



SUSTAINABILITY REPORT



CONSOLIDATED NON-FINANCIAL STATEMENT 2021

(IN ACCORDANCE WITH LEGISLATIVE DECREE NO. 254/16)



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LETTER FROM THE CORPORATE SUSTAINABILITY DIRECTOR



Dear Stakeholders,

It is my pleasure to present the SIT group's 2021 Non-Financial Statement. This was a year that saw a growing awareness of ESG topics, and there was an increasing sense of urgency concerning the global agenda.

To strengthen our reputation for using resources responsibly, we sought to consolidate our commitments in 2021 by establishing a new Sustainability Governance team, which was tasked with defining the group's sustainability strategy and monitoring its progress. In short, the team ensures the Company's business operations complement its sustainable success.

One of our main achievements this year involved drafting SIT's first 2021-2025 Sustainability Plan, which has been fully integrated into the group's strategic plan. We have called it the Made to Matter plan to convey the importance of doing things that matter and making a difference so that we can generate long-term sustainable value across all areas that connect the Company to its stakeholders.

The plan includes more than 50 initiatives, which are assigned to the five pillars defined in SIT's Green Paper. This document outlines the Company's main sustainability projects and objectives, which we will monitor and report on over time.

SIT intends to actively participate in the most important challenge of them all: the energy and ecological transition; we want people to view us as a sustainable partner that provides energy efficient solutions while protecting natural resources.

Decarbonizing the heating sector will be a difficult yet rewarding challenge, one in which hydrogen will play a key role and will see us working alongside leading global companies, to which we represent a strategic supplier.

All of SIT's products are compatible with biomethane or hydrogen as an alternative to natural gas, and we expect to see major developments concerning hydrogen as early as 2022, given that the very first 100%-hydrogen boilers have been fitted with SIT control systems.

MeterSit's 100%-hydrogen based residential meter was the first of its kind to receive MID (Measuring Instrument Directive) certification in 2021 and, in collaboration with BEIS (the UK's Department of Industry and Energy), SIT has begun the innovative process of developing the safe, efficient, and technologically advanced use of hydrogen in residential homes and commercial buildings.

Together with its business partners, **SIT attended COP26 in Glasgow in 2021, which was organized by the United Nations on the topic of climate change.**

By attending this event and manufacturing products that are compatible with the hydrogen chain, SIT has further proved its commitment to sustainability and reducing CO₂ in concrete terms.

Meanwhile in the **water metering** sector – which SIT has recently entered with the acquisition of the Portuguese company Janz – the group has focused its efforts on R&D activities, with the intention of creating smart meters that are increasingly accurate and interconnected, so that we can encourage people to use water more consciously, as it is our most precious natural resource.

We have completed the first phase of our **Carbon Footprint of Products (CFP)** project, through which we have measured the amount of CO₂ emitted by the group's three main product families. Thanks to a set of specific skills that we have developed in house,

SIT is now able to manage the methodology (CFP Systematic Approach) independently, which will help us to develop environmentally sustainable products; these new products will boast **environmentally sustainable design** and will be **EPD-certified** (Environmental Product Declaration), according to the principle of **innovability** (sustainable innovation).

People and employees represent a valuable and strategic resource for SIT. For this reason, we have always been committed to guaranteeing respect for diversity, protecting the rights of individuals, fostering their well-being, and promoting their professional growth.

None of this would be possible if it were not for the dedication shown by SIT's employees in their commitment to ESG topics. And it is thanks to their commitment that they are able to make a difference every single day. As such, I would like to extend a sincere thank you to all of our employees on behalf of myself and the entire Board of Directors.

I would like to conclude this letter by reflecting on current geo-political events and the Russia-Ukraine war, which has deeply affected all of us. To demonstrate its solidarity with and support for Ukrainian people and refugees, SIT has taken both group and individual action as part of its **"SIT People for Ukraine"** initiative.

In these dark days, it is important to create a network that is built on solidarity and participation, and I am certain that at this fork in the road, the awareness and generosity demonstrated by SIT employees will continue to encapsulate the true essence of **Made to Matter**.

Chiara de' Stefani
Corporate Sustainability Director
SIT S.p.A.





SIT PEOPLE FOR UKRAINE

The recent events in Ukraine have deeply affected us all. Our thoughts are with everyone in Ukraine who has been affected by the immense tragedy of war. For this reason, SIT has launched several solidarity and reception initiatives to offer help and support to Ukrainian refugees.



As part of its "SIT People for Ukraine" campaign, the Company has launched an initiative that lets employees donate their work hours, which are deducted from their paychecks.

The total value of the working hours donated will be doubled by SIT and donated to the Associazione CONADI (National Council for the Rights of Children and Adolescents), which is an NGO that was established to help improve living conditions and to promote and protect the rights of children and adolescents.

To assist with the emergency in Ukraine, the association supplies urgent medical supplies, manages a humanitarian corridor to reunite children with their families, and provides children with access to psychologists, social workers, doctors, nurses, civil defense officers, and aid workers.

To promote further solidarity initiatives, SIT has created a dedicated section on its Company intranet, which contains useful information for employees wishing to support Ukrainian people by:

- providing a home, or part of a home to refugees;
- providing temporary shelter to Ukrainian children through recognized associations;
- downloading the necessary forms for receiving refugees;
- consulting services dedicated to refugees;
- making donations to recognized NGOs and organizations.

People often think that it is difficult or impossible to take the first step and commit to making a contribution and believing that we can change things for the better, but that is not the case.

We often expect a small group of people to do the work of many, when the best solution is for many people to do whatever they can.

In these dark days, it is comforting to think that we can all do something to help, however small our contribution may be.





METHODOLOGICAL NOTE

This document represents the consolidated Non-Financial Statement for 2021 (hereinafter also "NFS" or "Sustainability Report") of SIT S.p.A. (hereinafter also "SIT" or "the group"), prepared in compliance with the provisions of Articles 3 and 4 of Legislative Decree No. 254/16 (hereinafter also the "Decree").

As envisaged by Article 5, Paragraph 1, Letter B of Legislative Decree No. 254/16, this document is a separate report containing specific wording. This report has been prepared in accordance with the GRI Standards: Core option. Annexed to this document there is the "GRI Content Index", which details the contents reported in accordance with the GRI standards.

The reporting scope is in line with the one applied to the Annual Financial Report of SIT S.p.A. at December 31, 2021 and includes the companies:

- **Janz - Contagem e Gestão de Fluidos. S.A. (Portugal), company acquired in December 2020**
- **SIT Controls Tunisia S.u.a.r.l. (Tunisia), company acquired in November 2020**
- **Plast Alfin S. a r. l. (Tunisia), company acquired in November 2020**
- **MeteRSit UK company established in March 2021**

Environmental data concerning MeteRSit UK and SIT Argentina S.r.l. have not been consolidated as they are considered immaterial.

The data and information reported in this 2021 Sustainability Report are compared to the previous year, where possible, if there has been a change to the reporting scope. Quantitative data, where estimated, are based on the best available information or statistical assumptions.

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**.

From January 1, 2022 onward, the group is obliged to include information on its environmentally sustainable activities in its NFS, as required by the EU Taxonomy Regulation; please refer to the "EU Taxonomy" paragraph for further details.

Pursuant to Article 10 of Delegated Regulation (EU) No. 2021/2178 of July 6, 2021, this 2021 disclosure concerns the proportion of the group's total turnover, investments, and operating costs that pertain to activities considered Taxonomy-eligible with reference to the climate change adaptation and mitigation objectives, as set out in the annexes to Delegated Regulation (EU) No. 2021/2139 of June 4, 2021; some qualitative information is also required.

In this regard, we note that the limited audit of this Non-Financial Statement was performed by the independent audit firm Deloitte & Touche S.p.A. and does not extend to the Taxonomy disclosure.

This Sustainability Report was approved by the Board of Directors of SIT S.p.A. on March 22, 2022 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.

All of the group's Sustainability Reports (past and present) can be found in the "Sustainability" section of www.sitcorporate.it.



MISSION, VISION AND VALUES



MISSION

Our mission is to create **intelligent solutions** for the control of environmental conditions and consumption measurement **for a more sustainable world**

VISION

SIT's vision is **to be recognized** as the **leading sustainable partner** for energy and climate control solutions (and to enjoy the journey!)



SUSTAINABILITY

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



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.

PASSION

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

CUSTOMER ORIENTATION

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

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.



LEAN

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



GROUP PROFILE

- HISTORY AND BUSINESS OPERATIONS
- ORGANIZATION
- GLOBAL PRESENCE
- OUR FACILITIES
- OUR PRODUCTS
- THE SIT GROUP IN A NUTSHELL

SIT is a leading multinational company and is listed on the Euronext Milan segment of the Italian Stock Exchange. It is headquartered in Padua (Italy), where SIT La Precisa was founded in 1953 by brothers Pierluigi and Giancarlo de' Stefani. The group, through its two divisions Heating and Metering, creates intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world. More than 2,500 people work directly for SIT, more than 65% of whom are located in offices outside Italy. Specifically, SIT has production sites in Italy, Mexico, the Netherlands, Romania, China, Tunisia and Portugal, in addition to a commercial structure covering all global markets.

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.

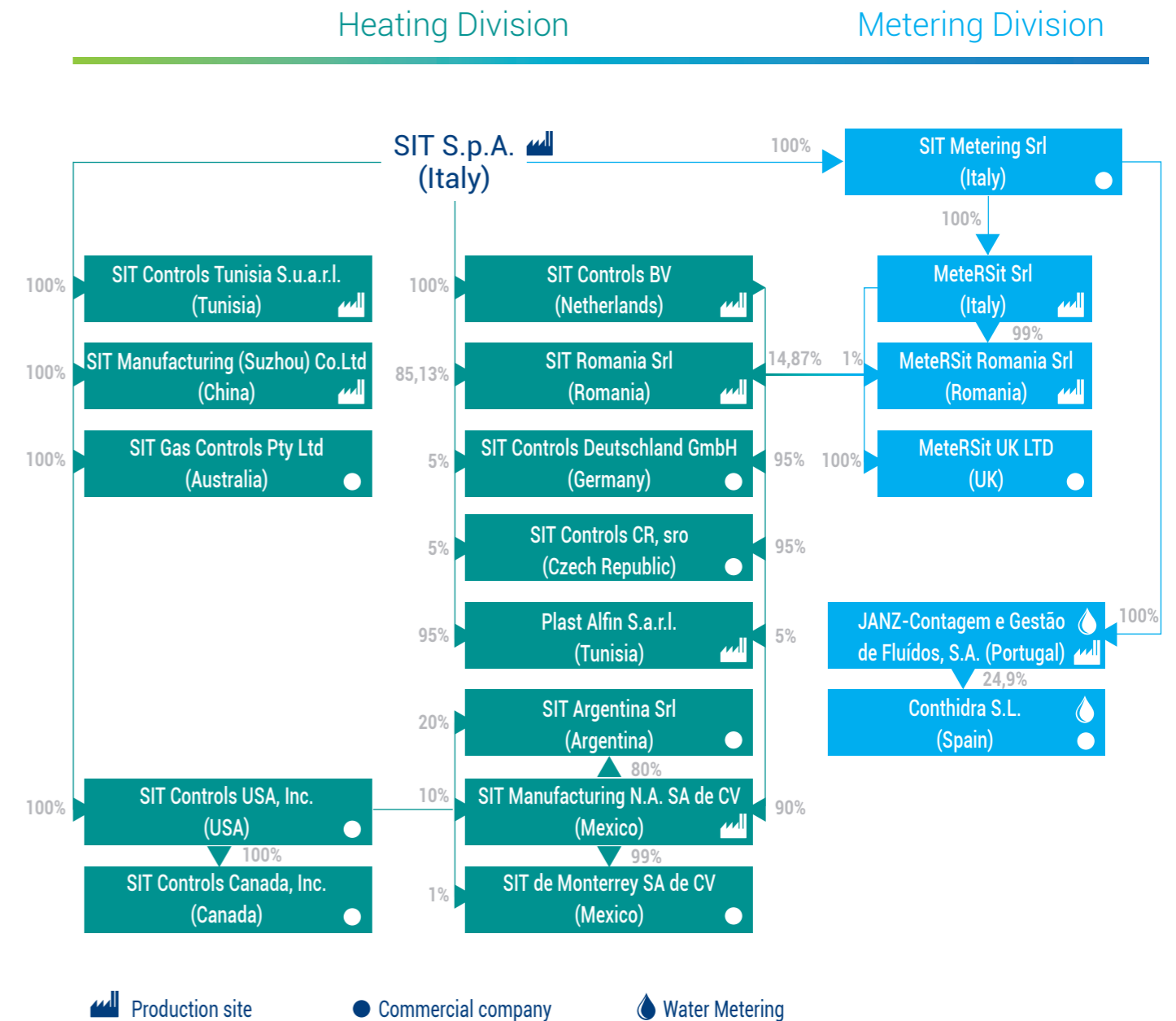
To ensure its production activities respect the environment, the Company is committed to complying with all environmental laws and regulations, preventing all forms of pollution, and making continuous improvements so that it can reduce its environmental impact to a level that is in line with the most economically sustainable use of the best available technology.

In addition to significant quality, innovation, know-how investments, product range expansions and new market acquisitions, key factors in the SIT group'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 and safety.



As of December 31, 2021, the group comprises the Parent Company SIT S.p.A. and its direct and indirect subsidiaries, as depicted in the organizational chart below.



SIT group structure at December 31, 2021



HISTORY AND BUSINESS OPERATIONS

1964 - 1997

International Expansion

- 1964** First mechanical control exported to Germany
- 1974** First international office opened in the Netherlands
- 1980s** New offices in the USA and Australia
- 1997** Office opened in Shanghai, China

1999 - 2017

Greenfields and Acquisitions

- 1999** Acquisition of ENCON, a Dutch manufacturer of circuit boards for gas applications
- 2000** Construction of Mexican plant, acquisition of CATOBA and BRAY BURNERS
- 2003** Acquisition of OMVL, a company operating in the automotive gas systems market, later resold in 2009
- 2004** Acquisition of NATALINI, a manufacturer of electric fans and smoke exhaust kits based in Macerata (Italy)
- 2010** Production capacity increased in Italy, the Netherlands, Romania (new plant in Brasov), and China (new production plant in Suzhou)

2009 - 2016

Entry into the Smart Gas Metering Sector

- 2009** Establishment of MeterSIt to enter the Smart Gas Metering sector
- 2016** Establishment of MeterSIt Romania (Brasov) to increase production capacity

2014 - 2018

Stock Exchange Listing

- Federico de' Stefani acquires 100% of SIT S.p.A. shares
- SAP rolled out across all of the group's operating companies
- Transition to IFRS/IAS
- Merger with SPAC "Industrial Stars of Italy 2 S.p.A." and simultaneous listing on the AIM Italia segment of the Italian Stock Exchange (July 20, 2017)
- November 2018: listing of SIT's shares and warrants on the MTA (main market) of the Italian Stock Exchange

2017 - 2018

Creation of a plan to increase production capacity

- +30% on average at the various plants

2020

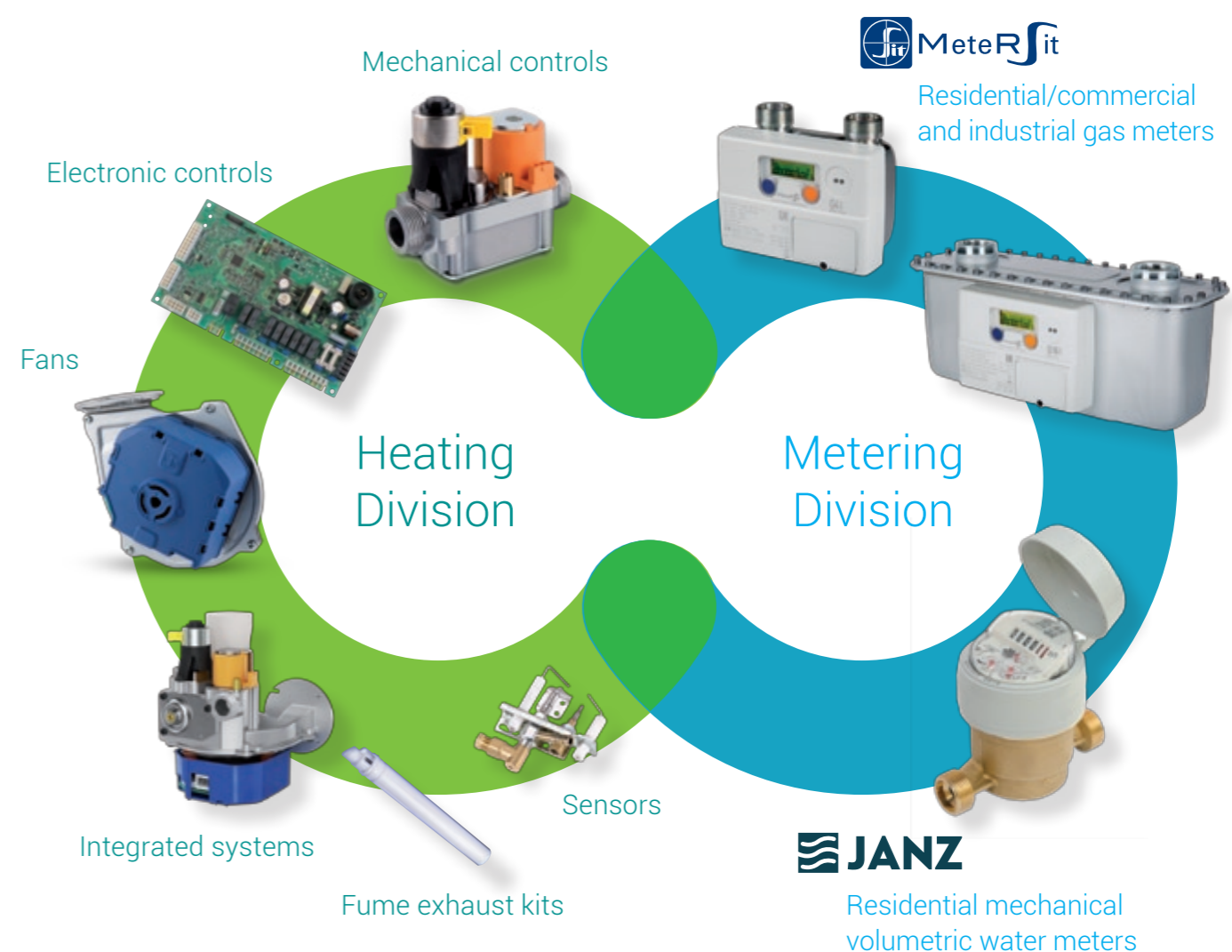
- Opening of a hub in Tunisia to manufacture electronic and plastic components and assemble SIT products
- Acquisition of Portuguese company Janz and entry into the water metering sector

2021

- SIT acquires the NGA product line from Emerson Electric and enters the business of selling electronic valves for storage water heaters
- Founding of MeterSIt UK
- MeterSIt's 100%-hydrogen meter is the first in the world to achieve MID certification

ORGANIZATION

SIT is divided into two divisions (Heating and Metering). There are also two separate areas within the Metering division. A brief description follows.



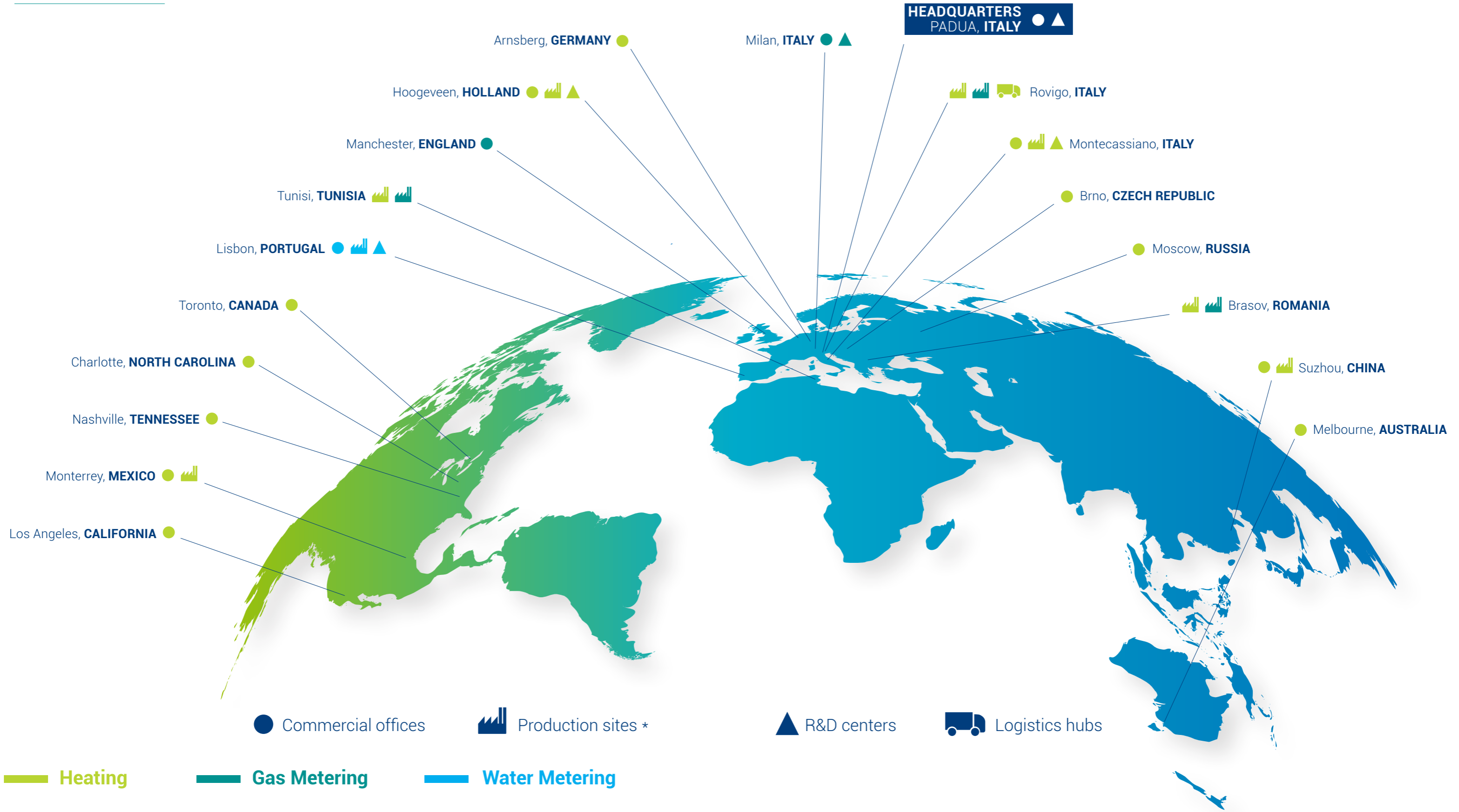
Heating

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

Metering

- Gas Metering: remote-controlled smart gas meters that can directly transmit consumption measurements in standard m³
- Water Metering: volumetric water meters for residential properties using volumetric metrological technology

GLOBAL PRESENCE



* The number of production sites differs from what is reported in the Consolidated Financial Statements since the latter has adopted a company-based approach, therefore considers the production site in Romania for both SIT Romania and MeterSIT Romania and that in Tunisia for both SIT Controls Tunisia and Plast Alfin.



OUR FACILITIES



Monterrey (Mexico)
Mechanical controls, sensors



Rovigo (Italy)
Die-casting, mechanical controls, sensors, gas meters, and logistics hub



Suzhou (China)
Mechanical controls



Brasov (Romania)
Mechanical controls, integrated systems, fans, gas meters



Montecassiano (Italy)
Fans, smoke exhaust kits



Hoogeveen (Netherlands)
Electronic controls



Lisbon (Portugal)
Water meters

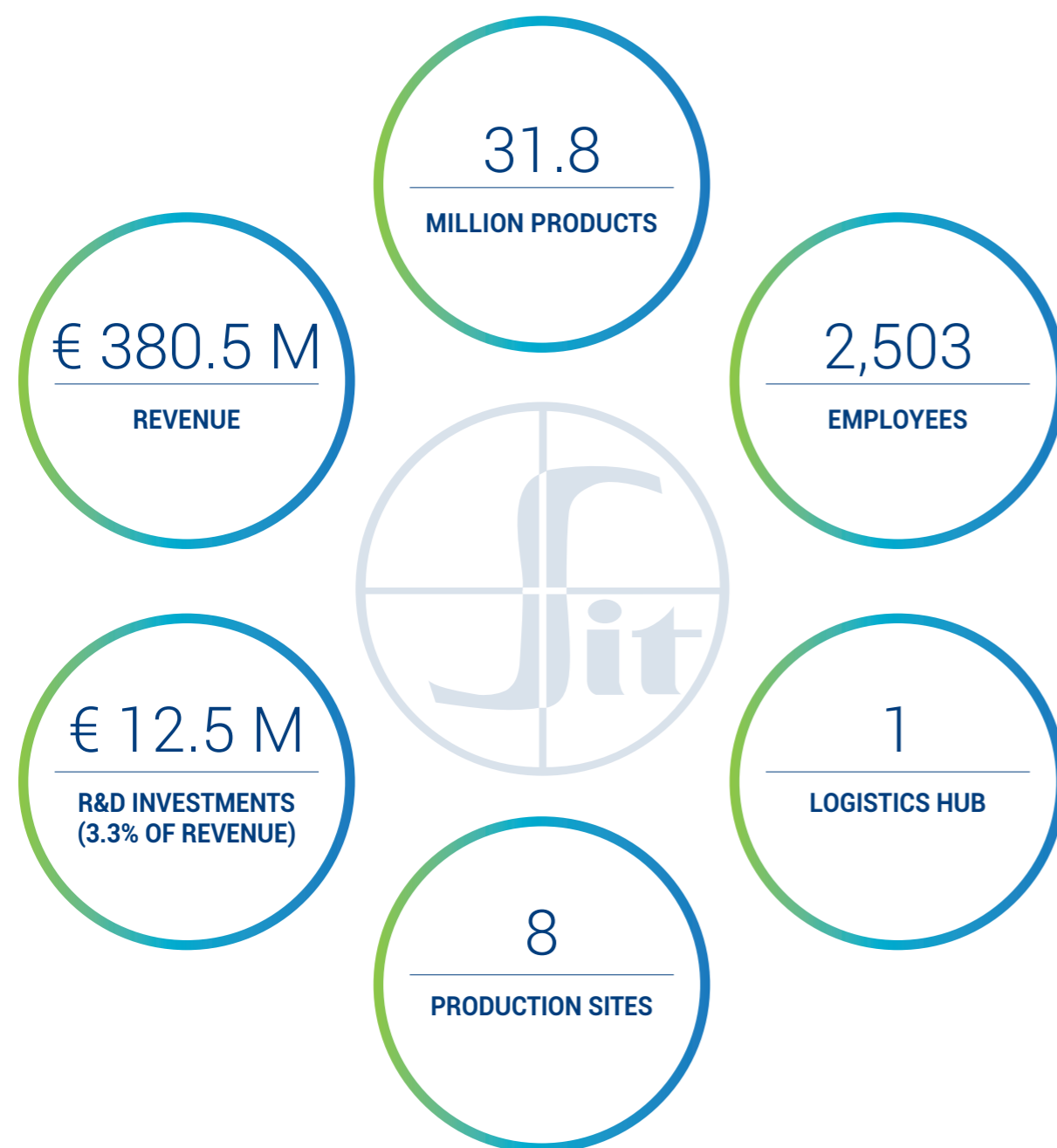


Tunis (Tunisia)
Mechanical and electronic controls, plastic components

OUR PRODUCTS

DIVISION	APPLICATIONS	PRODUCTS	MAIN MARKETS
Heating	Central heating combined heating and domestic hot water boilers	Multifunctional safety and control valves for gas, fans, and smoke exhausts	SIT is the global leader and the main European player
	Direct heating gas and pellet stoves and fireplaces	Mechanical controls (gas valves and sensors), electronic controls (circuit boards, remote controls, and user interfaces), fans for gas fireplaces, stoves, and space heating appliances	North America, United Kingdom, and Europe
	Storage water heating components for domestic water heating	Mechanical controls and pilot burners	North America, Argentina, and Australia
	Professional cooking equipment	Mechanical controls and fans for high-end catering appliances and range hoods	Europe and USA. SIT is the market leader in Europe
Metering	Gas Metering	Residential, commercial, and industrial smart gas meters and accessories	Europe
	Water metering	Residential, commercial and industrial smart water meters	Europe and South America

THE SIT GROUP IN A NUTSHELL



CLIMATE CHANGE AND THE ROLE OF SIT

Climate change is transforming the world we live in. The past two decades have included 18 of the hottest years on record. The rise in heat waves, droughts, and floods is already exceeding the tolerance thresholds of plants and animals, causing mass mortality in species such as trees and coral. These extreme weather events are occurring simultaneously and have trickle-down effects that are becoming increasingly difficult to manage. They have exposed millions of people to severe food and water instabilities, particularly in Africa, Asia, Central and South America, on small islands, and the Arctic. Nowhere on the planet is safe from the combined effects of human-induced climate change.



The scientific world, starting with the United Nation's Intergovernmental Panel on Climate Change (IPCC), is unanimous in its message that rapid, immediate action is needed. We have less than ten years to keep temperature increases below the 1.5-degree threshold limit. The main cause of ongoing climate change is the emission of large amounts of greenhouse gases (GHGs). To avoid the increasing loss of life, biodiversity, and infrastructure, **we need to take ambitious and accelerated action so that we can adapt to climate change while rapidly and profoundly reducing our GHG emissions.**

As a strategic supplier for the leading operators in the energy, utilities and alternative energy resource sectors – areas that are central in combating 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.**

SIT is a leader in the creation of intelligent solutions to control environmental conditions and measure consumption. In this regard, SIT's products are already compatible with alternative eco-friendly gases such as biomethane. 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 our customers to final consumers. One such commitment involved the completion of the certification process for our residential and commercial meters at the start of 2021, which were developed by the subsidiary MeteRSit and run on 100% green hydrogen.

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 environmental responsibility 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 sustainable and create awareness of the topic, thanks in part to its participation in the Value of Water Community promoted by The European House - Ambrosetti.

Finally, SIT's participation at COP26 (the UN climate change conference in Glasgow in November 2021) was significant. SIT participated in the conference with the UK's Department for Business, Energy and Industrial Strategy (BEIS) to provide concrete evidence of its commitment to sustainability and reducing CO₂ through the manufacture of products for the hydrogen supply chain. COP26's objectives (to accelerate the phase-out of coal, particularly) are fully aligned with those defined by SIT, which has taken a proactive role in the decarbonization process and in the reduction of waste produced as a result of gas and water consumption by measuring energy consumption and monitoring climate conditions with its products.

SIT AND THE COVID-19 PANDEMIC

2021 continued to be impacted by the pandemic. The Company continued its previous actions in light of the uncertain situation, pursuing business growth while protecting the health and safety of its stakeholders.

The COVID-19 Emergency Committee established at group level in 2020 contributed to the definition, enactment, and monitoring of all actions to counter the spread of the virus.

Despite various difficulties related primarily to procurement and the movement of goods, SIT's business has recovered compared to 2020.

On the other hand, thanks to the adequacy of the Company's health and safety measures, the constant updates made to comply with the regulations in force, and the commitment demonstrated by SIT's employees and business partners in terms of following the rules, no particular critical issues were recorded in 2021.

