



SUSTAINABILITY REPORT



CONSOLIDATED NON-FINANCIAL STATEMENT 2020
(IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 254/2016)

"Thank you to everyone who, despite the difficulties of the past year, put their faith in SIT, and in particular for everything that we have achieved and for the future that we will build together"

Federico de' Stefani

Chairman & Chief Executive Officer
SIT S.p.A.



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LETTER TO THE STAKEHOLDERS



Dear Stakeholders,

2020 was the year of the pandemic, a medical emergency that has affected us all. As citizens, as people, as businesses.

For SIT, despite the effects of the pandemic, the year was defined by our exceptional response to the emergency, a response that further strengthened our team. The economic and financial results approved by the Board of Directors on March 29 are testament to this. *The two key numbers that summarize our 2020 are:*

- Consolidated revenues of Euro 320.7 million (-8.9% on 2019);
- Consolidated net profit of Euro 13.2 million (4.1% of consolidated revenues).

SIT's share price performed well in the second half of the year, confirming the value of SIT's work and the ability of its team to execute its strategy. This is an ability which is not yet reflected in share performance.

During times of great difficulty and uncertainty we have stood strong, resolving problems quickly, rapidly identifying solutions, and at all times protecting the health of our staff and the jobs of everybody involved in the Company. We took immediate action to manage the situation and, through a willingness to adapt, make sacrifices and be humble, while simultaneously ensuring that strategic initiatives were implemented without delay, we have managed to deliver to all our stakeholders what I consider to be a successful 2020, both in terms of the results achieved and the projects carried out. Among these, I would like to highlight the launch of business sites dedicated to reducing our carbon footprint, our ongoing support for local communities, and the renewal of our Code of Ethics in the pursuit of ever greater sustainability.

For a number of years we have been engaged in a process to raise awareness of ESG issues and to monitor the environmental, social and economic impacts generated by our work, all with a view to continuous improvement.

Sustainability is part of our mission and vision, but was already in the DNA of SIT Precisa when it was founded in 1953. It's a principle that we have extended to the entire company and integrated into business decisions and growth strategies.

I am convinced that the ability to generate value should be assessed over the long term. In this regard I am in full agreement with Larry Fink, Blackrock CEO, who says:

"There is no company whose business model won't be profoundly affected by the transition to a net zero economy. The objective is to achieve an economy that emits no more carbon dioxide than it removes from the atmosphere by 2050, the scientifically established threshold necessary to keep global warming well below 2°C. As the transition accelerates, companies with a well-articulated long-term strategy, and a clear plan to address the transition to net zero, will distinguish themselves with their stakeholders – with customers, policymakers, employees and shareholders – by inspiring confidence that they can navigate this global transformation. But companies that are not quickly preparing themselves will see their businesses and valuations suffer, as these same stakeholders lose confidence that those companies can adapt their business models to the dramatic changes that are coming."

As people, as citizens and as businesses we have a duty to play an active part in the biggest challenge of our times: the energy and ecological transition. SIT wants to play a leading role in this challenge, strengthened by a mission aligned with a sustainable vision for the company, and with a business model that will continue to place increasing emphasis on green issues. Against this backdrop we have begun numerous collaborations with leading institutions, universities and trade associations. Together we are defining the near future for the use of alternative gases in domestic use. Hydrogen, in particular, is a leading driver of development. In this area, SIT is working alongside the most significant multinational firms, those for whom we have always been strategic suppliers.

Water, by definition a scarce resource, has become a fundamental part of our sustainable development strategy in the "metering" segment. Through Janz, the Portuguese company that became part of the Group in late 2020, and exploiting MeteRSit's expertise in the smart meter sector, we are preparing to enter the water market, with a view to creating value and protecting natural resources through our ability to provide accurate measurements and data transmission.

SIT is part of the world, and pays close attention to what happens in it. We have put this in black and white in our mission and our vision. These set out our commitment, which I would like to reiterate, to making the world a more sustainable place through our work.

Federico de' Stefani

Presidente e Amministratore Delegato
SIT S.p.A.



METHODOLOGICAL NOTE

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 Legislative Decree No. 254/16 (hereinafter also the "Decree"). The NFS aims to transparently describe the initiatives and main results achieved in terms of sustainability performance during the 2020 financial year (from January 1 to December 31). As envisaged by Article 5, Paragraph 1, Letter B of Legislative Decree No. 254/16, this document is a separate report containing specific wording.

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 Report has been prepared in accordance with the GRI Standards: Core option. Furthermore, the Group has adopted the most recent version (2018) of the GRI 403 (Occupational Health and Safety) and GRI 303 (Water and Effluents) standards and the 2019 version of the GRI 207 (Tax) standard. In addition, for the preparation of this document reference was also made to the European Commission's guidelines on non-financial reporting. Annexed to this document there is the "GRI Content Index", which details the contents reported in accordance with the GRI Standards.

The reporting scope for this document is the same as for the SIT Consolidated Annual Financial Report at December 31, 2020.

The following Group companies have not been included in the scope of this document with regard to environmental and social data and information, except as may be specified in individual sections:

- Plast Alfin S.a.r.l.,
a Tunisian company acquired in July 2020;
- SIT Controls Tunisia S.u.a.r.l.,
company founded in November 2020;
- Janz Contagem e Gestão de Fluidos S.A.,
a Portuguese company acquired in December 2020
and its Spanish subsidiary Conthidra s.l.

In order to facilitate Group data comparability and performance assessments over time, comparisons are made where possible with the 2019 reporting year. The document also includes information relating to previous reporting years still applicable at December 31, 2020. 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 statistical surveys.

SIT's improvement commitments and ESG sustainability goals for 2019-2021 – disclosed for the first time in the 2019 Non-Financial Statement – are set out in the respective chapters of this Non-Financial Statement.

This document lists the progress of these commitments, which have either been postponed due to COVID-19, successfully achieved within the above-mentioned time frame, modified, or integrated to be achieved by the end of 2021.

Improvement commitments achieved in 2019 and in previous years are not reported in this document. For the latter, please refer to the 2019 Non-Financial Statement.

This Sustainability Report was approved by the Board of Directors of SIT S.p.A on March 29, 2021 and was subject to limited assurance ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) by Deloitte & Touche S.p.A. The audit was carried out according to the procedures indicated in the "Independent Auditors' Report", included in this document.

The Non-Financial Statement will be published annually.

Last year's Non-Financial Statement was published on the Group's website in April 2020.

The Sustainability Report is also available on SIT's website (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.



SUSTAINABILITY FOR SIT

APPROACH TO SUSTAINABILITY
SIT "GREEN PAPER"
SIT AND COVID-19 EMERGENCY MANAGEMENT
CLIMATE CHANGE AND THE ROLE OF SIT

SIT is aware of the growing importance of sustainability topics around the world and made a commitment in 2018 to monitor the environmental, social and economic impacts of its business activities, with a view to continuous improvement.

The objective is to pursue a business model that generates value for stakeholders across the board, combining operating performance with social and environmental sustainability objectives, while also promoting ethics and integrity and guaranteeing a focus on human resources and the wider community in general.

APPROACH TO SUSTAINABILITY

Through the Non-Financial Statement (Sustainability Report), SIT intends to make its stakeholders aware of its commitment to defining and achieving certain economic, social and environmental sustainability objectives.

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 2020, SIT confirmed the most pertinent stakeholder categories identified in 2018, and updated the material topics for the Group.

The update was also carried out through stakeholder engagement activities, allowing SIT to define a new materiality matrix for the topics and expectations most relevant to the Group and to the stakeholders respectively.

The results of this materiality analysis were approved by the Board of Directors on November 5, 2020.

During 2020, the Group further strengthened its "culture of sustainability" (see the relevant paragraph), leading to the definition of a Green Paper, with activities coming to an end upon publication of this statement, which represents the manifesto for SIT's strategic approach to sustainability.

Through a process involving all company departments and starting from its mission and associated values, SIT has defined the "key drivers" of its 2021 - 2025 Strategic Business Plan in full harmony with its "sustainability pillars", which represent the main points of focus for the Company's commitment to ESG topics in the years to come.

"EnjoyTheJourney"

Mission

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



STAKEHOLDER



SIT AND COVID-19 EMERGENCY MANAGEMENT

2020 was characterized by the emergence of the COVID-19 emergency, to which the Group reacted by putting in place a series of measures to ensure that business continued as normal, and simultaneously to guarantee the occupational health and safety of all its staff and collaborators.

Since the Prime Ministerial Decree of March 22, 2020 came into force, the Parent Company has complied with its provisions. These include the cessation of all non-essential production in Italy. Such restrictions were also adopted by other countries, leading to slowdowns and/or temporary suspensions to production.

From April 14, 2020, all operations at the Italian facilities gradually restarted, while ensuring compliance with the applicable safety and hygiene rules. Remote working was in addition extended to the support functions to ensure the continuity of work, while protecting the health of personnel. The other Group production facilities simultaneously ensured a gradual restart to operations, which eventually recovered to normal levels.

The Group succeeded in partially containing the impacts of the pandemic on company performance by adopting these measures. Despite the significant drop in sales in the first half of 2020, research and development activities continued - particularly in the Metering division, which, as described in more detail in the research and development section of this document, has achieved product certification for the UK market.

In this uncertain environment, the Group adopted a series of measures to offset the impact on operating results, adjusting result targets and rescheduling the launch of new projects and non-strategic investment initiatives.

Tax support and benefit measures - which have particularly been introduced by the Italian State - were also utilized. They include the Temporary Lay-off Scheme, the IRAP write-off and the tax reductions applicable as per the relevant regulation issued in 2020. In addition, new bank loans were prudently taken out to cover liquidity risk, which was then substantially eliminated.

As a testament to its COVID-related commitments and achievements, on September 24, 2020, SIT received the Unsung Hero Award from Lochinvar LLC/AO Smith Company, a major US customer.

CLIMATE CHANGE AND THE ROLE OF SIT

Climate change is transforming the world we live in. In the past two decades we have lived through 18 of the hottest years on record. These have also led to an increase in natural catastrophes, including drought, vast forest fires, ever more frequent heatwaves, and flooding in urban and agricultural areas across the planet. These events are growing both in frequency and in intensity, and as they do they emphasize the urgency of the problem we face.

The scientific world, starting with the United Nation's Intergovernmental Panel on Climate Change (IPCC), is all-but unanimous in its message that rapid, immediate action is needed. The next ten years will be crucial in the efforts to reverse these trends. These efforts begin with reducing emissions of anthropic and greenhouse gases (GHG), which, as they build up in the atmosphere, are the main cause of climate change. Limiting global warming to 1.5 degrees will be vital in avoiding dramatic consequences for both life in general and the economic world.

The SIT Group operates in a sector in which sustainability, especially environmental sustainability, play a fundamental role. As a strategic supplier for the leading operators in the energy, utilities and alternative energy resource sectors – areas that are central in combatting climate change and developing good practices in pursuit of a circular economy – SIT is active in improving the efficiency of natural resources, lowering carbon dioxide levels (decarbonization), and investing in carbon-neutral solutions.

In order to make the world of heating environmentally smart, for example, SIT's products are already bio-ready or compatible with alternative and green gases like biomethane, in line with the European Union's New Green Deal objective to decarbonize the economy and cut polluting emissions by at least 50-55% by 2030.

SIT's vision is to be recognized as a leader in the creation of intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. As such, we have begun significant partnerships and collaborations (above all our participation in the European Clean Hydrogen Alliance) which have placed SIT among the foremost companies in hydrogen experimentation, which aims to use the gas both in residential heating (hydrogen boilers) and smart metering. This is a commitment that affects the entire supply chain: from our suppliers and customers, to final consumers. Investors and consumers across the board are demanding that companies increase their sustainability focus to create long-term value for the whole supply chain and the socioeconomic context in which it operates.

Sustainability takes on even greater importance for listed companies like SIT, which has opted to place particular emphasis on the issue in anticipation of global sustainability trends.

This was the logic behind our entry into the water market. Forecasts suggest that water will become increasingly scarce in the next few decades, and SIT's move into the market will see it play an active role in the energy transition process. SIT has identified the sector as one in which its expertise in accurate consumption measurement can be applied to increase water use efficiency and create awareness of the topic, thanks in part to its participation in the Value of Water Community promoted by The European House - Ambrosetti.

Responding to the need to increase focus on the climate, and as required by the Paris Agreement, in December 2020 the European Council issued new objectives for 2030, setting a goal of a 55% reduction in emissions.

The European Union, through measures including the Green New Deal and the Next Generation EU, aims to encourage increased attention on the climate through the following drivers:

- Stimulate sustainable economic growth;
- Create jobs;
- Create real benefits, both in health and environmental terms, for European citizens;
- Contribute to Europe's long-term competitiveness by promoting innovation in green technologies.

In late 2020, the leading European countries agreed that 30% of the total European Union 2021-2027 and Next Generation EU budget would be dedicated to achieving climate goals.

SIT directs, and will continue to direct, resources, expertise and passion to an innovation and development roadmap that is clearly defined, built on solid values, and based a long-term strategy in which sustainability forms an integral part of organizational culture and business decisions.



GROUP PROFILE

GLOBAL PRESENCE
2020 HIGHLIGHTS
SIT'S MISSION, VISION AND VALUES
HISTORY

SIT, through its two divisions Heating and Smart Metering, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world.

A market-leading multinational company, listed on the MTA segment of Borsa Italiana, SIT aims to be the number one sustainable partner for energy and climate control solutions for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles.



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 more than two thousand direct employees across 8 production plants¹, one logistics hub and 27 sales offices in Europe, America, Asia and Australia (15 sales offices including JANZ, and 12 commercial agents or distributors), over 60% of whom are employed outside of Italy.

Production and applied research facilities are located in Italy (in Padua, Milan, Rovigo and Montecassiano), the Netherlands (Hoogeveen), Romania (Brasov), Portugal (Lisbon), Tunisia (Tunis), 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.

1) The number of production sites here differs from the number given in the Consolidated Financial Statements. This is because that report adopted a name-based approach, and therefore considers the production site in Romania both for SIT Romania and for MeteRSit Romania.

SIT is 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.

It pursues the following objectives with regard to its production activities:

- compliance with all environmental laws and regulations;
- prevention of all forms of pollution;
- continuous improvements to reduce its environmental impact to a level that corresponds to the most financially sustainable application of the best available technology.

