



SABAF[®]

We burn for technology and safety.

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

2021

SABAF S.p.A.
Via dei Carpini, 1 – 25035 OSPITALETTO (BS) ITALY
Share capital €11,533,450 fully paid in
www.sabafgroup.com

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INTRODUCTION TO THE ANNUAL REPORT

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

Sabaf, one of the first international-level companies to embrace the trend of integrated reporting, intends to continue along this path, aware that integrated, complete and transparent reporting can benefit both the companies themselves, through a better understanding of the structure of the strategy and greater internal cohesion, and the community of investors, which can thus more clearly understand the connection between strategy, governance and company 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 of key 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.

On 30 December 2016, Legislative Decree no. 254 came into force, which, in implementation of Directive 2014/95/EU on Non-financial and diversity information, requires relevant public interest entities to disclose non-financial and diversity information starting from the 2017 financial statements. As a relevant public-interest entity, Sabaf prepared for the fifth year the Consolidated disclosure of non-financial information presenting the main policies practiced by the company, the management models, the risks, the activities carried out by the Group during 2021, and the related performance indicators as pertains to the topics expressly referred to by Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, fight against corruption) and to the extent needed to ensure understanding of the business activity, its trend, its results, and the impacts it produces.

Summary of key performance indicators (KPI)

Economic capital		2021	2020	2019
Sales Revenues	€/000	263,259	184,906	155,923
EBITDA	€/000	54,140	37,097	27,033
EBIT	€/000	37,508	20,093	11,896
Pre-tax profit	€/000	29,680	14,509	9,776
Net Profit	€/000	23,903	13,961	9,915
Working capital	€/000	68,631	52,229	49,693
Invested capital	€/000	190,043	174,129	176,233
Shareholders' equity	€/000	122,436	117,807	121,105
Net financial debt	€/000	67,607	56,322	55,128
ROCE (return on capital employed)	%	19.7	11.5	6.8
Dividends paid out	€/000	6,172	3,924	6,060

Human capital		2021	2020	2019
Total employees	no.	1,278	1,168	1,035
<input type="checkbox"/> men	%	60.9	62.0	63.5
<input type="checkbox"/> women	%	39.1	38.0	36.5
Average age of personnel (sum of employee age/ total employees at 31/12)	years	39.5	39.3	39.8
Level of education (number of graduates/total employees at 31/12)	%	64.4	61.6	59.1
Leaving turnover (employees no longer in office/total employees at 31/12)	%	17.7	10.8	9.1
<input type="checkbox"/> men	%	21.9	11.5	10.2
<input type="checkbox"/> women	%	11.2	9.7	7.1
Hours of training per employee (hours of training/total employees at 31/12)	h	17.4	10.8	15.3
Hours of training per collaborator (hours of training/total collaborators at 31/12)	h	20.4	13.9	-
Investments in training of employees/turnover	%	0.21	0.19	0.25
Investments in training of collaborators/turnover	%	0.27	0.26	-
Hours of strike for internal causes	h	39	0	0
Total injury rate (number of injuries x 1,000,000/total hours worked)		15.59	16.10	10.57
Injury lost day rate ¹ (days of absence x 1,000/total hours worked)		0.21	0.11	0.51
Summary indicator of injuries (injury rate x injury lost day rate x 100)		327	177	539
Jobs created (lost)	no.	110	133	15

¹ The 2019 injury lost day rate has been restated due to the continued absence of an injury in 2021.

Relational capital		2021	2020	2019
Value of goods and services outsourced	€/000	18,227	10,670	8,190
Average turnover by customer (total turnover/number of customers)	€/000	629	465	388
Percentage of top 10 customers	%	47	50	47
Percentage of top 20 customers	%	67	70	66
Turnover from certified suppliers (turnover from certified suppliers/purchases)	%	72	65	74
Number of analysts who follow the security continuously	no.	2	1	2
Lawsuits filed against Group companies	no.	1	2	6

Productive capital		2021	2020	2019
Fixed assets	€/000	130,093	131,543	138,506
Total net investments	€/000	23,752	17,296	12,014
IT Budget ² (investments + current expenditure)/turnover	%	0.6	0.8	0.9
Real investment/turnover	%	8.7	9.0	7.4
Quantities sold of Light alloy valves on Total valves and thermostats	%	89.3	91.3	91.7
Quantities sold of high energy efficiency Burners on total Burners	%	26.5	23.3	23.1

Environmental capital		2021	2020	2019
Materials used				
<input type="checkbox"/> brass	t	1,227	638	481
<input type="checkbox"/> aluminium alloys	t	11,326	9,188	6,476
<input type="checkbox"/> steel	t	26,801	26,046	21,881
Electricity consumption				
<input type="checkbox"/> from renewable sources	MWh	4,853	158	50
<input type="checkbox"/> from non-renewable sources	MWh	39,276	35,220	28,526
Natural gas consumption	m ³ x1,000	5,474	4,478	3,740
Energy intensity (kWh/turnover)	kWh/€	0.378	0.436	0.426
Water consumption ³	m ³	99,739	78,357	91,925
Waste by type ⁴				
<input type="checkbox"/> similar to urban	t	356	291	225
<input type="checkbox"/> hazardous	t	2,238	2,256	1,631
<input type="checkbox"/> non-hazardous	t	9,385	8,132	6,164
Total waste/Generated economic value (kg in €/000)	kg in €/000	45	56	50
CO ₂ emissions (scope 1+scope 2 market-based)	tCO _{2eq}	29,134	24,378	20,277
Intensity of CO ₂ emissions (scope 1 and 2 market-based emissions/turnover)	tCO _{2eq} /milli ons of Euro	111	132	130

² For the 2019 reporting period, the indicator does not consider data relating to the C.M.I. Group, over which Sabaf acquired control on 31 July 2019.

³ The indicator does not include data relating to C.G.D. s.r.l.

⁴ The indicator does not include data relating to the Polish branch C.M.I.

Intellectual capital		2021	2020	2019
Capitalised investments in research and development	€/000	1,770	465	460
Hours dedicated to the development of new products/hours worked ⁵	%	3.1	3.3	1.0
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)	%	1.7	2.6	2.2
Investments in intangible assets/turnover	%	0.8	0.6	0.7
Value of waste/turnover (production waste/turnover)	%	0.48	0.48	0.47
Impact of quality costs/turnover (charges and returns from customers/turnover)	%	0.05	0.13	0.14
Number of samples for customers	no.	5,571	5,034	6,184

⁵ The 2019 data does not include the C.M.I. Group and Okida.

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 organic investments and through 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 2021-2023 Business Plan

On 23 March 2021, the Board of Directors approved the 2021-2023 Business Plan. The aim was to accelerate growth, both organic and through acquisitions, which was positively launched with the carrying-out of the 2018-2020 Plan.

The Business Plan set a revenue target of €300 million in 2023, gross profitability (EBITDA%) of at least 19%, and an improvement in return on invested capital (ROI) of at least one percentage point from 11.5% in 2020.

Over the three-year period, total investments of €130 million (including those for M&A) were planned.

Organic development

The Group has set an average annual growth target for sales of more than 10%. Organic growth will be supported by strengthening technical and commercial relations with some of the major global players.

Research and development activities will increasingly focus on the study of ad hoc solutions to meet the specific needs of individual markets and the design of customised products.

Therefore, the industrial footprint to 2023 envisaged 13 production plants, of which 5 in Italy and 8 abroad with new sites in India, Turkey and Mexico.

Development through acquisitions

The Group is also determinedly pursuing new growth opportunities through acquisitions and/or joint ventures, which will be aimed at further extending the product range and fully exploiting the Group's production potential.

Sustainability

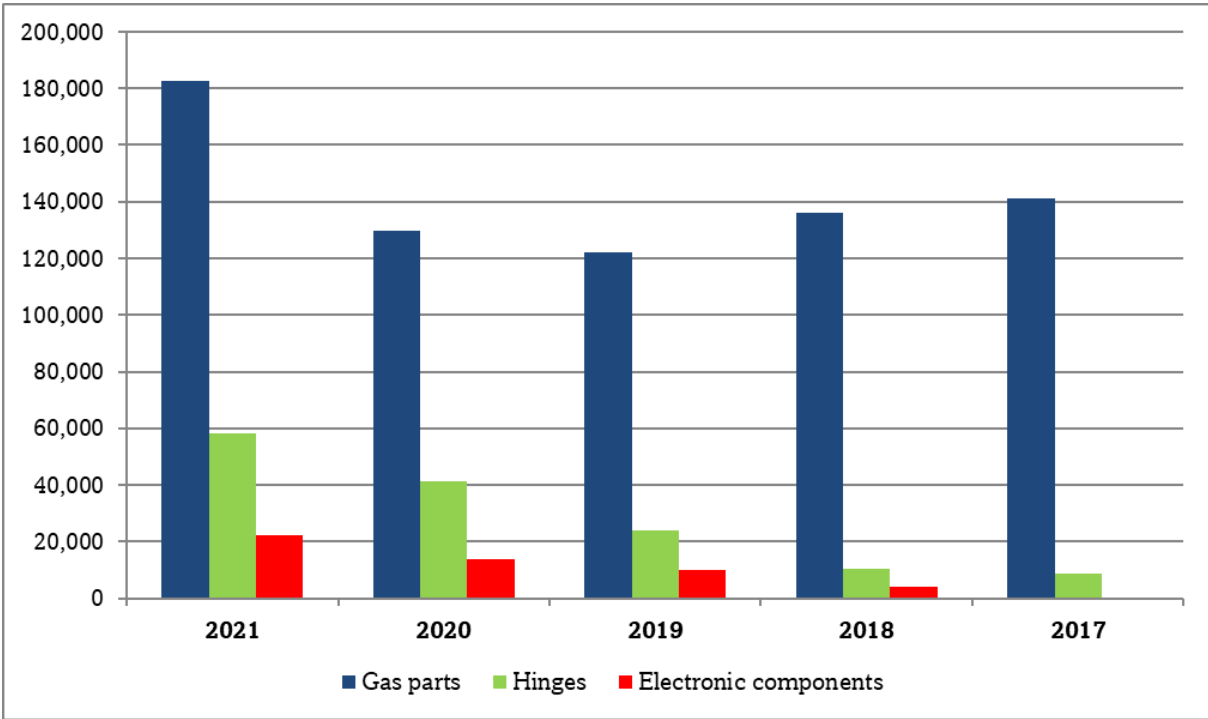
With the new Plan, the Group promotes the improvement of the quality of the environment and the community in which it operates so that the basic needs of all are met in an environmentally sustainable way. To this end, specific objectives are defined in the Plan, such as the reduction of emissions, safety at work and the growth of its own people through training.

The product range

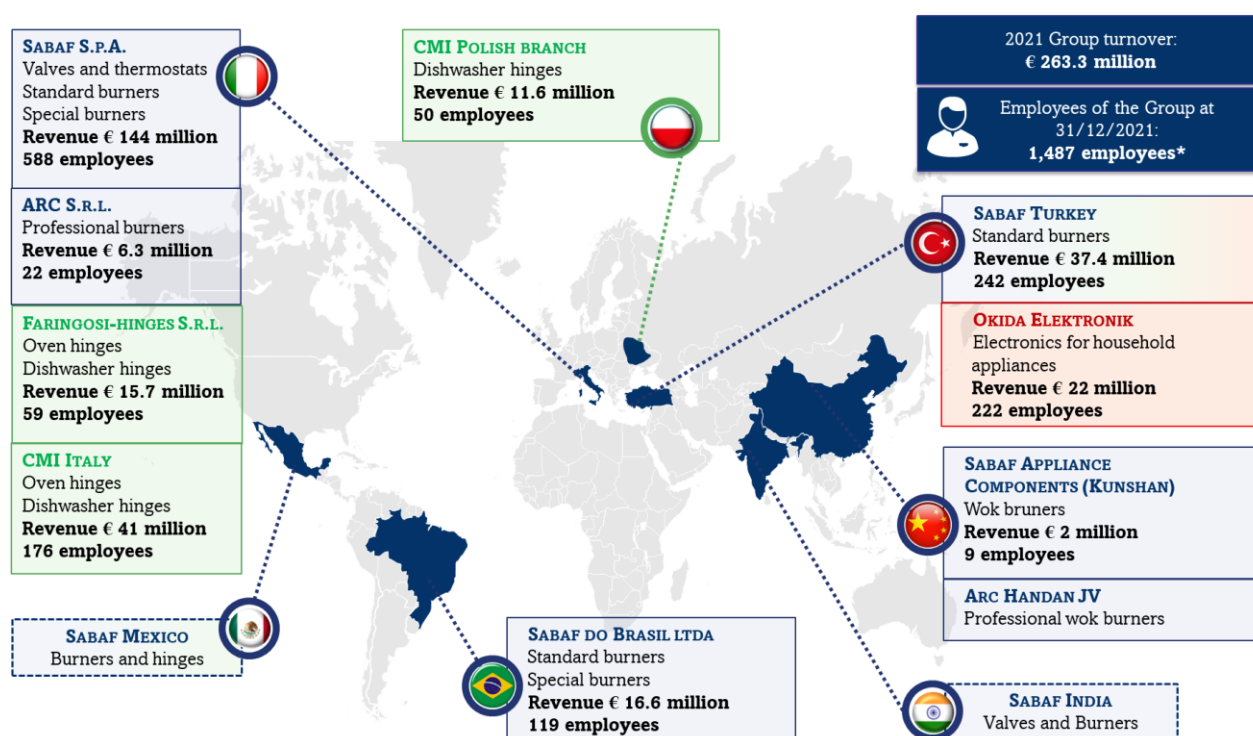
Gas parts	Hinges	Electronic components
<p>Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.</p> <p>Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.</p> <p>Accessories: include spark plugs, microswitches, 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 division

(€/000)



The industrial footprint



* including temporary workers and trainees

Countries and customers⁶

(no.)	2021	2020	2019
Countries	56	64	55
Customers	418	399	402

In line with the followed commercial policies, most of the active commercial relations are characterised by relations consolidated over the long term. There are 48 customers with annual sales of more than €48 million (32 in 2020). The distribution by class of turnover is as follows:

(no.)	2021	2020	2019
> €5,000,000	15	10	7
from €1,000,001 to €5,000,000	33	22	25
from €500,001 to €1,000,000	18	24	16
from €100,001 to €500,000	81	64	75
< €100,000	271	279	279
Total customers	418	399	402

⁶ Data processed considering customers with sales above €1,000.

Sabaf's international development: challenges and opportunities

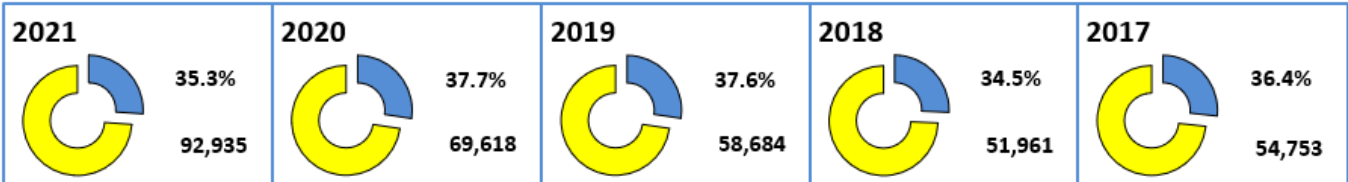
Analysis of the scenario

Performance data⁷

Europe (excluding Turkey)



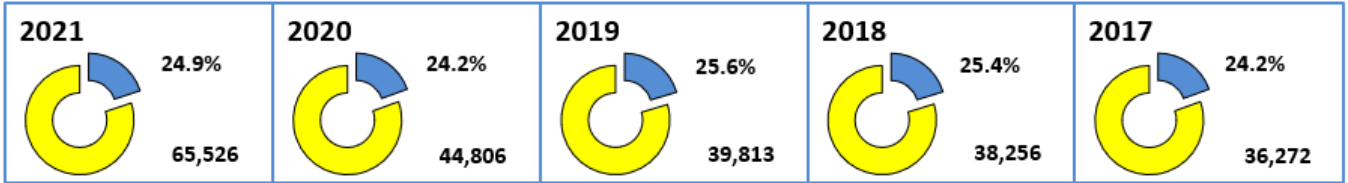
Europe has historically been the Sabaf Group's main market. European household appliance production is characterised by high quality, innovative contents - especially in terms of digitalisation and energy efficiency - and design. Therefore, the demand for components is also increasingly characterised by more technological and higher performance goods.



Turkey



Turkey is the main production hub of household appliances for the European market. In this context, the opening of a production plant in 2012 and the acquisition of Okida Elektronik (September 2018) were key elements in support of the growth strategy. In 2021, Sabaf opened a new plant in Turkey to increase production capacity for electronic components. Sabaf estimates that about 75% of sales in Turkey are exported by our customers; however, the Turkish domestic market is of increasing importance although subject to the fluctuations that can characterise emerging economies, such as currency crises and high inflation. The Group's strategy is to further develop its activities in Turkey as early as 2022.



