

SUSTAINABILITY REPORT 2022



Consolidated Non-Financial Statement
pursuant to Legislative Decree No. 254/2016
Approved by the Board of Directors of
SIT S.p.A. on March 21, 2023

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LETTER FROM THE CORPORATE SUSTAINABILITY DIRECTOR

Dear Stakeholders,

It gives me great pleasure to present SIT's Non-Financial Statement for 2022. This year, our sustainability journey has served as a driving force for the projects, actions, and outcomes of the entire SIT group, bringing us a sense of momentum and satisfaction.



Chiara de' Stefani

Corporate Sustainability Director

In 2022, businesses were forced to navigate a continuous stream of global "emergencies" in an increasingly complex environment: the aftermath of the pandemic, geopolitical tensions, surging energy costs, inflation, deglobalization, component shortages, and monetary tightening.

Simultaneously, the way we organize work was disrupted by unexpected shockwaves. People's evolving needs, ever-more innovative virtual technologies, and the application of sophisticated machines created a perceived "threat" to more vulnerable categories of workers.

Within this overarching context, there has been a growing need to restore systemic value to the role of companies. They have become integrative agents of change, working to meet increasingly sophisticated expectations that express needs more in tune with sustainability paradigms.

The challenge of achieving harmonious development between individuals, advanced technology in the workplace, and swift responses to external demands also presents a significant opportunity for social progress, skills development, and a focus on the various impacts generated by businesses.

*As Europe moves towards energy transition, its upcoming regulatory directives will usher in an unprecedented **global transformation**, affecting all companies directly or indirectly.*

To access the resources necessary for sustainable development, we must adapt to changing mindsets, languages, models, variables, actors, and evaluation criteria.

SIT confirms its active participation in the most important challenge of them all: the energy and ecological transition; our intention is to be seen as a sustainable partner that provides energy efficient solutions while protecting natural resources.

Over the past year, we have made significant efforts to raise awareness about the transformations taking place in our sector. SIT was founded during a time of great change, to drive and support the first energy revolution - the transition from coal to gas.

We all maintain the same dynamism that has defined us, which now motivates and guides us as we embark on a second momentous shift towards renewable energy sources, striving to make a meaningful difference.

Decarbonizing the heating sector is a major challenge to which we intend to contribute.

All of SIT's products are compatible with biomethane or hydrogen as an alternative to natural gas.

*SIT's Heating and Ventilation division achieved a significant milestone in product innovation thanks to the development of a **zero-emissions combustion control system**, specifically designed for green hydrogen. This system was fitted in the Alteas 100% hydrogen-ready boiler, which was showcased alongside ARISTON at the Mostra Convegno Expocomfort (MCE) in Milan.*

In 2022, we placed significant emphasis on projects related to the development of sensor technologies for flow detection in adaptive gas and hydrogen-powered applications, including both blended and 100% hydrogen.

*Our development roadmap now encompasses a wide range of products applicable to both residential and professional appliances, including those with high modulation performance, such as the **Electronic Combustion Management System (e-CMS)**.*

*As part of our sensor initiatives, we acquired a 10% stake in UpSens, an innovative SME that specializes in developing devices for monitoring environmental parameters, specifically **air quality**.*

*Major synergies will arise from the collaboration between SIT and UpSens in the area of air quality solutions, particularly in the **VMC (Controlled Mechanical Ventilation) segment**. VMC solutions enable air exchange and filtration and, through heat exchange between the outgoing and incoming air, improve the thermal efficiency of buildings.*

*Our Metering division has once again demonstrated its leadership in product innovation, as evidenced by the **certification of MeteRSit meters for 100% hydrogen**. This milestone is the first of its kind in the world and provides concrete evidence of a technology based on our commitment to sustainability, giving us positive feedback on the strength of our potential.*

LETTER FROM THE CORPORATE SUSTAINABILITY DIRECTOR



In 2022, we entered into a strategic partnership with GWF to develop and manufacture **ultrasonic smart water meters**, underscoring the centrality of our strategy, which places a strong emphasis on solutions that promote conscious and efficient consumption of natural resources.

Sustainability encompasses how we live, work, and return the value we generate to the external ecosystems from which it originates.

There is no growth without sustainability.

The group's vision is oriented towards future generations, and we are actively working to contribute to a more balanced world, one that features a renewed sense of social and industrial consciousness.

*The **SIT Foundation**, whose charter was signed in 2022, strengthens the Company's commitment to the social and local community sphere.*

Building upon the values that have defined SIT since its inception, the Foundation creates spaces and opportunities for the expression of talent, particularly for children and young people who are empowered to invest in their passions and potential through the sporting world.

We are committed to corporate responsibility and support people, including employees, collaborators, and the communities in which SIT operates.