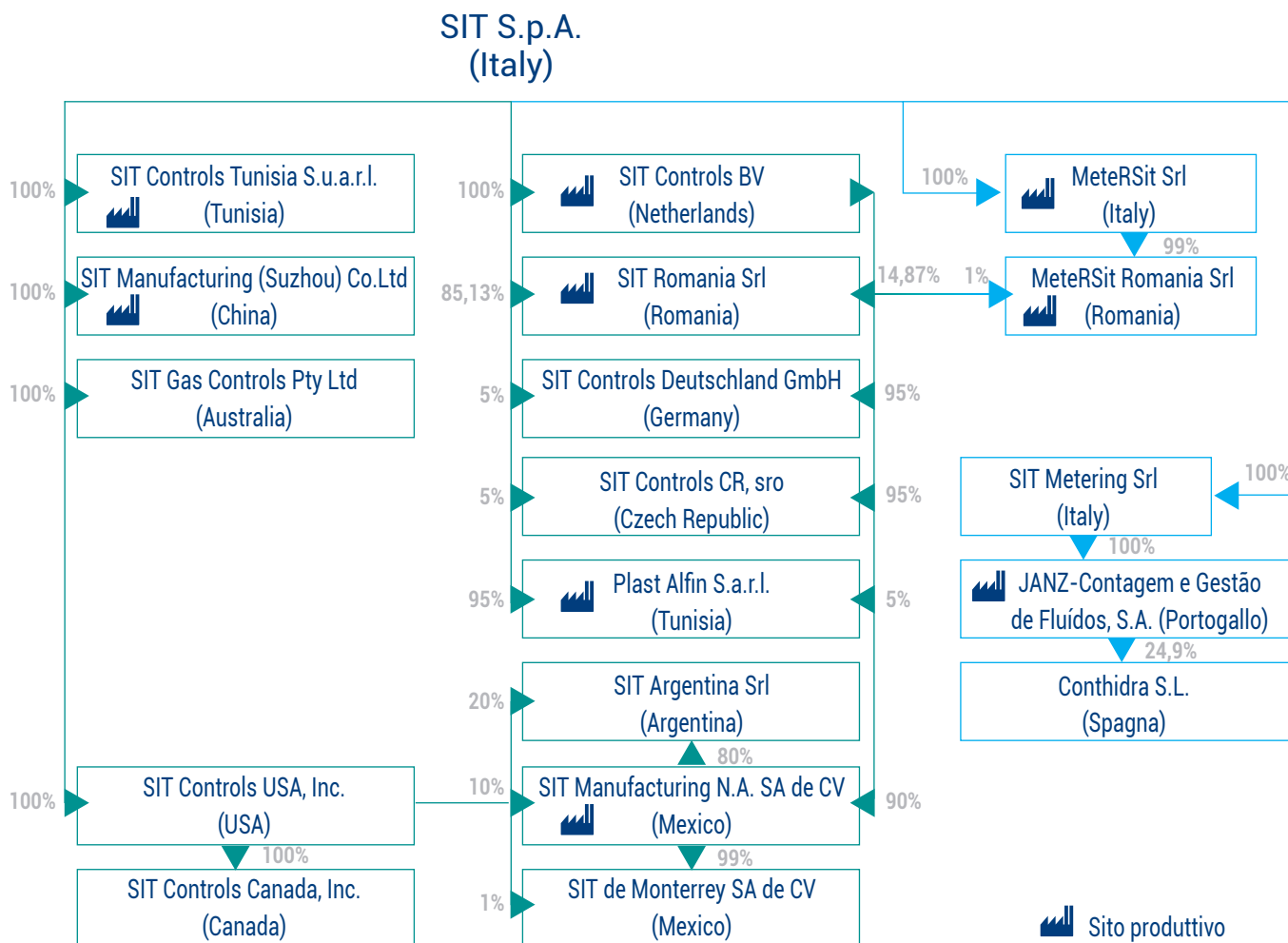
As of December 31, 2020, the Group comprises the Parent Company SIT S.p.A. and its direct and indirect subsidiaries.

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 organization of production processes.

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.

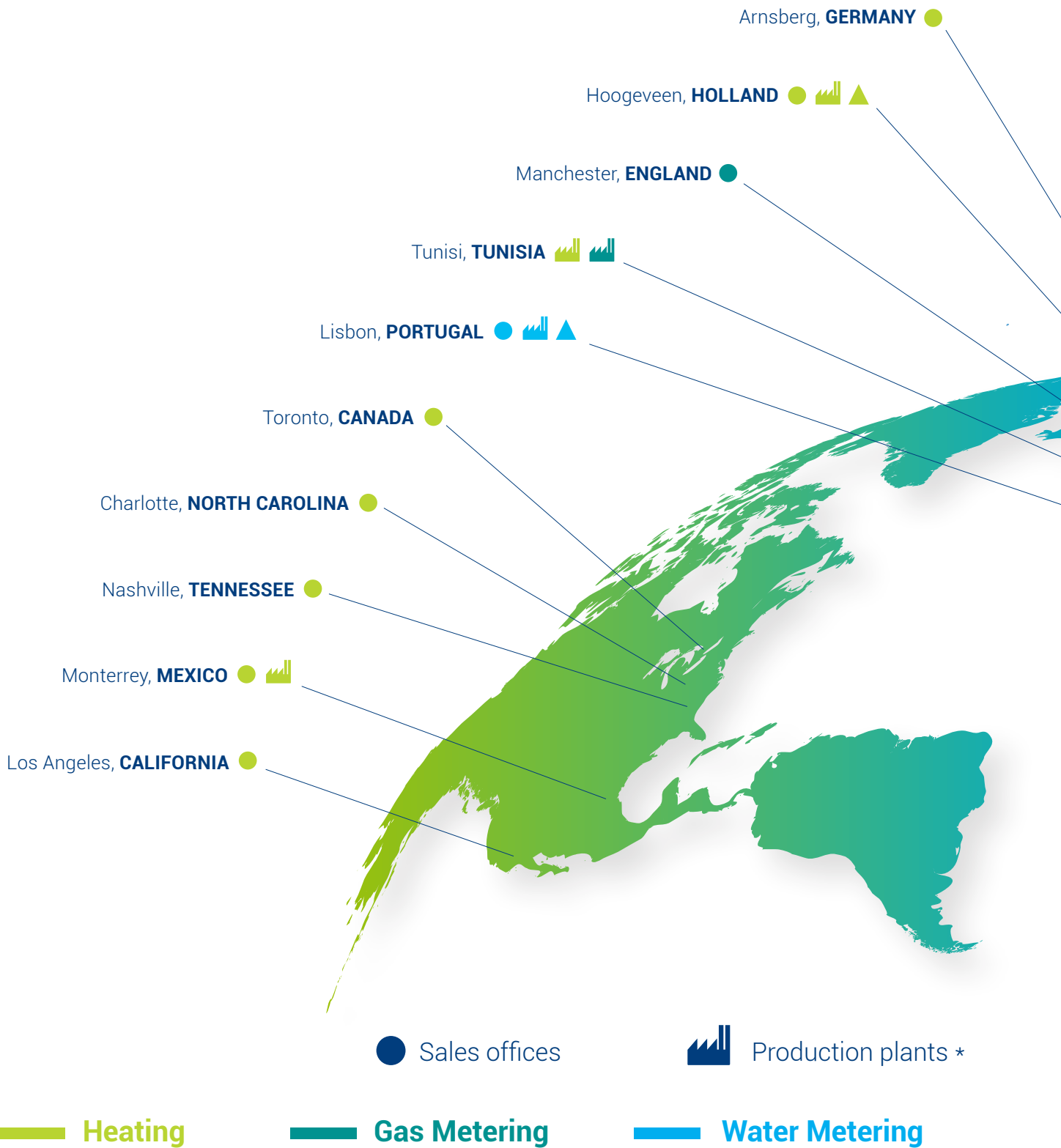
Divisione Heating

Divisione Metering



SIT Group structure at December 31, 2020

GLOBAL PRESENCE²



* The number of production sites here differs from the number given in the Consolidated Financial Statements. This is because that report adopted a name-based approach, and therefore considers the production site in Romania both for SIT Romania and for MeterSIT Romania.

2) Agents and distributors are not considered within the scope of the data and information in this document.



SIT OPERATES THROUGH TWO BUSINESS DIVISIONS

Specialized 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

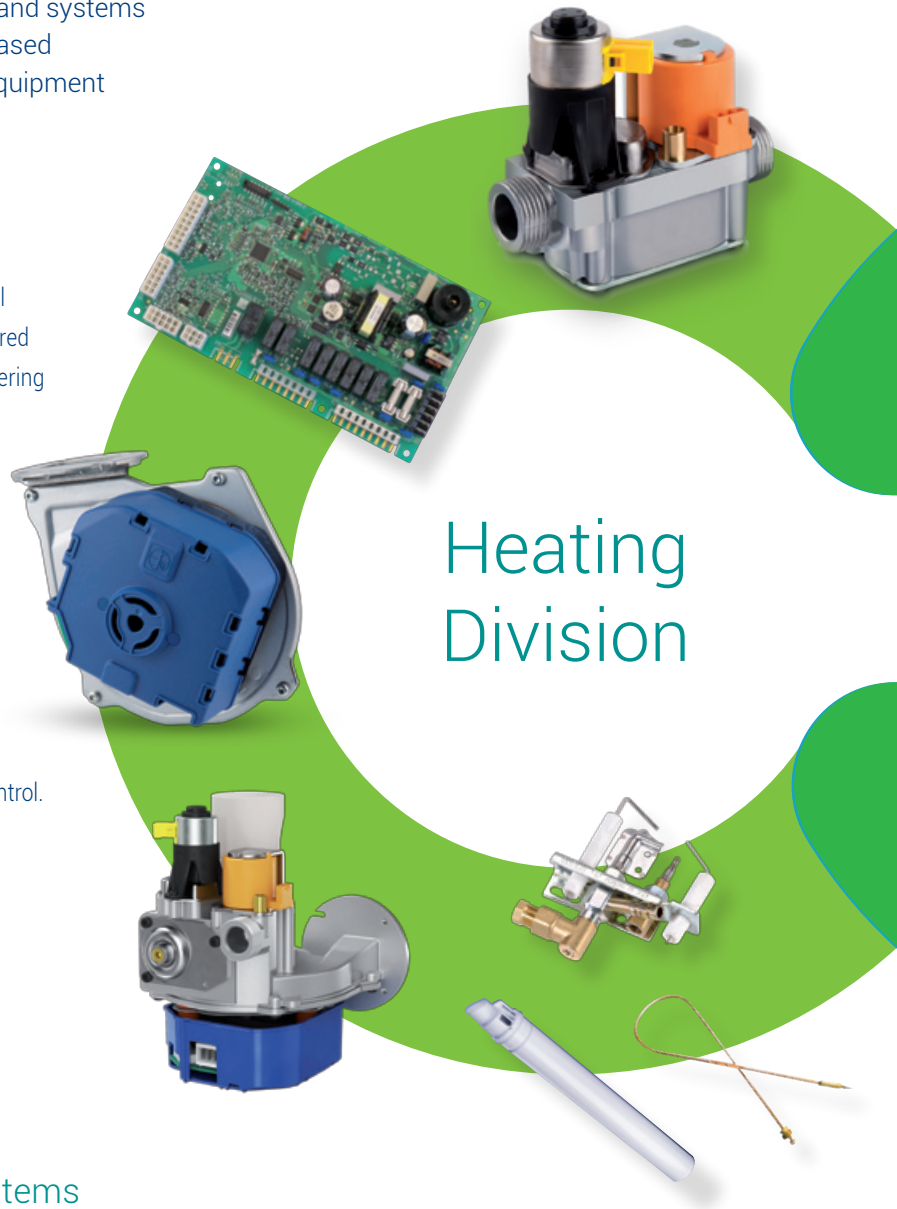
Horizontal and vertical flue systems, extensions, bends of various angles, and adapters.

Atmosphere analyzer 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.



Heating
Division



Smart Metering Division



Residential gas meters/ Industrial & commercial gas meters

MeterRSit specializes in the development, production and distribution of smart, 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 improve consumption awareness and allow end customers to optimize 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 m³ standard.

Residential volumetric mechanical water meters

JANZ (acquired in 2020) is a well-established European company that manufactures and markets residential mechanical volumetric water meters, thereby excelling in volumetric metrology technology, with which it equips its own meters and those of major industry players. Conhidra S. L. (Gines), a Spanish subsidiary that distributes high-tech, high-quality water meters.

MARKET APPLICATION:

DOMESTIC APPLIANCES:

Boilers	Fireplaces
Water heaters	Space heaters
Instantaneous	Pellet stoves
Water heaters	

PROFESSIONAL COOKING AND CATERING

Commercial ovens
Fryers
Hoods

SMART GRIDS

2020 HIGHLIGHTS

320,7 M€

REVENUES

24,6

MILLION PRODUCTS

2.125

EMPLOYEES

11,2 M€*

INVESTMENTS IN R&D
(3.5% OF REVENUES)

65

COUNTRIES SERVED
COMMERCIALY

8

PRODUCTION PLANTS

74

PATENTS GRANTED**

1

LOGISTICS HUB

61%

FEMALE PERSONNEL

* The figure 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

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, SIT has redefined 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 recognized as the leading sustainable partner for energy and climate control solutions (and to enjoy the journey!)"

Values

CUSTOMER ORIENTATION

Fulfilling and exceeding customer expectations is the goal of every member of SIT. Whether external or internal, the customer is our compass

SUSTAINABILITY

A sustainable company for stakeholders.
Sustainable products for the environment.
A sustainable work-life balance for employees

LEAD BY EXAMPLE

SIT is a leader in the markets where it operates. Our staff are courageous and confident and lead by example in every aspect of their day-to-day work

TECHNOLOGY

We're experts in technology and are always looking ahead, supporting our customers with state-of-the-art solutions and stimulating innovation through collaboration

LEAN

No frills. We act quickly and never miss a deadline. We deliver "on time and in full"

PASSION

Passionate commitment is part of daily life at every organizational level. Accountability and engagement are rewarded, while mistakes provide opportunities for growth

Every day, the company carries out its activities and pursues its goals with these guiding values always in mind. These six values are reflected in the various key documents comprising the Group's social responsibility tools: the Code of Ethics, the Code of Basic Working Conditions, the Code of Non-Discrimination and Diversity, and the Code of Conduct for Third-Party Suppliers and 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.



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.



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 Hoogveen production site in the Netherlands.



2012

New production plant in Suzhou, China.



2017

July 20: SIT joins AIM Italia in a business combination with the SPAC³ INDSTARS 2 through the merger by incorporation of INDSTARS 2 into SIT, and the subsequent listing of SIT ordinary shares and warrants.



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.



2020

July: SIT acquires 100% of the Tunisian company Plast Alfin, a supplier of plastic components for the Group.

³) Special Purpose Acquisition Company.



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.



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.



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.



2020

November: SIT incorporates the Tunisian company SIT Controls Tunisia. With this transaction, SIT achieves its goal of establishing a production hub in Tunisia, with the creation and progressive expansion of two factories that will handle production for both Group divisions.
SIT incorporates SIT Metering S.r.l. under Italian law.



2020

December: Through its subsidiary SIT Metering S.r.l., SIT completes the acquisition of the Portuguese company JANZ, which manufactures and sells water meters. This transaction is part of a corporate reshuffling project that will see SIT set up an industrial metering hub to oversee the gas and water meter sectors through the Company Sit Metering S.r.l.

STAKEHOLDERS, MATERIAL TOPICS, IMPROVEMENT COMMITMENTS

STAKEHOLDER ENGAGEMENT
MATERIALITY ANALYSIS

STAKEHOLDER ENGAGEMENT

Above all, a rigorous sustainability strategy requires the identification of stakeholders and their relevance. To this end, SIT identified a list of stakeholders by taking into account the various business sectors and socioeconomic contexts of the countries in which it operates. Benchmarking analysis was subsequently performed with a number of companies operating in the same industrial sector.

The following relevant stakeholders have been identified:



Following identification of the stakeholders, SIT proceeded to rank them according to their dependence and influence on the Group.

SIT engages its stakeholders in a multitude of ways, through several activities, with the ultimate aim of assessing and meeting their expectations.

The main stakeholder engagement methods are outlined below:

STAKEHOLDERS	ENGAGEMENT ACTIVITIES
Shareholders, investors and lenders	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)
Customers	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.
Governments, public administrations, institutions and regulators	Discussion meetings with representatives of local institutions; Participation in regulatory committees at a European and national level.
Trade associations	Participation in rules committees, seminars, conferences; Discussions on market trends and emerging needs.
Universities and research centers	Collaborations on innovation projects and research into new materials; Internships for students.
Suppliers, subcontractors and commercial partners	Periodic meetings; Quality audits and assessments.
Local community and society	Participation in events promoted by local associations; Projects supporting social initiatives.
Employees and collaborators	New hire insertion program; 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 programs during the staff recruitment process; Implementation of digital transformation policies; Company intranet; In-house magazine (SIT&Talk) to promote internal communications; Engagement initiatives for continuous improvements to the work environment (e.g. 5S method); Welfare plans; Company events.
Trade Unions	Meetings for the presentation of business plans and joint reviews, and for the stipulation of new agreements.
Media	Institutional website; Media invitations to public events organized by the Group (e.g. inaugurations, anniversaries); Press releases.

MATERIALITY ANALYSIS

In 2020, SIT initiated and concluded the process of updating its materiality analysis to identify relevant sustainability topics for the Group and its stakeholders, which are disclosed in the Non-Financial Statement.

Discussed and approved by the SIT S.p.A Board of Directors on November 5, 2020, said analysis had previously been carried out in 2018, as a preliminary step in the preparation of the first Group NFS.

The updated analysis was conducted in accordance with the provisions of Legislative Decree No. 254/16 and the European Commission guidelines. SIT took into account best industry practices and carried out benchmark analyses on reports from various companies to support its findings.

