



# **SIT S.P.A CONSOLIDATED NON-FINANCIAL STATEMENT**

(IN ACCORDANCE WITH LEGISLATIVE DECREE 254/2016)

## **2019**

Sustainability Report





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## Letter to the Stakeholders

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Dear Shareholders and Stakeholders,

In 2019, the SIT Group reached several important milestones, and remains a leading international brand.

We're well aware that in order to strengthen our work and grow as a Group, we need to focus on sustainability. SIT's ultimate aim is to create value for all its stakeholders. This means placing operating results alongside ethical performance, prioritising the creation of high-quality products and awareness of the social and environmental impact of its work. Creating value through work is part of our DNA, both for the business itself and for all those who form part of its social, economic and production ecosystems. This is why we feel it necessary to underline this philosophy through an update to our mission:

*"Our commitment is to create smart solutions for climate control and consumption measurement for a more sustainable world"*

This builds on our previous mission, which was as follows:

*"SIT develops and manufactures measuring devices and systems for the safety, comfort and performance of domestic gas equipment"*

As such, we're hoping to define ourselves less as a market leader in the gas sector, and more as a Group that creates intelligent climate control solutions. In fact, market and government developments are encouraging us all to explore methane gas alternatives, and we have also been consistently implementing plans to reduce CO<sub>2</sub> emissions. We are already designing and developing products that are compatible with alternative fuels, such as biomethane and hydrogen. Likewise, we also hope to keep our finger on the pulse with regard to future energy scenarios that might benefit from our expertise.

Our new mission sees measuring consumption as the first step towards conserving and managing scarce resources. In the ten years since its foundation, MeterSIT has become a key player in the world of smart gas metering. Our quality services and expertise are recognised worldwide. And why should we limit ourselves to the gas and heating sectors? As a Group, we're equipped to carry out incredibly precise measurements, and as such, we can use our expertise to measure other components and make the most of new opportunities.

Within this context, we want to be the leading partner in energy and climate control solutions. We aim to be a sustainable, tech-savvy partner devoted to innovation and quality. A partner that collaborates with customers to develop effective solutions. In 2019, we ran an MBO programme with the aim of assigning sustainability objectives to our managers. The programme will be rolled out to additional employees in 2020.

SIT is committed to growing with the communities in which it operates. During 2019, we made important progress in terms of our employees and the supply chain, as detailed in this report.

As I write these words, the world is going through a time of great uncertainty. The Coronavirus emergency affects each and every one of us. At SIT, a Crisis Committee has been set up to protect employee safety. The Committee is taking all the necessary steps to safeguard our resources and to mitigate the impact of COVID-19 on our business in a timely manner.



As a listed company, we are seeing our stock market value come under severe strain, just as many other listed companies are. As such, I ask our shareholders and investors to remember that the current situation requires careful assessment and evaluation. Our performance on the stock market during this critical period does not reflect the value we are able to generate.

Finally, I would like to thank all employees at SIT for their clarity and professionalism during this time of incredible uncertainty. You should all pride yourselves on the work you do every day.

When I look back at 2019, I see a lot of hard work, achievements and satisfaction. Much has been done, and much remains to be done. Among the numerous projects in the pipeline for 2020 is the new SIT headquarters in Padua, intended as a campus for testing gases with a lower environmental impact in collaboration with our customers, partners, local residents and those working in the energy and climate sectors.

For SIT, the future after COVID-19 is fraught with challenges: how to create growth opportunities, how to manage energy transition, market dynamics, digital transformation and evolution in the ways we work, the places we work from, and the tools we use.

We relish challenges, and we're really looking forward to becoming a key player in the field.

Let's enjoy the ride, and I wish you all the best in your work.

Federico de' Stefani

CEO & Chairman

SIT Group



## Methodological note

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This document represents the Consolidated Non-Financial Statement (hereinafter also “NFS” or “Sustainability Report”) of SIT (hereinafter also “the Group” or “SIT Group”), prepared in compliance with the provisions of Articles 3 and 4 of Italian Legislative Decree 254/16 (hereinafter also the “Decree”). The NFR aims to transparently describe the initiatives and main results achieved in terms of sustainability performance during the 2019 financial year (from January 1 to December 31).

As envisaged by Art. 5 of Legislative Decree 254/16, this document is a separate report containing specific wording in order to bring it in line with the Consolidated Non-Financial Statement required by law.

To the extent necessary to guarantee an understanding of business activities, and their performance, results and impact, the Sustainability Report covers environmental, social, personnel, human rights and bribery and corruption issues relevant to the Group and identified in the materiality matrix in the document chapter entitled “Sustainability for SIT”.

This Sustainability Report was prepared in compliance with the “Global Reporting Initiative Sustainability Reporting Standards” defined in 2016 by the Global Reporting Initiatives (GRI), according to the “in accordance - Core” option. The Group has adopted the most recent version of the GRI 403 Standard (Occupational Health and Safety), released in 2018. In addition, for the preparation of this document reference was also made to the European Commission's Guidelines on non-financial information. The “GRI Content Index”, which details the contents reported in accordance with GRI standards, can be found in the Annex of this document.

Information on *Climate Change* is broken down into the Group's management approach and the associated environmental risks. In the future, SIT is committed to supplementing its analysis with changes to environmental legislation, as well as the effects generated and suffered by the Group with regard to *Climate Change*.

With reference to economic data reported, the scope is the same as for the SIT Consolidated Financial Statements as of December 31, 2019.

The scope of qualitative information and quantitative data regarding social and environmental aspects includes the companies consolidated line-by-line in the SIT Consolidated Financial Statements as of December 31, 2019. Any changes to the above indicated perimeter are duly reported in the document, and, in any case, do not compromise the adequate representation of the business.

In 2019, no significant changes in relation to the size, organisational structure, ownership structure and supply chain of the Group took place.

In order to facilitate Group data comparability and performance assessments over time, comparisons are made where possible with the 2018 reporting year. The document also includes information relating to previous reporting years still applicable at December 31, 2019. The restatement of the comparative data previously published is clearly indicated as such.

The process of collecting data and information for this document has been managed in collaboration with the various company divisions of SIT, with the aim of facilitating a clear and precise indication of the information considered significant for stakeholders in accordance with the GRI Standards' reporting principles between positive and negative aspects of balance, comparability, accuracy, timeliness, clarity and reliability.



In each chapter, it is also duly indicated where any quantitative data has been estimated. Estimates are based on the best information available or on sample surveys.

This Sustainability Report was approved by the Board of Directors of SIT S.p.A on March 26, 2020 and was subject to limited assurance ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised principles) by Deloitte & Touche S.p.A. The verification was carried out according to the procedures indicated in the "Independent Auditors' Report", included in this document.

The Non-Financial Report will be published annually.

Last year's Non-Financial Report was published on the Group's website in April 2019.

The Sustainability Report is also available on SIT's website ([www.sitgroup.it](http://www.sitgroup.it)), in the "Corporate" section. For more information on SIT's social responsibility policies and the information contained in this document, write to the email address [sustainability@sitgroup.it](mailto:sustainability@sitgroup.it).

Regarding issues provided for by Legislative Decree 254/2016, the following paragraph lists a summary of planned improvement commitments defined in 2018 and their relative progress as of December 31, 2019.





## Improvement commitments

### Governance and Compliance

#### *Ethics, business integrity and compliance*

COMMITMENT	DEADLINE	PROGRESS OF THE PROJECT
Updating of the Ethics Code, and its dissemination to the entire SIT Group scope globally, in order to promote ethical and integrity-oriented behaviours.	In 2019	<p>The Group updated its Ethics Code in June 2019 to include the changes made to SIT S.p.A.'s 231 Organisational Model in order to incorporate legislation on whistleblowing.</p> <p>The updated Ethics Code is already available on the Group's website (Corporate Governance section) and has been shared with SIT S.p.A. employees and subsidiaries via email.</p> <p>In-depth sessions were held on the contents of the Ethics Code, and on ethics and business integrity in general (see the next point) during internal audits conducted by the Head of Department in Mexico, the Netherlands and Australia. These sessions will continue in 2020, involving other Group companies, operating sites and departments at a central level.</p>
Preparation of an anti-corruption policy	In 2020	<p>Some benchmarks are currently being analysed. Work on the document is due to start between the end of 2019 and the beginning of 2020. Completion, publication and distribution of the policy are scheduled for 2020.</p>
Training activities for SIT's international employees on the main anti-corruption topics.	During 2019-2020	<p>Some training sessions on anti-corruption issues have been organised, including those:</p> <ul style="list-style-type: none"> <li>• at SIT de MONTERREY SA de CV: in May 2019, involving the Managing Director and all first-line managers;</li> <li>• at SIT CONTROLS BV (the Netherlands): in October 2019, involving the</li> </ul>



		<p>Managing Director and all first-line managers;</p> <ul style="list-style-type: none"> <li>• at SIT GAS CONTROLS PTY LTD (Australia): in November 2019, involving the Managing Director and all first-line managers;</li> <li>• For the HR Department during the worldwide HR meeting held in June 2019 at the SIT S.p.A. headquarters. Training involved HR Managers working at branches in China, Romania and Mexico.</li> <li>• Training for staff members belonging to other Group companies is planned for 2020.</li> </ul>
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## Social Sustainability

### Worker health and safety

COMMITMENT	DEADLINE	PROGRESS OF THE PROJECT
<p>As part of the Group’s policy to implement improvement actions that go beyond the requirements of current legislation, the strengthening of initiatives concerning fire risk mitigation at all of the Group’s production facilities. The plan is broken down into the following phases:</p> <ul style="list-style-type: none"> <li>- in 2019, improvements to die-casting stations at the Rovigo 1 facility, and to warehouse areas at the SIT Romania facility.</li> <li>- in 2020, feasibility studies for improvements to the Mexican and Romanian facilities.</li> <li>- in 2021, feasibility studies for improvements to the China, Rovigo 2 and Montecassiano facilities.</li> </ul>	<p>In the period 2019-2021</p>	<p>All improvements intended for the die-casting area at the Rovigo 1 plant were carried out, including:</p> <ul style="list-style-type: none"> <li>- The reinforcement of active protection systems:               <ul style="list-style-type: none"> <li>• the installation of a temperature rise detector next to each die-casting system</li> <li>• the installation of a radar system on the walls to detect fumes in the die-casting department.</li> </ul> </li> </ul> <p>Both systems are monitored by a control device that warns users of potential danger via a mobile system, allowing</p>



	<p>employees to check control panels remotely.</p> <ul style="list-style-type: none"> <li>- Strengthening of passive protection systems:</li> <li>• Strengthening of extinguishing systems with the positioning of an extinguisher by each press;</li> <li>• Positioning of four-wheeled fire extinguishers in the die-casting department</li> <li>• Replacement of flammable materials with fireproof materials in plants.</li> </ul> <p>A sprinkler system has been installed in the warehouses at the SIT Romania and SIT Mexico plants. The Romanian plant will be connected to the mains water supply by the end of April 2020.</p>
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**Development of Human Resources**

COMMITMENT	DEADLINE	PROGRESS OF THE PROJECT
<p>Training activities and the establishment of dedicated teams for the promotion of sustainability culture at all SIT offices around the globe.</p>	<p>In the period 2019-2021</p>	<p>Cross-departmental teams have been set up in Italy to implement the following initiatives in order to promote a culture of sustainability:</p> <ul style="list-style-type: none"> <li>- Plasticless projects to eliminate the use of plastic bottles and cups at Italian companies, and in particular:</li> <li>- a pilot project in the company canteen at our Padua offices, where a drinks dispenser has been installed following the removal of plastic bottles;</li> <li>- installation of micro-filtered water dispensers in three different areas of the Padua office, allowing users to drink water from a customised steel</li> </ul>



		<p>bottle distributed to all SIT employees.</p> <p>These initiatives will be rolled out to the Rovigo and Montecassiano plants in 2020. The whole Group will be involved by the end of 2021. Healthy snacks were added to vending machines in Padua. Expected to be rolled out to other Italian sites in 2021.</p>
<p>Implementation of a performance evaluation system to form the basis of managerial incentives to promote the achievement of ever better results.</p>	<p>In the period 2019-2021</p>	<p>The performance evaluation system was presented to the Remuneration Committee and approved in September 2019. It was presented to the Management Committee in November 2019. Specific training will be carried out on the manager-employee feedback process in 2020. This system will be implemented in Italian and international subsidiaries in 2020.</p>
<p>Implementation of assessment programmes to focus and develop the potential of the company's resources and talents.</p>	<p>In the period 2019-2021</p>	<p>An assessment of white-collar working potential was carried out in Italy. A report is currently being prepared for the various departments.</p>



### **Welfare and well-being**

<b>COMMITMENT</b>	<b>DEADLINE</b>	<b>PROGRESS OF THE PROJECT</b>
Development of actions to improve the employee work-life balance through the launch of smart working initiatives, supported by the assessment of the digital propensity of employees, and the consequent digitalisation of internal processes.	In the period 2019-2021	A smart working pilot project was launched at offices in Padua and Milan (Italy) in 2019. The project involved 60 people working in the Heating and Metering departments. Focus groups were set up to monitor the project.
Improvements to the work environment through the upgrading and new construction of company buildings.	In the period 2019-2021	In July 2019, the SIT Board of Directors authorised the construction of SIT's new headquarters, which will be completed by the end of 2021. The new HQ will offer around 30% more office and lab space compared to the current office, in addition to more green areas and indoor gathering spaces.

### **Internal communication**

Development of internal and external communications on sustainability guidelines, goals and actions, also via the complete redesign of the company intranet.	In the period 2019-2021	A portal provider has been chosen following a partner selection. Macro objectives have been shared with the HR, marketing and IT departments. A project team has been put together to fulfil requests for additional content on the Company website, including information on ESG topics.
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### **Initiatives in support of local communities**

Organisation and promotion of activities at SIT facilities involving the families of employees.	In the period 2019-2021	The following activities took place in 2019: -SIT de Monterrey: Mother's Day -SIT Italia invited the family members of employees to run the Padua Marathon (more details provided in the chapter on "SIT support for local communities").
Promotion, via specific policies, of initiatives throughout the SIT Group in support of non-profit and sports associations.	In the period 2019-2021	SIT's headquarters in Padua made a donation to the Luca Ometto Association, which



		<p>supports scientific research into glioblastoma.</p> <p>For the Padua Marathon, SIT provided over 400 t-shirts to its participants in the competition, which featured the logos of SIT and the Luca Ometto Association. Indeed, SIT, through its participation in the marathon, once again supported the association founded by Valentina Ometto with the aim of raising funding for scientific glioblastoma research in order to improve the effectiveness of treatments and the quality of life of patients and their families.</p> <p>To celebrate Christmas at the Padua, Rovigo, Montecassiano and Milan sites, a gift pack was given to all employees containing a panettone purchased from the Luca Ometto Association. As many as 1000 packages were delivered.</p>
Support communication with local communities through the use of social networks.	In the period 2019-2021	An Employer Branding project has been launched (through the SIT Group's Facebook and LinkedIn profiles) to give more visibility to SIT and its initiatives in the local area. An edutainment event was organised for the citizens of Padua in 2019 (further details are provided in the chapter on "employer branding").



## **Product Sustainability**

### ***Responsible supply chain management***

<b>COMMITMENT</b>	<b>DEADLINE</b>	<b>PROGRESS OF THE PROJECT</b>
Completion of suppliers' undersigning of the Supplier Ethics Code (at least direct suppliers) <sup>1</sup> .	In 2020	49% of direct suppliers that were active in 2019 signed the Ethics code for suppliers and Third-party intermediaries.
In order to offer customers products that meet the most stringent safety standards at an international level, SIT undertakes to regularly update a restricted substances list, going beyond mandatory RoHS and REACH regulations by integrating additional requirements deriving from specific market needs.	In 2019 - 2020	Developed and implemented a system to monitor the number and percentage of suppliers who have declared their compliance with the RoHS and REACH regulations. Mapping completion is expected for 2020.

## **Environmental Sustainability**

### ***Reductions in emissions of hazardous and environment-impacting substances***

<b>COMMITMENT</b>	<b>DEADLINE</b>	<b>PROGRESS OF THE PROJECT</b>
Feasibility studies, in all Group plants, for actions to reduce the uses and emissions of hazardous and substances with environmental impacts. The plan includes the phases described in the points below.	In the period 2019-2021	The actions listed in the following points were carried out following in-house feasibility assessments.
Reduction in the use of tetrachlorethylene in mechanical processes at the Rovigo 1 facility, by replacing washing equipment using modified alcohol.	During 2019	A new washing machine was installed in the magnetic groups department at the Rovigo1 plant in September 2019. The new machine uses modified alcohol instead of tetrachlorethylene.
Replacement of hydrogen with nitrogen used to treat aluminium components in the mechanical workshop.	During 2019	Heat-treatment kilns no longer use hydrogen. Instead, they use a mixture of 95% nitrogen and 5% hydrogen in cylinders (hydrogenated nitrogen)
Strengthening of the chemical-physical purifier for industrial wastewater at the Rovigo1 plant	During 2020	Enhancements will be made in 2020 following an assessment of the plant's purification potential and efficiency in 2019.
Completion of feasibility studies in remaining Group plants for actions to reduce the uses and	In 2020-2021	Activities will start in 2020.

<sup>1</sup> Direct suppliers are suppliers of goods and raw materials that contribute directly to the manufacture of final products.

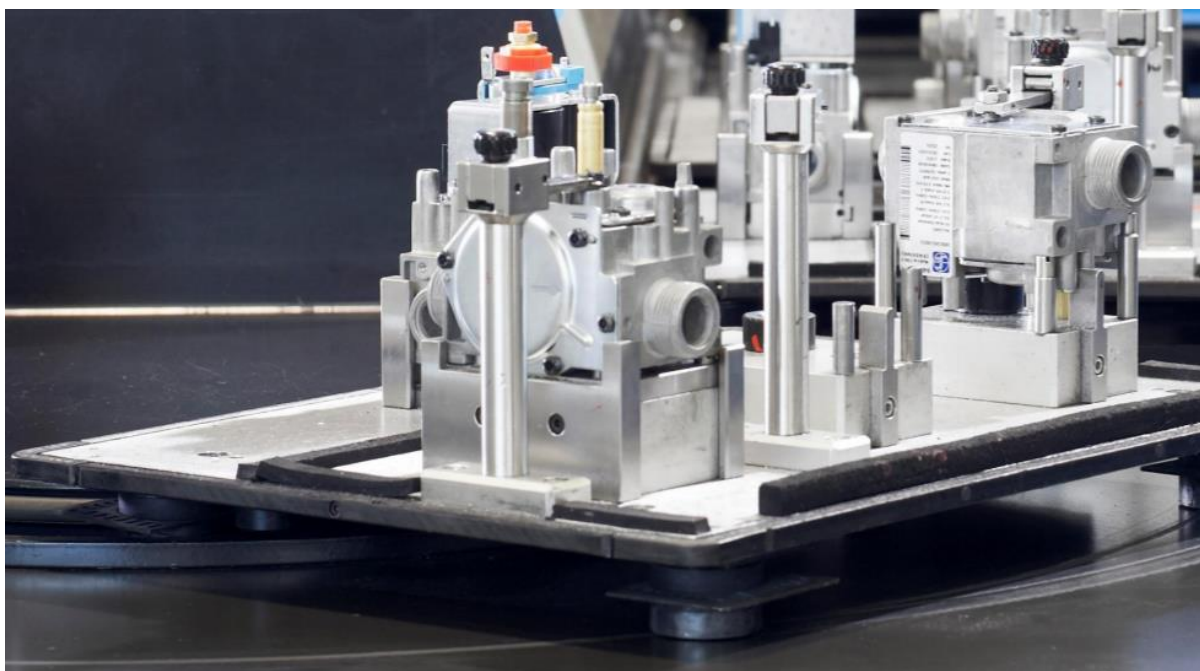


emissions of hazardous and environment-impacting substances.		
Feasibility studies and possible implementation of separate waste collection at all Group sites.	In the period 2019-2021	Separate waste collection has been implemented at all Group plants in Italy. Separate waste collection is also in place at our subsidiaries in Mexico (started and nearing completion), the Netherlands, Australia and Romania (only for production materials, but also planned for offices). The Chinese plant will enforce separate waste collection as soon as the practice is adopted by local government bodies.