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

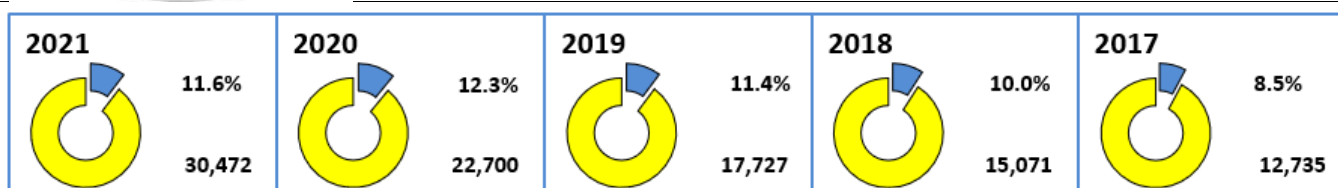
North America



Sabaf's presence in North America is relatively recent, but sales and market share have been growing steadily in recent years, also thanks to the development of co-designed products with major customers.

In 2021, the Group acquired a plot of land in San Luis de Potosi (Mexico), where work began on the construction of a plant for the production of burners and hinges.

We believe that the direct presence in North America, which will enable us to cut time and logistical costs, foreshadows further development opportunities.



South America

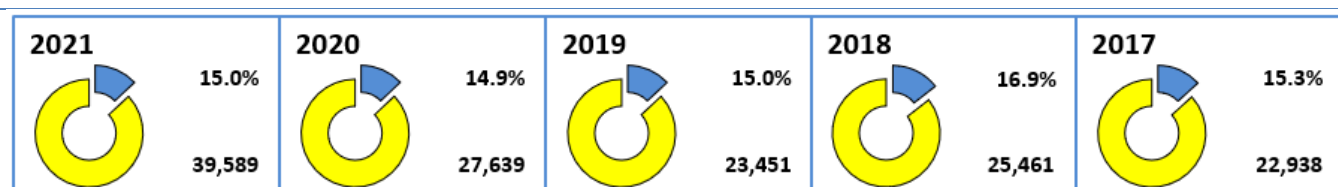


Sabaf has a well-established presence in Brazil (one plant has been operational since 2001).

The Sabaf Group believes that the development potential of this area is 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.

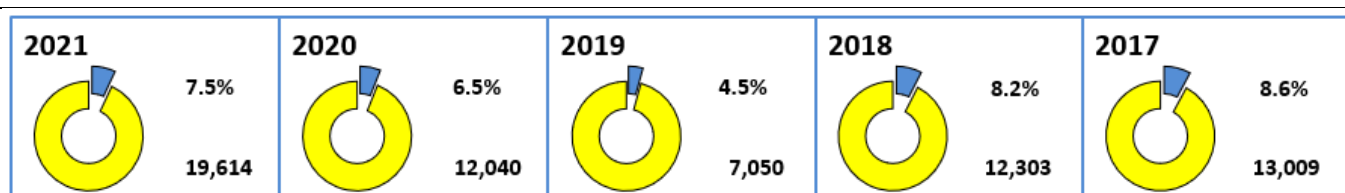


Africa and Middle East



Sabaf has a long-standing presence and reputation in the Middle East and Africa.

The Group 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.

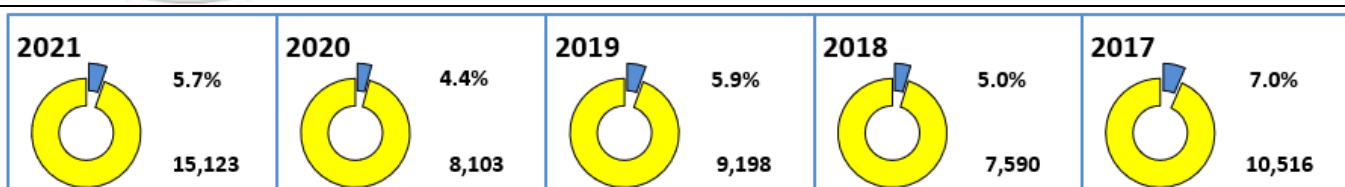


Asia and Oceania



China, with its production of more than 30 million hobs per year, is the most important market in the world. The Group aims to establish long-term partnerships with major Chinese customers.

Another market with great potential is the Indian market, for which Sabaf developed a range of dedicated burners: a production site was acquired in Hosur (Tamil Nadu) in 2020, where production of gas parts will begin in 2022. 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 practiced, 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 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. As from 2019, Sabaf reports on occupational health and safety using the GRI 403 indicator: Occupational Health and Safety 2018; as from 2020, it reports on taxes using the GRI 207 indicator: Tax 2019; as from 2021, it reports on waste using the GRI 306 indicator: Waste 2020 This Disclosure is prepared according to the “in accordance - core” reporting option. The process of defining the contents and determining the material topics, 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 22 March 2022 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 Disclosure of Non-Financial Information 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 2021 and includes all companies consolidated on a line-by-line basis, except for:

- Sabaf India and Sabaf Mexico, newly established and not yet operational companies in 2021;
- A.R.C. Handan, a small company whose non-financial performance is entirely negligible.

The 2019 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

In 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 2021.

Letter from the Chief Executive Officer to stakeholders

An assessment of 2021 can only start with a very satisfying figure: the Sabaf Group achieved its highest ever revenues and margins for the year. This extraordinary performance reflects a particularly favourable market phase, but also rewards the strategic direction followed in recent years and the management choices that have accompanied it.

Let us start with the market. In 2021, global demand for household goods, already fuelled in the previous year by the new lifestyles imposed by the pandemic, remained at high levels. The growth in demand, estimated at 10%-15%, gave a strong boost to orders, also driven by the acquisition of new market shares. The Group was ready to handle this massive growth (over 40% compared to 2020) and was able to cope with its intensity: it was a test of resilience that our organisation passed brilliantly.

The record results prove the validity of the path of change started in 2018 to which I will return later in this letter. Suffice it to say that the expansion, through acquisitions, of the offered range of products, the development of synergies between the components of the Group and the strengthening of the industrial footprint significantly increased our development potential, which the market momentum has allowed us to fully exploit.

The organisation's ability to overcome difficulties also explains the performance. In 2021, the effects of the pandemic continued to obstruct operations. The climate of uncertainty that a phenomenon of this magnitude and extension generates, already an obstacle in itself in that it influences the strategic decisions of economic operators, was accompanied by the critical issues generated by the global economic recovery. It was difficult to manage logistics, the costs of which increased exponentially, to source raw materials, to absorb rising energy costs and to organise the work of employees. We have succeeded in doing this by negotiating sales price adjustments with our customers and implementing measures to reduce energy consumption, starting with measures to increase the efficiency of the most energy-intensive systems.

Last, but certainly not least, I would like to emphasise that the results of the 2021 financial year would not have been possible without the extraordinary commitment of our 1,500 employees, whose professionalism and dedication, already decisive in ensuring continuity of production after the outbreak of the pandemic, was also evident in 2021.

Going beyond the results, it is appropriate to dwell on how Sabaf is moving to ensure in the long term, for shareholders and stakeholders, a constant generation of economic and social value. With the business plan presented in 2018, updated in 2021, we have initiated a transformation aimed at a new market positioning: from a company mainly focused on gas cooking parts to an all-round player in smart appliances. The objective reflects a clear view of how consumption patterns and the global economy trends are evolving (including the income of Countries with the best growth prospects) and of the qualities our customers will demand of component suppliers. Sabaf is a player committed to improving the quality of domestic life.

This strategic policy was translated into actions that have already allowed us to increase our product portfolio, adding electronic components (displays and timers for programming ovens, electronic hobs, fridges, hood control boards) to the mechanical components (where our international leadership is solid). The path will continue, both with the development of new proprietary products and by evaluating acquisitions of specialised manufacturers.

Thanks in part to our financial strength, we are supporting the expansion of the offer with strong investments that came to €23.8 million in 2021, up from €17.3 million in 2020 and €12 million in

2019. We can say that today we have the skills and technologies to offer, even in the electronics segment, competitive and cutting-edge products on energy transition.

We continue to increase production capacity with a threefold objective: to support the growth in demand, to be closer to our customers' plants to serve them better and to reduce logistics and transport costs. A new unit in India is nearing completion in the first half of this year. It will produce gas cooking parts for the domestic market and for a number of large players, already our customers, who have recently located to the Country. Work is underway on a new plant in Mexico, in San Luis de Potosi, which will serve the North American market from early 2023. In Turkey, the production capacity of the Electronics Division was doubled and production lines for gas valves and hinges for dishwashers were set up. Ospitaletto is, and will remain, the heart of the Group, home to its know-how and expertise.

The integration of the Environment, Social and Governance (ESG) principles into our organisation plays a central role in this process. Our company's and consumers' awareness of the environmental and social impact of production activities, already widespread globally for some time, has grown in the last two years. Inevitably, rules and regulations governing the compliance of institutional investors and banks with ESG principles are evolving in a more restrictive direction, which has become a pre-condition for accessing capital markets. There is much to be done, but Sabaf, which has been publishing its own Sustainability Report since 2000, can already claim to have adopted all three policy components that place it at the highest international standards. We are ahead, even though we know we have work to do because the path of ESG, like that of quality, requires continuous improvement.

I would like to close with a reference to the first quarter of 2022, marked by the beginning of the conflict between Russia and Ukraine. The outcome is, by definition, as unpredictable as the evolution of the geopolitical framework that will emerge. The Group's exposure to the effects of this crisis is mainly related to the increased costs of energy, raw materials and transport. We have taken steps to mitigate these effects, adjusting sales lists thanks to excellent customer relations (which recognised that it was necessary) and the production flexibility of our industrial footprint. We have also partially covered ourselves against this situation by signing some supply contracts at fixed prices and by increasing efficiency in cost control.

We have a solid organisation and the professional qualities required to cope with volatile times. This, I believe, is the best way to ensure the stability of the company despite the adverse and unpredictable events that this situation could generate.

2022 started with a very good flow of incoming orders from the main markets in which we operate. We are confident that this trend will be consolidated in the coming months, also thanks to new orders. We expect, net of a further escalation of the conflict, revenue growth compared to 2021.

Therefore, I believe that Sabaf will be able to cope successfully with the difficult times we are going through and continue to pursue its growth objectives.

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 success over time.

The Sabaf Group is aware that sustainable success 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 – employees, shareholders, 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 amended**

Topic envisaged by Legislative Decree 254/2016	Reference policies
Environment	
<i>Basic principles</i>	
<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 ISO 45001 standards
Human rights	
<i>Basic principles</i>	
<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
Personnel	
<i>Basic principles</i>	
<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
Personnel/Health and safety	
<i>Basic principles</i>	
<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 ISO 45001 standards
Anti-corruption	
<i>Basic principles</i>	
<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	
<i>Basic principles</i>	
<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

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

Sabaf S.p.A. has an integrated Health and Safety, Environment and Energy management system certified to ISO 45001, ISO 14001 and ISO 50001.

Faringosi Hinges s.r.l. and C.G.D. s.r.l. adopt a Health and Safety management system certified and compliant with ISO 45001 standard.

In any case, the ISO 14001, ISO 45001 and ISO 50001 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 Occupational Health and Safety, by C.G.D. s.r.l. and C.M.I. 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 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 Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalisation of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

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 moulds, 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.

In relations with large household appliance groups, the reliability of partners along the supply chain is more than ever an essential requirement. The presence of production facilities in all strategic geographical areas, the ability to react immediately to sudden changes in macroeconomic scenarios - such as those brought about by the pandemic - and financial solidity put the Sabaf Group in a favourable position compared to smaller, less structured competitors.

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



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>(€/000)</i>	2021	2020	Change
Economic value generated by the Group	267,918	190,001	77,917
Revenue	263,259	184,906	78,353
Other income	8,649	7,184	1,465
Financial income	750	1,366	(616)
Value adjustments	2,525	1,502	1,023
Bad debt provision	(103)	(118)	15
Exchange rate differences	(7,399)	(4,811)	(2,588)
Income/expenses from the sale of property, plant and equipment and intangible assets	237	105	132
Value adjustments to property, plant and equipment and intangible assets	0	(141)	141
Profits/losses from equity investments	0	8	(8)
Economic value distributed by the Group	232,521	161,995	70,526
Remuneration of suppliers	166,164	112,014	54,150
Remuneration of employees	53,964	43,700	10,264
Remuneration of lenders	1,179	2,146	(967)
Remuneration of shareholders	6,172	3,924	2,248
Remuneration of the Public Administration ⁸	4,997	150	4,847
External perks	45	61	(16)
Economic value retained by the Group	35,397	28,006	7,391
Depreciations and amortisation	16,869	16,968	(99)
Provisions	29	612	(583)
Use of provisions	(12)	(10)	(2)
Reserves	18,511	10,436	8,075

⁸ 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.

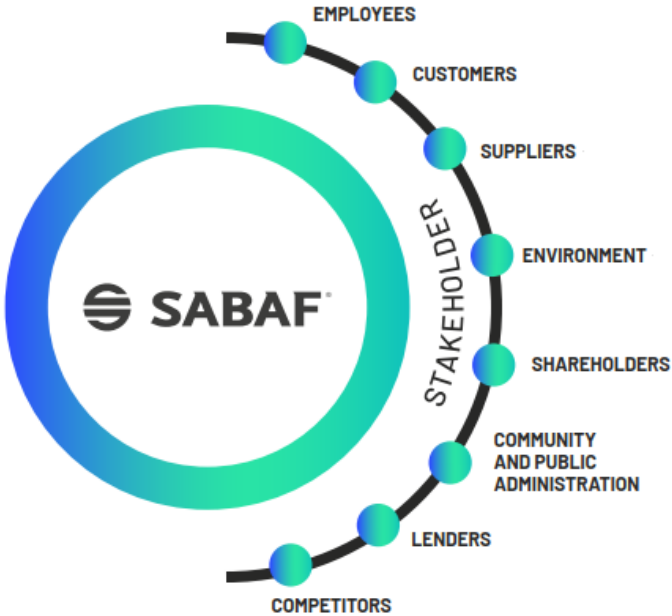
The precautionary approach

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 Group, 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). In 2021, as a result of pandemic containment restrictions, some engagement activities took place remotely. The relevant issues arising from these activities are reported in the following paragraphs.

Stakeholder	Regular stakeholder engagement initiatives
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"> ▪ Regular meetings
Shareholders	<ul style="list-style-type: none"> ▪ Dialogue with current and potential investors ▪ Comparison with proxy advisors ▪ Dialogue with financial analysts
Community and Public Administration	<ul style="list-style-type: none"> ▪ Dialogue with universities
Lenders	<ul style="list-style-type: none"> ▪ Regular dialogue
Competitors	-

Sabaf complies with the Code of Conduct of APPLiA Europe

Sabaf complies with the code of conduct of APPLiA Europe, 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 2021 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 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 material topics to be reported, i.e. those topics:

- **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.

Considering the pervasive impacts of the pandemic, at the end of 2020 the Group deemed it appropriate to update the materiality analysis, integrate the material topics and resubmit them to management for assessment. The top managers involved were asked to express an evaluation (on a scale from 0 to 5) on the material topics identified and inherent to their responsibilities, both from an internal perspective and from the perspective of the stakeholders concerned. The materiality analysis was approved by the Board of Directors at its meeting on 11 February 2021. On 16 December 2021, the Board re-approved the materiality analysis, without changing its assessments.

The materiality analysis shows:

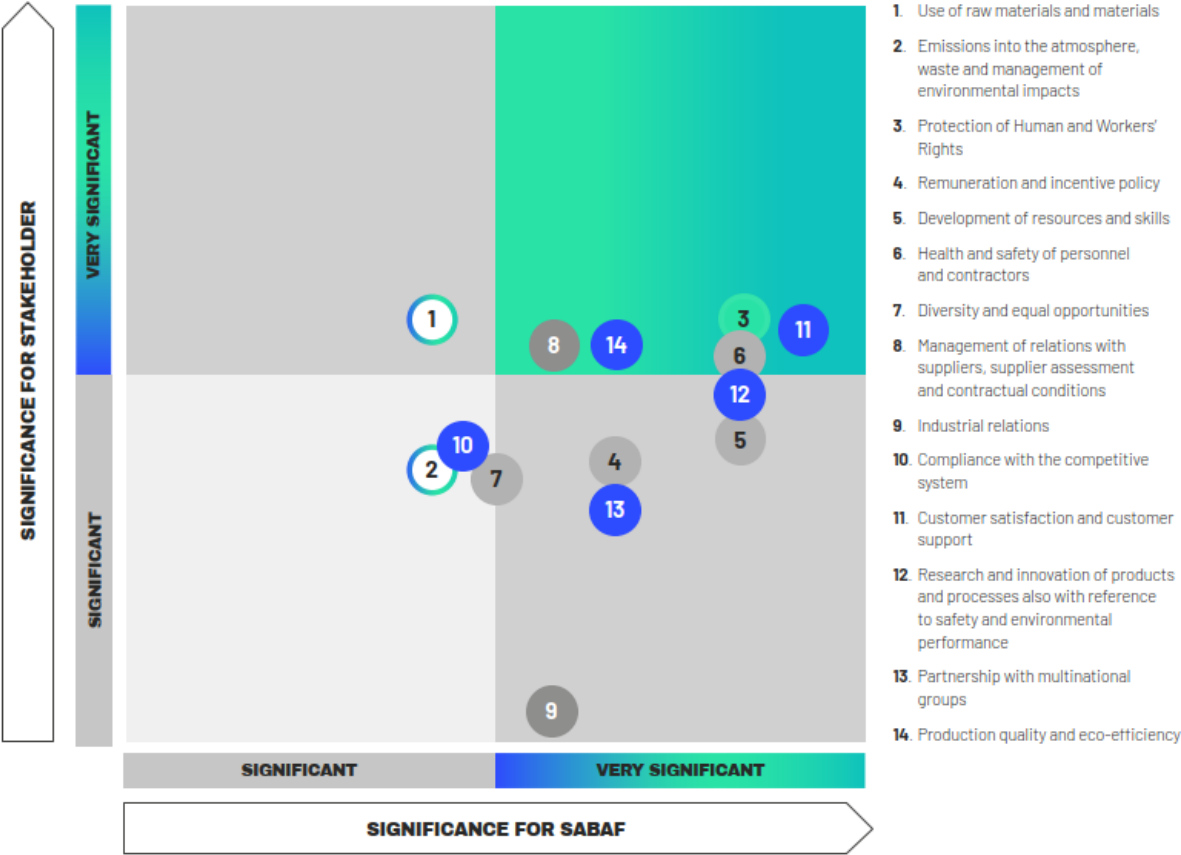
- from an internal perspective, the greater materiality of health and safety topics and the protection of diversity and equal opportunities;
- from the point of view of external stakeholders, the increasing importance of reliable relations with customers and suppliers and the guarantee of continuity of supplies.

