



**INTRODUCTION TO THE ANNUAL
REPORT AND
CONSOLIDATED DISCLOSURE OF
NON-FINANCIAL INFORMATION**

Year 2019

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INTRODUCTION TO THE ANNUAL REPORT

The publication of the Annual Report of the Sabaf Group, now in its fifteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated reporting of its economic, social and environmental performance.

One of the first international-level companies to embrace the trend of integrated reporting, Sabaf intends to continue on the path it has undertaken, inspired by the recommendations contained in the international Framework on sustainability reporting of the International Integrated Reporting Council (IIRC), aware that integrated, complete and transparent reporting can benefit both the companies themselves, through better understanding of the articulation of strategy and greater internal cohesion, and the community of investors, who will more clearly grasp the linkage between strategy, governance and corporate performance.

The Annual Report provides an overview of the Group's business model and the process of creating corporate value. The Business Model and the main results achieved (summary Performance Indicators) are in fact presented from the standpoint of the capital employed (financial; social and relational; human; intellectual, infrastructural, and natural) to create value over time, thereby generating results for the business, with positive impacts on the community and on stakeholders as a whole. "Non-financial indicators" include the results achieved in managing and enhancing intangible capital, the main driver that allows monitoring the ability of the company's strategy to create value in a perspective of medium/long-term sustainability.

Sabaf also adopts a virtuous approach with regard to compliance with the new regulatory obligations on non-financial reporting. On 30 December 2016, Legislative Decree 254 came into force, which, in implementation of Directive 2014/95/EU on Non-financial and diversity information, requires relevant public interest entities (EIPRs) to communicate non-financial and diversity information starting with the 2017 financial statements. As a public-interest entity, Sabaf prepared for the third year the Consolidated disclosure of non-financial information presenting the chief policies practiced by the company, the management models, the risks, the activities performed by the Group during 2019, and the related performance indicators as pertains to the issues expressly referred to by Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, struggle against corruption) and to the extent needed to ensure understanding of the company's activity, its trend, its results, and the impacts it produces.

The Group's commitment was also confirmed by the "Oscar di Bilancio" it garnered over the years (2004, 2013, 2017 and 2018) in the historic competition promoted and organized by Federazione Relazioni Pubbliche Italiana (FERPI), that for more than fifty years has honoured the companies most virtuous in financial reporting activities and in overseeing relations with stakeholders.

Key performance indicators in summary (KPI)

Economic capital		2019	2018	2017
Sales Revenues	€/000	155,923	150,642	150,223
EBITDA	€/000	27,033	29,959	30,955
EBIT	€/000	11,896	16,409	18,117
Pre-tax profit	€/000	9,776	20,960	17,804
Net Profit	€/000	9,915	15,614	14,835
Working capital	€/000	49,693	59,730 ¹	50,753
Invested capital	€/000	176,233	172,870	140,588
Shareholders' equity	€/000	121,105	119,346	115,055
Net financial debt	€/000	55,128	53,524	25,533
ROCE (return on capital employed)	%	6.8	9.5	12.9
Dividends paid out	€/000	6,060	6,071	5,386

Human capital		2019	2018	2017
Average age of personnel (sum of employee age/total employees at 31/12)	years	39.8	39.7	39.0
Level of education (number of graduates/total employees at 31/12)	%	59.1	59.6	57.3
Leaving turnover (employees no longer in office/total employees at 31/12)				
□ men	%	10.2	11.1	13.3
□ women	%	7.1	9.1	10.4
Hours of training per employee (hours of training/average employees at 31/12)	hours	15.3	22.3	19.8
Investments in training/turnover	%	0.25	0.33	0.28
Hours of strike for internal causes	number	0	0	0
Total employees	number	1,035	760	756
□ men	%	63.5	66.6	65.6
□ women	%	36.5	33.4	34.4
Recordable injury rate (number of injuries x 1,000,000/total hours worked)		9.91	23.49	14.68
Injury severity index (days of absence (excluding injuries while travelling to/from work) x 1,000/total hours worked)		0.17	0.17	0.13
Jobs created (lost)	number	15	4	2

¹ Figures restated compared to those published in the 2018 Annual Report.

Relational capital		2019	2018	2017
Value of goods and services outsourced	€/000	8,190	9,560	9,267
Average turnover by customer (total turnover/number of customers)	€/000	388	353	366
Percentage of turnover from new customers (turnover from new customers/turnover)	%	1.47	0.97	0.76
Percentage of top 10 customers	%	47	45	46
Percentage of top 20 customers	%	66	65	65
Turnover from certified suppliers (turnover from certified suppliers/purchases)	%	74	72	71
Number of analysts who follow the security continuously	number	2	2	1
Lawsuits filed against Group companies	number	6	3	4

Productive capital		2019	2018	2017
Fixed assets	€/000	138,506	119,527 ²	93,802
Total Net Investments	€/000	12,014	11,467	13,944
IT Budget (investments + current expenditure)/turnover ³	%	0.9	0.9	1.1
Real investment/turnover	%	7.4	7.5	9.1
Quantities sold of Light alloy valves on Total valves and thermostats	%	91.7	90.1	87.8
Quantities sold of high energy efficiency Burners on total Burners	%	23.1	21.9	19.7

Environmental capital		2019	2018	2017	
Materials used					
<input type="checkbox"/>	brass	t	481	789	540
<input type="checkbox"/>	aluminium alloys	t	6,476	7,831	8,070
<input type="checkbox"/>	steel	t	21,881	7,861	7,631
Waste ⁴					
<input type="checkbox"/>	similar to urban	t	225	186	189
<input type="checkbox"/>	hazardous waste	t	1,631	2,434	2,095
<input type="checkbox"/>	non-hazardous waste	t	6,164	6,008	6,201
Natural gas consumption	m ³ x 1000	3,740	3,918	4,059	
Electricity consumed	MWh	28,576	30,225	30,841	
CO ₂ emissions	t	17,772	18,520	20,078	
Tot. waste/Economic value generated by the Group	t/€	0.05	0.05	0.05	

Intellectual capital		2019	2018	2017
Capitalised investments in research and development	€/000	460	340	337
Hours dedicated to the development of new products/hours worked	%	1.0	1.3	1.4
Hours dedicated to process engineering/hours worked (hours dedicated to orders for the construction of new machines for new products or to increase production capacity/total hours worked)	%	2.2	2.5	2.5
Investments in intangible assets/turnover	%	0.7	0.4	0.6
Values of waste/turnover (production waste/turnover)	%	0.47	0.60	0.74
Impact of quality costs/turnover (charges and returns from customers/turnover)	%	0.14	0.09	0.09
Number of samples for customers	number	6,184	1,244	1,245

2 Figures restated compared to those published in the 2018 Annual Report.

3 The indicator does not consider data relating to the C.M.I. Group, over which Sabaf acquired control on 31 July 2019.

4 The indicator does not include data relating to C.M.I. Polska.

Products and markets

Historically, the Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances, with a market share of about 40% in Europe and over 10% worldwide.

In recent years, through a policy of acquisitions, the Group expanded its product range and is now active in the following segments of the household appliance market:

Gas parts

Hinges

Electronic components

The reference market is represented by manufacturers of household appliances. The range also includes products for the professional sector.

The 2018-2022 Business plan

On 13 February 2018, the BoD of Sabaf S.p.A. approved the 2018-2022 Business Plan.

The underlying objective of the Plan is to undertake a renewed path of growth, both organic and through acquisitions: an acquisition policy that can also increase the product range in sectors adjacent to the current ones, taking full advantage of the potential of the Sabaf Group.

As a whole, the Business Plan defines a revenue target ranging from € 250 to € 300 million, accompanied by a gross profitability (EBITDA%) of more than 20% and supported by an investment plan of up to € 230 million.

With regard to the organic component, the Plan set an annual growth target for revenue ranging from 4% to 6%, with the aim of achieving a turnover target of € 180-200 million in 2022.

The Group also assesses growth opportunities through acquisitions, which, based on the objectives of the Business Plan, could generate additional revenues ranging from € 70 to € 100 million at the end of the five-year period.

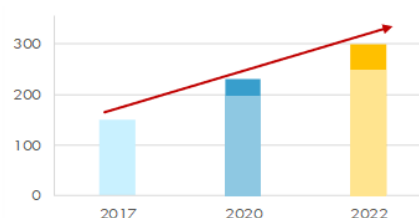


Estimated sales growth
between **65% and 100%**
(2022 compared to 2017)

EBITDA margin

- **ORGANIC:** CAGR between 4% and 6% (€ 180 – 200 mln sales by 2022)
- **BY ACQUISITIONS** (€ 70 – 100 mln sales by 2022)

- € 200 - 230 mln by 2020
- € 250 - 300 mln by 2022



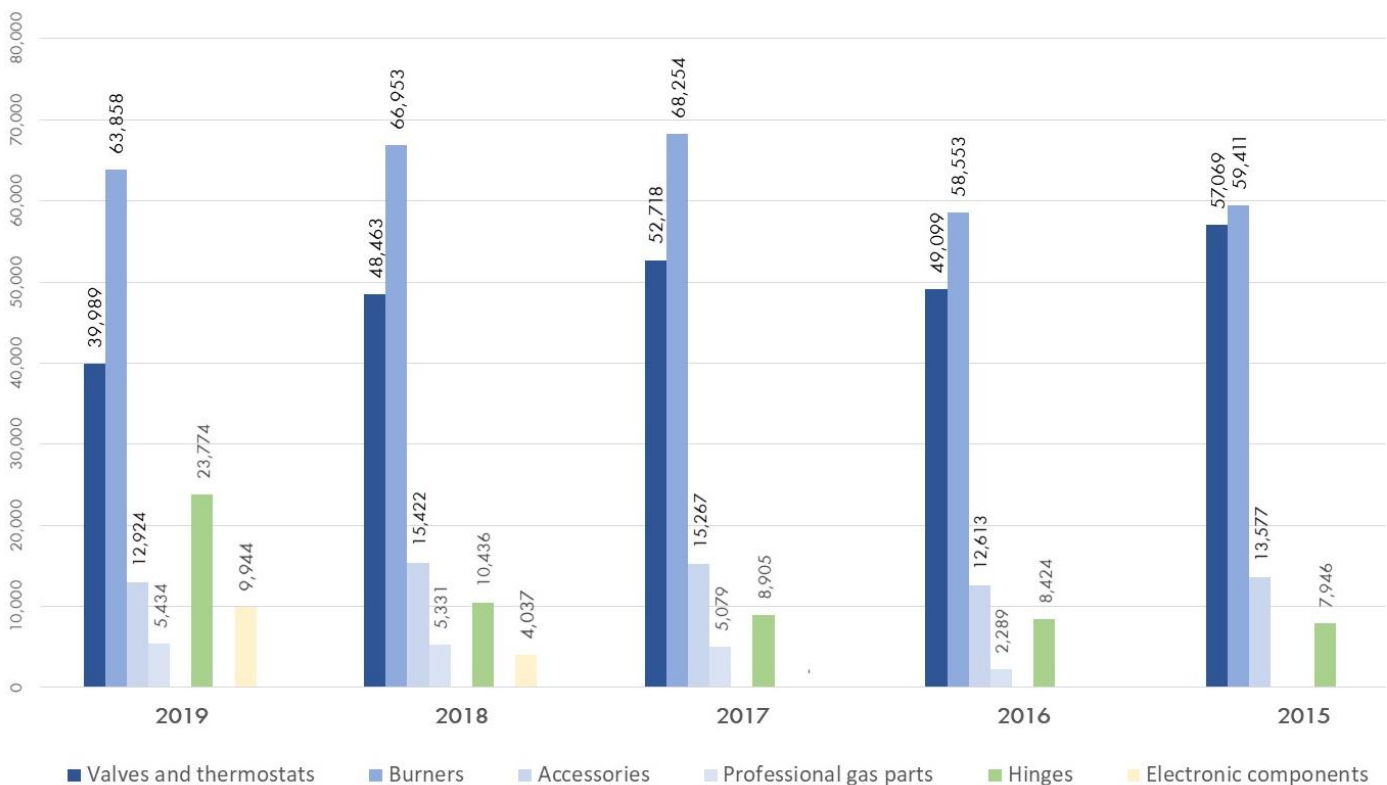
- > 20% of sales

The product range

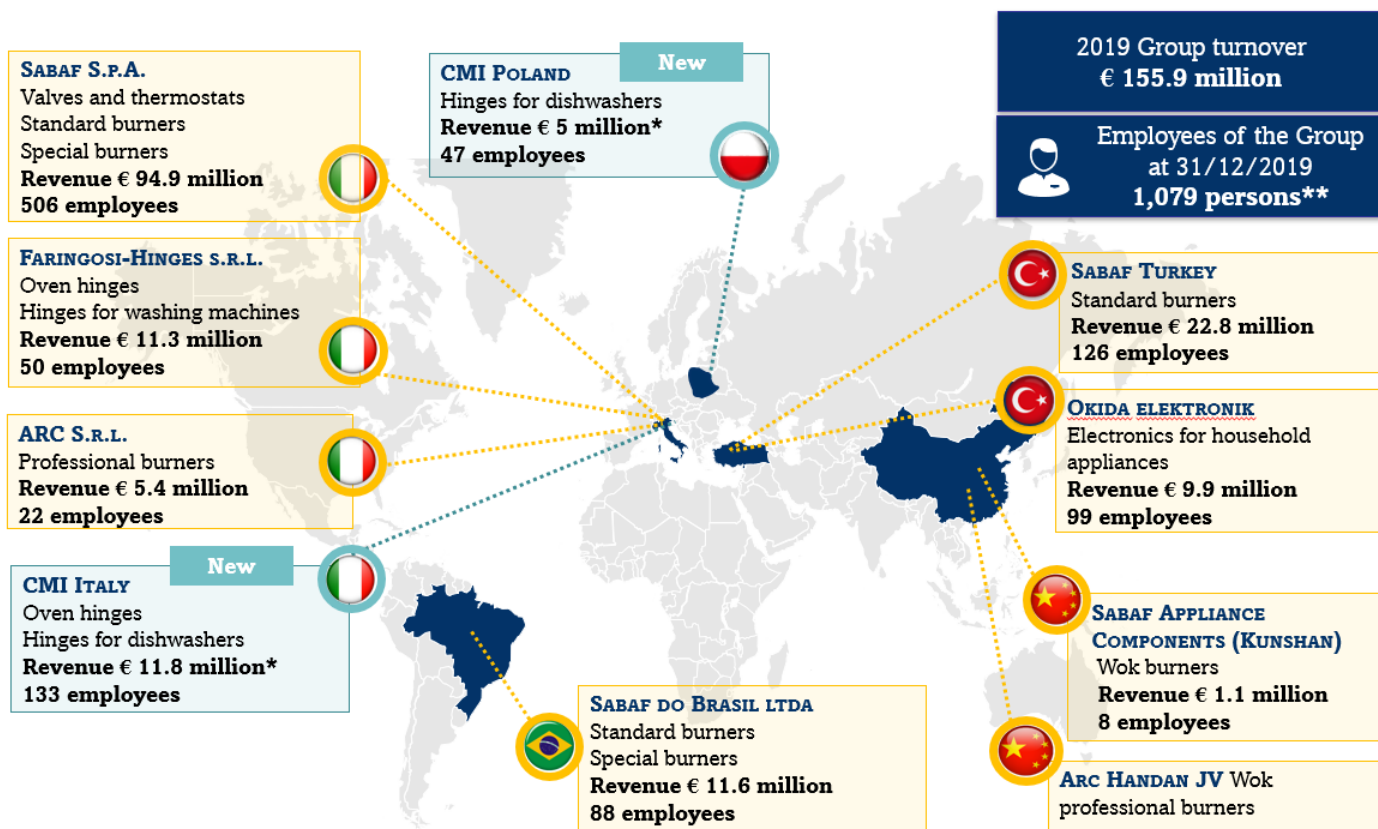
Gas parts	Hinges	Electronic components
<p>Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.</p> <p>Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.</p> <p>Accessories: include spark plugs, microswitches, injectors and other components to complete the range.</p>	<p>They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.</p>	<p>Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.</p>

Sales by product family

Amounts in €/000



The industrial footprint



* since August 2019

** including temporary workers and trainees

Countries and customers⁵

	2019	2018
Countries	55	56
Customers	402	400

In line with the followed commercial policies, most of the active commercial relations are characterised by relations consolidated over the long term. There are 32 customers with annual sales of more than € 1 million (as in 2018). The distribution by class of turnover is as follows:

	2019	2018
> € 5,000,000	7	7
from € 1,000,001 to € 5,000,000	25	25
from € 500,001 to € 1,000,000	16	20
from € 100,001 to € 500,000	75	64
< € 100,000	279	284 ⁶
Total	402	400

⁵ Data processed considering customers with sales above €1,000. In the last 5 years, the Sabaf Group's share of sales in international markets (excluding Italy and Western Europe, areas where Sabaf has a consolidated presence) increased from 62.6% in 2014 to 72.1% in 2019.

⁶ Figures restated compared to those published in the 2018 Annual Report.

Sabaf's international development: challenges and opportunities

Analysis of the scenario

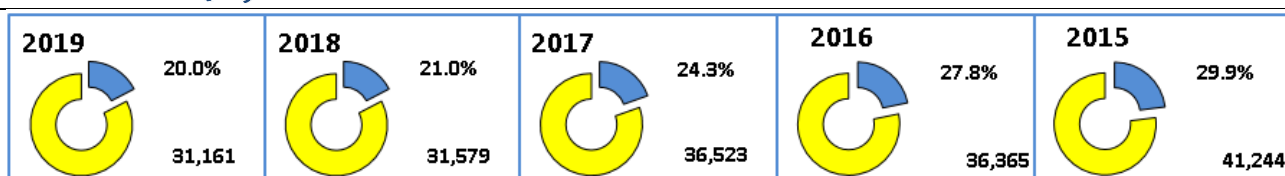
Performance data⁷

Italy

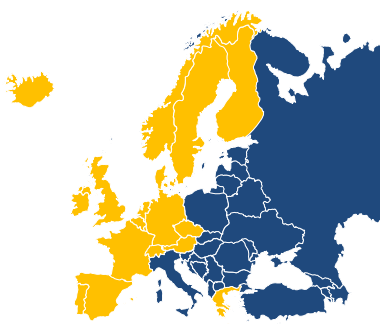


In the last ten years, the production of household appliances in Italy has been strongly reduced: some players left the sector and others relocated part of their activities to Turkey and Eastern Europe. There are still manufacturers focused mainly on the up-market or on special products, strongly dedicated to exports, which continue to show excellent results.

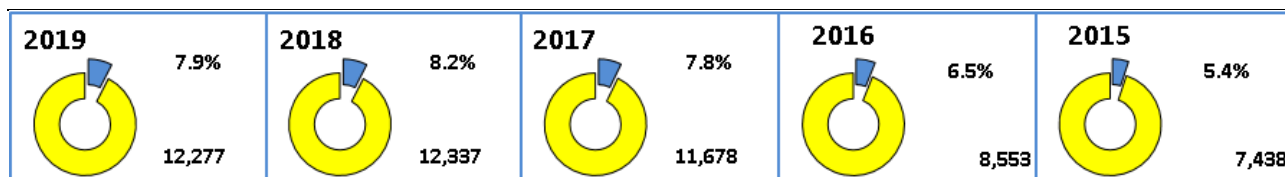
The importance of the Italian market for Sabaf is consequently lower than in the past. The majority (estimated at approximately 80%) of Sabaf's sales in Italy are destined for household appliances exported by our customers.



Western Europe

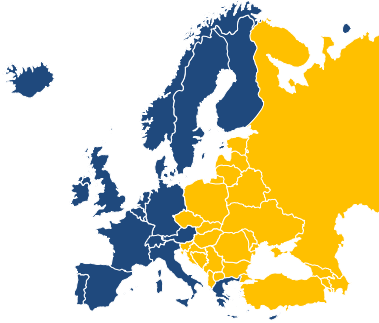


The same trend that characterised Italy was also seen in the other Western European countries: in Western Europe, up-market products remain high, where Sabaf is significantly increasing its share.



⁷ Sales by geographical area (€/000) and percentage incidence on Group sales.

Eastern Europe and Turkey

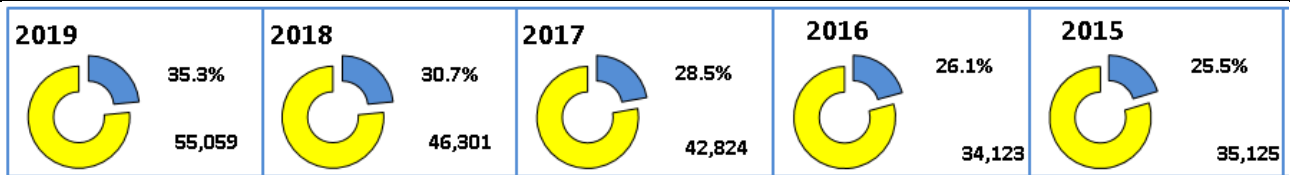


Turkey is now the state where the largest number of household appliances are produced. In this context, the opening of a production plant in Turkey and the acquisition of Okida Elektronik (September 2018) are key elements in support of the growth strategy.

Sabaf estimates that about 75% of sales in Turkey are exported by our customers (mainly in Europe); however, the Turkish domestic market is of increasing importance: the average age of the population, the number of new households and the increase in income are converging indicators of a growing demand for durable goods. Contingent factors such as the currency crisis of 2018 can lead to temporary reversals of this trend in 2019.

The Group's strategy is to further develop its activities in Turkey in the coming years.

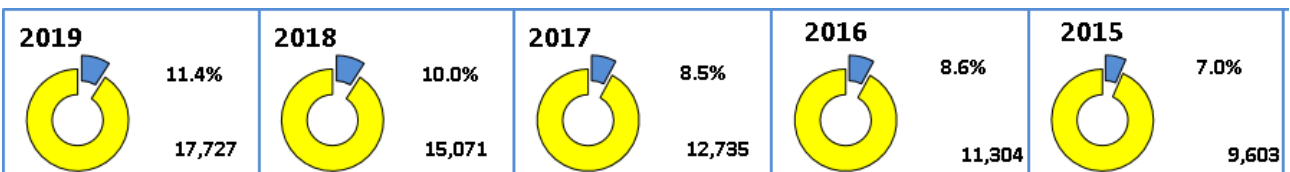
The Group is also active in other Eastern European markets, where it has recently concluded new commercial agreements.



North America and Mexico



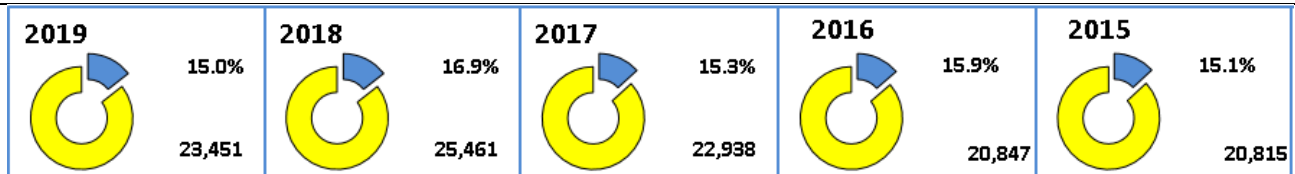
Sabaf's presence in North America is relatively recent, but sales and market share have been growing steadily in recent years. Future plans also include the development of products co-designed with major customers and a more direct coverage on the market, also through a production site.



South America



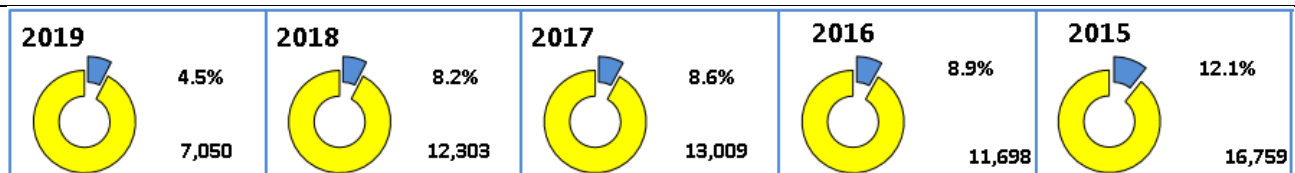
For future development, Sabaf can count on a consolidated production presence (a factory in Brazil has been operating since 2001). The Sabaf Group believes that the development potential of this area is still extremely interesting, considering the significant size of the market and the demographic growth trends. The product range for the local market was recently expanded, with the production of special burners in Brazil, also to meet the specific nature of demand. Other markets of great interest to the Group are those in the Andean area.



