

ENVIRONMENTAL SUSTAINABILITY

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS

WASTE MANAGEMENT

CONSCIENTIOUS USE OF WATER RESOURCES

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 behavior in terms of environmental protection, acting strictly in compliance with applicable environmental rules, in addition to the limit established by any authorizations and provisions received from the competent authorities and refraining from behavior 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 minimization of negative impacts.

One of the Group's two Rovigo facilities performs aluminum 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 Hoogeveen (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 14001:2015¹⁴. The system defines specific monitoring and control procedures, assigns clear roles and responsibilities, and guarantees active communications with stakeholders 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 accidents so as avoid or minimize any environmental impact.

14) 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 ORGANIZATION

	Unit	2019	2020
Natural gas	m ³	2,265,823	2,186,011
Diesel	l	153,037	106,296
LPG¹⁵	l	74,786	91,496
Petrol	l	83,643	71,260
Electricity acquired	kWh	26,787,938	26,874,219
Of which GO certified	kWh	852,000	614,000

ENERGY CONSUMPTION AT THE ORGANIZATION IN GJ¹⁶

	Unit	2019	2020
Natural gas	GJ	90,114	86,624
Diesel	GJ	5,826	4,038
LPG	GJ	1,911	2,389
Petrol	GJ	2,892	2,462
Electricity acquired	GJ	96,437	96,747
Total	GJ	197,180	192,259

Total energy consumption in 2020 decreased by around 2% compared to the previous year. Said decrease is equal to approx. 3% compared to 2019, net of the increase in the consumption of LPG gas (used mainly for laboratory testing activities). This decrease is the result of reduced operations due to the COVID-19 pandemic, which led to stoppages and restrictions on production activities. The following sites were particularly affected: the Rovigo facilities (two-week closure), the Romanian plant (approx. three-week closure) and the Chinese plant (two-week closure). Despite remaining operational, the Mexican plant continued to operate on a reduced basis for a few weeks. During the worst periods of the pandemic, the Group's offices and other facilities were also closed for a few days. During 2020, the combined production volumes of the Heating and Metering Divisions decreased by approximately 6%.

The company fleet's consumption of petrol and diesel also decreased significantly.

15) The consumption of LPG used for testing is estimated based on the purchase of gas tanks during the reporting year and not on actual consumption.

16) Energy consumption in GJ was calculated using the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2020 conversion coefficients. Please note that values for the 2019 financial year have been restated using the same calculation methodology to ensure comparability with the figures for 2020 [UK Government GHG Conversion Factors for Company Reporting 2019]. Please refer to our website for the 2019 Consolidated Non-Financial Statement.

Regarding Ozone Depleting Substances (ODS)¹⁷, 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. During 2020, the system was topped up with approximately 113kg and a total of 205 tCO_{2e}¹⁸. Greenhouse gas emissions decreased in 2020 following the decrease in energy consumption, as is to be expected.

DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1)¹⁹

	Unit	2019	2020
Natural gas	tCO2 eq	4,601	4,422
Diesel	tCO2 eq	397	271
LPG	tCO2 eq	114	142
Petrol	tCO2 eq	185	154
Total Scope 1	tCO2 eq	5,297	4,989

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) – LOCATION BASED²⁰

	Unit	2019	2020
Electricity acquired	tCO2	9,822	9,266
Total Scope 2 Location based	tCO2	9,822	9,266

INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2) – MARKET BASED²¹

	Unit	2019	2020
Electricity acquired from non-renewable sources	tCO2 eq	12,194	11,662
Total Scope 2 Market Based	tCO2 eq	12,194	11,662

To reduce the atmospheric impact of CO₂ produced by the Group, SIT has decided to implement measures to use energy from renewable sources.

17) Substances indicated in the United Nations Environment Programme's "Montreal Protocol on Substances that Deplete the Ozone Layer", 1987.

18) The UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2020 and 2019) were used to calculate emissions. The figure for kilos of R22 refers to the total quantity in the system and not to top-ups performed by technicians during maintenance works.

19) The UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2020 and 2019) were used to calculate Scope 1 emissions. 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.

20) For the calculation of the Scope 2 - Location Based emissions, the 2018 International Comparisons conversion factors published by Terna were utilized.

21) The European Residual Mixes 2019 (AIB Vers. 2020) conversion factors were used to calculate Scope 2 - Market-Based emissions.