It is noted that in defining material topics, 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** (GRI 201: Economic Performance; scope of the Decree: transversal);
- **transparent and effective governance system to support business** (GRI 102-18: Governance structure; scope of the Decree: transversal);
- **constant attention to compliance with the law in the performance of its activities**⁹ (GRI 205: Anti-Corruption and GRI 307: Environmental Compliance; scope of the Decree: fight against corruption);
- **an approach of fairness and transparency towards the public administration** (GRI 207: Tax; scope of the Decree: transversal).

⁹ 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 matrix¹⁰



¹⁰Only the topics considered relevant by the organisation and subject matter of reporting are represented.

Material topics

Scope Legislative Decree 254/16	ID	Material topic	Importance of the topic 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.	GRI 301: Materials 2016	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. Impacts to be considered include smart working for part of the workforce, which has led to a reduction in travel by employees.	GRI 302: Energy 2016 GRI 305: Emissions 2016 GRI 306: Waste 2020	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. One of the main objectives is to ensure working conditions with health and safety standards adapted to the health emergency period and, consequently, to safeguard business continuity.	GRI 406: Non-discrimination 2016 GRI 414: Supplier Social Assessment 2016	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. Establishment of a welfare bonus system to recognise activities carried out during the health emergency.	GRI 202: Market Presence 2016 GRI 404: Training and Education 2016	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.	GRI 401: Employment 2016 GRI 404: Training and Education 2016	Sabaf	
	6	Health and safety of personnel and contractors	Management, in compliance with occupational health and safety regulations, of topics related to occupational health and safety: training, prevention, monitoring, improvement objectives, also with reference to the measures implemented against the spread of the Coronavirus during health emergencies in the workplace and the protection of frail persons in extraordinary working conditions.	GRI 403: Occupational Health and Safety 2018	Sabaf	Suppliers
	7	Diversity and equal opportunities	Commitment to ensuring equal opportunities for women and protected categories.	GRI 405: Diversity and Equal Opportunity 2016	Sabaf	

Scope Legislative Decree 254/16	ID	Material topic	Importance of the topic 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. These include supporting the supply chain by joining industry initiatives and observing contract payment terms in times of possible difficulty. 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.	GRI 414: Supplier Social Assessment 2016	Sabaf	Suppliers
	9	Industrial relations	The relationship between Sabaf and trade union representatives, based on the principles of transparency, mutual fairness and willingness to negotiate agreements aimed at ensuring healthy and safe working conditions.	GRI 402: Labor/Management Relations 2016	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.	GRI 206: Anti-competitive Behaviour 2016	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).	GRI 416: Customer Health and Safety 2016	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.	GRI 416: Customer Health and Safety 2016	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. Revision of business processes with the introduction of smart working, which can promote a lower environmental impact while maintaining standards of effectiveness and efficiency.	Please refer to topics 2 and 12	Sabaf	

(*) Reporting is not extended to the external boundary.

(**) With regard to these topics (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

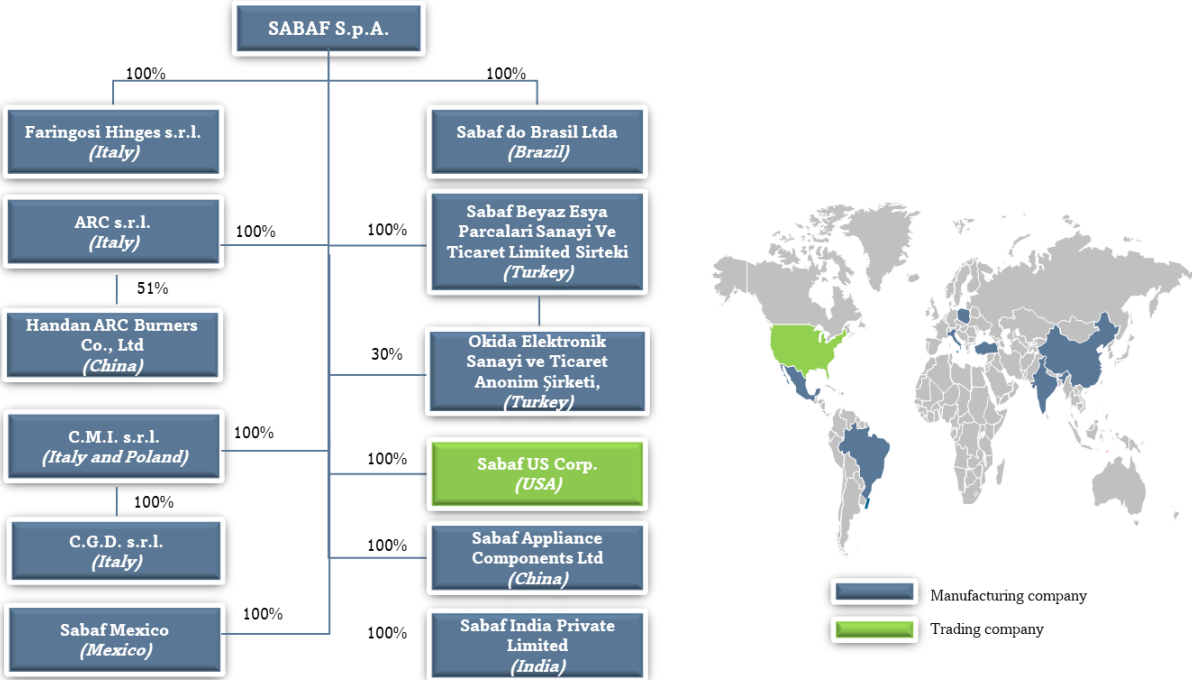
Corporate Governance

Overview

Since its listing on the stock exchange in 1998, the corporate governance model of Sabaf has 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. The Company has welcomed the new Corporate Governance Code, fully agrees with its innovations and has taken action on its own model to fully implement the Code.

The purpose of this section of the file is to highlight the choices made by Sabaf and the peculiarities of its governance system. Where possible, a comparison with other listed companies is also provided, using the information collected by Assonime in its document "Report on Corporate Governance in Italy: the implementation of the Italian Corporate Governance Code (2021)", published in January 2022 and concerning the Corporate Governance reports for the 2020 financial year of 219 listed Italian companies. The benchmark used below takes into account, where available, a panel of "non-financial" companies only. An analysis of the characteristics and functioning of the Board of Directors is also provided in comparison with the top 100 Italian listed companies (industrial and financial) and with the main European and non-European countries, based on data published by Spencer Stuart in the analysis "Boards around the world".



Sabaf Group companies are active in the following business segments.

Gas parts

- Sabaf S.p.A., valves and burners
- Sabaf Brazil, burners
- Sabaf Turkey, burners
- Sabaf Appliance Components, burners
- A.R.C. s.r.l. and A.R.C. Handan, professional burners
- Sabaf India, valves and burners (start of production scheduled for 2022)
- Sabaf Mexico, burners and hinges (start of production scheduled for 2022)

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 s.r.l.
- C.M.I. Group

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 regulatory 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:

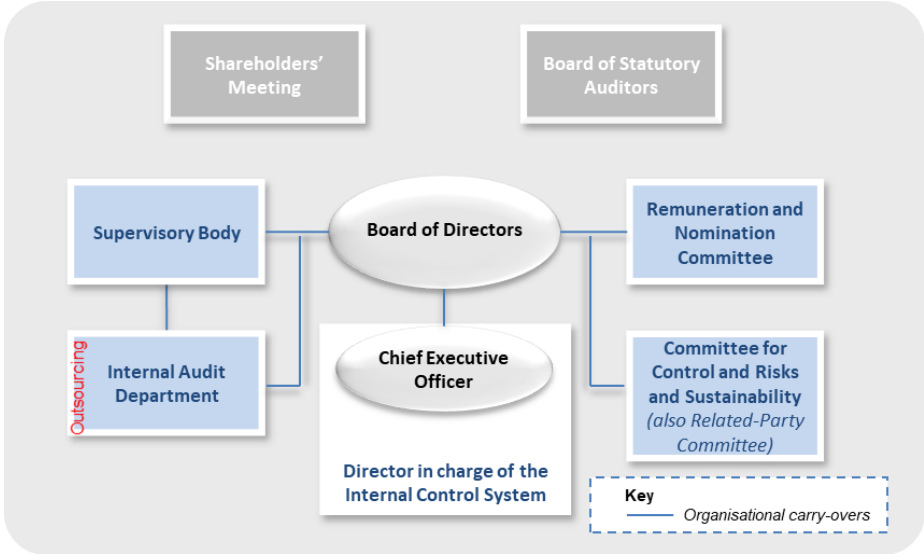
a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:

- **Control, Risk and Sustainability 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



Policy on the composition of corporate bodies

On 26 March 2018, Sabaf S.p.A. adopted a Policy on the composition of the Corporate Bodies. The Policy was updated by the Board of Directors on 11 February 2021, in view of the renewal of corporate offices and to implement the provisions of the new Corporate Governance Code.

The 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 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 characteristics and factors considered necessary for the BoD to be able to carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time.

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

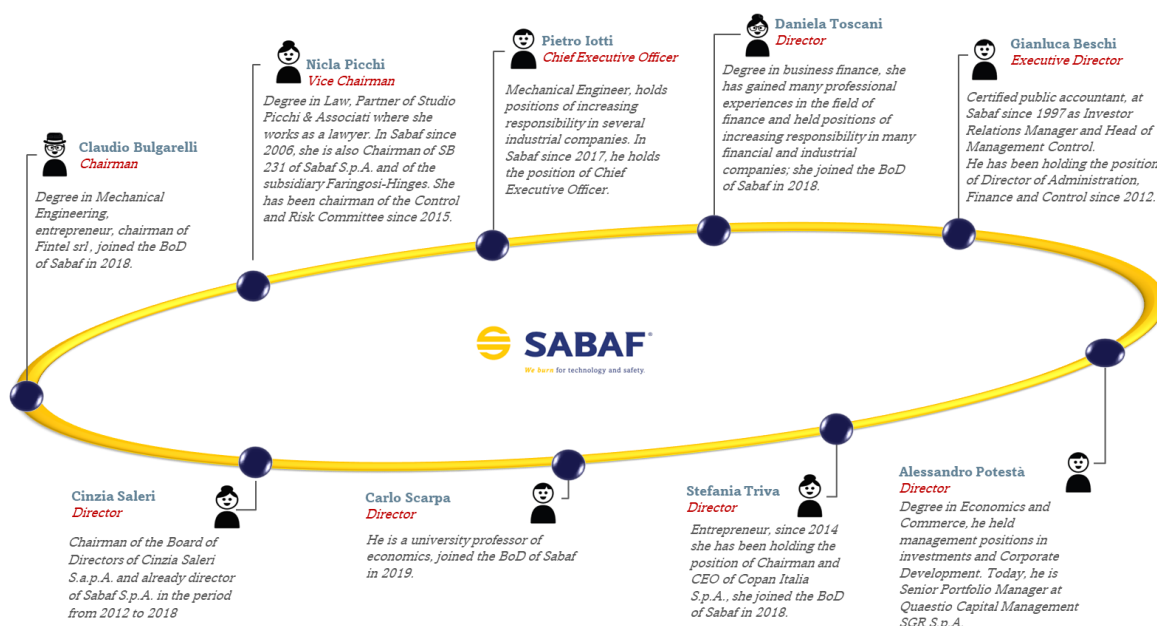
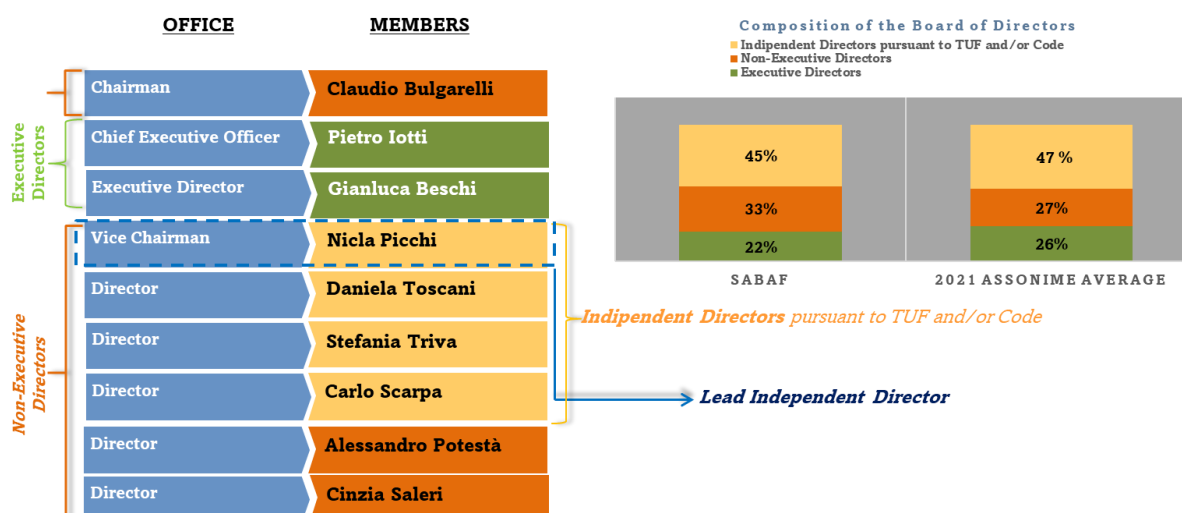
- **Independence**
- **Training and professional experience**
- **Gender**
- **Age and seniority in office**
- **Numbers**

The Policy on the composition of the Corporate Bodies is published on the Group's website and described in the Report on corporate governance and ownership structure.

Board of Directors

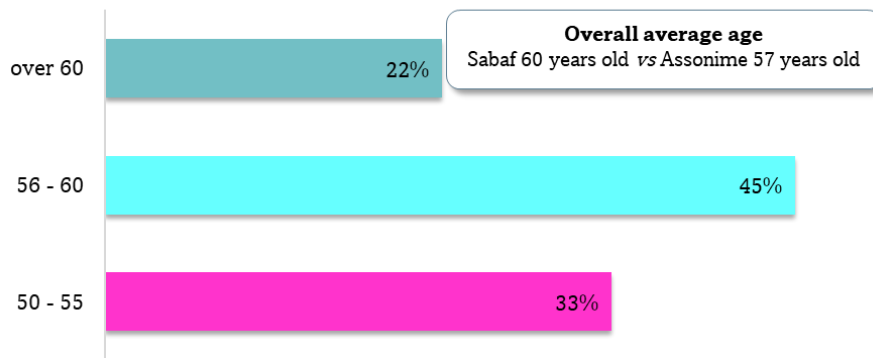
The Board of Directors currently in office, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021-2023, is composed of 9 members¹¹, including:

- 2 executive directors;
- 3 non-executive directors;
- 4 non-executive and independent directors.

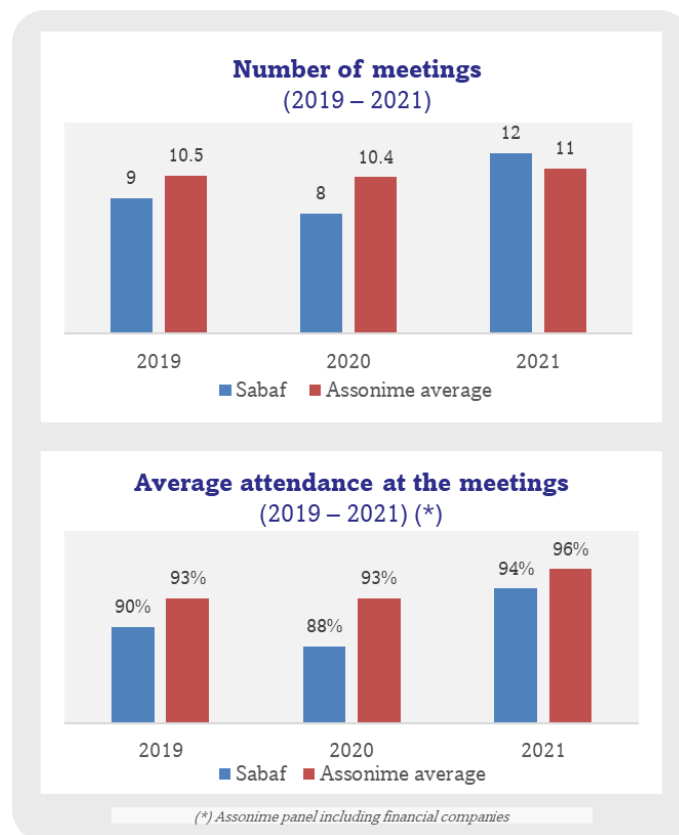


¹¹ The *Curriculum Vitae* of each Member is available on the Group's website.