## Group profile

The SIT Group develops and manufactures instruments for the measurement of consumption and the safety, comfort and performance of domestic gas appliances.



The head office is located in Padua, Italy, where SIT La Precisa was founded in 1953 by brothers Pierluigi and Giancarlo de' Stefani. SIT has approximately two thousand direct employees across six production sites<sup>2</sup>, one logistics hub and 26 sales offices in Europe, America, Asia and Australia. 60% of these workers are employed outside Italy.

Representative offices and sales branches are located across Europe, America, Asia and Oceania.

Production and applied research facilities are located in Italy (in Padua, Milan, Rovigo and Montecassiano), the Netherlands (Hoogeveen), Romania (Brasov), Mexico (Monterrey) and China (Suzhou).

The Group is a shining example of an enterprise that, over the years, has acquired an effective managerial and international structure, and is now listed on the Italian Stock Exchange.

In addition to significant quality, innovation, know-how investments, product range expansions and new market acquisitions, key factors in the SIT's development as a leading operator in its field include continuous improvements and increasing automation in facilities, machinery, structures and the organisation of production processes.

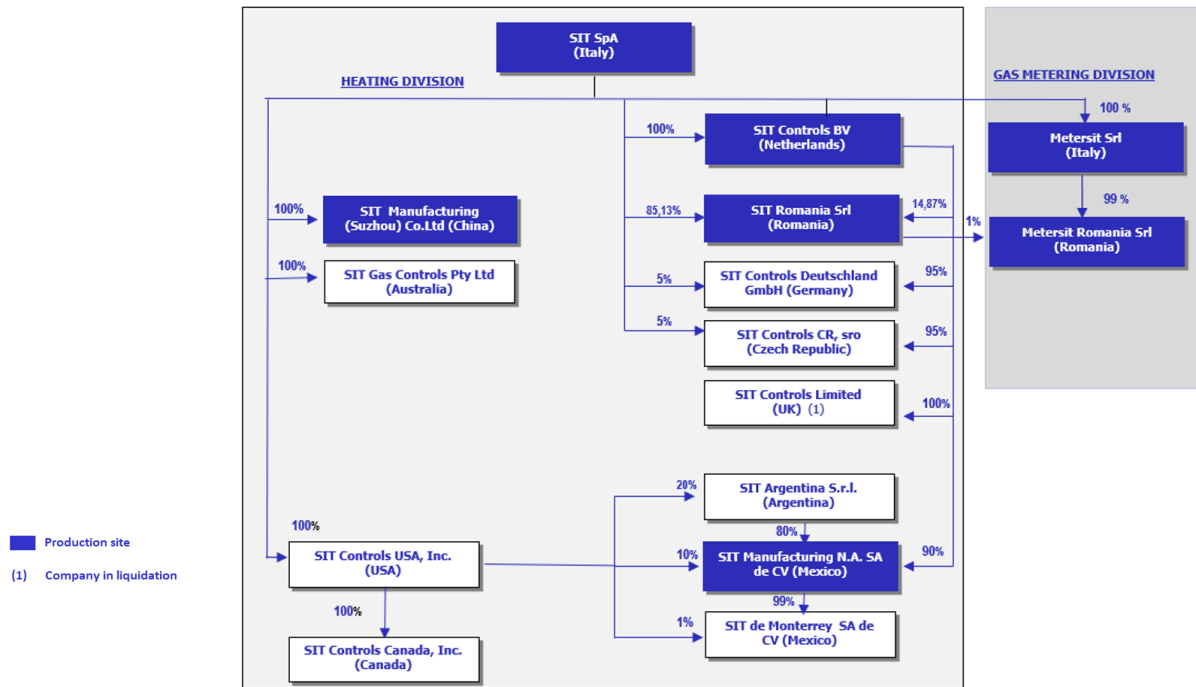
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<sup>2</sup> The number of production sites here differs from the number given in the Consolidated Financial Statements, since it adopted a legal entity-based approach, and therefore considers the production site in Romania both for SIT Romania and for Metersit Romania.



All this has created and continues to create positive effects, not only for production efficiency and the reduction of energy consumption and waste, but also for occupational health, safety and ergonomics.

As of December 31, 2019, the Group comprises the parent company SIT S.p.A. and its subsidiaries. The subsidiaries are consolidated under the line-by-line method, which provides for the full inclusion of all of the financial statement line items, without considering the shareholding. The company SIT Controls (UK) Limited, with registered office in the United Kingdom, was excluded from the consolidation scope, as in liquidation.





## Global presence<sup>3</sup>

14 Commercial offices

6 Production sites \*

1 Logistics hub

4 R&D Centres

12 Commercial production agents/distributors



\*The number of production sites here differs from the number given in the Consolidated Financial Statements, since it adopted a legal entity-based approach, and therefore considers the production site in Romania both for SIT Romania and for Metersit Romania.

<sup>3</sup> Agents and distributors are not considered within the scope of the data and information in this document.



SIT operates through two business divisions:

## Heating Division

Specialised in the production of components and systems for the control, regulation and safety of gas-based domestic heating and cooking and catering equipment and home appliances.



### Mechanical controls

SIT is a world leader in the production of multi-functional valves for the control, regulation and safety of gas-powered appliances (stoves, boilers, fireplaces, water heaters, catering appliances, etc.).



### Electronic controls

SIT electronic control systems are subdivided into three main lines:

- Control and regulation systems for household and catering appliances and cooking equipment
- Single flame controls
- Devices and applications for remote home comfort control



### Heating and home appliance fans

Two product lines:

- For the supply of combustion air in premixed and atmospheric gas boilers, and in pellet stoves
- For domestic cooker hoods



### Integrated combustion control systems

Combustion control systems for condensing boilers and heat and energy co-generation appliances, developed to guarantee superior performance.



### Fume exhaust kits

Horizontal and vertical flue systems, extensions, bends of various angles, and adapters.



### Atmosphere analyser pilots

Also called Oxygen Depletion Systems (ODS), these are safety devices used to monitor oxygen in the device's installation environment.



### Thermocouples

Temperature sensitive devices that monitor the presence of flames in burners.



## Market application

### DOMESTIC APPLIANCES



### PROFESSIONAL COOKING AND CATERING



## **MeterSit** Smart Gas Metering Division

The SIT S.p.A. company MeterSit specialises in the development, production and distribution of latest generation, electronic, static, remote and remote-controlled gas meters for gas distribution companies. These products improve the way gas is measured, sold and used, therefore improving the transparency of relations between utility companies and end customers.

Smart electronic meters are indeed a key element of new systems. By improving consumption awareness, they allow end customers to optimise their own energy use and actively participate in the energy market.

The gas meters can be managed remotely and directly provide consumption measurements in the m<sup>3</sup> standard.

The range:

- Residential market: G4 – G6
- Industrial and commercial market: G10 – G16 – G25



## Market application





## Highlights 2019



**Euro 352.2m**

Revenues



**26.1**

Million products



**2,012**

Employees



**Approx. Euro**

**11.2m\***

Investments in R&D  
(3% of revenues)



**64** countries served  
commercially



**6**

Production sites



**72**

Patents granted\*\*



**1**

Logistics hub



**60%**

Female personnel

\*The data regarding R&D investments includes expenditure and depreciation in the reporting year.

\*\*All patent families for which the first filing was granted are considered.



## SIT's Mission, Vision and Values

During 2019, SIT aimed to clarify and explicitly express its determination to maintain a balance between its financial objectives, respect for the environment and its focus on social topics by redefining its Mission, Vision and Values.

### Mission:

*“Our commitment is to create smart solutions for climate control and consumption measurement for a more sustainable world”.*

### Vision

*“To be recognised as the leading sustainable partner for energy and climate control solutions (and to enjoy the journey!)”*

### Values



Every day, the company carries out its activities and pursues its goals with these guiding values always in mind. The six values are also outlined in various documents the Group has subscribed to over the years: the Ethics Code; the Code of Basic Working Conditions; the Code of Non-Discrimination and Diversity; and the Ethics code for suppliers and Third-party intermediaries.



## History

- 1953** Pierluigi and Giancarlo de' Stefani found SIT La Precisa, a precision mechanics company, in Padua, Italy
- 1974** Continuous growth leads to the opening of the **first foreign branch** in the Netherlands. Other European branches soon follow in the UK, France, Turkey, Poland, Germany, and the Czech Republic
- 1983** SIT goes global with direct operations, starting in **Australia** with a **branch in Melbourne**
- 1989** The expansion continues with the opening of a **branch in the United States**. SIT sells its first **electronic board** for gas appliances
- 1997** Direct operations begin in China with the opening of a **branch in Shanghai**
- 1999** SIT acquires ENCON, a Dutch manufacturer of **electronic boards** for gas appliances
- 2000** **New production facilities** open in Monterrey, Mexico, and Shanghai, China
- 2001** SIT acquires OMVL, an Italian company operating in the car systems market
- 2002** **OP Controls**, an Italian company active in the field of gas control systems, merges with SIT
- 2003** SIT opens a **branch in Argentina**
- 2004** SIT acquires **Natalini**, an Italian manufacturer of fans and exhaust kits for boilers
- 2005** **Expansion** of the Rovigo production site to 17,000 square meters
- 2006** A **new SIT production plant** opens in Brasov, Romania
- 2009** **MeteRSit** is born, a company offering gas distribution companies a new generation of remote-controlled meters  
**Expansion** of the Hooegeveen production site in the Netherlands.
- 2012** New production plant in Suzhou, China
- 2013** **Expansion** of the production site in Brasov, Romania
- 2014** SIT La Precisa **merges** with the Italian subsidiaries Gasco, Imer and Natalini to become **SIT S.p.A.**
- 2016** **MeteRSit** opens an office in **Romania** to accelerate market growth for remote-controlled gas meters
- 2017** July 20: **SIT joins AIM Italia** in a business combination with the SPAC<sup>4</sup> INDSTARS 2 through the merger by incorporation of INDSTARS 2 into SIT, and the subsequent listing of SIT ordinary shares and warrants

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<sup>4</sup> Special Purpose Acquisition Company





- 2018** SIT transfers from the **AIM Italia Market** to the main market (MTA) of Borsa Italiana (Italian Stock Exchange)  
The new **Rovigo Logistics Hub** opens

## Best Performance Award

Further confirming SIT S.p.A.'s corporate mission and values, in 2019, the company was awarded the Best Performance Award in the Best Performing Large Company category as part of an initiative organised by SDA Bocconi, J.P. Morgan Private Bank, PwC, Refinitiv and Gruppo 24 ORE. Prizes were awarded to companies capable of generating economic, technological, human, social and environmental value.

The jury stated that SIT is a company "engaged in creating products with a low environmental impact, in reducing energy consumption and in developing systems with high combustion efficiency and low levels of air pollution. The company is equipped with four research and development offices run by 100 employees, has filed 72 patents<sup>5</sup> and has invested Euro 11.2 million<sup>6</sup>. The company's growth is also partly owed to the acquisition of high-tech SMEs. SIT sees the University of Padua as a great resource for recruiting new candidates. In fact, the company organises informal orientation days, which see students trained on how to prepare for job interviews."

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<sup>5</sup>All patent families for which the first filing was granted are considered.

<sup>6</sup> The data regarding R&D investments includes expenditure and depreciation in the reporting year.



## Risk Management

SIT further consolidated its Enterprise Risk Management process during 2019, which it uses to identify, measure, manage and monitor corporate risks, with the aim of mitigating their impact on corporate strategies.

The adoption and use of this operating instrument particularly responds to the objective to increasingly make knowledgeable decisions in line with the propensity to risk, to create greater awareness around risks, legality and company values and, finally, to protect and increase the value of the enterprise by supporting, through appropriate structures and targeted rules and procedures, transparent and correct business conduct which is in line with the objectives set by the Board of Directors.

The *Enterprise Risk Management* activities carried out by all primary company departments are overseen and coordinated by the Group's Governance & Legal Department and are complementary to those performed by the Group's Corporate and Control boards operating in the area of the Internal Control and Risk Management System.

In line with best international practice, SIT adopts the following classification of risks:

- External risks
- Strategic risks
- Operating risks;
- Legal and compliance risks
- Financial risks.

For more information, please refer to the Risk Management Policy section of the Financial Statements and to the Report on Corporate Governance and Ownership Structure.

In the Risk Model defined by SIT, and in reference to the risks related to sustainability issues, the SIT Group has identified the following risks as relevant, which are related to the issues provided for by Legislative Decree 254/2016 and to the associated mitigation methods:

### **Environmental impact risk**

The main environment-impacting risks are potential inefficiencies in managing energy consumption, water resources, waste and discharges, as well as the possibility of industrial accidents.

Regarding energy consumption, inefficient use of energy sources (gas and electricity) may lead to an increase in atmospheric CO<sub>2</sub> emissions. As for the management of waste, discharges and water resources, risks are connected to the potential impact of pollution on the local area.

#### *Guidelines and risk management and mitigation methods*

In order to mitigate environmental risks, SIT continuously monitors its processing activities for issues, such as production circuit water leaks or improper disposal of hazardous waste, both in Italy and abroad, with the most rigorous observance of applicable regulations. Monitoring takes place according to control plans, with analyses carried out by external laboratories which issue specific test reports certifying compliance with the limits set by applicable regulations. Checks are performed on industrial water discharges, atmospheric emissions, external noise levels, and the sorting of waste.



The facilities in Rovigo (Italy), Brasov (Romania) and Monterrey (Mexico) have all been certified to environmental standard ISO 14001:2015<sup>7</sup>, which involves all levels of the organisation in guaranteeing and constantly improving environmental conditions in the contexts in which it operates, in terms of both pollution prevention and compliance with industry regulations. Furthermore, the Rovigo die-casting plant has attained renewal of its Integrated Environmental Authorisation, in accordance with the Integrated Pollution Prevention and Control (IPPC) Directive.

The Group's production facilities have implemented organisational controls and specific internal procedures for preventive actions, the monitoring the specific environmental aspects, and actions aimed at managing any environmental emergencies.

In this regard, prior to renovation work on buildings at 31-33 Viale dell'Industria in Padua, SIT detected that the threshold concentration of some pollutants had been exceeded in the groundwater, which is presumably owing to historical contamination. The competent bodies were informed. Following approval from said bodies and with their collaboration, SIT promptly implemented emergency safety measures and is now working with the authorities to clean up the areas affected by contamination.

The Group is also engaged in energy saving initiatives through investments and plant maintenance consistent with energy saving policies.

### **Climate change risks that may affect company performance**

SIT is a key manufacturer of control, safety, performance and consumption measurement tools for gas appliances. The components and systems produced by SIT are key to monitoring the energy efficiency and CO<sub>2</sub> emissions of devices produced by its customers. SIT products form an integral part of cutting-edge infrastructures (smart grids) in the metering sector.

As such, SIT plays an active part in public debate. The Group also collaborates with technical and commercial partners to define and assess the impact of climate change in the short and medium to long term.

According to the methodology used by the Task Force on Climate-Related Financial Disclosures (TCFD) for the Financial Stability Board, the main transition risks to which SIT is exposed are as follows:

- legal policies and risks associated with new mandatory product standards;
- technological risks due to the emergence of alternative technologies to gas;
- market risks due to a shift in market demand towards applications with reduced CO<sub>2</sub> emissions.

SIT natively incorporates the assessment and mitigation of these medium- to long-term risks into the governance of its corporate strategy and its risk management process. Primary actions in this regard involve product innovation and an ever closer collaboration with leading customers to co-develop their new platforms.

SIT does not currently see the other risk categories defined by the TCFD (physical, acute or chronic risks) as material at this time.

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<sup>7</sup> It should be noted that MeterSIT's facilities were upgraded to the ISO 14001:2015 certification in 2018.



## **Risk regarding the failure to protect workplace health and safety**

Safety is one of the founding values of SIT in the conception and development of its products, and in the performance of its activities. For this reason, risks associated with the safety of users and workers, and with accidental events, such as fires or floods, are constantly identified and monitored.

### *Guidelines and risk management and mitigation methods*

Workplace safety aspects are regularly managed in compliance with applicable regulations in the various countries in which SIT operates. In particular, the Safety Plan is prepared half-yearly which describes for each Italian industrial site the activities carried out in relation to the existing regulations and establishes objectives to be achieved in the subsequent three-year period. Contemporaneously, for the Italian facilities, the Safety Audit document is also issued concerning the previous half-year.

SIT is committed to the continual application of increasingly modern and efficient technical safety rules, with the objective to reduce injuries levels.

Much importance is given to injuries prevention through the regular workplace safety training and refresher courses for workers.

## **Risks concerning a failure to respect human rights**

Risk factors in this category are linked to the possibility of directly or indirectly violating the inalienable human rights of employees, suppliers or customers.

### *Guidelines and risk management and mitigation methods*

To address such risks, in addition to the Group defining a Code of Conduct, in September 2017, the Board of Directors approved a **Code of Non-Discrimination and Diversity** and a **Code of Basic Working Conditions**, which have been circulated to all employees and published on the Intranet and on the corporate website. Furthermore, in its qualification process, SIT requires suppliers to subscribe to its **Ethics code for suppliers and Third-party intermediaries**.

## **Bribery and corruption risk**

The possibility of ethically improper conduct by employees, suppliers or customers, with particular reference to corruption, represents one of the risks most central to the attention of the Group's control processes. It is a firm belief of the Group that a business model oriented to compliance with the entire regulatory reference framework supports the achievement of significant economic results destined to last over time.

### *Guidelines and risk management and mitigation methods*

In this regard, SIT S.p.A and MeterSIT S.r.l have adopted an organisation, management and control model as per Legislative Decree 231/2001. With this model, the company intends to implement an organisational system aimed at preventing offences through the identification of sensitive activities and the establishment of specific rules of conduct, such as those enshrined in the Ethics Code, to which employees are strictly bound. Furthermore, in compliance with the provisions of recent regulations on the subject of "whistleblowing", two channels, one traditional and the other electronic mail, have been made available to the recipients of the aforementioned model to allow reporting to a Supervisory Body of any encountered irregularities.



Regarding the subject in question and the Group's foreign companies, reference is made to applicable regulations in the various countries.



## Sustainability for SIT

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### Approach to sustainability

SIT, aware of the growing importance of sustainability and its impact on local areas and communities, has made a commitment to sustainability with a view to guaranteeing continuous improvements in the management of economic, environmental and social aspects.

Each Group company pursues the goal of creating value for all stakeholder, combining economic performance with quality products and attention to social and environmental sustainability.

Through the Sustainability Report, the Group intends to transparently inform stakeholders of its commitment to holding a social and participative role in relation to local areas and communities, its human resources and environmental impacts deriving from its activities.

In the preparation of the Sustainability Report, in addition to its own activities, SIT has carefully considered the interests and expectations of stakeholders. In order to systematically and comprehensively select topics to report on in this document, in 2018, SIT identified the most pertinent stakeholder categories for the Group and defined a materiality matrix for the aspects and expectations most relevant to the Group and to the stakeholders respectively. The results of this materiality analysis (relevant topics and stakeholders) were approved by the Board of Directors.

## Stakeholder engagement

A rigorous sustainability strategy requires the identification of stakeholder through their relevance to the organisation. SIT identified stakeholder categories through an analysis of various companies operating in the reference industrial sector. The Group selected stakeholder by considering its business activities and social role in the countries in which it operates.

Significant stakeholders were thus identified to include: shareholders, investors, lenders, customers, employees, consultants, governments, public administrations, institutions, regulators, suppliers, subcontractors, commercial partners, trade unions, local communities, wider communities, the media, universities, research centres, and trade associations. Following identification of the stakeholder, SIT proceeded to rank them according to their dependence and influence on the Group.





During the year, SIT engages its stakeholders through various engagement activities in order to assess their expectations. The main opportunities to meet with the various categories of stakeholders are presented below.

