



# DOMEL

SUSTAINABILITY REPORT 2022



**DOMEL**

SUSTAINABILITY REPORT 2022

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# MESSAGE FROM THE MANAGEMENT BOARD

As a global development supplier of electric motors and by focusing on its core competencies, Domel is helping to shape global trends in development and technology.



*Dear colleagues,  
customers and partners,*

We are proud to present our Sustainability Report for 2022, which reflects Domel's steadfast commitment to sustainable development, social responsibility and environmental preservation. Through our commitment to sustainable innovation, we are not only resolving today's challenges but also actively helping to lay the foundations for the green transition. Here at the Domel Group we are aware of the impacts that our operations have on the environment, which is why our environmental policy contains a commitment to the sustainable management of the environment. We want to preserve it for future generations, and strengthen it with green technologies and innovations.

As a global development supplier of electric motors and by focusing on its core competencies, Domel is helping to shape global trends in development and technology. Sustainability is the central tenet of the Domel Group's corporate strategy for the 2022–2027 period. By increasing value added, we ensure that we are able to realise our mission as a socially responsible employer and one that is focused on creating high-quality jobs. We are strengthening the competencies of our employees, who are vital to the transition to a more environmentally friendly economy, and increasing their skills and commitment. As the common denominator of our strategic activities, digital transformation opens a path towards greater productivity and better use of resources, which in turn contributes to environmental sustainability. With continuous investments in development and new innovative technologies, we are striving to realise our mission, which is based on the principles of sustainable development. We take part in European green transition projects in the area of e-mobility, where our innovative solutions are helping to facilitate the transition to zero carbon mobility, and in the area of garden equipment and hand tools, where efficient electric motors are replacing internal combustion engines. Our social responsibility is also reflected in our conduct, our responsiveness and the way we operate within our environment, as well as in products that aim

to benefit the environment and bring added value to our customers and end-users.

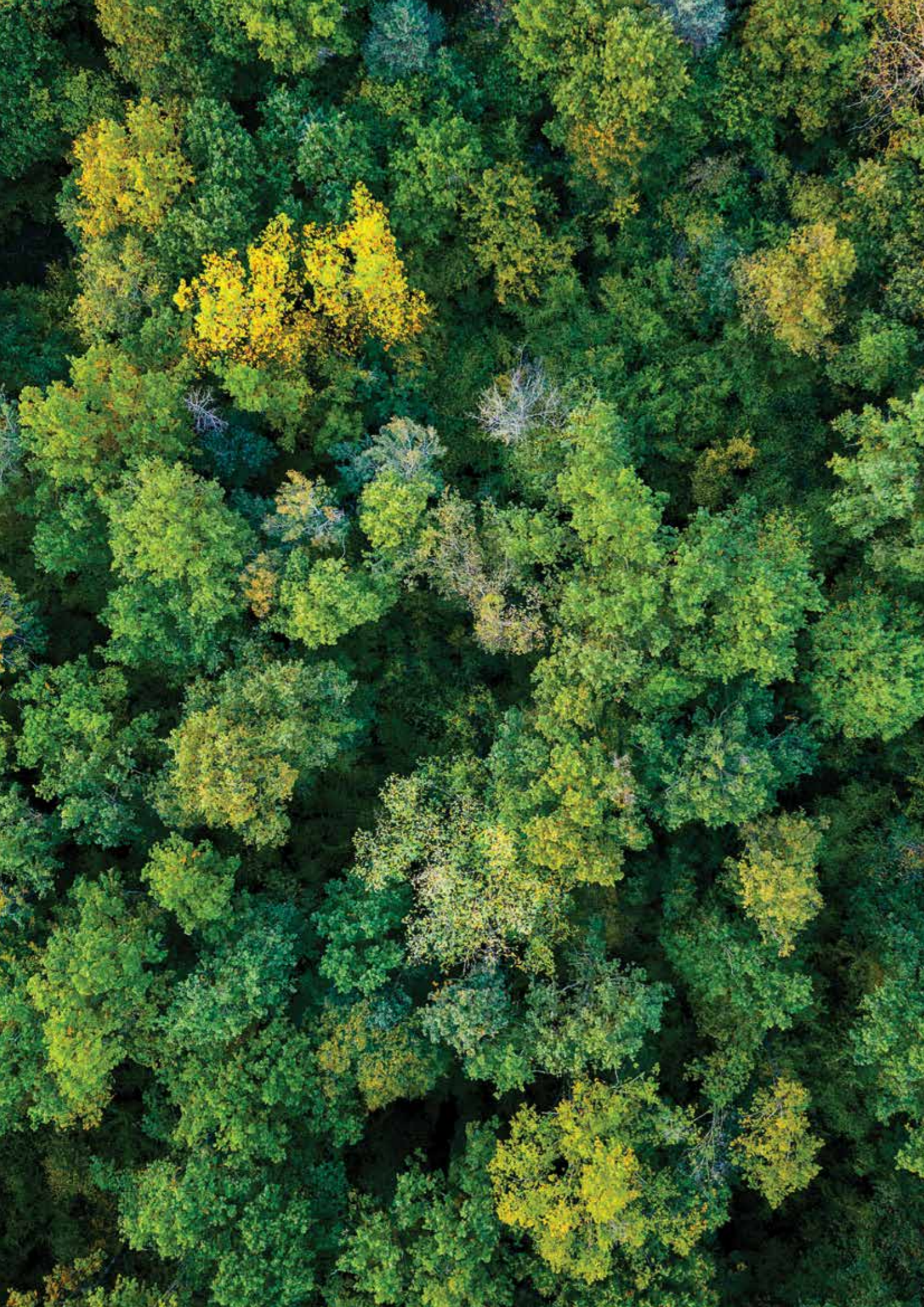
The year was marked by the uncertainty caused by unstable conditions on the global market following the Covid-19 pandemic. This was further exacerbated by the war in Ukraine, particularly with respect to energy. These conditions have led to sharp rises in the prices of materials and energy, which has also had an impact on our products. The share of material costs in the structure of total revenues rose to over 60%, although we were able to pass on this increase to customers in the form of higher prices. Despite these challenges, the Domel Group's operations were stable. Revenues after exclusions amounted to EUR 208 million, which was an 11% rise on the year before. The most important company in the Group is Domel, d.o.o., which generated revenues of EUR 218.9 million (a 17% rise on the previous year) and a net profit of EUR 5.9 million in 2022; this was, however, lower than planned, and meant that value added per employee, at EUR 48,483, was also lower than planned. The main objective and, at the same time, the main challenge in the coming years is to increase value added in line with the strategic plan.

Our systematic approach to reducing environmental impact is based on the guidelines of the ISO 14001:2015 standard and the environmental programmes that have been put in place. In 2022 we successfully completed activities within nine environmental programmes, while work continues on a further ten programmes that are designed to improve working conditions for employees and enhance other aspects of sustainable development.

I invite you to use the 2022 Sustainability Report to familiarise yourself with our efforts to promote sustainability within the company's operations. We very much welcome your feedback, as it will be key to our continued efforts to make a positive impact on the world. I would like to thank all Domel Group stakeholders, and particularly our staff, for their loyalty, responsibility and creativity, and congratulate them on all of their achievements. We have taken on the green transition, which is the transition to a society that uses natural resources more responsibly and in a more sustainable way, as the key challenge of our time, and identified it as the opportunity to create the kind of world we would like to leave to those that come after us. Thank you for being part of our journey towards sustainability.

With very best wishes,

Matjaž Čemažar  
President of the Management Board of  
Domel Holding, d.d.



# ABOUT THE SUSTAINABILITY REPORT



The Domel Group's Sustainability Report for 2022 provides an overview of the key activities and achievements connected with the company's contribution to sustainable development. It also presents the most important impacts of sustainability in the areas of economic, social and environmental activity – that is, the company's contributions to the development of Slovenia's economy, society and natural environment.

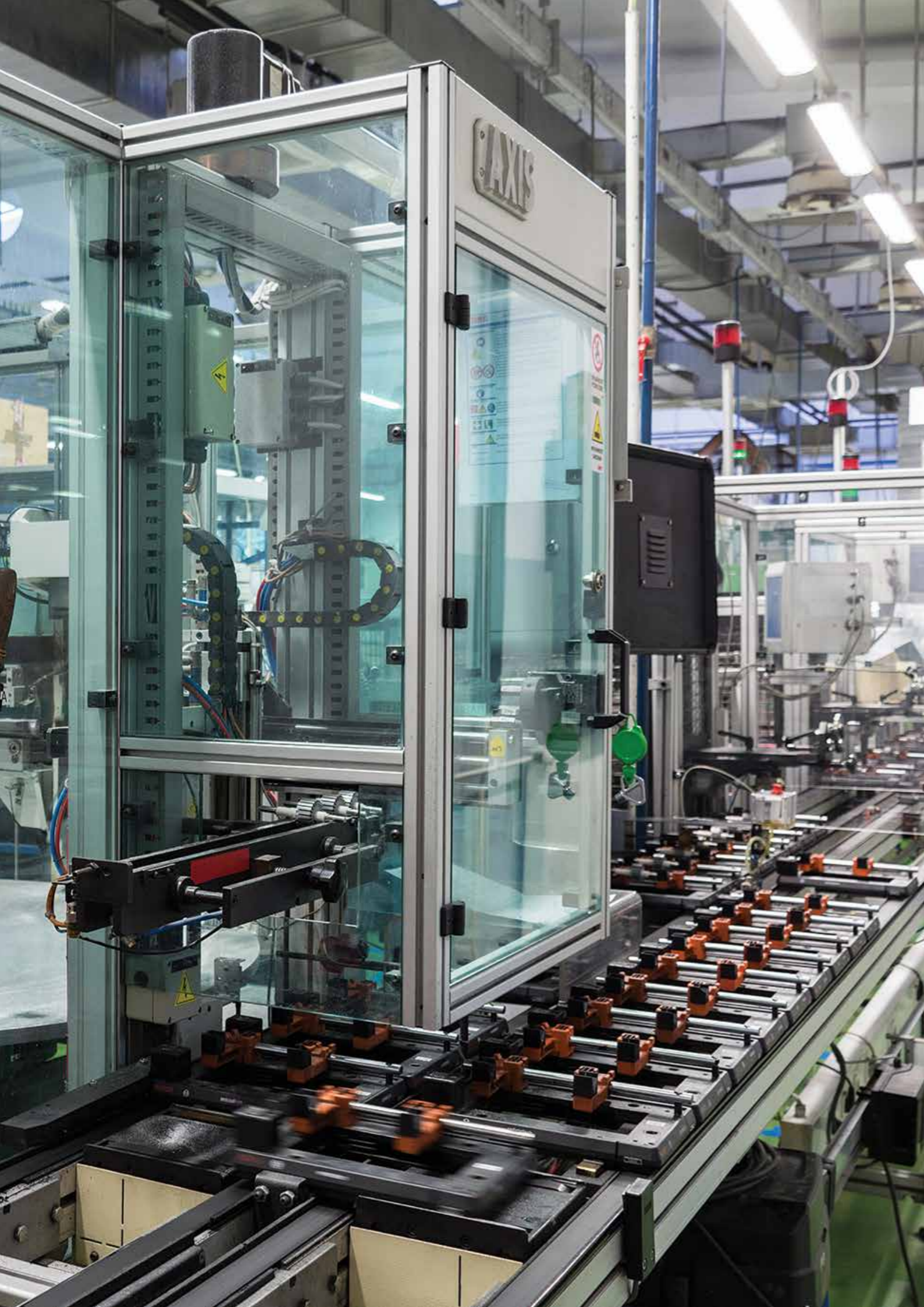
Departments from many of the company's organizational units helped to define the content and prepare the data that went into this report. Data and performance indicators on sustainable operations were collected and prepared by staff at the company's general departments (HR and legal, occupational health and safety, systems management and general innovation), and the development, purchasing, sales and finance and accounting departments. When drafting the report, we focused on providing balanced and relevant information of interest to a wider audience and to all Domel Group stakeholders.

The data on financial operations, employees, environmental impacts, etc. was obtained from the annual report, personnel records, the regular monitoring of environmental impacts, and the other measurements that we perform regularly within the scope of individual processes. Selected indicators are presented for 2020, 2021 and 2022 for comparative purposes.

We draft a report on the sustainable operations of the Domel Group every year. This year's report is the fourth of its kind and relates to the 2022 reporting year. The data presented and indicators calculated relate to the Domel company and to its manufacturing sites in Slovenia.

The company's sustainable operations are presented in the report within the context of the United Nations' Sustainable Development Goals 2030. We present an overview of the global sustainable development goals that the Domel Group is engaged in contributing to, while chapters on the economic, social and environment contributions outline the links between our achievements and those sustainable development goals.

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION



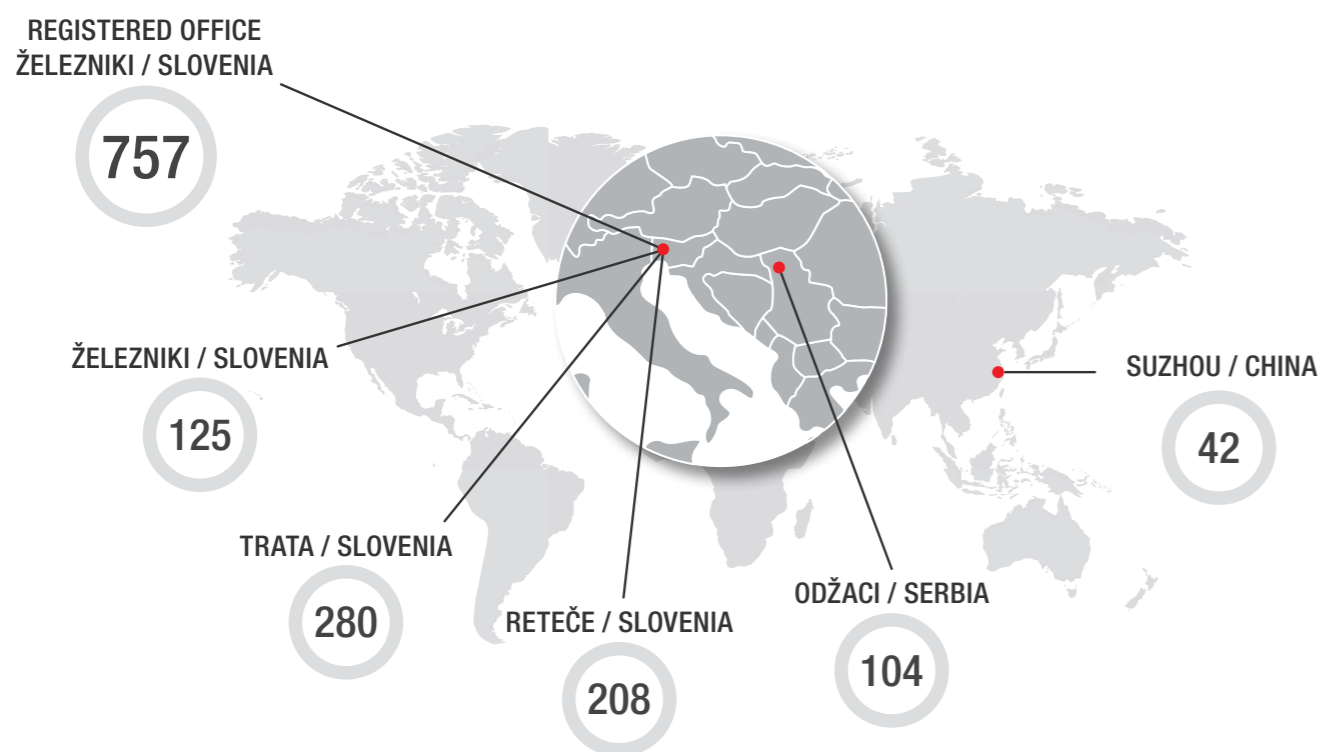
# ABOUT THE DOMEL GROUP



The Domel Group comprises the parent company Domel Holding d.d., and the subsidiaries Domel d.o.o., Domel Inc., Domel motors d.o.o., Odžaci, Do-

mel IP invalidsko podjetje d.o.o., and Domel Electric Motors Suzhou Co. Ltd. The basic details of the companies within the Group are given on the next page.