We invest in training, welfare, and the development of new skills to create conditions that allow for virtuous systems of growth within and outside the Company. Our management programs now prioritize merit-based promotions, gender equality, and respect for cultural and generational diversity as part of our people strategy.

This approach promotes the well-being of our employees and collaborators within the Company, while our active partnerships with local communities help develop skills in the areas surrounding our operating sites.

*In 2022, the Company's drive toward sustainability was evident in the design of its **new Company Headquarters**, located in Padua, just a few meters away from its old offices. The new modern and technologically advanced campus was designed to embrace the future, with indoor and outdoor spaces that provide a sustainable and welcoming atmosphere while respecting the environment, people, and the local community.*

In 2022, the entire organization dedicated itself to adopting our "Made to Matter" plan, which was approved in 2021. Thanks to the dynamism and involvement of all those involved, most of the plan's stated goals were achieved.

Methodology, measurement, active listening, and the cultivation of a positive culture have enabled us to achieve more in our day-to-day operations and become more inspiring in our pursuit of future goals based on the plan's three pillars: Made by Us, which promotes sustainable economic growth; Made for Future, which focuses on environmental responsibility; and Made With Care, which concerns social responsibility.

In line with our plan, we are proud to have received certification for managing the **Carbon Footprint of our Products**, which we achieved by adopting the CFP Systematic Approach methodology. Doing so has also allowed us to map our **Organizational Carbon Footprint**, which has been vital in tackling and reducing our corporate carbon footprint.

In addition, we have developed an emissions reduction plan, included as a target in the second cycle of our long-term incentive system, which will guide us towards our end goal with ambitious and timely targets.

Our innovative Sustainability Governance approach also played a key role in achieving these results. Our Mission Leaders have formed a working group based on a cross-cutting and circular management model, enabling collaboration between various corporate levels and facilitating sustainable transformation.

In this approach, the traditional hierarchical and role-based way of working has been replaced by flat communication and widespread autonomy for all.

The Mission Leaders' initiatives are focused on adopting concrete operations that yield tangible results, fostering a "purpose-driven" culture that engages the entire organization.

Our sustainability journey has made us more virtuous, efficient, and productive with the progress we have achieved thus far. We could not have accomplished these achievements without the commitment of all our employees and their unique interpretation and embodiment of the Company's ESG approach.

Their dedication makes 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.

Chiara de' Stefani

Corporate Sustainability Director





2022 SUSTAINABILITY HIGHLIGHTS



MADE BY US

SUSTAINABLE ECONOMIC GROWTH

International business
development and funding

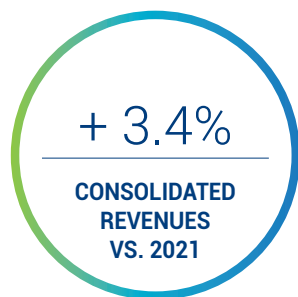


Paul Fogolin

Group CFO
Sustainability Mission Leader



CREATION OF LONG-TERM SUSTAINABLE VALUE FOR ALL STAKEHOLDERS



2022 was marked by significant several **geopolitical events** and major disruptions in the global financial and economic landscape. These developments heightened uncertainty and demand volatility, and companies had to focus on **managing global supply chains** to respond flexibly to increased operational risks.

During this very challenging year, SIT remained committed to its sustainable growth strategies, showcasing its ability to **exceed expectations** through its focus on **customer service** and **innovation**.

The year's economic summary indicators include a **3.4% increase in consolidated revenues** and **adjusted EBITDA of Euro 47 million** (12% of revenues). Additionally, the Company's **investments of Euro 26.9 million** reflect its dedication to future development.

The **Heating Division** grew by **5.7%** on the previous year. Sales in Europe met the expected targets, despite facing a decline due to the ongoing conflict and going against market trends. The results of other geographic regions were in line with expectations.

Despite the anticipated decline in revenues, **Smart Gas Metering** maintained a **strong presence in the Italian market**, with a **growing market share** and the acquisition of **significant contracts for the development of the next generation of smart gas meters** with major customers.

Our main focus abroad is on the UK market, where we continue our certification activities with several leading energy companies.

Water Metering experienced a significant **increase in revenue in 2022, amounting to 22.2%**, thereby confirming the importance of the water sector in the sustainability strategies of water companies and utilities. SIT recognizes the importance of the water industry, and in 2022, it launched its **latest range of smart water meters under the Janz brand** and announced its **strategic partnership with GWF** for the development of next-generation **smart water meters**.

In a challenging financial climate with rising interest rates, SIT has a **total debt portfolio of Euro 139 million**, 89% of which is fixed-rate. The Company has also fulfilled the commitment made in its "Made to Matter" Sustainability Plan by securing additional **financing from CDP for the development of "green" projects, in addition to existing financing linked to ESG goals**.