<b>Stakeholder</b>	<b>Engagement activities</b>
<b>Shareholder, investors and lenders</b>	Periodic financial disclosure; Institutional communications (e.g. website, investor relations); Market communications (e.g. regular conference calls, national and international roadshows); Periodic meetings (Shareholders' Meeting)
<b>Customers</b>	Regular meetings (e.g. visits to customers, discussions on technical projects, celebration of shared goals achieved); Sector trade fairs; Audit of plants belonging to SIT subsidiaries; Continuous dialogue via the corporate website and magazine; Training workshops on Group products; Invitations to corporate events.
<b>Governments, public administrations, institutions and regulators</b>	Discussion meetings with representatives of local institutions; Participation in regulatory committees at a European and national level.
<b>Trade associations</b>	Participation in rules committees, seminars, conferences; Discussions on market trends and emerging needs.
<b>Universities and research centres</b>	Collaborations on innovation projects and research into new materials; Internships for students.
<b>Suppliers, subcontractors and commercial partners</b>	Periodic meetings; Quality audits and assessments.
<b>Local community and society</b>	Participation in events promoted by local associations; Projects supporting social initiatives.
<b>Employees and collaborators</b>	New employee insertion programme; Training on workplace safety and professional skills development; Job postings to promote internal mobility and professional growth; Smart working to promote a better work-life balance for employees; Referral programmes during the staff recruitment process; Implementation of digital transformation policies; Company intranet; In-house magazine to promote internal communications; Engagement initiatives for continuous improvements to the work environment (e.g. 5S method); Welfare plans; Company events.
<b>Trade unions</b>	Meetings for the presentation of business plans and joint reviews, and for the stipulation of new agreements.
<b>Media</b>	Institutional website; Media invitations to public events organised by the Group (e.g. inaugurations, anniversaries); Press releases.



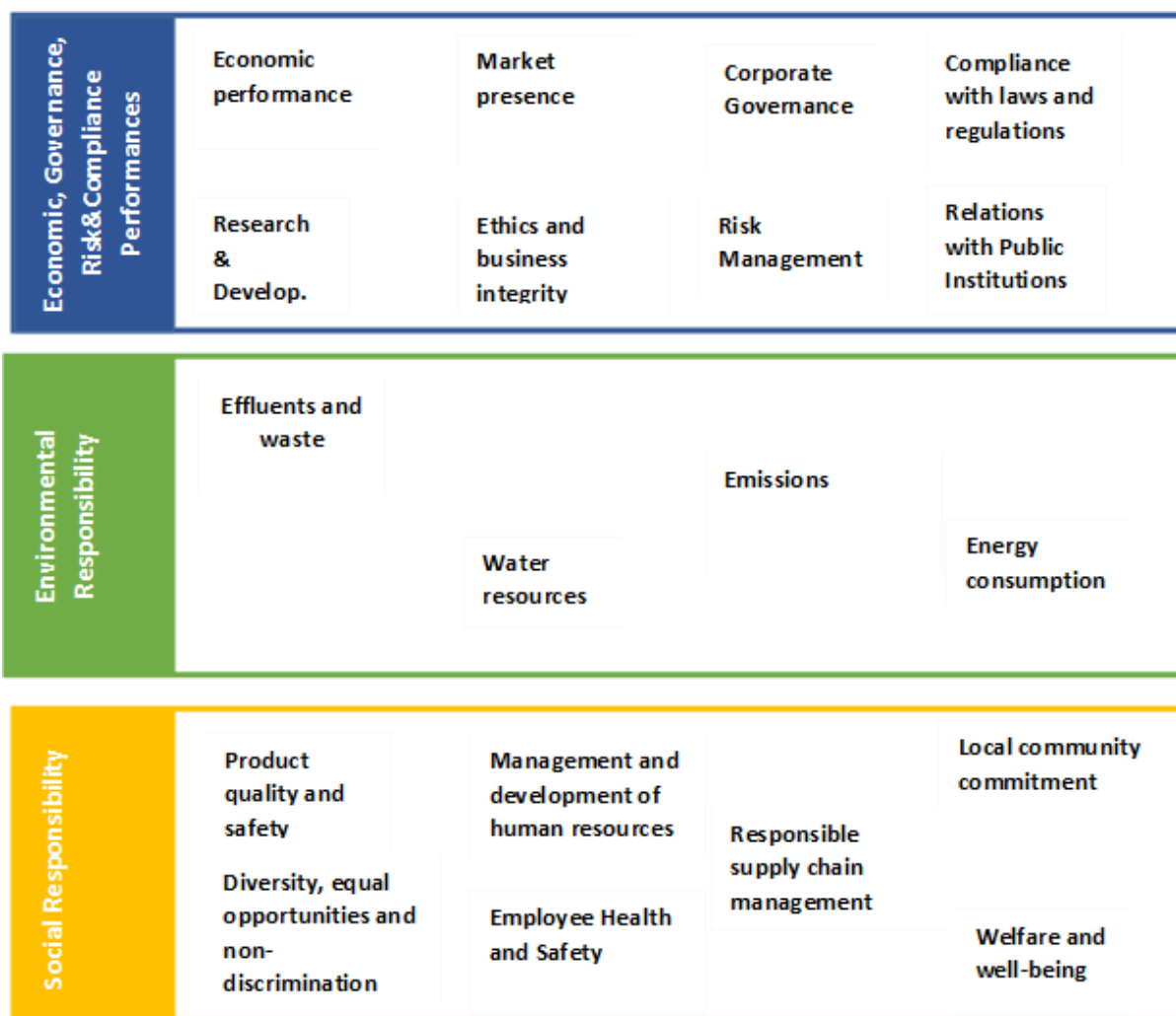


## Materiality Analysis

SIT identified a list of sustainability topics by analysing the reports of various sector competitors and best sector practice, relevant studies and publications, and those topics referred to in Legislative Decree 254/16 and European Commission guidelines.

Following this analysis, 19 social, environmental, economic and governance topics were identified as relevant to SIT and to stakeholders. The process was conducted according to the indications of the Global Reporting Initiative (GRI) Sustainability Reporting Standards.

The topics were organised into 3 macro categories: Economic Responsibility, Governance and Risk and Compliance; Environmental Responsibility; and Social Responsibility.





## Governance and compliance

### Corporate Governance

The organisational and governance structure of the Group has evolved over time in keeping with its global development.

After the entry onto the “Mercato Telematico Azionario” (MTA) of the Italian Stock Exchange in November 2018, the SIT Group gradually consolidated its own corporate governance system with roles, responsibilities and committees defined in procedures and policies, as required by legislation applicable to listed companies.

SIT S.p.A.’s Corporate Governance System comprises the following corporate boards:

- the Board of Directors, appointed by the Shareholders’ Meeting, plays a fundamental role in setting and pursuing the Company’s and Group’s strategic objectives;
- the Board of Statutory Auditors, also appointed by the Shareholders’ Meeting, performs a supervisory role.
- The Shareholders’ Meeting considers motions on the matters reserved to it in accordance with law and the By-Laws.

The audit of accounts was awarded to an independent audit firm, appointed by the Shareholders’ Meeting on the reasoned opinion of the Board of Statutory Auditors.

#### The Board of Directors

The Board of Directors was appointed by the Ordinary Shareholders’ Meeting on July 10, 2017, and will remain in office until the approval of the 2019 Annual Accounts. Therefore, at December 31, 2019, the Board of Directors was composed as follows:

Name	Role	Independent (Article 148 para. 3 CFA)
Federico de Stefani	Chairman & Chief Executive Officer	
Chiara de Stefani	Director	
Bruno Pavesi	Director	
Giovanni Cavallini	Director	
Attilio Francesco Arietti	Director	
Fabio Buttignon	Director	
Bettina Campedelli	Director	x
Antonio Campo dall’Orto	Director	x
Franco Stevanato	Director	x



Members of the Board of Directors (%)						
Age	<30		30-50		>50	
	2018	2019	2018	2019	2018	2019
	-	-	11.1%	11.1%	88.9%	88.9%

Members of the Board of Directors (%)				
Gender	Male		Female	
	2018	2019	2018	2019
	77.8%	77.8%	22.2%	22.2%

On July 25, 2019, the Board of Directors concluded its annual self-assessment process pursuant to and for the purposes of Article 1(1)G of the Self-Governance Code and the 2019 Recommendations issued by the Italian Committee for Corporate Governance. Following the aforementioned assessment and in order to allow the BoD to remain adequately informed, meetings were arranged with company managers. In addition, the Group chose to continue its induction programme, along with further study into critical and strategic issues and the in-depth analysis of technological, product and competition topics.

The Board of Directors has created three committees:

- The **Control, Risks and Sustainability Committee** supports the evaluations and decisions of the Board of Directors concerning the Internal Control and Risk Management System, in addition to those concerning the approval of the relative periodic financial statement and non-financial statement in accordance with the Leg. Decree 254/2016. The Control, Risks and Sustainability Committee is composed of three Non-Executive Directors, the majority of whom Independent. The Chairman of the Control, Risks and Sustainability Committee is chosen from among the Independent Directors. The independence requirements are those outlined in the Self-Governance Code for listed companies in its latest version. In addition to the independence requirements, the other requirements for appointment are professional competence in the undertaking of the duties of the Committee. Responsibility for sustainability issues was assumed by the Committee from November 2018.
- The **Related Parties Committee** comprises three Non-Executive Directors, the majority of whom independent. The Committee provides a non-binding opinion to the Board of Directors on the interests of the Company to undertake transaction with Related Parties, as well as of the benefits and substantial correctness of the relative conditions.
- The **Remuneration Committee** comprises three Non-Executive Directors, the majority of whom independent. The Committee assists the Board of Directors through investigative, proposal and consultation duties, for the evaluations and decisions concerning the remuneration policy of Directors and Senior Executives.



## The Board of Statutory Auditors

The current Boards of Statutory Auditors, consisting of three Statutory Auditors and two Alternate Auditors, were appointed by the SIT S.p.A. Ordinary Shareholders' Meeting of July 10, 2017. Following the resignation of two members, two other Statutory Auditors were appointed by the Shareholders' Meeting of April 26, 2018. The Board remains in office until the Shareholders' Meeting for the approval of the 2019 Annual Accounts.

## Policies

In order to adapt the Companies' corporate governance system to the laws and regulations applicable to companies with listed shares, the Board of Directors has verified the adequacy of the procedures in force and indicated below:

- *Related Parties Transactions Policy*: Governs the approval and execution of transactions between the company (directly or through subsidiaries) and "related parties" in accordance with the policy. In particular, the policy defines the methods with which the transactions must be classified and analysed.
- *Insider Information management, processing and communication policy*: Establishes the principles and rules to which Group companies must comply in the internal management, processing and external disclosure of inside information as per Article 7 of EU Regulation 596/2014.
- *Internal Dealing Policy*: Governs, inter alia, the mandatory disclosures of Covered Persons (i.e. those who, by virtue of their positions in the Group, have significant decision-making power or significant knowledge of corporate strategies) to be submitted to the Italian Securities and Exchange Commission, Consob, and to the company, in relation to transactions involving company shares, bonds or debt securities by the Covered Persons or persons closely related to them, should the total amount exceed a certain threshold within the calendar year.
- *Policy for the maintenance and updating of the Insider Register*: The Policy ensures maximum confidentiality of Inside Information. To this end, the policy governs the establishment and maintenance by the company of the Insider Register, in which all those who have access to such information are registered.

## Relations with shareholders

In accordance with the recommendations at application criterion 9.C.1 of the Self-Governance Code, the Board of Directors has appointed at the company an Investor Relator to manage shareholder relations.

In order to facilitate dialogue between shareholders, and to provide comprehensive information on the relevant financial and corporate events, the Issuer has established a dedicated "Investor Relations" section on its website, [www.sitcorporate.it](http://www.sitcorporate.it). This is easily recognisable and accessible and includes all the information required to ensure that the investment community is informed in the execution of its rights.



## Ethics, business integrity and compliance

### Ethics and business integrity

SIT supports and promotes all actions aimed at guaranteeing the performance of internal operating activities and external business relations according to the principles of ethics and integrity.

One of the SIT unalienable principles is compliance with the Laws and Regulations in force in all of the countries in which it operates. In the performance of their duties, all those who work in the name and on behalf of SIT are required to adopt a conduct based on transparency and moral integrity, according to the applicable social, economic, political and cultural contexts, and, in particular, to the principles of honesty, fairness and good faith.

SIT is well aware of the risks and consequences of violations of mandatory rules and governance and of potential associated judicial and administrative sanctions and reputational damage deriving from inappropriate or illicit conduct by its employees, consultants and collaborators.

Thus, all Group employees, and all those they come into contact with, for any reason, are required to comply with applicable external and internal regulations, and to behave in an appropriate manner, regardless of the role held in relation to the company.

The reference document, in this regard, is the **Ethics Code**, which enshrines the values, ethical principles and rules of conduct that bind Directors, Statutory Auditors, employees, suppliers, consultants, partners and all those who operate in the name and on behalf of SIT.

The Ethics Code may be consulted on the corporate website<sup>8</sup>, together with other documents, such as the Code of Basic Working Conditions, Code of Non-Discrimination and Diversity, Ethics code for suppliers and Third-party intermediaries, and the Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001<sup>9</sup>, guaranteeing a consolidated and formal approach to ethical and responsible business.

Although the Ethics Code cannot cover all regulations and norms in the various countries in which SIT operates, it nonetheless represents a compendium of essential rules and principles to bind and inspire all those that form part of or enter into contact with the Group.

The Company guarantees the distribution and constant updating of its Ethics Code. In particular, during 2019, the document was updated to incorporate the regulatory changes introduced with Law 179/2017 ("whistleblowing").

### Organisation, Management and Control Model pursuant to Leg. Decree 231/01

The Italian companies of the Group, SIT S.p.A. and MeterSIT S.r.l., have implemented an **Organisation, Management and Control Model (also "the Model")** as a system of rules to prevent unlawful conduct by top management, managers, decision-makers and individuals subject to management and supervision by those in senior positions, pursuant to Legislative Decree 231/2001.

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<sup>8</sup> SIT S.p.A.'s Ethics Code is available at the following link: <http://www.sitgroup.it/codici-condotta-policies/>

<sup>9</sup> For more information on the content of such codes and documents, refer to the chapters "SIT's supply chain" and "Diversity, equal opportunities and non-discrimination".



In the Model, the companies have established an organisational system to prevent offences by identifying the most sensitive activities and defining strict rules of conduct to which recipients must comply. It is a firm belief in fact of the Group that a business model oriented to compliance with the entire regulatory reference framework supports the achievement of significant economic results destined to last over time.

The **Supervisory Board** (also “SB”) for the Model, established in each of the two companies, has the task of: (i) Monitoring compliance with its provisions by all Recipients; (ii) Analysing and evaluating its effectiveness in preventing offences; (iii) Performing regular checks on the main actions performed in risk areas; (iv) Collecting, processing and storing all information relevant to the performance of its functions; (v) Reporting to top management any violations of the rules of conduct; and (vi) Proposing to the Board of Directors updates to the Model to accommodate changes in corporate organisational structure or in the reference regulatory framework.

For the performance of such tasks, the Supervisory Board is invested with all powers of initiative and control of all company activities and personnel, and reports to the Board of Directors through its Chairman at least annually.

Finally, the companies make two channels available, one of which electronic, and both addressed to the Supervisory Board, for Model recipients to report any observed irregularities, in accordance with the latest regulations on the subject of “Whistleblowing” (i.e. Law 179/2017, Article 6, Paragraph 2-*bis*).

### **The fight against corruption**

SIT has adopted a series of methods and tools for mitigating corruption risks in corporate activities that, due to their very nature, have greater exposure to such risks.

The Group has thus implemented a control and monitoring system designed to guarantee compliance with the main anti-corruption regulations at a national and international level.

Following are, by way of non-exhaustive example, the main safeguards underlying this **control and monitoring system**:

- The Ethics Code;
- The set of Group Procedures, Policies and Operative guidelines that govern the performance of activities within a particular process. These Procedures, Policies and Operative guidelines represent direct (e.g. Procurement Procedure) or indirect (e.g. Supplier Database Management) safeguards of the control and monitoring system; the internal control system pursuant to Law 262/05;
- The Organisation, Management and Control Model pursuant to Legislative Decree 231/01;
- The configuration of information systems, with particular reference to the use of a single ERP at Group level, based on the fundamental principles of:
  - segregation of duties,
  - automated management of the main financial transactions;
  - Management of adequate authorisation profiles for payments;
- The system of Delegations and Powers that precisely defines roles and responsibilities within the corporate organisational structure.



In relation to such safeguards against corruption, the Group continues to promote and invest in initiatives aimed at making the internal control environment ever more effective, efficient and pertinent.

In order to ensure greater distribution of the SIT Group's anti-corruption policies, such as its Ethics Code, in 2019, the Head of the Internal Audit Department carried out dedicated training sessions for top management and first-line managers at the Group's primary international subsidiaries (in Mexico, the Netherlands and Australia). An additional training session was carried out during the HR Worldwide Meeting, which involved HR managers at subsidiaries in China, Romania and Mexico.

On-site training sessions will be rolled out to other plants (in China and Romania) in 2020, and to representatives in sales offices in the USA, Argentina, the Czech Republic and Germany.

Finally, the drafting and issuing of a specific Anti-Corruption Policy is expected in 2020, as required by the Group's improvement commitments.

No episodes of active or passive corruption were detected within the Group in 2019.

### **The value chain**

The Group's orientation to the pursuit of the highest ethical standards goes beyond corporate boundaries to engage all actors making up the SIT value chain. Regarding relations with third parties, in 2017, SIT defined the **Ethics code for suppliers and Third-party intermediaries**, which expresses the basic principles third parties, individuals and entities must comply with in supplying the Group with goods, services, or intermediary services.

For more information on SIT's approach to responsible supply chain management, refer to the chapter "Supply chain".

## Relations with Public Institutions

Within the broader sphere of the relations with internal and external stakeholders, dialogue with institutions is an area of major attention and interest. SIT belongs to various associations and participates in both local and international working groups, collaborating with other sector companies to encourage innovation and the standardisation of product technical standards for common general interests.

In countries where it is present and operates, in order to promote sector norms, standards and best practices, SIT collaborates with various national and international associations, including, for example:

<b>Main associations to which the Group belongs</b>		
<b>Country/continent</b>	<b>Association</b>	<b>Key objectives</b>
<b>Europe</b>	<b>AFECOR The European Control Manufacturers' Association</b>	To guide standardisation processes in order to promote consistent and commonly accepted European standards for process and combustion controls.
<b>Europe</b>	<b>EHI European Heating Industry</b>	To address the needs of the heating market from the perspective of the industry. Its scope includes the European regulatory framework, its implementation and global industry-related issues.
<b>Europe</b>	<b>ECS European Committee for Standardization</b>	To support standardisation activities in a wide range of sectors, including construction, energy, the environment, health and safety, and healthcare.
<b>Italy</b>	<b>Confindustria</b>	Confindustria is the main association representing manufacturing and service businesses in Italy. It represents companies and their values in relation to institutions at all levels.
<b>Italy</b>	<b>Anima - Associazioni Nazionali dell'Industria Meccanica Varia e Affine (National Associations of the Allied Mechanical Engineering Industry)</b>	To protect and promote the mechanical engineering sectors, companies and technologies through collaboration with standardisation bodies; to raise the awareness of European bodies on energy, environmental and safety issues; to establish partnerships with other associations and federations; to develop inter-associate technical, scientific and economic collaborations and synergies on national and foreign institutional, technical and regulatory round tables.
<b>Italy</b>	<b>Assotermica</b>	Within Confindustria and Anima, to represent manufacturers of equipment and components for environmental comfort, and to promote energy efficiency and environmental protection in keeping with the goals of the European Union.
<b>Italy</b>	<b>CIG - Comitato Italiano Gas (Italian Gas Committee)</b>	It is one of the Italian entities federated with the Italian National Standards Institute, UNI, in





		order to draft UNI's combustible gas sector national technical standards.
<b>Netherlands</b>	<b>FME CWM</b>	FME is the Dutch employers' organisation in the technology industry.
<b>United Kingdom</b>	<b>EUA - Energy and Utilities Alliance</b>	It represents energy sector companies in terms of the future policy direction within the energy sector.
<b>USA</b>	<b>American Gas Association</b>	It brings together energy sector companies that distribute gas. Its mission is to promote the safe, reliable and efficient supply of natural gas to homes and businesses throughout the United States.
<b>USA</b>	<b>AHRI - Air Conditioning Heating &amp; Refrigeration Institute</b>	Association of over 300 member companies that produce quality, safe, efficient and innovative equipment and components for residential, commercial and industrial air conditioning, space heating, water heating and commercial refrigeration, for sale both in North America and globally.
<b>Australia</b>	<b>GAMAA - Gas Appliance Manufacturer's Association</b>	The primary activity of GAMAA is to work with members, governments and other industry stakeholder to develop and implement workable, safe and practical standards and regulations for the gas appliance industry.
<b>China</b>	<b>CGAC - China Quality Supervision and Test Center for Gas Appliance</b>	National association for quality control and testing of gas use applications.