**NUMBER OF EMPLOYEES**



**REGISTERED OFFICE**



ŽELEZNIKI / SLOVENIA  
30.927 m<sup>2</sup>



ŽELEZNIKI / SLOVENIA  
4.620 m<sup>2</sup>



TRATA / SLOVENIA  
25.000 m<sup>2</sup>



RETEČE / SLOVENIA  
13.725 m<sup>2</sup>



ODŽACI / SERBIA  
3.800 m<sup>2</sup>



SUZHOU / CHINA  
3.200 m<sup>2</sup>

## Parent company

### Domel Holding, d.d.

Registered office  
Legal organisational form  
Company registration number  
Registered activity  
Chair of the Management Board

Otoki 21, 4228 Železniki  
Public limited company  
1294156  
Activity of head offices  
Matjaž Čemažar

## Subsidiaries

### • Domel, d.o.o.

Registered office  
Legal organisational form  
Company registration number  
Registered activity  
Managing Director

Otoki 21, 4228 Železniki  
Limited liability company  
5045401  
Manufacture of electric motors, generators and transformers  
Matjaž Čemažar

### • Domel, Inc.

Registered office  
Legal organisational form  
Registered activity  
Managing Director

28 Gleann Court, East Rutherford, New Jersey 07073, USA  
Public limited company  
Marketing of parent company's products  
Peter Korošec

### • Domel motors d.o.o. Odžaci

Registered office  
Legal organisational form  
Company registration number  
Registered activity  
Managing Director

Lole Ribara št. 40, 25250 Odžaci, Srbija  
Limited liability company  
21486736  
Manufacture of electric motors, generators and transformers  
Goran Čučak, Roman Prezelj

### • Domel IP invalidsko podjetje, d.o.o.

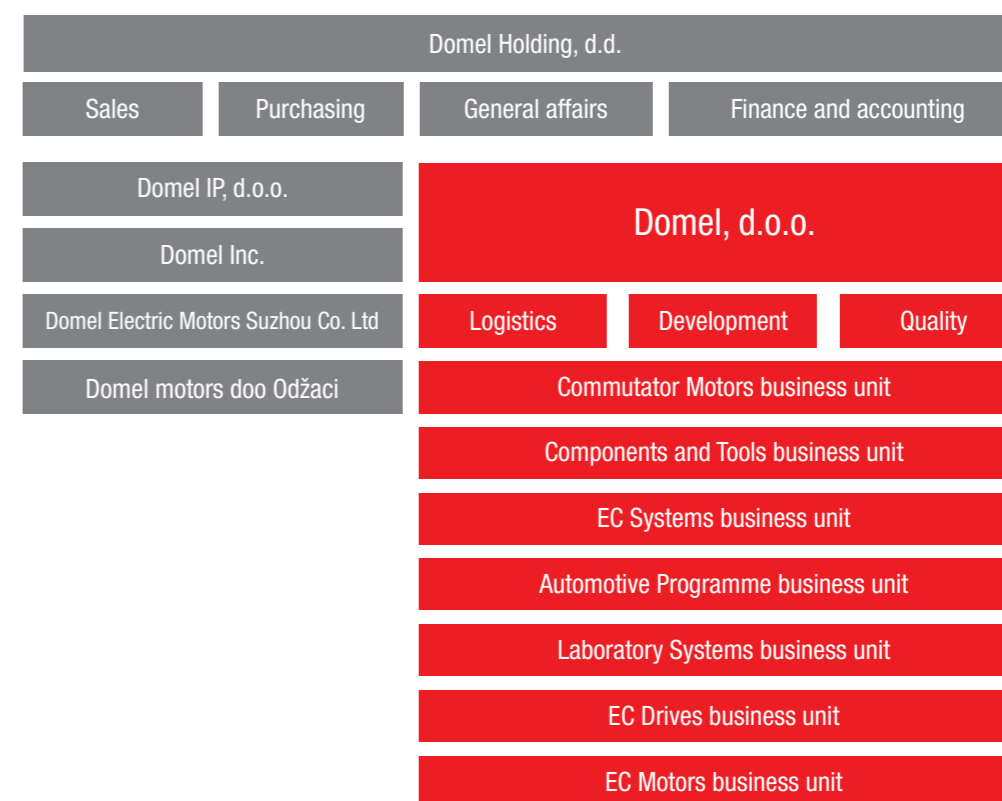
Registered office  
Legal organisational form  
Company registration number  
Registered activity  
Managing Director

Gorenja vas - Reteče 4, 4220 Škofja Loka, Slovenia  
Limited liability company  
1853678  
Machining  
Rado Lenkič

### • Domel Electric Motors Suzhou Co., Ltd

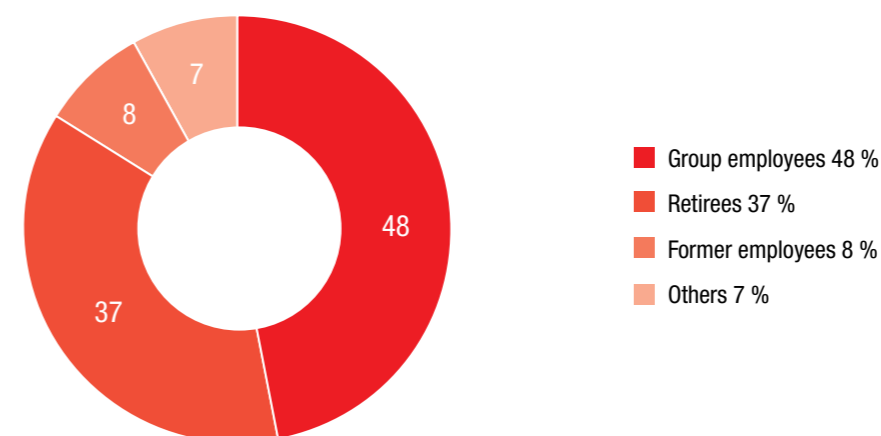
Registered office  
Legal organisational form  
Registered activity  
Managing Director

Jingmao Road 285, Suzhou Industrial Park 215021 Suzhou, P.R.China  
Limited liability company  
Manufacture and marketing of vacuum units  
Boštjan Demšar



The Domel Group takes the legal organisational form of a public limited company. The company's majority owners comprise employees, former employees and retirees. Employees held 48% of shares, retirees 37% of shares, former employees 8% of shares

and others 7% of shares in 2022. Employees acquired ownership and therefore management of the company in 1996 during the transition from social to private ownership, when employees resisted a planned hostile takeover bid.



## OUR STORY

1946

The Niko metalworking cooperative, which becomes Domel many years later, is founded on 27 April by 16 enterprising locals. The cooperative is named after the cooperative's first member and driving force, Niko Žumer. With a few machines taken from a craft workshop and made operational, the cooperative starts manufacturing recording device mechanisms. There is a rapid increase in the volume of work and the number of employees. By the end of the first year, the cooperative already has 59 members; this increase leads to an expansion of the product range from office supplies to laboratory apparatuses.

1953

The first electric motor is manufactured, and there is a marked shift towards mass production.

1954

Social ownership is introduced into the cooperative, which now employs 246 workers.

1958

The first electric motors are exported and a new building constructed for their manufacture. Electric motors become the company's primary focus.

1962

The cooperative joins Iskra, retaining and successfully developing the electric motor line within the larger concern. Links begin to be forged with major global white goods manufacturers.

1974

The development of a vacuum motor for vacuum cleaners is a decisive factor in determining the company's product orientation, and allows the company to break into the German market. These motors become the core product range.

1987

The company becomes independent. In 1992 it starts operating under the Domel name for the first time.

1996

Upon completion of the privatisation process, Domel becomes a public limited company.

2006

A subsidiary is established in China, giving Domel d.d. its first manufacturing company abroad. The company is set up to manufacture vacuum units for mid- and low-priced vacuum cleaners. Domel d.d. becomes a leading manufacturer of vacuum cleaner motors on the European market.

Sole ownership of the company is acquired by Domel Holding, d.d., which is owned by employees, former employees and retirees.

**2009**

**2010**

The Tehnica company is acquired by merger. Domel becomes a limited liability company.

**2011**

Along with ten partners, the company establishes a development centre and makes its first investments in the development of products and technologies.

**2012**

The Domel Group is reorganised into a more open and transparent organisation.

**2013**

A new family of vacuum motors, with an efficiency level of over 50%, is developed.

**2014**

The milestone of 100 million vacuum units produced is passed.



**2017**

New manufacturing facilities open in Trata, Škofja Loka.

**2019**

A manufacturing company is founded in Serbia.

**2020**

A mid-drive for electric bikes, one of the most powerful on the market, enters production.

**2021**

This year marks 75 years since the Niko metalworking cooperative, the predecessor to Domel, was founded.

**2022**

Sales exceed EUR 200 million.

SINCE

1946

NUMBER OF EMPLOYEES

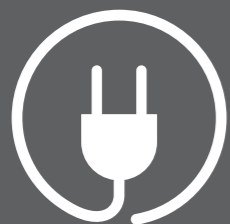
1,507



REDUCTION OF

3.9 %

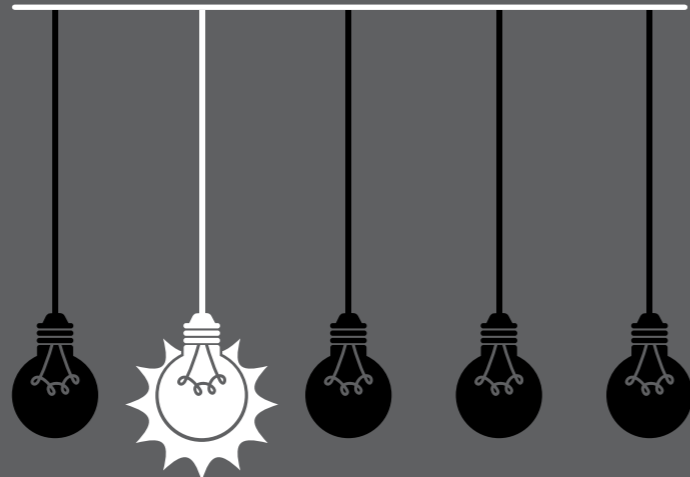
IN ELECTRICITY CONSUMPTION COMPARED TO 2021



6 SITES

SAVINGS OF

EUR 679,000 AS A RESULT OF



INNOVATIVE SUGGESTIONS FROM EMPLOYEES

SALES OF OVER

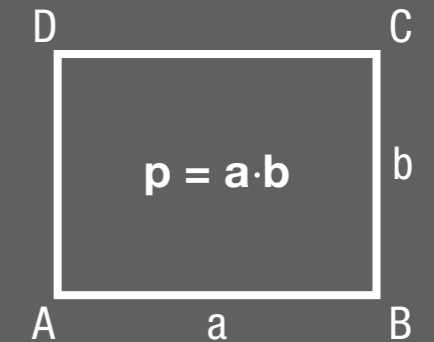
EUR 200 MILLION, WHICH IS AN 11% INCREASE ON 2021



32 HOURS OF EDUCATION AND TRAINING

PER EMPLOYEE IN 2022

80.000 m<sup>2</sup>



OF WORK PREMISES

21 % LESS

WATER CONSUMED IN COMPARISON WITH 2021

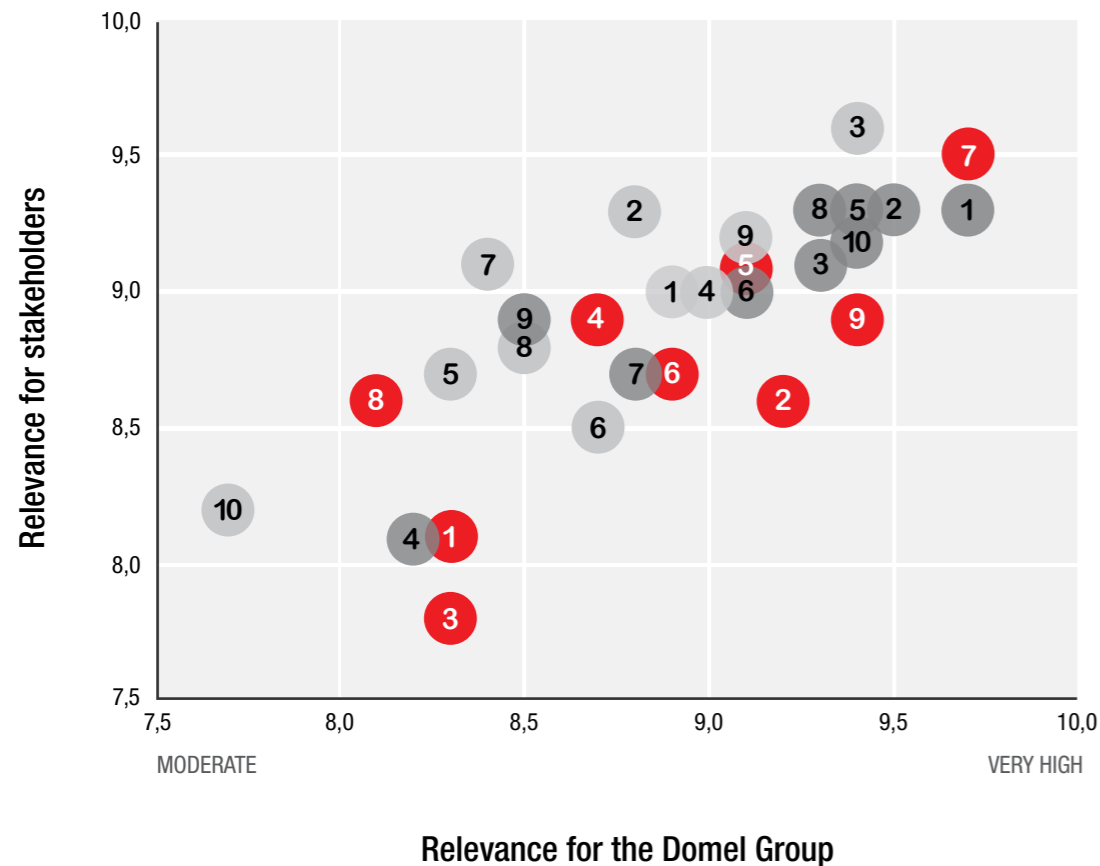


# MATERIALITY ASSESSMENT

We carried out our first materiality assessment in 2022. The materiality matrix identifies and assesses the content and key areas that are of greatest materiality to the sustainable operations of a company and are, at the same time, important to its key stakeholders. We included company management and key stakeholders (i.e. employees, former employees, the local community, suppliers, business

partners and customers) in the materiality assessment. Management and stakeholders took part in an online survey, responding to questions connected with the basic topics and evaluating them on a scale of 1 (less important) to 10 (most important). On the basis of the results, we classified the basic contents according to materiality and sought to include them in the sustainability report.

- 1. Use of renewable energy sources
- 2. Efficient use of natural resources and energy
- 3. Reduction in the company's carbon footprint
- 4. Reduction in the quantity of waste produced and consistent waste separation
- 5. Responsible management of the environment
- 6. Environmentally friendly packaging
- 7. Product quality
- 8. Circular economy and circular product design
- 9. Development of energy- and material-efficient products
- 1. Maintaining employee satisfaction and loyalty
- 2. Stability and provision of jobs
- 3. Focus on occupational health and safety
- 4. Employee development and education/training
- 5. Work/life balance
- 6. Scholarships and practical training for pupils and students
- 7. Respect for human rights and ensuring equal opportunities
- 8. Culture of cooperation, inclusion and open dialogue
- 9. Product sales support
- 10. Cooperation with local communities
- 1. Economic performance
- 2. Professional and transparent leadership
- 3. Integrated risk management
- 4. Communication with stakeholders
- 5. Fostering the development of innovative products
- 6. Encouraging and rewarding employee innovation
- 7. Sustainable development support policies
- 8. Understanding the needs of customers and business partners
- 9. Responsible supply chain management
- 10. Data protection



# STAKEHOLDER ENGAGEMENT

The Domel Group is focused equally on all its stakeholders. We provide employees, customers, owners, local communities, business partners and other stakeholders with a transparent picture of the com-

pany and its operations. We communicate regularly with stakeholders, endeavour to understand their positions and needs, and include them in our operations in a number of different ways.



- owners
- employees
- suppliers
- scholarship holders
- customers
- certification body
- companies connected through ownership
- social partners
- local community

- users
- schools and faculties
- media
- trends
- laws and standards
- professional associations
- public bodies
- environmental factors
- technological factors
- social factors
- competition
- visitors
- political and economic factors

| Stakeholders                    | Methods of cooperation and engagement                                                                                                        | Inclusion in materiality assessment                        |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Employees                       | Intranet, message board, internal newsletter, events for employees, annual interviews, studies and employee surveys.                         | 218 questionnaires completed <sup>1</sup>                  |
| Owners                          | Website, General Meeting of Shareholders, internal newsletter, annual report and sustainability report.                                      | 15 questionnaires completed                                |
| Business partners and customers | Trade fairs, business conferences, visits, contracts, assessments, portal for customers, surveys, emails and video conferences.              | 8 questionnaires completed and 27 questionnaires completed |
| Suppliers                       | Trade fairs, business conferences, visits, assessments, supplier assessments, contracts, portal for suppliers, emails and video conferences. | 23 questionnaires completed                                |
| Local community                 | Website, social networks, open days, sponsorships and donations, visits by school groups and pre-schoolers.                                  | 15 questionnaires completed                                |
| Scholarship holders             | Information days, open days, final thesis mentoring, internships, social networks, website.                                                  | 31 questionnaires completed                                |

## MEMBERSHIP OF ORGANISATIONS

Domel Group companies are members of various organisations, associations and partnerships. Domel, d.o.o. has been a member of the Chamber of Commerce and Industry of Slovenia (GZS) since 1976, while Domel Holding joined in 2017. Both companies are also members of the GZS Gorenjska Regional Chamber and the GZS Electronics and Electrical Industry Association.

