ANNUAL REPORT

2021

SABAF

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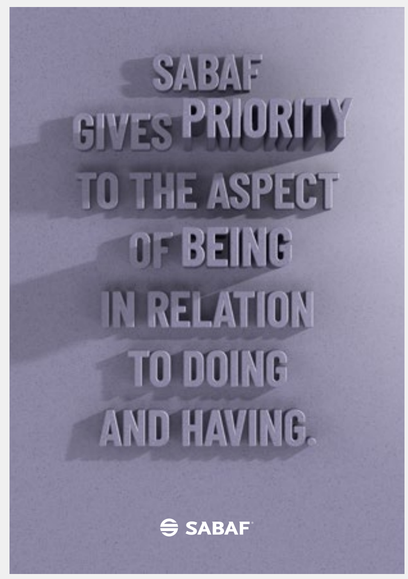
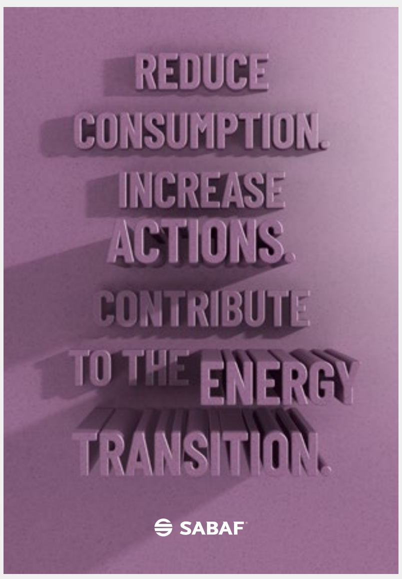
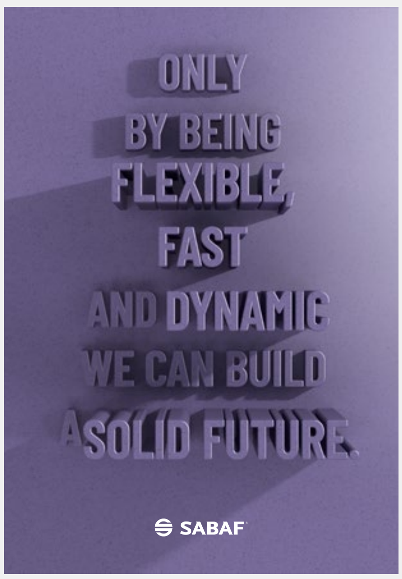
CREATIVE CONCEPT







The creative concept of the Sabaf Annual Report 2021 focuses on the company's strategic vision, enabling to have a clear direction to follow, even within an unpredictable and turbulent scenario like the current one.

Sabaf's values, commitments and goals become real and tangible, carved like laws onto three-dimensional tablets, through aphorisms that faithfully condense an important principle into an expression that is powerful in its ability to be remembered and conveyed.

These seven panels describe Sabaf, a Group that aspires to be the author of its very own future.

All Creative

(R)EVOLUTION
MEANS
"TO CHANGE
FROM BEFORE".
SO, WE CHOOSE
TO CHANGE
FOR THE BETTER.

SABAF

INTRODUCTION TO THE ANNUAL REPORT

Summary of key performance indicators (KPI) **13**

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.

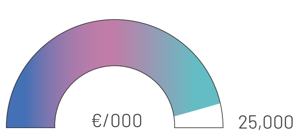
Summary of key performance indicators (KPI)

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

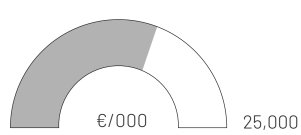
Net Profit

2021



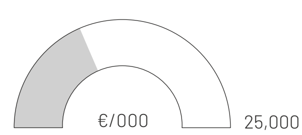
23,903

2020



13,961

2019



9,915

HUMAN CAPITAL

	TOTAL EMPLOYEES (no.)	TOTAL EMPLOYEES (% ♂)	TOTAL EMPLOYEES (% ♀)	AVERAGE AGE OF PERSONNEL (sum of employee age/total employees at 31/12) (YEARS)	LEVEL OF EDUCATION (number of graduates/total employees at 31/12) (%)	LEAVING TURNOVER (employees no longer in office/total employees at 31/12) (%)	LEAVING TURNOVER (% ♂)	LEAVING TURNOVER (% ♀)
2021	1,278	60.9	39.1	39.5	64.4	17.7	21.9	11.2
2020	1,168	62.0	38.0	39.3	61.6	10.8	11.5	9.7
2019	1,035	63.5	36.5	39.8	59.1	9.1	10.2	7.1

	HOURS OF TRAINING PER EMPLOYEE (hours of training/total employees at 31/12) (h)	HOURS OF TRAINING PER COLLABORATOR (hours of training/total collaborators at 31/12) (h)	INVESTMENTS IN TRAINING OF EMPLOYEES/TURNOVER (%)
2021	17.4	20.4	0.21
2020	10.8	13.9	0.19
2019	15.3	-	0.25

	INVESTMENTS IN TRAINING OF COLLABORATORS/TURNOVER (%)	HOURS OF STRIKE FOR INTERNAL CAUSES (h)	TOTAL INJURY RATE (number of injuries x 1,000,000/total hours worked)
2021	0.27	39	15.59
2020	0.26	0	16.10
2019	-	0	10.57

	INJURY LOST DAY RATE[1] (days of absence x 1,000/total hours worked)	SUMMARY INDICATOR OF INJURIES (injury rate x injury lost day rate x 100)	JOBS CREATED (LOST) (no.)
2021	0.21	327	110
2020	0.11	177	133
2019	0.51	539	15

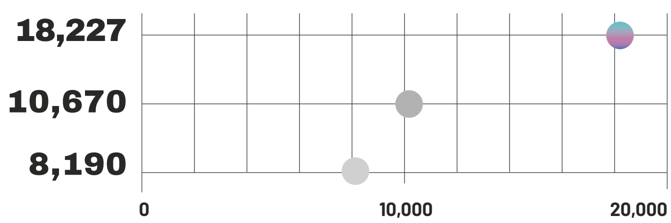
[1] The 2019 injury lost day rate has been restated due to the continued absence of an injury in 2021.

RELATIONAL CAPITAL

2021 | 2020 | 2019

VALUE OF GOODS AND SERVICES OUTSOURCED

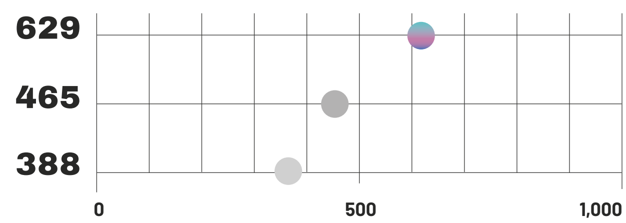
€/000



AVERAGE TURNOVER BY CUSTOMER

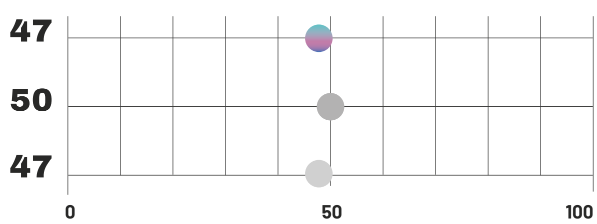
(total turnover/number of customers)

€/000



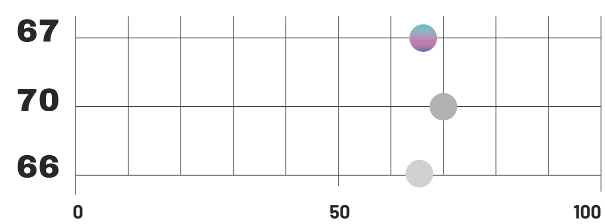
PERCENTAGE OF TOP 10 CUSTOMERS

%



PERCENTAGE OF TOP 20 CUSTOMERS

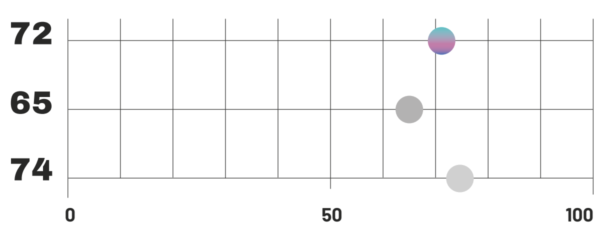
%



TURNOVER FROM CERTIFIED SUPPLIERS

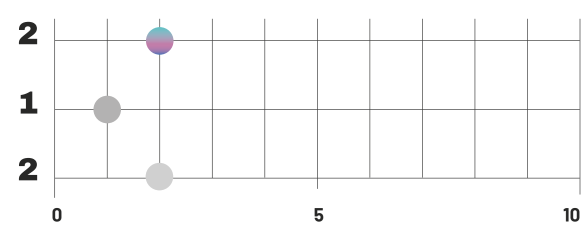
(turnover from certified suppliers/purchases)

%



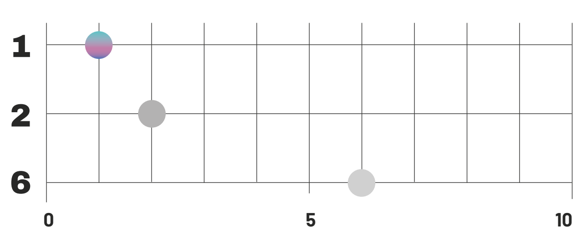
NUMBER OF ANALYSTS WHO FOLLOW THE SECURITY CONTINUOUSLY

no.



LAWSUITS FILED AGAINST GROUP COMPANIES

no.

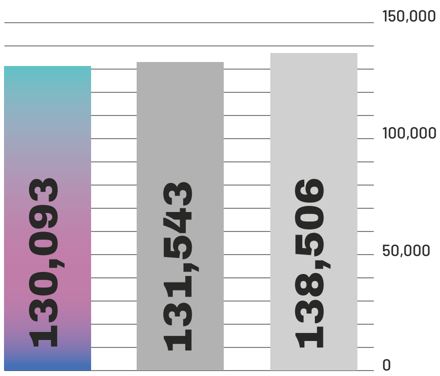


PRODUCTIVE CAPITAL

2021 | 2020 | 2019

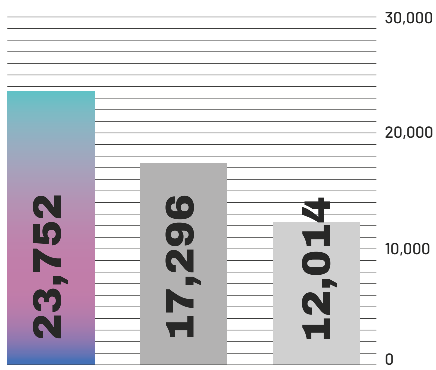
FIXED ASSETS

€/000



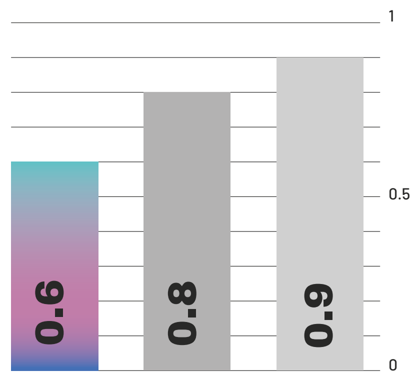
TOTAL NET INVESTMENTS

€/000



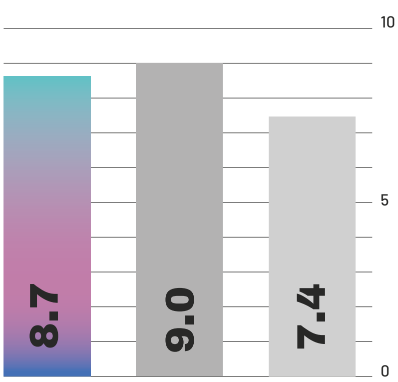
IT BUDGET [2] (investments + current expenditure)/ TURNOVER

%



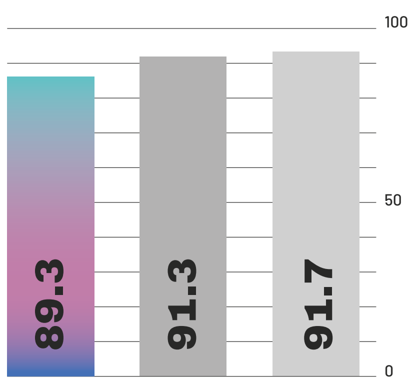
REAL INVESTMENT/ TURNOVER

%



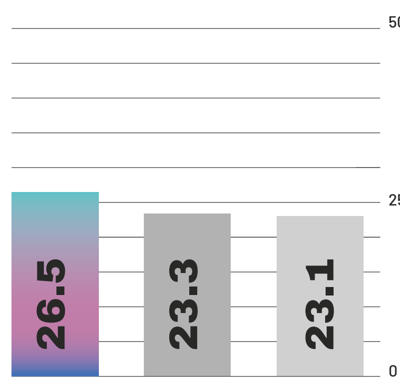
QUANTITIES SOLD OF LIGHT ALLOY VALVES ON TOTAL VALVES AND THERMOSTATS

%



QUANTITIES SOLD OF HIGH ENERGY EFFICIENCY BURNERS ON TOTAL BURNERS

%



[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.

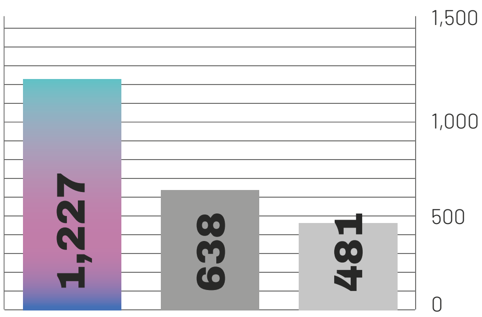
ENVIRONMENTAL CAPITAL

2021 | 2020 | 2019

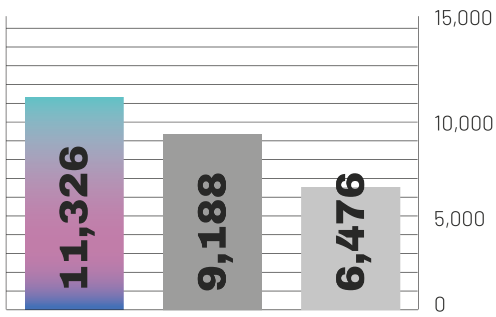
Materials used

t

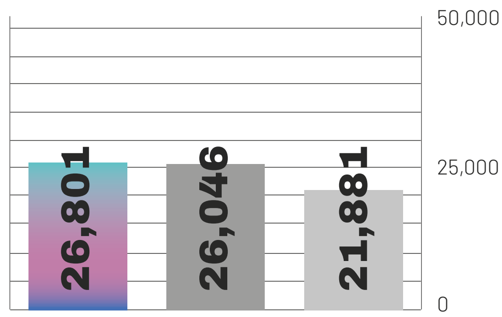
Brass



Aluminium alloys



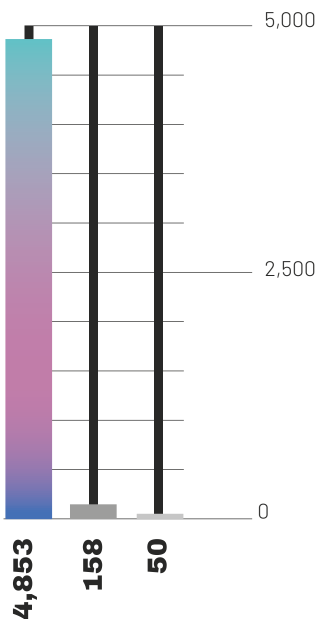
Steel



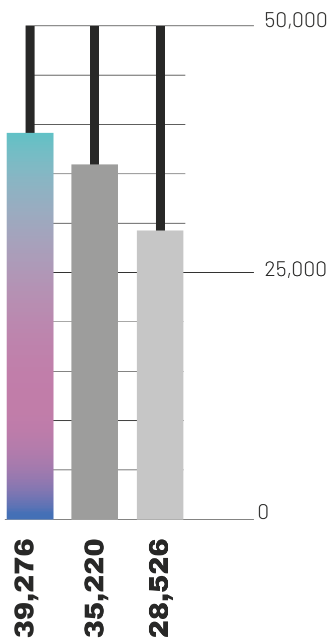
Electricity consumption

MWh

From renewable sources

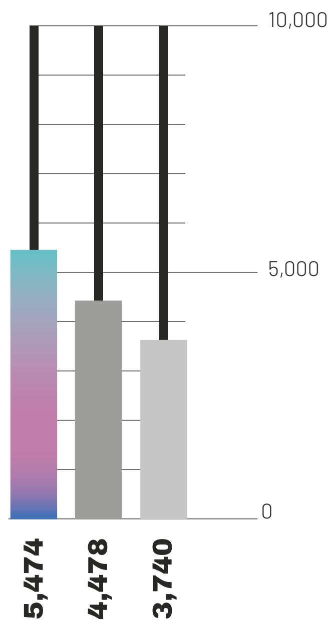


From non-renewable sources



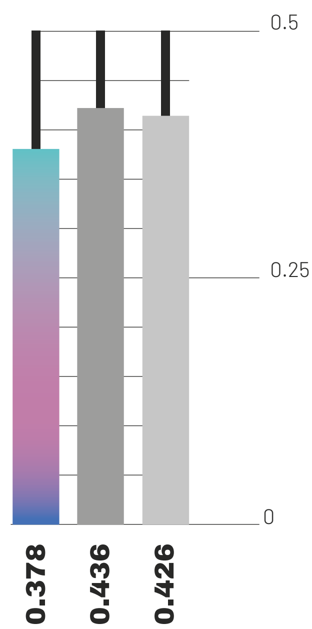
Natural gas consumption

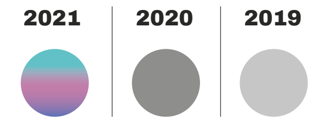
m³x1,000



Energy intensity

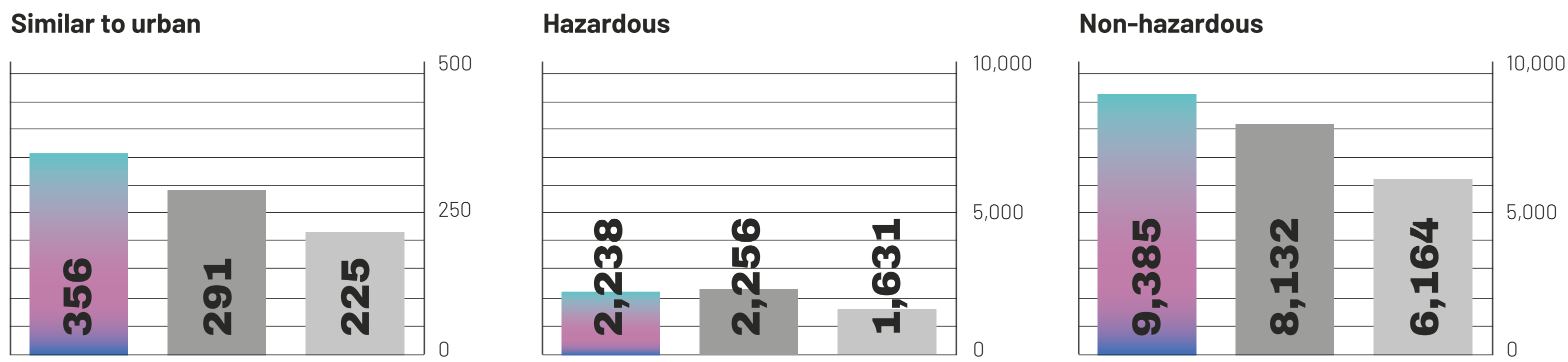
(kWh/turnover)
kWh/€





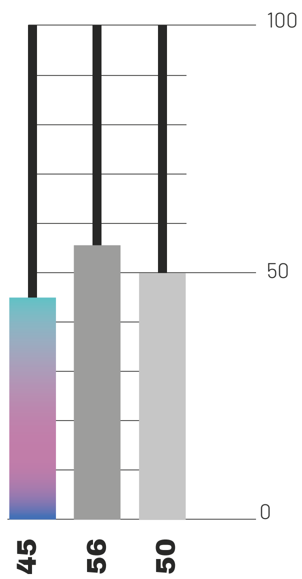
Waste by type[3]

t



Total waste/Generated economic value

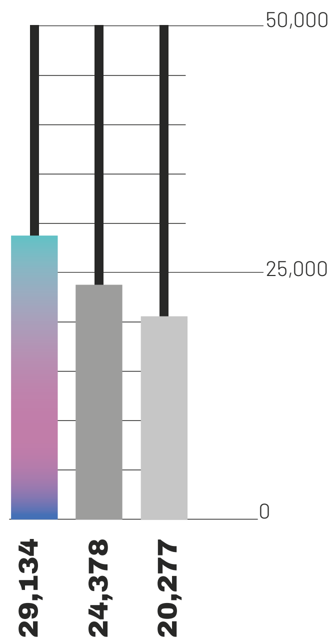
kg in €/000



CO_2 emissions

(scope 1+scope 2 market-based)

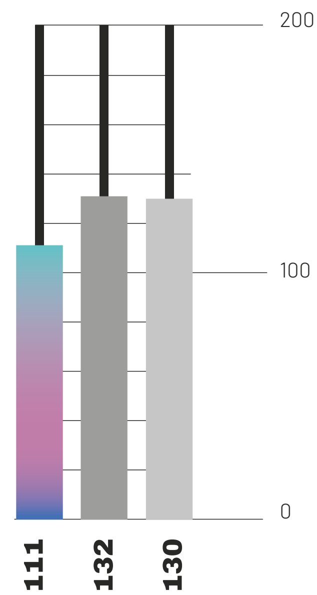
tCO_{2eq}



Intensity of CO_2 emissions

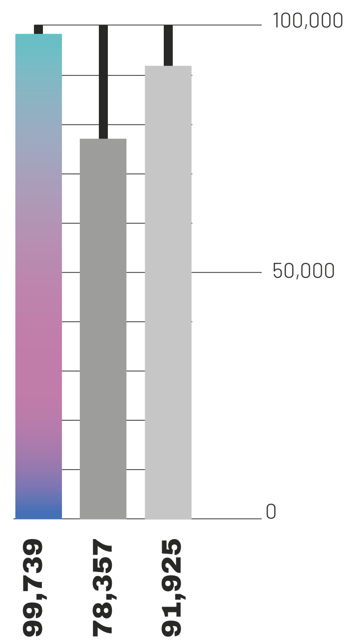
(scope 1 and 2 market-based emissions/turnover)

tCO_{2eq}/millions of Euro



Water consumption[4]

m^3



[3] The indicator does not include data relating to the Polish branch of C.M.I..
[4] The indicator does not include data relating to C.G.D. s.r.l..

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

Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.

Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.

Accessories: include spark plugs, microswitches, injectors and other components to complete the range.

HINGES

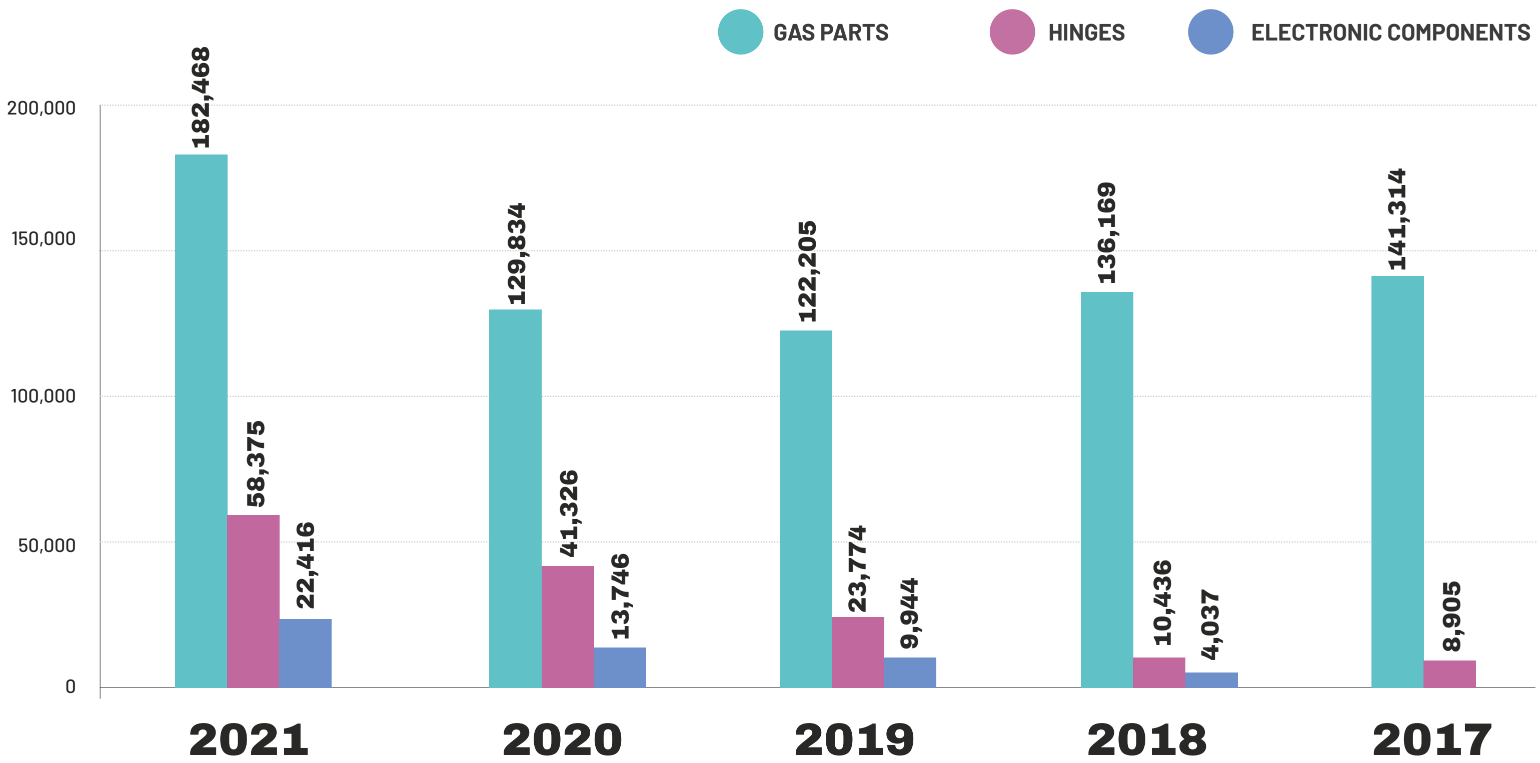
They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.

ELECTRONIC COMPONENTS

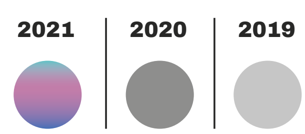
Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.

SALES BY DIVISION

(€/000)

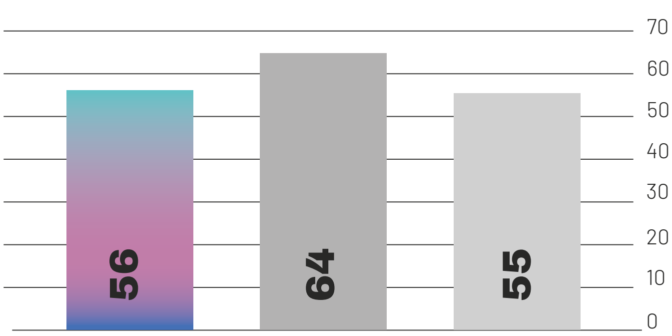


COUNTRIES AND CUSTOMERS[6]



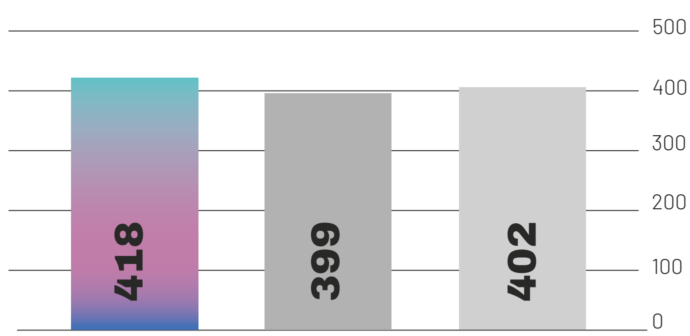
COUNTRIES

(no.)



CUSTOMERS

(no.)



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.

THE INDUSTRIAL FOOTPRINT

SABAF S.P.A.
Valves and thermostats
Standard burners
Special burners
REVENUE € 144 MILLION
588 EMPLOYEES

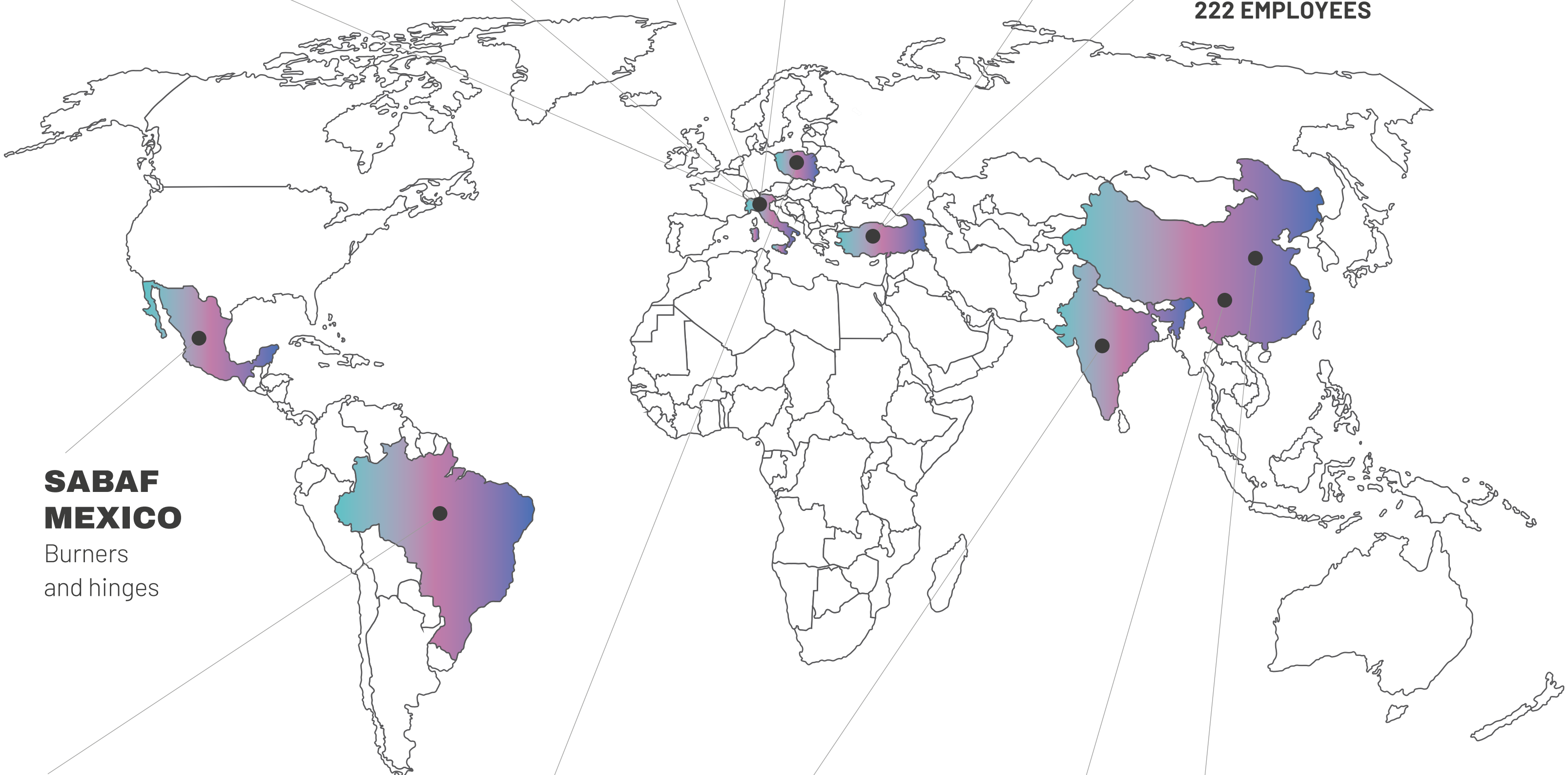
FARINGOSI HINGES S.R.L.
Oven hinges
Dishwasher hinges
REVENUE € 15.7 MILLION
59 EMPLOYEES

C.M.I. ITALY
Oven hinges
Dishwasher hinges
REVENUE € 41 MILLION
176 EMPLOYEES

SABAF TURKEY
Standard burners
REVENUE € 37.4 MILLION
242 EMPLOYEES

A.R.C. S.R.L.
Professional burners
REVENUE € 6.3 MILLION
22 EMPLOYEES

OKIDA ELEKTRONIK
Electronics for household appliances
REVENUE € 22 MILLION
222 EMPLOYEES



SABAF MEXICO
Burners
and hinges

SABAF DO BRASIL
Standard burners
Special burners
REVENUE € 16.6 MILLION
119 EMPLOYEES

C.M.I. - POLISH BRANCH
Dishwasher hinges
REVENUE € 11.6 MILLION
50 EMPLOYEES

SABAF INDIA
Valves and burners

A.R.C. HANDAN JV
Professional wok burners

SABAF CHINA
Wok burners
REVENUE € 2 MILLION
9 EMPLOYEES

€ 263.3
million

2021 GROUP TURNOVER

1,487
employees

EMPLOYEES OF THE GROUP AT 31.12.2021[7]

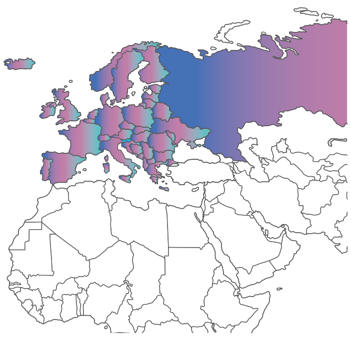
[7] Including agency workers and trainees.

SABAF'S INTERNATIONAL DEVELOPMENT: CHALLENGES AND OPPORTUNITIES

ANALYSIS OF THE SCENARIO

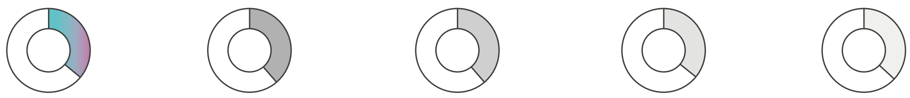
PERFORMANCE DATA[8]

EUROPE (EXCLUDING TURKEY)

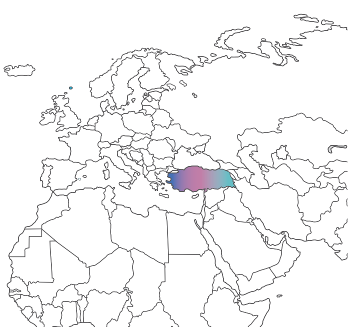


Europe has historically been the Sabaf Group's main market. European household appliance production is characterised by high quality, innovative contents - especially in terms of digitalisation and energy efficiency - and design. Therefore, the demand for components is also increasingly characterised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

2021	2020	2019	2018	2017
92,935 | **35.3%**	69,618 | **37.7%**	58,684 | **37.6%**	51,961 | **34.5%**	54,753 | **36.4%**



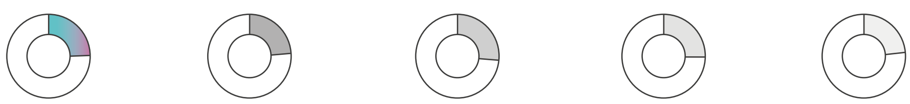
TURKEY



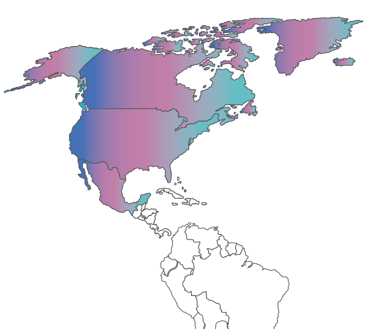
Turkey is the main production hub of household appliances for the European market. In this context, the opening of a production plant in 2012 and the acquisition of Okida Elektronik (September 2018) were key elements in support of the growth strategy. In 2021, Sabaf opened a new plant in Turkey to increase 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.

2021	2020	2019	2018	2017
65,526 | **24.9%**	44,806 | **24.2%**	39,813 | **25.6%**	38,256 | **25.4%**	36,272 | **24.2%**

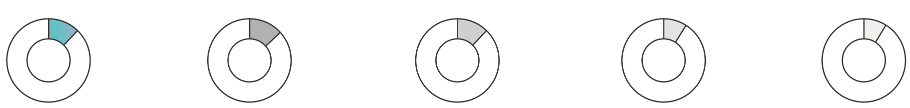


NORTH AMERICA



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.

2021	2020	2019	2018	2017
30,472 | **11.6%**	22,700 | **12.3%**	17,727 | **11.4%**	15,071 | **10.0%**	12,735 | **8.5%**



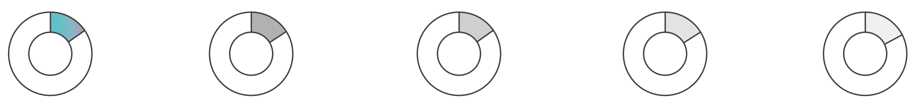
[8] Sales by geographical area (€/000) and percentage incidence on Group sales.

ANALYSIS OF THE SCENARIO | PERFORMANCE DATA

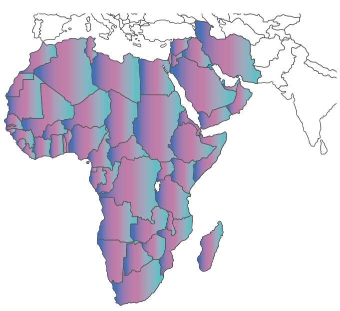
SOUTH AMERICA

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.

2021	2020	2019	2018	2017
39,589 | **15.0%**	27,639 | **14.9%**	23,451 | **15.0%**	25,461 | **16.9%**	22,938 | **15.3%**

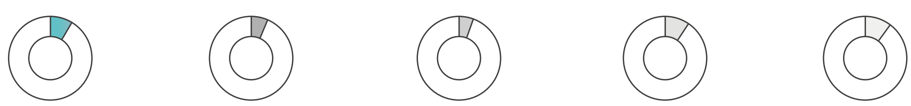


AFRICA AND MIDDLE EAST

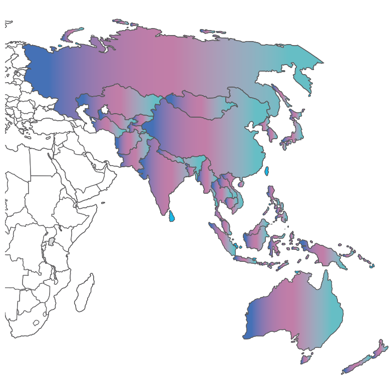


Sabaf has a long-standing presence and reputation in the Middle East and Africa.
The Group considers the Middle East and Africa among the most promising markets in the medium term, also in view of demographic trends and the growing rate of urbanisation.

2021	2020	2019	2018	2017
19,614 | **7.5** %	12,040 | **6.5%**	7,050 | **4.5** %	12,303 | **8.2%**	13,009 | **8.6%**

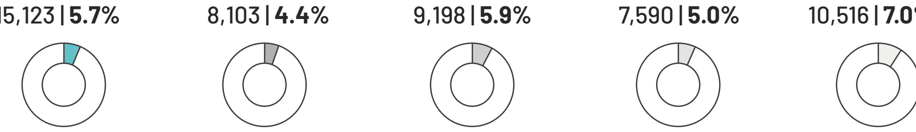


ASIA AND OCEANIA



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.

2021	2020	2019	2018	2017
15,123 | **5.7%**	8,103 | **4.4%**	9,198 | **5.9%**	7,590 | **5.0%**	10,516 | **7.0%**



SUSTAINABILITY IS A LIFESTYLE, NOT JUST A GOAL.

SABAF

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 centricity 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 centricity of Man, as an essential condition for the sustainable success of business in the long term. Sustainable success, 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	
Basic principles • 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	• 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	
Basic principles • 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	• Charter of Values
PERSONNEL	
Basic principles • 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	• Charter of Values
PERSONNEL/HEALTH AND SAFETY	
Basic principles • 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	• 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	
Basic principles • 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	• Group Anti-corruption Policy • Organisation, management and control Model pursuant to Legislative Decree 231/2001
SOCIAL/SUPPLY CHAIN	
Basic principles • Ensure absolute impartiality in the choice of suppliers • Establish long-term relationships based on fairness in negotiations, integrity and contractual fairness	• 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

1 ECONOMIC CAPITAL

2 HUMAN CAPITAL

3 RELATIONAL CAPITAL

4 PRODUCTIVE CAPITAL

5 ENVIRONMENTAL CAPITAL

6 INTELLECTUAL CAPITAL

BUSINESS APPROACH

Innovation, enhancement of internal resources and continuous learning

Internationalisation

Quality, internal and external safety, eco-compatibility

Sustainability

DISTINCTIVE FEATURES

Internal and verticalised production of:
- components and products
- machinery, tools and moulds

based on specific know-how

PRODUCTS

Gas parts

Hinges

Electronic components

ECONOMIC CAPITAL

HUMAN CAPITAL

RELATIONAL CAPITAL

PRODUCTIVE CAPITAL

ENVIRONMENTAL CAPITAL

INTELLECTUAL CAPITAL

1

ECONOMIC CAPITAL

- Net financial debt **67,607,000 €**
- Shareholders' Equity **122,436,000 €**
- Invested capital **190,043,000 €**
- Market capitalisation at 31 December/ Shareholders' Equity **2.26**

- Sales revenue **+42.4%**
- EBITDA as a percentage of sales **20.6%**

2

HUMAN CAPITAL

- Employees **1,487** (including agency workers and trainees)
- Advanced education: employees with a degree or diploma **64.4%**
- Training hours by collaborator **20.4**
- Investments in training of collaborators/turnover **0.27%**

- No. of hires **336**
- Leaving turnover **17.68%**
- Strike hours on hours worked **0.10%**
- Recordable injury rate **15.59**
- Injury lost day rate **0.21**

3

RELATIONAL CAPITAL

- Turnover from the top 10 customers **47%**
- No. customers (with sales over €1,000) **418**

- Average turnover by customer **629,000 €**
- Lawsuits filed against Group companies **1**
- No. of samples for customers **5,571**

4

PRODUCTIVE CAPITAL

- Production sites **11**
- Real investment on turnover **8.7%**
- Value of property, plant and equipment **84,718,000 €**

- Burners sold no. of parts **44,218,936**
- High efficiency burners **26.5%**
- Valves and thermostats sold no. of parts **26,043,939**
- Light alloy valves and thermostats sold **89%**

5

ENVIRONMENTAL CAPITAL

- Steel **26,801 t**
- Aluminium alloys **11,326 t**
- Brass **1,227 t**
- Electricity consumed **44,129 MWh** (of which **4,853 MWh** from renewable sources)
- Natural gas consumed **5,474,000 m^3**
- Water used **99,739 m^3**

- Waste (kg) on economic value generated by the Group (€/1,000) **45**
- CO_2 emissions (*scope* 1 + *scope* 2 *market based*) **29,134 tCO_{2eq}**

6

INTELLECTUAL CAPITAL

- Hours dedicated to the development of new products **3.1%**
- Hours dedicated to process engineering **1.7%**

- No. of patents **88**
- Capitalised investments in research and development **1,770,000 €**

GENERATED AND DISTRIBUTED ECONOMIC VALUE

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

(€/000)	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[1]	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

[1] 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:

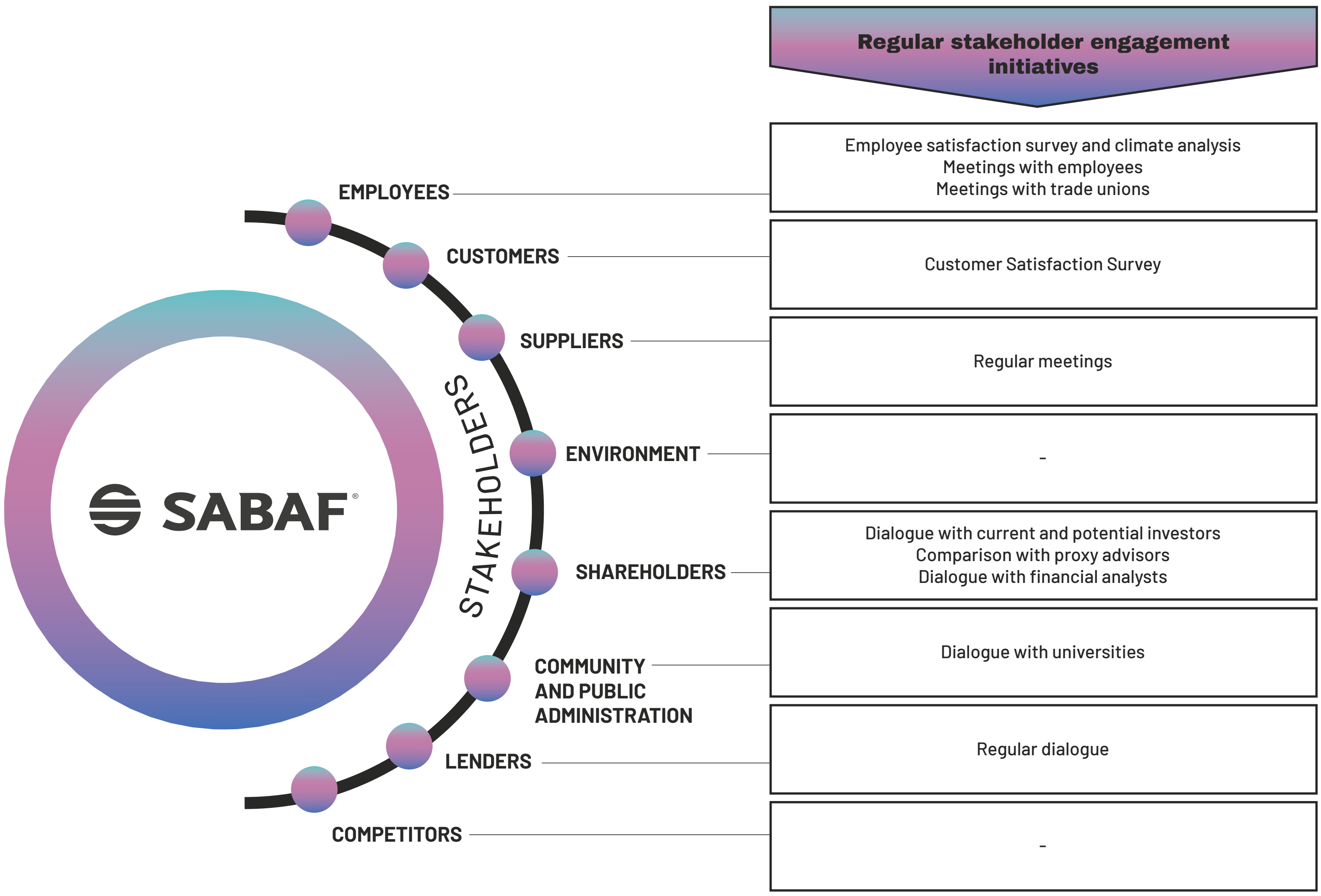
- **SHARING VALUES**, **MISSION** AND **SUSTAINABILITY STRATEGY**
- **TRAINING** AND **COMMUNICATION**
- AN **INTERNAL CONTROL SYSTEM** CAPABLE OF MONITORING RISKS (INCLUDING SOCIAL, ENVIRONMENTAL AND REPUTATIONAL RISKS) AND VERIFYING THE IMPLEMENTATION OF COMMITMENTS TO STAKEHOLDERS
- **KEY PERFORMANCE 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 in the previous table (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.

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**
- **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	**I**	Businesses should support and respect the protection of internationally proclaimed human rights and
	II	make sure that they are not - even if indirectly - complicit in human rights abuses.
LABOUR	**III**	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
	IV	The elimination of all forms of forced and compulsory labour.
	V	The effective abolition of child labour.
	VI	The elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	**VII**	Businesses should support a precautionary approach to environmental challenges and
	VIII	undertake initiatives to promote greater environmental responsibility; and
	IX	encourage the development and diffusion of environmentally friendly technologies.
FIGHT AGAINST CORRUPTION	**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**[2] (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).

Materiality matrix[3]

1. Use of raw materials and materials
2. Emissions into the atmosphere waste and management of environmental impacts
3. Protection of Human and Workers' Rights
4. Remuneration and incentive policy
5. Development of resources and skills
6. Health and safety of personnel and contractors
7. Diversity and equal opportunities
8. Management of relations with suppliers, supplier assessment and contractual conditions
9. Industrial relations
10. Compliance with the competitive system
11. Customer satisfaction and customer support
12. Research and innovation of products and processes also with reference to safety and environmental performance
13. Partnership with multinational groups
14. Production quality and eco-efficiency

[2] 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".
[3] Only 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 protectedcategories.	GRI 405: Diversity and equal opportunity 2016	Sabaf	-

MATERIAL TOPICS

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.