Average age of directors

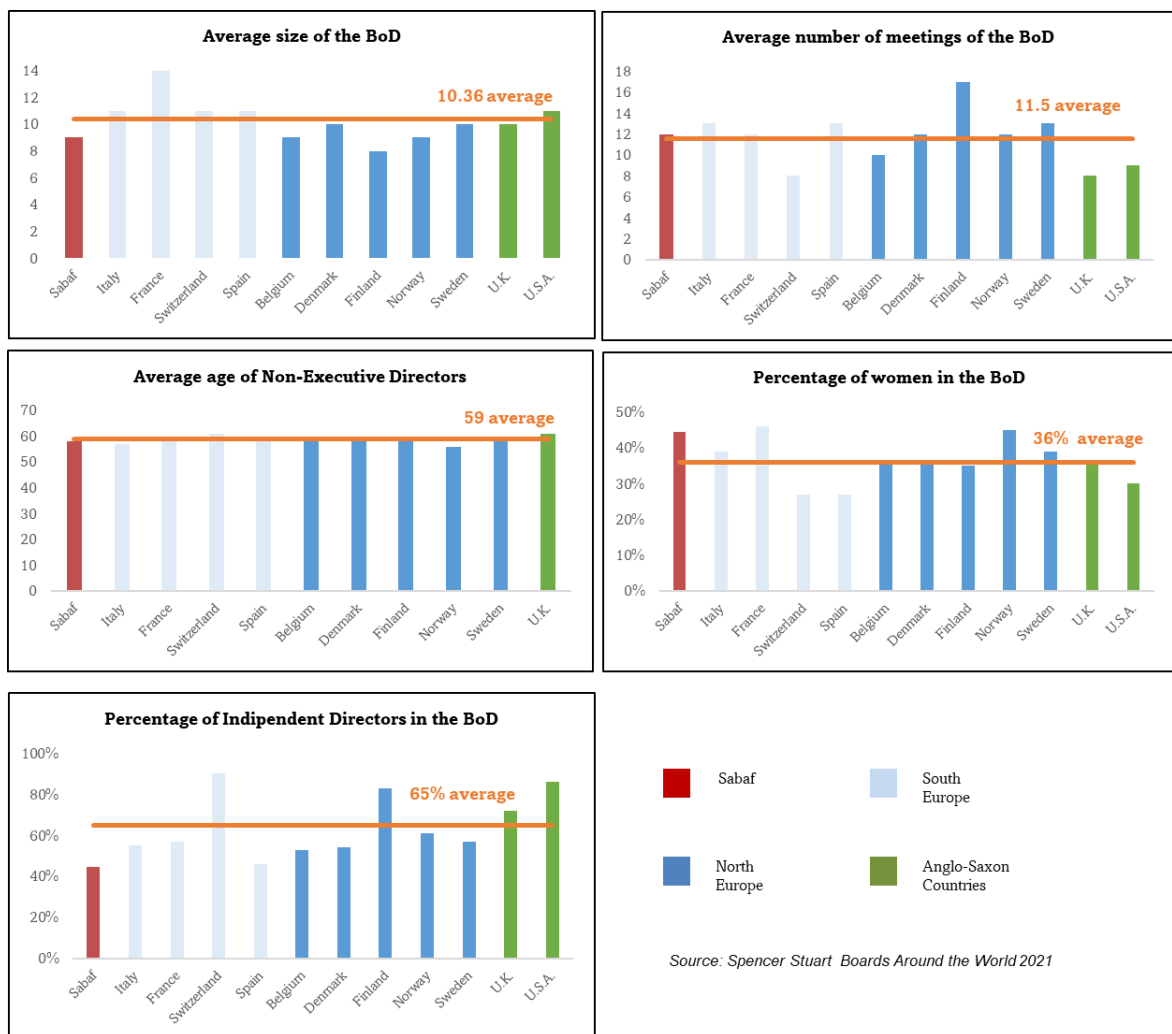


78% of the members of the Board in office are between 50 and 60 years old; the average age is higher than the average of the Assonime sample (60 vs 57 years old).



In 2021, the Board of Sabaf met on 12 occasions (slightly above the Assonime average), with an average attendance rate of 94%. In general, the attendance of the Sabaf directors at the Board meetings in the last three years is slightly below than that of the Assonime panel.

The meetings were attended by the *Board of Statutory Auditors* and - regularly - the managers of Sabaf, who were invited to attend and report on specific issues on the agenda.



The comparison was made using data published by Spencer Stuart in the analysis "Boards around the world"¹².

Also for 2021, 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.

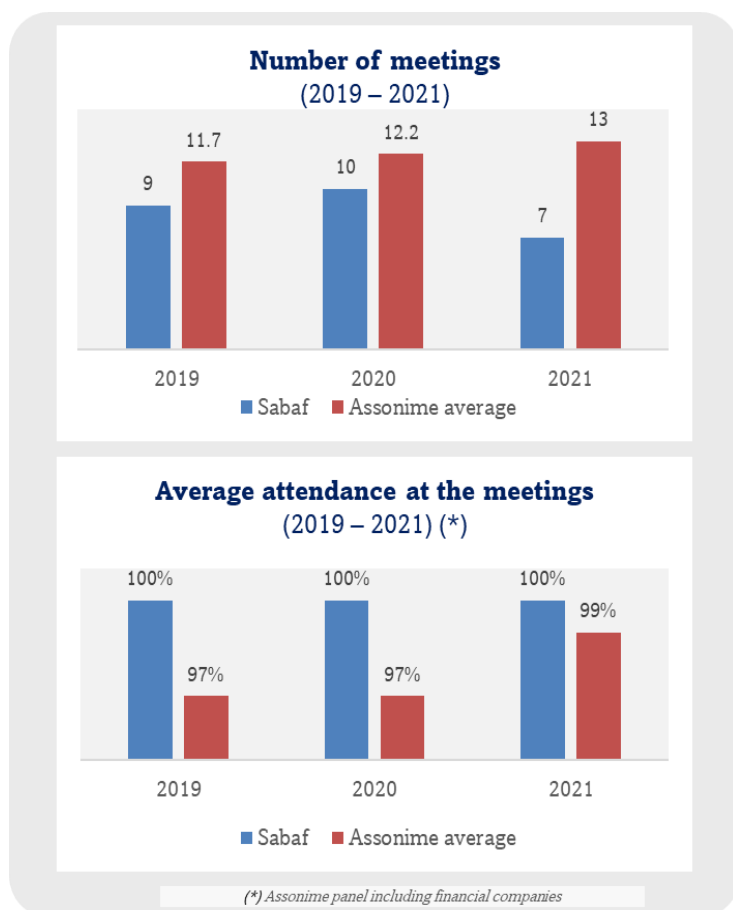
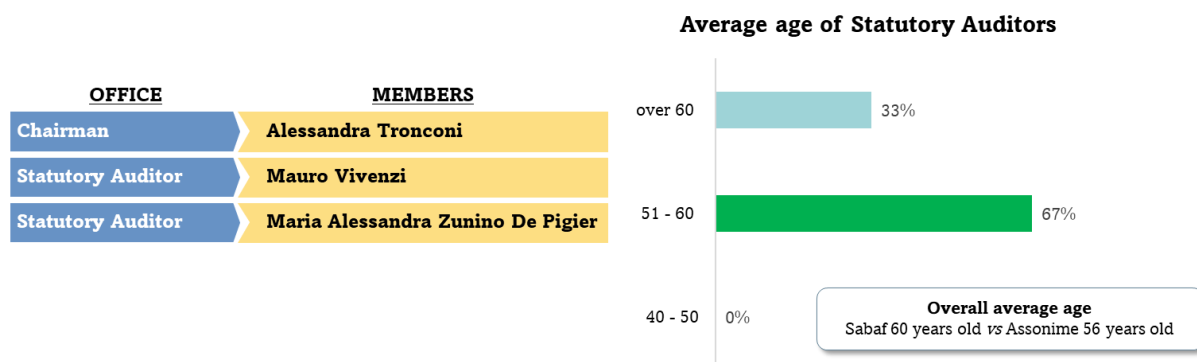
The results of the assessment were generally positive and were discussed at the Board of Directors' meeting of 11 February 2022.

¹² <https://www.spencerstuart.com/research-and-insight/boards-around-the-world?category=all-board-composition&topic=all-topics>

Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021 to 2023, is composed of 3 members ¹³ with an average age of 60 years (higher than the Assonime average of 56 years).

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 8.7 times in the last three years (7 meetings in 2021), a number of times lower than the average number of meetings of the Assonime sample (12.3 meetings on average).

The attendance of members at meetings was 100% in the period 2019 to 2021, 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.

¹³ The *Curriculum Vitae* of each statutory auditor is available on the Group's website.

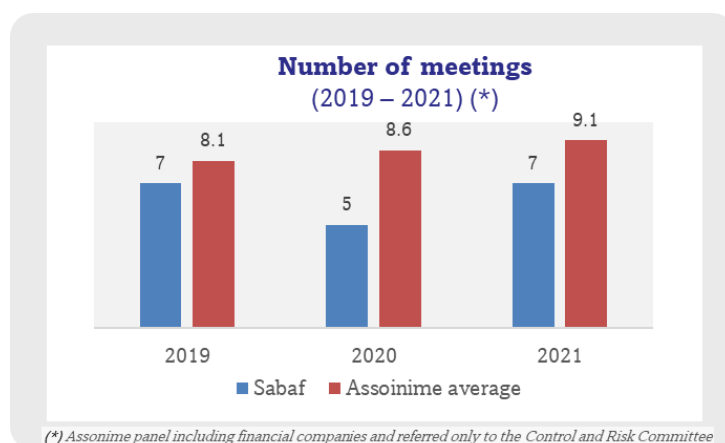
Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee currently in office, set up within the Board, consists of 3 members.

In line with the choice made by about 63% of the Assonime panel (referring only to CRC), the CRSC 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



The Committee met on average 6.3 times in the last three years (7 meetings in 2021), a number of times lower than the average number of meetings of the Assonime sample (8.6 meetings on average).

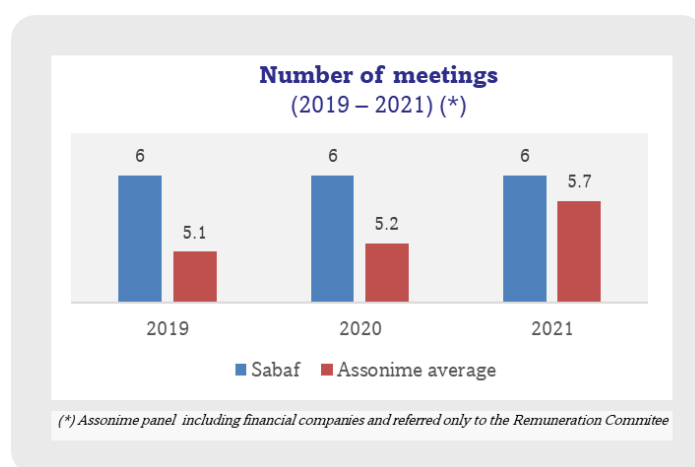
In 2021, the Committee, among other things:

- 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 2021 and the consequent 2022 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year;
- made considerations on sustainability issues (sustainability objectives defined in the 2021-2023 Business Plan, new European standards for sustainability, participation in CDP's Climate Change and Water programmes, other possible projects to be analysed in the medium term).

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 39% of the Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

OFFICE	MEMBERS
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 (6 vs 5.3). In particular, during the last financial year, the Committee met six times.

In 2021, the Committee, among other things:

- analysed final results of the managerial incentive plan (MBO) for the financial year 2020 and prepared the managerial incentive plan for the year 2021, approved by the Board of Directors on 23 March 2021;
- analysed the summary of the long-term incentive plan (or also "LTIP") for directors and employees of the Company and its subsidiaries through the free allocation of shares ("Stock Grant Plan"), approved by the Board of Directors on 15 May 2018; the Committee also drafted the regulations for a new Stock Grant Plan for the period from 2021 to 2023, which was approved by the Board of Directors on 13 May 2021;
- proposed changes to the "Policy on the composition of corporate bodies", in line with the recommendations of the Corporate Code;
- in view of the expiry of the term of office of the Board of Directors in office for the three-year period from 2018 to 2020 and in accordance with the power provided for by the Articles of Association, formulated a proposal regarding the list of candidates for the office of Director for the three-year period from 2021 to 2023 to be submitted by the Board of Directors to the Shareholders' Meeting;
- formulated a proposal to the Board of Directors on the remuneration for the offices of Chairman, Vice-Chairman, Honorary Chairman and Chief Executive Officer, as well as a proposal on the remuneration for attendance at Committee meetings.

Governance of sustainability

Sabaf has always believed that **social and environmental topics** 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 6 May 2021, it was confirmed that the criteria for implementing Corporate Social Responsibility ("CSR") are the responsibility of the Board itself. At the same meeting, the Board of Directors set up a Board committee, called the **Control, Risk and Sustainability Committee**, which, with reference to sustainability issues, has the task of:

- supporting the Board of Directors in the analysis of issues relevant to the Company and the Group, promoting a policy that integrates sustainability into business processes in order to ensure the creation of sustainable value over time for shareholders and all other stakeholders;
- promoting the dissemination of the culture of sustainability among all stakeholders;
- assessing the environmental, economic and social impacts of business activities;
- expressing opinions on the annual and multi-year sustainability targets to be achieved;
- expressing opinions on the initiatives and programmes promoted by the Company and the Group in terms of corporate social responsibility.

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

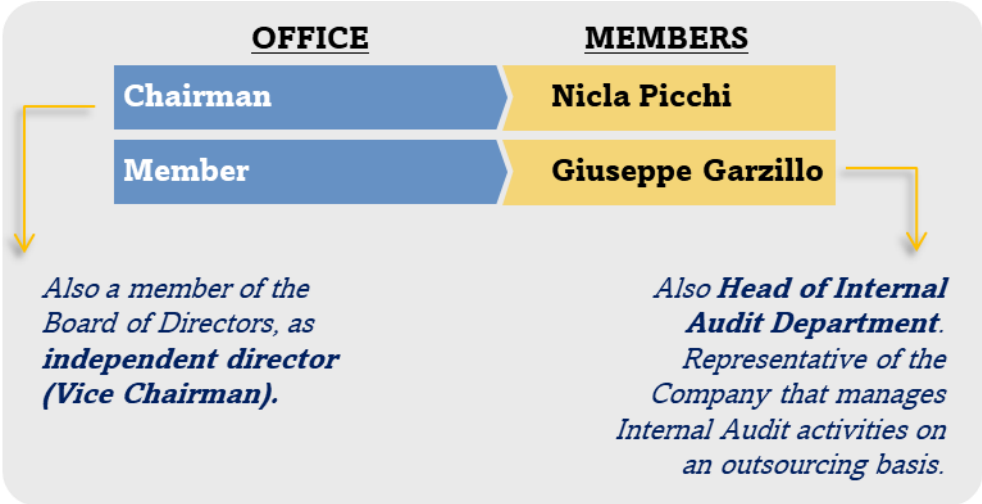
Internal Audit

On 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, 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. On 16 December 2021, the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors, renewed the appointment of PwC for the three-year period 2022 to 2024 and confirmed Garzillo as Head of Internal Audit.

The Head of Internal Audit reports hierarchically to the Board of Directors, which approves the Work Plan.

Supervisory Body

The Supervisory Body, appointed on 6 May 2021 by the Board of Directors for the three-year period 2021 to 2024, comprises Nicla Picchi, independent director and Vice Chairman of the Company, and Giuseppe Garzillo, Head of Internal Audit.



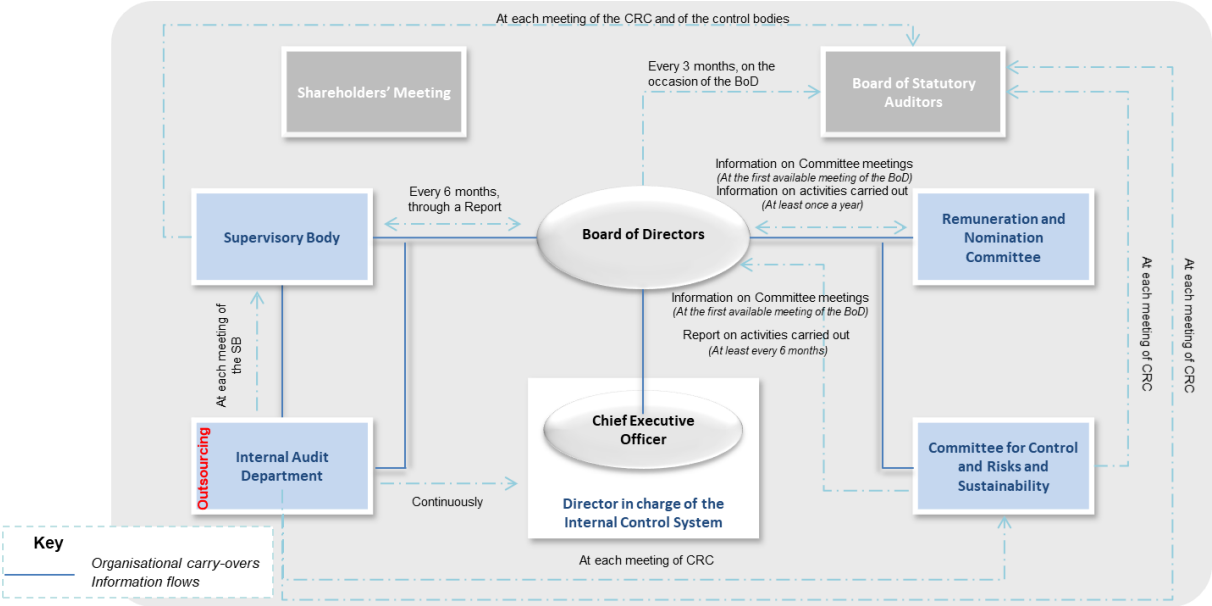
During 2021, the Supervisory Body of Sabaf met 6 times, asking the Company's management to attend the meetings in order to carry out in-depth analysis on specific topics.