Domel, d.o.o. is a member of the ACS+ Slovenian automotive cluster and the GREMO project within that cluster. Our involvement is based on a desire to help create solutions for the development of products that increase the electrification of transport, and to develop manufacturing technologies, robotics, automation and digital transformation and introduce them into manufacturing processes.

We are members of the CONOT centre of excellence for low-carbon technologies, within which we help develop advanced technologies to accelerate the

transition to a low-carbon future, particularly hydrogen technologies. We are members of the “Factories of the Future” and “Smart Buildings, Homes and Wood Chain” Strategic Research and Innovation Partnerships (SRIP).

We are partners in NELA razvojni center, d.o.o., a development centre through which we cooperate with leading Slovenian companies in the electrical and electronics sector, and members of TECES, which plays a leading role in strategic development partnerships and projects in the field of green technologies and energy-efficient solutions.

We are also members of the Green Network of Slovenia (Zeleno omrežje Slovenije), which provides information and a platform for forging links in the field of sustainable development. At European level, we are members of the VDMA industry association and Arbeitskreis Technik.

<sup>1</sup> Some employees are also owners.

# ■ ON A SHARED PATH TOWARDS SUSTAINABLE DEVELOPMENT

The Domel Group builds sustainable development on the mission, vision and values it has adopted. The company's basic principles provide it with a shared set of guidelines on how to act and are reflected in its relations with all stakeholders.

## MISSION

Domel is a socially and environmentally responsible company. As a global developer and supplier of advanced solutions for electric motors and components based on our own innovative technologies, we provide our customers, employees and owners with growth and sustainable development. This enables us to provide high-quality employment opportunities within the wider region.

## VISION

We are a leading global development partner for electric motors and components.

## VALUES

All Domel Group employees share common values that serve as the basis for the company's corporate culture. These values are constant and robust, and have formed our policies and shaped our operations for more than a decade. They guide and lead employees in their everyday work, in decision-making and in their relations with each other. They form a solid basis for the continued development and advancement of the company.



## Loyalty

I am in my twenty-third year as a Domel employee. They sometimes make fun at me at home by saying that I'm in love with Domel. They could very well be right. I fell in love with Domel as a scholarship holder. I then entered employment with them with great expectations. It means a great deal to me to help create Domel's story. I enjoy resolving the challenges that arise in my field of work, and working on different projects with colleagues and external partners. I thoroughly admire and respect the current and previous management teams, who steer the Domel ship with responsibility and ambition. I am certain that most employees think the same way and feel an affiliation with the company – something that is undoubtedly key to our business successes. Our customers also acknowledge that attitude by entrusting us with new projects, which in turn leads to the further growth and development of Domel.

*Andrej Šuštar, head of the management system and organisation department*



## Creativity and ambition

Our employees face up to new challenges with ambition and set themselves high objectives, which encourages them to grow and progress in their work. Creativity fosters innovative thinking, which leads to innovative solutions and improvements in the construction process. A combination of these characteristics means that constructors are able to create unique and successful projects that help the company move forward.

*Jure Bajt, senior developer*



## Respect and cooperation

Respect begins with yourself. Respect yourself, your work, those closest to you, and your colleagues and their work. Respect customers and suppliers, respect difference and expect the same from others. Cooperation and teamwork make progress possible, make it easier to achieve one's goals and improve life. A collective cannot function without cooperation and good relations.

*Marjana Mesec, accounting department*





## Focus on customers and employees

Paying due care and attention to customers and employees is vital to creating a positive climate within a company and positive relationships with customers. In this respect, trust, respect, empathy, swift response and a personal approach are the most important values. I am convinced that these values enable us to move forward, both personally and as a business, and achieve long-term business success.

*Matjaž Finžgar, sales officer*



## Responsibility and efficiency

As a development technician, I have a big responsibility towards the work process, to myself, to my colleagues and, not least, to the sustainable development of the company. I believe that every employee should feel a personal responsibility within themselves towards their work and, at the same time, realise that their work is important and respected. If an employee is responsible, they are also more efficient and productive. At a time of strong competition and high standards, we all have to act in a careful and cost-effective way, and make best use of the potential of the company as a whole. Only in this way can we achieve top results, increase our profits and increase our salaries.

*Kristjan Martič, process engineer*

## STRATEGIC SUSTAINABILITY POLICIES

Global changes in the climate and environment, in population and in technology require us to adjust our medium-term development activities as and when required. The transition to a “green economy” is steering us towards more environmentally friendly technologies, greater use of renewable energy sources, and the more responsible planning and manufacture of products that comply with circular economy principles.

The Domel Group’s corporate strategy is contained within several strategic activities and constitutes a strengthening of the sustainability of operations from all three aspects of sustainability: social, environmental and economic.

By digitally transforming business processes and optimising supply processes, we will improve our resource management, thereby making an important contribution to environmental sustainability. The introduction and use of advanced technologies will enable new sustainable products and services to be developed, providing global support to the sustainable development of societies and helping to preserve the natural environment. If these changes are to be made, employees will have to develop new competencies, increase their awareness of sustain-

ability, undergo sustainability training, and display even greater levels of professionalism and commitment. All of this constitutes an important social contribution. From the economic point of view, we will retain jobs and target local experts for recruitment. In addition to this, the Domel Group will step up its efforts to extend employee ownership, with plans in place to have 50% of the company owned by employees by the end of 2027.

Our efforts to respect values, organisational regulations and agreements are key to the realisation of our strategy. Leading by example is an important guideline for everyone who occupies a leadership position. As Domel Group employees, we take responsibility for our own decisions and discuss the consequences of our actions openly. In our work, we pursue the values that come from our tradition and our cooperation with the local environment. We ensure that information is transferred efficiently between employees at all levels and in a constructive, transparent and relaxed way. This ensures that there is a high level of cooperation between departments and offices, and improves the organisational climate and employee satisfaction; all of these things are crucial to customer satisfaction.

Our efforts to respect values, organisational regulations and agreements are key to the realisation of our strategy.



## POLICY OF SUSTAINABLE OPERATIONS

We have adopted sustainable development policies and tools at Group level that we use to oversee and manage the field. Our adoption of a quality assurance policy, environmental policy and code of conduct for the entire Domel Group is proof that we are continuously engaged in improving our operations and conduct in accordance with the principles of

sustainable development. We have put in place a comprehensive management system that meets the requirements of international quality assurance and environmental management standards. The quality assurance and environmental management systems in place at the Domel Group's manufacturing sites are presented in the table below.

| Site      | ISO 9001 | ISO 14001 | IATF 16949 | ISO 13485 |
|-----------|----------|-----------|------------|-----------|
| OTOKI     | ✓        | ✓         | ✓          |           |
| TRATA     | ✓        | ✓         | ✓          |           |
| NA PLAVŽU | ✓        | ✓         |            | ✓         |
| RETEČE    | ✓        | ✓         | ✓          |           |
| SUZHOU    | ✓        |           |            |           |
| ODŽACI    | ✓        | ✓         |            |           |

*Certified management systems by production site*

## QUALITY ASSURANCE POLICY

The company has a long tradition of quality assurance, being one of the first companies in Slovenia to hold the ISO 9001 quality management certificate (since 1992). By adopting a quality assurance policy, we are demonstrating our determination to

apply best practices to ensure the highest standards in the development, manufacture and quality of products and customer support. We demonstrate and achieve this by:

- continuously improving and updating our management system;
- adhering to the requirements of the ISO 9001, ISO 14001, IATF 16949 and ISO 13485 standards;
- taking account of the needs of our customers, of legislation and of the requirements of other interested parties to which Domel has agreed;
- monitoring the quality of our processes, products and services, and setting measurable objectives aimed at continuous improvement;

- managing strategic, operational and other risks, thereby guaranteeing the company's stable growth and sustainable development, long-term financial security and growth in value added;
- using risk analyses during product development to ensure product safety and reliability, user safety and product utility;
- keeping employees informed about the company's fundamental principles, strategies, policies and objectives;
- continuously developing competences and raising awareness of responsibility for quality.

## ENVIRONMENTAL POLICY

The Domel Group's environmental policy follows the principles of sustainable development, and constitutes a commitment to reducing negative impacts on the

environment. We pursue the core principles of our environmental policy by:

- monitoring and complying with legal requirements, customer demands and other requirements to which Domel has committed itself and that are linked to its environmental concerns;
- training and communicating in order to raise the environmental awareness of all employees and of others who work for or on behalf of Domel;
- systematically identifying, reducing, preventing and eliminating the negative environmental impacts of our activities;
- developing and producing environmentally-friendly products, where priority is given to materials and technologies that use natural resources efficiently and reduce energy consumption;
- communicating and working effectively with the local community, administrative bodies, and other interested parties.

## CODE OF CONDUCT OF THE DOMEL GROUP

The Domel Group's code of conduct binds all stakeholders to the highest ethical and moral principles with the aim of building excellent relationships among customers, colleagues and the local community. It comprises a collection of moral and ethical commitments for all employees, suppliers and other business partners that steer us towards responsi-

ble conduct and prudent action. The code is based on the International Labour Organisation Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises, and the Universal Declaration of Human Rights adopted by the United Nations. It is also available on our website.<sup>2</sup>

<sup>2</sup> [https://www.domel.com/resources/files/pdf/podjetje/Kodeks\\_ravnanja\\_januar\\_2018\\_slo.pdf](https://www.domel.com/resources/files/pdf/podjetje/Kodeks_ravnanja_januar_2018_slo.pdf).



## ■ RISK MANAGEMENT

The Domel Group is aware that identifying, understanding and managing risks is an important part of corporate governance and vital to the achievement of the company's strategic objectives, particularly given the uncertain conditions that faced us in 2022.



The Domel Group's risk management policy is based on the ISO 31000 standard. Within the risk management framework, we identify and assess risks, and adopt measures to reduce the likelihood of risks arising (and to mitigate the consequences if they do arise).



We keep a record of risks in the risk register, and divide them into financial/business and operational risks. As the successful management of risks is an important element of the company's sustainable development, we pay a great deal of attention to environmental, social and economic risks.

The realisation of environmental risks could have a long-term adverse impact on the environment in which we operate, on society and on the company's reputation. This, in turn, could give rise to financial damage.

Environmental risks include risks of natural disasters (fire, flood) and ecological disasters, which might include the leakage of hazardous substances during storage and transport, an uncontrolled discharge of hazardous substances into the atmosphere, and the leakage of rainwater into production areas. However, we estimate that the risk of such events occurring is low.

As customer and employee care is one of Domel's core values, and as we are a socially responsible company, we also focus heavily on social risks. The emphasis in 2022 was on managing risks in connection with workplace accidents, inadequate adjustment of employee numbers, a lack of qualified staff and the loss of key staff.

With respect to economic risks, we focus on managing business and financial risks that could affect Domel's performance. We regularly monitor developments on global markets in order to manage risks connected with economic crises, the loss of customers and suppliers, and political risks. We place considerable emphasis on managing the risk of compensation claims resulting from hidden defects, the risk of non-delivery of products to customers and the risk of losing a key supplier. In response to conditions on the market, we have also paid particular attention to the risks associated with the energy crisis and a lack of key materials. With respect to financial risks, we carefully manage credit risk (payment indiscipline), liquidity, interest-rate and currency risks, and changes in the prices of exchange-traded commodities.

|          |          |            |        |       |
|----------|----------|------------|--------|-------|
| 4216,894 | 4175,177 | ▲ 4182,981 | -33,91 | -0,8  |
| 1197,979 | 1184,115 | ▲ 1187,042 | -10,94 | -0,91 |
| 899,966  | 888,302  | 890,569    | -9,4   | -1,04 |
| 695,621  | 688,605  | 691,077    | -7,87  | -1,13 |



## ■ BUSINESS MODEL

Domel's business model is based on the development and manufacture of energy-efficient electric drive motors and components. Our customers are manufacturers of professional and household appliances in the floor cleaning, cooking appliance, washing and drying machine, hand tool, and heating, ventilation and air-conditioning sectors. Domel's products are used in industrial applications in the ventilation, fume extraction, printing and packing segments, in the automation of manufacturing processes, as compressors and liquid pumps, and in industrial equipment. We sell up to a third of our portfolio of products in the mobility segment (automotive industry, e-mobility, fuel cells and components). Our products are also used as components in the medical and laboratory equipment segment. Our target customers are global manufacturers with recognised brands. We build long-term partnerships with customers and help them develop and update their product portfolio.

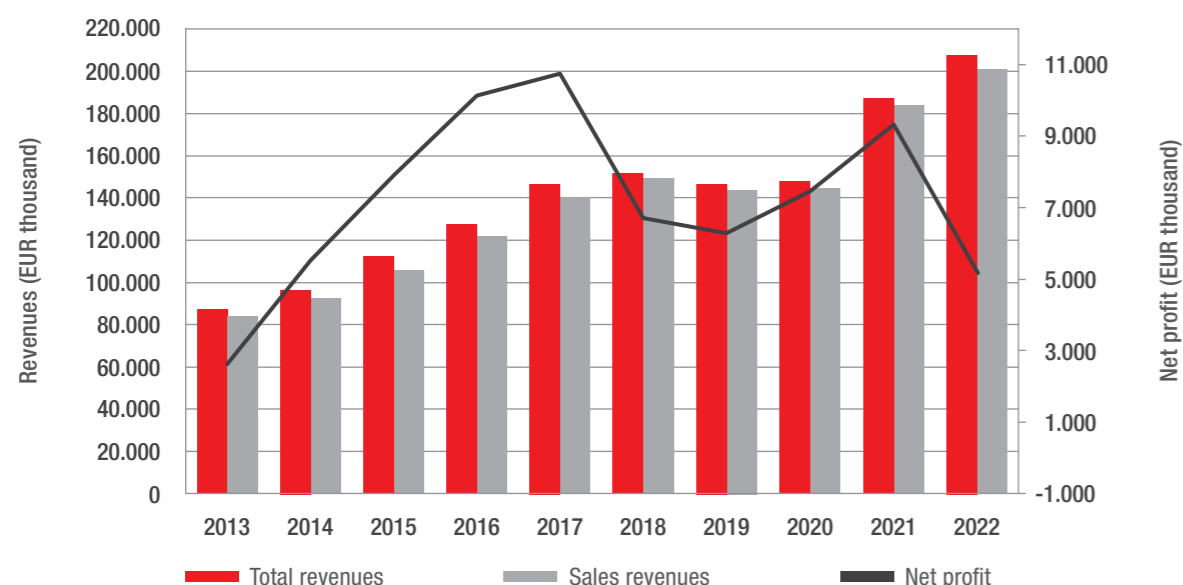
Our consumers recognise the many competencies that Domel possesses in the area of development and technology. The most important of these include the planning, simulation and optimisation of electromagnetic assemblies, the design and optimisation of structures, the production of prototypes, the testing and development of technologies and processes, and the construction and manufacture of production and assembly lines. In global terms, Domel positions itself as a development supplier. Our competitive advantage lies in the integrated approach we take, manufacturing motors and components for our customers by taking charge of every step, from sketch to prototype to final industrialised product. We always adjust to the requirements of the application in which a product is to be incorporated. Our business model is based on partnership, and we have been working with some of our major clients for more than 30 years.



## OVERVIEW OF OPERATIONS

Unstable conditions on the market, further exacerbated by the war in Ukraine, were the hallmark of 2022. Companies around the world were faced with uncertainty and disruptions in supply chains, a growth in prices and interest rates, inflation and a reduction in spending power. The Domel Group was no exception. Relatively high orders and uncertain logistics supply necessitated increased safety stocks. In the second half of the year in particular, we noticed a fall in demand from general customers

and a deterioration in customers' liquidity. However, despite these difficult conditions, the Domel Group performed well, breaking the EUR 200 million barrier for revenues for the first time in 2022. After taking exclusions into account, we generated total revenues of EUR 208 million, which was an 11% increase on 2021, but 6% lower than planned. As the graph below shows, sales in 2022 were 9% higher than the year before, while the group generated a net profit of EUR 5 million.