Analysis involved (i) the identification of Stakeholders, (ii) their classification in terms of importance, and (iii) the identification of relevant topics in three macro-categories:

- Economic performance, governance, risk & compliance
- Environmental responsibility;
- Social responsibility;

While adopting a continuous improvement approach and taking into account the reasonable expectations and interests of its stakeholders, the Company made the decision to involve two stakeholder categories in its evaluation and analysis process: customers and employees.

To this end, two major customers were interviewed (one in the Heating Division and one in the Metering Division) as well as a number of employees operating at different levels (blue- and white-collar workers, middle management, and Executives).

A score was assigned to each topic based on the updated assessment of material topics (both for the Company and its stakeholders), leading to the definition of a new materiality matrix.

Four new material topics emerged from the materiality analysis.

1. A culture of sustainability;
2. Circular Economy and Responsible Innovation, which have been grouped together with the Research and Development topic;
3. Customer satisfaction;
4. Labor/Management Relations.

Below is an updated list of topics resulting from the 2020 materiality analysis:



Financial performance

Research and Development,
Circular Economy and
Responsible Innovation

Market presence

Ethics and business integrity

Customer satisfaction

Corporate Governance

Risk Management

Compliance with laws and
regulations

Relations with Public Institutions

Effluents and waste

Water resources

Emissions

Energy consumption

Product quality and safety

Diversity, equal opportunity and
non-discrimination

Management and development
of human resources

Labor/Management Relations

Employee health and safety

Responsible supply chain
management

Culture of sustainability

Local community commitment

Welfare and well-being

GOVERNANCE, RISK & REGULATORY COMPLIANCE

CORPORATE GOVERNANCE
RISK MANAGEMENT
ETHICS, BUSINESS INTEGRITY AND REGULATORY COMPLIANCE
RELATIONS WITH PUBLIC INSTITUTIONS

CORPORATE GOVERNANCE

The organizational 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 May 6, 2020, and will remain in office until the approval of the 2022 Annual Accounts. Therefore, at December 31, 2020, the Board of Directors was composed as follows:

NAME	ROLE	INDEPENDENT (ARTICLE 148 PARA. 3)
Federico de' Stefani	Chairman & Chief Executive Officer	
Chiara de' Stefani	Director	
Attilio Francesco Arietti	Director	
Fabio Buttignon	Director	X
Bettina Campedelli	Director	X
Carlo Malacarne	Director	X
Lorenza Morandini	Director	X

MEMBERS OF THE BOARD OF DIRECTORS (%)

Age	<30		30-50		>50	
	2019	2020	2019	2020	2019	2020
	-	-	11.1%	14.29%	88.9%	85.71%

Gender	Male		Female	
	2019	2020	2019	2020
	77.8%	57.14%	22.2%	42.86%

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 program, along with further study into critical and strategic issues and the in-depth analysis of technological, product and competition topics.

In January 2020, the Italian Corporate Governance Committee approved the new Corporate Governance Code, which will replace the previous Corporate Governance Code on January 1, 2021. At the date of this statement, the Company has already started to implement the necessary measures to comply with the aforementioned new regulations.

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 reports and non-financial statements as per Legislative Decree No. 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.
- 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.

On May 6, 2020, the Board of Directors appointed an Advisory Board with the aim of providing the Board with ongoing strategic advice, to which it reports directly.

In line with the best practices that are emerging among leading listed companies in a range of sectors, the Advisory Board is composed of three members external to the Board and to the Company's current senior management team. The members of the Advisory Board – who have a good international reputation and can bring a strategic vision and specialist knowledge to the Board – were chosen from a pool of well-established managers with relevant experience and professionalism in the market of reference and in the strategic consultancy sector.

The Board of Statutory Auditors

The current Board of Statutory Auditors, consisting of three Statutory Auditors and two Alternate Auditors, was appointed by the SIT S.p.A. Ordinary Shareholders' Meeting of May 6, 2020.

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 analyzed.
- **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. This is easily recognizable and accessible, and includes all the information required to ensure that the investment community is informed in the execution of its rights.

RISK MANAGEMENT

In 2020, SIT continued to develop its Enterprise Risk Management process, which was implemented in 2019 and forms an integral part of its Internal Control and Risk Management System. Specifically, in H1 2020 a follow-up risk assessment that began the previous year was carried out within the Metering Division. In the second half of 2020, a new risk assessment was conducted in the Heating Division.

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.

During 2020, the Enterprise Risk Management activities carried out by all primary company departments were overseen and coordinated by the Group's Governance & Legal Department and were complementary to those performed by the Group's Corporate and Control boards operating in the area of the Internal Control and Risk Management System (as described in the Corporate Governance and Ownership Structure Report available on the Company website at www.sitcorporate.it).

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 SIT's Consolidated Annual Financial Report at December 31, 2020.

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 No. 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 CO₂ 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 14001:2015⁴, which involves all levels of the organization 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 possesses Integrated Environmental Authorization.

⁴ It should be noted that MeteRSit's facilities were upgraded to the ISO 14001:2015 certification in 2018.

The Group's production facilities have implemented organizational controls and specific internal procedures for preventive actions, the monitoring of 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 CO2 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, SIT has analyzed the transition risks.

The principal relevant risks are shown below:

- 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 CO2 emissions.

Guidelines and risk management methods

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 see the other risk categories defined by the TCFD (physical, acute or chronic risks) as material at this time.

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 health and 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.

In 2020, the team reporting to the Group HSE Manager also worked on implementing a system for reporting, analyzing and reporting relevant health, safety and environmental events at plants and international offices to the Parent Company.

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

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

With regard to COVID-related risks from March 2020 onward, SIT implemented all appropriate measures and steps to protect the health and safety of the parties involved (employees, collaborators, customers, contractors, etc.) and to guarantee operational and business continuity. Please refer to the health and safety chapter of this document for specifics.

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 Ethics, 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 Code of Conduct for Third-Party Suppliers and 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 Organization, Management and Control Model as per Legislative Decree No. 231/2001. With this model, the company intends to implement an organizational 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 Code of Ethics, 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.

Risk of cyber attacks

Potential cyber attacks using ransomware (malware capable of encrypting data) could spread from individual terminals to the central system, temporarily crippling critical systems and resulting in data loss and/or additional recovery costs. Other types of cyber attack include phishing activities through corporate e-mail addresses.

Guidelines and risk management and mitigation methods

To counter these risks, SIT utilizes a firewall network and antivirus solutions that identify abnormal behavior on company computers and block malware before it can spread to the local network. In addition, vulnerability assessments and penetration tests are carried out on a regular basis to check the robustness and effectiveness of the protection systems.

ETHICS, BUSINESS INTEGRITY AND REGULATORY 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 must adopt a conduct based on transparency and moral integrity, and the principles of honesty, fairness and good faith (according to the applicable social, economic, political and cultural contexts).

SIT is fully 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 **Code of Ethics**, 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 Code of Ethics may be consulted on the corporate website⁵, together with other documents, such as the Code of Basic Working Conditions, Code of Non-Discrimination and Diversity, Code of Conduct for Third-Party Suppliers and Intermediaries, and the Organization, Management and Control Model, pursuant to Legislative Decree No. 231/2001⁶, guaranteeing a consolidated and formal approach to ethical and responsible business.

Although the Code of Ethics cannot cover all regulations and norms in force in the various countries in which SIT operates, it nonetheless represents a compendium of essential rules and principles with which all the Group's stakeholders must comply.

The Company guarantees the distribution and constant updating of its Code of Ethics. It is a vital corporate social responsibility tool and as such, a project to review the Code was launched in 2020.

The project involved the company's main departments and sought to embrace the values embodied in SIT's Mission and Vision, promoting new tools and behavioral practices in line with the company's objectives, with a view to promoting sustainability in particular.

The process began with a survey of SIT employees (around 600 people in the Group were invited to participate, 300 of whom responded), who were asked to express their preference on a panel of topics to be covered in the new Code of Ethics. The survey data was analyzed with the support of the senior management team and the drafting process began and will be completed in 2021.

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

6) 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".

Finally, it should be noted that during 2020, the SIT S.p.A. Supervisory Board received a report from an employee concerning an alleged violation of the Code of Ethics by a superior. Following receipt of the report, the Supervisory Board independently carried out a series of investigations to ascertain the accuracy of the report and to verify the reported person's actual and potential violation of company rules, policies and/or procedures. This process was carried out while guaranteeing the reporting person the appropriate protections, in accordance with the provisions of the regulations in force on whistleblowing (Law 179/2017). Following the investigation, the Supervisory Board issued the reported person a written warning via email, inviting them to change their managerial behavior and bring it in line with the principles contained in the Code of Ethics, reserving the right, at the same time, to monitor the situation and to involve company representatives should further reports regarding their behavior be received.

The Organization, Management and Control Model as per Legislative Decree No. 231/01

The Italian companies of the Group, SIT S.p.A. and MeteRSit S.r.l., have implemented an Organization, 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 No. 231/2001.

In the Model, the companies have established an organizational 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) Analyzing 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 organizational 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.

In 2020, the companies SIT S.p.A. and MeteRSit S.r.l. updated their respective Models to align them with the significant regulatory changes introduced by the legislator in 2019 and 2020, with particular reference to the inclusion of "tax offences" within the scope of Legislative Decree No. 231/01.

The companies deemed it appropriate to carry out an extensive review of their respective Models, resulting in a final document consisting of:

- A "General Section" describing the contents of Legislative Decree No. 231/2001, the Model's construction, objectives and operation methods, and the characteristics, requirements and tasks of the bodies set up to oversee it;
- Additional "Special Sections" describing the specific contents of the Model in terms of the conduct, behavioral principles and control measures implemented by the Company to prevent the commission of offences in the performance of higher risk (or "sensitive") business activities

Finally, a special section on "tax offences" was introduced into the Model, following a risk assessment conducted by the Group CFO and the Administration Manager, with the support of the Head of the Internal Audit Department.

SIT S.p.A.'s Organization, Management and Control Model pursuant to Legislative Decree No. 231/01 was approved by the Board of Directors on February 23, 2021; MeteRSit's Model is scheduled for approval in April 2021.

Lastly, it should be noted that, during 2020, no offences pursuant to Legislative Decree No. 231/01 were reported in the companies implementing the Model, nor did the Supervisory Bodies receive reports of offences being committed.

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 Code of Ethics;
- 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 Organization, Management and Control Model as per Legislative Decree No. 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 authorization profiles for payments;
- The system of Delegations and Powers that precisely defines roles and responsibilities within the corporate organizational 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 this regard, during 2020, the Internal Audit Manager conducted a series of training sessions on the Company's anti-corruption policies. The training activities involved the MeteRSit S.r.l. management team (Milan) and the Sales and Supply Chain Departments in the Heating Division (SIT S.p.A. and its foreign subsidiaries).

During 2021, further training sessions will be held in connection with the distribution of the new Code of Ethics. Finally, it should be noted that no episodes of active or passive corruption were detected within the Group in 2020.

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. In fact, regarding relations with third parties, in 2017, SIT defined a Code of Conduct for Third-Party Suppliers and Intermediaries, which identifies the basic principles with which third parties, individuals and entities must comply 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".

Approach to tax

SIT operates in several countries, where it also pays taxes. The Group complies with the regulations in place in the countries in which SIT is present. In addition, the Group forges cooperative and transparent relationships with the local tax authorities.

Individual companies are constantly monitored by the Group through specific controls and collaboration with expert consultants, who analyze potential tax risks and the need for regulatory adjustments.

The Group is committed to collecting data and information and integrating them into future reports with respect to the requirements of the GRI Standards.

Sustainability objectives

The "governance and regulatory compliance" 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, commitments achieved in previous years are not listed. Please refer to the 2019 Non-Financial Statement for more information.

OBJECTIVE

Updating of the Code of Ethics, and its dissemination to the entire SIT Group scope globally, in order to promote ethical and integrity-oriented behaviors.

DEADLINE:

By the end of 2021
Deadline extended following the Company's decision to introduce a new Vision, Mission and Values.

PROJECT PROGRESS

After updating and distributing its Code of Ethics, which incorporated the new whistleblowing regulations in 2019, and following the changes to its Mission, Vision and Values, the Company saw fit to update its Code of Ethics due to its role as a corporate social responsibility tool. The update process – details of which can be found in the Business Ethics and Integrity section – began in the second half of 2020. The document is currently being finalized in collaboration with the main company departments and will be distributed to the entire corporate population during 2021, once approved by the SIT Board of Directors. Dedicated training sessions will be provided to ensure its thorough distribution within the Group.

OBJECTIVE

Preparation of an anti-corruption policy

DEADLINE:

By 2021
Deadline extended to allow for the integration of the anti-bribery policy into the new Code of Ethics.

PROJECT PROGRESS

The Company will integrate internal anti-corruption procedures and policies into the new Code of Ethics to strengthen the Group's commitment to the cause. The Company will assess the possibility of drawing up an anti-bribery policy, either for inclusion in a dedicated section of the Code of Ethics or as a standalone document.

OBJECTIVE

Training activities for SIT's international employees on the main anti-corruption topics.

DEADLINE:

During 2019 – 2020.

PROJECT PROGRESS

During 2020, the Internal Audit Manager, who is also responsible for updating and distributing the new SIT Code of Ethics, continued training employees on anti-corruption issues.

The following sessions were held remotely:

MeteRSit S.r.l. (Milan office): the heads of Sales, Sales Administration, R&D, Legal & Tenders Management, Business Controlling, Sourcing & Procurement attended the session in October 2020;

Supply Chain (Italy): all employees belonging to the Supply Chain in Italy (Customer Care, Planning, Procurement) attended two training sessions (in October and November 2020);

Sales (Heating Division): employees at all organizational levels of the Heating Division's Sales Department – starting with the Chief Customer Officer and the Sales Director, and ending with the main Country Area Managers (KAMs) and Sales Area Managers (SAMs) of all Group companies (including international ones) – attended a training session in October 2020. Sales Technicians and the Business Controller of the Heating Division were also involved.

Further training sessions will be carried out in 2021 in line with the completion of the aforementioned activities.

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 standardization 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:

MAIN ASSOCIATIONS TO WHICH THE GROUP BELONGS

COUNTRY/CONTINENT	ASSOCIATION	KEY OBJECTIVES
Europe	AFECOR The European Control Manufacturers' Association	To guide standardization processes in order to promote consistent and commonly accepted European standards for process and combustion controls..
Europe	FARECOGAZ The Association of European Manufacturers of Gas Meters and/or Gas Pressure Regulators	To guide standardization processes to promote consistent and jointly accepted European standards for meters and pressure regulators in Europe.
Europe	EHI European Heating Industry	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.
Europe	European Clean Hydrogen Alliance	It seeks the ambitious dissemination of hydrogen technology by 2030, bringing together renewable and low-carbon hydrogen production, industry demand, mobility, hydrogen transmission, and distribution.
Europe	ECS European Committee for Standardization	To support standardization activities in a wide range of sectors, including construction, energy, the environment, health and safety, and healthcare.
Italy	Confindustria	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.
Italy	Anima - Associazioni Nazionali dell'Industria Meccanica Varia e Affine (National Associations of the Allied Mechanical Engineering Industry)	To protect and promote the mechanical engineering sectors, companies and technologies through collaboration with standardization 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..
Italy	Assotermica	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.