Regarding the Group Metering Division, MeteRSit maintains institutional and commercial relations with the main Italian gas distribution companies and participates in both public and private tenders.

Several of these companies are public bodies, while the majority are private companies operating gas distribution services in the public interest. Whether public or private, all the companies respond to the Italian Regulatory Authority for Electricity Gas and Water, ARERA, including MeteRSit, which is committed to guaranteeing the highest standards of integrity and honesty in all its relations.

In compliance with current anti-mafia and procurement regulations, on a half-yearly (or less) basis, MeteRSit transmits to gas distribution companies mandatory penal certifications, such as those referring to criminal records, administrative sanctions and pending charges, as well as anti-mafia declarations from those holding certain positions or qualifications within MeteRSit and SIT S.p.A.

In case of any non-compliance, MeteRSit receives any notifications and reports directly from the gas distribution companies. Notifications are managed by the MeteRSit Legal Office in coordination with the SIT S.p.A. Legal Department, under the supervision of SIT's Legal Affairs Directorate, and in collaboration with the MeteRSit departments involved.

## Economic Sustainability

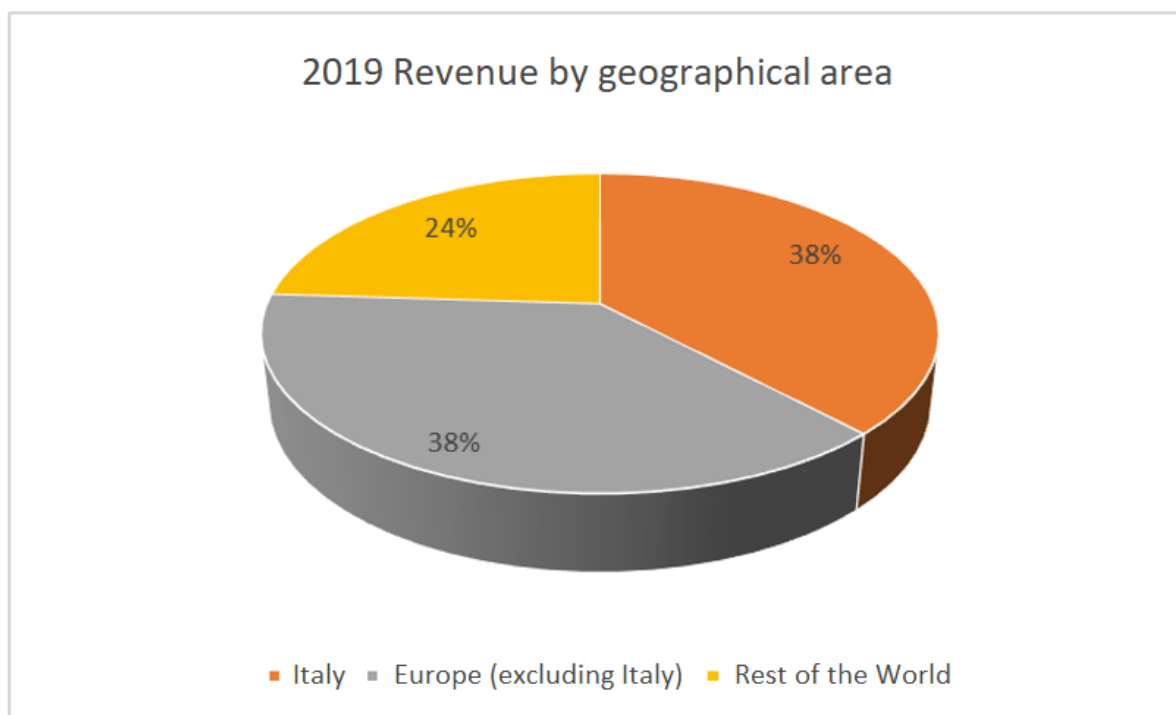
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As for business performance, revenues and income for the year show that sales dropped by 2.1% compared to 2018. The consolidated sales figures reflect different trends within the two Divisions.

Heating Division sales of Euro 260.0 million were down 8.6% on the previous year, mainly due to the decline on the European and Asian markets and only partially offset by good performance in the US market - expanding +12.0% (+6.6% at like-for-like exchange rates).

The Smart Gas Metering Division also continued to acquire new orders in 2019 and consolidate its market position. In 2019, revenues amounted to Euro 88.6 million, up 23.1% on Euro 72.0 million in 2018. In Q4 alone, sales were up 25.7%.

In geographical terms, the Group received approximately 38%, or Euro 135.1 million, of its total turnover from Italy. Of the remaining Euro 217.1 million, around 38% and 24% are respectively attributable to the rest of Europe (excluding Italy) and the other countries in which the Group operates<sup>10</sup>.



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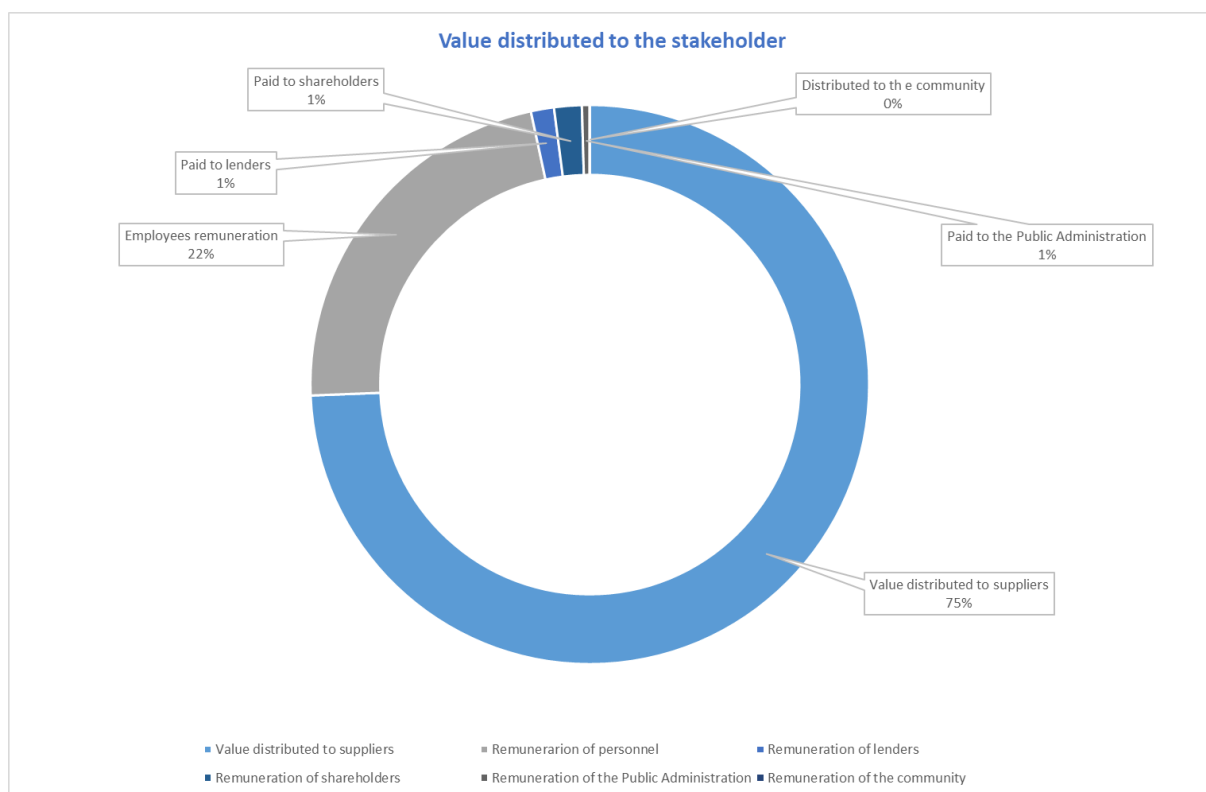
<sup>10</sup> The Rest of the world includes the Americas and Asia/Pacific.

## Creation of value for stakeholder

The economic value generated by the Group, and consequently distributed to stakeholder, derives from the calculation of generated and distributed value. This is determined for the reference period from the value generated from service and product sales and other income (e.g. financial income, other revenues) net of amortisation and write-downs, and from the distributed value, in various forms, to Group stakeholder.

The calculation is based on the income statement used in the Group’s consolidated financial statements at December 31, 2019.

Thus, in 2019, SIT generated an economic value amounting to Euro 351.360 million, redistributed to the communities, personnel, public administrations, suppliers and lenders.





<b>Direct economic value generated and distributed (in Euro thousands)</b>	<b>2019</b>	<b>2018</b>
(A) Direct economic value generated	351,359	385,599
(B) Direct economic value distributed	310,683	345,939
<b>(A-B) Economic value withheld</b>	<b>40,676</b>	<b>39,660</b>

<b>Direct economic value distributed (in thousands of Euro)</b>		
<b>Employee remuneration</b>	<b>69,429</b>	<b>73,677</b>
Labour costs	69,429	73,677
<b>Distributed to suppliers</b>	<b>232,209</b>	<b>252,948</b>
Raw materials, ancillaries, consumables and goods	193,328	208,493
Service costs	38,881	44,455
<b>Paid to lenders</b>	<b>4,163</b>	<b>4,798</b>
Financial charges	4,163	4,798
<b>Paid to Shareholders<sup>11</sup></b>	<b>3,475</b>	<b>6,690</b>
Distribution of profits for the year	3,475	6,690
<b>Paid to the Public Administration</b>	<b>1,392</b>	<b>7,807</b>
Income taxes	1,392	7,807
<b>Distributed to the community</b>	<b>15</b>	<b>19</b>
Donations, sponsorship and communication	15	19
<b>Total economic value distributed</b>	<b>310,683</b>	<b>345,939</b>

<sup>11</sup> The figure assumes the distribution of a dividend of € 0.14 per share, the approval of which will be submitted to the Shareholders' Meeting scheduled for May 6, 2020.



## Product Sustainability

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### Product quality and safety

In the entire history of the Group, rather than an objective to pursue, quality has been the actual starting point.

The Group has two Quality Functions, one for the Heating division and one for the Metering division, which, in addition to ensuring the normal control and prevention on processes and products, continuously ensures that company processes are in line with the best standards in terms of quality, safety and environmental certifications - including controls on hazardous substances and the sourcing of materials from war zones.

SIT was among the first companies in Italy to achieve ISO 9001 Quality Certification, in 1988, and has, over the years, pursued steady growth aimed at adapting to and often anticipating the emerging needs of the market. In this regard, all of the Group's operating facilities are certified to ISO 9001 in its latest 2015 revision<sup>12</sup>.

Monitoring by certification authorities has borne out the organisation's ability to keep product quality consistent with the international standards of reference.

In order to maintain the certifications, the Group submits to annual notified body audits of its Management System and corporate and production processes. This activity is supplemented by an internal audit regularly conducted on all corporate processes and functions, and main suppliers. In addition, SIT regularly analyses all customer feedback.

All Group companies are fully supported and encouraged in maintaining the corporate Quality System, in order to ensure that they design, build, check and supply products with exactly the same degree of care, competence and dedication.

To achieve this goal, the Group promotes the continuous improvement of the Quality System and the development connected programmes, in order to optimise the control, efficiency and precision of its processes.

The commitment to investing in quality is essential in order to compete in the global market, and even more so for a Group that designs, produces and sells components and products for which safety is a fundamental element.

Quality and safety constitute the earliest stages in a product's life cycle, involving the very latest methods to improve robustness and prevent errors that might otherwise lead to higher costs if not identified in time. The Group also provides for continuous and strict controls on the safety of its products.

On an annual basis, corporate quality goals are defined and then formalised in an Annual Quality Plan. The KPIs of such goals include the quality of the finished product as perceived by customers, the efficiency of internal processes, and the performance of suppliers. During the year, performances are continuously monitored against targets in order to verify project progress and identify new actions deemed necessary.

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<sup>12</sup> Note that MeteRSit updated to ISO 9001:2015 in 2018.



The most relevant product quality issues regard mechanical parts, metrology, electronic boards and software.

Software quality, in particular, is managed by the Group through structured testing and validation methodologies aimed at preventing potential criticalities.

In addition to the aforementioned certifications, the Metering Division's Rovigo plant is certified to Annex IV of the "Atex Directive" as a guarantee of Production Quality Assurance regarding instruments and systems used in potentially explosive atmospheres. Furthermore, MeterSIT S.r.l.'s Rovigo and Brasov plants are certified to Module D of the Measuring Instruments Directive as a guarantee of Production Quality Assurance.

Regarding mechanisms for handling complaints and notifications, the Group has an "After Sales" department which acts as the receiving point for all customer complaints. A dedicated team analyses every complaint received to verify any correlation with defects on returned products attributable to the company.

In order to help protect people and the environment from risks deriving from chemical substances, SIT has implemented a standard for some years now that requires suppliers to limit, declare or refrain from using restricted substances. The process of collecting documentation continued in 2019, which serves to ensure that components supplied to SIT comply with the relevant legislation.

SIT also pays the utmost attention to the protection of data managed through its products. As such, in November 2018, MeterSIT Srl received the UNI CEI EN ISO/IEC 27001 certification (an essential prerequisite for selling products to European markets) and passed its first audit in 2019 without any recorded non-compliances.

ISO 27001 is an international standard that defines the requirements for information security management systems, thereby guaranteeing the confidentiality, integrity and availability of data. The procedures, new IT infrastructures and regulations put in place by MeterSIT aim to protect the expertise and information processed by the company at all levels and across all departments. Furthermore, IT resources and network infrastructures underwent technological upgrades to meet the certification's requirements. The upgrades have improved the reliability of the Company's production processes, which are heavily reliant on IT systems.

## Research and Development

SIT develops and manufactures high-tech systems and components. Investing in Research and Development is therefore essential to maintaining a competitive advantage over other players in a market that continually demands more innovative and highly performing products capable of guaranteeing the highest energy classes. From a manufacturing perspective, SIT is also constantly engaged in research into using smaller quantities of materials, in order to make production cycles more efficient and to reduce environmental impacts. Researching new technological solutions and developing new and better performing products is therefore the best way to continue leading the market and strengthening a brand image globally recognised as a synonym for quality and innovation.

In 2019, the Group invested approximately 3% of its revenue, amounting to Euro 11.2 million, into research and development.

At the end of 2019, SIT<sup>13</sup> possessed 72 patents, while a further 16 patents are pending in 2020.

SIT has chosen to adopt a matrix management organisational structure in which specialised professionals define development processes and scout new technologies in the fields of electronics, mechanics, testing methods and technical documentation development. In particular, the Heating Division employs four platform managers for the management of all project and product development phases, from conceptualisation to production.

Furthermore, demands for an increasingly reduced time-to-market requires the adoption of the latest methods and tools in order to design products faster while guaranteeing the highest standards of reliability and quality.

Our product development process follows a stage-gate methodology, characterised by the following phases:

- Concept - definition of the design and product specifications;
- Development - concept realisation;
- Verification and certification - stringent product testing and controls to assess performance and behaviour under extreme conditions;
- Release and production.

The process minimises various main risks in the development of a new product, such as incompatibility with international regulations or the quality demanded by customers, and delays in its development and production release.

In 2019, a project was launched in collaboration with a consultancy firm specialised in applying "lean thinking" principles to internal company processes. The aim was to further improve the Group's PDP (Product Portfolio Management) and PLC (Product Development Procedure) processes in line with a lean approach. Expected improvements include the greater concentration of resources on opportunities that are aligned with the Group's business strategy, as well as greater predictability and a reduction in time to market.

Operating in an international technological context, the Group can take numerous opportunities to establish collaborations with research institutions and customers. Indeed, for many years SIT has collaborated with leading Italian universities, such as the Polytechnic University of Milan, the

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<sup>13</sup>All patent families for which the first filing was granted are considered.



University of Padua and the University of Ferrara, and with leading global players in co-design and development activities.

These opportunities have allowed SIT to keep pace with global technological developments, developing and exploiting new competences and products both with and for its own customers.

Numerous research collaborations with universities are currently active on the development of innovative technologies aimed at significantly reducing energy consumption and pollution, while guaranteeing ever better temperature control comfort for users.

## Heating Division

Within the Heating division, the research is focused on the development of electronic and mechanical solutions that are increasingly integrated, intelligent, able to communicate with the external environment through the most modern internet of things technology (IOT), easy to use and, at the same time capable of maximising comfort performance while reducing energy consumption as much as possible.

During 2019, the main projects included:

- The development of an innovative Combustion Management System (CMS) valve able to significantly increase modulation ratio performance, allowing for more precise adjustments and greater energy savings;
- The development of a new air+gas supply system architecture for condensing boilers aimed at increasing performance while minimising the use of space and materials;
- The development of a new valve platform for domestic boilers with a simplified and versatile architecture adaptable and customisable to various applications and markets in a shorter time and with less production investment requirements;
- A new fan platform for compact, low-cost condensing boilers.
- Expansion of the range of adapters and bends used to connect the various boiler models.

SIT was chosen by BOSCH Termotecnica as its technological partner to develop a hydrogen boiler safety and control valve as part of the UK government Hy4Heat programme. The Hy4Heat programme is part of the United Kingdom's national "heating decarbonisation" plan, which evaluates the use of hydrogen appliances as a means of reducing CO<sub>2</sub> emissions through the use of decarbonised gas. Hydrogen, compared to natural gas, faces significant technological challenges as it is a lighter gas, has a considerably higher flame speed, a greater flammability range and burns at a higher temperature. It therefore requires specially designed and tested appliances and components. To overcome these challenges, SIT has developed a new product called Sigma - generation H, which has been approved for use with hydrogen, both in terms of materials and functions, by the KIWA Notified Body. The technological partnership with Bosch involves the production of valves which can be used with hydrogen for installation in boilers, with prototypes to be ready in March 2020 and - once approved by Hy4Heat - subsequently to be tested in the field in 2021.





## Smart Metering Division

The Metering Division's research and development department has defined specific medium and long-term goals to focus development and resource investments on:

- Developing products for the world market using different communication technologies, including NB-IoT, ZigBee and Walk-by. NB-IOT and Walk-by technologies, in particular, allow for significant energy savings.
- Improving measurement sensors by using biogas and developing distributed gases containing hydrogen. Particular attention has been paid to decreasing consumption, which has a beneficial impact on battery life.
- Carrying out checks on feasibility, costs and potential alternative measurement technologies to thermo-mass (e.g., ultrasonic).
- Finalising the feasibility phase of a new product platform.

