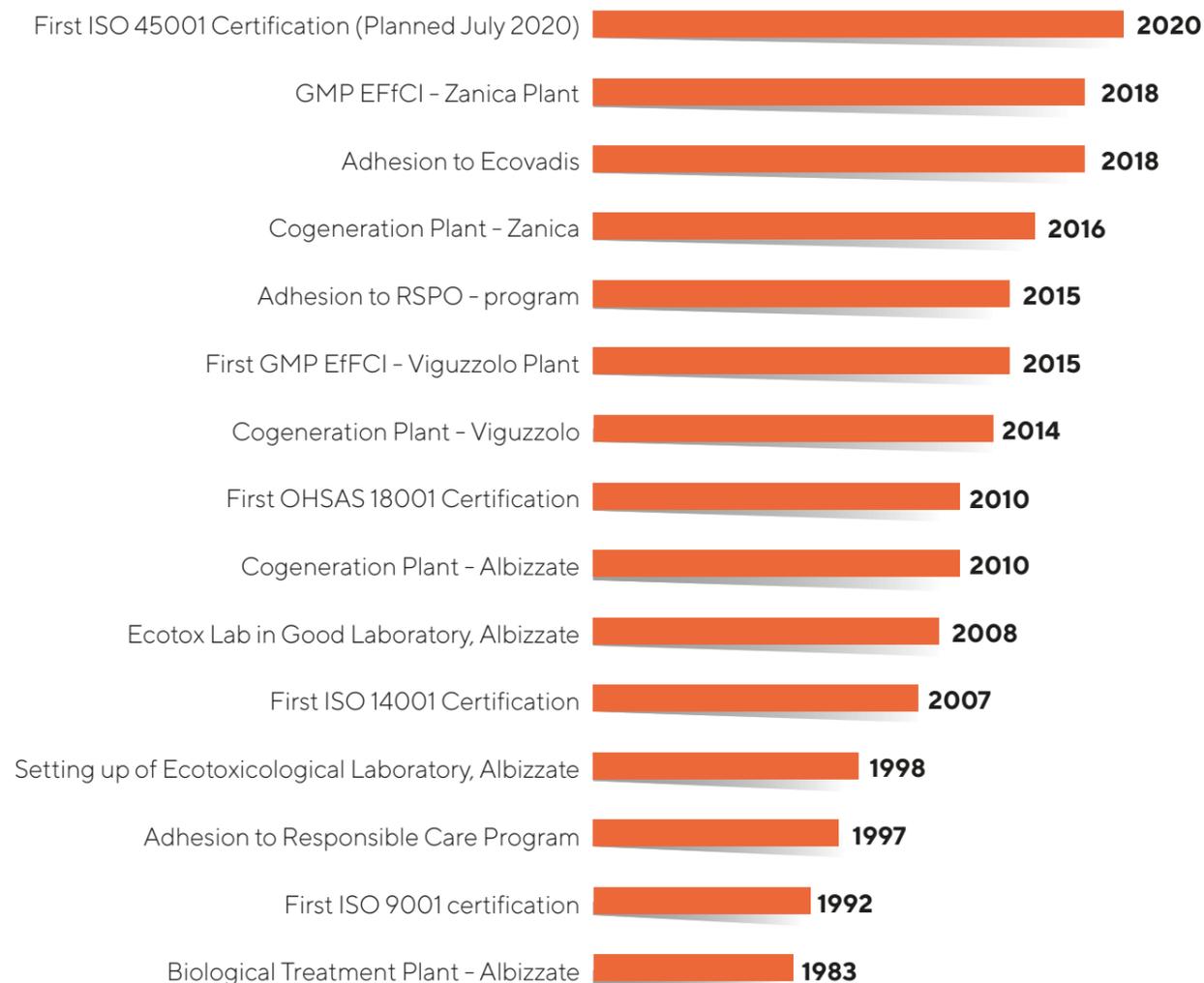




Responsible Care is the volunteer program of World Chemical Industry to promote Sustainable Development. **We joined the Responsible Care program in 1997.** Since 2015, we have been signatories of Responsible Care® Global Charter, the global chemical industry's unique initiative to improve health, environmental performance and security.

By subscribing to the Responsible Care® Global Charter, we commit ourselves to undertake several activities that aim to use resources more efficiently as well as improve the environmental, health and safety performance of our product and production processes.

We are committed to implement and respect Responsible Care® standards and extend them to all our subsidiaries worldwide.



Lamberti started with the construction of a dedicated wastewater treatment plant during 80's as a first step, followed by certification to ISO standards, and continued efforts to improve its sustainability profile.

An engagement approach

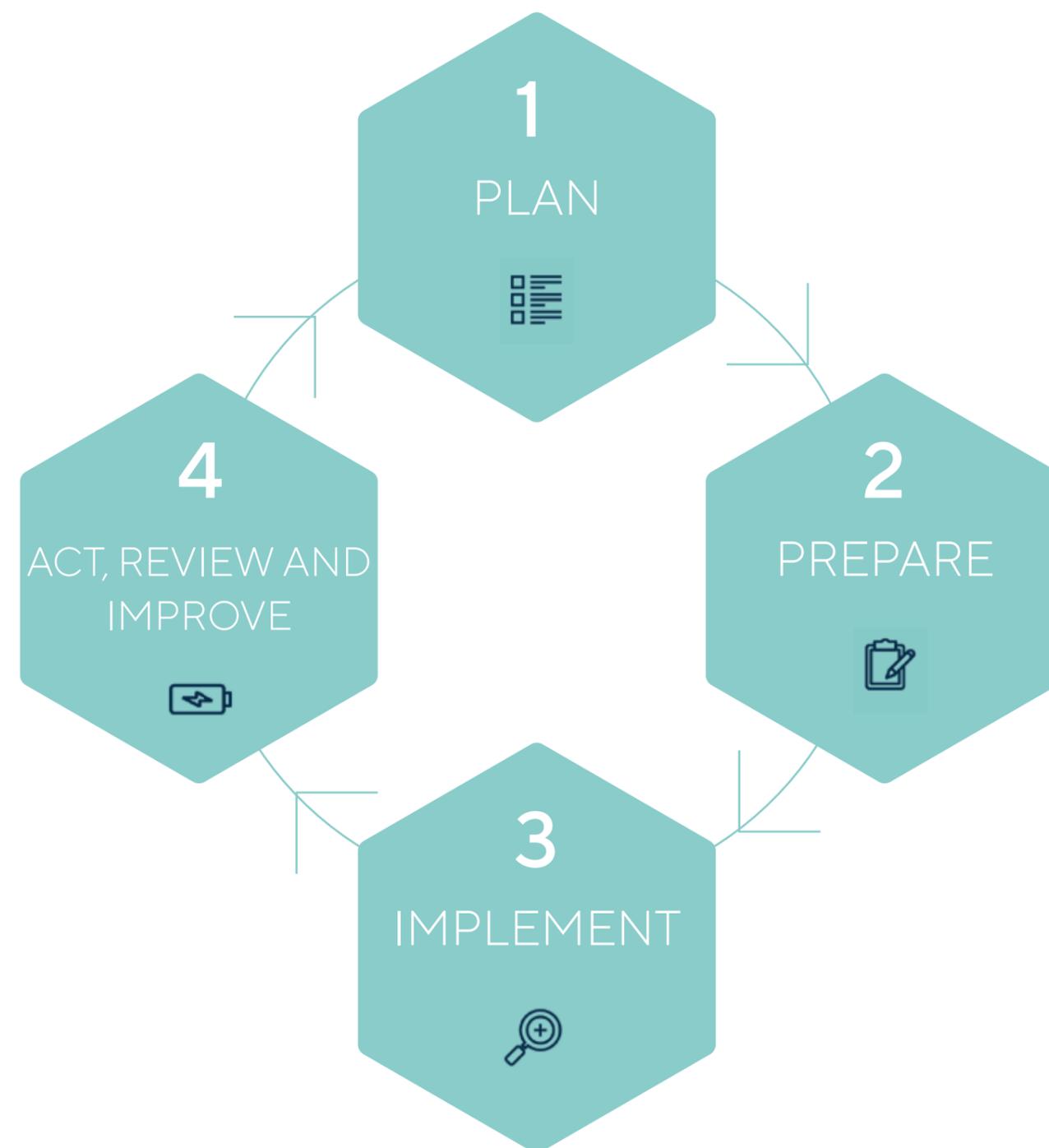
To succeed with our sustainability agenda, broad stakeholder involvement is crucial. Internally, we have set a “blueprint” to promote adoption of a company-wide sustainability culture, emphasizing not only environmental, but also social and economic benefits.

Our approach rejects “green washing” or meaningless marketing campaigns. Sustainability efforts and initiatives, if wisely communicated to the larger workforce, are more likely to be accepted as a credible, positive

benefit to all stakeholders. Therefore, a coordinated internal promotion effort is key to successful engagement. A failure to adopt Sustainability principles could result in reputational risk, not only for employees, but also for external stakeholders. Lamberti fully supports the adoption of a Sustainability culture and is committed to including all stakeholders in this endeavor.

Our approach to engagement is based on the Stakeholder Engagement Standard AA1000SES, which outlines four steps:

- 1. Plan:** Profile and map stakeholders, define engagement level method, establish and communicate boundaries of disclosure, draft an engagement plan and establish indicators;
- 2. Prepare:** Mobilize financial, human and technical resources, build capabilities to engage, identify and prepare for engagement risks;
- 3. Implement:** Invite stakeholders to engage, brief stakeholders, engage, document the engagement and its outputs, develop an action plan and, communicate engagement outputs and action plan;
- 4. Act, Review and Improve:** Monitor and evaluate the engagement, learn and improve, follow up on action plan and report on the stakeholder engagement.



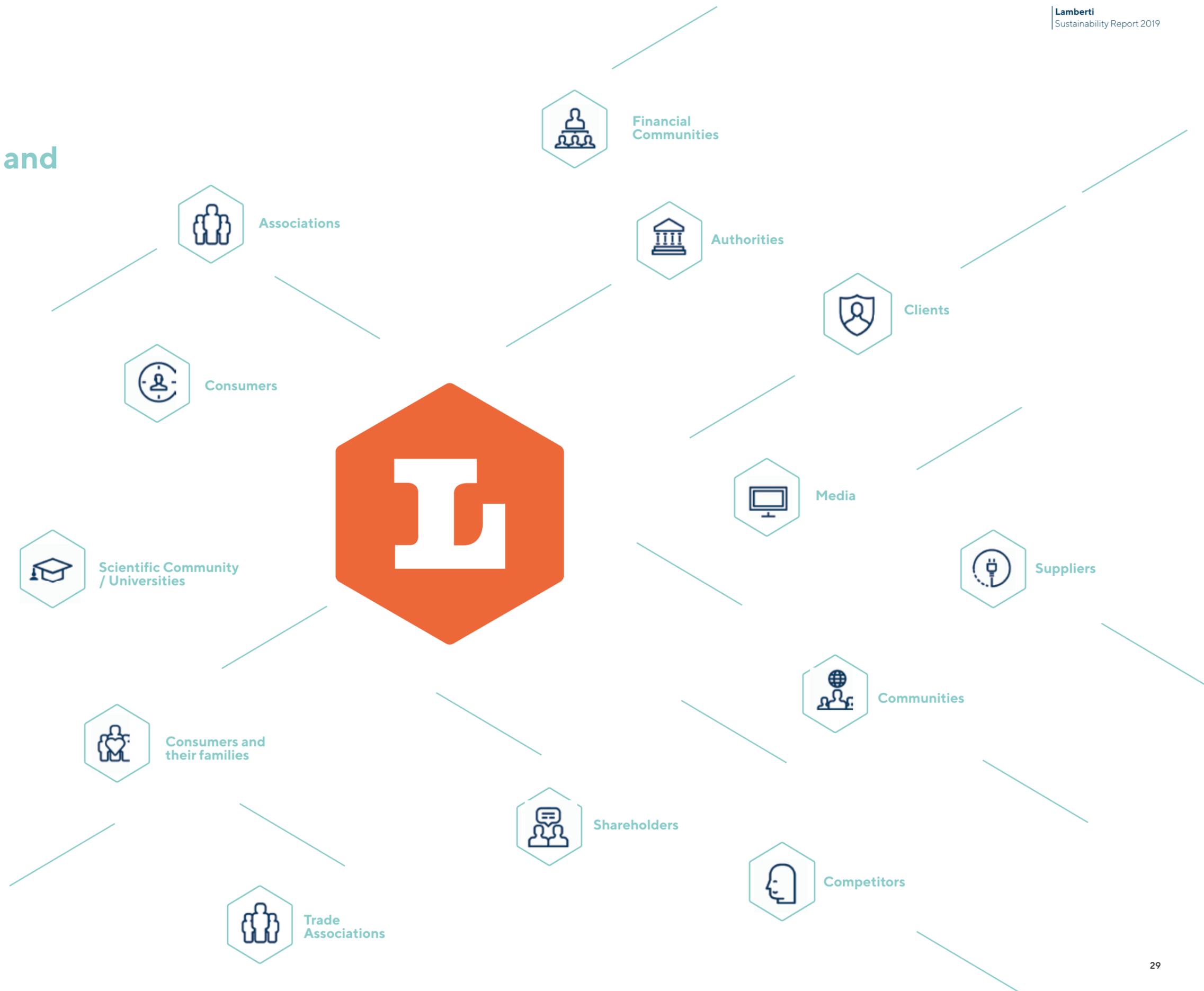
Our Stakeholders and material topics

Several years ago, we started to establish our sustainability profile, as an integral part of the Vision and the Values of the Group. Nowadays, the Group considers **sustainability a key factor for competitiveness**, together with sound business management, innovation and safety policies.

The publication of this sustainability report exemplifies Lamberti's continuous drive for improvement - in terms of policies, procedures, and management systems - in order to better manage and develop sustainability in the organization.

Our stakeholders

The first step in defining our material topics was the identification and prioritization of our stakeholders. The categories identified as the most relevant for the Group are the following:



1

Identification of relevant topics

First, a group of potentially relevant aspects for the company and its stakeholders were identified. The identification included the analysis of internal documentation (code of ethics, financial statements and explanatory notes, institutional website, etc.) and external documentation (sector studies and publications). In addition, we performed a benchmarking analysis of industry best practices at national and international levels.

2

Evaluation of topics relevant for the Group

In order to prioritize the relevant sustainability aspects, we organized a workshop with the participation of representatives of Corporate Management, including the Shareholders. During the workshop, the representatives of each area expressed their point of view regarding relevant issues for the company.

3

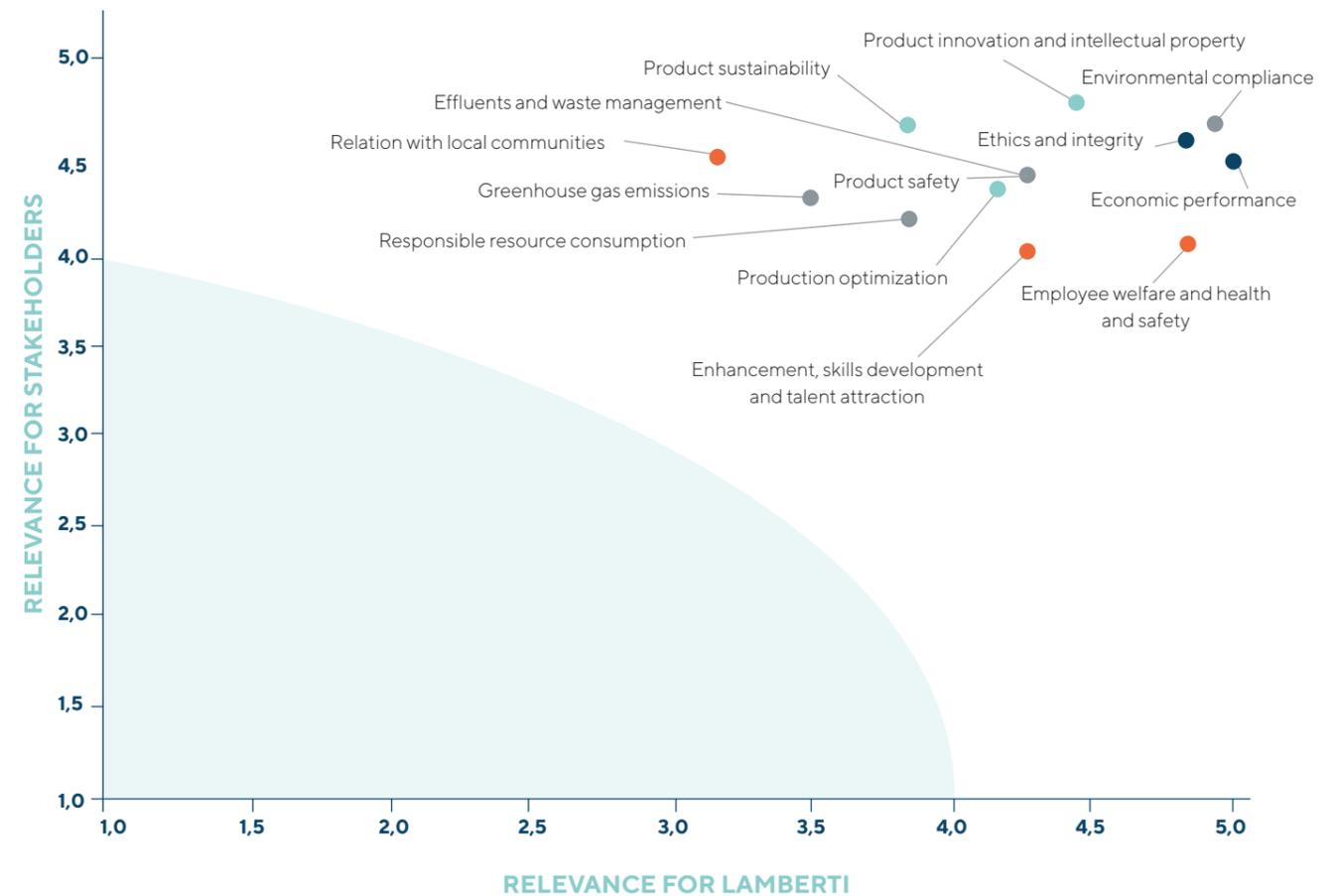
Evaluation of topics relevant for the Group's stakeholders

The materiality analysis process involved almost **900 stakeholders**, divided into **7 categories**: employees, clients, suppliers, banks, insurance, trade associations, universities and authorities. Stakeholders were requested to evaluate material issues through an online questionnaire, asking them to assess relevance, on a scale from 1 to 5, regarding issues identified as materials. The questionnaire achieved an excellent overall response rate of **64%**, with a remarkable **73% of the suppliers, 63% of the employees and 62% of the clients**. In addition, all universities as well as 2 out of 3 trade associations and banks/insurances responded to the materiality analysis questionnaire.