Middle East and Africa



Sabaf has a long-standing presence and reputation in the Middle East and Africa. The social, political and economic difficulties of the area inevitably condition the performance on these markets. The Group also considers the Middle East and Africa among the most promising markets in the medium term, also in view of demographic trends and the growing rate of urbanisation.



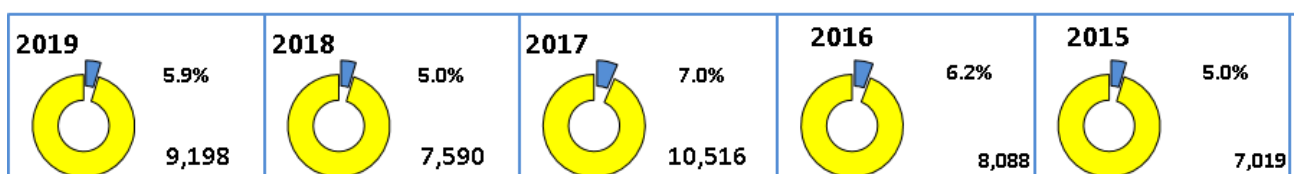
Asia and Oceania



China, with its production of more than 30 million hobs per year, is the most important market in the world. The Group, aware that it offers high quality products that are increasingly competitive compared to those supplied by local competitors, aims to establish long-term partnerships with the main Chinese hob manufacturers.

Another market with great potential is the Indian market, for which Sabaf developed a range of dedicated burners. During 2020, the construction of a production plant in India will begin.

Although sales in China and India still represent a small share of Sabaf's total business, these areas are a strategic priority for the Group.



CONSOLIDATED DISCLOSURE OF NON- FINANCIAL INFORMATION

(prepared pursuant to Article 4 of Legislative Decree 254/2016)

Methodological note

Preparation criteria

The consolidated disclosure of non-financial information of the Sabaf Group (hereinafter also referred to as the "Disclosure"), prepared in accordance with Art. 4 of Legislative Decree 254/2016 as amended (hereinafter also referred to as the "Decree"), contains information (policies practised, risks and related management methods, management models and performance indicators) on environmental, social, personnel, human rights and anti-corruption issues, to the extent necessary to ensure understanding of the activities carried out by the Group, its performance, results and impact. Each section also describes the main risks, generated or suffered, related to the above issues and deriving from the Group's activities.

The Sabaf Group identified the new GRI Sustainability Reporting Standards (hereinafter also referred to as "GRI Standards") published by the Global Reporting Initiative (GRI) as the "reference standard" for fulfilling the obligations of Legislative Decree 254/2016, as the most widely recognised and internationally disseminated Guidelines. From 2019, Sabaf will report on occupational health and safety using the *GRI 403* indicator: *Occupational Health and Safety 2018*. This Disclosure is prepared according to the "in accordance - core" reporting option. The process of defining the contents and determining the relevant aspects, also in relation to the areas envisaged by the Decree, was based on the principles envisaged by GRI Standards (materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance). To help readers find the information in the document, the GRI Content Index is at the bottom of the Disclosure.

This Disclosure was approved by the Board of Directors on 24 March 2020 and will be prepared annually. In accordance with one of the options envisaged by Art. 5 of Legislative Decree 254/2016, it constitutes a separate report from the Report on operations. Moreover, this Disclosure is subject to limited review according to ISAE 3000 Revised by the independent auditors EY S.p.A., appointed to audit the Group's accounts.

Reporting boundary

The reporting boundary of qualitative and quantitative data and information contained in the Consolidated Non-Financial Disclosure of the Sabaf Group refers to the performance of the Sabaf Group (hereinafter also referred to as "Group" or "Sabaf") for the year ended 31 December 2019 with reference to companies consolidated on a line-by-line basis. The data relating to the C.M.I. Group is consolidated from the date Sabaf acquired control (31 July 2019). Any exceptions are clearly indicated in the text at specific indicators.

Reporting process

On 17 December 2019, the Board of Directors of Sabaf S.p.A. approved a procedure for the reporting process of non-financial information. The procedure defines the phases, activities, timing, roles and responsibilities for the management of the reporting process and for the definition, collection and validation of data and other contents of the Disclosure.

The procedure, which has been applied for the preparation of this Disclosure, envisages the involvement of the parent company's management ("group data owners") and the representatives of all subsidiaries ("subsidiary data owners"), who are responsible for the relevant areas and the related data and information covered by the Group's non-financial reporting.

In particular, the data and information included in this Disclosure derive from the company information system used for the management and accounting of the Group and from a non-financial reporting system (data collection package) specifically implemented to meet the requirements of

Legislative Decree 254/2016 and GRI Standards. In order to ensure the reliability of the information contained in the Disclosure, directly measurable quantities have been included, limiting the use of estimates as much as possible. Calculations are based on the best information available or on sample surveys. The estimated quantities are clearly indicated as such. The economic and financial data and information are derived from the Consolidated Financial Statements at 31 December 2019.

Letter from the Chief Executive Officer to stakeholders

Dear shareholders and stakeholders,

the approval of these 2019 financial statements comes at a time of such particular uncertainty around the world, due to the spread of the coronavirus, that it makes it difficult to forecast and project anyone's strategies in the immediate future.

The financial strength of Sabaf and its diversification into different areas, both market and product, allow us to be reasonably confident about the outlook for the future and to say that a structured group like ours is likely to be able to cope even with periods of emergency and collective difficulties.

2019 closed with significant results, allowing us to reach almost 156 million revenues (155.9), up 3.5% on the same period in 2018.

We are pursuing with determination the implementation of our 2018-2022 business plan, whose objective is both organic and through acquisitions, by means of an acquisition policy capable of increasing the product range in sectors adjacent and synergistic with traditional ones.

Despite some slowdowns in organic growth during 2019, this trend reversed positively at the beginning of this year. Moreover, we expect a significant increase in our portions of supply in the two-year period from 2020 to 2021 to some large customers with whom several projects Sabaf has worked on in recent years are being implemented.

These projects, which are structural in nature, have strengthened the relationship of mutual trust with the main global players in the household appliance sector and could be a sign of further important developments in various areas of the world, starting with North America.

On this basis, if we exclude the negative impacts caused by the current pandemic, we also estimate very good results for 2020.

In the field of growth through acquisitions, after the acquisition in the second half of 2018 of the Turkish company Okida Elektronik, last year Sabaf "brought back to Italy" the C.M.I. of Bologna, which in 2017 had been acquired by the Chinese group Guandong Xingye Investment.

With the acquisition of C.M.I., Sabaf has become the world's leading manufacturer of hinges for household appliances.

This is a very important step from a strategic point of view as it further increases the Group's product differentiation, whose development is based on three fundamental sectors: the traditional burners and valves for gas cooking, electronics and hinges. A strategy that allows Sabaf to offer itself on the economic scene as a global supplier to manufacturers of household appliances, combining mechanical and electronic know-how, and as a fully-fledged creator and developer of innovative solutions in the flourishing world of smart appliances.

Today, the Sabaf Group's production and product development force is made up of a dozen or so factories for a total of over 1,000 people, about half of which continue to work at Ospitaletto, which remains the Group's vital centre and driving force.

The other factories, which allow for the increasingly global presence of Sabaf in strategic areas, are:

- for Sabaf Turkey, Sabaf Brazil and Sabaf China domestic burners;
- for A.R.C. professional burners in Veneto;
- for Okida electronics in Turkey;
- for the hinges of Faringosi Hinges in Bareggio (Milan) and the three plants of the C.M.I. Group, two in the province of Bologna (one of which, C.G.D., for the production of blanking presses) and one in Poland.

Our strength rests on the complete reliability and safety of products whose development is constantly in tune with the needs of an increasingly fragmented demand, specific in its details and requiring rapid response times and satisfaction.

However, the environment around us changes, so living organisms must also change, otherwise they are doomed to disappear.

In order to further expand our penetration in an increasingly global market, we are considering possible alliances to better and more closely serve China where the market for household appliances is more than double that of the European one and whose needs must be addressed without hesitation and without self-referential prejudices, but only in compliance with demand and with the guarantee of our quality standards.

Other production outposts will have to be built according to the needs of other markets, such as North America, South America and India.

We also work to produce increasingly innovative technological solutions. With Okida, we are able to offer electronic control systems that allow appliances to communicate with each other, with innovative solutions of the highest range.

We are experiencing a period of profound economic and social change that Sabaf intends to interpret in a perspective of change shared with employees and all our stakeholders.

Quality and innovation are dogmas that we intend to pursue with determination, combined with an increasing presence in global markets. This is possible thanks to the technical expertise, business relationships and trust we have been able to build with our customers and all our stakeholders.

We started as, and we continue to be, an engineering company, but we want to be open to the transformations imposed by the market and history. We are equipped to change and govern the changes in a perspective of continuous development in which we want and can be protagonists, not passive spectators.

Pietro Iotti

Business model, strategic approach and sustainable creation of value

Strategic approach and creation of value

Sustainable value creation

For the Sabaf Group, respect for business ethics and socially responsible behaviour are the fundamental elements of its business model. Accordingly, the Group developed a strategy and a governance model that can guarantee sustainable growth over time.

The Sabaf Group is aware that sustainable growth depends on the degree of harmony and the sharing of values with its stakeholders: compliance with common values increases mutual trust, encourages the development of common knowledge, and therefore contributes to the containment of transaction costs and control costs; in essence, it benefits the Group and all its stakeholders.

Values, vision and mission

Sabaf takes the Person as its original value and therefore as the fundamental criterion of every choice: this results in an entrepreneurial vision that ensures dignity and freedom to the Person within shared rules of behaviour. The centrality of the Person represents a universal value, i.e. a hyper-standard applicable without differences in time and space. In compliance with this universal value, the Sabaf Group operates by promoting cultural diversity through the criterion of equity in space and time. Such a moral commitment implies an a priori renunciation of all choices that do not respect the physical, cultural and moral integrity of the Person, even if such decisions can be efficient, economically convenient and legally acceptable. Respecting the value of the Person means that, first of all, the dimension of the category of Being in relation to Doing and Having is the overriding consideration, and therefore implies the protection and enhancement of the "essential" manifestations expressing the fullness of the Person.

The Charter of Values of Sabaf

The Charter of Values is the governance tool through which the Sabaf Group clearly explains the Company's values, standards of behaviour and commitments in relations with its stakeholders – shareholders, employees, customers, suppliers, lenders, the Public Administration, the community and the environment.

The spirit of the Charter is to reconcile the principles of economic management with ethics based on the centrality of Man, as an essential condition for the sustainable growth of business in the long term. Sustainable growth, intended as the ability to combine at the same time:

- **economic sustainability**, i.e. operate in such a way that company choices increase the value of the company not only in the short term but above all are able to guarantee business continuity in the long term through the application of an advanced model of corporate governance;
- **social sustainability**, i.e. promote ethical behaviour in business and reconcile the legitimate expectations of the various stakeholders in accordance with common shared values;
- **environmental sustainability**, i.e. produce by minimising the direct and indirect environmental impacts of its production activities to preserve the natural environment for the benefit of future generations in compliance with current laws on the subject.

The Charter aims to give a vision of ethics, focusing mainly on positive and just actions to be taken and not only on incorrect behaviour to be avoided. This vision is the basis for a positive use of freedom by decision-makers, where ethical references guide decisions in a manner consistent with

the Group's culture of social responsibility. The Sabaf Group aims to develop a process based on people being given a sense of responsibility within shared rules of behaviour with which to voluntarily comply.

According to this approach, it is still imperative to comply absolutely with the law and regulations in force in Italy and in the other countries where the Group operates, as well as with all the internal regulations of the Group and the values declared in the Charter.

The Charter of Values also represents a reference document as part of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and, as such, sets out a series of general rules of behaviour Group employees are required to comply with.

Table summarising the Policies of the Sabaf Group with reference to the contents of Legislative Decree 254/2016 as amended⁸

Topic envisaged by Legislative Decree 254/2016	Reference policies
Environment	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Raise staff awareness and train the personnel to promote environmental awareness - Minimise direct and indirect environmental impacts - Adopt a precautionary approach to environmental impacts - Encourage the development and diffusion of environmentally friendly technologies and products - Define environmental objectives and improvement programmes - Search for the right balance between economic objectives and environmental sustainability 	<ul style="list-style-type: none"> - Charter of Values - Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and OHSAS 18001 standards
Human rights	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Adopt socially responsible behaviour - Promote respect for the fundamental human rights of workers in all countries where the Group operates - Avoid all forms of discrimination and favouritism in respect of employment and occupation - Enhance and respect diversity 	<ul style="list-style-type: none"> - Charter of Values - Manual of the Social Responsibility Management System in compliance with SA8000 Standard
Personnel	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Encourage continuous learning, professional growth and knowledge sharing - Provide clear and transparent information on the tasks to be carried out and the position held - Encourage teamwork and the dissemination of creativity in order to allow the full expression of individual skills - Adopt criteria of merit and competence in employment relationships - Encourage the involvement and satisfaction of all the personnel 	<ul style="list-style-type: none"> - Charter of Values - Manual of the Social Responsibility Management System in compliance with SA8000 Standard
Personnel / Health and safety	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Reach working standards that guarantee health and maximum safety, also through the modernisation and continuous improvement of workplaces - Minimise any form of exposure to risks at work - Disseminate the culture of risk prevention through systematic and effective training - Promote the protection not only of oneself, but also of colleagues and third parties - Encourage the diffusion of products with security systems 	<ul style="list-style-type: none"> - Charter of Values - Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and OHSAS 18001 standards
Anti-corruption	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Raise awareness among all those who work for Sabaf so that they behave correctly and transparently in the performance of their activities - Comply with local anti-corruption regulations 	<ul style="list-style-type: none"> - Group Anti-Corruption Policy - Organisation, management and control Model pursuant to Legislative Decree 231/2001
Social / Supply chain	
<p><i>Basic principles</i></p> <ul style="list-style-type: none"> - Ensure absolute impartiality in the choice of suppliers - Establish long-term relationships based on fairness in negotiations, integrity and contractual fairness 	<ul style="list-style-type: none"> - Charter of Values

⁸ The Group intends to gradually extend its reference policies to the most recently acquired companies (Okida and C.M.I.). For 2019, the Group's policies are applied in Okida and C.M.I. only to the extent that they are explained in the individual sections of this Disclosure.

The Charter of Values and the Anti-Corruption Policy are applied and disseminated in all Group companies.

Sabaf S.p.A. adopts a Social Responsibility Management System certified and compliant with the SA8000 standard and an integrated management system of Health and Safety, Environment and Energy certified and compliant with ISO 14001, ISO 50001 and OHSAS 18001 standards.

Faringosi Hinges s.r.l. adopts a Health and Safety management system certified and compliant with OHSAS 18001 standard.

In any case, the ISO 14001, OSHAS 18001, ISO 50001 and SA8000 standards are sources of reference and inspiration for the entire Group.

The Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 is adopted by Sabaf S.p.A. and Faringosi Hinges s.r.l. and, limited to the part concerning Health and Safety at Work, by C.G.D. s.r.l..

Vision

Combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial rationale oriented not only towards the creation of value but also towards the respect of values.

Mission

Consolidate the technological and market leadership in the design, production and distribution of the entire range of components for household gas cooking appliances through constant attention to innovation, safety and the enhancement of internal expertise.

Associate the growth of company services with social and environmental sustainability, promoting an open dialogue with the legitimate expectations of stakeholders.

Business model

Strategic pillars of Sabaf's Business Model

In line with its shared values and mission, Sabaf believes that there is a successful industrial and cultural model to be consolidated both through organic growth and growth through acquisitions. The distinctive features of the Sabaf model are set below.

Innovation

Innovation represents one of the essential elements of Sabaf's industrial model and one of its main strategic levers. Thanks to continuous innovation, the Group has managed to achieve excellent results, identifying technological and production solutions that are among the most advanced and effective currently available and establishing a virtuous circle of continuous improvement of processes and products, until acquiring technological competence with characteristics that are difficult to match for competitors. The know-how acquired over the years in the development and internal production of machinery, tools and presses, which is integrated synergistically with the know-how in the development and production of our products, represents the main critical success factor of the Group. With the acquisition of Okida, Sabaf has also acquired a strong electronic know-how that, together with the traditional and strong mechanical skills, can further expand the business spaces for the Group.

The investments in innovation allowed the Group to become a world leader in a highly specialised sector. The production sites in Italy and abroad are designed to guarantee products according to the highest levels of technology available today and represent a cutting-edge model both for environmental protection and safety of the employees.

Eco-efficiency

Sabaf's product innovation strategy gives priority to the search for improved environmental performance. Attention to environmental issues is reflected both in innovative production processes that have a lower energy impact in the manufacture of products, and for what concerns gas parts, in the design of eco-efficient products during their daily use. Innovation efforts in this area are directed towards the development of burners that reduce fuel consumption (natural gas or other gases) and emissions (carbon dioxide and carbon monoxide, in particular) in users.

Safety

Safety has always been one of the essential elements of Sabaf's business project. Safety for Sabaf is not just a matter of complying with existing standards but a management philosophy oriented towards the continuous improvement of its performance, in order to guarantee the end user an increasingly safe product. In addition to investing in research and development of new products, the Group has chosen to play an active role in disseminating a safety culture: Sabaf has long been promoting the introduction of regulations worldwide - in the various institutional venues - that make it compulsory to adopt products with thermoelectric safety devices. Sabaf also promoted the ban on the use of zamak (zinc and aluminium alloy) for the production of gas valves for cooking, in consideration of the intrinsic danger. To date, the use of zamak is still permitted in Brazil, Mexico and other South American countries, limiting business opportunities in the valves segment for Sabaf.

Success on international markets and partnerships with multinational groups

Sabaf pursues its growth through its success in international markets by trying to replicate its industrial model in emerging countries with due consideration of local culture.

In line with its reference values and mission, the Group operates in emerging Countries in full respect of human rights and the environment and in compliance with the United Nations Code of Conduct for Transnational Corporations. This choice is driven by the awareness that only by operating in a socially responsible way it is possible to ensure long-term development of industrial experience in emerging markets.

The Group also intends to further strengthen its collaboration with customers and its position as main supplier of a complete range of products in the cooking components market, also thanks to its ability

to adapt production processes to specific customer needs and provide an increasingly wide range of products.

Widening the range of components and development through acquisitions

The continuous expansion of the range aims to increase customer loyalty through the widest satisfaction of market requirements. The possibility of offering a complete range of components is an additional distinguishing feature for Sabaf compared to its competitors. In order to sustain a dynamic growth path, the Group intends to extend its product range to other components for household appliances. This expansion is pursued both through internal research and through growth through acquisitions, assessing opportunities for partnerships and acquisitions of other companies. Examples of this are the acquisition of A.R.C. s.r.l. in 2016 and 100% in Okida in 2018, through which Sabaf entered the professional burners and electronic components for household appliance sectors. Finally, in 2019, Sabaf acquired control of the C.M.I. Group, an important manufacturer of hinges for ovens and dishwashers, significantly strengthening its position also in this product range where it was already present through Faringosi Hinges.

Enhancement of intangible assets and of its intellectual capital

Sabaf carefully monitors and increases the value of its intangible assets: the high technical and professional competence of the people who work there, the image synonymous with quality and reliability, the reputation of a company attentive to social and environmental issues and the requirements of its stakeholders. The promotion of the idea of work and relations with stakeholders as a passion for a project based on common values in which everyone can recognise themselves symmetrically represents not only a moral commitment, but the real guarantee of enhancement of intangible assets. In this perspective, the sharing of values represents the link between the promotion of a corporate culture oriented towards social responsibility and the enhancement of its intellectual capital.

Business model



Economic capital:

- Net financial debt **€55,128,000**
- Shareholders' Equity **€121,105,000**
- Invested capital **€176,233,000**
- Market capitalisation at 31 December /Shareholders' Equity **1.28**



Human capital:

- Employees **1,035**
- Advanced education: employees with a degree or diploma **59.1%**
- Training hours by employee **15.3**
- Investments in training on turnover **0.25%**



Relational capital:

- Turnover from the top 10 customers **47%**
- No. customers (with sales over €1,000) **402**



Productive capital:

- Production sites **10**
- Real investment on turnover **7.4%**
- Value of property, plant and equipment **€79,861,000**



Environmental capital:

- Brass **481t**
- Aluminium alloys **6,476t**
- Steel **21,881t**
- Electricity consumed **28,576MWh**



Intellectual capital:

- Hours dedicated to the development of new products **1.0%**
- Hours dedicated to process engineering **2.2%**

Business approach:

- Innovation, enhancement of internal resources and continuous learning
- Internationalisation
- Quality, internal and external safety, eco-compatibility
- Sustainability

Distinctive features:

Internal and verticalised production of:

- components and products
- machinery, tools and presses based on specific know-how

Products:

- Gas parts
- Hinges
- Electronic components

Economic capital:

- Sales revenue **+3.5%**
- EBITDA as a percentage of sales **17.3%**

Human capital:

- No. of new employees **109**
- Leaving turnover **9.08%**
- Strike hours on hours worked **0.10%**
- Recordable injury rate **9.91**
- Injury severity index **0.17**

Relational capital:

- Average turnover by customer **€388,000**
- Lawsuits filed against Group companies **6**
- No. of samples for customers **6,184**

Productive capital:

- Burners sold
No. of Parts **32,136,519**
- High efficiency burners **23.1%**
- Valves and thermostats sold
No. of Parts **15,651,916**
- Light alloy valves and thermostats sold **91.7%**

Environmental capital:

- Natural gas consumed **3,740,000m³**
- Water used **91,925m³**
- Economic value generated by the Group **0.05**
- CO₂ emissions **17,772t**

Intellectual capital:

- No. of patents **96**
- Capitalised investments in research and development **€460,000**

Generated and distributed economic value

The analysis of the determination and distribution of economic value among stakeholders, prepared in accordance with the indications of the GRI is shown below.

The table was prepared distinguishing between three levels of economic value. The generated one, the distributed one and the one retained by the Group. The economic value represents the overall wealth created by Sabaf, which is then distributed among the various stakeholders: suppliers (operating costs), employees, lenders, shareholders, public administration and community (external perks).

<i>(thousands of Euro)</i>	2019	2018	Change
Economic value generated by the Group	160,095	160,054	41
Revenue	155,923	150,642	5,281
Other income	3,556	3,298	258
Financial income	638	373	265
Value adjustments	1,859	1,600	259
Bad debt provision	(509)	(421)	(88)
Exchange rate differences	(1,379)	5,384	(6,763)
Income/expenses from the sale of property, plant and equipment and intangible assets	46	28	18
Value adjustments to property, plant and equipment and intangible assets	0	(850)	850
Profits/losses from equity investments	(39)	0	(39)
Economic value distributed by the Group	140,762	137,515	3,247
Remuneration of suppliers	96,626	90,219	6,407
Remuneration of employees	37,103	34,840	2,263
Remuneration of lenders	1,339	1,206	133
Remuneration of shareholders	6,060	6,071	(11)
Remuneration of the Public Administration ⁹	(408)	5,163	(5,571)
External perks	42	16	26
Economic value retained by the Group	19,333	22,539	(3,206)
Depreciations and amortisation	15,183	12,728	2,455
Provisions	91	155	(64)
Use of provisions	(64)	(71)	7
Reserves	4,123	9,727	(5,604)

⁹ Includes deferred taxes.

Governance of Social Responsibility and Stakeholder Engagement

Social responsibility in business processes

To transform the values and principles of sustainable development into intervention choices and management activities, Sabaf applies a structured methodology, the key factors of which are as follows:

- **sharing values, mission and sustainability strategy;**
- **training and communication;**
- an **internal control system** capable of monitoring risks (including social, environmental and reputational risks) and verifying the implementation of commitments to stakeholders;
- **key performance indicators (KPIs)**, which can monitor economic, social and environmental performance;
- a clear and complete **reporting system**, able to effectively inform the different categories of stakeholders;
- a **stakeholder engagement system**, to compare with the expectations of all stakeholders and to receive useful feedback for continuous improvement.