Total revenues, sales revenues and net profit of the Domel Group in 2022

Domel, d.o.o. is the largest Domel Group company by size and share of revenues; these revenues amounted to EUR 218.9 million in 2022, which was a rise of 17% on the year before and 2.5% lower than planned. Sales revenues accounted for EUR 203 million (or 93%) of total revenues. In 2022 the company generated a net profit of EUR 5.9 million. Earnings before interest, taxes, depreciation and amortisation (EBITDA) totalled EUR 18.4 million,

which was a fall of 18.6% on 2021. The EBITDA margin was 9.1%. Value added per employee fell slightly in comparison with 2021, from EUR 51,059 to EUR 48,483. Return on equity (ROE) was 7.1%. Investments totalled EUR 19.2 million in 2022. Despite the challenging conditions on the market, the company's results point to the sound management of cash flow and to high levels of innovativeness, efficiency and flexibility.

| Domel, d.o.o.                          | R 2022      | P 2022      | R 2021      | R 22 / P 22 | R 22 / R 21 |
|----------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Number of working hours                | 803.140     | 901.000     | 859.246     | 89,14       | 93,47       |
| Number of employees (31 December 2022) | 1.226       | 1.323       | 1.220       | 92,67       | 100,49      |
| Total revenues (EUR)                   | 218.895.820 | 224.589.000 | 186.526.061 | 97,47       | 117,35      |
| Net profit (EUR)                       | 5.888.672   | 11.359.000  | 8.780.509   | 51,84       | 67,07       |
| Net profit/employee (EUR)              | 4.803       | 8.586       | 7.197       | 55,94       | 66,74       |
| Net profit/total revenues              | 2,7 %       | 5,1 %       | 4,7 %       | 53,19       | 57,15       |
| Value added per employee (EUR)         | 48.483      | 52.830      | 51.059      | 91,77       | 94,95       |
| Return on equity                       | 7,1 %       | 13,9 %      | 11,6 %      | 51,01       | 61,14       |
| EBITDA margin                          | 9,1 %       | 11,9 %      | 12,7 %      | 76,26       | 71,69       |

Data relates to Domel d.o.o.



## PLATINUM EXCELLENCE

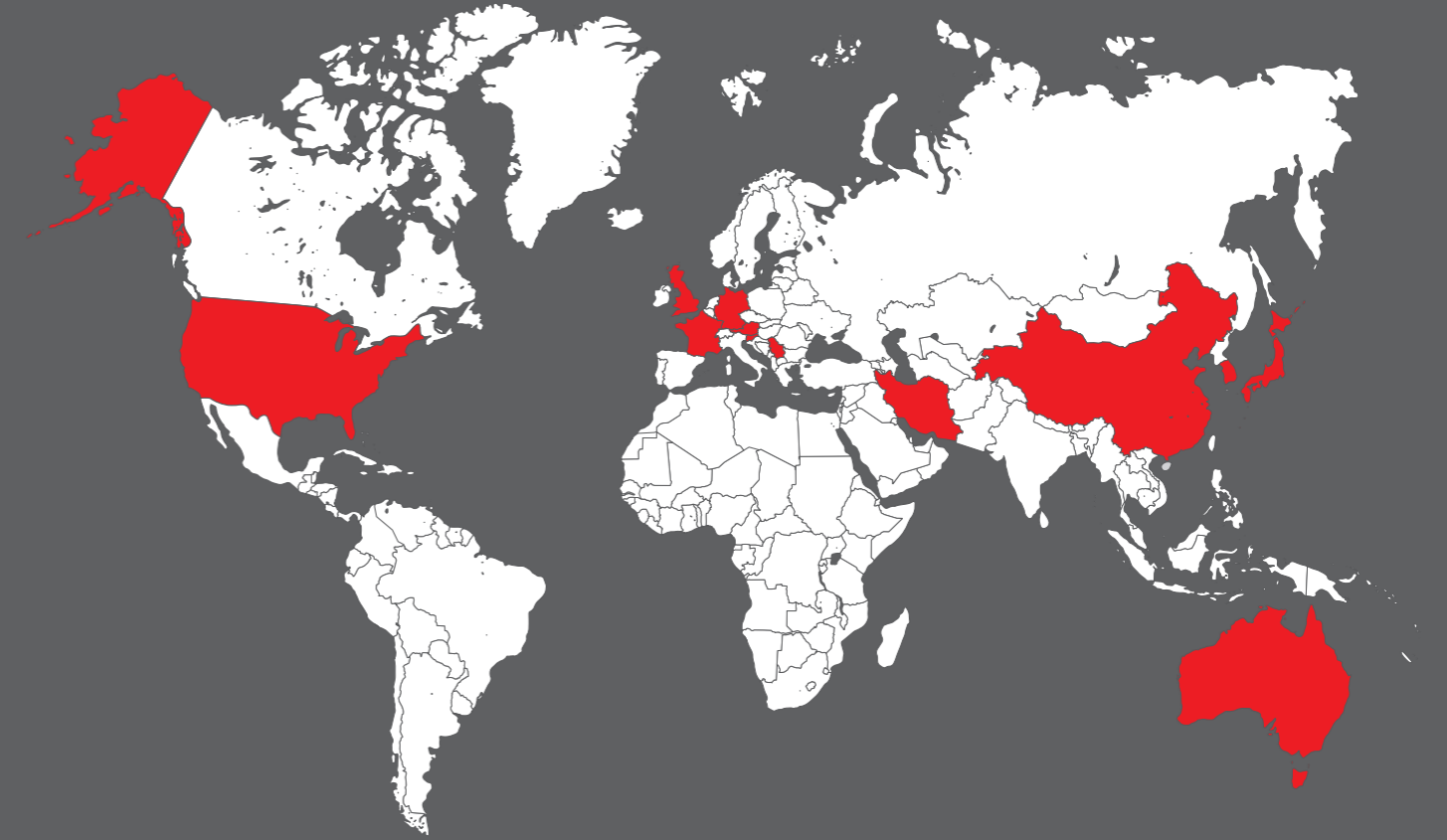
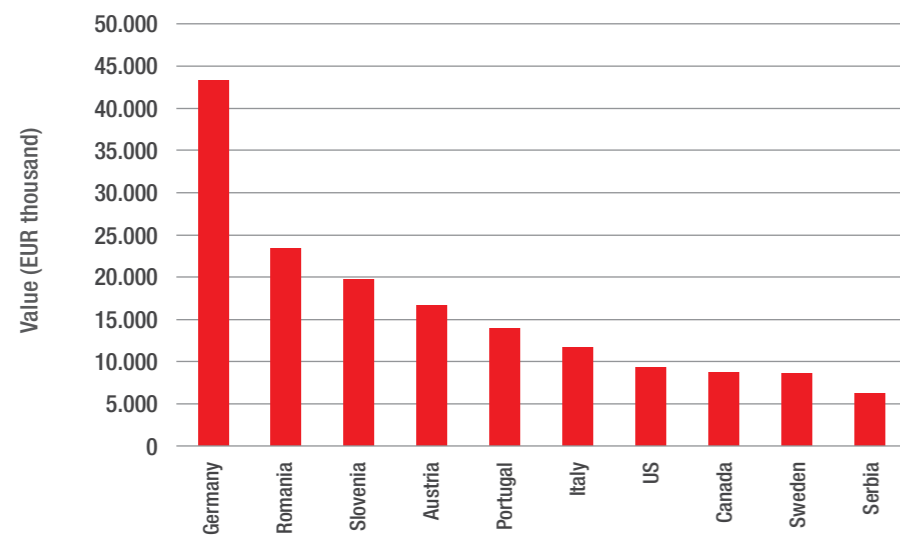
In 2022 Dun & Bradstreet awarded Domel, d.o.o. the internationally recognised Certificate of Platinum Excellence, which is given to companies that retain the highest credit rating (Gold AAA) for three years in a row. It reflects our status as the most reliable, credible and low-risk company for all business partners.



# SALES ON THE MOST IMPORTANT MARKETS

Domel generates the bulk of its sales revenues on EU markets. A total of 79.5% of all sales revenues were generated in the EU (including the domestic market) in 2022. We sold products to a value of EUR 19.8 million on the domestic market in 2022, which was 9.8% of total sales revenues. Sales revenues of EUR 141.5 million were generated by products sold on other EU markets (69.7% of the total), while foreign markets outside of the EU accounted for 20.5%. Germany, which accounts for 21.4% of sales revenues, remains our most important market, with

sales of EUR 43.5 million in 2022, followed by Romania (11.6%) and the domestic market (9.8%). Among our largest European markets, sales were up relative to the previous year in Germany, Austria, Romania, Italy and Portugal, while sales declined in Sweden, Poland and Hungary. The USA is the company's largest market outside the EU (sales revenues of EUR 9.4 million), followed by Canada (EUR 8.8 million). Sales to China fell by 27% compared to 2021.



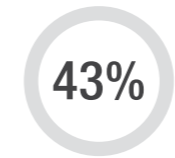


## SALES REVENUE BY PRODUCT LINE

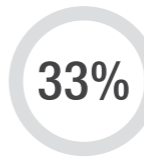
With the exception of the vacuum unit line, where sales fell by 8%, we increased sales in all product lines in comparison with 2021. We recorded the biggest growth in the automotive, EC motors, EC drives, EC systems, DC motors and components product lines. This growth is the result of development activities and the consolidation of positions with customers, while part of the growth is also attributable to higher raw material prices, which we have been forced to pass on in prices to customers. Vacuum units remain the strongest product group,

accounting for 25% of sales in 2022 (although this was a fall of 6% compared to 2021). We increased sales in our automotive lines by 40.5% and our components lines by 25%. The company also placed particular emphasis on the marketing of new EC product lines. We saw growth of 21% in the EC drives line, 8% in the EC motors line and 19% in the EC systems line. Sales revenues were up 63% on the year before in the CM Reteče line and 38% up in the tool shop and LABS.

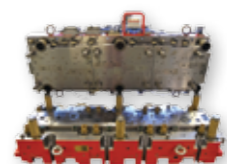
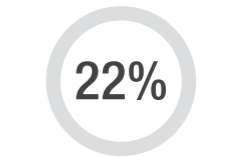
MOTORS FOR  
HOUSEHOLD  
APPLIANCES



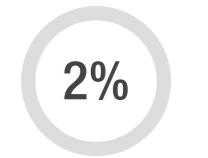
MOBILITY



INDUSTRIAL USE



MEDICAL AND  
LABORATORY  
APPLICATIONS





# **ECONOMIC ASPECTS OF SUSTAINABILITY**



“

In 2022 we earmarked 3.3% of sales revenues to the development of new products. Creativity is a core value of the company and one that helps us to work innovatively and generate new ideas. This is also reflected in the fact that products that are less than three years old accounted for 29% of sales in 2022.

”

## RESEARCH, DEVELOPMENT AND SUPPORT FOR SLOVENIAN ENTERPRISE



The Domel Group invests continuously in the development of new products and innovative technologies. We place a strong emphasis on development activities that support the green transition and the targets set for achieving a low-carbon future. In the development and manufacture of products, we devote particular attention to sustainable solutions that ensure that we are able to provide customers and end-users with energy-efficient and innovative products. The key areas of sustainable product de-

velopment are high material and energy efficiency and the reduction of noise levels. A great deal of our activity is focused on developing advanced technologies; this is because they are key to the competitiveness and innovation of our products.

The number of development projects fell from 101 to 81 between 2021 and 2022. The bulk of new development projects are chiefly a response to the upward growth in applications for garden equipment and electric micromobility.

*In 2022 the Chamber of Commerce and Industry of Slovenia (GZS) awarded Domel a national Gold Award for innovation for vacuum units designed on the basis of a modular electronically commutated (EC) motor manufactured using innovative technologies. GZS awards are the highest national awards for innovative achievements of Slovenian companies and other organisations. Before this, the company also received two regional silver awards: the first for a blower with controller for recirculating hydrogen in fuel cells and the second for the innovative Octane 112 e-bike system.*

## GREEN. CREATIVE. SMART

We are proud ambassadors of the Slovenian economy. As part of the national communications campaign “I FEEL SLOVENIA. GREEN. CREATIVE. SMART”, we were recognised as an innovative and sustainable company whose breakthrough solutions support a green, creative and smart Slovenian business environment. By taking part in the campaign, we will help raise Slovenia’s profile as a technologically advanced, creative and green country.



## ENERGY AND MATERIAL EFFICIENCY OF PRODUCTS



When developing new and optimising existing products, we take account of their environmental aspects and incorporate circular principles into their design. We place great emphasis on energy and material efficiency and on ensuring that our products enjoy a long service life, with the aim of creating drive systems that are as environmentally friendly as possible. We are aware that our responsibility encompasses the entire lifecycle of a product, from the types and quantities of raw materials used, development, manufacturing and use, to the management of the product after its service life comes to an end. By employing innovative design solutions, optimising manufacturing processes and introducing advanced technologies, we are able to effectively reduce the consumption of raw materials required

for product manufacture. We pay particular attention to ensuring that we use materials that do not contain hazardous substances and that can therefore be recycled after a product's service life comes to an end. We are engaged in continuously improving the technologies deployed in our electric motors and drive units in order to reduce electricity consumption during operation; we are able to achieve this by increasing their efficiency and limiting their electric power. A high level of energy efficiency allows end-users to enjoy considerable electricity savings and reduce operating costs, leading to lower greenhouse gas emissions. In this way, we help our customers achieve their goals of reducing environmental impact and achieving climate neutrality.

## MEASURING THE ENVIRONMENTAL IMPACT OF PRODUCTS

Measuring and evaluating the environmental impact of products is of essential importance for identifying the areas in which the sustainable aspects of our products can be improved. Information on the lifecycle assessment (LCA) of products is also increasingly required under various European regulations. Last year we decided to invest in acquiring LCA professional certification in 2023; this will allow us to systematically assess the environmental impact of our products and use the results to produce environmental declarations and obtain EPDs for certain products.

## MATERIAL EFFICIENCY OF PRODUCTS

Over the last two decades, we have managed to reduce the quantity of materials incorporated into electric motors through innovative development. This has reduced the weight of some products by more than 60%. For example, a vacuum unit developed in 2000 weighed around 1.5 kg, while the newer family of vacuum units developed in 2015 weighs only 0.73 kg. If we manufacture 1.5 million vacuum units in one year, for instance, we reduce the amount of materials, such as electrical sheets, copper and aluminium, by more than a tonne. By developing electronically commutated units, which are replacing universal and asynchronous motors in certain market segments, we have continued to pursue our commitment to develop products that are lighter and therefore use less material.

## INNOVATIVE DEVELOPMENT OF EC MOTORS

With the increase in efficiency of drive systems and batteries, battery-powered devices are gaining popularity in the garden equipment, power tool and cleaning equipment segments. Through its innovative development of EC motors for different applications, the company is setting global trends and consolidating its market position in this segment as well. In 2021 we commenced production of the 759 electronically commutated units, which are used for dry and wet suction in battery applications. With high levels of efficiency of over 50%, a long service life of over 2,000 hours and a compact design, we have made a breakthrough onto the professional vacuum cleaner market. High material efficiency makes the entire device light, and therefore easier to transport and handle.

## DEVELOPMENT TECHNOLOGIES

The development of EC motors is based on compact design. These motors achieve the same results as universal motors during operation, but with a significantly lower weight and less energy consumption. The compact design of EC motors also requires new innovative approaches to development and production technologies.

We have therefore developed laser rotor balancing that goes beyond the limitations of existing systems. On the basis of a developed algorithm for the precise identification of mass unbalance, we have produced a universal balancing device for measuring the mass unbalance of rotors. We have upgraded it by positioning the rotor precisely at the appropriate angles and, at the last step, added the precise removal of material with the help of a laser. This technology enables us to balance the rotors precisely, and therefore ensure that our motors produce less noise and vibration, which is a significant competitive advantage.

We use laser welding technology for plastic components in order to avoid using adhesives to stick them together. We ensure a high-quality weld between components through the appropriate selection of geometry, materials and laser parameters. The technology enables 100% control of welds, improves the stiffness and durability of welds, and avoids the need to use additional adhesives.

Our use of thermoforming technologies is a further attempt to ensure high-quality and durable welds without the need for adhesives. It is essential to determine the appropriate geometry and materials of the components and the parameters of the thermoforming process. The established methods for detecting damage to the electrical insulation of coils are mostly destructive, meaning that every piece tested becomes a reject. We wanted to avoid this within the company, which is why we developed a non-destructive method of detecting damage to coil insulation. This enables high-voltage measurements to be performed on all pieces; moreover, after testing, the pieces are undamaged and suitable for further use. This new detection method also enables us to determine the location of a fracture, as an electric arc appears at the defective spot and can be visually detected. While resistance contact welding of wires is an existing technology, we are keen to further improve it through a systematic development approach and digital support, thereby increasing the quality and reliability of the welds in our products.