In particular, during 2019:

- The NB-IoT product was approved and certified (MID\_ Measuring Instruments Directive) and is currently in production. NB-IOT technology will allow products to function without needing to change their battery at all during their life cycle.
- MID certifications have been extended on some product revisions to reduce costs and optimise products.
- A ZigBee certification has been obtained from the ZigBee Alliance for the English market, while the CPA (Commercial Product Assurance) certification is being finalised with the NCSC (National Cyber Security Centre), which will allow for the U6 product to be marketed in the UK.
- Product certification in accordance with WelmeC D (a body set up to promote European cooperation in the field of legal metrology) is nearing completion, which will also allow for metrology software to be updated. This prevents the necessary removal and scrapping of products via the rolling out of a simple software update.
- All checking and characterisation activities for the new thermo-mass sensor have been completed, meeting all objectives. The supplier is in the process of reviewing the product in accordance with our suggestions
- The Metering division was also selected by the UK Department for Business (BEIS - Department for Business, Energy & Industrial Strategy) following an international tender to develop a domestic meter and hydrogen meter for the commercial and industrial sectors as part of the national Hy4Heat project. The Hy4Heat programme covers the entire hydrogen for heating chain for both domestic and commercial use. The objective of MeterSit's work package is to develop a meter prototype which guarantees safety and the precise measurement of hydrogen flows. The prototype should be compatible with sector regulations (MID/Ofgem) and country specifications (SMETS 2), while also taking into consideration the particular characteristics of hydrogen in terms of its greater risk and reduced heating power by volume unit. From this point of view, MeterSit's unique thermo-mass technology can reduce meter size, which was another of the tender's key requirements. The Hy4Heat programme requires the delivery of the prototype by the first quarter of 2021.
- Finally, the Metering division has planned an LCA (Life Cycle Assessment) with the aim of including a greater percentage of recyclable material in its products, and has developed a new meter platform to reduce the use of plastic and metal by about 30%. Together with other



projects, these results are testament to SIT's leading role in combining technological innovation with environmental sustainability.



## SIT's supply chain

Each SIT Group division has a Central Procurement Department for the procurement of raw materials, components, semi-finished products and services for all of the divisions' companies.

The two division share the goal of procuring components, materials and services at the right price, in agreed times, at a high level of quality and in compliance with criteria of ethics and sustainability. In the pursuit of this goal, the Group strives to consolidate partnerships with its suppliers aimed at protecting supply quality and promoting safety, innovation and technological development. Such strategic partnerships are beneficial for both parties in terms of competitive advantages, proactive cooperation in resolving problems and the development of know-how and innovative solutions for market needs.

Direct materials suppliers are, in terms of both numbers and expenditure, those with the greatest impact.

Percentage of suppliers by supply type <sup>14</sup>	2018	2019
Electromechanical and chemical	24%	24%
Electronic components	19%	19%
Metals and raw materials	27%	27%
Production site services	30%	30%

Suppliers are selected according to various criteria guaranteeing the highest standards of quality, costs and execution times.

In addition, in order to guarantee compliance with ethical standards in its supply chain, SIT has defined a **Ethics code for suppliers and Third-party intermediaries**, which expresses the basic principles third parties, individuals and entities must comply with in supplying goods or services, or brokering goods transactions between the seller and SIT S.p.A. or any of the SIT Group's subsidiaries. The Code is distributed to suppliers during the stipulation of the supply contract, and must be returned signed for acknowledgment. This Policy is available on the Group website in the "Corporate Governance" section:<sup>15</sup>

The Code's principles define the Group's commitment to operating in compliance with applicable legislation and with respect for human rights, child labour prevention, employee health and safety, environmental protection and sustainability, conflict mineral use prohibitions, conflict of interest and corruption prevention, fair competition and anti-trust measures, information confidentiality, and property rights.

The Group has defined a **Conflict Minerals Policy** in order to avoid indirect tolerance of human right violations in certain countries, thus undertaking to use and acquire only materials not containing minerals from conflict zones, such as the Democratic Republic of Congo and other countries categorised as "Covered Countries". In particular, the Group requires its suppliers to complete a Conflict Mineral Reporting Template (CMRT) indicating the origin of the materials in their supply chain.

<sup>14</sup> The table shows only direct materials suppliers and their share of the total number of Group suppliers.

<sup>15</sup> <http://www.sitgroup.it/codici-condotta-policies/>.



Furthermore, in addition to other actions implemented to protect human health and the environment, the Group has defined the standard SIT 4900000. This standard summarises supply materials requirements, including those deriving from the REACH regulation and RoHS directive, which Group suppliers are required to comply with.

In line with SIT's objective of being a versatile and innovative player in the global market, suppliers are required to:

- React quickly and effectively to market changes
- Maximise reliability, functionality and punctuality
- Minimise execution times
- Optimise lot sizes

As SIT products are extremely specific safety products, component suppliers are subjected to rigorous testing and must guarantee reliable supply standards. The Group pursues a policy aimed at guaranteeing supply continuity through the identification of multiple sources, contractual coverage, and back-up and supply interruption risk mitigation plans.

The following table indicates expenditure in the Group's production facilities on local suppliers. Local suppliers are used most in Italy and the Netherlands, accounting for an average of 38.5% of expenditure. However, Romania and Mexico have low percentages of local suppliers. In particular, Romania mainly procures materials from Italy, while Mexico procures from the USA and the Far East. Given the specificity of its products, SIT applies a procurement strategy that favours the quality of procured materials over the geographical proximity of the supplier to production sites. It should also be noted that a high percentage of procurement for the Heating Division's final products is intercompany, as sizeable volumes of components are manufactured directly by SIT Group companies.

<b>Portion of spending on local suppliers<sup>16</sup></b>	<b>2018</b>	<b>2019</b>
Italy	46%	38%
Romania	2%	2%
Netherlands	35%	39%
Mexico	3%	2%
China	12%	19%

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<sup>16</sup> The percentage is calculated from expenditure on direct suppliers, considering local suppliers to be located in the same geographical region reported, in addition the calculation consider also intercompany movement. Countries with significant operations are those where the Group has production facilities.



## Environmental Sustainability

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SIT focuses closely on protecting the collective interest and therefore considers the environment and nature as fundamental and a shared heritage to be protected and defended. SIT is committed to adopting responsible behaviour in terms of environmental protection, acting strictly in compliance with applicable environmental rules, in addition to the limit established by any authorisations and provisions received from the competent authorities and refraining from behaviour which damages the environment.

Furthermore, the Group is committed to raising awareness among employees, consultants, collaborators and all those who operate in its name and on its behalf regarding the protection of the environment and the minimisation of negative impacts.

One of the Group's two Rovigo facilities performs aluminium casting, mechanical processing, surface treatments, the electromechanical assembly of gas safety, control and regulation systems, and safety and temperature control thermo-sensitive component production. The other facilities in Rovigo, Brasov (Romania), Monterrey (Mexico) and Suzhou (China) perform the electromechanical assembly of gas safety, control and regulation systems. The Hooegeveen (Netherlands) facility produces electronic controls. Electric fans are produced at the Montecassiano (MC) plant for heating purposes, home appliances, and fume exhaust kits.

SIT has implemented an Environmental Management System (EMS) at its production facilities in Rovigo (Italy), Monterrey (Mexico) and Brasov (Romania), which are certified to ISO 14001:2015<sup>17</sup>. The system defines specific monitoring and control procedures, assigns clear roles and responsibilities, and guarantees active communications with stakeholder and control bodies. The system also requires the production facilities to annually define initiatives to improve environmental performances. Considerable importance is given to the provisions in place at the Group's sites to ensure immediate action is taken in case of an environmental emergency. Said provisions guarantee a prompt response in the case of an injury so as avoid or minimise any environmental impact.

In 2019, further initiatives were implemented to reduce the Group's environmental impact by eliminating or reducing the use of polluting substances. In addition to continuing actions implemented in previous years, the Rovigo plant (where aluminium die-casting is carried out) has replaced its old die-casting washing system with a new one that uses modified alcohol instead of tetrachlorethylene. As such, the plant has significantly reduced its use of this particularly dangerous solvent.

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<sup>17</sup> It should be noted that MeteRSit's facilities were upgraded to the ISO 14001:2015 certification in 2018.

## Energy consumption and greenhouse gas emissions

In terms of energy consumption, SIT is increasingly committed to managing the use of energy from different sources in its production processes.

The Group's activities mainly involve the use of electricity and methane gas.

Energy consumption within the organisation <sup>18</sup>			
	Unit	2018	2019
Natural gas	m <sup>3</sup>	2,441,123	2,265,823
Diesel	l	130,894	153,037
LPG <sup>19</sup>	l	54,511	74,786
Petrol	l	84,360	83,643
Electricity purchased	kWh	28,024,642	26,787,938

Energy consumption within the organisation in GJ <sup>20</sup>			
	Unit	2018	2019
Natural gas	GJ	97,754	79,990
Diesel	GJ	4,988	5,502
LPG	GJ	1,378	1,789
Petrol	GJ	2,921	2,639
Electricity purchased	GJ	103,960	96,437
<b>Total</b>	<b>GJ</b>	<b>211,001</b>	<b>186,357</b>

The Group's mechanical workshop in Padua was moved to a new building constructed in Rovigo in 2019. The move represented an opportunity to install high-efficiency technological systems. In addition to installing a 75kW peak photovoltaic system<sup>21</sup>, an energy-saving LED lighting system was installed in the new building, along with a low-enthalpy underfloor heating system. These new utilities have also been connected to a fairly new electricity distribution substation, which provides for more efficient electricity consumption. The Group has also replaced one of its metal-treatment kilns with a new model, consequently allowing for greater energy savings.

Energy consumption decreased by 13.2% in 2019 compared to the previous year. This decrease is mainly due to an approximately 11% decrease in the Heating Division's production volumes.

Regarding Ozone Depleting Substances (ODS)<sup>22</sup>, only the Monterrey facility keeps and uses such substances in its plant. In particular, freon R22 refrigerant gas (normally used for cooling) is still used in some machines, for a total of around 100kg. However, the use of this gas did not lead to any ozone-damaging emissions in 2019, as no losses were recorded from the closed circuit during routine checks.

<sup>18</sup> Following improvements in the reporting system, the 2018 figures relating to the consumption of electrical energy have been restated compared to those published in the previous NFR.

<sup>19</sup> The consumption of LPG used for testing is partly estimated for the gas tanks still in use at the end of the year.

<sup>20</sup> The energy consumption in GJ was calculated using conversion coefficients from the Environment Ministry and the National Inventory Report updated for the reporting year.

<sup>21</sup> The 75kW peak photovoltaic system has not produced any energy as of the date of this report, since it has not yet been connected.

<sup>22</sup> Substances indicated in the United Nations Environment Programme's 'Montreal Protocol on Substances that Deplete the Ozone Layer', 1987.



In terms of greenhouse gas emissions, the Group ensures that plants and equipment containing F-gases that could accidentally generate greenhouse emissions are correctly operated and maintained at all sites.

Direct GHG emissions (Scope 1) <sup>23</sup>			
	Unit	2018	2019
Natural gas	tCO <sub>2</sub> eq	4,996	4,601
Diesel	tCO <sub>2</sub> eq	389	397
LPG	tCO <sub>2</sub> eq	83	114
Petrol	tCO <sub>2</sub> eq	194	185
<b>Total Scope 1</b>	<b>tCO<sub>2</sub> eq</b>	<b>5,662</b>	<b>5,297</b>

Indirect GHG emissions (Scope 2) – Location Based <sup>24</sup>			
	Unit	2018	2019
Electricity acquired	tCO <sub>2</sub>	10,613	9,823
<b>Total Scope 2 Location based</b>	<b>tCO<sub>2</sub></b>	<b>10,613</b>	<b>9,823</b>

Indirect GHG emissions (Scope 2) – Market Based <sup>25</sup>			
	Unit	2018	2019
Electricity acquired from non-renewable sources	tCO <sub>2</sub> eq	13,188	12,194
<b>Total Scope 2 Market Based</b>	<b>tCO<sub>2</sub> eq</b>	<b>13,188</b>	<b>12,194</b>

With regard to the release of pollutants into the atmosphere at the Group's production sites in Italy and Mexico, the overall situation has improved considerably in Italy compared to the previous year. This is as a result of shorter operating hours at Rovigo, as well as the precautions described above, and the modernisation and optimised management of plants.

The only exception to the overall improvement seen in Italy is the emissions value for the pollutant tetrachloroethylene at the Group's Rovigo plant. This particular figure – which always falls within the legal limits (as verified following checks) – is a result of the inefficient functioning of some washing systems. These machines have subsequently been replaced with better-performing and/or refurbished equipment.

<sup>23</sup> For the calculation of Scope 1 emissions, the 2019 DEFRA conversion factors were used <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>. Moreover, regarding SIT's emissions, the consumption of hydrogen and other mixed gases, such as hydrogenated nitrogen, and mixtures of methane and argon, were not considered as they represented a negligible portion of the total.

<sup>24</sup> For the calculation of the Scope 2 - Location Based emissions, the 2015-2016 International Comparisons conversion factors published by Terna were used.

<sup>25</sup> For the calculation of the Scope 2 - Market Based emissions, the AIB - European Residual Mixes 2018 conversion factors were used (Vers. 1.2 of 11/07/2019).



The situation in Mexico remained more or less the same as the year before, although the data in question show an increase in overall emissions. This increase, however, is owed to the plant's extended working hours to meet production needs.

<b>Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions</b>					
<b>Unit</b>		<b>Italy<sup>26</sup></b>		<b>Mexico</b>	
		<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
NO <sub>x</sub>	kg	3,709.27	2,462.74	132.20	1,067.68
SO <sub>x</sub>	kg	-	-	4.60	34.45
Volatile Organic Compounds (VOC)	kg	143.70	52.02	-	8.20
Hazardous air pollutants (HAP)	kg	297.55	681.78	-	-
Particles (PM)	kg	1,321.57	1,347.78	641.30	721.52
Organic Compounds expressed as Total Organic Carbon	kg	2,097.91	1,780.71	-	-
CO, CO <sub>2</sub> , HCT, LEAD	kg	-	-	1,013,230	1,358,960

The significant increase in emissions at the Mexican production site is due to an update to the calculation method which, in 2019, also includes emissions from fuel used.

<sup>26</sup> The figures shown refer to all of the Group's Italian facilities, and have been calculated by direct measurement of emissions.



## Waste management

The Group makes sure to correctly manage the production, recovery and disposal of waste. As such, it has adopted operating procedures and instructions to guarantee the correct processing of said waste.

The main types of hazardous waste produced include used oil, (halogenated and non-halogenated) solvents and/or solvent mixtures, activated carbon from perchloroethylene washing machines, aqueous washing solutions, degreasing waste, oil-containing metal sludge, and packaging containing hazardous substance residues.

The non-hazardous waste includes sludge from the treatment of industrial water, metal and plastic packaging, and ferrous and non-ferrous swarf.

		Waste by type and disposal method <sup>27</sup>					
Unit		Hazardous		Non-hazardous		Total	
		2018	2019	2018	2019	2018	2019
Reuse	t	-	-	3.40	2.34	3.40	2.34
Recycling	t	32.07	42.11	581.21	1,431.53	613.28	1,473.64
Composting	t	0.22	0	1,230.87	1,201.20	1,231.09	1,201.20
Recovery (including energy recovery)	t	461.92	370.13	1,569.97	2,034.07	2,031.89	2,404.20
Incinerator	t	5.68	52.29	152.66	119.25	158.34	171.54
Landfill	t	99.93	106.90	32.87	36.71	132.80	143.61
On-site storage	t	12.56	14.03	23.17	29.59	35.73	43.62
Other	t	711.94	67.30	139.65	191.31	851.59	258.61
<b>Total</b>	<b>t</b>	<b>1,324.32</b>	<b>652.75</b>	<b>3,733.80</b>	<b>5,046.00</b>	<b>5,058.12</b>	<b>5,698.76</b>

It should be noted that the figure for waste produced and destined for reuse is in line with last year's value, since the figure includes excavated earth and rocks produced while constructing a new building in Rovigo, in addition to other activities that are not routinely carried out by the Group.

The "other" item in the table includes waste that does not fall into any of the other categories included in the table. This includes mainly liquid waste sent for disposal, rather than to be reused. In particular, it refers to liquid waste conferred to chemical-physical and biological treatments, and which is consequently not "incinerated" or disposed of in "landfill." Data for 2018 reflects a peak in production that started at the end of 2017 and continued throughout 2018 and into 2019. Said production peak led to a significant and necessary increase in the production of these liquid wastes. As is evident from the data, and in reference to the above, the Group has considerably reduced the amount of waste included in the "other" field, reducing its production to less than a third. What's more, this improvement is even more notable when taking into consideration only the hazardous waste included in the "other" field. This ten-fold decrease is owed to the upgrading of concentration units following

<sup>27</sup> The waste production data only represents waste produced by the Group's production facilities. Disposal methods have been identified from information provided in disposal contracts.



the purchase and installation of a new high-performance emulsions concentrator, which has allowed for a significant reduction in hazardous liquid waste.

Part of the increase in waste in 2019 came from Italy, where two factors were mainly responsible for the growth in waste produced and disposed of. These were the transfer of the Padua office to Rovigo, and the application of the 5s programme, both of which involved the disposal of materials, substances and machinery that were no longer necessary.

## Responsible use of water resources

Water consumption at all SIT offices is monitored and used for industrial production processes, in office toilets, canteens, and in changing rooms. In Group facilities, as well as for the usual municipal necessities, water consumption is mainly connected to industrial use, such as tumbling processes, to eliminate surface burrs from die-cast aluminium objects, and in the cooling of production machinery.

Water withdrawal by source <sup>28</sup>			
	Unit	2018	2019
Groundwater	m <sup>3</sup>	46,723	53,329
Municipal water	m <sup>3</sup>	95,815	82,542
<b>Total</b>	<b>m<sup>3</sup></b>	<b>142,538</b>	<b>135,871</b>

As regards water withdrawal, a fault with a meter on the sampling line at the Rovigo site and its slow replacement with a new meter (the responsibility of the water service provider) prevented the Group from accurately measuring aqueduct water consumption in 2018 and 2019. It was therefore decided to estimate the plant's consumption for both years, using values from 2017 and, for 2019, adding the consumption from the Padua office, which was transferred to Rovigo in late 2018. Following the estimates of water used at the Rovigo site, therefore, the figures for 2018 have been restated compared to those published in the previous NFR. As for the increase in consumption with groundwater removal, this is mainly due to an increase in production and operating hours at SIT's plant in Mexico.

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<sup>28</sup> The data on water withdrawal only includes water used at the Group's production plants.



## Social Sustainability

### SIT employees

The SIT Group sees Corporate Social Responsibility as a key company value, and therefore encourages virtual collaboration and meetings, the use of new technologies, respect for the environment and a healthy work-life balance.

SIT strives for excellence by continuously working to improve its professionalism and the engagement of personnel at all levels. All those that contribute to the Group's activities constitute a strategic and valuable resource. For this reason, the Group is committed to guaranteeing respect for diversity, the rights of individuals, general well-being and professional growth.

#### Characteristics of SIT employees

As of December 31, 2019, SIT Group's employees numbered 2,012 people around the globe. The Group's total workforce at the end of 2019 amounted to 2,200 external workers and employees. Approximately 74% of Group employees work in offices and facilities in Italy and Romania.

Total workforce at December 31 <sup>29</sup>						
No. people	Male		Female		Total	
	2018	2019	2018	2019	2018	2019
Employees	781	799	1,238	1,213	2,019	2,012
External workers	69	43	176	145	245	188
<b>Total</b>	<b>850</b>	<b>842</b>	<b>1,414</b>	<b>1,358</b>	<b>2,264</b>	<b>2,200</b>

Employees by gender and contract type at December 31						
No. people	Male		Female		Total	
	2018	2019	2018	2019	2018	2019
Permanent	728	743	1,122	1,105	1,850	1,848
Temporary	53	56	116	108	169	164
<b>Total</b>	<b>781</b>	<b>799</b>	<b>1,238</b>	<b>1,213</b>	<b>2,019</b>	<b>2,012</b>

<sup>29</sup> The total workforce reported here includes SIT Group's employees and external workers. External workers take into account interns, project-based and contracted workers. The number differs from the Consolidated Financial Statement, in which only interns are considered.