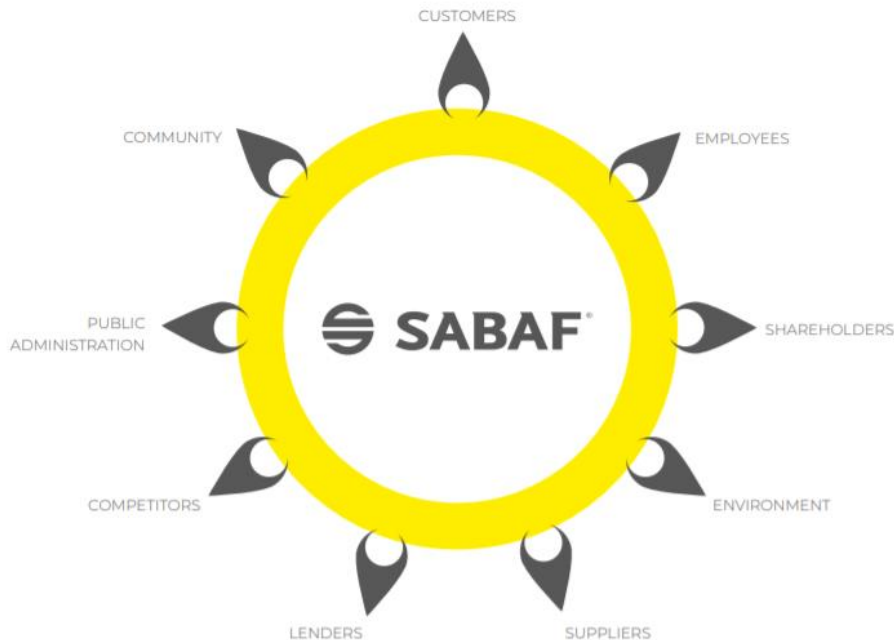
The precautionary approach

The awareness of the social and environmental aspects that accompany the Group's activities, together with the consideration of the importance of a cooperative approach with stakeholders and the Group's good reputation, has led Sabaf to adopt a **precautionary approach** in managing the economic, social and environmental variables that it has to manage on a daily basis. To this end, the Group analysed specifically the main risks of the different operating dimensions.

Detailed information on the internal control system and on the risk management system is provided in the next paragraph. "**Corporate Governance, Risk Management and Compliance**".

Stakeholder engagement

Sabaf is committed to constantly strengthening the social value of its business activities through careful management of relations with stakeholders. The Group intends to establish an open and transparent dialogue, encouraging opportunities for discussion in order to identify lawful expectations, increase trust in the Company, manage risks and identify new opportunities.



The identification of stakeholders is an essential starting point for defining social and environmental reporting processes. The "stakeholder map" provides a summary representation of Sabaf's main stakeholders, identified on the basis of their business characteristics, the characteristic aspects of the market and the intensity of their relations with the latter. The Annual Report is the preferred communication tool for presenting the significant economic, social and environmental performance achieved during the year.

The initiatives for involving each stakeholder that are carried out periodically are described below (generally every two or three years). The relevant issues arising from these activities are reported in the following paragraphs.

Stakeholder	Stakeholder engagement initiatives undertaken
Employees	<ul style="list-style-type: none"> ▪ Employee satisfaction survey and climate analysis ▪ Meetings with employees ▪ Meetings with trade unions
Customers	<ul style="list-style-type: none"> ▪ Customer Satisfaction Survey
Suppliers	<ul style="list-style-type: none"> ▪ Questionnaire ▪ Regular meetings
Shareholders	<ul style="list-style-type: none"> ▪ Questionnaire dedicated to financial analysts and investment fund managers ▪ Meetings with ethical fund managers
Community and Public Administration	<ul style="list-style-type: none"> ▪ Multi-stakeholder meetings ▪ Dialogue with universities
Lenders	<ul style="list-style-type: none"> ▪ Regular dialogue
Competitors	-

In 2019, in addition to the stakeholder engagement activities that take place on an ongoing basis, a customer satisfaction survey was carried out in Sabaf S.p.A.

Sabaf complies with the Code of Conduct of APPLiA Europa

Sabaf complied with the code of conduct of APPLiA Europa, an association of manufacturers of household appliances representing companies in the household appliances industry.

The **Code of Conduct** confirms the commitment of the European household appliance industry to **ethical** and **fair** behaviour. The Code aims to promote fair and sustainable standards in **working conditions** and **environmental protection** to support **fair competition** in **global markets**.

The producers complying with the Code commit themselves **voluntarily** to implement decent working conditions, which include compliance with common standards regarding **minimum age**, **working hours**, **hygiene** and **safety conditions**, respect for **freedom of association** and **collective bargaining**, as well as respect for **environmental standards**. The signatory companies also undertake to **raise awareness** among their **suppliers** of the principles of the Code of Conduct and encourage them to pursue them. They also require that the same principles be proposed to the whole supply chain through the latter.

The Annual Report of Sabaf is also the tool through which the Group reports year by year on the practical implementation of the principles of the Code and the progress achieved, as specifically required of the companies complying with it.

Sabaf complies with the Global Compact

In 2004, Sabaf complied formally with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten universally accepted principles of human rights, labour rights, environmental protection and anti-corruption. With the publication of the 2019 Annual Report, we renew our commitment to making the Global Compact and its principles an integral part of our strategy, culture and day-to-day operations, and we also commit to explicitly declare our commitment to all employees, partners, customers and the general public.

The consolidated disclosure of non-financial information sets out in detail the actions taken by the Sabaf Group in support of the ten principles.

The 10 principles of the Global Compact

Human rights

Principle I

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

Principle II

make sure that they are not - even if indirectly - complicit in human rights abuses.

Labour

Principle III

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle IV

The elimination of all forms of forced and compulsory labour.

Principle V

The effective abolition of child labour.

Principle VI

The elimination of discrimination in respect of employment and occupation.

Environment

Principle VII

Businesses should support a precautionary approach to environmental challenges and

Principle VIII

undertake initiatives to promote greater environmental responsibility; and

Principle IX

encourage the development and diffusion of environmentally friendly technologies.

Fight against corruption

Principle X

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

Materiality analysis

The GRI Standards require that the contents of the Consolidated Disclosure of Non-Financial Information be defined on the basis of a materiality analysis. In compliance with the requests of GRI Standards, Sabaf has started since 2014 a process of identifying the (relevant) material aspects to be reported, i.e. those aspects:

- **of significant economic, environmental or social impact for Sabaf's business**
- **that could substantially affect the assessments and decisions of stakeholders.**

From this perspective, materiality takes into consideration not only the point of view of the organisation but also that of stakeholders.

In order to update the materiality analysis of the Group in view of the preparation of this Disclosure, a workshop was organised involving the first lines of Sabaf S.p.A. and during which:

- the list of potential material aspects for the Group was shared;
- the Group's stakeholders were updated;
- the relevance of the various potentially material aspects for the Group was defined.

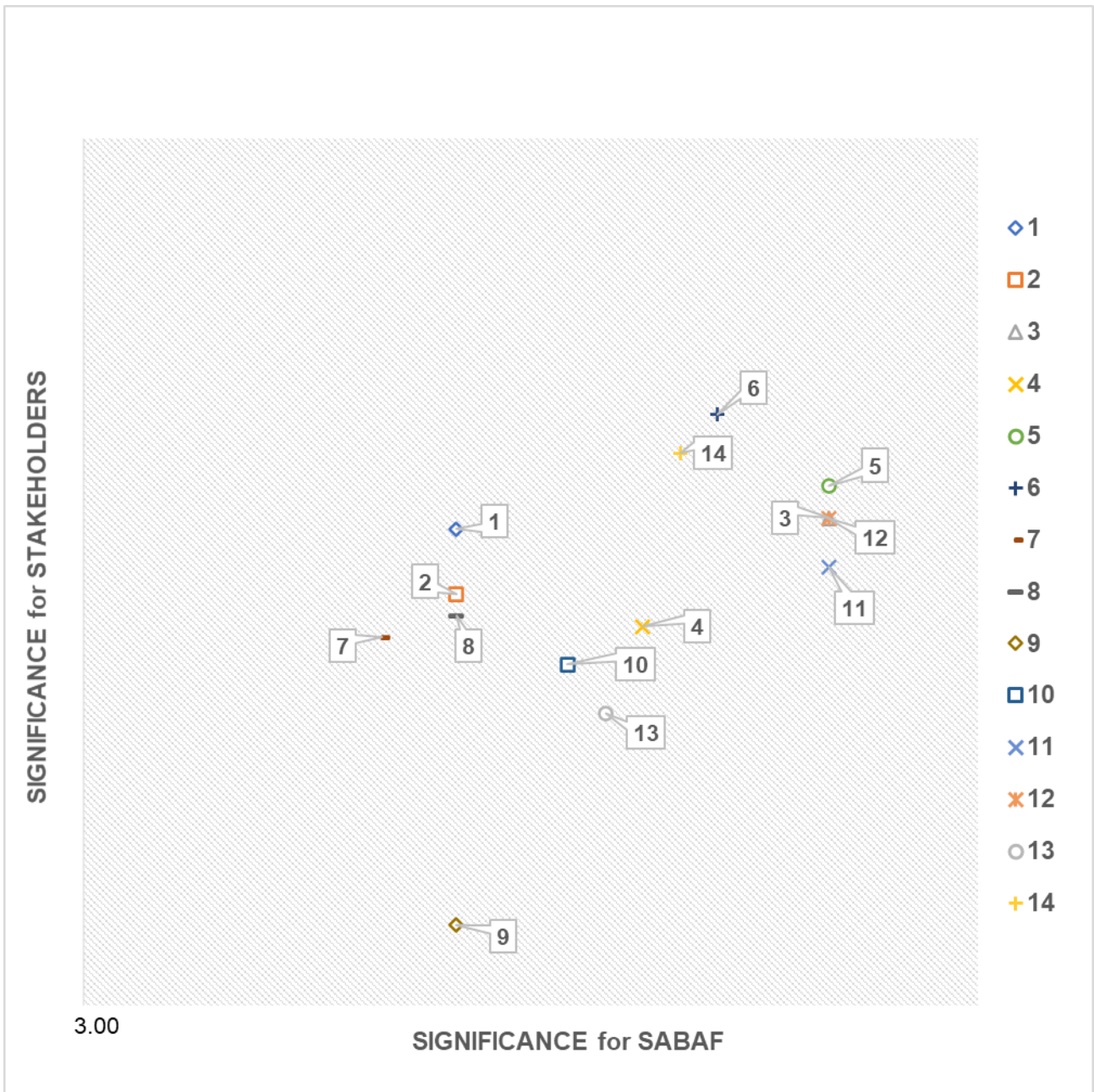
The stakeholders involved were asked to express an evaluation (on a scale from 0 to 5) on the relevant aspects identified and inherent to their responsibilities, both from an internal perspective and from the perspective of the stakeholders concerned.

It is noted that in defining material aspects, the following topics are considered preconditions for operating and are therefore considered very important for both Sabaf and its stakeholders:

- **creation and distribution of sustainable value over time** (Economic Performance GRI 201); scope of the Decree: transversal);
- **transparent and effective governance system to support business** (Governance structure GRI 102-18; scope of the Decree: transversal);
- **constant attention to compliance with the law in the performance of its activities**¹⁰ (Anti-Corruption GRI 205 e Environmental Compliance GRI 307; scope of the Decree: transversal).

¹⁰ This includes the fight against corruption, which is an essential aspect of managing the Group's business and therefore included in the preconditions. It is discussed in this document in the section "Corporate Governance, Risk Management and Compliance".

Materiality matrix¹¹



¹¹ Only the topics considered relevant by the organisation and subject matter of reporting are represented.

Material aspects

Scope Legislative Decree 254/16	ID	Material aspect	Importance of the aspect for Sabaf	Link to GRI Standards	Internal impacts	External impacts (*)
Environment	1	Use of raw materials and materials	Use of materials for production, considering the maintenance of quality standards and assessing their environmental and social impact.	Materials GRI 301	Sabaf	
	2	Emissions into the atmosphere, waste and management of environmental impacts	Definition of monitoring and reduction activities of emissions of polluting substances into the atmosphere and of waste generated by the production processes of Sabaf.	Energy GRI 302 Emissions GRI 305 Effluents and waste GRI 306	Sabaf	Suppliers
Human rights	3	Protection of Human and Workers' Rights	Protection of human rights as provided for in the "Universal Declaration of Human Rights" and the principles laid down in the conventions of the International Labour Organisation.	Non-discrimination GRI 406 Supplier Social Assessment GRI 414	Sabaf	Suppliers
Personnel-related	4	Remuneration and incentive policy	Definition of fixed and variable components of remuneration for employees. Incentive system based on the achievement of pre-established targets in order to pursue company targets.	Market presence GRI 202 Training and education GRI 404	Sabaf	Trade union org.
	5	Development of resources and skills	Boost the Group's expansion, through organic growth, maintaining the excellence of its economic results and preserving its financial solidity. Increase skills through training activities with the aim of guaranteeing the continuous professional growth of employees.	Employment GRI 401 Training and education GRI 404	Sabaf	
	6	Health and safety of personnel and contractors	Management, in compliance with the regulations on occupational health and safety, of topics related to the health and safety of workers: training, prevention, monitoring, improvement objectives.	Occupational Health and Safety GRI 403	Sabaf	Suppliers
	7	Diversity and equal opportunities	Commitment to ensuring equal opportunities for women and protected categories.	Diversity and Equal Opportunity GRI 405	Sabaf	

Scope Legislative Decree 254/16	ID	Material aspect	Importance of the aspect for Sabaf	Link to GRI Standards	Internal impacts	External impacts (*)
Social	8	Management of relations with suppliers, supplier assessment and contractual conditions	Sabaf's commitment to defining a relation with the supply chain based on the principles of fairness in negotiations, integrity and contractual fairness Sharing corporate values with suppliers. Sabaf defines minimum criteria for the creation of a lasting relationship with suppliers, based on the principles of social responsibility.	Supplier Social Assessment GRI 414	Sabaf	Suppliers
	9	Industrial relations	Relations between Sabaf and the internal trade union representatives, based on the principles of transparency and mutual correctness.	Labour Management Relations GRI 402	Sabaf	Trade union org.
Transversal	10	Compliance with the competitive system	Compliance with regulations and behaviour that ensure Sabaf conducts its business in a balanced and regular competitive environment.	Anti-competitive Behaviour GRI 206	Sabaf	
	11	Customer satisfaction and customer support	Ability to respond effectively to customer expectations, at all stages of the relationship (from design to after-sales service).	Customer Health and Safety GRI 416	Sabaf	
	12	Research and innovation of products and processes also with reference to safety and environmental performance	Identification of new technological and production solutions (also with a special attention to safety and environmental performance) that allow the Group to strengthen its leadership in the industrial sector to which it belongs.	Customer Health and Safety GRI 416	Sabaf	Customers
	13	Partnership with multinational groups	Sabaf's opening to strategic collaborations with the main players in the sector.	(**)	Sabaf	
	14	Production quality and eco-efficiency	Search for better product or process performance and solutions in terms of environmental impact. Designing new eco-efficient products.	Please refer to aspects 2 and 12	Sabaf	

(*) Reporting is not extended to the external boundary

(**) With regard to these aspects (not directly related to a Material Topic envisaged by the GRI Standards Guidelines), Sabaf indicates in the document the adopted management approach

Corporate Governance, Risk Management and Compliance

Corporate Governance

Overview

The corporate governance model of Sabaf has always been based on a strict separation between the shareholding structure and management of the Company and of the Group.

Sabaf is committed to maintaining a system of governance aligned with the recommendations and best practice and in particular with the Corporate Governance Code of Listed Companies.

On 31 January 2020, the new Corporate Governance Code, which is addressed to all listed companies and is applicable starting from 2021, was published.

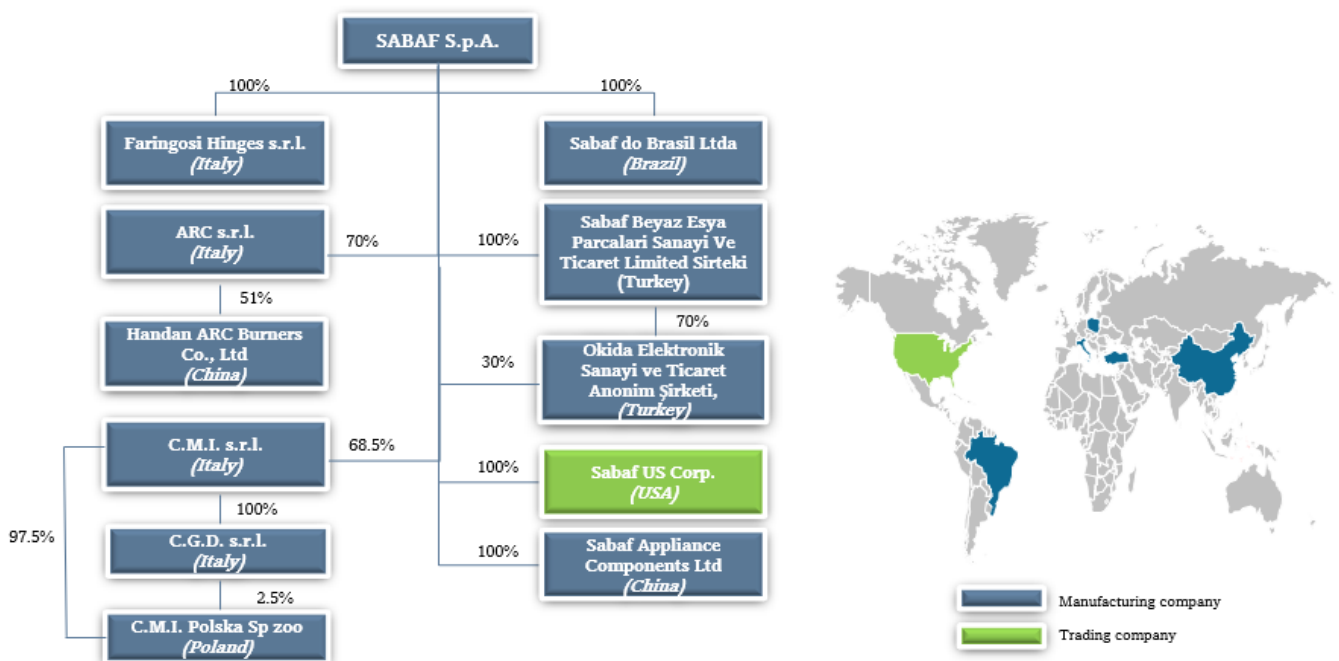
The substantial changes introduced by the Code concern:

- **sustainability:** the board of directors is responsible for integrating sustainability objectives into the business plan, the internal control and risk management system and remuneration policies;
- **engagement:** the chairman of the board is responsible for submitting to the board for approval, in agreement with the CEO, a policy for managing dialogue with all shareholders, ensuring that the board is adequately informed about the development and significant content of the dialogue with all shareholders;
- **proportionality:** some recommendations are addressed only to large companies (capitalisation over €1 billion for three consecutive calendar years), specific simplifications are envisaged by concentrated ownership companies;
- **simplification:** the Code is based on principles that define the objectives of good corporate governance, recommendations subject to the "comply or explain" rule and a neutral approach of best practices with respect to governance models has been developed to make the Code directly usable for all types of corporate model.

Sabaf welcomes the new Code, fully endorses its new features and is committed to evaluating in advance any changes to its governance model that may be appropriate for the full application of the Code from the date of its entry into force.

The purpose of this section of the file is to highlight the choices made by Sabaf and the peculiarities of its governance system, revised in the light of the new features introduced by the Corporate Governance Code. Where possible, a comparison with other listed companies is also provided, using the information collected by Assonime in its document Notes and Studies "Corporate Governance in Italy: self-discipline, remuneration and compliance-or-explain", published in January 2020 and concerning the Corporate Governance reports for the 2018 financial year of 220 listed Italian companies, available at 15 July 2019, 94% of which (i.e. 206 companies) has formally chosen to comply with the Corporate Governance Code. The benchmark used below takes into account, where available, a panel of "non-financial" companies only.

Finally, a further comparison is provided on the composition and operation of the Board of Directors, using the data provided by the 2019 Italia Board Index Observatory, published by Spencer Stuart, which analyses the characteristics and operation of the Boards of Directors of the top 100 listed Italian (industrial and financial) companies in order of capitalisation as of February 2019, as well as providing a comparison with the main European and non-European countries.



Sabaf Group companies are active in the following business segments.

Gas parts

- Sabaf S.p.A., valves and burners;
- Sabaf do Brasil, burners;
- Sabaf Turkey, burners;
- Sabaf Appliance Components, burners;
- ARC s.r.l. and ARC Handan, professional burners.

Electronic components

- Okida, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers.

Hinges for household appliances

- Faringosi Hinges;
- C.M.I. Group (acquired in 2019).

The Governance Structure

Sabaf adopted a **traditional** model of management and control, characterised by the presence of:

- **Shareholders' Meetings** (ordinary and extraordinary) called to pass resolutions pursuant to the laws in force and the Company's Articles of Association;
- **Board of Statutory Auditors**, in charge of supervising: (i) compliance with the law and Articles of Incorporation and adherence to principles of proper management in the performance of corporate activities; (ii) the adequacy of the Company's organisational structure, internal control and risk management system and administrative/accounting system; (iii) the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code; (iv) risk management; (v) the external audit of the accounts and the independence of the auditing firm;
- **Board of Directors**, in charge of company administration and management of Company operations.

This model is supplemented, in accordance with the provisions of the Corporate Governance Code the Company complied with, by:

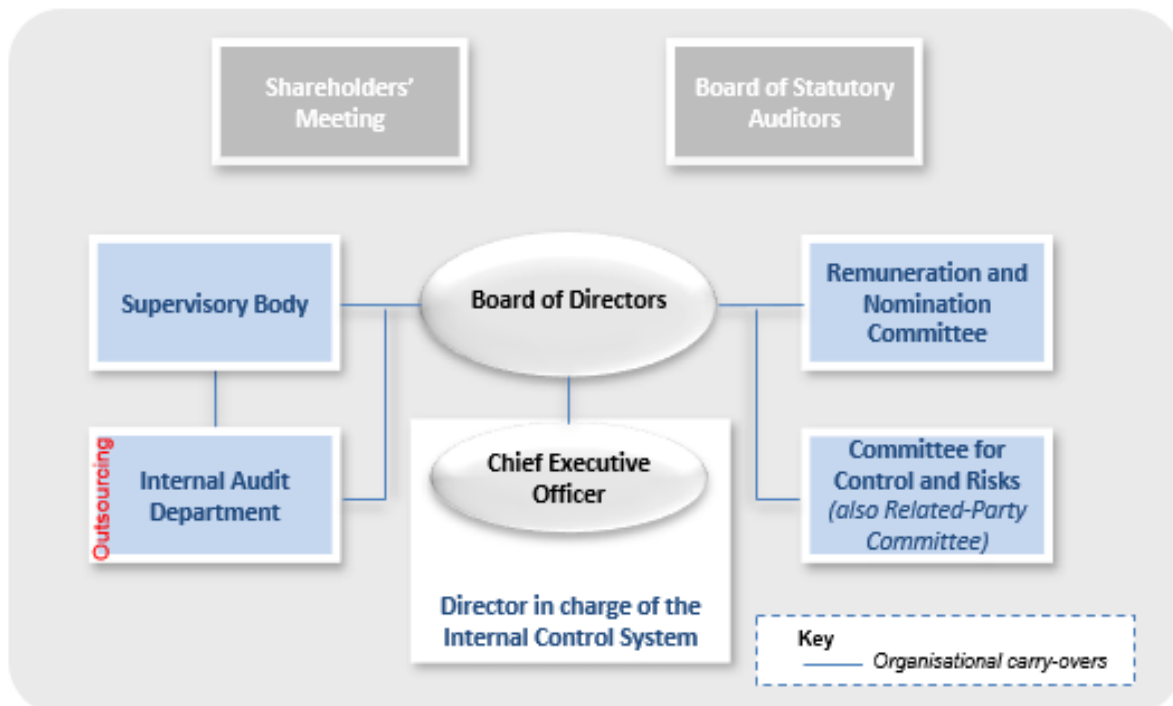
a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:

- **Control and Risk Committee** that also takes on the functions of the Related-Party Committee;
- **Remuneration and Nomination Committee** that takes on the functions envisaged by the Remuneration Committee and integrates them with those relating to the appointment and composition of the control bodies indicated by the Code;

b) the **Internal Audit department** in charge of checking the operation and adequacy of the internal control and risk management system.