4

Materiality matrix and definition of the list of material topics

Creating the materiality matrix is the fourth step taken by the Group to define its material topics. The matrix is the result of the combination of the workshop and the stakeholder questionnaire analysis. Among the topics evaluated, only those with the highest social and environmental impact as well as those with the highest relevance for stakeholders were considered essential for the Sustainability Report. In order to select, a materiality threshold of 4 (on a scale from 1 to 5) was chosen.



● Economic responsibility & Compliance ● Products & services ● Environmental responsibility ● Social responsibility

Steering our company
in the best interests
of all our stakeholders.

3

Governance and economics

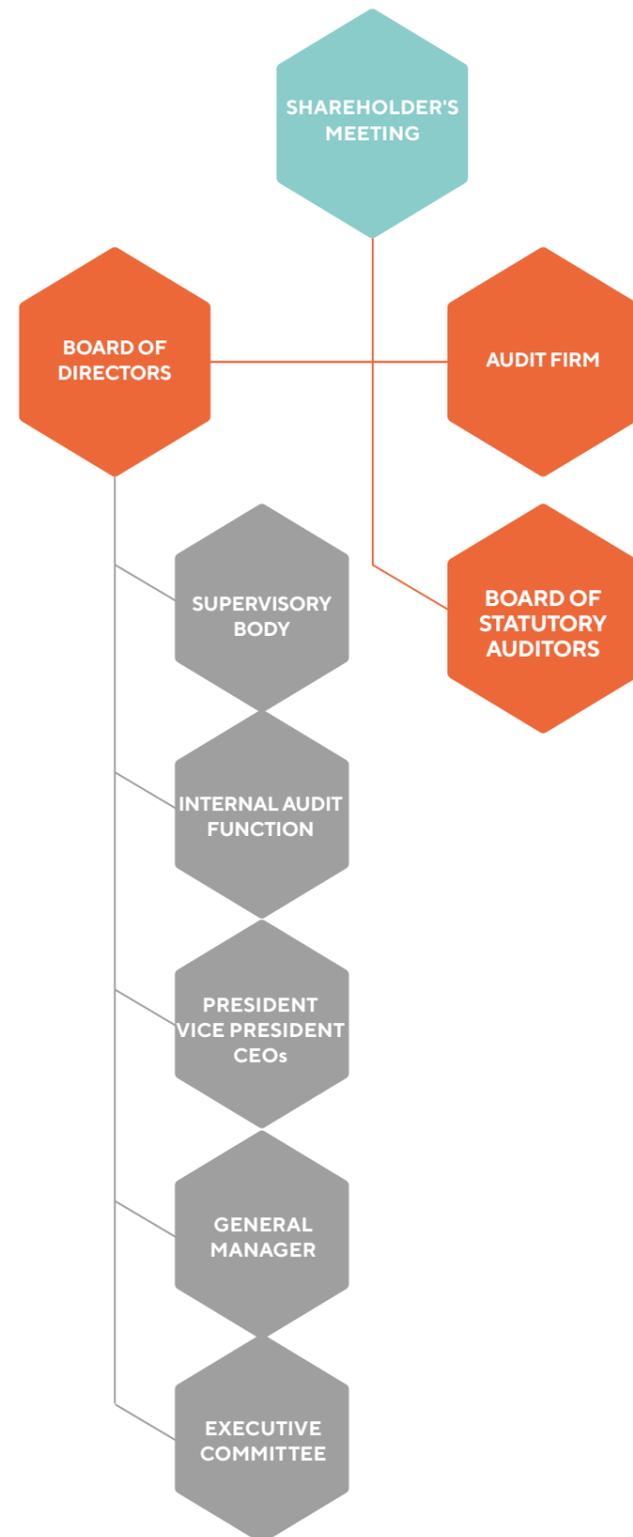
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Governance and compliance

Governance

Lamberti S.p.A. is a family owned company with a traditional governance system in place, which delegates specific responsibilities to the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

As of 31st December 2019, the Board of Directors and the Board of Statutory Auditors are each composed of 5 members, who were appointed during the Shareholders meeting held on June 29th, 2018. Their mandate covers the following three years.



Board of Directors	
Role	Name
President	Paolo Lamberti
Vice President	Carlo Lamberti
Director	Giuseppe Li Bassi
Director	Roberto Porro
Director	Silvano Zocchi

*all Board of Directors members have an executive role.

Board of Directors composition by gender and age, as at 31 st December 2019			
	≤ 50 years	51-70 years	≥ 71 years
Male	0	3	2
Female	0	0	0

Compliance and risk management system

Code of Ethics

The Board of Directors approved the latest version of Lamberti's Code of Ethics on September 12, 2019. The Code of Ethics (hereinafter also referred to as "Code") provides a summary of the rules of conduct on which the Group has always based its activities, according to Lamberti's longstanding values and rules of behavior. The purpose of adopting the Code is to meet the needs and expectations of all those who interact with Lamberti, inside and outside the Group.

The recipients of the Code of Ethics must comply, and ensure that others comply, with the contents of this Code, with no exceptions or distinctions whatsoever, in Italy or abroad. Acting for the benefit of the Group does not justify any party from behaving in contrast to the principles and rules of conduct established by Lamberti. All recipients must operate in a way that ensures the satisfactory application of these regulations both within the Group and in general, by all its stakeholders.

Precautionary Principle

The Responsible Industrial Manufacturing is one of Lamberti funding values. Therefore, all the reasonable precautionary measures are taken, even beyond statutory requirements, when planning, developing and launching products as well as in plant design and operation. The target is to minimize and to avoid negative consequences on the environment and on all the stakeholders (e.g. customers, employees, local communities).

Supervisory Board

In compliance with the organizational and management model for the prevention of crimes listed in the Italian Legislative Decree 231/2001 (hereinafter "231 Model") and any related laws, Lamberti appointed a Supervisory Board. It coordinates its activities with other bodies and departments responsible for the correct implementation and operation of control and monitoring. In performing its duties, the Supervisory Board also collaborates with company bodies and managers that

have to lead by example and ensure their daily behavior is coherent with the rules of the Code of Ethics. In order to raise awareness regarding the Code, the group guarantees free access to all documentation regarding the organizational and management model and the Code of Ethics

Whistleblowing

We have set up a whistleblowing system, a system that provides employees with a way to report unacceptable conduct while protecting the whistleblower's identity and their right to confidentiality. The Group has also introduced specific penalties applied in the event of retaliatory or discriminatory acts to the detriment of the whistleblower.

We promote the adoption of measures designed to prevent, discover and communicate unlawful conduct and/or behaviors carried out in breach of the ethical principles adopted by the Group, and encourage our legal representatives, directors, managers and employees to report any breaches that may come to their knowledge. Matters subject to reporting are:

Unlawful behaviors comprising one or more types of the crime for which the organization can be considered liable, pursuant to Italian Legislative Decree 231/01;

Behaviors that, although not constituting any type of crime, were performed in violation of the rules of ethics and conduct, procedures, protocols and provisions contained within the 231 Model and the Code of Ethics.

In both 2019 and 2018, seven of eight Lamberti's Italian sites were assessed for risks related to corruption in compliance with the 231 Model, which corresponds to 88% of our Italian operations. At the Group level, no confirmed incidents of corruption were recorded during the past two years. Lamberti S.p.A. did not detect any non-compliance with law and regulations in the social and economic areas. In 2020, we plan to assess our Spanish subsidiary, then extend the assessment to our other affiliates over the next years.

Moreover, also in the environmental area no significant financial penalties have been registered for violation of environmental laws and regulations at Group level, while there is only one case of non-monetary sanction.

Crisis Management

As the safety and wellbeing of our employees and of the communities where we operate are among our highest priorities, over the past five years we supplemented our Risk Management activities with a comprehensive crisis preparedness approach.

→ According to
Patrick Balletto,
our General Manager

“Crisis management is today an integral part of our safety culture and of our responsibility towards stakeholders including our employees, local communities, customers and suppliers. It requires a prepared, competent and close-knit team, as well as advanced planning and ongoing training to anticipate and mitigate the consequences that a crisis could have”.

The Lamberti Group operates with a core Crisis Management Team whose responsibility is to establish and maintain a “**crisis sensitive culture**”. It reports to the Board of Directors and oversees preparedness and training at all levels of the organization. It also guides the Group’s response to unexpected critical events. Its yearly preparedness programs follow a continuous improvement approach aimed at constantly “raising the bar” and refining existing procedures and stimulating the ability to “think”. Crisis Management has become a strategic top down activity that directly involves the Group’s upper management.

→ According to
Patrick Trancu, our
crisis management
consultant,

“Over the past few years, we have witnessed a deep cultural change across the entire organization. Within a company, already strongly grounded in safety, we have been able to develop a «crisis sensitive culture» that permeates the entire organization”.

In a crisis situation, the Lamberti Group follows 5 guiding principles: Transparency, Accuracy, Efficiency, Speed and Responsibility. We are committed to timely, clear communication to all stakeholders, to providing care to those directly affected by events and to full cooperation with all stakeholders.

Sharing knowledge

As part of our ongoing crisis preparedness approach, we organize an annual closed-door seminar called "Sharing Knowledge". Its objective is the open sharing of crisis preparedness and management experiences and best practices among like-minded companies and selected individuals. We recently organized one such seminar with strategic partners with the objective of raising awareness of the importance of crisis preparation and sharing our approach to managing unexpected critical events.

Patrick Trancu added his thoughts on the seminar:

"Crisis preparedness and management is a process of continuous learning and "Sharing Knowledge" marked a key milestone on our path. Sharing knowledge with both partners and experts has been invaluable. It has also given us some food for thought for further improvements."

Patrick Balletto strongly emphasized the relevance of the seminar:

"The chemical industry has a very complex value chain. Through this seminar, we shared how we manage a crisis with our key partners with the aim of contributing to the development of their own crisis preparedness efforts. The seminar was extremely useful for us too; it has strengthened key aspects of our own crisis management approach and procedures".

Covid-2019

Although events fall beyond the timeframe of this report, it seems appropriate to mention our response to the Covid-2019 Coronavirus pandemic. Although Lamberti's crisis management framework has been extensively tested in simulations and applied to minor incidents in the past, the Coronavirus emergency has recently provided an opportunity to use it "in action".

Our Crisis Management Team responded rapidly and worked throughout the crisis to anticipate events. Direct lines of communication were established and maintained with all relevant stakeholders.

Employees, trade unions, local authorities including mayors, local communities, suppliers and customers were constantly updated with company decisions and initiatives. Health related measures were quickly introduced company-wide to protect employees and their families, often ahead of national and regional directives and regulations. PPE was sourced ahead of time and supplied to both our employees and local authorities. We also established a psychological support telephone line free of charge for employees in Italy and their families.

Our company's response to the Covid emergency has drawn praise from all stakeholders.



Economic Responsibility

Economic and financial performance is of particular importance to us. Indeed, measuring both parameters makes it possible for us to evaluate multiple management-related performance indices including: management's capacity to create value, its efficiency, equilibrium, profit

generating ability and positive socio-economic impact on the external environment. Given their importance, economic and financial performances are featured in our materiality matrix.

In terms of economic and financial performance, we have seen a 1.2% increase in

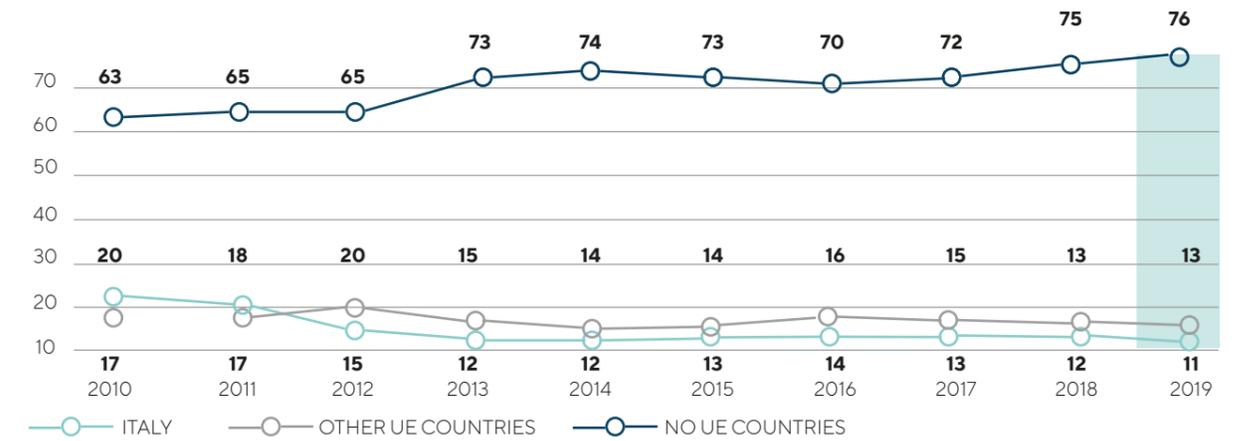
our core revenues, reaching € 509 million in 2019 compared to € 503 million in 2018. This change is certainly appreciable, given the persisting conditions of uncertainty that have characterized the macroeconomic scenario in the recent past and are expected to continue in the near future.

Revenues In Euro million



In 2019, the geographical distribution of revenues confirmed that foreign markets make up the main sales hub of the Lamberti Group, with a share equal to 89% of the total turnover (versus 88% in 2018); while non-EU markets on total foreign sales reached 85.4%, substantially unchanged compared to the previous year (85.3%).

In % by geographical area



With respect to cost structure, the effect of a significant decrease in the impact of raw materials cost on turnover should be highlighted (55.6% in 2019 compared to 57.4% in 2018). This figure is in contrast to the trend of increasing costs of raw materials and can be due, in part, to the decline of the US dollar, the currency used for a substantial portion of purchases made at Group level.

The overall financial comparison with the previous year points out a significant increase in operating income¹, which rose from € 35.3 million in 2018 to € 43.3 million in 2019 (increasing by € 8 million) and the gross operating margin², which increased by € 7 million and stood at 12.3% of sales revenues.

¹ Difference between Production Value and Production Costs.

² Sum of operating income, depreciation and amortization.

Economic value generated and distributed

The statement of economic value generated and distributed by the Group is a tool used to represent the wealth produced and allocated to its stakeholders. It is the result of reclassifying income statement figures.

In 2019, Lamberti generated a direct economic value equal to over € 508 million, a slight increase of 0.6% compared to 2018 (€ 505 million). As previously described (see fig. x page 31), for the first time the total costs for raw materials contrast the rising trend in

the cost of raw materials internationally; this can be also seen from the decrease of our economic value distributed to Suppliers (-1.6% compared to 2018) despite the increase in value generated.

Overall, approximately 90% of the economic value we created was distributed to stakeholders, both internal and external, while the remaining 10% was retained within the company. In 2019, the predominant share (77%) of the total distributed value went to suppliers.