SIT'S SUSTAINABILITY JOURNEY

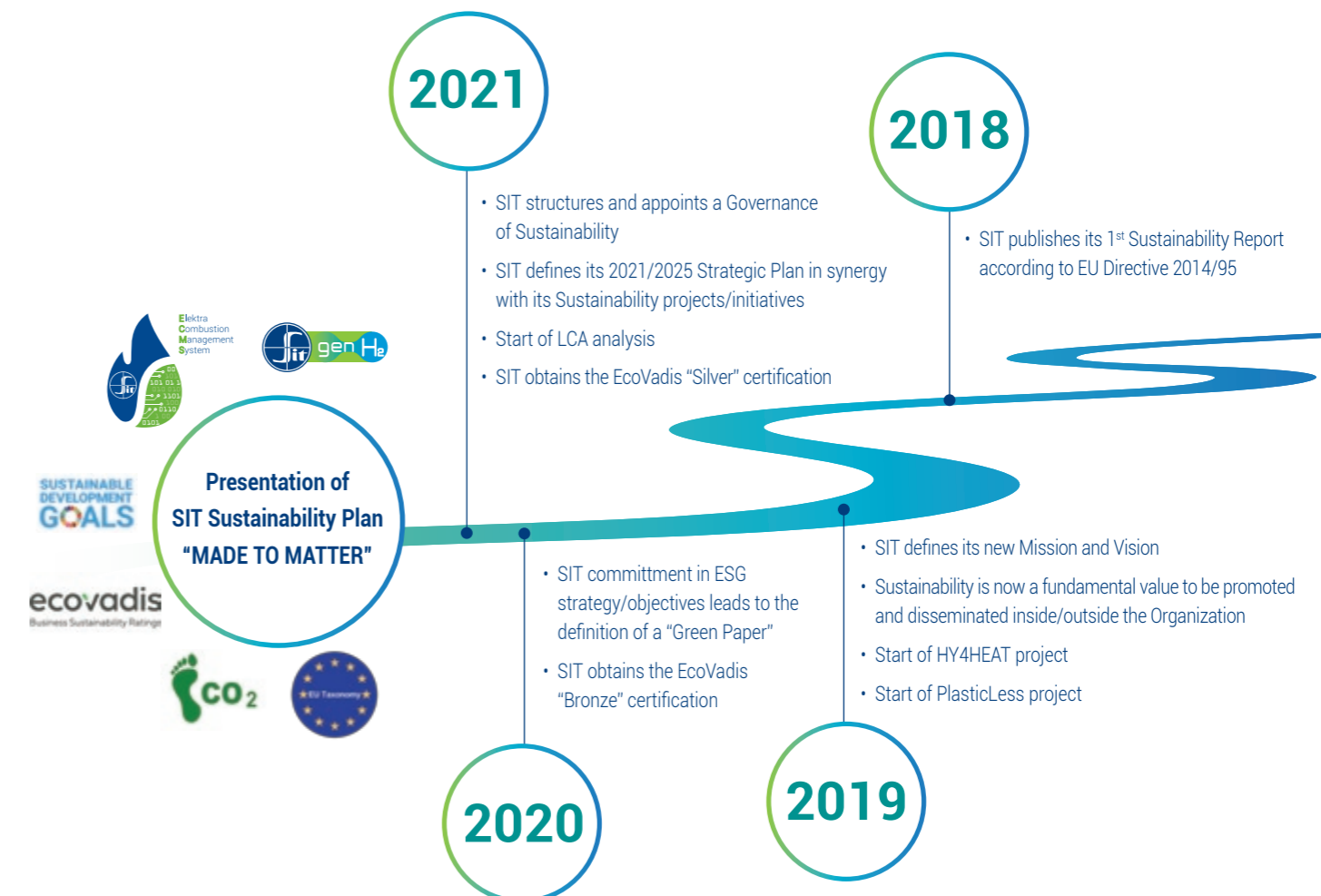
GREEN PAPER
SUSTAINABILITY GOVERNANCE

SIT does business in key global sectors that manufacture enabling technologies for the energy transition. The group has always played a key role in the pursuit of sustainable development, driving innovation and ongoing improvements from an environmentally friendly perspective.

Given that the achievement of the Company's strategic business objectives is inherently linked to its environmental, social, and governance commitments, SIT has begun a comprehensive sustainability journey in recent years.

Since SIT started systematically monitoring its environmental, social, and economic impacts in order to draft its first Sustainability Report back in 2018, the group has developed a better understanding of its ESG identity; As a consequence, the group renewed its corporate mission in 2019 to demonstrate its clear commitment to "creating smart solutions to control climates and measure consumption to create a more sustainable world", with a view to becoming "the leading sustainable partner for climate and energy control solutions".

After completing a process that involved all Company divisions, in 2020 SIT drafted its own "Green Paper", which represents a manifesto for its commitment to sustainability.



GREEN PAPER

The group's Green Paper draws inspiration from its updated mission and vision, and the values linked to them, including sustainability, and has taken on an increasingly important role as a result. These topics were cross-referenced with the guidelines for the group's Strategic Plan: business development, product and service innovation, energy transition support, the improved efficiency and effectiveness of lean business processes, the well-being of human resources and the community, and digital transformation.

The divisions involved in business development and strategic marketing activities, the R&D departments, and the Operations department play a key role in the group's sustainable development journey, and are supported in the process by several enabling divisions and departments, including: Human Resources, Administration, Finance and Control, Governance, and Digital Transformation.

The Company has to interact with all of its stakeholders on an ongoing basis to define its ESG objectives. These stakeholders play a key role in the structure of SIT's manifesto and help to define the group's materiality topics. These topics are identified using appropriate tools that engage stakeholders within and outside the group, and by adopting an approach that views the NFS materiality analysis as a key business management tool.

The Green Paper is structured in line with the dimensions outlined above, and comprises five Sustainability Pillars. Two additional points have been added to the ESG (Environmental Responsibility, Social Responsibility, and Governance) topics: the creation of long-term sustainable value for all stakeholders, and constant efforts to achieve digital transformation and innovation.

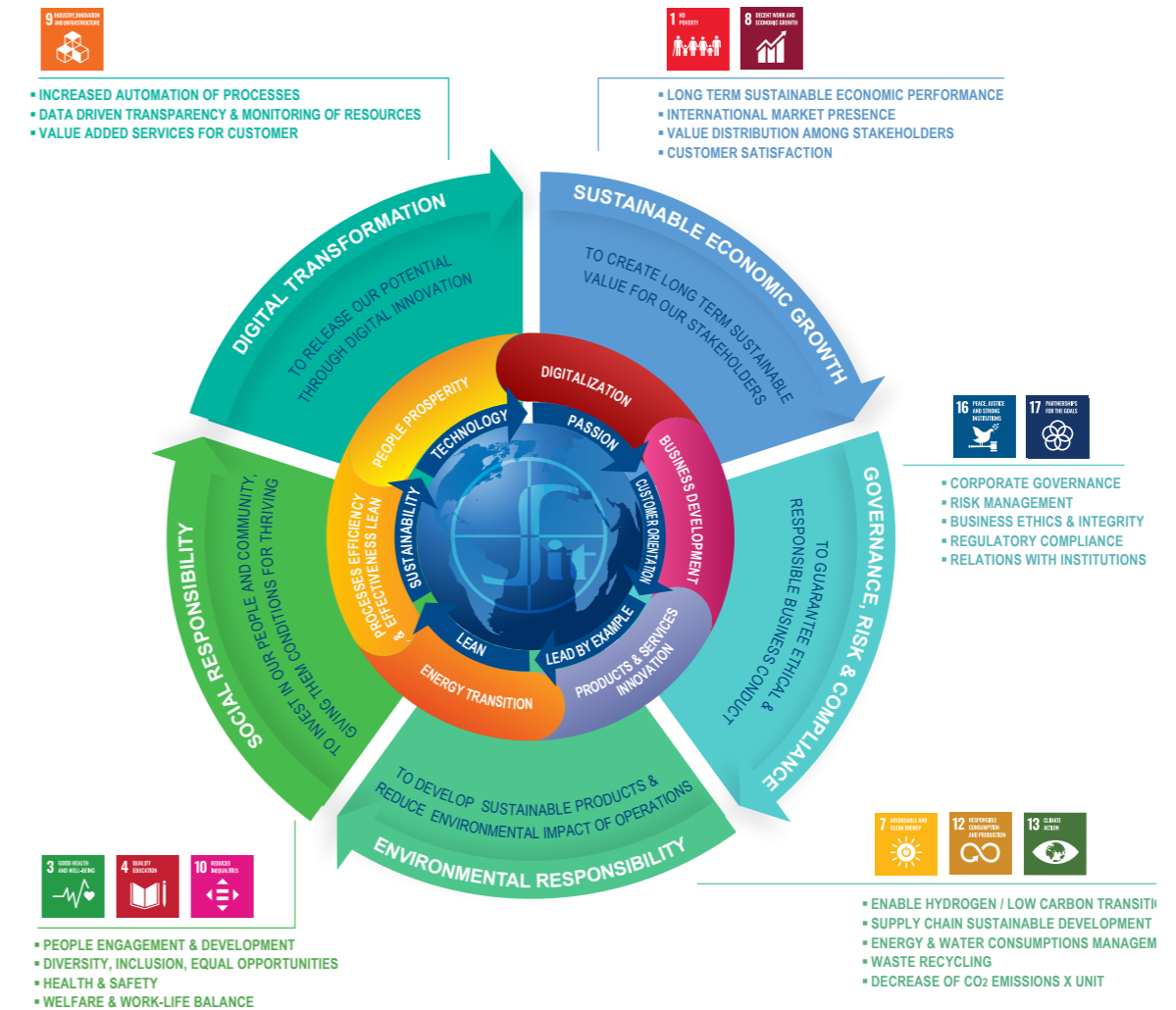
Finally, the Green Paper defines a specific mission for each pillar and for the Company's main ESG commitments, and links these commitments to the UN 2030 Agenda ESG goals.

The circular and "rotating" nature of the Green Paper seeks to convey the concept of an ever-changing environment and the links between all relevant factors.

GREEN PAPER

Mission

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



STAKEHOLDER



SUSTAINABILITY GOVERNANCE

Further demonstrating a desire to adopt an increasingly concrete and systematic approach in this area, in 2021, the Company's Board of Directors approved the creation of a corporate governance team dedicated to the topic of sustainability. The team has the key task of defining, enacting, and monitoring all current and future ESG initiatives and projects (please see the "Governance" section of this document).

The Governance team comprises a **Corporate Sustainability Director** (or CSD) (Chiara de' Stefani, member of the Board of Directors), who has been given specific ESG powers to coordinate the drafting of a Sustainability Plan for the group in terms of its policies, actions, and objectives, as well as to promote appropriate engagement and communication measures with regard to the group's stakeholders.

The CSD reports to the **Sustainability Steering Committee**, which is a cross-division management committee responsible for defining and enacting the Sustainability Plan and achieving objectives.

The Committee also comprises a **Sustainability Officer** and a **Corporate Sustainability Team**, which is tasked with implementing the operational actions defined in the Sustainability Plan and reporting on the results, thus contributing to the promotion of a "culture of sustainability". Finally, the group makes use of specialized Sustainability Local Units, which have been set up across the organization at international level and represent a point of reference for ESG topics and the promotion of ESG culture, including in relation to Non-Financial Statements.

The **Control, Risks** and **Sustainability Committee** supports the assessments 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 disclosure pursuant to Legislative Decree No. 2547/2016. The Control, Risks and Sustainability Committee is composed of three Non-Executive Directors, the majority of whom Independent. 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.

STAKEHOLDERS AND MATERIAL TOPICS

MATERIALITY ANALYSIS THE MATERIALITY MATRIX

Assessing the relevance of the organization's stakeholders is the first step towards devising a clear and precise sustainability strategy. To this end, taking into consideration the type of business managed and the different socio-economic situations in the countries in which SIT operates, *SIT has identified the following relevant stakeholders:*



Following identification of the stakeholders, SIT proceeded to rank them according to their dependence and influence on the group. SIT pays close attention to the involvement of stakeholders in its sustainable growth.

The following table summarizes the main stakeholder engagement methods.



MATERIALITY ANALYSIS

Every two years, the Company conducts a materiality analysis to identify the sustainability topics that are most relevant to the Company and its stakeholders.

Although the most recent materiality analysis – conducted with two stakeholder categories (customers and employees, including senior management) involved in the assessment process – only dates back to the 2020 Non-Financial Statement, the group believed it was appropriate to review the potential need to update topics for 2021 and to reconsider their assignment to the five pillars defined in its Green Paper.

The survey was benchmarked against the Company's key peers and competitors and confirmed the topics previously identified in 2020. However, the material topics were subdivided and assigned to the pillars defined in SIT's Green Paper. We note that, with respect to 2020, the Digital Transformation and Lean Transformation topics have been included in the table below, as they are considered to be cross-cutting enablers of all other topics.

On December 17, 2021, the Board of Directors approved the conclusions of the materiality analysis for the 2021 Non-Financial Statement.



MATERIAL TOPIC	DESCRIPTION
----------------	-------------

Sustainability Pillar: SUSTAINABLE ECONOMIC GROWTH

Market presence	Contribute to the economic development of the local areas and communities in which the Company operates.
Economic performance	Ensure that economic and financial performance is in line with market and stakeholder expectations.
Customer satisfaction	Devise customer relations processes to monitor customer satisfaction and manage customer development.

Sustainability Pillar: GOVERNANCE, RISK & REGULATORY COMPLIANCE

Corporate governance	Adopt a governance model capable of supporting the pursuit of sustainable success.
Risk management	Identify and weight ESG risk factors to mitigate their impact on performance.
Ethics and business integrity	Adopt policies, codes, and procedures that promote values and standards of conduct.
Compliance with laws and regulations	Ensure that the Company complies with specific governance, environmental, social and economic laws and regulations.
Relations with public institutions	Converse responsibly and proactively with public institutions and the public sector to both respect and develop the interests of the Company, trade associations, public bodies, and the local area.

Sustainability Pillar: ENVIRONMENTAL RESPONSIBILITY

Research and development and responsible innovation	Develop innovative products that meet the needs of the market and customers while contributing to the achievement of the UN 2030 Agenda SDGs.
Product quality and safety	Develop products that deliver high-level performance and protect the health and safety of customers.
Responsible supply chain management	Develop strong partnerships with suppliers, both in terms of business and the Company's approach to managing social, environmental and governance topics.
Energy consumption	Monitor and reduce the Company's environmental footprint in relation to energy consumption.
Emissions	Understand and mitigate the impact of the organization's activities on the environment due to greenhouse gas (GHG) emissions, ozone-depleting substances (ODS), nitrogen oxides (NOx), sulfur oxides (SOx), and other substances.
Effluents and waste	Develop and use waste disposal methods that comply with the group's strategy to minimize its environmental impact.
Water resources	Analyze how much water is used by the group to identify potential actions to reduce its impact on the local area.
Circular economy	Embrace production and consumption patterns that involve loaning, reusing, repairing, reconditioning, and recycling existing materials and products to extend the product life cycle, thus reducing waste and refuse in the process.

Sustainability Pillar: SOCIAL RESPONSIBILITY

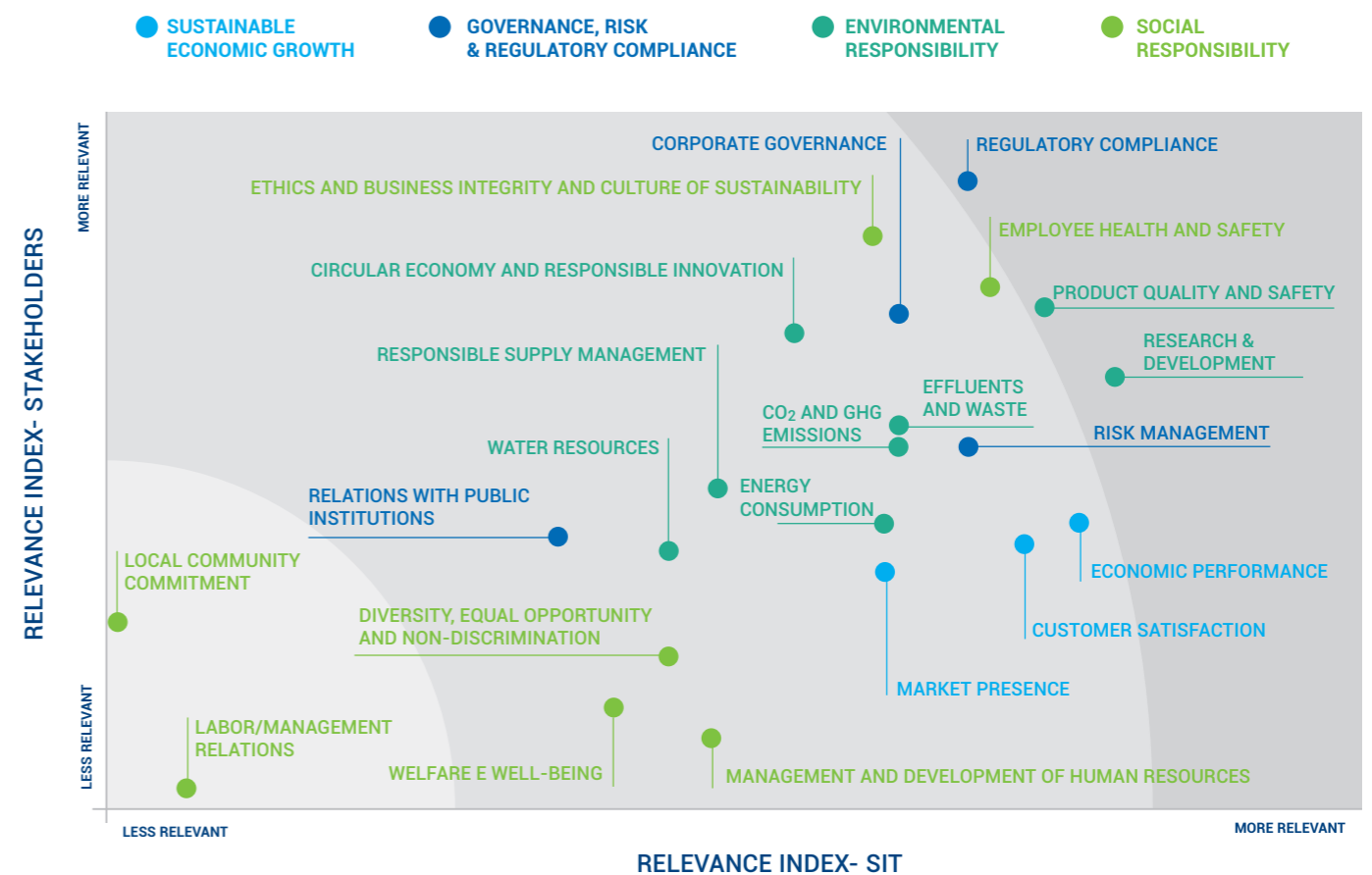
Worker health and safety	Define clear procedures and enact preventive measures to protect and promote the health and safety of people in the workplace.
Management and development of human resources	Develop the skills, expertise, and abilities of workers in line with the group's development strategies.
Culture of sustainability	Contribute to the transformation of the current development model by promoting knowledge, skills, lifestyles, and sustainable production and consumption systems at all levels (group, suppliers, local communities, institutions).
Welfare and well-being	Support the balance between productivity and the physical, mental, and social well-being of workers.
Diversity, equal opportunity and non-discrimination	Help promote a culture of diversity, equal opportunities, and non-discrimination through inclusive workplace policies and practices.
Labor/management relations	Respect the rights of workers to exercise freedom of association and collective bargaining as tools to promote sustainable development and social harmony.
Local community commitment	Listen to and involve local communities in the areas in which the group's production units are located to generate sustainable economic, social, and environmental value.

Sustainability Pillar: DIGITAL TRANSFORMATION

Digital Transformation	Develop and deliver sustainable customer services through the use of specific enabling technologies.
Lean Transformation	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.

THE MATERIALITY MATRIX

The materiality matrix below summarizes the priorities of SIT S.p.A.'s senior management team, employees, and all categories of stakeholders with whom the group interacts when doing business. It identifies relevant topics that provide an understanding of the Company's activities, their performance, and their economic, social and environmental impact. The order of priority of the topics takes into account the strategic relevance they have for the Company (x-axis) and their perceived relevance for stakeholders (y-axis).



ECOVADIS RATING

In addition to engaging with its stakeholders on a continuous basis, using the methods described above, SIT collaborates with bodies that independently certify its ESG performance.

For several years now, SIT's ESG performance has been certified by EcoVadis, which is an international rating agency that measures the CSR (Corporate Social Responsibility) performance of companies. EcoVadis use a methodology that is based on leading international standards to issue a score from 1 to 100. EcoVadis specifically assesses performance concerning the Environment, Labor, and Human Rights, Ethics and Sustainable Procurement.

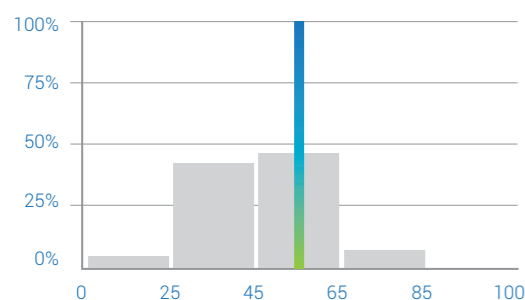
After earning a bronze medal in 2020, SIT climbed the rankings in 2021 and was awarded EcoVadis' Silver certification, thus achieving one of the group's strategic goals.

The group's achievement of a silver sustainability rating demonstrates its ethical and proactive approach to ESG principles and the sustainable actions it takes with regard to its stakeholders and the ecosystem in which it operates. SIT ranks among the top 23% of companies assessed by EcoVadis in its sector.

The Company ranks in the top 30% of industry best practices for its Labor Practices and Human Rights score and among the top 27% of sustainable companies in the industry for its Ethics score.

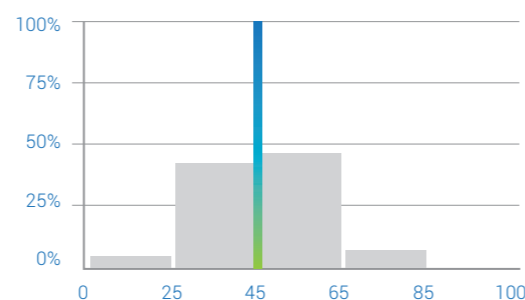


SIT S.P.A. (GROUP)



■ ALL COMPANIES RATED BY ECOVADIS IN THIS INDUSTRY

SIT S.P.A. (GROUP)



■ ALL COMPANIES RATED BY ECOVADIS IN THIS INDUSTRY

2021 SUSTAINABILITY HIGHLIGHTS

MATERIAL TOPIC	2021 HIGHLIGHTS			
Sustainability Pillar: SUSTAINABLE ECONOMIC GROWTH				
Economic performance and presence on the market	€ 380.5 M REVENUE	67 COUNTRIES SERVED	SUSTAINABLE FINANCE: € 40 mln ESG-LINKED BOND LOAN EQUAL / € 90 mln ESG-LINKED LOAN EQUAL	
Sustainability Pillar: GOVERNANCE, RISK & REGULATORY COMPLIANCE				
Corporate Governance	CREATION OF THE NEW SUSTAINABILITY GOVERNANCE TEAM More than 30 COMPANY EMPLOYEES INVOLVED		EU TAXONOMY: ELIGIBLE ACTIVITIES 63.7% REVENUES / 69.8% CAPEX / 73.2% OPEX	
Relations with public institutions	Participation at COP26 in Glasgow		LAUNCH OF AN INNOVATIVE PROJECT WITH THE UK MINISTRY OF INDUSTRY, ENERGY AND INDUSTRIAL STRATEGY to develop the safe use of hydrogen meters and heating in residential homes and commercial buildings	
Sustainability Pillar: ENVIRONMENTAL RESPONSIBILITY				
Research and development and responsible innovation	HYDROGEN PRODUCT DEVELOPMENT ROADMAP HEATING: THE VERY FIRST 100%-HYDROGEN BOILERS are undergoing tests with SIT components GAS METERING: MID (MEASURING INSTRUMENT DIRECTIVE) CERTIFICATION OBTAINED for the Domusnext® 2.0 MMU6 H ₂ residential meter, which is powered solely by hydrogen (THE FIRST IN THE WORLD).		€ 12.5 mln RESEARCH AND DEVELOPMENT COSTS AND INVESTMENTS equal to 3.3% of revenue (Euro +1.3 million on 2020)	
Circular Economy	CARBON MANAGEMENT SYSTEMATIC APPROACH a certified CFP measurement system has been launched			
Product quality and safety	100% OF PLANTS ARE ISO 9001 CERTIFIED			
Sustainability Pillar: SOCIAL RESPONSIBILITY				
Management and development of human resources	2,503 vs 2,125 in 2020 SIT'S WORKFORCE IN 2021 (+378, +18% on 2020)		68,476 (+17,107 vs. 2020, +33%) HOURS OF TRAINING equal to an average of 27 hours of training per capita	
	35.5% OF ELIGIBLE EMPLOYEES MBOs RELATED TO SUSTAINABILITY TOPICS		20,800 DAYS USED REMOTE WORKING / 59% OF THE WORKFORCE REPRESENTED BY WOMEN	

SIT'S 2021-2025 SUSTAINABILITY PLAN

"SIT wants to make a difference and play an active role in sustainable change."

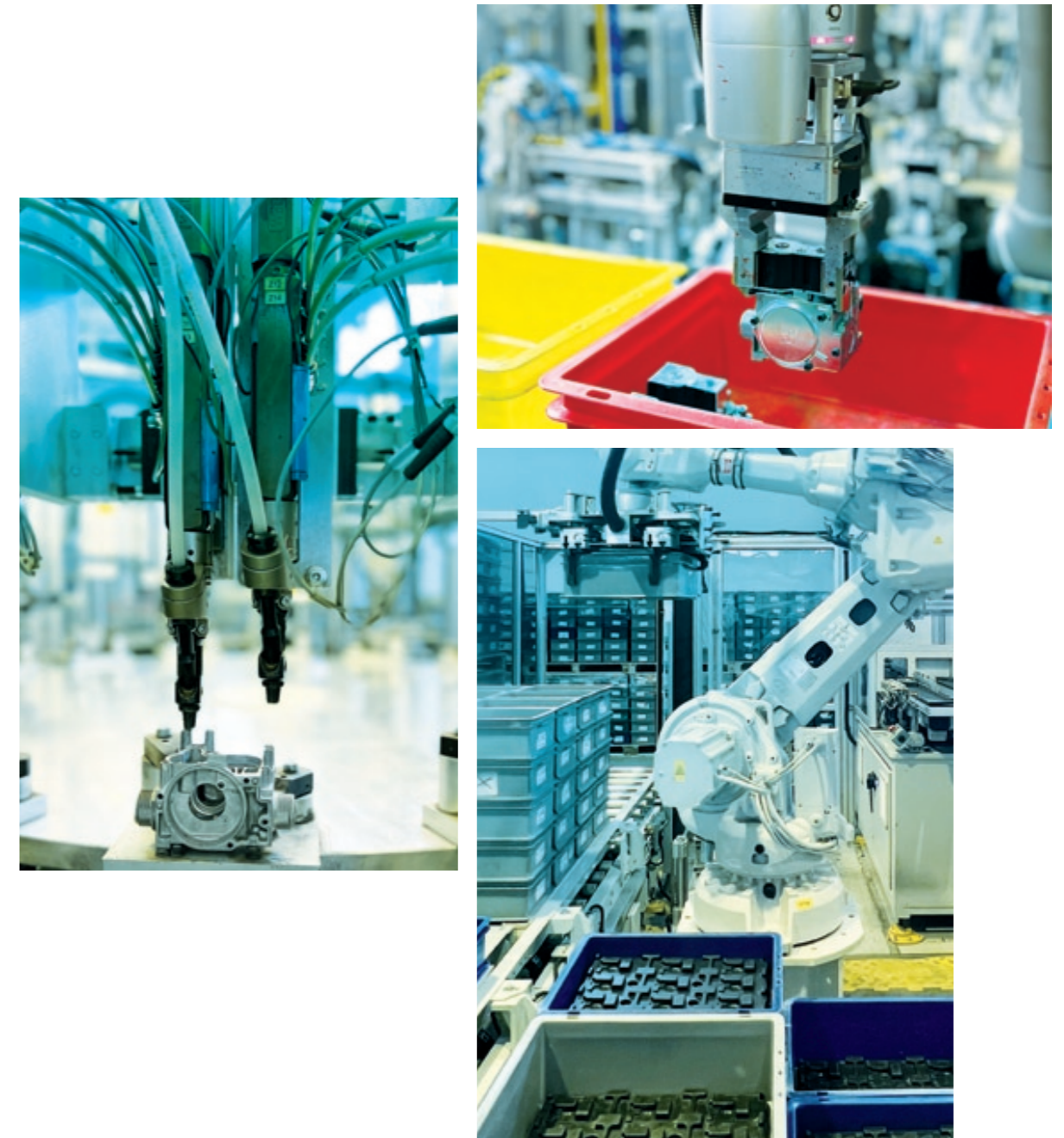
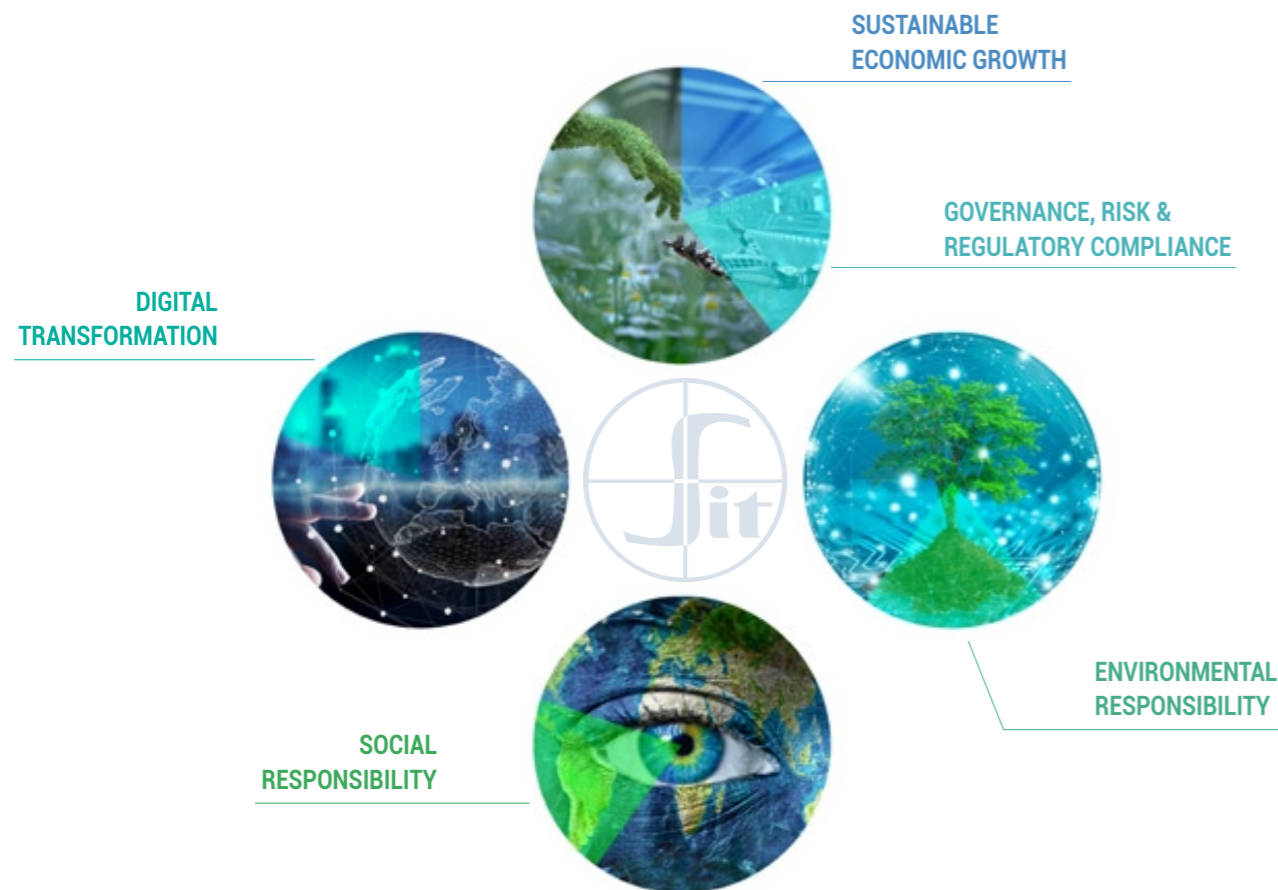
The first task assigned to the newly formed Sustainability Governance team was to draft a Sustainability Plan by pooling the ESG efforts and projects of the individual Company divisions and defining the key objectives for the implementation phase and the KPIs for measuring performance.

The Corporate Sustainability Director presented the plan to the Control, Risks and Sustainability Committee of SIT S.p.A and it was subsequently approved by the Company's Board of Directors. Both the Sustainability Plan and the Strategic Plan cover the same time period (2021-2025) to guarantee total harmony between business operations and ESG performance, and to allow both plans to be adequately and promptly monitored by the same managerial and corporate groups.

The Sustainability Plan groups together around 50 initiatives and projects, which are assigned to five categories that correspond to the pillars defined in SIT's Green Paper. The Plan is also linked to the Sustainable Development Goals (SDGs) (as per the UN's 2030 Agenda), and sets out significant investments to be made by the group over time.

The Sustainability Governance team will ensure the Plan is deployed and monitored over time with a view to achieving the established goals.

Below is a summary of the main projects and initiatives referred to in SIT's 2021-2025 "Made To Matter" Sustainability Plan.