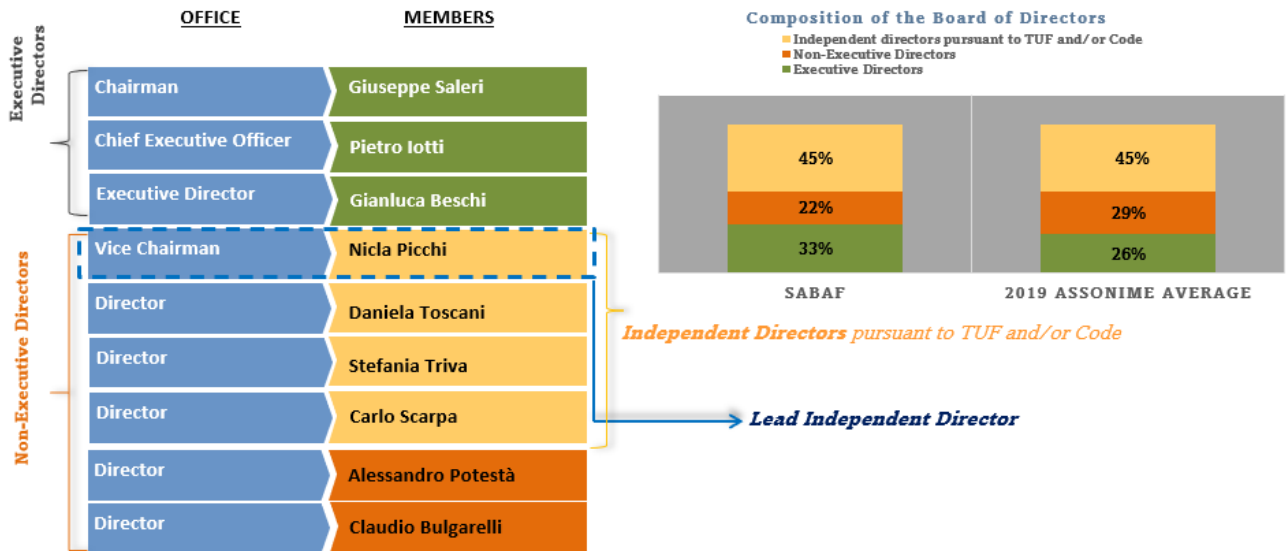
Finally, the Group's administration and control model is completed by the presence of the **Supervisory Body**, set up following the adoption of the organisation, management and control model pursuant to Legislative Decree 231/2001, adopted by Sabaf since 2006.

The Governance Structure

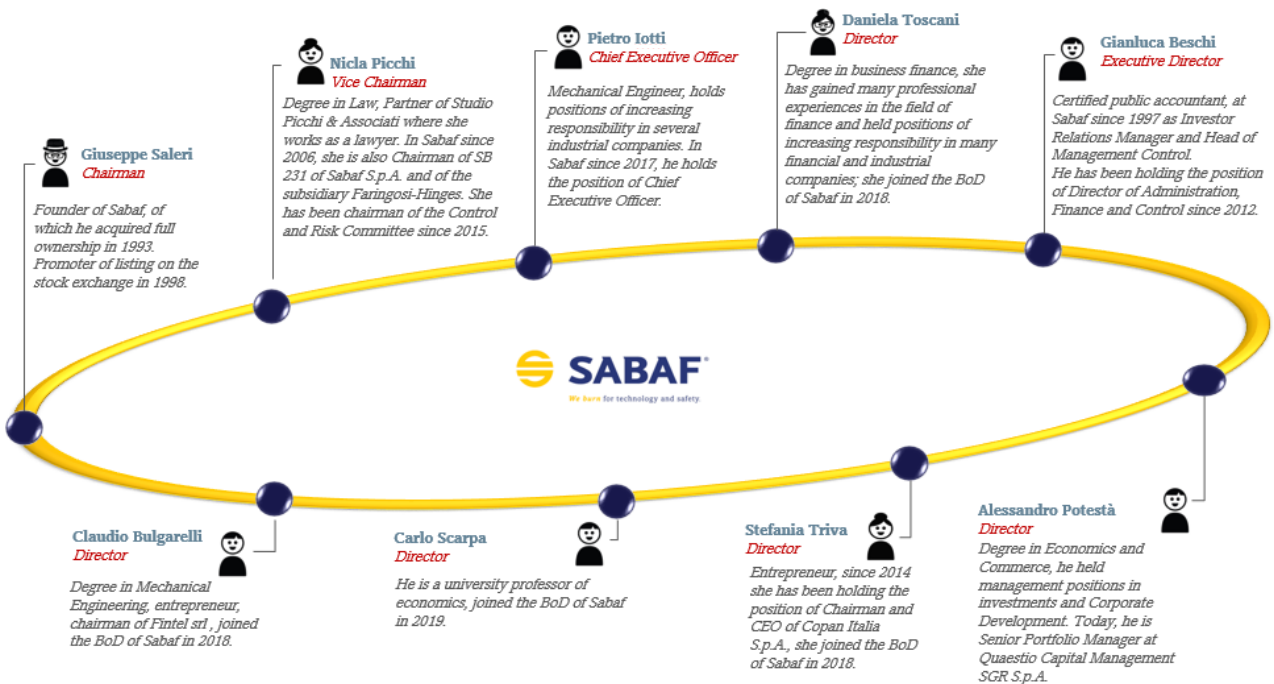


Board of Directors

The Board of Directors currently in office is composed of 9 members including: (i) 3 executive directors, (ii) 2 non-executive director and (iii) 4 non-executive and independent directors.



The Curriculum Vitae of the individual members are available on the Company's website.



Policy on the composition of corporate bodies

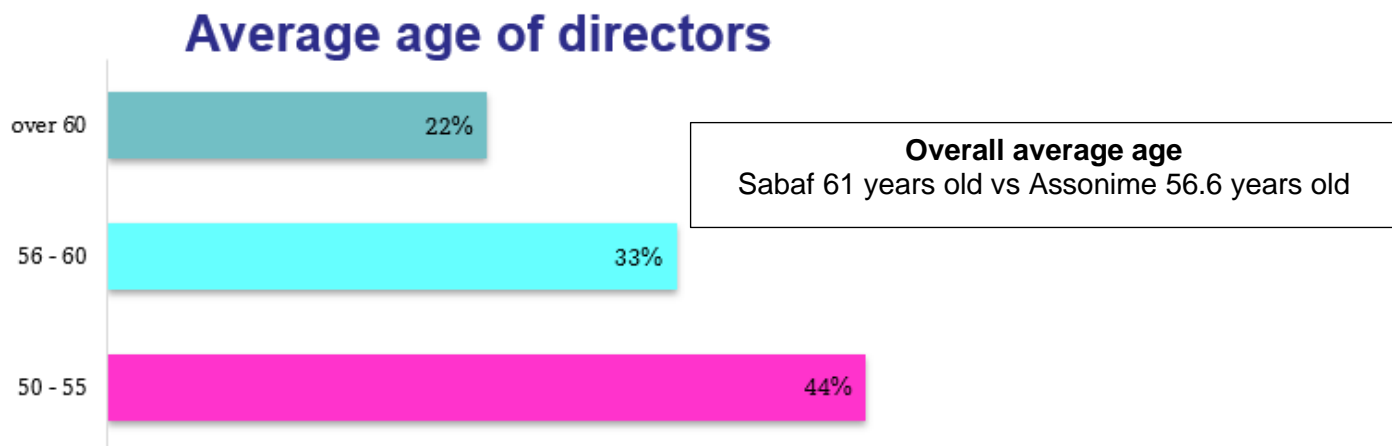
On 26 March 2018, the Board of Directors of Sabaf S.p.A. adopted a Policy on the composition of the Corporate Bodies.

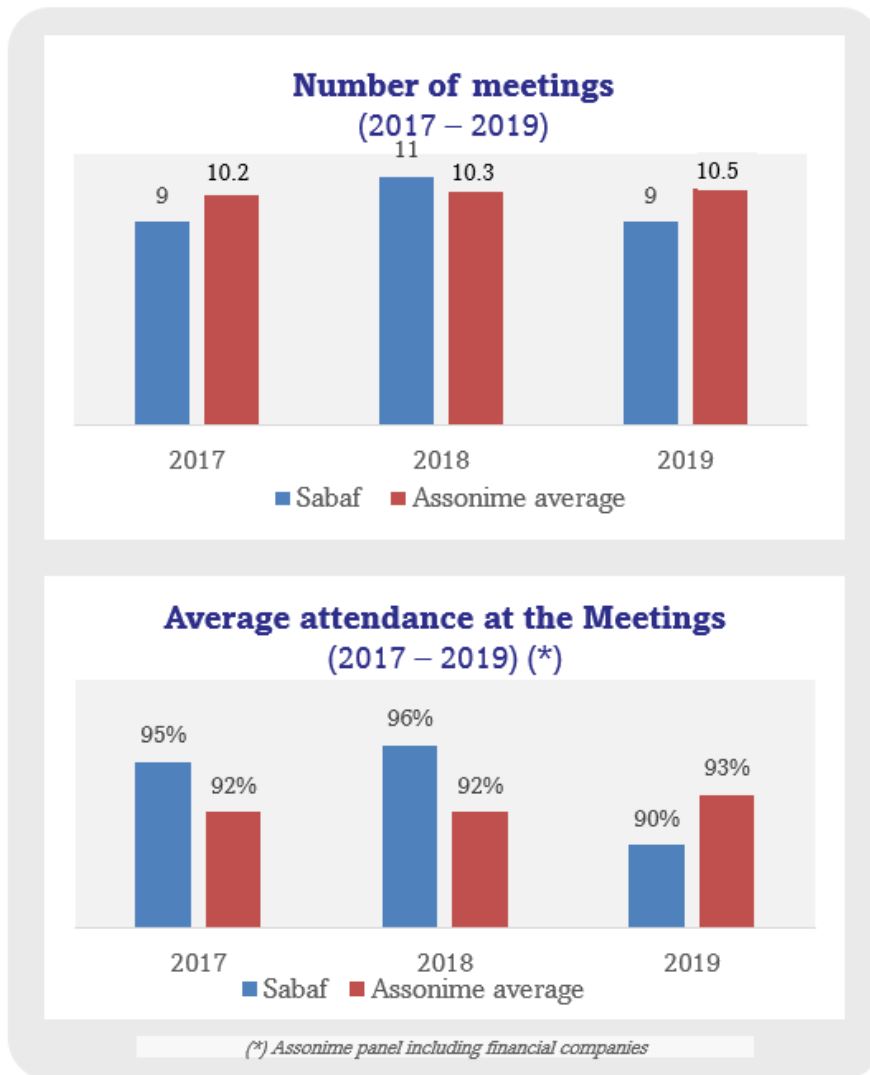
This Policy sets out the Company's guidelines on the characteristics considered functional to ensuring an optimal composition of the corporate bodies (Board of Directors and Board of Statutory Auditors), with the aim of guiding the names put forward by the Shareholders when renewing the Corporate Bodies, so that the benefits that can derive from a balanced composition of the Board and Board of Statutory Auditors inspired by criteria of diversity are taken into consideration.

The Policy sets out the following characteristics for the composition of each of the two bodies:

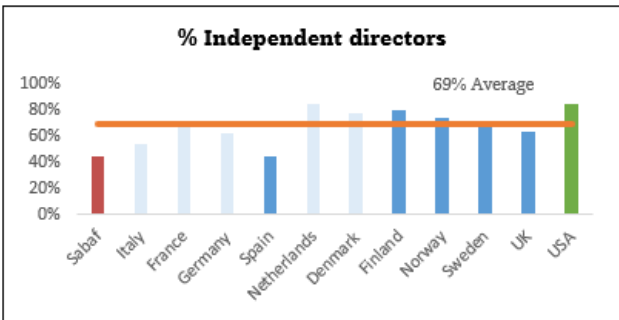
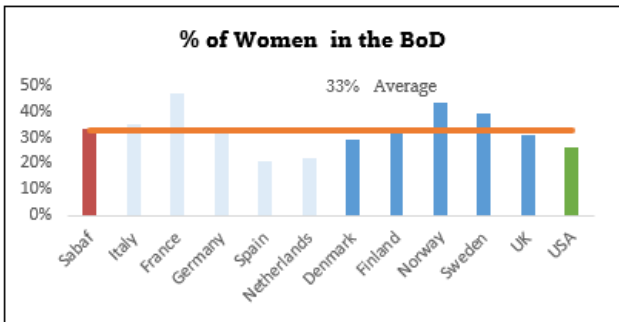
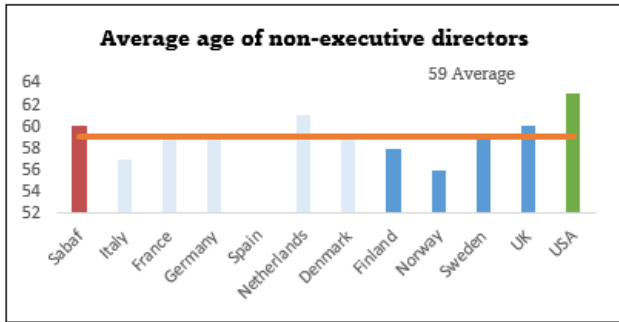
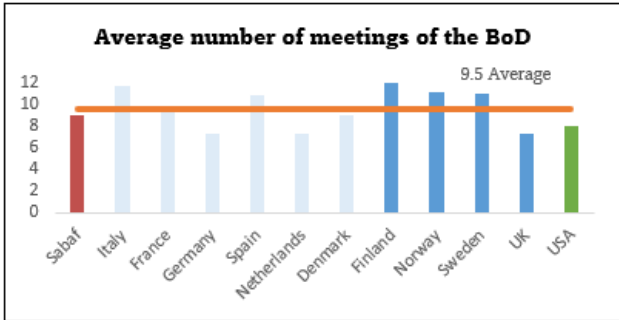
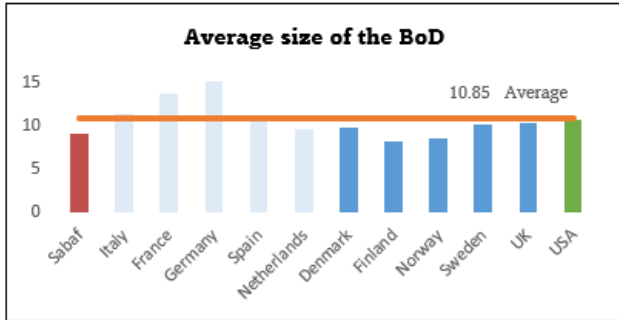
- Independence
- Training and professional experience
- Gender
- Age and seniority in office
- Numbers

The Policy on the composition of the Corporate Bodies is published on the Company's website and described in the Report on corporate governance and ownership structure, in compliance with the provisions of art. 123-bis, (2), (d-bis) of the Consolidated Law on Finance.





78% of the members of the Board in office are between 50 and 60 years old; the average age is higher than the average of the Assonime sample (61 vs 56.6 years old). In 2019, the Board of Sabaf met on 9 occasions (slightly below the Assonime average), with an average attendance rate of 90%. In general, the attendance of the Sabaf directors at the Board meetings in the last three years is greater than that of the Assonime panel. The meetings were attended by the *Board of Statutory Auditors* and - occasionally - the managers of Sabaf, who were invited to attend and report on specific issues on the agenda.



Source: Spencer Stuart - Italia Board Index 2019

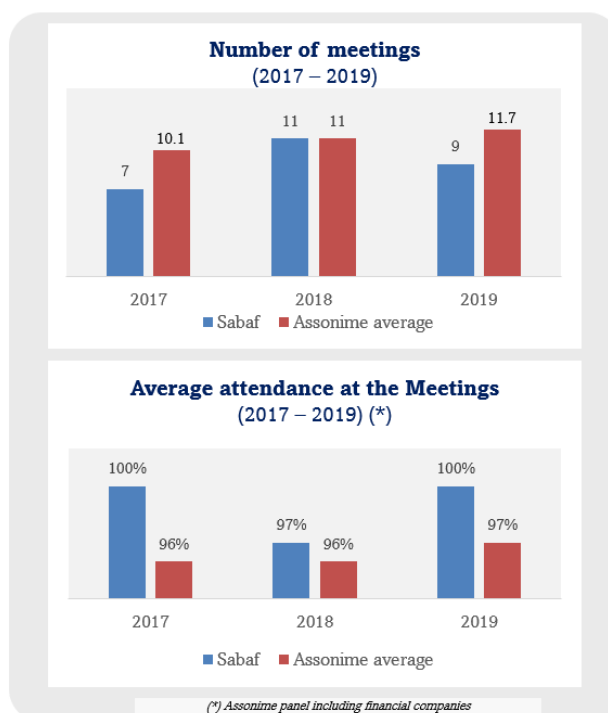
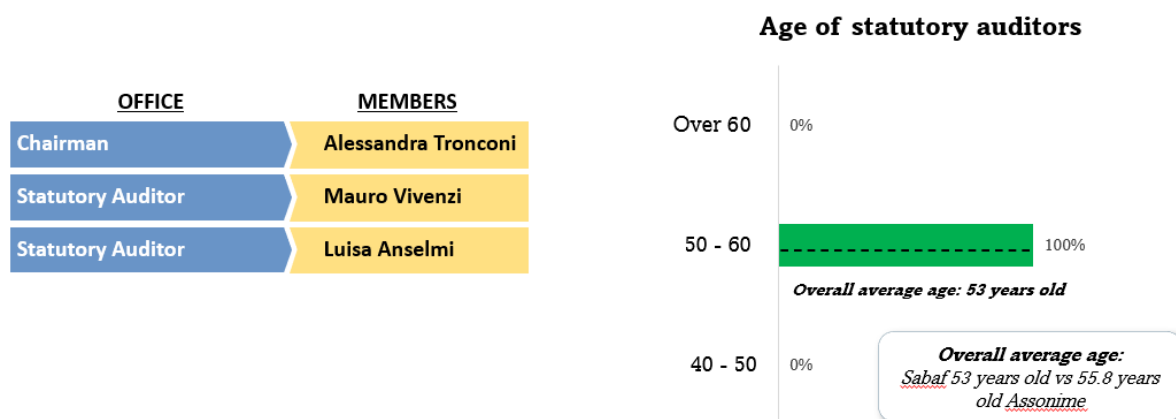
The comparison was carried out using the data provided by the 2019 Italia Board Index Observatory, published by Spencer Stuart, which analyses the characteristics and operation of the Boards of Directors of the top 100 listed Italian (industrial and financial) companies in order of capitalisation as of February 2019, as well as providing a comparison with the main European and non-European countries.

During the financial year, the Board of Directors carried out its assessment of the size, membership (including professional competences, managerial skills and seniority) and operation of the Board of Directors and its Committees, opting for the self-assessment of individual directors, coordinated by the Lead Independent Director. The results of the assessment were generally positive and were discussed at the Board of Directors' meeting of 17 December 2019.

Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 8 May 2018 for the period 2018 to 2020, is composed of 3 members¹² with an average age of 53 years old (lower than the Assonime average, 55.8 years old). All members of the Board of Statutory Auditors are between 50 and 60 years old.

The Chairman of the Board of Statutory Auditors is the expression of the minority list.



The Board of Statutory Auditors of Sabaf met on average 9 times in the last three years (9 meetings in 2019), a number of times slightly lower than the average number of meetings of the Assonime sample (10.9 meetings on average).

The average attendance of members at meetings was 99% in the period 2017 to 2019 (100% in 2019), in line or higher than that of other listed companies of the research.

In general, the commitment of the Board of Statutory Auditors of Sabaf is achieved not only by carrying out checks and attending the periodic meetings required *by law*, but also by involving all members in the meetings of the Board of Directors, of the Control and Risk Committee and of the Remuneration and Nomination Committee, in the half-yearly collective meetings with the Control Bodies and individual meetings with the independent auditors.

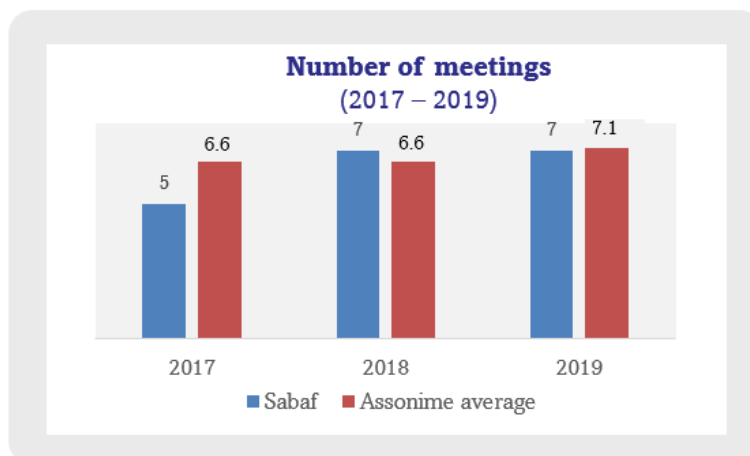
¹² The *Curriculum Vitae* of each statutory auditor is available on the Company's website.

Control and Risk Committee

The Control and Risk Committee currently in office, set up within the Board, is composed of 3 members, in line with the vast majority of cases in the Assonime sample (3 members, 71% in cases). In line with the choice made by about 65% of the Assonime panel, the CRC of Sabaf is made up exclusively of independent directors.

The Committee was also assigned the functions pertaining to the Related-Party Committee.

<u>OFFICE</u>	<u>MEMBERS</u>
Chairman	Nicla Picchi
Member	Daniela Toscani
Member	Carlo Scarpa



In 2019, the Committee met on 7 occasions, in line with the average of the Assonime panel of 7.1 meetings.

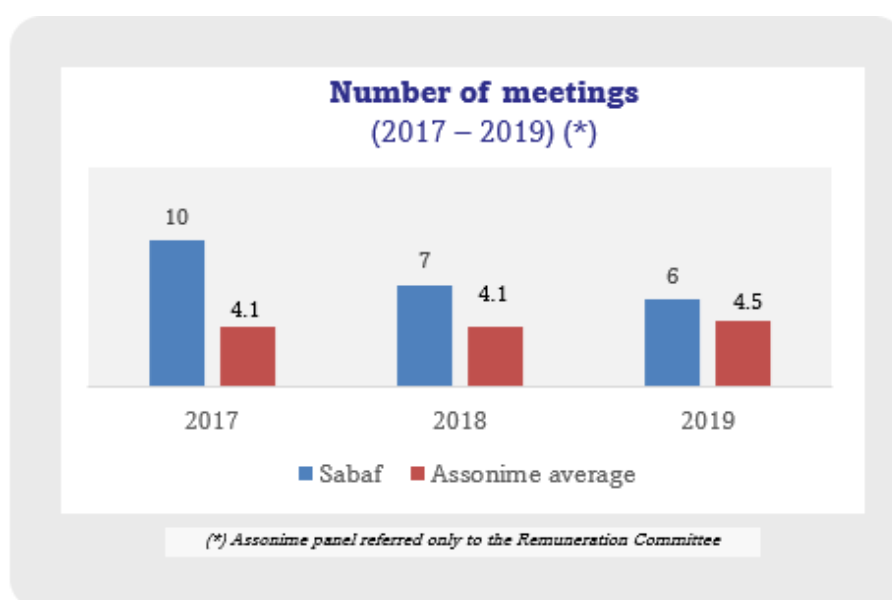
In 2019, the Committee, among other things:

- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment carried out at the end of 2019 and the consequent 2020 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year;
- examined the proposed acquisition of the company C.M.I. s.r.l.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee, set up within the Board, comprises three non-executive members, the majority of them independent (in line with the choice made by 40% of the Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

<u>OFFICE</u>	<u>MEMBERS</u>
Chairman	Daniela Toscani
Member	Stefania Triva
Member	Alessandro Potestà



In the last three years, the Committee met a number of times higher than the Assonime average. In particular, during the last financial year, the Committee met six times. In 2019, the Committee, among other things:

- examined the results of the 2018 short-term incentive plan and made proposals for the 2019 MBO plan;
- formulated proposals for the allocation of Cluster II rights under the Long-Term Incentive Plan (LTI);
- developed proposals regarding the Governance of the C.M.I. Group, acquired in July 2019 from Sabaf, and in particular in relation to the composition of the Board of Directors, the definition of their fees and the remuneration of the C.M.I. General Manager.

Governance of sustainability

Sabaf has always believed that **social and environmental aspects** are an integral part of the Group's strategy and, as such, are the **responsibility of the Board of Directors**.