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

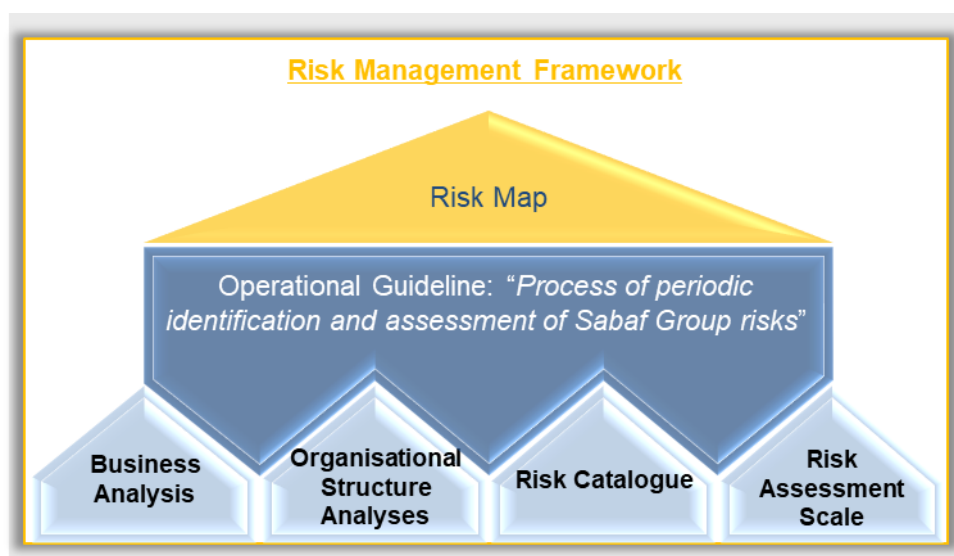


Risk Management

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 topics 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 October and November 2021.

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

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

Severity rate				
Severity drivers	Lower (1)	Moderate (2)	Significant (3)	Very significant (4)
Economic (EBITDA)	< €0.5 million	between €1.5 and €2 million	between €2 and €5 million	> €5 million
HSE	Limited or negligible temporary impact on health and safety and/or the environment (minor environmental damage)	Moderate impacts/damage on health and safety and/or the environment (recoverable environmental damage)	Serious impacts/damage on health and safety and/or the environment (critical environmental damage)	Very serious impacts/damage on health and safety and/or the environment (catastrophic pollution)
Reputational	Insignificant or small impacts on the level of trust of stakeholders	Moderate impacts on the level of trust of stakeholders but requiring targeted action by the company	Significant impacts on the level of trust of stakeholders requiring action by the company	Trust of key stakeholders significantly compromised with need for immediate action
Operational	No impact on business processes and/or customer relations	Low impacts on: i) efficiency/continuity of one or more non-critical business processes and/or ii) relations with customers other than "key accounts"	Significant impacts on: i) efficiency/continuity of one or more key business processes and/or ii) relations with key customers (key account)	Critical impacts on: i) efficiency/continuity of business and/or ii) relations with key customers (key account)

Frequency rate				
Frequency drivers	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)
Probability of occurrence in the following three years	< 5%	from 5% to 25%	from 25% to 50%	> 50%
Frequency of occurrence	Event never occurred in the past and considered unlikely	Event occurred in the past and considered not very likely	Event occurred in the past and considered likely	Event occurred (several times) in the past/recently

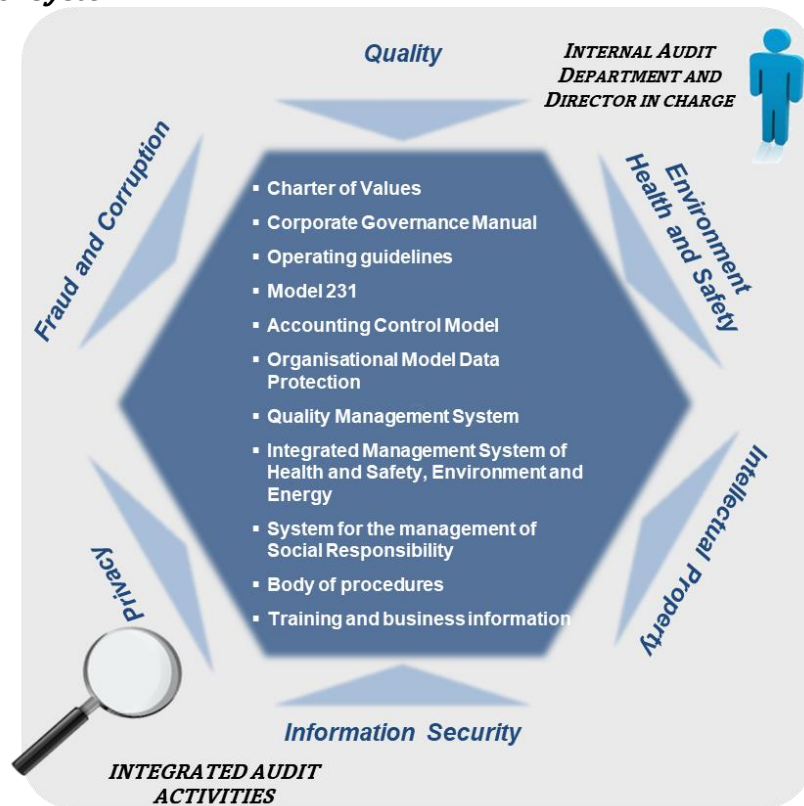
Level of control				
Level of control	Optimal	Adequate (with possible room for improvement)	To be strengthened	Lacking/Non-existent
Description	In line with best practices and best in class	There are policies, procedures and/or operating instructions. However, there is still room for improvement.	Processes are not structured and are based on the skills of the individuals involved	Lack of controls, policies, procedures and organisational structures to manage and address risks/opportunities
% of reduction of inherent risk	75-90%	50-75%	30-50%	0-30%

The risks relating to the topics referred to in Legislative Decree 254/2016 are set out in this Disclosure, under the different chapters. For further details on risk factors, please also refer to the Report on Operations.

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, GDPS, 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**.*

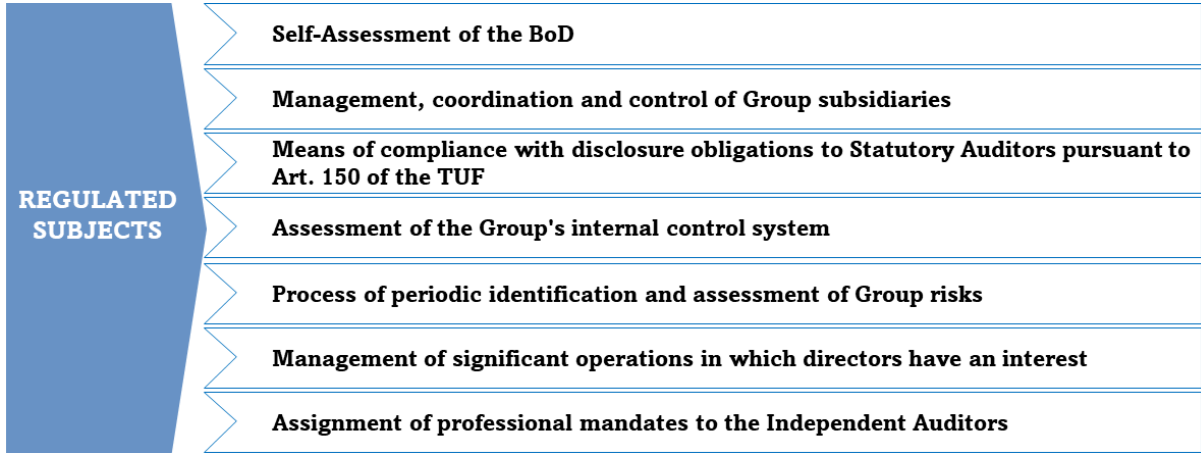
Integrated compliance and the Corporate Governance Manual

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** ¹⁴ 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, prepared for the purpose of the correct carrying-out of the activities pertaining to Sabaf's management and control bodies.

Operating guidelines



¹⁴ The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 16 December 2021, is available on the Company website, at www.sabafgroup.com 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**¹⁵, aimed at preventing the commission of specific types of offences by employees and/or employees 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 and in 2021, C.G.D. and C.M.I. respectively adopted their own Model 231, limited to the management of issues related to occupational health and safety.

Activities carried out in 2021

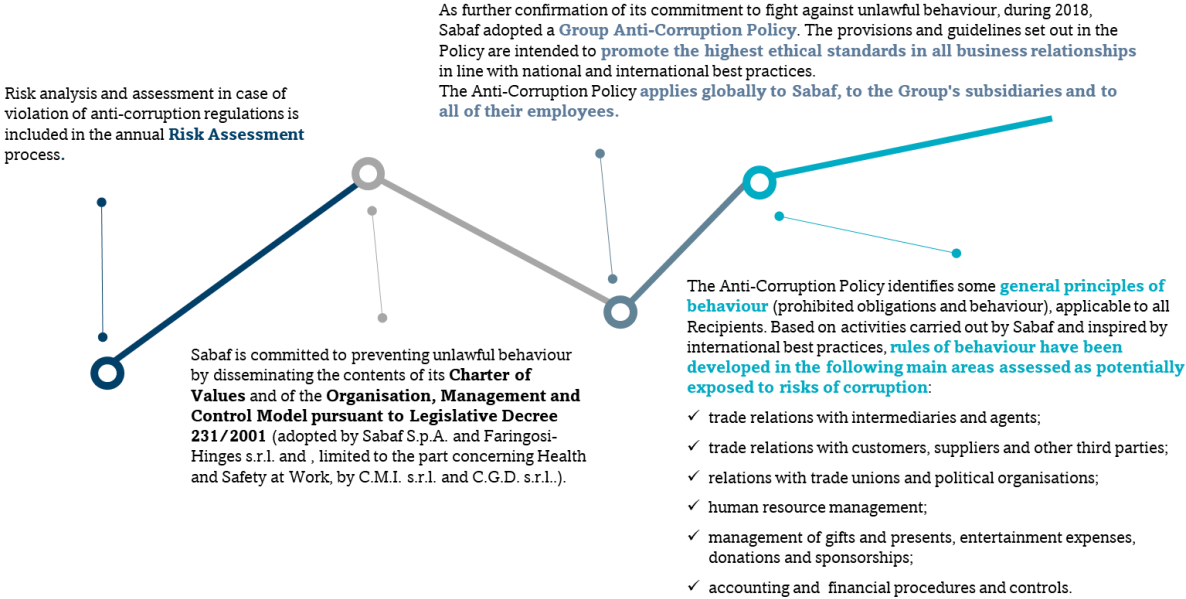
In 2021, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and through conversations with personnel involved in sensitive activities;
- monitored the state of updating of the Model, and in particular analysed the assessments and documents produced by the Company in order to update its Model 231 with regard to smuggling offences;
- held periodic consultation meetings with Company management in order to analyse certain issues relating to the management of personnel and related information flows, the environment and occupational health and safety matters in the workplace, as well as issues subject to audits during the year.

¹⁵ The latest version of the document, approved by the Board of Directors on 13 May 2021, is available on the Company website, at www.sabafgroup.com 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 for the three-year period from 2019 to 2021.

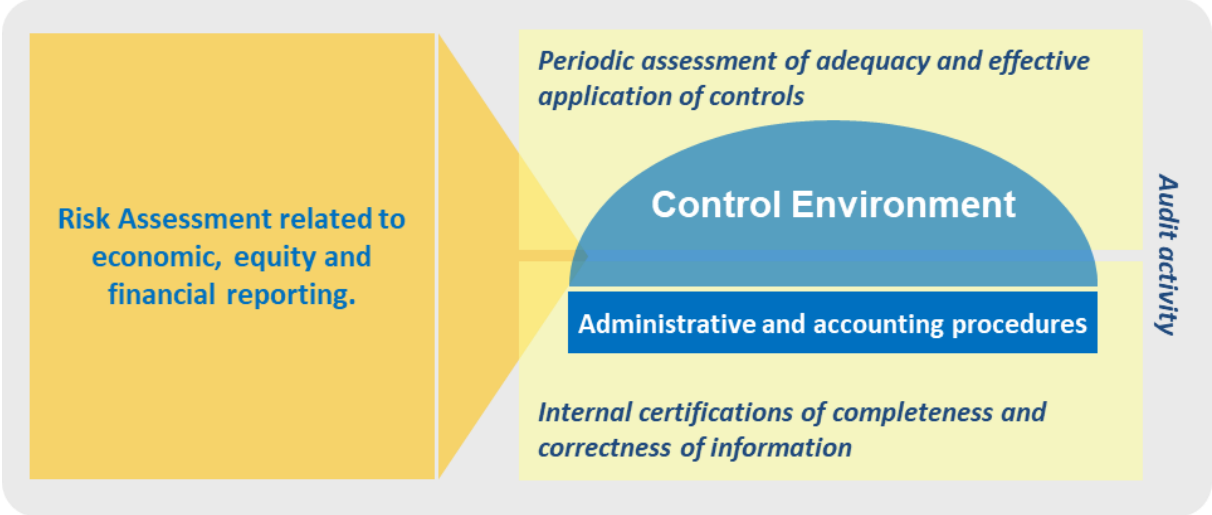
Integrated Compliance and Law 262/2005

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.

The Sabaf Group implements structured policies and defines centrally coordinated guidelines in the following areas:

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

To this end, the group's organisational structure includes the positions of Global Group HR Director and Group HSE Manager.

The combination of these systems and policies enables the Group to have an adequate control of the risks related to the management of relations with employees.

The following paragraphs outline, for each of these topics, the characteristics of the "Sabaf model" and the performance achieved.

Health emergency and relations with employees

In 2021, the pandemic again had a pervasive impact on the Group's business and the people who work for it.

Protecting the health and safety of people has always been a top priority, so strict protocols have been maintained in all companies to mitigate the risks of contagion. Serological tests and swabs were periodically performed, which prevented the spread of significant hotbeds.

For all functions that allow it, smart working has been widely used and forms of flexibility have been guaranteed to ensure a balance between personal and family needs and work commitments. An insurance policy is in place for all employees of Italian companies.

The extraordinary dedication of all the personnel, their competence and willingness to help enabled the organisation to react quickly to all the challenges posed by a highly dynamic scenario. In this regard, a one-off bonus was awarded for outstanding achievements despite the difficulties faced in the health emergency.

Personnel management policy

The commitment of the Sabaf Group to social responsibility and the protection of workers' health and safety are strategic elements for Sabaf and the compliance with labour standards that guarantee respect for human rights, health and maximum safety is an essential paradigm.

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 Global Compact and in the Code of Conduct of APPLiA Europe (European association of household 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.

From 2021, Sabaf S.p.A. has decided not to renew the SA8000 certification. The policies and procedures in place at all Group companies ensure full compliance with all the requirements of the Standard, regardless of external certification.

During 2021, no episodes of discrimination were observed, 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.

The people of the Sabaf Group

The Sabaf Group had 1,278 employees at 31 December 2021 compared to 1,168 at the end of 2020. The increase in the number of employees compared to the previous year was 110 (+9.42%).

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	309	164	473	312	168	480	318	170	488
Faringosi Hinges s.r.l. (Bareggio, Milan - Italy)	22	23	45	23	23	46	23	21	44
A.R.C. s.r.l. (Campodarsono, Padua - Italy)	16	5	21	15	5	20	16	5	21
C.M.I. s.r.l. (Loc. Crespellano – Valsamoggia, Bologna – Italy)	31	53	84	31	51	82	33	52	85
C.G.D. s.r.l. (Loc. Crespellano – Valsamoggia, Bologna – Italy)	41	3	44	35	3	38	34	4	38
C.M.I. - Polish branch (Myszków, Poland)	19	26	45	19	25	44	18	29	47
Sabaf Brazil (Jundiaí, São Paulo - Brazil)	94	18	112	74	13	87	69	13	82
Sabaf Turkey (Manisa - Turkey)	144	94	238	129	69	198	84	42	126
Okida (Esenyurt/Istanbul – Turkey)	97	112	209	80	85	165	56	40	96
Sabaf Appliance Components (Kunshan) Co., Ltd. (Kunshan, Jiangsu Province – China)	5	2	7	6	2	8	6	2	8
Group total	778	500	1,278	724	444	1,168	657	378	1,035

As regards the types of contract adopted, at 31 December 2021, there are 1,268 employees with permanent contracts equal to 99.2% of the total (97.9% at the end of 2020) and 10 employees with a fixed-term contract, equal to 0.8% of the total (2.1% at the end of 2020).