MADE TO MATTER

SUSTAINABLE ECONOMIC GROWTH



Create long-term sustainable value for all stakeholders

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- Business Development, Market Growth and Customer Satisfaction
- Guarantee the SIT group's sustainable economic growth as per the Strategic Plan by ensuring its strategic business objectives remain consistent with its ESG performance
- Expand the group's market presence (in the Metering sector specifically) and improve customer service in terms of innovation, flexibility, punctuality, and service

MARKET GROWTH IN THE US HEATING DIVISION	SIT has acquired the NGA product line from Emerson Electric and now sells electronic valves for storage water heaters to the US market	Expansion of sales in the US market	2022
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INTERNATIONAL EXPANSION OF METERSIT (SMART GAS METERING)	MeterRSit has laid the foundations for its international business expansion through MeterRSit UK	Increase the sales of MeterRSit gas meters abroad	2022-2025
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INTERNATIONAL EXPANSION OF JANZ IN THE WATER METERING SECTOR	Janz is consolidating its presence in Europe (Spain and Portugal)	Expansion of business into new markets	2022
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KEY OBJECTIVES

- Sustainable finance: Meet the group's financial needs by accessing ESG-linked sources of financing

ESG-LINKED BOND LOAN	SIT has placed a Euro 40 million ESG-linked bond loan with 2031 maturity. The fixed half-yearly coupon is indexed to the ECOVADIS ESG rating	Discounted interest of 0.1% on fixed half-yearly coupon subject to maintaining ECOVADIS' Silver rating for the entire duration of the loan	2022-2025
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ESG-LINKED SENIOR FACILITY AGREEMENT	SIT has agreed a Euro 90 million ESG-linked loan with a bank syndicate	Discount of 0.1% on the loan's interest rate from January 1, 2024 onward, subject to maintaining the ECOVADIS silver rating	2022-2024
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KEY OBJECTIVES

- Stakeholder engagement: Develop new forms of communication with corporate investors that highlight the group's financial and ESG performance

PARTICIPATION IN THE ITALIAN STOCK EXCHANGE'S SUSTAINABILITY WEEK	SIT has not yet taken part in corporate events on sustainability with Italian and foreign investors	SIT intends to participate in the Italian Stock Exchange's sustainability event for investors	2022
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MADE TO MATTER

GOVERNANCE, RISK & REGULATORY COMPLIANCE



Ensure business conduct is ethical and responsible

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- ESG Rating: Ensure that high ESG performance is achieved, maintained, and corroborated by external or independent assessments

ECOVADIS	In 2021, SIT earned an ECOVADIS silver rating, thus demonstrating its consolidated and growing commitment to ESG	Achieve ECOVADIS gold rating by 2025	2022-2025
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KEY OBJECTIVES

- Compliance: Comply with European and international ESG regulations

EU TAXONOMY	In 2021, SIT conducted its first assessment on the eligibility of its activities in relation to the (EU) ESG Taxonomy's first two objectives	Completion of the process of assessing the eligibility and alignment of the group's activities with the new ESG Taxonomy objectives	2022-2025
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CORPORATE SUSTAINABILITY REPORTING DIRECTIVE (CSRD)	In 2021, the Commission adopted a directive (CSRD) that will amend existing NFRD reporting requirements	Drafting of the Integrated Report (financial and non-financial disclosures) as per the regulations	2024
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KEY OBJECTIVES

- Relations with Public Institutions: Collaborate with and contribute to leading national and international institutions whose missions include specific ESG objectives

UN GLOBAL COMPACT ENDORSEMENT	SIT continuously assesses its compliance with the highest international ESG standards	Ensure that SIT complies with the principles and objectives established by the UN Global Compact (participant/contributor)	2022-2023
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KEY OBJECTIVES

- Ethics: Define, implement, and monitor appropriate policies and procedures that ensure business conduct remains ethical and stakeholder relations are managed appropriately

NEW CODE OF ETHICS	The pandemic has delayed the achievement of this goal, which was planned for 2021	Draft, issue, share and circulate a New Code of Ethics for SIT at group level	2022
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ANTICORRUPTION/ ANTI-BRIBERY POLICY	The pandemic has delayed the achievement of this goal, which was planned for 2021	Issue, share and enact a group-wide anti-corruption and anti-bribery policy	2022
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ANTI-COMPETITION PRACTICES	SIT is working to complete a regulatory framework on ESG topics for the organization	Issue, share and enact a group policy on anti-competition practices	2022
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MADE TO MATTER

ENVIRONMENTAL RESPONSIBILITY



Develop sustainable products and reduce the environmental impact of business operations

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- Hydrogen: Development of bio-ready products that facilitate the transition to renewable energy

HYDROGEN PRODUCT DEVELOPMENT ROADMAP	The Heating division has fully adapted its product range for use with fuels other than natural gas (hydrogen and biomethane)	The very first 100%-hydrogen boilers fitted with SIT components will be out in the field by 2022. The process of developing dedicated H ₂ sensors will continue	2022-2025
	MeterSIT's 100%-hydrogen meter was the first in the world to obtain MID certification. Hydrogen meters are used "in field" in various development projects	The development of meters based on platforms with dual-fuel sensors (blended and 100% hydrogen) will continue in 2022	2022-2025

KEY OBJECTIVES

- Reduction of CO₂ emissions: Invest in and promote initiatives that encourage the reduction of emissions into the air
- Innovability: develop environmentally sustainable products

CARBON MANAGEMENT	In 2021, SIT began a CFP Systematic Approach project that involved: <ul style="list-style-type: none"> certification of the methodology for calculating emissions (kgCO₂ x unit) analysis of the carbon footprint of three core products in the heating division (circuit boards, valves, and fans) achievement of CFP certification for the products under analysis 	Now that SIT's CFP measurement methodology has been certified, the group will define a plan to reduce its CO ₂ emissions in the first half of 2022, and has established a time period of 2023 to 2025 to begin the work required to achieve its targets	2022
		Completion of the Carbon Footprint project and the progressive roll-out of measurements to the Gas Metering and Water Metering divisions and, subsequently, to the entire organization	2022-2025
ECO-DESIGN AND EPD (ENVIRONMENTAL PRODUCT DECLARATION) CERTIFICATION		Starting in 2022, CFP logic will be incorporated into the development process for new products and SIT product certification activities will begin at EPD International (CFP scope)	2022-2025

MADE TO MATTER

ENVIRONMENTAL RESPONSIBILITY



Develop sustainable products and reduce the environmental impact of business operations

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- Renewable energy: Create facilities that use renewable energy and reduce the environmental impact of business operations, thus reducing CO₂ emissions as a result

PHOTOVOLTAIC SYSTEM ROVIGO 1 PLANT (FOUNDRY)	Project to install a photovoltaic system at the Rovigo 1 plant (foundry) – progress made in 2021: <ul style="list-style-type: none"> project approved feasibility study completed licenses and authorizations requested 	Project to be completed and plant commissioned in the first half of 2023	2023
	PHOTOVOLTAIC SYSTEM NEW HQ AND LABORATORIES IN PADUA	Project to install a photovoltaic system at the SIT group's new office in Padua, which will host its R&D laboratories and HQ Project status: <ul style="list-style-type: none"> design and feasibility study in progress 	Project to be completed and plant commissioned in the first half of 2023

KEY OBJECTIVES

- Supply chain management: Promote engagement and collaboration with SIT suppliers on ESG topics

SUPPLIER ESG EVALUATION/ENGAGEMENT	SIT believes it is necessary to involve the entire supply chain in the achievement of its Sustainability Plan objectives (e.g., reducing the carbon footprint of its product)	Initiate an assessment and engagement process on ESG topics with strategic (TIER-1) direct material suppliers - from 2022 onwards. Coverage levels: 2023: 25% 2024: 50% 2025: 75%	2022-2025
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KEY OBJECTIVES

- Circular economy: Promote projects and initiatives that foster the sustainable management of the product life cycle by recovering and using recyclable materials

USING RECYCLED PLASTIC IN GAS METERS	To engage with the concept of a circular economy, the Company intends to increase the use of eco-sustainable materials in its production processes	Ensure that at least 80% of the gas meter casing is made from recycled plastics (about 60% of the meter's total weight)	2022-2023
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KEY OBJECTIVES

- Environmental protection: SIT is committed to adopting high standards for defining, implementing, and monitoring its environmental impacts

ENVIRONMENTAL POLICY	SIT is working to complete a regulatory framework on ESG topics for the organization	Issue, circulate, and roll out a Group Environmental Policy	2022
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MADE TO MATTER

SOCIAL RESPONSIBILITY



Invest in people and the local community by creating conditions that allow them to thrive

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- Engagement with local communities: SIT promotes initiatives that support the local areas in which it operates, committing to the prosperity of its stakeholders

SIT FOUNDATION	In 2021, SIT drew up plans to establish a Corporate Foundation	Establish the SIT Foundation to support youth initiatives involving sports, educational activities, and the development of skills and talent	2022
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KEY OBJECTIVES

- Welfare and well-being: SIT is committed to initiatives that promote the well-being of its employees and business partners through the provision of a healthy work-life balance and cutting-edge welfare tools

GREAT PLACE TO WORK	SIT asks for objective feedback when assessing how it handles social responsibility	SIT will assess its performance in relation to the indicators defined by the Great Place To Work standard, so that it can define and take improvement actions	2022-2023
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KEY OBJECTIVES

- Training and skills development: Define, develop, and maintain the skills required for the Company to achieve its strategic objectives and sustainable success

DIGITAL ACADEMY TRAINING	In 2021, the Company mapped out its training needs and devised an extensive skills training plan that makes use of a digital platform	The Digital Academy was launched in March 2022 to achieve the objective of providing training to 100% of the target population and new hires (in Italy) Extension to international companies in 2023	2022-2025
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KEY OBJECTIVES

- Pay and bonuses: Offer employees fair pay in comparison to the market average and provide employees and business partners with incentives by combining economic and ESG performance objectives

ROLE WEIGHTING/ TALENT RETENTION	Role-weighting analysis involving 50 managers was conducted to assess the adequacy of pay, the Company's level of attractiveness, and its alignment with market best practices	The project will be extended to all white-collar employees in Italy in 2022	2022-2023
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LONG TERM INCENTIVE PLAN (LTI) AND MANAGEMENT BY OBJECTIVES (MBO)	SIT has included an ESG target (ECOVADIS score) in the first cycle of its LTI Plan More than 35% of MBO assignees were assigned an ESG target in 2021	LTI – CYCLE 1 • Silver rating (100% of target) • Gold rating (130% of target) MBOs: 60% of assignees will be assigned an ESG target in 2022	2022-2023
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KEY OBJECTIVES

- Protection of rights: SIT promotes the adoption of international standards on the protection of fundamental human rights

HUMAN RIGHTS POLICY	SIT is working to complete a regulatory framework on ESG topics for the organization	Issue a policy on the protection of human rights, equal opportunities, and diversity	2022
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MADE TO MATTER

DIGITAL TRANSFORMATION



Realize our potential through digital innovation

PROJECTS/INITIATIVES	BASELINE (2021)	KPIs/TARGETS	TIMING
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KEY OBJECTIVES

- Efficiency and effectiveness of processes: SIT invests in resources to make its production processes more effective and efficient and is committed to promoting a lean culture within the organization

DEFRAGMENTATION OF THE SUPPLY CHAIN	As part of its lean transformation process, SIT promoted several projects to improve the efficiency of its supply chain in 2021	Analyze the group's logistics flows in terms of carbon management activities Define a remediation plan and take corrective actions to reduce CO ₂	2022-2023
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LEAN TRAINING	SIT has promoted the widespread adoption of a lean culture within the group	Devise a training plan and promote a lean culture among all employees and business partners	2022
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KEY OBJECTIVES

- Data and information security: SIT is committed to taking continuous action to mitigate security risks concerning stakeholder information and to strengthen its cyber security

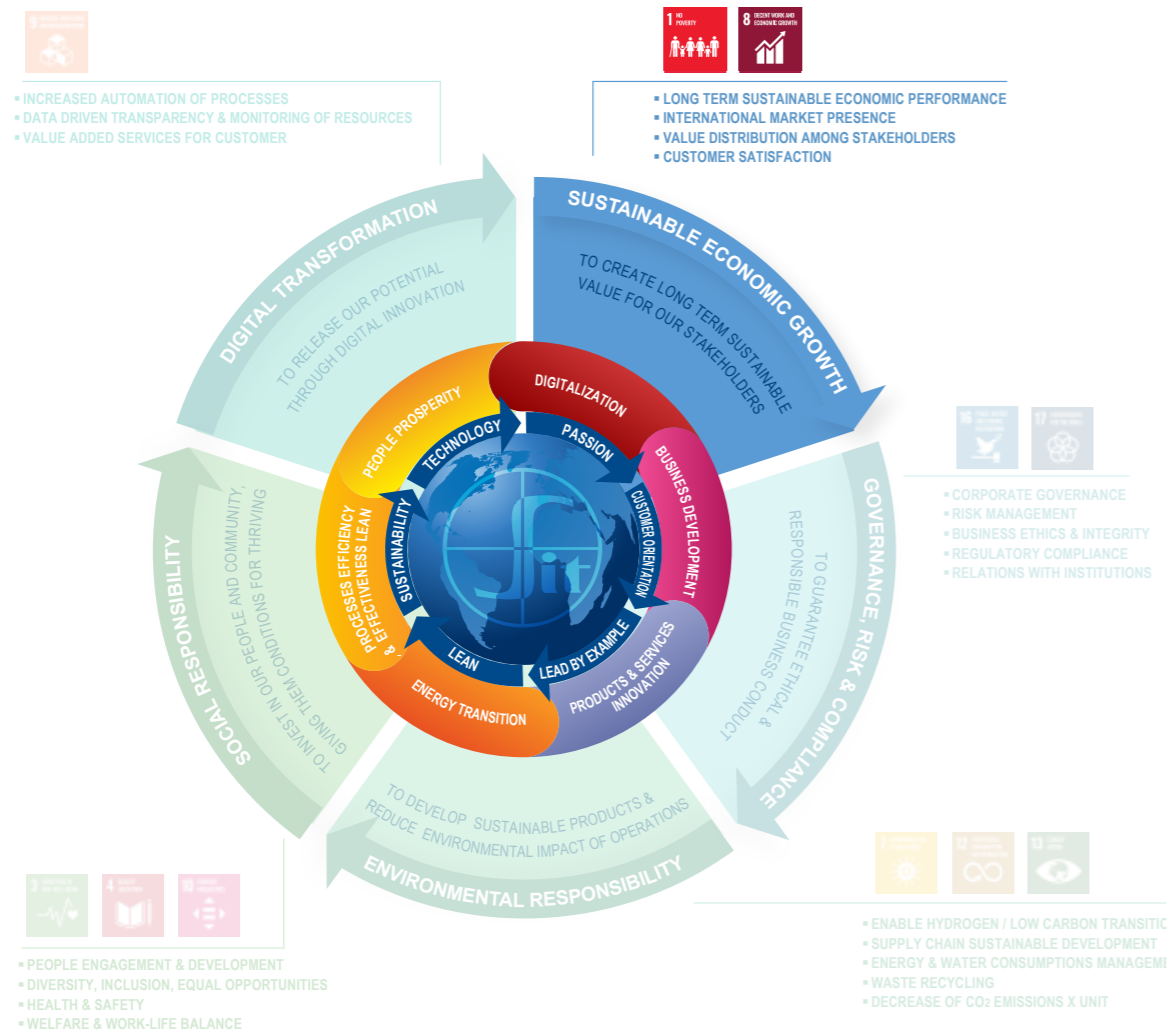
INFORMATION SECURITY POLICIES: INCIDENT RESPONSE	SIT is working to complete a regulatory framework on ESG topics for the organization	Draft, share, and enact an incident response policy for the group	2022
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CYBER SECURITY, RISK ASSESSMENTS AND TRAINING	SIT periodically partners with specialized external consultants to conduct vulnerability assessment/penetration tests to identify vulnerabilities in its IT systems	Perform at least 2 vulnerability assessments/penetration tests a year	2022-2025
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	SIT offers periodic training to staff members to make them aware of cyber security risks	Devise testing and training campaigns for all group employees with a digital identity	2022-2025
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SUSTAINABLE ECONOMIC GROWTH

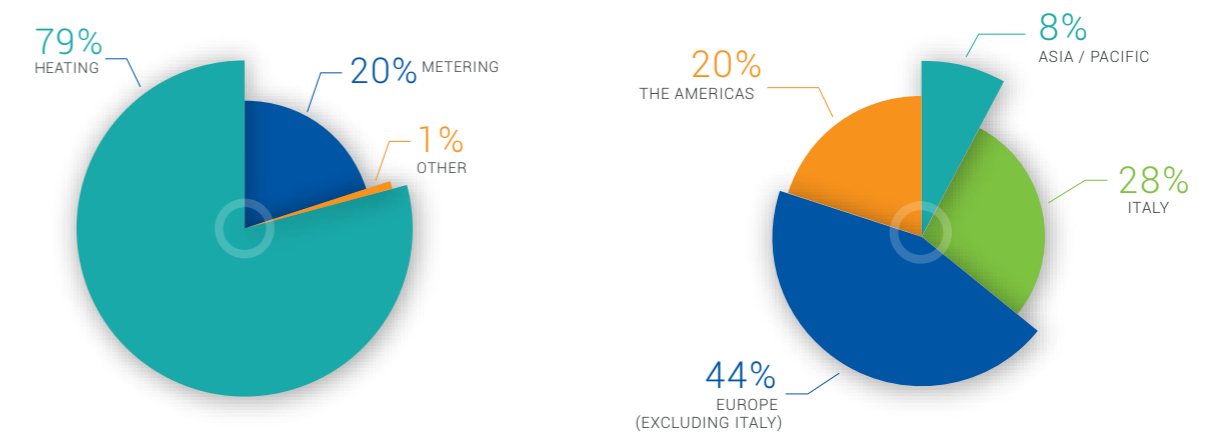


THE SIT GROUP'S ECONOMIC PERFORMANCE IN 2021

HEATING DIVISION
METERING DIVISION
CREATION OF VALUE FOR STAKEHOLDERS
SUSTAINABLE FINANCE
CUSTOMER SATISFACTION

2021 consolidated revenues were Euro 380.5 million, increasing 18.6% on 2020 (Euro 320.7 million). The 2021 figures include the sales of Janz, the Portuguese Water Metering company acquired at the end of 2020, which in the first year of consolidation reported sales of Euro 19.8 million.

We report below a breakdown of 2021 sales by division and geographical area (in percent):



Heating Division

In 2021, Heating Division sales amounted to Euro 298.3 million, up 19.8% on last year (+20.2% at like-for-like exchange rates). In the fourth quarter, the division's core sales rose 3.6% to Euro 77.4 million, compared with Euro 74.7 million in the same period of 2020, marking a strong rebound following post-COVID recovery.

Italian sales were up 26.7% on 2020, thanks to strong Central Heating demand, supported also by incentives; mechanical controls rose (Euro +5.7 million, +27.5%), as did fans (Euro +5.6 million, +38.2%) and flue kits (Euro +0.8 million, +40.0%).

Europe (excluding Italy) in 2021 saw sales increase 16.5% on the previous year, for a total of Euro 140.1 million. All regions report improvements on 2020; Turkey in particular, the leading market with 11.8% of division sales, saw growth of 20.4% (Euro 6.0 million), thanks to recovering Central Heating demand from multi-national customers in the country, while the UK, 7.5% of division sales, was up 6.2% on an annual basis (Euro 1.3 million). Central European remains strong, thanks to the introduction of new products, up 26.7% on 2020 (Euro 6.4 million).

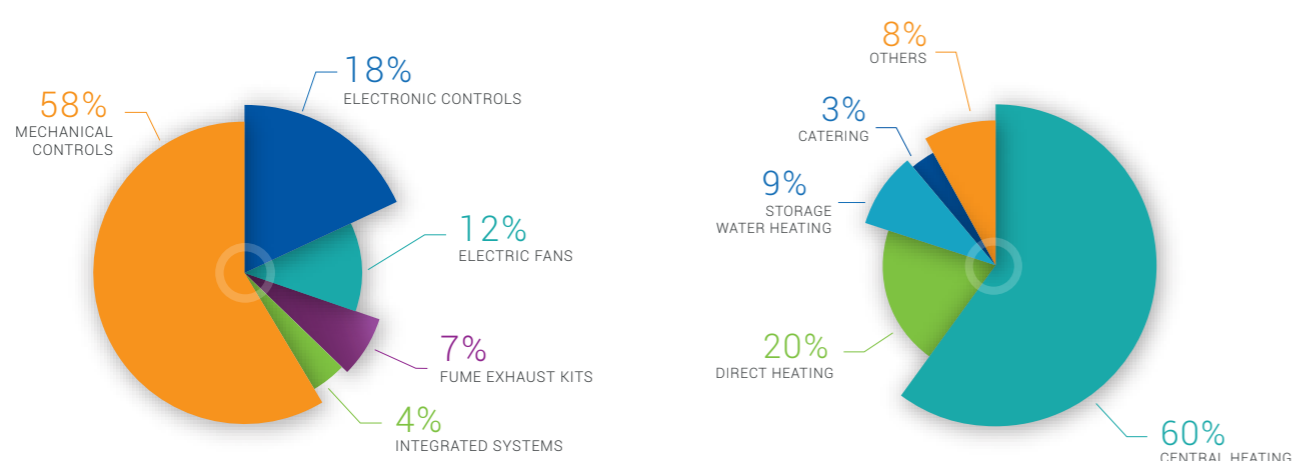
Sales in the Americas rose 24.3% (+27.7% at like-for-like exchange rates), thanks to fireplaces growth, with a strong recovery on a 2020 shaped by COVID; in 2021, Storage Water Heating applications contracted 6.1% (-4.0% at like-for-like exchange rates) due to a number of shipment delays in Q4.

Asia/Pacific sales were up 13.3% to Euro 30.5 million (Euro 26.9 million in 2020). Growth was reported in China (6.5% of the division), up 32.3% as a result of the Central Heating retail market recovery and in Australia, improving Euro 1.1 million (+18.2%).

Among the main product families, Mechanical controls sales were up (+18.1%, Euro 26.7 million), as were Fans (+31.2%, Euro 8.8 million) and Electronic controls (+17.7%, Euro 8.3 million). At the application segment level, Central Heating accounted for 59.7% of division sales, increasing 20.0%, while Direct Heating (17.5% of the division sales) rose 35.0% due to the strong fireplaces market.

In relation to the main customers of the Heating Division, 37.0% of 2021 sales were from the top five clients, while accounting for 41.6% in 2020.

The following charts break down H1 2021 Heating sales by product family and application (data from management sources):



Metering Division

The Metering Division in 2021 reports sales of Euro 76.9 million (+12.1%), including those of Janz (Water Metering enterprise acquired at the end of December 2020).

Smart Gas Metering sales in 2021 totaled Euro 57.1 million, compared to Euro 68.6 million in 2020 (-16.7%). This performance, as forecasted, was due to the contraction of the Italian market in view of the advanced phase of the initial replacement of installed meters, which is over 80% completed. Overseas sales accounted for approx. 7% of the total and were mainly in Greece and Croatia. Commercial & Industrial sales rose considerably (+39.6%) following the introduction of the new generation of products and due to the overseas contribution.

Looking to the Water Metering division, this new group operating segment, following the acquisition of the Portuguese Janz at the end of December 2020, reported in its first year of operations sales of Euro 19.8 million. The sales concerned finished meters for Euro 9.3 million and components for Euro 9.1 million.

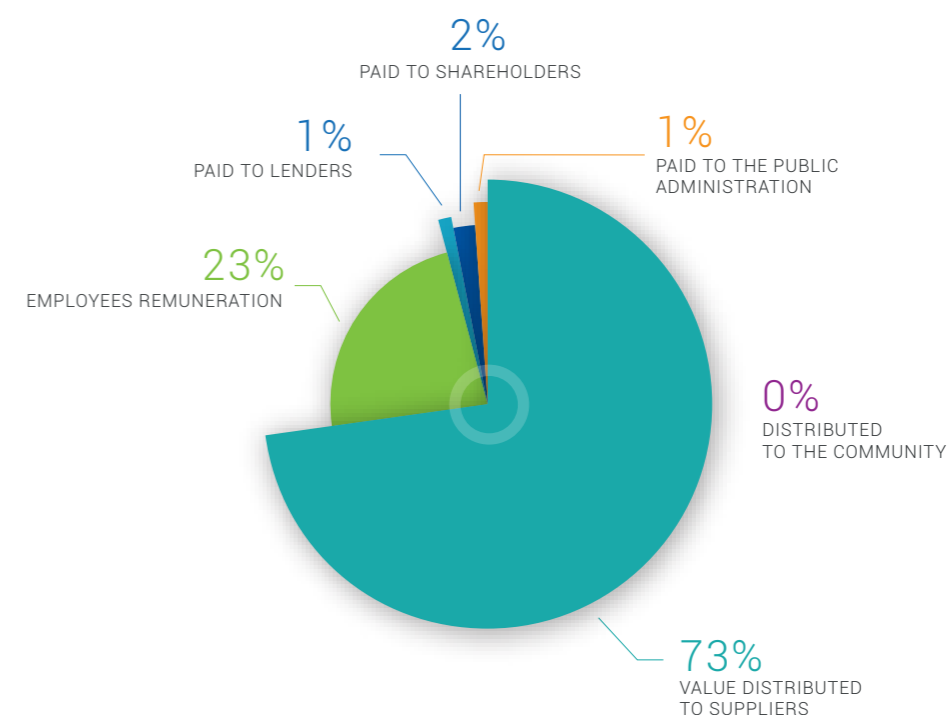
Creation of value for stakeholders

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, 2021.

Thus, in 2021, SIT generated an economic value amounting to Euro 393.7 million, redistributed to shareholders, communities, personnel, public administrations, suppliers and lenders.

Below is a breakdown of the distribution of value to stakeholders¹:



DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (IN EURO THOUSANDS)

	2021	2020
(A) Direct economic value generated	393,707	323,346
(B) Direct economic value distributed	357,001	292,253
(A-B) Economic value withheld	36,705	31,092

DIRECT ECONOMIC VALUE DISTRIBUTED (IN THOUSANDS OF EURO)

	2021	2020
Employee remuneration	81,990	66,581
Personnel costs	81,990	66,581
Distributed to suppliers	259,005	211,779
Raw materials, ancillaries, consumables and goods	210,685	173,696
Services	48,321	38,083
Paid to lenders	5,096	3,939
Financial expenses	5,096	3,939
Paid to Shareholders	7,299	7,000
Distribution of profits for the year	7,299	7,000
Paid to the Public Administration	3,462	2,766
Income taxes	3,462	2,766
Distributed to the community	149	189
Donations, sponsorship and communication	149	189
Total economic value distributed	357,001	292,253

1) The "distribution of profits for the year" is based on the expected distribution of a dividend equal to Euro 0.30 per share, the approval of which will be submitted to the Shareholders' Meeting scheduled for April 29, 2022. For more details on "donations, sponsorships and collaborations", please refer to the paragraph entitled "Support for local communities".

Sustainable Finance

To meet the group's financial needs in 2021, SIT made use of "sustainable" finance instruments by accessing ESG-linked sources of funding and, in particular:

On May 19, 2021, SIT completed, with the support of UniCredit, the placing of a non-convertible bond loan for a value of Euro 40 million, entirely subscribed by PRICOA Private Capital – a company of the US group Prudential Financial, Inc. (NYSE:PRU).

The bonds were issued in a single tranche and have ten-year duration, with a six-year grace period. The fixed half-yearly coupon is indexed from the fifth year to the sustainability ("ESG") rating provided by the international agency EcoVadis.

On August 6, 2021, SIT agreed with a bank syndicate and the support of BNL Gruppo BNP Paribas a Euro 90 million five-year amortizing loan to refinance the bank debt and meet ordinary group financial needs.

The loan's interest rate is indexed to a sustainability rating ("ESG") issued by the international EcoVadis agency, highlighting SIT's firm commitment to sustainability, climate change and energy transition topics.

Customer Satisfaction

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

This translates into a desire to listen to and involve customer stakeholders in the design of new products and customization of existing ones, in addition to sales relationships 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.

As part of the sales management process for the Heating Division, SIT devised an Effective Sales project in 2021. The sales team has been reorganized to preserve market expertise and customer relationships while ensuring that employees in technical and sales roles are carefully distributed across the areas with the greatest potential for growth. Managers in Non-European Regions have been given greater operational autonomy through a new operational management system that has clear guidelines and well-defined roles.

In 2021, we completed the launch of our Customer Relationship Management tool (Salesforce.com), which has allowed us to identify sales opportunities amount to several tens of millions of euros. This new tool allows us to monitor promotional activities for new products and solutions, and to share results in real time with other business divisions so that we can improve our conversion rate more quickly. Customer satisfaction policies also guide the actions of the Metering Division in three specific areas:

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

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

Despite the COVID-19 pandemic and the increased cost of raw materials and components – which caused several production difficulties – MeteRSit nevertheless remained committed to its cause in 2021, meeting customer demands both in terms of delivery times and quantities. MeteRSit was able to stay operational thanks to its ability to guarantee workers extremely safe conditions with respect to the risk of infection.

In addition, MeteRSit continued to work on its overseas expansion, in the UK and Indian markets specifically. The Company opened an office in England and subsequently expanded its workforce to consolidate its presence in that region and to establish a direct relationship with customers, thanks in part to its employees' language skills and market expertise. Despite the pandemic, MeteRSit made progress towards opening a subsidiary in India, which has been postponed to 2022 due to the severity of the COVID-19 situation there.

Finally, MeteRSit was awarded MID certification for its residential hydrogen flow measurement meters. Two meters have been installed and commissioned in the very first 100% hydrogen-powered homes in the English town of Gateshead. This project – which is called Hydrogen Home (sponsored by the British Ministry of Development) – seeks to develop the safe, efficient, and technologically advanced use of hydrogen in residential homes and commercial buildings, with a view to decarbonizing the heating division and reducing CO₂ emissions into the atmosphere as a result. MeteRSit can use this technology to develop new meters that are able to measure the flow of methane gas mixed with an increasing percentage of hydrogen, thus meeting the needs of Italian customers who are moving in this direction.

In late 2020, SIT completed its acquisition of Janz, launching several initiatives in early 2021 to align the company's customer service levels with SIT's standards.

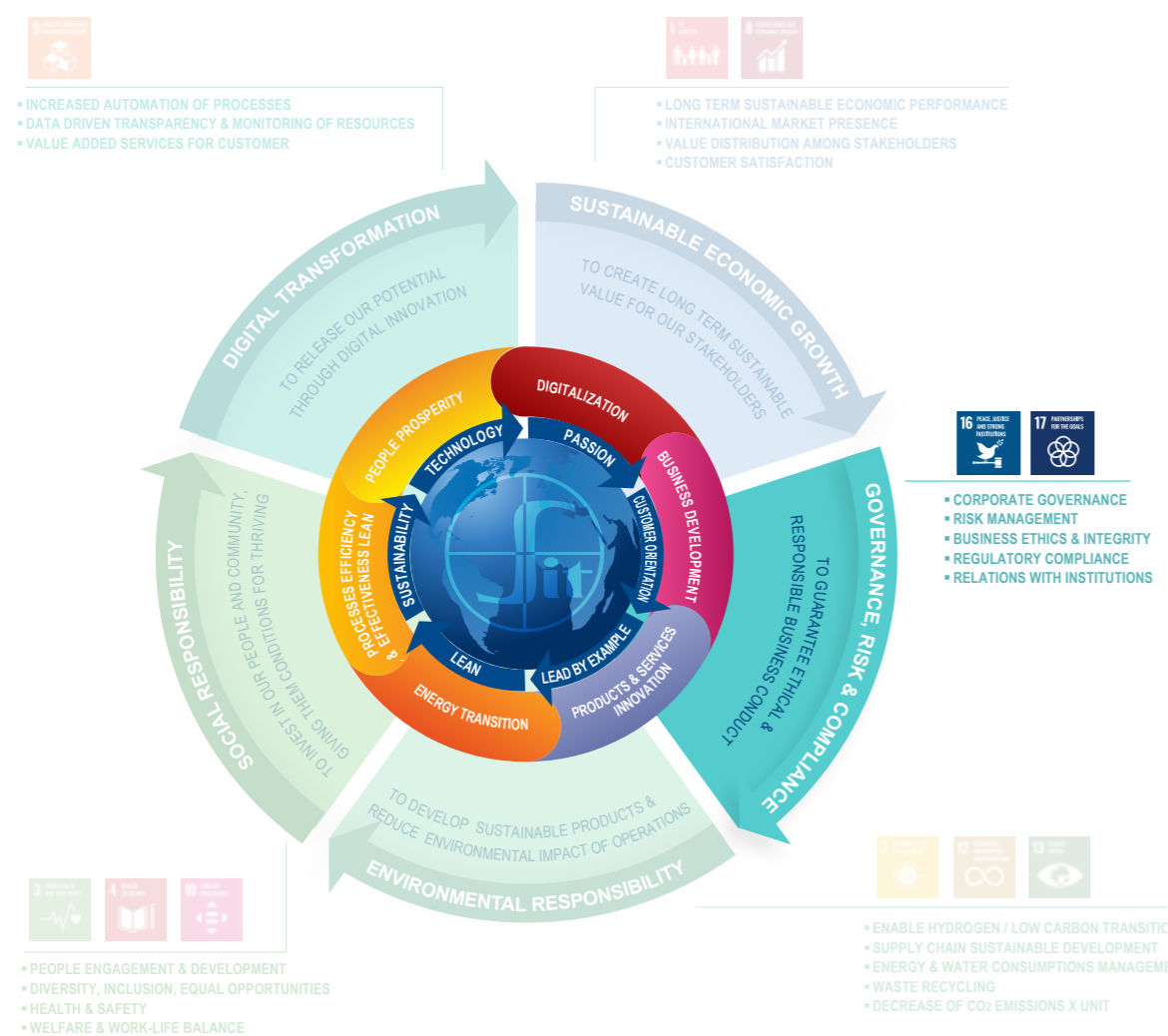
The internal sales division was strengthened with the hiring of a new manager for the Middle East and East Asia. This process has allowed the group to identify new distributors, who have already started to introduce new markets to Janz meters. Meanwhile, the sales network has also been strengthened in Latin America and Europe. Here, too, agreements have been reached with new distributors, which have immediately been converted into promising results in terms of sales and relations with local customers.