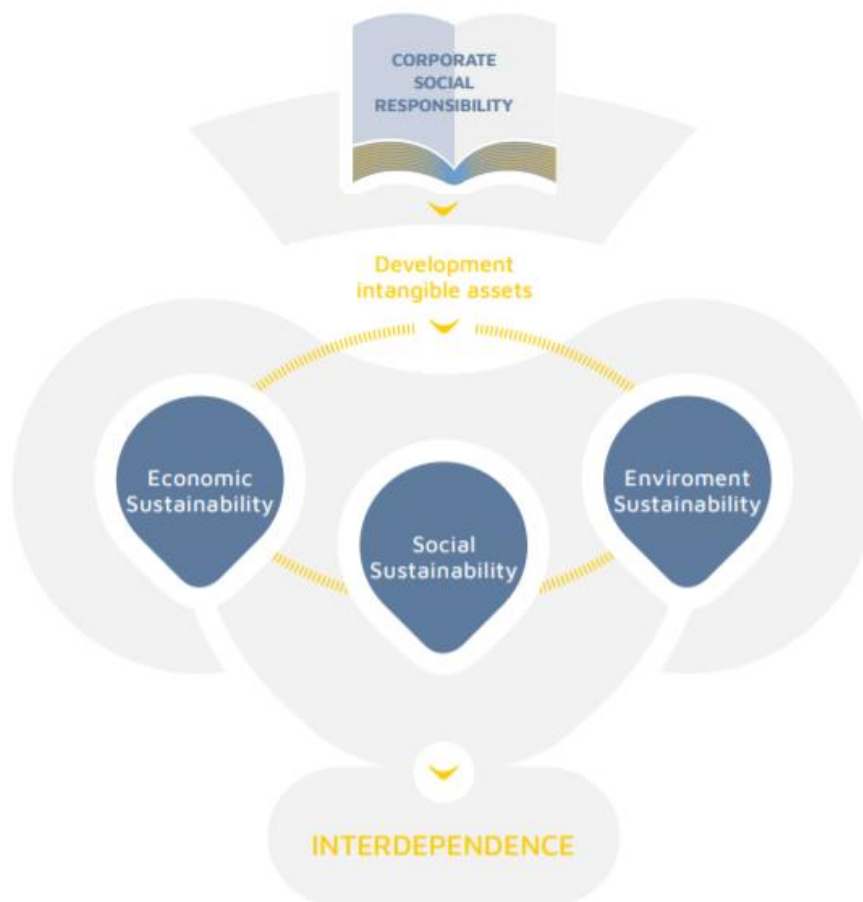
With reference to the governance of these topics, at the meeting of the Board of Directors on 3 August 2017, which, among other things, granted powers to executive directors following the appointment of the new Chief Executive Officer, it was confirmed that the criteria for implementing Corporate Social Responsibility ("CSR") are the responsibility of the Board itself.

In order to show the commitment with regard to sustainability aspects, Sabaf has been jointly publishing its economic, social and environmental sustainability performance in its Annual Report since 2005. Since 2009, Sabaf S.p.A. has also adopted a **Social Responsibility System certified according to the international standard SA8000**.

Within the SA 8000 Certified System, Sabaf S.p.A., in addition to having identified a Head of Social Responsibility Management System, created a **Social Performance Team (SPT)** made up of Representatives of the Social Responsibility Department and some Workers' Representatives for Social Responsibility, to whom the following tasks are also assigned:

- encourage a constant dialogue between the Workers and the Company Management;
- identify and assess the risks related to the aspects of Ethics and Social Responsibility;
- monitor the activities carried out in the workplace and check the implementation and effectiveness of the Social Responsibility System.

All Sabaf employees, as part of their responsibilities and competences, are required to implement CSR every day in the performance of their activities.



Internal Audit and Supervisory Body

Internal Audit

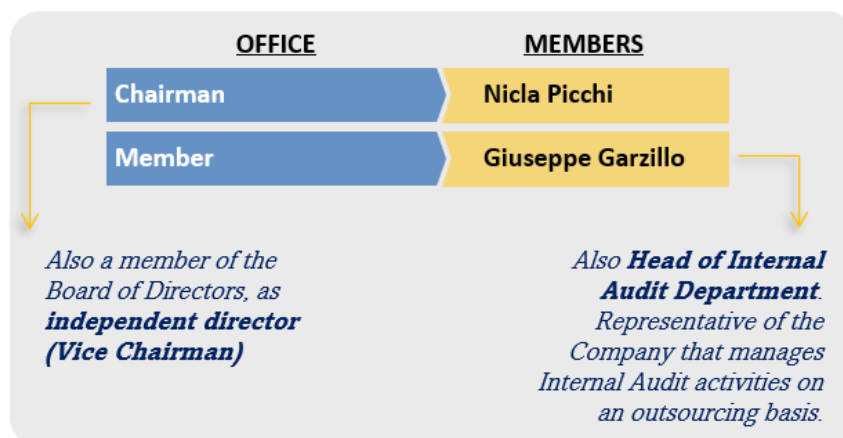
On 8 May 2018, the Board of Directors renewed the engagement of an independent external company that provides Internal Audit services, Protiviti s.r.l., to carry out the functions of the Internal Audit Department for the three-year period from 2018 to 2020. It then identified Emma Marcandalli, the company's Managing Director, as Head of that department. This decision has been made because the professional resources to establish such a function are not available internally and also taking into account the greater skills and efficiency that a specialist outside firm can offer with regard to internal control given the size of Sabaf. Following the resignation of Emma Marcandalli from her position as member of the Supervisory Body and Head of Internal Audit, on 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, subject to the favourable opinion of the Control and Risk Committee, as well as after hearing the Board of Statutory Auditors, entrusted the Group Internal Audit Department for the period from 1 July 2019 to 31 December 2021 to PricewaterhouseCoopers Advisory S.p.A. (PwC) identifying Giuseppe Garzillo, Partner of the company, as the Head of the department.

The Head of the Internal Audit department is responsible for verifying that the Internal Control and Risk Management System is working properly and is not responsible for any operational areas and remains in office for the entire term of the Board of Directors which appointed him/her.

The Head of the Internal Audit department reports to the Board of Directors, which approves the Internal Audit Plan, as well as the appointment, and also defines the termination of the engagement.

Supervisory Body

The Supervisory Body (in office for the three-year period 2018 to 2020) comprises Nicla Picchi, independent director and Vice Chairman of the Company (Chairman) and Giuseppe Garzillo, Head of the Internal Audit Department, appointed on 25 June 2019 following the resignation of Emma Marcandalli.



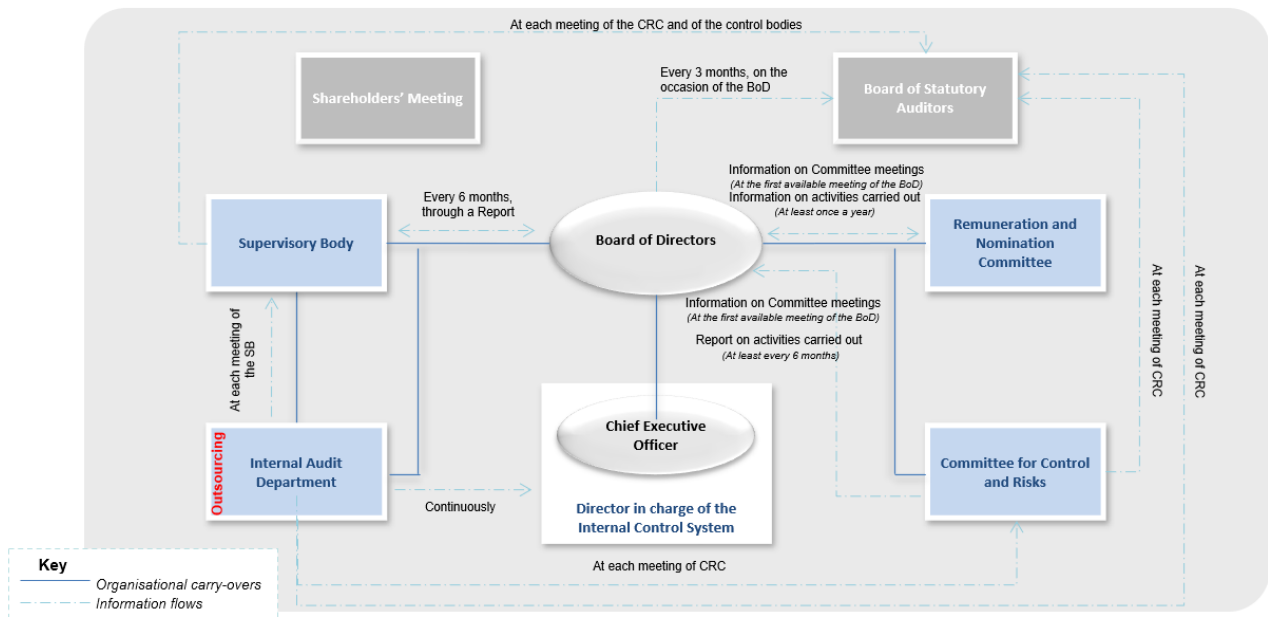
During 2019, the Supervisory Body of Sabaf met 2 times, asking the Company's management to attend the meetings in order to carry out in-depth analysis on specific aspects.

Information flows

The administration and control model of Sabaf operates through a **network of** periodic and systematic **information flows** between the various corporate bodies.

Each body, according to the timing and methods defined by the Articles of Association, the Governance Model and other internal documents, reports to the functionally superior body on the activities carried out in the reference period and those planned for the following period, any observations noted and suggested actions.

Information flows within the governance structure

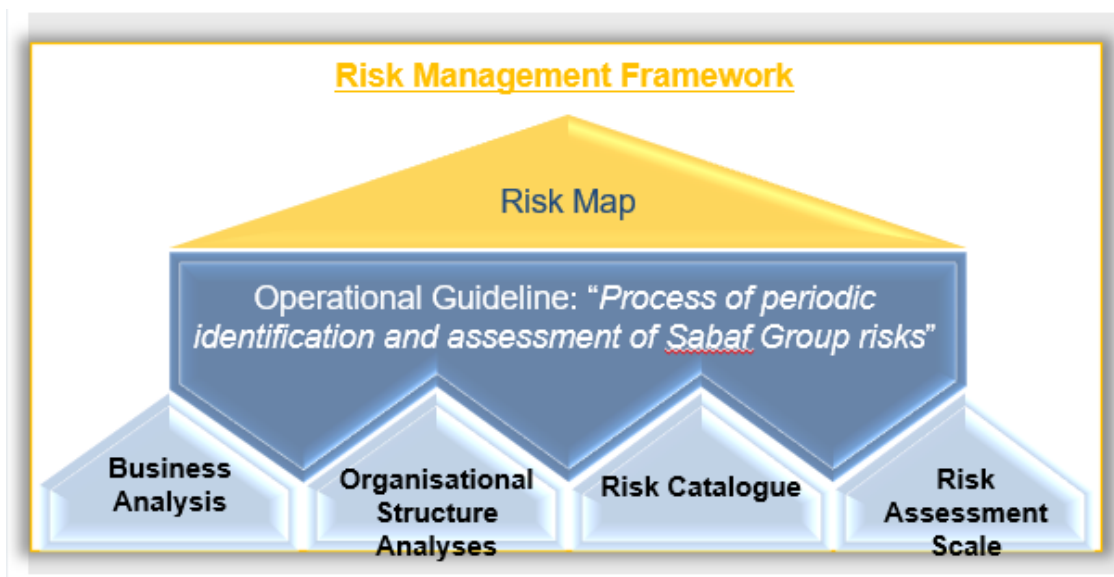


Risk Management

In the course of its business, Sabaf defines its strategic and operational objectives and identifies, assesses and manages risks that could prevent the achievement of these objectives.

In recent years, Sabaf has gradually moved closer to the concepts of risk assessment and risk management, developing a structured process of periodic identification, assessment and management of risks, defined and formalised in a Guideline of the Corporate Governance Manual.

The risk management process includes all the material aspects identified by the Group as part of the materiality analysis carried out in accordance with the provisions of the GRI Standards.



The Guidelines define the roles and responsibilities of the risk assessment and risk management processes, indicating the subjects to be involved, the frequency of the process and the assessment scales.

The most recent risk assessment activity, coordinated by the Internal Audit department and aimed at updating the risk assessment, was carried out in November 2019.

The identification of risks was carried out according to a structured approach that involved the following steps:

- conducting specific interviews with the Company's front lines and the Chief Executive Officer - risk owners/process owners;
- sharing of risk assessment documents drawn up after meetings with risk owners/process owners;
- identification of the universe of risks considered relevant for the Company;
- identification of top risks
- prior examination of the risk assessment by the Control and Risk Committee
- approval the Board of Directors.

All risks were investigated in terms of initial impact and probability, inherent risk and, taking into account existing mitigation measures, residual risk. The result of this analysis was represented within specific "heat maps" representing the risks in terms of "residual risk" and "current level of control".

ASSESSMENT SCALES		1	2	3	4
IMPACT	Economic-financial losses	<€ 0.2 mln	€ 0.2 -€ 0.5 mln	€ 0.5 -€ 1.2 mln	<€ 1.2 mln
	HSE	Limited damage to health / safety / environment	Moderate damage to health / safety / environment	Serious damage to health / safety / environment	Very serious damage to health / safety / environment
	Reputational damage	Negligible impacts on stakeholder confidence	Moderate impacts on stakeholder confidence	Significant impacts on stakeholder confidence	Damaged stakeholder confidence
	Operational damage	No impact on business processes	Low impacts on efficiency / continuity	Significant impacts on efficiency / continuity	Critical impacts on efficiency / continuity
PROBABILITY	Frequency of occurrence	Once every 3 years or more	Once every 2 years	Once a year	Several times a year
	Quality indicators	Unlikely/ Remote	Not very likely	Likely	Very likely
Risk Management level		<i>Optimal</i>	<i>Adequate (with room for improvement)</i>	<i>To be strengthened</i>	<i>Nonexistent / lacking</i>

Compliance

Integrated Compliance

Internal control system



The risk management activity carried out by Sabaf also takes into account compliance requirements in order to achieve the company's objectives.

The internal control system is based on the following elements:

- organisation of the **internal control and risk management system**;
- procedures and mechanisms for the concrete implementation of the **control principles**;
- **continuous verification and monitoring** processes carried out at various levels of the organisation, both within the company processes and through independent structures.

In particular, Sabaf prepares an integrated and risk-based Audit Plan, broken down according to specific control objectives (operational risks, compliance risks with Law 262/2005, Legislative Decree 231/2001, GDPR, security of company information systems, etc.).

The execution of the interventions is assigned, in outsourcing, to a single structure, the Internal Audit, in turn responsible for reporting the results of the activities carried out to the competent control bodies.

All this translates into an **integrated compliance** culture and tools

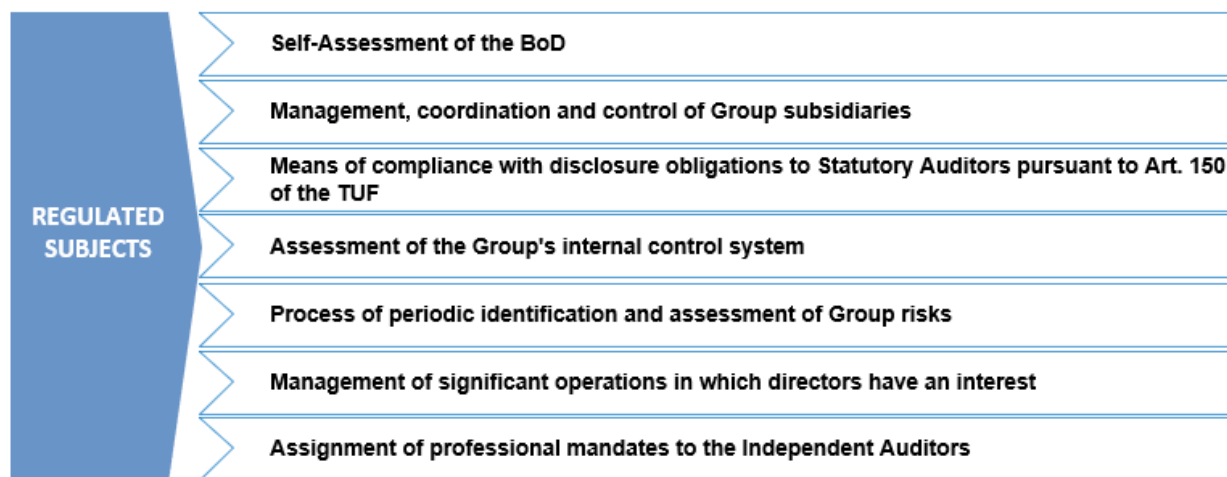
Integrated compliance and the Corporate Governance Manual

Following compliance with the Corporate Governance Code for listed companies and in order to internalise the good governance practices sponsored in this document in its processes, Sabaf adopted a **Corporate Governance Manual**¹³ that regulates principles, rules and operating procedures.

This Manual, adopted by Board resolution of 19 December 2006, has been updated several times over the years in order to reflect new laws and regulations in Corporate Governance, as well as best practices adopted by the Company over time.

The Manual includes some operating guidelines, also approved by the Board of Directors and updated from September 2018, prepared for the purpose of the correct carrying-out of the activities pertaining to Sabaf's management and control bodies.

Operating guidelines



¹³ The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 25 September 2018, is available on the Company website, at www.sabaf.it under the Investors - Corporate Governance section.

Integrated compliance and Legislative Decree 231/2001

In 2006, Sabaf S.p.A. adopted the **Organisation, Management and Control Model, as suggested by Legislative Decree 231/2001**¹⁴, aimed at preventing the commission of specific types of offences by employees and/or collaborators in the interest or for the benefit of the Company.

In the following years, the Company, under the supervision of the Supervisory Body, promptly responded to the need to adapt the Model and the control structure to the regulatory changes that had occurred from time to time.

The Company entrusts the Supervisory Body with the task of assessing the adequacy of the Model itself, i.e. its real capacity to prevent offences as well as to supervise the operation and correct observance of the adopted protocols.

In 2008, the subsidiary Faringosi Hinges s.r.l. also adopted Model 231 and appointed the SB, ensuring, in line with the parent company, its proper updating and effective operation.

In 2019, C.G.D. s.r.l. adopted its own Model 231, limited to the management of issues related to health and safety at work.

Activities carried out in 2019

SUPERVISORY BODY



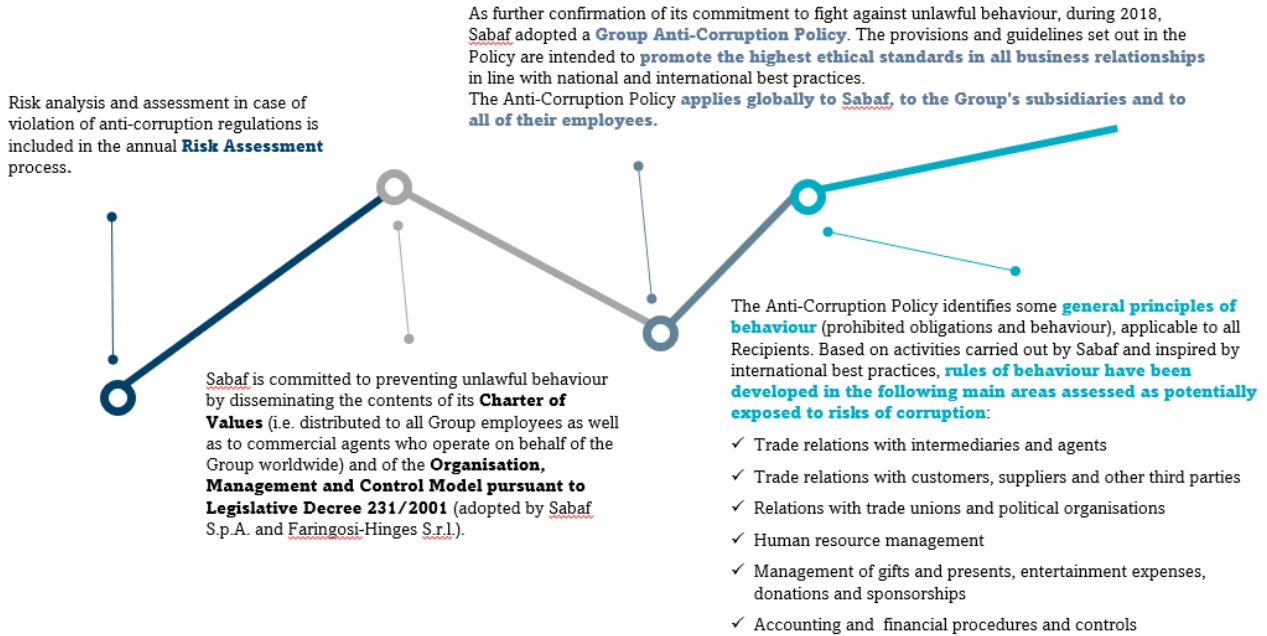
During the period, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and through conversations with personnel involved in sensitive activities;
- carried out specific investigation activities regarding the occupational health and safety management processes, held periodic consultation meetings with Company management in order to analyse certain environmental and occupational health and safety matters, as well as issues subject to audits during the year;
- carried out informational and training exercises aimed at employees with respect to several protocols governed by the Model, as well as training sessions on Italian Legislative Decree no. 231/01.

¹⁴ The latest version of the document, approved by the Board of Directors on 25 September 2018, available on the Company website, at www.sabaf.it under the Investors - Corporate Governance section.

Integrated compliance and Anti-corruption

The Sabaf Group, aware of the negative effects of corrupt practices in business management, is committed to **preventing and combating** the occurrence of **offences** in the carrying-out of its activities.



There were no cases of corruption in 2019.

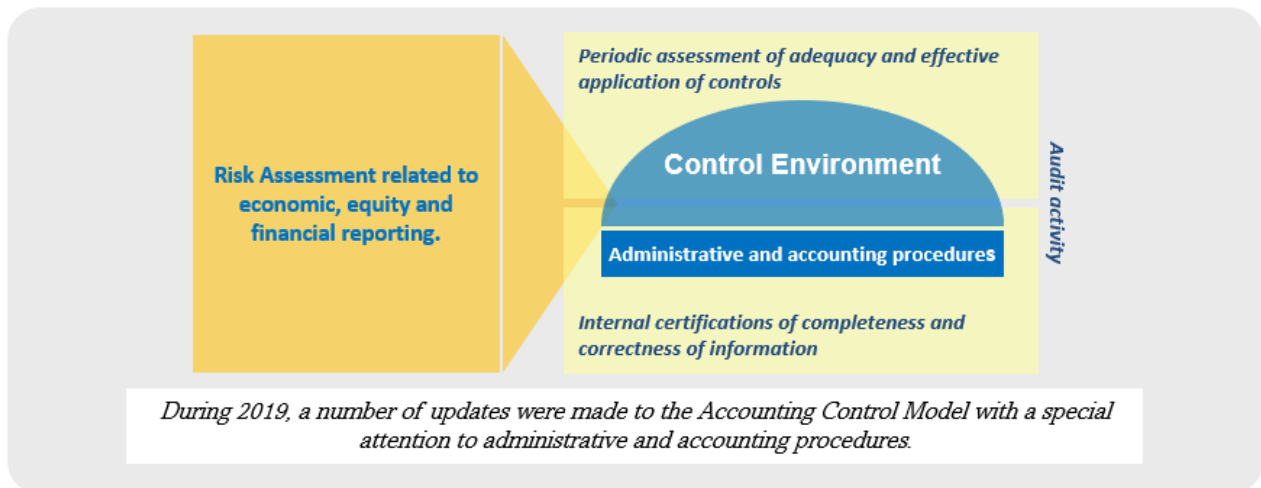
Integrated Compliance and Law 262/2005

Sabaf considers the Internal Control and Risk Management System for financial information an integral part of its risk management system.

In this regard, Sabaf has integrated the activities relating to the management of the internal control system on financial reporting into its Audit and Compliance process since 2008.

The Group defined its own **Accounting Control Model**, approved for the first time by the Board of Directors on 12 February 2008, subsequently revised and updated.

Elements characterising the accounting control model



Sabaf and employees

Risks

The management of relations with the employees of the Sabaf Group cannot disregard the identification, assessment and management of potential risks. The relevant risk categories in this area are set out below.

Strategic risks, which could affect the achievement of the Group's development objectives, such as the lack of adequate skills, the loss of key resources or the difficulty of replacing them.

Legal and compliance risks, related to contractual liabilities, compliance with the regulations applicable to the Group and the commitments set out in the Charter of Values, such as the correct application of labour contracts in force in the various countries in which the Group operates, health and safety regulations, compliance with the criteria of fairness and impartiality in the management of human resources.

Operational risks, which may lead to malfunctions in the carrying-out of current activities, such as high turnover or conflicting industrial relations.

In order to deal with these potential risks, the Group adopted certified systems for managing social responsibility (compliant with SA8000 standard) for the parent company Sabaf S.p.A. and managing occupational health and safety (compliant with OHSAS 18001 standard) for Sabaf S.p.A. and Faringosi Hinges s.r.l., extending their principles and policies to all Group companies, in order to ensure increasingly coordinated and uniform management of aspects relating to relations with employees.

In this perspective, at the end of 2018, the Group's workforce included the position of Global Group HR Director and in 2019 the Group HSE Manager.

Sabaf also implements structured policies in the following areas:

- selection and recruitment of personnel;
- training;
- internal communication;
- remuneration and incentive systems;
- company welfare;
- industrial relations.

The combination of these systems and policies enables the Group to fully manage these risks. The following paragraphs outline, for each of these aspects, the characteristics of the "Sabaf model" and the performance achieved.