MAIN ASSOCIATIONS TO WHICH THE GROUP BELONGS

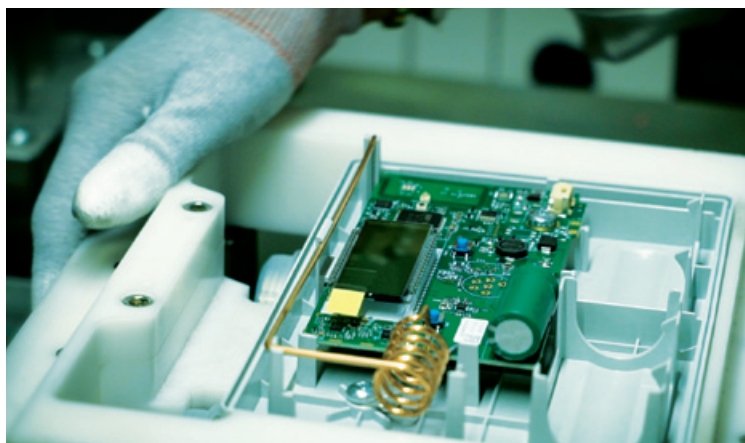
COUNTRY/CONTINENT	ASSOCIATION	KEY OBJECTIVES
Italy	APPLiA Italia	Confindustria brings together more than 117 companies providing household appliances and professional equipment to the catering and hospitality industries in Italy.
Italy	ANIE (National Federation of Electrical and Electronic Companies)	ANIE is one of the largest trade organizations in the Confindustria system in terms of influence, size and representativeness. ANIE has 1,500 member companies in the electrical and electronics sector. ANIE protects and represents its member companies through institutional relations and technological and regulatory oversight.
Italy	CIG – Comitato Italiano Gas (Italian Gas Committee)	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.
Italy	The Valore Acqua Community (The European House Ambrosetti)	The Community's mission is: "To be a high-level multi-stakeholder platform that deals with the issue of water resource management as a driver of competitiveness and sustainable industrial development, with the aim of making proposals to the Government and the national system". The Valore Acqua Community brings together representatives along the water supply chain, including network operators, service providers, agricultural representatives, industrial players, technology providers, and software developers.
Netherlands	FME CWM	FME is the Dutch employers' organization in the technology industry.
United Kingdom	EUA Energy and Utilities Alliance	It represents energy sector companies in terms of the future policy direction within the energy sector.
USA	American Gas Association	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.
USA	AHRI Air Conditioning Heating & Refrigeration Institute	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.
USA	HPBA Hearth, Patio & Barbecue Association	Since 1980, HPBA has represented and promoted the interests of industries and industry members, including manufacturers, retailers, service and installation companies, and other industry representatives.
Australia	GAMAA Gas Appliance Manufacturer's Association	The primary activity of GAMAA is to work with members, governments and other industry stakeholders to develop and implement workable, safe and practical standards and regulations for the gas appliance industry.
China	CGAC China Quality Supervision and Test Center for Gas Appliances	National association for quality control and testing of gas use applications.

Regarding the Group Metering Division, MeterSIt S.r.l. 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 S.r.l. 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 S.r.l. receives any notifications and reports directly from the gas distribution companies. Notifications are managed by the MeterSIt S.r.l. 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 S.r.l. departments involved.

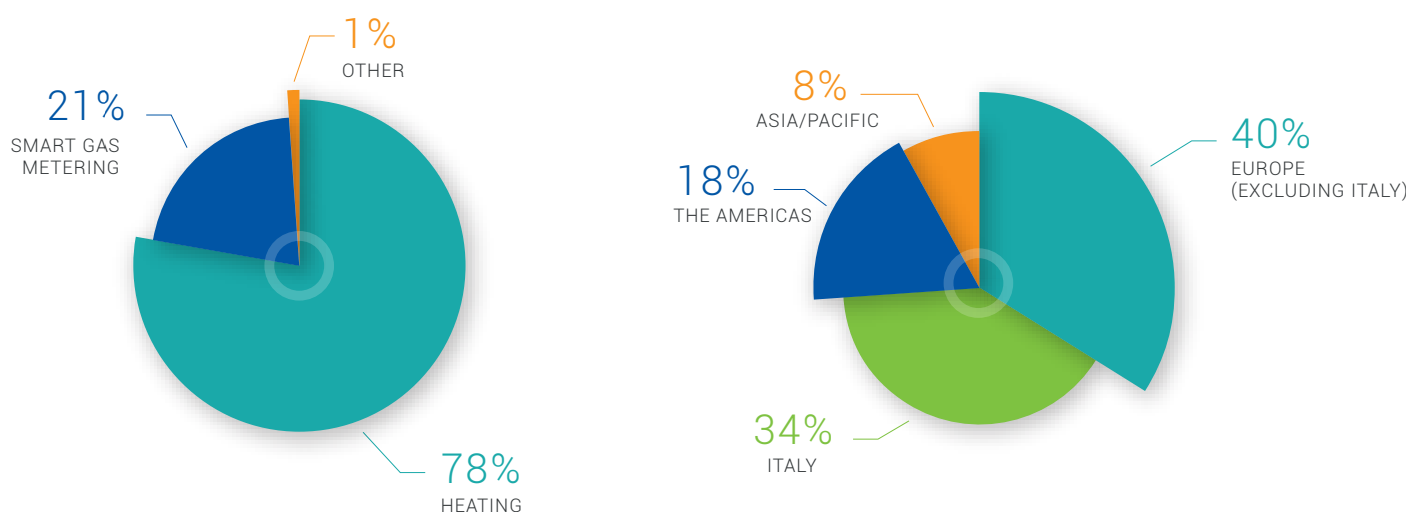


ECONOMIC SUSTAINABILITY

CREATION OF VALUE FOR STAKEHOLDERS CUSTOMER SATISFACTION

2020 consolidated revenues were Euro 320.7 million, decreasing 8.9% on 2019 (Euro 352.2 million). Revenues were impacted in the year by COVID-19, with a 20% contraction in H1 on the previous year, although the performance normalized from Q3 (-2%) and particularly in Q4 (+4.9%).

We report below a breakdown of 2020 sales by division and geographical area (in percent):



Heating Division

Heating Division sales amounted to Euro 249.0 million, -4.2% year-on-year (-3.5% at like-for-like exchange rates), with growth in the final quarter of 7.8% (9.9% at like-for-like exchange rates), confirming the impact of customer re-stocking and the positive effects of incentives provided by various countries during the year.

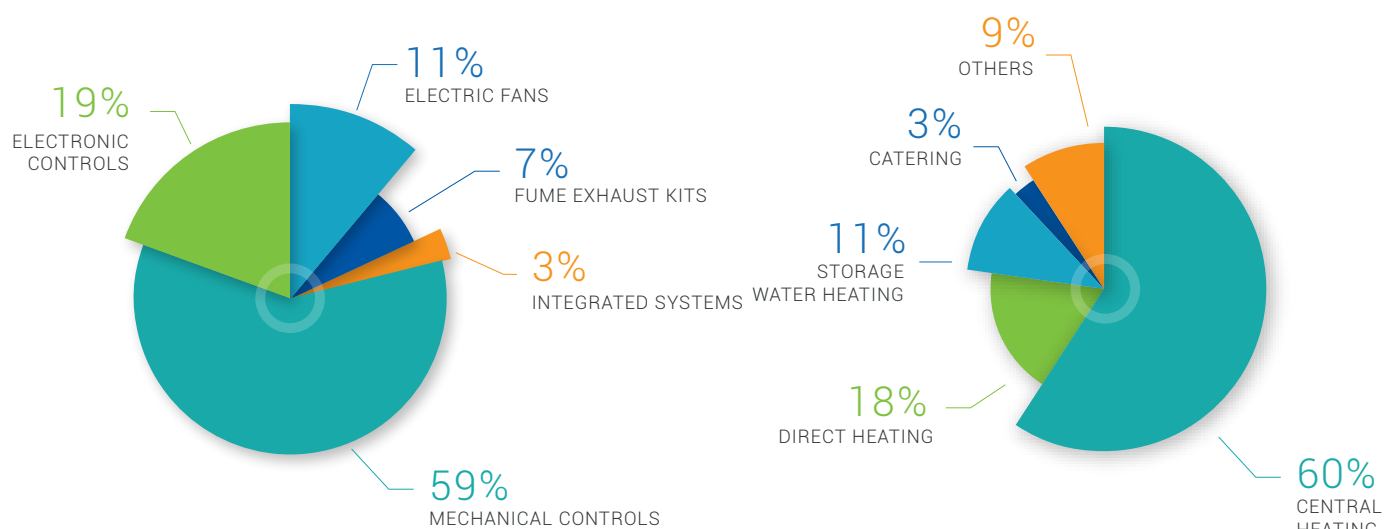
The 2020 results were notably impacted by the Italian market, (which accounts for 17.6% of divisional sales) which contracted 13.6% following the particularly severe lockdown in the early part of the year and the associated drop in Catering sector sales (-35.4%) and for Direct Heating applications such as pellet stoves (-50.7%).

Europe (excluding Italy) represents 48.3% of divisional sales and saw substantial stability in 2020. The poor performance in a number of areas particularly hit by the pandemic, such as the UK (-10.1%, -Euro 2.4 million) was offset by the recovery in Turkey (+11.2%, +Euro 3.0 million), with multinationals driving Central Heating demand. A number of central European markets performed well thanks to the introduction of new products and end-market demand.

Sales in the Americas (which account for 23.3% of the divisional total) contracted 5.5% (-3.5% at like-for-like exchange rates), with the growth for Storage Water Heating applications (+12.4%) offset by District Heating applications (-24.1%) and in particular fireplaces, whose consumption is more discretionary and was therefore impacted by the lockdown.

The year-on-year performance in Asia/Pacific (10.8% of divisional sales) was substantially stable, with China (5.9% of the division) reporting a 2.5% contraction (down approx. Euro 0.4 million on the previous year).

Among the main product families, the largest declines were seen in Electronic Controls (-8.0%, Euro 4.1 million), mainly for Direct Heating applications linked to US fireplaces and Mechanical Controls (-1.8%, Euro 2.7 million) and Smoke Exhaust Kits (-10.2%, Euro 2.1 million). At the application segment level, Central Heating accounted for 59.6% of division sales, a decline of 2.5% on the previous year, while Storage Water Heating (11.0% of the division) was up by 12.4%, driven by growth on the American market.



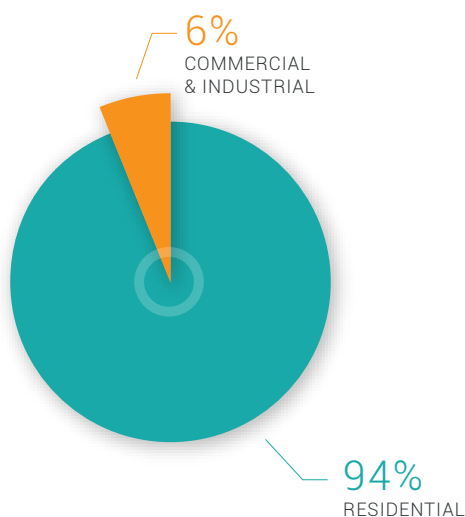
In relation to the main customers of the Heating Division, 41.6% of 2020 sales were on the top five customers, essentially in line with the level of the previous year.

Smart Gas Metering Division

In 2020, the Smart Gas Metering Division generated revenues of Euro 68.6 million, down 22.6% on Euro 88.6 million in 2019. Sales contracted 5.5% in Q4.

The performance, substantially in line with expectations as the rollout on the Italian market is gradually completed (estimated at 75-80%), closely reflected the COVID impact on the overseas commercial development target markets, the UK and India, which were severely held back by the pandemic.

In terms of products, sales for Residential Meters totaled Euro 64.6 million (94.1% of total sales), while sales for Commercial & Industrial Meters amounted to Euro 3.8 million. In 2019, sales were Euro 84.5 million and Euro 3.8 million respectively. 2020 revenues were all substantially generated on the domestic market.



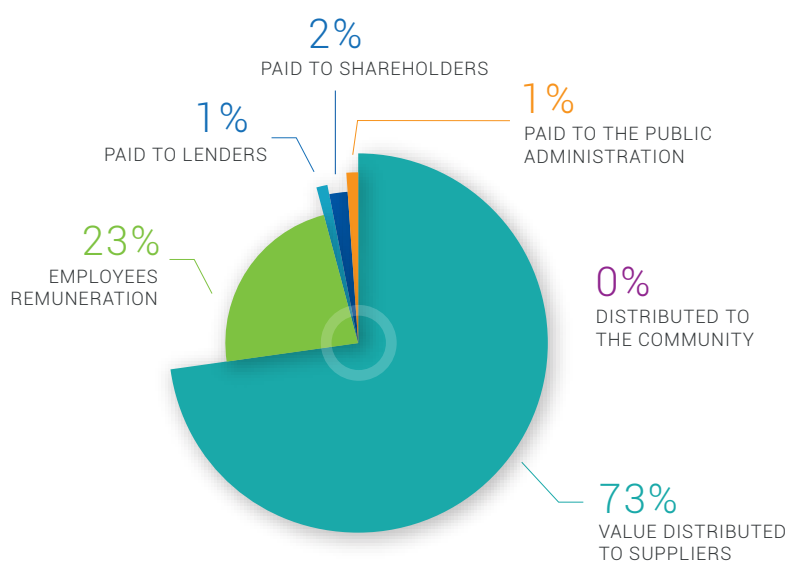
CREATION OF VALUE FOR STAKEHOLDERS

The economic value generated by the Group, and consequently distributed to stakeholders, 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, etc.) net of amortization and write-downs, and from the distributed value, in various forms, to Group stakeholders.

The calculation is based on the income statement used in the Group's consolidated financial statements at December 31, 2020.

Thus, in 2020, SIT generated an economic value amounting to Euro 323.346 million, redistributed to shareholders, communities, personnel, public administrations, suppliers and lenders.

Below is a breakdown of the distribution of value to stakeholders⁷:



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN EURO THOUSANDS)

	2020	2019	2018
(A) Direct economic value generated	323,346	351,359	385,599
(B) Direct economic value distributed	292,253	310,684	345,939
(A-B) Economic value withheld	31,092	40,676	39,660

DIRECT ECONOMIC VALUE DISTRIBUTED (IN THOUSANDS OF EURO)

	2020	2019	2018
Employee remuneration	66,581	69,429	73,677
Labor costs	66,581	69,429	73,677
Distributed to suppliers	211,779	232,209	252,948
Raw materials, ancillaries, consumables and goods	173,696	193,328	208,493
Service costs	38,083	38,881	44,455
Paid to lenders	3,939	4,163	4,798
Financial charges	3,939	4,163	4,798
Paid to Shareholders	7,000	3,476	6,690
Distribution of profits for the year	7,000	3,476	6,690
Paid to the Public Administration	2,766	1,392	7,807
Income taxes	2,766	1,392	7,807
Distributed to the community	189	15	19
Donations, sponsorship and communication	189	15	19
Total economic value distributed	292,253	310,684	345,939

CUSTOMER SATISFACTION

Customer orientation is one of SIT's core values. Everyone at SIT seeks to meet and exceed customer expectations. The customer is the compass that guides our strategies, policies and actions.

As such, our customers are always the focus of our activities, from R&D, to production and the product delivery process.

Customer satisfaction pervades SIT's entire value chain. This translates into a desire to listen to and involve customer stakeholders in sales relationships, the design of new products, the customization of existing ones, and the improvement of production processes.

These policies seek to meet customer needs by reducing the time to market and offering maximum flexibility along the supply chain.

The Effective Sales project was launched in 2020 under the remit of the Heating Division's sales management activities, with the aim of improving customer service and collaboration in order to create future growth and success together. Sales teams were reshuffled depending on their expertise and regional proximity to customers.

Convinced that leveraging the local culture and language allows us to build stronger relationships, speed up communications, and facilitate the process of customizing our services and technology solutions, account managers in China, the US and Turkey were given greater responsibilities in order to allow for more efficient collaboration with local companies belonging to large global groups.

The project allowed SIT to reassess the workloads and duties of account managers. Based on its assessment, the Group reallocated customers to ensure workloads were more equally distributed. This move will enable account managers to improve customer service and dedicate more time to the identification of potential business opportunities.

Finally, the Group has implemented a CRM platform (Sales Force), which guarantees full visibility of SIT's sales activities. The platform applies to the Sales, Marketing and R&D teams and allows SIT to measure and consequently improve its customer service in terms of punctual offer presentations and accurate technical solutions.

Customer satisfaction policies also guide the actions of the Metering Division in three specific areas:

1. Compliance with the delivery date agreed with the customer;
2. Geographical proximity to customers;
3. Product development in line with the customer's sustainability policies.

7) The "distribution of profits in the year" is based on the expected distribution of a dividend equal to Euro 0.28 per share, the approval of which will be submitted to the Shareholders' Meeting scheduled for April 29, 2021. For more details on "donations, sponsorships and collaborations", please refer to the paragraph entitled "SIT's support for local communities".