In addition, the Quality division has been restructured with the hiring of a new manager. This new structure has made it possible to promptly renew all existing certifications (including for the two metrology laboratories), significantly reduce response times to customer complaints, and quickly identify and take the relevant corrective action.

In the Operations division, in Q1 the group entered into a partnership with a company that specializes in the introduction of lean manufacturing methods to improve its delivery times and customer service levels while reducing warehouse stock levels. These activities will continue throughout 2022 and will progressively involve all internal production departments over time.

Existing relationships with major customers and distributors were formalized by supply contracts that govern all aspects of commercial relationships. These activities will help to consolidate relationships with key partners and encourage further development.

GOVERNANCE, RISK & REGULATORY COMPLIANCE



CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS SUSTAINABILITY GOVERNANCE

SIT believes that the proper management of corporate governance is a fundamental prerequisite for the achievement of its strategic objectives, including in the ESG area. As a result, it pays close attention to the evolution of corporate governance at all levels, in accordance with current regulations and best practices.

SIT S.p.A.'s Corporate Governance System comprises the following corporate bodies:

- **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, 2021, the Board of Directors was composed as follows:

NAME	ROLE	INDEPENDENT (ARTICLE 148 PARA. 3 CFA)
Federico de' Stefani	Chairperson & 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 < 50		> 50	
	2021	2020	2021	2020
	14.29%	14.29%	85.71%	85.71%

GENDER (%)	Male		Female	
	2021	2020	2021	2020
	57.14%	57.14%	42.86%	42.86%

There were no changes to the composition of the Board of Directors in 2021.

In January 2020, the Italian Corporate Governance Committee approved the new Corporate Governance Code ("Code"), which replaced the previous Self-Governance Code on January 1, 2021.

One of the main features of the new Code is the key role assigned to the administrative body (Board of Directors), which must guide the Company's pursuit of sustainable success.

SIT took a range of action during the year to develop its Corporate Governance system, approving the Company's compliance with the principles and recommendations of the new code in December 2021.

For further details, reference should be made to the Corporate Governance and Ownership Structure Report, which is published in the relevant section of the following website: www.sitcorporate.it

Sustainability Governance

To demonstrate its commitment to the pursuit of sustainable success, and in response to the Company's need to manage ESG topics both accurately and systematically, on July 26, 2021, the Board of Directors of SIT S.p.A resolved to establish a sustainability governance team, which is composed as follows:

- **Corporate Sustainability Director** – a Director with specific ESG-related powers and the responsibility of coordinating the group's Sustainability Plan, associated policies, and improvement objectives, in addition to promoting stakeholder engagement and communication;
- **Sustainability Steering Committee** – a multi-division management committee that is run by the Corporate Sustainability Director and is responsible for defining and implementing the Sustainability Plan and achieving the relevant objectives, including in relation to the Non-Financial Statement (NFS);
- **Sustainability Officer & Corporate Team** – a working group that is chaired by the Sustainability Officer and comprises employees with specific ESG skills. The team takes the operational actions defined in the Sustainability Plan and reports on the results, including in relation to the NFS, thereby contributing to the promotion of a "culture of sustainability".
- **Sustainability Local Units** – specialized units that have been set up across the organization at international level and represent a point of reference for ESG topics and the promotion of ESG culture.

RISK MANAGEMENT

The Enterprise Risk Management process forms an integral part of SIT's long-term strategic plan and management culture at group level.

To this end, and as part of a continuous improvement process, a joint risk assessment on the Heating and Metering Divisions was conducted in 2021. This made it possible to highlight risk factors common to both divisions more quickly, and to manage them more efficiently and effectively.

The identification phase was followed by the assessment and classification of risks according to the Top Risk and Minor Risk dimensions. Together with SIT managers, actions have been defined to mitigate the probability of Top Risks occurring and their potential impact on business objectives. Following a bottom-up approach, per SIT's Internal Control and Risk Management System, after requesting the involvement of managers, the Enterprise Risk Management process saw the completion of analysis and assessment phases in collaboration with the Control, Risks and Sustainability Committee. The Board of Directors subsequently approved the findings. As a result of this process, guidelines were written and circulated to group divisions so that they could be taken into account with respect to the mitigation actions identified.

Therefore, the adoption and use of this operating instrument particularly responds to the objective of making 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.

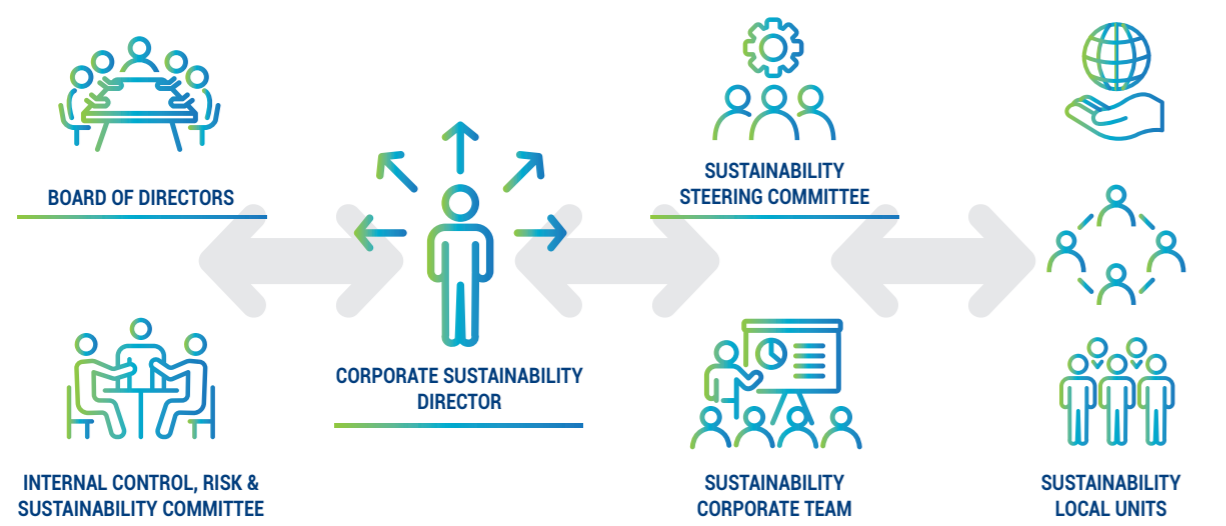
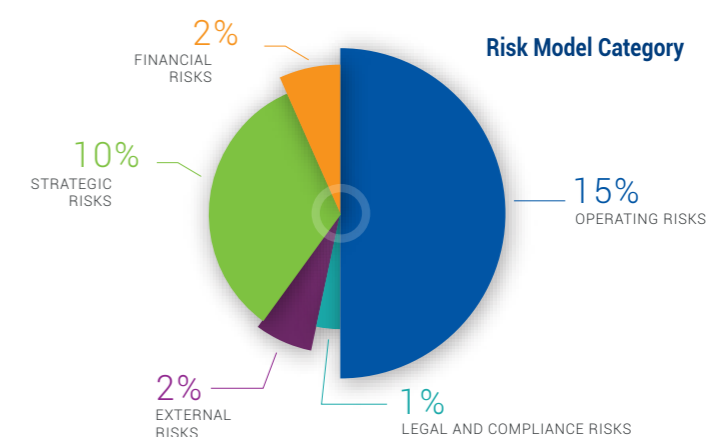
In line with best international practice, SIT adopts the following classification of risks:

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

During 2021, the Enterprise Risk Management activities carried out by all primary Company departments were overseen and coordinated by the group's Governance, Risk, and Sustainability 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's website at www.sitcorporate.it). The task of identifying, analyzing, and managing risks has been added to a dashboard, which is now used by the senior management team as an operational tool to monitor and update control actions and the relative findings.

Below is a summary of the results of the assessment conducted in the second half of 2021, broken down by risk cluster.

For more information, please refer to the Risk Management Policy section of SIT's Consolidated Annual Financial Report at December 31, 2021.



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 risks to the environment involve industrial accidents, incorrect waste management, the discharge of wastewater and emissions into the atmosphere.

In addition, the group carefully considers risks linked to inefficient energy consumption and the use of water resources; Although these factors are not associated with any tangible risk, they nevertheless provide the group with an opportunity to improve its sustainability.

In terms of energy consumption, the risk of the inefficient use of energy sources (gas and electricity) could result in an increased environmental impact in terms of CO₂ equivalent emissions. The risks concerning waste management, wastewater discharges, and atmospheric emissions from production sites are linked to the potential pollution of the environment.

Risk management and mitigation guidelines

To mitigate these environmental risks, SIT continuously monitors its production processes both in Italy and abroad and strictly complies with all applicable regulations. Monitoring takes place according to control plans, with analyses and sampling 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 types of waste.

The group's facilities in Rovigo (Italy), Brasov (Romania) and Monterrey (Mexico) have all been certified to environmental standard ISO 14001:2015, which involves all levels of the organization in guaranteeing the maintenance and/or constant improvement of environmental performance in the contexts in which the plants operate, in terms of both pollution prevention and compliance with industry regulations. Furthermore, the Rovigo die-casting plant possesses Integrated Environmental Authorization.

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.

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.

Risk management and mitigation guidelines

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 TFCF (physical, acute or chronic risks) as material at this time. However, SIT periodically conducts a risk analysis of any potential natural events (floods, earthquakes, storms) that could impact the business continuity of its facilities.

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 related to workplace and workers' safety are constantly monitored and identified, as are events related to these risks, such as accidents and work-related ill health, or other accidental events such as, for example, fires and floods.

Risk management and mitigation guidelines

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.

During 2020 and 2021, the group's HSE Manager created, launched, and developed a system and the related tools for reporting, analyzing, assessing, managing, sharing, and reporting (by the production plants to the Parent Company) potentially relevant and/or improvable conditions and events concerning the matters of health, safety, and the environment. This allows Plant Managers and representatives from the HSE division to work on these issues at the group's various plants in a coordinated manner using shared guidelines.

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

Absolute importance is given to accident prevention through 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.

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.

Risk management and mitigation guidelines

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.

Risk management and mitigation guidelines

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 Board 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.

Risk management and mitigation guidelines

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.

Conflict in Ukraine

With regards to the political situation arising from the invasion of Ukraine by the Russian army, the impacts on SIT group operations are still being evaluated. The group has no direct investments in the two countries, while its commercial presence is overseen by two employees of the Czech branch of the group based in Moscow and by an independent distributor with offices in Ukraine (specifically in the Donbass region), which also covers Russia.

2021 revenues from Russia, Belarus and Ukraine totaled less than 5% of consolidated revenues and entirely concerned the Heating Division. Given the methods and terms of payment in place, the value of trade receivables amounts to around 4% of the total. There are currently no significant positions past due.

For procurement, a supplier of circuit board assembly belonging to an American multinational company is based in Uzhgorod, Ukraine, on the Hungarian border. The boards provided are used in Heating and now represent approx. 25% of the Division's total. The supply remains normal, and has not suffered any notable interruptions due to the war. However, contingency plans have been drawn up with the Parent Company to potentially transfer production to the group's other European plants; these plans can be activated quickly and should keep the interruption of supply to a minimum.

Tax Risk

SIT's approach to taxation complies with the provisions of its Organization, Management and Control Models pursuant to Legislative Decree No. 231/2001, with particular attention paid to the special sections dedicated to tax offences. This approach is based on the principles of prudence, responsibility, consistency, and transparency towards the Company's stakeholders, including the Tax Authorities. All group activities comply with the relevant tax regulations and tax planning activities are always aligned with business activities.

The group has entrusted the monitoring and application of its tax strategy to its CFO, who also takes tax matters into consideration when defining SIT's business strategies. The Board of Directors (BoD) is responsible for defining strategic, industrial, and financial plans and also defines the nature and level of risk compatible with the group's strategic objectives. The head of Administration, Finance, and Control is responsible for applying the tax strategy and ensuring that tax behavior is consistent with the strategic guidelines laid down by the governing body, in compliance with the principles of company conduct.

Individual entities belonging to the group must comply with the principle of lawfulness and apply the tax legislation of the jurisdiction in which it operates to ensure that regulations are observed.

In addition, the group does not engage in any conduct and/or transactions – be they domestic or cross-border – that result in purely artificial tax arrangements, do not reflect economic reality, and from which undue tax advantages are expected, insofar as they are contrary to the purpose or spirit of the provisions or the tax system of reference, and result in double deduction, deduction/non-inclusion, or double non-taxation, including as a result of discrepancies between the tax systems in place in two different jurisdictions.

The group considers tax compliance to be a key contributor to ethical and responsible business management and, as a result, it is guaranteed by the values defined in the individual countries in which it operates.

Risk management and mitigation guidelines

In SIT's organizational model, tax implications are delegated to the Finance Department, coordinated by the group's Chief Financial Officer who is responsible, inter alia, for developing the group's tax strategy, identifying, analyzing and managing the various optimization initiatives, monitoring the most relevant tax issues and providing support to the various Business Lines. Management of tax benchmarks is decentralized in the Finance Department of each group entity in order to address the peculiarities of each local tax system in an appropriate manner. The Finance Department is operationally accountable to the CFO, who coordinates and sets the guidelines for the function itself, including the determination of local tax strategy. The general principle is that employees involved in tax matters must be well-qualified and competent in order to oversee the proper implementation of the tax strategy, and to support the Board in its decision-making processes with specific regard to tax related issues.

The group has adopted a set of rules, procedures and principles that are part of its wider system of organization and control and which are to be considered fundamental points of reference with which all parties are required to comply, in accordance with the type of relationship they have with the group².

In order to promote transparency and cooperation with the tax authorities, the group prepares specific documentation on transfer pricing in compliance with OECD Guidelines.

Based on specific transactions or issues, the Finance Department is supported by external consultants (including specialists in transfer pricing, direct/indirect taxes, and taxes withheld and paid on behalf of employees) in order to ensure the best approach in line with lawful and transparent behavior.

As of the date of drawing up this document, the group has not published any tax information in addition to that indicated in the Annual Financial Report and therefore already subject to assurance.

It should be emphasized that, over the years, the entities belonging to the group have not been subject to investigations that have revealed fraudulent behavior and/or behavior aimed exclusively at obtaining a reduction in the tax burden.

In compliance with GRI 207, the following table shows the fiscal data.

² For example, the Code of Ethics, internal Policy documents, the Internal Control and Risk Management System, the Organization, Management and Control Model pursuant to Legislative Decree No. 231/2001, reference accounting standards, Procedures and IT applications, etc.

COUNTRY-BY-COUNTRY REPORTING

Countries included in the tax range	Revenue third parties	Revenues from intra-group transactions	Total revenue (aggregate value)	Profit/(loss) before taxes	Accrued tax	Income taxes paid	Tangible assets	Employees
EMEA REGION								
TAX RANGE 15% < X < 20%								
TUNISIA	91,000	9,011,563	9,102,562	- 701,978	7,347	61	14,321,152	202
ROMANIA	8,882,037	87,286,791	96,168,828	2,151,579	358,637	623,266	14,573,460	663
CZECH REPUBLIC	- 108,194	1,830,507	1,722,313	1,107,438	209,756	198,505	69,739	7
UNITED KINGDOM	-	-	-	- 92,472	-	-	1,420	2
EMEA REGION								
TAX RANGE 20% <= X < 25%								
PORTUGAL	21,072,567	- 152,999	20,919,568	1,568,013	585,841	106,182	8,016,852	230
ITALY	234,874,058	119,756,371	354,630,429	11,920,905	2,943,312	2,216,785	98,266,468	806
EMEA REGION								
TAX RANGE X >= 25%								
NETHERLANDS	30,606,989	3,503,282	34,110,271	3,067,692	741,601	674,832	9,328,765	86
GERMANY	236,806	1,064,759	1,301,566	556,215	172,885	75,820	41,945	4
TOTAL EMEA	295,655,263	222,300,273	517,955,536	19,577,393	5,019,380	3,895,452	144,619,800	2,000
NAFTA REGION								
TAX RANGE X >= 25%								
THE AMERICAS	131,056	3,391,393	3,522,449	2,024,182	437,135	175,667	-	6
CANADA	- 4,721	416,161	411,439	228,652	60,704	34,980	-	1
TOTAL NAFTA	126,335	3,807,553	3,933,888	2,252,834	497,840	210,647	-	7
LATAM REGION								
TAX RANGE X >= 25%								
ARGENTINA	-	42,198	42,198	- 231	-	-	-	-
MEXICO	64,323,852	8,889,475	73,213,327	5,579,831	1,664,052	1,453,505	16,310,136	439
TOTAL LATAM	64,323,852	8,931,674	73,255,526	5,579,600	1,664,052	1,453,505	16,310,136	439
APAC REGION								
TAX RANGE X >= 25%								
AUSTRALIA	6,203,981	150	6,204,132	485,790	153,926	126,801	2,891,777	7
CHINA	18,731,872	2,584,955	21,316,827	346,457	-	-	5,689,816	50
TOTAL APAC	24,935,853	2,585,105	27,520,958	832,247	153,926	126,801	8,581,594	57
TOTAL	385,041,302	237,624,606	622,665,908	28,242,074	7,335,197	5,686,405	169,511,530	2,503

ETHICS, BUSINESS INTEGRITY AND REGULATORY COMPLIANCE

THE CODE OF ETHICS

THE ORGANIZATION, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01

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 Code of Ethics

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 website³, 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. 231/2001⁴, 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.

For purposes related to the drafting of this document, it should be noted that the revision and updating of SIT's Code of Ethics and the drafting of an anti-corruption policy are still in progress, and have been included among the objectives of SIT's new Sustainability Plan, to which reference should be made.

Finally, in 2021 no reports were received regarding breaches of SIT's Code of Ethics.

³ SIT S.p.A.'s Code of Ethics is available at the following link: <https://www.sitcorporate.it/en/corporate-governance/conduct-codes-and-policies/>

⁴ 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"

The Organization, Management and Control Model pursuant to 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, Executives, 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 Chairperson 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.

During the year, and in the absence of any significant amendments to Legislative Decree No. 231, the Supervisory Bodies did not consider it necessary for the Company to update its organizational models.

Lastly, in 2021 no offenses pursuant to Legislative Decree No. 231/01 were reported in the companies implementing the Model, nor did the Supervisory Boards receive reports of offences being committed.

Combating 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 pursuant to 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 2021, the Governance, Risk & Sustainability Officer, supported by the Internal Audit Manager, conducted an additional training session on the Company's anti-corruption policies. The sessions involved the first-line managers of the Portuguese company Janz, acquired in 2020.

For 2022, as part of the training schedule linked to the new "Skilla" platform (see the section on Social Responsibility), which will involve all of SIT's white-collar workers in Italy, appropriate training courses have been designed on issues linked combating corruption.

Finally, we note that no episodes of active or passive corruption were detected within the group in 2021.

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".

RELATIONS WITH PUBLIC INSTITUTIONS

Within the sphere of 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.

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 S.r.l., 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.

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	MAIN OBJECTIVES OF THE ASSOCIATIONS AND THE ROLE OF SIT
Europe	AFECOR The European Control Manufacturers' Association	Afecor is one of the oldest associations in Europe and is the point of reference for the main European safety control manufacturers. SIT joined Afecor's a few years after the association's foundation in 1963. The association's mission is to influence the formulation of regulations and to promote standards that ensure the safe, efficient and environmentally sound use of primary energy sources. In November 2021, Ettore Rossi, SIT's Regulatory Affairs Manager, was appointed Afecor's new Chairperson.
	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.
	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.
	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.
	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.
Germany	Figawa - Association of Companies for Gas and Water Technologies	Figawa is the technical and scientific association of manufacturers and service providers of gas and water applications. Its goals are to promote uniform and stringent standardization and to strive for competitive harmonization and regulatory procedures which can form the basis of approval, testing and certification. In this way, it contributes to the legal certitude of market players.
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.
	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.
	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	MAIN OBJECTIVES OF THE ASSOCIATIONS AND THE ROLE OF SIT
Italy	APPLiA Italia	Confindustria brings together more than 117 companies providing household appliances and professional equipment to the catering and hospitality industries in 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.
	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.
	The Valore Acqua for Italia 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.
	HY4HEAT	HY4HEAT was a program commissioned by the UK Department for Business, Energy and Industrial Strategy (BEIS) to develop a hydrogen meter for both commercial and residential applications. The program was part of the UK's plan to decarbonize heating with the goal of reducing CO ₂ emissions.
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.
	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.
	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.

2021 RESULTS



GOVERNANCE, RISK & REGULATORY COMPLIANCE

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS/BASELINE AT 31/12/2021	TIMING
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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

ETHICS AND BUSINESS INTEGRITY

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 updating process (details of which can be found in the section on Ethics and Business Integrity) was launched in the second half of 2020. At the time of writing, the document is being completed with the involvement of the main company departments and, following approval by the SIT Board of Directors, will be distributed to the entire company population. Dedicated training sessions will also be held in order to ensure full dissemination within the group.

2022

STATUS: INCLUDED IN THE OBJECTIVES OF THE SIT SUSTAINABILITY PLAN

OBJECTIVE

- Preparation of an anti-corruption policy

ETHICS AND BUSINESS INTEGRITY

Concurrently with the drafting of the new Code of Ethics, the Company will integrate its own internal procedures and policies targeted at reinforcing the group's commitment to fighting corruption. Among these, the advisability of an anti-bribery policy will be assessed, to be drafted in a specific section of the Code of Ethics or, alternatively, as a separate document.

2022

STATUS: INCLUDED IN THE OBJECTIVES OF THE SIT SUSTAINABILITY PLAN

OBJECTIVE

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

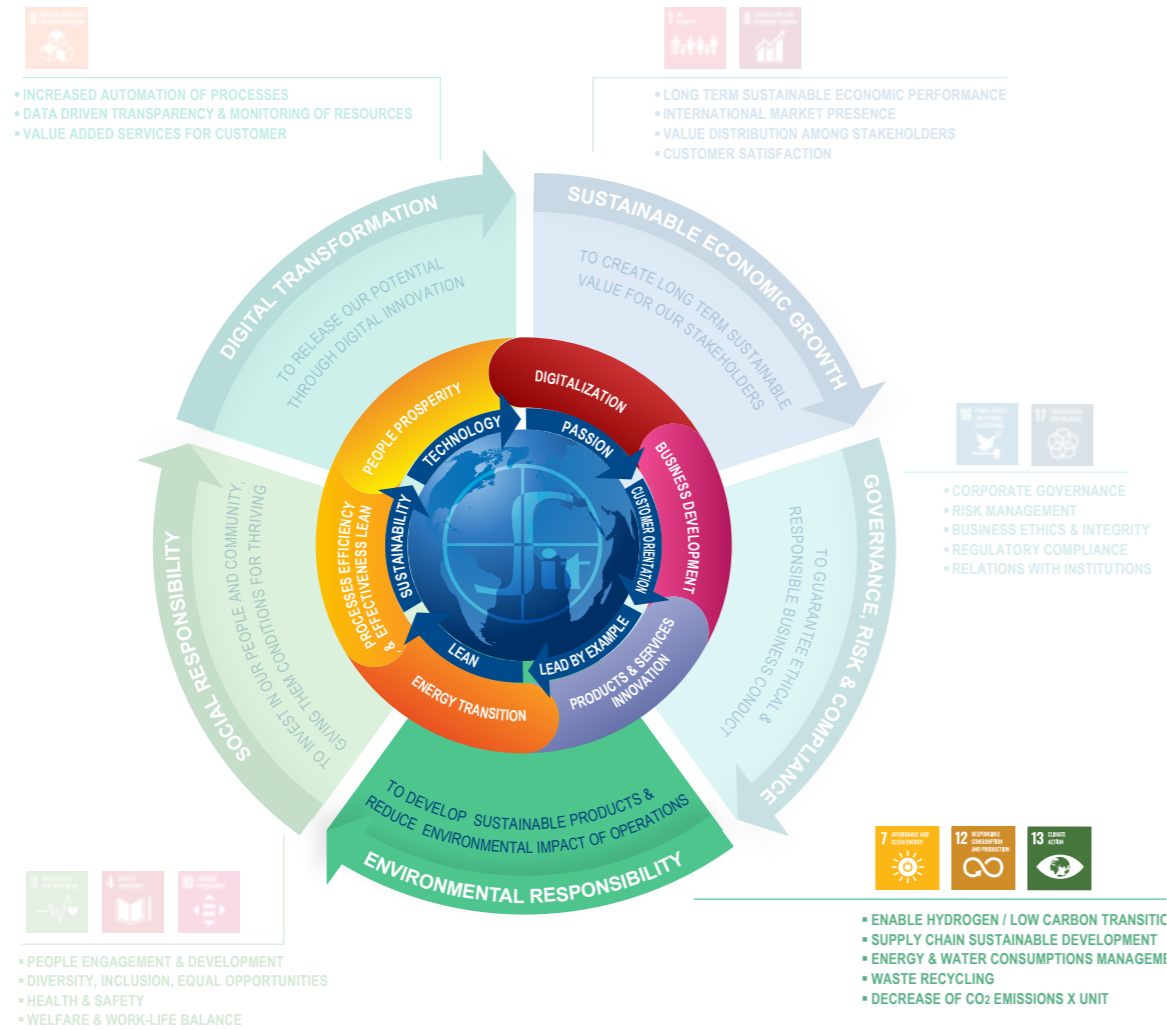
ETHICS AND BUSINESS INTEGRITY

During 2021, the Governance, Risk & Sustainability Officer, supported by the Internal Audit Manager, conducted an additional training session on the Company's anti-corruption policies. The sessions involved the first-line managers of the Portuguese company Janz, acquired in 2020. Anti-corruption training was included in the objectives.

COMPLETE

STATUS: INCLUDED IN THE OBJECTIVES OF THE SIT SUSTAINABILITY PLAN

ENVIRONMENTAL RESPONSIBILITY



SIT AND THE ENVIRONMENT

From the process of product innovation and development to manufacture, up to delivery to customers and after-sales service, SIT pays the utmost attention to preserving the environment and nature. SIT is committed to adopting responsible behavior in terms of environmental protection, acting in compliance with applicable environmental rules, the limits established by any authorizations and provisions received from the competent authorities and refraining from behavior which damages the environment.

The group also raises the awareness of its employees and collaborators on issues relating to respect for and protection of the environment in order to reduce to a minimum or avoid altogether any negative impact that might arise from the performance of group activities and to promote improvements in sustainable development.

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 Hooegeveen (Netherlands) facility produces electronic controls. Electric fans are produced at the Montecassiano (MC) plant for heating purposes, home appliances, and fume exhaust kits.

As of 2021, the Portuguese company Janz, which manufactures water meters, and the sites in Tunisia, namely Plast Alfin and SIT Controls, are also part of the group. The first of the two Tunisian plants produces plastic elements, while the second, similarly to Rovigo, has begun production of safety, control and regulation systems for combustible gas.

SIT has implemented an ISO 14001:2015 certified Environmental Management System (EMS)⁵ which, in the production plants of Rovigo (Italy), Monterrey (Mexico) and Brasov (Romania), sets out specific monitoring and control procedures, assigns clear roles and responsibilities, and ensures active communication with stakeholders and the competent authorities, thereby helping to devise initiatives to improve environmental performance. 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.

5) We note that MeterSit's facilities were upgraded to the ISO 14001:2015 certification in 2018.

RESEARCH & DEVELOPMENT

HEATING DIVISION METERING DIVISION

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. With regard to the Metering Division in particular, which between 2020 and 2021 also entered the arena for the design and manufacture of water consumption meters, great emphasis is placed on the secure connection to smart utility networks such as the Narrowband Internet of Things (NB-IoT). 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. At the end of 2021, SIT owned 88⁶ patents.

In 2021 the group incurred costs for investments in research and development for a total of approximately Euro 12.5 million, equivalent to approximately 3.3% of revenues, compared to Euro 11.2 million in the previous year (3.5% of revenues). In 2021, the research and development area had an average workforce of 120, including 79 located at the Parent Company. In 2020, these numbered 104 and 74 respectively.

Heating Division

The tools with which SIT equipped itself in 2020 became operational and were rolled out in 2021. Specifically, the Company initiated the structured management of opportunities generated by customers through the support of the Salesforce's Customer Relationship Management (CRM) platform (for further details see the chapter Customer Satisfaction). This platform makes it possible for the R&D Function to act with greater timeliness and awareness of the inputs received from the market. In addition, the Windchill platform for Product Lifecycle Management (PLM) has been implemented, enabling the unified management of all information regarding the product and its component parts.

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 2021, the Heating Division continued to work with technology incubators and technology providers.

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.

Research in the Heating division in 2021 focused on developing architectures and components for appliances suitable for functioning with 100% hydrogen. SIT is working on two platforms: one pneumatic and the other electronic, the latter sensorized to be applied in leading-edge projects. Developed together with some major international customers, these projects aim to bring certified products to fruition by the first half of 2022. In a parallel effort, the Company is evaluating alternatives in order to acquire mass flow sensor technology, which we believe is a key element in the realization of the aforementioned sensorized systems.

The main projects carried out in 2021 included:

- Adaptation of the entire product range to operate with 100% hydrogen;
- Development of boiler ranges based on electronic Combustion Management Systems (CMS);
- The development of a new air and 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 BUS (Controller Area Network) 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 platform of high-efficiency, quiet, range hood fans.

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.

Metering Division

Smart Gas Metering

The R&D function of the Metering Division has also defined a product and technology development plan that takes into account a type of domestic, commercial and industrial heating system designed to operate on increasingly eco-friendly energy sources.

In this framework, the new laboratories planned for the forthcoming site currently under construction will enable researchers and developers to extend their activities into the field of renewable energies, increasing productivity and operating ranges in order to meet customer needs in the coming years. Today, MeteRSit's laboratory is one of the few in Italy and Europe equipped with certified instrumentation and procedures for the measurement of mixtures containing hydrogen. In addition, it is one of the few laboratories capable of performing pure hydrogen calibrations. The quality and level of experience is demonstrated by participation in various projects, both national and European, related to the use of renewable gases (NewGasMet, Hydeploy, Hy4Heat). The laboratory was also the venue for the certification, by the Notified Body NMI, of the first 100% green hydrogen meter to complete the MID and CPA certification process (as required by the UK market) for the Hy4Heat project with BEIS (Department for Business, Energy & Industrial Strategy of the UK Ministry for Economic Development). These products are particularly important due to the increasing availability of this gas, which will allow CO₂ emissions to be reduced in the near future.

As things stand, a first milestone set by MeteRSit is to obtain, on all product platforms, the approval and certification of a new sensor capable of measuring the consumption of blends containing up to 23% hydrogen.

In 2021, MeteRSit also achieved important results regarding the security of transmission of the data logged by its meters by applying technologies that conform to the standards and technical specifications laid down by the regulations of the various countries in which those meters are marketed. Products have therefore been developed for the UK market in compliance with the SMETS regulation with dual band ZigBee communication channel, while for India a meter with walk-by technology has been devised. Finally, industrial meters with NB-IoT communication technologies and ultra-low-power sensors have been designed for optimization of consumption, and for running on blends of methane and hydrogen. Welmec 2019 MID (Measuring Instruments Directive) certifications were also obtained for all household meter releases in the fields of statutory metrology.

⁶ All patent families in which one of the members is still active, either as an application still pending or a patent granted, are counted.

Of particular importance was the publication, on December 22, 2021, of the EN 17526 standard by the European standardization body CEN (Comité Européen de Normalisation) based in Brussels. This certification process, in which SIT also participated as an active contributor, is dedicated to electronic thermo-mass meters, such as those produced by MeteRSit. The benefits that an international standard offers to an innovative product such as MeteRSit's are many, and of different types: while, on the one hand, the European standard is a technical benchmark for manufacturers and certification bodies broaching the issuance of CE conformity marking, on the other it ratifies the maturity of the product and certifies its full right of "citizenship" within the landscape of the various existing technologies that have a direct effect on business.

Following a strategy constantly oriented towards the principles of sustainability, the revision of the above standard, which is currently underway, will encompass the use of hydrogen, both pure and blended, and of renewable gases in general.

Water metering

SIT's Water Metering Division fundamentally develops three product lines for the market: volumetric meters (available with brass body or composite body), multijet meters and, finally, single jet meters.

From the point of view of the circular economy, it is important to underline that the bodies of the volumetric and multijet meters are made of brass and are therefore entirely reusable. For this reason, Janz launched an activity that enables the brass body to be regenerated for use in new meters that are then sold to the same customer from which they originate, with advantages not only for the environment, but also in economic terms for both Janz and its customers.

All meter plastics received from the customer are also evaluated for possible disposal or recovery.

During 2021, in addition to pursuing new product research and development, Janz moved to complete its existing product range.

In particular, Janz focused on the single jet meter line, making the products more stable through some investments in manufacturing and introducing the new version with a composite body intended mainly for the South American market.

PRODUCT QUALITY AND SAFETY

Throughout the group's operational life, quality has always been a point of departure before being one of arrival.

The Quality Function is responsible for ensuring compliance of products and processes and of quality, health, safety and environment systems, and for coordinating all aspects of continuous improvement aimed at enhancing customer satisfaction and reducing waste by streamlining processes and inspections.