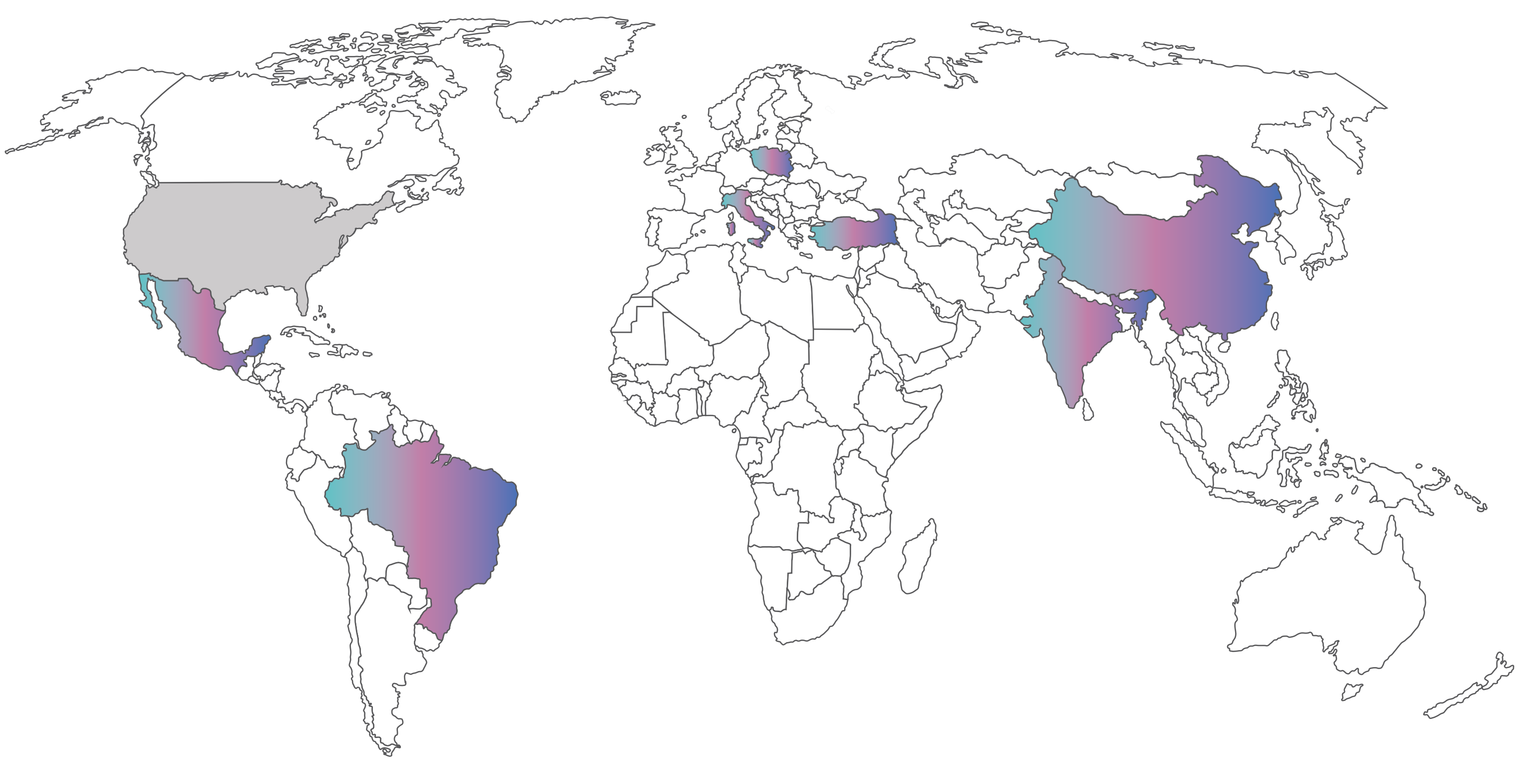
Corporate Governance, Risk Management and Compliance

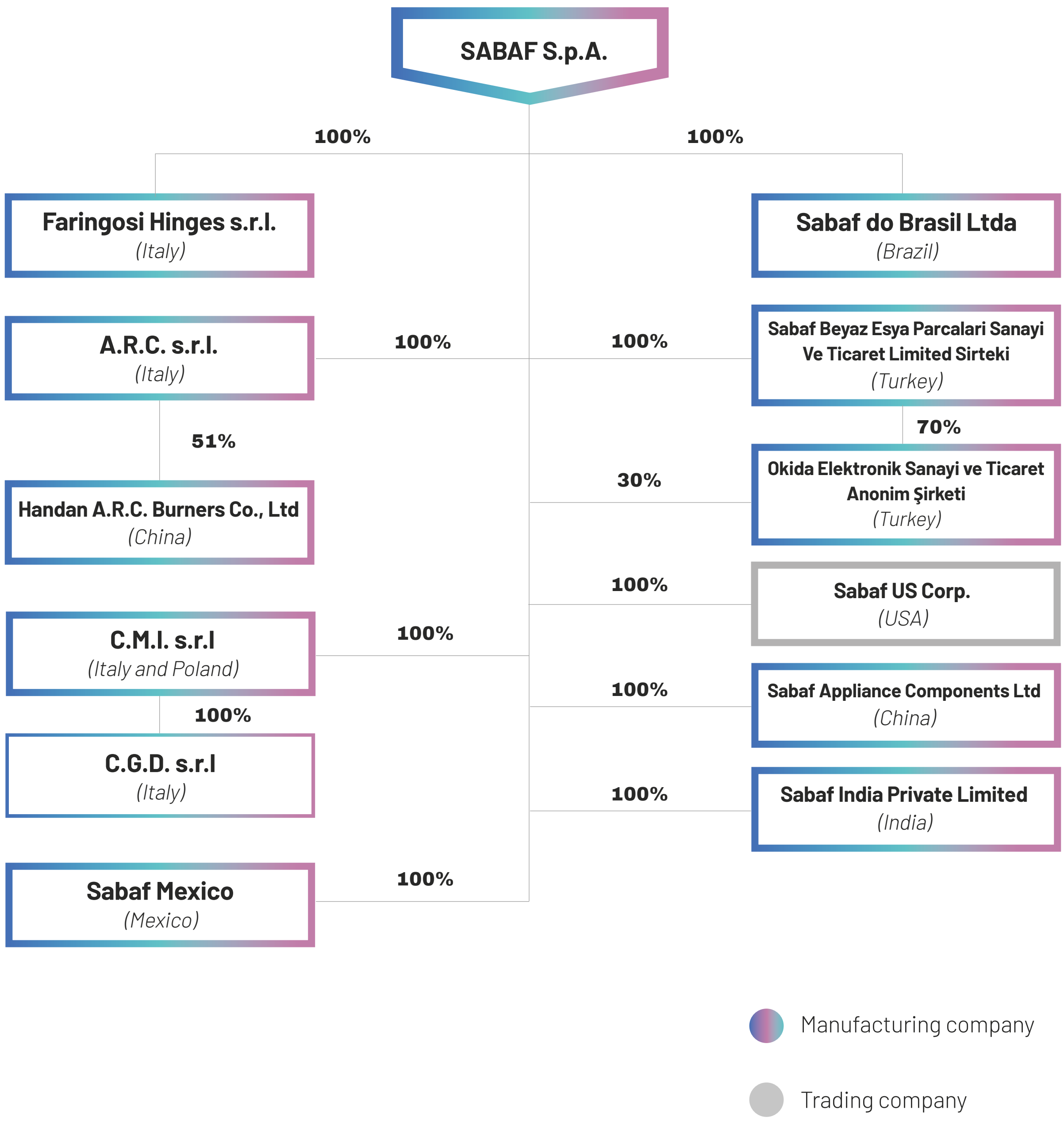
CORPORATE GOVERNANCE

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	ELECTRONIC COMPONENTS	HINGES FOR HOUSEHOLD APPLIANCES
• 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 at the end of 2022).	• Okida, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers.	• 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;

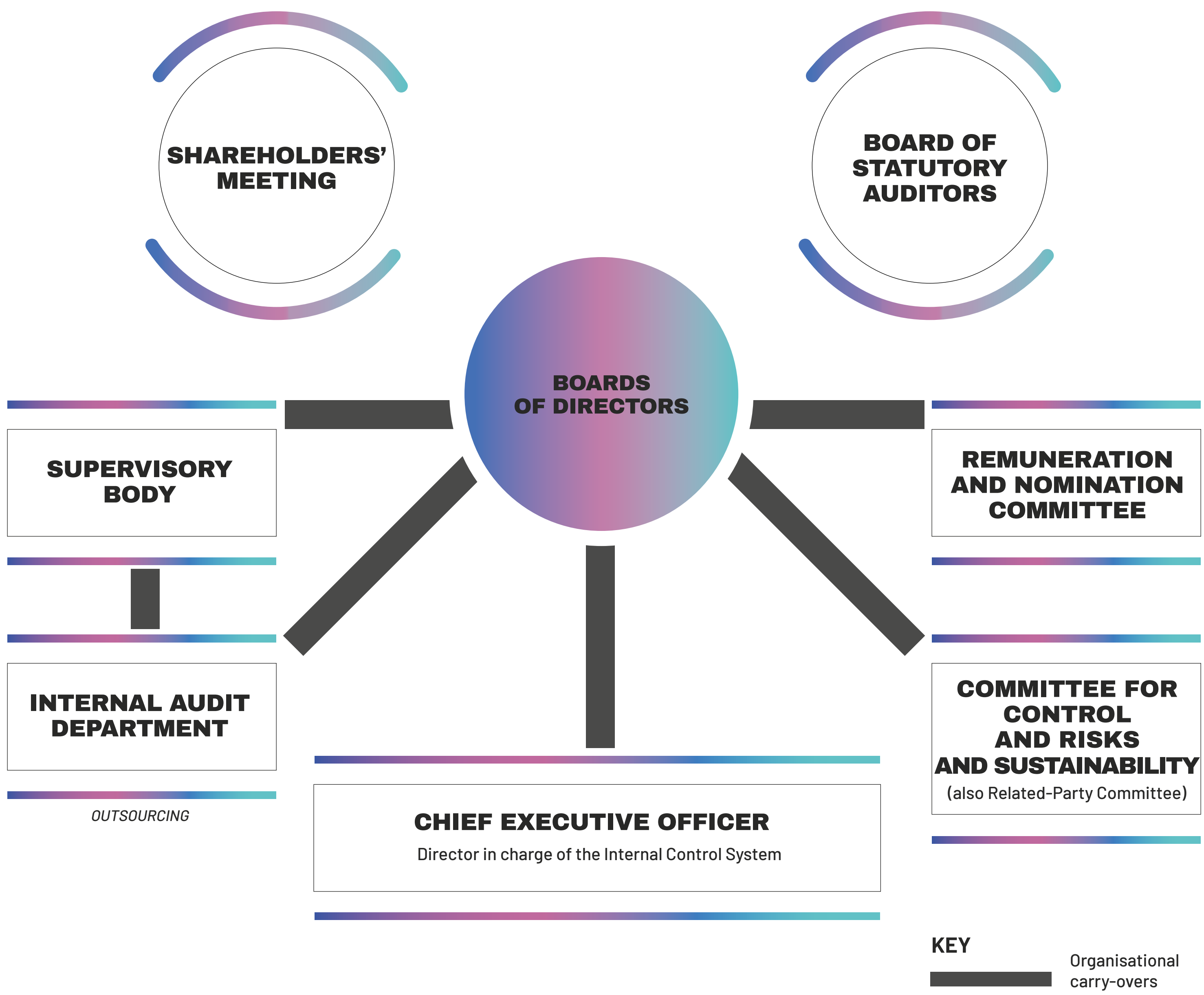
- **Board of Directors**, in charge of company administration and management of Company operations.

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, Risks 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.



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 members[4], including:

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

OFFICE	MEMBERS
Chairman	Claudio Bulgarelli

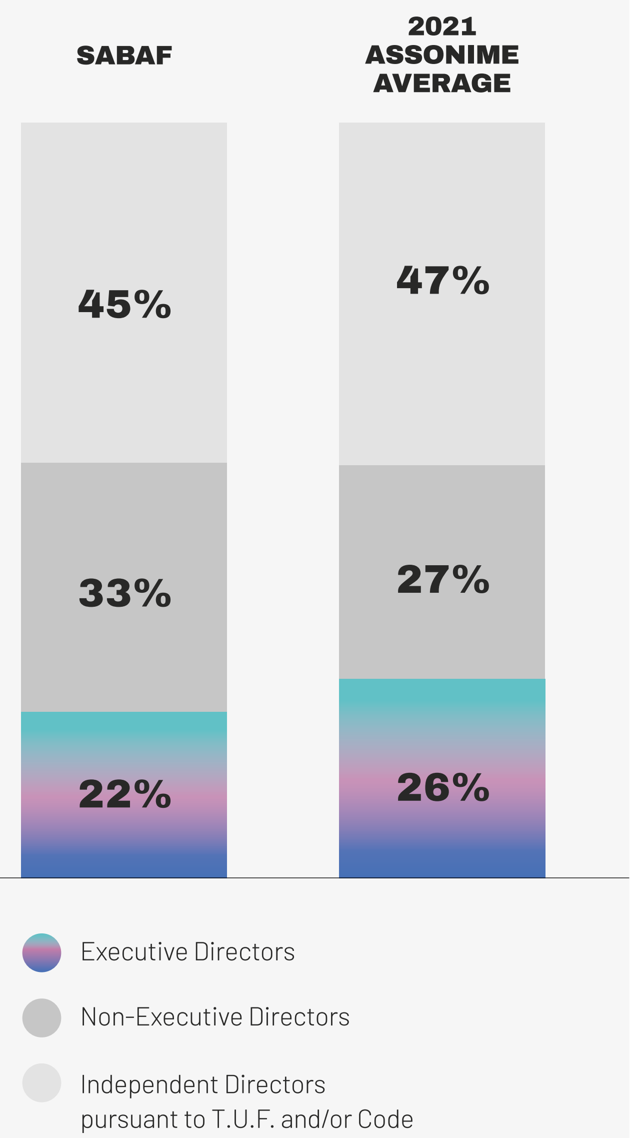
EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Chief Executive Officer	Pietro Iotti
Executive Director	Gianluca Beschi

NON-EXECUTIVE DIRECTORS

OFFICE	MEMBERS	
Vice Chairman	Nicla Picchi *LEAD INDEPENDENT DIRECTOR*	INDEPENDENT DIRECTORS – pursuant to T.U.F. and/or Code
Director	Daniela Toscani	INDEPENDENT DIRECTORS – pursuant to T.U.F. and/or Code
Director	Stefania Triva	INDEPENDENT DIRECTORS – pursuant to T.U.F. and/or Code
Director	Carlo Scarpa	INDEPENDENT DIRECTORS – pursuant to T.U.F. and/or Code
Director	Alessandro Potestà	
Director	Cinzia Saleri	

COMPOSITION OF THE BOARD OF DIRECTORS



[4] The Curriculum Vitae of each Member is available on the Group's website.

COMPOSITION OF THE BOARD OF DIRECTORS

CLAUDIO BULGARELLI
Chairman

Degree in Mechanical Engineering, entrepreneur, chairman of Fintel srl, joined the BoD of Sabaf in 2018.

NICLA PICCHI
Vice Chairman

Degree in Law, Partner of Studio Picchi & Associati where she works as a lawyer. In Sabaf since 2006, she is also Chairman of SB 231 of Sabaf S.p.A. and of the subsidiary Faringosi-Hinges.
She has been chairman of the Control and Risk Committee since 2015.

PIETRO IOTTI
Chief Executive Officer

Mechanical Engineer, holds positions of increasing responsibility in several industrial companies.
In Sabaf since 2017, he holds the position of Chief Executive Officer.

CINZIA SALERI
Director

Chairman of the Board of Directors of Cinzia Saleri S.a.p.A. and already director of sabaf S.p.A. in the period from 2012 to 2018.

DANIELA TOSCANI
Director

Degree in business finance, she has gained many professional experiences in the field of finance and held positions of increasing responsibility in many financial and industrial companies; she joined the BoD of Sabaf in 2018.

CARLO SCARPA
Director

He is a university professor of economics, joined the BoD of Sabaf in 2019.

GIANLUCA BESCHI
Executive Director

Certified public accountant, at Sabaf since 1997 as Investor Relations Manager and Head of Management Control. He has been holding the position of Director of Administration, Finance and Control since 2012.

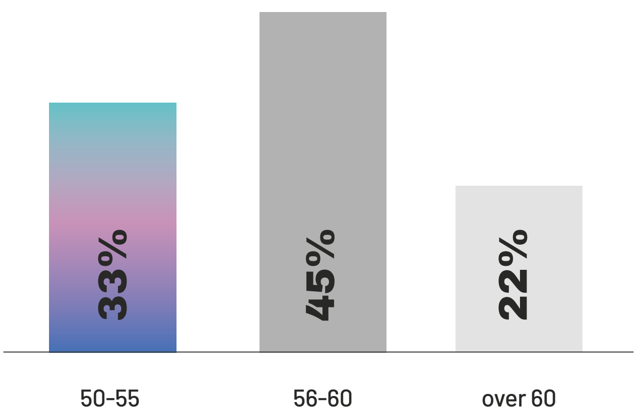
STEFANIA TRIVA
Director

Entrepreneur, since 2014 she has been holding the position of Chairman and CEO of Copan Italia S.p.A., she joined the BoD of Sabaf in 2018.

ALESSANDRO POTESTÀ
Director

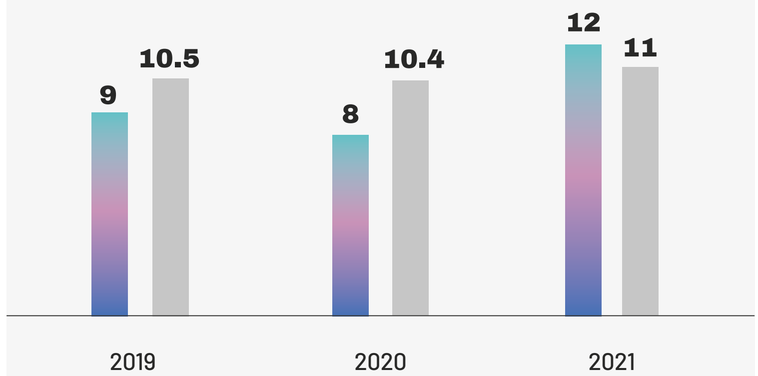
Degree in Economics and Commerce, he held management positions in investments and Corporate Development. Today, he is Senior Portfolio Manager at Quaestio Capital Management SGR S.p.A..

AVERAGE AGE OF DIRECTORS



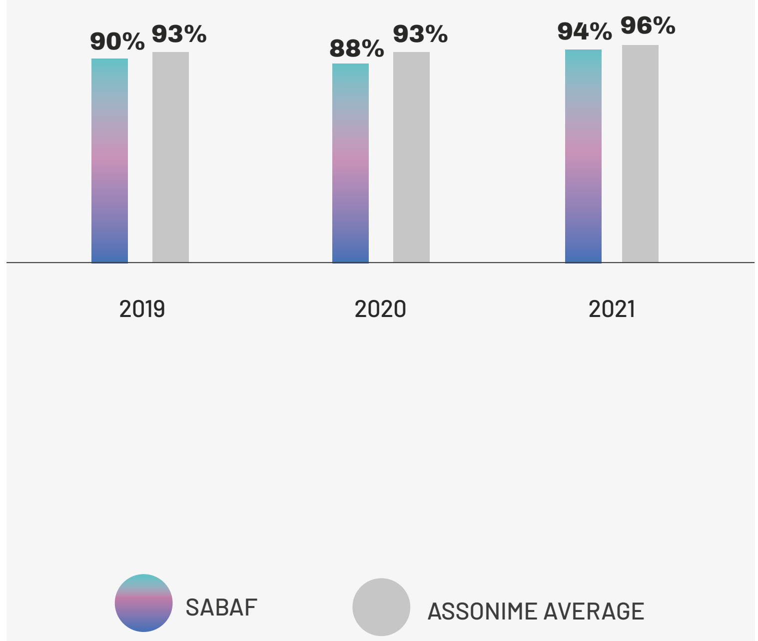
Overall average age
Sabaf 60 years old *vs* Assonime 57 years old

NUMBER OF MEETINGS
(2019-2021)



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).

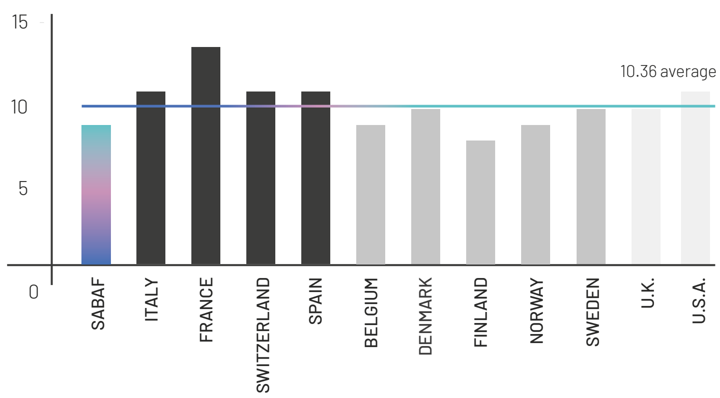
AVERAGE ATTENDANCE AT THE MEETINGS
(2019-2021)[5]



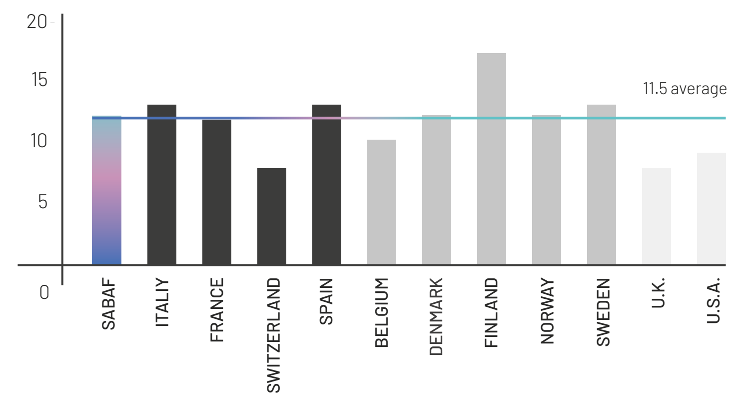
In 2021, the Board of Sabaf met on 12 occasions (slightly above the Assonime average), with an average attendance rate of 94%. In general, the attendance of the Sabaf directors at the Board meetings in the last three years is slightly below than that of the Assonime panel.
The meetings were attended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

[5] Assonime panel including financial companies.

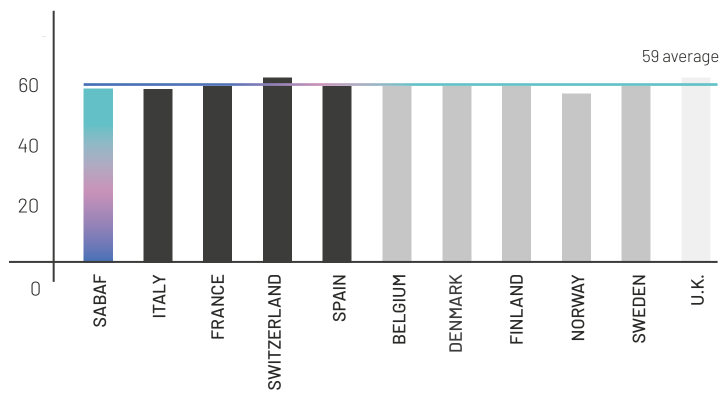
AVERAGE SIZE OF THE BoD



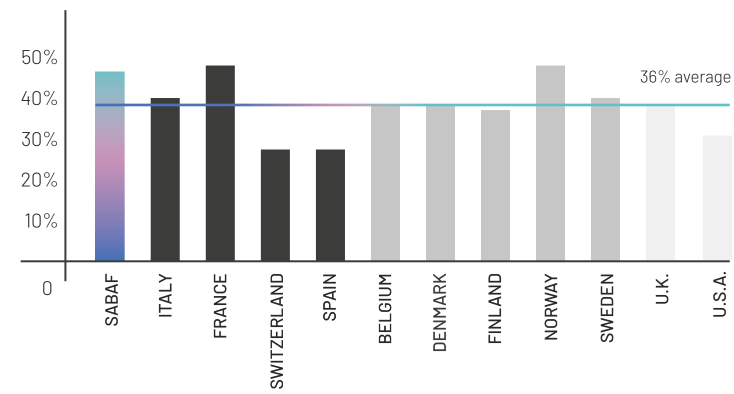
AVERAGE NUMBER OF MEETINGS OF THE BoD



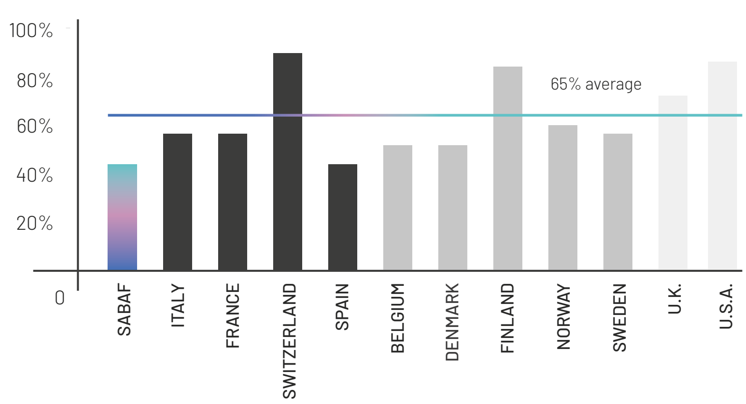
AVERAGE AGE OF NON-EXECUTIVE DIRECTORS



% OF WOMEN IN THE BoD



% OF INDEPENDENT DIRECTORS IN THE BoD



SABAF
SOUTH EUROPE
NORTH EUROPE
ANGLO-SAXON COUNTRIES

The comparison was made using data published by Spencer Stuart in the analysis "Boards around the world" [6].
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.

Source: *Spencer Stuart Boards Around the World 2021*

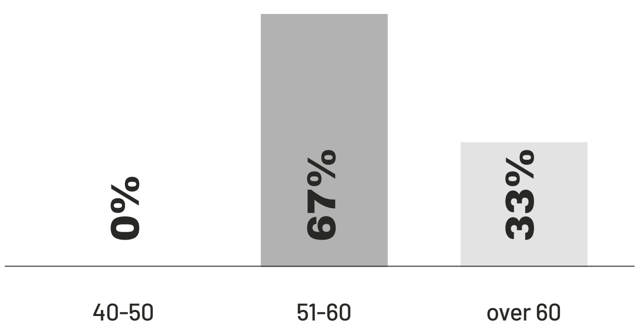
[6] https://www.spencerstuart.com/research-and-insight/boards-around-the-world?category=all-board-composition&topic=all-topics.

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[7] 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.

OFFICE	MEMBERS
Chairman	**Alessandra Tronconi**
Statutory Auditor	**Mauro Giorgio Vivenzi**
Statutory Auditor	**Maria Alessandra Zunino de Pignier**

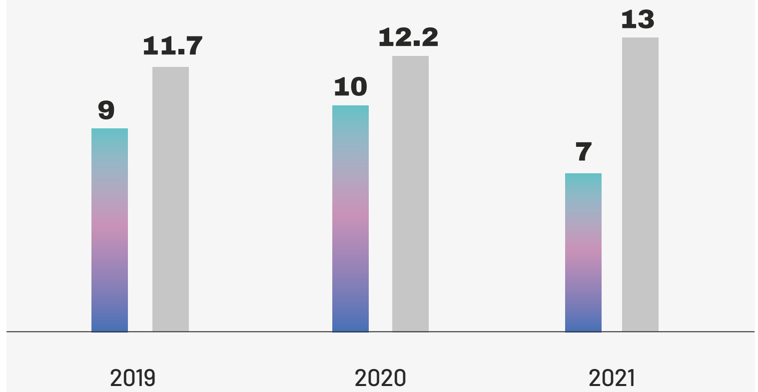
AVERAGE AGE OF STATUTORY AUDITORS



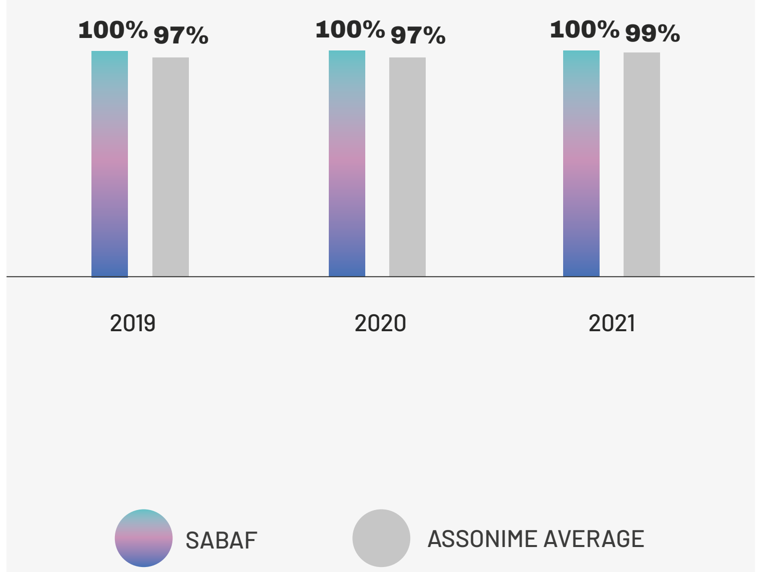
Overall average age
Sabaf 60 years old *vs* Assonime 56 years old

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, Risks and Sustainability 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.

NUMBER OF MEETINGS
(2019-2021)



AVERAGE ATTENDANCE AT THE MEETINGS
(2019-2021)[8]

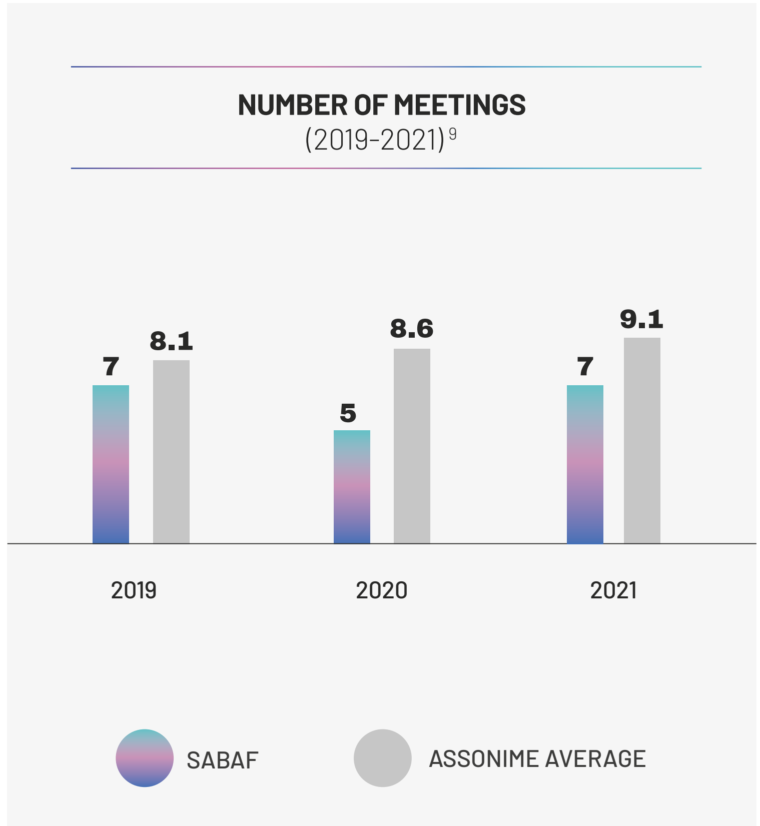


[7] The Curriculum Vitae of each statutory auditor is available on the Group's website.
[8] Assonime panel including financial companies.

CONTROL, RISKS AND SUSTAINABILITY COMMITTEE

The Control, Risks 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.

OFFICE	MEMBERS
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:

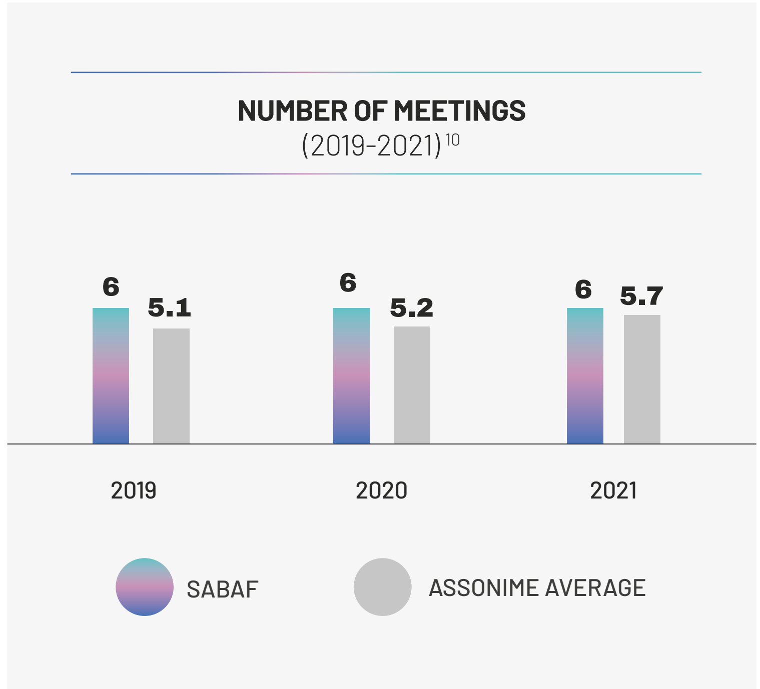
- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment carried out at the end of 2021 and the consequent 2022 Audit Plan Proposal;
- analysed the results of the Internal Audit operations 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).

[9] Assonime panel including financial companies and referred only to the Control and Risks Commitee.

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, Risks 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.

[10] Assonime panel including finncial company and referred only to the Remuneration Commitee.

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, Risks and Sustainability 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.

OFFICE	MEMBERS
Chairman	**Nicla Picchi**
Member	**Giuseppe Garzillo**

Also a member of the Board of Directors, as **independent director (Vice Chairman).**

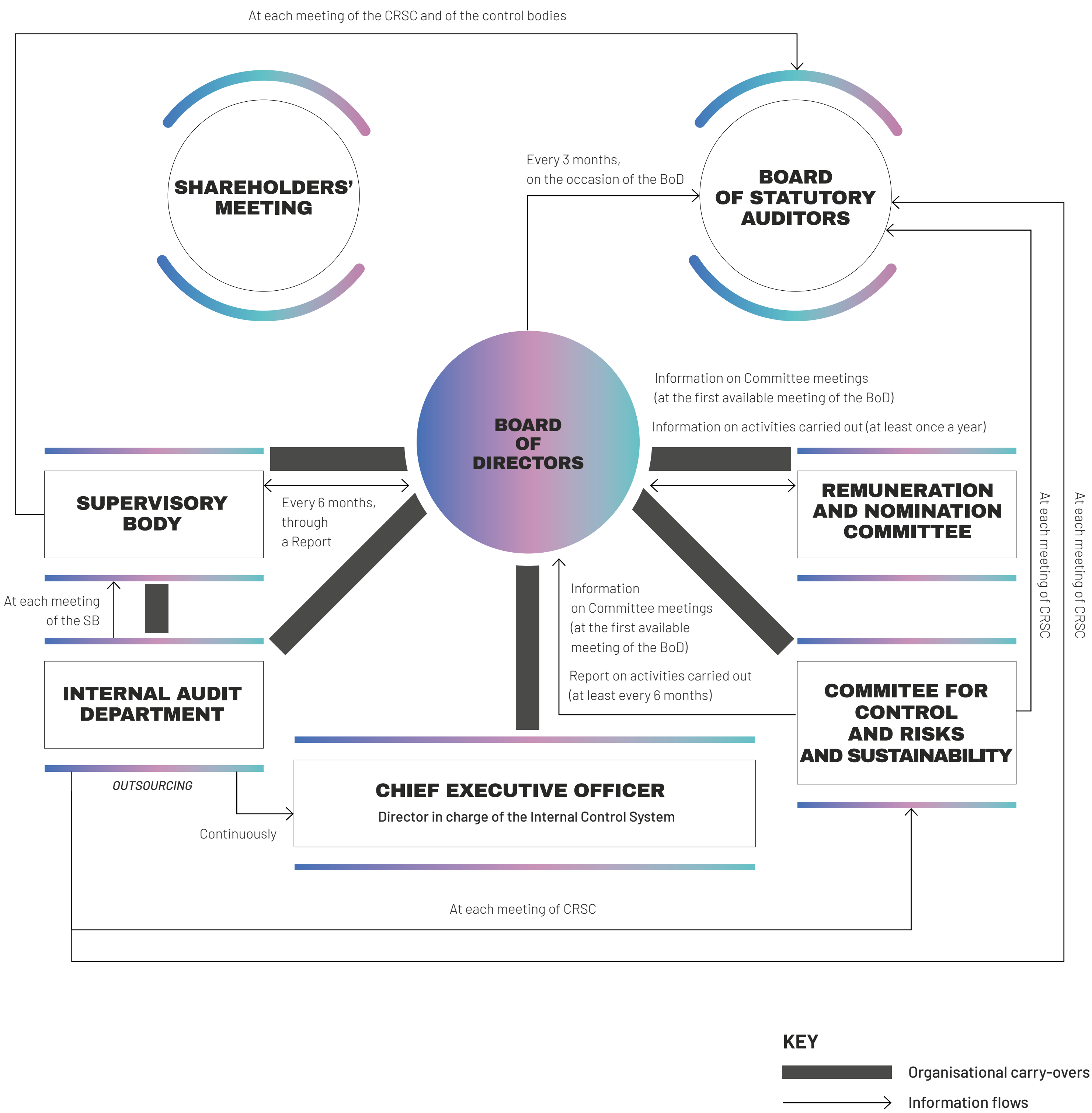
Also **Head of Internal Audit Department**. Representative of the Company that manages Internal Audit activities on an outsourcing basis.

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, Risks and Sustainability 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) rapporto con clienti diversi dai "key account".	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.

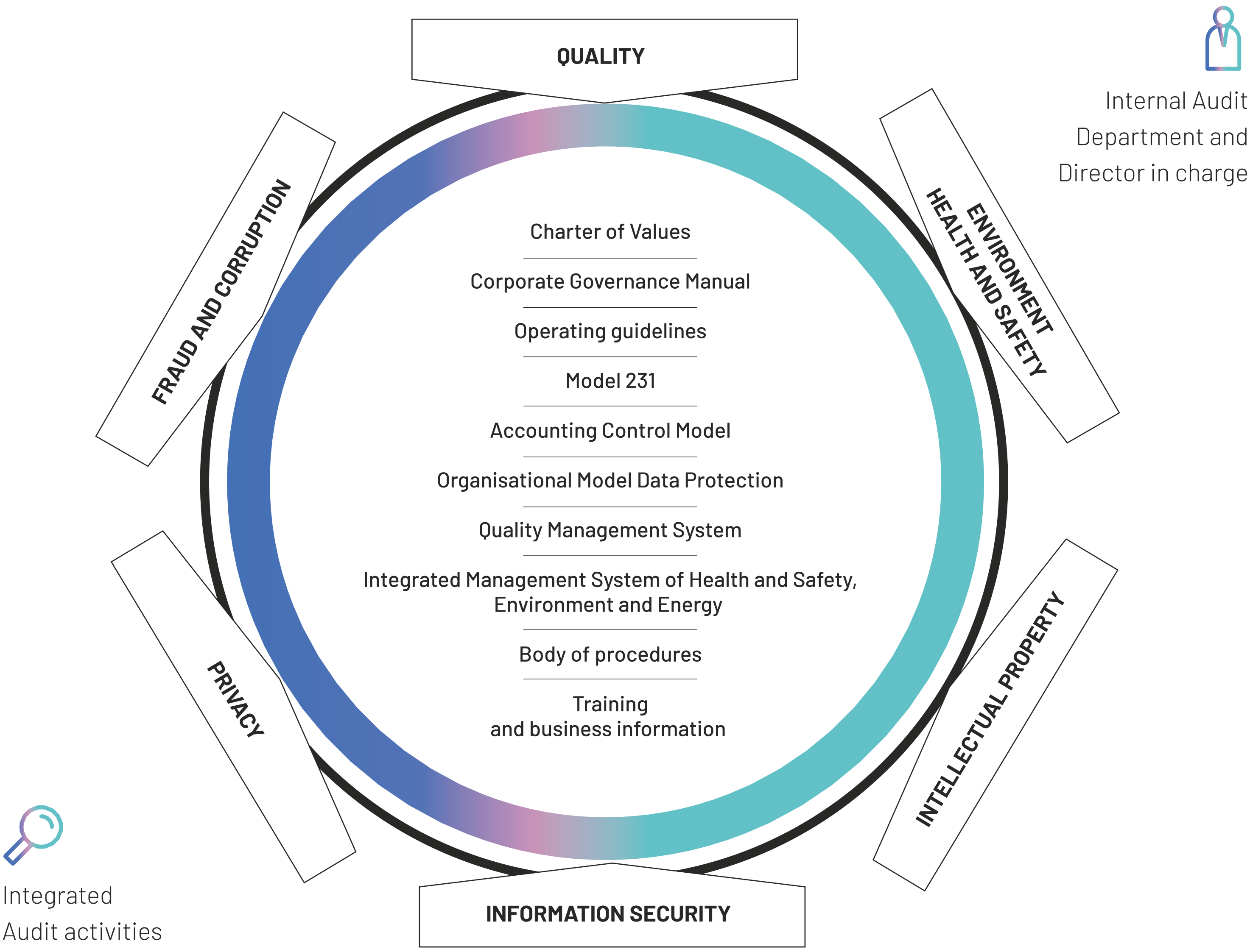
	LEVEL OF CONTROL			
LEVEL OF CONTROL	**OPTIMAL** 1	**ADEQUATE (WITH POSSIBLE ROOM FOR IMPROVEMENT)** 2	**TO BE STRENGTHENED** 3	**LACKING/NON-EXISTENT** 4
Description	In line with best practices and best in class.	There are policies, procedures and/or operating instructions. However, there is still room 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.

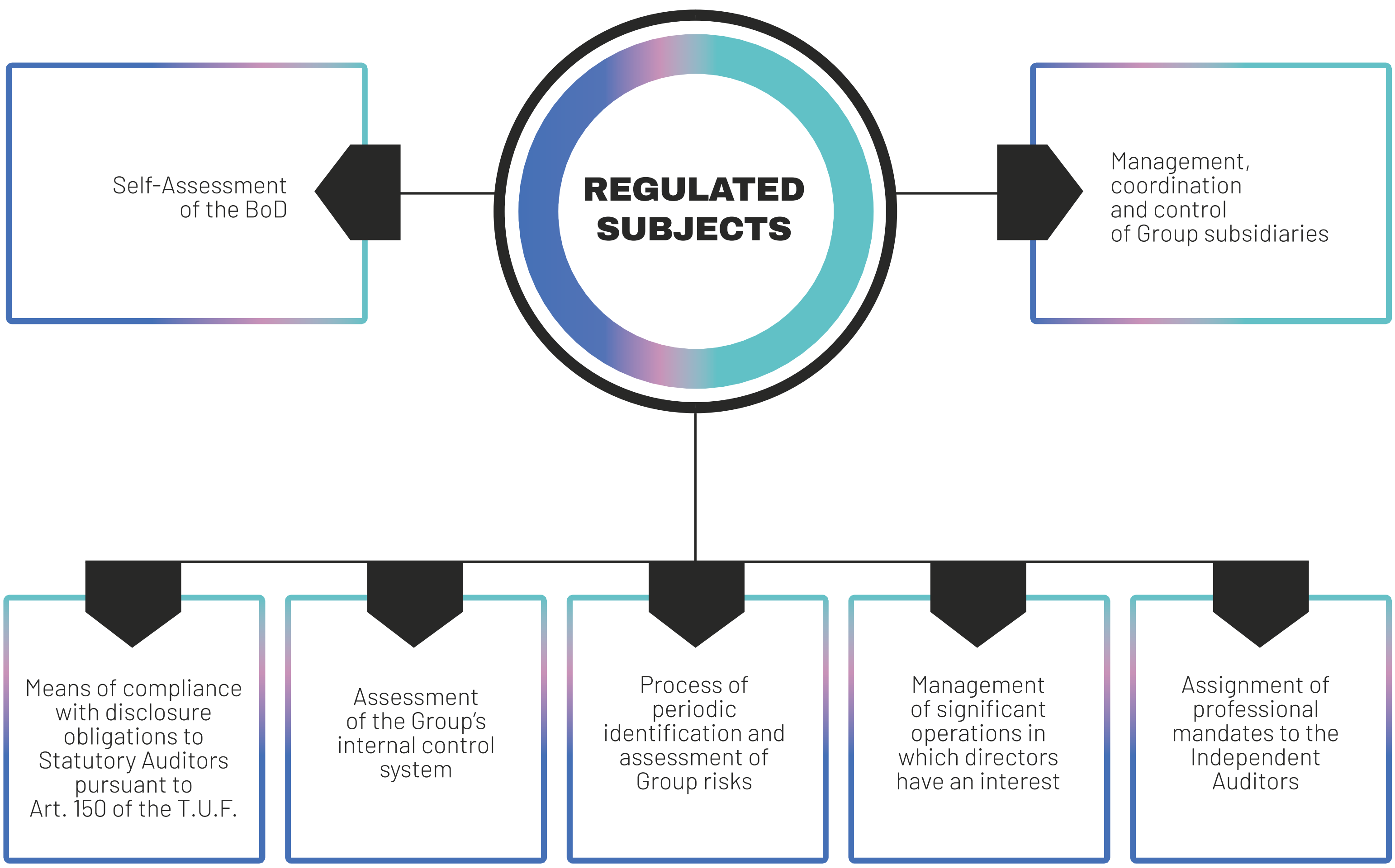
INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

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**[11] 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



[11] 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**[12], 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.

[12] 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.

Risk analysis and assessment in case of violation of anticorruption regulations is included in the annual **Risk Assessment** process.

Sabaf is committed to preventing unlawful behaviour by disseminating the contents of its **Charter of Values** and of the **Organisation, Management and Control Model pursuant to Legislative Decree 231/2001** (adopted by Sabaf S.p.A. and Faringosi-Hinges s.r.l. and, limited to the part concerning Health and Safety at Work, by C.M.I. s.r.l. and C.G.D. s.r.l.).

As further confirmation of its commitment to fight against unlawful behaviour, during 2018, Sabaf adopted a **Group Anti-Corruption Policy**. The provisions and guidelines set out in the Policy are intended to **promote the highest ethical standards in all business relationships** in line with national and international best practices.
The Anti-Corruption Policy **applies globally to Sabaf, to the Group's subsidiaries and to all of their employees**.

The Anti-Corruption Policy identifies some general **principles of behaviour** (prohibited obligations and behaviour), applicable to all Recipients. Based on activities carried out by Sabaf and inspired by international best practices, **rules of behaviour have been developed in the following main areas assessed as potentially exposed to risks of corruption**:

- trade relations with intermediaries and agents;
- trade relations with customers, suppliers and other third parties;
- relations with trade unions and political organisations;
- human resource management;
- management of gifts and presents, entertainment expenses,
- donations and sponsorships;
- accounting and financial procedures and controls.

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
GIVES PRIORITY
TO THE ASPECT
OF BEING
IN RELATION
TO DOING
AND HAVING.

SABAF®

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%).

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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. (Campodarsego, 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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

	31.12.2021			31.12.2020			31.12.2019		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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

(no.)	31.12.2021	31.12.2020	31.12.2019
Agency workers	198	155	42
Trainees	11	8	2

BREAKDOWN OF PERSONNEL BY AGE

(%)	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

(%)	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**
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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
♀	< 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**
♂	< 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.

	2021			2020			2019		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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[13]	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

	2021			2020			2019		
(hours)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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).

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.

[13] Including training given to employees with temporary work contract.

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.	%
♂	778	60.9	724	62.0	657	63.5
♀	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	♂	776	60.7	722	61.8	651	62.9
	♀	446	34.9	387	33.1	327	31.6
	♂♀	**1,222**	**95.6**	**1,109**	**94.9**	**978**	**94.5**
Part-time	♂	2	0.2	2	0.2	6	0.6
	♀	54	4.2	57	4.9	51	4.9
	♂♀	**56**	**4.4**	**59**	**5.1**	**57**	**5.5**
TOTAL		**1,278**	**100.0**	**1,168**	**100.0**	**1,035**	**100.0**

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CATEGORY, AGE AND GENDER

		31.12.2021			31.12.2020			31.12.2019		
(%)		♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
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.