In the same year – and in line with the previous year – 20% of total distributed value went to personnel. In addition, 2% of the economic value distributed went to the Government mainly through taxes, for a value of over € 11 million.

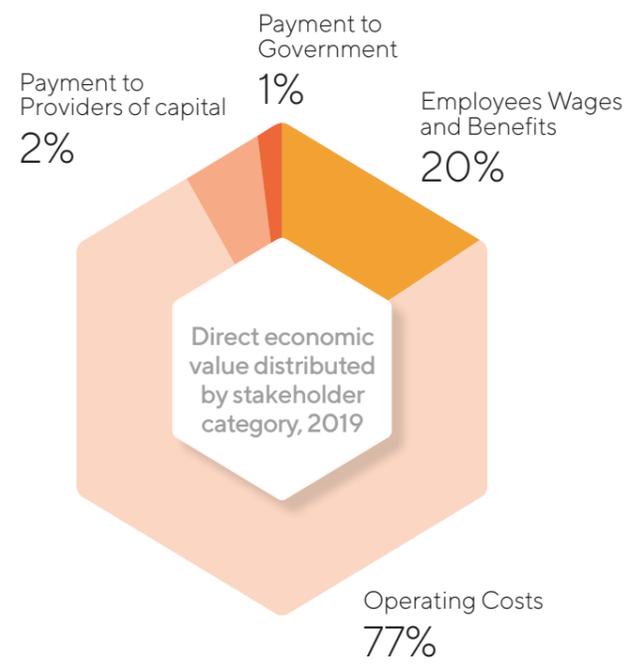
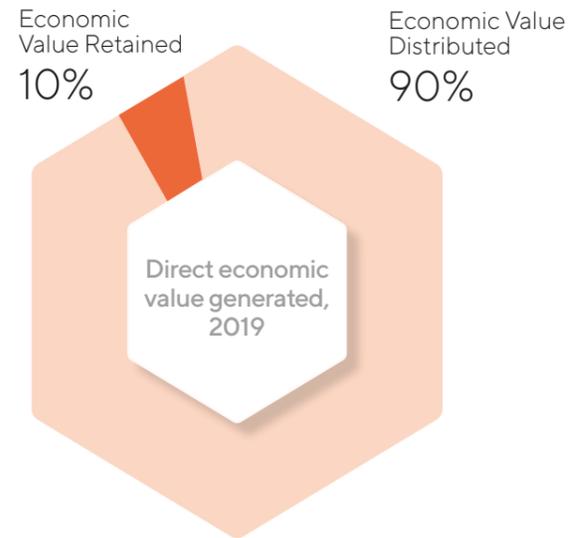
Economic value generated and distributed (€ million)		
	2019	2018
Direct economic value generated	508.75	505.05
Turnover from sales and services	509.28	502.57
Other revenues and income	1.26	3.18
Changes in work in progress, semi-finished products and finished goods, change in contract work in progress	-2.92	-1.91
Financial income	2.19	1.57
Net exchange rate gains and losses	-1.16	0.28
Adjustments to financial assets	0.11	-0.65
Economic value distributed	459.54	458.71

Operating costs³	354.73	360.63
Raw materials, consumables, supplies and goods	280.12	286.69
Services	64.48	63.56
Use of third party assets	4.90	5.09
Other operating costs	5.24	5.29
Employees' wages and benefits⁴	89.88	87.02
Personnel expenses	89.88	87.02
Payments to shareholders	1.44	-
Dividends paid	1.44	-
Payments to government	11.21	11.00
Current taxes	11.66	10.87
Deferred taxes	-0.45	0.13
Payments to financial backers	2.22	2.17
Interest and other financial charges	2.22	2.17
Community investments⁵	0.05	0.05
Economic value retained	49.21	46.34

³ Cash payment made outside the organization for materials, product components, facilities, and services purchased.

⁴ Total payroll (including employee salaries and amounts paid to government institutions on behalf of employees) plus total benefits.

⁵ Voluntary donations plus investment of funds in the broader community where the target of beneficiaries are external to the organization.



Strong ambition
creates opportunity.
Close collaboration
creates results.

4

Product responsibility

Product Innovation	50
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Product Innovation

We are committed to developing high performance products in compliance with the most demanding regulatory standards, according to customers' requirements as well as our ethical values, thus providing benefits in terms of both sustainability and performance. This approach also benefits the downstream value chain, since our products' performance can help to reduce the environmental and social impact of our customers and final consumers.

Our Innovation process is open and multidisciplinary to include the fields of Chemistry, Biology and Physics. We are moving from the concept of Customer/Product to that of User Need/Function. We aim to **widen the horizon**, think about the day after tomorrow and anticipate future needs. To this end, we constantly seek further experience, increased knowledge and sensitive antennae to read weak signals that may emerge.

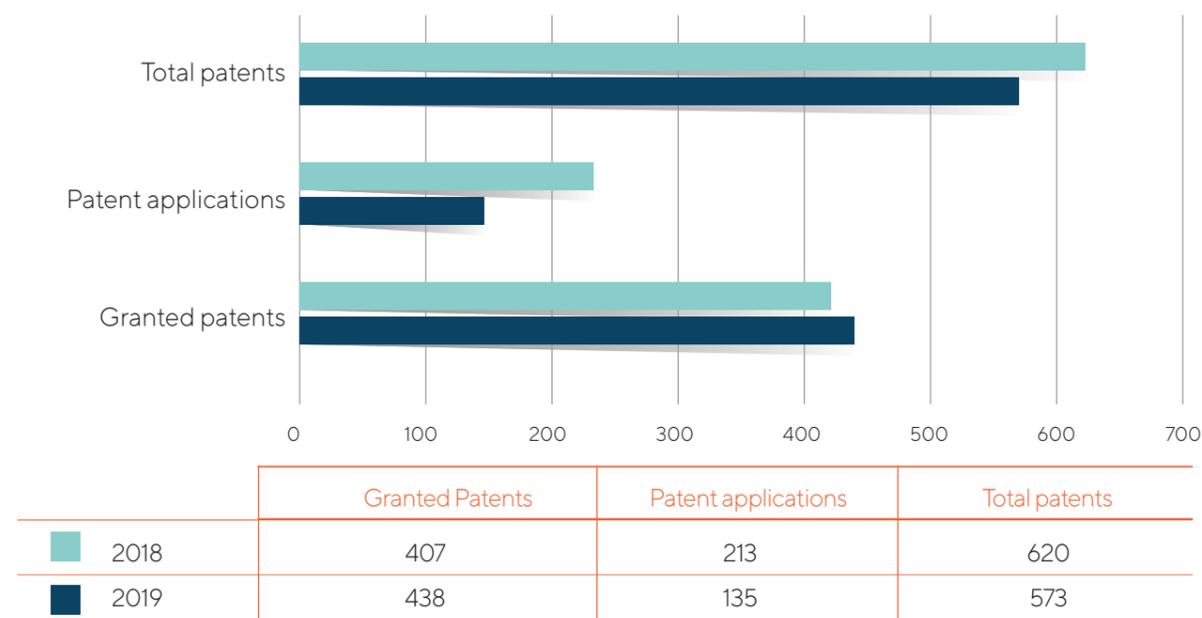
We strive to achieve these objectives by engaging with customers, suppliers and with universities and other scientific institutions.

We also invest extensively in Intellectual Property, which is strategic to protecting ourselves while remaining open to external contributions. In addition, it provides a strong stimulus **to go beyond the State of the Art** and to develop better solutions.

In 2019, thanks to our Research & Development (R&D) team of 182 scientists, we launched 90 new products in the market in comparison to 77 launched the previous year.

Innovation is monitored by measuring the yearly turnover generated by NIPs (New and Improved products, launched over the last 5 years). In 2019 NIPs accounted for 24.6% of the total turnover. R&D expenses increased by 6% compared to the previous year, reaching a total of €17.9 million in 2019.

The percentage of R&D expenditure with respect to total turnover grew from 3.4% in 2018 to 3.6% in 2019.



Innovation 2019

182
R&D Researchers

24.6%
Turnover originated by NIPs

3.6%
Expenses dedicated to R&D

11.2%
Percentage of Patent driven sales

Product Sustainability

Sustainable development is an integral part of our Vision and Values and embraces the three dimensions of our Group: the company, the economy and the environment.

We specifically focus on strategic areas to measure and enhance the sustainability of our products:

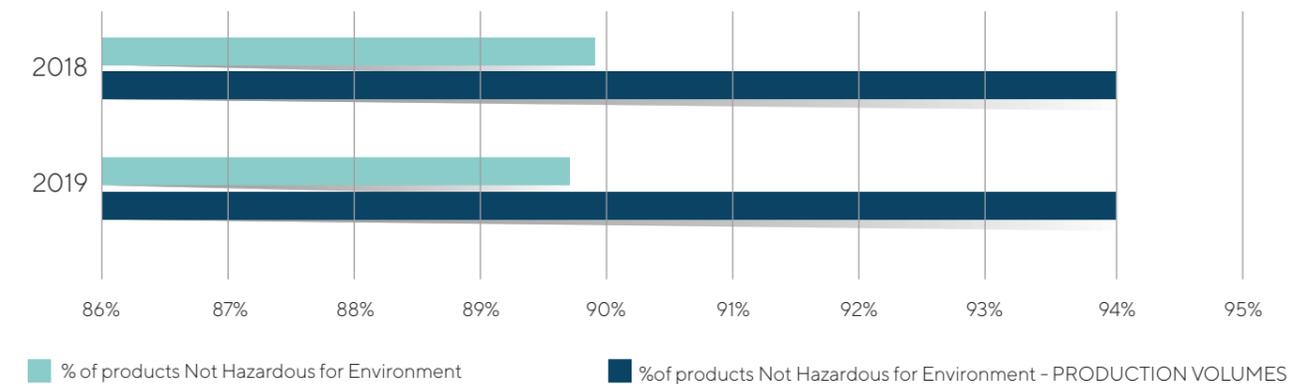
- 1. Products non-hazardous to the environment
- 2. Natural Based Products
- 3. Environmental properties

Products non-hazardous to the environment

The protection of the environment is a great challenge for any chemical company. Throughout these years, Lamberti has paid increasing attention to the ecotoxicological properties of its products in order to reduce the number and the quantity of products hazardous to the environment.

Now, more than 90% of the products we manufacture are classified non-hazardous to the environment. The percentage increased in the last 3 years and we intend to maintain this trend in the future. The same index for raw materials decreased slightly in the same period, but there is still room for improvement.

Not Hazardous products



Natural Based products

The use of natural origin materials is a key aspect of our strategy. We are following different approaches: using palm oil, palm kernel oil, and their derivatives that are certified by the Roundtable on Sustainable Palm Oil (RSPO), and improving bio-based raw materials for the manufacture of polymers.

Among the several available options to verify the naturalness index of our products, we have

chosen to apply the criteria of the ISO 16128 standard: Guidelines on definitions and criteria for natural and organic cosmetic ingredients and products. Our evaluation started with the GeoScience, Agriculture and Personal Care portfolios, and presented the following results: 36,5% of the total number of products were recognized to be natural, while in terms of the volume of natural products, the total amount now reaches 53,9%.

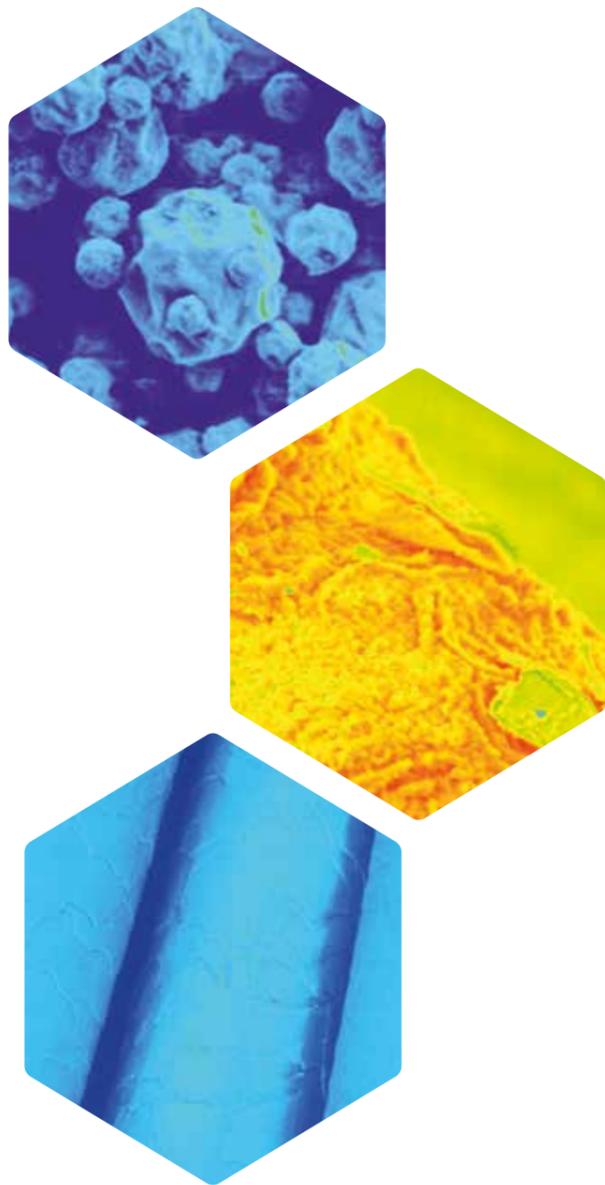
Natural products	
% of Natural Product (according to ISO 16128) vs Total number of products	36,5%
% volume Natural Product (according to ISO 16128) vs Total volume of products	53,9%

The results of 2019 are in line with the previous year.

Environmental Properties - experimental activity

Lamberti completed, successfully and on time, the third and final registration phase of the European chemicals regulation (REACH) for all substances produced in annual volumes between one and one hundred metric tons, with a number of scientific activities to complete a relevant dossier for over 50 substances.

Our analytical laboratories and above all, Lamberti's Ecotoxicological Laboratory (GLP certified) supported these activities. Around 50 studies for biodegradation and ecotoxicity are carried out every year in our Ecotoxicological Laboratory. Other toxicological and ecotoxicological data were obtained with experiments and in-silico evaluations to comply with international regulations and internal assessments with particular emphasis on the environmental impact of our products.



⁶ Good Laboratory Practice.

Lamberti's sustainable products and product lines

Chemical products are always present in every person's daily life. Indeed, chemistry is a valuable ally in the development and evolution of sustainable sectors, including solar energy, electric cars and biofuels.

Sustainable development is an integral part of our Vision and Values embracing the three dimensions of the group: the

company, the economy and the environment. We are a leading company in the Italian chemistry market, second only to Germany at the European level. Lamberti has been designing and producing new and more sustainable products and lines, among which our most important ones:



ESACOL®, a line obtained from processing raw materials from renewable plant-based sources, with applications in the fields of construction and paints. The Group uses guar gum (*Cyamopsis tetragonoloba* L.), for the creation of high viscosity fluids. The process of transformation from guar gum to its derivatives does not require high trunk or old trees.



ESAFLOR® and CESMETIC®, lines obtained from processing guar gum with applications in the cosmetic field.



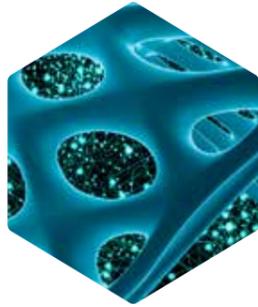
EUCAROL AGE®, a line obtained from processing raw materials from renewable plant-based sources, with applications in the areas of cleaning and agrochemicals. The raw materials in this line have good biodegradability with limited impact on the environment in rinse-off cosmetics.



CARBOCEL®, a line obtained from processing raw materials from renewable sources. This range of products is based on cellulose, the most abundant polymer in nature and a major component of wood and cotton. It has applications in many fields, including food, agrochemical, construction and textile industries.



FLUIJET®, a line based on renewable plant-based raw materials, reducing the use of solvents and related CO₂ emissions in ceramic tile printing inks. This line uses raw materials of natural plant-based origin, replacing raw materials of fossil origin.



SYNTHETIC POLYMERS with bio-based reagent/monomer for a better CO₂ balance. These products have a very low content of volatile organic compounds and are used in different applications including: coatings, construction and paints, leather and textiles.



Product Safety and Stewardship

The safety and the environmental impact of our products is monitored throughout production, starting from research and development, all the way to the customer's application. We follow a number of procedures and guidelines based on Health, Safety and Environment (HSE) regulations.

We are committed to minimizing the negative effects of our products on the environment, health and safety along the value chain – from development to disposal.

In 2019 alone, we put more than 500 new products on the market, providing a set of HSE information as part of our procedure aimed at carrying out an internal risk assessment, an established company procedure, and verifying more than 150 specific parameters for safety, reactivity, chemical and physical properties, and transportation. The number of items evaluated in 2019 grew considerably in comparison to those examined in 2018, increasing from 215 to 367.

