

UN Global Compact Communication on Progress 2020

MF *Trasformatori srl*

Table of Contents

Table of contents 2

Statement of support of CEO3

The Ten Principles of the UN Global Compact..... 4

Human Rights 5

 Assessment, Policy and Goals.....5

 Implementation..... 5

 Measurement of outcomes 6

Labour 6

 Assessment, Policy and Goals..... 6

 Implementation.....6

 Measurement of outcomes 6

Environment 7

 Assessment, Policy and Goals..... 7

 Implementation..... 7

 Measurement of outcomes 7

Anti-corruption8

 Assessment, Policy and Goals..... 8

 Implementation..... 8

 Measurement of outcomes 8

Statement of continued support from CEO

Having participated in the UN Global Compact for a Seventh year running, I'm pleased to confirm that MF Trasformatori remain fully supportive of United Nations Global Compact and its ten principles in the areas of Human Rights, Labour, Environment and Anti-corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. As a leading company in our field we feel responsible for leading the way in sustainable development in our industry. We also are committed to share the ten principles with our stakeholders across the supply chain through our primary channels of communication and social media.

In 2021 we also commit ourselves to improve our products and processes in order to align further our goals and efforts to comply with the ten principles of United Nations Global.

Sincerely yours,
Marco Festa
CEO

The Ten Principles of the UN Global Compact

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Human Rights Principles

Principle 1 - Principle 2

Assessment, Policy and Goals

MF Trasformatori put the social accountability system and the HSE Management System at the base of the everyday business activity while at corporate governance level developed and updated appropriate tools (Code of Ethics) to ensure the respect of ethical principles in the conduct of its business.

MF Trasformatori shall act as a responsible enterprise and operate within all relevant laws, regulations and ethical standards, respecting the Universal Declaration of Human Rights.

All its customers and suppliers are worldwide players that, in the same way, have maximum respect of human rights.

Moreover the top management is always available to listen to any observation or suggestion from its own employees.

MF Trasformatori is a small company with private ownership.

The company is particularly specialized in the production of transformers for special applications such as transformers for induction furnaces, arc furnaces, rail traction, for wind energy and photovoltaic generation and for power generation.

Its business involved customers and suppliers from different countries all over the world. This means that the company has to face different cultures and legislations for business operations in different regions, which can be challenging.

Implementation

MF Trasformatori is continuously focused on Human Rights policies through leadership training programs, new employee training, periodic distribution of information and requirements to suppliers. Employees are encouraged to alert about critical issues on all levels. All suppliers have to confirm compliance to the UN Global Compact's ten principles through signing the Code of Ethics.

MF Trasformatori supports the fight against violence and human rights violation in the extraction of minerals like gold, tin, tantalum, tungsten derivatives of cassiterite, columbite-tantalite (coltan) and wolframite, from the geographical area called "Conflict Region" which includes Democratic Republic of the Congo (DRC) and neighbouring countries.

MF Trasformatori obtained, and is in process of obtain, information from its suppliers about the origin of raw materials used in the production of gold, tin, tantalum and tungsten, used for the manufacturing of components and products supplied by MF Trasformatori itself.

The goal is to ensure that the products we buy do contain only "**Conflict Free**" materials and components.

In case the use of mineral products should be detected in facilities that are considered "**Non-Conflict Free**", MF Trasformatori will undertake for any purchased material, part or component adequate actions in order to make the product "**Conflict free**".

In 2016 MF Trasformatori implemented a Conflict Free Policy and integrated the Code of Ethics. MF Trasformatori is committed to publishing and promoting this document and to informing about it all suppliers, business partners and employees and to encourage them to observe the Human Rights Principles.

Measurement of outcomes

The system we have in place allows us to quickly resolve any issues concerning human rights. So far we did not experience a single occasion of our code of conduct transgression. However, should such an event arise, any contravention of human rights would be documented and the responsible party would be put under probation to resolve the issue.

Labour Principles

Principle 3 - Principle 4- Principle 5 - Principle 6

Assessment, Policy and Goals

The majority of MF employees live in Italy where labour rights are strongly regulated by law. There is a long tradition in MF to maintain good dialogue between management and labour unions. MF strongly believes that respecting labour rights is an important factor in the work to reduce sickness absence, in order to better health conditions and to obtain more effectiveness and profitability.

MF Transformers respects people's fundamental rights by protecting their moral integrity and ensuring equal opportunities. Discriminatory behaviour based on political or trade union opinions, religion, race, nationality, age, sex and sexual orientation, state of health or any other intimate characteristic of the person in general is not allowed in both internal and external relations.