Group

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	770	498	1,268	711	432	1,143	621	369	990
Fixed term	8	2	10	13	12	25	36	9	45
Group total	778	500	1,278	724	444	1,168	657	378	1,035

Sabaf S.p.A.

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	307	162	469	306	166	472	312	167	479
Fixed term	2	2	4	6	2	8	6	3	9
Total	309	164	473	312	168	480	318	170	488

Faringosi Hinges s.r.l.

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	22	23	45	23	23	46	23	21	44
Fixed term	0	0	0	0	0	0	0	0	0
Total	22	23	45	23	23	46	23	21	44

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

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	16	5	21	15	5	20	16	5	21
Fixed term	0	0	0	0	0	0	0	0	0
Total	16	5	21	15	5	20	16	5	21

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

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	31	53	84	28	51	79	30	51	81
Fixed term	0	0	0	3	0	3	3	1	4
Total	31	53	84	31	51	82	33	52	85

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

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	36	3	39	34	3	37	33	4	37
Fixed term	5	0	5	1	0	1	1	0	1
Total	41	3	44	35	3	38	34	4	38

C.M.I. s.r.l. - Polish branch

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	19	26	45	19	25	44	17	29	46
Fixed term	0	0	0	0	0	0	1	0	1
Total	19	26	45	19	25	44	18	29	47

Sabaf Brazil

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	94	18	112	74	13	87	65	13	78
Fixed term	0	0	0	0	0	0	4	0	4
Total	94	18	112	74	13	87	69	13	82

Sabaf Turkey

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	144	94	238	128	59	187	65	37	102
Fixed term	0	0	0	1	10	11	19	5	24
Total	144	94	238	129	69	198	84	42	126

Okida

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	97	112	209	80	85	165	56	40	96
Fixed term	0	0	0	0	0	0	0	0	0
Total	97	112	209	80	85	165	56	40	96

Sabaf China

<i>(no.)</i>	31/12/2021			31/12/2020			31/12/2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	4	2	6	4	2	6	4	2	6
Fixed term	1	0	1	2	0	2	2	0	2
Total	5	2	7	6	2	8	6	2	8

Personnel with temporary work contract or similar and trainees

<i>(no.)</i>	31/12/2021	31/12/2020	31/12/2019
Temporary workers	198	155	42
Trainees	11	8	2

Breakdown of personnel by age

<i>(%)</i>	31/12/2021	31/12/2020	31/12/2019
< 30 years old	20.6	18.9	17.2
31 – 40 years old	35.4	34.5	35.1
41 – 50 years old	27.8	31.6	31.8
over 50 years old	16.2	15.0	15.9
Total	100.0	100.0	100.0

The low average age of Group employees (39.5 years old) confirms the strategy of hiring young workers, giving priority to training and internal growth rather than acquiring skills from outside. The age of the youngest employees in the Group is 20 years old for Italy, 20 years old for Poland, 19 years old for Turkey, 17 years old for Brazil and 32 years old for China.

Breakdown of the personnel by length of service

<i>(%)</i>	31/12/2021	31/12/2020	31/12/2019
< 5 years	48.4	44.5	37.2
6 – 10 years	9.9	9.0	12.3
11 – 20 years	27.9	31.9	36.6
over 20 years	13.8	14.6	13.9
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.

Breakdown by qualification

(%)	31/12/2021	31/12/2020	31/12/2019
Degree	16.0	15.4	14.9
High school leaving diploma	48.4	46.2	44.2
Middle school leaving certificate	33.1	36.5	39.7
Elementary school leaving certificate	2.5	1.9	1.2
Total	100.0	100.0	100.0

Change in personnel in the three-year period by age and gender

Hires (H) and turnover (T)

(no.)	2021		2020		2019		
	H	T	H	T	H	T	
Women	< 30 years old	37	19	52	19	18	9
	31-40 years old	57	21	37	7	9	9
	41-50 years old	13	13	20	10	6	8
	> 50 years old	5	3	0	7	0	1
Total women	112	56	109	43	33	27	
Men	< 30 years old	131	88	72	27	46	32
	31-40 years old	66	54	50	32	25	19
	41-50 years old	21	16	21	8	3	10
	> 50 years old	6	12	7	16	2	6
Total men	224	170	150	83	76	67	
Total	336	226	259	126	109	94	

Rates of employee hire (H) and turnover (T) by geographical area, age group and gender

Group (%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	7.40	3.80	11.71	4.28	4.76	2.38
	31-40 years old	11.40	4.20	8.33	1.58	2.38	2.38
	41-50 years old	2.60	2.60	4.50	2.25	1.59	2.12
	> 50 years old	1.00	0.60	0.00	1.58	0.00	0.26
Total women		22.40	11.20	24.54	9.69	8.73	7.14
Men	< 30 years old	16.84	11.31	9.94	3.73	7.00	4.87
	31-40 years old	8.48	6.94	6.91	4.42	3.81	2.89
	41-50 years old	2.70	2.06	2.90	1.10	0.46	1.52
	> 50 years old	0.77	1.54	0.97	2.21	0.30	0.91
Total men		28.79	21.85	20.72	11.46	11.57	10.19
Total		26.29	17.68	22.17	10.79	10.53	9.08

Italy (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D.)

(%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	1.21	0.00	0.00	0.40	1.59	0.51
	31-40 years old	2.02	1.21	1.60	0.00	0.00	1.53
	41-50 years old	0.40	2.42	1.20	0.80	0.40	1.53
	> 50 years old	0.40	1.21	0.00	2.40	0.00	0.51
Total women		4.03	4.84	2.80	3.60	1.98	4.08
Men	< 30 years old	3.34	0.95	0.48	0.00	0.71	0.56
	31-40 years old	2.15	1.91	0.96	1.68	1.18	1.40
	41-50 years old	1.19	1.43	0.96	0.48	0.00	1.96
	> 50 years old	0.48	2.15	0.96	3.13	0.47	0.84
Total men		7.16	6.44	3.36	5.29	2.36	4.76
Total		6.00	5.85	3.15	4.65	2.22	4.52

Poland (C.M.I. – Polish branch)

(%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	0.00	0.00	0.00	4.00	0.00	3.45
	31-40 years old	3.85	3.85	0.00	0.00	10.34	3.45
	41-50 years old	3.85	3.85	0.00	8.00	6.90	0.00
	> 50 years old	3.85	0.00	0.00	4.00	0.00	0.00
Total women		11.55	7.70	0.00	16.00	17.24	6.90
Men	< 30 years old	10.53	10.53	10.53	5.26	11.11	5.56
	31-40 years old	0.00	5.26	0.00	0.00	0.00	0.00
	41-50 years old	5.26	0.00	0.00	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
Total men		15.79	15.79	10.53	5.26	11.11	5.56
Total		13.33	11.11	4.55	11.36	14.89	6.38

Brazil (Sabaf Brazil)

(%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	5.56	0.00	0.00	0.00	0.00	7.60
	31-40 years old	27.78	11.11	15.38	15.38	7.69	15.38
	41-50 years old	0.00	0.00	7.69	7.69	0.00	15.38
	> 50 years old	5.56	0.00	0.00	0.00	0.00	0.00
	Total women	38.90	11.11	23.07	23.07	7.69	38.46
Men	< 30 years old	38.30	26.60	14.86	17.57	8.70	7.25
	31-40 years old	15.96	10.64	14.86	8.11	7.25	7.25
	41-50 years old	6.38	2.13	2.70	2.70	1.45	4.35
	> 50 years old	1.06	1.06	2.70	0.00	0.00	0.00
	Total men	61.70	40.43	35.12	28.38	17.40	18.85
Total	58.04	35.71	33.33	27.59	15.85	21.95	

Turkey (Sabaf Turkey and Okida)

(%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	16.02	9.22	33.77	11.04	17.07	7.32
	31-40 years old	22.33	7.28	20.13	3.25	6.10	3.66
	41-50 years old	5.34	2.91	10.39	3.25	3.66	3.66
	> 50 years old	0.97	0.00	0.00	0.00	0.00	0.00
	Total women	44.66	19.41	64.29	17.54	26.83	14.64
Men	< 30 years old	32.78	23.65	27.27	6.22	25.00	16.43
	31-40 years old	17.43	14.11	16.75	9.09	10.71	6.43
	41-50 years old	3.73	3.32	7.18	1.91	1.43	0.00
	> 50 years old	1.24	0.83	0.48	1.44	0.00	1.43
	Total men	55.18	41.91	51.68	18.66	37.14	24.29
Total	50.34	31.54	57.02	18.18	33.33	20.72	

China (Sabaf China)

(%)		2021		2020		2019	
		H	T	H	T	H	T
Women	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	31-40 years old	0.00	0.00	0.00	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	Total women	0.00	0.00	0.00	0.00	0.00	0.00
Men	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	31-40 years old	0.00	20.00	0.00	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
	Total men	0.00	20.00	0.00	0.00	0.00	0.00
Total	0.00	14.29	0.00	0.00	0.00	0.00	

In 2021, the very strong growth in business volumes and the volatility of demand, especially in Brazil and Turkey, led to a significant increase in hire and turnover rates, which were higher than historical levels and those considered physiological. The Group expects a gradual adjustment of these indicators, also due to the retention policies in place.

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.

(hours)	2021			2020			2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Training for new employees, apprentices, training contracts	2,112	463	2,575	1,615	546	2,161	2,340	1,302	3,642
Technical training and information systems	3,671	1,040	4,711	2,393	823	3,216	2,316	117	2,433
Quality, safety, environment, energy and social responsibility	6,519	2,486	9,005	3,963	1,095	5,058	3,079	878	3,957
Administration and organisation	752	412	1,164	434	106	540	683	545	1,228
Foreign languages	1,447	959	2,406	470	268	738	1,234	540	1,774
Other (e.g. lean philosophy/production/office)	1,529	889	2,418	675	267	942	2,036	767	2,803
Total hours of training received	16,030	6,249	22,279	9,550	3,105	12,655	11,688	4,149	15,837
Hours of training provided by internal trainers ¹⁶	1,677	273	1,950	4,306	946	5,252	979	284	1,263
Total	17,707	6,522	24,229	13,856	4,051	17,907	12,667	4,433	17,100

In 2021, the number of training hours provided to employees was 22,279 (12,655 in 2020, when training activities were slowed down due to the health emergency). In addition to this, 7,859 hours of training were received by agency workers (5,725 in 2020).

Average hours of training per capita received by category

(hours)	2021			2020			2019		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Blue Collars	18.2	7.6	13.8	11.6	4.4	8.7	18.2	10.0	15.1
White collars and Middle Managers	29.2	34.8	31.0	16.9	18.2	17.3	16.9	15.2	16.3
Managers	11.6	11.1	11.6	24.7	4.0	22.6	11.6	3.5	10.8
Total employees	20.6	12.5	17.4	13.2	7.0	10.8	17.8	11.0	15.3
Agency workers	44.4	32.5	39.7						
Total personnel	23.8	15.2	20.4						

In 2021, the total cost incurred for training activities of Group employees was approximately €540,000 (approximately €360,000 in 2020). In addition, there are training costs for agency workers, which in 2021 were around €178,000 (around €123,000 in 2020).

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 employees, 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, among other things, 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 at the end of 2021 represent 39.1% of the workforce (38% in 2020).

Percentage distribution of employment by gender

	31/12/2021		31/12/2020		31/12/2019	
	no.	%	no.	%	no.	%
Men	778	60.9	724	62.0	657	63.5
Women	500	39.1	444	38.0	378	36.5
Total	1,278	100.0	1,168	100.0	1,035	100.0

Percentage distribution of employment by contract and gender

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.

		31/12/2021		31/12/2020		31/12/2019	
		no.	%	no.	%	no.	%
Full-time	M	776	60.7	722	61.8	651	62.9
	W	446	34.9	387	33.1	327	31.6
	Tot.	1,222	95.6	1,109	94.9	978	94.5
Part-time	M	2	0.2	2	0.2	6	0.6
	W	54	4.2	57	4.9	51	4.9
	Tot.	56	4.4	59	5.1	57	5.5
Total		1,278	100.0	1,035	1,168	100.0	1,035

Percentage distribution of employment by category, age and gender

(%)		31/12/2021			31/12/2020			31/12/2019		
		M	W	Tot.	M	W	Tot.	M	W	Tot.
Managers	< 30 years old	0	0	0	0	0	0	0	0	0
	from 30 to 50 years old	0	0	0	1	0	1	1	0	1
	over 50 years old	1	0	1	1	0	1	1	0	1
	Total	1	0	1	2	0	2	2	0	2
White collars and Middle Managers	< 30 years old	3	1	4	2	1	3	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	15	7	22	14	7	21	13	8	21
Blue Collars	< 30 years old	11	5	16	10	4	14	10	3	13
	from 30 to 50 years old	27	22	49	29	22	51	31	22	53
	over 50 years old	7	5	12	7	4	11	7	4	11
	Total	45	32	77	46	30	76	48	29	77
Total	< 30 years old	14	6	20	12	6	18	10	5	15
	from 30 to 50 years old	37	27	64	40	27	67	42	27	69
	over 50 years old	10	6	16	10	5	15	11	5	16
	Total	61	39	100	62	38	100	63	37	100

The managers of all Group offices come from a geographical area close to the registered offices in which they operate, with the exception of the general manager at the premises 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.

As from 2019, Sabaf S.p.A. and Faringosi Hinges have launched a new corporate welfare platform (Edenred), which has been very well received by employees. The platform has also been extended to C.M.I. and C.G.D. as from 2020.

The Group believes that a fundamental element of the valuation system is represented by the training opportunities provided.

Long-term incentive (LTI)

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.

In 2021, the shareholders' meeting approved a new long-term incentive plan, linked to the economic-financial and sustainability objectives set out in the 2021-2023 Business Plan. The socio-environmental sustainability objectives were defined with reference to the issues that the materiality analysis has highlighted as being of greatest relevance to Sabaf and its stakeholders:

Material topic	KPI	Impact on the LTI Plan
Emissions into the atmosphere	CO ₂ emissions scope 1 + scope 2 market-based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of injuries (injury rate x injury lost day rate x 100)	5%

KPI	Unit of measurement	2020 final balance	2021 objective	2021 final balance	2022 objective	2023 objective
CO ₂ emissions	tCO _{2eq} /millions of Euro	132	126	111	120	114
Hours of training	h	13.9	11.0	20.4	13	15
Summary indicator of injuries	-	177	140	327	120	100

The Remuneration Report explains the other key features of the LTI Plan.

Management By Objectives (MBO)

A Group-wide incentive system linked to collective and individual objectives (MBOs) is in place, involving managers and other employees with managerial responsibilities. In 2021, this incentive system involved 63 employees of the Group (57 men and 6 women). The operating mechanisms of the LTI system are described in the Remuneration Report.

The Qualità del Flusso Produttivo (QFP) (Quality of Production Flow) Award

With the aim of rewarding the contribution of personnel to the achievement of company objectives, as from 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 2021, improvement targets in these areas were set for 113 people involved in relevant business processes.

<i>(no.)</i>	White Collars	Blue Collars	Total
Men	39	65	104
Women	3	6	9
Total	42	71	113

In addition to being a tool for steering towards challenging objectives (580 objectives were assigned, achieved or exceeded in 62% of cases), the QFP award 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, which also in 2021 could be enjoyed in the form of company welfare. In consideration of the results achieved, the VPB is 103.8% above target in 2021.

C.M.I. has a VPB agreement in place for the three-year period 2020 to 2022, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 75% above target in 2021.

In 2021, at Faringosi Hinges, a VBP agreement was established for the first time, shared with trade union representatives and valid for the three-year period 2021 to 2023, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 100% above target in 2021.

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 2021 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 between the standard salary of a new recruit by gender recognised by Group companies and the minimum salary provided for in the contracts¹⁷

Minimum increase (%)	2021		2020		2019	
	M	W	M	W	M	W
Sabaf S.p.A.	29%	29%	29%	29%	29%	29%
Faringosi Hinges s.r.l.	3%	3%	3%	3%	3%	3%
A.R.C. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. s.r.l. ¹⁸	2%	2%	2%	2%	-	-
C.G.D. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. Polish branch	2%	2%	4%	4%	20%	20%
Sabaf Turkey	15%	15%	14%	14%	14%	14%
Okida	0%	0%	0%	0%	0%	0%
Sabaf Brazil	14%	14%	13%	13%	13%	13%
Sabaf China	338%	292%	395%	342%	240%	204%

The Group has procedures in place to systematically check the regular contribution of suppliers and contractors and the correct hiring of their employees.

Ratio of average salary of female personnel to average salary of male personnel¹⁹

(%)	2021	2020	2019
White-collars, middle managers and managers	82%	78%	83%
Blue Collars	87%	79%	82%

¹⁷ As part of the calculation of the data relating to the ratio between the standard salary of a newly hired employee by gender recognised by the Group companies and the minimum salary provided for in the contracts, more detailed data became available than was considered for the calculation carried out last year and reported in 2020 DNI. The data that became available during 2021 made it possible to refine the calculation both for the current reporting year (2021) and, consistently, for the previous years (2019 and 2020), in order to give as reliable and consistent a representation as possible; therefore, this DNI reports the most accurate data for both 2021 and 2019 and 2020. For a better representation of the data, compared to last year, the increases in percentage terms of the minimum salary recognised by Group companies compared to the minimum salary provided for by collective agreements are shown.

¹⁸ 2019 data not available for C.M.I. s.r.l.

¹⁹ Calculated on basic salary.

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);
- typical risks in metalworking companies, such as cuts and bruises.