(no.)	White Collars	Blue Collars	TOTAL
♂	39	65	**104**
♀	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 CONTRACTS[14]

MINIMUM INCREASE (%)	2021		2020		2019	
	♂	♀	♂	♀	♂	♀
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.[15]	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 Brazi	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 PERSONNEL[16]

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

[14] 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.

[15] 2019 data not available for C.M.I. s.r.l..

[16] 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[17] (absence < 6 months) – excluding fatalities	35	29	15
of which injuries while travelling to/from work[18]	0	0	0
Accidents with serious consequences (absence > 6 months) – excluding fatalities	1	0	1
of which injuries while travelling to/from work	0	0	0
Deaths as a result of injuries	0	0	0
of which injuries while travelling to/from work	0	0	0
Days lost due to injury	484	194	775[19]
Total injuries - including fatalities	36	29	16
of which injuries while travelling to/from work	0	0	0

INJURY RATE (number of injuries x 1,000,000/hours worked)	2021	2020	2019
Recordable injury rate	*15.16*	*16.10*	*9.91*
High-consequence injury rate	*0.43*	*0.00*	*0.66*
Fatality rate as a result of injuries	*0.00*	*0.00*	*0.00*
Total injury rate	15.59	16.10	10.57

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2021	2020	2019
Rate based on recordable and high-consequence injuries	0.21	0.11	0.51

[17] 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.
[18] Only if transport has been organised by the organisation and the transfers have taken place within working hours.
[19] 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[20] (absence < 6 months) - excluding fatalities	7	0	1
of which injuries while travelling to/from work[21]	0	0	0
Accidents with serious consequences (absence > 6 months) - excluding fatalities	0	1	0
of which injuries while travelling to/from work	0	0	0
Deaths as a result of injuries	0	0	0
of which injuries while travelling to/from work	0	0	0
Days lost due to injury	76	198	32
Total injuries - including fatalities	7	1	1
of which injuries while travelling to/from work	0	0	0

INJURY RATE (number of injuries x 1,000,000/hours worked)	2021	2020	2019
Recordable injury rate	*15.21*	*0.00*	*11.64*
High- consequence injury rate	*0.00*	*4.96*	*0.00*
Fatality rate as a result of injuries	*0.00*	*0.00*	*0.00*
Total injury rate	15.21	4.96	11.64

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2021	2020	2019
Rate based on recordable and high-consequence injuries	0.17	0.98	0.37

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.

[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.

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 (VPB) 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[22]
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.

[22] 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 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.

(t)	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 SOURCES[23]

		2021 Consumption	2020 Consumption	2019 Consumption
Electricity	MWh	44,129	35,378	28,576
from renewable sources	*MWh*	*4,853*	*158*	*50*
from non-renewable sources	*MWh*	*39,276*	*35,220*	*28,526*
Natural gas	m^3x1,000	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.

WATER

(m^3)	2021	2020	2019
from waterworks	**69,109**	**50,682**	**56,409**
of which freshwater	69,109	50,682	56,409
of which other water	0	0	0
from well	**30,630**	**27,675**	**35,516**
of which freshwater	30,630	27,675	35,516
of which other water	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 m^3 were collected.

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

WASTE

Trimmings 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 below[24].

	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 [25]	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
Packaging waste	Plastic	68	0.6	58	0.6
	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

[24] Data does not include the Polish branch of C.M.I..
[25] Includes landfill disposal.

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. 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 do Brasil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l. and in the companies of the C.M.I. Group, steel is used as the main raw material for the production of hinges, and is subjected to a series of mechanical processing and assembly that do not involve any significant emissions.
- In A.R.C. s.r.l., professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf China carries out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Okida, the production activity generates negligible emissions.

The efficiency level of the 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.

CO_2 EMISSIONS[26]		2021	2020	2019
Scope 1 (direct emissions)	tCO_{2eq}	11,493	9,409	7,793
from refrigerant gases	tCO_{2eq}	*231*	*162*	*59*
from fuel consumption	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 NOX and SOX into the atmosphere; however, these emissions are not significant. Sabaf does not currently contain any substances that damage the atmospheric ozone layer, with the exception of the refrigerant used in some air conditioners, 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.

[26] 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 expenditure[27].

This analysis revealed 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.

[27] 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.

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 companies[28].

	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.

[28] The 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 COUNTRY[29]

TAXES – 2021 COUNTRY-BY-COUNTRY REPORTING

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	MEXICO	POLAND[30]	*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 (A)	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*

[29] The names and main activities carried out by Group companies are listed in the paragraph "Corporate Governance, Risk Management and Compliance" of this document.
[30] 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

(€/000)	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 (A)	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 S.p.A.	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.

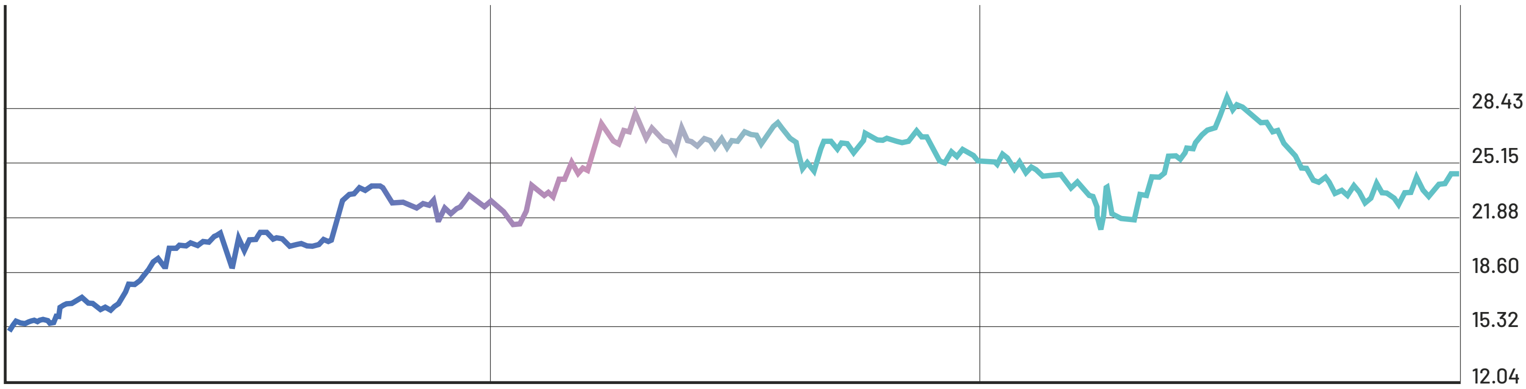
The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, also severally. During 2021, the company participated in the Star Conferences in March and October and Sustainability Week in July, events that were held in virtual format due to the health emergency.

REMUNERATION OF SHAREHOLDERS AND SHARE PERFORMANCE

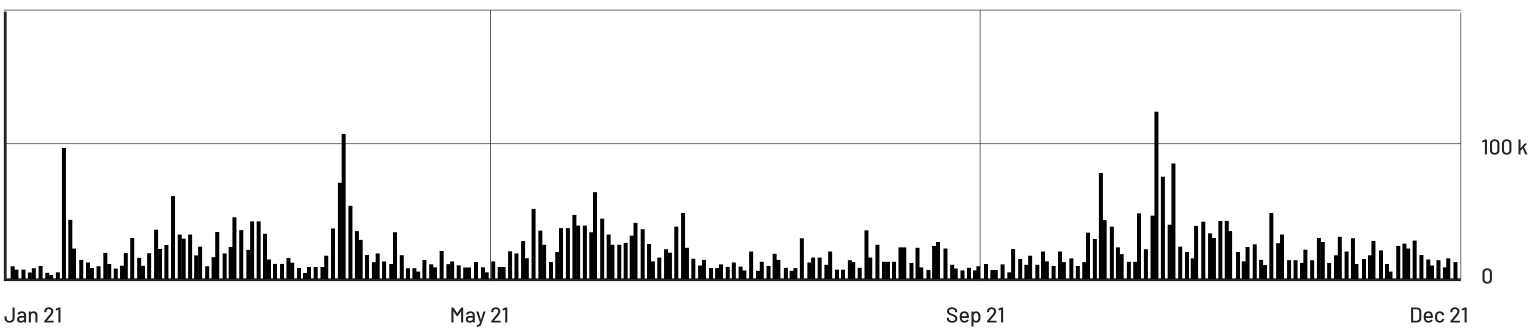
In 2021, the Sabaf share recorded the highest official price on 1 November (€28.523) and lowest on 5 January (€15.102). The average volume traded was 19,581 shares per day, equal to an average value of €461,570 (€121,764 in 2020).

2021 PERFORMANCE OF SABAF SHARES (PRICE AND VOLUMES TRADED)

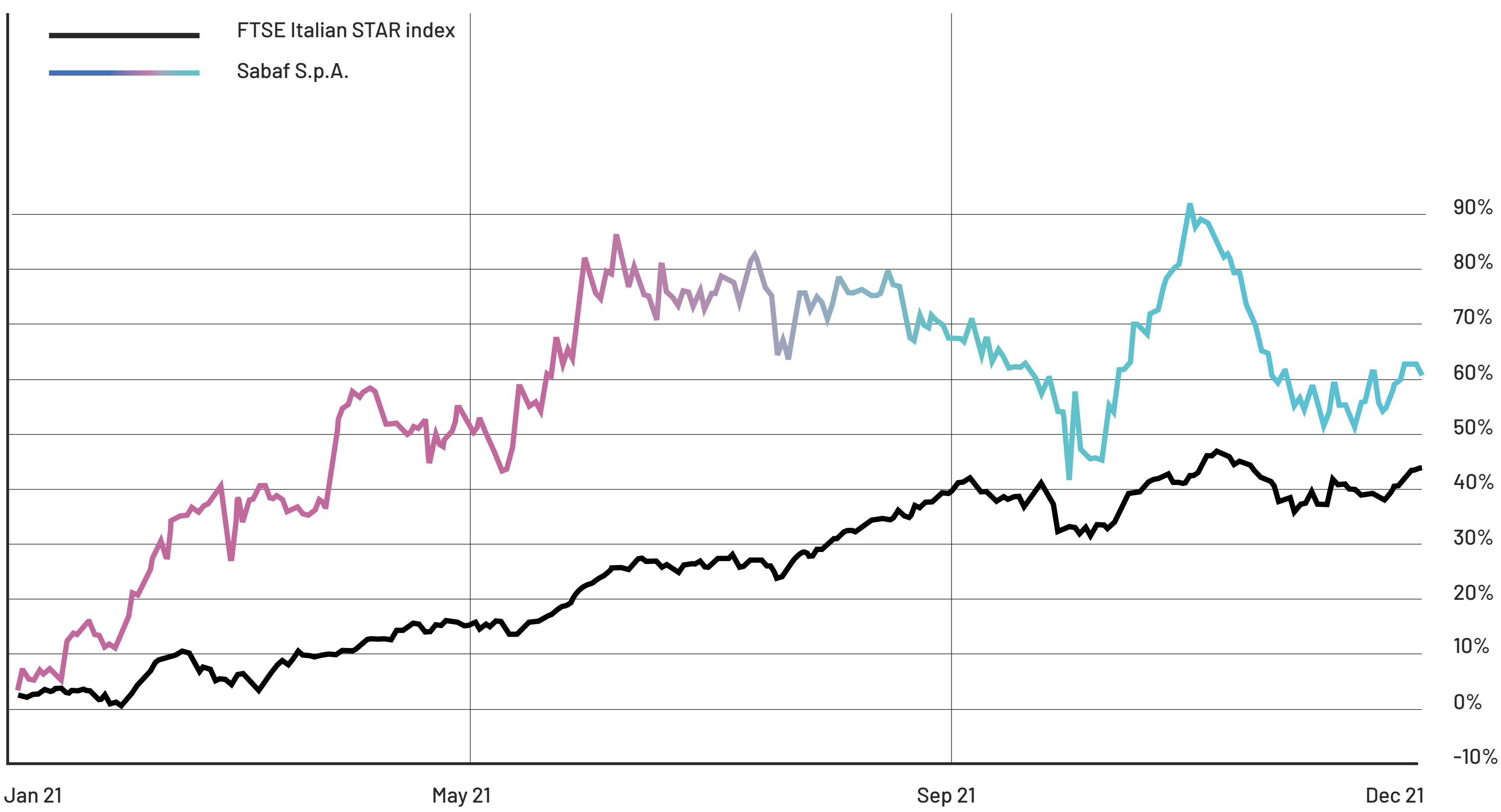
PRICE



VOLUMES



SABAF VS. FTSE ITALIAN 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	●	●	●	●
Copreci (Spain)	●			●
EGO (Germany, Italy)	●	●		●
Robertshaw (USA)	●	●		
Somipress (Italy)		●		
Nuova Star (Italy)			●	

2019 and 2020 economic data of the main Italian competitors[31]

	2020			2019		
(€/000)	SALES	EBIT	NET RESULT	SALES	EBIT	NET RESULT
SABAF GROUP	**184,906**	**20,093**	**13,961**	**155,923**	**11,896**	**9,915**
E.G.O. Italy	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.

[31] 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 objectives[32], 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 performance[33].

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.

[32] 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.
[33] 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
GRI 101: Foundation 2016				
General disclosures				
GRI 102: General disclosures 2016	**Organisational profile**			
	102-1	Name of the organisation	Front cover	
	102-2	Activities, brands, products, and services	pp. 21-23	
	102-3	Location of headquarters	Via dei Carpini, 1 25035 OSPITALETTO (Brescia) Italy	
	102-4	Location of operations	pp. 22-25	
	102-5	Ownership and legal form	pp. 48-50; 105	
	102-6	Markets served	pp. 22-25	
	102-7	Scale of the organisation	pp. 13-25	
	102-8	Information on employees and other workers	pp. 72-75	
	102-9	Supply chain	pp. 99-100	
	102-10	Significant changes to the organization and its supply chain	p. 30	
	102-11	Precautionary Principle or approach	pp. 41; 61-62	
	102-12	External initiatives	pp. 33; 43-44	
	102-13	Membership of associations	p. 104	
	Strategy			
	102-14	Statement from senior decision-maker (Chairman and CEO)	pp. 31-32	
	Ethics and integrity			
	102-16	Values, principles, standards and norms of behaviour	pp. 33-35	
	Governance			
	102-18	Governance structure	pp. 48-60	
	102-22	Composition of the highest governance body and its committees	pp. 50-55	
	Stakeholder engagement			
	102-40	List of stakeholder groups	p. 42	
	102-41	Collective bargaining agreements	pp. 82-84	
	102-42	Identifying and selecting stakeholders	p. 42	
	102-43	Approach to stakeholder engagement	p. 42	
	102-44	Key topics and concerns raised	p. 42	
	Reporting practice			
	102-45	Entities included in the consolidated financial statements	p. 30	
	102-46	Defining report content and topic Boundaries	pp. 30; 45	
	102-47	List of material topics	pp. 45-47	
	102-48	Restatements of information	pp. 30; 84; 86	
	102-49	Changes in reporting	pp. 30; 45	
	102-50	Reporting period	p. 30	
	102-51	Date of most recent report	Year 2020	
	102-52	Reporting cycle	p. 30	
	102-53	Contact point for questions regarding the report	Tel: +39 0306843001 Fax: +39 0306848249 E-mail: info@sabaf.it	
	102-54	Claims of reporting in accordance with the GRI Standards	p. 30	
	102-55	GRI Content Index	pp. 111-114	
	102-56	External assurance	pp. 115-117	

GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
Material topics				
GRI 200 Economic Standard Series				
	Economic performance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62	
	103-3	Evaluation of the management approach	pp. 61-62	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	p. 40	
	Market presence			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 70-71; 82-84	
	103-3	Evaluation of the management approach	pp. 61-62; 70-71; 82-84	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 84	
	Anti-corruption			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62	
	103-3	Evaluation of the management approach	pp. 61-62	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	p. 66	
	Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 108-109	
	103-3	Evaluation of the management approach	pp. 61-62; 108-109	
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	p. 109	
	Tax			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 101-103	
	103-3	Evaluation of the management approach	pp. 61-62; 101-103	
GRI 207: Tax 2019	207-1	Approach to tax	p. 101	
	207-2	Tax governance, control and risk management	p. 101	
	207-3	Stakeholder engagement and management of concerns related to tax	p. 101	
	207-4	Country-by-Country Reporting	pp. 102-103	

GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
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	Materials			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 90-92	
	103-3	Evaluation of the management approach	pp. 61-62; 90-92	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	p. 92	
	Energy			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 90-91; 93	
	103-3	Evaluation of the management approach	pp. 61-62; 90-91; 93	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	p. 93	
	302-3	Energy intensity	p. 93	
	Emissions			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 90-91; 95	
	103-3	Evaluation of the management approach	pp. 61-62; 90-91; 95	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	p. 95	
	305-2	Energy indirect (Scope 2) GHG emissions	p. 95	
	Waste			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 90-91; 94-95	
	103-3	Evaluation of the management approach	pp. 61-62; 90-91; 94-95	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	pp. 94-95	
	306-2	Management of significant waste-related impacts	pp. 94-95	
	306-3	Waste generated	pp. 94-95	
	Environmental compliance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 90-91; 95	
	103-3	Evaluation of the management approach	pp. 61-62; 90-91; 95	
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	p. 95	
GRI 400 Series				
	Employment			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 70-71; 76-79	
	103-3	Evaluation of the management approach	pp. 61-62; 70-71; 76-79	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	pp. 76-79	
	Industrial relations			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 70-71; 88-89	
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GRI 402: Labor/Management relations 2016	402-1	Minimum notice periods regarding operational changes	pag. 88	
	Health and safety			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 85-88	
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GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
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	403-3	Occupational health services	pp. 85-88	
	403-4	Worker participation, consultation, and communication on occupational health and safety	pp. 85-88	
	403-5	Worker training on occupational health and safety	pp. 85-88	
	403-6	Promotion of worker health	pp. 85-88	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 85-88	
	403-9	Work-related injuries	pag. 86-87	
	Training and education			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 70-71; 80	
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GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	p. 80	
	Diversity and equal opportunities			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 51; 61-62; 70-71; 81	
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GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	pp. 52-58; 81	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
	103-2	The management approach and its components	pp. 61-62; 70-71	
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GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	p. 71	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
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GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	p. 98	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 45-47	
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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:
    - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
    - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
    - 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

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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.

3

REDUCE CONSUMPTION.

INCREASE ACTIONS.

CONTRIBUTE TO THE ENERGY TRANSITION.

SABAF

REPORT ON OPERATIONS

BUSINESS AND FINANCIAL SITUATION OF THE GROUP

(€/000)	2021	%	2020	%	2021-2020 Change	% Change
Sales revenue	263,259	100%	184,906	100%	78,353	+42.4%
EBITDA	54,140	20.6%	37,097	20.1%	17,043	+45.9%
EBIT	37,508	14.2%	20,093	10.9%	17,415	+86.7%
Pre-tax profit	29,680	11.3%	14,509	7.8%	15,171	+104.6%
Profit attributable to the Group	23,903	9.1%	13,961	7.6%	9,942	+71.2%
Basic earnings per share (€)	2.132		1.240		0.892	+71.9%
Diluted earnings per share (€)	2.132		1.240		0.892	+71.9%

The Sabaf Group ended the 2021 financial year with a record high revenue of €263 million, up 42.4% from €184.9 million in 2020.

The Group is successfully pursuing ahead of schedule the organic growth strategy outlined in the 2021-2023 Business Plan, which focuses on strengthening technical and commercial relations with some of the major global players, increasing internationalisation and exploiting synergies with the most recently acquired companies.

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. In a highly dynamic environment, the Sabaf Group was able to react promptly and always guarantee the continuity and reliability of supplies to customers.

Average sales prices in 2021 were 3% higher than in 2020, largely offsetting considerable increases in the purchase prices of the main raw materials (aluminium alloys, steel and brass), electricity and gas.

Higher volumes and a high level of capacity utilisation further improved profitability: EBITDA was €54.1 million (20.6% of turnover), up 45.9% compared to €37.1 million last year (20.1% of turnover) and EBIT was €37.5 million (14.2% of turnover) with an 86.7% increase compared to €20.1 million in 2020. The net profit for 2021 was €23.9 million, up by 71.2% compared to the figure of €14 million in 2020.

The subdivision of sales revenues by product line is shown in the table below:

(€/000)	2021	%	2020	%	% Change
Gas parts	182,468	69.3%	129,834	70.2%	+40.5%
Hinges	58,375	22.3%	41,326	22.3%	+41.3%
Electronic components	22,416	7.4%	13,746	7.4%	+63.1%
Total	**263,259**	**100%**	**184,906**	**100%**	**+42.4%**

In 2021, the increase in sales of electronic components was also particularly significant, continuing to benefit from cross-selling with the traditional products in the Group's portfolio and from the strong drive to develop new components.

The geographical breakdown of revenues is shown below:

(€/000)	2021	%	2020	%	% Change
Europe (excluding Turkey)	92,935	35.3%	69,618	37.7%	+33.5%
Turkey	65,526	24.9%	44,806	24.2%	+46.2%
North America	30,472	11.6%	22,700	12.3%	+34.2%
South America	39,589	15.0%	27,639	14.9%	+43.2%
Africa and Middle East	19,614	7.5%	12,177	6.6%	+61.1%
Asia and Oceania	15,123	5.7%	7,966	4.3%	+89.8%
Total	**263,259**	**100%**	**184,906**	**100%**	**+42.4%**

The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence of our Group.

The impact of labour cost on sales decreased from 23.6% in 2020 to 20.5% in 2021.

Net finance expense as a percentage of turnover was extremely minimal, also in view of the low interest rates. During the year, the Group recognised in the income statement negative forex differences of €7.4 million, mainly due to fluctuations in exchange rates with the Turkish lira (€4.8 million of negative forex differences were recognised in 2020).

In 2021, the Group recognised positive income taxes of €5 million with a tax rate of 16.8%. The main impacts on the tax rate are shown in Note 32 to the consolidated financial statements.

The Group's statement of financial position, reclassified based on financial criteria, is illustrated below[1]:

(€/000)	**31.12.2021**	**31.12.2020**
Non-current assets	*130,093*	*131,543*
Short-term assets[2]	141,494	108,246
Short-term liabilities[3]	(72,863)	(56,017)
Working capital[4]	*68,631*	*52,229*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(8,681)*	*(9,643)*
Net invested capital	**190,043**	**174,129**
Short-term net financial position	18,897	(24,169)
Medium/long-term net financial position	(86,504)	(32,153)
Net financial debt	**(67,607)**	**(56,322)**
Shareholders' equity	**122,436**	**117,807**

Cash flows for the financial year are summarised in the table below:

(€/000)	**2021**	**2020**
Opening liquidity	***13,318***	***18,687***
Operating cash flow	*23,216*	*25,067*
Cash flow from investments	*(23,752)*	*(17,296)*
Free cash flow	(536)	7,771
Cash flow from financing activities	41,233	(8,133)
Acquisitions	(6,296)	(3,063)
Foreign exchange differences	(4,070)	(1,944)
Cash flow for the period	**30,331**	**(5,369)**
Closing liquidity	***43,649***	***13,318***

In 2021, the Group generated an operating cash flow of €23.2 million (€25.1 million in 2020). The higher levels of activity and the increase in the price of materials led to an increase in working capital, which stood at €68.6 million at 31 December 2021, compared to €52.2 million at the end of 2020: moreover, its impact on turnover decreased to 26.1% compared to 28.2% in 2020.

In 2021, the Sabaf Group made net organic investments of €23.8 million (€17.3 million in 2020). During the period, key investments were made:

- in Turkey, where the production capacity of the Electronics Division was doubled and production lines for gas valves and hinges for dishwashers were set up;
- in India, where the production of gas components (valves and burners) is about to start;
- in Mexico, where work began on the construction of a new plant in San Luis de Potosí.

During the financial year, the Group paid dividends for €6.2 million, no treasury shares were purchased.

[1] Net financial debt and liquidity shown in the tables below are defined in compliance with the net financial position detailed in Note 22 of the consolidated financial statements, as required by CONSOB memorandum of 28 July 2006.
[2] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
[3] Sum of Trade payables, Tax payables and Other liabilities.
[4] Difference between short-term assets and short-term liabilities.

At 31 December 2021, the net financial debt was €67.6 million, compared with €56.3 million on 31 December 2020. The change in net financial debt during the year is summarised in the table below:

Net financial debt at 31 December 2020	***(56,322)***
Free cash flow	(536)
Dividends paid out	(6,172)
Buy-back of shares	-
Put options on minority interests – outlay lower than the recognised financial liabilities	438
Financial liabilities IFRS 16 - new contracts entered into in 2021	(954)
Change in fair value of derivative financial instruments	(83)
Change in the scope of consolidation	97
Foreign exchange differences and other changes	(4,075)
Net financial debt at 31 December 2021	***(67,607)***

At 31 December 2021, shareholders' equity amounted to €122.4 thousand; the ratio between the net financial debt and the shareholders' equity was 0.55 versus 0.48 in 2020.

ECONOMIC AND FINANCIAL INDICATORS

	2021		2020	
		pro forma[5]		pro forma[5]
Change in turnover	+42.4%	+42.3%	+18.6%	+8.4%
ROCE (return on capital employed)	19.7%		11.5%	
Net debt/EBITDA	1.25		1.52	
Net debt/equity ratio	55%		48%	
Market capitalisation (31/12)/equity ratio	2.26		1.49	

Please refer to the introductory part of the Annual Report for a detailed examination of other key performance indicators.

RISK FACTORS

RISKS RELATED TO CORONAVIRUS PANDEMIC

In 2021, the coronavirus pandemic continued to directly and indirectly affect the company's activities. Since the outbreak of the pandemic, the Group Sabaf has promptly implemented several counteracting and mitigating actions to minimise the impact on the business. Although the most critical phase of the pandemic now seems to be over, all controls continue to be activated, and any elements that may change the following risk factors are constantly monitored:

- risks related to the health of people;
- the risk arising from possible local or national new lockdowns, with the consequent impossibility of guaranteeing the continuity of the company's activities;
- the risk arising from a temporary reduction in personnel availability;
- risks related to supplier reliability and possible interruptions in the supply chain;
- risks related to violent fluctuations in demand and failure to comply with contractual agreements with customers.

RISKS RELATED TO THE CONFLICT BETWEEN RUSSIA AND UKRAINE

In relation to the recent conflict between Ukraine and Russia, note that the Group has an insignificant direct exposure to the markets of Russia, Belarus and Ukraine. However, these are markets supplied by some of the Sabaf Group's customers, who are exposed to varying degrees in terms of market access and changes in consumer behaviour.The outbreak of the conflict immediately led to severe tensions in the prices of electricity, gas and raw materials used by the Group. Should the situation not be resolved rapidly, these factors could significantly affect demand and, more generally, the performance of the sector in which the Group operates, especially in Europe.The repercussions on the macroeconomic system are not quantifiable in that they are related to future developments of the conflict, which are currently unpredictable.

As part of its periodic risk assessment process, the Group identified and assessed the following main risks.

[5] The change in pro-forma turnover is calculated on a like-for-like basis.

RISKS OF EXTERNAL CONTEXT

Risks deriving from the external context in which Sabaf operates, which could have a negative impact on the economic and financial sustainability of the business in the medium/long-term. The most significant risks in this category are related to general economic conditions, trend in demand and product competition.

STRATEGIC RISKS

Strategic risks that could negatively impact Sabaf's medium-term performance, including, for example, risks related to low profitability of certain product lines, the risks arising from the mismatch between market needs and product innovation and the loss of business opportunities in the Chinese market.

OPERATIONAL RISKS

Risks of suffering losses due to inadequate or malfunctioning processes, human resources and information systems. This category includes financial risks (e.g. losses deriving from the volatility of the price of raw materials and from fluctuations in exchange rates), risks related to production processes (e.g. product liability, saturation level of production capacity), organisational risks (e.g. loss of key staff and expertise and/or the difficulty of replacing them) and Information Technology risks.

LEGAL AND COMPLIANCE RISKS

Risks related to Sabaf's contractual liabilities and compliance with the regulations applicable to the Group, including: Legislative Decree 231/2001, Law 262/2005, HSE regulations, regulations applicable to listed companies, tax regulations, labour regulations, international trade regulations and intellectual property regulations.

The main risks are described in detail below as well as the relevant risk management actions that are currently being implemented.

Performance of the sector

The Group's financial position, results and cash flows are affected by several factors related to the performance of the sector, including:

- general macro-economic performance: the household appliance market is affected by macro-economic factors such as gross domestic product, consumer and business confidence, interest rate trend, the cost of raw materials, the unemployment rate and the ease of access to credit;
- concentration of the end markets: as a result of mergers and acquisitions, customers have acquired bargaining power;
- stagnation of demand in mature markets (i.e. Europe) in favour of growth in emerging Countries, characterised by different sales conditions and a more unstable macro-economic environment;
- increasing competition, which in some cases imposes aggressive pricing policies.

To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors;
- development of new products characterised by superior performance compared with market standards, and tailored to the needs of the customer;
- strengthening of business relations with the main players in the sector;
- diversification of commercial investments in growing and emerging markets with local commercial and productive investments;
- entry into new segments/business sectors.

Instability of Emerging countries in which the Group operates

The Group is exposed to risks related to (political, economic, tax, regulatory) instability in some emerging countries where it produces or sells. Any embargoes or major political or economic instability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed could negatively affect a portion of Group turnover and the related profitability.

Sabaf has taken the following measures to mitigate the above risk factors:

- diversifying investments at international level, setting different strategic priorities that, in addition to business opportunities, also consider the different associated risk profiles;
- monitoring of the economic and social performance of the target countries, also through a local network of agents and collaborators;
- timely assessment of (potential) impacts of any business interruption on the markets of Emerging countries;
- adoption of contractual sales conditions that protect the Group (e.g. insuring business loans or advance payments).

The presence of Sabaf in Turkey, the country that represents the main production hub of household appliances at European level, is of particular importance: over the years, local industry attracted heavy foreign investments and favoured the growth of important manufacturers. In this context, the Sabaf Group created a production plant in Turkey in 2012 that realises today 10% of total production. In 2018, the Group also acquired 100% of Okida Elektronik, a leader in Turkey in the design, manufacture and sale of electronic control boards for household appliances. In 2021 the Group opened a new plant in Turkey. In 2021, Turkey represented 18% of the Group's production and 25% of its total sales. The Turkish market is estimated to represent around 5% of the final destination of Sabaf components. In consideration of the strategic importance of this Country, the management assessed the risks that could arise from any difficulties/impossibilities of operating in Turkey and envisaged actions to mitigate this risk.

Product competition

The Sabaf Group is mainly active in the production of gas cooking components (valves and burners); therefore, there is the risk of not correctly assessing the threats and opportunities deriving from the competition of alternative products (such as electric cooking), with the consequence of not adequately making use of any market opportunities and/or suffering from negative impacts on margins and turnover.In recent years, the Group carried out strategic operations aimed at reducing the dependence of its business on the gas cooking sector, concluding significant acquisitions of companies operating in related sectors.

The Group has recently undertaken a strategic development plan to extend its product range, setting up a dedicated project team in Italy. Research and development also benefits from the expertise derived from the acquisition of Okida, a Turkish leader in electronic components.

Loss of business opportunities in the Chinese market

With a production of over 20 million hobs per year, China is one of the world's most important markets. After many years of commercial presence only, in 2015 Sabaf started a small production unit, which still does not guarantee an adequate economic return.

The Group is reviewing its strategy for approaching the Chinese market and intends to:
- implement shortly a plan suitable for using growth opportunities offered by the local market;
- continue to develop product lines in accordance with the needs of the Chinese market and in compliance with local regulations;
- adopt and maintain a quality-price mix in line with the expectations of potential local customers.

Financial risks

The Sabaf Group is exposed to a series of financial risks, due to:
- Commodity price volatility: a significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2021, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins.
- Increase in energy costs: some of the Group's production processes, such as the die-casting of aluminium parts and the enamelling of burner covers, use gas as an energy source. Other production facilities absorb significant electricity consumption. The increase in energy costs can significantly affect margins. In order to mitigate this risk, the Group is constantly evaluating possible actions to contain energy consumption, including by improving the efficiency of the most energy-intensive plants.
- Exchange rate fluctuation: the Group carries out transactions primarily in euro; however, transactions also take place in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi. In particular, since turnover in US dollars accounted for 18.6% of consolidated turnover, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets in which sales are made in that currency (mainly South and North America). Moreover, the net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position.
- Trade receivable: the high concentration of turnover on a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of any one of them.

For more information on financial risks and the related management methods, see Note 36 of the consolidated financial statements as regards disclosure for the purposes of IFRS 7.

RESEARCH AND DEVELOPMENT

In 2021, the Sabaf Group set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet the needs of manufacturers of household appliances and new consumer trends.

The most innovative projects in 2021 include the development and prototyping of burners capable of operating with 100% hydrogen (replacing methane), both in domestic cooking appliances and for the professional sector. In this context, the Sabaf Group is participating as a strategic supplier in the Hy4Heat project, funded by BEIS (Department for Business, Energy & Industrial Strategy), the UK Department for Business, Energy and Industrial Strategy. 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 other most important research and development projects carried out in 2021 were as follows:

Gas parts
- the study for a 4 kW multi-cone burner, based on the existing platform, was launched;
- burners for the US market and new customised burners were developed;
- two special versions of mini triple ring burners were developed for the South American market;
- a new snap-in catenary was developed and industrialised;
- premium flame taps were developed for kitchens.

Hinges
- the development of motorised hinges for built-in ovens continued;
- new hinge platforms for dishwashers were developed for strategic customers;
- a new hidden hinge for oven doors (in standard and dual soft versions) was designed for the global platform of a major customer;
- a soft-close hinge for top-loading washing machines was industrialised.

Electronic components
- a control platform for gas cookers with a touch interface was developed;
- controls were developed for glass ceramic cooking with class B certification;
- a timer platform compatible with North American market regulations was developed.

The improvement in production processes continued throughout the Group, also in order to minimise set-up times and make production more flexible. The Group also develops and manufactures its own machinery, equipment and moulds.

Development costs to the tune of €1,770,000 were capitalised, as all the conditions set by international accounting standards were met; in other cases, they were charged to the income statement.

DISCLOSURE OF NON-FINANCIAL INFORMATION

Starting from 2017, the Sabaf Group publishes the consolidated disclosure of non-financial information required by Legislative Decree no. 254/2016 in a report separate from this Report on Operations. The disclosure of non-financial information provides all the information needed to ensure understanding of the Group's activities, performance, results and impact, with particular reference to environmental, social and personnel issues, respect for human rights and the fight against active and passive corruption, which are relevant considering the Group's activities and characteristics.
The disclosure of non-financial information is included in the same file in which the report on operations, the consolidated financial statements, the separate financial statements of the parent company Sabaf S.p.A. and the remuneration report are published.
It should be noted that since 2005, the Sabaf Group has drawn up an Annual Report on its economic, social and environmental sustainability performance.

PERSONNEL

In 2021, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injuries to staff for which the Group was definitively held responsible, nor was it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.
For all other information, please refer to the Disclosure of non-financial information.

ENVIRONMENT

In 2021 there was no:

- damage caused to the environment for which the Group was held definitively responsible;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

For all other information, please refer to the Disclosure of non-financial information.

CORPORATE GOVERNANCE

For a complete description of the corporate governance system of the Sabaf Group, see the report on corporate governance and on the ownership structure, available in the Investor Relations section of the Group website.

INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The internal control system on financial reporting is described in detail in the report on corporate governance and on ownership structure.
With reference to the "conditions for listing shares of parent companies set up and regulated by the law of states not belonging to the European Union" pursuant to articles 36 and 39 of the Market Regulations, the Company and its subsidiaries have administrative and accounting systems that can provide the public with the accounting situations prepared for drafting the consolidated report of the companies that fall within the scope of this regulation and can regularly supply management and the auditors of the Parent Company with the data necessary for drafting the consolidated financial statements. The Sabaf Group has also set up an effective information flow to the independent auditor as well as continuous information on the composition of the corporate bodies of the subsidiaries, together with information on the offices held, and requires the systematic and centralised gathering as well as regular updates of the formal documents relating to the articles of association and granting of powers to corporate bodies. The conditions exist as required by article 36, letters a), b) and c) of the Market Regulations issued by CONSOB.

MODEL 231

The Organisation, Management and Control Model, adopted pursuant to Legislative Decree 231/2001, is described in the report on company governance and on the ownership structure, which should be reviewed for reference.

PERSONAL DATA PROTECTION

Sabaf S.p.A. has an Organisational Model for the management and protection of personal data consistent with the provisions of European Regulation 2016/679 (General Data Protection Regulation - GDPR). Specific projects are implemented or are being implemented for all Group companies for which the GDPR is applicable.

DERIVATIVE FINANCIAL INSTRUMENTS

For the comments on this item, please see Note 36 of the consolidated financial statements.

ATYPICAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or atypical transactions in 2021.

MANAGEMENT AND COORDINATION

Sabaf S.p.A. is not subject to management and coordination by other companies. Sabaf S.p.A. exercises management and coordination activities over its Italian subsidiaries, Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l. and C.G.D. s.r.l..

INTRA-GROUP TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

The relationships between the Group companies, including those with the parent company, are regulated under market conditions, as well as the relationships with related parties, defined in accordance with the accounting standard IAS 24. The details of intra-group transactions and other related-party transactions are given in Note 37 of the consolidated financial statements and in Note 35 of the separate financial statements of Sabaf S.p.A..

BUSINESS OUTLOOK

In the first weeks of 2022, demand remained strong in many of the Group's major markets and sales order flow was good. This trend is expected to continue in the coming months, also supported by the gradual increase in supplies related to new orders. For the whole of 2022, the Sabaf Group expects to achieve revenues ranging from €275 to €280 million, up by 5%-6% on 2021.

The Group acted promptly to counteract the effects of the increases in energy and raw materials: further increases in sales prices were negotiated and actions were taken to contain energy consumption, also by increasing the efficiency of the most energy-consuming plants. Strategies to mitigate currency risk were also defined. In this way, the Group believes it will be able to maintain excellent profitability in line with historical averages.

These assumptions do not take into account the potential impacts of the recent conflict between Ukraine and Russia, which are currently not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined. Although the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand.

BUSINESS AND FINANCIAL SITUATION OF SABAF S.P.A.

(€/000)	2021	2020	Change	% Change
Sales revenue	144,034	102,583	41,451	+40.4%
EBITDA	23,078	15,820	7,258	+45.9%
EBIT	13,837	6,610	7,227	+109.3%
Pre-tax profit (EBT)	14,227	6,304	7,923	+125.7%
Net Profit	10,044	6,410	3,634	+56.7%

The reclassification based on financial criteria is illustrated below:

(€/000)	31.12.2021	31.12.2020
Non-current assets[6]	*142,549*	*123,679*
Non-current financial assets	*10,708*	*5,537*
Short-term assets[7]	82,572	69,738
Short-term liabilities[8]	(46,453)	(36,520)
Working capital[9]	*36,119*	*33,218*
Provisions for risks and charges, Post-employment benefits, deferred taxes	*(2,954)*	*(3,013)*
Net invested capital	**186,422**	**159,421**
Short-term net financial position	10,502	(22,602)
Medium/long-term net financial position	(82,515)	(26,891)
Total financial debt[10]	**(72,013)**	**(49,493)**
Shareholders' equity	**114,409**	**109,928**

[6] Excluding Financial assets.
[7] Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
[8] Sum of Trade payables, Tax payables and Other liabilities.
[9] Difference between short-term assets and short-term liabilities.
[10] Determined in accordance with Consob Communication of 28 July 2006 (Note 22 of the separate financial statements).

Cash flows for the financial year are summarised in the table below:

(€/000)	2021	2020
Opening liquidity	***1,595***	***8,343***
Operating cash flow	*17,187*	*9,590*
Cash flow from investments	*(28,407)*	*(13,381)*
Free cash flow	(11,220)	(3,791)
Cash flow from financing activities	39,358	(2,957)
Cash flow for the period	**28,138**	**(6,748)**
Closing liquidity	***29,733***	***1,595***

The 2021 financial year ended with a turnover 40.4% higher than in 2020, thanks to a very strong demand, increased portions on certain strategic customers and increases in sales prices.
The investments of the financial year were mainly used:

- for €9.1 million for tangible assets (plant, machinery, equipment);
- for €12.9 million to subscribe to capital increases in subsidiaries, in order to financially support their development plans;
- for increasing the shareholdings in subsidiaries by €6.4 million.

At 31 December 2021, working capital stood at €36.1 million compared with €33.2 million at the end of the previous year: its percentage impact on turnover stood at 25.1% from 32.4% at the end of 2020. The net financial debt was €72 million, compared with €49.5 million at 31 December 2020. At the end of the year, shareholders' equity amounted to €114.4 million, compared with €109.9 million in 2020. The ratio between the net financial debt and the shareholders' equity was 63%; it was 45% at the end of 2020.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD

Pursuant to the CONSOB memorandum of 28 July 2006, a reconciliation statement of the result of the 2021 financial year and Group shareholders' equity at 31 December 2021 with the same values of the parent company Sabaf S.p.A. is given below:

	31.12.2021		31.12.2020	
Description	**Profit for the year**	**Shareholders' equity**	**Profit for the year**	**Shareholders' equity**
Profit and shareholders' equity of parent company Sabaf S.p.A.	**10,044**	**114,409**	**6,410**	**109,928**
Equity and consolidated company results	15,008	96,538	8,734	90,566
Derecognition of the carrying value of consolidated equity investments	300	(86,089)	620	(73,816)
Put options on minorities	438	0	456	(6,831)
Intercompany eliminations	(1,250)	(2,414)	(1,758)	(1,778)
Other adjustments	143	(8)	(103)	(262)
Minority interests	(780)	(911)	(398)	(4,809)
Profit and shareholders' equity attributable to the Group	**23,903**	**121,525**	**13,961**	**112,998**

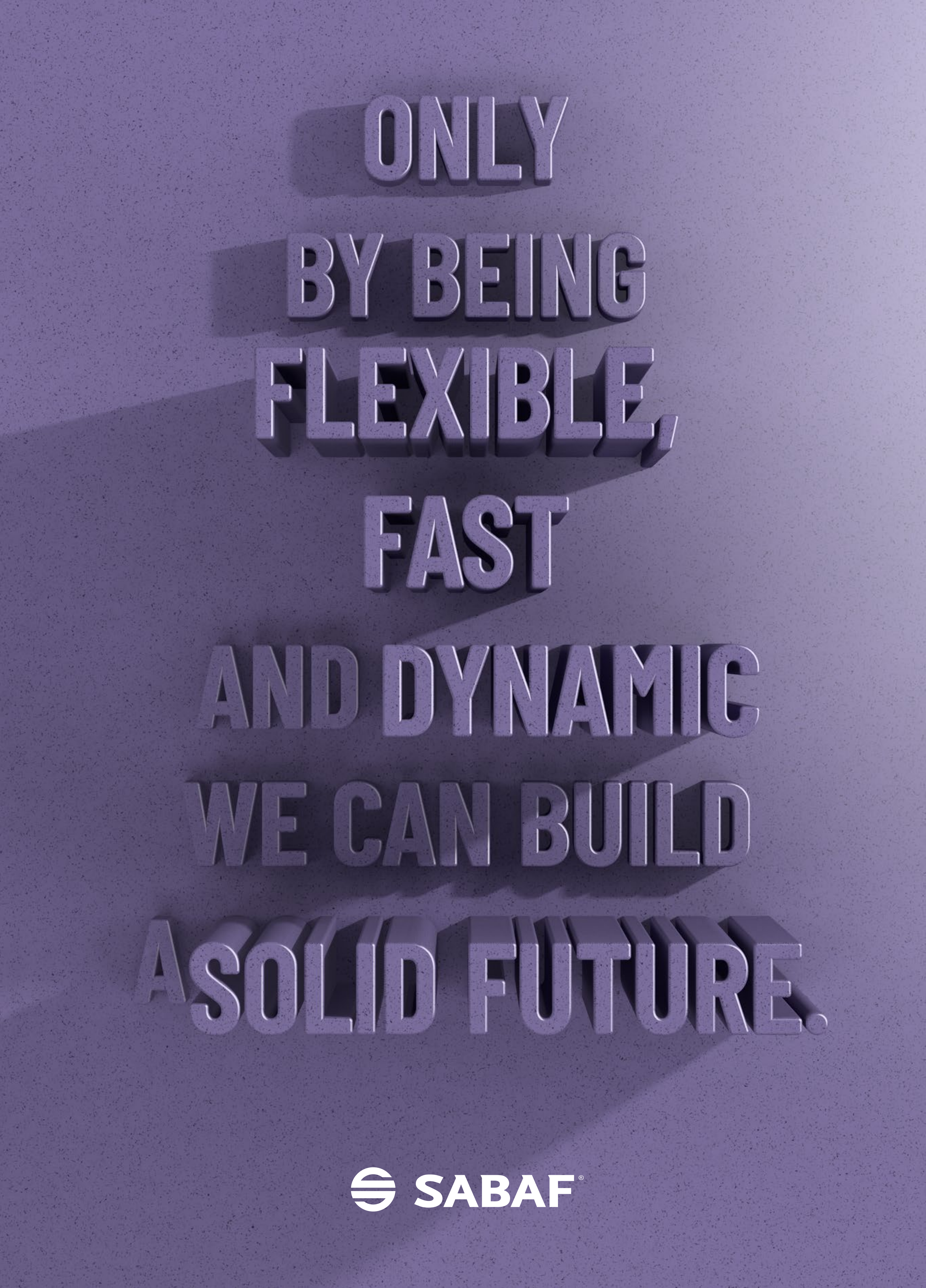
Proposal for allocation of 2021 profit

As we thank our employees, the Board of Statutory Auditors, the independent auditors and the Supervisory Authorities for their effective collaboration, we ask the shareholders to approve the financial statements for the year ended 31 December 2021, with the proposal to allocate the profit for the year of €10,043,877 in the following manner:

- a dividend of €0.60 per share to be paid to shareholders as from 1 June 2022 (ex-date 30 May 2022 and record date 31 May 2022). With regard to treasury shares, we ask you to allocate an amount corresponding to the dividend on the shares held in portfolio on the ex-date to the Extraordinary Reserve;
- the remainder to the Extraordinary Reserve.

Ospitaletto, 22 March 2022

The Board of Directors


ONLY
BY BEING
FLEXIBLE,
FAST
AND DYNAMIC
WE CAN BUILD
A SOLID FUTURE.
SABAF

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

Group Structure and corporate bodies

GROUP STRUCTURE

Parent company: SABAF S.p.A.