In 1988, SIT was among the first companies in Italy to achieve ISO 9001 Quality Certification, and, over the years, has endeavored progressively to adapt to and often anticipate the growing needs of the market. In this regard, all of the group's operating facilities are certified to ISO 9001 in its latest 2015 revision⁷.

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.

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 is embedded in every Function of the group, from research and development to operations. This is taken into consideration from 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 Quality Function supports the various corporate entities through all phases of the product lifecycle, ensuring that it is monitored and compliant with in-house and external standards.

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.

All companies in the group are supported and encouraged in the process of maintaining and continuously improving the quality system, working on the optimization of internal processes and procedures and thereby ensuring a consistently high level of quality for our customers.

In addition to the quality and environment system 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.

With regard to mechanisms for handling complaints and reports, the group has an After Sales Function that acts as an entry point for all customer grievances. It conducts a detailed analysis of products deemed to be defective and provides feedback to the customer using an 8D methodology to communicate the root cause analysis and any possible remedies. Drawing upon its high level of corporate know-how, the group is also in a position to support its customers in solving system problems that cannot be traced back to SIT products.

⁷) Note that MeteRSit updated to ISO 9001:2015 in 2018.

In the framework of an increasingly important focus on environmental protection and people care, SIT is implementing a new management process for monitoring hazardous chemicals in order to ensure their reduction or complete removal from our products, pursuant also to EU and non-EU regulations.

SIT also pays the utmost attention to the protection of data managed through its products. As such, in November 2018, MeteRSit S.r.l. received the UNI CEI EN ISO/IEC 27001 certification (which is an essential prerequisite for selling products to European markets).

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.



SIT GROUP SYSTEM CERTIFICATIONS 2021⁸

CERTIFICATION	STRUCTURE	DESCRIPTION
ISO 9001:2015	SIT S.p.A. SIT Romania S.r.l. SIT Manufacturing N.A SIT Gas Controls Pty Ltd S.I.T. Controls B.V. SIT Manufacturing Suzhou Co. Ltd. Plast Alfin Sarl SIT Controls Tunisia S.u.a.r.l MeteRSit group JANZ - Contagem e Gestão de Flúidos, S.A.	Compliance with ISO 9001:2015 Quality Management System
ISO 14001:2015	SIT S.p.A. - Rovigo Production Plant SIT Romania S.r.l. SIT Manufacturing N.A. MeteRSit S.r.l. - Rovigo Production Plant	Compliance with ISO 14001:2015 Environmental Management System
ISO/IEC 17025:2018	MeteRSit S.r.l.	Compliance with ISO/IEC 17025:2018 General requirements for the competence of testing and calibration laboratories
ISO/IEC 27001: 2013	MeteRSit S.r.l.	Compliance with ISO 27001: 2013 Information Security Management System
EN 9100:2018	JANZ - Contagem e Gestão de Flúidos, S.A	Compliance with AS9100:D/JISQ 9100:2016/EN 9100:2018 for the manufacture of high-precision plastic and metal parts for aviation, space and defense organizations
Measuring Instruments Directive (MID) Module D	MeteRSit S.r.l. JANZ - Contagem e Gestão de Flúidos, S.A.	Compliance with Directive 2014/32/EU (MID Directive) MODULE D: Production, Final Product & Testing for measuring instruments
ATEX Module D	MeteRSit S.r.l.	Compliance with Directive 2014/34/EU (ATEX Directive) MODULE D: Conformity to type based on quality assurance of the production process
NP EN ISO/IEC 17025:2018	JANZ - Linear Metrologic Laboratory JANZ - Water Meter Laboratory	Compliance with UNI EN ISO 17025:2018 Testing and calibration of Linear Metrologic Laboratory according to Accreditation Technical Annex M0004 Compliance with UNI EN ISO 17025:2018 Testing and calibration of Water Meter Laboratory according to Accreditation Technical Annex M0019-1 (cold water meter volume 10, 20, 100, 200 & 1000 dm ³ /h) Compliance with UNI EN ISO 17025:2018 Testing and calibration of Water Meter Laboratory according to Accreditation Technical Annex L0405-1 (cold water meter DN15 to DN50)

⁸) Reference should be made to the annexes of the NFS for details on specific product certifications

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.

In 2021, there were 566 third-party suppliers for 103 commodity groups. In terms of expenditure, the suppliers with the greatest impact are those that provide direct materials.

PERCENTAGE OF SUPPLIERS BY SUPPLY TYPE	2021	2020 ⁹
Metals, raw materials, plastic and rubber components	38%	40%
Electronics and electromechanical components	30%	29%
Production services for factories and subcontractors	32%	31%

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 Ethics 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 the Company or any of its subsidiaries. The Code is distributed to suppliers during the stipulation of the supply contract, and must be returned signed for acknowledgment.

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.

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 establishing its supplier base, and with regard to both forthcoming products and those already in production, SIT aims to optimize logistics flows in order to reduce waste and CO₂ emissions.

As SIT products are extremely specific safety products, component suppliers are subjected to rigorous approval processes and must guarantee reliable supply standards. In order to mitigate the risk of a disruption in the supply chain, the group's policy includes plans to identify multiple supply sources, ensuring fulfillment of contractual obligations by defining specific back-up action.

⁹ In order to ensure comparability with 2021, the figures for FY 2020 have been reclassified using the same categories for the type of supply.

To respond appropriately to the needs of an increasingly volatile market, the Heating Division's entire supply chain was 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. Procurements from local suppliers are highest in Italy and the Netherlands. In 2021, the percentage of spending on local suppliers decreased in Romania, since it was replaced by internal production. In Mexico, relations with strategic suppliers, which until 2020 were managed centrally, were transferred to the local level in 2021. 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. We note 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 ¹⁰	2021	2020
Italy	45%	43%
Romania	3%	6%
Netherlands	37%	43%
Mexico	11%	2%
China	17%	23%
Tunisia	2%	-

Also in 2021, the pandemic 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 pandemic also resulted in a marked increase in the prices of components needed for group production processes (particularly raw materials, electronic components and energy) and widespread shortages in all product categories. Finally, there were considerable challenges in the transport sector, mainly due to international travel restrictions.

The international scenario has shown how crucial it is for a company to be able to rely on secure procedures for processing data and accessing business and financial information, as well as on lean processes that cover the company's activities across the board, including logistics and financial disclosures.

All of this has certainly proved true for SIT, which in 2020 obtained full Authorized Economic Operator (AEO) status. Authorization from the Customs Agency proves that SIT is equipped with reliable, secure business processes that meet international trade standards. AEO status is not permanent and can be revoked, in that it lapses when the requisites - which are subject to periodic checks - are no longer met.

SIT believes that being an authorized economic operator will allow us to guarantee 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.

¹⁰ 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. No data relating to Janz Contagem e Gestão de Fluidos S.A. have been included.

RESOURCE, EMISSIONS AND WASTE MANAGEMENT

ENERGY CONSUMPTION AND GREENHOUSE GAS EMISSIONS
WASTE MANAGEMENT
CONSCIENTIOUS USE OF WATER RESOURCES

Energy consumption and greenhouse gas emissions

In terms of energy consumption, SIT is increasingly committed to managing the use of energy from different sources. With a view to achieving sustainable development, this commitment is pursued with ever-increasing efficiency and with a constant focus on using energy from renewable sources in greater proportion, mainly in production processes.

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

ENERGY CONSUMPTION WITHIN THE ORGANIZATION¹¹

	Unit	2021	2020
Natural gas	m ³	2,485,887	2,187,268
Diesel	l	126,852	106,296
LPG ¹²	l	100,952	91,496
Petrol	l	78,163	74,082
Electricity acquired	kWh	33,063,826	26,874,219
Of which GO certified	kWh	546,000	614,000

ENERGY CONSUMPTION AT THE ORGANIZATION IN GJ¹³

	Unit	2021	2020
Natural gas	GJ	98,727	86,674
Diesel	GJ	4,844	4,038
LPG	GJ	2,638	2,389
Petrol	GJ	2,725	2,559
Electricity acquired	GJ	119,030	96,747
Total	GJ	227,964	192,407

Compared to the previous year, there was an increase in total energy consumption in 2021 of around 18% in terms of GJ. This increase can be explained almost entirely by the expansion of the SIT group's perimeter which, compared with the previous year, comprises three new production sites. When looking at consumption figures net of contributions due to the enlargement of the group's consolidation scope in 2021, a not inconsiderable increase in overall consumption, estimated at around 8%, remains evident. This rise includes a specific increase in natural gas consumption of more than 13% and a rise in electricity consumption of approximately 4%, due primarily to higher volumes.

- ¹¹ Following a streamlining of data collection processes, natural gas and gasoline figures for FY 2020 have been restated.
- ¹² 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.
- ¹³ Energy consumption in GJ was calculated using the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2021 conversion coefficients. We note that, following a streamlining of data collection processes, natural gas and gasoline figures for FY 2020 have been restated.

Indeed, on a like-for-like group scope basis with respect to 2020, this increase in consumption is quite likely due to higher levels of production resulting from the absence of the lockdowns that marked 2020 due to the COVID-19 emergency. This is also evident from the increase in fuel consumption, particularly diesel (around +8%), accounted for by the greater volumes of road traffic in 2021 compared to 2020.

With regard to LPG, the increase of around about 10% compared to 2020 is most probably due to higher production volumes, tests carried out in the laboratories and heating of the logistic hub in Rovigo, where operations have returned to normal and have remained consistent after 2020.

Regarding Ozone Depleting Substances (ODS)¹⁴, only the Monterrey facility in Mexico keeps and uses such substances in its plant. In particular, freon R22 refrigerant gas (normally used for cooling/air conditioning) is still used in some machines. During 2021, the Mexican plant undertook to phase out this type of ozone-depleting gas and replace it with environmentally friendly gases in some cooling/air conditioning equipment.

CO₂ equivalent emissions increased in 2021 in line with the increase in energy consumption, as is to be expected.

All the above considerations regarding the extension of the group's scope naturally remain applicable also in terms of environmental impact with reference to GHG and CO₂ equivalent emissions.

DIRECT (SCOPE 1) GREENHOUSE GAS EMISSIONS¹⁵

	Unit	2021	2020
Natural gas	tCO ₂ eq	5,025	4,424
Diesel	tCO ₂ eq	319	271
LPG	tCO ₂ eq	157	142
Petrol	tCO ₂ eq	171	161
Total Scope 1	tCO₂ eq	5,672	4,998

INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS – LOCATION-BASED¹⁶

	Unit	2021	2020
Electricity acquired	tCO ₂	11,137	9,266
Total Scope 2 Location-based	tCO₂	11,137	9,266

INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS – MARKET-BASED¹⁷

	Unit	2021	2020
Electricity acquired from non-renewable sources	tCO ₂ eq	14,226	11,662
Total Scope 2 Market Based	tCO₂ eq	14,226	11,662

¹⁴ Substances indicated in the United Nations Environment Program's "Montreal Protocol on Substances that Deplete the Ozone Layer", 1987.

¹⁵ The UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2021 and 2020) 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.

¹⁶ For the calculation of Scope 2 emissions with the location-based method, average emission factors expressed in CO₂ relating to domestic power generation for the various countries of operation were utilized (source: Terna - International Comparisons 2019).

¹⁷ For the calculation of Scope 2 emissions with the market-based method, average emission factors expressed in CO₂ relating to the residual mix (AIB 2021 European Residual Mix) were utilized, where available. Otherwise, the emission factors used for the location-based method were also adopted for the market-based method.

As mentioned previously, in order to limit the impact on the climate from the CO₂ produced by the group's activities, SIT has decided to undertake projects that involve optimizing energy consumption and the self-production and self-consumption of energy from renewable sources.

In this regard, during 2021, and following feasibility studies on the energy efficiency of the systems contained in the final designs for the new Padua headquarters, the executive projects were finalized, and will be implemented as part of the construction of the offices currently underway.

For the partial coverage of energy needs through the self-consumption of clean energy, the new photovoltaic system to be installed on the roofs of the Padua headquarters is now in the final design phase (site opened at the end of 2020 for the preparatory stages of demolition and strip-out only, while the actual construction and realization phase commenced in September 2021). The PV system in question is currently scheduled for commissioning upon completion of works by mid-2023. Over the next two years, the group therefore 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 approximately 0.8MWp at the new headquarters in Padua, the group also intends to install a system at the Rovigo site with a peak capacity of approximately 2.8 MWp.

The operation and maintenance of plants and equipment containing F-Gas¹⁸ is properly managed at all sites to avoid the release of emissions into the atmosphere and therefore minimize the resulting greenhouse effect, though they certainly have a rather limited and negligible impact in terms of greenhouse effect compared to the group's energy-intensive operations.

The production sites that release the most pollutants into the atmosphere are located in Italy and Mexico. However, the overall situation improved slightly in 2021 compared to the previous year, especially in Italy. This is explained, above all, by the increased number of operating hours at the Rovigo plant resulting from the handling and control of the COVID-19 emergency in 2021 and the consequent return to a state of normalcy.

This slight increase in emissions also applies to the Monterrey plant and is attributable to the same reasons as those outlined for Italy.

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

	Unit Kg	2021	2020
NO_x		2,864	2,365
SO_x		-	-
Persistent organic pollutants (POP)		-	-
Volatile organic compounds (VOC)		15	43
Hazardous air pollutants (HAP)	419	144	
Particles (PM)		1,007	769
Other (Total Organic Carbon)		1,426	1,320

18) Said consumption is not included in the group's Scope 1 emissions.

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

	Unit Kg	2021	2020
NO_x		1,123	1,003
SO_x		35	29
Persistent organic pollutants (POP)		-	-
Volatile organic compounds (VOC)		5	5
Hazardous air pollutants (HAP)		-	-
Particles (PM)		807	800
Other (HCT, CO, Lead)		2,743	2,677

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

	Unit Kg	2021	2020
Other (Total Organic Carbon)		150	-

Waste management

The Group is extremely attentive to proper waste management in full compliance with the law. This focus is expressed operationally both in terms of attempting to reduce waste production to a minimum and in terms of ensuring traceability of waste transfer to authorized disposal operators (as opposed to mere dumping), all with a view to enhancing and maximizing recovery and hence lowering or even eliminating environmental impacts. The various production sites have therefore implemented practices, procedures and operating instructions to identify the correct supply chain and the final treatment destination of the waste itself. As mentioned above, this makes it possible to eliminate or minimize any environmental impacts related to waste production and, of course, to optimize costs.

From the new internal classification introduced by SIT in 2021 with an internal analysis of the total waste produced by the plants (see the Table on the following page), it emerges that the generation of waste from the Group's activities is related more to secondary and ancillary processes and services than to product waste and/or scrap and primary production processes.

Indeed, product waste and/or scrap represents just over 40% of the total. This is possible by virtue of the fact that internal reuse is maximized within the production process itself, with all recoverable components being recovered, with consequent benefits also in terms of cost containment.

The remaining production residues are closely and directly related to the manufacture of our products. They generally take the form of metal scraps, such as aluminum, copper, and so forth, which are handled and destined for suitable recovery through authorized managers/disposal operators, even obtaining monetary valuation, where possible.

As with energy consumption and emissions, so too in the case of waste production from SIT's activities, the figures show a substantial increase due mainly to the Group's new perimeter. The Group's new sites account for at least 8% of the overall total of waste production.

We also note that 2021 constituted the start-up period of production for SIT Controls in Tunisia, and therefore a transitional phase including in terms of waste generation, the quantity of which is likely to increase with the return to a full production regime.

In this regard, during 2021 SIT Controls Tunisia produced an estimated 80 tons of waste temporarily stored at the site pending its transfer.

A comparison of 2021 figures with those for 2020 at like-for-like scope, i.e. excluding the contribution of Portugal and Tunisia, reveals an increase in overall waste production of around 11%.

As before, this rise can be explained by the increase in production.¹⁹

WEIGHT OF GENERATED WASTE 2021²⁰

Unit (t)	Not sent for disposal	Sent for disposal	Total
1) Waste directly related to the product (and/or generated by primary production processes)	1,893.95	40.15	1,934.10
2) Waste originating from secondary processes not directly related to the product	854.14	224.39	1,078.53
3) Waste generated through the provision of ancillary services (and/or accessory services) not directly related to the product	503.04	1,258.37	1,761.41
Total	3,251.13	1,522.91	4,774.04

WEIGHT OF WASTE BY TYPE OF MANAGEMENT 2021²¹

	Unit (t)	Hazardous	Non-hazardous	Total
Not sent for disposal	Reuse	3.73	-	3,251.13
	Recycling	42.18	1,134.82	
	Other	600.50	1,469.90	
Sent for disposal	Incineration (including energy recovery)	-	28.40	1,522.91
	Incineration (thermal destruction)	4.94	8.67	
	Landfill	28.65	903.13	
	Other	243.35	305.70	
	Total	923.41	3,850.62	

¹⁹⁾ The waste production data only represents waste produced by the group's production facilities.

²⁰⁾ Comparison with 2020 data has not been disclosed in this report, as the figures for 2021 have been classified according to the new GRI Standards.

²¹⁾ The group has no on-site disposal methods, thus the numbers refer to off-site waste management.

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 while water used for municipal necessities similar to domestic use 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 irrelevant 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. Once used, this 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.

In Mexico, the site's water requirements are essentially met from two sources: the first consists of groundwater drawn from an authorized well for use in the fire-fighting system, in healthcare services and in the canteen for non-potable purposes; the second consists of the purchase of purified water from third parties to meet the need for drinking water and for water used for specific process purposes for which high levels of purity are required.

Analysis of the water use cycle within a plant enables identification of 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 environmental management system, the Company has introduced an internal monitoring process for its water treatment plant to ensure compliance with discharge parameters.

As far as SIT Romania is concerned, the water previously drawn mainly from a licensed well is now taken from the aqueduct as a result of the recent hook-up with the latter. Water consumption is primarily for normal household-type 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 public 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.

With reference also to the new sites that have joined the group and have been operational since 2021, water consumption is substantially linked to needs comparable to household use.

WATER WITHDRAWAL BY SOURCE²²

Water withdrawal by source	Unit (megaliters)	2021		2020	
		All areas	Water stress areas	All areas	Water stress areas
Groundwater (total)		52.4	52.4	61.6	61.6
Fresh water (≤ 1,000 mg/l total dissolved solids)		-	-	8.5	8.5
Other water (> 1000 mg/L total dissolved solids)		52.4	52.4	53.1	53.1
Third-party water (total)		90.3	18.7	64.9	6.6
Fresh water (≤ 1,000 mg/l total dissolved solids) of which		90.3	18.7	64.9	6.6
Surface water		-	1.8	-	1.4
Groundwater		-	16.5	-	4.8
Process water		-	0.5	-	0.4
Total water withdrawal		142.6	71.1	126.5	68.2

Considering the overall group data for 2021, an overall increase in water consumption can be observed, mainly due to the new sites that have entered the group's scope of consolidation. However, it is reasonable to assume an increase attributable to greater demand resulting from increased activity in manufacturing processes.

In addition, we highlight that several²³ 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, it is noticeable that water consumption in areas deemed to be water stressed is relatively low. This is mainly due to the fact that the highest levels of water consumption to meet production process needs can be found at the Rovigo site, in particular Rovigo 1, located in a medium-low water stress risk area.

²²) In the absence of specific information, the source of third-party withdrawals has been estimated based on the country. We note that the data on water withdrawal only includes water used at the group's production plants.

²³) The sites considered to suffer from (high or extremely high) levels of water stress are: Montecassiano (Italy), Monterrey (Mexico), Brasov (Romania), Shozou (China) and sites in Tunisia.

CIRCULAR ECONOMY

CFP CARBON FOOTPRINT

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 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 utilizes recycled aluminum in the production of its valves and has initiated specific protocols to increase the share of recycled materials.

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. In this regard, a carbon management project has been launched, comprising a set of tools to measure and reduce GHG emissions (e.g. CO₂, CH₄, N₂O). The process commenced with the calculation of the carbon footprint, a parameter that aims to assess the environmental impact of CO₂ emissions.

The Carbon Footprint Systematic Approach has been introduced. This is a model required by the International UNI EN ISO 14067:2018 regulation and created especially for SIT, which contains a company database with all the 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 development of the project had as an output the integration and verification of the CFP Systematic Approach by an independent accredited third party, with the possibility to calculate the carbon footprint of products and, if necessary, register them within the Carbon Footprint Italy program operator.

The CFP Systematic Approach allows SIT to respond quickly to customer requests concerning the carbon footprint of its products and provides the company functions, starting with the Research & Development department, with a tool to quantify the CO₂ emissions of the group's various design decisions. Measurement of environmental impacts, with its global vision of the "from the cradle to the..." product-process, together with a progressive path towards servitization, will soon make it possible to seize and plan opportunities in the choice of inherently sustainable materials, accompanied by designs that favor repairability and recyclability.

CFP Carbon Footprint

The Carbon Footprint of a Product (CFP) is utilized to measure the sustainability of products objectively through a certified and recognized method that starts from the analysis of manufacturing activities and extends gradually to all other business processes. The objective of the measurement is to collect data that, once integrated with those already acquired by the various functions of the Company, will facilitate the decisions necessary to develop more sustainable products, processes and supply chains.

The CFP is based on the Life Cycle Analysis (LCA), focusing on the impact on the climate through the measurement of direct and indirect GHG emissions. This calculation takes place throughout the lifecycle of the product, starting from raw materials, their production and transportation, up to auxiliary materials, internal and external production processes, logistics, resources used in production, waste products, their disposal and any emissions. The output of the analysis is summarized in the parameter "KgCO₂eq".

The chosen path

For the assessment of its carbon footprint, the Company has decided not to stop at the calculation of a single product, but has chosen, rather, to adopt the innovative Systematic Approach, which enables autonomy and flexibility in the evaluation of its portfolio, thereby facilitating comparative analysis and offering proactivity in dealings with its customers.

This Systematic Approach is a combination of a management system of sorts and an integrated data management tool for the CFP. It makes possible a substantial simplification of verification procedures and, consequently, a reduction of costs of the individual analyses.

The system has been audited and approved by a third party. This means that SIT now has a calculation model that relies on a database with which it can calculate its own CFP impacts in a certified manner and register products with the CFP Italy label.

The journey continues in 2022, with the Environmental Product Declaration, which completes the lifecycle analysis by including other impacts on the environment. Later, specifically in 2023, it will also involve the organization's CFP, analyzing the impact of the entire SIT framework, hence going beyond the evaluation of individual products.

Furthermore, during 2022, the carbon footprint scopes should be extended to encompass the companies MeteRSit and Janz, as well as the remaining part of SIT's product range.

THE CARBON MANAGEMENT PATHWAY

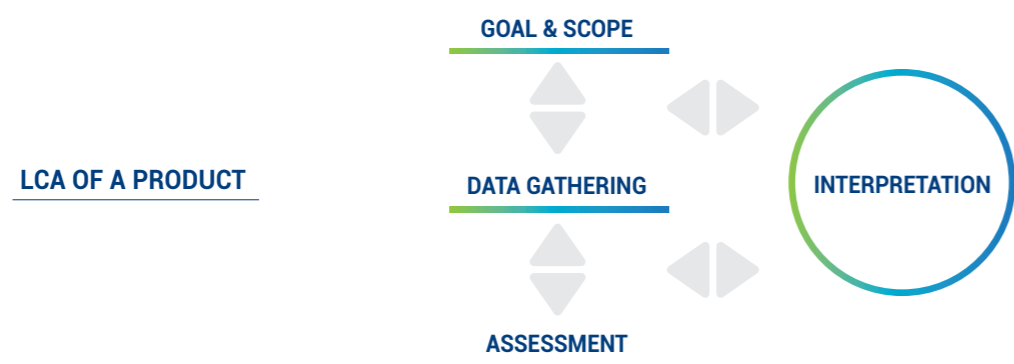


At the same time, a training program was launched to broaden the Company's knowledge and awareness of this important issue as thoroughly as possible. An initial meeting of a plenary nature, with broad cross-company participation, effectively conveyed the sense of urgency with respect to the issue of climate change. This was followed by three modules to train technicians specialized in this type of analysis.

The project

The approach of the Carbon Management System is based on ISO 14000 standards. Specifically, the carbon footprint is codified by the ISO 14067 international standard, within which the Systematic Approach is included.

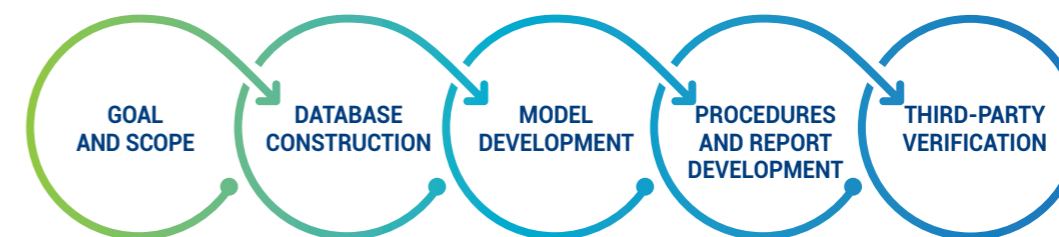
A product lifecycle assessment (LCA) has four phases: (1) Goal and Scope Definition, (2) Life Cycle Inventory Analysis (LCI), (3) Life Cycle Impact Assessment (LCIA) and (4) Interpretation of the Results. LCA involves an iterative approach, since each downstream phase may require a review of upstream phases.



The Systematic Approach involves broadening the analysis by structuring a database with data collection for all products included in the scope, mapping the relationships between factors through a company-specific calculation model and setting out internal procedures for data collection, maintenance and system management.

SIT has chosen to certify the process by means of an audit conducted by an independent third party, which guarantees compliance of the calculation with the reference standard.

THE CARBON FOOTPRINT OF A PRODUCT SYSTEMATIC APPROACH (CFP SA)



Goal & Scope

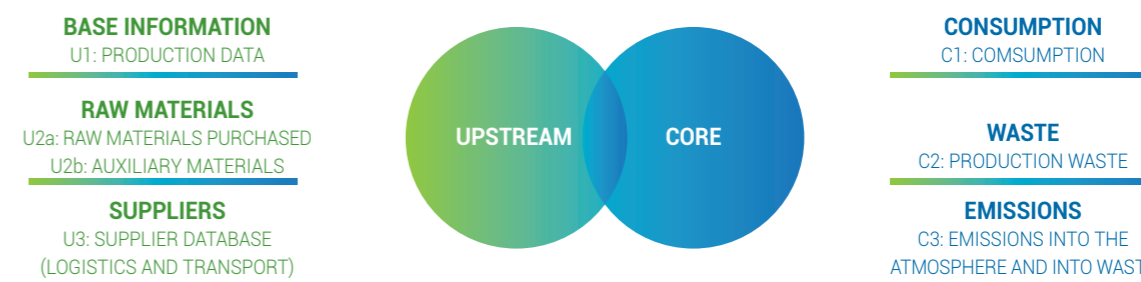
Defining the scope is necessary in order to clarify the boundaries of the analysis. As a field of application, SIT has, for the moment, chosen to focus on the three main product lines of the Heating Division (Mechanical Controls, Fans and Electronic Controls) and to analyze the lifecycle using a cradle-to-gate method, with the aim of developing a CFP SA verified by a third party and thereby making it possible to register products in the Carbon Footprint Italy program.

Extension to other product lines and to the Metering Division is planned at a later date.

Data gathering

The construction of the database on which to operate the calculation of CFP is the most challenging part of the process. It combines the data already managed in normal operations (production volumes, consumption, waste, emissions) with an analysis that goes beyond the boundaries of that data itself, involving choices made by the Company that affect the wider world.

DATA COLLECTED FOR ANALYSIS



This phase involved all company areas, in particular Research & Development (to map the raw materials of all components), Health, Safety & Environment (to provide an overview of the environmental parameters of consumption, waste and emissions throughout the group), Procurement (to analyze suppliers and transportation), Management Control (to collect and interpret data from the Management System), Plants (to gather information on processes, in close collaboration with Lean Transformation in the mapping of internal flows) and Quality (to plan the audit).

For the core data we availed of a database drawn from the management of operational processes and previously collected for preparation of the Sustainability Report 2020, therefore already known and available in a relatively usable format adaptable to the one required by the model.

Data from the Company's upstream chain, meaning materials, components and transportation, was the most challenging to collect, as it was not available or handled in a structured manner as called for by the model.

A survey was distributed to all significant providers for the retrieval of logistical information. More than 50% of the companies contacted responded to the survey, with a coverage of 70% of the purchase value of the perimeter analyzed. In order to stay within the planned schedule of the project, the missing data were estimated on the basis of in-house information, in order to draw up a map of routes and transportation, including distances and a differentiation of means (land/sea/air). The survey will be re-run in 2022 to include coverage of the estimated supply chain with primary data.

The entire database is now a tool that can be used by all areas of the firm involved, even for analyses other than the CFP study. It will then be stored, updated and supplemented over time.

Development of the model

The calculation model has been structured in such a way as to be easily fed with the data extracted from the Management System for the bill of materials and processing cycles. Emission factors for each input (materials, components, transportation, processes, consumption, waste) were identified through the use of specialized databases and interlinked based on shared relationships and flow mappings. The resulting values were subjected to cross-analysis to ensure their consistency in terms of product and emission sensitivities.

Development of procedures

Concurrently with the above, internal procedures were developed for data collection and for the computational model. In addition, the Product Category Rules prescribed by the standard for the calculation of the specific product categories under consideration (Mechanical Controls, Ventilators, Electronic Controls) were published and serve as a regulatory benchmark for the CFP, not just for SIT but for all stakeholders. Finally, an analysis report was designed that is filled in automatically by the calculation model.

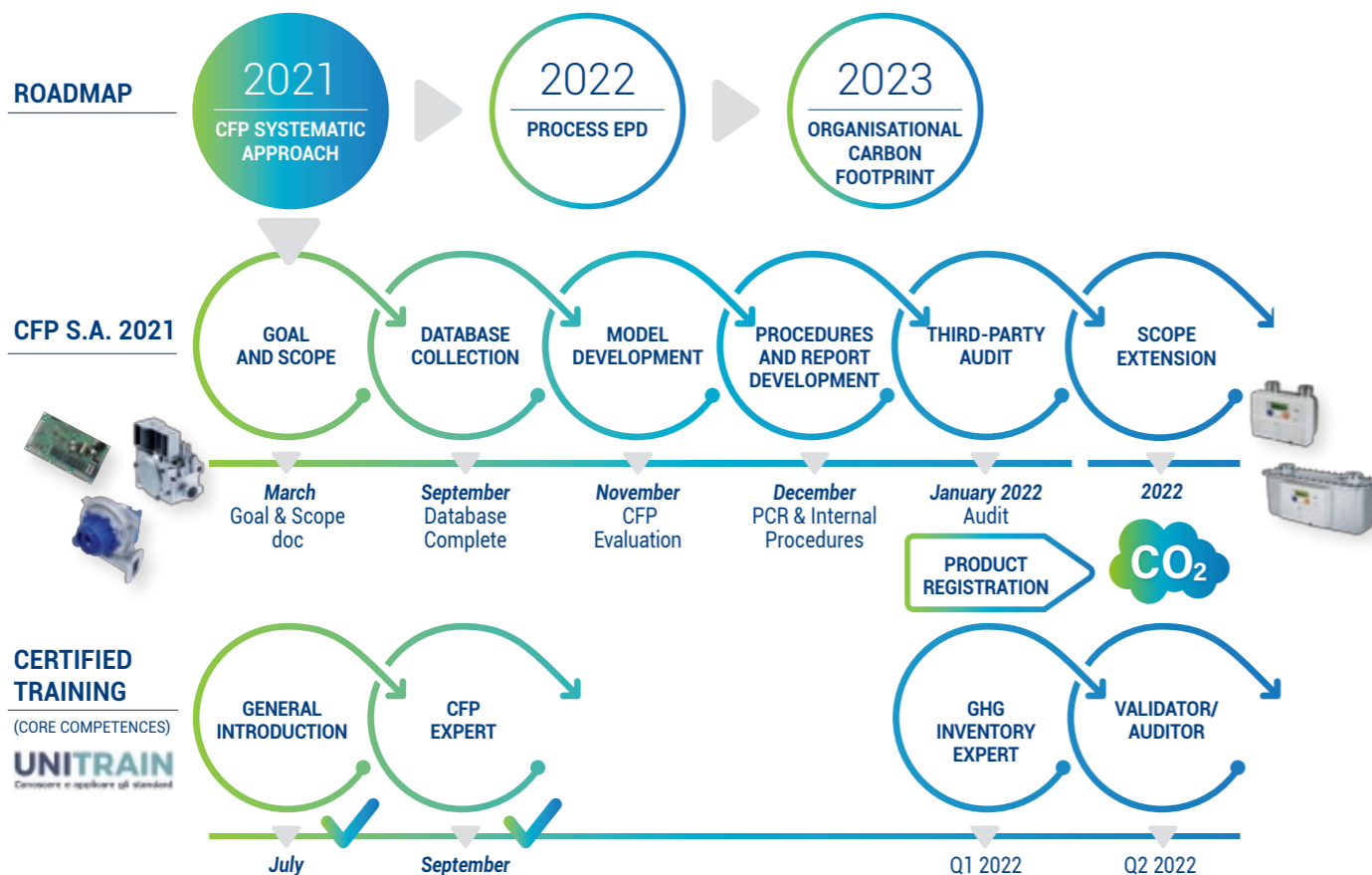
Third party audit

The system was checked by an Accredited Verification Body which, during an audit lasting three days, studied the procedures, analyzed the model, sampled the database and visited the Rovigo Plant.