These objectives have been translated into the following actions and results:

- 1) In 2020 – a particularly difficult year due to the COVID-19 – MeteRSit kept its production lines operational at all times, providing continuous supplies to customers who, in turn, were called upon to ensure new products were installed at the end user's premises on time. MeteRSit was able to stay operational thanks to its ability to guarantee workers extremely safe conditions with respect to the risk of infection.
- 2) During 2020, MeteRSit analyzed the option of opening one subsidiary in the UK and one in India, which are the two main markets MeteRSit intends to target for its overseas expansion. The COVID situation forced action on this point to be postponed until 2021.
- 3) During 2020, MeteRSit obtained a Kiwa Environmental Product Declaration for its residential G4 & G6 product family, according to ISO 14025. (EPD-MeteRSit-95-EN). An Environmental Product Declaration (EPD) is an independently verified and registered document that communicates transparent and comparable information on the environmental impact of a product's life cycle. This is the first certification of its kind to be issued to a company in Italy's gas meter sector. This activity was carried out as part of a recent tender launched by a major customer in 2019.

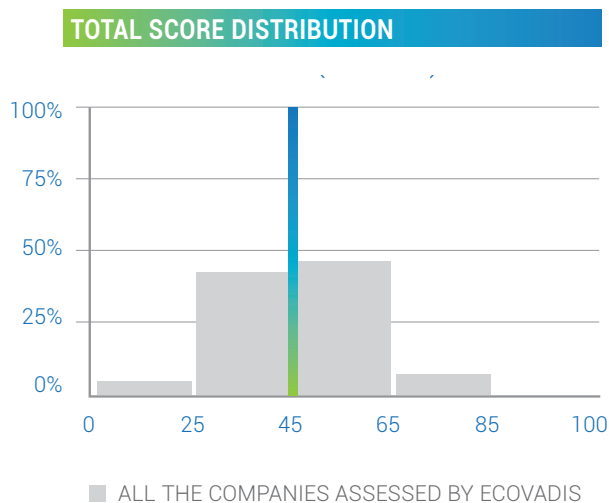
EcoVadis Assessment

On the initiative of one of its main customers, in 2020, SIT's performance was evaluated in terms of its Corporate Social Responsibility using the EcoVadis⁸ platform.

The assessment involved all main company departments and resulted in a bronze score of 45 points. This score places SIT in the average band of companies in its sector and is a further incentive for continuous improvement.



45/100
48°
percentile



8) For further information, please consult: <https://ecovadis.com/>

PRODUCT SUSTAINABILITY

PRODUCT QUALITY AND SAFETY
RESEARCH AND DEVELOPMENT
SIT'S SUPPLY CHAIN

PRODUCT QUALITY AND SAFETY

In the entire history of the Group, quality has been the actual starting point rather than an objective to pursue. The Group has two Quality departments: one for the Heating division and one for the Metering division. In addition to ensuring the normal control and prevention on processes and products, these departments continuously ensure 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 revision⁹.

Monitoring by certification authorities has borne out the organization'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 programs, in order to optimize 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 formalized 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.

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.

⁹ It should be noted that MeteRSit updated to ISO 9001:2015 in 2018.

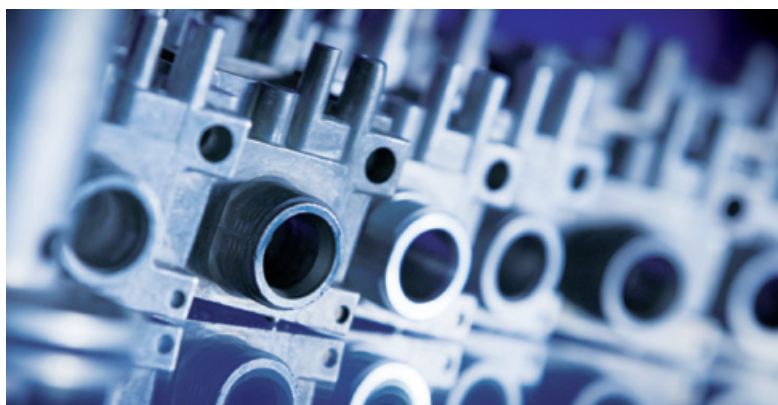
In addition to the aforementioned certifications, the Metering Division's Rovigo plant is certified to Annex IV of the "Atex Directive" as a guarantee of Production Quality Assurance regarding instruments and systems used in potentially explosive atmospheres. Furthermore, MeterSIT S.r.l.'s Rovigo and 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 analyzes 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 has passed its subsequent annual audits up to 2020 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 as well as smart meters connected to communication networks. Investing in Research and Development is therefore essential in defending the Group's competitive advantage with regard to other players in a market that continually requires more innovative and highly performing products capable of helping to reach higher 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. On the other hand, SIT is committed to developing solutions and products capable of meeting new energy requirements, and the use of non-fossil fuels such as hydrogen and biomethane in particular. In addition, and with regard to its Metering Division in particular, greater emphasis has been placed on projects with a secure connection to smart utility networks such as NB-IoT (Narrowband Internet of Things) in recent years. 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 recognized as a synonym for quality and innovation.

In 2020, the Group invested approximately 3.5% of its revenue, amounting to Euro 11.2 million, into research and development.

At the end of 2020, SIT possessed¹⁰ 74 patents, while a further 5 patents are pending in 2020.

Heating Division

With regard to the Heating Division, SIT has chosen to adopt a matrix management organizational structure in which specialized 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 conceptualization 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.

In 2020, the new product development procedure developed in 2019 with an external consultancy firm, was rolled out to both the marketing and R&D departments.

The first step in the process was to align the marketing department's Product Development Plan with the New Product Development Process adopted by the Research & Development department. The latter consists of the following macro-phases:

- Concept. During this phase, one or more technical solutions that meet the product requirements are defined and their technical/technological feasibility is assessed while guaranteeing compliance with regulatory and legislative aspects;
- Design. During this phase, all requirements are frozen, technical solutions are trialed using prototypes and product and (preliminary) process documentation is drawn up;
- Execution. During this phase, equipment and materials for production trials and series production are acquired/constructed. Product and process validations are completed.

The new procedure is included in the quality manual and must be followed for all platform projects and derivatives.

¹⁰⁾ All patent families for which the first filing was granted are considered.

A key factor is the use of the Stage/Gate methodology, which divides R&D processes into a predefined series of stages that alternate with checkpoints (gates). The procedure specifies the objectives, primary activities and real or intangible object (deliverable) produced as a result of each stage.

Each Gate asks for information that must be provided in order for the process to move on to the next stage. Furthermore, the procedure outlines the decisions to be taken, the organizational roles involved in making decisions, and all the actions to be taken as a result of said decision on the basis of a specific responsibility assignment matrix (or RACI table).

Checkpoints (or gates) allow progress to be monitored, significant improvements to be made, and the deliverables for each stage of the project to be redefined where necessary.

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 University of Padua and the University of Ferrara, and with leading global players in co-design and development activities. In 2020, the Heating Division pursued a project with the technology incubator E-Novia on intelligent combustion control using acoustic sensors.

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.

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 maximizing comfort performance while reducing energy consumption as much as possible.

During 2020, the main projects included:

- The development, commissioning and delivery to a leading customer 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 with electrical modulation for condensing boilers aimed at increasing performance while minimizing the use of space and materials;
- A flexible platform available as a generic version, a dedicated version with CAN interface, or a version that integrates the CMS combustion control board and algorithm;
- A new fan platform for compact, low-cost condensing boilers.
- A new low-power fan and pellet stove platform and sealed combustion chambers suitable for use in class-A dwellings;
- A new highly efficient, low-noise ceiling fan platform;
- Expansion of the range of adapters and bends for hoods and exhaust kits used to connect the various boiler models.

SIT was chosen by BOSCH Termotechnik as its technological partner to develop a hydrogen boiler safety and control valve as part of the UK government Hy4Heat program. The Hy4Heat program is part of the United Kingdom's national "heating decarbonization" plan, which evaluates the use of hydrogen appliances as a means of reducing CO2 emissions through the use of decarbonized 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. Prototypes were developed in 2020 and will be tested in the field in 2021, once approved by Hy4Heat.

Smart Metering Division

Applying the same product development process described in the paragraph dedicated to the Heating Division, the Metering Division's R&D department has defined medium- and long-term objectives for products and technologies.

Products

The main results achieved in 2020 with regard to product development were:

- The development and certification of the U6 ZigBee product for the UK market; the development and certification of the Walk-By household product for the Indian market (a 100-piece pre-series has been developed to start field testing);
- The development and customer approval of the NB-IoT household meter.

MID Welmec D certifications were also obtained for some metrological household meter releases (MBus and GPRS).

This will allow new releases to be downloaded in the field to fix bugs, without having to remove meters from the field. U6 and U40 meters designed to operate on 100% hydrogen (H2) were developed as part of the Hy4Heat project with BEIS (the Department for Business, Energy & Industrial Strategy in the UK). These products are particularly important due to the increasing availability of hydrogen gas in the near future, allowing CO2 emissions to be reduced. In 2020, work began on MID certification, although no laboratories are yet ready for hydrogen verification and certification.

Technology

The SGM61 "thermo-mass" measuring sensor has been certified and deemed appropriate for use (reliability tests are in progress). The sensor optimizes battery consumption, improves gas performance and is a pre-requisite to the SGM63 sensor.

The process of integrating the SGM63 measuring sensor into household meters has begun. SIT intends to achieve certification by the first half of 2021.

Acquisition of the Portuguese water meter company Janz was finalized at the end of 2020. In addition, the feasibility of a water meter platform with ultrasonic measurement technology was successfully analyzed in partnership with a specialized company. Joint development is expected to begin in early 2021 and to be completed by 2022.

Circular Economy

The EU's circular economy directives contain several challenging objectives in the field of eco-design, understood, in the case of SIT, as an ability to render products, such as boilers, more energy-efficient during the design stages. The directives also encourage consideration of other product characteristics that could have an impact on the environment, such as composition, durability, dismantling, ease of repair, and recyclability.

SIT intends to go above and beyond the challenge of rendering its products energy efficient, and in 2020, the Group made steps towards transitioning to a circular economy.

SIT intends to adopt a Carbon Footprint Systematic Approach to assess its impact on the environment in terms of carbon dioxide (CO₂) emissions resulting from the manufacture of three product categories: valves, electronic circuit boards, and fans.

The project foresees a cradle-to-gate approach and as such, the use and end-of-life phases are not included for the time being.

The ultimate goal of the project is to have the Group's CFP Systematic Approach verified by an independent accredited third party, allowing products to be registered with the Carbon Footprint Italy program operator.

The CFP Systematic Approach is based on a model – created especially for SIT – that involves the creation of a company database containing information on products and production processes and their GHG emissions. This information is subsequently linked to specific characterization factors for each individual entry, which are related to each other.

The CFP Systematic Approach will allow SIT to respond quickly to customer requests concerning the carbon footprint of its products and will provide the Research & Development department with a tool to quantify the CO₂ emissions of the Group's various design decisions.



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 departments 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 expenditure, those with the greatest impact.

PERCENTAGE OF SUPPLIERS BY SUPPLY TYPE ¹¹	2019	2020
Electromechanical components, plastic and rubber components	24%	27%
Electronics	19%	17%
Metals and Raw Materials	27%	27%
Production services for factories and subcontractors	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 Code of Conduct for Third-Party suppliers and 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.¹²

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

11) The table shows only direct materials suppliers and their share of the total number of Group suppliers.

12) <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 summarizes 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
- Maximize reliability, functionality and punctuality
- Reduce delays throughout the supply chain
- Render product and process supply conditions more efficient in terms of cost and quality

As SIT products are extremely specific safety products, component suppliers are subjected to rigorous approval processes 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.

To respond appropriately to the needs of an increasingly volatile market, the Heating Division's entire supply chain has been brought under a single management team, affecting the Sales, Material Planning, Customer Care, After Market and Procurement departments in particular.

Working as a united team will help improve customer service levels, with a focus on analyzing and managing market dynamics and fluctuations, and on managing the supplier base, while paying increasing attention to risk coverage and sustainability.

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 43% of expenditure. However, Romania and Mexico have low percentages of local suppliers. In particular, Romania mainly procures materials from Italy, while Mexico procures from North America and the Far East. Given the specificity of its products, SIT applies a procurement strategy that favors 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.

PORTION OF SPENDING ON LOCAL SUPPLIERS ¹³	2019	2020
Italy	38%	43%
Romania	2%	6%
Netherlands	39%	43%
Mexico	2%	2%
China	19%	23%

13) The percentage is calculated from expenditure on direct and inter-company suppliers, considering local suppliers to be located in the same geographical region. Countries with significant operations are those where the Group has production facilities.

The pandemic has impacted the Group's supply chain as follows: raw material and component shortages, shipping delays and extended delivery times, difficulties aligning production capacity with fluctuating demand, and planning issues resulting from volatile customer demand.

The initial slowdown was followed by a surge in demand, resulting in a significant imbalance in supply and demand, which has not yet been resolved.

The pandemic also resulted in a marked increase in the prices of components needed for Group production processes (electronics, metals, plastics, rubber) and widespread shortages in all product categories.

Finally, there were considerable challenges in the transport sector, mainly due to international travel restrictions.

When faced with the uncertainties caused by COVID-19, being able to count on secure data processing procedures, access to corporate and financial information, and the application of a lean approach to corporate activities across the board (including logistics and financial disclosures) allows Italian companies competing in foreign markets to stand out from the crowd.

This is certainly the case for SIT, which recently obtained "Full" AEO authorization as an Authorized Economic Operator. Authorization from the Customs Agency proves that SIT is equipped with reliable, secure business processes that meet international trade standards.

The benefits of being an AEO Authorized Economic Operator are as follows:

- a status of reliability with unlimited and EU-wide validity;
- a reduction in international shipping times thanks to SIT's AA rating, which reduces customs checks by up to 90%, with priority given to AEO authorized operators;
- the improved efficiency of administrative customs activities related to the management of logistical flows;
- the improved management of risks associated with international shipments.

To date, the European Union has finalized and implemented mutual recognition agreements for AEO programs with Norway, Switzerland, Japan, Andorra, the United States and China.

We believe that being an authorized economic operator will allow us to guarantee our stakeholders a secure data processing channel and the efficient flow of goods, thereby facilitating import and export activities. In our opinion, the decision to implement regulated in-house processes that demand high levels of security, verification and reliability demonstrates SIT's professionalism and commitment to working with all parties in an ethical and professional manner, thereby protecting the entire supply chain.

Sustainability objectives

The "Responsible Supply Chain Management" sustainability objectives are set out below. These commitments have been updated depending on their achievement during 2020. Some commitments 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.

AREA: PRODUCT SUSTAINABILITY

TOPIC: RESPONSIBLE SUPPLY CHAIN MANAGEMENT

OBJECTIVE

Completion of suppliers' undersigning of the Supplier Code of Ethics (at least direct suppliers).

DEADLINE:

By 2021 -
Deadline extended due to COVID-19

PROJECT PROGRESS

74% of direct suppliers signed the Code of Ethics in 2020, covering 96% of purchases from said suppliers. The former percentage is expected to increase significantly as the project will also cover all new Group suppliers.

OBJECTIVE

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.

DEADLINE:

In 2019 - 2020

PROJECT PROGRESS

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 was completed in 2020.

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 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.

SOCIAL SUSTAINABILITY

SIT EMPLOYEES
CULTURE OF SUSTAINABILITY
DIGITAL AND LEAN TRANSFORMATION
DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION
SIT'S SUPPORT FOR LOCAL COMMUNITIES

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 the workforce

At December 31, 2020, the total SIT Group workforce numbered 2,125. This figure increases to 2,484 when taking into account the workforce of companies established and acquired by SIT in the second half of 2020: Plast Alfin S.a.r.l. (115 employees), SIT Controls Tunisia S.u.a.r.l (6 employees), and Janz Contagem e Gestão de Fluidos S.A. (238 employees).

The Group's total workforce at the end of the year amounted to 2,364 external workers and employees. The total number of SIT Group employees – including new companies – is 2,748, of which 25 are external employees of Janz Contagem e Gestão de Fluidos S.A.

Approximately 72% of Group employees work in offices and facilities in Italy and Romania.