## HIGH ENERGY EFFICIENCY OF HVAC ELECTRIC MOTORS

EC drives designed for use in heating, ventilation and air-conditioning (HVAC) technologies are among the five biggest consumers of electricity. Due to their continuous (24/7) operation, energy consumption is even more important in the applications into which such motors are incorporated.

When developing HVAC motors, we focus heavily on the optimal use of materials, state-of-the-art technology, a high level of efficiency and a long service life. As they do not contain mechanical parts that are subject to wear (with the exception of the delivery system), the motors do not require maintenance. HVAC motors achieve an IE5 efficiency rating (IEC 60034-30-2), which means super-high efficiency that is reflected in the reduced consumption of energy during operation. They are also better from a logistics point of view, as their weight is only up to one third of classic asynchronous drive systems. Moreover, the motors achieve a high level of efficiency without the use of critical strategic materials: ferrite magnets are used instead of rare-earth magnets, which represents an exceptional competitive advantage. Because the motors are designed and manufactured in Europe, safety and deliverability are improved, which in turn contributes to self-sufficiency of supply in Europe.



**We estimate that use of the IE5 efficiency-rated HVAC motors we have sold over the last five years (2018–2022) has saved more than 313 GWh of electricity compared to the best-selling classic asynchronous motors. This saving of 300 GWh of electricity can be translated into a reduction of 72,054 tonnes of CO<sub>2</sub> emissions, which is equal to the emissions generated by 16,034 cars in one year.**



<sup>3</sup> The calculation was produced on the basis of the Rules on the Methods for Determining Energy Savings: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=PRAV14191>. The EU electricity emission factor for 2020 (0.23 kg of CO<sub>2</sub>/kWh) was used for the calculation of CO<sub>2</sub> emission savings. Greenhouse gas emission intensity of electricity generation by country — European Environment Agency (europa.eu). <sup>4</sup> The CO<sub>2</sub> emissions equivalent was calculated using the greenhouse gas equivalencies calculator available at: <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>.

## INNOVATIONS IN E-MOBILITY

Innovations in e-mobility and the development of e-drives are solutions that look to the long term and make an important contribution to a greener and more sustainable future. Sustainable mobility projects are helping to transform the transport sector, and are in line with Europe's sustainable and smart mobility strategy.

As a result of the growth in the e-mobility segment, the company's development activities in the automotive field continued in 2022. By developing drives and components for the automotive industry (oil and water pumps, A/C compressors and drives for various subsystems), the Domel Group is doing its part to make driving more energy-efficient.

The Domel Group's products cover different areas of electrification. The latest development products in the e-mobility segment are an e-bike drive motor and a hybrid mid-drive system for e-bikes, which the company has developed in collaboration with its partners. Both drive systems are designed using an optimal mass-to-efficiency ratio, which produces an exceptional product in terms of energy and material efficiency. Production of the eCult Octane electric bikes, which feature Domel e-drive systems, began last year and is continuing in collaboration with the Cult company.

The development of a drive system for electric scooters in cooperation with domestic and foreign partners is something new in the e-mobility segment. A compact and light brushless DC motor with an efficiency rating of 85% under normal operation will be built into the energy-efficient drive system.



## HYDROGEN TECHNOLOGIES

Hydrogen technologies have a key role to play in the green transition and great potential for ensuring that we achieve the aim of a low-carbon society. The Domel Group has been involved in research activities relating to hydrogen technologies for more than 20 years, and we are an important development supplier of components for air delivery on the cathode side. The EC systems business unit developed a recirculation blower for hydrogen on the anode side for our partner a few years ago that ensures more continuous and efficient operation of the whole system. Last year our partner acquired a number of major projects in which they had to provide fuel cells for transport (trains and lorries); this meant that we had to transition to regular production. We have moved from being a development to a regular supplier of fuel cell components, both air delivery blowers and hydrogen blowers. The transition to regular production of blowers for fuel cells is taking place along intensive development activities in this area. A development project is under way to optimise air blowers with the aim of increasing the level of protection so that the blower is also able to operate in high humidity environments or in water.

Extensive upgrades of the hydrogen blowers are also taking place with the aim of developing a reliable solution that enables greater hydrogen mass flows and more resistance in difficult operating conditions, particularly increased humidity and temperature.

As part of the GREMO development project, we are starting the development of a high-pressure compressor that will raise the pressure ratio to 2.2 from the current 1.4. We are also active in marketing our components for hydrogen technologies and attend hydrogen technology fairs. Many new developments in this area were presented at the Hannover Messe industrial fair in April.



## PARTICIPATION IN CIRCULAR ECONOMY PROJECTS

We are a partner in the Inspires project, the aim of which is to develop and implement, at an industrial level, circular and sustainable manufacturing and the use of rare earth magnets. Waste magnets come from end-of-life equipment and household appliances. As part of the project, waste magnets will be recycled using appropriate procedures and then incorporated into and tested in Domel's electric washing machine motors. The main market for rare earth magnets is China, with the instability of the supply chain jeopardising the development of advanced and green technologies in Europe. If the project is successful, we will be contributing to efforts towards more sustainable and circular supply of critical raw materials on European soil.

## CUSTOMER RELATIONS



Good customer relations and customer care are reflected in long-term partnerships: some customers have placed their trust in us for close to 50 years, while our major customers have been working with us for an average of more than 30 years. Customer care is one of our core values, which means that we take an honest and genuine approach to our customers. We take time for our customers, search for the best solutions in terms of price and quality, and are reliable and flexible. Customer satisfaction is extremely important to us, and is the basis for our search for opportunities to improve. We measure customer satisfaction in two ways. The first is by obtaining monthly reports from customers, which is

established practice among major customers. The reports are collected by the responsible sales staff and stored on the intranet by individual year. Once a year, using the Customer Voice application, we produce a survey for all our major customers in order to obtain feedback important to our company. The customer satisfaction survey includes evaluation against various criteria such as on-time delivery, quality, reliability and flexibility, technical support, product competitiveness and the integration of environmental criteria into the corporate process. The sales team handles the customer surveys received and formulates corrective and preventive measures on their basis.

| Customer satisfaction in 2022 |         |       |                          |             |
|-------------------------------|---------|-------|--------------------------|-------------|
| supply chain                  | quality | sales | research and development | environment |
| 4,3                           | 4,4     | 4,0   | 4,4                      | 4,1         |

Customer satisfaction by assessment criteria in 2022<sup>5</sup>



<sup>5</sup> The customer satisfaction assessment criteria were: 5 – Excellent, 4 – Good, 3 – Acceptable, 2 – Unsatisfactory, 1 – Unacceptable

## SUPPLIER RELATIONS



Our commitment to sustainable development also includes supplier-related activities. We are committed to working exclusively with suppliers who meet our expectations, respect business ethics and values that are based on internationally recognised standards regarding environmental management standards, health and safety, and have a well-developed quality assurance and management system. We can only achieve our sustainability objectives and meet high customer standards with suppliers that partner with us in the early phase of development projects. Suppliers are selected and assessed on the basis of carefully defined criteria. All our suppliers are fully responsible for the quality of materials and components that they supply to the company. For this reason, they have effective quality assurance systems in place through which they ensure the high quality of supplies, the environmental acceptability of products and environmentally friendly work processes. We expect suppliers who have certified management systems in accordance with the ISO 9001, ISO 13485, IATF 16949 and ISO 14001 standards to submit copies of certificates to the company, although we do also make an assessment of suppliers' processes ourselves. The types of assessment that we carry out for potential and existing suppliers include potential analyses, the assessment of processes in accordance with the requirements of the ISO 9001, ISO 13485, ISO 14001 and VDA 6.3 standards, and the rapid assessment of processes. We assess the suppliers of raw materials and associated services once a year. The basic condition for assessing a supplier is that the supplier has made at least five deliveries over the course of one year. The following criteria are taken into account in the overall assessment: the level of PPM deliveries, the proportion of seamless deliveries, accuracy in terms of quantity and time, responsiveness to the required 8D reports, a certified management system, pay-

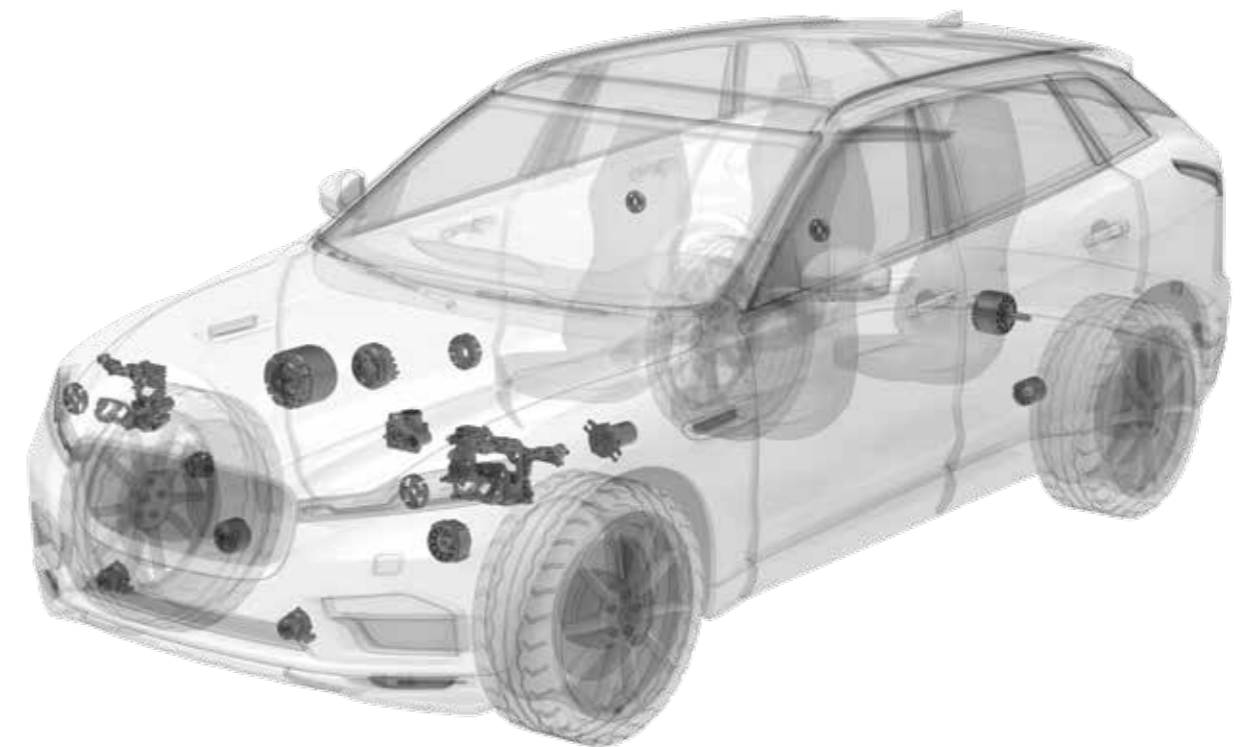
ment terms, price competitiveness and technical support. We assessed 251 suppliers in 2022 (115 Slovenian and 136 foreign), and apprised them of the Domel Group Code of Conduct. In accordance with our "Local2Local" purchasing policy, we strive to include as many local suppliers as possible in the supply chain. Good relations and cooperation with domestic and local suppliers bring mutual benefits and are crucial to our operations; as a result, the local environment has acquired experience and expertise, and has grown, progressed and developed. Every few years, we organise a purchasing conference for suppliers at which we present our policies, objectives and requirements regarding quality and environmental protection, and what is expected of suppliers based on agreements with customers and legal obligations. We organise periodic meetings with development suppliers where we agree on and coordinate new development projects and improve logistics plans.

**“ We worked with 442 suppliers in 2022, 54% of which were Slovenian suppliers. ”**

## COMPLIANCE OF MATERIALS

We consistently comply with the EU's REACH regulation, which sets out obligations regarding the handling, trade and use of chemicals within the territory of the EU, and the European RoHS Directive, which defines and places restrictions on certain hazardous substances used in electric and electronic equipment. This ensures the safety of products and reduces risks to people and the environment. We received 203 REACH and RoHS compliance statements from suppliers in 2022, which accounted for 83% of all relevant suppliers. In accordance with the EU Conflict Minerals Regulation, we ensure that the minerals and metals it covers (gold, tin, tungsten and tantalum) and that

are contained in our products are imported only from responsible sources and from areas that are not affected by armed conflict or that do not use child labour. We pay particular attention to the origin of magnets. As a supplier of components for the automotive supply chain, we are a part of the IMDS system, through which we provide data on the composition of the materials used in our products. This makes it easier for car manufacturers to build vehicles that comply with environmental requirements. Customers from the automotive industry only approve our products if they are informed about their composition using the relevant IMDS document.





# SOCIAL ASPECTS OF SUSTAINABILITY



“

If you're not failing every now and again, it's a sign you're not doing anything very innovative.

Woody Allen

”

## PROMOTING EMPLOYEE INNOVATION



The company promotes innovative thinking on the part of all employees with the aim of realising its ideas via experience and knowledge. As part of Domel's system of continuous improvements, we have established the SORA web application in which employees enter technical or organisational initiatives and ideas for improvement. Good knowledge of processes, expertise and thinking in line with Domel's objectives are bringing excellent results, with 428 proposals entered in the SORA system in 2022.

Implementation of the proposed improvements brought savings of more than EUR 679,000, calculated in terms of annual economic benefit. The employees whose proposals were implemented were paid bonuses last year totalling EUR 106,000. Proposals are also the springboard for the annual presentation of Domel prizes and awards, with a particular focus on colleagues and teams with the best suggestions for improvement.



At the presentation of innovation awards in 2022

## COOPERATION WITH LOCAL COMMUNITIES



*Cooperation with the local community helps to build trust and is vitally important to the sustainability of the company's operations. Domel's social responsibility is closely linked to its tradition and culture. Many Domel Group employees come from the local community. We return to that community every day, so it is important to keep it well-organised and friendly. We fulfil our responsibility by cooperating with local communities in all aspects of operations that can affect their quality of life.*

The company provides financial and material support to local cultural and sporting events, such as concerts, local carnivals, sports competitions and other events. Sponsorship of these events helps to ensure the diversity of cultural life and maintain a sporting spirit within the community. Recipients of our support include the Domel ski club, the Železniki handball club, Kranj cycling club and Škofja Loka women's basketball team. We work with local organisations and invest in voluntary firefighting organisations; we also focus heavily on cooperation with educational institutions. We work with the local Železniki primary school, providing it with assistance in the teaching of technical elective subjects or helping it to secure technical equipment for classrooms. At natural science and other educational events, we show pupils around our manufacturing facilities and give presentations of some of our company's most relevant professions. We start as early as pre-school, with even the youngest children given tours of our facilities, where they might get to see their parents and learn about their jobs. We work with universities to develop educational programmes that stimulate an interest in science, technology and engineering. The company offers mentoring programmes, organises practical workshops and lectures, and provides financial support to secondary and post-secondary students.

In 2022 we organised open days at the company's sites at Otoki, Na Plavžu, Trata and Reteče, where visitors were shown the manufacturing and work process, and given information about the company's operations and policies.

We endeavour to ensure that we maintain good relations with the local community, communicate with them transparently, and take their proposals, reservations and opinions into consideration. Discussions took place with neighbouring residents between August and the end of 2022 as a result of the construction of a new multi-storey car park at the company's site at Otoki. These discussions, which took place with the nearby residents and the headteacher of Železniki primary school, mainly related to how the adjacent areas of land would be landscaped after construction was completed. A coordinated and amicable agreement was reached on all solutions for the adjacent land.

In September 2022 nearby residents at the Reteče site complained about the occasional increase in noise from the operation of an external air-conditioning unit. The contractor we engaged to inspect the system established that the noise was being produced by one of the ventilators in the external unit when it operated at certain speeds. We agreed to have the system serviced, which was done after the end of the heating season.