MF Transformers condemns any activity that may involve the exploitation or reduction of any individual in awe and recognizes the primary importance of the protection of minors and the repression of all forms of child labor.

Implementation

The majority of MF employees are organized in various labour unions. The MF management team has over the years experienced constructive cooperation with all of the unions through continuous dialogue and regular meetings.

We provide Personal Protective Equipment (PPE) for our employees in accordance with their tasks. The health of our employees and the safety of their workplace are crucial issues to ensure the performance of our business.

MF provides every year optional and accredited training programs and updating courses to stimulate and improve the professional growth of all employees and at each level.

In December 2013

MF Trasformatori approved a Code of Conduct.

MF Trasformatori is committed to publishing and promoting this document and to informing all suppliers, business partners and employees and to encourage them to observe the Labour Principles.

Measurement of outcomes

Employee's health is our main priority and we do everything we can to prevent any accident in our premises. We have warning signs in place, walking paths highlighted, emergency lights on the forklifts and testing room doors. Every employee is obliged to use the proper PPE for his specific task.

The safety is constantly monitored through the DVR "*Documento di Valutazione dei Rischi*" (Risk Assessment Document).

In case of accident we conduct an investigation and we create a report to prevent re-occurrence in the future.

In 2020 we had the following data regarding the accidents:

- accident rate (calculated as: $\text{No. of accidents} \times 1000000 / \text{working hours}$) = 0
- index of gravity (calculated as: $\text{No. of working days lost} \times 1000 / \text{working hours}$) = 0
- average duration (calculated as: $\text{No. of working days lost} / \text{No. of accidents}$) = 0

The index of gravity and the average duration have been reduced of 100% in the last year.

Environmental Principles

Principle 7 - Principle 8 - Principle 9

Assessment, Policy and Goals

As a company we must exercise good judgment with regard to the environmental impact of our business activities. We are constantly working to ensure that we are doing business in an environmentally responsible manner.

The environmental impact of our production is mainly connected with VOC emissions (Volatile Organic Compounds), with the storage of polluted transformers (PCB) and with the materials used, for transport and packing of the goods.

MF has a written environmental policy and is committed to meeting all relevant environmental legislation, regulations and other applicable requirements. We encourage all our stakeholders to minimize as much as possible their adverse impacts on environment.

Implementation

The emissions are reduced by the VOC removal equipment with activated carbons.

Since 2013 we have been using, almost entirely, no VOC paints. Painting is carried out in the spray booth with intake filters.

A special area is provided for the storage of polluted transformers and the filling of the oil transformers. This area is equipped with oil collecting tanks and cisterns.

Only authorised personnel can enter these areas, with the expected PPE.

In addition to the on-going waste collection, MF recycles 100% of its scrap as copper, aluminium, iron, wood, drain oil and packaging.

MF employees are informed about our environmental effort and are required to assist with the successful implementation of our Environmental Policy.

MF Trasformatori is committed to publishing and promoting this document and to informing all suppliers, business partners and employees and encourage them to observe the Environmental Principles.

Measurement of outcomes

MF is committed to minimising any adverse effect on the environment, which may result from its activities, processes or products.

The VOC emissions are periodically checked as well as the sound emissions and the absence of electromagnetic fields.

Since 2009 MF has been in possession of the ISO 14001:2015 environmental authorization that monitors any of our potential environmental impacts and imposes requirements that we comply with to protect the environment

In 2016 we have replaced 100% of our iodide lamps with LED lamps, saving 12000 kWh/year.

In 2015 we have changed the Power factor correction system in order to improve the energy efficiency, saving 25% of energy.

MF Transformers complies with the laws and regulations in force on the environment and contributes to the sustainable development of the territory, also through the use of the best available technologies, the constant monitoring of business processes and the identification of industrial solutions with the lowest environmental impact in terms of choice of materials and resources, packaging of products, etc.

Anti-Corruption Principles

Principle 10

Assessment, Policy and Goals

MF has zero tolerance for corruption, bribery and extortion. This policy is clearly stated in MF 's Code of Ethics and made known to all employees and business partners.

Due to the dimensions of the company all the activities can be properly and punctually controlled by the management.

Implementation

All employees are educated and all stakeholders are addressed to an ethic way of doing business through signing the Code of Ethics.

MF encourages all its employees to report suspected or observed violation of that Law or the company policy by contacting the appropriate manage.

The top management team is responsible for anti-corruption.

Measurement of outcomes

At the time MF does not perform external audits of anticorruption. However, all suppliers have already been made aware of the contents of MF Ethical Standards.

MF has never been involved in any legal case, ruling or other event related to corruption and bribery.