The commitment to product stewardship is embodied in our Responsible Care® charter and follows the initiatives of the International Council of Chemical Associations (ICCA). We also ensure uniformly high standards for product stewardship worldwide. In some cases, we have committed to voluntary initiatives, which go beyond local legal requirements.

More than 99% of our product portfolio is covered by safety data sheets, for hazardous as well as non-hazardous materials, available in Italian, English and all pertinent languages.

Safety Data Sheets

	2019	2018
Number of safety data sheets prepared during the period	1,593	1,602
Number of products for which a Safety Data Sheet was prepared during the period	780	789
Number of products for which an HSE evaluation was made	367	215

We also support:

- **the Global Product Strategy** (GPS) of the ICCA, worldwide standards and best practices to improve the safety management of chemical substances;
- the development and certification for **Good Manufacturing Practices** (GMP) for the manufacture of cosmetic ingredients;
- the **CEFIC REACH Dossier Improvement Action Plan**⁷, as part of the continuous improvement of the quality of REACH dossier, which represents our current and future commitments, investing relevant human and financial resources.

Finally, taking into account our portfolio and the request of the customer application sectors, our vision is to certify products in the areas of textile/leather, and cosmetic ingredients.

We aim to do so by adopting certifications that follow different aspects of production, product characteristics and are primarily focused on environmental impact (toxicity, environmental fate, wastewater, etc.) along with workers' and consumers' safety. These standards also consider the circularity of products, starting from material safety and material reutilization, specifically targeting natural raw material sources and production processes, and reducing the use of technologies with high environmental impact.

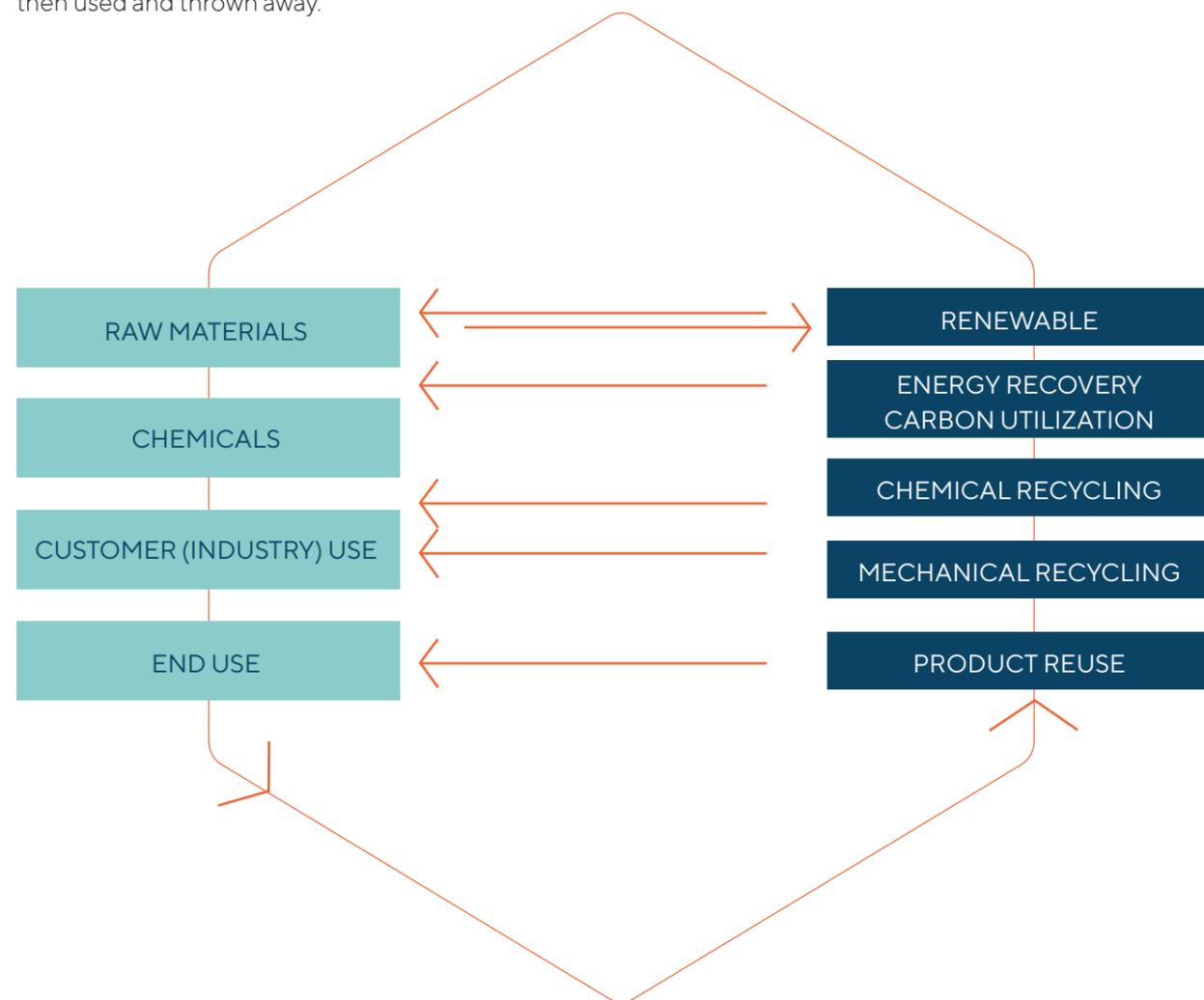
Procedures, instructions, IT tools are regularly revised, assessed and updated to verify the compliance of the information provided with mandatory, internal and stakeholder rules and requirements. Internal and/or external auditing is carried out to verify the completeness of safety data sheets and the results are then included in the Health, Safety, Environment and Quality Report, which is overseen by the Group General Management.

In the years 2018 and 2019, no fines or penalties resulting from incidents of non-compliance with regulations or voluntary codes concerning information and labelling of products and services were recorded at a Group Level.

In addition, in 2019, the Group did not report any incidents of non-compliance concerning the health and safety impacts of products and services.

Circularity in Products

The circular economy is about changing the simple “take-make-dispose” approach to resources, where materials are made into products, which are then used and thrown away.



Our circularity approach focuses on the need to create closed loops of material flows, improve the use of renewable feedstock, and reduce the consumption of non-renewable resources.

Since the 70s', we have been developing processes and products using our natural polymer and oleochemistry technologies. Our current portfolio includes a number of products based on cellulose, polysaccharides, alcohols and acids of plant-based origin. The use of renewable raw materials is also a pillar for further developments, including promotion of the use of recycled materials in our production processes, reduction of wastes disposal, including hazardous wastes, decreasing the amount of greenhouse gases (GHG) emitted, and switching to renewable raw materials for industrial application.

Our commitment is to increase the number of our products coming from renewable raw materials from 30% (2019) to 35%(2022).

We plan to offer new technological solutions, adopting our products, to improve the sustainability of our customers' processes. In addition, we plan to accelerate the adoption of life cycle assessment (LCA) to assess the benefit of products and processes based on Lamberti sustainable products, with a comprehensive analysis of breakdown of product emissions. This process is starting now and will be implemented progressively in several business sectors, already in 2021.

We choose to create a sustainable legacy for the future.

5 Environmental responsibility

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Responsible resource consumption

Sustainability is a concept that applies to all aspects of our activity involving continuous optimization through:

- responsible use of natural resources, such as water and energy;
- commitment to minimize wastes and emissions;
- improvement of our manufacturing processes;
- introduction of a new approach in logistics, procedures and packaging.

Responsible resource consumption

We have only one planet and we are committed to using available resources responsibly; they are limited and we must save them for future generations. We firmly believe that chemistry, our core competence, can be respectful of the Environment and can provide an important contribution to improve our life. It can be a boost to Sustainable Development, not a limit.

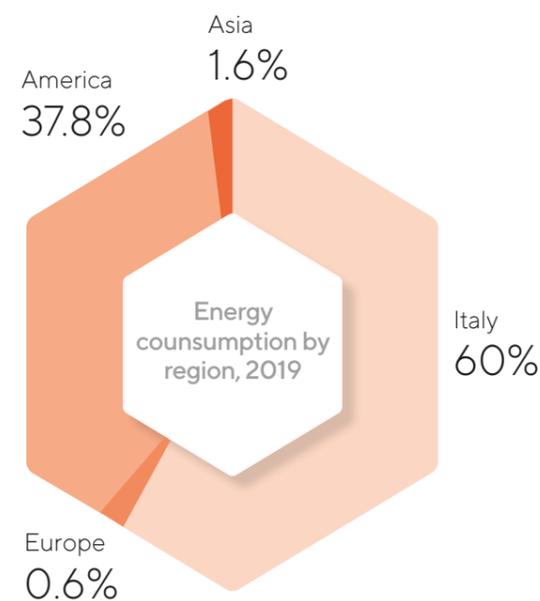
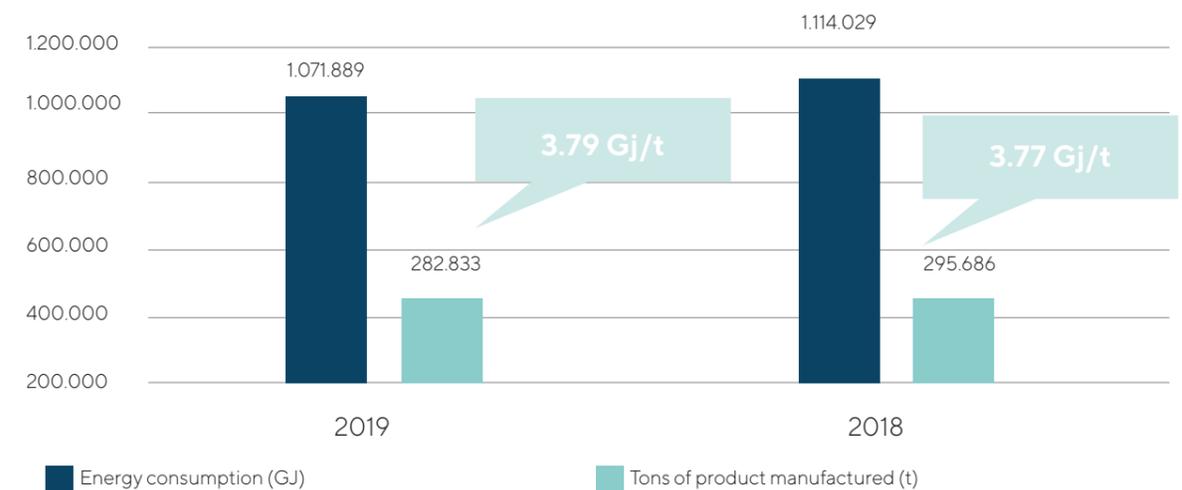
We strive to be a leader in the careful use of natural resources and we have set ambitious targets to reduce the Environmental Impact of our industrial activity. Since 2000 Lamberti has been part of Responsible Care, a voluntary membership program that guides participating companies towards a sustainable development model of the global chemical industry. Since 2007 we have started the process of certification of our manufacturing sites according to ISO 14001 standards for environmental management.

Our commitment is to have 40% of our manufacturing sites certified ISO 14001:2015 within 2022.

We intend to position ourselves among those industry players that take steps to reduce their use of water and energy and to contain our emissions and waste beyond the limits enforced by local regulations.

A responsible use of Energy is a key driver for sustainable development and we are working to improve energy efficiency. In 2019 our overall energy consumption declined by 3% compared to 2018.

Energy intensity



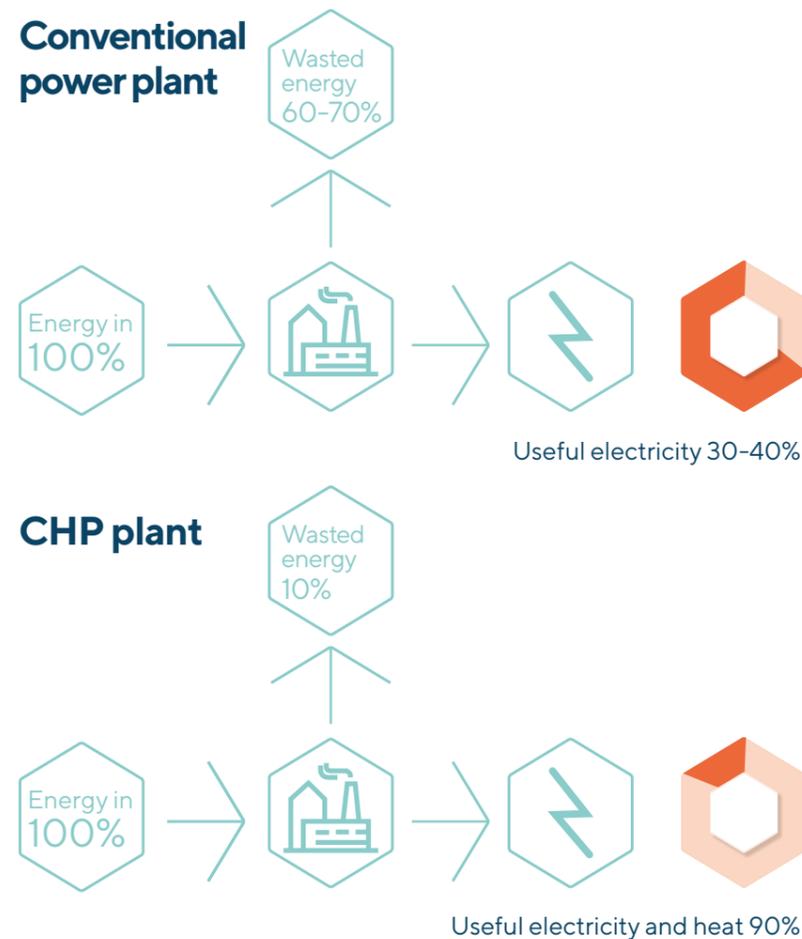
Our main energy source is natural gas, which represents 55% of the overall energy consumption within the organization. It is followed by purchased energy – electricity and steam – accounting for a further 40% of the energy consumption of the Group. Lastly, the remaining 5% comprises the use of other non-renewable fuels, namely diesel oil, liquefied petroleum gas (LPG) and petrol.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION (GJ)

	2019	2018
Non-renewable fuels	647,225.4	656,588.3
Natural Gas	594,338.9	587,153.4
Diesel	34,698.5	42,718.8
LPG	3,277.4	4,513.1
Petrol	14,910.6	22,203.1
Energy purchased	424,663.4	457,440.6
Electricity	203,515.4	219,660.6
Steam	221,148.0	237,780.0
Total energy consumption	1,071,888.8	1,114,028.9

How we source energy is a key issue for our Group. Cogeneration (CHP), which produces electricity and thermal energy (e.g. steam and hot water) at the same time, is the most efficient process.

Our three major Italian manufacturing plants have their own cogeneration plants for a total installed capacity of 5 MW, equal to a self-production of around 50,000 GJ per year. This means that they produce 86% of their electricity requirement.



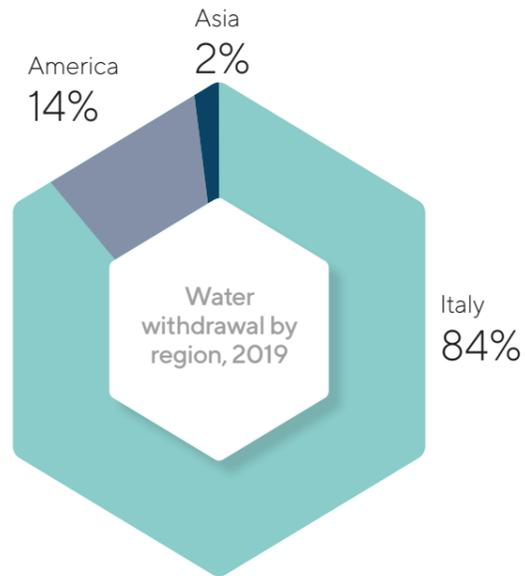
The conscientious use of materials is another feature that shows our commitment to operating a responsible business. We are working to reduce the environmental impact of the raw material consumption by investing in low-impact, recycled or recyclable materials and designing a new generation of processes. The use of raw materials fell from about 195,462 tons in 2018 to about 190,207 tons in 2019.

Finally, water is more precious than gold, **especially potable water** – a resource already scarce in many areas of the world – therefore, it is our duty to optimize its use.