TOTAL WORKFORCE AT DECEMBER 31²⁹

No. people	Male		Female		Total	
	2019	2020	2019	2020	2019	2020
Employees	799	820	1,213	1,305	2,012	2,125
External workers	43	74	145	165	188	239
Total	842	894	1,358	1,470	2,200	2,364

EMPLOYEES BY GENDER AND CONTRACT TYPE AT DECEMBER 31

No. people	Male		Female		Total	
	2019	2020	2019	2020	2019	2020
Permanent	743	762	1,105	1,190	1,848	1,952
Fixed-term	56	58	108	115	164	173
Total	799	820	1,213	1,305	2,012	2,125

²⁹) The total workforce includes SIT employees and external workers. In 2020, external workers included: agency/admin workers, contractual project workers, interns and agents, while only agency/admin workers were taken into account in 2019. The number differs in the Consolidated Financial Statements, in which only temporary workers are considered.

EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT TYPE AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Perm.	802	800	636	646	340	440	70	66	1,848	1,952
Fixed	12	8	152	165	-	-	-	-	164	173
Total	814	808	788	811	340	440	70	66	2,012	2,125

EMPLOYEES BY GENDER AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Male		Female		Total	
	2019	2020	2019	2020	2019	2020
Full-time	784	806	1,134	1,230	1,918	2,036
Part-time	15	14	79	75	94	89
Total	799	820	1,213	1,305	2,012	2,125

EMPLOYEES BY GEOGRAPHICAL AREA AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Full-time	754	751	759	782	340	440	65	63	1,918	2,036
Part-time	60	57	29	29	-	-	5	3	94	89
Total	814	808	788	811	340	440	70	66	2,012	2,125

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2020³⁰

	< 30	30-50	> 50	Total	Rate
Male	233	96	12	341	41.6%
Female	387	308	30	725	55.6%
Total	620	404	42	1,066	50.2%
Rate	153.1%	34.2%	7.8%	50.2%	

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2020

	< 30	30-50	> 50	Total	Rate
Male	191	100	27	318	38.8%
Female	296	273	64	633	48.5%
Total	487	373	91	951	44.8%
Rate	120.5%	31.6%	16.9%	44.8%	

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

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2019³¹

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

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2019

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

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2020 (ITALY)

	< 30	30-50	> 50	Total	Rate
Male	9	19	1	29	6.2%
Female	4	2	-	6	1.8%
Total	13	21	1	35	4.3%
Rate	40.6%	4.3%	0.3%	4.3%	

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2020 (ITALY)

	< 30	30-50	> 50	Total	Rate
Male	3	13	9	25	5.3%
Female	-	3	11	14	4.15%
Total	3	16	20	39	4.83%
Performance evaluation rate	9.4%	3.3%	6.8%	4.8%	

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2020 (EUROPE)

	< 30	30-50	> 50	Total	Rate
Male	59	24	10	93	48.2%
Female	53	96	28	177	28.6%
Total	112	120	38	270	33.3%
Rate	71.3%	27.6%	17.3%	33.3%	

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2020 (EUROPE)

	< 30	30-50	> 50	Total	Rate
Male	45	28	15	88	45.6%
Female	34	82	43	159	25.7%
Total	79	110	58	247	30.5%
Rate	50.3%	25.3%	26.4%	30.5%	

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

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2020 (AMERICAS)

	< 30	30-50	> 50	Total	Rate
Male	163	50	0	213	154.3%
Female	325	207	2	534	176.8%
Total	488	257	2	747	169.8%
Rate	236.9%	123.0%	8.0%	169.8%	

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2020 (AMERICAS)

	< 30	30-50	> 50	Total	Rate
Male	140	54	3	197	142.8%
Female	256	184	10	450	149.0%
Total	396	238	13	647	147.0%
Rate	192.2%	113.9%	52.0%	147.0%	

NEW EMPLOYEES HIRED BY GENDER AND AGE IN 2020 (ASIA/PACIFIC)

	< 30	30-50	> 50	Total	Rate
Male	2	3	1	6	33.3%
Female	5	3	-	8	16.7%
Total	7	6	1	14	21.2%
Rate	77.8%	11.1%	33.3%	21.2%	

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2020 (ASIA/PACIFIC)

	< 30	30-50	> 50	Total	Rate
Male	3	5	-	8	44.4%
Female	6	4	-	10	20.8%
Total	9	9	-	18	27.3%
Rate	100.0%	16.7%	0%	27.7%	

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 31/12/2020³²

	Male	Female	Total
Total Executives	32	3	35
Locally hired Executives	31	3	34
Percentage of Executives hired locally	96.9%	100%	97.1%

LOCALLY HIRED EXECUTIVES AT 31/12/2019³³

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

32) 33) 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.

Sustainability objectives

The "Human Resources Development" sustainability objectives are set out below. These commitments have been updated depending on their achievement during 2020. Some commitments 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.

AREA: SOCIAL SUSTAINABILITY

TOPIC: DEVELOPMENT OF HUMAN RESOURCES

OBJECTIVE

Training activities and the establishment of dedicated teams for the promotion of sustainability culture at all SIT offices around the globe.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

Cross-departmental teams have been set up in Italy to implement the following initiatives in order to promote a culture of sustainability:

- Plasticless projects to eliminate the use of plastic bottles and cups at Italian companies, and in particular:
 - (i) a pilot project in the company canteens at the Padua and Rovigo sites, where plastic bottles were removed and replaced by dispensers of several types of drinks for all employees. It is estimated that this will result in a saving of at least 35,000 plastic bottles per year.
 - (ii) installation of micro-filtered water dispensers in three different areas of the Padua office, allowing users to drink water from a customized steel bottle distributed to all SIT employees. This initiative will be replicated at the Rovigo and Montecassiano plants with the aim of involving all Italian sites 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.

OBJECTIVE

Implementation of a performance assessment system to form the basis of managerial incentives to promote the achievement of ever better results.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

The Leadership Model – which was approved by the Remuneration Committee in September 2019 and subsequently presented to the Management Committee in November 2019 – was used as a basis for the Performance Appraisal tool on SuccessFactors (HR management platform). This cultural shift has thus been accompanied by an IT tool hosted on the SuccessFactors platform, which will speed up and streamline the provision of employee feedback in the hope that it will become a key company tool. Specific training on managing feedback was provided in 2020. An information campaign was also launched on the company Portal to promote the aforementioned initiatives and to encourage the cultural shift within the Group.

OBJECTIVE

Implementation of assessment programs to focus and develop the potential of the company's resources and talents.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

An assessment of white-collar working potential was carried out in Italy. In-depth feedback interviews were carried out to provide a general overview of the results of the assessment and to facilitate collaboration between employees during the initial stages. A presentation on the necessary cultural changes to be made was devised following the incorporation of various profiles and the systematic assessment of departmental skills.

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 prioritized the health of its employees and respected the measures put in place by the health and government authorities.

As soon as a state of emergency was declared in March 2020, the Company set up an Emergency Committee at its headquarters, whose main role was to safeguard the health and safety of Group employees while guaranteeing business continuity. Within this context, the Committee planned, coordinated and supervised the activities deemed necessary to tackle the health crisis, periodically reporting to the Corporate and Control Boards (Risk and Sustainability Control Committee, Board of Statutory Auditors, Supervisory Board). The Committee facilitated ongoing contact between the various company divisions and departments, accepting their requests and taking appropriate and timely action. The organizational health and safety body guaranteed compliance with legal requirements and health protocols at the Group's production plants in Italy and abroad – which were implemented at a fast pace during the pandemic – collaborating with workers' representatives on an ongoing basis through the establishment of local COVID-19 Committees (as explicitly required by the document issued on March 14, 2020, entitled, "shared protocol governing measures to combat and contain the spread of COVID-19 in the workplace" and updated on April 26, 2020).

Under the supervision and coordination of the Emergency Committee, the process owners, HSE Manager, and subsidiaries located abroad adopted measures to comply with local government regulations (where necessary and appropriate), which were similar to those adopted by Group companies in Italy.

In particular:

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;
- 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 have been routinely cleaned according to the regulations and following an extremely strict protocol;
- Where possible, the remote-working program, which was initiated in September 2019, was rolled out to a greater number of workers, and the number of remote days was increased.
- Protective masks and guidelines for working safely have been sent to the Group's subsidiaries.

After carrying out an inspection to check all measures had been implemented and complied with to contain the spread of COVID-19 at the Group's sites in Italy (Padua, Rovigo, Montecassiano and Milan), the Public Authority for Prevention and Safety in the Workplace certified that no regulatory violations had been detected.

SIT continued a series of initiatives in 2020 to improve 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 designed to monitor health and safety conditions and identify 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 accidents. 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 2020, 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 organizational changes.

Injury data for 2020 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 11 workplace injuries (applying to both employees and external workers) occurred across Group sites during 2020. No injury occurred causing serious consequences for workers ³⁴.

At a Group level, there was one (1) more injury in 2020 than in 2019. It should be noted that the number of incidents at international plants decreased, while those at Italian plants increased, although the severity of the incidents decreased. In summary, the injury frequency index (which increased in 2020) was affected by the reduced number of hours worked.

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

34) The total number of injuries recorded does not include those occurring while travelling in private vehicles.

TOTAL NUMBER OF EMPLOYEE WORK-RELATED INJURIES IN 2020

	Male	Female	Total
Work-related injuries	9	1	10
Fatalities	-	-	-
High consequence work related injuries	-	-	-

TOTAL NUMBER OF EMPLOYEE WORK-RELATED INJURIES IN 2019

	Male	Female	Total
Work-related injuries	2	8	10
Fatalities	-	-	-
High consequence work related injuries	-	-	-

FREQUENCY INDEX OF EMPLOYEE WORK-RELATED INJURIES IN 2020

	Male	Female	Total
Rate of recordable work-related injuries ³⁵	6.71	0.48	2.93
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	-	-

FREQUENCY INDEX OF EMPLOYEE WORK-RELATED INJURIES IN 2019³⁶

	Male	Female	Total
Rate of recordable work-related injuries ³⁷	1,47	3,94	2,95
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	-	-

EMPLOYEE HOURS WORKED³⁸

	2019			2020		
	Male	Female	Total	Male	Female	Total
Hours worked ³⁹	1,364,193	2,029,250	3,393,442	1,341,227	2,071,449	3,412,676

35) 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.

36) Following improvements to the reporting system, the 2019 figures on workplace injury indices have been restated following a restatement of hours worked, and differ from those published in the previous NFS.

37) 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.

38) Following improvements to the reporting system, the 2019 figures relating to hours worked have been restated and differ to those published in the previous NFS.

39) The total number of hours worked has been partially estimated from the number hours contracted and the number of employees at December 31.

External workers are defined as contractors/temporary workers and trainees working at the Group's operating sites.⁴⁰

TOTAL NUMBER OF WORK-RELATED INJURIES INVOLVING SIT GROUP EXTERNAL WORKERS IN 2020

	Male	Female	Total
Work-related injuries	-	1	1
Fatalities	-	-	-
High consequence work related injuries	-	-	-

TOTAL NUMBER OF WORK-RELATED INJURIES INVOLVING SIT GROUP EXTERNAL WORKERS IN 2019

	Male	Female	Total
Work-related injuries	-	-	-
Fatalities	-	-	-
High consequence work related injuries	-	-	-

FREQUENCY INDEX OF OUTSIDE WORKER INJURIES IN 2020

	Male	Female	Total
Rate of recordable work-related injuries ⁴¹	-	4.91	3.47
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	-	-

FREQUENCY INDEX OF OUTSIDE WORKER INJURIES IN 2019

	Male	Female	Total
Rate of recordable work-related injuries ⁴²	-	-	-
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	-	-

HOURS WORKED BY OUTSIDE WORKERS⁴³

	2019			2020		
	Male	Female	Total	Male	Female	Total
Hours worked	84,780	271,306	356,086	84,431	203,505	287,936

40) Injury data on external workers only cover temporary workers, self-employed workers, project workers, and interns. No other external workers operating at Group sites and/or under the Group's control have been included in the data, on the basis of their significance and the availability of such data, over which the Group does not exercise direct control.

41) 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.

42) 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.

43) External workers at the Mexican site have not been included in this calculation as relevant data is not available. Following improvements to the reporting system, the 2019 figures relating to hours worked have been restated and differ to those published in the previous NFS.

Sustainability objectives

The "Worker Health and Safety" sustainability objectives are set out below. These objectives 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.

AREA: SOCIAL SUSTAINABILITY

TOPIC: EMPLOYEE HEALTH AND SAFETY

OBJECTIVE

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:

- in 2019, improvements to die-casting stations at the Rovigo 1 facility, and to warehouse areas at the SIT Romania facility.
- in 2020, feasibility studies for improvements to the Mexican and Romanian facilities.
- in 2021, feasibility studies for improvements to the China, Rovigo 2 and Montecassiano facilities.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

All improvements intended for the die-casting area at the Rovigo 1 plant were carried out, including:

- *The reinforcement of active protection systems:*
 - the installation of a temperature rise detector next to each die-casting system
 - the installation of a radar system on the walls to detect fumes in the die-casting department.Both systems are monitored by a control device that warns users of potential danger via a mobile system, allowing employees to check control panels remotely.
- *Strengthening of passive protection systems:*
 - Strengthening of extinguishing systems with the positioning of an extinguisher by each press;
 - Positioning of four-wheeled fire extinguishers in the die-casting department
 - Replacement of flammable materials with fireproof materials in plants.
 - Sprinkler systems have been installed in the warehouses at the SIT Romania and SIT Mexico plants. The Romanian plant was connected to the water network in June 2020 to ensure the continuity of firefighting services.
 - The installation of a second sprinkler system in additional areas recently converted into warehouses at the SIT Romania plant is nearing completion.

In 2020, fire prevention and protection system control and monitoring actions were stepped up and strengthened at the SIT China plant. Works were carried out on the electrical cabinet to provide for suitable fire detection and alarms in real time.

At the Montecassiano plant, the emergency lighting system was upgraded and all light fixtures and emergency lighting units were replaced.

Actions were taken to optimize internal material and vehicle movements following an assessment. The internal layout of the site was altered, and a new area dedicated to warehouse activities was created to improve the management of flammable materials.

Following an additional fire prevention adequacy audit, a general review was performed and all fire prevention signs were updated.

OBJECTIVE⁴⁴

Improvements to the working conditions and environments at factories in China, Mexico, Romania and Montecassiano.

DEADLINE

During 2020 – 2021

PROJECT PROGRESS

The health of all workers in China (previously not foreseen) is being monitored on a regular basis. The first workers' health checkup was performed at the end of October 2020 and will take place on an annual basis.

In addition, the lighting conditions in transit areas providing access to the production area at the factory China – which were not adequately lit – were checked and upgraded. New lighting points have been installed, which turn on automatically when personnel are present or passing.

During 2020, plans were made to resurface the industrial flooring on an annual basis at the Mexico site to improve horizontal signage and to update departmental lighting.

During 2020, filters were installed at the Mexico plant to extract the oil mist generated by machines and equipment in departmental areas, improving the working environment.

In 2020, a new canteen and changing rooms were built at SIT and MeterSIT Romania to avoid the risks associated with the transit of personnel through operational production areas.

Despite already being compliant with the legal limits, the suction hood on the kiln was upgraded at the Montecassiano site in 2020, increasing its surface area to allow for improved suction and the conveying of smoke/emissions to the treatment plant, resulting in a significant improvement in working conditions.

Works have also been carried out to reorganize working areas and spaces at the Montecassiano plant, thereby improving the internal transit of materials and vehicles while reducing the risk of people and vehicles passing between them.

Lighting units in the workplace will be reassessed in 2021 following the implementation of the optimized layout.

OBJECTIVE⁴⁵

The creation and implementation of a system for reporting, analyzing, and communicating HSE events to the Parent Company in order to assess and manage them, including those deemed inconsequential, in addition to all unsafe situations and/or conditions. The aim is to promote a preventive and participatory approach among operating staff and to develop a shared HSE culture.

DEADLINE

For the period 2020 - 2021

PROJECT PROGRESS

During the last quarter of 2020, an operating procedure was devised at a corporate level and guidelines were provided to all production sites, defining specific standards and instructions for the detection, analysis/evaluation, classification and sharing of HSE events, including near misses and unsafe conditions and acts.