## COMMITTED EMPLOYEES: A KEY SOURCE OF COMPETITIVE ADVANTAGE



Employee care is one of our core values and a key human resource policy. When dealing with employees, we are aware that every individual is invaluable. We place great emphasis in the working environment on respect, cooperation, creativity and ambition, thereby supporting the company's basic strategic policies, which focus on a high level of innovation, improvements to productivity and growth. The Domel Group guarantees equal opportunities of employment to all individuals regardless of gender, race, religious belief, age, disability, sexual orientation, nationality, social or ethnic origin, citizenship, membership of a trade union and/or political party, or any other characteristic that is protected by the applicable legislation. Our primary focus is respect for the individual, and we reject any form of discrimination, violence, and insulting or offensive

words and behaviour. Developing employee potential and satisfaction are the main tasks of our human resource policy. It is important to us that all employees are actively involved in the growth and development of the Group, and that we provide them with a safe and pleasant work environment that offers professional and personal challenges, and enables employees to work dynamically and creatively. Because employee loyalty is very important to us, we strive to maintain positive working conditions, provide secure employment, and offer training and education opportunities. We are very active in promoting healthy lifestyles, encouraging employees to take part in sports activities, and providing employees with hybrid forms of work and flexible working hours.

### MEASURING EMPLOYEE SATISFACTION

“Organisational climate” is the term used to define the atmosphere of a company as it affects employees' knowledge, understanding, feelings and expectations. A positive organisational climate is reflected in greater satisfaction, motivation, innovation and productivity on the part of employees, which is vital to company success and good business results. The Domel Group has been measuring organisational climate and employee satisfaction and commitment since 2003. Since 2010, these measurements have taken place every three years. In 2022 a survey was carried out using the Slovenian Organisational Cli-

mate (SiOK) questionnaire, which enables a comparison to be made between companies in Slovenia as well as with results from previous years. A total of 645 employees were invited to complete the questionnaire; the response rate was 72.7% (469 employees). In company departments containing up to 30 employees, every employee received an invitation to complete the questionnaire. In larger departments, a representative sample of employees was drawn up. Based on the measurements, we establish the premises for improvement, creating a positive working environment and increasing employee commitment.

| Item                   | 2016 | 2019 | 2022 |
|------------------------|------|------|------|
| Organizational climate | 3,62 | 3,35 | 3,43 |





## EMPLOYEE STRUCTURE

As at 31 December 2022, the Domel Group had a workforce of 1,507; this figure includes 1,370 employees in Slovenia, 29 employees at the company in China and 108 employees at the company in Serbia.

Of the 1,370 Domel Group employees in Slovenia as at 31 December 2022, 549 (40%) were women and 821 (60%) were men. Fourteen per cent of management positions are occupied by women.

| Year | Number of employees | Women | %    | Men | %    |
|------|---------------------|-------|------|-----|------|
| 2020 | 1.330               | 531   | 39,9 | 799 | 60,1 |
| 2021 | 1.368               | 561   | 41,0 | 807 | 59,0 |
| 2022 | 1.370               | 549   | 40,0 | 821 | 60,0 |

*Change in the number of Domel Group employees in Slovenia 2020–2022*

|                                  | Number of employees | Women | %    | Men | %    |
|----------------------------------|---------------------|-------|------|-----|------|
| Domel d.o.o.                     | 1.223               | 461   | 37,6 | 765 | 62,4 |
| Domel Holding d.d.               | 108                 | 70    | 64,8 | 38  | 35,2 |
| Domel Invalidsko podjetje d.o.o. | 36                  | 18    | 50,0 | 18  | 50,0 |

*Number of employees in Domel Group companies in Slovenia in 2022*

| Age group    | Number of employees | Women      | Men        |
|--------------|---------------------|------------|------------|
| under 25     | 125                 | 32         | 93         |
| 26–30        | 193                 | 62         | 131        |
| 31–35        | 193                 | 59         | 134        |
| 36–40        | 132                 | 52         | 80         |
| 41–45        | 164                 | 85         | 79         |
| 45–50        | 213                 | 96         | 117        |
| 51–55        | 191                 | 98         | 93         |
| 55–60        | 139                 | 60         | 79         |
| over 61      | 20                  | 5          | 15         |
| <b>Total</b> | <b>1.370</b>        | <b>549</b> | <b>821</b> |

*Age structure of Domel Group employees in Slovenia in 2022*

## NEW RECRUITMENTS

As at 31 December 2022, there were 58 more employees in the Domel Group compared with 2021. The number of Domel Group employees in Slovenia was up by two in 2022, with 124 new recruitments and 120 employees leaving the company.

Employee turnover in the Domel Group in Slovenia stood at 8%, not including the 25 reassignments within the Group. The average age of employees was 42.7 years in 2022.

| Age group    | Number of new employees | Women     | Men       |
|--------------|-------------------------|-----------|-----------|
| under 25     | 45                      | 11        | 34        |
| 26–30        | 18                      | 7         | 11        |
| 31–35        | 24                      | 10        | 14        |
| 36–40        | 13                      | 6         | 7         |
| 41–45        | 7                       | 4         | 3         |
| 45–50        | 12                      | 5         | 7         |
| over 51      | 5                       | 1         | 4         |
| <b>Total</b> | <b>124</b>              | <b>44</b> | <b>80</b> |

*Number of new employees in 2022 by age group*

| Item                     | 2020 | 2021 | 2022 |
|--------------------------|------|------|------|
| Average age of employees | 40,1 | 40,9 | 42,7 |

*Average age of Domel Group employees 2020–2022*



The table below presents the education level of employees within the Domel Group in Slovenia by gen-

der. At least 58.9% of employees had completed at least secondary school education in 2022.

| Education level                                                                                                            | Women      | Men        | Total        | %          |
|----------------------------------------------------------------------------------------------------------------------------|------------|------------|--------------|------------|
| Doctorate (9)                                                                                                              | 1          | 9          | 10           | 0,7        |
| Postgraduate specialisation, master's degree (8)                                                                           | 5          | 12         | 17           | 1,2        |
| Integrated specialisation programmes, old university-level academic programmes, Bologna master's degree (7/1), Bologna (7) | 32         | 60         | 108          | 7,9        |
| Pre-Bologna professional higher education (7/0), Bologna (6/II)                                                            | 49         | 88         | 137          | 10,0       |
| Post-secondary education (6), Bologna (6/I)                                                                                | 32         | 85         | 117          | 8,6        |
| Secondary school education (5)                                                                                             | 157        | 262        | 419          | 30,6       |
| QU (4)                                                                                                                     | 133        | 146        | 279          | 20,4       |
| SP (3)                                                                                                                     | 9          | 19         | 28           | 2,0        |
| Primary school education (2)                                                                                               | 121        | 104        | 225          | 16,4       |
| Uncompleted primary school education (1)                                                                                   | 11         | 19         | 30           | 2,2        |
| <b>Total</b>                                                                                                               | <b>549</b> | <b>821</b> | <b>1.370</b> | <b>100</b> |

Educational structure of Domel Group employees (Slovenia) in 2022

## SOCIAL INCLUSION

We accept individuals from vulnerable groups into our working environment, and ensure that they enjoy the same opportunities and rights, and the same opportunities to participate in creating a successful company. People with disabilities are important members of our collective workforce. The Domel Group has a subsidiary, Domel IP Invalidsko podjetje d.o.o., which employed 19 people with disabilities

in 2022. Thirty-five people with disabilities were employed across the whole of the Domel Group in 2022. We have also concluded contracts on the employment of people with disabilities with the following outside sheltered companies: SIJ SUZ, d.o.o., REDNAK IP, d.o.o., TIP ZAŠČITA, d.o.o. and ŽELVA, d.o.o.



**INVALIDOM**  
PRIJAZNO  
PODJETJE

## EMPLOYEE DEVELOPMENT



As employee education and training is key to the company's growth and development, we invest heavily in systematic and planned education and training, as well as education and training tailored to business and individual needs, in line with the company's strategy and employees' development plans. The company provides its employees with professional and personal growth; it does this through a system of career pyramids, annual interviews, mentorships and online learning. We promote work-based learning and facilitate involvement in a specially developed MBA studies consortium.

Every year we provide every employee with the opportunity to learn a foreign language that they select themselves based on their wishes, needs and prior knowledge; we also offer educational opportunities and the option of project-based work via the in-house Domel Academy programme. In 2022 the seventh generation of employees began project-based work at the Domel Academy. Groups of employees worked on projects such as "How to achieve ESG goals by 2030", "Greater employee commitment and satisfaction", "Saving energy" and "Arranging business travel".

## EDUCATION AND TRAINING

We invested EUR 195,883 in employee education and training in the form of seminars, courses and workshops in 2022 (a total of 120 training hours). On average, each employee received 32 hours of professional education and training in 2022, at a cost per employee of EUR 85.

The average cost of education and training, including tuition, fees and travel expenses, amounted to EUR 162 per employee in 2022. We spent EUR 625,178 on education and training, including scholarships and awards for practical training for secondary-school and college students.

| Item                                            | 2020    | 2021    | 2022    |
|-------------------------------------------------|---------|---------|---------|
| Number of education/training hours per employee | 21      | 32      | 32      |
| Costs of education/training per employee (EUR)  | 70      | 88      | 84,9    |
| Total costs of education/training (EUR)         | 402.523 | 551.827 | 625.178 |

Number of hours and costs of education/training 2020–2022

The Smart Arena portal, which enables employees to access e-learning and webinars, was established in the second half of 2020. Employees undertook 961 hours of e-learning through the Smart Arena

portal in 2022; this was a decrease on the figures for previous years, as the easing of the Covid-19 pandemic meant that the amount of face-to-face learning rose once again.

## SCHOLARSHIPS, COMPULSORY PRACTICAL TRAINING AND WORK-BASED LEARNING

A great deal of attention is paid to the recruitment of young employees. We have an active ongoing scholarship policy that primarily provides scholarships in technical fields to secondary, post-secondary and university students. We are also involved in a vocational education apprenticeship scheme.

The company awarded scholarships to 119 students in secondary and post-secondary education in 2022; this was a slight increase relative to 2021 (112 scholarship holders) and 2020 (108 scholarship holders). Within the scholarship programme, we give students the opportunity to complete their practical training and to work on technical tasks for project-based, undergraduate and master's theses. We organise student work for secondary school and university students from the surrounding area

during the summer and, if the work process so requires, at other times during the year as well. A total of 37 secondary school and university students and three apprentices took part in compulsory practical training in 2022. Our scholarship holders are also involved in the Start Young Academy, where they work on start-up projects. Using selected innovative business ideas as the basis, scholarship holders learn how to employ an open approach to innovation and develop new products.

We also enable employees to undertake work-based learning, with 60 employees involved in this form of education in 2022: 13 on post-graduate courses, 35 on Level VI and VII courses, seven on a Level V course and five on Level IV courses.

## ■ OCCUPATIONAL HEALTH AND SAFETY



Safety and workplace safety are two of the Domel Group's highest priorities and the standards against which its success and reputation should be measured. Various activities and measures are carried out to ensure that the company meets its goal of having zero workplace accidents. We provide the safest possible working environment for our employees, periodically assess workplace risks and maintain those risks at an acceptable level through a range of safety measures. In this way, we ensure that the working environment is continuously improved over the long term. We monitor the risks of accidents and health impairments in relation to all

jobs and technologies. In addition to the occupational health and safety department, directors and department heads are involved in ensuring workplace health and safety for employees, along with two occupational medicine specialists who perform preliminary and periodic medical checks of employees. We also organise regular occupational health and safety training for employees, regularly inspect work equipment, machinery and devices, encourage employees to follow work safety instructions, organise evacuation drills and continuously upgrade personal protective equipment.



The Domel Group carries out the following occupational health and safety training:

- training for new recruits;
- training in accordance with a workplace safety programme for specific jobs;
- training in the handling of chemicals;
- training in early-stage fire-fighting and evacuation;
- training for working at height;
- employer-based first-aid training;
- training for work with lifting gear;
- training for work with screens.



## INJURIES AT WORK

The Domel Group recorded a total of 25 accidents in 2022, a fall of five relative to the year before. The accident frequency rate fell to 18.5 accidents per 1,000 employees in 2022. The accident severity rate was 26.5 lost working days, an decrease of one day on the 2021 figure. In the majority of cases, accidents occurred as a result of risky work, for example entering a machine's danger zone during op-

eration, failing to follow work safety instructions or having several people working at a machine at the same time. The hand is the most commonly injured part of the body, with open wounds/cuts resulting from an impact from or contact with the sharp or moving part of a machine being the most common type of injury.

| Item                            | 2020 | 2021 | 2022 |
|---------------------------------|------|------|------|
| Number of accidents             | 20   | 29   | 25   |
| Frequency (per 1,000 employees) | 15   | 21,5 | 18,5 |
| Severity <sup>6</sup>           | 26,5 | 27,8 | 26,5 |

Number, frequency and severity of workplace accidents 2020–2022

## SICK LEAVE

The sick leave rate was 7.52% in 2022, up from 6.43% in 2021. The sick leave rate includes absences of up to 30 days and absences of over 30 days.

| Item                                                       | 2020      | 2021      | 2022      |
|------------------------------------------------------------|-----------|-----------|-----------|
| Sick leave rate                                            | 5,29 %    | 6,43 %    | 7,52 %    |
| Total number of paid working hours                         | 2.805.758 | 2.792.633 | 2.799.721 |
| Total number of hours of sick leave                        | 158.848   | 183.794   | 209.644   |
| Total number of hours of sick leave charged to the company | 67.481    | 84.521    | 87.645    |
| Total number of hours of sick leave charged to the ZZS     | 91.367    | 99.273    | 121.998   |

Total number of working hours and number of sick leave hours 2020–2022

In addition to the benefits referred to in the previous sections, the company also offers employees the following additional benefits:

- payment of their contributions to the voluntary supplementary pension insurance system, of which 75% of Domel Group employees are members;
- the option of collective accident insurance;
- a system of mutual assistance funds;
- payment of additional special solidarity assistance in extraordinary cases such as accidents and illness;
- the option of using the company's holiday facilities;
- gifts for employees' children every year in December;
- gifts for all employees from the Works Council at the end of the year;
- a paid day off work to accompany a child on their first day of nursery or primary school;
- co-financing of the purchase of a Domel-powered e-bike and of cycling gear;
- co-financing of theatre season tickets.

<sup>6</sup> Accident severity is the ratio between the average number of days lost due to accidents and the total number of accidents.



## HEALTH PROMOTION

At the Domel Group, we are well aware of the value of employee health and safety. Good health is essential to business and personal productivity and creativity. We pay particular attention to raising employee awareness of occupational health and safety and to maintaining and improving employee health. In collaboration with an occupational medicine specialist, a health promotion plan is drawn up annually using a systematic approach. It contains activities and measures to maintain and promote health. The programme is organised on the basis of an employee health analysis, which allows us to tailor the planned activities to employees' needs. For the purpose of promoting health at the workplace, the company has established a health promotion team

comprising the heads of production departments, technologists, the occupational health and safety department, the HR department, the chair of the trade union, the chair of the works council, the head of electrical maintenance, the head of mechanical maintenance, and senior management. A broad group of stakeholders works together to develop a set of actions to improve working conditions in all areas. Management is actively involved in helping to plan activities and approving additional funding in cases where a proposal involves all company employees. We encourage all employees to submit initiatives, ideas and suggestions for improvements related to workplace health promotion.

- We offer our employees the option of joining a supplementary collective health insurance scheme that provides quicker access to healthcare services and a faster route to diagnosis and treatment. Depending on the package, the company covers all or part of the cost of the insurance for employees.
- We periodically organise free specialist medical checks, and offer the option of free flu and tick-borne encephalitis jabs.
- As part of our efforts to promote health, we provide fresh fruit for our employees every day.
- The company pays attendance fees for recreational cycling and running events.
- We subsidise fees for various sports activities, such as group exercise, gym exercise, swimming and skiing, as well as the costs of massage and sauna visits.
- During the autumn and winter months, team-based recreation takes place in a primary school gym and in a sports hall in Železniki. Employees can play badminton, table tennis, five-a-side football, volleyball and basketball free of charge.
- Every February or March, we organise a skiing day, which is a recreational and social giant slalom event.
- In the summer months we organise sports and recreational events for employees that pit different business units against each other in football, beach volleyball and streetball. Employees can also take part in tennis, shooting, “flinger” and darts tournaments.







# ENVIRONMENTAL ASPECTS OF SUSTAINABILITY





“

Look deep into nature,  
and then you will  
understand everything  
better.

Albert Einstein

”

A healthy natural environment is a treasure, and an increasingly rare resource that we aim to preserve by observing the principles of sustainable operations and in order to ensure a high-quality living environment for employees, the wider local environment and future generations. All Domel Group employees share responsibility for the environment.

We monitor all the environmental impacts resulting from the company's operations, take them into account when making business decisions, and are constantly on the lookout for opportunities to improve the way we manage the environment and reduce any negative impacts. The Domel Group as a whole has an environmental policy that sets out the key business strategies in the field of environmental protection.