In 2020, feasibility assessments were performed with regard to the energy efficiency of the system solutions included in the plans for the Group's new headquarters. At the same time, feasibility studies and preliminary projects were undertaken with regard to the installation of a new photovoltaic system on the roof of the new headquarters in Padua (works started at the end of 2020) with the aim of partially covering energy needs using self-generated clean energy.

Over the next three years, the Group plans to build plants to produce clean energy from renewable sources. In addition to the installation of a photovoltaic system with an installed capacity of approx. 1MWp at the new headquarters in Padua, the Group also intends to install a system at the Rovigo site with a capacity of approx. 2.7 GWp.

Although their impact on global warming is negligible compared to the Group's operational energy activities, the operation and maintenance of plants and equipment containing F-Gas²² is properly managed at all sites to avoid the release of emissions into the atmosphere.

The production sites that release the most pollutants into the atmosphere are located in Italy and Mexico. However, the overall situation improved considerably in Italy in 2020 compared to the previous year. This is the result of reduced operating hours at Italian sites, and in Rovigo in particular, due to reduced activities and/or the lockdown during the COVID-19 pandemic.

ITALY EMISSIONS FROM NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x) AND OTHER SIGNIFICANT AIR EMISSIONS

	Unit Kg	January 1 to December 31, 2019	January 1 to December 31, 2020
NO_x		2,463	2,365
SO_x		-	-
Persistent organic pollutants (POP)		-	-
Volatile organic compounds (VOC)		52	43
Hazardous air pollutants (HAP)		682	144
Particles (PM)		1,348	769
Other (Total Organic Carbon)		1,781	1,320

MEXICO EMISSIONS FROM NITROGEN OXIDES (NO_x), SULFUR OXIDES (SO_x) AND OTHER SIGNIFICANT AIR EMISSIONS²³

	Unit Kg	January 1 to December 31, 2019	January 1 to December 31, 2020
NO_x		1,068	1,003
SO_x		34	29
Persistent organic pollutants (POP)		-	-
Volatile organic compounds (VOC)		8	5
Hazardous air pollutants (HAP)		-	-
Particles (PM)		722	800
Other (HCT, CO, Lead)		2,351	2,677

22) Said consumption is not included in the Group's Scope 1 emissions.

23) Following improvements in the reporting system, the 2019 figures have been restated compared to those published in the previous NFS. In addition, the data on NO_x, SO_x and other emissions was calculated as follows: through direct recordings for lead, HCT, CO, and PM, and through the application of an emissions coefficient on the consumption of natural gas, petrol, LPG and diesel for NO_x and SO_x 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 METHOD²⁴

Measurement unit (t)	Hazardous		Non-hazardous		Total	
	2019	2020	2019	2020	2019	2020
Reuse	-	-	2.34	2.01	2.34	2.01
Recycling	42.11	34.77	1,431.53	595.83	1,473.64	630.60
Recovery (including energy recovery)	370.13	412.43	2,034.07	1,334.66	2,404.20	1,747.09
Incinerator	52.29	56.86	119.25	104.99	171.54	161.85
Landfill	120.92	116.10	1,267.50	1,107.51	1,388.42	1,223.62
Other	67.30	21.94	191.31	186.68	258.61	208.62
Total	652.75	642.10	5,046.00	3,331.68	5,698.75	3,973.78

The "other" item in the table includes waste that does not fall into any of the other categories included 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." In 2020, the Group decreased its overall waste production considerably, reducing the total amount of waste produced per year by approximately one fifth. A significant decrease in non-hazardous waste was recorded, in particular, which is explained by the reduced operating hours of production sites during the pandemic. The significant reduction in "other" waste with regard to hazardous waste compared to 2019 is owed to the fact that significant quantities of waste were generated while moving the workshop from Padua to Rovigo during 2019.

²⁴) The figures for 2019 have been restated following improvements to the reclassification. 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.

CONSCIENTIOUS USE OF WATER RESOURCES

At SIT and MeterSIT facilities, as well as for municipal necessities (toilets, changing rooms and canteens), water is mainly used for industrial purposes, such as production processes and the cooling of machinery and plants.

At present, the SIT Group only draws water from aqueducts and water used for municipal necessities is discharged into municipal sewers.

There are some authorized discharge points on the Montecassiano grounds, which are of little relevance as they are used to discharge condensed water from compressed air separators or cooling water from the laboratory testing chamber. These discharges flow into municipal sewers. The aforementioned wastewater is of very little relevance in terms of the quantity of water discharged and pollutants due to its type and origin.