The Group is also exposed to the compliance risk, resulting from any 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.

As from 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.

With reference to the Covid pandemic, in order to mitigate the risks of contagion, all Group companies promptly adopted preventive measures and strict protocols, which are currently in force and constantly adapted based on best practice.

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., in Faringosi Hinges s.r.l. and C.G.D. s.r.l., the health and safety management system has been certified according to ISO 45001 since 2017, 2021 and 2020, respectively.

The management systems of the other Group companies are not certified. Moreover, the 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, A.R.C., Sabaf Brazil, Sabaf Turkey). The Group started the management and coordination of the related safety management systems for the recently acquired companies (Okida and the C.M.I. Group) as well.

Employees

Number and duration of injuries	2021	2020	2019
Hours worked	2,308,816	1,801,120	1,513,620
Near misses/Medical treatments without lost days	47	103	39
Recordable injuries ²⁰ (absence < 6 months) - excluding fatalities	35	29	15
<i>of which injuries while travelling to/from work²¹</i>	0	0	0
Accidents with serious consequences (absence > 6 months) - excluding fatalities	1	0	1
<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	484	194	775 ²²
Total injuries - including fatalities	36	29	16
<i>of which injuries while travelling to/from work</i>	0	0	0

Injury rate (number of injuries x 1,000,000/hours worked)

<i>Recordable injury rate</i>	<i>15.16</i>	<i>16.10</i>	<i>9.91</i>
<i>High-consequence injury rate</i>	<i>0.43</i>	<i>0.00</i>	<i>0.66</i>
<i>Fatality rate as a result of injuries</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total injury rate	15.59	16.10	10.57

Injury lost day rate (days of absence x 1,000/hours worked)

Rate based on recordable and high-consequence injuries	0.21	0.11	0.51
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²⁰ 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.

²¹ Only if transport has been organised by the organisation and the transfers have taken place within working hours.

²² The 2019 days lost and injury severity index have been restated due to the continued absence of an injury in 2021.

External workers

Number and duration of injuries	2021	2020	2019
Hours worked	460,135	201,761	85,927
Recordable injuries ²³ (absence < 6 months) - excluding fatalities	7	0	1
<i>of which injuries while travelling to/from work²⁴</i>	0	0	0
Accidents with serious consequences (absence > 6 months) - excluding fatalities	0	1	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	76	198	32
Total injuries - including fatalities	7	1	1
<i>of which injuries while travelling to/from work</i>	0	0	0

Injury rate (number of injuries x 1,000,000/hours worked)

<i>Recordable injury rate</i>	<i>15.21</i>	<i>0.00</i>	<i>11.64</i>
<i>High- consequence injury rate</i>	<i>0.00</i>	<i>4.96</i>	<i>0.00</i>
<i>Fatality rate as a result of injuries</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total injury rate	15.21	4.96	11.64

Injury lost day rate (days of absence x 1,000/hours worked)

Rate based on recordable and high-consequence injuries	0.17	0.98	0.37
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During 2021, there was an injury resulting in a period of absence of more than 6 months and related to a hand injury suffered by an operator during a routine maintenance activity. All other recorded injuries were minor and mainly related to operator distraction. The injury rate is slightly down compared to 2020.

No cases of occupational disease were reported at Group level in 2021.

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.

²³ 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.

²⁴ Only if transport has been organised by the organisation and the transfers have taken place within working hours.

Sabaf, a health-promoting workplace

Since 2016, Sabaf S.p.A. has 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/reconciling life and work.

Use of dangerous substances

Only materials that fully comply with the requirements of Directive 2011/65/EU (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 agreement includes an extension clause and a renewal is being finalised at the beginning of 2022.

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 (PDRV) into welfare.

In the Group companies, at 31 December 2021, 150 employees, or 11.7% of the total, were members of trade unions (in 2020, 164 employees, or 14.0% of the total, were members).

Hours of participation in trade union activities during 2021 amounted to 0.24% of the hours worked (0.12% in 2020).

Participation in trade union activities	2021	2020	2019	Benchmark ²⁵
Meeting				
Number of hours	1,537	209	2,373	
Percentage over hours worked	0.07	0.01	0.16	
Number of hours per capita	1.2	0.2	2.3	1.7
Leave for trade union duties				
Number of hours	1,766	1,009	1,579	
Percentage over hours worked	0.08	0.06	0.10	
Number of hours per capita	1.4	0.9	1.5	
Strike				
Number of hours	2,196	1,017	1,459	
Percentage over hours worked	0.10	0.06	0.10	
Number of hours per capita	1.7	0.9	1.4	2.3
Total				
Number of hours	5,499	2,235	5,410	
Percentage over hours worked	0.24	0.12	0.36	
Number of hours per capita	4.3	1.9	5.2	4.0

Among the 2,196 hours of strikes in 2021, only 39 are attributable to internal causes.

No social safety valves were used during 2021.

Business climate analysis

Between July and October 2021, a climate analysis called "Conoscere e Ascoltare" (Knowing and Listening) was carried out in a first set of Group companies and specifically at Sabaf S.p.A., C.M.I. (in Italy and Poland), C.G.D. and Faringosi Hinges.

The attendance was very high (601 total participants) and allowed people to express their perceptions of the key elements of their working life in our Group in a frank and direct manner.

The summary of the results reveals an undoubtedly positive and encouraging picture.

Among the elements of working life on which more than 70% of people expressed a positive perception are safety issues, the sense of belonging and pride in their company, and the canteen.

Note also that the possession of expertise deemed appropriate to one's job and the relationship with one's colleagues are the real treasures of living in the company, which contribute concretely to the foundation of the business climate in the Sabaf Group.

The first results also give us an indication of the elements that people perceive as needing improvement, including the chapter on Training, Evaluation and Incentives and that on Information and Communication.

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 2021, 8 disputes were pending (all with former employees), 1 of which was started in 2021.

²⁵ FEDERMECCANICA, *L'industria metalmeccanica in cifre (June 2021) – Ore pro-capite di assenza dal lavoro (2019)*, <http://www.federmeccanica.it>

Sabaf and environment

Risks

Environmental issues are managed through a risk-based approach, in line with the UNI EN ISO 14001:2015 standard. The relevant risk categories are set out below.

Risks of external context(environmental sustainability), concerning climate change and the objectives of protecting 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. With regard to physical risks related to climate change, such as the increase in global temperatures, sea level and the increase in extreme weather events, the Group has not identified any significant risks to date. On the other hand, transitional risks, such as the increase in energy costs, changes in consumer choices or those related to the introduction of new technologies, which the Group manages at a strategic level, are of significant impact and probability.

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

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

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 59 of 18 February 2005.

With regard to the recently acquired companies (Okida and C.M.I. Group), the Group is starting the management and coordination activities for the purpose of managing environmental issues.

Process and product innovation and environmental sustainability

High efficiency burners

For many years, the Sabaf Group has been at the forefront in offering gas 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 68% were produced specifically for the Chinese market, the top of what is currently available on that market.

High efficiency burners represent more than 25% of the total burners produced.

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. Light alloy valves currently account for around 90% of the valves produced by the Sabaf Group.

Metal washing

In the production process of valves and burners, 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 at the Sabaf do Brasil production site (since 2016) and at the Sabaf Turkey production site (since 2018).

A possible revolution - Hydrogen burners: the Hy4Heat project

The SABAF Group is one of the strategic suppliers of the UK government's Hy4Heat feasibility project. The Hy4Heat project aims to determine whether it is technically possible, safe and cost-effective to replace natural gas (methane) with 100% hydrogen in residential and commercial buildings and gas appliances. The Hy4Heat project is funded by BEIS (the UK Government's Department for Business, Energy and Industrial Strategy) and involves ten separate working groups.

The Sabaf Group, through its subsidiary A.R.C., participates in the Working Group 4, which deals with domestic cooking and heating appliances. A.R.C. developed and produced the burners that are now included in the world's first ranges of 100% hydrogen-powered cookers and hobs.

These were installed on Glen Dimpex cooking appliances at HyHome, two purpose-built houses featuring hydrogen-powered appliances in a "real life" scenario in Low Thornley, near Gateshead, in the North of England.

In the next phase, cooking appliances with hydrogen burners will be included for the Community Trial involving 300 homes, organised by Scottish Gas Networks (SGN) in Fife and starting in 2022. In addition to the Community Trial, the UK government intends to commission a Village Trial with around 2,500 homes in 2025 and a Town Trial (10,000 homes) in the last part of the decade, before potentially converting the entire UK gas network to hydrogen in the future.

A.R.C. also participates in the Working Group 5B (Development of Commercial Hydrogen Appliances, which includes commercial restaurant equipment) and has developed commercial hob burners for Falcon Foodservice Equipment Ltd.

Environmental impact

CDP PROMOTES SABAF'S COMMITMENT: THE COMPANY RECEIVES A B- RATING IN THE CLIMATE CHANGE SECTION

Aware of the value of complete and transparent disclosure, in 2021, Sabaf joined for the second consecutive year the **Climate Change** and **Water programmes** of **CDP**, an international non-profit organisation that provides businesses, local authorities and governments with a system to measure, track, manage and share information on the environment globally.

In particular, companies are required to participate in an annual survey on the impact of their activities on the environment, the management of their environmental risks and the results achieved.

The aim is to make environmental performance central to business and investment decisions by leveraging information transparency.

In its second year of participation, Sabaf received a B- rating in the Climate Change section on a scale ranging from A to F.

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.

<i>(t)</i>	2021 consumption	2020 consumption	2019 consumption
Raw Materials			
Steel	26,801	26,046	21,881
Aluminium alloys	11,326	9,188	6,476
Brass	1,227	638	481
Enamel	289	246	193
Cast Iron	144	96	142
Stainless steel	139	103	116
Zamak	12	10	11
Copper	7	8	-
Bronze	1	0	1
Packaging materials			
Cardboard	1,019	706	397
Wood	935	683	479
Plastic	281	220	136

90% of brass, 70% of aluminium alloys and 33% of steel used in 2021 are produced by scrap recycling; the remaining 30% of aluminium alloys and 67% of steel are produced from ore. The use of recycled raw materials is constantly increasing.

The Group estimates that at least 40% of the cardboard and 66% of the plastic used for packaging comes from recycling. Cardboard and wood are renewable materials.

The increases in raw material and packaging consumption in 2021 reflect the Group's higher production levels compared to the previous year.

Sabaf products fully comply with the requirements of Directive 2011/65/EU (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 and/or any exemptions.

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. The data collected was used to complete the SCIP (Substances of Concern In Products) database as per the provisions of the ECHA agency.

Energy sources²⁶

		2021 consumption	2020 consumption	2019 consumption
Electricity				
<i>from renewable sources</i>	MWh	4,853	158	50
<i>from non-renewable sources</i>	MWh	39,276	35,220	28,526
Natural gas	m ³ x1,000	5,474	4,478	3,740
Diesel	lx1,000	79	57	51
Gasoline	lx1,000	12	17	10
LPG	lx1,000	0.10	0	0.09
Total consumption	GJ	358,285	290,125	238,887

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 44% 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 55% of total energy requirements.

Electricity from renewable sources is produced by a photovoltaic plant operating at the C.M.I. plant (151 MWh in 2021) or comes from the purchase of I-REC certificates (4,702 MWh in 2021).

Sabaf S.p.A., Sabaf Brazil 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.

Indicator: Energy intensity

(KWh on turnover in €)	2021	2020	2019
Energy intensity	0.378	0.436	0.426

The trend in energy consumption is closely related to production levels; in relation to sales revenues, there was a decrease in consumption, which was also made possible by constant interventions aimed at improving the energy efficiency of plants.

²⁶ Updated factors published in 2019, 2020 and 2021, respectively, by the Department for Environment, Food and Rural Affairs (DEFRA) were used to calculate consumption.

Water

<i>(m³)</i>	2021	2020	2019
from waterworks	69,109	50,682	56,409
<i>of which freshwater</i>	69,109	50,682	56,409
<i>of which other water</i>	0	0	0
from well	30,630	27,675	35,516
<i>of which freshwater</i>	30,630	27,675	35,516
<i>of which other water</i>	0	0	0
Total	99,739	78,357	91,925

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 plant of Ospitaletto, at the end of the production processes, is treated in chemical/physical concentration plants that make it possible to significantly reduce the quantities of water required and waste produced. Since 2019, a concentration plant has also been in operation at the Brazilian production site.

At the Ospitaletto plant, there is a plant for the collection of rainwater intended for use in industrial activities. In 2021, 2,708 m³ were collected.

Waste

Trimblings 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 below²⁷.

	2021 (t)	Incidence (%)	2020 (t)	Incidence (%)	2019 (t)	Incidence (%)
Similar to urban	356	3.0	291	2.7	225	2.8
Total hazardous	2,238	18.7	2,256	21.1	1,631	20.3
- reuse	185	1.5	142	1.3	92	1.2
- recycling	67	0.6	5	0.1	1	0.0
- incineration	1,421	11.9	1,135	10.6	746	9.3
- temporary and/or last year's storage	147	1.2	111	1.0	59	0.7
- other ²⁸	418	3.5	863	8.1	733	9.1
Total non hazardous	9,385	78.3	8,132	76.2	6,164	76.9
- reuse	4,725	39.4	3,882	36.3	2,370	29.6
- recycling	2,427	20.3	2,068	19.4	747	9.3
- recovery	68	0.6	70	0.7	111	1.4
- incineration	856	7.0	690	6.5	1,359	17.0
- temporary and/or last year's storage	1,266	10.6	1,334	12.5	707	8.8
- other	43	0.4	88	0.8	870	10.8
Total waste	11,979	100.0	10,679	100.0	8,020	100.0

The breakdown of waste according to composition is given below:

	2021 (t)	Incidence (%)	2020 (t)	Incidence (%)
Metals	8,042	67.1	6,935	64.9
Liquid waste	2,611	21.8	2,606	24.4
Sludge and powdery waste	433	3.6	353	3.3
Plastic	68	0.6	58	0.6
Packaging waste				
Cardboard and paper	152	1.3	128	1.2
Wood	297	2.5	269	2.5
Other	376	3.1	330	3.1
Total waste	11,979	100.0	10,679	100.0

	2021	2020	2019
Economic value generated by the Group (€/000)	267,918	190,001	160,095
Total hazardous waste/Generated economic value (kg in €/000)	8	12	10
Total waste/Generated economic value (kg in €/000)	45	56	50

The increase in the volume of waste generated in 2021 is related to higher production levels. The incidence of waste on the economic value generated by the Group decreased significantly. The Group continues its efforts to reduce the production of special hazardous waste, also by purchasing raw materials and substances that are already not hazardous originally.

²⁷ Data does not include the Polish branch of C.M.I.

²⁸ Includes landfill disposal.

All Group companies have separate waste collection.

No significant spills occurred in 2021.

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:
 - 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;
 - 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;
 - 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 Brazil 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 filtration systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2021 showed that all emissions complied with the limits imposed by the law.

CO₂ emissions ²⁹		2021	2020	2019
Scope 1 (direct emissions)	tCO _{2eq}	11,493	9,409	7,793
<i>from refrigerant gases</i>	tCO _{2eq}	231	162	59
<i>from fuel consumption</i>	tCO ₂	11,262	9,247	7,734
Scope 2 (indirect emissions) - location based	tCO ₂	14,150	11,998	9,979
Scope 2 (indirect emissions) - market based	tCO ₂	17,641	14,969	12,484
Total emissions Scope 1+2 (location based)	tCO_{2eq}	25,643	21,407	17,772
Total emissions scope 1+2 (market based)	tCO_{2eq}	29,134	24,378	20,277

The use of natural gas to power melting furnaces results in the emission of NO_x and SO_x 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, which is managed in compliance with the reference standards.

Disputes

Over the three-year period from 2019 to 2021, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending.

²⁹ The factors used for calculating emissions are:

- 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;
- year 2020: Scope 1 fuels and F-GAS: Defra 2020 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2018 - Scope 2 market-based: AIB 2019, where available, otherwise Terna 2018;
- year 2021: Scope 1 fuels and F-GAS: Defra 2021 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2019 - Scope 2 market-based: AIB 2020, where available, otherwise Terna 2019.

The increase in refrigerant gas emissions in 2021 was due to the recharging and maintenance of air conditioning systems.

Sabaf, the management of product quality and customer relations

Risks

The new UNI EN ISO 9001:2015 standard with which Sabaf complies, introduces the concept of a "risk-based approach", which is fundamental for planning the Quality Management System. The relevant risk categories in this area are set out below.

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.

Business continuity risks: risk of non-delivery to customers due to stoppages for reasons of force majeure (unavailability of raw materials or components, critical logistics and transport issues, production stoppages or delays, total or partial lockdowns). This risk has become increasingly likely and impactful over the past two years, requiring immediate responses from the organisation to avoid or minimise the consequences.

Health emergency and relations with customers

The Sabaf Group's products represent strategic components in the household appliance supply chain. Since many components are supplied on an exclusive or customised basis, it is often impossible or difficult for other players to offer alternative products.

The Group is fully aware of the effects of any non-deliveries and has taken all steps to ensure continuity of supply. Specifically, in 2021, the Group:

- supported the peak demand of the individual plants also by using the production of the other plants;
- made extensive use of third shifts and work on public holidays and on days before a holiday;
- brought forward some of its planned investments to adapt production capacity to market demands.

The pandemic has made it even more obvious to large manufacturers of household appliances that they need a solid, reliable supplier base that can respond immediately to unpredictable changes in the economic scenario. In this context, the Sabaf Group is proving to be a partner you can count on.