It has in place an environmental management system certified in accordance with the ISO 14001 standard, which commits us to continuously reduce our environmental impact and strive for responsi-

ble and environmentally friendly operations. Our responsible environmental management is chiefly reflected in the savings made in the consumption of electricity, heat and drinking water, the reduction of environmental emissions, the responsible management of packaging and the separation of waste, and the efficient use of raw materials in production processes.

Compliance with the law, standards and environmental permits is verified through regular monitoring and measurements of energy consumption and environmental emissions. Internal and certification assessments, customer assessments, safety reviews and inspections enable us to maintain the environmental management system and identify opportunities for improving it. As part of the annual management reviews, we review the achievement of environmental aspects, the fulfilment of legal requirements and the achievement of environmental goals.

# ENVIRONMENTAL PROGRAMMES

We also reduce environmental impacts by means of environmental programmes designed in line with the company's environmental objectives. They help to ensure that the company operates in a sustain-

able way. We carried out a number of activities set out in the environmental programmes at the company's sites in 2022. Some activities are still ongoing and will be completed in the course of the next year.

## Otoki:

- two additional electric vehicle charging stations installed;
- old fire alarms replaced across the entire site;
- software purchased for the systematic evaluation of the environmental impacts of products;
- methodology established for the monitoring of the company's carbon footprint (scope 1 and 2);
- water supply system, hydrant network and sewerage system overhauled as part of the complete renovation of the courtyard area;
- energy renovation of buildings, involving the replacement of windows and a new facade with insulation (slated for completion over the next few years);
- multi-storey car park constructed (79 new parking spaces);
- evacuation and flood protection drills carried out;
- environmental permit amended (as a result of technological changes, wastewater is no longer generated);
- possibility reviewed of installing a solar power unit at the Otoki site;
- open day held.

## Trata:

- video surveillance system put in place;
- evacuation drills carried out;
- activities carried out for the installation of a solar power unit on the roof of the company building (completion expected in 2023);
- open day held.

## Na Plavžu:

- evacuation and flood protection drills carried out;
- installation of fire alarms and review of the active fire protection system;
- open day held.

## Reteče:

- evacuation drills carried out;
- heating system rehabilitated;
- water supply system inspected and rehabilitated;
- open day held.

A photograph of a high-voltage power line tower against a blue sky with a yellow banner overlay. The banner contains the text 'ENERGY MANAGEMENT' in white capital letters. The tower is a complex metal structure with multiple cross-arms and insulators. The sky is a clear, bright blue, and the overall scene is well-lit, suggesting a sunny day.

ENERGY  
MANAGEMENT

# ELECTRICITY CONSUMPTION



Owing to the characteristics of the Domel Group's activities, electricity accounts for the highest share of energy consumed by the company. The Domel Group consumed a total of 19,316 MWh of electricity across its Slovenian sites in 2022; this was 1,007 MWh (or 3.9%) less than in 2021. The manufacturing and business premises at the Otoki site

accounted for the largest share of total electricity consumption (50.5%), followed by Trata (31.5%), Reteče (12.3%) and Na Plavžu (5.7%). Energy efficiency, which is a criterion for efficient electricity use and is shown as the ratio between electricity consumed and working hours, improved to 17.0 in 2022.

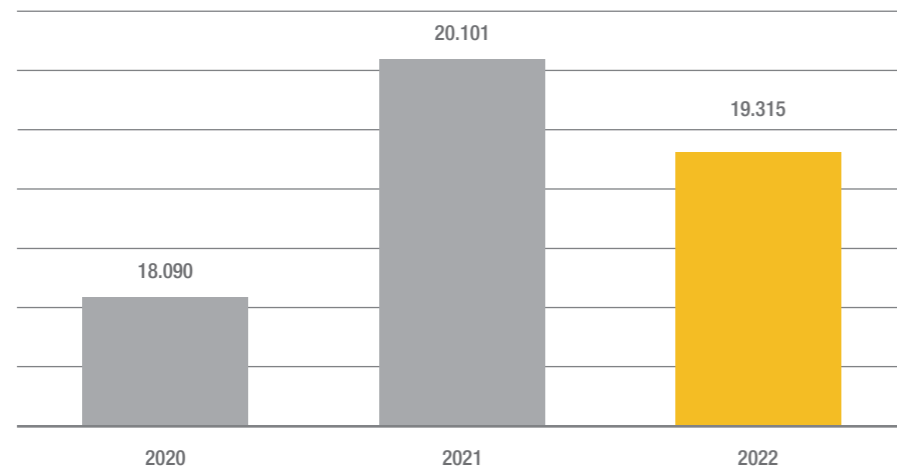
We managed to reduce electricity consumption at the Otoki site by 9.5% between 2021 and 2022. Measures and activities to reduce electricity consumption and use electricity more efficiently were

directed mainly towards the optimisation of the electric motor test site. Electricity consumption was higher at Reteče in 2022; this was because of the increased scope of production at that site.

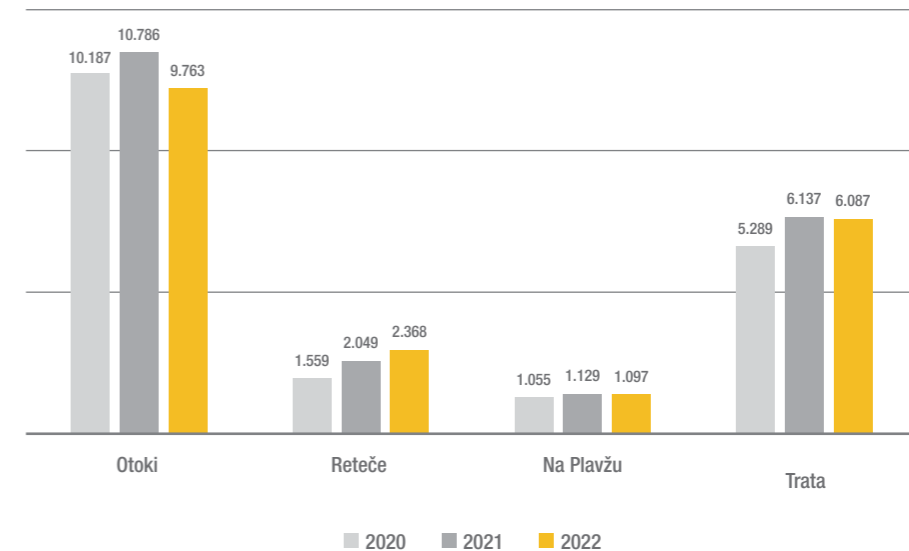
Electricity consumption 2020–2022 by site (in MWh)

| Site              | 2020   | 2021   | 2022   |
|-------------------|--------|--------|--------|
| Otoki             | 10.187 | 10.786 | 9.763  |
| Reteče            | 1.559  | 2.049  | 2.368  |
| Na Plavžu         | 1.055  | 1.129  | 1.097  |
| Trata             | 5.289  | 6.137  | 6.087  |
| Total consumption | 18.090 | 20.100 | 19.316 |
| Energy efficiency | 19,1   | 18,6   | 17,0   |

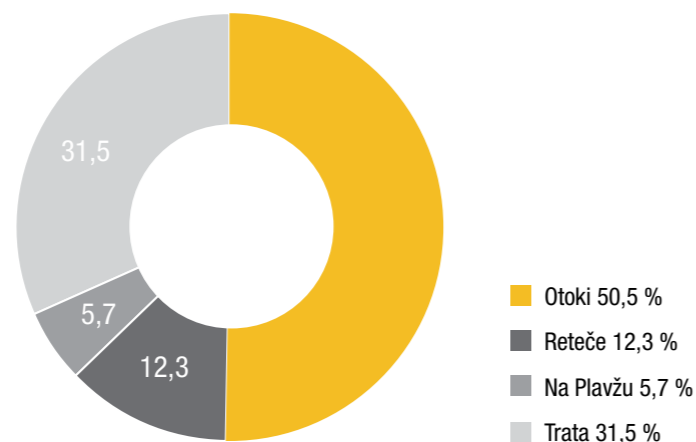
Total electricity consumption 2020–2022 (in MWh)



Electricity consumption 2020–2022 by site (in MWh)



Share of electricity consumption by company site



The company carries out a range of activities to reduce energy consumption and ensure that operations are as energy-efficient as possible. Next year we will continue working on optimising the electric motor test site, increase the efficiency of the compressed air preparation system and carry out the energy renovation of the building at the Otoki site. In 2023 we

are planning to construct a solar power unit at the Trata site to increase our electricity self-sufficiency and the proportion of electricity generated from renewable sources. We raise employees' awareness of the importance of using energy carefully, and encourage them to turn off lights and computers when not in use or when they leave work.



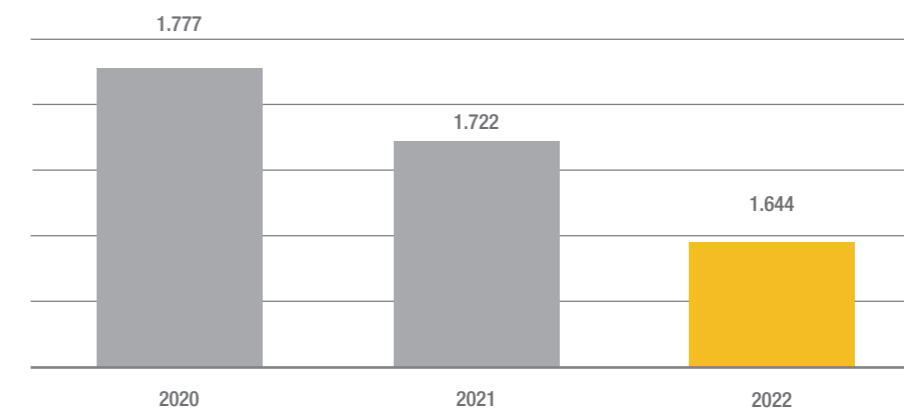
# THERMAL ENERGY CONSUMPTION



Through the energy renovation of buildings and the optimisation of heat consumption, we reduced total thermal energy consumption in 2022 by 78 MWh, or 4.5% relative to 2021.

We also reduced the consumption of primary energy sources through the introduction of efficient heating technologies. These figures relate to the Domel Group's sites in Slovenia.

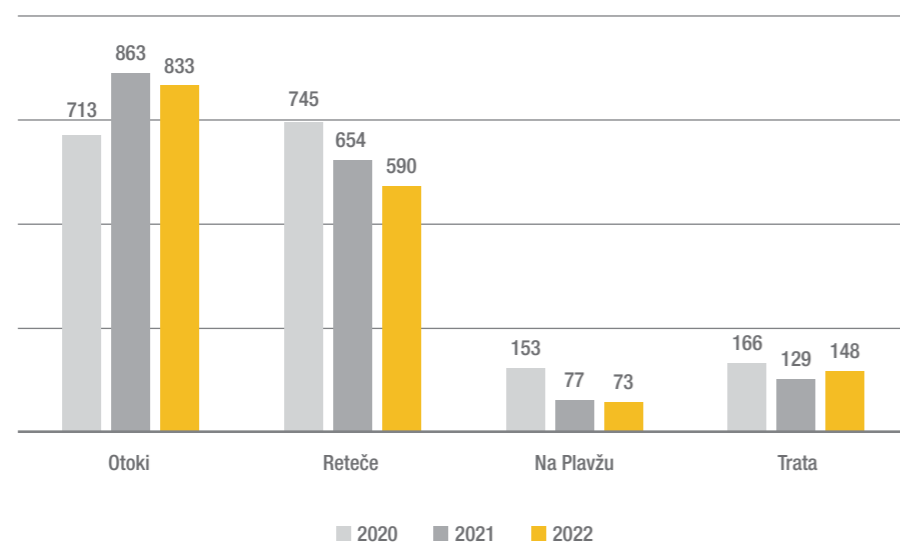
Total thermal energy consumption 2020–2022 (in MWh)



Total thermal energy consumption by site between 2020–2022 (in MWh)

| Site         | 2020         | 2021         | 2022         |
|--------------|--------------|--------------|--------------|
| Otoki        | 678          | 713          | 863          |
| Reteče       | 946          | 745          | 654          |
| Na Plavžu    | 202          | 153          | 77           |
| Trata        | 158          | 166          | 129          |
| <b>Total</b> | <b>1,984</b> | <b>1,777</b> | <b>1,723</b> |

Thermal energy consumption by site between 2020–2022 (in MWh)



We use district heating from Toplarna Železniki to heat the Otoki site. Owing to optimised heat consumption and the use of nearly all waste heat from production and the compressor station, the amount of district heat consumed from Toplarna Železniki in 2022 was similar to the level recorded the previous year.

Since the thermal rehabilitation of the production hall at Reteče, the areas that were renovated have been heated exclusively using waste heat from the compressor station. Other premises are heated using wood biomass. In 2022 the failure of the wood biomass furnace meant that we were forced to use

extra-light heating oil (ELHO) for several months. Heat pumps were installed at Na Plavžu in 2021, which brought the use of fossil fuels (heating oil) to an end at this site.

The production hall at the Trata site is heated using waste heat from industrial cooling and the compressor station, while a heat pump is used to heat the administrative building. Gas is only used for back-up on the coldest winter days.

The electricity used to heat the company's site or run the heat pumps is included in the figure for the total amount of electricity consumed.

## WATER MANAGEMENT

Consumption of district thermal heat and other energy sources for heating 2020–2022

| Site      | Energy source                   | 2020   | 2021  | 2022  |
|-----------|---------------------------------|--------|-------|-------|
| Otoki     | District heating (MWh)          | 713    | 862   | 832   |
|           | Available waste heat (MWh)      | 972    | 1.007 | 831   |
| Reteče    | Heating oil (l)                 | /      | /     | 2.710 |
|           | Wood biomass (nm <sup>3</sup> ) | 915    | 1.060 | 979   |
| Na Plavžu | Heating oil (l)                 | 12.613 | /     | /     |
| Trata     | Natural gas (m <sup>3</sup> )   | 2.216  | 2.461 | 4.683 |

# WATER CONSUMPTION

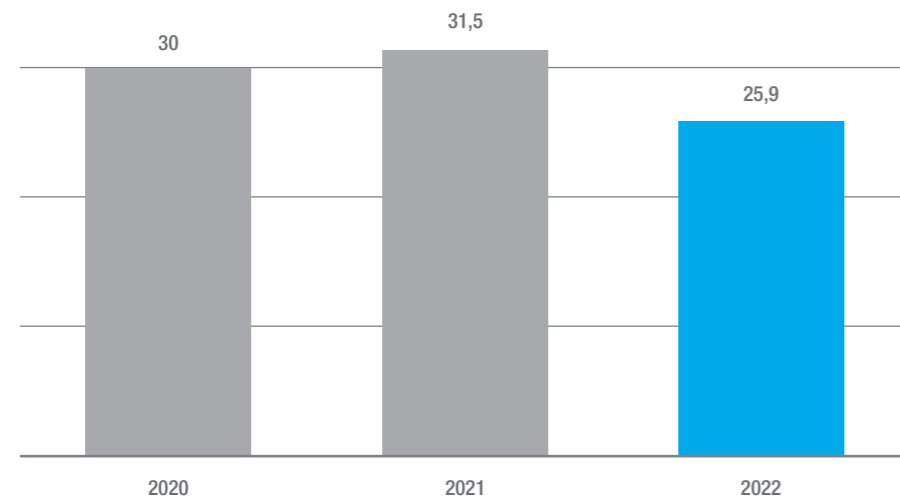


We pay a great deal of attention to the preservation and efficient use of natural water sources, and to the need to save water. We are reducing water consumption by optimising more environmentally friendly technological processes. The majority of our cooling technology is located within closed-loop

systems, which means that mains water is only occasionally used for industrial cooling. We comply with all applicable legislation and regulations on the protection of water sources.

Total consumption of mains water fell by 5,600 cubic metres (or 21%) between 2021 and 2022.