Using the model

The model thus developed was utilized immediately both for the calculation of the carbon footprint of the most significant products and to perform an in-house comparative analysis between products, productive assets, technologies, materials and logistical assets. It is important to point out that any benchmarking with other LCA/CFP studies conducted by third parties is not feasible, since it is difficult to have complete knowledge of the methodology, the system boundaries and the quality of data used which, conversely, would be required in order to carry out a standard-compliant comparison. Any such comparisons should therefore be used for internal purposes only.

CARBON MANAGEMENT SYSTEM PROJECT PLAN AND DETAIL OF ACTIVITIES IMPLEMENTED IN 2021



2021 RESULTS



ENVIRONMENTAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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INITIATIVE

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

RESPONSIBLE SUPPLY CHAIN MANAGEMENT	69% of direct suppliers signed the Code of Ethics in 2021, covering 96% of purchases.	Period 2020-2021
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STATUS: UPDATED FOR THE CONSTANT QUALIFICATION OF NEW SUPPLIERS

INITIATIVE

- 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

RESPONSIBLE SUPPLY CHAIN MANAGEMENT	Ongoing monitoring related to updates to the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) standard and new restrictions such as the Toxic Substances Control Act (TSCA) in the US. Launched a project to rollout a management system to facilitate monitoring of "restricted substances".	2022-2024
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STATUS: ADDED TO THE SIT SUSTAINABILITY PLAN

INITIATIVE

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

EFFLUENTS AND WASTE	After performing the assessment of the plant's capacity and purification efficiency in 2019, the upgrades planned for 2020 were postponed due to delays in the delivery of materials caused by the COVID-19 emergency, and were thus executed in 2021.	Period 2020-2021
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STATUS: PROJECT COMPLETED

INITIATIVE

- Completion of feasibility studies in remaining group plants regarding action to reduce the uses and emissions of hazardous and environment-impacting substances

DISCHARGES, WASTE AND EMISSIONS	SIT Mexico: 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 the consequent generation of cleaning-related waste. In 2021, work began to gradually replace all cooling and air-conditioning units on site that currently contain ozone-depleting refrigerants. Furthermore, a perchlorine distillation system was installed to complement the one in the industrial washing machine so as to reduce its consumption levels.	In 2020-2021
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SIT Montecassiano (Italy): In order to eliminate or decrease the consumption of hydrochloric acid and caustic soda and reduce the amount of wastewater produced, an internal assessment commenced in 2021 to implement a reverse osmosis system that could replace all or part of the plant for the demineralization of the water required by the paint shop.

STATUS: PROJECT COMPLETED



2021 RESULTS



ENVIRONMENTAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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INITIATIVE

- Feasibility studies and possible implementation of separate waste collection at all group sites

EFFLUENTS AND WASTE	Separate waste collection has been rolled out to all group plants. While differentiated waste collection has been introduced at the new sites in Tunisia and Portugal, it is currently being optimized.	2019-2021
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STATUS: WHILE DIFFERENTIATED WASTE COLLECTION HAS BEEN INTRODUCED AT THE NEW SITES IN TUNISIA AND PORTUGAL, IT IS CURRENTLY BEING OPTIMIZED

INITIATIVE

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

EFFLUENTS AND WASTE	<p>In 2021, a high-speed centrifugal plant was installed at Plant 1 in Rovigo to separate the oil used in the production process from the water. The project will allow the group to recover approx. 35,000 liters of oil and to reduce waste by an equivalent amount.</p> <p>Projects targeted at waste reduction have been implemented in SIT Mexico. Specifically:</p> <ul style="list-style-type: none"> For one of the main products sold (the Delta valve) packaging with reusable and returnable plastic trays has been introduced in agreement with the customer. Used as an alternative to the current disposable cardboard boxes, these trays enabled a significant reduction in the amount of cardboard contained in the packaging subsequently 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 enabled an improvement working conditions in 2021 and allowed oil recovered from the filters to be reused. During 2021, changes were completed 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 resulted in a 50% reduction in the use of paper. 	2020-2022
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STATUS: PROJECT COMPLETED

2021 RESULTS



ENVIRONMENTAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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INITIATIVE

- 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

EMISSIONS	<p>Mobility Manager appointed and home-work travel plan drafted with evaluation of company mobility to identify any opportunities to reduce environmental impact.</p> <p>In 2021, the final designs resulting from the feasibility studies on the energy efficiency of the plants included in the project for the new Padua headquarters currently underway were completed. In order to provide partial coverage of energy needs in the form of self-consumption from clean energy, the new photovoltaic system of about 0.8 MWp to be installed on the roofs of the new headquarters in Padua during the next two years is now in the final design phase. Installation at the Rovigo site of a system with a peak power of about 2.8 MWp is also planned.</p>	2021-2023
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STATUS: PROJECT COMMENCED

OTHER PROJECTS

- Improving the efficiency of water use by optimizing its consumption

WATER RESOURCES	At Plant 1 in Rovigo a feasibility study has begun for the recovery of wastewater from the water purification plant	2021-2023
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STATUS: PROJECT COMMENCED

OTHER PROJECTS

- Evaluation of opportunities to reduce atmospheric emissions

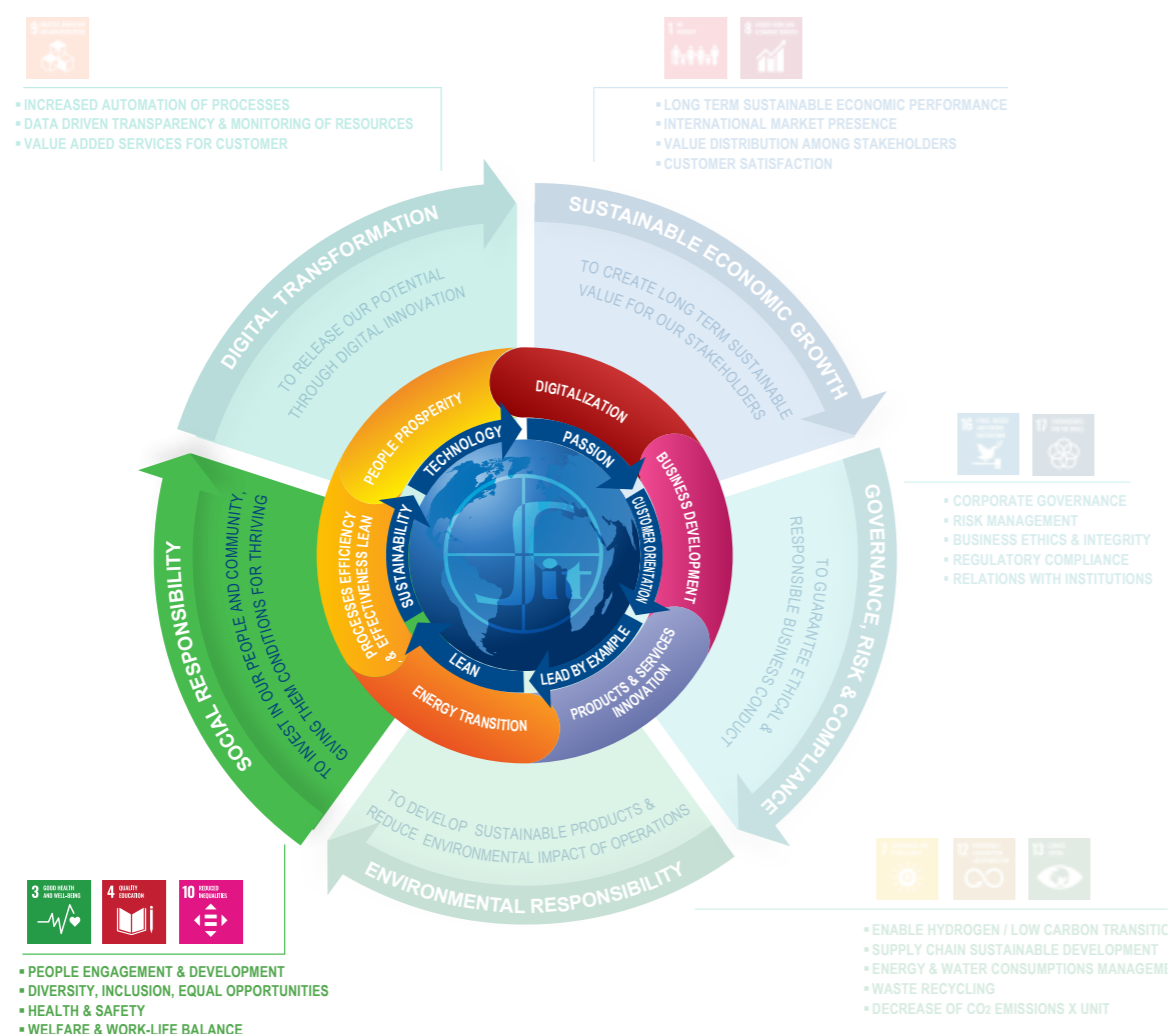
EMISSIONS	In order to improve dust abatement at Rovigo 1, a suction hood was installed on the smelting furnace in the part of the slag plant	2021
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STATUS: PROJECT COMPLETED

EMISSIONS	Evaluation of the improvement of the abatement systems of the dusts emitted into the atmosphere through the flues of the mechanical processing and tumbling departments of the Rovigo 1 plant	2022-2023
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STATUS: EVALUATION IN PROGRESS

SOCIAL RESPONSIBILITY



SIT AND SOCIAL RESPONSIBILITY

HEALTH AND SAFETY
EMPLOYER BRANDING
PEOPLE ATTRACTION
DEVELOPMENT OF HUMAN RESOURCES
REMUNERATION
WELFARE AND WELL-BEING
HEALTH, SAFETY AND WORK-LIFE BALANCE
EMPLOYEE COMMUNICATION

The SIT group sees Corporate Social Responsibility as a key company value, and therefore encourages 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, 2021, the total SIT group workforce numbered 2,503. The group's total workforce at the end of the year amounted to 2,814 external workers and employees.

Approximately 60% of group employees work in offices and facilities in Italy and Romania.

TOTAL WORKFORCE AT DECEMBER 31²⁴

No. people	Male		Female		Total	
	2021	2020	2021	2020	2021	2020
Employees	1,027	820	1,476	1,305	2,503	2,125
External workers	99	74	212	165	311	239
Total	1,126	894	1,688	1,470	2,814	2,364

NEW EMPLOYEES HIRES BY GENDER AND AGE IN 2021²⁵

	< 30 age	30-50 age	>50 age	Total	Rate
Male	238	138	24	400	38.9%
Female	421	320	45	786	53.3%
Total	659	458	69	1.186	47.4%
Rate	131.3%	34.5%	10.2%	47.4%	

²⁴ The total workforce includes SIT employees and external workers. External human resources take into account temporary/project-based staff, contracted workers, trainees and agents. We note that in the Consolidated Financial Statements only temporary staff are taken into account. Moreover, the figures for 2020 workforce do not include Plast Alfin S.a.r.l., SIT Controls Tunisia S.u.a.r.l. and Janz Contagem e Gestão de Fluidos S.A., and therefore the above data differ from that given in the Consolidated Financial Statements.

²⁵ 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.

EMPLOYEE TURNOVER BY GENDER AND AGE IN 2021

	< 30 age	30-50 age	>50 age	Total	Rate
Male	216	117	34	367	35.7%
Female	386	326	77	789	53.5%
Total	602	443	111	1,156	46.2%
Rate	119.9%	33.4%	16.5%	46.2%	

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.

Health and 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.

With reference to the health emergency linked to the spread of COVID-19, the significant impact of which also impacted 2021, SIT has continued to act with great determination by putting the health of all its workers first and complying with the measures specified by health and government authorities. The Company handled promptly and effectively the many and varied contingencies that arose during the year both in Italy and abroad.

SIT continued a series of initiatives in 2021 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.

Despite the fact that the COVID-19 emergency limits mobility and the possibility of visiting the group's sites, a program of field inspections is carried out regularly to monitor health and safety conditions and to identify possible 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 proactively 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, near misses, 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 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 2021, numerous training courses were held for all direct and indirect personnel in Italy and in group facilities in other countries, on safety, health in general and also on emergency situation management (first aid and fire prevention).

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

Injury indicators for 2021 show a worsening of the figures in absolute terms due to the entry of the Portugal and Tunisia plants into the group scope. However, on a like-for-like basis with 2020, the data show an improvement in the injury rate and thus the group's effective commitment to reducing the number of workplace injuries involving its employees. In particular, Italian plants have seen the number of injuries reduced by half. 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 partly carried out by in-house members of staff with knowledge of the risks associated with the tasks performed on site.

In this regard, despite the myriad difficulties encountered due to the COVID-19 emergency, numerous outreach meetings featuring training sessions were conducted for all site supervisors in 2021. This training was conducted with the goal of developing a participatory HSE culture capable of fostering the reporting, analysis, communication, management and disclosure of all HSE events, including those without consequences, as well as all unsafe situations, conditions and behaviors.

A total of 19 work-related injuries occurred across the group's facilities during 2021. These had no serious consequences for the injured workers²⁶, with the exception of an injury in Mexico, which was the subject of a specific root-cause analysis and the subsequent identification and implementation of prevention and protection measures.

To summarize, the increase in the frequency index was affected primarily by the number of cases at the Portugal plant, where 11 injuries occurred, albeit with minor consequences.

Injuries (the majority of which were minor) were predominantly due to accidents involving impacts, crushing and efforts to lift and move loads. Compared to 2020, in which the figure was zero, a serious injury frequency index of 0.23 was occasioned by the aforementioned incident in Mexico.

²⁶⁾ The total number of injuries recorded does not include those occurring while travelling in private vehicles.

TOTAL NUMBER OF EMPLOYEE WORK-RELATED INJURIES IN 2021

	Male	Female	Total
Work-related injuries	11	7	18
Fatalities	-	-	-
High consequence work related injuries	-	1	1

FREQUENCY INDEX OF EMPLOYEE WORK-RELATED INJURIES IN 2021

	Male	Female	Total
Rate of recordable work-related injuries ²⁷	6.16	2.76	4.17
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	0.39	0.23

External workers are defined as contractors/temporary workers and trainees working at the group's operating sites.²⁸

TOTAL NUMBER OF WORK-RELATED INJURIES INVOLVING SIT GROUP EXTERNAL WORKERS IN 2021

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

FREQUENCY INDEX OF EXTERNAL WORKER INJURIES IN 2021

	Male	Female	Total
Rate of recordable work-related injuries ²⁹	-	3.25	2.27
Rate of fatalities as a result of work-related injury	-	-	-
Rate of high-consequence work-related injuries	-	-	-

²⁷⁾ 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.

²⁸⁾ 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.

²⁹⁾ 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.

Employer Branding

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

During 2021, SIT joined two research projects. The first, which is actually funded by SIT and conducted in association with the Department of Industrial Engineering of the University of Padua, is entitled "Analysis and Improvement of Mechanical, Microstructural and Corrosion Resistance Characteristics of Components Present in Valves and Burners". The second project is called "Driving the Transition of Manufacturing Firms towards Customized, Integrated Solutions through Smart Product-Service Systems", and is run in collaboration with the Department of Economic and Management Engineering, again at the University of Padua.

With a view to bringing together students, recent graduates and doctoral candidates throughout the country, in 2021 SIT expanded its recruitment pool by taking part in 10 events organized by institutions, companies and the career guidance services of Italian universities. In addition, the decision to participate in these events was also made in order to encourage an encounter with and the acquisition of a greater knowledge of a broad diversity of academic disciplines and of talented young people drawn mainly from STEM (Science Technology Engineering Mathematics), Economics and Humanities departments.

SIT has developed contacts and collaborations with 19 Italian institutes and universities and has taken part in several events sponsored by the career guidance services of Italian universities, in particular those promoted by the University of Padua, the University of Milano-Bicocca and the Marche Polytechnic University. SIT has also participated in Digital Recruiting Days and Digital Recruiting Weeks organized by companies specialized in employer branding, media, recruiting and career development, making contacts with and attracting talented people from STEM academic backgrounds.

As a testament to SIT's sensitivity to gender equality, in 2021 the Company took part in the Womenhack-Milano and the GirlZ Power women-focused recruitment and networking days during STEM Digital Recruiting Week.

Due to the COVID-19 pandemic, the events - which in previous years were usually held place in person - underwent a significant structural change beginning in 2020. This meant that they were held online with the support of video platforms used by the institutions themselves or by the companies involved. During these initiatives, SIT encountered more than 4,000 people, students and graduates interested in job offers, internship opportunities and the possibility of developing ideas for a dissertation while in the Company. The initiatives included individual discussions with the candidates and made it possible to explore the opinions, expectations, hopes, plans and fears of the young people that participated, increasing the Company's awareness of what the job market of tomorrow might look like. The aim is to be able to plan work paths that are more focused on young people and on the development of their skills and professional attitudes.

Many of the undergraduates and graduates whom SIT met during the Employer Branding and Recruiting events were then invited to participate in digital assessments carried out monthly by the Company with a view to activating curricular and extracurricular internship schemes that offer a real opportunity for training and growth within the organization.

In the last quarter of 2021, SIT received more than 544 applications from talented young people, while in the last quarter of FY 2021 there were 6,098 clicks on SIT job ads posted on LinkedIn.

In 2021, 12 curricular and 28 extracurricular internship schemes were launched in various locations in Italy, of which four were dedicated to drafting dissertations in the field of lean transformation. Logistics, R&D integration and validation, and process engineering.

In order to foster attraction and employer branding activities, SIT launched two projects in 2021: "SIT for School" and "Conversando con la Comunicazione" (conversing through communication). With the launch of the "SIT for School" project, the Company set itself the target of entering the school environment with three types of activities distributed throughout the academic year: company presentations, practical lessons with SIT professionals and orientation activities for training and work. The project engaged students in their last two years in three industrial technical institutes in the province of Rovigo. The initiative, which on completion will have involved around 155 students, was conceived by SIT with a view to increasing awareness of the context of lean production and logistics in the sector and, at the same time, to illustrating to the young people the positions for which they can apply in the Company based on their studies once they have obtained their high school diploma or university degree. The project is part of SIT's broader objective to place its professionals at the disposal of the community in order to give something back to society and in particular to the local area in which the Company operates.

These efforts have been recognized by Confindustria, which awarded SIT the Quality School-Work Alternation Seal (BAQ 2021) for its commitment to training younger generations. The BAQ is presented to companies that stand out for the quality of their school-work alternation schemes implemented through positive partnerships with high schools and vocational training centers. Confindustria awarded the Seal on the basis of activities carried out and substantiated by SIT between January and December 2021.

The Company has also consolidated its collaboration with the "La Sapienza" University of Rome as part of its teaching of the Psychology of Organizational Communication through the aforementioned "Conversando con la Comunicazione" project. The latter is an employer branding project for which ten three-hour workshops were scheduled involving 80 students in their final year of a master's degree program, who studied the SIT story by browsing the Company's website and its social media channels. For this project, the students conducted personal interviews with several SIT managers to investigate the importance of the communicator within an organization and the characteristics that the individual needs to possess in order to cover the role effectively. Also in this case, SIT made its resources and know-how available to the students with a view to passing on the Company's expertise and skills.

In conclusion, in the framework of the objectives linked to the Talent Acquisition & Employer Branding activity, SIT aims to promote its image with the authorities and institutions that train candidates for integration into the workforce. The commitment to provide high quality training courses and to counter the phenomenon of "skills mismatch", which is the root cause of the discrepancy between demand and supply of labor, aims to contribute to the economic and social development of the local areas in which SIT operates.

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 2021, 37 people of 46 total new entries were hired or transferred onto permanent contracts for the various departments of SIT S.p.A. and MeterSIT S.r.l. Of the total number of new hires, 39% were women while 61% were men. In addition, about 59% of new hires in 2021, including young talents, had majored in a STEM (Science, Technologies, Engineering, Mathematics) subjects, of whom 13% were women and 7% from countries outside Italy. In 2021, there were 40 curricular and extracurricular internees, 10% of whom were from countries outside Italy. Of the young people who began an internship in 2021, 28% were subsequently hired.

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 2021, a total of 444.5 hours were dedicated to induction programs for 31 new white-collar hires. In line with the organization methods adopted in 2020 as a result of the pandemic, most of the meetings were held remotely on the Microsoft Teams platform. 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 that COVID-19 indirectly continued to create.

With a view to reviewing and continuously improving processes and digital transformation, a new system for monitoring the progress of each new employee induction was implemented in 2021. The tracking process was digitalized through deployment of the I-plan Sign application. The new management method facilitates monitoring and real-time storage of training in digital format, thereby favoring the development of increasing awareness of and attention towards environmental protection.

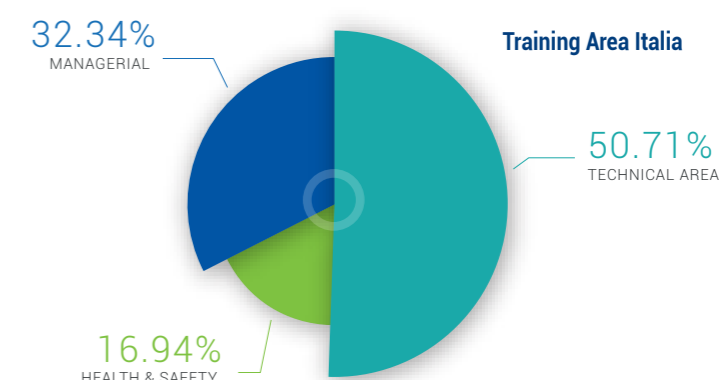
In 2022, all induction training hours will be managed through this new tool.

Development of human resources

In 2021, SIT reaffirmed its investment decisions in training, education and upgrading of skills for the group's people, giving continuity to actions undertaken in 2020 and launching new growth and development projects in order to ensure the ongoing improvement of professional skills and, consequently, the successful achievement of corporate objectives. The annual training plan for Italy involved a total of 1,713 employees for a total of 7,649 hours of internal and external training, making it possible to develop and strengthen managerial, technical, specialist and health and safety skills.

Specifically, the 7,649 hours of training provided in Italy³⁰ can be broken down as follows:

- 50.71% of hours were for technical and specialist training;
- 32.34% of hours were dedicated to management training;
- 16.94% of hours were allocated to health and safety training.



³⁰⁾ We note that total training hours differ from those reported in the Consolidated Financial Statements, as only employees of SIT are included in this report.

Despite the uncertain socio-economic context associated with COVID-19, continuity with regard to commitments undertaken in 2020 saw training activities carried out in 2021 linked to themes associated with "continuous feedback", involving 84 people for a total of 168 hours of internal training. With a view to supporting and training the Smart Worker population and reinforcing the Company's choice of hybrid working model, six workshops on the subject of "remote working" were launched and brought to successful completion.

The commitment to consolidate the Company's mindset and involvement in Corporate Sustainability issues, which are part of SIT's values and mission, is reinforced at various levels of the organizational structure. On the one hand, the "Driving Corporate Sustainability" project began in 2020 and concluded in April 2021. It was targeted at a team made up of the CEO and eight corporate Executives who received 33 hours of training per capita for a total of 264 hours structured in eight stages which alternated between webinars, online workshops and live workshops. The plan has made it possible to act on three distinct targets: integrating sustainable business principles into decision-making activities; developing a new way of conceiving business through the Green Paper (SIT's sustainability manifesto); and, finally identifying Green Values, a set of indicators for monitoring corporate sustainability as well as providing a new model of social communication. On the other hand, the decision to introduce a Carbon Management System aimed at measuring and reducing GHG emissions (CO₂, CH₄, N₂O, etc.) at company level, has led SIT to question its own carbon footprint in terms of product and organization and hence to develop two training initiatives. The first, lasting four hours and titled "Introduction to the Carbon Footprint", was targeted at a wider audience of 33 interested parties for a total of 132 hours of training dedicated to the themes of environmental impact and climate change. The second, lasting 12 hours and titled "Carbon Footprint of a Product (CFP) Experts", addressed the technical and regulatory foundation of ISO 14067:2018 on the carbon footprint of products, allowing participants to experience some crucial aspects of CFP quantification in a practical way. This initiative involved 13 key individuals in areas such as R&D, Quality, Procurement, Management Control and Marketing, for a total of 156 training hours provided.

With the aim of consolidating and amplifying human capital management skills in line with the growing challenges of the reference market and the need to develop staff and their intellectual capital, training courses on leadership and strategic vision were launched, aimed at Executives and managers in their capacity as agents of change with responsibility for company processes or projects with an impact on the organization. The first of these courses, titled "Leadership and Governance", was for managers in the areas of Planning and Control, Sales, Products Development, Operations, Human Capital and General Management. The aim was to consolidate, in the Board of the company involved, the ability to design and implement the development plans needed to ensure that their staff - and the organization as a whole - are capable of achieving medium- to long-term strategic objectives.

An "Execution Leadership" training course was designed for R&D managers responsible for product platforms, though only after an assessment of their individual managerial skills. The initiative, which alternated between experiential in-person lessons and individual coaching sessions, aimed to consolidate the main tools for effective leadership and their application in the everyday management of employees. Resources were also allocated for the development of technical-specialist skills, targeted at entire teams from business areas engaged in projects of increasing organizational and managerial complexity.

A further training course focused on the development of project management skills for 17 people in the Supply Chain area. It involved 32 hours per person for a total of 544 hours of training provided.

Finally, a training course titled "Value Selling" was carried out, with a view to developing a new strategic commercial approach through the promotion and recognition of the value of SIT's products in relations with its customers and stakeholders, in line with corporate objectives. The training program was developed in blended mode, i.e. by alternating individual preparatory e-learning activities, in-person sessions and team coaching in order to facilitate the consolidation of skills acquired. With 20 participants and 26 hours of training provided per person (hence 520 hours in total), the Italy and Europe Sales team took part in the course along with the Product Development Marketing team, thereby reinforcing strategic synergies.

Skills Mapping

Following on from the projects carried out in 2020, the Company's interest in and commitment to People Development was reaffirmed in 2021.

At the end of 2020, SIT involved 6 managers of the R&D Heating Department in a skills mapping process, thanks to which it was possible to identify a model of behavioral competencies that make the performance of employees stand out. A clear mapping of roles and skills made it possible to have an impact on the organization, by expanding thinking processes in terms of rotation and succession planning.

The goal of the project was to use a series of workshops and the "Feedback 180" questionnaire to create a competency matrix which made it possible for SIT people to evaluate how they perceive their own actions and the way those actions are perceived by their colleagues. The questionnaires were then returned to employees individually and forwarded with aggregate data to both management and the HR Department. The questionnaires highlighted a number of areas for improvement which became the focus of the aforementioned Execution Leadership training program.

The skills mapping project was expanded to encompass additional individuals from the R&D Heating Department and the R&D Metering Department, thus creating two separate projects. The first involved 13 employees from the R&D Heating Department. Participants were chosen by their managers on the basis of their propensity to act on their own initiative or become Project Leaders in the near future. The second project, on the other hand, involved 10 employees of the R&D Metering Department operating in the Padua and Milan offices of MeteRSit. In this specific case, the goal of skills mapping was to analyze the competencies needed to become a Team Leader in the framework of expanding the current organizational structure. Once again, in both these cases the results of the skills mapping were shared with Management and the HR Department. The areas of improvement identified will be the focus of training schedules for 2022. Overall, the skills mapping project involved approximately 26% of the corporate population from the R&D Heating and Metering Departments.

An ongoing commitment to a Lean & Digital Transformation in 2021.

In terms of digital transformation, SIT has effectively integrated Artificial Intelligence into business practices through the adoption of the SPACE 1 platform and augmented reality headsets (or "smart glasses"). These devices are available to operators in the Industrialization, Sales and R&D departments. The training sessions dedicated to the use of these tools was organized in two sessions of two hours each, held in June and July 2021 respectively, involving 35 key users for a total of 70 hours of training delivered. With the adoption of technology of this sort, SIT invests in the growth of its resources through training on the product or specific process to increase or develop a variety of skills.

By working on the digital skills associated with AI, the Company is also investing in the deployability of its resources so as to prevent them becoming professionally obsolescent. The new tool (<https://space1.it/>) has allowed 35 employees to begin to change the way they operate and develop the way they interact with both tools and other people. Augmented reality now enables us to make progress in the way we collaborate by facilitating a multidisciplinary and multicultural approach. This means that different colleagues located all over the world can work in virtual environments while being exposed to the same technical experiences associated with the product or the industrial process, thus realizing an innovative way of operating.

SIT is therefore introducing a new mindset among its staff, as regards both their experimentation with innovation and the concrete ways they experience their working environment and relationships. Moreover, having been implemented concretely and effectively, AI also means the Company can reduce business trips and resource waste.

The commitment to a Lean & Digital Transformation allowed SIT to continue to bolster training activities involving a total of 441 people spread over the Plants of Rovigo 1, Rovigo 2 and Montecassiano. The topics covered during these sessions, held from May to September 2021, were differentiated according to the activities performed in the various areas involved and the function of the different departments. All staff were trained on the fundamentals of Lean techniques, on problem solving methods and on scrum boards and andon boards. Training involved alternating between classroom sessions and practical implementation in the resources' respective departments of what they had learned on the course. In the Rovigo 1 Plant, 244 employees were involved, including 212 blue-collar workers and 32 white-collar workers for a total of 732 hours. At the Rovigo 2 Plant, training involved 173 employees, including 159 blue-collar workers and 14 white-collar workers, for a total of 519 hours. At the Montecassiano plant, 24 white- and blue-collar employees were involved for a total of 163.5 hours.

In addition, investment in foreign language learning continued with the commencement of 14 individual courses. In addition, individual coaching courses were launched to support managers in their professional growth and team building activities.

Another important package concerns training provided internally, offering concrete support to employees on the use of new IT tools introduced by the Company, such as CRM Sales Force or the new platform dedicated to corporate welfare. In the context of the COVID-19 emergency, specific training sessions on the new pandemic containment protocol were organized and delivered.

The Company has facilitated professional development and training by granting 228 hours of paid study leave as a result of personal requests from staff members.

Implementation and continuous updating of the "Success Factors" management application makes it possible to record all training courses attended by each user, which means, on the one hand, that the Company has an overview of employee skills development and, on the other hand, that users can access their personal updated training profile.

Training activities in 2021 took place, in most cases, and where applicable, in a predominantly synchronous remote mode through the use of virtual meeting platforms. This choice, motivated mainly by the persistence of the pandemic, indirectly confirms the development of digital skills of the corporate population as well as an evolution of training systems that is in step with digitalization and agile work modes that allow employees to access training even if they are not physically present on company premises.

Agile access to training, along with continuing education and self-education, will be further promoted by SIT in 2022 through the setting up of a Digital Academy, with a pilot project targeted at white collar workers. The in-cloud digital platform will offer constantly updated contents in e-learning format, usable in Italian and English, dedicated to the consolidation and development of technical and managerial skills but also personal development and well-being in the workplace.

At group level, approximately 68,476 hours of training were delivered.

A substantial investment in the planning and provision of training days was dedicated to the new SIT Controls Tunisia S.u.a.r.l. plant. The recruitment plan for the start-up of the site led to a consequent need to develop and structure the organizational knowledge and role skills of new hires. The targets of training were the white-collar workers engaged in positions related directly to production or indirectly to the processes for managing relations with the Parent Company SIT S.p.A. The focus was on the principles of production plant operations, basic technical training on the role covered, and an introduction to the fundamentals of Lean organization. For personnel closely linked to production activities, training was mainly technical, delivered as a complement to the role covered and as on-the-job training on the production lines installed.

2022 will see a further commitment to training dedicated vertically to Lean methodology and techniques, with the aim of initiating flexible and standardized processes within the plant along the entire production chain, together with an ethos dedicated to continuous improvement, in accordance with the approach passed on by SIT to the group's production plants.

Among the foreign plants, in line with the group's human capital growth values Janz Contagem has been promoting the development of skills and knowledge for the plant's staff through an annual training plan. In 2021, this plan saw a total of 2,525 training hours delivered involving 290 employees working in different fields of expertise such as digital-technical, managerial, and health and safety. Training focused particularly on the Lean Transformation project, with the purpose of reorganizing the production structure based on the continuous improvement of processes. In this regard, four training courses were held for 34 employees for a total of 186 hours.

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 workers and to align the interests of personnel with the goal of creating sustainable value for shareholders in the medium to long term.

In 2021, in conjunction with a leading consulting firm in the Total Reward space, SIT launched a Job Levelling and Job Analysis project involving a population covering 50 roles.

The goal was to create a uniform language that recognizes the level of responsibility assigned to people within the group and supports comparability/mobility and organizational equity across Functions, Business Units and Geographical Areas. Again in 2021, and again involving resources covering 50 roles, SIT gained awareness of the current level of equity of treatment within the group (internal market) and Total Reward competitiveness compared to competitors and other companies (external market-peer group). This activity is further confirmation of a system aimed at guaranteeing fairness and transparency, one that is in line with the size and organizational characteristics of the group and the market in which it operates.