**Employees by geographical area and contract type at December 31**

No. people	Italy		Europe		The Americas		Asia/Pacific		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Permanent	857	802	596	636	318	340	79	70	1,850	1,848
Temporary	20	12	149	152	-	-	-	-	169	164
<b>Total</b>	<b>877</b>	<b>814</b>	<b>745</b>	<b>788</b>	<b>318</b>	<b>340</b>	<b>79</b>	<b>70</b>	<b>2,019</b>	<b>2,012</b>

**Employees by gender and type of employment at December 31**

No. people	Male		Female		Total	
	2018	2019	2018	2019	2018	2019
Full-time	774	784	1,165	1,134	1,939	1,918
Part-time	7	15	73	79	80	94
<b>Total</b>	<b>781</b>	<b>799</b>	<b>1,238</b>	<b>1,213</b>	<b>2,019</b>	<b>2,012</b>

**Employees by geographical area and type of employment at December 31**

No. people	Italy		Europe		The Americas		Asia/Pacific		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Full-time	821	754	720	759	318	340	77	65	1,936	1,918
Part-time	56	60	25	29	-	-	2	5	83	94
<b>Total</b>	<b>877</b>	<b>814</b>	<b>745</b>	<b>788</b>	<b>318</b>	<b>340</b>	<b>79</b>	<b>70</b>	<b>2,019</b>	<b>2,012</b>

**New employees hires by gender and age in 2019<sup>30</sup>**

	< 30 Age	30-50 age	>50 age	Total	Rate
Male	149	91	22	262	32.8%
Female	213	222	33	468	38.6%
<b>Total</b>	<b>362</b>	<b>313</b>	<b>55</b>	<b>730</b>	<b>36.3%</b>
<b>Rate</b>	<b>115.7%</b>	<b>26.8%</b>	<b>10.4%</b>	<b>36.3%</b>	

**Employee turnover by gender and age in 2019**

	< 30 Age	30-50 age	>50 age	Total	Rate
Male	135	84	25	244	30.5%
Female	191	245	57	493	40.6%
<b>Total</b>	<b>326</b>	<b>329</b>	<b>82</b>	<b>737</b>	<b>36.6%</b>
<b>Rate</b>	<b>104.2%</b>	<b>28.2%</b>	<b>15.4%</b>	<b>36.6%</b>	

<sup>30</sup> Employee hiring and turnover percentages have been calculated based on the total number of people (by age group, gender and geographical area) employed at the end of the reporting period.



New employees hires by gender and age in 2018 <sup>31</sup>					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	241	145	40	426	54.5%
Female	276	317	39	632	51.1%
<b>Total</b>	<b>517</b>	<b>462</b>	<b>79</b>	<b>1,058</b>	<b>52.4%</b>
<b>Rate</b>	<b>164.6%</b>	<b>37.7%</b>	<b>16.5%</b>	<b>52.4%</b>	

Employee turnover by gender and age in 2018					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	231	118	26	375	48.0%
Female	282	307	69	658	53.2%
<b>Total</b>	<b>513</b>	<b>425</b>	<b>95</b>	<b>1,033</b>	<b>51.1%</b>
<b>Rate</b>	<b>163.4%</b>	<b>34.6%</b>	<b>19.9%</b>	<b>51.1%</b>	

New employees hires by gender and age in 2019 (Italy)					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	5	7	4	16	3.4%
Female	2	4	0	6	1.7%
<b>Total</b>	<b>7</b>	<b>11</b>	<b>4</b>	<b>22</b>	<b>2.7%</b>
<b>Rate</b>	<b>30.4%</b>	<b>2.1%</b>	<b>1.5%</b>	<b>2.7%</b>	

Employee turnover by gender and age in 2019 (Italy)					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	4	13	11	28	6.0%
Female	2	7	9	18	5.2%
<b>Total</b>	<b>6</b>	<b>20</b>	<b>20</b>	<b>46</b>	<b>5.7%</b>
<b>Rate</b>	<b>26.1%</b>	<b>3.8%</b>	<b>7.4%</b>	<b>5.7%</b>	

New employees hires by gender and age in 2019 (Europe)					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	67	39	17	123	65.4%
Female	63	111	32	206	34.3%
<b>Total</b>	<b>130</b>	<b>150</b>	<b>49</b>	<b>329</b>	<b>41.8%</b>
<b>Rate</b>	<b>85.0%</b>	<b>36.7%</b>	<b>21.7%</b>	<b>41.8%</b>	

Employee turnover by gender and age in 2019 (Europe)					
	< 30 Age	30-50 age	>50 age	Total	Rate
Male	48	35	14	97	51.6%
Female	51	132	45	228	38.0%

<sup>31</sup> Employee hiring and turnover percentages have been calculated based on the total number of people (by age group, gender and geographical area) employed at the end of the reporting period.



<b>Total</b>	<b>99</b>	<b>167</b>	<b>59</b>	<b>325</b>	41.2%
<b>Rate</b>	64.7%	40.8%	26.1%	41.2%	

#### New employees hires by gender and age in 2019 (Americas)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	75	45	1	121	99.2%
Female	147	103	1	251	115.1%
<b>Total</b>	<b>222</b>	<b>148</b>	<b>2</b>	<b>372</b>	109.4%
<b>Rate</b>	179.0%	80.4%	6.3%	109.4%	

#### Employee turnover by gender and age in 2019 (Americas)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	81	35	0	116	95.1%
Female	137	94	3	234	107.3%
<b>Total</b>	<b>218</b>	<b>129</b>	<b>3</b>	<b>350</b>	102.9%
<b>Rate</b>	175.8%	70.1%	9.4%	102.9%	

#### New employees hires by gender and age in 2019 (Asia/Pacific)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	2	0	-	2	10.0%
Female	1	4	-	5	10.0%
<b>Total</b>	<b>3</b>	<b>4</b>	<b>-</b>	<b>7</b>	10.0%
<b>Rate</b>	23.1%	7.3%	0.0%	10.0%	

#### Employee turnover by gender and age in 2019 (Asia/Pacific)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	2	1	-	3	15.0%
Female	1	12	-	13	26.0%
<b>Total</b>	<b>3</b>	<b>13</b>	<b>-</b>	<b>16</b>	22.9%
<b>Rate</b>	23.1%	23.6%	0.0%	22.9%	

The high turnover is due to the use of fixed-term contracts in facility production departments. This allows the company to respond dynamically to variability in customer orders.

#### Locally hired Executives at 31/12/2019<sup>32</sup>

	Male	Female	Total
Total Executives	32	4	36
Locally hired Executives	31	4	35
<b>Percentage of Executives hired locally</b>	96.9%	100%	97.2%

<sup>32</sup> These are Executives hired with the same nationality as that of the country in which they work. The location of operations considers all countries in which the Group operates.



<b>Locally hired Executives at 31/12/2018<sup>33</sup></b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Total Executives	30	4	<b>34</b>
Locally hired Executives	29	4	<b>33</b>
<b>Percentage of Executives hired locally</b>	<b>96.9%</b>	<b>100%</b>	<b>97.2%</b>

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<sup>33</sup> Following improvements in the reporting system, the 2018 figures relating to the breakdown of employees by contract type have been restated compared to those published in the previous NFS.



## Health & Safety

In line with its corporate values, SIT pays the utmost attention to occupational health and safety by promoting a consolidated culture of prevention. Due to the very nature of the sectors in which SIT operates, this culture applies to the design, production and sale of devices and safety systems, as well as workplace conditions.

As regards the situation relating to the spread of COVID-19 which began in early 2020, and as the situation worsened in March of the same year, SIT prioritised the health of its employees and respected the measures put in place by the health and government authorities.

Potential risks have been carefully considered for all Group sites, and special attention has been paid to locations exposed to the greatest risk of contagion (Padua, Rovigo, Montecassiano and Milan), which have been asked to put more stringent measures in place as the situation develops. Specifically:

- SIT has invited all employees working in any capacity to inform the Company if they are suffering from any of the symptoms indicated by the health authorities. Employees have also been asked to inform the Company if their closest and cohabiting relatives are suffering from any symptoms, obliging them to stay at home once they have informed the Company;
- Full employee leave has been given to those who have opted to stay at home;
- Access to company sites, the performance of work activities and employee gatherings (in the canteen, coffee area and changing rooms) is governed by provisions and monitored by the company, which is prepared to take disciplinary actions if rules are not respected;
- In particular, stricter hygiene and safety regulations have been put in place at the Company's sites. These include ensuring that people maintain a certain distance from others, introducing protective measures, opening up spaces, equipping staff canteen workers with appropriate safety means, and installing hand gel dispensers;
- Workplaces are routinely cleaned according to legislation and following an extremely rigorous protocol;
- The smart-working programme initiated in September 2019 has been extended to the entire workforce where possible.

Protective masks and guidelines for working safely have been sent to the Group's subsidiaries.

In 2019, SIT continued a series of initiatives aimed at improving the health and safety conditions of all workers in all workplace environments, especially within production facilities. On a half-yearly basis, the Safety Plan is drawn up which describes for each industrial site in Italy the activities carried out in accordance with applicable legislation and regulations, and establishes objectives to be achieved in the subsequent three-year period. A field audit is carried out at the same time and on a regular basis. It is aimed at monitoring health and safety conditions and identifying potential areas for improvement.

The Group intends to maintain a culture of occupational health and safety by ensuring its employees are aware of occupational risks and take responsibility for how they behave at work. As such, the Group constantly raises awareness and provides training to allow its employees to correctly and promptly report risks, failures and faults to those in charge of the site.

Routine risk monitoring and injury assessments are also carried out at the Group's sites abroad, in order to avoid recurring injuries. In addition, the Group continuously plans and carries out routine maintenance and improvements on its systems, equipment, buildings and production processes.





Information and training are of extreme value and importance, and where possible, these activities are carried out by expert in-house employees, with the aim of raising awareness among the workforce. In 2019, numerous training courses were held for all direct and indirect personnel in Italy and in Group facilities in other countries, not only on safety, but also on emergency situation management, including first aid and fire prevention.

The Group maintains constant collaboration with workers' representatives through regular scheduled meetings aimed at the joint assessment of health and safety risks. Improvement actions are shared during these meetings, taking into account any potential organisational changes.

Injury data for 2019 highlight the Group's effective commitment to reducing its employee injury rate. Said commitment takes the form of technical measures, such as increasing automation and designing appropriate workstations, as well as enlisting expert employees to provide specific training. These training activities are carried out by in-house members of staff with knowledge of the risks associated with the tasks performed on site.

A total of 10 work related injuries occurred across the Group's facilities during 2019. No injury with high consequences occurred<sup>34</sup>.

The considerable decrease in work related injuries rates compared to last year - although somewhat owed to reduced operating hours - is the result of SIT's constant compliance with regulations and a desire to continuously improve health and safety.

The number of work-related injuries has fallen significantly compared to 2018, when there were 13 injuries involving company cars.

Injuries were predominantly due to injuries involving impacts, crushing and efforts to lift and move loads.

<b>Total number of employee work-related injuries in 2019</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Work-related injuries	2	8	10
<i>Fatalities</i>	-	-	-
<i>High consequence work related injuries</i>	-	-	-

<b>Total number of employee work-related injuries in 2018</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Work-related injuries	8	12	20
<i>Fatalities</i>	-	-	-
<i>High consequence work related injuries</i>	-	-	-

<sup>34</sup> The total number of work-related injuries recorded does not include those occurring while travelling in private vehicles.



<b>Frequency index of employee work-related injuries in 2019</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Rate of recordable work-related injuries <sup>35</sup>	1.60	4.05	3.10
<i>Rate of fatalities as a result of work-related injury</i>	-	-	-
<i>Rate of high-consequence work-related injuries</i>	-	-	-

<b>Frequency index of employee work-related injuries in 2018</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Rate of recordable work-related injuries <sup>36</sup>	5.34	5.22	5.27
<i>Rate of fatalities as a result of work-related injury</i>	-	-	-
<i>Rate of high-consequence work-related injuries</i>	-	-	-

<b>Employee hours worked</b>						
	<b>2018</b>			<b>2019</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Hours worked <sup>37</sup>	1,498,822	2,298,007	3,796,828	1,295,625	2,088,817	3,384,442

External workers are defined as contractors/temporary workers and trainees working at the Group's operating sites.

<b>Total number of work-related injuries involving SIT Group external workers in 2019</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Work-related injuries	-	-	-
<i>Fatalities</i>	-	-	-
<i>High consequence of work-related injuries</i>	-	-	-

<sup>35</sup> The Frequency Index represents the ratio between the total number of injuries and the total number of days worked during the same period, multiplied by 1,000,000.

<sup>36</sup> The Frequency Index represents the ratio between the total number of injuries and the total number of days worked during the same period, multiplied by 1,000,000.

<sup>37</sup> The total number of hours worked has been partially estimated from the number hours contracted and the number of employees at 31.12.



<b>Total number of work-related injuries involving SIT Group external workers in 2018</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Work-related injuries	-	1	1
<i>Fatalities</i>	-	-	-
<i>High consequence of work-related injuries</i>	-	-	-

<b>Rate of external worker work-related injuries at SIT Group in 2019</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Rate of recordable work-related injuries <sup>38</sup>	-	-	-
<i>Rate of fatalities as a result of work-related injury</i>	-	-	-
<i>Rate of high-consequence work-related injuries</i>	-	-	-

<b>Rate of external worker work-related injuries at SIT Group in 2018</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Rate of recordable work-related injuries <sup>39</sup>	-	3.11	2.22
<i>Rate of fatalities as a result of work-related injury</i>	-	-	-
<i>Rate of high-consequence work-related injuries</i>	-	-	-

<b>Hours worked by external workers<sup>40</sup></b>						
	<b>2019</b>			<b>2018</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Hours worked	67,990	182,106	250,096	129,741	321,236	450,977

<sup>38</sup> The Frequency Index represents the ratio between the total number of injuries and the total number of days worked during the same period, multiplied by 1,000,000.

<sup>39</sup> The Frequency Index represents the ratio between the total number of injuries and the total number of days worked during the same period, multiplied by 1,000,000.

<sup>40</sup> External workers at the Mexican site have not been included in this calculation as relevant data is not available.



## Employer Branding

With the aim of attracting the very best talent, the Parent Company has established strong and fruitful collaborative relationships with numerous Italian universities.

During 2019, SIT funded a research project in collaboration with the Industrial Engineering Department at the University of Padua, aimed at selecting materials for valve components resistant to aggressive gaseous environments.

The company also participated in 10 events sponsored by the careers services at various Italian universities. During these events, SIT met with professional consultancy companies operating nationally, as well as students interested in job offers or internships organised by the University of Padua, the Polytechnic University of Milan, the CUOA Foundation and ISTUD Business School.

In addition to participating in career days organised by universities, SIT directly plans "orienteeering" events with the aim of establishing special relationships with students and recent graduates. The objective is to help inform young people about the opportunities available on the job market today, as well as to provide them with useful information on the skills required by companies and to encourage the exchange of information between companies and students in terms of their mutual expectations.

During 2019, four school-work experience schemes and twenty-two curricular/extracurricular internships were organised at SIT's Italian offices for university students, two of which involved the writing of a dissertation.

The University of Padua also awarded SIT a prize for having the "best on-campus recruiting activities" thanks to the internships it worked to arrange in 2019.

The company further strengthened its brand on the labour market by targeting students at universities in Padua and the Veneto region. The project was broken down into several phases over the course of the year and saw the involvement of Parent Company employees. Interviews and focus groups were conducted to allow employees to give their opinion on the values they consider intrinsic to SIT's company culture. Four specific concepts were identified, all of which have been developed around the word '**made**,' and form the basis for the company's communication strategy.

The Group's four '**made**' concepts are as follows:

- **Made to Matter**, which is tied to issues regarding business identity, such as energy efficiency, re-use and recycling, low environmental impact, and product and employee safety;
- **Made by Us**, which focuses on competence, attention to detail and the work carried out by employees, who represent the heart of our company;
- **Made with Care**, which highlights a company culture based on well-being, professional growth, and maintaining relationships;
- **Made of Future**, because we cannot ignore the importance of innovation and the transformations taking place in the lean and digital fields, which in turn require us to consistently assess how the human-work-future relationship may change;

The Group's communication campaign involved all primary social media channels, with the sharing of all four '**made**' concepts through the use of graphic, audio and video materials. The campaign culminated at the end of the year with the



SIT-COM event – a two-day scientific discussion and edutainment event focused on the workplace, the environment and sustainability, as well as new forms of production and technological innovation.

The event was organised in collaboration with the University of Padua and consisted of two sessions: a brain-battle, featuring the award-winning writer Antonio Scurati and the astronaut Umberto Guidoni, and subsequent talks on the four ‘made’ concepts. The second session was attended by SIT employees, as well as professionals and opinion-makers from the scientific community, including the founder of UQIDO, Pier Mattia Avesani, the CEO of Alisea, Susanna Martucci, the founder of United Ventures, Massimiliano Magrini, the General Director of the Italian Institute of Technology, Gianmarco Montanari and journalists such as Jacopo Tondelli and Maria Cristina Origlia.

## People Attraction

SIT pays particular attention to its Employee Value Proposition (EVP), which essentially consists of the experience had by employees and potential candidates in the workplace. EVP is rated based on the company’s intrinsic characteristics, its brand identity, its corporate culture and the relationship it has with its employees. EVP finds its primary expression in the way SIT designs and manages its recruitment process. In fact, the recruitment process does not discriminate with regard to gender, religion, personal beliefs, race, ethnic origin, disability, age, sexual orientation or personal politics.

In addition, stable and long-lasting employment relationships are considered fundamental in fostering the growth of the company, as well as constituting a significant motivational factor. In 2019, 11 people were hired on permanent contracts for the various departments of SIT S.p.A. and MeteRSit Srl.

Attracting new talent is critical in guaranteeing the innovation that distinguishes the Group and maintaining its market leading position. The company carries out recruiting activities for young talent through monthly assessments. Said assessments take place at the Group’s headquarters and offer individuals the opportunity to present their organisation, business and values.

The assessments are divided into several phases, including ice breakers, which allow candidates to try their hand at presenting themselves in alternative ways. The process also involves a numbers-based role play to evaluate problem-solving and team-work skills, in addition to one-on-one interviews and in-trays, which see candidates attempt to solve business problems.

The Human Resources department also motivates current SIT Group employees to get involved with recruitment activities through two internal initiatives: the Internal Job Posting and Referral programme.

Through the Internal Job Posting programme, SIT makes job positions available to all of its Italian and international employees, encouraging those interested in changing roles to submit an application. By doing so, SIT hopes to encourage professional growth among those with a desire to develop their professional career by engaging in new experiences.

SIT’s Referral programme, on the other hand, offers bonuses to employees who help identify candidates for the profiles sought by the company.

For all new hires, SIT provides a Customised Induction programme aimed at immediately transmitting corporate values and product and process knowledge. The induction programme is customised in a



targeted manner according to the future role of the incoming employee. 2019 saw the completion of 382 induction processes by 22 new hires.

### Development of human resources

SIT aspires to promote and develop the skills, abilities and knowledge of every employee through professional training and refresher programmes aimed at guaranteeing the achievement of corporate goals.



In addition to an annual training plan, a behavioural assessment project was launched in 2019 that made use of an online tool. Said assessment allowed the company to map the behavioural preferences of its employees, with the aim of acquiring a snapshot of current preferences, behavioural potential, and work team dynamics. In particular, the tool allowed the company to map motivational needs, behaviours, independence and risk-taking skills, as well as tenacity and judgement, using four dimensions: dominance, extroversion, patience and formality.

The questionnaire was sent to all employees working at SIT's Italian offices and is used when selecting candidates who have been short-listed for roles to ensure their compatibility with company requirements.

The assessment represents a better way to manage SIT's human capital and further develop the company's talents.

The annual training plan ensures that all company employees are equipped with the necessary technical, specialist and safety skills, and in 2019, it focused specifically on strengthening digital, communication and lean transformation skills, as well as on security.

Following a digital assessment involving 308 users, the company and its employees became better informed of their digital maturity both in terms of hard skills (digital skills) and mindset and attitude (digital mindset) according to the dimensions shown in figure 1.