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis

Faringosi Hinges s.r.l.
100%

Sabaf do Brasil Ltda.
100%

Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
100%

Sabaf Appliance Components (Kunshan) Co., Ltd.
100%

Okida Elektronik Sanayi ve Ticaret A.S.
100%

Sabaf US Corp.
100%

A.R.C. s.r.l.
100%

Handan A.R.C. Burners Co., Ltd.
51%

Sabaf India Private Limited
100%

Sabaf Mexico Appliance Components S.A. de c.v.
100%

C.M.I. s.r.l.
100%

C.G.D. s.r.l.
100%

Honorary Chairman	Giuseppe Saleri

Board of Directors

Chairman	Claudio Bulgarelli
Vice Chairman*	Nicla Picchi
Chief Executive Officer	Pietro Iotti
Director	Gianluca Beschi
Director	Alessandro Potestà
Director	Cinzia Saleri
Director*	Carlo Scarpa
Director*	Daniela Toscani
Director*	Stefania Triva

* independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)	Notes	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	82,407	76,507
Investment property	**2**	2,311	3,253
Intangible assets	**3**	35,553	43,017
Equity investments	**4**	83	173
Non-current receivables	**5**	1,100	518
Deferred tax assets	**21**	8,639	8,075
TOTAL NON-CURRENT ASSETS		**130,093**	**131,543**
CURRENT ASSETS			
Inventories	**6**	64,153	39,224
Trade receivables	**7**	68,040	63,436
Tax receivables	**8**	6,165	2,419
Other current receivables	**9**	3,136	3,167
Current financial assets	**10**	1,172	1,495
Cash and cash equivalents	**11**	43,649	13,318
TOTAL CURRENT ASSETS		**186,315**	**123,059**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**316,408**	**254,602**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533	11,533
Retained earnings, Other reserves	**13**	86,089	87,504
Profit for the year		23,903	13,961
Total equity interest of the Group		*121,525*	*112,998*
Minority interests		*911*	*4,809*
TOTAL SHAREHOLDERS' EQUITY		**122,436**	**117,807**
NON-CURRENT LIABILITIES			
Loans	**14**	86,504	32,153
Post-employment benefit and retirement provisions	**16**	3,408	3,513
Provisions for risks and charges	**17**	1,334	1,433
Deferred tax liabilities	**21**	3,939	4,697
Total non-current liabilities		**95,185**	**41,796**
CURRENT LIABILITIES			
Loans	**14**	24,405	30,493
Other financial liabilities	**15**	1,519	8,489
Trade payables	**18**	54,837	41,773
Tax payables	**19**	4,951	3,287
Other payables	**20**	13,075	10,957
TOTAL CURRENT LIABILITIES		**98,787**	**94,999**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**316,408**	**254,602**

CONSOLIDATED INCOME STATEMENT

(€/000)	Notes	2021	2020
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	263,259	184,906
Other income	**24**	8,661	7,194
TOTAL OPERATING REVENUE AND INCOME		**271,920**	**192,100**
OPERATING COSTS			
Materials	**25**	(142,355)	(82,966)
Change in inventories		29,922	6,406
Services	**26**	(52,377)	(34,264)
Personnel costs	**27**	(53,964)	(43,700)
Other operating costs	**28**	(1,531)	(1,981)
Costs for capitalised in-house work		2,525	1,502
TOTAL OPERATING COSTS		**(217,780)**	**(155,003)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**54,140**	**37,097**
Depreciations and amortisation	**1, 2, 3**	(16,869)	(16,968)
Capital gains on disposals of non-current assets		237	105
Value adjustments of non-current assets		0	(141)
EBIT		**37,508**	**20,093**
Financial income	**29**	750	1,366
Financial expenses	**30**	(1,179)	(2,146)
Exchange rate gains and losses	**31**	(7,399)	(4,812)
Profits and losses from equity investments	**4**	0	8
PROFIT BEFORE TAXES		**29,680**	**14,509**
Income taxes	**32**	(4,997)	(149)
PROFIT FOR THE YEAR		**24,683**	**14,360**
of which:			
Minority interests		780	399
PROFIT ATTRIBUTABLE TO THE GROUP		**23,903**	**13,961**
EARNINGS PER SHARE (EPS)	**33**		
Base (€)		**2.132**	**1.240**
Diluted (€)		**2.132**	**1.240**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/000)	2021	2020
PROFIT FOR THE YEAR	**24,683**	**14,360**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	26	16
Tax effect	(6)	(3)
	20	**13**
Total profits/losses that will be subsequently reclassified under profit (loss) for the year		
Forex differences due to translation of financial statements in foreign currencies	(14,552)	(12,564)
Hedge accounting for derivative financial instruments	(398)	0
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(14,930)**	**(12,551)**

TOTAL PROFIT	**9,753**	**1,809**
of which:		
Net profit for the period attributable to minority interests	780	399
Total profits/losses that will be subsequently reclassified under profit (loss) for the year	0	8
TOTAL PROFIT ATTRIBUTABLE TO MINORITY INTERESTS	**780**	**407**
TOTAL PROFIT ATTRIBUTABLE TO THE GROUP	**8,973**	**1,402**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
Balance at 31 December 2019	**11,533**	**10,002**	**2,307**	**(2,268)**	**(18,939)**	**(546)**	**102,024**	**9,915**	**114,028**	**7,077**	**121,105**
Allocation of 2019 profit											
- carried forward							9,915	(9,915)	0		0
IFRS 2 measurement Stock Grant plan							658		658		658
Hedge accounting for derivatives							240		240	7	247
Purchase of treasury shares				(2,073)					(2,073)		(2,073)
Change in the scope of consolidation							2,657		2,657	(2,657)	0
Dividends paid out							(3,924)		(3,924)		(3,924)
Other changes							10		10	(25)	(15)
Total profit at 31 December 2020					(12,564)	5		13,961	1,402	407	1,809
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(31,503)**	**(541)**	**111,580**	**13,961**	**112,998**	**4,809**	**117,807**
Allocation of 2020 profit											
- carried forward							7,789	(7,789)	0		0
- dividends paid out								(6,172)	(6,172)		(6,172)
IFRS 2 measurement Stock Grant plan							805		805		805
Treasury share transactions				438			(438)		0		0
Change in the scope of consolidation							4,909		4,909	(4,678)	231
Other changes							12		12		12
Total profit at 31 December 2021					(14,552)	20	(398)	23,903	8,973	780	9,753
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,903)**	**(46,055)**	**(521)**	**124,259**	**23,903**	**121,525**	**911**	**122,436**

CONSOLIDATED STATEMENT OF CASH FLOWS

(€/000)	2021	2020
Cash and cash equivalents at beginning of year	***13,318***	***18,687***
Profit for the year	24,683	14,360
Adjustments for:		
- Depreciations and amortisation	16,869	16,968
- Write-downs of non-current assets	0	141
- Realised gains/losses	(237)	(105)
- Valuation of the Stock Grant plan	805	658
- Profits and losses from equity investments	0	(8)
- Net financial income and expenses	429	780
- Income tax	4,997	149
Change in post-employment benefit	(85)	(180)
Change in risk provisions	(99)	438
Change in trade receivables	*(4,604)*	*(16,507)*
Change in inventories	*(24,929)*	*(3,881)*
Change in trade payables	*13,064*	*14,213*
Change in net working capital	(16,469)	(6,175)
Change in other receivables and payables, deferred taxes	(1,515)	2,115
Payment of taxes	(5,296)	(2,999)
Payment of financial expenses	(1,167)	(1,235)
Collection of financial income	301	160
Cash flows from operations	**23,216**	**25,067**
Investments in non-current assets		
- intangible	(2,106)	(1,097)
- tangible	(22,803)	(16,623)
- financial	0	(50)
Disposal of non-current assets	1,157	474
Cash flow absorbed by investments	**(23,752)**	**(17,296)**
Free cash flow	**(536)**	**7,771**
Repayment of loans	(47,381)	(18,413)
Raising of loans	94,726	16,216
Short-term financial assets	60	60
Purchase/sale of treasury shares	0	(2,073)
Payment of dividends	(6,172)	(3,924)
Cash flow absorbed by financing activities	**41,233**	**(8,133)**
A.R.C. acquisition	(1,650)	0
C.M.I. acquisition	(4,743)	(3,063)
A.R.C. Handan consolidation	97	0
Foreign exchange differences	(4,070)	(1,944)
Net cash flows for the year	**30,331**	**(5,369)**
Cash and cash equivalents at end of year (Note 10 and 11)	***43,649***	***13,318***

Explanatory Notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The consolidated financial statements of the Sabaf Group for the 2021 financial year have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with consolidated financial statements for the previous year, prepared according to the same standards. They consist of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and these explanatory notes. The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. The Group assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1 and by Art. 2423-*bis* of the Italian Civil Code), also due to the strong competitive position, high profitability and solidity of the financial structure.

FINANCIAL STATEMENTS

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of the financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit (loss) for the year as required or permitted by IFRS;
- a statement of cash flows that presents cash flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Group's operating results, financial position and cash flows.

SCOPE OF CONSOLIDATION

The scope of consolidation at 31 December 2021 comprises the parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:

- Faringosi Hinges s.r.l.
- Sabaf do Brasil Ltda.
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.
- Handan A.R.C. Burners Co. Ltd
- Okida Elektronik Sanayi ve Ticaret A.S.
- Sabaf U.S.
- Sabaf India Private Limited
- Sabaf Mexico Appliance Components S.A. de c.v.
- C.M.I. s.r.l.
- C.G.D. s.r.l.

Compared to the consolidated financial statements at 31 December 2020, the companies Sabaf Mexico Appliance Components, in which Sabaf S.p.A. made a capital contribution of €3,128 thousand during 2021, and Handan A.R.C. Burners Co. Ltd, a company indirectly held through A.R.C. s.r.l. and previously measured at equity, in which the Group acquired control of 51% during 2021 following the purchase of an additional 30% of the share capital of A.R.C. as described in the following paragraph, are consolidated on a line-by-line basis.

In October 2021, Sabaf S.p.A. completed the acquisition of 30% of the capital of A.R.C. s.r.l., in execution of the agreement signed between the parties in 2016, when Sabaf had acquired the 70% of A.R.C. As a result of this transaction Sabaf now holds 100% of A.R.C.
In November 2021, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l. by the minority shareholder Starfire s.r.l. (Guandong Xingye Investment Group). Sabaf S.p.A. had acquired 68.5% of C.M.I. in July 2019 and a further 15.75% stake in September 2020. As a result of this transaction Sabaf now holds 100% of C.M.I..
On 31 December 2021, the merger through incorporation of C.M.I. Polska Sp. Z.o.o. into C.M.I. s.r.l. became effective. This transaction did not affect the scope of consolidation or other elements of these consolidated financial statements.

The companies in which Sabaf S.p.A. simultaneously possess the following three elements are considered subsidiaries: (a) power over the company; (b) exposure or rights to variable returns resulting from involvement therein; (c) ability to affect the size of these returns by exercising power. Subsidiaries are consolidated from the date on which control begins until the date on which control ceases.

CONSOLIDATION CRITERIA

The data used for consolidation have been taken from the income statements and statements of financial position prepared by the directors of the individual subsidiary companies. These figures have been appropriately amended and restated, when necessary, to align them with international accounting standards and with uniform group-wide classification criteria.

The criteria applied for consolidation are as follows:

a. assets and liabilities, income and costs in financial statements consolidated on a line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. Moreover, the carrying value of equity interests is derecognised against the shareholders' equity relating to investee companies;

b. positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, since 1 January 2004, the Group has not amortised goodwill and instead subjects it to impairment testing;
c. payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are derecognised;
d. the portion of shareholders' equity and net profit for the period pertaining to minority shareholders is posted in specific items of the balance sheet and income statement.

CONVERSION INTO EURO OF FOREIGN-CURRENCY INCOME STATEMENTS AND STATEMENTS OF FINANCIAL POSITION

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, the financial statement of each foreign entity is expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements. Balance sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates. Income statement items are converted at average exchange rates for the year. Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.

The exchange rates used for conversion into euro of the financial statements of the foreign subsidiaries, prepared in local currency, are shown in the following table:

Description of currency	Exchange rate in effect at 31.12.2021	Average exchange rate 2021	Exchange rate in effect at 31.12.2020	Average exchange rate 2020
Brazilian real	6.3101	6.3778	6.3735	5.8929
Turkish lira	15.233	10.510	9.1131	8.0548
Chinese renminbi	7.1947	7.6271	8.0225	7.8664
Polish Zloty	4.5969	4.5651	4.5597	4.4431
Indian Rupee	84.229	87.439	89.660	84.638
Mexican peso	23.143	23.985	-	-

SEGMENT REPORTING

The Group's operating segments in accordance with IFRS 8 - Operating Segment are identified in the business segments that generate revenue and costs, whose results are periodically reassessed by top management in order to assess performance and decisions regarding resource allocation. The Group operating segments are the following:
- gas parts (household and professional);
- hinges;
- electronic components for household appliances.

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the consolidated financial statements at 31 December 2021, unchanged versus the previous year, are shown below.

Property, plant and equipment

These are recognised at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers. Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Buildings	33
Light constructions	10
General plant	10
Specific plant and machinery	6-10
Equipment	4-10
Furniture	8
Electronic equipment	5
Vehicles and other transport means	4-5

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Leased assets

The Group assesses at the time of signing an agreement whether it is, or contains, a lease, or if the contract gives the right to control the use of an identified asset for a period of time in exchange for a consideration.
The Group adopts a single recognition and measurement model for all leases according to which the assets acquired relating to the right of use are shown under assets at purchase value less depreciation, any impairment losses and adjusted for any re-measurement of lease liabilities.

Assets are depreciated on a straight-line basis from the starting date of the agreement until the end of the useful life of the asset or the end of the lease agreement, whichever comes first. Set against recognition of such assets, the amounts payable to the lessor, are posted among short- and medium-/long-term payables, by measuring them at the present value of the lease payments not yet made. Moreover, financial charges pertaining to the period are charged to the income statement.

Adoption of the accounting standard IFRS 16 "Leases"
The Group applied IFRS 16 from 1 January 2019 by using the amended retrospective approach. When evaluating the lease liabilities, the Group discounted the payments due for the lease using the incremental borrowing rate, the weighted average of which was 3.86% on 31 December 2021 and 2.52% on 31 December 2020. The rate was defined taking also account of the currency in which the lease agreements are denominated and the country in which the leased asset is located.

The lease term is calculated based on the non-cancellable period of the lease, including the periods covered by the option to extend or to terminate the lease if it is reasonably certain that those options will be exercised or not exercised, taking account of all relevant factors that create an economic incentive relating to those decisions.

Goodwill
Goodwill is the difference between the purchase price and fair value of investee companies' identifiable assets and liabilities on the date of acquisition.
As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date.
Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.
After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment (impairment test).

Equity investments in associates and joint ventures
An associated company is a company on which the Group exercises significant influence. Significant influence is the power to participate in determining the financial and operational policies of the associated company without having control or joint control over it. A joint venture is a joint control agreement in which the parties holding the joint control have rights on the net assets of the agreement.
The Group's equity investment in associates and joint ventures is measured using the equity method: the equity investment is initially entered at cost, subsequently, the carrying value of the equity investment is increased or decreased to reflect the investor's share of the investee's profits and losses realised after the acquisition date. Goodwill pertaining to the associated company or joint venture is included at the carrying value of the equity investment and is not subject to individual assessment of impairment.

Other intangible assets
As established by IAS 38, other intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.
Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Customer relationship	15
Brand	15
Patents	9
Know how	7
Development costs	10
Software	3-5

Impairment
At each end of reporting period, the Group reviews the carrying value of its tangible and intangible assets to determine whether there are signs of impairment losses of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable amount individually, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.
In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Board of Directors of the consolidated companies, draws up the forecasts for the coming years and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or of the cash-generating unit) - with the exception of goodwill - is increased to the new value resulting from the estimate of its recoverable amount, but not beyond the net

carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Investment property

As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment. The depreciation criterion applied is the asset's estimated useful life, which is considered to be 33 years. If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Equity investments and non-current receivables

Equity investments in companies other than subsidiaries, associates and joint ventures are classified as financial assets measured at fair value, which normally corresponds to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recognised through profit or loss (FVPL) or, if the option is exercised in accordance with the standard, in Other comprehensive income (FVOCI) under the heading "Instrument reserve at FVOCI".

Non-current receivables are stated at their presumed realisable value.

Inventories

Inventories are measured at the lower of purchase or production cost – determined using the weighted average cost method – and the corresponding fair value represented by the replacement cost for purchased materials and by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are derecognised in subsequent years if the reasons for such write-downs cease to exist.

Trade receivables and other financial assets

Initial recognition

Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value through profit or loss. The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Group uses to manage them. Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the "Revenue from Contracts with Customers" paragraph.

Other financial assets are recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of principal to be repaid (known as "solely payments of principal and interest (SPPI)"). This measurement is referred to as the SPPI test and is carried out at the instrument level.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial assets at amortised cost (debt instruments)

This category is the most important for the Group. The Group measures the financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows and
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued. Financial assets at amortised cost of the Group include trade receivables.

Financial assets at fair value through profit or loss

This category includes all assets held for trading, assets designated at initial recognition as financial assets measured at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, separated or otherwise, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value are recognised in the income statement. This category includes derivative instruments.

The Group does not hold financial assets at fair value recognised in other comprehensive income with reclassification of cumulative gains and losses or financial assets recognised in other comprehensive income without reversal of cumulative gains and losses upon derecognition.

Derecognition

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is firstly written off (e.g. removed from the statement of financial position of the Group) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Group transferred to a third party the right to receive financial flows from the asset or has taken on the contractual obligation to pay them fully and without delay and (a) transferred substantially all the risks and benefits of the ownership of the financial asset or (b) did not substantially transfer or retain all the risks and benefits of the asset, but transferred their control.

If the Group has transferred the rights to receive cash flows from an asset or has signed an agreement on the basis of which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it considers whether or to what extent it has retained the risks and benefits concerning the ownership. If it has not substantially transferred or retained all the risks and benefits or has not lost control over it, the asset continued to be recognised in the financial statements of the Group to the extent of its residual involvement in the asset itself. In this case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the rights and obligations that pertain to the Group. When the residual involvement of the entity is a guarantee in the transferred asset, the involvement is measured based on the amount of the asset or the maximum amount of the consideration received that the entity could be obliged to pay, whichever lower.

Provisions for risks and charges

Provisions for risks and charges are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by updating future cash flows estimated at a rate including taxes such as to reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit

The post-employment benefit is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulations of this fund were amended by Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains or losses are recognised immediately under "Other total profits/(losses)".

Trade payables and other financial liabilities

Initial recognition

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables.

The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value, with changes recognised in the income statement. Liabilities held for trading are those liabilities acquired in order to discharge or transfer them in the short term. This category also includes derivative financial instruments subscribed by the Company and not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

Loans and payables

This is the most important category for the Company and includes interest-bearing payables and loans. After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method. Gains and losses are recognised in the income statement when the liability is discharged, as well as through the amortisation process. Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses in the income statement.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.

At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to planned future transactions.

Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.

Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.

For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.

Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur. Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.

Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue from contracts with customers

The Group is engaged in the supply of components for household appliances (mainly gas parts, such as valves and burners, hinges and electronic components).

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for the goods. The control of the goods passes to the customer according to the terms of return defined with the customer. The usual extended payment terms range from 30 to 120 days from shipment; the Group believes that the price does not include significant financing components.

The guarantees provided for in the contracts with customers are of a general nature and not extended and are accounted for in accordance with IAS 37.

Financial income

Finance income includes interest receivable on funds invested and income from financial instruments, when not offset as part of hedging transactions. Interest income is recognised in the income statement at the time of vesting, taking effective output into consideration.

Financial expenses

Financial expenses include interest payable on financial debt calculated using the effective interest method and bank expenses. All the other financial expenses are recognised as costs for the year in which they are incurred.

Income taxes for the year

Income taxes include all taxes calculated on the Group's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and its book value in the consolidated financial statements, with the exception of goodwill that is not tax-deductible and of differences stemming from investments in subsidiaries for which cancellation is not envisaged in the foreseeable future. Deferred tax assets on unused tax losses and tax credits carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable, according to the respective regulations of the countries where the Group operates, in the years when temporary differences will be realised or settled.

Dividends
Dividends are posted on an accrual basis when the right to receive them materialises, i.e. when shareholders approve dividend distribution.

Treasury shares
Treasury shares are booked as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Equity-settled transactions
Some Group employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 38.
This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 27) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.
Service or performance conditions are not taken into account when defining the fair value of the plan at the assignment date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan that does not involve a service obligation is not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.
No cost is recognised for rights that do not vest in that the performance and/or service conditions are not met. When the rights include a market condition or a non-vesting condition, these are treated as if they had vested regardless of whether the market conditions or other non-vesting conditions to which they are subject are met or not, it being understood that all other performance and/or service conditions must be met.
If the conditions of the plan are changed, the minimum cost to be recognised is the fair value at the assignment date in the absence of the change in the plan itself, on the assumption that the original conditions of the plan are met. Moreover, a cost is recognised for each change that results in an increase in total fair value of the payment plan, or that is in any case favourable for employees; this cost is measured with reference to the date of change. When a plan is cancelled, any remaining element of the plan's fair value is immediately expensed to the income statement.

Earnings per share
Basic EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of shares outstanding, adjusted to take into account the effects of all potential ordinary shares with a dilutive effect.

Use of estimates
Preparation of the financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosures on contingent assets and liabilities as of the end of the reporting period. Actual results might differ from these estimates. Estimates are used to measure tangible and intangible assets subject to impairment testing, as described earlier, as well as to measure provisions for bad debts, for inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, and other provisions. Specifically:

Recoverable amount of tangible and intangible assets
The procedure for determining impairment losses of tangible and intangible assets described in "Impairment" implies – in estimating the value of use – the use of the Business Plans of investees, which are based on a series of assumptions relating to future events and actions of the investees' management bodies, which may not necessarily come about. In estimating market value, however, assumptions are made on the expected trend in trading between third parties based on historical trends, which may not actually be repeated.

Provisions for bad debts
Receivables are adjusted by the related bad debt provision to take into account their recoverable amount. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical payment trends.

Provisions for inventory obsolescence
Inventories subject to obsolescence and slow turnover are systematically valued, and written down if their recoverable amount is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits
The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions might have significant effects on liabilities for pension benefits.

Share-based payments

Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to feed into the valuation model, including assumptions about the exercise period of the options, volatility and dividend yield. The Group uses a binomial model for the initial measurement of the fair value of share-based payments with employees.

Income taxes

The Group is subject to different bodies of tax legislation on income. Determining liabilities for Group taxes requires the use of management valuations in relation to transactions whose tax implications are not certain at the end of the reporting period. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions

When estimating the risk of potential liabilities from disputes, the Directors rely on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Group in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

Climate change

With reference to the potential impact of climate change and energy transition on the Group's activities, the Management carries out targeted analyses to identify and manage the main risks and uncertainties to which the Group is exposed, adapting the corporate strategy accordingly. To date, these factors have not had a significant impact on the judgements and estimates used in preparing these Consolidated Financial Statements.

COVID-19 pandemic

Management has reviewed the Group's exposure to the effects of the COVID-19 pandemic and its impact on the Group's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the judgements and estimates used in preparing these Consolidated Financial Statements.

Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest rate benchmark reform

The Financial Stability Board released the report "Reforming Major Interest Rate Benchmarks" with recommendations to strengthen existing benchmark indexes, other potential interbank market-based benchmark rates and develop alternative near-risk-free benchmark rates. The European Parliament introduced a common framework to ensure the accuracy and integrity of these indexes.

Following this Regulation, the IASB published the Reform of benchmark indexes for determining interest rates in order to take into account the consequences of the reform on financial reporting and so that companies can continue to comply with the provisions assuming that the existing benchmark indexes are not changed as a result of the reform of interbank rates.

The amendments to the principles outlined provide a number of expedients, applicable to all hedging relationships directly affected by the interest rate benchmark reform, i.e., if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These changes had no impact on the Group's consolidated financial statements.

Amendment to IFRS16: Covid-19-Related Rent Concessions beyond 30 June 2021

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Group's consolidated financial statements.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Group at 31 December 2021

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. This principle does not apply to the Group.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

In January 2020, the IAS issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to postpone an expiry, that the right to postpone must exist at the end of the reporting period, that the classification is not affected by the likelihood that the entity will exercise its right to postpone, that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on classification. The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Group is assessing the impact the changes will have on the current situation.

Amendments to IFRS 3 “Business Combinations”

The amendments are intended to update a reference in IFRS 3 to the previous version of the IASB’s Conceptual Framework (1989 Framework) without affecting the requirements of the standard.

Amendments to IAS 16 “Property, Plant and Equipment”

The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement.

Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”

The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used for the performance of the contract).

Amendments to “Annual Improvements 2018-2020”

The amendments include amendments to the following principles:

- IFRS 1” First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter”: the amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent’s date of transition to IFRSs;
- IFRS 9 “Financial Instruments”: the amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability;
- IAS 41 “Agriculture”: the amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41;
- IFRS 16 “Leases”: amendments to illustrative example no. 13.

All amendments will enter into force on 1 January 2022. Following the adoption of these amendments, the directors do not expect a significant effect on the Group’s consolidated financial statements.

COMMENTS ON SIGNIFICANT BALANCE SHEET ITEMS

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
COST					
At 31 December 2019	**56,074**	**215,631**	**53,428**	**3,164**	**328,297**
Increases	1,591	7,658	4,190	4,508	17,947
Disposals	-	(1,451)	(218)	-	(1,669)
Change in the scope of consolidation	1,575	-	4	-	1,579
Reclassifications	(518)	1,709	277	(2,834)	(1,366)
Forex differences	(1,496)	(3,955)	(1,804)	(303)	(7,558)
At 31 December 2020	**57,226**	**219,592**	**55,877**	**4,535**	**337,230**
Increases	1,589	11,097	4,421	5,120	22,227
Disposals	(48)	(1,366)	(398)	(596)	(2,408)
Change in the scope of consolidation	942	83	-	1,531	2,556
Reclassifications	375	2,092	18	(3,480)	(995)
Forex differences	(654)	(3,201)	(1,089)	(474)	(5,418)
At 31 December 2021	**59,430**	**228,297**	**58,829**	**6,636**	**353,192**
ACCUMULATED DEPRECIATIONS					
At 31 December 2019	**22,779**	**183,664**	**45,969**	**-**	**252,412**
Depreciations for the year	2,321	8,696	2,909	-	13,926
Disposals	-	(1,422)	(81)	-	(1,503)
Reclassifications	(530)	184	(43)	-	(389)
Forex differences	(423)	(2,184)	(1,116)	-	(3,723)
At 31 December 2020	**24,147**	**188,938**	**47,638**	**-**	**260,723**
Depreciations for the year	2,367	8,457	3,290	-	14,114
Disposals	(14)	(1,462)	(319)	-	(1,795)
Reclassifications	-	(116)	3	-	(113)
Forex differences	(297)	(1,287)	(560)	-	(2,144)
At 31 December 2021	**26,203**	**194,530**	**50,052**	**-**	**270,785**
NET CARRYING VALUE					
At 31 December 2021	**33,227**	**33,767**	**8,777**	**6,636**	**82,407**
At 31 December 2020	**33,079**	**30,654**	**8,239**	**4,535**	**76,507**

The breakdown of the net carrying value of Property was as follows:

	31.12.2021	31.12.2020	Change
Land	8,613	7,675	938
Industrial buildings	24,614	25,404	(790)
Total	**33,227**	**33,079**	**148**

Changes in property, plant and equipment resulting from the application of IFRS 16 are shown below:

	Property	Plant and equipment	Other assets	Total
1 January 2021	**2,447**	**340**	**826**	**3,613**
Increases	414	104	681	1,199
Depreciations	(595)	(241)	(575)	(1,411)
Decreases	(47)	-	-	(47)
Foreign exchange differences	2	-	-	2
At 31 December 2021	**2,221**	**203**	**932**	**3,356**

The main investments of the financial year were allocated to:

- the increase in the production capacity of the Electronics Division, for which production started in a new plant in Manisa (Turkey);
- the increase in the production capacity of burners at the plants in Brazil and Turkey, also to support the increase in supplies under recent agreements with some strategic customers;
- the start of works for the construction of a new production site in San Luis de Potosi (Mexico), where the Group intends to start production by the end of 2022.

Decreases mainly relate to the disposal of machinery no longer in use. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

At 31 December 2021, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
At 31 December 2019	**11,836**
Increases	-
Disposals	(552)
At 31 December 2020	**11,284**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,177**

DEPRECIATIONS AND WRITE-DOWNS	
At 31 December 2019	**7,860**
Depreciations for the year	416
Write-downs for the year	-
Derecognition due to disposal	(245)
At 31 December 2020	**8,031**
Depreciations for the year	369
Write-downs for the year	-
Derecognition due to disposal	(534)
At 31 December 2021	**7,866**

NET CARRYING VALUE	
At 31 December 2021	**2,311**
At 31 December 2020	**3,253**

Changes in investment property resulting from the application of IFRS 16 are shown below:

INVESTMENT PROPERTY	
1 January 2021	**38**
Increases	-
Decreases	(35)
Depreciations	-
Foreign exchange differences	-
At 31 December 2021	**3**

The item Investment property includes non-operating buildings owned by the Group: these are mainly properties for residential use, held for rental or sale. Disposals during the period resulted in capital gains totalling €109 thousand.

At 31 December 2021, the Group found no other endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Goodwill	Patents and software	Development costs	Other intangible assets	Total
COST					
At 31 December 2019	**31,615**	**8,962**	**6,728**	**24,959**	**72,264**
Increases	-	547	465	85	1,097
Decreases	-	1	-	(1)	-
Change in the scope of consolidation	-	1	-	-	1
Reclassifications	-	33	(607)	(786)	(1,360)
Forex differences	(4,501)	(143)	-	(2,658)	(7,302)
At 31 December 2020	**27,114**	**9,401**	**6,586**	**21,599**	**64,700**
Increases	-	420	1,770	44	2,234
Decreases	-	(2)	-	(3)	(5)
Reclassifications	-	(70)	(58)	-	(128)
Forex differences	(4,978)	(164)	-	(2,939)	(8,081)
At 31 December 2021	**22,136**	**9,585**	**8,298**	**18,701**	**58,720**
AMORTISATION/WRITE-DOWNS					
At 31 December 2019	**4,546**	**8,179**	**4,338**	**3,533**	**20,596**
Amortisation for the year	-	480	431	1,723	2,634
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	(18)	(344)	(781)	(1,143)
Forex differences	-	(68)	-	(336)	(404)
At 31 December 2020	**4,546**	**8,573**	**4,425**	**4,139**	**21,683**
Amortisation for the year	-	419	375	1,553	2,347
Decreases	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-
Reclassifications	-	(93)	-	-	(93)
Forex differences	-	(112)	-	(658)	(770)
At 31 December 2021	**4,546**	**8,787**	**4,800**	**5,034**	**23,167**
NET CARRYING VALUE					
At 31 December 2021	**17,590**	**798**	**3,498**	**13,667**	**35,553**
At 31 December 2020	**22,568**	**828**	**2,161**	**17,460**	**43,017**

Goodwill

Goodwill recognised at 31 December 2021 is allocated:

- to the "Hinges" (CGU) cash generating units of €4.414 million;
- to the "Professional burners" CGU of €1.770 million;
- to the "Electronic components" CGU of €7.726 million;
- to the "C.M.I. hinges" CGU of €3.680 million.

The Group verifies the ability to recover goodwill at least once a year or more frequently if there are indications of impairment. Recoverable amount is determined through value of use, by discounting expected cash flows.

The management defined a single plan for each CGU (approved by the Board of Directors) that represents the normal and expected scenario, with reference to the period from 2022 to 2026, and which was used to develop the impairment tests. The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The recoverable amount of each CGU, determined on the basis of this plan, was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged.

Goodwill allocated to the Hinges CGU

In 2021, the Hinges CGU achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates.

At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 10.11% (8.62% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged from the 2020 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €15.497 million, compared with a carrying value of the assets allocated to the Hinges unit of €14.294 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	**Growth rate**				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.11%	16,750	17,163	17,605	18,079	18,590
9.61%	15,746	16,102	16,482	16,888	17,322
10.11%	14,858	15,168	15,497	15,847	16,220
10.61%	14,068	14,339	14,626	14,931	15,254
11.11%	13,359	13,598	13,851	14,117	14,400

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	15,497	13,567	11,638

It was found that under most of the assumptions presented above, which consider changes in the discount rate, growth rate and EBITDA, the recoverable amount of the CGU is higher than its carrying value.

Goodwill allocated to the Professional burners CGU

The Professional Burners CGU performed well during the 2021 financial year in terms of both turnover and profitability. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates and almost stable margins. At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its Professional burners CGU for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted at the beginning of 2022. Cash flows for the period from 2022 to 2026 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 6.93% (6.76% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged with respect to the 2020 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €19.071 million, compared with a carrying value of the assets allocated to the Professional burners unit of €5.131 million (including minority interests); consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	**Growth rate**				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.93%	21,726	22,879	24,179	25,655	27,347
6.43%	19,417	20,325	21,336	22,467	23,743
6.93%	17,535	18,266	19,071	19,962	20,954
7.43%	15,972	16,571	17,226	17,943	18,734
7.93%	14,654	15,152	15,693	16,281	16,923

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	19,071	16,634	14,197

Goodwill allocated to the Electronic components CGU

The Electronic Components CGU performed extremely well in 2021. At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Electronic components for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the fifth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 15.21% (14.18% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2.50%, unchanged from the 2020 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €51.556 million, compared with a carrying value of the assets allocated to the Electronic components unit of €18.705 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	**Growth rate**				
Discount rate	**2.00%**	**2.25%**	**2.50%**	**2.75%**	**3.00%**
14.21%	54,611	55,388	56,198	57,043	57,925
14.71%	52,345	53,049	53,781	54,544	55,340
15.21%	50,252	50,892	51,556	52,248	52,968
15.71%	48,314	48,897	49,502	50,131	50,784
16.21%	46,513	47,047	47,599	48,173	48,768

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	51,556	45,676	39,796

Goodwill allocated to the C.M.I. Hinges CGU

The Hinges C.M.I. CGU recognised a strong increase in turnover in 2021 compared to the previous year. The positive trend is expected to continue for the period from 2022 to 2026, which forecasts further sales at moderate growth rates.

At 31 December 2021, the Group tested - with the support of independent experts - the carrying value of its CGU Hinges C.M.I. for impairment, determining its recoverable amount, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the CGU is expected to generate from the third year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (wacc) of 11.31% (9.87% in the impairment test carried out while preparing the consolidated financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged with respect to the 2020 impairment test, considered by management to be the best estimate of the CGU's growth assumptions, considering the sector in which it operates and in line with the growth rate of other Italian CGUs.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €57.700 million, compared with a carrying value of the assets allocated to the C.M.I. Hinges unit of €29.313 million; consequently, the value recognised for goodwill at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	**Growth rate**				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
10.31%	62,424	63,900	65,465	67,128	68,896
10.81%	58,694	59,990	61,387	62,810	64,347
11.31%	55,349	56,494	57,700	58,974	60,319
11.81%	52,333	53,350	54,419	55,544	56,729
12.31%	49,600	50,508	51,460	52,459	53,509

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	*-10%*	*-20%*
(€/000)	57,700	52,378	43,693

Patents and software

Software investments are related to the extension of the application and corporate scope of the Group management system (SAP).

Development costs

In 2021, the Sabaf Group set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet manufacturers' needs and new consumer trends. This is a strategically important innovation that allows Sabaf to enter a fast-growing segment.

Development activities continued in the Gas Components, Hinges and Electronics divisions, which are described in the Report on Operations. Increases in development costs include projects in progress and therefore not subject to amortisation.

With regard to patents, software and development costs, no internal and external indicators that would necessitate an impairment test were identified.

Other intangible assets

The other intangible assets recognised in these consolidated financial statements mainly derive from the Purchase Price Allocation carried out following the acquisition of Okida Elektronik in September 2018, and of C.M.I. s.r.l., in July 2019.

The net carrying value of other intangible assets is broken down as follows:

	31.12.2021	**31.12.2020**	**Change**
Customer Relationship	6,301	8,775	(2,474)
Brand	3,877	4,459	(582)
Know-how	236	503	(267)
Patents	3,038	3,498	(460)
Other	215	225	(10)
Total	**13,667**	**17,460**	**(3,793)**

At 31 December 2021, the recoverability of the amount of other intangible assets was verified as part of the impairment test of the related goodwill described in the previous paragraph.

4. EQUITY INVESTMENTS

	31.12.2021	**31.12.2020**	**Change**
Handan A.R.C. Burners Co.	-	89	(89)
Other equity investments	83	84	(1)
Total	**83**	**173**	**(90)**

The investment in Handan A.R.C. Burners Co. Ltd., held through A.R.C. s.r.l. and previously measured using the equity method, is related to a Chinese joint venture set up with the aim to produce and market in China burners for professional cooking. During 2021, the Group's share increased from 35.7% to 51%, following the acquisition of an additional 30% of the share capital of A.R.C., therefore as from this financial year Handan A.R.C. Burners Co. Ltd is consolidated on a line-by-line basis.

Internal and external indicators that would necessitate an impairment test on equity investments were not identified.

5. NON-CURRENT RECEIVABLES

	31.12.2021	31.12.2020	Change
Tax receivables	985	392	593
Guarantee deposits	115	112	3
Other	-	14	(14)
Total	**1,100**	**518**	**582**

Tax receivables relate to indirect taxes expected to be recovered after 31 December 2022.

6. INVENTORIES

	31.12.2021	31.12.2020	Change
Raw Materials	26,771	16,859	9,912
Semi-processed goods	15,133	10,414	4,719
Finished products	25,646	15,056	10,590
Provision for inventory write-downs	(3,397)	(3,105)	(292)
Total	**64,153**	**39,224**	**24,929**

The value of final inventories at 31 December 2021 increased compared to the end of the previous year to meet the higher volumes of activity. Moreover, in addition to the inflationary effect of the significant increases in metal prices, the Group raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario. The provision for write-downs is mainly allocated for hedging the obsolescence risk. At the end of the financial year, the appropriation is adjusted based on specific analyses carried out on slow-moving and non-moving products.

The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2020	**3,105**
Provisions	696
Utilisation	(223)
Forex differences	(181)
31.12.2021	**3,397**

7. TRADE RECEIVABLES

	31.12.2021	31.12.2020	Change
Total trade receivables	69,139	64,525	4,614
Bad debt provision	(1,099)	(1,089)	(10)
Net total	**68,040**	**63,436**	**4,604**

Trade receivables at 31 December 2021 were higher than the balance at the end of 2020 subsequent to higher sales during the financial year. There were no significant changes in the payment terms agreed with customers.The amount of trade receivables recognised in the financial statements includes approximately €24.3 million in insured receivables (€23.9 million at 31 December 2020).

Receivables assigned to factors without recourse (€8.398 thousand at 31 December 2021, €9.204 thousand at 31 December 2020) are derecognised from the Statement of Financial Position in that the reference contract provides for the assignment of ownership of the receivables, together with ownership of the cash flows generated by the receivable, as well as of all risks and benefits, to the assignee.

The breakdown of trade receivables by past due period is shown below:

	31.12.2021	31.12.2020	Change
Current receivables (not past due)	60,358	58,143	2,215
Outstanding up to 30 days	4,132	3,278	854
Outstanding from 30 to 60 days	1,290	1,249	41
Outstanding from 60 to 90 days	794	438	356
Outstanding for more than 90 days	2,565	1,417	1,148
Total	**69,139**	**64,525**	**4,614**

The bad debt provision was adjusted to the better estimate of the credit risk and expected losses at the end of the reporting period, also carried out by analysing each expired item. Changes during the year were as follows:

31.12.2020	1,089
Provisions	100
Utilisation	(8)
Forex differences	(82)
31.12.2021	1,099

8. TAX RECEIVABLES

	31.12.2021	31.12.2020	Change
For income tax	1,395	1,179	216
For VAT and other sales taxes	4,751	1,195	3,556
Other tax credits	19	45	(26)
Total	**6,165**	**2,419**	**3,746**

At 31 December 2021, income tax receivables include:

- €801 thousand relating to the tax credit for investments in capital goods referred to in Law Decree 160/2019;
- €155 thousand relating to the tax credit for research and development referred to in Law Decree 160/2019;

The increase in receivables for VAT and other sales taxes is related to the strong growth in business volumes, which fully eroded the possibility of making tax-free purchases. The Group believes it will be able to recover this receivable in the first months of 2022.

9. OTHER CURRENT RECEIVABLES

	31.12.2021	31.12.2020	Change
Credits to be received from suppliers	1,267	669	598
Advances to suppliers	859	1,032	(173)
Accrued income and prepaid expenses	476	487	(11)
Other	534	979	(445)
Total	**3,136**	**3,167**	**(31)**

Credits to be received from suppliers mainly refer to bonuses paid to the Group for the attainment of purchasing objectives, which were achieved in 2021 to a greater extent than in the previous year.

10. FINANCIAL ASSETS

	31.12.2021		31.12.2020	
	Current	Non-current	Current	Non-current
Restricted bank accounts	1,172	-	1,233	-
Currency derivatives	-	-	262	-
Total	**1,172**	**0**	**1,495**	**0**

At 31 December 2021, a term deposit of €1,172 thousand, due by 2022, for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement (Note 15).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €43,649 thousand at 31 December 2021 (€13,318 thousand at 31 December 2020) consisted of bank current account balances of €43.2 million (€12.8 million at 31 December 2020) and investments in liquidity of €432 thousand (€516 thousand at 31 December 2020). Changes in the cash and cash equivalents are analysed in the statement cash flows.

12. SHARE CAPITAL

The parent company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year. At 31 December 2021, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	8,376,760	72.63%	-
Ordinary shares with increased vote	3,156,690	27.37%	Two voting rights per share
Total	***11,533,450***	***100%***	

With the exception of the right to increased vote, there are no rights, privileges or restrictions on the shares of the Parent Company. The availability of the Parent Company's reserves is indicated in the separate financial statements of Sabaf S.p.A..

13. TREASURY SHARES AND OTHER RESERVES

Treasury shares

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2021, 34,946 ordinary shares of Sabaf S.p.A. were allocated and transferred to the beneficiaries of Cluster 1, through the use of shares already available to the issuer. No other transactions on treasury shares were carried out during the year.

At 31 December 2021, the Parent company is the lawful owner of 311,802 treasury shares (2.703% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €12.52 (the closing stock market price of the Share at 31 December 2021 was €24.00). Further to what was reported in the Interim Management Statement at 31 December 2021 published on 10 February 2022, it is confirmed that Sabaf S.p.A. recovered the full availability of 311,802 treasury shares on 1 March 2022.

There were 11,221,648 outstanding shares at 31 December 2021 (11,186,702 at 31 December 2020).

Stock Grant reserve

The item "Retained earnings, other reserves" of €86,089 thousand included, at 31 December 2021, the Stock Grant reserve of €1,701 thousand, which included the measurement at 31 December 2021 of the fair value of rights assigned to receive shares of the Parent Company relating to the following medium- and long-term incentive plans for directors and employees of the Sabaf Group:

- 2018 - 2020 Stock Grant Plan, for rights related to Cluster 2 beneficiaries only;
- 2021 – 2023 Stock Grant Plan.

For details of the Stock Grant Plan, refer to Note 38.

Cash Flow Hedge reserve

The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Group applies hedge accounting.

Value at 31 December 2020	**247**
Change during the period	(398)
Value at 31 December 2021	**(151)**

The characteristics of the derivative financial instruments that gave rise to the Cash Flow Hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 36, in the paragraph Foreign exchange risk management.

14. LOANS

	31.12.2021			31.12.2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bond issue	-	29,649	29,649	-	-	-
Unsecured loans	19,044	53,913	72,957	15,801	28,647	44,448
Short-term bank loans	1,769	-	1,769	8,630	-	8,630
Advances on bank receipts or invoices	2,263	-	2,263	4,668	-	4,668
Leases	1,329	2,942	4,271	1,390	3,506	4,896
Interest payable	-	-	-	4	-	4
Total	**24,405**	**86,504**	**110,909**	**30,493**	**32,153**	**62,646**

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. The loan described has the following covenants, defined with reference to the consolidated financial statements at the end of each reporting period, widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3;
- commitment to maintain a ratio of EBITDA to net financial position of more than 4.

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.

Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2021 equal to €47.8 million);
- commitment to maintain a ratio of net financial debt to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2021 equal to €56.8 million).

Widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years.

All bank loans are denominated in euro, with the exception of a short-term loan of USD 2 million.

To manage interest rate risk, unsecured loans are either fixed-rate or hedged by IRS. These consolidated financial statements include the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €37.5 million and expiry until 31 December 2027. Financial expenses were recognised in the income statement with a balancing entry.

The following table shows the changes in lease liabilities during the year:

Lease liabilities at 31 December 2019	**4,528**
New agreements signed during 2020	1,706
Repayments during 2020	(1,400)
Forex differences	(64)
Lease liabilities at 31 December 2020	**4,896**
New agreements signed during 2021	954
Repayments during 2021	(1,581)
Forex differences	2
Lease liabilities at 31 December 2021	**4,271**

Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2021		**31.12.2020**	
	Current	**Non-current**	**Current**	**Non-current**
Option on A.R.C. minorities	-	-	1,581	-
Option on C.M.I. minorities	-	-	5,250	-
Payables to A.R.C. shareholders	-	-	60	-
Payables to C.M.I. shareholders	1,173	-	1,173	-
Derivative instruments on interest rates	190	-	425	-
Currency derivatives	156	-	-	-
Total	**1,519**	**-**	**8,489**	**-**

At 31 December 2020, financial liabilities were recognised for options on minorities amounting to €6,831 thousand and relating to the accounting, in accordance with IAS 32, of call/put options subscribed in the context of the acquisition of A.R.C. s.r.l. (carried out in June 2016) and C.M.I. s.r.l. (carried out in June 2019), i.e. options to purchase by Sabaf and to sell by the minority shareholders, for the remaining shares of the share capital at contractually defined strike prices on the basis of income and financial parameters reported by the subsidiaries.

At 31 December 2021, both options were exercised, in particular:

- in October 2021, Sabaf S.p.A. completed the purchase of 30% of the capital of A.R.C. s.r.l., from Loris Gasparini for a consideration of €1,650 thousand. The difference with respect to the value of the financial liability recognised at 31 December 2020 amounting to €69 thousand, in accordance with IAS 39, was allocated to financial expenses. As a result of the transaction, Sabaf S.p.A. now holds 100% of A.R.C. s.r.l.;

- in November 2021, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l., following the exercise of the second put option by the minority shareholder Starfire s.r.l. (Guandong Xingye Investment Group). The fee was €4,743 thousand. The difference with respect to the value of the financial liability recognised at 31 December 2020 amounting to €507 thousand, in accordance with IAS 39, was allocated to financial income. As a result of this transaction, Sabaf S.p.A. now holds 100% of C.M.I. s.r.l..

The payable to the C.M.I. of €1,173 thousand at 31 December 2021 is related to the part of the price still to be paid to the sellers, which was deposited on a non-interest-bearing restricted account and will be released in favour of the sellers in accordance with contractual agreements and guarantees issued by the sellers. Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 36 - Forex risk management.

At 31 December 2021, the Group has in place six interest rate swap (IRS) contracts for amounts and maturities coinciding with six unsecured loans that are being amortised, whose residual value at 31 December 2021 is €33,350 thousand. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items "Financial assets" or "Other financial liabilities".

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT PROVISIONS

	Post-employment benefit
At 31 December 2020	**3,513**
Provisions	220
Financial expenses	7
Payments made	(226)
Tax effect	20
Change in the scope of consolidation	-
Forex differences	(126)
At 31 December 2021	**3,408**

Following the revision of IAS 19 - Employee benefits, from 1 January 2013, all actuarial gains or losses are recognised immediately in the comprehensive income statement ("Other comprehensive income") under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions		
	31.12.2021	**31.12.2020**
Discount rate	0.40%	0.23%
Inflation	1.30%	1.00%

Demographic theory		
	31.12.2021	**31.12.2020**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	3% - 8%	3% - 6%
Advance payouts	2% - 4%	5% - 6% per year
Retirement age	Pursuant to legislation in force at 31 December 2021	Pursuant to legislation in force at 31 December 2020

17. PROVISIONS FOR RISKS AND CHARGES

	31.12.2020	Provisions	Utilisation	Exchange rate differences	31.12.2021
Provision for agents' indemnities	221	29	(1)	-	249
Product guarantee fund	60	-	-	-	60
Provision for legal risks	970	-	(550)	(4)	416
Other provisions for risks and charges	182	500	-	(73)	609
Total	**1,433**	**529**	**(551)**	**(77)**	**1,334**

The provision for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.

With regard to the provision for legal risks, note that, at the end of the 2020 financial year, a provision of €500 thousand had been recognised in relation to a patent dispute, for which a settlement was reached with the counterparty at the beginning of 2021. During 2021, the corresponding use of the provision was therefore recognised, against payment.

Note also that following the process of allocating the price paid for the acquisition of the C.M.I. Group on the net assets acquired (Purchase Price Allocation), completed during 2019, a provision for legal risks with a residual value of €328 thousand was recognised.
At 31 December 2021, a provision of €500 thousand was recognised under Other provisions for risks and charges, expressing the best estimate of the liability following the results of a tax audit on the Parent Company for the years from 2016 to 2018.
The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

18. TRADE PAYABLES

	31.12.2021	31.12.2020	Change
Total	**54,837**	**41,773**	**13,064**

The increase in trade payables is related to higher production volumes of the year. Average payment terms did not change versus the previous year. At 31 December 2021, there were no overdue payables of a significant amount and the Group did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2021	31.12.2020	Change
For income tax	3,450	1,923	1,527
Withholding taxes	954	1,029	(75)
Other tax payables	547	335	212
Total	**4,951**	**3,287**	**1,664**

The income tax payables refer to the taxes for the year, for the portion exceeding the advances paid.

20. OTHER CURRENT PAYABLES

	31.12.2021	31.12.2020	Change
To employees	6,706	5,848	858
To social security institutions	2,844	2,679	165
To agents	283	286	(3)
Advances from customers	1,694	1,210	484
Other current payables	1,548	934	614
Total	**13,075**	**10,957**	**2,118**

At the beginning of 2022, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates. Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2021	31.12.2020	Change
Deferred tax assets	8,639	8,075	564
Deferred tax liabilities	(3,939)	(4,697)	758
Net position	**4,700**	**3,378**	**1,372**

The table below analyses the nature of the temporary differences that determine the recognition of deferred tax liabilities and assets and their changes during the year and the previous year.

	Non-current tangible and intangible assets	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax incentives	Tax losses	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
31.12.2020	**(3,461)**	**1,397**	**46**	**1,240**	**2,645**	**396**	**208**	**907**	**3,378**
Through profit or loss	1,389	(107)	(11)	(177)	1,455	612	0	(194)	2,967
In shareholders' equity	0	0	0	0	0	0	(16)	0	(16)
Forex differences	160	(12)	0	0	(1,514)	(264)	0	1	(1,629)
31.12.2021	**(1,912)**	**1,278**	**35**	**1,063**	**2,586**	**744**	**192**	**714**	**4,700**

Deferred tax assets recognised in the income statement in respect of "Non-current tangible and intangible assets" included €1,161 thousand in these consolidated financial statements as a result of the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option results in a substitute tax of approximately €106 thousand, which is accounted for in current taxes for the year.

Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Law Decree 98/2011, deductible in ten instalments starting in 2018. Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group will benefit from a reduction in the effective tax rate in future years.