The remuneration of Executives and Managers 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 a specific internal policy, represents the annual variable remuneration component. The objectives linked to this component of the remuneration package are: strategic business objectives relating to international expansion projects; development of the hydrogen and sustainability business (with a total variable weight of between 50% and 85%, depending on the role); and individual objectives (with a total variable weight of between 15% and 50%, depending on the role).

SIT confirms the integration of sustainability indicators into the MBO plan linked, in particular, to the sustainable development of products and the respective supply chain such as, inter alia, the development of technologies for the management and measurement of the carbon footprint of Heating line products in the perspective of a circular economy.

In 2021, a new Long Term Incentive System (LTI) was also introduced for the top management of the group, in line with the Self-Governance Code guidelines for listed companies. This plan has the objective to align the performance objectives of management with the achievement of the objective of the creation of value for the shareholders in the medium-long term period. To build the new plan, the Company conducted operational workshops along with a Core Team made up of the Directors and several Executives. The objective of the joint work has been to strengthen the motivation of management towards the pursuit of objectives that are not only profitable and business-related, but that also create value for shareholders. Another aim is to ensure a high level of attraction and retention of key resources by offering remuneration packages in line with market practices.

The plan has a time horizon of 5 years (2021-2025) and uses performance shares as a vehicle, meaning that, for each of the cycles of the Plan, participants have the right to receive a number of free shares which varies according to performance and subject to continued employment.

The Performance Shares Plan provides for three cycles of performance target measurement periods (1st Cycle: January 2021 - December 2023; 2nd Cycle: January 2022 - December 2024; 3rd Cycle: January 2023 - December 2025). At the end of each cycle, the Company will award shares, subject to verification of the extent to which the performance targets have been achieved in relation to the following benchmarks:

- Three-year cumulative adjusted EBITDA (relative weight 60%)
- Adjusted NFP at end of period (relative weight 20%)
- ESG indicator (for the first cycle Ecovadis score relative weight 20%)

The Performance Shares Plan in the first cycle involves 39 SIT employees. It provides for malus and clawback provisions that can be triggered in the three years following the award of the shares. This may occur in the event of circumstances which have led to the shares being allocated on the basis of manifestly incorrect data.

In addition, a Restricted Shares Plan has been established whereby beneficiaries are granted the right to receive shares free of charge in the event of continued employment. The Plan particularly seeks to ensure a high level of retention of key personnel, offering remuneration packages in line with market practice, taking into account in particular the combined incentive effect of the performance shares plan of which the beneficiaries are also recipient.

The Restricted Shares plan involves 9 SIT Top Managers.

RATIO OF THE STANDARD ENTRY LEVEL WAGE TO THE LOCAL MINIMUM WAGE IN SIGNIFICANT COUNTRIES FOR THE GROUP³¹⁾

	2021	2020
Italy	1.02	1.00
Romania	1.10	1.11
Mexico	1.56	1.71
Netherlands	1.22	1.20
China	1.04	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.

³¹⁾ 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

SIT continues to safeguard the mental and physical health of its employees by making it easier for them to manage their work-life balance and by reducing commuting and business trips.

On the subject of work-life balance, welfare and well-being, initiatives continue to be introduced on issues such as widespread remote working, psychological support service and the use of the welfare platform with goods and services available to employees, as detailed below.

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 parents with a "baby welcome kit" containing some useful baby care items. The main benefits include: Life Insurance, Health Insurance, Pension Plans, Luncheon Vouchers.

Welfare

In addition to the flexible benefits provided for under the national collective bargaining agreements, the Company reaffirms its focus on staff welfare by allocating a yearly budget to its employees that can be used for purchases from the basket of goods and services made available on the platform and also by including the budget in the separate agreements entered into at local level in Italian production plants. In view of the activation of the new welfare platform "Edenred", operational from January 2022, the Company has decided to support employees in all its Italian plants with specific training classrooms. For blue-collar workers present in person and white-collar workers connected remotely, the classrooms will make it possible for them to orientate themselves more efficiently in the new portal, accessing the services offered with greater awareness and enjoying a better experience as users.

The platform offers services and benefits for families, healthcare, leisure, culture and more, falling within applicable tax incentive categories. 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 2021, approximately 87% of the welfare benefits available to the Company's workforce had been drawn down by the end-of-year deadline.

Remote Working

Among the policies adopted for the management of human capital, SIT has consolidated its decision to use the hybrid working model that alternates days of physical presence in the office with days of agile work, a practice formalized through company regulations.

In addition to outlining a structured approach aimed at stemming the tide of COVID-19, the introduction of these regulations ensures first and foremost the health and safety of workers, while consolidating the choice of a new human resources management policy. This modus operandi aims to empower people to define how they work through accountability for results and the harnessing of talent and trust, which then become the key principles of this new approach.

The regulation introduced as early as 2019 provides for the possibility, through individual agreements, for all those whose duties do not explicitly require the physical presence on the premises to work remotely up to two days a week, at a place declared by the worker that complies with occupational health, safety and hygiene regulations and with a guarantee of confidentiality of data processed. The total number of days spent in remote working in 2021 was 20,800, for a total of 152,622 hours.

The new model does not end at SIT with its mere application and administrative monitoring, but also represents an approach that involves active listening to the population of smart workers, which to date consists of a total of 71% of employees of Italian sites. The listening approach adopted by SIT, which already in 2019, at the outset of the pilot project, had become proactive with the drawing up of a netiquette in anticipation of the risks of stress that working from home could bring to employees, also aims to safeguard the psychological well-being of people in order to accompany them towards an effective but above all harmonious use of remote working, including in terms of a work-life balance.

For this reason, workshops titled "Remote working and work-life balance" were launched, involving 75% of the smart worker population, for a total of 361 hours of activities. The six sessions, held between October and November 2021, aimed, on the one hand, to collect ideas, impressions and states of mind through a plenum that encouraged the sharing of experiences among colleagues and, on the other, to convey educational content and best practices in order to better manage work flexibility, curbing the now known risks such as over-working, techno-stress and relational detachment.

The reflections that emerged with this bottom up approach, including experimentation, listening and support strategies, became the experimental database for the realization in 2022 of a webinar series dedicated to agile workers. Led by experts in psycho-social issues, these webinars will aim to accompany SIT staff to an informed use of remote working, and the dynamics that it involves, through a discussion of topics such as digital communication, remote collaboration, the power of the smart worker and remote leadership.

The benefits of remote working 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.

SIT has also paid attention to the world beyond its gates, taking part in numerous roundtables, studies and research projects on the subject, putting itself forward as an active player in the growth and development of organizational models in the industrial fabric of the country. For example, the Company took part in the focus group on the theme "New business organization/remote working" as part of the "Enterprises and New Normal" pathway promoted by UniCredit North East Advisory Board organized by UniCredit North East Region, in conjunction with Ca' Foscari University of Venice and teachers and researchers at the University of Padua.

Health and Psychological Support Service

At group level, SIT continues to protect the health and safety of its workers with tools designed to supplement and/or replace public healthcare services. These benefits were rolled out to all members of staff in Romania from 2019. Moreover, employees in Italy may take leave for medical check-ups, subject to presentation of specific documentation proving that the check-up took place on the dates/times stated, which does not affect the annual leave accrued by the employee. This benefit has also been included in the additional agreements entered into locally in the Italian production plants.

In line with the pathway of organizational well-being that the Company is pursuing, during 2021, and in collaboration with a psychologist specialized in mental health emergencies, SIT has activated a psychological support service dedicated to staff at the Rovigo plants. Employees have free access to the helpdesk, and can avail of the service even during working hours, as well as in their free time.

With a focus also on the sphere of emotional well-being, the Company aims to express its solidarity with colleagues going through difficult periods associated with the COVID-19 emergency, offering professional support to cope with the psychosocial changes that the global pandemic has imposed on everyone's daily lives.

Health, Safety and Work-Life Balance

Among the issues close to SIT's heart, the health and safety of workers is considered of primary importance, and in fact is protected with the aim not only of complying with current legislation, but also of constantly striving to improve working conditions.

This commitment takes the form of the adoption of policies and management systems for occupational health and safety which seek to ensure that each employee has a suitable, hazard-free working environment and working conditions that respect the dignity of the individual. In addition, employees are protected through the dissemination of a health and safety culture, the promotion of responsible behavior, and the monitoring and evaluation of hazardous situations.

The adoption of solutions to ensure the health and safety of employees is particularly relevant for the Metalworking industry, in which employees are more exposed to risks during the performance of their daily duties, especially as regards several specific machining operations.

In all SIT group plants joint committees have been set up consisting of worker and company representatives, which discuss and tackle issues related to occupational health and safety. 96.40% of workers are represented on these joint committees. The joint management-worker health and safety committees consist of:

- Executive designated by the Employer
- Head of Health & Safety Protection and Prevention (RSPP)
- Worker Health and Safety Representatives (HSR)
- Joint Shop Stewards' Committee
- Human Resources Management Representative

The meetings are held monthly and are organized in order to evaluate and report on any interventions or activities that may be necessary to improve health and safety standards.

An ongoing dialogue between Prevention & Protection Service Managers, worker representatives and the Joint Shop Stewards' Committees is also encouraged.

COVID-19 pandemic management

In response to the spread of COVID-19, the group immediately worked to ensure the continuity of all business, both in the various offices and at its production sites, in line with the highest standards of hygiene.

In addition, the Health and Safety and Human Resources Management Departments carried out regular monitoring of the system to ensure that regulatory requirements are in place to prevent the spread of COVID-19 on company premises. Inspections by the competent authorities have consistently confirmed the effectiveness of the protocols used to prevent infection. In Italy, the COVID-19 Committee met a total of 24 times in the three plants.

In order to contain the spread of infection as much as possible, SIT has also stepped up its agile working arrangements by allowing workers, where possible, to work remotely up to 5 days a week.

In compliance with recent legislation, SIT has also launched the COVID-19 Green Pass Verification Models, providing training and information to all parties concerned.

Mobility Management

SIT considers attentiveness to the working conditions and work-life balance of its employees to be one of its main priorities. It also recognizes the fundamental value of the quality of work experience which, together with the protection and enhancement of inclusion and diversity, are essential and fundamental elements of the Company's ethical approach to the management of human resources in today's increasingly diversified and challenging world.

With regard to the Italian offices and production sites, in 2021 SIT activated the internal Mobility Management service targeted at finding solutions to:

- environmental sustainability;
- rationalize the means of transport used by employees for the home-work journey;
- improve travel time between home and work with a consequent improvement in work/life balance.

A survey was therefore launched to analyze the travel habits of employees in relation to their home-work commutes. The survey had the further aim of identifying possible initiatives to facilitate employee mobility, not least given the location of Italian workplaces.

In the process of evaluating the Mobility Management activities for the Italian offices, measures were identified to reduce the use of individual private means of transport so as to have a positive effect on air quality, limit traffic congestion and allow the organization and those who work for it to optimize travel costs.

From the data collected regarding kilometers and type of travel, the possibility arises of:

- replacing the current, combustion engine car fleet (or a part thereof) with electric and hybrid vehicles;
- installing charging stations for employees' private electric cars;
- encouraging the use of carpooling by making digital platforms available for booking the service between employees;
- integrating the bike-sharing service by providing shelter areas and charging stations for electric bikes.

As regards production sites outside Italy located in areas poorly served by public transport and/or very distant from residential areas, for example, in Mexico (Monterrey), Tunisia (Tunis) and Romania (Brasov), to help employees reach their workplace a free shuttle service is provided, linked to passenger pick-up points in the town centers. This not only guarantees easy access to the sites but, especially for evening and night shifts, also affords employees greater comfort in facing long journeys in the company of colleagues.

Employee communication

To promote internal communications and the engagement of resources, the group distributes a monthly digital magazine entitled SIT & Talk to all branches at group level. The 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.

As part of its internal communication projects, in 2021 SIT undertook to improve and implement tools that allow it to communicate with its people, including by installing new equipment.

The Company's intranet has undergone a makeover to facilitate browser and user experience, allowing people to remain constantly informed and involved, focusing on a more user-friendly graphic layout, greater user-friendliness and updated content, while taking into consideration the international dimension of the Company.

Again in 2021, SIT introduced monitors in the Italian production sites that enable the sharing of news, information, projects and group initiatives, thereby enhancing the knowledge and involvement of everyone.

SIT's goal for 2022, on which it is already working, is to extend the use of monitors to all its production plants.

DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

NON-DISCRIMINATION
HUMAN RIGHTS
LABOR/MANAGEMENT RELATIONS

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 data annexed to this report, which show significant percentages of women and younger employees in all professional categories.

Human Rights

Through specific procedures, practices and company policies, SIT guarantees the observance and correct application of its codes of conduct. *The principles of the Code of Ethics take inspiration from following international standards:*

- The United Nations' Universal Declaration of Human Rights (which we are committed to in its entirety);
- The International Labour Organization'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 Organization 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 environmentally 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 considers its employees a fundamental resource in creating value and achieving success. Through its personnel management policies, SIT promotes stable, continuous employment relationships, and contractual formulas that meet the flexibility needs of its employees.

For industrial relations management, SIT refers to the applicable legislation in each of the various states in which the group's plants and commercial offices are located. The Company recognizes in trade union organizations the role of signatories of national collective bargaining agreements, and in their territorial representatives the natural counterparties for negotiations regarding economic, regulatory and employment matters and criticalities.

Industrial relations play a key role in human resource management, also in view of the geographical distribution of SIT's activities in Italy and abroad. In line with its human resources strategy, and with contractual and legal provisions, SIT prioritizes performance, safety, quality, qualifications, professional development and employee satisfaction. Strategic in achieving our objectives is the involvement of trade union counterparts in an industrial relations system that pursues the best results for both the Company and its employees.

In 2021, SIT continued to strengthen the industrial relations system, confirming contractual tools for organizational and work optimization that responded well to both business and union needs. In addition, supplementary company contracts were signed in all three Italian plants, updating those of previous years to meet new business needs and legal provisions. For the Italian plants, a total of 19 meetings were held with local and internal trade unions to discuss the renewal of the agreements.

Regarding the employment relationships of employees hired abroad, SIT complies with all legislative and local regulations on industrial relations, contracts, wages, insurance and social security in each country in which it operates.

It should be noted that approximately 95% 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).

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 to engage employees and encourage their participation.

Its commitment to local communities allows SIT to strengthen its relationship with cultural, scientific and educational institutions and with young people, contributing to the education of future generations, combating early school-leaving, and supporting visual arts and music events; As part of this commitment, SIT promotes a culture of solidarity by providing support, funding and sponsorship to local health facilities and sports clubs. By doing so, it spreads attention to and awareness of the environment by promoting initiatives linked to the development and protection of green spaces in the local area and to the reduction of plastic use within the Company. All this allows SIT to strengthen its bond with the local area, with employees dedicating skills and working hours to the organization of local community initiatives.

Described below are some of 2021's most significant projects, events and initiatives that demonstrate SIT's commitment to local communities and its employees.

Family support initiatives

The distribution of the quadri-lingual corporate magazine SIT&Talk through a web-app that is available to all employees promotes a shared culture and climate of participation across all companies, engaging and informing employees.

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 Chairperson.

Another initiative was a concert at the Verdi Theater in Padua, in memory of one of the founders of SIT, Giancarlo de' Stefani, open to all employees and their families.

Youth training initiatives

The Padua branch has committed support to the Traveling with Giotto & Co project to engage second-grade school pupils and their families in celebrating UNESCO's award of World Heritage status to Giotto's frescoes in the Scrovegni Chapel and other 14-century frescoes around the city of Padua.

Introductory lessons on the UNESCO sites will be given in schools, and a competition organized among pupils. The most original and innovative ideas will then be used to create window stickers for the children's school buses.

SIT has funded a scholarship at the University of Padua's Department of Industrial Engineering for a research project on the selection of materials for valve components that make them resistant to aggressive gaseous environments.

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.

Also in Romania, SIT has a strategic Dual-Learning partnership with the local town council and high school to provide technical and production work experience to ten of the high school's pupils. The pupils are also offered lunch, and transport to and from the factory. In collaboration with the town council, SIT also provides a support grant for the pupils.

Janz welcomed 11 trainees from six different organizations, including local schools (DUAL and public schools), international organizations (Euroyouth, ERASMUS), a post-graduate and post-secondary school work experience organization, and the Portuguese Institute of Vocational Training, to give the young people their first professional work experience.

In Tunisia, Plast Alfin makes a quarterly donation to a school for autistic children.

Cultural initiatives

Confirming its commitment to the city of Padua, where it was founded in 1953, and its support for the cultural heritage of the city, the Company sponsors the local Orchestra of Padua and the Veneto Region (OPV).

SIT was also one of the sponsors of the Bartolomeo Cristofori International Piano Festival, held from September 15 to 19, 2021. The title chosen for the 2021 edition was "Green New Music", in reference to nature and environmental sustainability, themes that permeated the entire organization of the festival, from logistics right through to individual meetings.

Each festival event explored an era or a composer's view on the relationship between the individual and nature, following the history of piano music from the late eighteenth century up to contemporary music and jazz. SIT made tickets for various of festival events freely available to its employees.

SIT also sponsored the Bano Foundation's exhibition on the Macchiaioli painters at Palazzo Zabarella, until June 30, 2021, offering free entrance tickets to employees and their families.

Sports initiatives

Always inspired by the world of sport due to the values it represents, SIT again supported the Lentigione Calcio football team of Brescello (Reggio Emilia), an amateur team competing in the Italian Serie D 2021-2022 Championship season.

Support initiatives

As part of its Christmas gift campaign, SIT's Padua branch decided to support the local food bank, Opera delle Cucine Economiche Popolari in Padua, which looks after the needs of vulnerable people in the city. This solidarity drive was guided by the theme of environmental sustainability through the reduction of food waste, by offering Christmas healthy food gifts, such as jams, tomato sauce and homemade biscuits, recovered from the overproduction of fruit, tomatoes and eggs which would otherwise have gone to waste.

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.

Janz Portugal supports the Ester Janz Association (AEJ), a local school with approximately 350 children, aged 4 months to 10 years, and 70 employees, making its health and safety service available to the school, and allowing its employees to provide support in various activities through their acquired skills in human resources, IT, finance, maintenance and canteen management.

Janz also supports the Janz Associates Recreational Group, allowing employees to dedicate one hour per month, via flextime, to organizing local community activities.

Initiatives to support medical research

As a Christmas gift, production plant employees in Milan, Rovigo and Montecassiano were given a traditional panettone, purchased from the Luca Ometto Association, which is a charity engaged in raising funds for scientific research on glioblastoma, in order to help improve the effectiveness of treatments and the quality of life of patients and their families.

Environmental initiatives

SIT Romania donated 20% of its income taxes to the Carpathia Foundation, which oversees nature conservation and forest restoration, and the Carpathian mountains in particular, by planting trees.

SIT's Rovigo plant took up the PlasticLess initiative already underway in Padua, to reduce and, if possible, eliminate the use of single-used plastics by offering SIT reusable water bottles to each employee.

The bottles are produced using an extremely low environmental impact process, and are made of Tritan, an innovative and durable plastic material that does not dent or scratch.

The purpose is to promote the consumption of filtered water from dispensers distributed throughout the company site. We also installed a drinks dispenser in the canteen, to replace the use of plastic bottles there, too. We estimate that through these measures, SIT will save approximately 144,000 plastic bottles per year.

The aforementioned community engagement programs and initiatives were developed and promoted in approximately 31% of the countries in which group companies operate³².

³²⁾ 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, Portugal and Tunisia.

2021 RESULTS



SOCIAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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PROJECT DESCRIPTIONS & KPIs

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

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES	Introduction of the following initiatives to eliminate the use of plastic bottles and cups at Italian companies: <ul style="list-style-type: none"> • 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. • installation of micro-filtered water dispensers at three different points at the Padua branch, and distribution of reusable water bottles to employees. • introduction of healthy snacks to vending machines in Padua. • in 2021, the PlasticLess project was completed at the Italian branches of Rovigo and Montecassiano, together with the introduction of the Green Snack Drawer and a home initiative for the sale of locally sourced fruit and vegetables at company premises. 	2020-2021
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STATUS: COMPLETE IN ITALY

PROJECT DESCRIPTIONS & KPIs

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

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES	A) 2019: Approval of the Leadership Model, to support the Performance Appraisal tool in the Success Factors HR management platform; B) 2020: Launch of a feedback management training program; C) 2021: Launch of a Skill Mapping project to map skills and the perception of skills in relation to the Company's research and development areas; D) 2022-2023: The goal is to extend the project to other departments of the organization.	2019-2023
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STATUS: C) INCLUDED IN THE SUSTAINABILITY PLAN D) INCLUDED IN THE SUSTAINABILITY PLAN

PROJECT DESCRIPTIONS & KPIs

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

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES	Following up on the Skill Mapping project, individual interviews were organized to provide feedback on the skills identified in the assessment, and help improve collaboration between colleagues; 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; Concluded an assessment project, via the Beaconforce app, to measure the empowerment of employees in facing assigned work challenges, trust in the Company, and intrinsic motivation.	2019-2021
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STATUS: PROJECT COMPLETED

2021 RESULTS



SOCIAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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PROJECT DESCRIPTIONS & KPIs

- Development of actions to improve the employee work-life balance through the launch of remote working initiatives, supported by the assessment of the digital propensity of employees, and the consequent digitalization of internal processes

WELFARE AND WELL-BEING	In 2021, approximately 71% of clerical staff worked in hybrid on-site and remote work mode	2019-2021
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STATUS: PROJECT COMPLETED

PROJECT DESCRIPTIONS & KPIs

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

WELFARE AND WELL-BEING	The new group headquarters project, authorized by the Board of Directors in 2020, is at an advanced stage of construction. The project was divided into two phases, the first involving the construction of new laboratories and an R&D area, to be completed by July 2022, the second involving the construction of management offices, to be started in September 2022 and completed by February 2023. Compared to the current situation, the new HQ will have 30% more space dedicated to offices and laboratories, and, with the installation of the planned solar power system, it will be possible to cover approximately 40% of the energy needs of the new HQ and laboratories.	2019-2022 Deadline extended due to slowdowns caused by the COVID-19 pandemic
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STATUS: PROJECT INCLUDED IN THE SUSTAINABILITY PLAN

PROJECT DESCRIPTIONS & KPIs

- Organization and promotion of activities involving the families of SIT group employees

INITIATIVES IN SUPPORT OF LOCAL COMMUNITIES	<ul style="list-style-type: none"> Engagement of employees' families in festive celebrations and through the dissemination of company newsletters. For 2022 and the following years, continued engagement of employees' families in company initiatives and through communications. 	2020-2023
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STATUS: ONGOING PROJECT

PROJECT DESCRIPTIONS & KPIs

- Promote initiatives throughout the SIT group in support of non-profit and sports associations, and cultural and scientific institutions

INITIATIVES IN SUPPORT OF LOCAL COMMUNITIES	In 2021, various cultural, scientific and sports initiatives, such as music, painting, disease research and football, were supported in partnership with cultural, scientific and sports associations.	2020-2023
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STATUS: COMPLETE

PROJECT DESCRIPTIONS & KPIs

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

INITIATIVES IN SUPPORT OF LOCAL COMMUNITIES	Communications on various issues regarding the Company continued on social networks (LinkedIn, Twitter and Facebook) throughout 2021. We are committed to continuing these activities in 2022 and beyond.	2020-2023
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STATUS: COMPLETE

PROJECT DESCRIPTIONS & KPIs

- Foster youth training. In 2022, SIT became a supporting member of the Association of Friends of the University of Padua

INITIATIVES IN SUPPORT OF LOCAL COMMUNITIES	Various initiatives were launched to support local youth training in Italy, Romania and Portugal.	2020-2022
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STATUS: COMPLETE

2021 RESULTS



SOCIAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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PROJECT DESCRIPTIONS & KPIs

- 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:

1) Improvements to the die-casting islands of the Rovigo 1 plant.

WORKER HEALTH AND SAFETY	In the Die-casting Department: <ul style="list-style-type: none"> installation of a suffocation fire prevention system in the filters above die-casting islands; installation of additional hoses and a water sprinkler on each die-casting island; 	2020-2021
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2) Feasibility study for improvements to the Mexican and Romanian facilities

WORKER HEALTH AND SAFETY	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 was completed.	2020-2021
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STATUS: ALL IMPROVEMENTS INTENDED FOR THE DIE-CASTING AREA AT THE ROVIGO 1 PLANT, SIT ROMANIA, SIT MEXICO AND SIT CHINA WERE CARRIED OUT, INCLUDING

PROJECT DESCRIPTIONS & KPIs

Working condition and environment improvements at the Montecassiano and Rovigo plants

WORKER HEALTH AND SAFETY	<p>MONTECASSIANO:</p> <ul style="list-style-type: none"> Work was carried out 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. Following the layout improvement, a reassessment of the lighting conditions of work environments is envisaged. In 2021, purchase and installation of dedicated hood extractor kit die assembly tables, to avoid toolmakers having to lift heavy and bulky dies; In 2021, purchase and installation of new tables for packaging lines to replace existing ones that are too high and do not respect ergonomic standards. In 2021, purchase of automatic assembly equipment, to avoid repetitive manual processing. In 2021, the Painting Department was equipped with an electric pallet lift, to facilitate paint and frame pallet handling, avoid the entry of forklifts into the department, and eliminate vehicle-pedestrian risks. Assessment for the installation of a new cooling system in the Packaging Department, to improve the summer workplace environment. 	2021-2023
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STATUS: ALL THE PROJECTS HAVE BEEN COMPLETED, WITH THE EXCEPTION OF THE LIGHTING REASSESSMENT, WHICH IS PENDING FURTHER LAYOUT CHANGES & INSTALLATION OF THE COOLING SYSTEM



2021 RESULTS



SOCIAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
----------------	---------------------------------	--------

PROJECT DESCRIPTIONS & KPIs

Working condition and environment improvements at the Montecassiano and Rovigo plants

WORKER HEALTH AND SAFETY	ROVIGO1:	2021-2022
	<ul style="list-style-type: none"> In the Mechanical Processing and Tumbling Department, opening of the ceiling domes to improve air circulation. In the Die-casting Department, opening fixed windows and ground-level air intakes to improve ventilation conditions. In the Physical and Chemical Treatments and Mechanical Processing Departments, introduction of a tilting system to facilitate load handling. In the Magnetic Unit Department, introduction of new lighter plates, down from 13 kg to 5 kg, for the processing of magnets and anchors; In the Press Department, elimination of the manual handling of loads via the introduction of swarf collection bins that can be removed with a forklift; In the Die-casting Department, introduction of platforms for lifting the baskets onto the machine. 	

STATUS: COMPLETED PROJECTS

PROJECT DESCRIPTIONS & KPIs

Improvements in operational safety

WORKER HEALTH AND SAFETY	In Rovigo 1	2022-2023
	<ul style="list-style-type: none"> a) Updates to improve to the work and safety conditions of thermocouple bulb bonding lines; b) In the Workshop Department, elimination of the risks of using a trolley for belt handling by the purchase of certified equipment. c) Hire of a basket lifting platform to safely carry out maintenance on die-casting islands. 	
	In the Logistics Center, purchase and installation of a truck locking system (Easyblock), for safe loading and unloading.	

STATUS: PROJECT COMPLETED to point c)

WORKER HEALTH AND SAFETY	In Montecassiano:	2022-2023
	In the Packaging Department, purchase and installation of shelf protections for the new 2021 layout	
	<ul style="list-style-type: none"> In the Painting Department, introduction of an electric pallet lift, to avoid the entry of forklifts into the department, and eliminate vehicle-pedestrian risks. 	

STATUS: PROJECT COMPLETED

WORKER HEALTH AND SAFETY	In SIT Mexico:	2021-2022
	<ul style="list-style-type: none"> Installation of new racks to replace old ones in the warehouse; Updating and application of new, long-lasting surface markings that do not fade over time; Replacement of existing light points with LED lamps, to improve brightness and lighting conditions in the production environment. 	

STATUS: PROJECT COMPLETED

2021 RESULTS



SOCIAL RESPONSIBILITY

With respect to the objectives included in the 2020 Sustainability Report, the main results achieved by the group in 2021 are shown below

MATERIAL TOPIC	STATUS / BASELINE AT 31.12.2021	TIMING
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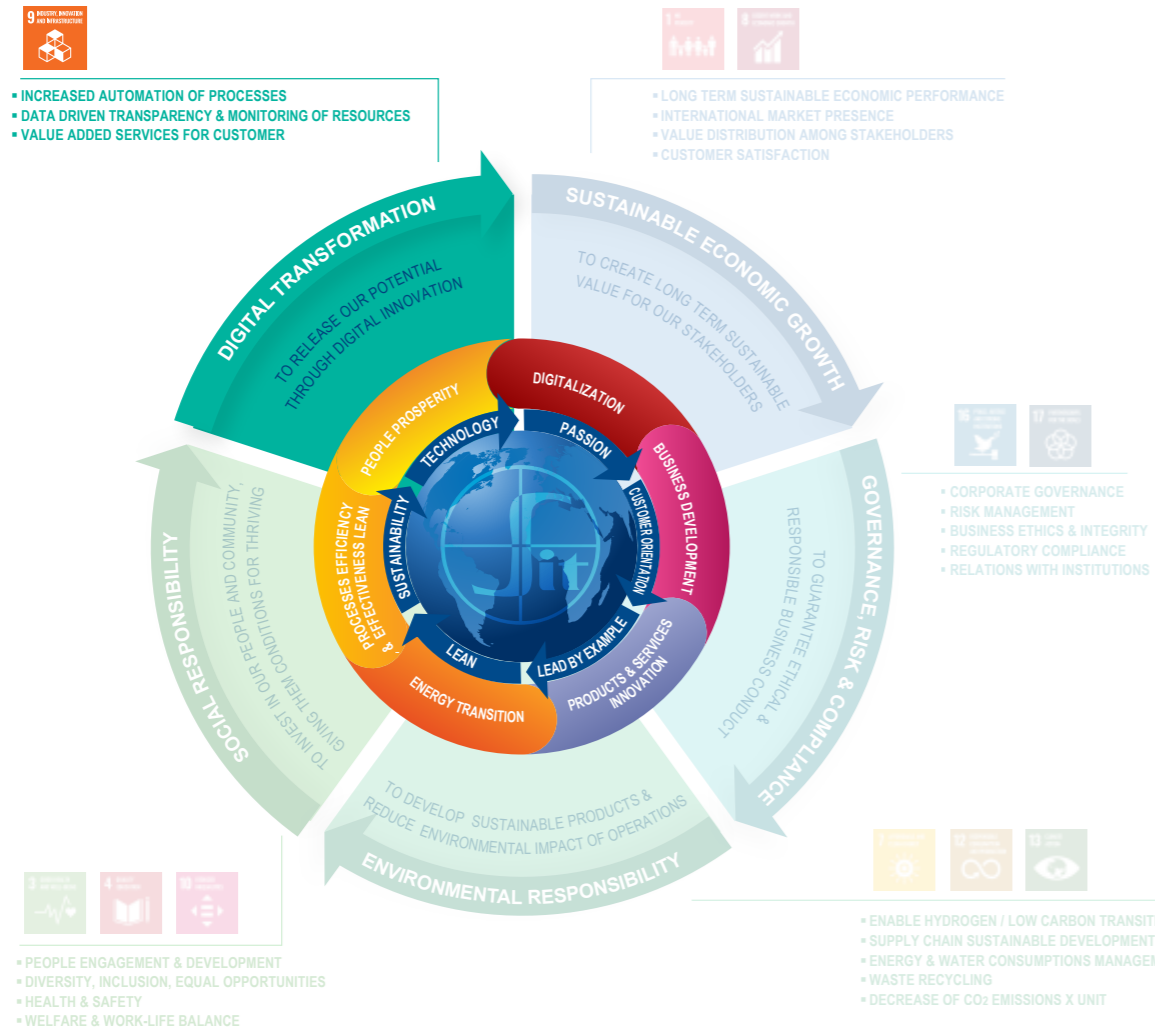
PROJECT DESCRIPTIONS & KPIs

Creation and introduction of a communication, reporting and analysis system for reporting HSE events to the parent company. This system will make it possible to manage all events and unsafe conditions, involving staff in a preventive, participatory approach and shared HSE culture

WORKER HEALTH AND SAFETY	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 providing instructions for the detection, analysis/evaluation, classification and sharing of HSE events, including near misses and unsafe conditions and acts.	2021-2023
	<p>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. The HSE Communication & Reporting system is now in place at all group sites, except at the new sites in Portugal and Tunisia, where it is being introduced or soon to be introduced.</p>	

STATUS: ONGOING PROJECT, INCLUDED IN THE SCOPE OF THE SUSTAINABILITY PLAN

DIGITAL TRANSFORMATION



SIT AND DIGITAL TRANSFORMATION

The Digital Transformation Department's main goal is to innovate in terms of customer services, in light of the growing trend of manufacturing servitization.

This goal is inseparable from the first phase of modernizing business processes to the Industry 4.0 model, with particular attention to sustainability, feature interactions, and customer-centrism. Following this line, for example, in 2021, the Salesforce CRM program was also adopted in the Metering Division.