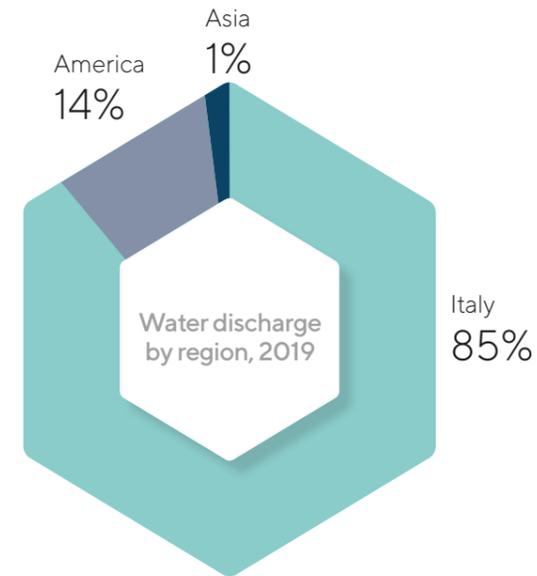
We use water coming from deep wells or aqueducts. We do not use water from rivers, lakes or seas. We limit our use in water-stressed areas. We believe in an efficient use of resources, which involves reducing withdrawals to a minimum, and optimizing the use of water in our factories. In 2019 we withdrew 867 ML of water worldwide and we aim to **reduce our water consumption** by 15% within 2023.

WATER WITHDRAWAL (Megaliters)

	2019		2018	
	All areas	Areas with water stress	All areas	Areas with water stress
Surface water	24.7	-	23.3	-
Freshwater	24.7	-	23.3	-
Other water	-	-	-	-
Groundwater	681.9	2.1	677.3	4.2
Freshwater	679.9	-	673.0	-
Other water	2.1	2.1	4.2	4.2
Third-party water	160.3	2.1	141.6	0.5
Freshwater	160.3	2.1	141.6	0.5
Other water	-	-	-	-
Total energy consumption	866.9	4.1	842.2	4.8
Freshwater	864.8	2.1	838.0	0.5
Other water	2.1	2.1	4.2	4.2



A key feature of our business is that a significant part of the water we withdraw is consumed, and not discharged; in fact, in both 2019 and 2018 we saw that over 48% of the water withdrawn was consumed. We constantly monitor our water discharges and periodic checks are carried out as good company practice. Water is discharged mainly to Third-party plants (86% of total discharges for 2019) while only a limited part is discharged directly in the environment.



WATER DISCHARGE (Megaliters)				
	2019		2018	
	All areas	Areas with water stress	All areas	Areas with water stress
Surface water	55.0	-	60.3	-
Freshwater	55.0	-	60.3	-
Other water	-	-	-	-
Third-party water	333.6	-	296.5	-
Freshwater	69.2	-	79.1	-
Other water	264.4	-	217.4	-
Total water discharge	388.5	-	356.8	-
Freshwater	124.1	-	139.5	-
Other water	264.4	-	217.4	-

⁸ Water that has been withdrawn and incorporated into products or generated as waste, that has evaporated, transpired, or been consumed, or is polluted to the point of being unusable by other users, and is therefore not released back to surface water, groundwater, seawater, or a third party over the course of the reporting period.

Esaflo Zero-X: Better Performance and Lower Water Consumption

Zero-X technology is a newly patented, sustainable process to obtain a cosmetic cationic guar, used as an ingredient in shampoo formulations. The product uses a sustainable and 100% renewable raw material: Guar, cultivated mainly in India and Pakistan. Lamberti has developed a new generation process, providing a higher yield and a significant reduction of waste, production cycle time and energy consumption.

The new process provides a higher yield and reduces the water consumed in the standard purification process by over 90%. Shorter processing times and reduced water presence also lowers the energy consumed to produce Esaflo Zero-X, resulting in a range of truly environmentally-friendly products



Emission of greenhouse gases

We are fully aware of the impact that climate change may have on our Group. For this reason, we aim to contribute to a more sustainable society. We also acknowledge that both risks and opportunities may arise from the implementation of a more sustainable approach to our business. This awareness has led us to design a new alliance between industrial behavior and the environment, thus fostering respectful science and good chemistry.

In terms of risks, climate change leads to physical disruptions due to severe weather events, harming not only our Group, but also our workforce. These events include storms and hurricanes, air and water pollution, fires, sea-level rise, extreme temperatures and variation in seasonality. All these phenomena may negatively affect our operations. Furthermore, the transition to a low carbon economy requires stricter carbon legislation; not being compliant with existing and future regulations poses a clear risk to the company's business.

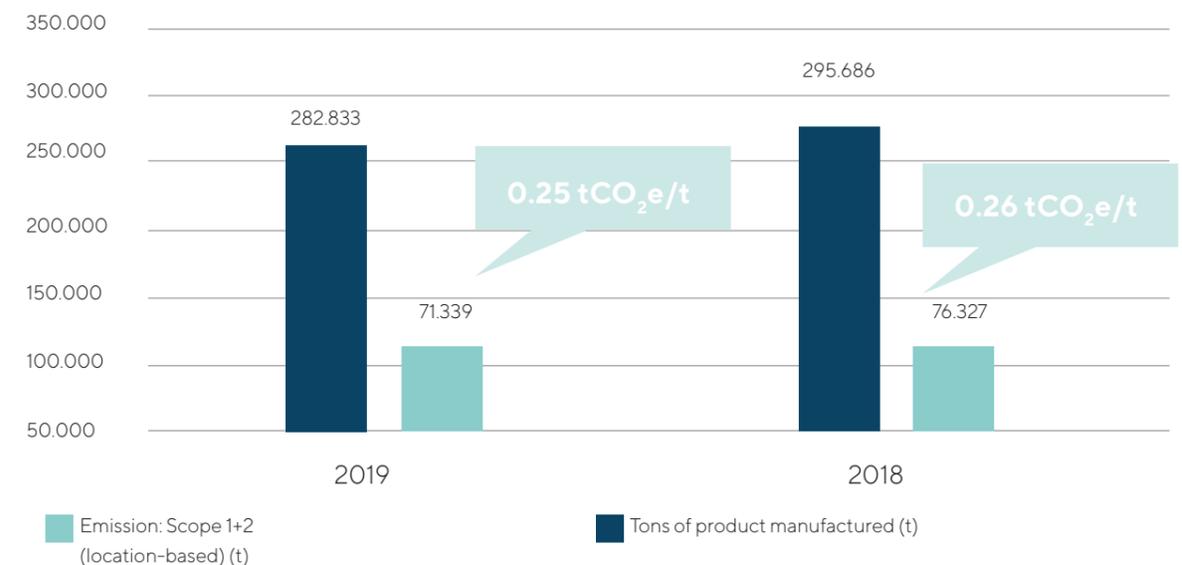
In terms of opportunities, in tackling issues related to climate change, we plan to implement or have already applied numerous actions. We believe that achieving a positive environmental impact should not be limited to our own actions; our Group sees this as an opportunity to generate a comprehensive plan, so that also critical stakeholder groups, such as raw material suppliers can be involved. Our sustainable plan is composed of two phases:
- phase I: creation and development of a dialogue pertinent to type of stakeholder
- phase II: implementation of the options regarding the environmental impact of operations, including availability of key resources (depletion issues)

Auditing the existing overall energy sources within a given period provides us with a clear understanding of our current emissions. This data makes it possible to establish a sustainable plan to increase the percentage of renewable energy sources utilized. We also intend to implement additional activities to improve water management through specific data-driven commitments. Our goal is to source most raw materials from environmentally sustainable suppliers.

These efforts represent a clear opportunity to tackle the negative effects of climate change and anticipate future sustainability requirements. In order to make this liability transparent and pertinent to our Group, it is essential for us to share these initiatives with our workforce and our other stakeholders, regarding the responsibilities related to the Sustainable Development Goals and our long-term objective to fight climate change.

Finally, the reduction of emissions is an opportunity to strengthen the concept of sustainability in our employees. Indeed, in our sustainable approach we will ensure that all future talents who join Lamberti will strive to contribute to the environmentally friendly outcomes of our Group.

We are committed to further reduce our Greenhouse Gas (GHG) emissions, by optimizing our processes and our use of energy.

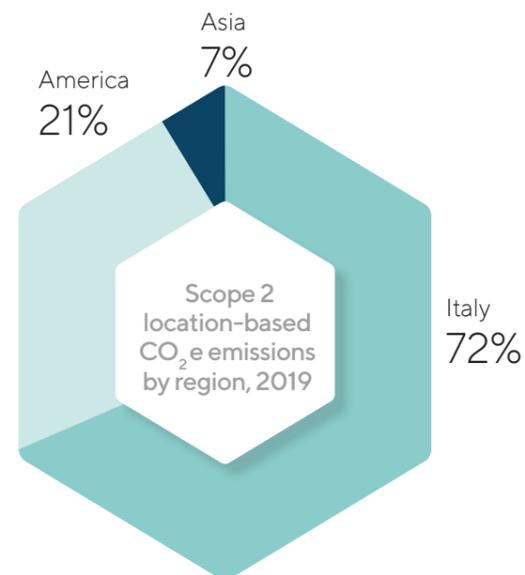
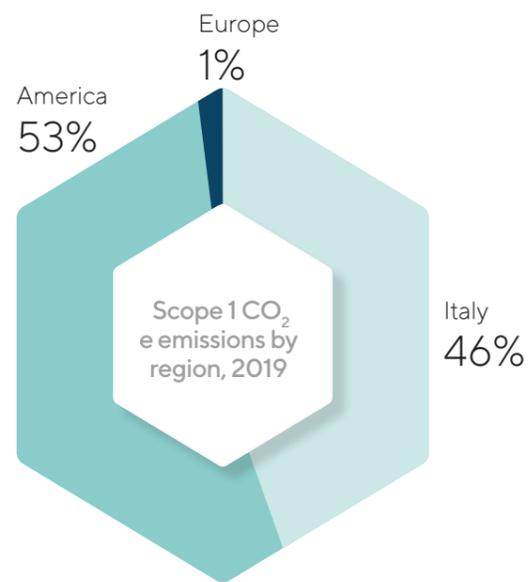


“ In 2019 we reduced our CO₂e emissions (Scope 1 + Scope 2 location-based) by 6.5%, equal to 4,988 tons of CO₂e . ”

“ In 2020, all the Electricity purchased from the Public Network in Italy (about 9 GWh/y) will come from renewable sources (Guaranteed Origin). ”

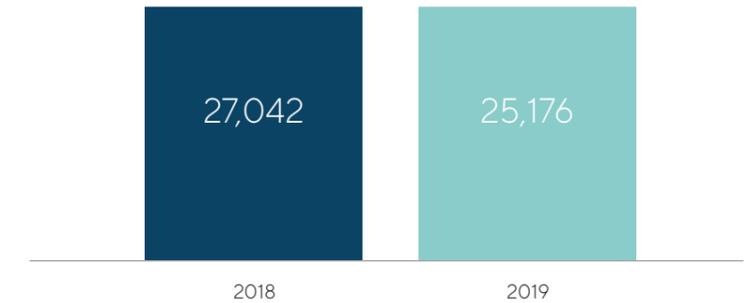
Our Scope 1 emissions, which fell by 2.4% in 2019 compared to 2018, include emissions deriving from the use of natural gas, diesel, LPG, petrol and refrigerant gases (which have a stratospheric ozone depletion potential equal to 0 CFC-11). Conversely, Scope 2 emissions included our use of electricity and steam. Overall, Scope 2 both location-based and market-based emissions decreased compared to 2018, by 11% and 10% respectively.

CO ₂ e EMISSIONS (tons)		
	2019	2018
Scope 1	38,960	39,917
Scope 2 Location-Based	32,380	36,410
Scope 2 Market-based	36,827	40,839



Our concern about environmental quality is not limited to GHG emissions. Our production plants are equipped with the Best Available Techniques (BAT), in order to reduce air emissions. This translates into an environmental benefit: in 2019, we cut our NO_x emissions by 7% and our SO_x emissions by 1.5%.

NO_x Emission (Kg/Y)



Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions		
	2019	2018
Nitrogen Oxides (NO _x)	25,175.8	27,042.1
Sulfur Oxides (SO _x)	178.8	181.8
Persistent Organic Pollutant (POP)	-	-
Volatile Organic Compounds (VOC)	4,198.6	4,087.9
Hazardous Air Pollutants (HAP)	-	-
Particulate Matter	1,616.1	1,385.3
Other Air Emissions	7,042.7	8,070.5

Logistics and packaging

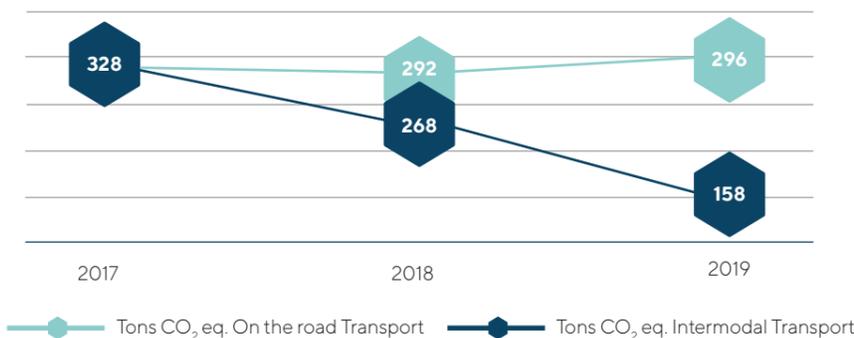
The environmental impact of our Group extends beyond our manufacturing process to the entire activity of the Company. We source our raw materials and sell our products all over the world: In addition, most of our production is delivered packaged in bags, drums, and IBC's.

An innovative approach to logistics and to packaging is important. A careful analysis of the logistics flow shows that we favour intermodal transport via railway or sea, compared to standard road transportation. For packaging, we endeavour to recycle used containers and reutilize them several times in order to save significant amounts of material. What's more, we utilize containers partly made with recycled materials. We are actively pursuing the objective of reducing the environmental impact of our containers, by reducing their number.

Logistics

Since mid-2018, Lamberti SpA started a project aimed at promoting intermodal transport instead of road transport in order to decrease the environmental impact of its transport. The project centered on the Italy - Spain route, frequently used for shipments between group's companies and generally carried out only by road. Lamberti is gradually moving transport from road to intermodal, utilizing sea transport between Savona and Barcelona. This activity led to a 46.6% reduction in CO₂e emission on that route in 2019, corresponding to a total saving of 138 tons of CO₂e emissions.

Tons CO₂e



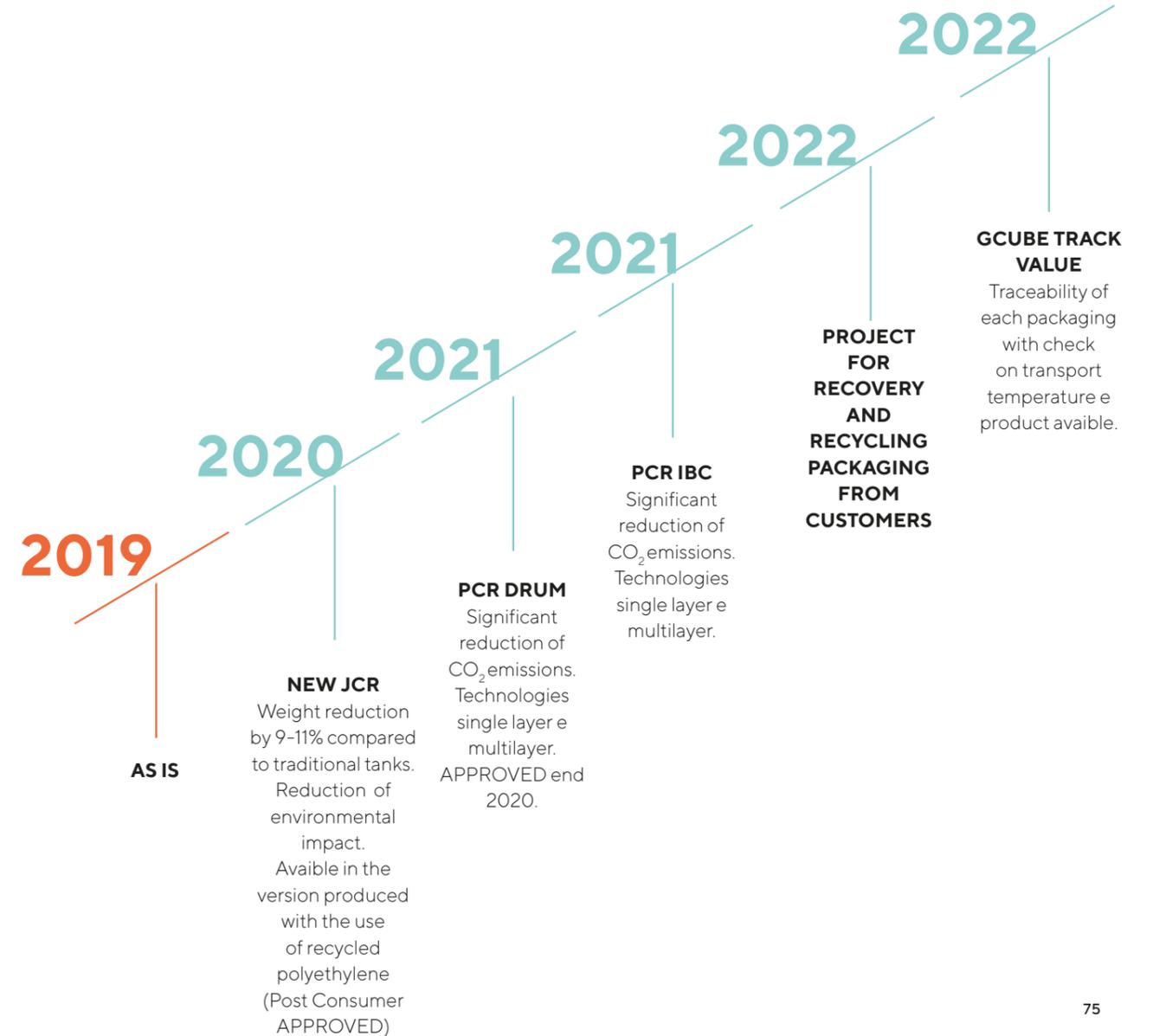
Packaging

Many of our packaging materials (IBC, drums and cans) are made of plastic material. In 2016, we started to gradually introduce reutilization of packaging in order to reduce plastic consumption. In 2019, we launched a more aggressive project, in line with the Green Deal targets set by European Union, which includes:

- Washing and Recycling of used IBC's, including those used by our customers;
- Use of lighter JCR (JerryCans);
- Use of drums/IBC partially made with recycled material.