Activities include the involvement and participation of operational staff and, in addition to communication at a corporate level, the communication and sharing of summary reports at production sites to help raise employee awareness (Heinrich's HSE Pyramid).

In the final months of 2020, SIT Mexico started to monitor HSE events, paying particular attention to unsafe conditions and actions. The Heinrich HSE Pyramid and indicators were displayed on factory notice boards.

Given the complications resulting from the COVID-19 pandemic, the HSE Communication & Reporting system will be implemented across all Group production sites over the next two years.

44) 45) New objective

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 2020, 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 six events sponsored by the careers services at various Italian universities. During these events, SIT met with students and graduates interested in jobs or internships organized by the University of Padua, the University of Trento, Milan Polytechnic, and the University of Milan. In addition, the Group participated in the Digital Recruiting Week organized by StartHub Consulting, allowing the Company to work on attracting young STEM (Science Technology Engineering Mathematics) candidates.

Due to the COVID-19 pandemic, the events, which usually take place in person at universities and other similar facilities, were held online with the help of video platforms used by the institutions themselves or by the companies involved.

Virtual Career Days allowed SIT to meet with young people throughout Italy, raising awareness of the SIT Group among young students, recent graduates and PhD students enrolled at a range of departments and campuses. The one-to-one meetings were organized in various ways by the organizations involved and allowed the Group to explore young people's opinions, hopes, projects and fears in depth, raising SIT's awareness of what the future labor market might look like, in the hope of planning career paths with a greater emphasis on young people and on the development of their professional skills and abilities.

Finally, during 2020, despite the difficulties faced, twenty-two curricular/extracurricular internships were organized at SIT's Italian offices for university students, two of which involved the writing of a dissertation.

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. The EVP is most explicitly expressed 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 2020, around 35 people were hired on permanent contracts for the various departments of SIT S.p.A. and MeteRSit S.r.l.

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 program.

Through the Internal Job Posting program, 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 program, 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 Customized Induction program aimed at immediately transmitting corporate values and product and process knowledge. The induction program is customized in a targeted manner according to the future role of the incoming employee. In 2020, a total of 240 hours were dedicated to induction programs for 30 new hires. For the first time, most of the meetings were held remotely on Microsoft Teams due to the pandemic. Remote meetings allowed people to get to know each other and to learn more about products, processes and business areas without the need to be physically present, thus overcoming the obstacles and barriers resulting from COVID-19.

Development of human resources

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

The annual training plan ensures that all employees at Italian companies are equipped with the necessary technical, specialist and safety skills, focusing specifically on strengthening digital and security skills in 2020.

To support the digital transformation project, a workshop was organized that involved all relevant company figures, who shared information on projects taking place across the Group. It was also an opportunity to exchange information on the results achieved. 2020 also saw strong and decisive support from the company in the field of ethics and business integrity through the organization and provision of several training sessions aimed at raising employee awareness of the Group's anti-corruption policies.

Approx. 52 employees were involved in three training sessions totaling 156 hours.

In 2020, training sessions were generally characterized by a focus on the online provision of technical and managerial content. A total of 7,791 training hours were provided in Italy, 54% percent of which focused on technical training, 24% on safety training and 22% on managerial training. In 2020, the Group invested significantly in project management and project design courses, such as the visual management course, which involved 67 people from the R&D departments in Italy in a total of 536 training hours. From a managerial perspective, three 24-hour team-building sessions were held to strengthen group dynamics in specific company populations, in addition to various other internal training courses, which will be pursued further in 2021, such as the "train the trainer", "remote working" and "continuous feedback" courses, resulting in a total of 1,708 hours of managerial training provided to 155 employees.

In 2020, the Group also invested in English language courses, Master's degree courses at Bocconi University and personal coaching courses for managers facing more challenging responsibilities.

Alongside online tools, the Board of Directors decided to embark on a change management process with regard to sustainability. In line with this decision, the Directors began a 64-hour Driving Corporate Sustainability training course in July 2020, which is expected to end in April 2021.

The Company continues to confirm its commitment and dedication to sustainability by analyzing the company's values and developing action plans to shift the Group's cultural mindset on the important topic of corporate sustainability.

A total of approx. 51,368 training hours were provided to the Group, with the following distribution:

- 36% - standard training
- 4% - managerial training
- 60% - health and safety training

In order to further develop the Group's human capital, a review of employee management processes continued into 2020 with the aim of standardizing and digitizing procedures using the Success Factors tool dedicated to HR processes. The tool continues to be used, with a particular focus on the Learning module, which will contain information on employee training.

From 2020 onward, all courses taken throughout the year will be monitored and reported on using the new SuccessFactors management system. This system will allow the Training Center to monitor training initiatives and will also allow users to view updates to their training profiles in real time, including all courses attended and completed.

HOURS OF TRAINING PROVIDED IN 2020⁴⁶

	Total hours male	Total hours female	Total hours	Average hours
Executives	1,041	204	1,245	35.6
White-collar	4,688	2,502	7,190	16.3
Blue-collar	8,040	34,894	42,934	26.0
Total	13,769	37,600	51,368	24.2
Average hours	16.8	28.8	24.2	-

HOURS OF TRAINING PROVIDED IN 2019⁴⁷

	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
Total	14,734	32,711	47,445	23.6
Average hours	18.4	27.0	23.6	

46) 47) The total number of training hours has been partially estimated from training plans defined at the beginning of year.

CULTURE OF SUSTAINABILITY

After updating its mission, vision and values, SIT decided to actively invest in promoting a culture of sustainability through the launch of a major training project involving all members of the Company's senior management team in 2020.

The training course started in July 2020 and is scheduled to end in April 2021, lasting ten months in total. The main objective is to strengthen and raise awareness of sustainability issues.

The training course involves the following steps:

- 1 Kick-off: information on the training course and its aims;
- 2 Sustainability as key to business: meeting with companies from other sectors to benchmark how sustainability issues are integrated into business strategies;
- 3 Meeting with representatives from the Organization for Economic Co-operation and Development (OECD): international sustainability trends and scenarios;
- 4 Culture of sustainability at SIT: current scenario and strategies for the future
- 5 Sustainable Development Goals and the circular economy: the concept of "shared and long-term value creation";
- 6 Stakeholder management strategies;
- 7 Marrying strategic business objectives with sustainable performance;
- 8 Preparing the SIT Green Paper: sustainability pillars. The Sustainability Report: purpose, drafting principles and contents;
- 9 Drivers of a new model of internal and external communication and promotion of a culture of sustainability.

These activities culminated in the definition of an SIT Green Paper (see the paragraph on "Sustainability for SIT"), which summarizes the Group's strategies and commitment to combining business with social responsibility and a respect for the environment.

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 Group's dimensional and organizational characteristics 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 Management By Objectives (MBO) incentive, governed by an appropriate internal policy, represents the annual variable remuneration component. It contains the strategic objectives (the EBITDA and net cash position, in particular), the process objectives, and the various departmental objectives, together with the bonus percentages associated with the achievement of each objective.

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

È stato rivisto, infatti, il criterio di misurazione degli obiettivi e confermata la percentuale del 125% come valore massimo raggiungibile per singolo obiettivo. È stata poi introdotta una soglia di sbarramento che prevede che, al mancato raggiungimento dell'80% del valore di EBITDA di Gruppo, si renda invalido l'intero importo del Bonus spettante. Il Comitato per la Remunerazione, nel corso dell'Esercizio 2020 ha contribuito alla modifica della policy Group "Management by Objectives" che regola l'applicazione dei piani di incentivazione legati agli obiettivi di business come segue:

- (i) È stata rivista e formalizzata la curva di payout relativa alla misurazione degli obiettivi quantitativi. Tale curva può generare un payout compreso tra lo 0% e il 125% del target. È stato inoltre confermato un tetto massimo alla retribuzione variabile al raggiungimento del 125% degli obiettivi di performance.
- (ii) È stata infine rafforzata l'integrazione della sostenibilità all'interno della pianificazione strategica, confermando anche quest'anno obiettivi ESG all'interno dei piani di MBO legandoli, in particolare, allo sviluppo sostenibile dei prodotti e della rispettiva supply chain.

RATIO OF THE STANDARD ENTRY LEVEL WAGE TO THE LOCAL MINIMUM WAGE IN SIGNIFICANT COUNTRIES FOR THE GROUP⁴⁸

	2020
Italy	1.00
Romania	1.11
Mexico	1.71
Netherlands	1.20
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.

Once an aspirational leadership model was defined, a performance management process was launched in 2019 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.

In 2020, performance management was extended to the entire white-collar population by means of the SuccessFactors tool, on which interested parties were trained. In particular, through five training sessions, employees learned about the usefulness of the tool, confirmed its effectiveness, and prepared to use it during the 2021 feedback interview. Alongside traditional training activities, a communication campaign was launched in December 2020 on the company portal to accompany the important topic of cultural change, by means of articles, surveys and in-depth analysis. The campaign will continue throughout 2021.

⁴⁸) 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.

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, Luncheon 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. In 2020, approximately 5% of all welfare benefits resulted from performance bonus conversions, 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 at the Romania site in 2019.

In 2020, during a proposal to renew the SIT Rovigo 1 Plant Performance Award for 2021-2024, the Group reached an agreement with trade union representatives – by way of derogation from the relevant National Labor Collective Agreement. From 2022 onward, the Company will improve its health care coverage for all workers entitled to enrolment in "Plan A" by supplementing the monthly sum provided by the National Labor Collective Agreement for "Plan B".

The use of remote working continued into 2020, after being trialed at the Padua and Milan offices in 2019 through two pilot projects.

Remote work – which is based on a new managerial philosophy that allows people to be more flexible and independent while taking greater responsibility for their work – has provided the Company with excellent leverage for attracting external candidates and retaining employees. In 2020, remote work also allowed business to continue during the lockdowns and while social distancing was required due to the ongoing pandemic. Thanks to prior implementation of the project, the Company was prepared for the mass management of remote working.

Thanks to actions taken the previous year, SIT was able to manage work flexibly during the pandemic, allowing its employees to continue working from home, and was proactive in doing so, drawing up a netiquette in anticipation of the potential stresses caused by the move to remote work.

Furthermore, in July, in recognition of the professionalism demonstrated by its employees, SIT announced its decision to consider making flexitime permanent, allowing employees to work from home two days a week in the long term.

261 employees in Italy are currently able to work remotely, thanks in part to the allocation of company devices.

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.

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 digital magazine contains articles written exclusively by employees themselves aimed at disseminating information at all levels on corporate news, business performance, organizational changes, technical subjects, company products and general culture, and at engaging employees in the various activities of company facilities and offices.

Sustainability objectives

The "Welfare and Well-Being" and "Internal Communications" objectives are set out below. These objectives 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.

AREA: AREA: SOCIAL SUSTAINABILITY

TOPIC: WELFARE AND WELL-BEING

OBJECTIVE

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 digitalization of internal processes.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

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.

To date, 261 employees at the Group's main plants in Padua, Milan, Rovigo and Montecassiano are able to work remotely. Remote working arrangements have been encouraged at international offices, especially during the COVID-19 pandemic. In general, employees with duties that did not explicitly require them to be physically present on the premises were allowed to work from home. The Company provided them with adequate means to do so.

As remote working arrangements are not specifically monitored abroad, we estimate that, at a Group level, about 340 people had access to remote working methods during 2020.

AREA: AREA: SOCIAL SUSTAINABILITY

TOPIC: WELFARE AND WELL-BEING

OBJECTIVE

Improvements to the work environment through the upgrading and new construction of company buildings.

DEADLINE

2019-2022 - Deadline extended due to slowdowns caused by the COVID-19 pandemic.

PROJECT PROGRESS

The preliminary part of the project, authorized by the BoD, was completed, and the final project was submitted. Demolition works prior the project launch began in December 2020. The project is expected to be completed by the end of 2022 due to the pandemic. 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.

AREA: SOCIAL SUSTAINABILITY

TOPIC: INTERNAL COMMUNICATION

OBJECTIVE

Development of internal and external communications on sustainability guidelines, goals and actions, also via the complete redesign of the company intranet.

DEADLINE

In the period 2019-2021

PROJECT PROGRESS

The project to build a new portal platform was completed in April 2020 with the online launch of a corporate portal on Microsoft's SharePoint platform. Content is uploaded to the portal on a daily basis by the project team (from the Marketing, HR, Digital and Sustainability departments). The portal currently features People, Marketing, Company and Sustainability sections. The Sit&Talk digital (in-house magazine) has also been uploaded to the portal and has been online since April 2020.

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, computerization, 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 organizational 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 quickly than ever before. In order to do so, we have launched the remote working project discussed in the welfare and well-being paragraph of this Statement.

Digital transformation will allow us to standardize 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 Statement for more information on the effects of digital product solutions.

Digitalization 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 had already decided to follow a five-year lean transformation implementation plan, which was launched in 2019. Although there were some delays due to COVID-19, work has proceeded fairly smoothly, in line with the defined principles. As a company priority, the lean project is now monitored on a weekly basis by the Group COO and quarterly by the management team through a steering committee, during which results and potential deviations from the plan are analyzed and corrective actions are defined if necessary.

Work was carried out in two distinct areas during 2020:

- Creation of a lean culture through definition of the project's content and scope. Classroom and web-based training sessions were provided to demonstrate the concept of a "lean" culture and to promote the creation of a culture of ongoing improvement, thus providing a basis for improvement projects.
- Identification and implementation of projects that will lead to significant savings in excess of Euro 1 million during 2021.

DIVERSITY, EQUAL OPPORTUNITY 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 programs 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, honor 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 favorable 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 behaviors 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, GENDER AND PROFESSIONAL CATEGORY AT 31/12/2020⁴⁹

	<30	30-50	>50	Total	Male	Female	Total
Executives	0.0%	37.1%	62.9%	100%	91.4%	8.6%	100%
White-collar	7.5%	62.4%	30.2%	100%	68.9%	31.1%	100%
Blue-collar	22.5%	54.2%	23.3%	100%	29.4%	70.6%	100%
Total	19.1%	55.6%	25.4%	100%	38.6%	61.4%	100%

NUMBER OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT 31/12/2020

	<30	30-50	>50	Total	Male	Female	Total
Executives	-	13	22	35	32	3	35
White-collar	33	275	133	441	304	137	441
Blue-collar	371	893	385	1,649	484	1,165	1,649
Total	404	1,181	540	2,125	820	1,305	2,125

PERCENTAGE OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY 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%
Total	15.6%	58.1%	26.4%	100%	39.7%	60.3%	100%

⁴⁹⁾ The percentages were calculated based on the total number of employees (by category, age group and gender) employed at the end of the reporting period.

NUMBER OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY 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
Total	313	1,168	531	2,012	799	1,213	2,012

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 Labor 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 labor 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 labor, child labor, 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.

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

Labor/Management Relations

SIT fully respects and guarantees the right to work and the freedom of association of employees at all its facilities. It should be noted that 94.59% of Group employees are covered by collective bargaining agreements designed to encourage the involvement of workers in the achievement of company-specific objectives at individual plants (e.g., efficiency, waste index, participation index).

In addition, in Italy, monthly meetings are organized with trade union representatives to share information on production trends and any issues or proposals put forward by the Company or union representatives. 2020 saw the company engage in activities to combat and manage the spread of the COVID-19 pandemic. In addition to the above, a COVID-19 Committee was set up at each plant, meeting on a bi-weekly basis and comprising: the Plant, HR, Production, H&S, RSU, and RLS managers. Trade union involvement in these committees is aided by the sharing of actions implemented at the various plants, as well as by identifying further areas for intervention, which are evaluated and implemented as necessary.

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.

SIT's commitment to local communities allows the Group to:

- strengthen its relationship with cultural, scientific and educational institutions and with young people, contributing to the education of future generations, combatting early school-leaving, and supporting visual arts and music events;
- promote a culture of solidarity by supporting and financing local health care facilities;
- promote a sports culture by financing participation in sporting events and sponsoring local amateur clubs;
- dedicate attention and awareness to the environment by promoting initiatives linked to the development and protection of green spaces in the local area.