22. TOTAL FINANCIAL DEBT

As required by the CONSOB memorandum of 28 July 2006, we disclose that the Group's net financial debt is as follows:

	31.12.2021	31.12.2020	Change
A. Cash	43,217	12,802	(443)
B. Cash equivalents	432	516	45
C. Other current financial assets	1,172	1,495	(320)
D. Liquidity (A+B+C)	**44,821**	**14,813**	**(718)**
E. Current financial payable	5,551	23,181	6,961
F. Current portion of non-current financial debt	20,373	15,801	1,391
G. Current financial debt (E+F)	**25,924**	**38,982**	**8,352**
H. Net current financial debt (G-D)	**(18,897)**	**24,169**	**9,070**
I. Non-current financial payable	56,855	32,153	5,734
J. Debt instruments	29,649	-	-
K. Trade payables and other non-current payables	-	-	-
L. Non-current financial debt (I+J+K)	**86,504**	**32,153**	**5,734**
M. Total financial debt (H+L)	**67,607**	**56,322**	**14,804**

The consolidated statement of cash flows, which shows the changes in cash and cash equivalents (sum of letters A. and B. of this statement), describes in detail the cash flows that led to the change in the net financial debt. In particular, as can be seen from the Consolidated Statement of Cash Flows, the increase in net financial debt in the period is mainly attributable to:

- the change in net working capital;
- the investments made;
- profits distributed to shareholders.

COMMENTS ON KEY INCOME STATEMENT ITEMS

23. REVENUE

In 2021, sales revenue totalled €263,259 thousand, up by €78,353 thousand (+42.4%) compared with 2020.

REVENUE BY GEOGRAPHICAL AREA

	2021	%	2020	%	% change
Europe (excluding Turkey)	92,935	35.3%	69,618	37.7%	+33.5%
Turkey	65,526	24.9%	44,806	24.2%	+46.2%
North America	30,472	11.6%	22,700	12.3%	+34.2%
South America	39,589	15.0%	27,639	14.9%	+43.2%
Africa and Middle East	19,614	7.5%	12,177	6.6%	+61.1%
Asia and Oceania	15,123	5.7%	7,966	4.3%	+89.8%
Total	**263,259**	**100%**	**184,906**	**100%**	**+42.4%**

REVENUE BY PRODUCT FAMILY

	2021	%	2020	%	% change
Gas parts	182,468	69.3%	129,834	70.2%	+40.5%
Hinges	58,375	22.2%	41,326	22.3%	+41.3%
Electronic components	22,416	8.5%	13,746	7.4%	+63.1%
Total	**263,259**	**100%**	**184,906**	**100%**	**+42.4%**

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence of our Group. In 2021, the increase in sales of electronic components was also particularly significant, continuing to benefit from cross-selling with the traditional products in the Group's portfolio and from the strong drive to develop new components.

Average sales prices in 2021 were 3% higher than in 2020.

24. OTHER INCOME

	2021	2020	Change
Sale of trimmings	5,546	2,909	2,637
Contingent income	374	999	(625)
Rental income	123	121	2
Use of provisions for risks and charges	12	94	(82)
Other income	2,606	3,071	(465)
Total	**8,661**	**7,194**	**1,467**

Other income mainly included: €1,234 thousand revenue from the sale of moulds and equipment, tax credits for investments in capital goods and for research and development of €356 thousand, Turkish public contributions of €332 thousand, referred to incentives for the hiring personnel, and €133 thousand related to the production of energy through photovoltaic plants.

25. MATERIALS

	2021	2020	Change
Commodities and outsourced components	132,143	75,443	56,700
Consumables	10,212	7,523	2,689
Total	**142,355**	**82,966**	**59,389**

In 2021, the Group faced violent increases in the costs of its main raw materials (aluminium alloys, steel and brass), with a negative impact estimated at 6.2% of sales.

26. COSTS FOR SERVICES

	2021	2020	Change
Outsourced processing	18,689	11,094	7,595
Natural gas and power	8,536	4,380	4,156
Maintenance	7,972	5,920	2,052
Transport	4,658	2,986	1,672
Advisory services	2,856	2,320	536
Travel expenses and allowances	292	219	73
Commissions	1,144	835	309
Directors' fees	829	693	136
Insurance	727	694	33
Canteen	797	560	237
Other costs	5,877	4,563	1,314
Total	**52,377**	**34,264**	**18,113**

The main outsourced processing includes aluminium die-casting, hot moulding of brass and steel blanking as well as some mechanical processing and assembly. The increase in costs for outsourced processing reflects the increased use of subcontracting to cope with peaks in demand.
The increase in energy costs resulted, in addition to the increase in production volumes, from the extraordinary and sudden increase in electricity and gas prices in the second half of the year, which led to higher charges of €3.4 million. Other costs included expenses for the registration of patents, waste disposal, cleaning, leasing third-party assets and other minor charges.

27. PERSONNEL COSTS

	2021	2020	Change
Salaries and wages	32,749	29,048	3,701
Social Security costs	10,175	8,831	1,344
Temporary agency workers	7,596	2,869	4,727
Post-employment benefit and other costs	2,639	2,294	345
Stock Grant plan	805	658	147
Total	**53,964**	**43,700**	**10,264**

The number of Group employees was 1,278 at 31 December 2021 (1,168 at 31 December 2020).
The number of temporary staff was 198 at 31 December 2021 (155 at 31 December 2020).
The item "Stock Grant Plan" included the measurement at 31 December 2021 of the fair value of options to the allocation of shares of the Parent Company assigned to Group employees. For details of the Stock Grant Plan, refer to Note 38.

28. OTHER OPERATING COSTS

	2021	2020	Change
Non-income taxes	651	692	(41)
Other operating expenses	694	524	170
Contingent liabilities	54	36	18
Losses and write-downs of trade receivables	103	118	(15)
Provisions for risks	-	576	(576)
Other provisions	29	35	(6)
Total	**1,531**	**1,981**	**(450)**

Non-income taxes chiefly relate to property tax.

29. FINANCIAL INCOME

	2021	2020	Change
Exercise of the C.M.I. put option (Note 15)	507	1,137	(630)
Adjustment to the fair value of the A.R.C. option	-	69	(69)
Interest from bank current accounts	227	155	72
Other financial income	16	5	11
Total	**750**	**1,366**	**(616)**

Financial income includes €507 thousand related to the difference between the fee actually paid and the carrying value of the second put option on the remaining 15.75% share of C.M.I. s.r.l. (Note 15).

30. FINANCIAL EXPENSES

	2021	2020	Change
Interest paid to banks	598	1,002	(404)
Interest paid on finance lease contracts	138	112	26
Banking expenses	302	251	51
Exercise of A.R.C. option (Note 15)	69	-	69
Adjustment to the Fair value of the C.M.I. option	-	750	(750)
Other financial expense	72	31	41
Total	**1,179**	**2,146**	**(967)**

Financial expenses include €69 thousand related to the difference between the carrying value of the put option related to the purchase of the remaining 30% share of A.R.C. s.r.l. and the fee actually paid (Note 15).
Interest paid to banks includes IRS spreads payable that hedge interest rate risks (Note 36).

31. EXCHANGE RATE GAINS AND LOSSES

In 2021, the Group reported net foreign exchange losses of €7,399 thousand, versus net losses of €4,812 thousand in 2020. The main portion of 2021 foreign exchange losses reflect the sudden devaluation of the Turkish lira and arise from the translation into lira (the currency in which the financial statements of the Group's Turkish companies are prepared) of trade and financial payables denominated in euro.

32. INCOME TAXES

	2021	2020	Change
Current taxes for the year	7,617	3,641	3,976
Deferred tax assets and liabilities	(2,967)	(4,259)	1,292
Taxes related to previous financial years	347	767	(420)
Total	**4,997**	**149**	**4,848**

Reconciliation between the tax burden booked in the financial statements and the theoretical tax burden calculated according to the statutory tax rates currently in force in Italy is shown in the following table:

	2021	2020
Theoretical income tax	7,411	3,735
Permanent tax differences	113	(192)
Taxes related to previous financial years	(151)	767
Tax effect from different foreign tax rates	227	97
Effect of non-recoverable tax losses	105	150
"Patent box" tax benefit	-	-
"Super and Iperammortamento" tax benefit	(844)	(812)
ACE tax benefit	(375)	-
Realignment between carrying values and tax values of properties (Note 21)	-	(1,360)
Revaluation of carrying values of fixed assets in Turkey	(1,161)	-
Tax incentives for investments in Turkey	(1,963)	(2,432)
Other differences	(164)	(441)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**3,198**	**(488)**
IRAP (current and deferred)	1,211	518
Substitute tax on realignment of property values	106	163
Provision for tax risks	500	0
Tax credit on sanitisation costs	(18)	(44)
Total	**4,997**	**149**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 24%, to the pre-tax result. IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distorting effects.

In these consolidated financial statements, the Group recognised:

- the tax benefits relating to "Superammortamento" (Super amortisation) and "Iperammortamento" (Hyper amortisation), related to the investments made in Italy, amounting to €844 thousand (€812 thousand in 2020);
- the tax benefits deriving from the investments made in Italy amounting to €1,963 thousand (€2,432 thousand in 2020).

33. EARNINGS PER SHARE

Basic and diluted EPS are calculated based on the following data:

EARNINGS		
(€/000)	**2021**	**2020**
Profit for the year	23,903	13,961
NUMBER OF SHARES		
	2021	**2020**
Weighted average number of ordinary shares for determining basic earnings per share	11,209,078	11,260,791
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,209,078	11,260,791
EARNINGS PER SHARE		
(in €)	**2021**	**2020**
Basic earnings per share	2.132	1.240
Diluted earnings per share	2.132	1.240

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 324,372 in 2021 (272,659 in 2020).

Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed.

34. DIVIDENDS

On 2 June 2021, shareholders were paid an ordinary dividend of €0.55 per share (total dividends of €6,172 thousand).
The Directors have recommended payment of a dividend of €0.60 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.
The dividend proposed is scheduled for payment on 1 June 2022 (ex-date 30 May and record date 31 May).

35. INFORMATION BY BUSINESS SEGMENT

Information by business segment for 2021 and 2020 is provided below.

2021 FY				
	Gas parts (household and professional)	Hinges	Electronic components	Total
Sales	182,618	58,671	21,970	**263,259**
Ebit	23,649	6,292	7,567	**37,508**
2020 FY				
	Gas parts (household and professional)	Hinges	Electronic components	Total
Sales	129,864	41,078	13,964	**184,906**
Ebit	12,683	2,999	4,411	**20,093**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IAS 39:

	31.12.2021	31.12.2020
Financial assets		
Amortised cost		
Cash and cash equivalents	43,649	13,318
Term bank deposits	1,172	1,233
Trade receivables and other receivables	72,276	67,121
Hedge accounting		
Derivatives to hedge cash flows	-	262
Financial liabilities		
Amortised cost		
Loans	110,909	62,646
Other financial liabilities	1,173	1,233
Trade payables	54,837	41,773
Fair Value through profit or loss		
Put option on A.R.C. (Note 15)	-	1,581
C.M.I. put option (Note 15)	-	5,250
Derivatives to hedge cash flows	190	425
Hedge accounting		
Derivatives to hedge cash flows	156	262

The Group is exposed to financial risks related to its operations, mainly:
- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed by the inability to find financial resources necessary to ensure Group operations.

It is part of the Sabaf Group's policies to hedge exposure to changes in prices and in fluctuations in exchange and interest rates via derivative financial instruments. Hedging is done using forward contracts, options or combinations of these instruments. Generally speaking, the maximum duration covered by such hedging does not exceed 18 months. The Group does not enter into speculative transactions. When the derivatives used for hedging purposes meet the necessary requisites, hedge accounting rules are followed.

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Group assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assessment, each customer is assigned a credit limit.
The Group factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk. A credit insurance policy is in place, which guarantees cover for approximately 35% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The key currencies other than the euro to which the Group is exposed are the US dollar, the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 18.6% of total turnover in 2021, while purchases in dollars represented 4.8% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2021, the Group had in place forward sales contracts of USD 8 million, maturing in December 2022 at an average exchange rate of 1.1615. With reference to these contracts, the Group applies hedge accounting, checking compliance with IFRS 9.

The table below shows the balance sheet and income statement effects of forward sales contracts recognised under hedge accounting.

(amounts in €/000)	2021
Reduction in financial assets	(262)
Increase in current financial liabilities	(156)
Adjustment to the Cash Flow Hedge reserve (equity reserve)	398
Negative impact through profit or loss	20

The following table shows the characteristics of the derivative financial instruments described in the previous paragraph.

EXCHANGE RATE RISK MANAGEMENT: CASH FLOW HEDGE IN ACCORDANCE WITH IFRS 9 ON COMMERCIAL TRANSACTIONS						
Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	Unicredit	Forward	28/03/2022	USD	500,000	2
			27/06/2022		500,000	
			28/06/2022		500,000	
			27/09/2022		500,000	
			27/12/2022		500,000	
Faringosi Hinges s.r.l.	BPER Banca	Forward	28/03/2022	USD	500,000	
			28/06/2022		500,000	
			28/09/2022		500,000	
C.M.I. s.r.l.	BPER Banca	Forward	05/01/2022	USD	500,000	
			10/01/2022		500,000	
			06/04/2022		1,000,000	
			06/07/2022		1,500,000	

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2021, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €1,515 thousand.

Net value of assets and liabilities in foreign subsidiaries

The net value of assets and liabilities in foreign subsidiaries constitutes an investment in foreign currency, which generates a translation difference on consolidation of the Group, with an impact on the comprehensive income statement and the financial position. A 10% upward or downward change in the value of each currency against the euro would affect the Group's equity by approximately +/- €5.5 million at the end of 2021.

Interest rate risk management

Owing to the current trend in interest rates, the Group favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) when the loan is opened. At 31 December 2021, IRS totalling €37.5 million were in place, mirrored in mortgages with the same residual debt, through which the Group transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

The following table shows the characteristics of the derivative financial instruments described in the previous paragraph.

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	1,500,000	2
	Intesa Sanpaolo		15/06/2024		6,000,000	
	Intesa Sanpaolo		15/06/2024		1,850,000	
	Crédit Agricole		30/06/2025		9,000,000	
	Mediobanca		28/04/2027		15,000,000	
Sabaf Turkey	Intesa Sanpaolo		17/06/2024		4,150,000	

Sensitivity analysis

Considering the IRS in place, at the end of 2021 almost all of the Group's financial debt was at a fixed rate. Therefore, at 31 December 2021 no sensitivity analysis was carried out in that the exposure to interest rate risk, linked to a hypothetical increase (decrease) in interest rates, is not significant.

Commodity price risk management

A significant portion of the Group's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2021, forcing the Group to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Group may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Group also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2021 and 2020, the Group did not use financial derivatives on commodities.

Liquidity risk management

The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2021 of 55.2%, net financial debt/EBITDA of 1.25) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt;
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

An analysis by expiry date of financial payables at 31 December 2021 and 31 December 2020 is shown below:

At 31 December 2021	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	4,378	4,378	4,378	-	-	-
Unsecured loans	72,957	74,574	1,906	17,720	49,273	5,675
Bond issues	29,649	34,440	-	555	2,220	31,665
Finance leases	4,271	4,766	361	1,058	2,793	554
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**112,428**	**119,331**	**6,645**	**20,506**	**54,286**	**37,894**
Trade payables	54,837	54,837	51,218	3,619	-	-
Total	**167,265**	**174,168**	**57,863**	**24,125**	**54,286**	**37,894**

At 31 December 2020	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	13,727	13,727	13,727	-	-	-
Unsecured loans	44,448	45,211	2,074	14,022	29,115	-
Finance leases	4,896	5,143	383	1,125	3,206	429
Payables to A.R.C. shareholders	60	60	-	60	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
A.R.C. option	1,581	1,581	-	1,581	-	-
C.M.I. option	5,250	5,250	-	5,250	-	-
Total financial payables	**71,135**	**72,145**	**16,184**	**23,211**	**32,321**	**429**
Trade payables	41,773	41,773	38,503	3,270	-	-
Total	**112,908**	**113,918**	**54,687**	**26,481**	**32,321**	**429**

The various due dates are based on the period between the end of the reporting period and the contractual expiry date of the commitments, the values indicated in the table correspond to non-discounted cash flows. Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the end of the reporting period and increased by the spread set forth in each contract.

Hierarchical levels of fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between the following levels:

- Level 1 – quotations found on an active market for assets or liabilities subject to assessment;
- Level 2 - input other than prices listed in the previous point, which can be observed directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – input based on observable market data.

The following table shows the financial assets and liabilities valued at fair value at 31 December 2021, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	190	-	190
Total liabilities	**-**	**190**	**-**	**190**

37. RELATED-PARTY TRANSACTIONS

Transactions between consolidated companies were derecognised from the consolidated financial statements and are not reported in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the balance sheet and income statement.

IMPACT OF RELATED-PARTY TRANSACTIONS ON BALANCE SHEET ITEMS

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	54,837	-	4	4	0.01%

	Total 2020	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade payables	41,773	-	4	4	0.01%

IMPACT OF RELATED-PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2021	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(52,377)	-	(22)	(22)	0.04%

	Total 2020	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Services	(34,264)	-	(22)	(22)	0.06%

Transactions are regulated by specific contracts regulated at arm's length conditions.

Fees to directors, statutory auditors and executives with strategic responsibilities
Please see the 2021 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

Two Stock Grant plans are in place, namely the 2018 - 2020 Stock Grant Plan and the 2021 - 2023 Stock Grant Plan. The Plans aim to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth and sustainability of the Company and of the Group.

2018 – 2020 Stock Grant Plan

The Plan was approved by the Shareholders' Meeting on 8 May 2018 and the related Regulations by the Board of Directors on 15 May 2018, subsequently amended as on 14 May 2019.

Subject matter

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 370,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share. The free allocation of Sabaf S.p.A. shares is conditional, among other things, on the achievement, in whole or in part of the business objectives related to the ROI, EBITDA and TSR indicators and, for a share not exceeding 30%, of individual objectives, on a progressive basis.

Beneficiaries

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2018 - 2020 Business Plan.

The Beneficiaries were divided into two groups:

- Cluster 1: beneficiaries identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 and to whom 185,600 rights have been allocated;
- Cluster 2: beneficiaries identified by the Board of Directors from 1 July 2018 to 30 June 2019 and to whom 184,400 rights have been allocated.

Deadline

The 2018 - 2020 Plan expires on 31 December 2022.

Rights accrued and allocation of shares

With reference to Cluster 1, based on the level of achievement of the objectives and the other conditions set out in the Plan, 34,946 rights accrued, therefore 34,946 shares have been allocated to the Beneficiaries during 2021.

With regard to Cluster 2, based on the level of achievement of the objectives set out in the Plan, 114,074 rights accrued. The allocation of the relevant shares will be made during 2022 and is conditional on the continuation of the employment relationship with the Beneficiaries at the date of approval of the financial statements for the year 2021 of Sabaf S.p.A..

Accounting impacts and Fair Value measurement methods

The Group's shareholders' equity includes the Stock Grant reserve (Note 13), which includes €896 thousand for the fair value measurement of the Rights assigned to Cluster 2 beneficiaries. Please see the explanatory notes to the consolidated financial statements at 31 December 2020 for an explanation of how to determine the fair value of these rights.

2021 – 2023 Stock Grant Plan

The plan was approved by the Shareholders' Meeting on 6 May 2021 and the related Regulations by the Board of Directors on 13 May 2021.

Subject matter

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share. The free allocation of Sabaf S.p.A. shares is conditional on the achievement, in whole or in part, with progressiveness, of the business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

Deadline

The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and Fair Value measurement methods

In connection with this Plan, €805 (Note 27) were recognised in personnel costs during the year (Note 27), an equity reserve of the same amount (Note 13) was recognised as a balancing entry.

In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2021 was determined as follows:

RIGHTS RELATING TO BUSINESS OBJECTIVES MEASURED ON ROI	Total value on ROI	15.82	Fair value	5.54
	Rights on ROI	35%		

RIGHTS RELATING TO BUSINESS OBJECTIVES MEASURED ON EBITDA	Total value on EBITDA	16.43	Fair value	6.57
	Rights on EBITDA	40%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON PERSONELL TRAINING	Total value on “Personell training”	20.41	Fair value	1.02
	Rights on “Personell training”	5%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON SAFETY INDICATOR	Total value on “Safety indicator”	7.82	Fair value	0.39
	Rights on “Safety indicator”	5%		

RIGHTS RELATING TO ESG OBJECTIVES MEASURED ON EMISSIONS REDUCTION	Total value on “Emissions reduction”	20.41	Fair value	3.06
	Rights on “Emissions reduction”	15%		

Fair value per share	16.58

39. CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve and all other capital reserves attributable to the shareholders of the Parent Company. The main objective of capital management is to maximise the value for shareholders. In order to maintain or correct its financial structure, the Group may intervene in dividends paid to shareholders, purchase its own shares, redeem capital to shareholders or issue new shares. The Group controls equity using a gearing ratio consisting of the ratio of net financial debt (as defined in Note 22) to shareholders' equity. The Group's policy is to keep this ratio below 1. In order to achieve this objective, the management of the Group's capital aims, among other things, to ensure that the covenants, linked to loans, which define the capital structure requirements, are complied with. Violations of covenants would allow the lenders to demand immediate repayment of loans (Note 14). During the current financial year, there were no breaches of the covenants linked to loans.

In the years ended 31 December 2021 and 2020, no changes were made to the objectives, policies and procedures for capital management.

40. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the following section describes and comments on significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year:

	Group shareholders' equity	Group net profit	Net financial debt	Cash flows
Financial statement values (A)	**121,525**	**23,903**	**67,607**	**30,331**
Revaluation of tax values of properties (a)	(728)	(1,055)	0	0
Recognition of tax benefits on investments made in Turkey (b)	(1,512)	(1,963)	(508)	(508)
Provision for tax risks (c)	500	500	0	0
Total non-recurring operations (B)	*(1,740)*	*(2,518)*	*(508)*	*(508)*
Financial statement notional value (A+B)	**119,785**	**21,385**	**67,099**	**29,823**

In these consolidated financial statements, the Group recognised under income taxes:

a. a non-recurring income of €801 thousand following the revaluation for tax purposes of the tangible assets of the Group's Turkish companies. The exercise of the revaluation option results in a substitute tax of approximately €73 thousand, which is accounted for in current taxes for the year (Note 31);
b. a non-recurring income of €1,963 thousand relating to the tax benefits arising from investments made in Turkey (Note 31);
c. a provision for tax risks of €500 thousand against potential tax liabilities (Note 17 and Note 28).

41. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The recent conflict between Ukraine and Russia led to a sudden change in the global economic scenario. Although the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand. To date, these effects are not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined.

42. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2021.

43. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €3,443 thousand (€3,632 thousand at 31 December 2020).

44. SCOPE OF CONSOLIDATION AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED USING THE FULL LINE-BY-LINE CONSOLIDATION METHOD				
Company name	**Registered offices**	**Share capital**	**Shareholders**	**% ownership**
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda.	Jundiaí - São Paulo (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	Manisa (Turkey)	TRY 80,000,000	Sabaf S.p.A.	100%
Okida Elektronik Sanayi ve Ticaret A.S.	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Turkey	30% 70%
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 7,900,000	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%
Sabaf India Private Limited	Bangalore (India)	INR 153,833,140	Sabaf S.p.A.	100%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%
Handan A.R.C. Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%
Sabaf Mexico Appliance Components	San Louis Potosi (Mexico)	USD 3,650,000	Sabaf S.p.A.	100%
C.M.I. Cerniere Meccaniche Industriali s.r.l	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I. s.r.l.	100%

45. GENERAL INFORMATION ON THE PARENT COMPANY

Name of the parent company	**Sabaf S.p.A.**
Legal status	**Joint-stock company (S.p.A.)**
Domicile of entity	**Italy**
Registered and administrative office	**Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy**
Main place of business	**Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy**
Country of registration	**Italy**

Tax information	**R.E.A. Brescia 347512**
	Tax Code 03244470179
	VAT number 01786910982

Contacts	**Tel: +39 030 - 6843001**
	Fax: +39 030 - 6848249
	E-mail: info@sabaf.it
	Web site: www.sabafgroup.com

Type of business

The purpose of the company is the design, production and sale of gas fittings and burners, thermostats, safety valves, other components and accessories for household appliances, as well as sanitary and plumbing fittings in general. The purpose of the company is also the design, construction and trade of machine tools, automation systems in general and related equipment, tools, as well as the provision of related maintenance, repair, support and business organisation services. The company, within the limits set by the relevant regulations in force, may carry out any other security, property, industrial and commercial transaction that is deemed necessary, appropriate or useful for the achievement of the company purpose. It may acquire shareholdings in other companies whose purpose is similar or related to its own as well as provide personal guarantees or collaterals including mortgages also for third parties' obligations provided that such activities do not take precedence over the company's business and are not carried out vis-à-vis the public and therefore within the limits and in the manner provided for by Legislative Decree No. 385/93; the company can perform the management and coordination function with regard to its subsidiaries, providing the organisational, technical, managerial and financial support and coordination deemed appropriate. However, the activities reserved to investment companies under Legislative Decree No. 415/96, and pursuant to the relevant provisions in force, are excluded.

APPENDIX

Information as required by Art. 149-duodecies of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2021 for auditing and for services other than auditing provided by the Independent Auditors and their network.

(in thousands of Euro)	Party providing the service	Recipient	Fees pertaining to the 2021 financial year
Audit	EY S.p.A.	Parent company	35
	EY S.p.A.	Italian subsidiaries	41
	EY network	Foreign subsidiaries	54
Other services	EY S.p.A.	Parent company	33[1]
	EY S.p.A.	Italian subsidiaries	4[2]
Total			**167**

[1] Auditing procedures agreement relating to interim management reports; limited review of Disclosure of non-financial information.
[2] Certification of IRES credit and tax credit for research and development.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with Art. 154 bis of Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have taken into account the requirements of Art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify:

- the adequacy, in relation to the business characteristics and
- the actual application

of the administrative and accounting procedures for the formation of the consolidated financial statements during the 2021 financial year.

They also certify that:

- the Consolidated financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Art. 9 of Legislative Decree 38/2005;
  - are consistent with accounting books and records;
  - provide a true and fair view of the operating results, financial position and cash flows of the issuer and of the companies included in the consolidation;
- the report on operations contains a reliable analysis of the performance and results of operations and the situation of the issuer and the companies included in the scope of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 22 March 2022

Chief Executive Officer	**The Financial Reporting Officer**
Pietro Iotti	Gianluca Beschi

Building a better
working world

EY S.p.A.
Via Rodolfo Vantini, 38
25126 Brescia

Tel: +39 030 2896111 | +39 030 226326
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sabaf Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity and the consolidated cash flow statement for the year then ended, and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Sabaf S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matter:

Key Audit Matter	Audit Responses
Recoverability of goodwill	
Goodwill at December 31, 2021 amounted to Euro 17,6 million, and was allocated to the following Group's Cash Generating Units (CGU): - "Electronic components" CGU for Euro 7,7 million; - "Hinges" CGU for Euro 4,4 million; - "CMI Hinges" CGU for Euro 3,7 million; - "Professional burners" CGU for Euro 1,8 million. The processes and methodologies to valuate and determine the recoverable amount of each CGU, in terms of value in use, are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the future cash flow forecasts in the period covered by the Group business plan, the assessment of the normalized cash flows used to estimate the terminal value and the long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill we determined that this area represents a key audit matter. The disclosures related to the valuation of goodwill are included in paragraph "Goodwill" and in note "3 - Intangible Assets".	Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Group in connection with the valuation of goodwill; (ii) assessment of the CGUs perimeter and the allocation of the carrying amounts of assets and liabilities to each CGU; (iii) assessment of the key assumptions underlying future cash flow forecasts; (iv) test of the consistency of the future cash flow forecasts allocated to each CGU against the 2022-2026 business plan; (v) assessment of the accuracy of cash flow projections as compared to historical results; (vi) assessment of the long term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the consolidated financial statements and the consistency of the related disclosure provided in the Report on Operations.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Sabaf S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May 8, 2018, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Sabaf as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

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We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Sabaf Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Sabaf Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Sabaf S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Brescia, April 4, 2022

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

WE INVEST
IN R&D
TO CREATE
BETTER QUALITY
SOLUTIONS.
IN YOUR KITCHEN,
IN YOUR LIFE.

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

Corporate bodies

Honorary Chairman	Giuseppe Saleri

Board of Directors

Chairman	Claudio Bulgarelli
Vice Chairman*	Nicla Picchi
Chief Executive Officer	Pietro Iotti
Director	Gianluca Beschi
Director	Cinzia Saleri
Director	Alessandro Potestà
Director*	Carlo Scarpa
Director*	Daniela Toscani
Director*	Stefania Triva

* Independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Maria Alessandra Zunino de Pignier
Statutory Auditor	Mauro Vivenzi

Independent Auditors

EY S.p.A.

STATEMENT OF FINANCIAL POSITION

(in €)	Notes	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	48,593,970	48,662,264
Investment property	2	2,311,476	3,252,696
Intangible assets	3	3,778,108	2,315,819
Equity investments	4	84,512,138	65,524,289
Non-current financial assets	5	10,707,311	5,537,324
- of which from related parties	35	*10,707,311*	*5,537,324*
Non-current receivables		31,853	31,421
Deferred tax assets	21	3,322,620	3,891,955
TOTAL NON-CURRENT ASSETS		**153,257,475**	**129,215,768**
CURRENT ASSETS			
Inventories	6	33,985,939	21,512,333
Trade receivables	7	45,194,276	45,024,596
- of which from related parties	35	*15,210,599*	*16,048,130*
Tax receivables	8	1,462,789	1,254,041
- of which from related parties	35	*766,557*	*316,208*
Other current receivables	9	1,929,121	1,947,372
Current financial assets	10	1,172,947	1,359,993
Cash and cash equivalents	11	29,733,148	1,594,861
TOTAL CURRENT ASSETS		**113,478,220**	**72,693,196**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**266,735,695**	**201,908,964**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533,450	11,533,450
Retained earnings, Other reserves		92,831,829	91,985,093
Profit for the year		10,043,877	6,409,674
TOTAL SHAREHOLDERS' EQUITY		**114,409,156**	**109,928,218**
NON-CURRENT LIABILITIES			
Loans	14	82,515,298	26,891,000
Other financial liabilities	15	0	0
Post-employment benefit and retirement provisions	16	1,779,634	1,929,190
Provisions for risks and charges	17	851,081	853,650
Deferred tax liabilities	21	323,942	230,450
Total non-current liabilities		**85,469,955**	**29,904,290**
CURRENT LIABILITIES			
Loans	14	19,010,029	23,996,484
Other financial liabilities	15	1,393,611	1,560,111
Trade payables	18	33,677,766	26,204,071
- of which to related parties	35	*1,533,149*	*1,074,716*
Tax payables	19	3,374,435	2,458,942
- of which to related parties	35	*54,720*	*350,721*
Other payables	20	9,400,743	7,856,847
TOTAL CURRENT LIABILITIES		**66,856,584**	**48,646,143**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**266,735,695**	**201,908,964**

INCOME STATEMENT

(in €)	Notes	2021	2020
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	144,033,787	102,583,189
- of which from related parties	**35**	*20,212,450*	*15,221,230*
Other income	**24**	6,195,079	5,647,168
TOTAL OPERATING REVENUE AND INCOME		**150,228,866**	**108,230,357**
OPERATING COSTS			
Materials	**25**	(72,122,067)	(43,270,717)
- of which by related parties		*3,315,935*	*1,935,572*
Change in inventories		12,473,605	1,650,153
Services	**26**	(34,254,138)	(22,208,703)
- of which by related parties	**35**	*(446,675)*	*(457,769)*
Personnel costs	**27**	(34,780,110)	(28,567,152)
Other operating costs	**28**	(727,503)	(1,307,048)
Costs for capitalised in-house work		2,259,389	1,293,579
TOTAL OPERATING COSTS		**(127,150,823)**	**(92,409,888)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**23,078,043**	**15,820,469**
Depreciations and amortisation	**1,2,3**	(9,179,378)	(9,414,020)
Capital gains/(losses) on disposal of non-current assets		238,136	964,788
Write-downs/write-backs of non-current assets	**4**	(300,000)	(761,407)
- of which by related parties		*(300,000)*	*(620,000)*
EBIT		**13,836,801**	**6,609,830**
Financial income		318,425	201,591
- of which from related parties		*255,441*	*176,889*
Financial expenses	**29**	(530,464)	(717,703)
Exchange rate gains and losses	**30**	426,824	(398,970)
Profits and losses from equity investments	**31**	175,504	609,252
- of which from related parties		*175,504*	*609,252*
PROFIT BEFORE TAXES		**14,227,088**	**6,304,001**
Income taxes	**32**	(4,183,212)	105,674
PROFIT FOR THE YEAR		**10,043,877**	**6,409,674**

COMPREHENSIVE INCOME STATEMENT

(in €)	2021	2020
PROFIT FOR THE YEAR	**10,043,877**	**6,409,674**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial evaluation of post-employment benefit	3,334	(31,418)
Tax effect	(800)	7,540
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Hedge accounting for derivative financial instruments	(198,499)	0
TOTAL OTHER PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(195,965)**	**(23,878)**
TOTAL PROFIT	**9,847,912**	**6,385,796**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(€/000)	Share Capital	Share premium reserve	Legal reserve	Treasury shares	Actuarial evaluation of post-employment benefit provision	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2019	**11,533**	**10,002**	**2,307**	**(2,268)**	**(505)**	**83,864**	**3,822**	**108,755**
Allocation of 2019 profit						3,822	(3,822)	0
2020 dividend payment						(3,924)		(3,924)
Purchase of treasury shares				(2,073)				(2,073)
Stock Grant plan (IFRS 2)						658		658
Hedge accounting reserve						127		127
Total profit at 31 December 2020					(24)		6,409	6,385
Balance at 31 December 2020	**11,533**	**10,002**	**2,307**	**(4,341)**	**(529)**	**84,547**	**6,409**	**109,928**
Allocation of 2020 profit:								
- Payment of dividends							(6,172)	(6,172)
- To the extraordinary reserve						237	(237)	0
Stock Grant plan (IFRS 2)						805		805
Treasury share transactions				437		(437)		0
Total profit at 31 December 2021					2	(198)	10,044	9,848
Balance at 31 December 2021	**11,533**	**10,002**	**2,307**	**(3,904)**	**(526)**	**84,953**	**10,044**	**114,409**

STATEMENT OF CASH FLOWS

(€/000)	2021 FY	2020 FY
Cash and cash equivalents at beginning of year	***1,595***	***8,343***
Profit for the year	10,044	6,410
Adjustments for:		
- Depreciations and amortisation	9,179	9,414
- Realised gains	(238)	(965)
- Write-downs of non-current assets	300	761
- Profits and losses from equity investments	(176)	(609)
- Valuation of the Stock Grant plan	805	657
- Net financial income and expenses	212	516
- Non-monetary foreign exchange differences	(340)	(199)
- Income tax	4,183	(106)
Change in post-employment benefit	(147)	(166)
Change in risk provisions	3	569
Change in trade receivables	*(170)*	*(16,461)*
Change in inventories	*(12,474)*	*(1,650)*
Change in trade payables	*7,474*	*10,470*
Change in net working capital	(5,170)	(7,642)
Change in other receivables and payables, deferred taxes	487	1,599
Payment of taxes	(1,738)	(141)
Payment of financial expenses	(530)	(710)
Collection of financial income	318	201
Cash flows from operations	**17,187**	**9,590**
Investments in non-current assets		
- intangible	(1,934)	(383)
- tangible	(9,288)	(7,652)
- financial	(19,288)	(8,974)
Disposal of non-current assets	2,103	3,628
Cash flow absorbed by investments	**(28,407)**	**(13,381)**
Free cash flow	**(11,220)**	**(3,791)**
Repayment of loans	(23,032)	(11,982)
Raising of loans	73,229	12,811
Change in financial assets	(4,842)	1,602
Purchase/Sale of treasury shares	-	(2,073)
Payment of dividends	(6,172)	(3,924)
Collection of dividends	175	609
Cash flow absorbed by financing activities	**39,358**	**(2,957)**
Total cash flows	**28,138**	**(6,748)**
Cash and cash equivalents at end of year (Note 11)	***29,733***	***1,595***

Explanatory notes

ACCOUNTING STANDARDS

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The separate financial statements of Sabaf S.p.A. for the financial year 2021 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the statement of cash flows, the statement of changes in shareholders' equity and the values reported in the explanatory notes are in thousands of euro.
The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. With reference to this assumption, the Company assessed that it is a going concern (as defined by paragraphs 25 and 26 of IAS 1), also due to the strong competitive position, high profitability and solidity of the financial structure. Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2021.

FINANCIAL STATEMENTS

The Company adopted the following formats:
- current and non-current assets and current and non-current liabilities are stated separately in the statement of the financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit for the year as required or permitted by IFRS;
- a statement of cash flows that presents cash flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Company's capital, business and financial status.

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the separate financial statements at 31 December 2021, unchanged versus the previous year, are shown below.

Property, plant and equipment

These are recognised at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.

Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life in years, unchanged compared to previous financial years, is as follows:

Buildings	33
Light constructions	10
General plant	10
Specific plant and machinery	6–10
Equipment	4
Furniture	8
Electronic equipment	5
Vehicles and other transport means	5

Ordinary maintenance costs are expensed in the year in which they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Adoption of the accounting standard IFRS 16 "Leases"
The Company applied IFRS 16 from 1 January 2019 by using the amended retrospective approach.

In adopting IFRS 16, the Company made use of the exemption granted in paragraph 5 a) in relation to leases with a duration of less than 12 months (known as short-term leases) and the exemption granted in paragraph 5 b) in relation to lease agreements whose underlying asset is a low-value asset. For these agreements, lease payments are recognised in the income statement on a straight-line basis for the duration of the respective agreements.

When evaluating the lease liabilities, Sabaf S.p.A. discounted the payments due for the lease using the incremental borrowing rate at 1 January 2019. The weighted average of the applied rate was 1.5% on 1 January 2021 and on 31 December 2021.

The lease term is calculated based on the non-cancellable period of the lease, including the periods covered by the option to extend or to terminate the lease if it is reasonably certain that those options will be exercised or not exercised, taking account of all relevant factors that create an economic incentive relating to those decisions.

Investment property

Investment property is valued at cost, including revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.
The depreciation is calculated based on the estimated useful life, considered to be 33 years.

If the recoverable amount of the investment property – determined based on the market value of the properties – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment in the income statement.

When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Intangible assets
As established by IAS 38, intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.
Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life.
The useful life of projects for which development costs are capitalised is estimated to be 10 years.
The SAP management system is amortised over five years.

Equity investments
Equity investments in subsidiaries, associates and joint-ventures are stated in the accounts at cost. In accordance with IAS 36, the value recognised in the financial statements is subject to an impairment test if there are indications of possible impairment.
Equity investments in companies other than subsidiaries, associates and joint ventures are classified as financial assets measured at fair value, which normally corresponds to the transaction price including directly attributable transaction costs. Subsequent changes in fair value are recognised in the Income statement (FVPL) or, if the option is exercised in accordance with the standard, in the Statement of comprehensive income (FVOCI) under the heading "Instrument reserve at FVOCI".

Impairment
At each end of the reporting period, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determine whether there are signs of impairment of these assets. If there is any such indication, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate the recoverable amount individually, the Company estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. In particular, the recoverable amount of the cash generating units (which generally coincide with the legal entity to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects current market valuations of the present cost of money and specific asset risk. The main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the investees, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium- and long-term operating flows in the specific sector.
Furthermore, the Company checks the recoverable amount of its investees at least once a year when the separate financial statements are prepared.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or cash generating unit) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment. Reversal of impairment loss is recognised in the income statement.

Inventories
Inventories are measured at the lower of purchase or production cost – determined using the weighted average cost method – and the corresponding fair value represented by the replacement cost for purchased materials and by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are derecognised in subsequent years if the reasons for such write-downs cease to exist.

Trade receivables and other financial assets
Initial recognition
Upon initial recognition, financial assets are classified, as the case may be, on the basis of subsequent measurement methods, i.e. at amortised cost, at fair value recognised in other comprehensive income (OCI) and at fair value recognised in the income statement.
The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial assets and on the business model that the Company uses to manage them. Trade receivables that do not contain a significant financing component are valued at the transaction price determined in accordance with IFRS 15. See the "Revenue from Contracts with Customers" paragraph.
Other financial assets are recognised at fair value plus, in the case of a financial asset not at fair value recognised in the income statement, transaction costs.
For a financial asset to be classified and measured at amortised cost or at fair value recognised in OCI, it must generate cash flows that depend solely on the principal and interest on the amount of

principal to be repaid (known as 'solely payments of principal and interest (SPPI)'). This measurement is referred to as the SPPI test and is carried out at the instrument level.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial assets at amortised cost (debt instruments)

This category is the most important for the Company. The Company measures the financial assets at amortised cost if both of the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets for the purpose of collecting contractual cash flows

and

- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Financial assets at amortised cost of the Company include trade receivables.

Financial assets at fair value through profit or loss

This category includes all assets held for trading, assets designated at initial recognition as financial assets measured at fair value with changes recognised in the income statement, or financial assets that must be measured at fair value. Assets held for trading are all those assets acquired for sale or repurchase in the short term. Derivatives, separated or otherwise, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not represented solely by principal and interest payments are classified and measured at fair value through profit or loss, regardless of the business model. Financial instruments at fair value with changes recognised in the income statement are recognised in the statement of financial position at fair value and net changes in fair value through profit or loss. This category includes derivative instruments.

The Company does not hold financial assets at fair value through-profit or loss with reclassification of cumulative gains and losses or financial assets at fair value through profit or loss without reversal of cumulative gains and losses upon derecognition.

Derecognition

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is firstly written off (e.g. removed from the statement of financial position of the Company) when:

- the rights to receive cash flows from the asset are extinguished, or
- the Company transferred to a third party the right to receive financial flows from the asset or has taken on the contractual obligation to pay them fully and without delay and (a) transferred substantially all the risks and benefits of the ownership of the financial asset or (b) did not substantially transfer or retain all the risks and benefits of the asset, but transferred their control.

If the Company has transferred the rights to receive financial flows from an asset or has signed an agreement on the basis of which it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the financial flows to one or more beneficiaries (pass-through), it considers whether or to what extent it has retained the risks and benefits concerning the ownership. If it has not substantially transferred or retained all the risks and benefits or has not lost control over it, the asset continued to be recognised in the financial statements of the Company to the extent of its residual involvement in the asset itself. In this case, the company also recognises an associated liability. The transferred asset and the associated liability are measured in such a way as to reflect the rights and obligations that pertain to the Company. When the residual involvement of the entity is a guarantee in the transferred asset, the involvement is measured based on the amount of the asset or the maximum amount of the consideration received that the entity could be obliged to pay, whichever lower.

Provisions for risks and charges

Provisions for risks and charges are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by updating future cash flows estimated at a rate including taxes such as to reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit

The post-employment benefit is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulations of this fund were amended by Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). Conversely, portions accruing after that date are treated as defined-contribution plans.

Actuarial gains or losses are recognised immediately under "Other total profits/(losses)".

Trade payables and other financial liabilities

Initial recognition

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in case of mortgages, loans and payables. The Company's financial liabilities include trade payables and other payables, mortgages and loans, including current account overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value with changes recognised in the income statement include liabilities held for trading and financial liabilities initially recognised at fair value, with changes recognised in the income statement. Liabilities held for trading are those liabilities acquired in order to discharge or transfer them in the short term. This category also includes derivative financial instruments subscribed by the Company and not designated as hedging instruments in a hedging relationship pursuant to IFRS 9. Embedded derivatives, separated from the main contract, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities are designated at fair value with changes recognised in the income statement from the date of initial recognition, only if the criteria of IFRS 9 are met.

Loans and payables

This is the most important category for the Company and includes interest-bearing payables and loans. After initial statement, loans are valued using the amortised cost approach, applying the effective interest rate method. Gains and losses are recognised in the income statement when the liability is discharged, as well as through the amortisation process. Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that are an integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expenses in the income statement.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or fulfilled. If an existing financial liability is replaced by another from the same lender, at substantially different conditions, or if the conditions of an existing liability are substantially changed, this replacement or change is treated as a derecognition of the original liability accompanied by the recognition of a new liability, with any differences between the carrying values recognised in the income statement.

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.

At year-end, assets and liabilities expressed in foreign currencies are posted at the spot exchange rate in force at the end of the reporting period and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

The Company's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The Company may decide to use derivative financial instruments to hedge these risks.

Derivatives are initially recognised at cost and are then adjusted to fair value on subsequent closing dates.

Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Company's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.

For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.

Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.

Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.

Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue recognition

Revenue is recognised net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.

Sales revenue is recognised when the company has transferred the significant risks and benefits associated with ownership of the goods and the amount of revenue can be reliably measured.

Revenues of a financial nature are recognised on an accrual basis.

Financial income

Finance income includes interest receivable on funds invested and income from financial instruments, when not offset as part of hedging transactions. Interest income is recognised in the income statement at the time of vesting, taking effective output into consideration.

Financial expenses

Financial expenses include interest payable on financial debt calculated using the effective interest method and bank expenses. All the other financial expenses are recognised as costs for the year in which they are incurred.

Income taxes for the year

Income taxes include all taxes calculated on the Company's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences that emerge from the taxable base of an asset or liability and its book value. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable in the years when temporary differences will be realised or settled.

Dividends

Dividends are posted on an accrual basis when the right to receive them materialises, i.e. when shareholders approve dividend distribution.

Treasury shares

Treasury shares are booked as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Equity-settled transactions

Some of the Company employees receive part of the remuneration in the form of share-based payments, therefore employees provide services in exchange for shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date on which the assignment is made using an appropriate measurement method, as explained in more detail in Note 43.
This cost, together with the corresponding increase in shareholders' equity, is recognised under personnel costs (Note 27) over the period in which the conditions relating to the achievement of objectives and/or the provision of the service are met. The cumulative costs recognised for such transactions at the end of each reporting period up to the vesting date are commensurate with the expiry of the vesting period and the best estimate of the number of equity instruments that will actually vest.
Service or performance conditions are not taken into account when defining the fair value of the plan at the assignment date. However, the probability of these conditions being met is taken into account when defining the best estimate of the number of equity instruments that will vest. Market conditions are reflected in the fair value at the assignment date. Any other condition related to the plan that does not involve a service obligation is not considered to be a vesting condition. Non-vesting conditions are reflected in the fair value of the plan and result in the immediate recognition of the cost of the plan, unless there are also service or performance conditions.
No cost is recognised for rights that do not vest in that the performance and/or service conditions are not met. When the rights include a market condition or a non-vesting condition, these are treated as if they had vested regardless of whether the market conditions or other non-vesting conditions to which they are subject are met or not, it being understood that all other performance and/or service conditions must be met.
If the conditions of the plan are changed, the minimum cost to be recognised is the fair value at the assignment date in the absence of the change in the plan itself, on the assumption that the original conditions of the plan are met. Moreover, a cost is recognised for each change that results in an increase in total fair value of the payment plan, or that is in any case favourable for employees; this cost is measured with reference to the date of change. When a plan is cancelled, any remaining element of the plan's fair value is immediately expensed to the income statement.

Use of estimates

Preparation of the separate financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosures on contingent assets and liabilities at the end of the reporting period. Actual results might differ from these estimates. Estimates are used to measure tangible and intangible assets and investments subject to impairment testing, as described earlier, as well as to measure the ability to recover prepaid tax assets, provisions for bad debts, for inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, other provisions. Specifically:

Recoverability of value of tangible and intangible assets and investments

The procedure for determining impairment losses of tangible and intangible assets described in "Impairment" implies – in estimating the value of use – the use of the Business Plans of investees, which are based on a series of assumptions relating to future events and actions of the investees' management bodies, which may not necessarily come about. In estimating market value, however, assumptions are made on the expected trend in trading between third parties based on historical trends, which may not actually be repeated.

Provisions for bad debts

Receivables are adjusted by the related bad debt provision to take into account their recoverable amount. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical payment trends.

Provisions for inventory obsolescence

Inventories subject to obsolescence and slow turnover are systematically measured and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits

The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions might have an effect on liabilities for pension benefits.

Share-based payments

Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which depends on the terms and conditions under which these instruments are granted. This also requires the identification of data to feed into the valuation model, including assumptions about the exercise period of the options, volatility and dividend yield. The Company uses a binomial model for the initial measurement of the fair value of share-based payments with employees.

Income taxes

Determining liabilities for Company taxes requires the use of management valuations in relation to transactions whose tax implications are not certain at the end of the reporting period. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions

When estimating the risk of potential liabilities from disputes, the Directors rely on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Company in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

Climate change

With reference to the potential impact of climate change and energy transition on the Company's activities, the Management carries out targeted analyses to identify and manage the main risks and uncertainties to which the Company is exposed, adapting the corporate strategy accordingly. To date, these factors have not had a significant impact on the opinions and estimates used in preparing these Separate Financial Statements.