Personnel management policy

The Social Responsibility and Health and Safety Management System

The commitment of the Sabaf Group to social responsibility and the protection of workers' health and safety are strategic elements for Sabaf and the achievement of labour standards that guarantee respect for human rights, health and maximum safety is a constant challenge.

The Group is committed to pursuing the following objectives, which are also set out in the Charter of Values:

- promote respect for the fundamental human rights of workers in all countries where the Group operates, as identified in the principles established in the SA8000 standard, in the Global Compact and in the Code of Conduct of APPLiA Europe (European association of home appliances), relating to child labour, forced and compulsory labour, occupational health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary procedures, working hours and remuneration criteria;
- carry out their activities by creating a group of motivated people who can operate in a work environment that encourages and rewards fairness and respect for others;
- produce profits without ever losing sight of the respect for the rights of its workers;
- identify and analyse potential hazards and risks in business processes, in order to make workplaces safer and more comfortable;
- avoid any form of discrimination and favouritism during the recruitment phase of personnel, whose selection must be made on the basis of the applicants' profiles meeting the company's requirements;
- value and respect diversity, avoiding any form of discrimination in career advancement on the grounds of gender, sexual orientation, age, nationality, state of health, political opinions, race and religious beliefs at all stages of the employment relationship;
- adopt criteria of merit and competence in employment relationships, based also on the achievement of collective and personal objectives;
- avoid all forms of harassment of workers;
- enhance the contribution of human capital in decision-making processes, encouraging continuous learning, professional growth and knowledge sharing;
- provide clear and transparent information on the tasks to be carried out and the position held, the performance of the Group and market developments;
- establish a responsible and constructive dialogue with trade unions, fostering a climate of mutual trust in compliance with the principles of fairness and transparency, respecting their roles.

For this reason, Sabaf S.p.A. adopted and maintains a Social Responsibility Management System that, by integrating with the other management systems operating in the company (health, safety, environment and energy and quality), constitutes an effective means for constant risk reduction. This objective is achieved through the following instruments:

- maintaining full compliance with applicable laws, directives, local regulations and other signed requirements (SA8000, Global Compact, Code of Conduct of APPLiA Europe);
- the full implementation of the Charter of Values;
- the prior assessment of human rights, health and safety aspects;
- the development of a process based on people being given a sense of responsibility within shared rules of behaviour.

Sabaf S.p.A. and the SA8000 Standard

Sabaf S.p.A. has been using a Social Responsibility Management System certified and compliant with the SA8000 standard since March 2009.

In order that the main stakeholders can actively participate in the implementation of the Social Responsibility System, particular attention was paid to their involvement in the methods described below.

To Sabaf S.p.A. workers, through specific training sessions. Understanding the importance of adopting a Social Responsibility System is also facilitated by sharing information material on

company electronic noticeboards, on the HR PORTAL workers' portal, on the network and on the company website.

To the trade unions, through awareness and the convinced involvement of trade union workers' representatives is fundamental for the full implementation of the System.

To suppliers, sub-suppliers and sub-contractors, through the signing of a commitment to comply with the requirements of the Standard, an integral part of contracts. Audits are also carried out on suppliers.

To customers, by committing themselves within the household appliance industry to support ethical and fair behaviour, also through compliance with the Code of Conduct of APPLiA Europe.

To the institutions, through the commitment to carry out its activities in order to overcome mere compliance with the law.

To the community, by complying with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten principles: human rights, labour, environmental protection and anti-corruption.

To be eligible for SA8000 compliance, Sabaf S.p.A. must comply with local, national and other applicable laws, prevailing industry standards, other requirements it complies with, and the principles of many international instruments, including the Universal Declaration of Human Rights, ILO Conventions and United Nations Conventions.

During 2019, no episodes of discrimination were observed at Group level.

Through the process envisaged by the SA8000 standard, with regard to Sabaf S.p.A., no transactions/activities with a high risk of recourse to child labour and forced or compulsory labour or with a high risk of violation of the right of workers to exercise their freedom of association and collective bargaining were identified.

With regard to this last aspect of risks related to suppliers, the SA8000 process involves carrying out a risk analysis and providing a questionnaire for suppliers that include the issue of freedom of association and collective bargaining (for further information, refer to the paragraph "Sabaf S.p.A., the SA8000 standard and suppliers).

With regards to the other Group companies, there are no structured assessment tools.

The people of the Sabaf Group

The Sabaf Group had 1,035 employees at 31 December 2019 compared to 760 at the end of 2018. The increase in the number of employees compared to the previous year was 275, of which 170 following the acquisition of the C.M.I. Group and 96 following the inclusion of Okida in the reporting boundary of all the KPIs shown in the Disclosure.

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	T	M	W	T	M	W	T
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	318	170	488	329	174	503	337	177	514
Faringosi Hinges s.r.l. (Bareggio, Milan - Italy)	23	21	44	22	21	43	22	21	43
A.R.C. s.r.l. (Campodarsego, Padua - Italy)	16	5	21	15	4	19	14	4	18
C.M.I. s.r.l. (Loc. Crespellano – Valsamoggia, Bologna – Italy)	33	52	85	n/a	n/a	n/a	n/a	n/a	n/a
C.G.D. s.r.l. (Loc. Crespellano – Valsamoggia, Bologna – Italy)	34	4	38	n/a	n/a	n/a	n/a	n/a	n/a
C.M.I. Polska SP ZOO (Myszkow, Poland)	18	29	47	n/a	n/a	n/a	n/a	n/a	n/a
Sabaf do Brasil (Jundiaí, São Paulo - Brazil)	69	13	82	70	17	87	61	16	77
Sabaf Turkey (Manisa - Turkey)	84	42	126	64	36	100	56	40	96
Okida¹⁵ (Esenyurt/Istanbul – Turkey)	56	40	96	n/a	n/a	n/a	n/a	n/a	n/a
Sabaf Appliance Components (Kunshan) Co., Ltd. (Kunshan, Jiangsu Province – China)	6	2	8	6	2	8	6	2	8
Group total	657	378	1,035	506	254	760	496	260	756

As regards the types of contract adopted, there are 990 employees with permanent contracts (95.7%) and 45 with fixed-term contracts (4.3%).

Sabaf S.p.A.

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	312	167	479	326	171	497	335	177	512
Fixed term	6	3	9	3	3	6	2	0	2

Faringosi Hinges s.r.l.

(no.)	31/12/19			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	23	21	44	22	21	43	22	21	43
Fixed term	0	0	0	0	0	0	0	0	0

¹⁵In September 2018, Okida joined the Sabaf Group. The company was included in the reporting boundary as from 2019.

A.R.C. s.r.l.

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	16	5	21	15	4	19	14	4	18
Fixed term	0	0	0	0	0	0	0	0	0

C.M.I. s.r.l.

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	30	51	81	n/a	n/a	n/a	n/a	n/a	n/a
Fixed term	3	1	4	n/a	n/a	n/a	n/a	n/a	n/a

C.G.D. s.r.l.

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	33	4	37	n/a	n/a	n/a	n/a	n/a	n/a
Fixed term	1	0	1	n/a	n/a	n/a	n/a	n/a	n/a

C.M.I. Polska SP ZOO

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	17	29	46	n/a	n/a	n/a	n/a	n/a	n/a
Fixed term	1	0	1	n/a	n/a	n/a	n/a	n/a	n/a

Sabaf do Brasil

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	65	13	78	70	17	87	58	16	74
Fixed term	4	0	4	0	0	0	3	0	3

Sabaf Turkey

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	65	37	102	51	32	83	41	29	70
Fixed term	19	5	24	13	4	17	15	11	26

Okida

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	56	40	96	n/a	n/a	n/a	n/a	n/a	n/a
Fixed term	0	0	0	n/a	n/a	n/a	n/a	n/a	n/a

Sabaf China

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	4	2	6	3	2	5	3	2	5
Fixed term	2	0	2	3	0	3	3	0	3

Group total

(no.)	31/12/2019			31/12/2018			31/12/2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Permanent	621	369	990	487	247	734	473	249	722
Fixed term	36	9	45	19	7	26	23	11	34
Group total	657	378	1,035	506	254	760	496	260	756

Personnel with temporary work contract or similar and trainees

	Unit of measurement	31/12/2019	31/12/2018	31/12/2017
Temporary workers	no.	42	57	47
Trainees	no.	2	3	1

Breakdown of personnel by age

	Unit of measurement	31/12/2019	31/12/2018	31/12/2017
< 30 years old	%	17.2	13.9	16.0
31 – 40 years old	%	35.1	39.9	40.5
41 – 50 years old	%	31.8	31.8	30.7
over 50 years old	%	15.9	14.4	12.8
Total	%	100.0	100.0	100.0

The low average age of Group employees (39.8 years old) confirms the strategy of hiring young workers, giving priority to training and internal growth rather than acquiring skills from outside, also in consideration of the specific nature of Sabaf's industrial model.

The minimum age for Group personnel is 19 years old for Italy, 20 years old for Poland, 18 years old for Turkey, 16 years old for Brazil and 30 years old for China.

Breakdown of the personnel by length of service

	Unit of measurement	31/12/2019	31/12/2018	31/12/2017
< 5 years	%	37.2	26.7	24.5
6 – 10 years	%	12.3	12.9	18.9
11 – 20 years	%	36.6	46.7	45.1
over 20 years	%	13.9	13.7	11.5
Total	%	100.0	100.0	100.0

Sabaf is aware of the fundamental importance of having a stable and qualified workforce that is a key factor in maintaining its competitive advantage.

Recruitment policy

In order to attract the best resources, the recruitment policy aims to ensure equal opportunities for all candidates, avoiding any kind of discrimination. The selection procedure requires, inter alia:

- the selection process to be carried out in at least two stages with two different representatives;
- that at least two applicants be assessed for each position.

The assessment of the applicants is based on their skills, training, previous experience, expectations and potential, tailoring them to the specific needs of the company.

All new employees of the Group are given the Charter of Values. Sabaf S.p.A. also delivers a copy of the SA8000:2014 standard, for which the company is certified.

Breakdown by qualification

	Unit of measurement	31/12/2019	31/12/2018	31/12/2017
Degree	%	14.9	14.1	12.3
High school leaving diploma	%	44.2	45.5	45.0
Middle school leaving certificate	%	39.7	40.1	41.5
Elementary school leaving certificate	%	1.2	0.3	1.2
TOTAL	%	100.0	100.0	100.0

Change in personnel in the three-year period

		No. of employee hires		
Gender	Age group	2019	2018	2017
Women	< 30 years old	18	11	15
	31-40 years old	9	8	13
	41-50 years old	6	0	2
	> 50 years old	0	1	1
Total women		33	20	31
Men	< 30 years old	46	24	37
	31-40 years old	25	41	24
	41-50 years old	3	4	7
	> 50 years old	2	1	2
Total men		76	70	70
Total		109	90	101

		No. of employee turnover		
Gender	Age group	2019	2018	2017
Women	< 30 years old	9	7	9
	31-40 years old	9	13	17
	41-50 years old	8	2	1
	> 50 years old	1	4	2
Total women		27	26	29
Men	< 30 years old	32	34	25
	31-40 years old	19	17	24
	41-50 years old	10	6	12
	> 50 years old	6	3	9
Total men		67	60	70
Total		94	86	99

Hire rate by geographical area, age group and gender

Group				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	4.76%	4.33%	5.77%
	31-40 years old	2.38%	3.15%	5.00%
	41-50 years old	1.59%	0.00%	0.77%
	> 50 years old	0.00%	0.39%	0.38%
Total women		8.73%	7.87%	11.92%
Men	< 30 years old	7.00%	4.74%	7.46%
	31-40 years old	3.81%	8.10%	4.84%
	41-50 years old	0.46%	0.79%	1.41%
	> 50 years old	0.30%	0.20%	0.40%
Total men		11.57%	13.83%	14.11%
Total		10.53%	11.84%	13.36%

Italia (Sabaf S.p.A., Faringosi, A.R.C.)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	2.04%	1.01%	0.00%
	31-40 years old	0.00%	1.01%	0.00%
	41-50 years old	0.51%	0.00%	0.00%
	> 50 years old	0.00%	0.50%	0.50%
Total women		2.55%	2.51%	0.50%
Men	< 30 years old	0.84%	1.09%	0.27%
	31-40 years old	0.84%	0.55%	1.61%
	41-50 years old	0.00%	0.27%	0.54%
	> 50 years old	0.56%	0.27%	0.54%
Total men		2.24%	2.19%	2.95%
Total		2.34%	2.30%	2.09%

Italy (C.M.I. and C.G.D.)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	0.00%	n/a	n/a
	31-40 years old	0.00%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total women		0.00%	n/a	n/a
Men	< 30 years old	0.00%	n/a	n/a
	31-40 years old	2.99%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total men		2.99%	n/a	n/a
Total		2.99%	n/a	n/a

Poland (C.M.I. Polska)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	0.00%	n/a	n/a
	31-40 years old	10.34%	n/a	n/a
	41-50 years old	6.90%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total women		17.24%	n/a	n/a
Men	< 30 years old	11.11%	n/a	n/a
	31-40 years old	0.00%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total men		11.11%	n/a	n/a
Total		14.89%	n/a	n/a

Brazil (Sabaf do Brasil)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	0.00%	5.88%	25.00%
	31-40 years old	7.69%	5.88%	0.00%
	41-50 years old	0.00%	0.00%	0.00%
	> 50 years old	0.00%	0.00%	0.00%
Total women		7.69%	11.76%	25.00%
Men	< 30 years old	8.70%	2.86%	26.23%
	31-40 years old	7.25%	38.57%	11.48%
	41-50 years old	1.45%	1.43%	3.28%
	> 50 years old	0.00%	0.00%	0.00%
Total men		17.40%	42.86%	40.98%
Total		15.85%	36.78%	37.66%

Turkey (Sabaf Turkey and Okida)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	17.07%	22.22%	27.50%
	31-40 years old	6.10%	13.89%	32.50%
	41-50 years old	3.66%	0.00%	5.00%
	> 50 years old	0.00%	0.00%	0.00%
Total women		26.83%	36.11%	65.00%
Men	< 30 years old	25.00%	28.13%	35.71%
	31-40 years old	10.71%	18.75%	19.64%
	41-50 years old	1.43%	3.13%	5.36%
	> 50 years old	0.00%	0.00%	0.00%
Total men		37.14%	50.00%	60.71%
Total		33.33%	45.00%	62.50%

China (Sabaf China)				
Gender	Age group	2019	2018	2017
		Hire rate	Hire rate	Hire rate
Women	< 30 years old	0.00%	0.00%	0.00%
	31-40 years old	0.00%	0.00%	0.00%
	41-50 years old	0.00%	0.00%	0.00%
	> 50 years old	0.00%	0.00%	0.00%
Total women		0.00%	0.00%	0.00%
Men	< 30 years old	0.00%	0.00%	0.00%
	31-40 years old	0.00%	0.00%	0.00%
	41-50 years old	0.00%	0.00%	0.00%
	> 50 years old	0.00%	0.00%	0.00%
Total men		0.00%	0.00%	0.00%
Total		0.00%	0.00%	0.00%

Turnover rate by geographical area, age group and gender

Group				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	2.38%	2.76%	3.46%
	31-40 years old	2.38%	5.12%	6.54%
	41-50 years old	2.12%	0.79%	0.38%
	> 50 years old	0.26%	0.39%	0.00%
Total women		7.14%	9.06%	10.38%
Men	< 30 years old	4.87%	6.32%	5.04%
	31-40 years old	2.89%	3.36%	4.84%
	41-50 years old	1.52%	1.19%	2.42%
	> 50 years old	0.91%	0.20%	1.01%
Total men		10.19%	11.07%	13.31%
Total		9.08%	10.39%	12.30%

Italia (Sabaf S.p.A., Faringosi, A.R.C.)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	0.51%	0.00%	0.00%
	31-40 years old	1.53%	1.52%	0.99%
	41-50 years old	1.53%	0.51%	0.00%
	> 50 years old	0.51%	0.51%	0.00%
Total women		4.08%	2.53%	0.99%
Men	< 30 years old	0.56%	0.54%	0.54%
	31-40 years old	1.40%	1.63%	2.68%
	41-50 years old	1.96%	1.09%	1.61%
	> 50 years old	0.84%	0.27%	1.07%
Total men		4.76%	3.54%	5.90%
Total		4.52%	3.19%	4.18%

Italy (C.M.I. and C.G.D.)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	0.00%	n/a	n/a
	31-40 years old	0.00%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total women		0.00%	n/a	n/a
Men	< 30 years old	1.49%	n/a	n/a
	31-40 years old	0.00%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	1.49%	n/a	n/a
Total men		2.98%	n/a	n/a
Total		1.63%	n/a	n/a

Poland (C.M.I. Polska)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	3.45%	n/a	n/a
	31-40 years old	3.45%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total women		6.90%	n/a	n/a
Men	< 30 years old	5.56%	n/a	n/a
	31-40 years old	0.00%	n/a	n/a
	41-50 years old	0.00%	n/a	n/a
	> 50 years old	0.00%	n/a	n/a
Total men		5.56%	n/a	n/a
Total		66.38%	n/a	n/a

Brazil (Sabaf do Brasil)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	7.60%	0.00%	18.75%
	31-40 years old	15.38%	5.88%	12.50%
	41-50 years old	15.38%	0.00%	0.00%
	> 50 years old	0.00%	0.00%	0.00%
Total women		38.46%	5.88%	31.25%
Men	< 30 years old	7.25%	17.14%	9.84%
	31-40 years old	7.25%	7.14%	6.56%
	41-50 years old	4.35%	2.86%	3.28%
	> 50 years old	0.00%	0.00%	1.64%
Total men		18.85%	27.14%	21.32%
Total		21.95%	22.99%	23.38%

Turkey (Sabaf Turkey and Okida)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	7.32%	19.44%	15.00%
	31-40 years old	3.66%	25.00%	32.50%
	41-50 years old	3.66%	2.78%	2.50%
	> 50 years old	0.00%	0.00%	0.00%
Total women		14.64%	47.22%	50.00%
Men	< 30 years old	16.43%	28.13%	30.36%
	31-40 years old	6.43%	9.38%	17.86%
	41-50 years old	0.00%	0.00%	5.36%
	> 50 years old	1.43%	0.00%	0.00%
Total men		24.29%	37.50%	53.58%
Total		20.72%	41.00%	52.09%

China (Sabaf China)				
Gender	Age group	2019	2018	2017
		Turnover rate	Turnover rate	Turnover rate
Women	< 30 years old	0.00%	0.00%	0.00%
	31-40 years old	0.00%	0.00%	0.00%
	41-50 years old	0.00%	0.00%	0.00%
	> 50 years old	0.00%	0.00%	0.00%
Total women		0.00%	0.00%	0.00%
Men	< 30 years old	0.00%	0.00%	0.00%
	31-40 years old	0.00%	0.00%	0.00%
	41-50 years old	0.00%	0.00%	16.67%
	> 50 years old	0.00%	0.00%	0.00%
Total men		0.00%	0.00%	16.67%
Total		0.00%	0.00%	12.50%

In 2019, turnover was further reduced compared to 2018 and remained at satisfactory levels. In Turkey, the Group is experiencing the greatest difficulties in personnel retention, partly because Sabaf Turkey operates in an area, Manisa, which is experiencing strong industrial development and where new employment opportunities are constantly being offered. The policies on personnel implemented have nevertheless led to a higher level of loyalty development in Turkey.

Personnel training

Within the Sabaf Group, the professional growth of employees is supported by continuous training. The Group Human Resources Department, having consulted the relevant heads and gathered the training requirements, prepares an annual training plan on the basis of which the specific courses to be carried out are planned.

<i>(hours)</i>	2019			2018			2017		
	M	W	TOT	M	W	TOT	M	W	T
Training for new employees, apprentices, training contracts	2,340	1,302	3,642	4,363	1,299	5,662	5,173	1,538	6,711
Technical training and information systems	2,316	117	2,433	2,121	704	2,824	776	95	871
Quality, safety, environment, energy and social responsibility	3,079	878	3,957	3,649	1,040	4,689	2,905	540	3,445
Administration and organisation	683	545	1,228	724	554	1,278	1,246	389	1,635
Foreign languages	1,234	540	1,774	1,339	420	1,759	328	152	480
Other (e.g. lean philosophy/production/office)	2,036	767	2,803	256	496	752	1,522	364	1,886
Total hours of training received	11,688	4,149	15,837	12,452	4,513	16,963	11,950	3,078	15,028
Hours of training provided by internal trainers ¹⁶	979	284	1,263	7,239	1,915	9,154	4,501	1,282	5,783
Total	12,667	4,433	17,100	19,691	6,428	26,119	16,451	4,360	20,811

Average hours of training per capita received by category

	2019			2018			2017		
	M	W	TOT	M	W	TOT	M	W	TOT
Blue collars	18.2	10.0	15.1	23.7	15.2	20.8	20.5	8.8	16.5
White collars and Middle Managers	16.9	15.2	16.3	29.8	24.4	27.9	36.1	22.2	31.1
Managers	11.6	3.5	10.8	16.2	51.5	18.5	28.7	50	30.1
Total	17.8	11.0	15.3	24.8	17.5	22.3	23.9	11.9	19.8

In 2019, the total cost incurred for training activities of Group personnel was approximately € 390,000 (approximately € 497,000 in 2018). In addition, there are training costs for temporary personnel, which in 2019 were around € 28,000 (around € 134,000 in 2018).

¹⁶ Including training given to employees with temporary work contract.

Internal Communication

With the aim of developing a dialogue and continuous involvement between the company and its collaborators, Sabaf organises meetings and sharing sessions in which the results of projects to improve quality, efficiency and productivity are presented.

The HR representatives provide assistance to all Group employees on matters relating to the employment relationship.

The focus on internal communication uses advanced tools that can reach all employees, such as a dedicated portal and electronic bulletin boards.

Systematic meetings in the various departments promote communication and involvement of personnel.

Diversity and equal opportunities

Sabaf is constantly committed to ensuring equal opportunities for women employees, who currently represent 36.5% of the workforce (33.4% in 2018).

The Group, in accordance with the organisational and production requirements, is attentive to the family requirements of its employees. To date, most of the demands for reduced working time made by workers have been met.

Type of contract	Gender	Unit of measurement	31/12/2019	31/12/2018	31/12/2017
Full-time	Man	no.	651	504	495
	Woman	no.	327	208	217
	Total	no.	978	712	712
Part-time	Man	no.	6	2	1
	Woman	no.	51	46	43
	Total	no.	57	48	44
Total		no.	1,035	760	756

Percentage distribution of employment by gender

	31/12/2019		31/12/2018		31/12/2017	
	Number	%	Number	%	Number	%
Men	657	63.5	506	66.6	496	65.6
Women	378	36.5	254	33.4	260	34.4
Total	1,035	100.0	760	100.0	756	100.0

Breakdown by category and gender

		31/12/2019			31/12/2018			31/12/2017		
		Men %	Women %	Total %	Men %	Women %	Total %	Men %	Women %	Total %
Managers	< 30 years old	0	0	0	0	0	0	0	0	0
	from 30 to 50 years old	1	0	1	1	0	1	1	0	1
	over 50 years old	1	0	1	1	0	1	1	0	1
	Total	2	0	2	2	0	2	2	0	2
White collars and Middle Managers	< 30 years old	1	2	3	2	2	4	1	2	3
	from 30 to 50 years old	10	5	15	10	5	15	10	5	15
	over 50 years old	2	1	3	2	1	3	2	1	3
	Total	13	8	21	14	8	22	13	8	21
Blue collars	< 30 years old	10	3	13	8	2	10	10	3	13
	from 30 to 50 years old	31	22	53	35	21	56	34	21	55
	over 50 years old	7	4	11	8	2	10	7	2	9
	Total	48	29	77	51	25	76	51	27	77
Total	< 30 years old	10	5	15	10	4	14	12	4	16
	from 30 to 50 years old	42	27	69	46	26	72	44	27	71
	over 50 years old	11	5	16	11	3	14	10	3	13
	Total	63	37	100	67	33	100	66	34	100

The managers of all Group offices come from a geographical area close to the registered offices in which they operate, except for the production manager of Sabaf China, who has been living in China for many years.

Remuneration, incentive and enhancement systems

All Group companies apply local national contracts, supplemented with any best deals.

The employees of Sabaf S.p.A. are classified according to the provisions of the National Collective Labour Contract for the metal and engineering industry, supplemented by second-level negotiations, which include:

- contractual minimum
- company welfare from National Collective Labour Agreement,
- productivity or personal bonuses per level,
- production bonus per level,
- fixed performance bonus (part of which includes part of the previous variable bonus) for all levels,
- variable performance bonus that is the same for all levels.

Further information is provided in the notes to the consolidated financial statements.