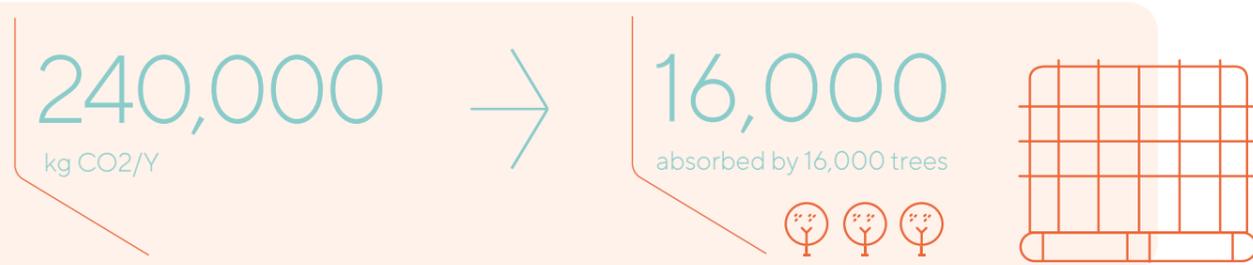
The recycling packaging

Lamberti Group circular economy



Each individual project leads to significant savings in terms of GHG emissions:

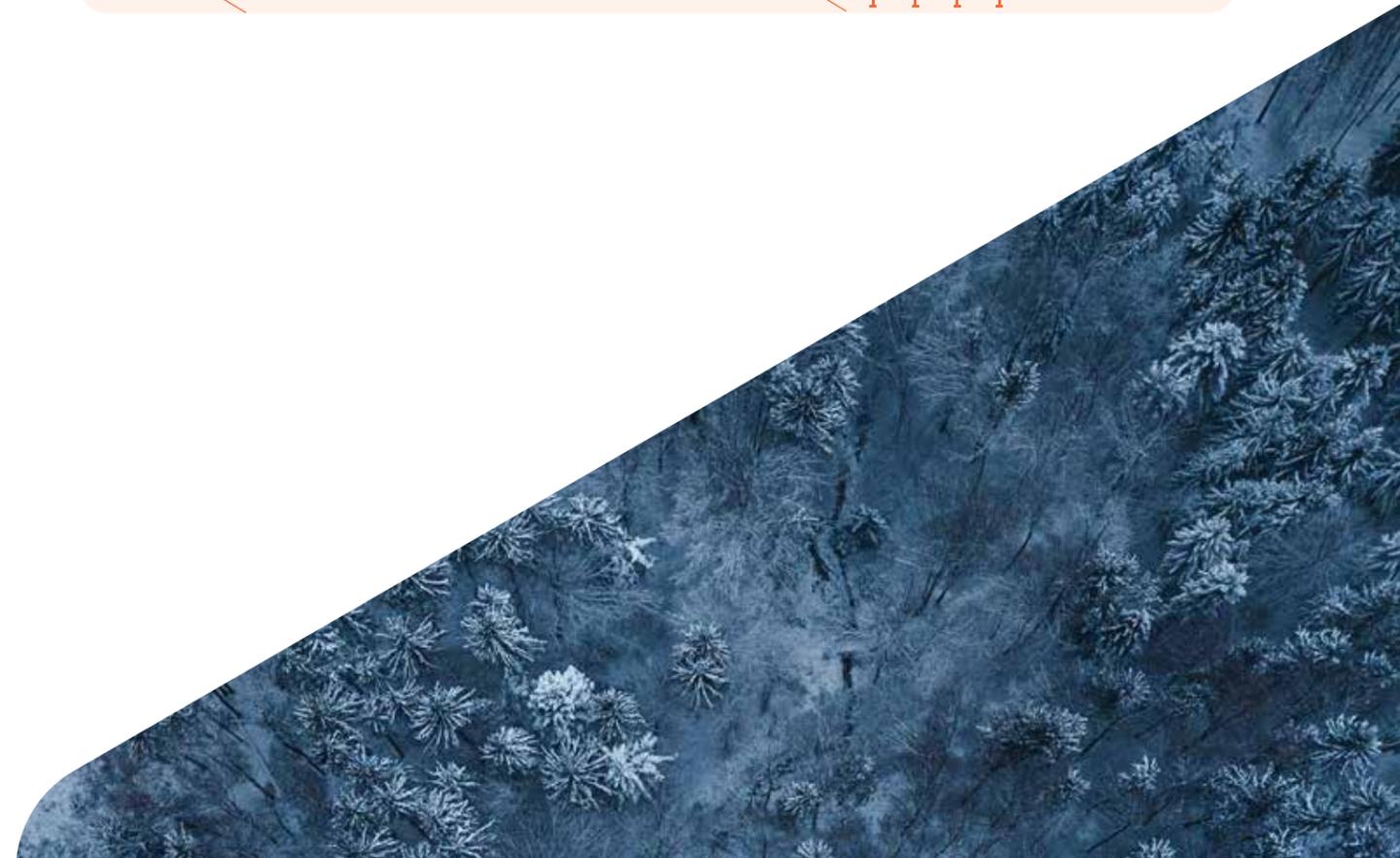
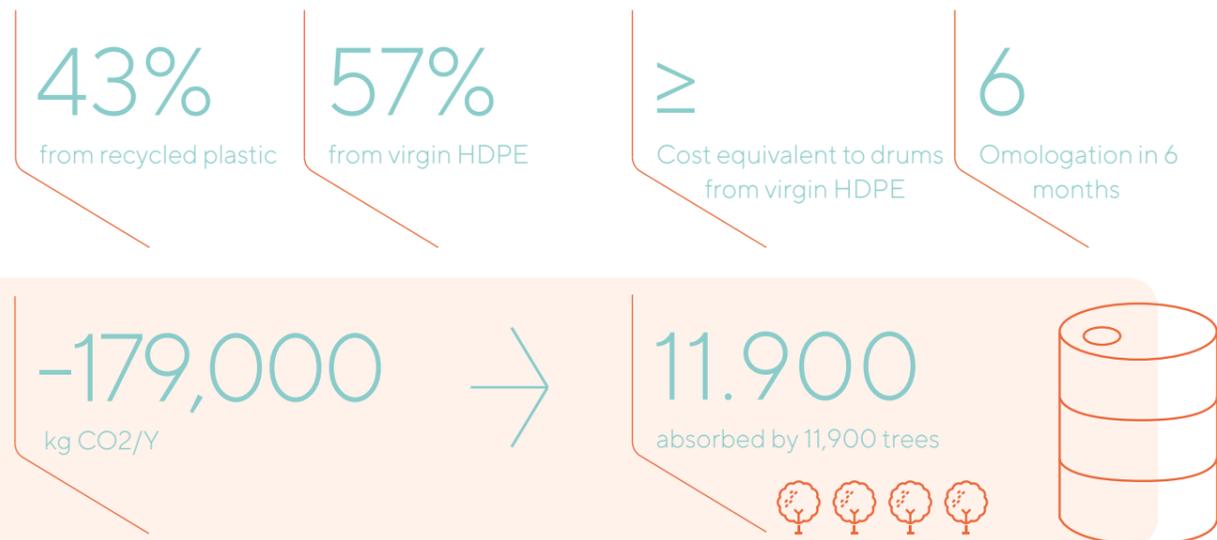
CO₂ saving in 2019



JCR 10lt-20lt-30lt



PCR 25.000 drums



Waste management

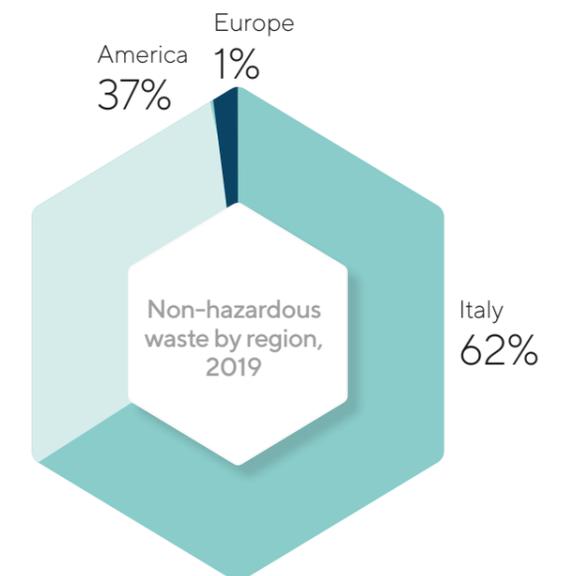
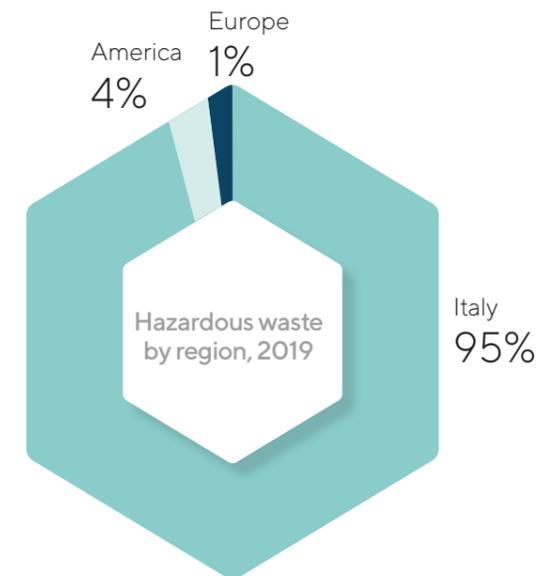
With a view to developing a circular economy, we dedicate maximum care to the management of our waste and we have put many efforts in place to reduce the amount of waste generated and sent to external disposal.

In 2019 15% of the waste generated by our plants was reused, recycled or recovered – an increase of over 13% achieved in the previous year.

Our ambitious target is to achieve 30% reuse, recycle or recovery by 2022.

WASTE BY TYPE AND DISPOSAL METHOD (tons)

	2019		2018	
	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Reuse	-	63.5	-	92.0
Recycling	452.4	1,014.8	317.0	487.6
Composting	-	0.6	-	0.5
Recovery (including energy recovery)	2,929.9	2,301.1	2,521.8	2,374.7
Incineration (mass burn)	829.2	7.7	726.7	4.1
Deep well injection	-	4,405.2	-	3,370.8
Landfill	51.5	1,413.0	269.1	1,013.7
On-site deposit	818.3	1,957.2	1,781.6	1,811.1
Other	22,832.9	6,683.6	21,191.1	7,364.6
Total waste generated and disposed	27,914.2	17,846.9	26,807.2	16,519.0



Knowledge opens new paths and engages an array of different competences.

6

People and Social responsibility

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Our people

As a global company, we aim to provide value for the society that goes beyond our financial and economic results. Our communities are strategic stakeholders and we work closely with them to advance values of mutual benefit. We have chosen to grow our business according to the value of proximity to our suppliers, clients and consumers, while simultaneously respecting and enhancing the local community. We aim to design a framework where inclusion, equality and diversity are cornerstone values across our entire organization. The working environment we strive for is based on entrepreneurship and constant professional evolution. This is our idea for the future of our people.

Designing a new idea of value

We seek constant interaction with our personnel and the local communities because we share common interests and values. The commitment we hold towards our personnel is both socially responsible and actively promotes common values through new ideas. Our people are the backbone of our organization and vital partners to achieve continuous growth in our business.

Our idea of personal development: People First (People as individuals)

As a global company, we are strongly focused on corporate ethics and human rights, which are a cornerstone of our commitment towards social responsibility. For many years, we have developed our own Code of Ethics, which aims to provide the guidelines upon which Lamberti has always based all its activities. We are committed to spreading the values and guidelines of our Code of Ethics across the entire organization. We believe in our human resources as responsible

individuals and they are the main driver for social and cultural development in our organization. For these reasons, Lamberti firmly opposes all discriminatory behaviours intended to harm people and their beliefs. We are committed to proactively creating a working environment where relationships among personnel at all levels are based on equality, mutual respect and integrity. These values are part of our core beliefs. We are equally committed to promoting diversity as an integral part of our business and our everyday life. Consequently, through these activities our people can take pride in working for a company that puts **People first**.

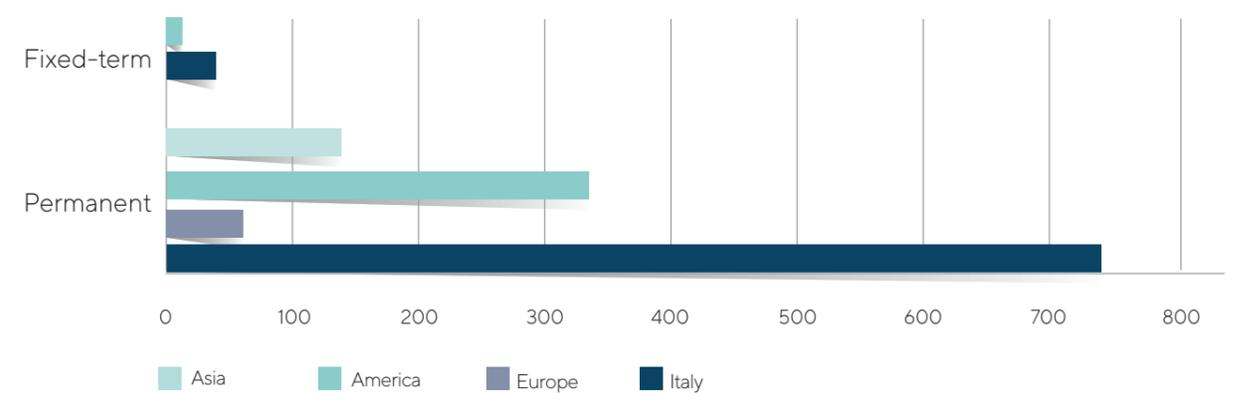
The strength of our organization lays in the **1,311 employees** who, every day, contribute to its positive outcomes. As already indicated, not all Lamberti's affiliates have been considered in the data collection, thus the KPI's are reported as a total of 1,256 employees.

In comparison to 2018, the number of employees decreased by 1.9%, mainly due to the decline in fixed-term contracts (-50%).

TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER

	2019			2018		
	Male	Female	Total	Male	Female	Total
Fixed-term	19	5	24	44	4	48
Permanent	934	298	1,232	929	303	1,232
Total	953	303	1,256	973	307	1,280

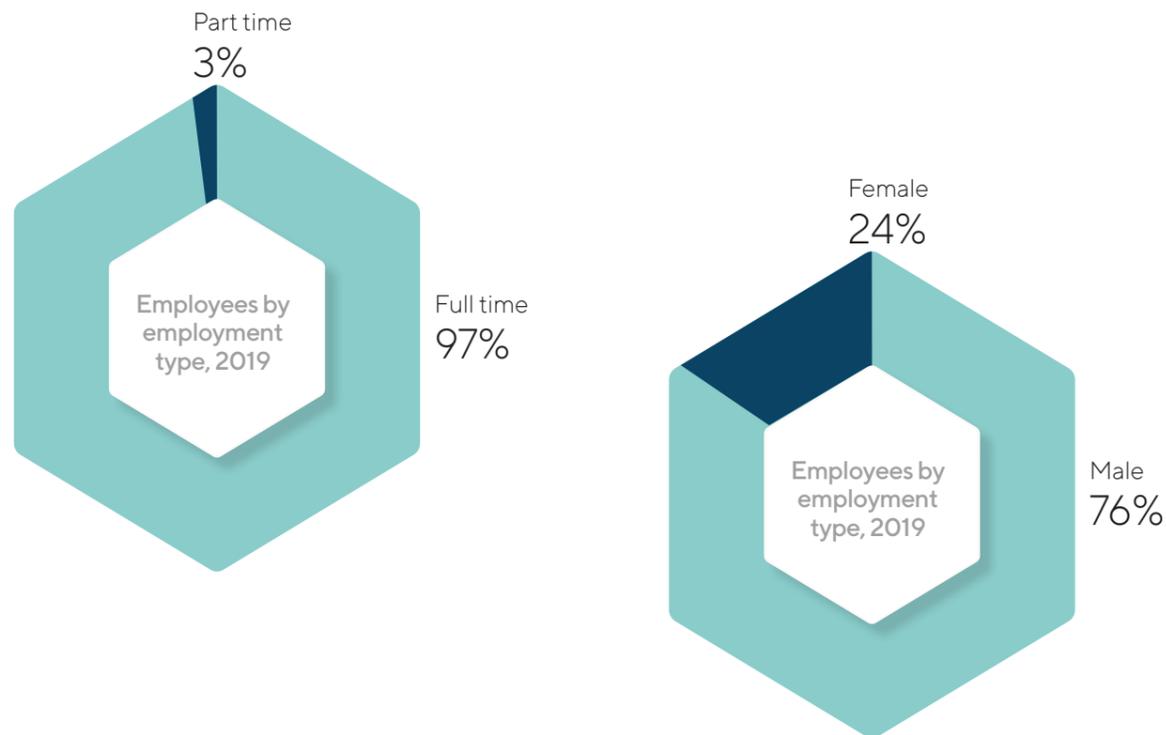
Employees by employment contract and region, 2019



Regarding employment type, full-time employees make up the predominant part of the organization's workforce with a proportion of 97% compared to 3% of part-time employees.

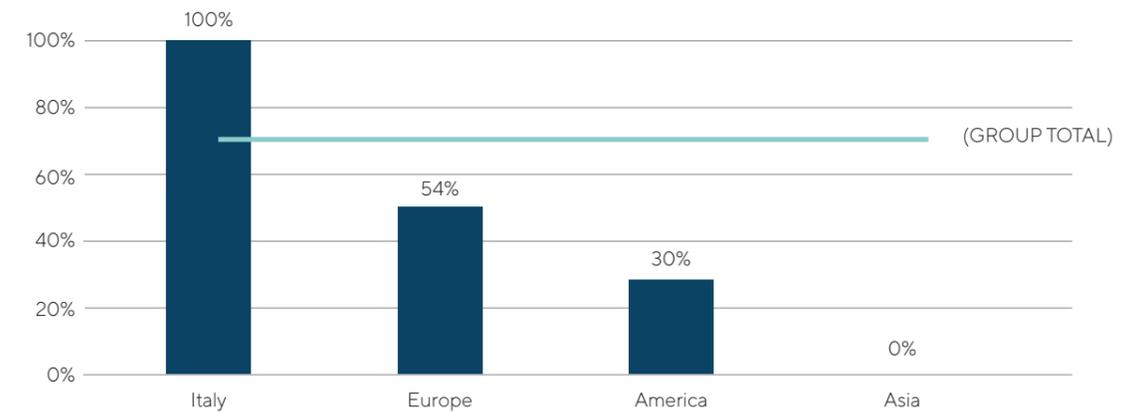
TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT TYPE AND GENDER

	2019			2018		
	Male	Female	Total	Male	Female	Total
Full-time	941	276	1,217	963	287	1,250
Part-time	12	27	39	10	20	30
Total	953	303	1,256	973	307	1,280



Our group also considers collective bargaining agreements when defining contract terms for the employees in the several countries where we operate. Today, 70 % of our employees group-wide are covered by this kind of agreement, with percentages varying across the regions. In Italy 100% of our employees are covered by collective bargaining agreements, while in Europe and in America the percentage decreases to 54% and 30% respectively. Employees in Asia have no collective bargaining agreements in place.

Percentage of employees covered by collective bargaining agreements, 2019



Employees welfare and well-being

Pushing boundaries to new frontiers (Employees as people)

Our primary duty to our employees is to provide them with a safe working environment. Safety has always been at the top of our agenda and we aim to improve it constantly. In 2019, we started to work on a behavioural safety program with the goal to raise the bar to a new idea of protection.

We actively encourage people to work together, which is also one of our core values. Working together in cross-functional teams is mutually enriching and allows us to leverage on our different competencies, which are key to our inspiration and scientific innovation.

Working together, we bring out the best in ourselves.

We are committed to promoting a stimulating work environment based on entrepreneurship and autonomy, where people see themselves in a continuous process of transformation and growth. A science-driven approach, a can-do attitude, teamwork and staunch customer-focus make our organization successful. We work together to make complex products that fit the world we live in today as well as the future.

Our Program:

We have a strong program for our employees' safety, which is our highest priority. We constantly analyse and keep track of the main potential risks by drawing upon the latest technologies. We also have extensive, dedicated employee training sessions on how to behave in critical situations. The development of a new digital platform will make it possible to share all safety knowledge and best practices throughout the organization. **The project has been launched this year and will be completely on-line in 2021.**

We carefully monitor our operations and every effort is put to minimize the number of accidents. All employees receive updated training and we are implementing several Behaviour Based Safety (BBS) Training plans. Our target is to reduce our present Frequency Index (N° LTA 10/1,000,000 worked hours) from 6.12, recorded in 2019, to 3.90, which is the average of Italian Companies following

Responsible Care Program (see 25° Rapporto Responsible Care, issued by Federchimica). Our Group entrusts workers with tasks that take their skills and health into account. In addition, we make sure that only workers who have received adequate instruction and specific training access the areas that expose them to a serious, specific risk. We promptly take measures to control risk situations and require workers, in the event of serious, immediate and unavoidable danger, to leave their workplace or dangerous area. Moreover, in our Safety, Health, Environmental Protection and Quality Policy, we highlight how workers shall "assume respect for Safety, Health and the Environment as a guiding element in corporate decision-making processes, both in protecting workers and respecting the needs of surrounding communities." Our Code of Ethics also defines the values and rules of conduct for all workers. The Code is inspired by our values of fairness and transparency. Overall, 96% of our employees are covered by an occupational Health and Safety Management System, in order to minimize

the risks of injury or illness that an employees may encounter. Specifically, 58% of the group employees are covered by an occupational health and safety management system that has been audited by an external party, while a further 15% of the employees are covered by a similar system that has been audited internally.

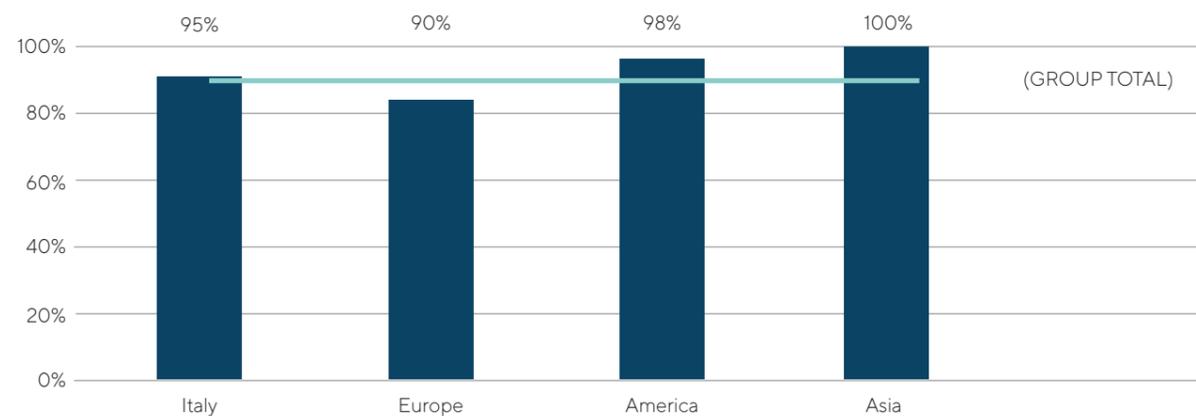
Employees covered by an occupational health and safety management system

	2019		2018	
	Number	Percentage	Number	Percentage
Employees covered by an occupational health and safety management system not audited internally or externally	297	24%	301	24%
Employees covered by such a system internally audited	184	15%	186	15%
Employees covered by such a system audited or certified by an external party	724	58%	746	58%
Total employees covered by an occupational health and safety management system	1,205	96%	1,233	96%

External workers covered by an occupational health and safety management system

	2019		2018	
	Number	Percentage	Number	Percentage
External workers covered by an occupational health and safety management system not audited internally or externally	44	58%	32	59%
External workers covered by such a system internally audited	13	17%	8	15%
External workers covered by such a system audited or certified by an external party	19	25%	14	26%
Total external workers covered by an occupational health and safety management system	76	100%	54	100%

Employees covered by an occupational health and safety management system, 2019



We also take care of the health and safety of our external workers. Indeed, all our external workforce is covered by an occupational health and safety management system, either not audited, audited internally or else by an external party.

At Lamberti we have always worked on OHSAS and ISO standards for management systems of occupational health and safety.

As of 2019, four plants and our head office have earned the OHSAS 18001 certification and by the end of 2020, they will achieve the ISO 45001 certification. **Two more plants will be certified in 2021 and a further two in 2022.**

Our occupational safety programs cover our activities of research, development, production and sale of specialty chemicals; they embrace the following aspects:



The number of employees injured did not change throughout 2018 and 2019, equal to 13 events - mainly including sprains, contusions and fractures.

Employees work-related injuries ¹⁰				
	2019		2018	
	Number	Rate	Number	Rate
Fatalities as a result of work-related injury	-	-	-	-
High-consequence work-related injuries (excluding fatalities)	-	-	1	0.5
Total recordable work-related injuries	13	6,1	13	5.9

The number of injuries recorded for our external workers was substantially lower than the number of injuries registered for our employees; 2 injuries occurred in 2019 in America.

External workers work-related injuries ¹¹				
	2019		2018	
	Number	Rate	Number	Rate
Fatalities as a result of work-related injury	-	-	-	-
High-consequence work-related injuries (excluding fatalities)	-	-	0	0
Total recordable work-related injuries	2	17.9	1	9.7

¹⁰ Rates have been calculated as follows: (n. injuries/hours worked*1,000,000).

¹¹ Rates have been calculated as follows: (n. injuries/hours worked*1,000,000).

In 2019 our Group had one case of development of work-related ill health, which occurred in one of our American plants. The illness was classified as musculoskeletal caused mainly by lifting and moving products in the warehouse. To eliminate such incidents, all employees were retrained on body mechanics and lifting principles. In addition, we purchased new equipment to help move loads, while employees are not permitted to lift more than 50 pounds (approx. 23 kg) by hands.

Health Services

In Italy, the National Health System (NHS) is accessible to everyone regardless the economic and social conditions

and, therefore, is accessible to all our employees. Our Group also offers further Occupational Health Services such as work permits for medical visits, an infirmary in many plants, participation of the doctor responsible for H&S in the preparation of the risk evaluation, welfare programs and presence of First Aid Operators trained according to regulations.

Moreover, during medical checks we offer the possibility of integrating clinical tests with voluntary analysis for the control of other health conditions not linked to our employees' work (e.g. triglycerides, cholesterol). Finally, close to the winter period, we promote a free voluntary flu vaccination campaign.

Workplace gender equality

Within the ESG (Environment, Social and Governance) principles of sustainability, although the environmental portion has generally attracted the most attention within the chemical industry, social aspects are equally important for us, particularly concerning gender equality and diversity.

In 2019 we launched a workplace gender equality initiative that involves women working across various functions of our organization. Through the combination of cognitive and physical activities for well being, the aim was to increase and enhance resilience as well as **"can-do"** attitude. The initiative has been extremely positive and impactful as emphasized by four of our employees who participated in the initiative.

¹² The information refer to the Group's Italian plants.

→ According to Daria, a researcher in the Polyurethane Lab in Albizzate:

"It was a great opportunity to increase my self-consciousness and self-confidence in a short time".

→ Alice, a researcher in Fiorano Modenese, highlighted the importance of the initiative:

"It has enhanced my awareness to overcome the obstacles and challenges we face in our daily activities".

→ The initiative has also been extremely useful for Romina, our facility manager and HR support in Zanica:

"I acquired a different form of self-awareness and now I am able to out of my comfort zone more easily".

→ Susanna, part of our logistics personnel at the Nerviano plant:

"This experience has triggered in me the belief that I am able to have an impact on the environment around me".

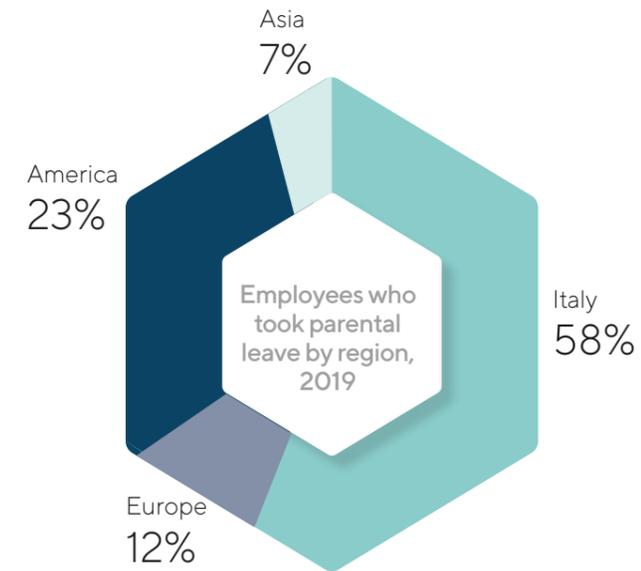
This initiative has made a significant impact on our women employees as a whole. Cohesion among them has increased thanks to a collaborative, positive and mutually enriching environment. **Lamberti plans to expand this program in 2021.**

Employees benefits

We provide a wide variety of benefits to our employees that includes insurance for accidents during and beyond working hours as well as medical coverage. For instance, every year we offer the option of free flu vaccination to many employees. Lamberti plans to expand this option in the coming years. Over time, we have also set

up a well-structured corporate welfare system that provides economic and social benefits throughout our organization. We make sure to offer additional health insurance for managers and employees: the first is mostly paid by our Group, while the second is partially paid. Moreover, we offer special rates with medical centers and

laboratories, as well as with gyms, physiotherapy studios and wellness centers. We also care for the families of our employees; each year we offer the possibility of parental leave to both our female and male employees. 43 employees took parental leave in 2019, up from 33 employees in 2018.



PARENTAL LEAVE						
	2019			2018		
	Male	Female	Total	Male	Female	Total
Number of employees entitled to parental leave	860	294	1,154	882	295	1,177
Employees who took parental leave	10	33	43	12	21	33
of which, at 31.12						
Employees who returned to work after parental leave end	10	24	34	12	16	28
Employees who are still on parental leave	-	9	9	-	5	5
Return to work rate	100%	100%	100%	100%	100%	100%
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work	12	16	28	12	19	31
Retention rate	100%	100%	100%	100%	100%	100%



Employees development

The growth of human capital and the availability of appropriate skills required in the chemical industrial sector, are key factors for our success. Our Group strongly believes in the continuing development of its employees. We wish to further improve our organization and our own employees, by sharing knowledge, stimulating entrepreneurship and autonomy as well as individual and organizational growth, and.

Today we offer our employees several programs for upgrading their skills; every year we issue a complete catalogue of courses, among which the most noteworthy are:

- Induction program for newly hired
- Specific training courses for managers
- English language training courses
- scientific academy: a specific function in R&D to develop and upgrade scientific competence
- specific training of soft skills for young professionals with high potential
- Lamberti Company Academy for young people

These courses are on top of the continuous training activity provided on Health, Safety and Environmental matters (HSE), which is extended to blue collar workers and office

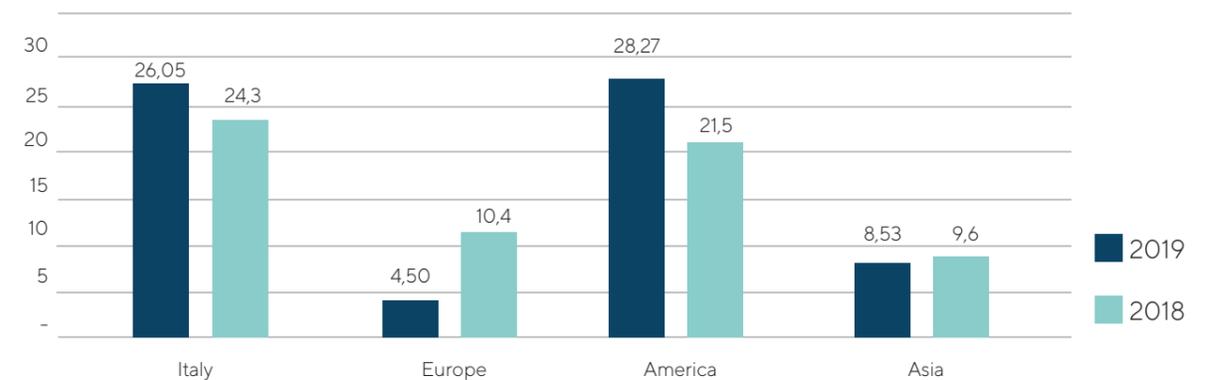
staff and includes standard and emergency procedures.