Total water consumption 2020–2022 (1,000 m<sup>3</sup>)



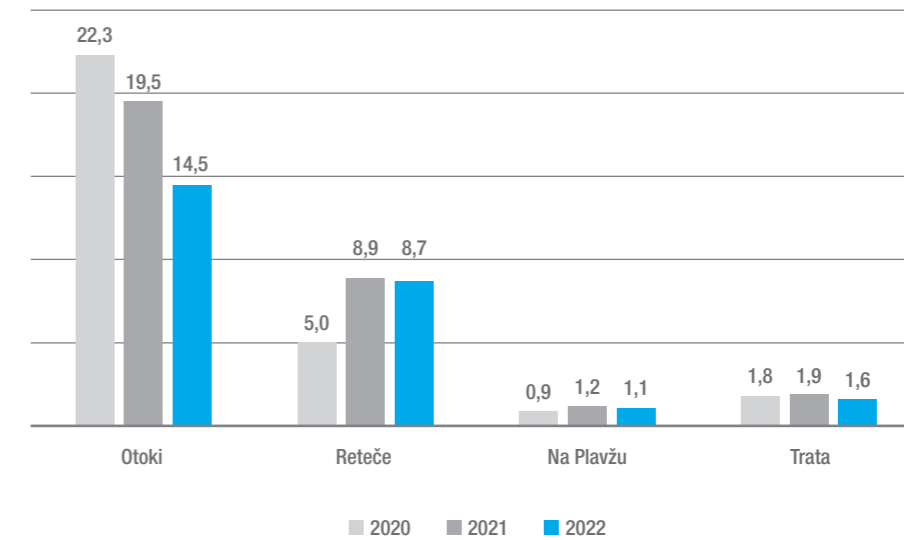
Water consumption fell most at the company's Otoki site, down to 14,500 m<sup>3</sup> in 2022, or 26% lower than the previous year. In the manufacturing process, mains water is used only for the washing machine and for humidifying the test site, with closed-loop systems used for industrial cooling. A section of the hydrant system was also renovated at this site

in 2021, removing the possibility of water leakage. Water consumption increased at the Reteče site in 2021 as a result of damage to the hydrant system; the leakage of water under part of the building has since been fixed. At the other sites, water consumption is stable or fell slightly between 2021 and 2022.

Water consumption by site 2020–2022 (1,000 m<sup>3</sup>)

| Site         | 2020         | 2021        | 2022        |
|--------------|--------------|-------------|-------------|
| Otoki        | 22,3         | 19,5        | 14,5        |
| Reteče       | 5,0          | 8,9         | 8,7         |
| Na Plavžu    | 0,9          | 1,2         | 1,1         |
| Trata        | 1,8          | 1,9         | 1,6         |
| <b>Total</b> | <b>30,03</b> | <b>31,4</b> | <b>24,2</b> |

Water consumption by site 2020–2022 (1,000 m<sup>3</sup>)



At the Trata and Na Plavžu sites, groundwater is also used for cooling machines and premises, for which the company has a water permit. We have a water permit for two wells, of 100,000 m<sup>3</sup> for the cooling of machines and 350,000 m<sup>3</sup> for the cooling of premises. As we exceeded the permitted quantity of water at the first well by 13% in 2022, activities

are under way to optimise water consumption. Seventy-five per cent of the permitted quantity of water was pumped from the second well. We have a water permit for 50,000 m<sup>3</sup> at the Na Plavžu site; 88% of the permitted quantity of water was used at this site in 2022.

## WASTEWATER MANAGEMENT



Wastewater is discharged under supervision and only at the Otoki site, where it is released into the Selška Sora river. Controls of wastewater quality are carried out in the form of regular monitoring (four measurements annually). Only one wastewater measurement was carried out in 2022. A technolog-

ical modification has been made in the form of an investment in a cooling installation, establishing a close-loop system in which wastewater is no longer produced. As a result, we are no longer required to measure wastewater and are in the process of cancelling the environmental permit for the Otoki site.

ENVIRONMENTAL  
NOISE MEASUREMENTS

MEASUREMENTS OF  
ATMOSPHERIC EMISSIONS

# ENVIRONMENTAL NOISE MEASUREMENTS



Under the Rules on initial measurements and operational monitoring of noise sources and on conditions for their implementation, operational monitoring

of noise sources is carried out every three years. Noise measurements will be carried out at all sites in 2023.

# MEASUREMENTS OF ATMOSPHERIC EMISSIONS



Atmospheric emissions are monitored closely, and compliance with permitted limit values demonstrated through regular monitoring. The main sources of atmospheric emissions from our activities come from the impregnation of rotors, the injection of plas-

tic and the varnishing of stators. All emission measurements are taken when devices are operating at full power or when the generation of emissions is at its highest. To date, all measured emission values have been in line with prescribed limit values.





# WASTE MANAGEMENT



Preventing waste from being produced in the first place is the first step towards efficient waste management; this is something the company achieves by designing environmentally efficient products, using advanced manufacturing technologies, optimising technological processes, incorporating reusable packaging into logistics flows, and raising employees' awareness of the correct method of managing waste.

The separate sorting and collection of waste is a fundamental principle of circular waste management, and enables materials to be recycled and re-used in an effective manner. The company has an adequate separate waste collection system in place. We separately collect all waste that constitutes a renewable source of valuable raw materials, such as copper, brass, aluminium and steel, and deliver it to an authorised waste collector for recycling. Some quantities of waste have increased while others have decreased; this is the result of increased production volumes for some product lines, a fall in

the production of vacuum units and the shifting of a portion of production to Serbia.

In 2022 quantities of waste copper and iron increased, while quantities of waste brass fell by 42% relative to 2021. Quantities of waste aluminium fell by 25% relative to 2021; this was the second annual fall in a row. The separate collection of waste magnets, which are now delivered for recycling or reuse, was put in place in 2022.

The indicator of the ratio between waste generated and the quantity of materials purchased by the company over the same period is used to measure the efficiency of the management of materials. Between 2020 and 2022, the ratio between the annual quantity of materials purchased and the waste generated remained at the roughly same level for copper and iron, but fell in relation to brass. Owing to the wide variety of materials and components purchased, the figure for aluminium was not taken into account (the indicator would not reflect the real situation).

Volume of useful waste by type between 2020–2022 (in tonnes)

| Item      | 2020             | 2021             | 2022              |
|-----------|------------------|------------------|-------------------|
| Copper    | 17,90 (1,6 %)    | 20,67 (1,6 %)    | 22,56 (1,9 %)     |
| Brass     | 36,04 (4,0 %)    | 50,62 (3,7 %)    | 29,51 (2,8 %)     |
| Aluminium | 67,39 (/)        | 57,18 (/)        | 42,89 (/)         |
| Iron      | 9.166,85 (5,9 %) | 9.876,12 (5,5 %) | 10.301,65 (5,9 %) |
| Magnets   | /                | /                | 0,5               |

Separate collection is also in place for composite materials and waste components. The quantity of waste rotors fell by 12% in 2022, while there was

an increase in the quantity of waste cables and electronic components.

Volume of composite waste by type 2020–2022 (in tonnes)

| Item                        | 2020  | 2021  | 2022  |
|-----------------------------|-------|-------|-------|
| Waste rotors                | 63,92 | 87,16 | 76,63 |
| Waste copper cables         | 1,45  | 0,58  | 1,68  |
| Waste electronic components | 3,71  | 1,09  | 3,95  |

# WASTE PACKAGING MANAGEMENT



We have put a more sustainable system of reusable packaging in place for logistics flows involving local suppliers and some customers. The company also uses reusable packaging for all internal transport of raw materials and products between its sites, which has led to a partial reduction in the amount of waste cardboard packaging produced. In 2022 there were approximately 20 fewer tonnes of waste cardboard, or a fall of 15% relative to the year before. Quanti-

ties of mixed waste packaging fell by 28% between 2021 and 2022; this was the result of a reduction in the volume of vacuum units produced and the shifting of some assembly work to Serbia. A system for the more consistent separation of BMC waste was put in place at the Trata site at the beginning of 2022; prior to this, such waste had been collected together with mixed waste packaging.

Quantity of cardboard packaging 2020–2022 (in tonnes)

| Item                      | 2020   | 2021   | 2022   |
|---------------------------|--------|--------|--------|
| Waste cardboard packaging | 121,23 | 130,00 | 110,00 |
| Mixed waste packaging     | 71,08  | 88,25  | 63,42  |

# OTHER WASTE



We pay special attention to consistent waste separation by training and raising the awareness of our employees. In comparison with 2021, the quantity of mixed municipal waste fell by approximately 14%, and there was also a 3% reduction in the quantity

of waste hazardous substances. Following the introduction of strict separation of waste BMC plastic, which had previously been collected along with mixed waste packaging, the quantity of this type of waste rose by 22% in 2022.

Quantity of other waste (in tonnes) by type 2020–2022

| Item                       | 2020   | 2021   | 2022   |
|----------------------------|--------|--------|--------|
| Mixed municipal waste      | 29,12  | 39,79  | 34,27  |
| Waste BMC plastic          | 182,53 | 223,17 | 272,81 |
| Waste hazardous substances | 40,42  | 41,23  | 39,93  |





# WORKERS' PARTICIPATION IN MANAGEMENT

# REPORT OF THE WORKS COUNCIL FOR 2022

*The Worker Participation in Management Act (ZSDU) guarantees worker participation in company management through, inter alia, the right to be informed, the right to consultation and the right to approve business decisions taken by the employer.*

*One of the main reasons behind the requirement to keep workers informed is to increase the level of understanding of the company's business goals and various business-related activities, and therefore to improve communication throughout the entire system. This allows us to establish mutual trust between the employer and employees.*

Elections to the Works Council were held in 2022. Pursuant to a previously signed agreement with management, we elected a new Unified Works Council of 19 members, which took up its eighth term of office. Through its members, the Works Council represents workers at all the company's sites (Na Plavžu, Otoki, Trata and Reteče). Eighteen meetings of the old and new Works Council took place in 2022: one founding meeting, one correspondence meeting (via email), nine independent meetings (i.e. involving members of the Works Council only), and seven meetings involving senior management and the management board. On every occasion the independent meetings addressed all the proposals, initiatives and questions put forward by members and workers. At the monthly meetings with the management board, we were apprised in detail of past operations and, together with the board, reviewed current economic and business positions and situations within individual Domel Group companies. As a self-governing body, we worked constructively on improving these positions and situations throughout. At every meeting we therefore made workers' proposals, initiatives and questions part of the business decision-making process. In 2021, Works Council meetings largely took place via Microsoft Teams as a result of Covid-19 measures, but returned to the meeting room in 2022. The members of the council were adequately prepared to address the individual topics on the agendas, and offered constructive proposals, initiatives and questions, actively participated in discussions, and adopted decisions in accordance with their competencies and powers. There was also a great deal of activity within the working bodies (committees and teams), which comprised those permanent bodies already confirmed/activated and those constituted to deal with specific new issues. Preparations were also made for the (early) elections for the new 2022–2026 term of office, which took place on 16 February 2022.

Therefore, in collaboration with the management board, we approved the schedule of meetings between workers, senior management and the management board for the current year in January 2022. At the constitutive meeting, we elected the chair and deputy chair of the Works Council and approved the recording clerk for the new term of office. In the course of several meetings for the new term of office, we then constituted new working bodies (committees) with a permanent mandate and members, and also renamed a number of committees.

Under Article 95 of the Worker Participation in Management Act (ZSDU), we approved the work schedule for 2023. The work schedule sets out the "bases for decision-making regarding the use of leave and other absences from work".

Each member received a Certificate of the Association of Works Councils of Slovenian Companies, which qualified them to perform the function of Works Council member. Members also underwent the relevant training at the association.

At the end of the year, together with the social partner (trade union) and the management board, we adopted a number of measures to mitigate the effects of levelling and ensure the financial sustainability of the Domel Group, as a new Minimum Wage Act was due to come into force on 1 January 2023.

We planned health promotion activities together with the management board in accordance with the Occupational Health and Safety Act (ZVZD-1), and determined the activities to be subsidised at the individual and collective level. In October, we therefore approved and published details of various activities (group exercise and recreation, gym activities, sauna, pool, massage, etc.) and the corresponding price list.

Unfortunately, we were unable to fully realise, either directly or indirectly, all of the sports and recreational events that we had coordinated and approved with the management board (giant slalom competition on Soriška Planina, workers' sports day, running and cycling events). The sports day had to be cancelled due to the weather.

We also made theatre season tickets available to our employees at subsidised prices, and provided skiing enthusiasts with reduced-price ski passes at three resorts: SC Cerklje, TC Soriška Planina and STC Stari Vrh.

As loyal custodians of the company's holiday facilities, we carried out continuous reviews to ascertain whether the Rules on the use of holiday capacities and other rules, both in application and non-application periods, remained fit for purpose, and constantly sought to make improvements in the way those capacities were leased. In addition to the summer call for applications, we also published calls for the winter holidays, May Day holiday, autumn holidays, Christmas and New Year holiday. We drew up a plan of investments in holiday facilities and drafted a report on occupancy rates and cost efficiency for the preceding year, which we presented in detail to the management board.

After measures to tackle Covid-19 had come to an end, we invited all workers to attend the traditional end-of-year assemblies. They gathered at a number of workers' assemblies convened and organised at all sites (Otoki, Na Plavžu, Trata, Reteče) by the Works Council in collaboration with the management board. At these assemblies, the management board gave detailed presentations of operations in 2022, presented the business plan for 2023 and provided detailed information about the changes brought about by the new Minimum Wage Act. There were 13 such workers' assemblies. Workers' assemblies are a way of providing information to workers while giving them the possibility of asking direct questions and putting forward initiatives and proposals to the management board, and a way for the Works Council to obtain viewpoints and guidelines for its work.

At the end of the year, we gave gifts to all employees and wished them a happy holiday.

Aleksander Volf  
Chair of the Unified Works Council

# REPORT ON THE WORK OF SP SKEI Domel d.o.o. FOR 2022

A trade union is an independent, autonomous, voluntary, non-profit, representative organisation of associated workers (members) that represents the economic, commercial, social, vocational, cultural and other interests of its members at all levels of the organisational structure. It is a mass organisation of employees whose aim is to protect employees and, in particular, its members. It is a voluntary association of employees whose purpose is to achieve better and higher targets in key areas such as wages, number of working hours per week at the employer, and working conditions. It is therefore engaged in the exercise of economic and social rights. A trade union represents workers through collective bargaining with employers. If it is not possible to reach agreement and as a last resort, it may organise industrial action. The main purpose of a trade union as an institution is to safeguard and improve workers' rights. Trade unions won the rights that we enjoy today in both the public and private sectors through struggle. These rights have changed over the decades. Trade unions have a particularly important role and responsibility in the current uncertain economic circumstances: on the one hand, they have to take the interests of workers into account and thereby obtain as many rights as possible on their behalf; on the other, capitalists wish to make as much money as possible at the workers' expense and operate in accordance with the logic of the market, which frequently shows little mercy towards workers. In most cases, this process is in conflict with workers' social demands. Trade unions and employers often retreat into their own corners, with representatives of the state frequently having to assume the role of a mediator trying to find a middle way that is acceptable to both sides. Slovenia has a tripartite system of bargaining, with employers, the state and trade unions all taking part in negotiations.

Trade unions can be organised at the level of a single employer, at sector level and at national level. Trade unions join forces in order to pursue their common interests; with this strength in numbers, they have more power to achieve their common objectives. Trade unions can also join together at the international level in order to promote the shared interests of their members. As the freedom to form trade unions is a constitutional right, anyone is free to join them.

The Domel trade union branch entered 2022 full of optimism and a new plan for the coming year. The first quarter of the new year was spent mainly waiting to see how the job classification system, which was negotiated and agreed in 2021 and took effect on 1 January 2022, would work out in practice.

In 2022 a higher annual leave allowance was paid than the minimum amount under the Collective Agreement (EUR 1,074.43). In agreement with senior management, the allowance was set at EUR 1,900, paid in two parts: the first at the end of May and the second at the end of October.

The members of the executive committee of our trade union branch are actively involved in education and training in the form of one-day courses at the trade union headquarters in Ljubljana and courses lasting several days on the island of Krk. In 2022 the planned education and training timetable was approved for the whole year. However, following the precedent set during the Covid-19 pandemic, the courses were not as well attended as in previous years. We took part in a three-day seminar in Boč, and an excursion around Slovenia lasting several days and involving a trip to Slovenske Gorice was organised in September. SKEI Slovenije sports events took place in truncated form. The national giant slalom and cross-country skiing competitions were cancelled as a result of Covid, and we did not take part in other activities, or else they were attended by trade union colleagues from other companies at regional level.

The company's trade union organises social activities that are financed by the company every year. These include the annual picnic and social gatherings for employees in the Domel Group, and the giving of gifts to employees' children at the end of the year (Father Christmas). The gifts are intended for children aged between two and seven. In March, all female employees at Domel receive gifts on International Women's Day.

In 2022 we regularly convened meetings between the executive committee of SKEI Domel d.o.o. and senior management. All took place face-to-face, although participation was also possible remotely via Microsoft Teams. The trade union branch held five ordinary meetings of the executive committee with management and five SP SKEI Domel d.o.o. executive committee meetings. The executive committee attended 20 management board meetings in 2022.

Robert Vojska  
Chair of the Executive Committee of the SKEI Domel Trade Union Branch



Domel Holding, d.d.  
Otoki 21, 4228 Železniki, Slovenija  
E-pošta: [info@domel.com](mailto:info@domel.com)  
[www.domel.com](http://www.domel.com)

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