During 2019, Sabaf S.p.A. launched a new corporate welfare platform (Edenred), which has been very well received by employees. Based on the use and conversion data of bonuses, Sabaf is among the 4 companies identified as best practice, out of a portfolio of 1,100 customer companies using the Edenred platform.

In addition to economic incentives, the incentive system includes company agreements for access to goods or services on favourable terms for all employees, regardless of the type of contract.

The Group believes that a fundamental element of the incentive system is represented by the training opportunities provided to employees, including the possibility to participate in numerous activities organised at the premises or off-premises.

Long-term incentive

A long-term incentive plan (stock grant plan) was introduced in 2018, which envisages the free allocation of shares to parties (directors and employees) who hold or will hold key positions for Sabaf S.p.A. and its subsidiaries.

The Plan aims to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the 2018-2022 Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth of the Company and of the Group.

Management By Objectives (MBO)

A Group-wide incentive system linked to collective and individual objectives (MBOs) is in place, involving the Chief Executive Officer, executives with strategic responsibilities and managers. In 2019, this incentive system involved 42 employees of the Group (39 men and 3 women). Further details on the MBO mechanisms are described in the Remuneration Report.

The "premio produciamo qualità (PPQ)" (literally, "We produce quality prize")

With the aim of rewarding the contribution of personnel to the achievement of company objectives, in 2016 Sabaf S.p.A. introduced an incentive system related to quality objectives (reduction of waste and rework), production efficiency and precision in carrying out projects.

In 2019, improvement targets in these areas were set for 116 people involved in relevant business processes.

	White Collars	Blue collars	Total
Men	40	67	107
Women	2	7	9
Total	42	74	116

The initiative was very well received by the employees: in addition to being a tool for steering towards challenging objectives (458 objectives were assigned, achieved or exceeded in 52% of cases), the PPQ stimulated teamwork and favoured the sharing of short- and medium-long term development plans at all company levels.

Variable Performance Bonus (VPB)

The supplementary company contract of Sabaf S.p.A. envisages a variable performance bonus for all employees, also based on quality and productivity indicators.

Also in 2019, the VPB could be enjoyed in the form of company welfare.

Personnel Participation Bonus (PPB)

In 2018, Sabaf S.p.A. introduced a Personnel Participation Bonus (PPB) for all its employees who, through effective participation, help to achieve the company's objectives.

This bonus was paid also in 2019 in the form of company welfare.

The forms of social security in force for all Group employees are those envisaged by the regulations in force in the various Countries in which the Group operates.

Ratio of minimum monthly salary under collective labour agreements to minimum salary paid by Group companies¹⁷

2017	Minimum salary under collective labour agreement		Minimum salary paid		Minimum % increase	
	<i>Values in euro</i>					
	M	W	M	W	M	W
Sabaf S.p.A.	1,590	1,590	1,814	2,172	14%	37%
Faringosi Hinges s.r.l.	1,590	1,590	1,771	1,771	11%	11%
A.R.C. s.r.l.	1,434	1,434	1,462	1,434	2%	0%
Turkey	308	308	352	352	14%	14%
Brazil	358	358	414	414	15%	15%
China	265	265	356	1,145	34%	332% ¹⁸

2018	Minimum salary under collective labour agreement		Minimum salary paid		Minimum % increase	
	<i>Values in euro</i>					
	M	W	M	W	M	W
Sabaf S.p.A.	1,605	1,605	1,664	1,884	4%	17%
Faringosi Hinges s.r.l.	1,605	1,605	1,785	1,785	11%	11%
A.R.C. s.r.l.	1,605	1,605	1,644	1,705	2%	6%
Turkey	254	254	290	290	14%	14%
Brazil	313	313	353	353	13%	13%
China	259	259	348	1,145	34%	341%

2019 ¹⁹	Minimum salary under collective labour agreement		Minimum salary paid		Minimum % increase	
	<i>Values in euro</i>					
	M	W	M	W	M	W
Sabaf S.p.A.	1,617	1,617	1,630	2,044	1%	26%
Faringosi Hinges s.r.l.	1,617	1,617	1,664	1,798	3%	11%
A.R.C. s.r.l.	1,617	1,617	1,644	1,617	2%	0%
C.G.D. s.r.l.	1,498	1,795	1,533	2,063	2%	15%
C.M.I. Polska	389	389	465	465	20%	20%
Sabaf Turkey	288	288	329	329	14%	14%
Okida	288	288	288	288	0%	0%
Brazil	320	320	362	362	13%	13%
China	380	380	1,292	1,155	240%	204%

The Group has procedures in place to systematically check the correct hiring and regular contribution of suppliers and contract workers.

Ratio of average salary of female personnel to average salary of male personnel

	2019	2018	2017
White-collars, middle managers and managers	83%	71%	67%
Blue collars	82%	77%	74%

¹⁷ Values converted into euro at the annual average exchange rate.

¹⁸ Data modified compared to DNF 2017 due to a publication error.

¹⁹ Data not available for C.M.I. s.r.l..

Occupational health and safety and working environment

Risks

The Health & Safety risks to which Sabaf and contractors' personnel are exposed are related to the processes at the various sites where the business is carried out. In general, the main risks to workers' health and safety are:

- risks with high associated damage (falls from a height, work in confined spaces);
- the risks resulting from the presence of aluminium casting departments (burn, exposure to high temperatures).

The Group is also exposed to the risk of failure to adopt measures to bring its procedures and operations into line with current health and safety regulations.

Risk management

The Sabaf Group formally defines the responsibilities, criteria and operating procedures for identifying and planning prevention measures to eliminate and/or mitigate risks, as part of a system that allows the level of safety and hygiene to be optimised and constantly improved through preventive actions.

During 2019, the function of Group HSE Manager was established with the aim of coordinating the management of Health, Safety and Environment of all companies based on a common policy.

The occupational health and safety management systems of Group companies are structured according to a risk-based approach.

Prevention and reduction of risk levels are based on the following factors:

- **Effective training:** all training courses are planned and managed by internal personnel and/or external trainers, with a propensity to teach and with strong experience in the reference sector (first aid, fire-fighting, work at height, etc.). Job-specific training courses have been designed with a focus on the simulation of real cases and actual experiences, in order to make training meetings more effective. The approach to training aims to overcome the compulsory approach to encourage the active participation of all employees.
- **Cutting-edge plants:** continuous investment in increasingly modern and technologically advanced machinery reduced the levels of risk related to ergonomics and manual handling of loads and improved the systems to protect against physical risks.
- **Organisation:** the strong involvement and constant training of department heads and their awareness of obligations and responsibilities led to a clear improvement in all aspects of Health and Safety.

In the Group companies based in Italy (Sabaf S.p.A., Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., C.G.D. s.r.l.), the risk assessment is carried out by the Employer through the collaboration of the Occupational Health and Safety Officer and the Company Physician, with the participation of all responsible parties (managers and representatives). The involvement of workers is envisaged, both through periodic meetings with safety representatives through the obligation to report possible additional risks. Equivalent systems, applied in accordance with applicable laws, are in place at the foreign offices.

In Sabaf S.p.A., the management system for the health and safety of workers has been certified according to OHSAS 18001 since 2017; in Faringosi Hinges s.r.l. since 2012.

The management systems of the other Group companies are not certified. Moreover, the increasing coordination at central level directs all companies towards a shared approach and methodology. For example, the support management system used at Sabaf S.p.A. has been gradually extended to certain subsidiaries (Faringosi Hinges, ARC, Sabaf Brazil, Sabaf Turkey). For the recently acquired companies (Okida and the C.M.I. Group), the Group is starting the management and coordination of the related safety management systems.

	2019	2018	2017
NUMBER AND DURATION OF INJURIES - Group²⁰			
Hours worked	1,513,620	1,234,369	1,225,868
Near misses	39	37	76
Recordable injuries²¹ (absence < 6 months) - excluding fatalities	15	29	18
<i>of which injuries while travelling to/from work²²</i>	0	2	3
High-consequence work-related injuries (absence > 6 months) - excluding fatalities	1	0	0
<i>of which injuries while travelling to/from work</i>	0	0	0
Deaths as a result of injuries	0	0	0
<i>of which injuries while travelling to/from work</i>	0	0	0
Days lost due to injury	260	210	159
Total injuries - including fatalities	16	29	18
<i>of which injuries while travelling to/from work</i>	0	2	3
INJURY RATE			
Number of injuries x 1,000,000 / hours worked			
Recordable injury rate	9.91	23.49	14.68
High-consequence injury rate	0.66	0.00	0.00
Total injury rate	10.57	23.49	14.68
Fatality rate as a result of injuries	0.00	0.00	0.00
INJURY LOST DAY RATE			
Days' absence x 1,000 / hours worked			
Rate based on recordable and high-consequence injuries	0.17	0.17	0.13

During 2019, there was a serious injury at Sabaf Turkey where an employee lost his sight in one eye as a result of contact with a molten metal splash. After this event, prevention and protection measures were further strengthened to prevent the occurrence of similar accidents at any of the Group's plants.

Lastly, with regard to outside workers, in 2019, there was only one injury at Group level that did not have high-consequences, with an injury rate of 11.64.

In general, the injury rate improved compared to 2018.

No cases of occupational disease were reported at Group level in 2019.

In compliance with the laws in force, Group companies prepared and implemented health supervisory plans for employees, with health inspections aimed at the specific risks of the work activities carried out.

20 Please note that the 2018 and 2017 data was calculated according to the requirements of the 2016 version of the GRI Standard on Health and Safety.

21 Recordable injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.

22 Only if transport has been organised by the organisation and the transfers have taken place within working hours.

Sabaf, a health-promoting workplace

At the beginning of 2016, Sabaf S.p.A. joined the WHP (Workplace Health Promotion) programme, committing itself to implementing **good practices** in the field of **workplace health promotion**. The company is committed not only to implementing all measures to prevent accidents and occupational diseases but also to offering its workers opportunities to improve their health, reducing general risk factors and in particular those most involved in the genesis of chronic diseases.

Workplace health promotion is the result of the combined efforts of employers, workers and the company. The following factors contribute to this promotion:

- improving work organisation and the working environment
- encouraging personnel to participate in healthy activities
- promoting healthy choices
- encouraging personal growth

The central idea is simple: Sabaf aims to build, through a participatory process, a context that encourages the adoption of positive behaviour and choices for health.

The WHP Programme envisages the development of activities (good practices) in **6 thematic areas**: food, fight against smoking, fitness training, safe and sustainable mobility, fight against addictions, wellbeing/work-life balance.

Use of dangerous substances

Only materials that fully comply with the requirements of Directive 2002/95/EC (RoHS Directive) which tends to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium are used for production.

Industrial relations

Sabaf complies with the labour laws of the various countries and the conventions of International Labour Organisation (ILO) on Workers' Rights (freedom of association and collective bargaining, consultation, right to strike, etc.), systematically promoting dialogue between the parties and seeking an adequate level of agreement and sharing of company strategies by the personnel.

In case of organisational changes, with regard to the minimum notice period, the Group complies with the provisions of the law and the reference contracts of the various countries.

In January 2018, the second level company agreement of Sabaf S.p.A. was renewed, valid until June 2021. The key points of this agreement are set below:

- the sharing between the company and trade unions and Unitary Union Representative Body of priorities on which to channel resources and energy in the coming years (producing quality, creating and maintaining efficiency, becoming more flexible);
- sharing objectives also through the responsible involvement of personnel;
- maintaining fair and transparent industrial relations while respecting individual roles;
- the establishment of working groups with the aim of improving the involvement of personnel at all levels;
- the continuation of the payment of a variable part of remuneration, the payment of which is related to measurable and verifiable quality and efficiency indicators; data on which dissemination and transparency will be maintained;
- the possibility of converting all or part of the variable performance bonus (VPB) into welfare.

The internal trade union representatives present in Sabaf S.p.A. are FIOM, FIM and UILM and in Faringosi Hinges s.r.l. FIM.

During the year, regular meetings between Management and the Unitary Union Representative Body took place.

In Group companies, 125 employees, or 14.5% of the total, were registered at December 2019 (120 employees, or 15,8%, were registered in 2018)²³.

Hours of participation in trade union activities during 2019 amounted to 0.36% of the hours worked.

PARTICIPATION IN TRADE UNION ACTIVITIES		
	2019	BENCHMARK ²⁴
MEETING		
No. of hours	2,373	
Percentage over hours worked	0.16	
No. of hours per capita	2.3	
LEAVE FOR TRADE UNION DUTIES		
No. of hours	1,579	
Percentage over hours worked	0.10	
No. of hours per capita	1.5	
STRIKE		
No. of hours	1,459	
Percentage over hours worked	0.10	
No. of hours per capita	1.4	
TOTAL		
No. of hours	5,410	
Percentage over hours worked	0.36	
No. of hours per capita	5.2	3.3

²³The data does not include the C.M.I. Group, over which Sabaf acquired control on 31 July 2019.

²⁴ FEDERMECCANICA, *L'industria metalmeccanica in cifre (June 2019) - Ore pro-capite di assenza dal lavoro (2017)*, <http://www.federmeccanica.it>

In 2019, a total of 12 hours of strike were called out in Sabaf S.p.A. in connection with national and provincial problems.

Since May 2019, Sabaf S.p.A. has had limited use of the solidarity contract in the face of a marked drop in production levels.

Disciplinary measures and disputes

The Group makes use of all the instruments provided for in the contract for compliance with the company rules and social life.

At 31 December 2019, 8 disputes were pending (all with former employees), 1 of which was started in 2019.

Sabaf and environment

Risks

Environmental issues are also managed through a risk-based approach, in line with the UNI EN ISO 14001:2015 standard.

Risks of external context (environmental sustainability), concerning the protection of the environment and the territory, through the reduction of environmental impacts and the containment of the use of natural and energy resources. These impacts are considered from the product design stage, through the different stages of its implementation and from a perspective that considers the whole life cycle of the product.

Strategic risks, including collaboration with strategic service providers with potential environmental risk (waste collection, cleaning services, maintenances).

Legal and compliance risks, related to compliance with law requirements (authorisations and compliance obligations) and requests of local institutions.

The following paragraph describes how these risks are managed.

Health and safety, environmental and energy policy

Programme and objectives

The Group is committed to the following objectives:

- the prevention of pollution and rationalisation of the use of energy through the continuous improvement of its processes and products;
- the efficiency in the use of natural and energy resources during production, with a special reference to water and energy consumption;
- the reduction of the quantity of waste produced and the improvement of its quality in terms of hazardousness and recoverability.

Sabaf S.p.A. adopted and maintains an Integrated Management System of Health and Safety, Environment and Energy (EHS&En) that, by integrating with the other Management Systems operating within the company, is an effective means of pursuing a constant reduction in risks, environmental impacts and energy consumption through the following instruments:

- the prior assessment of EHS&En aspects in all company processes, with particular focus on design, production processes and purchases;
- maintaining full compliance with current law requirements, proactively using them as elements of continuous process monitoring;
- a training and information system involving all employees and collaborators.

Since 2003, the Environmental Management System of the Ospitaletto production site (which covers approximately 50% of the Group's total production) has been certified in compliance with ISO 14001.

In 2015, the Energy Management System implemented at the premises of Ospitaletto was certified in compliance with the ISO 50001 standard.

In 2008, Sabaf S.p.A. obtained the Integrated Environmental Authorisation (IPPC) from the Lombardy Region pursuant to Legislative Decree no. 59 of 18 February 2005.

With regard to the recently acquired companies (Okida and C.M.I. Group), environmental issues are currently managed autonomously by the representatives of the individual companies, in compliance with the local regulations in force.

Dialogue with environmental associations and institutions

The Group has long promoted the dissemination of information about the lower environmental impact of using gas in cooking instead of electricity: in fact, the use of combustible gas for heat production allows higher efficiency than those obtainable with electric cooking appliances. Moreover, cooking is increasingly characterised, all over the world, by the demand for high power and many cooking points to prepare meals quickly. Electrically powered hobs cause peak energy consumption to increase, typically around meal times, further increasing the demand for electricity.

Process innovation and environmental sustainability

Metal washing

In the production process of valves, it is essential to wash metals in several stages. Since 2013, Sabaf S.p.A. has been using a washing system based on a modified alcohol, a solvent that is redistillable (and therefore recyclable) due to its properties. The environmental impact and operating costs of this solvent have been substantially eliminated, as well as the emissions and production of special waste.

This efficient and sustainable technology has also been used since 2016 at the Sabaf do Brasil site and since 2018 at the Sabaf Turkey site.

Light alloy valves

The production of aluminium alloy valves has several advantages compared to the production of brass valves: elimination of the hot moulding phase of brass, lower lead content in the product, lower weight and consequent reduction in consumption for packaging and transport. In 2019, the process of replacing brass valves with light alloy valves continued, representing almost 92% of the valves produced.

High efficiency burners

For many years, the Sabaf Group has been at the forefront in offering burners that are characterised by yields higher than standard burners.

In the range of standard single ring flame sizes, since the beginning of 2000 Sabaf has introduced four series of burners (Series III, AE, AEO and HE) to the market, all of which guarantee high energy efficiency, with an efficiency of up to 68%.

The DCC series of special burners was introduced in the range of special burners: they are characterised by an energy efficiency of over 60%, the highest available on the market today for multiple flame ring burners. Moreover, DCC burners with a brass flame-spreader ring and efficiency of more than 65% were produced specifically for the Chinese market, the top of what is currently available on that market.

High efficiency burners represent more than 23% of the total burners produced.

Environmental impact

Materials used and recyclability of products

Sabaf products can be easily recycled because they are made almost entirely of brass, aluminium alloys, copper and steel.

	MATERIALS USED	2019 consumption (t)	2018 consumption (t)	2017 consumption (t)
Commodities	Brass	481	789	540
	Aluminium alloys	6,476	7,831	8,070
	Zamak	11	33	91
	Steel	21,881	7,861	7,631
	Cast Iron	142	137	39
	Enamel	193	189	189
	Brass	1	-	-
Packaging materials	Cardboard	397	454	482
	Plastic	136	140	143
	Wood	479	503	521

80% of brass and about 50% of aluminium alloys used are produced by scrap recycling; the remaining 50% of aluminium alloys and about 90% of steel are produced from ore.

70% of the cardboard and about 100% of the plastic comes from recycling.

The strong increase in steel consumption is due to the inclusion in the scope of consolidation of C.M.I., which produces hinges for ovens and dishwashers made almost entirely of steel. The lower consumption of brass is linked to the gradual replacement of brass valves with aluminium alloy valves.

Sabaf products fully comply with the requirements of Directive 2002/95/EC (**RoHS Directive**) which tends to limit the use of hazardous substances such as lead in the production of electrical and electronic equipment. Moreover, Sabaf products fully comply with the requirements of **Directive 2000/53/EC (End of Life Vehicles)**, i.e. the heavy metal content (lead, mercury, cadmium, hexavalent chromium) is below the limits imposed by the Directive. With regard to the **REACH Regulation** (Regulation no. 1907/2006 of 18/12/2006), Sabaf is a downstream user of substances and preparations. The products supplied by Sabaf are classified as articles that do not give rise to the intentional emission of substances during normal use, therefore there is no registration of the substances contained in them. Sabaf involved the suppliers to ensure that they fully comply with REACH Regulation and to obtain confirmation that they meet their obligations to pre-register and register the substances or preparations they use.

Energy sources²⁵

ELECTRICITY from non-renewable sources	2019 consumption (MWh)	2018 consumption (MWh)	2017 consumption (MWh)
Total	28,526	30,225	30,841
ELECTRICITY from renewable sources	2019 consumption (MWh)	2018 consumption (MWh)	2017 consumption (MWh)
Total	50	-	-
NATURAL GAS	2019 consumption (m³ x 1,000)	2018 consumption (m³ x 1,000)	2017 consumption (m³ x 1,000)
Total	3,740	3,918	4,059
DIESEL OIL	2019 consumption (l x 1,000)	2018 consumption (l x 1,000)	2017 consumption (l x 1,000)
Total	51	21	5.5
PETROL	2019 consumption (l x 1,000)	2018 consumption (l x 1,000)	2017 consumption (l x 1,000)
Total	10	-	-
LPG	2019 consumption (l x 1,000)	2018 consumption (l x 1,000)	2017 consumption (l x 1,000)
Total	0.09	-	-
TOTAL CONSUMPTION	2019 consumption GJ	2018 consumption GJ	2017 consumption GJ
Total	238,887	249,866	272,329

The main sources used are:

- electricity, for all the equipment with electric power supply present, whether functional or not to the production process, which covers about 40% of the total energy requirement;
- natural gas, related to the operation of both production plants (foundry furnaces, washing burners, enamel kilns) and service plants (heating), which covers about 60% of total energy requirements.

Sabaf S.p.A., Sabaf do Brasil and Sabaf Turkey use natural gas as an energy source for the casting of aluminium and for the firing of enamelled lids. The production of other Group companies does not use methane as an energy source.

The progressive reduction in energy consumption reflects the constant interventions aimed at improving the energy efficiency of the plants (research and repair of leak detection and repair and optimisation of process management of compressed air production; installation of a new technology for the company's wastewater management process). Moreover, the trend in consumption is naturally correlated to production levels.

Indicator: Energy intensity

ENERGY INTENSITY	2019 consumption	2018 consumption	2017 consumption
KWh on turnover	0.426	0.460	0.489

²⁵ The factors used to calculate 2017 consumption were published by the Department for Business, Energy & Industrial Strategy (BEIS) in 2015. The updated factors published by the Department for Environment, Food and Rural Affairs (DEFRA) in 2018 were used for 2018 consumption. The updated factors published by the Department for Environment, Food and Rural Affairs (DEFRA) in 2019 were used for 2019 consumption.

Following the completion of the data collection system, the consumption of diesel oil for 2018 also includes the consumption of the company fleet owned by the Group and the consumption of diesel oil relating to Sabaf S.p.A. In 2017, only the consumption of diesel oil of ARC s.r.l. was considered.

During 2019, Sabaf S.p.A. and Faringosi Hinges s.r.l. carried out an energy audit, aimed at obtaining an in-depth knowledge of the energy consumption profile of their activities and identifying and quantifying energy saving opportunities.

Water

Water consumption	Unit of measurement	2019	2018	2017
- from municipal water supply	m³	56,409	110,655	81,472
<i>of which freshwater</i>	m ³	56,409	110,665	81,472
<i>of which other water</i>	m ³	0	0	0
- from well	m³	35,516	29,185	31,329
<i>of which freshwater</i>	m ³	35,516	29,185	31,329
<i>of which other water</i>	m ³	0	0	0
TOTAL	m³	91,925	139,840	112,801

All the water used in the production processes by Group companies is destined for disposal or internal recycling for reuse in company processes: as a consequence, there is no industrial waste water.

The water used in the die-casting and enamelling processes at the factory of Ospitaletto, at the end of the production processes, is treated in concentration plants that have significantly reduced the quantities of water required and waste produced. During 2019, a concentration plant was also started up at the Brazilian production site, which allowed a reduction in consumption.

The maintenance of the cooling system at Sabaf Turkey also made a significant contribution to the reduction in consumption in 2019.

At the Ospitaletto factory, there is a plant for the collection of rainwater intended for use in industrial activities that allows to reduce the withdrawal from the well. Currently, the volume of rainwater collected is not reported.

Waste

Trimings and waste from the production process are identified and collected separately for recycling or disposal. The risers deriving from aluminium die-casting are intended for direct reuse. The waste, broken down by type and method of disposal, is summarised below²⁶.

Type of waste and method of disposal ²⁷	2019 (t)	% incidence
Similar to urban	225	2.8
Total hazardous	1,631	20.3
- reuse	92	1.2
- recycling	1	0.0
- incineration	746	9.3
- other	733	9.1
- temporary deposit and/or past year storage	59	0.7
Total non-hazardous	6,164	76.9
- reuse	2,370	29.6
- recycling	747	9.3
- recovery	111	1.4
- incineration	1,359	17.0
- other	870	10.8
- temporary deposit and/or past year storage	707	8.8
Total waste	8,020	100.0

Economic value generated by the Group (€/000)	160,095
Tot. waste/Generated economic value	0.05
Tot. hazardous waste/Generated economic value	0.01

Type of waste and method of disposal	2018 (t)	% incidence	2017 (t)	% incidence
Similar to urban	186	2.2	189	2.2
Non-hazardous (disposal)	1,722	20.0	1,810	21.3
Non-hazardous (recycling)	4,286	49.6	4,391	51.8
Total non-hazardous	6,008	69.6	6,201	73.1
Hazardous (disposal)	992	11.5	952	11.2
Hazardous (recycling)	1,442	16.7	1,143	13.5
Total hazardous	2,434	28.2	2,095	24.7
TOTAL	8,628	100	8,485	100
Economic value generated by the Group	160,054		155,408	
Tot. waste/Generated economic value	0.05		0.05	
Tot. Haz. waste/generated economic value	0.02		0.01	

During 2019, the incidence of waste on the economic value generated by the Group remained in line with 2018. The company's commitment focused on reducing the production of hazardous special waste, investing in the search for raw materials and substances, at the input stage, already not hazardous originally.