COVID-19 pandemic

Management has reviewed the Company's exposure to the effects of the COVID-19 pandemic and its impact on the Company's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the opinions and estimates used in preparing these Separate Financial Statements.

Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest rate benchmark reform

The Financial Stability Board released the report "Reforming Major Interest Rate Benchmarks" with recommendations to strengthen existing benchmark indexes, other potential interbank market-based benchmark rates and develop alternative near-risk-free benchmark rates. The European Parliament introduced a common framework to ensure the accuracy and integrity of these indexes.

Following this Regulation, the IASB published the Reform of benchmark indexes for determining interest rates in order to take into account the consequences of the reform on financial reporting and so that companies can continue to comply with the provisions assuming that the existing benchmark indexes are not changed as a result of the reform of interbank rates.

The amendments to the principles outlined provide a number of expedients, applicable to all hedging relationships directly affected by the interest rate benchmark reform, i.e., if the reform generates uncertainties about the timing and/or amount of cash flows based on benchmarks of the hedged item or hedging instrument. These amendments had no impact on the Company's separate financial statements.

Amendment to IFRS16: Covid-19-Related Rent Concessions beyond 30 June 2021

On 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Company's separate financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet universally applicable and not adopted early by the Company at 31 December 2021

IFRS 17 "Insurance Contracts"
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new standard on insurance contracts covering recognition and measurement, presentation and disclosure. The overall objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. This principle does not apply to the Group.

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
In January 2020, the IAS issued amendments to paragraphs 69-76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by the right to postpone an expiry, that the right to postpone must exist at the end of the reporting period, that the classification is not affected by the likelihood that the entity will exercise its right to postpone, that only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on classification. The amendments will be effective for financial years beginning on or after 1 January 2023 and must be applied retrospectively. The Group is assessing the impact the changes will have on the current situation.

Amendments to IFRS 3 "Business Combinations"
The amendments are intended to update a reference in IFRS 3 to the previous version of the IASB's Conceptual Framework (1989 Framework) without affecting the requirements of the standard.

Amendments to IAS 16 "Property, Plant and Equipment"
The purpose of the amendments is not to allow the deduction from the cost of property, plant and equipment of the amount received from the sale of goods produced in the test phase of the asset. These sales revenues and related production costs will therefore be recognised in the income statement.

Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
The amendment clarifies that all costs directly attributable to the contract must be taken into account when estimating the possible onerousness of a contract. Accordingly, the assessment of whether a contract is onerous includes not only incremental costs (such as the cost of direct material used in processing), but also all costs that the enterprise cannot avoid because it has entered into the contract (such as, for example, the share of depreciation of machinery used for the performance of the contract).

Amendments to "Annual Improvements 2018-2020"
The amendments include amendments to the following principles:
- IFRS 1 "First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter": the amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences on the basis of the amounts recognised by the parent company, taking into account the parent's date of transition to IFRS;
- IFRS 9 "Financial Instruments": the amendments clarify what fees can be included in measuring whether the terms of a new financial liability (or changes to an existing financial liability) are materially different from the terms of the original financial liability;
- IAS 41 "Agriculture": the amendment removes the requirement to exclude cash flows arising from taxation when measuring the fair value of assets within the scope of IAS 41;
- IFRS 16 "Leases": amendments to illustrative example no. 13.

All amendments will enter into force on 1 January 2022. Following the adoption of these amendments, the directors do not expect a significant effect on the Company's separate financial statements.

COMMENTS ON THE MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
COST					
At 31 December 2019	**43,324**	**175,386**	**36,447**	**2,217**	**257,374**
Increases	344	3,566	2,481	2,717	9,108
Disposals	-	(4,908)	(1,129)	-	(6,037)
Reclassification	-	1,449	260	(2,412)	(703)
At 31 December 2020	**43,668**	**175,493**	**38,059**	**2,522**	**259,742**
Increases	571	3,877	2,016	3,005	9,469
Disposals	-	(1,694)	(404)	-	(2,098)
Reclassification	223	1,108	38	(1,676)	(307)
At 31 December 2021	**44,462**	**178,784**	**39,709**	**3,851**	**266,806**
ACCUMULATED DEPRECIATION	**18,531**	**154,288**	**33,084**	**-**	**205,903**
At 31 December 2019	**1,212**	**5,758**	**1,526**	**-**	**8,496**
Depreciations for the year	-	(3,391)	(69)	-	(3,460)
Derecognition due to disposal	-	141	-	-	141
At 31 December 2020	**19,743**	**156,796**	**34,541**	**-**	**211,080**
Depreciations for the year	1,258	5,558	1,562	-	8,378
Derecognition due to disposal	-	(1,151)	(95)	-	(1,246)
Write-downs	-	-	-	-	-
At 31 December 2021	**21,001**	**161,203**	**36,008**	**-**	**218,212**
NET CARRYING VALUE					
At 31 December 2021	**23,461**	**17,581**	**3,701**	**3,851**	**48,594**
At 31 December 2020	**23,925**	**18,697**	**3,518**	**2,522**	**48,662**

The breakdown of the net carrying value of Property was as follows:

	31.12.2021	31.12.2020	Change
Land	5,404	5,404	-
Industrial buildings	18,057	18,521	(464)
Total	**23,461**	**23,925**	**(464)**

Changes in property, plant and equipment resulting from the application of IFRS 16 are shown below:

	Property	Plant and equipment	Other assets	Total
1 January 2021	**256**	**-**	**665**	**921**
Increases	-	-	275	275
Depreciations	(44)	-	(266)	(310)
At 31 December 2021	**212**	**-**	**674**	**887**

The main investments in the financial year were aimed at adapting production capacity and industrialising new products to significantly increase shares with certain strategic customers.
Investments in maintenance and replacement, so that production equipment is kept constantly up to date and efficient, are systematic. Decreases mainly relate to the disposal of machinery to other companies of the Sabaf Group. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2021, the Company found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
At 31 December 2019	**11,835**
Increases	-
Disposals	(552)
At 31 December 2020	**11,283**
Increases	-
Disposals	(1,107)
At 31 December 2021	**10,176**

ACCUMULATED DEPRECIATIONS	
At 31 December 2019	**7,859**
Depreciations for the year	420
Derecognition due to disposal	(249)
At 31 December 2020	**8,030**
Depreciations for the year	369
Derecognition due to disposal	(534)
At 31 December 2021	**7,865**

NET CARRYING VALUE	
At 31 December 2021	**2,311**
At 31 December 2020	**3,253**

This item includes non-operating buildings owned by the Company. Disposals during the period resulted in a capital gain of approximately €109 thousand.

Changes in investment property resulting from the application of IFRS 16 are shown below:

INVESTMENT PROPERTY	
1 January 2021	**38**
Depreciations	(35)
At 31 December2021	**3**

At 31 December 2021, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
COST				
At 31 December 2019	**6,790**	**5,848**	**635**	**13,273**
Increases	269	413	6	688
Decreases	(85)	-	-	(85)
Reclassifications	-	(241)	-	(241)
At 31 December 2020	**6,974**	**6,020**	**641**	**13,635**
Increases	250	1,679	4	1,933
Decreases	(2)	-	(3)	(5)
Reclassifications	22	(58)	-	(36)
At 31 December 2021	**7,244**	**7,641**	**642**	**15,527**
AMORTISATION AND WRITE-DOWNS				
At 31 December 2019	**6,508**	**3,767**	**545**	**10,820**
Amortisation	156	342	1	499
Decreases	-	-	-	-
At 31 December 2020	**6,664**	**4,109**	**546**	**11,319**
Amortisation	142	288	-	430
Decreases	-	-	-	-
At 31 December 2021	**6,806**	**4,397**	**546**	**11,749**
NET CARRYING VALUE				
At 31 December 2021	**438**	**3,244**	**96**	**3,778**
At 31 December 2020	**310**	**1,911**	**95**	**2,316**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life.

In 2021, the Company set up a dedicated team to develop new solutions for home cooking, with the aim of creating innovative products that meet the needs of manufacturers of household appliances and new consumer trends. Investments in the development of gas parts continued, mainly in relation to the expansion of the range of burners.

Increases in development costs include projects in progress and therefore not subject to amortisation.

At 31 December 2021, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. EQUITY INVESTMENTS

	31.12.2021	31.12.2020	Change
In subsidiaries	84,429	65,441	18,988
Other equity investments	83	83	0
Total	**84,512**	**65,524**	**18,988**

The change in equity investments in subsidiaries is broken down in the table below:

HISTORICAL COST	Faringosi Hinges	Sabaf do Brasil	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf Mexico	Sabaf Turkey	A.R.C.	Okida	C.M.I	Sabaf India	Total
31.12.2019	**10,329**	**8,469**	**139**	**4,900**	**0**	**12,005**	**4,800**	**8,782**	**13,392**	**-**	**62,816**
Purchase	-	-	-	-	-	-	-	-	3,063	20	3,083
Share capital increase	-	1,092	-	3,000	-	-	-	-	-	1,750	5,842
31.12.2020	**10,329**	**9,561**	**139**	**7,900**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**71,741**
Purchase	-	-	-	-	1	-	1,650	-	4,743	-	6,394
Share capital increase	-	3,600	-	-	3,127	5,167	-	-	-	1,000	12,894
31.12.2021	**10,329**	**13,161**	**139**	**7,900**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**91,029**
PROVISION FOR WRITE-DOWNS											
31.12.2019	**0**	**0**	**0**	**4,900**	**0**	**0**	**0**	**0**	**0**	**0**	**4,900**
Write-downs	-	-	-	1,400	-	-	-	-	-	-	1,400
31.12.2020	**0**	**0**	**0**	**6,300**	**0**	**0**	**0**	**0**	**0**	**0**	**6,300**
Write-downs	-	-	-	300	-	-	-	-	-	-	300
31.12.2021	**0**	**0**	**0**	**6,600**	**0**	**0**	**0**	**0**	**0**	**0**	**6,600**
NET CARRYING VALUE											
31.12.2021	**10,329**	**13,161**	**139**	**1,300**	**3,128**	**17,172**	**6,450**	**8,782**	**21,198**	**2,770**	**84,429**
31.12.2020	**10,329**	**9,561**	**139**	**1,600**	**0**	**12,005**	**4,800**	**8,782**	**16,455**	**1,770**	**65,441**
PORTION OF SHAREHOLDERS' EQUITY (CALCULATED IN COMPLIANCE WITH IFRS)											
31.12.2021	**8,462**	**15,716**	**158**	**1,317**	**3,092**	**15,396**	**7,371**	**2,961**	**15,503**	**2,755**	**72,731**
31.12.2020	**7,462**	**10,561**	**108**	**1,597**	**0**	**19,534**	**4,349**	**3,294**	**7,763**	**1,671**	**56,339**
DIFFERENCE BETWEEN SHAREHOLDERS' EQUITY AND CARRYING VALUE											
31.12.2021	**(1,867)**	**2,555**	**19**	**17**	**(36)**	**(1,776)**	**921**	**(5,821)**	**(5,695)**	**(15)**	**(11,698)**
31.12.2020	**(2,867)**	**1,000**	**(31)**	**(3)**	**0**	**7,529**	**(451)**	**(5,488)**	**(8,692)**	**(99)**	**(9,102)**

Faringosi Hinges s.r.l.

In 2021, the Faringosi Hinges achieved positive results - in terms of sales and profitability - both compared to the previous year and compared to the budget. The 2022-2026 forward plan prepared at the beginning of 2022 envisages a further increase in sales at moderate growth rates.

At 31 December 2021, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices.

The value of use was calculated based on a discount rate (WACC) of 10.11% (8.62% in the impairment test carried out while preparing the separate financial statements at 31 December 2020) and a growth rate (g) of 2%, unchanged from the 2020 impairment test.

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €14.431 million, compared with a carrying value of the equity investment of €10.329 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
9.11%	15,684	16,097	16,539	17,013	17,524
9.61%	14,680	15,036	15,416	15,822	16,256
10.11%	13,792	14,102	14,431	14,781	15,154
10.61%	13,002	13,273	13,560	13,865	14,188
11.11%	12,293	12,532	12,785	13,051	13,334

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	14,431	12,501	10,572

Sabaf do Brasil

In 2021, Sabaf do Brasil continued to obtain positive results. Shareholders' equity (converted into euros at the end-of-year exchange rate) is higher than the carrying amount of the investment.

Sabaf U.S.

The subsidiary Sabaf U.S. operates as a commercial support for North America.

The difference between the carrying value and the shareholders' equity of the investee is attributable to the non-durable losses taking into consideration expected development on the North American market.

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd. has been producing burners for the Chinese market since 2015. Furthermore, the company has performed the function as distributor on the Chinese market of Sabaf products manufactured in Italy and Turkey. Low production volumes have not allowed the company to reach the break-even point. During the financial year, the shareholding was written down by €300 thousand against the loss of 2021.

Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)

In 2021, Sabaf Turkey, a company active in the production of gas parts, recorded a strong sales growth rate and a largely positive operating result. As a result of the strong devaluation of the Turkish lira, the company recorded exchange rate losses from the conversion of euro-denominated liabilities, which led to a negative net result.

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

In June 2016, the Company acquired the controlling share (70%) of A.R.C. s.r.l., leading company in the production of burners for professional cooking. The transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances, and to enhance the consolidated international presence of the Sabaf Group. In October 2021, Sabaf S.p.A. completed the acquisition of the remaining 30% of the share capital of A.R.C. s.r.l., following the exercise of the put option by the minority shareholder. The fee was €1,650 thousand. As a result of the transaction, Sabaf S.p.A. now holds 100% of the share capital of C.M.I. s.r.l..

A.R.C. s.r.l. performed well during the 2021 financial year in terms of both turnover and profitability. The 2022-2026 forward plan envisages a further increase in sales at moderate growth rates and almost stable margins.

At 31 December 2021, Sabaf S.p.A. tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount, considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 6.93% (6.76% in the impairment test carried out while preparing the Separate financial statements at 31 December 2020) and a growth rate (g) of 2% (unchanged from the impairment test carried out while preparing the separate financial statements at 31 December 2020). The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €23.079 million, compared with a carrying value of the equity investment of €6.450 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.50%**	**1.75%**	**2.00%**	**2.25%**	**2.50%**
5.93%	25,734	26,887	28,187	29,663	31,355
6.43%	23,425	24,333	25,344	26,475	27,751
6.93%	21,543	22,274	23,079	23,970	24,962
7.43%	19,980	20,579	21,234	21,951	22,742
7.93%	18,662	19,160	19,701	20,289	20,931

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	23,079	14,449	12,743

Okida Elektronik Sanayi ve Ticaret A.S.

In 2018, the Company directly acquired 30% of Okida Elektronik (the remaining 70% was acquired through the subsidiary Sabaf Turkey). Okida is a leader in Turkey in the design and manufacture of electronic components for household appliances (mainly ovens and hoods); the transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances. Okida Elektronik performed extremely well in 2021. At 31 December 2021, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 15.21% (14.18% in the impairment test carried out while preparing the separate financial statements at 31 December 2020) and a growth rate (g) of 2.50%, unchanged from the 2020 impairment test. The portion pertaining to Sabaf S.p.A. of the recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €15.832 million (30% of total equity value), compared with a carrying value of the equity investment of €8.782 million; consequently, the carrying value recognised for equity investment at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	Growth rate				
Discount rate	**1.00%**	**1.25%**	**2.50%**	**1.75%**	**2.00%**
14.21%	16,748	16,981	17,224	17,477	17,742
14.71%	16,068	16,279	16,499	16,728	16,967
15.21%	15,440	15,632	15,832	16,039	16,255
15.71%	14,859	15,034	15,215	15,444	15,600
16.21%	14,319	14,479	14,645	14,817	14,995

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	15,832	14,068	12,303

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

In July 2019, the Company acquired 68.5% of C.M.I. s.r.l., one of the main players in the design, production and sale of hinges for household appliances. The acquisition of C.M.I. s.r.l. allowed Sabaf to achieve a leadership position on a global scale in the hinge sector, proposing itself also in this area as a reference partner for all manufacturers of household appliances. Sabaf S.p.A. had acquired a further 15.75% stake in September 2020. In November 2021, Sabaf S.p.A. also completed the acquisition of 15.75% of the share capital of C.M.I. s.r.l., following the exercise of the second put option by the minority shareholder. The fee was €4,743 thousand. As a result of the transaction, Sabaf S.p.A. now holds 100% of the share capital of C.M.I. s.r.l.. C.M.I. s.r.l. recognised a strong increase in turnover in 2021 compared to the previous year. The positive trend is expected to continue for the period from 2022 to 2026, which forecasts further sales at moderate growth rates. At 31 December 2021, the Company tested - with the support of independent experts - the carrying value of the equity investment for impairment, determining its recoverable amount considered to be equivalent to its value of use plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2022 to 2026 were augmented by the terminal value, which expresses the operating flows that the investee is expected to generate from the sixth year to infinity and determined based on the perpetual income. The management prepared a single plan for each CGU that represents the normal expected scenario, with reference to the period from 2022 to 2026.

The development of forward plans and the calculation of the value in use were carried out following an in-depth analysis that also considered the impact on profitability of the increase in purchase costs and the possibility of transferring this increase to sales prices. The value of use was calculated based on a discount rate (WACC) of 11.31% (9.87% in the impairment test carried out while preparing the Separate financial statements at 31 December 2020) and a growth rate (g) of 2% (unchanged from that used for the impairment test carried out while preparing the separate financial statements at 31 December 2020).

The recoverable amount calculated on the basis of the above-mentioned assumptions and valuation techniques is €55.656 million, compared with a carrying value of the equity investment of €21.198 million; consequently, the amount recognised for equity investment at 31 December 2021 was deemed recoverable.

Sensitivity analysis

The recoverable amount of the equity investment was subjected to stress tests and sensitivity analyses that also took into account economic parameters and as a result of which positive results emerged. The table below shows the changes in recoverable amount depending on changes in the WACC discount rate and growth factor g:

(€/000)	**Growth rate**				
Discount rate	**1.00%**	**1.25%**	**2.00%**	**1.75%**	**2.00%**
10.31%	60,380	61,856	63,421	65,083	66,852
10.81%	56,649	57,946	59,316	60,766	62,303
11.31%	53,305	54,450	55,656	56,929	58,275
11.81%	50,289	51,306	52,375	53,499	54,685
12.31%	47,556	48,464	49,416	50,415	51,465

The table below shows the change in recoverable amount as EBITDA changes according to the plan.

	EBITDA		
	According to the plan	-10%	-20%
(€/000)	55,656	50,334	41,649

Sabaf India Private Limited

During the 2020 financial year, a new company was set up in India with the aim of producing gas parts for the local market, where strong growth is expected in the coming years. The impacts of the pandemic caused a postponement in preparatory activities for the start of operations, which is expected during 2022.

Sabaf Mexico S.A. de C.V.

During the 2021 financial year, a new company was established in Mexico. A plot of land was acquired on which a new plant for the production of components for the North American market will be built in 2022.

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2021	31.12.2020	Change
Financial receivables from subsidiaries	10,708	5,537	5,171
Total	**10,708**	**5,537**	**5,171**

At 31 December 2021, financial receivables from subsidiaries consist of:

- an interest-bearing loan of USD 2.5 million (€2.208 million at the end-of-year exchange rate), granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk with maturity March 2023;
- an interest-bearing loan of €8.5 million to the subsidiary Sabaf Turkey, of which €3.5 million disbursed during 2018 and €5 million disbursed during 2021 as part of the coordination of the Group's financial management, with maturity in August 2024 and April 2024, respectively.

6. INVENTORIES

	31.12.2021	31.12.2020	Change
Raw materials	13,381	9,062	4,319
Semi-processed goods	9,400	6,812	2,588
Finished products	12,990	7,374	5,616
Provision for inventory write-downs	(1,785)	(1,736)	(49)
Total	**33,986**	**21,512**	**12,474**

The value of final inventories at 31 December 2021 increased compared to the end of the previous year to meet the higher volumes of activity. Moreover, in addition to the inflationary effect of the significant increases in metal prices, the Company raised the level of safety stocks to ensure continuity of production in a particularly turbulent scenario.

The provision for write-downs is mainly allocated for hedging the obsolescence risk, quantified on the basis of specific analyses carried out at the end of the year on slow-moving and non-moving products, and refers to raw materials for €487 thousand, semi-finished products for €328 thousand and finished products for €970 thousand. The following table shows the changes in the Provision for inventory write-downs during the current financial year:

31.12.2020	**1,736**
Provisions	297
Utilisation	(248)
31.12.2021	**1,785**

7. TRADE RECEIVABLES

	31.12.2021	31.12.2020	Change
Trade receivables from third parties	30,584	29,477	1,107
Trade receivables from subsidiaries	15,210	16,048	(838)
Bad debt provision	(600)	(500)	(100)
Net total	**45,194**	**45,025**	**169**

At 31 December 2021, trade receivables included balances totalling USD 6,985 thousand, booked at the EUR/USD exchange rate in effect on 31 December 2021, equal to 1.13260. The amount of trade receivables recognised in the financial statements includes approximately €13 million in insured receivables (€17 million at 31 December 2020).
There were no significant changes in average payment terms agreed with customers.
Receivables assigned to factors without recourse are derecognised from the Statement of Financial Position in that the reference contract provides for the assignment of ownership of the receivables, together with ownership of the cash flows generated by the receivable, as well as of all risks and benefits, to the assignee.

The following table shows the breakdown of receivables from third parties by maturity date:

	31.12.2021	31.12.2020	Change
Current receivables (not past due)	27,304	27,784	(480)
Outstanding up to 30 days	1,844	1,026	818
Outstanding from 30 to 60 days	348	315	33
Outstanding from 60 to 90 days	211	100	111
Outstanding for more than 90 days	877	252	625
Total	**30,584**	**29,477**	**1,107**

The bad debt provision was adjusted to the better estimate of the credit risk and expected losses at the end of the reporting period, also carried out by analysing each expired item. Changes during the year were as follows:

	31.12.2020	Provisions	Utilisation	31.12.2021
Bad debt provision	**500**	**100**	**-**	**600**

8. TAX RECEIVABLES

	31.12.2021	31.12.2020	Change
For income tax	**1,104**	**1,119**	**(15)**
For VAT	359	135	224
Total	**1,463**	**1,254**	**209**

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law.
At 31 December 2021, income tax receivables include:

- the receivable from the subsidiary C.M.I. s.r.l. amounting to €457 thousand;
- the receivable from the subsidiary Faringosi Hinges s.r.l amounting to €155 thousand;
- the receivable from the subsidiary A.R.C. s.r.l. amounting to €155 thousand;

relating to the balance of the 2021 income taxes transferred by the subsidiaries to the consolidating company Sabaf S.p.A., in accordance with the provisions of the tax regulations relating to the national tax consolidation and the tax consolidation cotracts entered into between the parties.

Income tax receivables also include €352 thousand of receivables for investments in capital equipment referred to Decree Law 160/2019 and Budget Law 178/2020.

9. OTHER CURRENT RECEIVABLES

	31.12.2021	31.12.2020	Change
Credits to be received from suppliers	1,240	658	582
Advances to suppliers	426	431	(5)
Due from INAIL	5	42	(37)
Other	258	816	(558)
Total	**1,929**	**1,947**	**(18)**

Credits to be received from suppliers mainly refer to bonuses paid to the Company for the attainment for the year purchasing objectives, which were achieved in 2021 to a greater extent than in the previous year.

10. CURRENT FINANCIAL ASSETS

	31.12.2021	31.12.2020	Change
Restricted bank accounts	1,173	1,233	(60)
Currency derivatives	-	127	(127)
Total	**1,173**	**1,360**	**(187)**

At 31 December 2021, a term deposit of €1.173 million, due by 2022, for the portion of the price not yet paid to the sellers of the C.M.I. equity investment and deposited as collateral in accordance with the terms of the C.M.I. acquisition agreement.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €29,733 thousand at 31 December 2021 (€1,595 thousand at 31 December 2020), refers almost exclusively to bank current account balances.

12. SHARE CAPITAL

The Company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year.
At 31 December 2021, the structure of the share capital is shown in the table below.

	No. of shares	% of share capital	Rights and obligations
Ordinary shares	8,376,760	72.63%	–
Ordinary shares with increased vote	3,156,690	27.37%	Two voting rights per share
Total	**11,533,450**	**100%**	

With the exception of the right to increased vote, there are no rights, privileges or restrictions on the Company. The availability of reserves is indicated in a table at the end of these Explanatory Notes.

13. TREASURY SHARES AND OTHER RESERVES

With regard to the 2018 - 2020 Stock Grant Plan, following the expiry of the three-year vesting period, during the first half of 2021, 34,946 ordinary shares of the Company were allocated and transferred to the beneficiaries of Cluster 1, through the use of shares already available to the issuer.
No other transactions on treasury shares were carried out during the year.

At 31 December 2021, the Company is the lawful owner of 311,802 treasury shares (2.703% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a weighted average unit value of €12.52 (the closing stock market price of the Share at 31 December 2021 was €24.00). Further to what was reported in the Interim Management Statement at 31 December 2021 published on 10 February 2022, it is confirmed that the Company recovered the full availability of 311,802 treasury shares on 1 March 2022.

There were 11,221,648 outstanding shares at 31 December 2021 (11,186,702 at 31 December 2020).

The item "Retained earnings, other reserves" of €92,832 thousand included, at 31 December 2021:

- the stock grant reserve of €1,701 thousand, which included the measurement at 31 December 2021 of the fair value of rights assigned to receive Sabaf shares relating to the following medium- and long-term incentive plans:
  - 2018 - 2020 Stock Grant Plan, for rights related to Cluster 2 beneficiaries only;
  - 2021 – 2023 Stock Grant Plan.

For details of the Stock Grant Plan, refer to Note 43;

- the hedge accounting reserve, negative for €71 thousand. The following table shows the change in the Cash Flow Hedge reserve related to the application of IFRS 9 on derivative contracts and referring to the recognition in net equity of the effective part of the derivative contracts signed to hedge the foreign exchange rate risk for which the Company applies hedge accounting.

Opening value at 31 December 2020	127
Change during the period	(198)
Value at 31 December 2021	**(71)**

The characteristics of the derivative financial instruments that gave rise to the cash flow hedge reserve and the accounting effects on other items in the financial statements are broken down in Note 35, in the paragraph Foreign exchange risk management.

14. LOANS

	31.12.2021			31.12.2020		
	Current	Non-current	Total	Current	Non-current	Total
Leases	437	1,456	1,893	474	1,633	2,107
Unsecured loans	16,732	81,059	97,791	12,956	25,258	38,214
Short-term bank loans	1,841	-	1,841	10,567	-	10,567
Total	**19,010**	**82,515**	**101,525**	**23,997**	**26,891**	**50,888**

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 the Company to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt. The loan described has the following covenants, defined with reference to the Group consolidated figures widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years:

- commitment to maintain a ratio of net financial debt to shareholders' equity of less than 1.5;
- commitment to maintain a ratio of net financial debt to EBITDA of less than 3;
- commitment to maintain a ratio of EBITDA to net financial position of more than 4.

During the year, the Company took out new unsecured loans for a total of €45 million. All loans are signed with an original maturity of ranging from 5 to 6 years and are repayable in instalments.

Some of the outstanding unsecured loans have covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial position to shareholders' equity of less than 1 (residual amount of the loans at 31 December 2021 equal to €47.8 million);
- commitment to maintain a ratio of net financial position to EBITDA of less than 2.5 (residual amount of the loans at 31 December 2021 equal to €56.8 million);

widely complied with at 31 December 2021 and for which, according to the Group's business plan, compliance is also expected in subsequent years.
All bank loans are denominated in euro, with the exception of a short-term loan of USD 2 million.
To manage interest rate risk, unsecured loans are either fixed-rate or hedged by IRS. In these separate financial statements, "Other financial liabilities" (Note 15) includes the negative fair value of the IRSs hedging rate risks of unsecured loans pending, for residual notional amounts of approximately €33.4 million and expiry until 30 June 2027. Financial expenses were recognised in the income statement with a balancing entry.

The following table shows the changes in lease liabilities during the year:

Lease liabilities at 1 January 2020	**2,047**
New agreements signed during 2020	515
Repayments during 2020	(455)
Lease liabilities at 31 December 2020	**2,107**
New agreements signed during 2021	275
Repayments during 2021	(489)
Lease liabilities at 31 December 2021	**1,893**

Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2021		31.12.2020	
	Current	**Non-current**	**Current**	**Non-current**
Payables to A.R.C. shareholders	-	-	60	-
Payables to C.M.I. shareholders	1,173	-	1,173	-
Derivative instruments on interest rates	72	-	327	-
Currency derivatives	149	-	-	-
Total	**1,394**	**-**	**1,560**	**-**

The payable to C.M.I. shareholders of €1,173 thousand at 31 December 2021, maturing during 2022, is related to the part of the price still to be paid to the Chinese group Guandong Xingye Investment, seller of C.M.I., which was deposited on a non-interest-bearing restricted account in accordance with contractual agreements and guarantees issued by the seller. Currency derivatives refer to forward sales contracts recognised using hedge accounting. These financial instruments are broken down in Note 35 - Forex risk management.

16. POST-EMPLOYMENT BENEFIT

At 31 December 2020	**1,929**
Financial expenses	4
Payments made	(150)
Tax effect	(3)
At 31 December 2021	**1,780**

Actuarial gains or losses are recognised immediately in the comprehensive income statement ("Other comprehensive income") under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions		
	31.12.2021	**31.12.2020**
Discount rate	0.40%	0.23%
Inflation	1.30%	1.00%

Demographic theory		
	31.12.2021	**31.12.2020**
Mortality rate	IPS55 ANIA	IPS55 ANIA
Disability rate	INPS 2000	INPS 2000
Staff turnover	7%	6%
Advance payouts	2% per year	5% per year
Retirement age	pursuant to legislation in force at 31 December 2021	pursuant to legislation in force on 31 December 2020

17. PROVISIONS FOR RISKS AND CHARGES

	31.12.2020	Provisions	Utilisation	31.12.2021
Provision for agents' indemnities	218	28	(1)	245
Product guarantee fund	60	-	-	60
Provision for tax risks	-	500	-	500
Provision for legal risks	576	-	(530)	46
Total	**854**	**528**	**(531)**	**851**

The provision for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold and, if necessary, is adjusted at the end of the financial year on the basis of analyses carried out and past experience.
The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.
At 31 December 2021, a provision of €500 thousand was recognised in the provisions for tax, expressing the best estimate of the probable liability following the results of a tax audit on the Company for the years from 2016 to 2018. With regard to the provision for legal risks, note that, at the end of the 2020 financial year, a provision of €500 thousand had been recognised in relation to a patent dispute, for which a settlement was reached with the counterparty at the beginning of 2021. During 2021, the corresponding use of the provision was therefore recognised, against payment.
The provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

18. TRADE PAYABLES

	31.12.2021	31.12.2020	Change
Total	**33,678**	**26,204**	**7,474**

The increase in trade payables is related to higher production volumes of the year. Average payment terms did not change versus the previous year.

At 31 December 2021, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2021	31.12.2020	Change
To inland revenue for income tax	2,703	1,433	1,270
To subsidiaries for income tax	55	276	(221)
To inland revenue for IRPEF tax deductions	616	676	(60)
Other tax payables	-	74	(74)
Total	**3,374**	**2,459**	**915**

Payables to inland revenue for income tax are related to IRES for €2,383 thousand and IRAP for €320 thousand.

In the 2020 financial year, the Company has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law. At 31 December 2021, payables to subsidiaries for income taxes refer to tax advances received from the subsidiary CGD s.r.l..

Payables for IRPEF tax deductions, relating to employment and self-employment, were duly paid at maturity.

20. OTHER CURRENT PAYABLES

	31.12.2021	31.12.2020	Change
To employees	5,095	4,259	836
To social security institutions	2,238	2,094	144
Advances from customers	1,200	858	342
To agents	216	231	(15)
Other current payables	652	415	237
Total	**9,401**	**7,857**	**1,544**

At the beginning of 2022, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates. Other current payables include accrued liabilities and deferred income.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2021	31.12.2020
Deferred tax assets	3,323	3,892
Deferred tax liabilities	(324)	(230)
Net position	**2,999**	**3,662**

The table below analyses the nature of the temporary differences that determine the recognition of deferred tax liabilities and assets and their changes during the year and the previous year.

	Amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax loss	Actuarial evaluation of post-employment benefit	Other temporary differences	Total
At 31 December 2019	**(476)**	**896**	**65**	**1,417**	**419**	**168**	**53**	**2,542**
Through profit or loss	1,403	(18)	(20)	(177)	(419)	-	343	1,112
To shareholders' equity	-	-	-	-	-	8	-	8
At 31 December 2020	**927**	**878**	**45**	**1,240**	**0**	**176**	**396**	**3,662**
Through profit or loss	(184)	(131)	(10)	(177)	-	-	(160)	(662)
To shareholders' equity	-	-	-	-	-	(1)	-	(1)
At 31 December 2021	**743**	**747**	**35**	**1,063**	**0**	**175**	**236**	**2,999**

Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Law Decree 98/2011, deductible in ten instalments starting in 2018.

22. TOTAL FINANCIAL DEBT

As required by the CONSOB memorandum of 28 July 2006, we disclose that the Company's net financial debt is as follows:

	31.12.2021	31.12.2020	Change
A. Cash (Note 11)	8	9	(1)
B. Positive balances of unrestricted bank accounts (Note 11)	29,725	1,586	28,139
C. Other cash equivalents	-	-	-
D. Liquidity (A+B+C)	**29,733**	**1,595**	**28,138**
E. Current financial receivables	**1,173**	**1,360**	**(187)**
F. Current bank payables (Note 14)	1,841	10,567	(8,726)
G. Current portion of non-current debt (Note 14)	17,169	13,430	3,739
H. Other current financial payables (Note 15)	1,394	1,560	(166)
I. Current financial debt (F+G+H)	**20,404**	**25,557**	**(5,153)**
J. Net current financial debt (I-D-E)	**(10,502)**	**22,602**	**(33,104)**
K. Non-current bank payables (Note 14)	82,515	26,891	55,624
L. Other non-current financial payables	-	-	-
M. Non-current financial debt (K+L)	**82,515**	**26,891**	**55,624**
N. Net financial debt (J+M)	**72,013**	**49,493**	**22,520**

The statement of cash flows, which shows the changes in cash and cash equivalents (letter D. of this statement), describes in detail the cash flows that led to the change in the net financial position.

COMMENTS ON KEY INCOME STATEMENT ITEMS

23. REVENUE

In 2021, sales revenue totalled €144,033,787, up 40.4% from €102,583,189 in 2020.

REVENUE BY GEOGRAPHICAL AREA

	2021	%	2020	%	% Change
Europe (excluding Turkey)	48,788	33.9%	38,724	37.7%	+26.0%
Turkey	35,496	24.6%	25,607	25.0%	+38.6%
North America	10,088	7.0%	7,792	7.6%	+29.5%
South America	20,688	14.4%	13,711	13.4%	+50.9%
Africa and Middle East	16,930	11.8%	10,415	10.2%	+62.6%
Asia and Oceania	12,044	8.4%	6,334	6.2%	+90.1%
Total	**144,034**	**100%**	**102,583**	**100%**	**+40.4%**

REVENUE BY PRODUCT FAMILY

	2021	%	2020	%	% Change
Valves and thermostats	60,006	41.7%	45,784	44.6%	+31.1%
Burners	63,959	44.4%	42,798	41.7%	+49.4%
Accessories and other revenues	20,069	13.9%	14,001	13.6%	+43.3%
Total	**144,034**	**100%**	**102,583**	**100%**	**+40.4%**

In 2021, demand was solid in all markets, with particularly high peaks in the first half of the year. The increase in sales was very strong in all geographical areas, with peaks in Asia, Africa and the Middle East, indicating an increasingly global presence.
Average sales prices in 2021 were 1.5% higher compared with 2020.

24. OTHER INCOME

	2021	2020	Change
Sale of trimmings	2,696	1,147	1,549
Services to subsidiaries	1,295	1,150	145
Royalties to subsidiaries	213	126	87
Contingent income	307	891	(584)
Rental income	123	121	2
Use of provisions for risks and charges	1	15	(14)
Other income	1,560	2,197	(637)
Total	**6,195**	**5,647**	**548**

Services to subsidiaries refer to administrative, commercial and technical services provided within the scope of the Group.
Other income includes €638 in revenue from the sale of moulds and equipment and €106 thousand in benefits granted as a tax credit for investments made in 2021 (Law 160/2019 paragraphs 184 to 196).

25. MATERIALS

	2021	2020	Change
Commodities and outsourced components	66,870	39,462	27,408
Consumables	5,252	3,809	1,443
Total	**72,122**	**43,271**	**28,851**

In 2021, the effective purchase prices of the main raw materials (aluminium alloys, steel and brass) were on average higher than in 2020, with a negative impact of 5.8% of sales.

26. COSTS FOR SERVICES

	2021	2020	Change
Outsourced processing	12,701	7,831	4,870
Electricity and natural gas	6,092	2,616	3,476
Maintenance	4,975	3,827	1,148
Advisory services	2,421	1,832	589
Transport and export expenses	2,475	1,420	1,055
Directors' fees	477	419	58
Insurance	541	536	5
Commissions	770	573	197
Travel expenses and allowances	136	122	14
Waste disposal	539	469	70
Canteen	325	251	74
Temporary agency workers	487	211	276
Other costs	2,315	2,102	213
Total	**34,254**	**22,209**	**12,045**

The main outsourced processing carried out by the Company include aluminium die-casting, hot moulding of brass and some mechanical processing and assembly. The increase in costs for outsourced processing reflects the higher levels of activity compared to the previous year.
The increase in energy costs resulted, in addition to the increase in production volumes, from the extraordinary and sudden increase in electricity and gas prices in the second half of the year.

27. PERSONNEL COSTS

	2021	2020	Change
Salaries and wages	20,670	18,744	1,926
Social Security costs	6,433	5,718	715
Temporary agency workers	5,229	2,002	3,227
Post-employment benefit and other costs	1,643	1,446	197
Stock Grant plan	805	657	148
Total	**34,780**	**28,567**	**6,213**

Average of the Company headcount at 31 December 2021 totalled 473 employees (335 blue-collars, 125 white-collars and supervisors, 13 managers), compared with 480 in 2020 (345 blue-collars, 124 white-collars and supervisors, 11 managers). The number of temporary staff with temporary work contract was 115 at 31 December 2021 (82 at the end of 2020).
The item "Stock Grant Plan" included the measurement at 31 December 2021 of the fair value of the options to the allocation of Sabaf shares to employees. For details of the Stock Grant Plan, refer to Note 43.

28. OTHER OPERATING COSTS

	2021	2020	Change
Provisions for risks	-	558	(558)
Non-income related taxes and duties	375	413	(38)
Losses and write-downs of trade receivables	100	89	11
Contingent liabilities	53	36	17
Other provisions	28	26	2
Other operating expenses	172	185	(13)
Total	**728**	**1,307**	**(579)**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Other provisions refer to the allocations to provisions for risks described in Note 17.

29. FINANCIAL EXPENSES

	2021	2020	Change
Interest paid to banks	322	543	(221)
Banking expenses	177	141	36
Other financial expense	31	34	(3)
Total	**530**	**718**	**(188)**

Interest paid to banks includes IRS spreads payable that hedge interest rate risks.

30. EXCHANGE RATE GAINS AND LOSSES

In 2021, the Company reported net foreign exchange profit of €427 thousand (net loss of €399 thousand in 2020) due to the gradual strengthening of the dollar against the euro during the year.

31. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

	2021	2020	Change
Dividends received from Faringosi Hinges Srl	-	500	(500)
Dividends received from Okida Elektronik	176	109	67
Total	**176**	**609**	**(433)**

This item includes dividends received from investee companies.

32. INCOME TAXES

	2021	2020	Change
Current taxes	2,961	934	2,027
Deferred tax assets and liabilities	662	(1,112)	1,774
Taxes related to previous financial years	36	(89)	125
Substitute tax	-	146	(146)
Taxes on foreign dividends	24	15	9
Provision for tax risks	500	-	500
Total	**4,183**	**(106)**	**4,289**

Current taxes for 2021 are related to IRAP (€759 thousand) and IRES (€2,202 thousand).
With regard to the provision for tax risks, please refer to Note 17.

Reconciliation between the tax burden booked in the financial statements and the theoretical tax burden calculated according to the statutory tax rates currently in force in Italy is shown in the following table:

	2021	2020
Theoretical income tax	3,414	1,513
Taxes related to previous financial years	28	(127)
Tax effect of dividends from investee companies	(16)	(124)
"Iper and Superammortamento" tax benefit	(641)	(694)
Realignment between carrying values and tax values of properties	-	(1,360)
Substitute tax on realignment of property values	-	146
Permanent tax differences	74	172
Other differences	-	2
Tax credit on sanitisation costs	(14)	(28)
Provision for tax risks	500	-
IRES (current and deferred)	**3,345**	**(500)**
IRAP (current and deferred)	**838**	**394**
Total	**4,183**	**(106)**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 24%, to the pre-tax result. IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distorting effects.

33. DIVIDENDS

On 2 June 2021, shareholders were paid an ordinary dividend of €0.55 per share (total dividends of €6,172 thousand).
The Directors have recommended payment of a dividend of €0.60 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.
The dividend proposed is scheduled for payment on 1 June 2022 (ex-date 30 May and record date 31 May).

34. SEGMENT REPORTING

Within the Sabaf Group, the Company operates exclusively in the gas parts segment for household cooking. The information in the consolidated financial statements is divided between the various segments in which the Group operates.

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IFRS 9.

	31.12.2021	31.12.2020
Financial assets		
Amortised cost		
Cash and cash equivalents	29,733	1,595
Trade receivables and other receivables	46,991	46,972
Non-current loans	10,708	5,537
Other financial assets	1,173	1,360
Hedge Accounting		
Derivatives cash flow hedges (on currency)	-	127

	31.12.2021	31.12.2020
Financial liabilities		
Fair Value through profit or loss		
Derivatives cash flow hedges (on interest rates)	149	327
Amortised cost		
Loans	101,525	50,887
Other financial liabilities	1,173	1,233
Trade payables	33,545	26,204
Hedge Accounting		
Derivatives cash flow hedges (on currency)	71	-

The Company is exposed to financial risks related to its operations, mainly:

- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed by the inability to find financial resources necessary to ensure Company operations.

It is part of Sabaf's policies to hedge exposure to changes in prices, exchange rates and interest rates via derivative financial instruments. Hedging is done using forward contracts, options or combinations of these instruments. Generally speaking, the maximum duration covered by such hedging does not exceed 18 months. The Company does not enter into speculative transactions. When the derivatives used for hedging purposes meet the necessary requisites, hedge accounting rules are followed.

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Company assesses the creditworthiness of all its customers at the start of supply and systemically at least on an annual basis. After this assess ment, each customer is assigned a credit limit. The Company factors receivables with factoring companies based on without recourse agreements, thereby transferring the related risk.

A credit insurance policy is in place, which guarantees cover for approximately 38% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented 13.1% of total turnover in 2021, while purchases in dollars represented 4.3% of total turnover. During the year, operations in dollars were partially hedged through forward sales contracts. At 31 December 2021, the Group had in place forward sales contracts of USD 3 million, maturing in December 2022 at an average exchange rate of 1.1658. With reference to these contracts, the Company applies hedge accounting, checking compliance with IFRS 9.

The table below shows the balance sheet and income statement effects of forward sales contracts recognised under hedge accounting.

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	Unicredit	*Forward*	28/03/2022	USD	1,000,000	2
			27/06/2022		500,000	
			28/06/2022		500,000	
			27/09/2022		500,000	
			27/12/2022		500,000	

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2021, a hypothetical and immediate revaluation of 10% of euro against the dollar would have led to a loss of €466 thousand.

Interest rate risk management
Owing to the current trend in interest rates, the Company favours fixed-rate indebtedness: medium to long-term loans originated at a variable rate are converted to a fixed rate by entering into interest rate swaps (IRS) at the same time as the loan is opened. At 31 December 2021, IRS totalling €33.4 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "fair value through profit or loss" method.

The following table shows the characteristics of the derivative financial instruments described in the previous paragraph.

Company	Counterparty	Instrument	Maturity	Value date	Notional	Fair value hierarchy
Sabaf S.p.A.	MPS	IRS	30/06/2023	EUR	1,500,000	2
	Intesa Sanpaolo		15/06/2024		6,000,000	
	Intesa Sanpaolo		15/06/2024		1,850,000	
	Crédit Agricole		30/06/2025		9,000,00	
	Mediobanca		28/04/2027		15,000,000	

Sensitivity analysis
Considering the IRS in place, at the end of 2021 almost all of the Company's financial debt was at a fixed rate. Therefore, at 31 December 2021 no sensitivity analysis was carried out in that the exposure to interest rate risk, linked to a hypothetical increase (decrease) in interest rates, is not significant.

Commodity price risk management
A significant portion of the Company's purchase costs is represented by aluminium, steel and brass. Metal prices rose sharply during 2021, forcing the Company to renegotiate sales prices several times to compensate for the increase in costs. Based on market conditions and contractual agreements, the Company may not be able to pass on changes in raw material prices to customers in a timely and/or complete manner, with consequent effects on margins. The Company also protects itself from the risk of changes in the price of aluminium, steel and brass with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2021 and 2020, the Company did not use financial derivatives on commodities.

Liquidity risk management
The management of liquidity and financial debt is coordinated at Group level. The Group operates with a debt ratio considered physiological (net financial debt/shareholders' equity at 31 December 2021 of 55.2%, net financial debt/EBITDA of 1.25) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt;
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

An analysis by expiry date of financial payables at 31 December 2021 and 31 December 2020 is shown below.

At 31 December 2021	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	70,035	71,469	1,819	15,830	47,984	5,836
Bond issue	29,649	34,440	-	555	2,220	31,665
Short-term bank loans	2,062	2,062	2,062	-	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**102,919**	**109,144**	**3,881**	**17,558**	**50,204**	**37,501**
Trade payables	33,678	33,678	30,896	2,782	-	-
Total	**136,597**	**142,822**	**34,777**	**20,340**	**50,204**	**37,501**

At 31 December 2020	Carrying value	Contractual cash flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans and leases	40,320	40,832	1,874	11,777	27,174	7
Short-term bank loans	10,567	10,567	10,567	-	-	-
Payables to A.R.C. shareholders	60	60	-	60	-	-
Payables to C.M.I. shareholders	1,173	1,173	-	1,173	-	-
Total financial payables	**52,120**	**52,632**	**12,441**	**11,837**	**27,174**	**7**
Trade payables	26,204	26,204	23,548	2,656	-	-
Total	**78,324**	**78,836**	**35,989**	**14,493**	**27,174**	**7**

The various due dates are based on the period between the end of the reporting period and the contractual expiry date of the commitments, the values indicated in the table correspond to non-discounted cash flows. Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the end of the reporting period and increased by the spread set forth in each contract.

Hierarchical levels of fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between the following levels:

- Level 1 – quotations found on an active market for assets or liabilities subject to assessment;
- Level 2 - input other than prices listed in the previous point, which can be observed directly (prices) or indirectly (derived from prices) on the market;
- Level 3 – input based on observable market data.

The following table shows the assets and liabilities valued at fair value at 31 December 2021, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (interest rate derivatives)	-	149	-	149
Total assets and liabilities at fair value	**-**	**149**	**-**	**149**

36. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

The table below illustrates the impact of all transactions between Sabaf S.p.A. and other related parties on the balance sheet and income statement items and related parties, with the exception of the directors' fees, auditors and key management personnel which is stated in the Report on Remuneration.

IMPACT OF RELATED PARTY TRANSACTIONS OR POSITIONS ON STATEMENT OF FINANCIAL POSITION ITEMS

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	10,708	10,708	-	10,708	100%
Trade receivables	45,194	15,211	-	15,211	33.66%
Tax receivables	1,463	767	-	767	52.43%
Trade payables	33,678	1,533	4	1,537	4.56%
Tax payables	3,374	55	-	55	1.63%

	Total 2020	Subsidiaries	Other related parties	Total related parties	Impact on the total
Non-current financial assets	5,537	5,537	-	5,537	100%
Trade receivables	45,025	16,048	-	16,048	35.64%
Tax receivables	1,254	316	-	316	25.20%
Trade payables	26,204	1,075	4	1,079	4.12%
Tax payables	2,459	351	-	351	14.27%

IMPACT OF RELATED PARTY TRANSACTIONS ON INCOME STATEMENT ITEMS

	Total 2021	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	144,034	20,212	-	20,212	14.03%
Other income	6,195	2,030	-	2,030	32.77%
Materials	72,122	3,316	-	3,316	4.60%
Services	34,254	447	21	468	1.37%
Capital gains on non-current assets	238	155	-	155	65.13%
Financial income	318	255	-	255	80.19%

	Total 2020	Subsidiaries	Other related parties	Total related parties	Impact on the total
Revenue	102,583	15,221	-	15,221	14.84%
Other income	5,647	1,647	-	1,647	29.17%
Materials	43,271	1,935	-	1,935	4.47%
Services	22,209	458	21	479	2.16%
Capital gains on non-current assets	965	723	-	723	74.92%
Write-downs of non-current assets	761	620	-	620	81.47%
Financial income	202	176	-	176	87.13%

Relations with subsidiaries mainly consist of:
- trade relations, relating to the purchase and sale of semi-processed goods or finished products;
- sales of machinery, which generated the capital gains highlighted;
- charging for the provision of intra-group technical, commercial and administrative services;
- charging for intra-group royalties;
- intra-group loans;
- tax consolidation scheme.