Plant 1 in Rovigo is responsible for the majority of discharged waters used for industrial purposes in Italy, where water is sourced from the aqueduct for production processes. The water is purified by means of a chemical-physical process and is later discharged as surface water into the drain on the site grounds.

Discharged wastewater used for industrial purposes – authorized under the Rovigo 1 “Integrated Environmental Authorization” – is monitored by an independent laboratory in accordance with the monitoring and control plan (PMC) through wastewater sampling and analysis. In addition to the aforementioned checks, the treatment plant is equipped with control and management tools to ensure that the proper treatment and purification process is followed.

The water needs of the SIT plant in Mexico are met by two sources:

- the first source consists of groundwater extracted from an authorized well for use in the fire-prevention system, in toilet facilities and in the canteen for non-potable use;
- the second source consists of the purchase of purified water from third parties to meet drinking water needs and for use in specific processes requiring high-purity water.

Through analysis of its water use cycle, the Group is able to identify potential water-related impacts, assessing the quantity and quality of water from extraction to discharge, using tools such as flow meters and quality gauges, and carrying out quarterly laboratory analyses.

The volume and quality of water extracted from the well is checked on a daily basis and the findings are automatically sent to the authority, which verifies compliance with authorized levels. Through its management system, the Company has implemented an internal monitoring process for its water treatment plant to ensure compliance with discharge parameters and standards of quality.

Water at the SIT site in Romania is mainly sourced from an authorized well and via a recent connection to the aqueduct. Consumption is mainly for municipal use. Its use for production purposes is of little relevance, particularly for the valve calibration process, for which distilled water is used. Water is discharged into the sewers in all cases.

The SIT factories in the Netherlands and China meet their water needs by sourcing water from aqueducts. Water at these sites is not used in production processes. Water is only consumed for standard municipal use similar to household use and is discharged into the municipal sewers.

WATER WITHDRAWALS BY SOURCE²⁵

Water withdrawal by source	Measurement unit (megaliters)	2019		2020	
		All areas	Water stress areas	All areas	Water stress areas
Groundwater (total)		61.9	61.9	61.6	61.6
Fresh water ($\leq 1,000$ mg/l total dissolved solids)		8.6	8.6	8.5	8.5
Other water (> 1000 mg/L total dissolved solids)		53.3	53.3	53.1	53.1
Third-party water (total)		74.0	11.4	64.9	6.6
Fresh water ($\leq 1,000$ mg/l total dissolved solids) of which		74.0	5.7	64.9	6.6
Surface water		-	2.2	-	1.4
Groundwater		-	3.5	-	4.8
Process water		-	-	-	0.4
Total Water withdrawal		135.9	67.6	126.5	68.2

As regards water withdrawal, a fault with a meter on the sampling line at the Italian 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 consumption for 2019, adding the consumption from the Padua office (transferred to Rovigo in late 2018) from March 2019 onward. The overall Group figures for 2020 reveal a general decrease in water consumption, which is owed to reduced industrial needs following the shutdown and/or limiting of operations due to the COVID-19 pandemic.

In addition, it is worth highlighting that several²⁶ Group sites are located in areas of the world with high or very high water stress levels (further information about the situation can be found at <https://www.wri.org/aqueduct>). Nevertheless, areas considered to be water stressed record remarkably low water consumption levels. The Rovigo plant records the highest water demand and consumption levels due to its use in production processes (Rovigo 1 in particular), however, the plant is located in an area with a medium-low level of water stress risk.

Sustainability objectives

The "Environmental Sustainability" objectives are set out below. These commitments have been updated depending on their achievement during 2020. Some sustainability objectives had to be extended due to COVID-19. Finally, objectives achieved in previous years are not listed. Please refer to the 2019 Non-Financial Statement for more information.

²⁵ In the absence of specific information, the source of third-party withdrawals has been estimated based on the country.

²⁶ The sites considered to suffer from (high or extremely high) levels of water stress are: Montecassiano, Monterrey, Brasov, and Shozou.

AREA: ENVIRONMENTAL SUSTAINABILITY**TOPIC: REDUCTIONS IN EMISSIONS OF HAZARDOUS AND ENVIRONMENT-IMPACTING SUBSTANCES**

At all Group plants: conduct a feasibility study 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.