In view of the Company's product sustainability goals, the Digital Transformation Department launched a Carbon Footprint of Products (CFP) measurement project in 2021, starting with the footprint of its product families to arrive, over a three-year period, at the global footprint of the whole organization and its processes.

The main medium- to long-term goal is thus to leverage enabling technologies in order to develop and offer customers ever more sustainable services.

Among other projects, 2021 saw the global launch of an augmented reality platform to improve inter-company, customer, supplier and certification body interactions. Several audit processes were successfully carried out remotely for the first time in multiple factories, and in both Heating and Metering Divisions.

In this sense, digital transformation (which is an ongoing, ever-changing process) can be seen as a means to foster sustainable social development, product innovation, and to improve internal and external processes.

In the context of manufacturing, digital transformation projects are increasingly interconnected with lean transformation projects. Adopting a lean approach allows 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. In this regard, 2021 saw further progress made with the Industrial Internet of Things (IoT) platform, providing, for the first time, real-time data and reporting on productivity indices, downtime causes, waste and faults.

THE LEAN TRANSFORMATION PROJECT

Another important transformation project undertaken by SIT, with various points of contact with the Digital Transformation project, is Lean 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 principles set out in 2020, with extra impetus in 2021.

This project is run by an internal team, headed by the Lean Transformation Manager, reporting to the group COO.

Work was carried out on a series of projects in 2021. Among these was the definition of a system of KPIs common to all plants, to make them comparable, facilitate work balancing and localization policies, measure lean culture at individual plants, and draw up targeted development plans.

In addition, a daily Gemba Walk was introduced, a foundational technique in a culture of continuous improvement. This technique consists of a daily walk through the various departments by the plant manager, foremen and main factory figures, using visual management and daily supervision methods to highlight issues, introduce immediate corrective actions and involve the necessary management figures.

Further improvement projects were identified and introduced, leading to significant savings of over Euro 1 million in 2021, and were then re-proposed for 2022. In addition, the Lean Project was launched at an analysis and planning level for the supply chain. The latter project seeks to significantly improve customer response based on the type of demand, and the re-balancing of internal stock levels.

Regarding training, 30 sessions and various specialist workshops were held with over 300 production area employees in Italy. The workshops were held on the following Lean topics: Total Productive Maintenance (TPM), aimed at automating maintenance to improve the machinery availability; the 5S, a methodology based on five Japanese words, with the English equivalents of Sort, Set in order, Shine, Standardize, and Sustain; and the Single Minute Exchange Die (SMED) method that aims to reduce machine retooling times.

In terms of communication, monitors were installed in the various plants to disseminate Lean principles to employees, and inform them about the various ongoing initiatives.

Finally, in collaboration with the Digital Transformation Department, Manufacturing Execution Systems (MESs) were introduced in the Rovigo plant, in order to measure individual process productivity and efficiency in real time. This project is now set to be extended to the other plants in 2022.

In 2022, and over the following years, in addition to continuing the aforementioned activities, the focus will be primarily oriented to the future. SIT plans to deploy the Lean Supply Chain project operationally, to introduce principles that will lead service level and response model improvements. Furthermore, it plans to launch a Supply Logistic Chain Simplification and Defragmentation project, with a view to acquiring more local suppliers and simplifying subcontracting. Finally, the goal is to extend Lean Culture to other not only operational departments, and the other group divisions, MeteRSit and Janz.

DATA AND INFORMATION SECURITY

The SIT group has historically been very attentive to data and information security issues. In this regard, every year, the Company seeks to make improvements in terms of security, aware of the continuous evolution of cyber-criminality. Several years ago the servers were transferred to specialized centers to offset the risk of data loss and removal on the one hand and, on the other to guarantee quick and certain timeframes for recovery and restart where incidents occur.

In 2021, in addition to the usual maintenance and updating of ordinary security systems, such as endpoint, ransomware, browsing and email protections, to vulnerability assessments, penetration testing, and business continuity and disaster recovery systems testing, we began to address other equally relevant aspects.

First of all, we separated the responsibility for IT Security Strategy from the IT Infrastructure and Systems Management Unit, assigning it to an independent resource who reports directly to the IT Director.

Furthermore, a Cybersecurity Awareness program was launched, involving all of the group's white-collar staff, and testing and measuring their preparedness over a certain period. For this purpose, simulations of security attacks were alternated with specific training activities to help staff identify threats and react appropriately.

A more stringent password policy was introduced for accessing the corporate network, and, for certain corporate systems, a Single Sign-On (SSO) logic was introduced, according to which users are asked to remember fewer but more complex passwords, and to change them more frequently.

As for internet exposure risk, a Web Application Firewall solution was implemented to protect exposed servers. Furthermore, in addition to the general vulnerability assessments and penetration testing, two further specific analyses were carried out. The first, a Cyber Sanity Check, verified that no devices on the local network were compromised. The second, a Cyber Threat Intelligence Assessment, analyzed internet exposure of information and critical data that could be exploited by cybercriminals to conduct cyber-attacks.

For 2022, in addition to pre-existing ordinary activities and those started in 2021, we plan to introduce a further series of activities to improve cybersecurity. For example, a computer event correlation system, monitored by a Security Operations Center (SOC), will be activated to detect anomalous behavior that can be traced back to a cyber-attack.

In order to minimize the time to restore operations in the event of an IT incident, an Incident Response Plan will be prepared, describing the figures to be involved and the actions to be taken. In addition, a Data Loss Prevention (DLP) system will be introduced to prevent data loss or theft.

Multi-factor authentication (MFA) will be used on Office and Office 365 Single Sign-On (SSO) systems, requiring authentication to access the applications.

Finally, the disks of users' computers will be encrypted, in order to prevent data theft.

EUROPEAN UNION TAXONOMY

THE "ELIGIBILITY" ASSESSMENT
REVENUE FROM SALES
CAPEX
OPEX

From 2022, companies required to publish a Non-Financial Statement (NFS) must disclose the portion of their revenues, capital expenditure (Capex) and operating expenses (Opex) that qualify as environmentally sustainable.

The European Taxonomy sets out six environmental objectives for identifying environmentally sustainable economic activities:

- climate change mitigation
- climate change adaptation
- sustainable use and protection of water and marine resources
- transition to a circular economy
- pollution prevention and control
- protection and restoration of biodiversity and ecosystems.

An economic activity is therefore defined as environmentally sustainable if:

- it contributes substantially to the achievement of one or more of the six environmental objectives;
- it does no significant harm to any of the environmental objectives (Do No Significant Harm - DNSH)
- it is carried out in compliance with minimum social safeguards.

As of the date of this report, the assessment made by SIT is based on the regulations issued by the European Union with respect to the first two of the six environmental objectives laid out.

SIT has conducted an appropriate assessment of its activities in accordance with the European Union's (EU) ESG Taxonomy Regulation.

The SIT group has identified some of its economic activities as "eligible" to be considered environmentally sustainable within the meaning of the EU Taxonomy Regulation and its Delegated Acts. The following are the main assumptions underlying the analysis conducted and the results of the assessment of SIT activities in terms of Taxonomy eligibility.

Note: The disclosures made by the Company for FY 2021 are based on its current understanding of the rules set out in the regulations and may change substantially over the next several financial years consistent with legislative developments and increased understanding of the requirements of the Taxonomy.³³

The "eligibility" assessment

For the definition of eligible activities, those pertaining to the following points of Annex 1 of the EU Taxonomy Regulation, which sets out the criteria for technical screening to determine under which conditions an economic activity can be considered to contribute substantially to climate change mitigation or adaptation and if it complies with the "do no significant harm" (DNSH) principle with regard to any other environmental objective, were mainly considered.

3.1 - Manufacture of renewable energy technologies - which includes:

- Pellet Stove Fan Products
- Products for Thermally Driven Heat Pumps
- Products for Hybrid Appliances
- Products for the Use of Solar/Thermal Energy Sources
- Products for Biomethane Use

3.2 - Manufacture of equipment for the production and use of hydrogen - which includes:

- 1) Products for the use of blended or pure H₂

3.5 - Manufacture of energy efficiency equipment for buildings - with particular reference to subsections:

5. Energy efficient appliances - hood fans;
7. Space heating and hot water systems - products for condensing boilers;
8. Cooling and ventilation systems - heat recovery units;
14. Products for heat metering and thermostatic controls - room thermostats
16. Products for smart monitoring and regulating of heating system and sensing equipment - fireplace electronics/apps

4.1 - Electricity generation using solar photovoltaic technology - this category includes, for example, SIT's investments in the construction and installation of photovoltaic systems at the Rovigo Plant and at the building that will host the head offices and the R&D laboratories in Padua.

7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings - with particular reference to the subsection:

3. Installation, maintenance and repair of smart meters - which in fact includes all of the business of SIT's Smart Gas Metering Division.

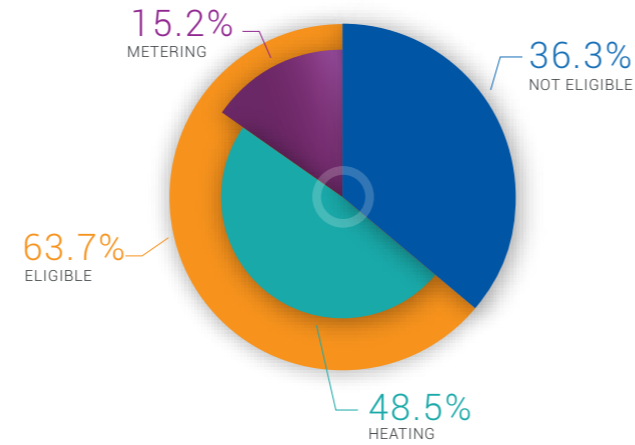
The Water Metering Division's activities do not appear Taxonomy-eligible with respect to the two environmental objectives regulated to date. The Company reserves the right to carry out further assessments when the evaluation criteria for the other environmental objectives are made explicit.

The results of the eligibility assessment on the items under analysis are given below.

³³) For the assessment of eligibility, account was also taken of the indications provided by Assonime Circular no. 1 of 2022 "The EU Taxonomy Regulation of Environmentally Sustainable Activities: Disclosure Requirements for Companies"

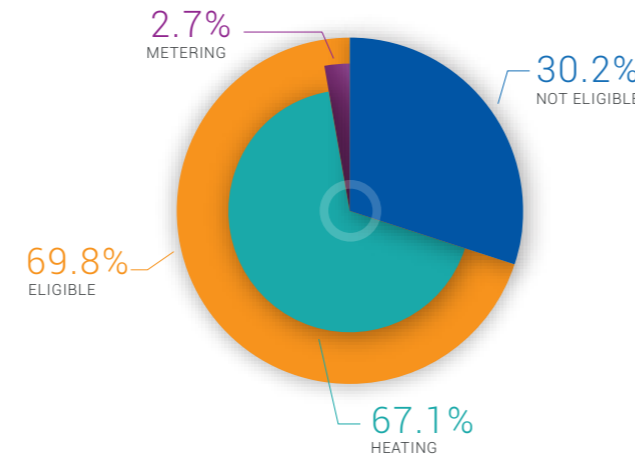
Revenue from sales

- The total revenues analyzed amount to approximately Euro 376 million and include only the core revenues of the Divisions;
- Taxonomy-eligible revenues amounted to Euro 239.3 million (63.7% of the total);
- Water Metering Division revenues are reported as Taxonomy-non-eligible.



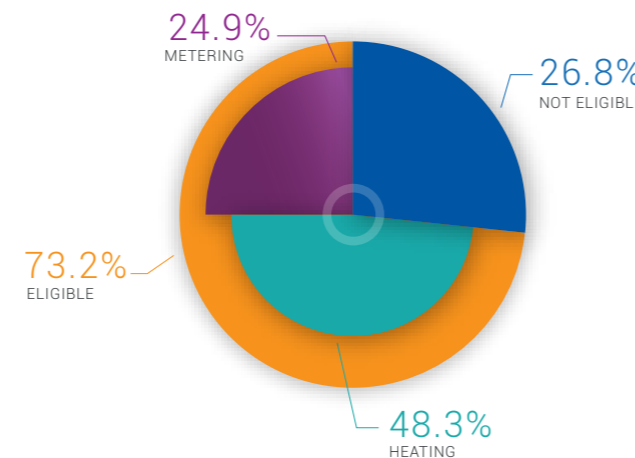
Capex

- The investments under evaluation, made during 2021, amount to Euro 24.7 million;
- All Capex pertaining to the products referred to in the revenue assessment were considered Taxonomy-eligible. Capex not directly attributable (i.e. serving multiple lines) was allocated on a percentage basis.
- The total Taxonomy-eligible Capex is approximately Euro 17.2 million (69.8%);
- Investments related to IT equipment, building maintenance, patents and trademarks not related to the sale of products were considered Taxonomy-non-eligible.



Opex

- For the evaluation of Opex, Research and Development costs relating to products included in the eligibility criteria of the Taxonomy, plus ordinary maintenance costs of plant and equipment used in the manufacture of the products (for a total of approximately Euro 11 million), were taken into consideration.
- Of the operating expenses analyzed, approximately Euro 8.4 million (73.2%) were Taxonomy-eligible.



ANNEX

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PRODUCT QUALITY AND SAFETY

PRODUCT CERTIFICATIONS 2021 SIT GROUP

CERTIFICATION	PRODUCTS	DESCRIPTION
Argentina - IGA	Valves and thermostats for the regulation and safety of gas appliances	Compliance with Instituto de Gas Argentino requirements
Australia - AGA	Air pressure switches, multifunctional controls and safety, control and regulation systems for gas appliances	Compliance with Australian Gas Association requirements
Australia - IAPMO	Multifunctional controls and safety, control and regulation systems for gas appliances	Compliance with GasMark certification requirements
CB Test Certificate - IMQ	Smoke extractor fans	Conformity of electrical/electronic product to IEC (International Electrotechnical Commission) standards
CB Test Certificate - Nemko	Motors for use in range hoods	
CB Test Certificate - TUV Rheinland	Automatic combustion control system for gas appliances	
CE - DIN- CERTCO	Safety thermostat for water heaters	Compliance with European Union market requirements
CE - KIWA ITALIA	Aluminum concentric flues; Single wall aluminum flue; Plastic parallel/concentric flue system	
CE - Open Therm	Remote controls	
CE GAR 2016_426 - DVGW	Igniters, automatic combustion control systems, pressure switches and multifunctional controls for gas appliances	
CE GAR 2016_426 - IMQ	Mechanical thermostats	
CE GAR 2016_426 - KIWA	Automatic combustion control systems and multifunctional controls for gas appliances	
CHINA - CGAC	Multifunctional controls for gas appliances	Compliance with "China quality supervising and test for gas appliances" requirements
Mexico - ANCE	Pilots, thermocouples and thermostatic valves for gas appliances	Compliance with the requirements of ANCE - Asociación de Normalización y Certificación A.C.
North America - CSA	Pilots, thermocouples, fans, remote controls, multifunctional controls and combustion control systems	Compliance with Canadian Standards Association requirements
North America - INTERTEK	Electric fan	Compliance with Intertek ETL certification requirements
North America - UL	Thermostatic valves	Compliance with UL certification requirements
UCRAINA - EURO - TYSK	Pilots, thermocouples, flue gas extraction fans, fans for condensing boilers, flue gas evacuation systems, multifunctional controls and combustion control systems	Compliance with the requirements of the Ukrainian market
VDE - VDE	Multifunctional controls for gas appliances	VDE certification of conformity to safety and quality in electrical technology
OIML Certificate	x485xxx	Compliance with OIML R137-1 (2012)

PRODUCT QUALITY AND SAFETY

PRODUCT CERTIFICATIONS 2021 SIT GROUP

CERTIFICATION	PRODUCTS	DESCRIPTION
MID Mod. B	A thermal-mass flow gas meter: X4851xx; X4852xx; X4853xx; X4854xx; X4855xx	Compliance with Directive 2014/32/EU (MID Directive) MODULE B: EU TYPE EXAMINATION
Atex Mod.B	Domusnext Gas Meter step 2.0 GPRS Type G10 – G16 – G25 – MMU16 – MMU25 – MMU40 Domusnext Gas Meter step 2.0 NBIOT Type G10 – G16 – G25 – MMU16 – MMU25 – MMU40	Compliance with Directive 2014/34/EU (ATEX Directive)
CPA 1.2	MMU6 RC51.22 GSME	The product has been evaluated according to the CPA scheme and successfully verified against the safety characteristics of smart gas metering equipment version 1.2 at Foundation level.
CPA 1.3	DOMUSNEXT 2.0 MMU6 DB-GSME DOMUSNEXT 2.0 MMU6-H ₂ AND MMU40-H ₂	The product has been evaluated according to the CPA scheme and successfully verified against the safety features of smart gas metering equipment version 1.3 at Foundation level.
Smart Energy certified by Zigbee Alliance	DOMUSNEXT 2.0 MMU40 H ₂ DOMUSNEXT 2.0 MMU6 H ₂ MMU6 DB	The product passed all relevant test requirements in cooperation with the Smart Energy 1.4 certification program
MID Mod. B	JANZ - Water Meters: Volumetric JV400, MSV; Single Jet TAGUS Plus; Single Jet JM300, C300, CU & Volumetric JV100; Volumetric JV600; Multijet MST, JT200 & JT250.	Compliance with the requirements of Directive 2014/32/EU (MID) MODULE B: measuring instruments, volumetric watermeters, single jet & multijet types

WASTE MANAGEMENT

WEIGHT OF WASTE BY MANAGEMENT TYPE 2020

Unit (t)	Hazardous	Non-hazardous	Total
Reuse	-	2.01	2.01
Recycling	34.77	595.83	630.60
Recovery (including energy recovery)	412.43	1,334.66	1,747.09
Incinerator	56.86	104.99	161.85
Landfill	116.10	1,107.51	1,223.62
Other	21.94	186.68	208.62
Total	642.10	3,331.68	3,973.78

CHARACTERISTICS OF THE WORKFORCE

EMPLOYEES BY GENDER AND CONTRACT TYPE AT DECEMBER 31

No. people	Male		Female		Total	
	2021	2020	2021	2020	2021	2020
Permanent	910	762	1,269	1,190	2,179	1,952
Temporary	117	58	207	115	324	173
Total	1027	820	1,476	1,305	2,503	2,125

EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT TYPE AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Africa		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Perm.	797	800	848	646	446	440	57	66	31	-	2,179	1,952
Temp.	9	8	144	165	-	-	-	-	171	-	324	173
Total	806	808	992	811	446	440	57	66	202	-	2,503	2,125

EMPLOYEES BY GENDER AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Male		Female		Total	
	2021	2020	2021	2020	2021	2020
Full-time	1,014	806	1,407	1,230	2,421	2,036
Part-time	13	14	69	75	82	89
Total	1,027	820	1,476	1,305	2,503	2,125

EMPLOYEES BY GEOGRAPHICAL AREA AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Africa		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Full-time	755	751	963	782	446	440	55	63	202	-	2,421	2,036
Part-time	51	57	29	29	-	-	2	3	-	-	82	89
Total	806	808	992	811	446	440	57	66	202	-	2,503	2,125

GROUP NEW RECRUITS BY GENDER AND AGE IN 2020³⁴

	< 30 age	30-50 age	>50 age	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%	-

³⁴ 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.

CHARACTERISTICS OF THE WORKFORCE

GROUP DEPARTURES BY GENDER AND AGE IN 2020

	< 30 age	30-50 age	>50 age	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%	-

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021 (ITALY)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	8	18	2	28	5.9%
Female	8	7	3	18	5.4%
Total	16	25	5	46	5.7%
Rate	41%	5.7%	1.5%	5.7%	-

GROUP DEPARTURES BY GENDER AND AGE IN 2021 (ITALY)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	1	17	8	26	5.5%
Female	2	6	14	22	6.6%
Total	3	23	22	48	6.0%
Rate	7.7%	5.2%	6.7%	6.0%	-

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021 (EUROPE)

	< 30 anni età	30-50 anni età	>50 anni età	Totale	Rate
Uomini	56	31	20	107	35,7%
Donne	62	99	42	203	29,3%
Totale	118	130	62	310	31,3%
Rate	77,1%	25,0%	19,4%	31,3%	-

GROUP DEPARTURES BY GENDER AND AGE IN 2021 (EUROPE)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	63	32	25	120	40.0%
Female	64	122	60	246	35.5%
Total	127	154	85	366	36.9%
Rate	83.0%	29.6%	26.6%	36.9%	-

CHARACTERISTICS OF THE WORKFORCE

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021 (AMERICAS)

	< 30 age	30-50 age	>50 age	Total	Rate
Uomini	138	55	1	194	123.6%
Donne	281	165	0	446	154.3%
Total	419	220	1	640	143.5%
Rate	209.5%	99.1%	4.2%	143.5%	

GROUP DEPARTURES BY GENDER AND AGE IN 2021 (AMERICAS)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	124	51	1	176	112.1%
Female	293	163	3	459	158.8%
Total	417	214	4	635	142.4%
Rate	208.5%	96.4%	16.7%	142.4%	

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021 (ASIA/PACIFIC)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	2	3	1	6	40.0%
Female	0	6	0	6	14.3%
Total	2	9	1	12	21.1%
Rate	40.0%	18.4%	33.3%	21.1%	

GROUP DEPARTURES BY GENDER AND AGE IN 2021 (ASIA/PACIFIC)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	2	6	0	8	53.3%
Female	3	9	0	12	28.6%
Total	5	15	0	20	35.1%
Rate	100%	30.6%	0.0%	35.1%	

CHARACTERISTICS OF THE WORKFORCE

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021 (AFRICA)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	34	31	0	65	79.3%
Female	70	43	0	113	94.2%
Total	104	74	0	178	88.1%
Rate	99.0%	77.1%	0%	88.1%	

GROUP DEPARTURES BY GENDER AND AGE IN 2021 (AFRICA)

	< 30 age	30-50 age	>50 age	Total	Rate
Male	26	11	0	37	45.1%
Female	24	26	0	50	41.7%
Total	50	37	0	87	43.1%
Rate	47.6%	38.5%	0%	43.1%	

LOCALLY HIRED EXECUTIVES AT 31/12/2021³⁵

	Male	Female	Total
Total Executives	34	4	38
Locally hired Executives	32	4	36
Percentage of Executives hired locally	94%	100%	95%

LOCALLY HIRED EXECUTIVES AT 31.12.2020³⁶

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

³⁵) 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.

³⁶) 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.

DIVERSITY, EQUAL OPPORTUNITY AND NON-DISCRIMINATION

NUMBER OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT 31.12.2021

	<30	30-50	>50	Total	Male	Female	Total
Executives	0	17	21	38	34	4	38
White-collar	73	335	176	584	399	185	584
Blue-collar	429	975	477	1,881	594	1,287	1,881
Total	502	1,327	674	2,503	1,027	1,476	2,503

PERCENTAGE OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT 31.12.2021³⁷

	<30	30-50	>50	Total	Male	Female	Total
Executives	0%	44.7%	55.3%	100%	89.5%	10.5%	100%
White-collar	12.5%	57.4%	30.1%	100%	68.3%	31.7%	100%
Blue-collar	22.8%	51.8%	25.4%	100%	31.6%	68.4%	100%
Total	20%	53%	27%	100%	41%	59%	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 31.12.2020

	<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%

DEVELOPMENT OF HUMAN RESOURCES

HOURS OF TRAINING PROVIDED³⁸

	2021				2020			
	Total hours male	Total hours female	Hours total	Hours averages	Total hours male	Total hours female	Hours total	Hours averages
Executives	993	111	1,105	29.1	1,041	204	1,245	35.6
White-collar	21,303	7,758	29,062	49.8	4,688	2,502	7,190	16.3
Blue-collar	9,399	28,910	38,310	20.4	8,040	34,894	42,934	26.0
Total	31,696	36,780	68,476	29.1	13,769	37,600	51,368	24.2
Average hours	30.9	24.8	27.4	-	16.8	28.8	24.2	-

³⁷ 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.

³⁸ The total number of training hours has been partially estimated from training plans defined at the beginning of year. It should be noted that total training hours differ from those reported in the Consolidated Financial Statements, as only group employees are considered in this document.

HEALTH AND SAFETY

TOTAL NUMBER OF EMPLOYEE INJURIES IN 2020

	Male	Female	Total
Injuries recorded	9	1	10
Fatal	-	-	-
With serious consequences	-	-	-

FREQUENCY INDEX OF EMPLOYEE INJURIES IN 2020

	Male	Female	Total
Injury frequency index	6.71	0.48	2.93
Mortality index	-	-	-
Serious injury frequency index	-	-	-

EMPLOYEE HOURS WORKED

	2021			2020		
	Male	Female	Total	Male	Female	Total
Hours worked ³⁹	1,786,742	2,533,725	4,320,467	1,341,227	2,071,449	3,412,676

TOTAL NUMBER OF EXTERNAL WORKER INJURIES IN 2020

	Male	Female	Total
Injuries recorded	-	1	1
Fatal	-	-	-
With serious consequences	-	-	-

FREQUENCY INDEX OF EXTERNAL WORKER INJURIES IN 2020

	Male	Female	Total
Injury frequency index ⁴⁰	-	4.91	3.47
Mortality index	-	-	-
Serious injury frequency index	-	-	-

HOURS WORKED BY EXTERNAL WORKERS⁴¹

	2021			2020		
	Male	Female	Total	Male	Female	Total
Hours worked	132,917	307,667	440,584	84,431	203,505	287,936

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

⁴⁰ 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.

⁴¹ 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 2020 figures relating to hours worked have been restated and differ to those published in the previous NFS.

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

RELATIONSHIP BETWEEN MATERIAL TOPICS AND SPECIFIC GRI STANDARD DISCLOSURES

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

GRI CONTENT INDEX

SIT's 2021 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 analysis conducted according to Global Reporting Initiative Standards. The relevant page within the document is also indicated.

GRI STANDARD	DISCLOSURE	PAGE NUMBER
GRI 102: GENERAL DISCLOSURE (2016)		
Organizational Profile		
102-1	Name of the organization	6; 142
102-2	Activities, brands, products, and services	13-15; 17
102-3	Location of headquarters	10
102-4	Location of operations	14-16
102-5	Ownership and legal form	11; 47-48; 142
102-6	Markets served	14-17
102-7	Scale of the organization	18; 41-42 2021 Average Capitalization: Euro 213.65 million
102-8	Information on employees and other workers	87-88; 124-128
102-9	Supply chain	70-71
102-10	Significant changes to the organization and its supply chain	6-7
102-11	Precautionary Principle or approach	49-53
102-12	External initiatives	8-9; 55-57
102-13	Membership of associations	58-60
Strategy		
102-14	Statement from senior decision-maker	2-3
102-15	Key impacts, risks and opportunities	49-53
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	8-9
Governance		
102-18	Governance structure	47-48

GRI STANDARD	DISCLOSURE	PAGE NUMBER
GRI 102: GENERAL DISCLOSURE (2016)		
Stakeholder engagement		
102-40	List of stakeholder groups	25-26
102-41	Collective bargaining agreements	105
102-42	Identifying and selecting stakeholders	25-26
102-43	Approach to stakeholder engagement	25-26
102-44	Key topics and concerns raised	25-26
Reporting practice		
102-45	Entities included in the consolidated financial statements	6-7; 11
102-46	Defining report content and topic Boundaries	27-28; 130-131
102-47	List of material topics	28; 130
102-48	Restatements of information	6-7
102-49	Changes in reporting	6-7
102-50	Reporting period	6-7
102-51	Date of most recent report	6-7
102-52	Reporting cycle	6-7
102-53	Contact point for questions regarding the report	142
102-54	Claims of reporting in accordance with the GRI Standards	6-7; 132
102-55	GRI content index	132-137
102-56	External assurance	138-141

GRI STANDARD	DISCLOSURE	PAGE NUMBER
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TOPIC-SPECIFIC STANDARDS

GRI 200: ECONOMIC SERIES

GRI 201: Performance economiche (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	41-43
103-3	Evaluation of the management approach	41-43
201-1	Direct economic value generated and distributed	43

GRI 202: Market presence (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	97-103
103-3	Evaluation of the management approach	97-103
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	98
202-2	Proportion of senior management hired from the local community	127

GRI 204: Procurement practices (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	70-71
103-3	Evaluation of the management approach	70-71
204-1	Proportion of spending on local suppliers	71

GRI 205: Anti-corruption (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	55-57
103-3	Evaluation of the management approach	55-57
205-3	Confirmed incidents of corruption and actions taken	No episodes of active or passive corruption were detected within the group in 2021.

GRI 207: Tax (2019)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	53
103-3	Evaluation of the management approach	53
207-1	Approach to tax	53
207-2	Tax governance, control and risk management	53
207-3	Stakeholder engagement and management of concerns related to tax	53
207-4	Country-by-country reporting	54

GRI STANDARD	DISCLOSURE	PAGE NUMBER
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GRI 300: ENVIRONMENTAL SERIES

GRI 302: Energy (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	63; 72-73
103-3	Evaluation of the management approach	63; 72-73
302-1	Energy consumption within the organization	72

GRI 303: Water and effluents (2018)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	63; 77-78
103-3	Evaluation of the management approach	63; 77-78
303-1	Interactions with water as a shared resource	77-78
303-2	Management of water discharge-related impacts	77-78
303-3	Water withdrawal	78

GRI 305: Emissions (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	63; 73-75
103-3	Evaluation of the management approach	63; 73-75
305-1	Direct (Scope 1) GHG emissions	73
305-2	Energy indirect (Scope 2) GHG emissions	73
305-6	Emissions of ozone-depleting substances (ODS)	73
305-7	Emissions from Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant emissions	74-75

GRI 306: Waste (2020)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	63; 75-76
103-3	Evaluation of the management approach	63; 75-76
306-1	Waste generation and significant waste-related impacts	75-76
306-2	Management of significant waste-related impacts	75-76
306-3	Waste generated	76
306-4	Waste diverted from disposal	76
306-5	Waste directed to disposal	76

GRI 307: Environmental Compliance (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	63; 55-57
103-3	Evaluation of the management approach	63; 55-57
307-1	Non-compliance with environmental laws and regulations	No significant fines or non-monetary penalties were received by the group in 2021 due to a failure to comply with environmental laws and/or regulations.

GRI STANDARD	DISCLOSURE	PAGE NUMBER
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GRI 400: SOCIAL SERIES

GRI 401: Employment (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	87-88; 91-97
103-3	Evaluation of the management approach	87-88; 91-97
401-1	New employee hires and employee turnover	87-88; 124-127

GRI 402: Labor/Management Relations (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	105
103-3	Evaluation of the management approach	105
402-1	Minimum notice periods regarding operational changes	The minimum notice period is defined in applicable national collective bargaining agreements and legislation in the countries in which the group operates.

GRI 403: Occupational Health and Safety (2018)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	88-90
103-3	Evaluation of the management approach	88-90
403-1	Occupational health and safety management system	88-90
403-2	Hazard identification, risk assessment, and incident investigation	88-90
403-3	Occupational health services	88-90
403-4	Worker participation, consultation, and communication on occupational health and safety	88-90
403-5	Worker training on occupational health and safety	88-90
403-6	Promotion of worker health	88-90
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	88-90
403-9	Work-related injuries	88-90; 129

GRI 404: Training and education (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	93-97
103-3	Evaluation of the management approach	93-97
404-1	Average hours of training per year per employee	128

GRI 405: Diversity and equal opportunity (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	104
103-3	Evaluation of the management approach	104
405-1	Diversity of governance bodies and employees	47-48; 104; 128

GRI STANDARD	DISCLOSURE	PAGE NUMBER
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GRI 400: SOCIAL SERIES

GRI 406: Non-Discrimination (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	104-105
103-3	Evaluation of the management approach	104-105
406-1	Incidents of discrimination and corrective actions taken	In 2021, 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	27-28; 130
103-2	The management approach and its components	106-108
103-3	Evaluation of the management approach	106-108
413-1	Operations with local community engagement, impact assessments, and development programs	106-108

GRI 416: Customer health and safety (2016)

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	67-68
103-3	Evaluation of the management approach	67-68
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In 2021 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 and responsible innovation

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	64-66
103-3	Evaluation of the management approach	64-66

Circular Economy

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	79-82
103-3	Evaluation of the management approach	79-82

Customer satisfaction

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	44-45
103-3	Evaluation of the management approach	44-45

Culture of sustainability

103-1	Explanation of the material topic and its Boundary	27-28; 130
103-2	The management approach and its components	21-24
103-3	Evaluation of the management approach	21-24



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

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 "SIT Group" or "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 22, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph European Union Taxonomy.

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 the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI (hereinafter "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;

- 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.

In particular, we carried out interviews and discussions with the management of SIT S.p.A. and with the employees of *MeterSit S.r.l.*, *Janz - Contagem e Gestão de Fluidos. S.A.*, *SIT Controls Tunisia S.u.a.r.l.*, *Plast Alfin S. a r. l.*, *SIT de Monterrey N.A. Sa de CV* and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the group level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries, *Janz - Contagem e Gestão de Fluidos. S.A.*, *SIT Controls Tunisia S.u.a.r.l.*, *Plast Alfin S. a r. l.*, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, 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, 2021 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and *the GRI Standards*.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "*European Union Taxonomy*".

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
April 7, 2022

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



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