We also provide training not linked to mandatory obligations including:

- management of internal HSE software
- relationship and conflict management
- courses for safety awareness
- job support

Overall, every employee has benefited from more training hours in 2019 compared to 2018.

Average training hours per employee by region



AVERAGE TRAINING HOURS PER EMPLOYEE PER YEAR

	2019			2018		
	Male	Female	Total	Male	Female	Total
Office staff	29.2	24.4	27.1	24.8	22.8	24.1
Blue collars	14.5	14.6	14.5	17.6	32.9	18.1
Retention rate	21.8	23.9	22.4	21.3	23.4	21.7

Innovation Playground

A development program dedicated to our managers called "Innovation Playground" aims to develop their management competence and approach to innovation. This is our way to broaden their ideas regarding innovation -- broadening the field of vision, breaking down cognitive barriers as well as creating a positive cross-functional integration.

Technical and Scientific Education

We are fully aware of the strategic importance of our research and innovation activities as well as the personnel who carry them out. Optimizing the use and management of our own technology is essential to fulfilling our customers' needs. Our technical and scientific education updates our technical staff's academic education by integrating it with the Group's know-how and our innovative strategic tools, thus increasing

effectiveness and preparedness to face new technical challenges.

In addition to professional development, we support a series of initiatives aimed at improving work life balance and the well-being of our employees. Our initiatives include the following: entry / exit flexibility from work, smart working, part-time for new mothers who have returned from maternity leave, specific agreements with babysitters close to our offices.

“**Kids in the Office** (Bimbi in ufficio)”: is an opportunity for all employees’ children to discover what mom and dad do at work. With this initiative, we endeavour to break down the barriers between working life and private life. For children, it is a learning experience and a step towards acceptance of detachment from parents; for parents, it is an opportunity to share a part of their personal life with colleagues. Bimbi in Ufficio includes workshops, age-appropriate games and fun, all designed to make the parents workplace known to children.



Relations with local communities

Personal enrichment within the community for mutual benefit

At Lamberti we have a solid, longstanding relationship with our local communities and are fully aware of our responsibility towards them. Maintaining positive, respectful relationships with the communities where we operate constitutes part of our daily activities as well as an integral part of our corporate mission. Our Group shall include and take the local communities into consideration, both in our daily activities and in our most strategic decisions. We value the importance of learning from our local communities. Our relationship goes beyond mutual respect; good community relations benefit everybody.

As ambassadors for the chemical industry, we commit ourselves to pursuing local community involvement.



Training Island (Isola Formativa)

We maintain an inclusive working environment for people with disabilities. We have created a place where people can develop their specific skills based on the idea of mutual enrichment.

Since 2012 in our Albizzate plant, we have collaborated with special-needs individuals on a job-training program for an agreed-upon period. During this period we have enabled the participants, with the support of a dedicated person, to perform different types of activities, according to their attitudes and capabilities. At the end of the work experience some of the people have been hired with a full time contract and they continue to actively contribute to the growth of our business.

This job-training program started with seven people and, since then, has steadily grown, involving up to about 100 people.



Open Plants (Fabbriche Aperte)

We have always been aware of the relevance that our presence has for the communities living close to our main plants. In addition to a mutually respectful relationship, we recognize the importance of bringing local communities closer to our entity as well as to our daily activities.

“Fabbriche Aperte” is an initiative that currently takes place in Italy and Spain and involves primary schoolchildren. For one entire day, they come to visit, the production facilities and laboratories, guided by our employees. Our aim is to make young generations aware of the role of chemistry in their lives and the society they live in.

Tree planting (Trees for the future)

In 2019 we contributed to make our planet greener through two global initiatives. Our Indian affiliate (Lamberti Hydrocolloids Pvt Ltd) promoted a community tree planting initiative in September through which 100 Neem trees were planted close to our factory. Neem trees are highly beneficial to the environment because they have

a remarkable ability to withstand heat as well as air and water pollution.

At our Italian sites, we promoted the planting of 1000 trees in South America. This initiative was enacted through a gift card that each employee could use to symbolically plant a tree. After the initial planting, the donor could trace the tree’s growth and development over the years. In this way, we created our own forest thanks to the cooperation and contribution of our personnel.

Lamberti plans to carry out extensive reforestation of the area adjacent to our Waste Water Treatment plant in Albizzate in 2022.



Initiatives and partnerships with local entities

Since our founding we have believed in creating a shared heritage, supporting local entities and institutions such as schools, museums and hospitals.

In Albizzate, where our industrial activity started, we actively support the local authorities to ensure the land maintains its value. For instance, we recently financed the construction of a pedestrian and cycle path to connect two different parts of town.

We enjoy an excellent relationship with local schools and museums. We support them by donating teaching materials and in the promotion of their exhibitions and activities.

In Brasil we plan to work with a local NGO to support professional development of young people.

We have established a strong and long lasting relationship with the Italian Red Cross aimed at improving the vital services they provide to society.

We are strong believers in the necessity of effective education and the importance of culture.



Partners - Customers and Suppliers

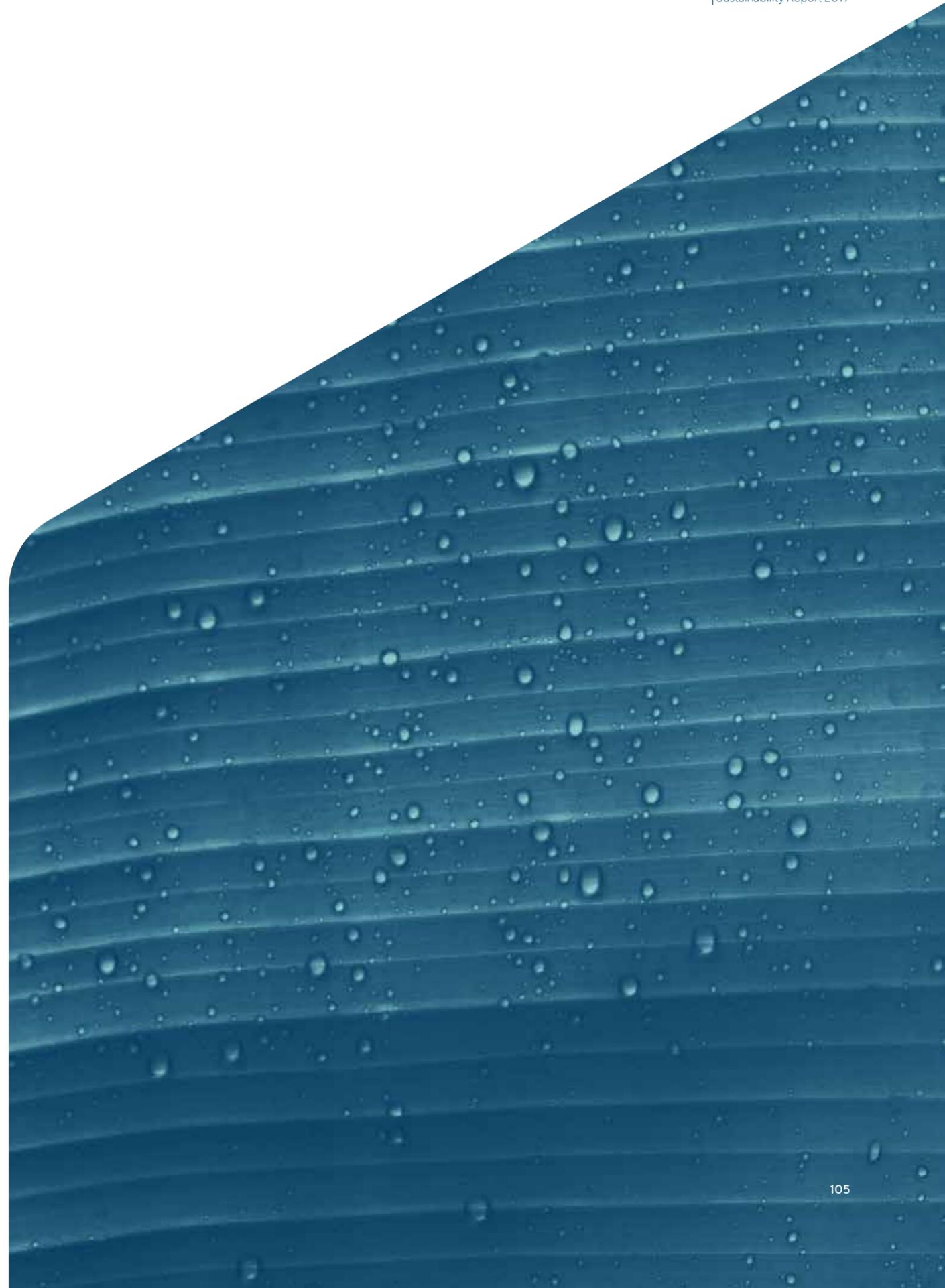
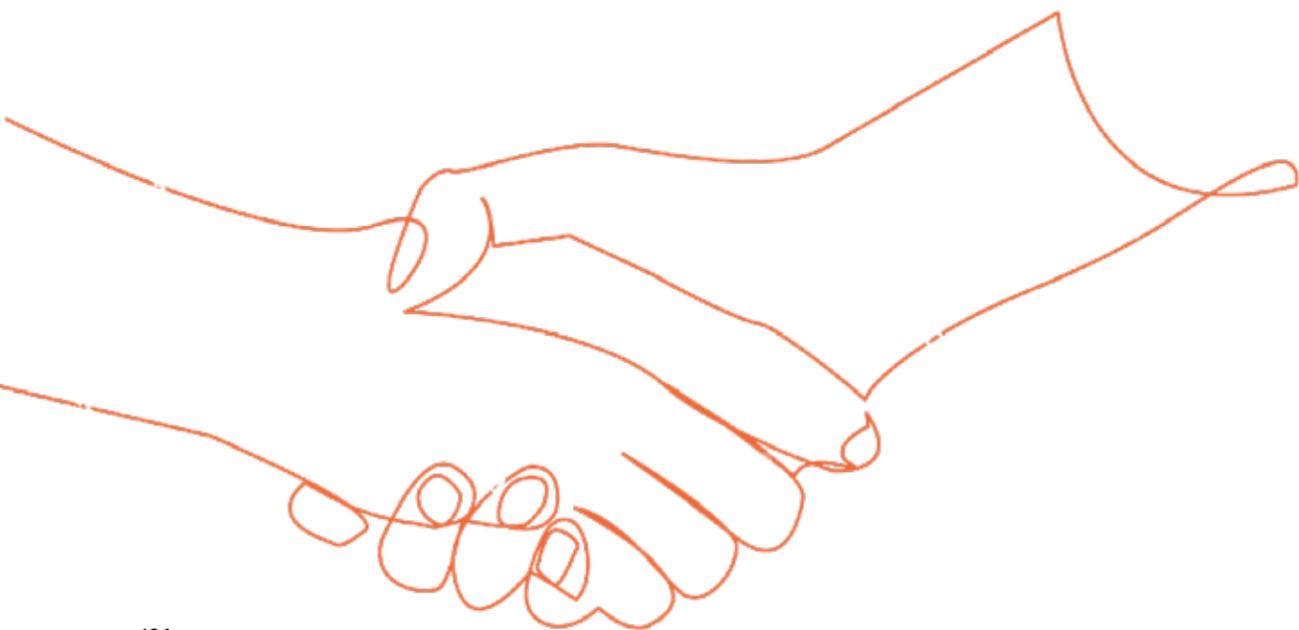
The heart of our activity is to provide thousands of different ingredients to a numerous and widely varied customer base operating in many different industries. Close cooperation and partnership with our clients are of utmost importance to us, since it enables us to build a deeper understanding of their business needs, and successfully manage complex requests.

Thorough knowledge of global markets is an invaluable asset to our quest for innovation.

Coupled with an understanding of strategic customers' needs, the two elements are crucial for our Group to anticipate new trends and stay a step ahead of our competitors.

Innovation doesn't only mean inventing something new. Within our business approach, innovation often means finding new applications for existing technologies

A reliable value chain is further key aspect to operating responsibly and safely in our business. It is therefore of utmost importance for us to source our raw materials from suppliers who share our values and principles for doing business. We work closely with them in order to identify potential risk factors as well as new procurement solutions.



Methodological Note

This document is the first Sustainability Report of the Lamberti Group and aims to highlight Lamberti's achievements regarding economic, social and environmental aspects. The report describes initiatives and main results in terms of sustainability performance covering the period from January 1st to December 31st 2019 and illustrates the commitment of the Group to creating value for all its stakeholders. Figures relating to previous years are provided solely for comparative purposes to enable an assessment of the Group's activities over a longer period.

This report has been prepared in accordance with the GRI Standards -- Core option (hereinafter "GRI Standards"), defined in 2016 by the GRI - Global Reporting Initiative. These Standards were selected as the reporting framework by the Group due to their international recognition and because they make it possible to prepare a complete, clear and comparable report. The GRI Standards'

principles for defining report content and quality have been duly considered to guarantee the reliability of the reporting.

The contents and indicators subject to reporting were selected from the results of the materiality analysis described in the section "Our material topics" of this document and the details of the disclosures reported are shown in the table "GRI Content Index" on page 108. The materiality analysis allowed for the identification of the most relevant sustainability issues for Lamberti and for its stakeholders.

The reporting scope includes the 10 countries where the Group has significant manufacturing operations (Italy, France, Russia, Spain, Brazil, Mexico, USA, China, India and Indonesia). The impact of all other commercial offices (Hong Kong, South Korea, United Arab Emirates, Germany, Turkey, Canada, Poland, Argentina, South Africa and Colombia) on the performance indicators at the consolidated level is not deemed significant. For figures related to economic

performance, all Group activities are included and the scope of the Report corresponds to the 2019 consolidated financial statements, unless otherwise indicated. Any specifications and exceptions to the reporting scope are clearly indicated in their relevant sections. To ensure the reliability of the data, the use of estimates was limited as much as possible. Whenever present, proper explanations of the issues are provided within the document.

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Topic boundaries and GRI content index

Boundaries of our material topics

Macro-area	Material topic	Topic boundary	Type of impact
Economic responsibility & Compliance	Ethics and integrity	Lamberti Group	Generated by the Group
	Economic performance	Lamberti Group; Investors and financial community	Generated by the Group
Products & services	Product safety	Lamberti Group, clients and end-consumers	Generated and contributed by the Group
	Product innovation and intellectual property	Lamberti Group	Generated by the Group
	Product sustainability	Lamberti Group	Generated and contributed by the Group
	Production optimization	Lamberti Group	Generated by the Group
Products & services	Responsible resource consumption	Lamberti Group and its suppliers	Generated by the Group and directly linked through its business relationships
	Effluents and waste management	Lamberti Group, clients and end-consumers	Generated and contributed by the Group
	Greenhouse gas emissions	Lamberti Group	Generated by the Group
	Environmental compliance	Lamberti Group	Generated by the Group
Social responsibility	Employee welfare and health and safety	Lamberti Group, employees and external workers	Generated by the Group
	Enhancement, skills development and talent attraction	Lamberti Group	Generated by the Group
	Relation with local communities	Lamberti Group	Generated by the Group

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102-49	Changes in reporting	The 2019 Sustainability Report represents the first non financial exercise for Lamberti Group.
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GRI 305: Emissions (2016)		
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305-2	Energy indirect (Scope 2) GHG emissions	72; Sources for emission factors: - DEFRA, UK Government GHG Conversion Factors for Company Reporting (2019 and 2018), for district heating. - Terna, Confronti internazionali (2017), for electricity consumption - Location Based method. - Association of Issuing Bodies (AIB), 2017 and 2018 European Residual Mixes (2018-2019), for electricity consumption - Market Based method.
305-4	GHG emission intensity	71; Refer to the sources of emission factors indicated for GRI 305-1 and 305-2
305-6	Emissions of ozone-depleting substances (ODS)	72; R401a and R407c are both HFCs, therefore their ozone depleting potential is equal to 0 CFC-11e
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Environmental Compliance

GRI 103: Management Approach (2016)

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Employee welfare and health and safety

GRI 103: Management Approach (2016)

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GRI 403: Occupational Health and Safety (2018)

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Enhancement, skills development and talent attraction

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Relation with local communities

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