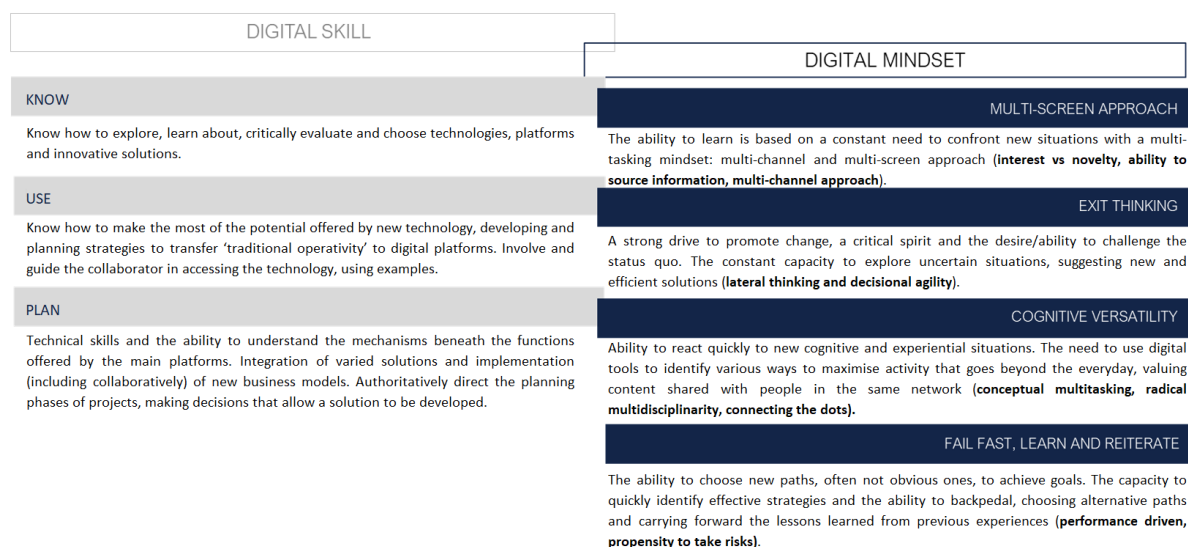


Figure 1. Dimensions measured in the digital assessment

Following the roll out of application systems and the transition to Office 365, the company invested 1,624 hours in training around 203 of its employees in order to facilitate their technological transition and to allow them to engage in new means of collaboration. Furthermore, 24 ambassadors were identified and subsequently provided with 480 hours of training to improve their trainer skills and assist employee training on digital skills.

Training to improve digital skills began in 2019, with the aim of strengthening communication skills, and is expected to end in 2020. 33 people were involved in 528 hours of training focused on effective collaboration and communication.

The year continued with the strengthening of lean manufacturing skills, which saw 385 employees involved in 1,540 hours of training on 5S methodology. The plan will continue into 2020, with the aim of training a pool of employees to achieve their green, yellow and black belts, thereby allowing them to promote change at an international level.

Workplace safety training is consistently and continuously provided, involving around 318 staff in a total of 3,258 hours in 2019.

Following changes made to the Company's Vision and Mission, several meetings were organised in Italy (for 90 middle and senior managers), the Netherlands, Romania and Mexico, involving all white-collar workers, in order to illustrate world economic scenarios and relevant market developments, and to explain the Company's new strategic guidelines.

Overall, more than 10,549 training hours were provided to employees at SIT S.p.A. and Metersit S.r.l., while 47,445 hours were provided to employees at a Group level.

In order to further develop the Group's human capital, a review of employee management processes continued into 2019 with the aim of standardising and digitising procedures using the Success Factors tool dedicated to HR processes.

A module has been introduced to manage online MBO workflows. Said model is currently being linked to the primary regional pay systems in order to create a single database in the Employee Central module.



Hours of training provided in 2019 <sup>41</sup>				
	Total hours male	Total hours female	Total hours	Average hours
Executives	979	208	1,187	33.0
White-collar	5,929	3,087	9,016	20.5
Blue-collar	7,826	29,416	37,242	24.2
<b>Total</b>	<b>14,734</b>	<b>32,711</b>	<b>47,445</b>	<b>23.6</b>
<b>Average hours</b>	<b>18.4</b>	<b>27.0</b>	<b>23.6</b>	

Hours of training provided in 2018 <sup>42</sup>				
	Total hours male	Total hours female	Total hours	Average hours
Executives	401	56	457	<b>12.7</b>
White-collar	5,082	2,101	7,183	<b>16.8</b>
Blue-collar	8,442	33,455	41,897	<b>26.9</b>
<b>Total</b>	<b>13,925</b>	<b>35,612</b>	<b>49,537</b>	<b>24.5</b>
<b>Average hours</b>	<b>17.8</b>	<b>28.8</b>	<b>24.5</b>	

## Remuneration

SIT's remuneration policy is based on incentive systems designed to acknowledge the commitment and merits of its employees, to foster a sense of belonging, to attract talented resources and to align the interests of personnel with the goal of creating sustainable value for shareholders in the medium to long term.

To ensure fairness and transparency, SIT has aligned its remuneration system for Executives and managers with the dimensional and organisational characteristics of the Group and with the market in which it operates. Said remuneration includes a fixed annual component and a variable component, which is linked to the achievement of specific performance objectives, including those of a non-financial nature. The variable component is paid when the economic or pre-set individual results are achieved via a Management By Objectives (MBO) incentive mechanism providing for the award of annual bonuses for the achievement of quantitative and qualitative objectives.

In 2019, the Group updated its Management by Objectives policy, which oversees incentive plans linked to business objectives.

In fact, the criterion to measure objectives has been revised and the maximum achievable value for each objective has been set at 125%. A barrier threshold has also been introduced, which sees a failure to reach 80% of the Group's EBITDA value invalidate the entire bonus.

<sup>41</sup> The total number of training hours has been partially estimated from training plans defined at the beginning of year.

<sup>42</sup> The total number of training hours has been partially estimated from training plans defined at the beginning of year.





**Ratio of the standard entry level wage to the local minimum wage in significant countries for the Group<sup>43</sup>**

	<b>2019</b>
Italy	1.00
Romania	1.11
Mexico	1.98
Netherlands	1.23
China	1.05

As evidenced by the above table, SIT tends to position itself above the standard pay of the reference country in order to attract talent and maintain competitiveness. Furthermore, there are no gender differences in the standard wage and the local minimum wage.

In 2018, a Long-Term Incentive System (LTI) was also implemented for the top management of the Group, in line with the Corporate Governance Code guidelines for listed companies. This plan has the objective to align the performance objectives of management with the achievement of the objective of the creation of value for the shareholders in the medium-long term period.

As approved by Board of Directors' motion of April 26, 2018, the plan has a horizon of 3 years (2018-2020) and involves the award of performance shares according to SIT's cumulative 2018-2020 EBITDA and the market conditions at the end of the period. The plan involves 38 SIT team members.

A performance management process has been launched in conjunction with the traditional incentive scheme in order to promote increasingly excellent results.

The SIT Leadership Model has been created based on the following four dimensions: Lead People, Lead Performance, Lead Business and Lead Innovation. These four dimensions are broken down into the categories shown in figure 2.

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<sup>43</sup> Significant countries are those in which the Group has at least one production facility. The local minimum wage was taken from collective bargaining agreements in the respective countries where the individual facilities are located.

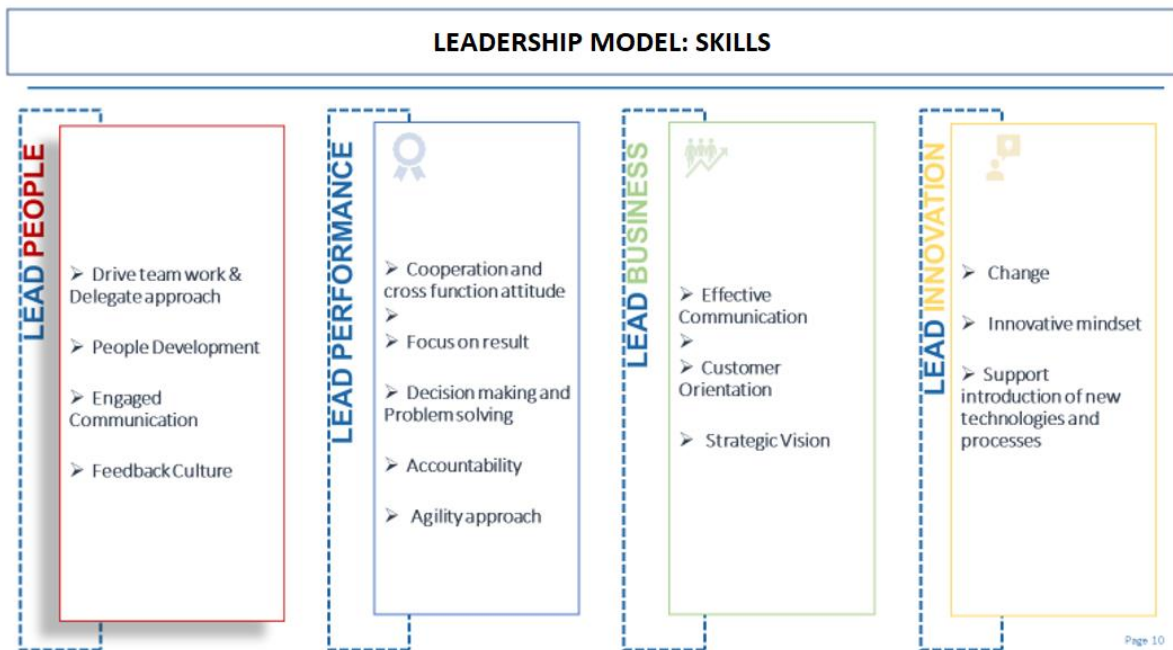


Figure 2. SIT Leadership Model - expected skills

Once an aspirational leadership model was defined, a performance management process was launched to improve leadership skills, promote mutual transparency through feedback, encourage a meritocratic culture, and to allow for the personal and professional growth of all SIT employees. The project focused solely on the management team during 2019, but will be rolled out to the rest of the workforce in 2020.

### Welfare and well-being

Also regarding welfare benefits, the Group has always been committed to guaranteeing transparency and clarity for its personnel. Assignment schemes do not vary according to different contractual forms (e.g. full-time, part-time, fixed-term or open-ended contract), but may vary according to different geographical areas, depending on reference standards that may include or exclude certain services. SIT is attentive to the well-being and work-life balance of its employees. For this reason, it allows, where possible, flexitime schemes in Italian branches.

As for support for families, the Group provides new mothers and fathers with a baby welcome kit containing some useful baby care items. The main benefits include: Life Insurance, Health Insurance, Pension Plans, Food Vouchers.

Starting in 2018, a corporate welfare plan was established in Italy. The corporate plan makes an annual amount available to beneficiaries that can be used on a welfare platform dedicated to SIT employees. The platform offers services and benefits for families, healthcare, leisure, culture and more, falling within applicable tax incentive categories. The platform collects welfare incentive allocations through the National Metalworking Collective Bargaining Agreement. Furthermore, from 2018, as per applicable bargaining, it has been possible for personnel to allocate part or all of the value of individual performance bonuses to corporate welfare, thus increasing the opportunities to use the available



services. Approximately 10% of total performance bonuses were converted into welfare, and over 95% of the company population used their welfare benefits within the end-of-year deadline.

SIT continues to protect its employees around the world with additional healthcare benefits, in order to provide them with a form of protection to supplement or replace their national medical and health services. These benefits were rolled out to all members of staff in Romania in 2019.

In 2019, a SmartWorking project was also launched at SIT's headquarters in Padua based on a new managerial philosophy that allows people to be more flexible and independent while taking on greater responsibility for their work.

An all-green pilot project focused on "future working" has allowed SIT to improve engagement, promote corporate welfare and improve the work-life balance of its employees.

The concept was developed in collaboration with ISTUD Business School and was initiated with an online survey sent to all employees in Padua, who confirmed that SmartWorking very much suits the Company's modern vision of the near future and allows for improved flexibility and managerial skills. The pilot project saw around 60 employees from different departments working remotely one day a week. Training was provided before the start of the project, and feedback was requested upon its conclusion. At the end of the pilot project and once the (very positive) feedback was provided, a second pilot project was launched in February 2020 involving another 60 employees.

The benefits of SmartWorking do not end with an increase in employee well-being and productivity: the scheme also helps protect the environment. Remote working solutions help reduce the greenhouse gas generated during the journey to and from work.

Assuming that 130<sup>44</sup> grams of CO<sub>2</sub> are saved for every kilometre not travelled to and from work, based on the first pilot, it is estimated that the Group could produce 17,000 less kilos of CO<sub>2</sub> a year, with a plan to plant 705 trees for the emissions that are still produced (Figure 3).

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<sup>44</sup> For further information refer to the website [www.jojob.it](http://www.jojob.it)

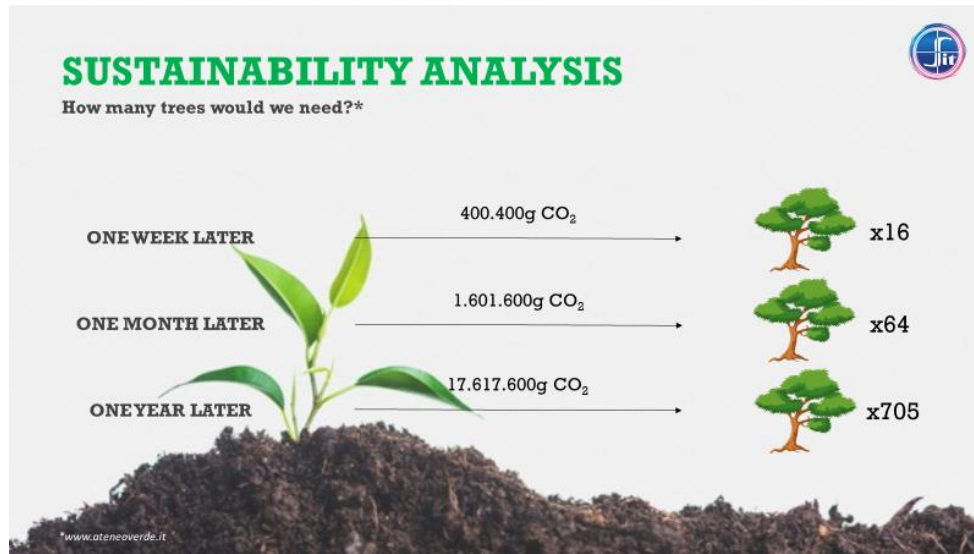


Figure 3. Calculation of CO<sub>2</sub> savings based on a sample of 60 smartworkers and the number of trees that need to be planted to support a non-green lifestyle, <https://www.ateneoverde.it/>.

### Employee communication

To promote internal communications and the engagement of resources, the Group distributes a monthly magazine entitled SIT&Talk to all branches worldwide. The magazine contains articles written exclusively by employees themselves aimed at disseminating information at all levels on corporate news, business performance, organisational changes, technical subjects, company products and general culture, and at engaging employees in the various activities of company facilities and offices.

## DIGITAL WORKPLACE

### Plastic Free Project

Being plastic free is not easy, but SIT has accepted the challenge, and in September 2019, it launched its first Plastic free project aimed at decreasing and eliminating the use of disposable plastics. The pilot was initially rolled out to the Group's main offices in Padua, where a number of micro-filtered water dispensers/towers were installed. Employees were also given stainless steel drinking bottles.



A water and drinks dispenser was also installed in the canteen in Padua. By installing these services, we hope to avoid the consumption of around 90-120 disposable plastic bottles a day, amounting to an average of about 25,000-30,000 plastic bottles a year.

The same project also involved replacing plastic cups with automatic coffee machines, and Blu dispensers with recycled paper cups.



## Digital and Lean transformation

During 2019, SIT launched a five-year digital transformation plan.

The project rests on three pillars: 1) the review and continuous improvement of processes, 2) the use of enabling digital technologies, computerisation, the cloud, mobile/social devices, and the Internet of Things 3) the strengthening of digital skills, the active exploration of an end-to-end transformation process, and professional and organisational development.

In this sense, digital transformation can be seen as a means to foster sustainable social development, product innovation, and to improve production processes.

As such, we hope to significantly reduce our environmental impact. We're hoping to see greater efficiency in our operational processes, and faster, more precise ways for employees, customers and suppliers to interact, with a consequent reduction in costs and improved transparency, sharing and inclusion among stakeholders.

In terms of social goals, we hope to invest in mobile devices, laptops, hardware and software to assist collaboration, in order to allow employees to connect, communicate and collaborate more effectively, efficiently and faster than ever before. As such, we have launched the smart working project discussed in the welfare and well-being paragraph of this report.

Digital transformation will allow us to standardise innovative product development processes, measure their efficiency more easily and pursue their continuous improvement. Please refer to the research and development paragraph of this Non-Financial Report for more information on the effects of digital product solutions.

Digitalisation is also strongly tied to lean production process transformation. Adopting a lean approach will allow us to ensure that processes are more streamlined and measurable. This will in turn help us to reduce energy consumption, improve employee health and safety, and raise customer service levels.

As is the case for digital transformation, SIT has decided to follow a five-year lean transformation implementation plan, which was launched in 2019.

The aim of the plan is to increase Customer Value Added by optimising processes and reducing waste.

We launched various initiatives at our plants and headquarters in 2019, all of which are aimed at implementing a lean culture and the 5S methodology. 5S activities help make it clear that an organised working environment – equipped only with what is necessary – simplifies and optimises work processes. Likewise, productive and transactional processes that do away with the superfluous help guide the company towards operational excellence.

In 2019, a model or 'Temple of Lean' was designed for SIT. It was anchored to the Group's strategic development axes. A five-year timeline was also defined, along with various targets. The model is based on a pillar structure, with a view to the World Class Manufacturing (WCM) principles.

The project's logic of implementation relies on improving employee skills and developing the organisation along pre-defined paths and in line with performance expectations. All of this is expressed through training and improvement projects aimed at ensuring transformation remains sustainable and that the Group continues to pursue a path towards operational excellence. The projects will be implemented at the Group's plants and headquarters.



They will entail the implementation of a lean governance system and the improvement of KPIs at various plants.

## Diversity, equal opportunities and non-discrimination

### Non-discrimination

The “**Code of Non-discrimination and Diversity**”, drafted and approved in 2017, is a formal policy and a firm commitment by SIT to its employees, the recipients of its products, services and programmes and, in general, to any individual coming into contact in any way with the SIT Group.

SIT has, since its inception, been firmly committed to creating an environment free of discrimination, in which:

- Responsible parties seek to guarantee equal opportunities;
- Diversity is considered a resource and never an impediment;
- Respect for the dignity, honour and freedom of individuals in their rights to self-determination is a natural logical and ethical prerequisite of daily actions.

Discrimination for the purposes of the Code is given to mean any treatment creating an intimidating, hostile, offensive, less favourable and/or less ideal environment for one party with respect to another based on any discriminatory conduct, whether, by way of non-exhaustive example, active or passive, direct or indirect, internal or external, or emerging as a result of any form of bullying, harassment, retaliation, intimidation or persecution. These behaviours are listed above by way of example and are by no means exhaustive.

SIT’s Human Resources department undertakes the responsibility to ensure compliance with such fundamental principles in the SIT Group’s activities, and to adequately resolve any cases of discrimination, failure to ensure equal opportunities, bullying, harassment, retaliation or intimidation.

The Group’s commitment to diversity can be noted in the significant percentages of women and younger employees in all professional categories.

Percentage of Group employees by age group, gender and employee category at 31/12/2018							
	<30	30-50	>50	Total	Male	Female	Total
Executives	0.0%	38.2%	61.8%	100%	88.2%	11.8%	100.0%
White-collar	7.7%	67.7%	24.6%	100%	68.4%	31.6%	100.0%
Blue-collar	18.0%	59.3%	22.7%	100%	29.3%	70.7%	100.0%
<b>Total</b>	<b>15.5%</b>	<b>60.8%</b>	<b>23.7%</b>	<b>100%</b>	<b>38.7%</b>	<b>61.3%</b>	<b>100.0%</b>

Number of Group employees by age group, gender and employee category at 31/12/2018 <sup>45</sup>							
	<30	30-50	>50	Total	Male	Female	Total
Executives	-	13	21	34	30	4	34
White-collar	33	292	106	431	295	136	431
Blue-collar	280	922	352	1,554	456	1098	1554
<b>Total</b>	<b>313</b>	<b>1,227</b>	<b>479</b>	<b>2,019</b>	<b>781</b>	<b>1,238</b>	<b>2,019</b>

<sup>45</sup> Following improvements in the reporting system, the 2018 figures relating to the breakdown of employees by contract type have been restated compared to those published in the previous statement.