During 2019, at the Ospitaletto factory, the wastewater management plant for the enamelling process of the covers was replaced. In detail, the previous evaporator plant, which generated a liquid waste with an annual volume of about 500 tons and a high energy consumption, has been replaced by a chemical-physical treatment plant, which generates a solid waste of about 10 tons, almost eliminating energy consumption.

Moreover, in 2019, a plant for the management of wastewater from the process of enamelling covers was installed at the Brazilian factory. Until then, the waste generated was collected, stored and sent for disposal as waste. Following the positioning of the new plant for the reuse of process water for general use, the volume of liquid waste has been halved, also allowing a reduction in water consumption.

²⁶ Following a completion of the data collection system, the disposal methods for 2019 present a more detailed classification.

²⁷ Data does not include C.M.I. Polska. The company undertakes to report the data for the next financial year.

All Group companies have separate waste collection.

No significant spills occurred in 2019.

Emissions into the atmosphere

A large part of atmospheric emissions of the Sabaf Group derives from activities defined as "negligible pollution".

- Three production processes are carried out at Sabaf S.p.A:
 1. the production of the components that make up the burners (nozzle holder sumps and flame spreaders) involves the casting and subsequent die-casting of the aluminium alloy, sandblasting of the pieces, a series of mechanical processes with removal of material, washing of some components, assembly and testing. This production process results in the emission of negligible amounts of oily mists, as well as dust and carbon dioxide;
 2. the production of burner covers, where steel is used as raw material, which is submitted to blanking and minting. The semi-finished covers are then used for washing, sandblasting, application and firing of enamel, a process that generates the emission of dust;
 3. the production of valves and thermostats, in which mainly aluminium alloy, brass bars and moulded bodies and, to a much lesser extent, steel bars are used as raw materials. The production cycle is divided into the following phases: mechanical machining with removal of material, washing of semi-finished products and components obtained in this way, finishing of the coupling surface of bodies and masks with a diamond tool, assembly and final inspection of the finished product. This process generates negligible oily mists.
- The entire burner production process is carried out at Sabaf do Brasil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l. and in the companies of the C.M.I. Group, steel is used as the main raw material for the production of hinges, and is subjected to a series of mechanical processing and assembly that do not involve any significant emissions.
- In A.R.C. s.r.l., professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf China carries out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Okida, the production activity generates negligible emissions.

The efficiency level of the purification systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2019 showed that all emissions complied with the limits imposed by the law.

CO₂ EMISSIONS (tons)²⁸				
	M.U.	2019	2018	2017
Scope 1 (direct emissions) from refrigerant gases	tCO _{2eq}	59	-	-
Scope 1 (direct emissions) from fuel consumption	tCO ₂	7,734	8,022	8,508
Total Scope 1 (direct emissions)	tCO_{2eq}	7,793	8,022	8,508
Scope 2 (indirect emissions) - location based	tCO ₂	9,979	10,498	11,570
Scope 2 (indirect emissions) - market based	tCO ₂	12,484	13,133	n/a
Total emissions Scope 1+2 (location based)	tCO_{2eq}	17,772	18,520	20,078

The use of natural gas to power melting furnaces results in the emission of NOX and SOX into the atmosphere, however these emissions are not significant. Sabaf does not currently contain any substances that damage the atmospheric ozone layer, with the exception of the refrigerant used in some air conditioners (R22), which is managed in compliance with the reference standards.

Environmental investments

The main environmental investments in 2019 concerned:

- the concentration plant of enamelling wastewater at the Brazilian factory;
- the plant for the chemical-physical treatment of enamelling waste at the Ospitaletto factory.

Disputes

In 2019, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending.

²⁸ The factors used for calculating emissions are:

- year 2017: Department for Business, Energy & Industrial Strategy (BEIS) in 2015 - Defra 2017 for emissions related to natural gas consumption;

- year 2018: Scope 1 fuels: Defra 2018 - Scope 2 Location-based: Terna 2016 - Scope 2 Market-based: AIB 2017, where available, otherwise Terna 2016;

- year 2019: Scope 1 fuels and F-GAS: Defra 2019 - Scope 2 Location-based: Terna 2017 - Scope 2 Market-based: AIB 2018, where available, otherwise Terna 2017.

Following the completion of the data collection system, direct emissions (scope 1) for the year 2019 also include refrigerants used in air conditioners.

Sabaf, the management of product quality and customer relations

Risks

The new UNI EN ISO 9001:2015 standard with Sabaf complies, introduces the concept of a "risk-based approach", which is fundamental for planning the quality management system.

Strategic risks, including intellectual property protection (there is a risk that some Group products, even if under patent protection, may be copied by competitors) and collaboration with critical suppliers.

Legal and compliance risks, relating to non-compliance with product regulations: Sabaf operates in international markets that adopt different laws and regulations. The product must therefore comply with the mandatory and voluntary requirements and the organisation must be able to show this consistency to the certification bodies responsible for control.

Quality management policy

The Quality Management System has the aim of enabling the achievement of the following objectives:

- increasing customer satisfaction by understanding and meeting their present and future requirements;
- continuous improvement of processes and products, also aimed at protecting the environment and the safety of employees;
- involvement of partners and suppliers in the continuous improvement process, favouring the "comakership" logic;
- valuation of human resources;
- improvement of business performance and of the quality management system based on risk-based thinking.

In order to contribute consistently to the pursuit of these objectives, the Sabaf Group undertakes a series of commitments explicitly stated in the Charter of Values:

- to act with transparency, correctness and contractual fairness;
- to communicate product information in a clear and transparent manner;
- to adopt a professional and helpful behaviour towards customers;
- not to give gifts to customers that exceed normal courtesy practices and that may tend to influence their objective assessment of the product;
- to guarantee high quality standards of the offered products;
- to ensure constant attention in technological research in order to offer innovative products;
- to collaborate with customer companies to ensure that the end user is fully confident in using the products;
- to promote social responsibility actions throughout the production chain;
- to listen to customers' requirements through constant monitoring of customer satisfaction and complaints, if any;
- to inform customers of potential risks related to the use of products, as well as the related environmental impact.

Group companies that have obtained quality certification according to the ISO 9001 standard

Company	Year of first certification
Sabaf S.p.A.	1993
Faringosi Hinges	2001
C.M.I. s.r.l.	2003
Okida	2005
Sabaf do Brasil	2008
Sabaf Turkey	2015

During 2019, the Quality Management System was constantly monitored and maintained to ensure the correct implementation and compliance with the requirements of the ISO 9001 standard. As part of the internal audit plan for 2019, a total of 16 functional areas of offices and production departments were checked at the Ospitaletto factory, 14 at Sabaf do Brasil and 14 at Sabaf Turkey. The results of these checks did not reveal any critical aspects of the system, which therefore fully complies with the standard.

With regard to third party inspections of the Quality Management System, in 2019 CSQ (IMQ Certification Body) carried out the annual inspection at the premises of Ospitaletto and at the factory of Sabaf do Brasil, confirming the adequacy of the System and the maintenance of ISO 9001 certification. For the factory located in Turkey, the next inspection by the certification body is scheduled for 2020.

In October 2019, the TUV NORD certification body carried out the audit for the maintenance of the certification of the Quality Management System of Faringosi Hinges s.r.l., in accordance with UNI EN ISO 9001:2015. The intervention ended successfully.

In February 2019, the Certification Body NQA carried out the annual supervisory audit for the maintenance of the ISO 9001:2015 certification of the Quality Management System of Okida. The audit was successfully completed.

During 2019, the Certification Body TUV Italia S.r.l. carried out the periodic supervisory audit at C.M.I. s.r.l. confirming the adequacy of the Quality Management System and the maintenance of the ISO 9001:2015 certification.

Customer Health and Safety

Sabaf protects the health of consumers by checking that the materials that make up its products comply with the international directives in force (such as REACH and RoHs).

To ensure the safe operation of valves, thermostats and burners, Sabaf carries out leak tests on 100% of its production.

Valves and thermostats are also certified by third parties that guarantee compliance with the operating and safety requirements required to be marketed on the world market.

Hinges and electronic components do not pose a significant risk to consumer safety.

During the reporting period, there were no instances of non-compliance with regulations regarding the health and safety impacts of products.

Customer satisfaction

The customer satisfaction survey, carried out every two years, is part of the stakeholder engagement activities that Sabaf undertakes in order to constantly improve the quality of the services offered and to respond to customer expectations.

The latest survey, carried out in 2019 through a questionnaire circulated to customers through an online survey (Survey Monkey), confirmed the positive opinion of customers by pointing out that the quality of its products and its timeliness, professionalism and competence in technical and commercial assistance are among its strong points.

Customer complaint handling

Sabaf systematically handles all complaints from customers. A specific process is in place and envisages:

- analysis of the alleged defect to assess its validity;
- identification of the causes of the defect;
- corrective actions necessary to prevent or limit the recurrence of the problem;
- customer feedback through 8D reports (quality management tool that enables a cross-functional team to determine the causes of problems and provide effective solutions).

The causes of complaints vary from product to product and can be summarised mainly in:

- aesthetic defects for the families of covers and burner flame spreaders;
- size and/or operating anomalies for the family of valves, thermostats, hinges and electronic control boards;
- die-casting defects and/or blanking for burners and hinges.

Disputes

There is no dispute with customers.

Sabaf and supply chain management

Risks

The supply chain presents different types of risks, which must be assessed and monitored in order to limit the possibility of damage to the companies of the Group.

Risks of external context. Considering that a significant (although not predominant) portion of purchases takes place on international markets, the Group monitors and manages the risk of instability in supplier Countries.

Strategic risks related to a socially responsible approach along the supply chain (quality of supply, respect for human rights and protection of workers, respect for the environment, energy consumption). The definition of the criticality level, especially environmental and social, derives from a risk assessment that takes into account the type of process, product or service provided and the geographical location of the supplier.

Operational risks: including continuity of supplies, assessed by also paying attention to the financial sustainability of the suppliers.

Supply chain management policy

All Group companies comply with the principles of conduct defined in the Charter of Values in managing relations with suppliers.

The Group is gradually implementing a purchasing management policy valid for all Group companies. As things stand, the management of relations with suppliers in Sabaf S.p.A., Sabaf do Brasil, Sabaf Turkey, Sabaf China and Faringosi Hinges s.r.l. is conducted on the basis of uniform procedures. For the most recently acquired companies (A.R.C., Okida and C.M.I.) the general policies are shared, with a special reference to the management of the risks exposed above, and possible synergies are identified and fulfilled.

Sabaf S.p.A., the SA8000 standard and suppliers

In 2009, Sabaf S.p.A. obtained the certification of compliance with the requirements of the SA8000 (Social Accountability 8000) Standard and, therefore, the Company requires its suppliers to comply, in all their activities, with the principles of the Standard, as a minimum criterion for establishing a lasting relationship based on the principles of social responsibility. Supply contracts include an ethical clause inspired by the SA8000 standard, which commits suppliers to ensure respect for human and social rights and in particular: avoid the employment of persons below the age established by the Standard, provide workers with a safe workplace, protect trade union freedom, comply with the law on working hours, ensure workers that the minimum salary required by law will be complied with.

In 2017, Sabaf S.p.A. complied with the updating of the SA8000:2014 standard and asked all suppliers, bound by contract, to act in the same way and comply with the latest version of the principles. During the year, Sabaf S.p.A. updated a risk analysis of the supply chain in line with the requirements of SA8000 in order to prepare an action plan and monitor the suppliers considered critical for the purposes of the Standard. The analysis was carried out taking into account the geographical location, the sector to which it belongs, the type of business and the importance of turnover with regard to Sabaf. A questionnaire was sent out to verify understanding

of the standard and assess the social responsibility aspects of each supplier. The replies received did not show any non-compliance.

Failure to comply with the principles of the SA8000 Standard does not result in the immediate termination of supply contracts. On the contrary, reasonable efforts must be made to ensure that any irregularities are properly dealt with and to stimulate their adjustment. The aim is to spread the culture of social responsibility.

With regard to the management by suppliers of quality, environment and social responsibility, if the law in force already requires Sabaf to meet the minimum requirements, the risk is considered to be lower, otherwise periodic audits are carried out on the management of these aspects. In 2019, class A and B suppliers were analysed to cover 95% of the expenditure²⁹. This analysis revealed 34 cases of suppliers considered potentially critical, following which 25 audits were carried out (17 in 2018) from which no critical non-conformities were found but only observations. In connection with non-critical non-compliances, the suppliers were asked to take appropriate action.

Relations with suppliers and contractual conditions

Relations with suppliers are based on long-term collaboration and on fairness in negotiations, integrity and contractual fairness and the sharing of growth strategies.

To encourage the sharing with suppliers of the values that underpin its business model, Sabaf has distributed the Charter of Values in a widespread manner.

Sabaf guarantees absolute impartiality in the choice of suppliers and undertakes to strictly comply with the agreed payment terms. Very short payment terms are agreed for artisan and less structured suppliers (mainly 30 days).

Sabaf requires its suppliers to be able to renew themselves technologically, so that the best quality/price ratios can always be proposed, and favours suppliers who have obtained or are obtaining Quality and Environmental System certifications.

In 2019, the turnover of suppliers of the Sabaf Group with a Certified Quality System was equal to 74% of the total (72% in 2018).

Purchase analysis

As shown in the table below, the Sabaf Group aims to encourage development in the area in which it operates and, therefore, in selecting suppliers, favours local companies³⁰.

	Total 2019 purchases (€/000) ³¹	% local purchases
Sabaf S.p.A.	56,466	79%
Faringosi Hinges s.r.l.	8,331	99%
A.R.C. s.r.l.	3,466	83%
C.M.I. Group	24,916	71%
Sabaf Turkey	10,242	72%
Okida	5,537	68%
Sabaf do Brasil	7,491	95%
Sabaf China	534	98%

²⁹ The valuation is made for suppliers with an average annual turnover to Sabaf of more than €5,000 over the previous three years. Residual suppliers are considered not significant.

³⁰ The data in the table does not take account of intercompany supplies.

³¹ Values converted into euro at the annual average exchange rate.

Most of the purchases outside the European Union come from suppliers located in China. Chinese suppliers signed the clause for compliance with the principles of the SA8000 standard. For all Group companies, the main machinery used (die-casting machines, processing and assembly transfer) is supplied by Italy to ensure homogeneous production processes in terms of quality and safety.

Disputes

No disputes with suppliers have arisen in the last three years.

Sabaf, Public Administration and Community

Relations with the Public Administration

In line with the reference policy lines, the relations of Sabaf with the Public Administration and the Tax Authorities are based on the utmost transparency and fairness.

Sabaf has always had an open dialogue with the authorities in every local community in which it is present, in order to promote shared and sustainable industrial development, with positive repercussions for local communities.

Relations with industrial associations

Sabaf S.p.A. is one of the founders of **APPLiA Italia (former CECED Italia)**, the association that develops and coordinates in Italy the study activities promoted at European level by APPLiA – Home Appliance Europe with the related scientific, legal and institutional implications in the household appliances sector.

Sabaf S.p.A. has been a member of Associazione Industriale Bresciana (AIB) since 2014, which is a member of the Confindustria system.

Relations with universities and the student world

Sabaf S.p.A. systematically organises company visits with groups of students and bears witness of best practices on social responsibility at important conferences in different cities in Italy.

Charitable initiatives and perks

In 2019, Sabaf S.p.A. joined the Fondazione Spedali Civili of Brescia, contributing to the purchase of Apotecachemo, a system that automates the preparation of chemotherapy drugs.

The Group's humanitarian initiatives include support for the Associazione Volontari per il Servizio Internazionale (AVSI), a non-governmental, non-profit organisation engaged in international development aid projects. The donations are intended to support twenty children living in different Countries of the world at a long distance.

Disputes

There are no significant disputes with Public Bodies or other representatives of the community.

Sabaf and shareholders

The composition of the share capital

The share capital of Sabaf S.p.A., fully subscribed and paid-up, is € 11,533,450, consisting of 11,533,450 ordinary shares having the par value of € 1.00 each. On 24 March 2020, a total of 5,186,334 shares had acquired voting rights (two votes for each share).

	No. of shares making up the share capital	Number of voting rights
Total	11,533,450	16,719,784
of which:		
Ordinary shares IT0001042610	6,347,116	6,347,116
Ordinary shares with increased vote IT0005253338	5,186,334	10,372,668

The shareholders entered in the shareholders' register at 6 March 2020 were 1,845, of whom:

- 1,568 own up to 1,000 shares
- 195 own 1,001 to 5,000 shares
- 27 own 5,001 to 10,000 shares
- 55 own over 10,000 shares

28.75% of the share capital is held by shareholders resident abroad.

RELEVANT SHAREHOLDERS

SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL	VOTING RIGHTS	% HELD
GIUSEPPE SALERI S.a.p.A.	2,535,644	21.99%	5,015,288	29.99%
QUAESTIO CAPITAL MANAGEMENT SGR SPA	2,306,690	20.00%	4,613,380	28.83%
DELTA LLOYD AM	1,151,464	9.98%	1,151,464	7.20%
FINTEL S.r.l.	850,000	7.37%	850,000	5.31%

There are no other shareholders other than those highlighted above with a shareholding of more than 5%.

Investor relations and financial analysts

Since its listing on the Stock Exchange (1998), the Company has attributed strategic importance to financial communication. Sabaf's financial communication policy is based on the principles of fairness, transparency and continuity, in the belief that this approach allows investors to correctly evaluate the Company. In this perspective, Sabaf guarantees maximum willingness to engage in dialogue with financial analysts and institutional investors. In 2019, the Company met with institutional investors as part of roadshows organised in Milan and London. Some investors also held meetings with the management at the company headquarters in Ospitaletto, taking the opportunity to visit the production facilities.

Remuneration of shareholders and share performance

In 2019, the Sabaf share recorded the highest official price on 26 March (€ 16.538) and lowest on 31 October (€ 12.068). The average volume traded was 4,971 shares per day, equal to an average value of € 71,894 (€ 164,508 in 2018).

2019 performance of Sabaf shares (price and volumes traded)



Sabaf vs. FTSE Italian STAR index



The dividend policy adopted by Sabaf aims to guarantee a valid remuneration of shareholders also through the annual dividend of € 0.55 per share in 2019. With regard to the current financial year, the Directors, having acknowledged the significant change in the global economic scenario following the spread of the coronavirus pandemic, deemed it appropriate, as a matter of prudence, to propose to the Shareholders' Meeting to allocate the profit for 2019 of the Parent Company Sabaf S.p.A. entirely to the extraordinary reserve. The distribution of a 2019 profit dividend will be reviewed when the current coronavirus situation is overcome.

Socially responsible investments

Sabaf shares have frequently been analysed by analysts and managers of SRI funds, who have also invested in Sabaf on several occasions.

Disputes

There is no dispute with shareholders.

Sabaf and lenders

Relations with credit institutions

The 2018-2022 Business Plan envisages the financing of growth also through greater use of financial debt, which is expected to remain within the parameters of absolute security (net financial debt to EBITDA ratio below 2).

At 31 December 2019, the net financial debt was € 55.1 million, compared with € 53.5 million on 31 December 2018; the ratio between the net financial debt and the pro-forma EBITDA³² was 1.86 (1.59 at 31 December 2018).

Relations with banks have always been based on maximum transparency. Relations with institutions that are able to support the Group in all its financial needs and to propose solutions in a timely manner to meet specific needs are privileged.

Disputes

There is no dispute with the lenders.

³² The pro-forma EBITDA is calculated taking into account, for companies acquired and entering the scope of consolidation during the year, the EBITDA for the entire year.

Sabaf and competitors

Trends in the cooking appliance manufacturer sector

The household appliance industry shows the following trends:

- **Concentration**, with a small number of large players present on a global scale. This trend is less evident for cooking appliances than for other household appliances: in the cooking sector, in fact, design and aesthetics on the one hand and the lower intensity of investments on the other allow the success of even small and highly innovative producers.
- **Internationalisation of production**, increasingly relocated to countries with low labour costs.
- **Outsourcing the design and production of components** to highly specialised suppliers who, like Sabaf, are active in the main world markets and are able to provide a range of products that meets the specific requirements of different markets.

Main Italian and international competitors

In Europe, Sabaf estimates that it has a market share of about 40% in the sector of gas parts. The world market share is estimated at about 10%.

The main competitors of the Sabaf on the international market are Copreci, Defendi and Robertshaw.

Copreci is a cooperative located in Spain in the Basque Country, part of Mondragon Cooperative Corporation and represents Sabaf's main competitor in terms of valves and thermostats.

Defendi is an Italian company, acquired in 2013 by the German group EGO, and is mainly active in the production of burners in Italy and Brazil.

Robertshaw is the leading producer of gas parts for the North American market.

Main Italian and international competitors

	Valves and Thermostats	Burners	Hinges	Electronic components
Sabaf Group	X	X	X	X
Copreci (Spain)	X			X
Defendi Italy (Italy)	X	X		X
Robertshaw (USA)	X	X		
Somipress (Italy)		X		
Nuova Star (Italy)			X	

2017 and 2018 economic data of the main Italian competitors (€/000)³³

	2018			2017		
	SALES	EBIT	NET RESULT	SALES	EBIT	NET RESULT
Sabaf Group	150,642	16,409	15,614	150,223	18,117	14,835
DEFENDI ITALY	50,383	(98)	577	56,562	3,516	2,534
SOMIPRESS GROUP	36,456	2,162	1,824	37,797	3,060	1,996
NUOVA STAR	35,485	366	321	33,418	323	189

No further information is available on competitors due to the difficulty of finding the data.

Sabaf firmly believes that competition between companies promotes both an effective economy and sustainable growth. In making business decisions, Sabaf also takes into account the risk of behaviour that is detrimental to free competition. Currently, the Group has not adopted a formalised policy aimed at preventing anti-competitive behaviour. According to the information available, there is no evidence of anti-competitive behaviour or infringement of antitrust regulations.

Disputes

There is a dispute pending against a competitor following an alleged violation of one of our patents. There is also a dispute in place brought by a competitor for alleged infringement of a patent that the Group considers totally groundless.

³³ Sabaf processing from the financial statements of the various companies. Latest available data.

GRI Content Index

GRI Standard	Disclosure	Page (or direct reference)	Omission	
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General Disclosures				
GRI 102: General Disclosures 2016	ORGANISATIONAL PROFILE			
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	102-3	Location of headquarters	Via dei Carpini 1 - 25035 Ospitaletto (Brescia)	
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	102-53	Contact point for questions regarding the report	Tel.: +39 030 - 6843001 Fax: +39 030 - 6848249 Email: info@sabaf.it	
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Diversity and equal opportunities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 37; 46-47; 53-55; 66	
	103-3	Evaluation of the management approach	pp. 37; 46-47; 53-55; 66	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	pp. 36-42; 66	
Non-discrimination				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 46-47; 53-55	
	103-3	Evaluation of the management approach	pp. 46-47; 53-55	

GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	p. 55	
Supplier social assessment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 46-47; 86-98	
	103-3	Evaluation of the management approach	pp. 46-47; 86-98	
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	pp. 87	
Customer Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 46-47; 83-85	
	103-3	Evaluation of the management approach	pp. 46-47; 83-85	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	p. 84	
Customer satisfaction and customer support				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 46-47; 83-85	
	103-3	Evaluation of the management approach	pp. 46-47; 83-85	
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 84	
Topics not covered by the topic-specific Standards				

	Partnership with multinational groups			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 29-32	
	103-2	The management approach and its components	pp. 21-22; 46-47	
	103-3	Evaluation of the management approach	pp. 21-22; 46-47	

External assurance



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Sabaf S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Sabaf S.p.A. and its subsidiaries (hereinafter "Sabaf Group" or "Group") for the year ended on 31st December 2019, in accordance with article 4 of the Decree and approved by the Board of Directors on 24th March 2020 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative ("GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in Sabaf Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Sabaf S.p.A. and with the personnel of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey) and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the site of Manisa of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turkey) that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusions

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Sabaf Group for the year ended on 31st December 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The DNF for the year ended on 31st December 2017, whose data are presented for comparative purposes, has been subject to limited assurance procedures by another auditor, who expressed a unqualified conclusion on this DNF on 13th April 2018.

Brescia, 3rd April 2020

EY S.p.A.
Signed by: Massimo Meloni, Auditor

This report has been translated into the English language solely for the convenience of international readers.