Related party transactions are regulated by specific contracts regulated at arm's length conditions.

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the following section describes and comments on significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year:

	Shareholders' equity	Net Profit	Net financial debt	Cash flows
Financial statement values (A)	**114,409**	**10,044**	**72,013**	**28,138**
Provision for tax risks	500	500	-	-
Total non-recurring operations (B)	*500*	*500*	-	-
Financial statement notional value (A + B)	**114,909**	**10,544**	**72,013**	**28,138**

In these separate financial statements, the Company recognised a provision for tax risks of €500 thousand against potential tax liabilities (Note 17 and Note 28).

38. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The recent conflict between Ukraine and Russia led to a sudden change in the global economic scenario. Although the Company has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand. To date, these effects are not quantifiable as they are related to future developments in the conflict, the outcome of which cannot be determined.

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Company declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2021.

40. SECONDARY OFFICES AND LOCAL UNITS

The Company has two other active local units in addition to the registered office in Ospitaletto (Brescia):

- Lumezzane (Brescia);
- Busto Arsizio (Varese).

41. COMMITMENTS

Guarantees issued

Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €3,443 thousand (€3,632 thousand at 31 December 2020).

42. FEES TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Fees to directors, statutory auditors and executives with strategic responsibilities are described in the Report on Remuneration that will be presented to the shareholders' meeting called to approve these separate financial statements.

43. SHARE-BASED PAYMENTS

Two stock grant plans are in place, namely the 2018 - 2020 Stock Grant Plan and the 2021 - 2023 Stock Grant Plan. The Plans aim to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the Business Plan, foster loyalty development and motivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth and sustainability of the Company and of the Group.

2018 – 2020 Stock Grant Plan

The Plan was approved by the Shareholders' Meeting on 8 May 2018 and the related Regulations by the Board of Directors on 15 May 2018, subsequently amended as on 14 May 2019.

Subject matter

The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 370,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share. The free allocation of Sabaf S.p.A. shares is conditional, among other things, on the achievement, in whole or in part of the business objectives related to the ROI, EBITDA and TSR indicators and, for a share not exceeding 30%, of individual objectives, on a progressive basis.

Beneficiaries

The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2018 - 2020 Business Plan. The Beneficiaries were divided into two groups:

- Cluster 1: beneficiaries identified in the Plan or who will be identified by the Board of Directors by 30 June 2018 and to whom 185,600 rights have been allocated;
- Cluster 2: beneficiaries identified by the Board of Directors from 1 July 2018 to 30 June 2019 and to whom 184,400 rights have been allocated.

Deadline
The 2018 - 2020 Plan expires on 31 December 2022.

Rights accrued and allocation of shares
With reference to Cluster 1, based on the level of achievement of the objectives and the other conditions set out in the Plan, 34,946 rights accrued, therefore 34,946 shares have been allocated to the Beneficiaries during 2021.
With regard to Cluster 2, based on the level of achievement of the objectives set out in the Plan, 114,074 rights accrued. The allocation of the relevant shares will be made during 2022 and is conditional on the continuation of the employment relationship with the Beneficiaries at the date of approval of the financial statements for the year 2021 of Sabaf S.p.A..

Accounting impacts and Fair Value measurement methods
The Company's shareholders' equity includes the Stock Grant reserve (Note 13), which includes €896 thousand for the fair value measurement of the Rights assigned to Cluster 2 beneficiaries. Please see the explanatory notes to the consolidated financial statements at 31 December 2020 for an explanation of how to determine the fair value of these rights.

2021 – 2023 Stock Grant Plan
The plan was approved by the Shareholders' Meeting on 6 May 2021 and the related Regulations by the Board of Directors on 13 May 2021.

Subject matter
The subject-matter of the Plan is the free allocation to the Beneficiaries of a maximum of 260,000 Options, each of which entitles them to receive free of charge, under the terms and conditions provided for by the Regulations of the relevant Plan, 1 Sabaf S.p.A. Share.The free allocation of Sabaf S.p.A. shares is conditional on the achievement, in whole or in part, with progressiveness, of the business targets related to the ROI and EBITDA and social and environmental targets.

Beneficiaries
The Plan is intended for persons who hold or will hold key positions in the Company and/or its Subsidiaries, with reference to the implementation of the contents and the achievement of the objectives of the 2021 - 2023 Business Plan. A total of 226,000 Rights were allocated to the Beneficiaries already identified.

Deadline
The 2021 - 2023 Plan expires on 31 December 2024.

Accounting impacts and Fair Value measurement methods
In connection with this Plan, €805 thousand (Note 27) were recognised in personnel costs during the year, an equity reserve of the same amount (Note 13) was recognised as a balancing entry.

In line with the date on which the beneficiaries became aware of the assignment of the rights and terms of the plan, the grant date was set at 13 May 2021.

The main assumptions made at the beginning of the vesting period and the methods for determining the fair value at the end of the reporting period are illustrated below. The following economic and financial parameters were taken into account in determining the fair value per share at the start of the vesting period:

Share price on grant date adjusted for dividends	23.09
Dividend yield	2.60%
Expected volatility per year	28%
Interest rate per year	-0.40%

Based on the exercise right at the different dates established by the Plan Regulations and on the estimate of the expected probability of achieving the objectives for each reference period, the unitary fair value at 31 December 2021 was determined as follows:

Rights relating to business objectives measured on ROI			
Total value on ROI	15.82	fair value	5.54
Rights on ROI	35%		

Rights relating to business objectives measured on EBITDA			
Total value on EBITDA	16.43	fair value	6.57
Rights on EBITDA	40%		

Rights relating to ESG objectives measured on personell training			
Total value on "Personell training"	20.41	fair value	1.02
Rights on "Personell training"	5%		

Rights relating to ESG objectives measured on safety indicator			
Total value on "Safety indicator"	7.82	fair value	0.39
Rights on "Safety indicator"	5%		

Rights relating to ESG objectives measured on emissions reduction			
Total value on "Emissions reduction"	20.41	fair value	3.06
Rights on "Emissions reduction"	15%		

Fair value per share	16.58

Summary of public grants pursuant to Art. 1, paragraphs 125-129, Law no. 124/2017

In compliance with the requirements of transparency and publicity envisaged pursuant to Law no. 124 of 4 August 2017, article 1, paragraphs 125-129, which imposed on companies the obligation to indicate in the explanatory notes "grants, contributions, and in any case economic advantages of any kind", the following are the details of the relative amounts, accounted for "on a cash basis", in addition to what has already been published in the National State Aid Register - transparency of individual aid.

Statutory References	Contribution value	Disbursing Subject
Super/Iper ammortamento (Super/Hyper amortisation)	641	Italian State
Energy-intensive contributions	485	Italian State
Sanitisation credit	14	Italian State
Total	**1,196**	

Iperammortamento (Hyper amortisation): it allows an over-estimation for tax purposes of capital equipment to which "Industry 4.0" benefits are applicable, which differs according to the year of acquisition. The reference regulations are included in the Budget Laws from the year 2017 to the year 2020 and Budget Law 2021, Law 178/2020.

Super ammortamento (Super amortisation): it allows an over-estimation for tax purposes of 130% or 140% of investments in new capital equipment; the reference regulations are contained in Law no. 205 of 27 December 2017.

Energy-intensive contributions: Accessible grants for companies that consume a lot of electricity, whose regulatory reference is the MISE Decree of 21 December 2017.

Tax credit for sanitisation and the purchase of personal protective equipment: tax credit equal to 60% of the expenses incurred in June, July and August 2021 with reference to Art. 32 of Law Decree no. 73 of 25 May 2021.

LIST OF EQUITY INVESTMENTS IN SUBSIDIARIES[1]

Company name	Registered offices	Share capital at 31 December 2021	Shareholders	% of ownership	Shareholders' equity at 31 December 2021	2021 profit (loss)
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	EUR 8,461,977	EUR 1,102,439
Sabaf do Brasil Ltda	Jundiai (Brazil)	BRL 53,348,061	Sabaf S.p.A.	100%	BRL 99,168,885	BRL 8,840,503
Sabaf US Corp.	Plainfield (USA)	USD 200,000	Sabaf S.p.A.	100%	USD 179,369	USD 46,748
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 7,900,000	Sabaf S.p.A.	100%	CNY 10,461,803	CNY -3,349,677
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 80,000,000	Sabaf S.p.A.	100%	TRY 212,728,107	TRY -35,165,181
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	100%	EUR 7,665,156	EUR 883,555
Okida Elektronik Sanayi ve Tickaret A.S.	Istanbul (Turkey)	TRY 5,000,000	Sabaf S.p.A. Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	30% 70%	TRY 156,217,914	TRY 77,149,853
Sabaf Mexico Appliance Components	San Louis Potosì (Mexico)	USD 3,650,000	Sabaf S.p.A.	100%	PESOS 71,264,460	PESOS -3,511,040
C.M.I s.r.l.	Valsamoggia (BO)	EUR 1,000,000	Sabaf S.p.A.	100%	EUR 15,503,588	EUR 3,962,079
C.G.D. s.r.l.	Valsamoggia (BO)	EUR 26,000	C.M.I s.r.l.	100%	EUR 1,050,145	EUR 234,316
Sabaf India Private Limited	Bangalore (India)	INR 153,833,140	Sabaf S.p.A.	100%	INR 148,278,330*	INR -5,554,810*
Handan A.R.C. Burners Co., Ltd.	Handan (China)	RMB 3,000,000	A.R.C. s.r.l.	51%	RMB 1,860,639	RMB -68,027

* The values shown for Sabaf India Private Limited refer to 31 March 2021, the local reporting date.

OTHER SIGNIFICANT EQUITY INVESTMENTS

None.

[1] Values taken from the separate financial statements of subsidiaries, prepared in accordance with locally applicable accounting standards.

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilisation	Available share	Amount subject to taxation for the company in the case of distribution
Capital reserves:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/00	1,592	A, B, C	1,592	1,592
Retained earnings:				
Legal reserve	2,307	B	0	0
Other retained earnings	72,912	A, B, C	72,912	0
Revaluation reserve, Law Decree 104/20	4,873	A, B	4,873	4,727
Valuation reserve:				
Post-employment benefit actuarial provision	(526)		0	0
Reserve for Stock Grant plan	1,701		0	0
Hedge accounting reserve	(71)		0	0
Total	**92,832**		**89,421**	**6,361**

Key:
A: for share capital increase
B: to hedge losses
C: for distribution to shareholders

STATEMENT OF REVALUATIONS OF EQUITY ASSETS AT 31 DECEMBER 2021

		Gross value	Cumulative depreciation	Net value
Investment property	Law 72/1983	137	(137)	0
	1989 merger	516	(501)	15
	Law 413/1991	17	(17)	0
	1994 merger	1,320	(1,063)	257
	Law 342/2000	2,870	(2,712)	158
		4,860	**(4,430)**	**430**
Plant and equipment	Law 576/75	180	(180)	0
	Law 72/1983	2,180	(2,180)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,320	**(15,320)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
Total		**20,391**	**(19,961)**	**430**

GENERAL INFORMATION

Sabaf S.p.A. is a company organised under the legal system of the Republic of Italy.

Registered and administrative office	**Via dei Carpini, 1 - 25035 Ospitaletto (Brescia)**
Contacts	**Tel: +39 030 - 6843001**
	Fax: +39 030 - 6848249
	E-mail: info@sabaf.it
	Web site: www.sabafgroup.com

Tax information	**R.E.A. Brescia 347512**
	Tax Code 03244470179
	VAT Number 01786910982

APPENDIX

Information as required by Art. 149-duodecies of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Art. 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2021 for auditing services and for services other than auditing provided by the Independent Auditors. No services were provided by entities belonging to the network.

(€/000)	Party providing the service	Fees pertaining to the 2021 financial year
Audit	EY S.p.A	35
Certification services	EY S.p.A	-
Other audit services	EY S.p.A	33[2]
Total		**68**

[2] Auditing procedures agreement relating to interim management reports.

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CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

pursuant to Art. 154-*bis* of Legislative Decree 58/98

Pietro Iotti, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have taken into account the requirements of Art. 154-*bis*, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify:

- the adequacy, in relation to the business characteristics and
- the actual application

of the administrative and accounting procedures for the formation of the separate financial statements during the 2021 financial year.

They also certify that:

- the separate financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and with the measures issued in implementation of Art. 9 of Legislative Decree 38/2005;
  - are consistent with accounting books and records;
  - provide a true and fair view of the financial position and performance of the issuer;
- the report on operations contains a reliable analysis of the performance and results of operations and the situation at the issuer, along with a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 22 March 2022

Chief Executive Officer	**The Financial Reporting Officer**
Pietro Iotti	Gianluca Beschi

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Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Sabaf S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sabaf S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, and the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flows statement for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matter:

Key Audit Matter	Audit Responses
Valuation of investments	
The balance of investments at December 31, 2021 amounted to Euro 84,4 million. The most significant investments are: - C.M.I. S.r.l.: Euro 21,2 million; - Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited: Euro 17,2 million; - Sabaf do Brasil: Euro 13,2 million; - Faringosi Hinges S.p.A.: Euro 10,3 million; - Okida Elektronik Sanayi Limited Sirket: Euro 8,7 million; - A.R.C. S.r.l.: € Euro 6,5 million. Management assesses the existence of impairment indicators on investments at least annually, in line with its strategy in managing each separate entity within the group and, if present, such investments are subject to an impairment test. The processes and methodologies to valuate and determine the recoverable amount of investments are based on complex assumptions that, due to their nature, imply the use of judgement by management, in particular with reference to the assumptions underlying future cash flow forecasts in the period covered by the business plan, the estimate of the terminal value and the calculation of the long-term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of investments, we determined that this area represents a key audit matter. The disclosures related to the valuation of investments are included in paragraph "Use of estimates" and in note "4 Equity Investments".	Our audit procedures in response to this key audit matter included, among others: (i) assessment of the process and key controls implemented by the Company in connection with the valuation of investments; (ii) assessment of the assumptions underlying future cash flow forecasts; (iii) test of the consistency of the investments future cash flow forecasts against the 2022-2026 business plan; (iv) assessment of the accuracy of cash flow projections as compared to historical results; (v) assessment of the long-term growth rates and discount rates. In performing our analysis, we engaged our experts in valuation techniques, who have independently performed calculation and sensitivity analyses of key assumptions in order to determine any changes in assumptions that could materially impact the valuation of the recoverable amount. Lastly, we evaluated the appropriateness of the disclosures included in the explanatory notes of the financial statements and the consistency of the related disclosure provided in the Report on Operations.

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Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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However, future events or conditions may cause the Company to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Sabaf S.p.A., in the general meeting held on May 8, 2018, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Sabaf S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF - European Single Electronic Format) (the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format in compliance with the provisions of the Delegated Regulation.

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Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Sabaf S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Sabaf S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of Sabaf S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of Sabaf S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Brescia, April 4, 2022

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

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF SABAF S.P.A.

in accordance with Art. 2429, paragraph 2 of the Italian Civil Code and Art. 153 of Legislative Decree no. 58/1998

To the Shareholders' Meeting of the Company SABAF S.p.A.

INTRODUCTION

The Board of Statutory Auditors of SABAF S.p.A. (hereinafter also "SABAF" or "Company"), pursuant to Art. 153 of Legislative Decree no. 58 of 1998 (hereinafter also T.U.F.) and Art. 2429, paragraph 2 of the Italian Civil Code, is called upon to report to the Shareholders' Meeting called to approve the Financial Statements on the supervisory activity carried out during the financial year in the performance of its duties on any omissions and reprehensible facts found and on the results of the financial year, as well as to formulate proposals regarding the Financial Statements, the approval thereof and matters falling within its competence.

First of all, note that the Board of Directors called the Shareholders' Meeting for the approval of the Financial statements for the year 2021 on 28 April 2022 and, therefore, within the term of one hundred and twenty days pursuant to Article 2364 of the Italian Civil Code. Note that the financial statement report is made available to the public in accordance with the terms of Art. 154-ter of the T.U.F..

During the year ended 31 December 2021 and up to date, the Board of Statutory Auditors carried out its supervisory activities in compliance with Law provisions, Rules of Behaviour of the Board of Statutory Auditors of listed companies issued by the Italian Board of Certified Public Accountants and Bookkeepers, the CONSOB provisions on corporate controls, the new Corporate Governance Code, as well as by the provisions contained in Art. 19 of Legislative Decree 39/2010.

The financial statements of SABAF were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the provisions issued by CONSOB in implementation of Art. 9, paragraph 3, of Legislative Decree 38/2005. The Financial Statements are also in XHTML - ESEF format in compliance with Legislative Decree No. 25 of 15 February 2016 implementing EU Directive 2013/50.

The Company's Financial Statements were prepared in accordance with the law and accompanied by the documents required by the Italian Civil Code and the T.U.F.. Moreover, in accordance with law provisions, the Company prepared the Consolidated financial statements and the consolidated disclosure of non-financial information for the year 2021.

The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending the meetings of the Board of Directors and the Board Committees, the hearings of the Company's and the Group's management, the information acquired from the competent company structures, as well as through the additional control activities carried out.

APPOINTMENT AND INDEPENDENCE OF THE BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors in office at the date of this Report was appointed by the Shareholders' Meeting of 6 May 2021 in the persons of Alessandra Tronconi (Chairman), Maria Alessandra Zunino de Pignier (Statutory Auditor), Mauro Giorgio Vivenzi (Statutory Auditor), as well as Christian Carini and Federico Pozzi (Alternate Auditors). The control body will remain in office for three financial years and will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year 2023.

The appointment was made on the basis of two lists submitted by the Shareholders Cinzia Saleri S.A.p.A and Quaestio Capital SGR S.p.A. respectively, in compliance with the applicable law, regulatory and statutory provisions.

The composition of the Board of Statutory Auditors complies with the gender distribution criterion set forth in Art. 148 of the T.U.F..

At the time of its appointment, the Board of Statutory Auditors checked the existence of the independence requirement as part of the broader process of self-assessment of the control body pursuant to Standard Q.1.1 of the Rules of Behaviour of listed companies; the check was carried out on the basis of the criteria envisaged by the aforesaid Standards and by the provisions of the Corporate Governance Code applicable to independent directors.
This assessment was carried out again on 10 March 2022 and consequently communicated to the Board of Directors, which disclosed it in the Report prepared pursuant to Art. 123-*bis* of the T.U.F..

SUPERVISION AND CONTROL OF THE BOARD OF STATUTORY AUDITORS

Supervisory activity on compliance with the law and articles of association

In carrying out its duties, the Board of Statutory Auditors carried out the supervisory activities required by Art. 2403 of the Italian Civil Code, Art. 149 of the T.U.F., Art. 19 of Legislative Decree No. 39/2010, CONSOB recommendations on corporate controls and the activities of the Board of Statutory Auditors and referring to the indications contained in the new Corporate Governance Code, as well as the Rules of Behaviour of the Board of Statutory Auditors of listed companies.

In particular, the Board of Statutory Auditors notes that the Shareholders' Meeting of 6 May 2021 appointed, according to the list voting system set forth in Article 12 of the Company's Articles of Association, the new Board of Directors composed of Claudio Bulgarelli, Pietro Iotti, Gianluca Beschi, Alessandro Potestà, Cinzia Saleri, and the independent directors Nicla Picchi, Carlo Scarpa, Stefania Triva and Daniela Toscani. The Shareholders' Meeting also set: (i) the total annual remuneration of the Board of Directors at €198,000.00, excluding the remuneration due to Directors holding special offices pursuant to Art. 2398, paragraph 3, of the Italian Civil Code, the determination of which was delegated to the Board of Directors, and *(ii)* the duration of the Board of Directors fixed until the date of approval of the Financial statements for the year ending 31 December 2023.

Following the appointment of the new Board of Directors, the latter met on the same date to appoint Bulgarelli as Chairman, Picchi as Vice Chairman and Lead Independent Director, Iotti as Chief Executive Officer, with broad powers and proxies, and Beschi as Chief Executive Officer with proxies and powers mainly in the financial area, and to assess the independence of the independent directors pursuant to the T.U.F. and the Corporate Governance Code. At that meeting, the Board also appointed:
(a) Giuseppe Saleri as Honorary Chairman until his revocation or resignation,
(b) pursuant to Article 154-*bis* of the T.U.F., Gianluca Beschi as the Financial Reporting Officer,
(c) pursuant to Legislative Decree No. 231/2001, the Supervisory Body composed of Nicla Picchi (Chairman) and Giuseppe Garzillo, defining the annual remuneration due to each of them as €15,000.00 and the annual expense fund as €20,000.00, and
(d) the following committees in accordance with the Corporate Governance Code:

- the Control, Risk and Sustainability Committee, which also plays the role of Committee for Related Party Transactions, composed of independent directors Nicla Picchi (Chairman), Carlo Scarpa and Daniela Toscani, defining its tasks and functions and the annual expense fund of €20,000.00;
- the Remuneration and Nomination Committee, composed of Daniela Toscani (Chairman), Alessandro Potestà and Stefania Triva, defining its tasks and functions and the annual expense fund of €20,000.00.

During the Board of Directors' meeting of 13 May 2021 convened to resolve, among other things, on the determination of the remuneration for the office of Chairman, Vice Chairman and Chief Executive Officer and attendance at Committee meetings, the Board of Statutory Auditors, pursuant to Art. 2389, paragraph 3 of the Italian Civil Code, expressed its favourable opinion on the proposal prepared by the Remuneration and Nomination Committee.

Moreover, as part of its functions, the Board of Statutory Auditors:

- attended the meetings of the Shareholders and Board of Directors, monitoring compliance with the statutory, legislative and regulatory provisions regulating the operation of the Company's bodies as well as compliance with the principles of proper management;
- supervised, for what of direct concern, the adequacy of the Company's organisational structure and compliance with the principles of proper management, through direct observation, gathering information from heads of the corporate functions and meetings with the Independent auditors to exchange data and information;
- assessed and supervised the adequacy of the internal control system and the administrative and accounting system, as well as its reliability in providing a fair presentation of operational transactions, through the information of the heads of the respective functions, the examination of company documents and the analysis of the results of the work carried out by the Independent Auditors;
- since its appointment (6 May 2021), held 4 meetings lasting approximately 2 hours and 30 minutes each, and also attended all the meetings of the Board of Directors, as well as of the board committees (Control and Risk Committee, Remuneration and Nomination Committee);
- supervised the adequacy of the reciprocal flow of information between SABAF and its subsidiaries pursuant to Art. 114, paragraph 2, of the T.U.F. in the light of the instructions issued by the Company's management to Group companies;
- supervised compliance with the rules of "Market abuse", "Protection of savings" and "Internal Dealing", with a special reference to the processing of inside information and the procedure for the dissemination of statements and information to the public.

Moreover, the Board:

- obtained from the Directors adequate information on the business carried on and major economic and financial operations carried out by the Company and its subsidiaries pursuant to Art. 150, paragraph 1 of the T.U.F.. In this regard, the Board of Statutory Auditors paid special attention to the fact that the transactions approved and implemented complied with the law and the Articles of Association and were not imprudent or risky, in contrast with the resolutions adopted by the Shareholders' Meeting, in potential conflict of interest or such as to compromise the integrity of the Company's assets;
- held meetings with representatives of the Independent Auditors pursuant to Art. 150, paragraph 3 of the T.U.F. during which there were no significant data and/or information to be reported;
- had exchanges of information with corresponding control bodies (if any) of the companies directly or indirectly controlled by SABAF pursuant to Art. 151, paragraph 1 and 2 of the T.U.F.;
- supervised the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code complied with, as adequately represented in the Report on Corporate Governance and Ownership Structures, in compliance with Art. 124-*ter* of the T.U.F. and Art. 89-bis of the Issuers' Regulations;
- checked, in relation to the periodic assessment to be carried out pursuant to Recommendation 6 of the Corporate Governance Code, as part of the supervision of the procedures for effective implementation of the corporate governance rules and in accordance with Q. Rec. 6(2) of "*The Q&A functional to the application of the Corporate Governance Code*", the correct application of the assessment criteria and procedures adopted by the Board of Directors, with regard to the positive assessment of the independence of the Directors.

As required by Recommendation 19 of the Corporate Governance Code, with the support of the Remuneration and Nomination Committee, the Board of Directors expressed its assessment of the size and composition of the Board and its operation, as well as the size, composition and operation of the board committees. The assessment - carried out on the basis of the results of a self-assessment questionnaire filled in by all the members of the Board of Directors - used the assessment criteria already adopted in the previous year.
The Board also acknowledges that it has issued its consent, pursu-

ant to Art. 5, paragraph 4, of Regulation (EU) 2014/537, to the provision by the Independent Auditors EY S.p.A. of services other than the external audit to C.M.I. S.r.l. belonging to the SABAF Group.

The Board of Statutory Auditors also gave its consent, pursuant to Art. 2426, paragraph 1, number 5, of the Italian Civil Code, to the recognition in the financial statements of development costs with a multi-year use of €1,679,000.

Supervisory activity on the adequacy of the administrative and accounting system and the auditing activity

Pursuant to Art. 19 of Legislative Decree 39/2010 (Consolidated External Audit Act), the Board of Statutory Auditors is required to supervise:

- the financial reporting process;
- the effectiveness of the internal control and risk management systems;
- the External audit of annual accounts and consolidated accounts;
- the independence of the Independent Auditors, specifically as far as the provision of non-audit services is concerned.

The Board of Statutory Auditors carried out its activities in collaboration with the Control and Risk Committee in order to coordinate their responsibilities and avoid overlapping of activities.

Financial reporting process

The Board of Statutory Auditors supervised the existence of rules and procedures relating to the process of formation and dissemination of financial information. In this regard, it should be noted that the Report on Corporate Governance and Ownership Structures illustrates how the Group defined its Internal Control and Risk Management System in relation to the financial reporting process at the consolidated level. The Financial Reporting Officer is Gianluca Beschi. The Financial Reporting Officer is supported by the Internal Audit Department to check the operation of the administrative and accounting procedures through control testing.

The Board of Statutory Auditors acknowledges that it has received adequate information on the monitoring of business processes with an administrative and accounting impact within the Internal Control System, carried out both during the year in relation to the regular management reports, and during the closing of the accounts for the preparation of the Financial Statements, in compliance with the monitoring and certification requirements to which SABAF is subject pursuant to Law no. 262/2005. In particular, the Board of Statutory Auditors acknowledged the Risk Assessment for 2021, as well as the periodic update on testing activities pursuant to Law no. 262/2005.
The Board of Statutory Auditors also received adequate information regarding the impact of the COVID-19 health emergency on the business of the Company and its subsidiaries. In this regard, it is acknowledged that the Italian plants of the SABAF Group adopted the control measures envisaged by the regulations in force from time to time for access to workplaces, such as the monitoring of body temperature and the control of COVID-19 green certification, known as "Green Pass".

The adequacy of the administrative and accounting system was also assessed through the acquisition of information from the heads of the respective departments and the analysis of the results of the work carried out by the Independent Auditors. No particular critical issues or elements hindering the issue of the certification by the Financial Reporting Officer and by the Chief Executive Officer concerning the adequacy of the administrative and accounting procedures for the preparation of the Financial statements of SABAF and the Consolidated Financial Statements for the year 2021 emerged.

The Board of Statutory Auditors supervised compliance with the regulations related to the preparation and publication of the Half-Yearly Report and the Interim Management Reports, as well as the settings given to them and the correct application of the accounting standards, also using the information obtained from the Independent Auditors.

Furthermore, it is acknowledged that:

- the Independent Auditors appointed to carry out the external audit currently in office, EY S.p.A., were appointed for the 2018-2026 period at the Shareholders' Meeting held on 8 May 2018: the procedure for the appointment was carried out in compliance with the provisions of Art. 16 of Regulation (EU) 2014/537. The Board of Statutory Auditors in office at that time submitted to the Board of Directors a reasoned recommendation containing the name of two Independent Auditors suitable to replace the one that is due to expire, expressing preference for one of them. This recommendation was developed at the end of a detailed selection procedure that was carried out in compliance with the provisions contained in Regulation (EU) 2014/537;
- the Independent Auditors appointed to audit the company illustrated to the Board of Statutory Auditors the checks carried out and did not report any findings in the periodic meetings with the Board of Statutory Auditors;
- the Board of Statutory Auditors supervised the auditing of the annual and consolidated financial statements, obtaining information and periodically discussing with the Independent Auditors.

In particular, all the main phases of the audit activity were illustrated to the Board of Statutory Auditors, including the identification of the risk areas, with a description of the related audit procedures adopted; moreover, the main accounting principles applied by SABAF have been followed.

The Board also acknowledges that the Independent Auditors EY S.p.A. issued their opinions on the Consolidated Financial Statements and the Separate Financial Statements on 4 April 2022 and also issued on the same date the Additional Report to the Internal Control and Audit Committee pursuant to Art. 11 of Regulation (EU) 2014/537.
The reports on the Separate financial statements and the Consolidated financial statements do not give rise to any observations or requests for information.
It is also acknowledged that the Independent Auditors expressed, in the reports mentioned above, a positive opinion with regard to consistency with the financial statements and compliance with the law with reference:

- to the Report on operations;
- to the information referred to in Art.123-*bis*, paragraph 4, Legislative Decree 58/98 contained in the Report on corporate governance and ownership structures.

In the audit work, a special attention was paid to the key aspects relating to the impairment test. Moreover, the reports issued by the Independent Auditors do not reveal any significant shortcomings in the Company's internal control system for financial information and accounting system.

The Board of Statutory Auditors supervised the independence of the Independent Auditors EY S.p.A., verifying the type and extent of services other than auditing with reference to SABAF and its subsidiaries and obtaining explicit confirmation from the Independent Auditors that the independence requirement was met. The statement on independence has been included, pursuant to Art. 11, paragraph 2, letter a), of Regulation (EU) 2014/537, in the above-mentioned Additional Report.
The fees paid by the SABAF Group to the Independent Auditors and to the companies belonging to the network of the Independent Auditors themselves are as follows:

ASSETS	AMOUNT €/000
Audit	130
Certification services	-
Other services	37
Total	**167**

In the light of the above, the Board of Statutory Auditors considers that the Independent Auditors EY S.p.A. meet the requirement of independence.

Supervisory activity on the adequacy of the internal control system and the organisational structure

The Board of Statutory Auditors assessed and supervised the adequacy of internal control and the effectiveness of the internal control and risk management systems. The Board of Statutory Auditors acknowledges that it has verified the most significant activities carried out by the overall internal control and risk management system by attending the meetings of the Control and Risk Committee (also with functions of Committee for related party transactions) attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Chief Executive Officer and director in charge of the internal control and risk management system;
- the Internal Audit department and its Head;
- the Financial Reporting Officer.

The Board of Statutory Auditors also acknowledges that it attended the periodic meetings among the Company's control bodies attended by:

- members of the Control and Risk Committee;
- members of the Board of Statutory Auditors;
- the Independent Auditors;
- the Chief Executive Officer and Director in charge of the internal control system;
- the Financial Reporting Officer;
- the Internal Audit department and its Head;
- the Supervisory Body.

In particular, as part of these activities, the Board of Statutory Auditors acknowledges that it has received and examined:

- the periodic reports on the activities carried out, prepared by the Control and Risks Committee and the Internal Audit department;
- the reports drawn up at the end of the verification and monitoring activities by the Internal Audit department, with the relative results, the recommended actions and the controls on the implementation of the aforesaid actions also in order to represent the management events and impacts of the COVID-19 emergency;
- periodic updates on the development of the risk management process, the outcome of the monitoring and assessment activities carried out by Internal Audit and the objectives achieved.

The Board of Statutory Auditors then reviewed every six months the periodic reports on the activities carried out by the Supervisory Body and examined the activity plan and the budget allocated for 2021. Similarly, the Board of Statutory Auditors acknowledged the compliance with the provisions of Legislative Decree no. 231/2001 and the activity plan for 2021, examining and agreeing with the amendments made during the year to the Organisation and Management Model pursuant to Legislative Decree no. 231/2001.

Following the activities carried out during the 2021 financial year, as detailed above, the Board of Statutory Auditors shared the positive assessment expressed by the Control and Risk Committee with regard to the adequacy of the Internal Control and Risk Management System.

Supervisory activity on compliance the principles of proper management

The main transactions carried out by the Company during 2021, with respect to which the Board of Statutory Auditors monitored compliance with the principles of proper management, are summarised below.

On 12 October 2021, the Company completed the purchase of 30% of the capital of A.R.C. S.r.l. from Loris Gasparini, in performance of the agreement that had been signed between the parties in 2016, when Sabaf had acquired 70% of A.R.C. S.r.l. The price for the acquisition of this equity investment was €1,650,000; as a result of this acquisition, the Company holds 100% of the share capital of A.R.C. S.r.l..

On 2 November 2021, the Company completed the purchase of 15.75% of the share capital of C.M.I. S.r.l., by the minority shareholder Starfire Industrial Engineering S.r.l. The purchase price was €4,743,000. As a result of this acquisition, the Company now holds 100% of the share capital of C.M.I. s.r.l..

Moreover, during the 2021 financial year, the Company implemented an important operation aimed at providing new resources to support the development objectives it intends to pursue. To this end, in December 2021, the Company completed the placement of a senior, unsecured, non-convertible and non-subordinated bond loan for a value of €30 million fully subscribed by PRICOA Private Capital Group (one of the leading operators in the international private placement market). The bonds were issued in a single tranche, have a maturity of 10 years and an average life of 8 years. The fixed coupon is 1.85%. With reference to this transaction, the Board of Statutory Auditors certified, pursuant to and for the purposes of Art. 2412 of the Italian Civil Code, compliance with the limit indicated in Article 2412, paragraph 1,

of the Italian Civil Code.
Note that, in the second half of December 2021, the Company learned of the erroneous enforcement of a decision to seize - with registration of the Treasury Shares in the name of the Fondo Unico di Giustizia (Asset forfeiture fund) - concerning 311,802 treasury shares (corresponding to 2.703% of the Company's share capital) in pursuance of a criminal sentence of which the Company has no knowledge. Therefore, the Company carried out the checks required and started any appropriate legal action, in acceptance of the application for an enforcement review, the recognition by order pronounced inaudita altera parte on 22 January 2022 of the unlawfulness of the enforcement of the seizure of the Treasury Shares and the revocation of such seizure, with the consequent order to return the treasury shares to the Company. On 1 March 2022, SABAF recovered the full availability of 311,802 treasury shares.

In terms of ordinary operations, SABAF's activities continued in line with previous years and consisted of industrial activities, strategic and management coordination of the Group, the search for the optimisation of the Group's financial flows, as well as the search and selection of equity investments with the aim of accelerating the Group's growth.

Following the supervision and control activities carried out during the year, the Board of Statutory Auditors can certify that:

- during the course of the activity carried out, no omissions, irregularities or reprehensible or significant facts that would require reporting to the control bodies or mention in this Report emerged;
- no reports were received by the Board of Statutory Auditors pursuant to Art. 2408 of the Italian Civil Code, nor has it received any complaints from third parties;
- no transactions have been identified with third parties, intra-group and/or related parties such as to highlight atypical and/or unusual profiles, in terms of content, nature, size and timing;
- all the transactions and management choices adopted are inspired by the principle of proper management and reasonableness, and comply with the 2021-2023 Business Plan approved by the Board of Directors on 23 March 2021.

Supervisory activity on implementation of the corporate governance rules

The Board of Statutory Auditors, during the financial year ended 31 December 2021, assessed the application of the corporate governance rules set out in the Corporate Governance Code and the relative level of compliance, also by analysing the Report on corporate governance and ownership structures and comparing its contents with what emerged during the general supervisory activity carried out during the year. The Board also acknowledges that, on 16 December 2021, the Company's Board of Directors adopted the Corporate Governance Manual setting out the principles, rules and operating procedures to enable the Company to implement the recommendations of the Corporate Governance Code.
Moreover, compliance with the obligation on the part of SABAF to inform the market in its Report on corporate governance and ownership structures of its level of compliance with the Code itself was assessed, also in accordance with the provisions of Art. 123-*bis* of the T.U.F.. The Board of Statutory Auditors is of the opinion that the Report on corporate governance was prepared in accordance with the provisions of Art. 123-bis of the T.U.F. and the Corporate Governance Code and following the format made available by the Corporate Governance Committee of Borsa Italiana S.p.A.

Supervisory activities in relation to the Financial Statements, the Consolidated financial statements and the Consolidated disclosure of non-financial information

With regard to the Separate financial statements for the year ended 31 December 2021, the Consolidated financial statements for the year ended on the same date and the related Report on operations, note the following:

- the Board of Statutory Auditors ascertained, through direct audits and information obtained from the Independent Auditors, compliance with law provisions regulating their formation, the layout of the Financial statements, the Consolidated financial statements and the Report on Operations, and the financial statement formats adopted, certifying the correct use of the accounting standards described in the explanatory notes and the Report on operations. In particular, the Board of Statutory Auditors analysed the results of the impairment test carried out by independent experts, in accordance with IAS 36, on the individual CGUs that coincide with the equity investments in Faringosi Hinges S.r.l., A.R.C. S.r.l., C.M.I. S.r.l. and Okida Elektronik ("Hinges" CGU for Faringosi Hinges S.r.l.; "Professional burners" CGU for A.R.C. S.r.l.; "C.M.I." CGU for C.M.I. S.r.l. and "electronic components" CGU for Okida Elektronik). In this regard, note that the Independent Auditors, in their report, accurately described the audit procedures carried out with reference to the impairment tests, as "key aspects of the audit" and to which, therefore, the Board of Statutory Auditors refers. Therefore, the Board of Statutory Auditors supports the procedures adopted with reference to the impairment tests carried out on goodwill and on the equity investments above mentioned;
- in pursuance of CONSOB Communication 6064293 of 28 July 2006, the effects of the related party transactions are expressly indicated in the financial statements. In pursuance of this Communication in the Explanatory Notes, it is specified that during the year no transactions deriving from atypical and/or unusual operations were carried out, whereas there were significant non-recurring events, the consequences of which are reflected in the economic, equity and financial results for the year. In particular, in the Consolidated financial statement the Company's Directors acknowledged that the Group recognised under income taxes a) a non-recurring income of €801 thousand following the revaluation for tax purposes of the tangible assets of the Group's Turkish companies; the exercise of the revaluation option results in a substitute tax of €73 thousand, which is accounted for in current taxes for the year; b) a non-recurring income of €1,963 thousand relating to the tax benefits arising from investments made in Turkey; c) a provision for tax risks of €500 thousand against potential tax liabilities;
- the Financial statements are in keeping with the facts and information of which the Board of Statutory Auditors has become aware within its supervisory duties and its control and inspection powers;
- as far as the Board of Statutory Auditors is aware, the Directors,

when preparing the financial statements, did not depart from the law provisions pursuant to Art. 2423, paragraph 5 of the Italian Civil Code;
- the Chief Executive Officer and the Financial Reporting Officer issued the certificate, pursuant to Art. 81-*ter* of CONSOB Regulation no. 11971/1999 as amended and Art. 154-*bis* of the T.U.F.;
- the Report on Operations complies with legal requirements and is consistent with the data and results of the Financial Statements; it provides the necessary information on the activities and significant transactions of which the Board of Statutory Auditors was informed during the year, on the main risks of the Company and its subsidiaries, on intra-group and related party transactions, as well as on the process of adapting the corporate organisation to the principles of corporate governance, in accordance with the Corporate Governance Code for listed companies;
- pursuant to the provisions of Art. 123-*ter* of the T.U.F., the Remuneration Report is presented to the Shareholders' Meeting (to resolve on the second section pursuant to Art. 123-*ter*, paragraph 6, of the T.U.F.) and the Board of Statutory Auditors examined and approved the approach followed in preparing it.

In relation to the presentation of the Consolidated disclosure of non-financial information, the Board of Statutory Auditors, in compliance with Legislative Decree no. 254 of 30 December 2016, supervised compliance with the provisions set out in the decree itself and in CONSOB resolution no. 20267 of 18 January 2018 for the preparation of the disclosures in question, also acquiring the certification issued by the appointed auditor EY S.p.A. on 4 April 2022. This activity did not reveal any facts that could be reported in this report.

Supervisory activity on relationships with Subsidiaries

The Board of Statutory Auditors supervised the adequacy of the instructions given by the Company to the subsidiaries, in accordance with Art. 114, paragraph 2 of the T.U.F..
Periodic meetings with the management and the company in charge of Internal Audit did not reveal any critical elements to be reported in this report. Finally, we acknowledged that to date no communications have been received from the Control Bodies of the Subsidiaries containing findings to be noted in this report.

Supervisory activity on related party transactions

In relation to the provisions of Art. 2391 bis of the Italian Civil Code, the Board of Statutory Auditors acknowledges that the Board of Directors adopted a procedure for the regulation of Related Party Transactions, whose main objective is to define the guidelines and criteria for identifying related party transactions and setting out roles, responsibilities and operating methods so as to guarantee, for such transactions, adequate information transparency and the related procedural and substantial correctness.
That procedure was prepared in compliance with what was established by the CONSOB Regulation on Related Parties (no.17221 dated 12 March 2010 as amended) and was last updated by the Board of Directors on 3 August 2021 in order to implement the amendments made to the aforementioned Regulation by CONSOB Resolution No. 21624/2020.
The Board of Statutory Auditors supervised the effective application of the rules by the Company and has no observations to make in this regard in this Report

RISKS RELATED TO THE COVID-19 PANDEMIC

With reference to the Covid-19 pandemic, note that in the Explanatory Notes it is stated that the "Management has reviewed the Company's exposure to the effects of the COVID-19 pandemic and its impact on the Company's financial position, results and cash flows, especially with regard to the recoverability of the value of intangible assets, the measurement of receivables, the measurement of inventories and the management of financial risks, with a special reference to credit and liquidity risks. The analysis carried out did not reveal any critical situations and the factors related to the COVID-19 pandemic did not have a significant impact on the opinions and estimates used in preparing these Separate Financial Statements."

Note that the Explanatory Notes state that "on 31 March 2021, the IASB issued the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" by which it extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting for facilities granted to lessees due to Covid-19. These changes that apply as from 1 April 2021 had no impact on the Group's separate financial statements."

Also note that, in the context of the Covid-19 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.

The Notes to the Financial Statements acknowledge that "the Group assessed that it is a going concern in accordance with paragraphs 25 and 26 of IAS 1, also due to the strong competitive position, high profitability and solidity of the financial structure."

The Board of Statutory Auditors paid particular attention to the assessment carried out by the Company, both with regard to the existence of the going concern requirement and to the adequacy of the internal control system.

RISKS RELATED TO THE RUSSIAN-UKRAINIAN CONFLICT

Russia's military invasion of Ukraine starting on 24 February 2022, together with the economic and financial sanctions adopted by the European Union and other countries against Russia and Belarus, appear to be leading to a situation of macroeconomic uncertainty that could negatively impact the global economy.

In line with Consob's request in its warning notice of 18 March 2022, the Company's Directors acknowledged the risks related to the ongoing conflict in the Report on Operations, highlighting that the Group has a non-significant direct exposure to the markets of Russia, Belarus and Ukraine, it is exposed to indirect effects on the price trends of raw materials, electricity and gas, the supply chain and final demand. Also in line with Consob's request in its warning notice of 18 March

2022, the Board of Statutory Auditors also acknowledges that the Company has put in place organisational control units on cybersecurity both within the procedures and protocols envisaged by the Organisation and Management Model pursuant to Legislative Decree no. 231/2001, and within its own internal control system, as well as a specific insurance policy aimed at protecting the Company from the risk of security breaches and violation of the confidentiality of personal data.

PROPOSAL TO THE SHAREHOLDERS' MEETING

On 22 March 2022, the Board of Directors decided to propose to the Shareholders' Meeting that the Company's 2021 profit be allocated as follows:

- a dividend of €0.60 per share to be paid to shareholders as from 1 June 2022;
- the remainder to the Extraordinary Reserve.

The Board of Statutory Auditors expresses its favourable opinion for the approval of the Separate financial statements at 31 December 2021 and has no objections to make to the draft resolution presented by the Board of Directors as formulated in the Explanatory Notes and in the Directors' Report on Operations.

Ospitaletto, 5 April 2022

The Board of Statutory Auditors

Chairman
Alessandra Tronconi

Statutory Auditor
Maria Alessandra Zunino de Pignier

Statutory Auditor
Mauro Vivenzi

HUMAN CAPITAL IS OUR BEST INVESTMENT.

REPORT ON REMUNERATION

pursuant to Art. 123-ter of the T.U.F. and Art. 84-quater of the Issuers' Regulations

SECTION I - REMUNERATION POLICY

Introduction to the General Remuneration Policy Duration and changes introduced

Sabaf S.p.A.'s General Remuneration Policy (hereinafter also "remuneration policy"), approved by the Board of Directors on 22 December 2011, later updated on 20 March 2013, 4 August 2015, 26 September 2017, 24 March 2020 and 23 March 2021, defines the criteria and guidelines for the remuneration of members of the Board of Directors, Executives with strategic responsibilities and members of the Board of Statutory Auditors.

The remuneration policy was prepared:
- following the recommendations of the Corporate Governance Code for Listed Companies, approved in January 2020;
- in line with Recommendations 2004/913/EC and 2009/385 and with Art. 9-bis of Directive 207/36/EC, introduced by EU Directive 2017/828, which were incorporated into law with Art. 123-ter of the Consolidated Finance Act (T.U.F.), as last amended by Legislative Decree no. 49/19, and by Art. 84-quater of Consob Regulation no. 11971/19 (Issuers' Regulation), as last amended by Consob Resolution no. 21623/20.

The remuneration policy lasts three years.

1. Corporate bodies and persons involved in preparing, approving and implementing the remuneration policy

SHAREHOLDERS' MEETING
- Determines the remuneration due to the members of the Board of Directors;
- resolves remuneration plans based on the allocation of financial instruments with regard to directors and employees;
- it casts a binding vote on the first section of the Report on remuneration policy and remuneration paid to the Board of Directors, to Executives with strategic responsibilities and, without prejudice to the provisions of Art. 2402 of the Italian Civil Code, to the members of the Board of Statutory Auditors, and a non-binding vote on the second paragraph of that Report.

BOARD OF DIRECTORS
- At the suggestion of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors, determines the fee for Directors holding specific positions;
- defines the remuneration policy of Executives with strategic responsibilities;
- after obtaining the opinion of the Remuneration and Nomination Committee, resolves to sign Non-competition agreements with regard to the Chief Executive Officer and to executives;
- at the suggestion of the Remuneration and Nomination Committee, defines incentive plans based on short- and long-term variable remuneration to be assigned to the Chief Executive Officer and to the Executives with strategic responsibilities;
- at the suggestion of the Chief Executive Officer, defines the incentive plans based on short-term variable remuneration for company Management and other employees;
- at the suggestion of the Remuneration and Nomination Committee, resolves to assign non-monetary benefits to executives;
- makes proposals to the Shareholders' Meeting on remuneration plans based on the allocation of financial instruments with regard to directors and employees;
- prepares the Report on Remuneration pursuant to Art. 123-ter of the Consolidated Law on Finance and Art. 84-quater of the Issuers' Regulations;
- ensures that the remuneration paid and accrued is consistent with the principles and criteria defined in the remuneration policy, in the light of the results achieved and other circumstances relevant to its implementation;
- on termination of office and/or termination of the relationship with the Chief Executive Officer, with Directors holding specific positions or with a General Manager, discloses in a press release to the market at the end of internal processes leading to the allocation or recognition of any allowance and/or other benefits, detailed information concerning:
  a) the allocation or recognition of allowances and/or other benefits, the circumstances justifying their accrual and the deliberative procedures followed for this purpose within the company;
  b) the total amount of the allowance and/or other benefits, the related components (including non-monetary benefits, the maintenance of rights related to incentive plans, the fee for non-competition commitments or any other remuneration allocated for any reason and in any form) and the timing of their payment (distinguishing the part paid immediately from the part subject to deferral mechanisms);
  c) the application of any claw-back or malus clause of part of the sum;
  d) the compliance of the elements indicated in letters a), b) and c) above with what is indicated in the remuneration policy, with a clear indication of the reasons and the deliberative procedures followed in the event of even partial non-compliance with the policy;
  e) information on any procedures that have been or will be followed for the replacement of the executive director or general manager no longer in office.

The Board of Directors is responsible for properly implementing the remuneration policy.