Percentage of Group employees by age, gender and professional employee at 31/12/2019							
	<30	30-50	>50	Total	Male	Female	Total
Executives	0.0%	36.1%	63.9%	100%	88.9%	11.1%	100%
White-collar	6.6%	65.5%	28.0%	100%	68.4%	31.6%	100%
Blue-collar	18.5%	56.4%	25.1%	100%	30.3%	69.7%	100%
<b>Total</b>	<b>15.6%</b>	<b>58.1%</b>	<b>26.4%</b>	<b>100%</b>	<b>39.7%</b>	<b>60.3%</b>	<b>100%</b>

Number of Group employees by age, gender and professional employee at 31/12/2019							
	<30	30-50	>50	Total	Male	Female	Total
Executives	0	13	23	36	32	4	36
White-collar	29	288	123	440	301	139	440
Blue-collar	284	867	385	1,536	466	1,070	1,536
<b>Total</b>	<b>313</b>	<b>1,168</b>	<b>531</b>	<b>2,012</b>	<b>799</b>	<b>1,213</b>	<b>2,012</b>

## Human Rights

Through specific procedures, practices and company policies, SIT guarantees the observance and correct application of its codes of conduct. The guiding principles behind the Group's codes consist of and derive from the following international standards:

- The United Nations' Universal Declaration of Human Rights (which we are committed to in its entirety);
- The International Labour Organisation's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy;
- The European Convention on Human Rights, under the jurisprudence of the European Court of Human Rights;
- The Organisation for Economic Co-operation and Development's Guidelines for Multinational Enterprises.

Reference is also made to applicable national, regional and community legislation on labour law and human rights. These represent the underlying values which the company upholds and the basis of relations between the employer and its employees.

SIT rejects and actively opposes all actions that may cause any form of physical, psychological or exploitative harm to individuals, such as **forced labour, child labour, human trafficking, harassment, discrimination or extortion.**

SIT is committed to adopting policies to make every employment relationship at its facilities a positive and eco-sustainable experience that guarantees: **health and safety, environmental protection and sustainability, fair working hours and compensation, the right to work, freedom of association, and collective bargaining.**

SIT fully respects and guarantees the right to work and the freedom of association of employees at all its facilities. As much as 94.78% of Group employees are covered by collective bargaining agreements, and, in Italy, monthly meetings are held with organisational trade union representatives to discuss production and labour issues.



Following the publication of the Ethics Code, SIT is committed to promoting the adoption of policies to guarantee its observance and correct application.



## SIT's support for local communities

SIT has always been committed to maintaining relations with the local areas and communities in which it operates, in particular, by supporting local companies, sport associations, social assistance, and healthcare research, with a view to making a contribution to the well-being of present and future generations.

SIT fosters initiatives that strengthen ties with the local area, assessing each time their social impact and economic sustainability. Such initiatives are promoted through corporate communications, also in order to engage employees and encourage their participation.

Furthermore, its commitment to local communities allows SIT to strengthen ties with scientific institutions, schools, and young people, and to promote the culture of sports, education, solidarity and environmental protection.

SIT is committed to pursuing and developing a medium to long-term policy of support for initiatives in the areas of research, culture, sport and youth training.

Described below are some of 2019's most significant projects, events and initiatives that demonstrate SIT's commitment to local communities and its employees.

### **Family support initiatives**

- Internal distribution of the quadrilingual corporate magazine SIT&Talk promotes a shared culture and climate of participation across all companies, engaging and informing employees and their families. In October 2018, a new periodic publication was launched featuring in-depth articles on environmental, social and governance issues, with the aim of raising engagement in and awareness of the sustainability initiatives and goals.
- Mothers were greeted with a traditional serenade on Mother's Day at our SIT Monterrey plant in Mexico. The day continued with dancing and music. At the end of the party, a small gift was given to all mothers.
- A Mr and Miss SIT contest was held at the Christmas party at our plant in Monterrey, Mexico, which saw the participation of numerous employees and family members.

### **Youth training initiatives**

- At the SIT headquarters in Romania, a partnership was established between the company, a nearby high school and the local municipality to create a dual-learning project. Ten students were chosen to participate in a school-work experience scheme and were given the opportunity to learn about business processes and activities. Students were given meal vouchers and daily transport to and from the office.
- Also in 2019, SIT welcomed a group of students to its Padua site from the Faculty of Educational Sciences, in order to give them an example of the organisation, roles and objectives of a multinational company's Human Resources department.

### **Sports initiatives**

- Always inspired by the world of sport due to the values it represents, SIT again supported the Lentigione Calcio football team of Brescello (Reggio Emilia), an amateur team competing in the Italian Serie D 2019-2020 Championship season.
- **Padua Marathon.** The Sant'Antonio Marathon is one of the most popular sports events in the Veneto Region, with over 23,000 participants. SIT participated with a stand at the finish line



for employees, family members and friends to whom it had also offered the race registration fee and a t-shirt for the race. It was a wonderful opportunity to spend a Sunday exercising and having fun with relatives, friends and colleagues, as well as an opportunity to get to know each other, and to consolidate family and professional relationships.

### **Local area and community impact initiatives**

- A new mechanical workshop and logistics centre was opened at the industrial site in Rovigo, offering employment opportunities to people in the local area of Polesine.
- Around the time of Labour Day, the Diocese of Adria–Rovigo wished to establish closer ties with the working world and gave a traditional evening prayer at SIT Rovigo in April 2019. The occasion was an opportunity to bring together various individuals and representatives from the world of work, in order to share opinions about the current situation in the region. The event was also an opportunity to encourage people to embrace an open-minded outlook, with an eye to creating a positive future in Polesine.

### **Support initiatives**

- The SIT Monterrey offices have decided to make donations to various associations, including:
  - the local fire station
  - the Cieniega de Flores Civil Protection Services
  - people affected by the floods in Salinas Victoria, Nuevo Leon
  - the Dante Alighieri school in Italy

### **Initiatives to support medical research**

- SIT's headquarters in Padua made a donation to the Luca Ometto Association, which supports scientific research into glioblastoma.
- for the Padua Marathon, SIT provided over 400 t-shirts to its participants in the competition. With the SIT logo, and that of the non-profit Luca Ometto Glioblastoma Association, the orange-coloured t-shirts added some welcome colour to the race start line. Indeed, SIT, through its participation in the marathon, once again supported the association founded by Valentina Ometto with the aim of raising funding for scientific glioblastoma research in order to improve the effectiveness of treatments and the quality of life of patients and their families.
- Christmas Panettone: To celebrate Christmas at the Padua, Rovigo, Montecassiano and Milan sites, a gift pack was given to all employees containing a panettone purchased from the Luca Ometto Association, which supports research into treatments for glioblastoma. As many as 1000 packages were delivered.

### **Environmental initiatives**

- A project launched in 2018 continued into 2019 at SIT's offices in Monterrey, which involved planting trees in school grounds and at the company's headquarters in order to promote a culture of sustainability and respect for the environment among young students (future adults).



The aforementioned community engagement programmes and initiatives were developed and promoted in approximately 30% of the countries in which Group companies operate<sup>46</sup>.

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<sup>46</sup> The countries in which Group companies operate are defined as those in which the Group has a direct production and commercial presence: Italy, the Netherlands, Romania, Mexico, China, Australia, the Czech Republic, Germany, Argentina, Canada, the USA.

## Annex

### Material topic scope and impacts

The following table indicates the topics that have been defined as material for SIT. For these topics, the “Impact scope” column indicates the party that may generate an impact in relation to each topic, both internally and externally to the Group. In addition, the “Type of impact” column indicates the role of SIT in terms of the generated impact with regards to each material topic, i.e. whether the organisation directly causes the impact, contributes to its generation or is directly related to the impact by means of a commercial relationship.

Macro-area	Material topics	Impact scope	Type of impact
<b>Economic performance, Governance, Risk &amp; Compliance</b>	<b>Economic performance</b>	SIT	Caused by the Group
	<b>Market presence</b>	SIT	Caused by the Group
	<b>Corporate Governance</b>	SIT	Caused by the Group
	<b>Compliance with laws and regulations</b>	SIT	Caused by the Group
	<b>Research and Development</b>	SIT, Universities and research centres	Caused by the Group and directly related to its activities
	<b>Ethics and business integrity</b>	SIT, contractor suppliers, business partners, employees and collaborators	Caused by the Group and directly related to its activities
	<b>Risk Management</b>	SIT	Caused by the Group
	<b>Relations with Public Institutions</b>	SIT	Caused by the Group
<b>Environmental Responsibility</b>	<b>Effluents and waste</b>	SIT contractor suppliers and business partners	Caused by the Group and directly related to its activities
	<b>Water resources</b>	SIT	Caused by the Group
	<b>Emissions</b>	SIT	Caused by the Group
	<b>Energy consumption</b>	SIT	Caused by the Group
<b>Social Responsibility</b>	<b>Product quality and safety</b>	SIT, contractor suppliers and business partners	Caused by the Group and directly related to its activities
	<b>Management and development of human resources</b>	SIT	Caused by the Group
	<b>Local community commitment</b>	SIT	Caused by the Group
	<b>Diversity, equal opportunities and non-discrimination</b>	SIT	Caused by the Group



	<b>Employee Health and Safety</b>	SIT and external workers	Caused by the Group
	<b>Responsible supply chain management</b>	SIT, contractor suppliers and business partners	Caused by the Group and directly related to its activities
	<b>Welfare and well-being</b>	SIT	Caused by the Group

## Relationship between material topics and GRI Content Index topics

Macro-area	Material topics	GRI topic	
<b>Economic performance, Governance, Risk &amp; Compliance</b>	<b>Economic performance</b>	Economic performance	
	<b>Market presence</b>	Market presence	
	<b>Corporate Governance</b>	Governance (General Aspect)	
	<b>Compliance with laws and regulations</b>	Anti-corruption, environmental compliance	
	<b>Research and Development</b>	(Not directly related)	
	<b>Ethics and business integrity</b>		Ethics and integrity (General Aspect)
			Anti-corruption
	<b>Risk Management</b>		Strategy (General Aspect)
			Organisational profile (General Aspect)
	<b>Relations with Public Institutions</b>		Organisational profile (General Aspect)
		Stakeholder engagement (General Aspect)	
<b>Environmental Responsibility</b>	<b>Effluents and waste</b>	Effluents and waste	
	<b>Water resources</b>	Water	
	<b>Emissions</b>	Emissions	
	<b>Energy consumption</b>	Energy	
<b>Social Responsibility</b>	<b>Product quality and safety</b>	Customer health and safety	
	<b>Management and development of human resources</b>	Training and education	
		Labor/Management Relations	
	<b>Local community commitment</b>	Local communities	
	<b>Diversity, equal opportunity and non-discrimination</b>	Diversity and equal opportunity	
		Non-discrimination	
	<b>Employee Health and Safety</b>	Occupational health and safety	
	<b>Responsible supply chain management</b>	Organisational profile (General Aspect)	
Procurement practices			
<b>Welfare and well-being</b>	Employment		



## GRI Content Index

SIT's 2019 Sustainability Report has been prepared in conformity with Global Reporting Initiative Standards under the "In accordance - Core" option.

The following table indicates Group data on the materiality assessment conducted according to Global Reporting Initiative Standards. The relevant page within the document is also indicated.

GRI Standard	Disclosure	Page number	Omissions
<b>GRI 102: GENERAL DISCLOSURE (2016)</b>			
<b>Organizational profile</b>			
102-1	Name of the organization	5, 94	
102-2	Activities, brands, products, and services	17-20	
102-3	Location of headquarters	94	
102-4	Location of operations	17	
102-5	Ownership and legal form	16, 32-33, 94	
102-6	Markets served	17; 20	
102-7	Scale of the organization	20, 40 Capitalization: Euro 202.56 million (at 31/12/2019)	
102-8	Information on employees and other workers	57, 58	
102-9	Supply chain	49,50	
102-10	Significant changes to the organization and its supply chain	5	
102-11	Precautionary Principle or approach	24-27	
102-12	External initiatives	21, 35-37	
102-13	Membership of associations	38-39	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	3-4	
102-15	Key impacts, risks and opportunities	24-27	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	21	
<b>Governance</b>			
102-18	Governance structure	32-33	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	29	
102-41	Collective bargaining agreements	79	
102-42	Identifying and selecting stakeholders	29	
102-43	Approach to stakeholder engagement	30	





102-44	Key topics and concerns raised	31	
<b>Reporting practices</b>			
102-45	Entities included in the consolidated financial statements	5, 16	
102-46	Defining report content and topic Boundaries	31, 84-85	
102-47	List of material topics	31	
102-48	Restatements of information	5	
102-49	Changes in reporting	5	
102-50	Reporting period	5	
102-51	Date of most recent report	5	
102-52	Reporting cycle	5	
102-53	Contact point for questions regarding the report	6	
102-54	Claims of reporting in accordance with the GRI Standards	5	
102-55	GRI content index	86-90	
102-56	External assurance	91-93	
<b>TOPIC-SPECIFIC STANDARDS</b>			
<b>GRI 200: Economic series</b>			
GRI 201: Economic Performance (2016)			
103-1	Explanation of the material topic and its Boundary	40-41, 84-85	
103-2	The management approach and its components	40-41	
103-3	Evaluation of the management approach	40-41	
201-1	Direct economic value generated and distributed	41-42	
GRI 202: Market presence (2016)			
103-1	Explanation of the material topic and its Boundary	49, 70-71, 84-85	
103-2	The management approach and its components	49, 70-71	
103-3	Evaluation of the management approach	49, 70-71	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	71	
202-2	Proportion of senior management hired from the local community	61	
GRI 204: Procurement practices (2016)			
103-1	Explanation of the material topic and its Boundary	49-50, 84-85	
103-2	The management approach and its components	49-50	
103-3	Evaluation of the management approach	49-50	
204-1	Proportion of spending on local suppliers	50	
GRI 205: Anti-corruption (2016)			
103-1	Explanation of the material topic and its Boundary	35-37, 84-85	
103-2	The management approach and its components	35-37	



103-3	Evaluation of the management approach	35-37	
205-3	Confirmed incidents of corruption and actions taken	37	
<b>GRI 300: Environmental series</b>			
<b>GRI 302: Energy (2016)</b>			
103-1	Explanation of the material topic and its Boundary	51-52, 84-85	
103-2	The management approach and its components	51-52	
103-3	Evaluation of the management approach	51-52	
302-1	Energy consumption within the organisation	52	
<b>GRI 303: Water (2016)</b>			
103-1	Explanation of the material topic and its Boundary	51, 56, 84-85	
103-2	The management approach and its components	51, 56	
103-3	Evaluation of the management approach	51, 56	
303-1	Water withdrawal by source	56	
<b>GRI 305: Emissions (2016)</b>			
103-1	Explanation of the material topic and its Boundary	51,53-54, 84-85	
103-2	The management approach and its components	51,53-54	
103-3	Evaluation of the management approach	51,53-54	
305-1	Direct (Scope 1) GHG emissions	53	
305-2	Energy indirect (Scope 2) GHG emissions	53	
305-7	Direct (Scope 1) GHG emissions	53	
<b>GRI 306: Effluents and waste (2016)</b>			
103-1	Explanation of the material topic and its Boundary	51,55-56, 84-85	
103-2	The management approach and its components	51,55-56	
103-3	Evaluation of the management approach	51,55-56	
306-2	Waste by type and disposal method	55	
<b>GRI 307: Environmental Compliance (2016)</b>			
103-1	Explanation of the material topic and its Boundary	24,35, 51, 84-85	
103-2	The management approach and its components	24,35, 51	
103-3	Evaluation of the management approach	24,35, 51	
307-1	Non-compliance with environmental laws and regulations	The Group did not receive significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations in 2019.	
<b>GRI 400: Social series</b>			
<b>GRI 401: Employment (2016)</b>			
103-1	Explanation of the material topic and its Boundary	57, 67-68, 84-85	
103-2	The management approach and its components	57, 67-68	
103-3	Evaluation of the management approach	57, 67-68	
401-1	New employee hires and employee turnover	58-60	



<b>GRI 402: Labor/Management Relations (2016)</b>			
103-1	Explanation of the material topic and its Boundary	57, 84-85	
103-2	The management approach and its components	57	
103-3	Evaluation of the management approach	57	
402-1	Minimum notice periods regarding operational changes	The minimum notice period is defined in applicable national collective bargaining agreements and legislation in the countries in which the Group operates.	
<b>GRI 403: Occupational Health and Safety (2018)</b>			
103-1	Explanation of the material topic and its Boundary	62-63, 84-85	
103-2	The management approach and its components	62-63	
103-3	Evaluation of the management approach	62-63	
403-1	Occupational health and safety management system	62	
403-2	Hazard identification, risk assessment and incident investigation	62-63	
403-3	Occupational health services	62-63	
403-4	Worker participation, consultation, and communication on occupational health and safety	63	
403-5	Worker training on occupational health and safety	63	
403-6	Promotion of worker health	62-63	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	62	
403-9	Work-related injuries	63-65	
<b>GRI 404: Training and education (2016)</b>			
103-1	Explanation of the material topic and its Boundary	68-69,84-85	
103-2	The management approach and its components	68-69	
103-3	Evaluation of the management approach	68-69	
404-1	Average hours of training per year per employee	70	
<b>GRI 405: Diversity and Equal Opportunity (2016)</b>			
103-1	Explanation of the material topic and its Boundary	31,78, 84-85	
103-2	The management approach and its components	31,79	
103-3	Evaluation of the management approach	31,78	
405-1	Diversity of governance bodies and employees	32,78	
<b>GRI 406: Non-Discrimination (2016)</b>			
103-1	Explanation of the material topic and its Boundary	78, 84-85	
103-2	The management approach and its components	78	
103-3	Evaluation of the management approach	78	



406-1	Incidents of discrimination and corrective actions taken	In 2019, the Group did not report any incidents of discriminatory practices.	
<b>GRI 413: Local Communities (2016)</b>			
103-1	Explanation of the material topic and its Boundary	81-83, 84-85	
103-2	The management approach and its components	81-83	
103-3	Evaluation of the management approach	81-83	
413-1	Operations with local community engagement, impact assessments, and development programs	83	
<b>GRI 416: Customer health and safety (2016)</b>			
103-1	Explanation of the material topic and its Boundary	43-44, 84-85	
103-2	The management approach and its components	43-44	
103-3	Evaluation of the management approach	43-44	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2019 the Group did not experience any episodes of non-compliance relating to the impacts on health and safety of products and services	
<b>Material topics not related to specific GRI standard disclosures</b>			
<b>Research and Development</b>			
103-1	Explanation of the material topic and its Boundary	45-48,84-85	
103-2	The management approach and its components	45-48	
103-3	Evaluation of the management approach	45-48	



## Independent Auditors' Report

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### INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND ART. 5 OF CONSOB REGULATION N. 20267/2018 OF JANUARY, 2018

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of SIT S.p.A. and its subsidiaries (hereinafter the "SIT Group" or "Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 26, 2020 (hereinafter the "NFS").

#### Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and *Global Reporting Initiative Sustainability Reporting Standards*" (hereinafter "GRI Standards") established in 2016 by *Global Reporting Initiative* (GRI), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

#### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1* (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Arcona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Udine Verona

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### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "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. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the SIT Group.
4. Understanding of the following matters:
  - Business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree.
  - Policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators.
  - Main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report.

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

We carried out interviews and discussions with the management of SIT S.p.A. and with the employees of SIT S.p.A., MeteRSit S.r.l., S.C. MeteRSit Romania S.r.l., S.C. SIT Romania S.r.l., SIT Manufacturing N.A. Sa de CV, SIT de Monterrey N.A. Sa de CV and we carried out limited documentary verifications, in order to gather information about the processes and procedures, which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics at the parent company's and subsidiaries' level:



- a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
- b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.

For the companies SIT S.p.A. (Montecassiano) and S.C. MeteRSit Romania S.r.l., S.C.SIT Romania S.r.l., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

#### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the SIT Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the *GRI Standards*.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Cristiano Nacchi**  
Partner

Padua, Italy  
April 10, 2020

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



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