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";
- meet the mandatory requirements applicable to the products (laws and regulations).

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 s.r.l.	2001
C.G.D. s.r.l.	2002
C.M.I. s.r.l.	2003
Okida	2005
Sabaf Brazil	2008
Sabaf Turkey	2015

During 2021, 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 2021, a total of 16 functional areas of offices and production departments were checked at the Ospitaletto plant, 14 at Sabaf Brazil and 16 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, annual inspections were carried out in 2021 at all certified plants, with the exception of the plants in Turkey, for which the next inspection is scheduled for 2022. The interventions were successfully concluded, confirming the adequacy of the System and the maintenance of the ISO 9001 certification. Some inspections

were carried out remotely due to national regulations and adjustments made by the Group to reduce physical contact and ensure safety.

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 (REACH and RoHS directives and completion of the SCIP database).

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 last investigation was launched at the end of 2021; at the date of publication of this document, the results are not yet available.

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).

Disputes

With the exception of actions to recover receivables, 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, which became particularly important in 2021 and are mainly related to:

- the continuity of supply, threatened by the shortage of many raw materials and critical components (e.g. microchips) and the global crisis in logistics
- the change in the prices of raw materials, electricity and gas, which in 2021 experienced sudden and large increases in several waves

Health emergency and relations with suppliers

In the health emergency, the Sabaf Group has also acted in full compliance with the principles of conduct and the commitments made in the Charter of Values in its dealings with suppliers.

Maximum punctuality in meeting payments within the agreed deadline was always ensured.

In the context of the pandemic, sharing good social responsibility practices, mutual fairness and always viewing the relationship as a strategic partnership proved to be strategic factors in facing new and unpredictable challenges together with suppliers.

The support of suppliers has been instrumental in ensuring continuity of supply throughout the supply chain, which is essential for the whole household appliance sector.

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. Relations with suppliers of all Group companies are managed on the basis of uniform procedures.

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 2021, class A and B suppliers were analysed to cover 95% of the expenditure³⁰. This analysis revealed

³⁰ 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.

40 cases of suppliers considered potentially critical, following which 14 audits were carried out 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 2021, the turnover of suppliers of the Sabaf Group with a Certified Quality System was equal to 72% of the total (65% in 2020).

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 companies³¹.

	Total 2021 purchases (€/000)	% domestic purchases	Total 2020 purchases (€/000)	% domestic purchases
Sabaf S.p.A.	115,185	78%	71,882	75%
Faringosi Hinges	14,382	99%	8,102	100%
A.R.C. s.r.l.	4,186	85%	2,483	85%
C.M.I. Group	34,051	98%	20,391	98%
Sabaf Turkey	18,115	66%	12,506	55%
Okida	14,644	65%	7,917	72%
Sabaf Brazil	21,550	95%	12,341	84%
Sabaf China	1,495	100%	542	97%

Disputes

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

³¹The data in the table does not take account of intercompany supplies. Values converted into euro at the annual average exchange rate.

Sabaf, Public Administration and Community

Relations with the Public Administration

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.

Approach to tax

The Group, in line with the principles defined in the Charter of Values, acts according to the values of honesty, moral integrity, transparency and fairness also in the management of its tax activity. The Group also believes that the contribution from taxes paid is an important channel through which it can participate in the economic and social development of the countries in which it operates. For this reason, the Group pays attention to the compliance with tax regulations and therefore acts responsibly in the jurisdictions in which it is present.

Therefore, acting responsibly in terms of tax is for the Group a behaviour also oriented towards the protection of the company's assets and the creation of value in the medium-long term.

The Administration and Finance Department is responsible for managing tax issues. The Group has not defined a formalised tax strategy at Group level; individual companies operate in accordance with local tax regulations.

To date, the Group has no formalised tax governance. Responsibility for compliance lies with the Administration and Finance functions of each subsidiary, while the Administration and Finance Department of the parent company performs a supervisory, guidance and coordination function with regard to intra-group relations.

Tax risks are analysed and managed in accordance with the company's overall Enterprise Risk Management model.

To date, the Group has not received any requests from its stakeholders regarding tax issues. Should they arrive, they will be dealt with by the corporate functions in charge of compliance on this matter.

Relations with tax authorities are based on the principles of fairness and full compliance with the different regulations applicable in the Countries where the Group operates. Note that the Group does not engage in tax advocacy.

Reporting by Country³²

Taxes – 2021 Country-by-Country Reporting

<i>(€/000)</i>	Italy	Brazil	Turkey	China	U.S.A.	India	Mexico	Poland ³³	Total before consolidation	Consolidation adjustments	Total consolidated financial statements
Number of employees	667	112	447	7	-	-	-	45	1,278	-	1,278
Property, plant and equipment other than cash and cash equivalents	196,850	19,866	40,328	2,983	-	1,850	2,803	4,432	269,112	(31,989)	237,123
Sales to third parties	178,071	16,632	56,138	1,817	-	-	-	10,601	263,259	-	263,259
Intra-group revenues to other jurisdictions	26,873	-	3,191	212	254	-	-	768	31,298	(31,298)	-
Pre-tax profit	22,438	2,080	6,392	(446)	40	(57)	(134)	746	31,059	(1,379)	29,680
Income taxes paid	1,907	694	2,550	-	-	-	-	145	5,296	-	5,296
Income taxes for the year	4,943	710	1,819	-	-	-	-	145	7,617	-	7,617
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	441	(3)	(221)	-	-	-	-	(11)	206	-	206
Theoretical income tax (C) = (A)+(B)	5,384	707	1,598	(105)	-	-	-	134	7,718	-	7,718
Permanent tax differences (D)	198	(13)	-	-	-	-	-	-	185	-	185
Other changes (E)	(2.158)	-	(2.107)	105	-	-	-	11	(4.149)	-	(4.149)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F) = (C)+(D)+(E)	3,424	694	(509)	-	-	-	-	145	3,754	32	3,786
IRAP (current) (G)	1,211	-	-	-	-	-	-	-	1,211	-	1,211
Total (H) = (F) + (G)	4,635	694	(509)	-	-	-	-	145	4,965	32	4,997

³² The names and main activities carried out by Group companies are listed in the paragraph "Corporate Governance, Risk Management and Compliance" of this document.

³³ CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

Taxes – 2020 Country-by-Country Reporting

<i>(€/000)</i>	Italy	Brazil	Turkey	China	U.S.A.	India	Poland	Total before consolidation	Consolidation adjustments	Total consolidated financial statements
Number of employees	666	87	363	8	-	-	44	1,168	-	1,168
Property, plant and equipment other than cash and cash equivalents	167,729	13,345	39,057	1,808	-	1,585	3,636	227,160	(29,066)	198,094
Sales to third parties	123,156	12,347	38,881	1,092	-	-	9,430	184,906	-	184,906
Intra-group revenues to other jurisdictions	20,794	2	1,927	123	263	-	535	23,645	(23,645)	-
Pre-tax profit	8,693	2,307	4,516	(625)	78	(48)	719	15,640	(1,131)	14,509
Income taxes paid	240	790	1,969	-	-	-	-	2,999	-	2,999
Income taxes for the year	1,770	791	951	-	-	-	129	3,641	-	3,641
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	560	(6)	43	-	-	-	-	597	-	597
Theoretical income tax (C) = (A)+(B)	2,330	785	994	(150)	-	-	129	4,088	-	4,088
Permanent tax differences (D)	233	6	(265)	-	-	-	-	(26)	-	(26)
Other changes (E)	(1,332)	-	222	150	-	-	-	(960)	-	(960)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F) = (C)+(D)+(E)	1,231	791	951	-	-	-	129	3,102	(276)	2,826
IRAP (current) (G)	539	-	-	-	-	-	-	539	-	539
Total (H) = (F) + (G)	1,770	791	951	-	-	-	129	3,641	(276)	3,365

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 Confindustria Brescia since 2014.

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 sustainability at important conferences.

Charitable initiatives and perks

In 2021, Sabaf joined the "Un vaccino per tutti" (A vaccine for all) project, promoted by Confindustria Brescia and aimed at promoting the spread of Covid-19 vaccination interventions in the world's most economically fragile countries.

The Group's ongoing humanitarian initiatives include:

- support for the ANT Foundation, which provides free specialist medical home-care to cancer patients and cancer prevention activities;
- support for 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.

Since 2019, Sabaf S.p.A. has been associated with Fondazione Spedali Civili di Brescia.

Disputes

There was a tax dispute in Sabaf Turkey, for which the third instance is pending. The outcome of the dispute was favourable to the company both in first and second instance. The confirmation of the unfavourable outcome would not imply significant charges for the Group, while a favourable outcome would result in a benefit of approximately 7.2 million Turkish lira.

There are no other 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. At the date of approval of this document (22 March 2022), a total of 3,618,028 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	15,151,478
of which:		
ordinary shares IT0001042610	7,915,422	7,915,422
ordinary shares with increased vote IT0005253338	3,618,028	7,236,056

The shareholders entered in the shareholders' register at 1 March 2022 were 1,912, of whom:

- 1,616 own up to 1,000 shares;
- 201 own 1,001 to 5,000 shares;
- 34 own 5,001 to 10,000 shares;
- 61 own over 10,000 shares.

28.52% of the share capital is held by shareholders resident abroad.

Relevant shareholders				
Shareholder	Number of shares	% of share capital	Voting rights	% held
CINZIA SALERI S.a.p.A.	2,415,644	20.94%	2,415,644	15.94%
QUAESTIO CAPITAL MANAGEMENT SGR SPA	2,306,690	20.00%	4,613,380	30.45%
FINTEL S.r.l.	883,394	7.66%	1,733,394	11.44%
PALOMA RHEEM INVESTMENTS, INC.	570,345	4.95%	1,031,683	6.81%

There are no other shareholders other than those highlighted above with a shareholding of more than 3%.

Investor relations and financial analysts

Since its listing on the Stock Exchange (1998), the Company has attached strategic importance to financial communication, which 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, institutional investors and proxy advisors. On 10 February 2022, the Company adopted the Policy for the Management of Dialogue with Shareholders, which regulates the opportunities for communication and attendance with all the Investors that require contact with the Board of Directors on the following matters:

- corporate governance system;
- remuneration policies;
- internal control and risk management system;
- strategic and industrial plans of the Company;
- strategic guidelines and policies on environmental and social sustainability.

The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, also severally

During 2021, the company participated in the Star Conferences in March and October and Sustainability Week in July, events that were held in virtual format due to the health emergency.

Remuneration of shareholders and share performance

In 2021, the Sabaf share recorded the highest official price on 1 November (€28.523) and lowest on 5 January (€15.102). The average volume traded was 19,581 shares per day, equal to an average value of €461,570 (€121,764 in 2020).

2021 performance of Sabaf shares (price and volumes traded)



Sabaf vs. FTSE Italia STAR index



The dividend policy aims to guarantee a valid remuneration of shareholders also through the annual dividend of €0.55 per share in 2021.

ESG investments

ESG (Environment, Social, Governance) criteria are increasingly important parameters for the screening and selection of investments by investors. Also through the preparation of this Disclosure, Sabaf strives to ensure maximum transparency on its sustainability strategy, social and environmental performance and level of alignment with best practices in terms of governance.

Disputes

There is no dispute with shareholders.

Sabaf and lenders

At 31 December 2021, the net financial debt was €67.6 million, compared with €56.3 million at 31 December 2020; the ratio of net financial debt to EBITDA is 1.25 (1.52 at 31 December 2020).

Relations with credit institutions

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.

During the year, the Group took out new unsecured loans for a total of €46 million to finance the investments made. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments.

Other lenders

In December 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years, an average life of 8 years and a fixed coupon of 1.85% per year. This issue enabled Sabaf to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt.

Disputes

There is no dispute with the lenders.

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.

E.G.O. is a major component manufacturer based in Germany. In 2013, it acquired Defendi Italy (now E.G.O. Italia), a company 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
EGO (Germany, Italy)	x	x		x
Robertshaw (USA)	x	x		
Somipress (Italy)		x		
Nuova Star (Italy)			x	

2019 and 2020 economic data of the main Italian competitors³⁴

<i>(€/000)</i>	Sales	2020 Ebit	Net result	Sales	2019 Ebit	Net result
SABAF GROUP	184,906	20,093	13,961	155,923	11,896	9,915
E.G.O. Italia	44,579	832	4,932	41,407	(3,661)	(4,237)
Somipress Group	29,361	872	804	35,670	3,288	2,752
Nuova Star	40,924	657	395	35,294	406	259

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

At 31 December 2021:

- there is a dispute pending against a competitor following an alleged violation of one of our patents;
- there is a dispute brought by a competitor due to an alleged violation of a patent.

³⁴ Sabaf processing from the financial statements of the various companies. Latest available data.

EU Taxonomy

The Regulation (EU) 2020/852 (known as "Taxonomy") is part of the European Union's initiatives in favour of sustainable finance and aims to provide investors and the market with a common language of sustainability metrics. The Taxonomy focuses on the identification of economic activities considered to be eco-sustainable, defined as those economic activities that contribute substantially to the achievement of at least one of the intended environmental objectives³⁵, provided that they do not cause significant damage to any of the other environmental objectives and are carried out in compliance with minimum safeguards. In June 2021, the European Commission formally adopted the Technical Delegated Acts defining the list of economic sectors and activities currently included in the Taxonomy and the related technical screening criteria to check whether they contribute substantially to achieving the environmental objectives of climate change mitigation and adaptation; further delegated acts are expected to be published during 2022 with regard to the remaining four environmental objectives.

The Sabaf Group immediately began analysing the regulations in order to understand their potential impact on the reporting process within the scope of its Consolidated disclosure of non-financial information. This analysis showed that the Sabaf Group's revenues originate almost exclusively from the sale of components for household appliances, and these components are not included in the economic activities currently envisaged by the Taxonomy. Therefore, there are no "eligible" revenues, capital expenditures and operating expenses with respect to its core business. In this regard, note that, as confirmed by the Platform on Sustainable Finance, a body established pursuant to Article 20 of Regulation (EU) 2020/852 with advisory and support functions in favour of the European Commission on Taxonomy, the failure to identify revenues from "eligible" economic activities is not a measure of a company's environmental performance³⁶.

Note that the Group identified certain minor projects "eligible" for the Taxonomy as part of its activities, which refer in particular to the production of electricity using photovoltaic solar technology; however, in the light of the margins of the amounts involved, it was not considered appropriate to report on a timely basis in this context.

The Sabaf Group will continue to monitor the evolution of the Taxonomy regulations in that the publication of further delegated acts relating to the remaining four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, and protection and restoration of biodiversity and ecosystems) could allow the Group's commitment in other areas of environmental sustainability to be reported and enhanced, such as recycling of raw and packaging materials and waste management.

³⁵ Art. 9 identifies the following environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and reduction of pollution, and protection and restoration of ecosystems and biodiversity.

³⁶ In the document called *Platform considerations on voluntary information as part of Taxonomy-eligibility reporting* enclosed with the European Commission's FAQs published in December 2021 it is stated that "Eligibility is not an indicator of environmental performance; it is an indicator that an activity is in scope for testing and has the potential to be Taxonomy-aligned".

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	Front cover	
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	102-5	Ownership and legal form	pp. 35-37; 94	
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	102-8	Information on employees and other workers	pp. 57-60	
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Strategy			
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Ethics and integrity			
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Governance			
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Stakeholder engagement			
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102-47	List of material topics	pp. 31-34	
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	102-51	Date of most recent report	Year 2020	
	102-52	Reporting cycle	pp. 15-16	
	102-53	Contact point for questions regarding the report	Tel: +39 0306843001 Fax: +39 0306848249 Email: info@sabaf.it	
	102-54	Claims of reporting in accordance with the GRI Standards	pp. 15-16	
	102-55	GRI Content Index	pp. 101-109	
	102-56	External assurance	pp. 110-112	
Material topics				
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	Economic performance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49	
	103-3	Evaluation of the management approach	pp. 48-49	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	p. 26	
	Market presence			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49; 55-56; 67-69	
	103-3	Evaluation of the management approach	pp. 48-49; 55-56; 67-69	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 69	
	Anti-corruption			

GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49	
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GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	p. 53	
Anti-competitive behaviour				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49; 98-99	
	103-3	Evaluation of the management approach	pp. 48-49; 98-99	
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	p. 99	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49; 90-92	
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GRI 207: Tax 2019	207-1	Approach to tax	p. 90	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
	103-2	The management approach and its components	pp. 48-49; 76-80	
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GRI 301: Materials 2016	301-1	Materials used by weight or volume	p. 79	
	Energy			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 31-34	
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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 the "Group" or "Sabaf Group") for the year ended on 31st December 2021 in accordance with article 4 of the Decree and approved by the Board of Directors on 22nd March 2022 (hereinafter "DNF"). Our limited assurance engagement does not cover the information included in the paragraph "EU Taxonomy" of the DNF, that are required by art. 8 of the European Regulation 2020/852.

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 (hereinafter "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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and

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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.

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 the 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 Faringosi Hinges S.r.l. 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 Bareggio site of Faringosi Hinges S.r.l., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews 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.

Conclusion

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 2021 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.

Our conclusions on the DNF of the Sabaf Group do not refer to the information included in the paragraph "EU Taxonomy" of the DNF itself, that are required by art. 8 of the European Regulation 2020/852.

Brescia, 4th April, 2022

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.