OBJECTIVE

Strengthening of the chemical-physical purifier for industrial wastewater at the Rovigo 1 plant.

DEADLINE

2020 to 2021

Deadline extended due to COVID-19
(see progress status)

PROJECT PROGRESS

Enhancements scheduled to be completed in 2020 due to the COVID-19 pandemic – which delayed the delivery of materials – will be made in 2021 following an assessment of the plant's purification potential and efficiency in 2019.

OBJECTIVE

Completion of feasibility studies in remaining Group plants for actions to reduce the uses and emissions of hazardous and environment-impacting substances.

DEADLINE

In 2020-2021

PROJECT PROGRESS

SIT China: a dedicated warehouse for storing chemical substances and waste was built in 2019. In 2020, new shelving was installed to improve storage capacity and the proper handling of chemicals. In particular, an area within the same warehouse was converted for the separate storage and management of lamps ready for disposal. In addition, a specialized company has been contracted to guarantee the proper disposal of chemical waste in 2020.

SIT Mexico: during an internal review, the installation of suction filters to clear oil mists generated by machines and equipment in work areas was evaluated, thus reducing the quantity of oil used, the indirect and widespread release of oils into the atmosphere, and decreasing the consequent generation of cleaning-related waste. In addition, plans are underway to gradually replace all cooling and air-conditioning units on site that currently contain ozone-depleting refrigerants.

SIT Montecassiano (Italy): in 2020, the surface area of the oven extraction hood was increased to improve the effectiveness of emissions extractions, ensuring improved conveyance to the stack abatement system, thereby preventing the potential release of emissions into the environment outside the work premises.

OBJECTIVE

Feasibility studies and possible implementation of separate waste collection at all Group sites.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

Separate waste collection has been implemented at all Group plants in Italy. Separate waste collection is performed by our subsidiaries in Mexico (although local utilities companies have yet to arrange collection), the Netherlands, Australia and Romania (only for production materials, but also planned for offices).

Although not yet implemented by the local authorities, separate waste collection is being rolled out in the production areas, offices and canteen at the SIT China plant in 2021.

OBJECTIVE²⁷

Study and identification of potential measures to reduce waste generation during production activities at the Rovigo 1 and Mexico sites.

DEADLINE

2020-2022

PROJECT PROGRESS

A feasibility study was undertaken at the Rovigo 1 plant to assess the possibility of recovering the oil used during production processes as it is usually disposed of due to water contamination.

Once feasibility has been confirmed, a high-speed centrifuge system will be installed in 2021 to separate water from oil by exploiting the difference in weight.

The project will allow the Group to recover approx. 35,000 liters of oil and to reduce waste by an equivalent amount.

Waste reduction projects have been researched and are currently being implemented at the SIT plant in Mexico. In particular:

- packaging with reusable and returnable plastic trays has been adopted for a leading product (Delta valve) in agreement with the customer. These trays – which provide an alternative to current 'disposable' cardboard boxes – significantly reduce the amount of cardboard packaging, which is disposed of at the customer's premises.
- the installation of suction filters in 2020 to extract oil mists generated by machines in the machining departments will improve working conditions and allow oil recovered from the filters to be reused.
- during 2020, changes were made to the leaflets/instruction manuals supplied with gas conversion kits. Thinner, smaller sheets of paper (compared to the previous A4 size) are being used instead. This change will result in a 50% reduction in the use of paper.

OBJECTIVE²⁸

Minimize the impact of CO2 produced by the Group by evaluating and identifying actions to improve energy efficiency and the use of renewable energy technologies to self-generate clean energy.

DEADLINE

2021-2023

PROJECT PROGRESS

SIT has decided to use energy from renewable sources to minimize the impact of CO2 produced by Group activities.

During 2020, feasibility assessments with regard to improving energy efficiency through system solutions were carried out while designing the new headquarters. At the same time, feasibility studies and preliminary projects were undertaken with regard to the installation of a new photovoltaic system on the roof of the new headquarters in Padua (work began at the end of 2020) with the aim of partially covering energy needs using self-generated clean energy.

Over the next three years, the Group plans to build plants to produce clean energy from renewable sources. In addition to the installation of solar panels with an installed capacity of approx. 1MWp at the new headquarters in Padua, the Group also intends to install a system at the Rovigo site with a capacity of approx. 2.7 GWp.

²⁷⁾ New objective.

²⁸⁾ New objective.