Described below are some of 2020'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 quadri-lingual 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.
- Traditional panettone cakes purchased from local artisan bakeries were delivered to production plant employees during the Christmas holidays. This initiative helped to support small businesses struggling through the COVID-19 pandemic.
- Christmas greetings were exchanged online, involving all of the Group's production sites and offices. Via a live stream from home, Group employees and their families were able to listen to greetings from the President and SIT offices managers around the world, and to enjoy a fascinating presentation on the Macchiaioli painters' exhibition sponsored by SIT.

Youth training initiatives

- SIT Romania directed a portion of its 20% turnover tax to the Bookland Foundation - an organization that builds and equips schools in poor rural areas of Romania and provides free study supplies such as books, exercise books and other educational material and tablets;

Cultural initiatives

- SIT sponsors the I Macchiaioli - Capolavori dell'Italia che risorge exhibition in Padua

Through its sponsorship, SIT sought to support the Bano Foundation and its I Macchiaioli exhibition, confirming the importance of its presence in the Padua area – where SIT was founded in 1953 – and supporting the local cultural and tourism sectors, which were severely affected by the pandemic.

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 Reggiana Calcio and Italian Serie D 2019-2020 Championship season.

Support initiatives

- Contribution to the purchase of “cuddle curtains”

SIT decided to join the Christmas fundraising campaign organized by IPAB Mariutto di Mirano to raise money for residential projects.

The pandemic upended everyone's lives, and the elderly suffered greatly after being forced to keep a distance from loved ones. Some of the worst effects of the pandemic have involved a lack of affection and lost connections with the outside world.

The social distancing restrictions have been excruciating for those struggling from loneliness, and those with no means of communicating except through physical contact, resulting in sadness, depression and withdrawal.

This is the experience of a great number of residents at our care clinics (RSAs), who are not only the most vulnerable to contracting the virus, but are also only able to communicate through contact. Contact with loved ones is their lifeblood. “Cuddle curtains” allow people to embrace loved ones after many months spent apart.

In Romania, where companies are allowed to redirect 20% of turnover tax to local foundations, funds were donated to the Hospice Hope association, which provides palliative care to terminal cancer patients, including children.

Initiatives to support medical research

- The Padua branch of SIT has made a Euro 70,000 donation to Padua Hospital to support research into the genetic basis of susceptibility to SARS-Covid19 infection, led by Professor Andrea Crisanti from the Department of Molecular Medicine.

Environmental initiatives

Taking advantage of the option to redirect 20% of its tax on profits to local foundations, SIT Romania donated funds to the Carpathia Foundation, which oversees nature conservation and forest restoration, and the Carpathian mountains in particular, by planting trees.

The aforementioned community engagement programs and initiatives were developed and promoted in approximately 18% of the countries in which Group companies operate⁵⁰.

50) 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.

Sustainability objectives

The "Local Community Initiative" sustainability objectives are set out below. These objectives 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.

AREA: SOCIAL SUSTAINABILITY

TOPIC: INITIATIVES IN SUPPORT OF LOCAL COMMUNITIES

OBJECTIVE

Organization and promotion of activities involving the families of SIT Group employees.

DEADLINE

2020-2022

Deadline extended to 2022 to allow the Group to pursue renewed commitments to local communities.

PROJECT PROGRESS

Due to restrictions resulting from the COVID-19 pandemic, it was unfortunately not possible to organize the traditional Christmas parties and participation in the Padua marathon in 2020.

In place of a Christmas party, a "Worldwide Christmas Greetings" event was organized (involving the entire Group for the first time) and streamed from Padua, allowing all SIT offices to tune in, and employees and their families to connect remotely from home. During the event, a virtual tour of the I Macchiaioli exhibition sponsored by SIT was broadcast to allow international employees the opportunity to see the exhibition.

In addition, all employees and their families were offered free tickets to the I Macchiaioli exhibition at Palazzo Zabarella.

The SIT&Talk digital company magazine, which is available online, provides monthly news and updates on the Company and its employees, including new hires, new assignments, work projects, success stories, achievements, company results, and the birth of "SIT babies". The magazine also provides well-wishes to retiring colleagues and information on recommended reading, interesting new apps, and the latest scientific developments.

In 2021 and the years to follow, SIT is committed to pursuing better communication with workers' families through initiatives aimed at promoting their involvement in the corporate community.

OBJECTIVE

Promote initiatives throughout the SIT Group in support of non-profit and sports associations.

DEADLINE

2020-2022

Deadline extended to 2022 to allow the Group to pursue renewed commitments to local communities.

PROJECT PROGRESS

In 2020, SIT supported associations such as the Bano Foundation and its I Macchiaioli exhibition, the Luigi Mariutto di Mirano IPAB (Public Aid and Charity Institution) with a donation to "Cuddle Curtains", the Bookland Foundation to help build schools and purchase supplies, the Carpathia Foundation to help plant trees, Hospice Hope to assist terminal cancer patients, the Department of Molecular Medicine at the University of Padua to fund research into the genetic basis of susceptibility to SARS-Cov19 infection, Telethon, Azione Cattolica, and Assindustria Veneto Centro to help purchase ventilators during the initial wave of the pandemic.

SIT also sponsored the Lentigione Calcio and Reggiana Calcio football teams.

Our commitment for 2021 and the years to follow is to continue supporting these associations and others in the non-profit and sports sectors, and in the cultural and scientific worlds.

OBJECTIVE

Support communication with local communities through the use of social networks.

DEADLINE

2020-2022

Deadline extended to 2022 to allow the Group to pursue renewed commitments to local communities.

PROJECT PROGRESS

This activity is carried out through the publication of content on various company topics on LinkedIn, Twitter and Facebook, including community initiatives, news, events, press releases, and topics promoted by the Company, such as sustainability, green developments in the world of heating and metering, decarbonization objectives, and the reduction of CO2 emissions through the development of products that improve the efficiency of appliances or use green fuels, such as bio-methane or hydrogen.

We are committed to continuing these activities in 2021.

ANNEX

MATERIAL TOPIC SCOPE AND IMPACTS
RELATIONSHIP BETWEEN MATERIAL TOPICS AND SPECIFIC GRI STANDARD DISCLOSURES

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 organization 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
Economic performance, Governance, Risk & Compliance	Financial performance	SIT	Caused by the Group
	Market presence	SIT	Caused by the Group
	Corporate Governance	SIT	Caused by the Group
	Compliance with laws and regulations	SIT	Caused by the Group
	Research & Development	SIT, suppliers, universities	Caused by the Group and directly related to its activities
	Circular Economy and Responsible Innovation	and research centers, business partners	
	Ethics and business integrity	SIT, contractor, suppliers, business partners, employees and collaborators	Caused by the Group and directly related to its activities
	Risk management	SIT	Caused by the Group
	Customer satisfaction	SIT, customers	Caused by the Group
	Relations with Public Institutions	SIT	Caused by the Group
Environmental Responsibility	Effluents and waste	SIT, contractor, suppliers and business partners	Caused by the Group and directly related to its activities
	Water resources	SIT	Caused by the Group
	Emissions	SIT	Caused by the Group
	Energy consumption	SIT	Caused by the Group
Social Responsibility	Product quality and safety	SIT, contractor, suppliers and business partners	Caused by the Group and directly related to its activities
	Management and development of human resources	SIT	Caused by the Group
	Labor/Management Relations	SIT	Caused by the Group
	Local community commitment	SIT	Caused by the Group
	Diversity, equal opportunity and non-discrimination	SIT	Caused by the Group
	Employee health and safety	SIT and external workers	Caused by the Group
	Responsible supply chain management	SIT, contractor, suppliers and business partners	Caused by the Group and directly related to its activities
	Culture of sustainability	SIT	Caused by the Group
	Welfare and well-being	SIT	Caused by the Group

RELATIONSHIP BETWEEN MATERIAL TOPICS AND SPECIFIC GRI STANDARDS DISCLOSURES

MACRO-AREA	MATERIAL TOPICS	GRI TOPIC
Economic performance, Governance, Risk & Compliance	Financial performance	Economic performance
	Market presence	Market presence
	Corporate governance	Governance (General Aspect)
	Compliance with laws and regulations	Anti-corruption
		Environmental compliance
	Research and Development, Circular Economy and Responsible Innovation	(Not directly related)
	Ethics and business integrity	Ethics and integrity (General Aspect)
		Tax
		Anti-corruption
	Risk management	Strategy (General Aspect)
		Profile of the organization (General Aspect)
	Customer satisfaction	(not directly related)
	Relations with Public Institutions	Profile of the organization (General Aspect)
	Stakeholder engagement (General Aspect)	
Environmental Responsibility	Effluents and waste	Effluents and waste
	Water resources	Water and effluents
	Emissions	Emissions
	Energy consumption	Energy
Social Responsibility	Product quality and safety	Customer health and safety
	Management and development of human resources	Training and education
	Labor/Management Relations	Labor/Management Relations
	Culture of sustainability	(not directly related)
	Local community commitment	Local communities
	Diversity, equal opportunity and non-discrimination	Diversity and equal opportunity
		Non-discrimination
	Employee health and safety	Occupational health and safety
	Responsible supply chain management	Profile of the organization (General Aspect)
		Procurement practices
Welfare and well-being	Employment	

GRI CONTENT INDEX

SIT's 2020 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
GRI 102: GENERAL DISCLOSURE (2016)			
Organizational Profile			
102-1	Name of the organization	4; 99	
102-2	Activities, brands, products, and services	12-15	
102-3	Location of headquarters	10	
102-4	Location of operations	12	
102-5	Ownership and legal form	11; 24; 99	
102-6	Markets served	12, 16	
102-7	Scale of the organization	16, 38-39	Capitalization: Euro 146.69 million (at 31/12/2020)
102-8	Information on employees and other workers	62-63	
102-9	Supply chain	49-52	
102-10	Significant changes to the organization and its supply chain	4	
102-11	Precautionary Principle or approach	27-29	
102-12	External initiatives	17, 30-33	
102-13	Membership of associations	35-36	
Strategy			
102-14	Statement from senior decision-maker	2-3	
102-15	Key impacts, risks and opportunities	27-29	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	17	
Governance			
102-18	Governance structure	24-26	

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSIONS
GRI 102: GENERAL DISCLOSURE (2016)			
Stakeholder engagement			
102-40	List of stakeholder groups	20	
102-41	Collective bargaining agreements	83	
102-42	Identifying and selecting stakeholders	20	
102-43	Approach to stakeholder engagement	20-21	
102-44	Key topics and concerns raised	22	
Reporting practices			
102-45	Entities included in the consolidated financial statements	4, 11	
102-46	Defining report content and topic Boundaries	22-23, 88	
102-47	List of material topics	23	
102-48	Restatements of information	5	
102-49	Changes in reporting	4	
102-50	Reporting period	4	
102-51	Date of most recent report	5	
102-52	Reporting cycle	5	
102-53	Contact point for questions regarding the report	5	
102-54	Claims of reporting in accordance with the GRI Standards	4	
102-55	GRI content index	90-95	
102-56	External assurance	96-98	

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSIONS
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TOPIC-SPECIFIC STANDARDS

GRI 200: ECONOMIC SERIES

GRI 201: Economic Performance (2016)

103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	38-40	
103-3	Evaluation of the management approach	38-40	
201-1	Direct economic value generated and distributed	40	

GRI 202: Market presence (2016)

103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	76-79	
103-3	Evaluation of the management approach	76-79	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	77	
202-2	Proportion of senior management hired from the local community	65	

GRI 204: Procurement practices (2016)

103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	49-52	
103-3	Evaluation of the management approach	49-52	
204-1	Proportion of spending on local suppliers	50	

GRI 205: Anti-corruption (2016)

103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	30-33	
103-3	Evaluation of the management approach	30-33	
205-3	Confirmed incidents of corruption and actions taken	No episodes of active or passive corruption were detected within the Group in 2020.	

GRI 207: Tax (2019)

103-1	Explanation of the material topic and its Boundary	22-23, 88	With the aim of improving transparency towards external stakeholders, the Company is working on collecting the required data and information in order to disclose them in its 2021 NFS.
103-2	The management approach and its components	33	
103-3	Evaluation of the management approach	33	
207-1	Approach to tax	33	
207-2	Tax governance, control and risk management	-	
207-3	Stakeholder engagement and management of concerns related to tax	-	
207-4	Country-by-country reporting	-	

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSIONS
TOPIC-SPECIFIC STANDARDS			
GRI 300: Environmental series			
GRI 302: Energy (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	53-54	
103-3	Evaluation of the management approach	53-54	
302-1	Energy consumption within the organization	54	
GRI 303: Water and effluents (2018)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	53, 58-59	
103-3	Evaluation of the management approach	53, 58-59	
303-1	Interactions with water as a shared resource	58-59	
303-2	Management of water discharge-related impacts	58-59	
303-3	Water withdrawal	59	
GRI 305: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	53, 55-56	
103-3	Evaluation of the management approach	53, 55-56	
305-1	Direct (Scope 1) GHG emissions	55	
305-2	Energy indirect (Scope 2) GHG emissions	55	
305-6	Emissions of ozone-depleting substances (ODS)	55	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	56	
GRI 306: Effluents and waste (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	53, 57	
103-3	Evaluation of the management approach	53, 57	
306-2	Waste by type and disposal method	57	
GRI 307: Environmental Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	27-28, 30-33, 53	
103-3	Evaluation of the management approach	27-28, 30-33, 53	
307-1	Non-compliance with environmental laws and regulations	No significant fines or non-monetary penalties were received by the Group in 2020 due to a failure to comply with environmental laws and/or regulations.	

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSIONS
TOPIC-SPECIFIC STANDARDS			
GRI 400: SOCIAL SERIES			
GRI 401: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	62, 73-74	
103-3	Evaluation of the management approach	62, 73-74	
401-1	New employee hires and employee turnover	63-75	
GRI 402: Labor/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	83	
103-3	Evaluation of the management approach	83	
402-1	The minimum notice period for operational changes		The minimum notice period is defined in applicable national collective bargaining agreements and legislation in the countries in which the Group operates.
GRI 403: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	67-68	
103-3	Evaluation of the management approach	67-68	
403-1	Occupational health and safety management system	67	
403-2	Hazard identification, risk assessment, and incident investigation	67-68	
403-3	Occupational health services	68	
403-4	Worker participation, consultation, and communication on occupational health and safety	68	
403-5	Worker training on occupational health and safety	68	
403-6	Promotion of worker health	67-68	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	67-68	
403-9	Work-related injuries	69-70	
GRI 404: Training and education (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	74-75	
103-3	Evaluation of the management approach	74-75	
404-1	Average hours of training per year per employee	75	
GRI 405: Diversity and equal opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	82	
103-3	Evaluation of the management approach	82	
405-1	Diversity of governance bodies and employees	82-83	

GRI STANDARD	DISCLOSURE	PAGE NUMBER	OMISSIONS
TOPIC-SPECIFIC STANDARDS			
GRI 400: SOCIAL SERIES			
GRI 406: Non-Discrimination (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	82	
103-3	Evaluation of the management approach	82	
406-1	Incidents of discrimination and corrective actions taken		In 2020, the Group did not report any incidents of discriminatory practices.
GRI 413: Local Communities (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	84-85	
103-3	Evaluation of the management approach	84-85	
413-1	Operations with local community engagement, impact assessments, and development programs	85	
GRI 416: Customer health and safety (2016)			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
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 2020 the Group did not experience any episodes of non-compliance relating to the impacts on health and safety of products and services.
MATERIAL TOPICS NOT RELATED TO SPECIFIC GRI STANDARD DISCLOSURES			
Research and Development, Circular Economy and Responsible Innovation			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	45-48	
103-3	Evaluation of the management approach	45-48	
Customer satisfaction			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	41-42	
103-3	Evaluation of the management approach	41-42	
Culture of sustainability			
103-1	Explanation of the material topic and its Boundary	22-23, 88	
103-2	The management approach and its components	76	
103-3	Evaluation of the management approach	76	

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, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 29, 2021 (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 established by GRI – Global Reporting Initiative ("GRI Standards"), 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.

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

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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.

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.



3

- 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 remote 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, SIT Manufacturing (Suzhou) Co. Ltd 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 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 subsidiaries SIT S.p.A. (Montecassiano) e S.C. MeteRSit Romania S.r.l., S.C.SIT Romania S.r.l., SIT Manufacturing (Suzhou) Co. Ltd, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote 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, 2020 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 7, 2021

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



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