REMUNERATION AND NOMINATION COMMITTEE
- Makes proposals to the Board of Directors, in the absence of the persons directly concerned, for remuneration of the Chief Executive Officer and Directors holding specific positions;
- examines, with the support of the Human Resources Department, the policy for the remuneration of executives, with a special attention to Executives with strategic responsibilities;
- makes suggestions and proposals to the Board of Directors concerning the setting of objectives on which the annual variable component and long-term incentives for the Chief Executive Officer, Directors holding specific positions and Executives with strategic responsibilities should be dependent, in order to ensure alignment with shareholders' long-term interests and the company's strategy;
- monitors the actual application of the remuneration policy and assesses the level of achievement of the short- and long-term variable incentive objectives of Directors and executives;

- prepares the proposals to the Board of Directors of remuneration plans based on financial instruments;
- assesses the adequacy, actual application and consistency of the remuneration policy, also with reference to the actual company performance, making suggestions and proposals for change;
- follows the development of the regulatory framework of reference and best market practices on remuneration, getting inspired by them for formulating the remuneration policy and identifying aspects for improving the Report on Remuneration;

The Remuneration and Nomination Committee currently in office comprises three non-executive members, the majority of them independent (Daniela Toscani, Stefania Triva, e Alessandro Potestà), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors. Minutes of the Committee meetings are taken and - signed by the chairman of the meeting and the secretary - are kept in chronological order together with the relevant documentation.
The Chairman of the Committee reports to the Board of Directors during the meeting immediately after with regard to the activities carried out by the Committee.
No further rules on the methods of operation of the Committee are currently envisaged.

BOARD OF STATUTORY AUDITORS

- The Board of Statutory Auditors expresses the opinions required by the regulations in force on proposals for remuneration of Directors holding specific positions;
- the Board of Statutory Auditors, i.e. the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him/her can attend the meetings of the Remuneration and Nomination Committee.

HUMAN RESOURCES DEPARTMENT

Actually enacts what is decided upon by the Board of Directors.

INDEPENDENT CONSULTANTS AND EXPERTS

No independent expert took part in the preparation of the remuneration policy. The Company availed itself of the legal advice of Studio Trifirò & Partners in Milan.

2. Purposes of the remuneration policy and its contribution to the pursuit of the corporate strategy

The Company's intention is that the Remuneration Policy:

- ensures the competitiveness of the company on the labour market and attracts, motivates and increases the loyalty of persons with appropriate professional expertise;
- protects the principles of internal equity and diversity;
- brings the interests of the management into line with those of the shareholders;
- favours the creation of sustainable value for shareholders in the medium to long term, and maintains an appropriate level of competitiveness for the company in the sector in which it operates;
- pursues the sustainable success of the company and takes into account the need to have, retain and motivate people with the competence and professionalism required by their role in the company.

Attracts, motivates and increases the loyalty of persons with appropriate professional expertise

Brings the interests of the management into line with those of the shareholders

Favours the creation of sustainable value for shareholders in the medium to long term

Protects the principles of internal equity and diversity

The remuneration policy envisages the structuring of the remuneration of executive directors and Executives with Strategic Responsibilities in such a way that it is significantly made up of variable remuneration, including financial instruments: (i) whose payment is conditional on the achievement of common objectives (in particular, Group EBITDA and EBIT) and individual objectives, not only of an economic-financial nature, but also of a technical-productive and/or socio-environmental nature; (ii) subject, in part, to adequate retention and deferral mechanisms.

The objectives to which the disbursement of significant portions of variable remuneration is conditioned are structured in such a way as to prevent them from being achieved through short-term management choices that would potentially undermine the sustainability and/or the Company's ability to generate profit in the long term.
In this context, the policy aims to encourage the achievement of the strategic objectives set out in the pro tempore business plans in force and to create long-term value for stakeholders, also in line with the principles of corporate social responsibility.

3. Remuneration policy guidelines and instruments

The principles and characteristics of the remuneration package regulated by the remuneration policy for the persons to whom the policy applies follow the same approach for determining, in general, the remuneration packages offered to employees. In defining each remuneration package proposed by Sabaf to its personnel, the following points are considered as priority elements for assessment:

i. the comparison with the external market and the internal equity of the Company;
ii. the characteristics of the position, the responsibilities assigned and the skills of the persons, taking care to avoid any form of discrimination;
iii. the pursuit of Sabaf's growth strategy and the strengthening of the Company's long-term interests and sustainability based on the principles of fairness, sustainability, equal opportunities, meritocracy and competitiveness in relation to the market.

In preparing the remuneration package referred to in this remuneration policy, account was therefore taken of the fact that employees are generally offered remuneration that includes, in addition to the pay envisaged by the National Collective Labour Contract for the metal and engineering industry, supplemented by second-level negotiations, an individual fixed component and variable components based on the achievement of common or individual objectives. The training opportunities provided and access to the company welfare platform are also part of the remuneration, incentive and enhancement system. Sabaf also aims to establish and maintain effective and efficient working partnerships, aimed at the pursuit of general and individual objectives and, in this perspective, also to encourage - where possible - the development of smart working conditions, including through the use of technologies that ensure continuous value for the company and for individuals and that improve work-life balance.

The definition of a fair and sustainable remuneration package takes into account three main tools:

- fixed remuneration;
- variable remuneration (short- and medium- to long-term);
- benefits.

Each remuneration component is analysed below.

FIXED ANNUAL COMPONENT

The fixed component of the Directors' remuneration is such that it is able to attract and motivate individuals with appropriate expertise for the roles entrusted to them within the Board, and is set with reference to the remuneration awarded for the same positions by other listed Italian industrial groups of a similar size.

The Shareholders' Meeting determines the fixed remuneration paid to the members of the Board of Directors.

With regard to the remuneration for Directors holding special offices, the Board of Directors, at the suggestion of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors, determines the additional fixed remuneration.

Directors who sit on committees formed within the Board (Control, Risk and Sustainability Committee, Remuneration and Nomination Committee) are paid fixed remuneration intended to reward the commitment required of them.

Executives with strategic responsibilities are paid a fixed annual remuneration, determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives.

The members of the Board of Statutory Auditors are paid a fixed remuneration, the amount of which is determined by the Shareholders' Meeting, at the time of their appointment.

<table>
<tr><th rowspan="2">COMPONENTS OF THE REMUNERATION</th><th colspan="5">CORPORATE OFFICES</th></tr>
<tr><th>Executive Directors</th><th>Non-Executive Directors</th><th>Members of committees within the BoD</th><th>Executives with strategic responsibilities</th><th>Statutory Auditors</th></tr>
<tr><td rowspan="2">FIXED COMPONENTS</td><td>Fixed remuneration for the office of Director</td><td rowspan="2">Fixed remuneration for the office of Director</td><td rowspan="2">Fixed remuneration for Directors members of Committees within the BoD</td><td rowspan="2">Collective National Contract for Industrial Managers</td><td rowspan="2">Fixed remuneration</td></tr>
<tr><td>Fixed remuneration for Directors holding special positions</td></tr>
</table>

SHORT-TERM VARIABLE COMPONENT (ANNUAL)

The Board of Directors, at the suggestion of the Remuneration and Nomination Committee and in accordance with the budget, defines an MBO plan, for the benefit of:

- executives with strategic responsibilities;
- other persons, identified by the Chief Executive Officer, among the managers who report directly to him or who report to the aforementioned managers.

This plan sets a common objective (Group EBIT, which is considered to be the Group's main indicator of financial performance) and quantifiable and measurable individual objectives economic-financial, technical-productive and/or socio-environmental in nature. Some individual objectives refer to technical (e.g. efficiency and quality), management (e.g. meeting deadlines for completion of relevant projects) and sustainability (e.g. environmental performance) parameters. A variable portion of between 30% and 40% of the variable remuneration under the MBO plan is normally related to the common EBIT objective. The plan in question envisages, with regard to the EBIT objective, the payment of remuneration according to the objective achievement range. There is an entry threshold if 80% of the target is reached, entitling the employee to 70% of the variable remuneration, and an extra bonus if the target is exceeded by more than 15%, entitling the employee to a bonus of between 2.1% and 2.8% of gross annual remuneration. For the portion of the variable component of the MBO plan, the payment of which is linked to the achievement of the other objectives, no ranges are routinely provided according to the level of achievement of the target.

The MBO plan includes malus and/or claw back clauses in the event that the objectives of the plan were achieved on the basis of data that later proved to be incorrect.

The allocation of the variable component under the MBO plan is conditional on continued employment until the end of the vesting period.

The objectives of the Chief Executive Officer and of the Executives with strategic responsibilities are decided by the Board of Directors, at the suggestion of the Remuneration and Nomination Committee, in accordance with the budget.
The objectives of the other beneficiaries of the incentive plans are defined by the Chief Executive Officer, in accordance with the budget.

The Board of Directors, at the proposal of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors in the cases referred to in Art. 2389 of the Italian Civil Code, may decide to pay a one-off bonus to Directors holding specific positions and/or to Executives with strategic responsibilities. The resolution must be motivated and justified by exceptional circumstances, consistent with the objectives of the remuneration policy and, in particular, with that of pursuing the sustainable success of the company. In no case may the one-off bonus exceed 50% of the fixed annual component of the remuneration of the Director holding specific positions or the Executive with strategic responsibilities concerned.

Non-executive directors are not paid any variable remuneration.

LONG-TERM VARIABLE COMPONENT

The remuneration policy envisages the adoption of long-term incentive plans based on financial instruments.

The beneficiaries, if not already identified in the incentive plan, are identified by the Board of Directors among the members of the Board of Directors and/or among the managers of the Company or its Subsidiary companies who hold or will hold key positions in the implementation of the Business Plan. In the case of the Chief Executive Officer and/or Executives with strategic responsibilities of the Company, the identification is made on the suggestion of the Remuneration and Nomination Committee.

The Board of Directors identifies the total number of rights to be assigned to each beneficiary (within the limits set by the Shareholders' Meeting).

The incentive plan normally provides for a multi-year vesting period, with subsequent allocation of the financial instruments.

On the basis of the remuneration policy, the total or partial allocation of financial instruments is made by the Board of Directors; for the Chief Executive Officer and Executives with strategic responsibilities, the allocation is made at the suggestion of the Remuneration and Nomination Committee.
The allocation of financial instruments is related to predetermined financial and non-financial performance targets measurable (also year by year) and linked to the creation of value for shareholders over a long-term horizon, based on business plans approved by the Board of Directors.

The incentive plan envisages a lock-up period, lasting at least one year, of a portion of the financial instruments allocated to each beneficiary, normally not less than 40% of the total.
The allocation of the shares related to a specific performance target is not envisaged, not even partially, in case of failure to achieve the performance target, within a minimum threshold set by the Board of Directors, which is normally not less than 80%.
The plan can contain catch-all clauses that allow, if the average or cumulative objective or the objective for the last year of the plan is achieved, the allocation of the shares - related to that objective - envisaged for all periods of measurement of that objective set out in the plan.

The allocation of the shares is conditional on the continuation of the employment and/or collaboration and/or administration relationship between the beneficiary and the company at the date of approval of the financial statements for the year in which the allocation is envisaged, according to the criteria established by the incentive plan.
The incentive plan provides for malus and/or claw back clauses in the following cases:

a. the Beneficiary has engaged in fraudulent or grossly negligent behaviour that has caused damage to the assets or image of the Company or its Subsidiaries or the Group;
b. the beneficiary has affected, by its own fraudulent or grossly negligent behaviour, the achievement of the objectives of the plan;
c. the objectives of the plan were achieved based on data that later proved to be manifestly incorrect.

Following the Shareholders' Meeting of 6 May 2021, at the suggestion of the Remuneration and Nomination Committee, and after obtaining the opinion of the Board of Statutory Auditors, on 13 May 2021, the Board of Directors approved the regulation of a long-term share-based incentive plan (Stock Grants) related to performance targets for the three-year period 2021 to 2023. The incentive plan includes the following objectives: an objective based on the Group's EBITDA, to the achievement of which 40% of the attributable shares are linked; an objective based on Return on Investments (ROI), to the achievement of which 35% of the attributable shares are linked; social and environmental sustainability objectives, to the achievement of which 25% of the attributable shares are linked.

ANNUAL MBO

RELATED TO THE BUDGET FOR YEAR

BENEFICIARIE

- **EXECUTIVE DIRECTORS** (excluding the Chairman)
- **EXECUTIVES WITH STRATEGIC RESPONSIBILITIES**
- **OTHER MANAGERS PROPOSED BY THE CHIEF EXECUTIVE OFFICER**

OBJECTIVES

- **COMMON OBJECTIVE:** GROUP EBIT
- **INDIVIDUAL OBJECTIVES:** ECONOMIC/FINANCIAL AND TECHNICAL AND PRODUCTION

STOCK GRANT PLAN

RELATED TO THE BUSINESS PLAN

BENEFICIARIE

- **CHIEF EXECUTIVE OFFICER**
- **CFO**
- **OTHER MANAGERS IDENTIFIED BY THE BoD** WHO HOLD OR WILL HOLD KEY POSITIONS IN THE IMPLEMENTATION OF THE BUSINESS PLAN

OBJECTIVES

- **FINANCIAL PERFORMANCE TARGETS**
- **NON-FINANCIAL PERFORMANCE TARGETS**

COMPONENTS OF THE REMUNERATION		CORPORATE OFFICES	
		Executive directors and other executives with strategic responsibilities	**Other persons identified by the CEO/BoD**
VARIABLE COMPONENTS	**SHORT-TERM VARIABLE COMPONENT**	Annual MBO plan based on achieving a common objective and individual objectives	Annual MBO plan based on achieving a common objective and individual objectives
		Possible one-off bonus	Possible one-off bonus
	LONG-TERM VARIABLE COMPONENT	Stock Grant Plan based on achieving financial and non-financial performance targets (and possibly individual objectives)	Stock Grant Plan based on achieving financial and non-financial performance targets

ALLOWANCE FOR EARLY TERMINATION OF EMPLOYMENT

The current Chief Executive Officer entered into a permanent employment contract with the Company, effective as from 12 September 2017. The managerial employment relationship is regulated by the National Collective Bargaining Agreement for Managers of Companies producing goods and services. In case of early termination of employment at the Company's initiative not due to just cause, a fixed allowance for termination of employment shall be paid, as a redundancy incentive, equal to twice the remuneration including the fixed component and the short-term variable component (MBO). The same allowance is also envisaged in case of resignation for just cause from the office of chief executive officer or from the executive position. There are no specific provisions linking the payment of the termination allowance and the performance of the Company. Without prejudice to the relationships already in place, the remuneration policy envisages, as a general rule, that the contractual termination-of-employment allowances for the Chief Executive Officer shall not exceed, as a general rule, a maximum of 24 months of the total gross remuneration (including both the gross remuneration as an executive and any gross remuneration for the management position) paid to the chief executive officer, without prejudice to more favourable provisions of any applicable collective bargaining agreement. The remuneration policy also envisages that future agreements with chief executive officers will specify the portion of the termination-of-employment allowance based on the fixed component of remuneration and the portion of the termination-of-employment allowance based on the Company's performance, and provide for specific cases of exclusion of the payment of the termination-of-employment allowance due to the failure to achieve, within pre-defined minimum thresholds, the objectives of the business plan.

There are no agreements for other Directors or other Executives with strategic responsibilities regulating ex ante the economic part concerning the early termination of the employment relationship. In case of termination of the relationship for reasons other than just cause or justified reasons by the employer, the Company's remuneration policy allows for consensual agreements to end the relationship in compliance with legal and contractual obligations. These agreements must be approved by the Board of Directors at the suggestion of the Remuneration and Nomination Committee.

The Company does not provide Directors other than the Chief Executive Officer with benefits subsequent to the end of their service.
Non-competition agreements concerning employment relationships are entered into by the Company in accordance with Art. 2125 of the Italian Civil Code.

The Chief Executive Officer in office is bound, as a manager, by a post-contractual non-competition agreement for a period of 12 months following the termination of his employment, which provides for a fixed annual fee paid during the term of employment in monthly instalments, with a fixed guaranteed minimum threshold equal in total to slightly less than half of the gross annual fee paid to the Chief Executive Officer as a manager. The non-competition agreement is protected by a fixed penalty for breach, without prejudice to the possibility of compensation for greater damages. There is no link between the corporate performance and the payment of the fee for the non-competition agreement. Based on the remuneration policy, non-competition agreements are also envisaged with certain Executives with strategic responsibilities, the terms of which were approved by the Board of Directors, after obtaining the opinion of the Remuneration and Nomination Committee. These agreements have a duration of 24 months following the termination of the employment relationship and provide for annual fees, paid during the employment relationship in monthly instalments, equal to 10% of the gross annual remuneration. There is no link between the corporate performance and the payment of fees for non-competition agreements.

The termination of the employment or collaboration relationship with the Chief Executive Officer, the other Directors and the Executives with Strategic Responsibilities - if they are beneficiaries of incentive plans based on financial instruments - determines the effects indicated above under "LONG-TERM VARIABLE COMPONENT".

The remuneration policy does not envisage the assignment or maintenance of non-monetary benefits, nor the signing of consultancy contracts, for periods after the termination of the relationship with the Chief Executive Officer, other Directors or Executives with Strategic Responsibilities.

COMPONENTS OF THE REMUNERATION	**CORPORATE OFFICES**				
	Executive Directors	**Non-Executive Directors**	**Members of committees within the BoD**	**Executives with strategic responsibilities**	**Statutory Auditors**
ALLOWANCE FOR EARLY TERMINATION OF EMPLOYMENT	Remuneration for non-competition agreement (only for Chief Executive Officer)	N/A	N/A	Remuneration for non-competition agreement	N/A

NON-MONETARY BENEFITS

Third-party civil liability insurance policy: the Company has taken out a third-party civil liability insurance policy in favour of directors, statutory auditors and executives for unlawful acts committed in the carrying-out of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

Life insurance policy and cover for medical expenses: the Company also provides a life insurance policy and cover for medical expenses (FASI) for executives, as established by the Collective National Contract for Industrial Managers; moreover, it has taken out an additional policy to cover medical expenses not covered by FASI reimbursements.

Company cars: at the suggestion of the Remuneration and Nomination Committee, the Board of Directors also assigns company cars to executives.

Accommodation costs: at the suggestion of the Remuneration and Nomination Committee, the Board of Directors can provide for housing to be made available to executives, for the possibility to reimburse the rent of the house or for the temporary reimbursement of the costs of accommodation in a hotel.

ENTRY BONUS

With the aim of attracting highly professional individuals, the Board may decide to give entry bonuses to newly hired executives.

CLAW BACK AND MALUS CLAUSES

As from 2018, the Company established mechanisms for the ex-post adjustment of the variable remuneration component or claw back clauses to demand the return of all or part of the variable components of remuneration paid out (or to withhold deferred sums), which were determined on the basis of data subsequently found to be clearly incorrect. In this regard, please see item "SHORT-TERM VARIABLE COMPONENT" and "LONG-TERM VARIABLE COMPONENT" of the remuneration policy.

REMUNERATION FOR OFFICES IN SUBSIDIARIES
Directors and other executives with strategic responsibilities may be paid remuneration – exclusively as a fixed amount – for offices held in subsidiaries. In addition to the approval of the subsidiaries' corporate bodies, this remuneration is subject to the favourable opinion of the Remuneration and Nomination Committee.

RATIOS BETWEEN FIXED AND VARIABLE COMPONENT AND BETWEEN SHORT-TERM AND LONG-TERM VARIABLE COMPONENT
Based on the remuneration policy, where a variable component is recognised due to the total achievement of objectives, the overall remuneration is structured as follows:

i. the gross annual fixed component of [1] remuneration varies between a minimum of 44% and a maximum of 59%, with an average incidence of 51.5%;

ii. the short-term variable component varies between a minimum of 11% and a maximum of 14%, with an average incidence of 12.5%;

iii. the long-term variable component, in the event of achieving the highest of the expected performance targets, varies between a minimum of 30% and a maximum of 42%, with an average incidence of 36%.

COMPONENTS OF THE REMUNERATION		CORPORATE OFFICES			
		Executive Directors	Non-Executive Directors	Executives with strategic responsibilities	Statutory Auditors
BENEFITS AND OTHER COMPONENTS	NON-MONETARY BENEFITS	Third-party liability insurance policy	Third-party liability insurance policy	Third-party liability insurance policy Life insurance policy to cover medical expenses (FASI), supplementary medical expenses Company cars	Third-party liability insurance policy
	OFFICES IN SUBSIDIARIES	Fixed remuneration for offices in subsidiaries	N/A	Fixed remuneration for offices in subsidiaries	N/A

4. Remuneration of the Board of Directors, Chairman and Vice Chairmen of the Board of Directors, Chief Executive Officer, Executives with strategic responsibilities and Board of Statutory Auditors

REMUNERATION OF THE BOARD OF DIRECTORS
The Shareholders' Meeting is responsible for determining the annual gross remuneration (maximum amount) due to the Directors, which consists of a fixed amount.
The members of the Board of Director are covered by a third-party civil liability insurance policy for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting. There are no specific remuneration schemes for independent directors.
There is an additional fixed remuneration for directors participating in committees.

REMUNERATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, OF THE VICE CHAIRMAN AND OF THE HONORARY CHAIRMAN
No variable remuneration is paid to the Chairman and Vice Chairman of the Board of Directors, but only fixed remuneration in addition to those of directors for special offices held.
There is a fixed remuneration set by the Board of Directors for the Honorary Chairman.

REMUNERATION OF THE CHIEF EXECUTIVE OFFICER
The remuneration of the Chief Executive Officer includes the following components:

Fixed remuneration for the office of Director: the Chief Executive Officer is the recipient of the fixed remuneration for the office of Director (pursuant to Art. 2389 paragraph I Italian Civil Code) and an additional fixed remuneration for the office held.

Third-party civil liability insurance policy: the Company has taken out a third-party civil liability insurance policy for unlawful acts committed in the carrying-out of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

Long-term variable component: the long-term incentive is dependent on the achievement of performance targets, proposed by the Remuneration and Nomination Committee to the Board of Directors, and extends over three years, coinciding with the mandate of the Board of Directors.

[1] To be intended as the result of the sum of the fixed component established by the remuneration policy (including the remuneration in case of director and/or gross annual remuneration for employees), fringe benefits, remuneration for offices held in subsidiaries and annual payments for non-competition agreements.

If the Chief Executive Officer is also assigned an executive management role within the Sabaf Group, the Board decides on the assignment of the following additional remuneration instruments:

- **Fixed annual gross salary:** the fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives.
- **Non-competition agreement:** assignment of a fixed annual remuneration against the signing of a Non-competition Agreement with the Company.
- **Short-term variable component:** annual incentive, dependent on the achievement of the objectives envisaged by the MBO plan, approved by the Board of Directors at the suggestion of the Remuneration and Nomination Committee. On the occasion of the annual approval, the Board of Directors decides on the maximum amount of the annual variable component, the methods and timing for its payment. The Chief Executive Officer may be paid a one-off bonus under the conditions and within the limits set out in the remuneration policy.
- **Benefits:** the benefits envisaged for the management of the Company can be assigned: Life insurance policy and cover for medical expenses, assignment of company car; reimbursement of the rent for the house.

REMUNERATION OF EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Fixed annual gross remuneration: Employment relationships with Executives with strategic responsibilities are regulated by the Collective National Contract for Industrial Managers. In this regard, fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach the objectives.

Short- and long-term variable components: Executives with strategic responsibilities are the recipients of short- and long-term incentive plans (cf. paragraph 3). At the time of approval of short- and long-term incentive plans, the Board of Directors is responsible for setting the maximum amounts of variable remuneration, the methods and timing for the payment of this remuneration. Executives with strategic responsibilities can be paid a one-off bonus under the conditions and within the limits set out in the remuneration policy.

Benefits: Executives with strategic responsibilities receive the benefits envisaged for the executives of the Company (Life insurance policy and cover for medical expenses); assignment of company car) and are covered by an occupational risk policy.

REMUNERATION OF THE BOARD OF STATUTORY AUDITORS

The amount of remuneration for Statutory Auditors is set by the Shareholders' Meeting, which establishes a fixed amount for the Chairman and the other Standing Auditors.

The members of the Board of Statutory Auditors are covered by a third-party civil liability insurance policy for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the Articles of Association, with the sole exclusion of deliberate intent. The taking-out of this policy is approved by the Shareholders' Meeting.

The commitment required of the Board of Statutory Auditors for the performance of its duties can be inferred from the Report on the Corporate Governance System to which reference should be made.

5. Departures from the remuneration policy

Pursuant to Art. 123-*ter* (3)-*bis* of the *T.U.F.*, in the presence of exceptional circumstances (as defined below), the company may temporarily depart from the remuneration policy, with regard to the provisions concerning long-term variable remuneration and allowance for early termination of employment, referred to in paragraph 4 of the remuneration policy. The departure may only be made in compliance with the procedures of Consob Regulation no. 17221 of 12 March 2010 (Related party Transactions).

Exceptional circumstances are only situations where the departure from the remuneration policy is required to pursue the long-term interests and sustainability of the company as a whole or to ensure its ability to stay in the market (such as, for example, the need to attract and/or retain key management figures or the need to incentivise key management figures in office with regard to specific industrial objectives that, in contingent conditions, are of particular importance).

6. Further details of the remuneration policy

The remuneration of the directors, both executive and non-executive, and of the members of the control body was defined taking into account the remuneration practices of industrial companies of similar size listed on the STAR segment, including in particular the following: Reno De Medici S.p.A., La Doria S.p.A., Aquafil S.p.A., Retelit S.p.A., GEDI S.p.A., Elica S.p.A., Massimo Zanetti Beverage Group S.p.A., Aeffe S.p.A., Prima Industrie S.p.A., B&C Speakers S.p.A., Emak S.p.A., Openjobmetis S.p.A., Landi Renzo S.p.A., Gefran S.p.A..

The current remuneration policy was approved by the Shareholders' Meeting on 6 May 2021 and will last three years. No changes were made to the version submitted to this Shareholders' Meeting during 2021.

SECTION II – REMUNERATION PAID

This section, by name of Directors and Statutory Auditors:
- describes each of the items that make up the remuneration, showing their consistency with the remuneration policy of Sabaf and the ways in which remuneration contributes to the Company's long-term results;
- analytically illustrates the remuneration paid in the financial year under review (2021), for any reason and in any form, by the Company or by subsidiaries or affiliates, identifying any components of this remuneration that relate to activities undertaken in previous years to the year under review.

FIRST PART

The components of the remuneration paid to directors for 2021

The Directors in office for the year 2021 have been paid a fixed annual gross remuneration of €22,000 per unit. The following additional remuneration was also paid for the offices held or attendance to Committees set up within the Board:
- €80,000 to the Chairman Claudio Bulgarelli;
- €10,000 to the Vice Chairman Nicla Picchi;
- €8,000 to the Chief Executive Officer Pietro Iotti;
- €21,000 to each member of the Control, Risk and Sustainability Committee (Nicla Picchi, Carlo Scarpa and Daniela Toscani);
- €16,000 to each member of the Remuneration and Nomination Committee (Daniela Toscani, Alessandro Potestà and Stefania Triva).

A fixed remuneration component for employment and a fixed remuneration for offices in subsidiaries are paid to executive directors appointed as executives.

With reference to variable components, which are intended only for executive directors, the following is pointed out:

a) in relation to the annual variable incentive plan established for 2020, remuneration of €94,721 accrued in the previous financial year (and disbursed in 2021). Specifically:
   - the Chief Executive Officer, Pietro Iotti, accrued variable remuneration of €70,000 for the partial achievement of the objectives of the 2020 MBO plan. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration equal to 100% of the total EBIT component; individual objectives were achieved at 50%.
   - The Director, Gianluca Beschi, accrued variable remuneration of €24,721 for the partial achievement of the objectives of the 2020 MBO plan. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration equal to 100% of the total EBIT component; individual objectives were achieved at 50%.

b) With reference to the annual variable incentive plan established for 2021, remuneration of €130,900 accrued in 2021. Specifically:
   - the Chief Executive Officer, Pietro Iotti, accrued variable remuneration of €86,800 for the partial achievement of the objectives of the 2021 MBO plan. The business objective, represented by the budget EBIT, was achieved in the highest range (exceeding the budget by more than 15%), individual objectives were achieved at 33.33%.
   - The Director, Gianluca Beschi, accrued variable remuneration of €44,100 for the partial achievement of the objectives of the 2021 MBO plan. The business objective, represented by the budget EBIT, was achieved in the highest range (exceeding the budget by more than 15%), individual objectives were achieved at 33.33%.

c) With reference to the 2018-2020 Stock Grant plan, whose beneficiaries include the Chief Executive Officer and Director Gianluca Beschi, following the partial achievement of the objectives and the verification of the existence of the conditions set out in the Regulations of the plan, in May 2021 the shares were allocated to the beneficiaries of Cluster 1.

d) With reference to the 2021-2023 stock incentive plan, whose beneficiaries include the Chief Executive Officer and Director Gianluca Beschi, rights to receive shares have been assigned, the allocation of which is subject to the achievement of company targets (based on EBITDA, ROI and sustainability targets) over the three-year period 2021 to 2023 consistent with the objectives of the Business Plan. For further details, please refer to the information contained in the Information Document prepared pursuant to Art. 114-bis of Legislative Decree no. 58 of 24 February 1998, of Art. 84-bis of Consob resolution no. 11971/99, submitted to the Shareholders' Meeting on 6 May 2021.

In compliance with point no. 3 of the remuneration policy, the Board of Directors, at the suggestion of the Remuneration Committee, resolved to award a one-off bonus of €142,400 to the Chief Executive Officer Pietro Iotti and €79,400 to director Gianluca Beschi for their efforts to limit the impact of the pandemic crisis and for achieving results that far exceeded targets.
The proportion of fixed and variable remuneration paid during the 2021 financial year within the total remuneration of executive directors is as follows:
- Chief Executive Officer Pietro Iotti: fixed remuneration 89%, variable remuneration 11%;
- Director Gianluca Beschi: fixed remuneration 93%, variable remuneration 7%.

For details of the elements included in this calculation, please refer to the Tables contained in the second part of this Report.
Note that, during 2021, with regard to executive directors:
- no indemnity and/or other benefits were granted for the transfer of office or termination of employment;
- no ex-post correction mechanisms were applied to the variable remuneration component;
- there were no departures from the remuneration policy.

Remuneration to the Honorary Chairman for 2021

On 6 May 2021, the Board of Directors appointed Giuseppe Saleri, the founder and historical Chairman of the Company, as permanent Honorary Chairman, awarding him a gross annual remuneration of €70,000.

Remuneration of Statutory Auditors for 2021

The remuneration paid to the Statutory Auditors consists of a fixed remuneration determined by the Shareholders' Meeting of 6 May 2021, amounting to a total of €77,000, 8/12 of which accrued during the first year of office (€51,333). For the first four-month period, the remuneration accrued by the Statutory Auditors in office until 6 May 2021 was €23,517.

The remuneration of other executives with strategic responsibilities for 2021

The remuneration of other executives with strategic responsibilities (Technical Director and two Sales Managers) consists of a fixed remuneration for employment totalling €420,743, and following variable remuneration:

a. with reference to the variable incentive plan (MBO) of 2020, during 2021, remuneration totalling €76,359 was paid for the partial achievement of the objectives of the 2020 MBO plan. The business objective, represented by the budget EBIT, was achieved in the 100% range of the budget accruing remuneration equal to 100% of the total; individual objectives were achieved on average by 80%;
b. with reference to the variable incentive plan (MBO) for 2021, remuneration totalling €110,584 accrued for the partial achievement of the objectives of the 2021 MBO plan. Its payment is deferred and dependent upon the continuation of the employment relationship. The business objective, represented by the budget EBIT, was achieved in the highest range (exceeding the budget by more than 15%), individual objectives were achieved on average by 93%;
c. with reference to the 2018-2020 Stock Grant plan, whose beneficiaries include the Executives with Strategic Responsibilities, following the partial achievement of the objectives and the verification of the existence of the conditions set out in the Regulations of the Plan, in May 2021 the shares were allocated to the beneficiaries of Cluster 1;
d. with reference to the 2021-2023 stock incentive plan, whose beneficiaries include the Executives with Strategic Responsibilities, rights to receive shares have been assigned, the allocation of which is subject to the achievement of company targets (based on EBITDA, ROI and sustainability targets) over the three-year period 2021 to 2023 consistent with the objectives of the Business Plan. For further details, please refer to the information contained in the Information Document prepared pursuant to Art. 114-bis of Legislative Decree no. 58 of 24 February 1998, of Art. 84-bis of Consob resolution no. 11971/99, submitted to the Shareholders' Meeting on 6 May 2021.

In compliance with point no. 3 of the remuneration policy, the Board of Directors, at the suggestion of the Remuneration Committee, during 2021 resolved to award a one-off bonus to Executives with. strategic responsibilities amounting to €74,200 for their efforts to limit the impact of the pandemic crisis on the Group's results.
Remuneration totalling €93,500 was also disbursed by subsidiaries.
The proportion of fixed and variable remuneration paid during the 2021 financial year within the total remuneration is as follows; fixed remuneration 89%, variable remuneration 11%.
For details of the elements included in this calculation, please refer to the Tables contained in the second part of this Report.

Note that, during 2021, with regard to Executives with Strategic Responsibilities:

- no indemnity and/or other benefits were granted for the termination of employment;
- no ex-post correction mechanisms were applied to the variable remuneration component;
- there were no departures from the remuneration policy.

Comparison with previous years

	% Change 2020 vs. 2019	% Change 2021 vs. 2020
Chief Executive Officer Pietro Iotti Total remuneration (a)	+6.8%	+24.8%
Director Gianluca Beschi Total remuneration (b)	+17.9%	+22.3%
Executives with strategic responsibilities Total remuneration (c)	+10.1%	+5.8%
Sabaf Group turnover	+18.6%	+42.4%
Sabaf S.p.A. turnover	+8.1%	+40.4%
Sabaf Group EBITDA	+37.2%	+45.9%
Sabaf S.p.A. EBITDA	+20.5%	+45.9%
Sabaf Group EBIT	+68.9%	+86.7%
Sabaf S.p.A. EBIT	+124.2%	+109.3%
Sabaf Group Profit	+40.8%	+71.2%
Sabaf S.p.A. Profit	+67.7%	+56.7%
Average gross annual remuneration of employees (excluding persons marked with a), b), and c) in this table)	+0.1%	+10.3%

2021 Shareholders' voting

The Ordinary Shareholders' Meeting, held on 6 May 2021, approved the second section of the Report on remuneration policy and remuneration paid for 2020, with an advisory vote pursuant to and for the purposes of Art. 123 paragraph 6 of Legislative Decree No. 58/1998, as amended by Legislative Decree 49/19.

Result of the voting	2021
For	84.8%
Against	15.2%
Abstention	0%
Non-voters	0%

There were no indications from Shareholders to be considered for the purposes of this Report.

SECOND PART

For a breakdown of the remuneration paid in 2021, please refer to the tables below (Table 1, Table 2 and Table 3), which contain remuneration paid to Directors and Statutory Auditors, and, at the aggregate level, to other executives with strategic responsibilities, taking into account any office held for a fraction of a year. Remuneration received from subsidiaries and/or affiliates, with the exception of that waived or paid back to the Company, is also indicated separately.

With particular reference to **Table 1**, the column:

- "Fixed remuneration" shows, for the portion attributable to 2021, the fixed remuneration approved by the Shareholders' meeting (and distributed with resolution of the Board of Directors), including the remuneration received for the carrying-out of special offices (pursuant to Art. 2389, paragraph 3, Italian Civil Code. attendance fees as approved by the Board of Directors; employee salaries due for the year gross of social security contributions and income taxes owed by the employee;
- "Remuneration for attendance at Committee meetings", shows, for the portion relating to 2021, the remuneration due to directors who attended the meetings of the Committees set up within the Board and the related attendance fees;
- "Bonus and other incentives" includes the variable remuneration accrued during the year, for monetary incentive plans. This value corresponds to the sum of the amounts provided in Table 3 in the "Bonus for the year - payable/paid", "Bonus of previous years - payable/paid" and "Other bonuses" columns;
- "Non-monetary benefits" shows, according to accrual and tax liability criteria, the value of outstanding insurance policies and the company cars assigned;
- "Other remuneration" shows, for the portion attributable to 2021, any other remuneration resulting from other services provided;
- "Total" shows the sum of the amounts provided under the previous items.

For a breakdown of other items, see attachment 3A, statement 7-bis and 7-ter of Consob Regulation 11971 of 14 May 1999.

Table 2 shows the information relating to the Stock Grant plan approved by the Shareholders' Meeting and aimed at the Group's executive directors and executives who hold or will hold key positions in the implementation of the Business Plan. Specifically, the column:

- "Financial instruments assigned in previous financial years not vested during the financial year" shows the financial instruments assigned in previous years and not vested during the year, indicating the vesting period;
- "Financial instruments assigned during the financial year" shows the financial instruments assigned during the year, indicating the fair value at the assignment date, the vesting period, the assignment date and the market price at the assignment;
- "Financial instruments vested during the year and not assigned" shows the number and type of instruments vested during the financial year and not assigned;
- "Financial instruments vested during the year and attributable" contains information on instruments vested during the financial year of reference and attributable, indicating the value at the vesting date.

"Vesting period" means the period between the time when the right to participate in the incentive scheme is assigned and the time when the right accrues. Financial instruments vested during the financial year and not assigned are financial instruments for which the vesting period ended during the financial year and which were not assigned to the recipient for failure to meet the conditions under which the assignment of the instrument was conditional (for example, failure to meet performance targets).

The value at the vesting date is the value of the financial instruments accrued, even if not yet paid (for example, due to the presence of lock up clauses), at the end of the vesting period.
For a breakdown of other items, see attachment 3A, statement 7-bis and 7-ter of Consob Regulation 11971 of 14 May 1999.

Table 3 contains information on monetary incentive plans for members of the administration body and other executives with strategic responsibilities; in particular, it shows:

For the section "Bonus for the year"

- In the column "payable/paid", the bonus accrued for the year for the objectives reached during the year and paid or payable because not subject to further conditions (known as upfront fee).
- The column "Deferred" shows the bonus dependent on the objectives to be reached during the year but not payable because subject to further conditions (known as deferred bonus).

For the section "Bonus of previous years"

- The column "No longer payable" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and no longer payable for failure to meet the conditions to which they are subject.
- The column "Payable/Paid" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and paid during the year or payable.
- The column "Still deferred" shows the sum of bonuses deferred in previous years still to be paid at the beginning of the financial year and still deferred.

Lastly, the column "Other bonuses" shows the bonuses for the year not explicitly included in specific ex ante defined plans.

Finally, pursuant to Art. 84-*quater*, paragraph four of the Consob Issuers' Regulations, **Table 4** shows shareholdings in Sabaf S.p.A. held by directors and executives with strategic responsibilities, as well as their non-separated spouses and dependent children, directly or through subsidiaries, trust companies or third parties, as shown in the shareholder register, communications received and other information acquired from the same parties. This includes all persons who held office during the year, even for only part of the year. The number of shares held is shown by individual director and in aggregate form for executives with strategic responsibilities.

TAB. 1 - REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN 2021

(figures in euro)

BOARD OF DIRECTORS

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
						Bonus and other incentives	Profit sharing					
Claudio Bulgarelli	**Chairman**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				102,000[a]	0	0	0	0	0	102,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**102,000**	**0**	**0**	**0**	**0**	**0**	**102,000**	**0**	**0**
[a] of which €22,000 as director and €80,000 as Chairman												
Nicla Picchi	**Vice Chairman**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				32,000[a]	21,000[b]	0	0	0	15,000	68,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	5,000	5,000	0	0
(III) Total				**32,000**	**21,000**	**0**	**0**	**0**	**20,000[c]**	**73,000**	**0**	**0**
[a] of which €22,000 as director and €10,000 as Vice Chairman [b] of which €21,000 as a member of the Control, Risk and Sustainability Committee [c] of which €15,000 as member of the Sabaf S.p.A. Supervisory Body and €5,000 as member of the Supervisory Body of the subsidiary Faringosi Hinges s.r.l.												
Pietro Iotti	**Chief Executive Officer**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				380,000[a]	0	70,000	0	9,966	142,400	602,366	0	0
(II) Remuneration from subsidiaries and affiliates				60,000	0	0	0	0	0	60,000	0	0
(III) Total				**440,000**	**0**	**70,000**	**0**	**9,966**	**142,400**	**662,366**	**0**	**0**
[a] of which €22,000 as director, €8,000 as Chief Executive Officer, and €350,000 as General Manager (including €30,000 relating to Remuneration for non-competition agreement)												
Gianluca Beschi	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				222,000[a]	0	24,721	0	5,189	79,400	331,310	0	0
(II) Remuneration from subsidiaries and affiliates				74,000	0	0	0	0	0	74,000	0	0
(III) Total				**296,000**	**0**	**24,721**	**0**	**5,189**	**79,400**	**405,310**	**0**	**0**
[a] of which €22,000 as director and €200,000 as CFO												

(figures in euro)

BOARD OF DIRECTORS

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
						Bonus and other incentives	Profit sharing					
Carlo Scarpa	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	21,000[b]	0	0	0	0	43,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**21,000**	**0**	**0**	**0**	**0**	**43,000**	**0**	**0**

[a] of which €22,000 as director
[b] of which €21,000 as a member of the Control, Risk and Sustainability Committee

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Alessandro Potestà [c]	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	16,000[b]	0	0	0	0	38,000	0	0
(I) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**16,000**	**0**	**0**	**0**	**0**	**38,000**	**0**	**0**

[a] of which €22,000 as director
[b] of which €16,000 as a member of the Remuneration and Nomination Committee
[c] the remuneration paid to the Director Alessandro Potestà is paid to the company Quaestio Capital Management SGR S.p.A.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Cinzia Saleri	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	0	0	0	0	0	22,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**0**	**0**	**0**	**0**	**0**	**22,000**	**0**	**0**

[a] of which €22,000 as director

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Daniela Toscani	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	37,000[b]	0	0	0	0	59,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**37,000**	**0**	**0**	**0**	**0**	**59,000**	**0**	**0**

[a] of which €22,000 as director
[b] of which €21,000 as a member of the Control, Risk and Sustainability Committee and €16,000 as a member of the Remuneration and Nomination Committee

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Stefania Triva	**Director**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	16,000[b]	0	0	0	0	38,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**22,000**	**16,000**	**0**	**0**	**0**	**0**	**38,000**	**0**	**0**

[a] of which €22,000 as director
[b] of which €16,000 as a member of the Remuneration and Nomination Committee

DIRECTORS NO LONGER IN OFFICE DURING THE YEAR UNDER REVIEW

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Giuseppe Saleri	**Chairman**	**1 Jan - 6 May 2021**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				0	0	0	0	0	0	0	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(figures in euro)

BOARD OF STATUTORY AUDITORS

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity) Bonus and other incentives	Variable remuneration (non equity) Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Alessandra Tronconi	**Chairman**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				32,000	0	0	0	0	0	32,000	0	0
(II) Remuneration from subsidiaries and affiliates				9,000	0	0	0	0	0	9,000	0	0
(III) Total				**41,000**	**0**	**0**	**0**	**0**	**0**	**41,000**	**0**	**0**
Mauro Giorgio Vivenzi	**Statutory Auditor**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A.				21,333	0	0	0	0	0	21,333	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**21,333**	**0**	**0**	**0**	**0**	**0**	**21,333**	**0**	**0**
Maria Alessandra Zunino de Pignier	**Statutory Auditor**	**1 Jan - 31 Dec 2021**	**Approval of 2023 financial statements**									
(I) Remuneration at Sabaf S.p.A..				14,667	0	0	0	0	0	14,667	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**14,667**	**0**	**0**	**0**	**0**	**0**	**14,667**	**0**	**0**

AUDITORS NO LONGER IN OFFICE DURING THE YEAR UNDER REVIEW

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity) Bonus and other incentives	Variable remuneration (non equity) Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Luisa Anselmi	**Statutory Auditor**	**1 Jan - 6 May 2021**	**Approval of 2020 financial statements**									
(I) Remuneration at Sabaf S.p.A.				6,850	0	0	0	0	0	6,850	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				**6,850**	**0**	**0**	**0**	**0**	**0**	**6,850**	**0**	**0**

(figures in euro)

OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity) Bonus and other incentives	Variable remuneration (non equity) Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Allowance for end of office or termination of employment
Other executives with strategic responsibilities (3)		**1 Jan - 31 Dec 2021**	**n/a**									
(I) Remuneration at Sabaf S.p.A.				420,743[a]	0	76,359	0	14,866	72,400	584,368	0	0
(II) Remuneration from subsidiaries and affiliates				93,500	0	0	0	0	0	93,500	0	0
(III) Total				**514,243**	**0**	**76,359**	**0**	**14,866**	**72,400**	**677,868**	**0**	**0**

[a] remuneration including €44,613 related to Remuneration for non-competition agreement

TAB. 2 - INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS, OTHER THAN STOCK OPTIONS, FOR MEMBERS OF THE BOARD OF DIRECTORS, GENERAL MANAGERS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(figures in euro)

Name and surname	Office	Plan	FINANCIAL INSTRUMENTS										
			Financial instruments assigned in previous financial years not vested during the financial year		Financial instruments assigned during financial year					Financial instruments vested during financial year and not assigned	Financial instruments vested during financial year and assigned		Financial instruments pertaining to the financial year
			Number and type of financial instruments	Vesting period	Number and type of financial instruments	Fair Value at the assignment date	Vesting period	Assignment date	Market price on assignment	Number and type of financial instruments	Number and type of financial instruments	Value at vesting date	Fair value
Pietro Iotti	**Chief Executive Officer**												
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	0	–	-	-	-	-	-	99,478 rights corresponding to 99,478 shares	10,545 rights corresponding to 10,545 shares	233,814	–
		2021 Stock Grant Plan (May 2021)	0	–	62,000 rights corresponding to 62,000 shares	932,480	3 years	13/05/2021	€23.60 / share	0	0	-	222,019
Gianluca Beschi	**Director**												
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	0	–	-	-	-	-	-	59,687 rights corresponding to 59,687 shares	6,327 rights corresponding to 6,327 shares	140,289	–
		2021 Stock Grant Plan (May 2021)	0	–	30,000 rights corresponding to 30,000 shares	451,200	3 years	13/05/2021	€23.60 / share	0	0	-	107,429
Other executives with strategic responsibilities (3)													
Remuneration at Sabaf S.p.A.		2018 Stock Grant Plan (May 2018)	0	–	-	-	-	-	-	95,925 rights corresponding to 95,925 shares	10,167 rights corresponding to 10,167 shares	225,433	–
		2021 Stock Grant Plan (May 2021)	0	–	45,000 rights corresponding to 45,000 shares	676,800	3 years	13/05/2021	€23.60 / share	0	0	-	161,143
Total						**2,060,480**						**599,536**	**490,591**

TAB. 3 - MONETARY INCENTIVE PLANS FOR MEMBERS OF THE ADMINISTRATION BODY AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

(figures in euro)

Name and surname	Office	Plan	Bonus for the year			Bonus of previous years			Other bonuses
			Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid	Still deferred	
Pietro Iotti	**Chief Executive Officer**								
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	0		0	70,000	0	0
Remuneration at Sabaf S.p.A.		2021 MBO Plan (March 2022)	0	86,800	March 2022	0	0	0	0
Gianluca Beschi	**Executive Director**								
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	0		0	24,721	0	0
Remuneration at Sabaf S.p.A.		2021 MBO Plan (March 2022)	0	44,100	March 2022	0	0	0	0
Other executives with strategic responsibilities (3)									
Remuneration at Sabaf S.p.A.		2020 MBO Plan (March 2021)	0	0		0	76,359	0	0
Remuneration at Sabaf S.p.A.		2021 MBO Plan (March 2022)	0	110,584	March 2022	0	0	0	0
Total			**0**	**241,484**		**0**	**171,080**	**0**	**0**

TAB. 4 - SHAREHOLDINGS OF MEMBERS OF THE ADMINISTRATION AND CONTROL BODIES AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Surname and name	Office	Type of Ownership	Investee Company	No. shares held at 31 December 2020	No. shares acquired	No. shares sold	No. shares held at 31 December 2021
Iotti Pietro	**Chief Executive Officer**	Indirect through the subsidiary Petrae s.r.l.	Sabaf S.p.A.	122,300	1,000	-	123,300
		Direct	Sabaf S.p.A.	23,700	12,945	-	36,365
Toscani Daniela	**Director**	Indirect through spouse	Sabaf S.p.A.	2,419	-	-	2,419
		Direct	Sabaf S.p.A.	498	-	-	498
Bulgarelli Claudio	**Director**	Indirect through the company Fintel s.r.l.	Sabaf S.p.A.	868,827	9,124	-	877,951
		Direct	Sabaf S.p.A.	1,567	-	-	1,567
Vivenzi Mauro Giorgio	**Statutory Auditor**	Indirect through spouse	Sabaf S.p.A.	600	-	-	600
Beschi Gianluca	**Director**	Direct	Sabaf S.p.A.	-	6,327	-	6,327
No. 3 Executives with Strategic Responsibilities		Direct	Sabaf S.p.A.	-	10,167	6,000	4,167

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