MADE BY US

GOVERNANCE, RISK & REGULATORY COMPLIANCE

Strengthening the ESG framework



Marco De Luca

Governance Risk & Sustainability Officer
Sustainability Mission Leader



ENSURE BUSINESS CONDUCT IS ETHICAL AND RESPONSIBLE

NEW CODE OF CONDUCT AND ESG POLICY:

- Human Rights
- Anti-corruption
- Antitrust
- Environment

CDP
DISCLOSURE INSIGHT ACTION

CARBON DISCLOSURE PROJECT: C – “Awareness”

WE SUPPORT
UN GLOBAL COMPACT

SIGNING UP TO THE UNITED NATIONS GLOBAL COMPACT

ESG IDENTITY
SIT
KPI COMPANY 2022
Leader

INTEGRATED GOVERNANCE INDEX: “LEADER”

Sustainability Award Top100
CREDIT SUISSE | K&N

TOP 100 SUSTAINABILITY AWARD - CREDIT SUISSE AND KON GROUP

SILVER
2023
ecovadis
Sustainability Rating

ECOVDADIS: “SILVER” (85° PERCENTILE)

In 2022, SIT reinforced its commitment to the “G” area by **enhancing its ESG-linked policies and procedures**. This included a revision of the group’s Code of Conduct and the development of policies addressing **environmental, human rights, anti-corruption, and anti-trust issues**.

2023 will see the circulation and group-level monitoring of the newly defined policies, in addition to the definition of new targets and KPIs to ensure even higher levels of performance.

Additionally, in November 2022, we officially joined the **United Nations Global Compact**, signifying our commitment to the core principles of the world’s **largest and most widespread sustainability initiative**.

We have cemented our willingness to **avoid focusing solely on our own interests** during our sustainability journey by achieving several top-tier sustainability awards and ratings. These include, to name just a few:

- in our first year of participation, we earned the title of **Leader** in the Extra Top 100 category of the **Integrated Governance Index**. This quantitative index, developed by the ET Group, evaluates the integration of sustainability into corporate strategies;
- we were one of the **TOP 100** companies to receive the **Sustainability Award** sponsored by Credit SUISSSE and the Kon Group;
- during our first assessment as part of the **Carbon Disclosure Project – CDP**, we were awarded the “**C – awareness**” level;

- by improving our score, we reaffirmed our **ECOVDADIS “Silver”** rating, placing us in the **top 10% of the most sustainable companies in the sector** assessed by the prestigious sustainability ratings agency. **Next, we intend to go for “Gold”!**

As part of our “Made to Matter” initiative, we are excited to embark on new challenges and projects, leveraging our experience and enthusiasm, and promoting collaboration and constructive discussions with our stakeholders.

We are making a difference... and it shows!

MADE FOR FUTURE

ENVIRONMENTAL RESPONSIBILITY

H₂-ready product development roadmap

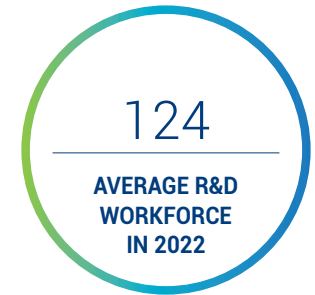
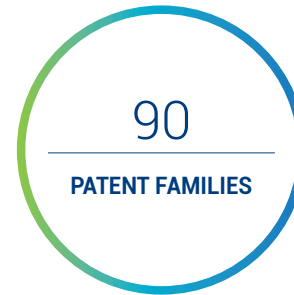


Roberto Mottola

Group CTO
Sustainability Mission Leader



DEVELOP SUSTAINABLE PRODUCTS AND REDUCE THE ENVIRONMENTAL IMPACT OF PRODUCTION PROCESSES



In 2022, **SIT fully integrated sustainability into its product development processes.**

Despite the challenging economic and geopolitical environment, the Company continued to invest substantial financial resources in R&D (**Euro 13.6 million in 2022**). SIT also maintained its position as a key technology partner in the **transition of the supply chain towards hydrogen-ready products.**

At the MCE trade fair in Milan, the Heating division showcased **the first 100%-hydrogen boilers with combustion controls "made by SIT,"** which were developed in partnership with our customers.

The Smart Gas Metering division is continuing its efforts to develop platforms for **new smart gas meters** that can operate with either 100% hydrogen or a "blend" of hydrogen and other gases.

Our **100%-hydrogen smart gas meters** are being increasingly utilized in pilot projects across Europe, and we are continuing to develop products that can operate with all potential gas combinations, according to a **"dual fuel"** approach.

Water meters are becoming increasingly **"connected"** through technologies that **accurately measure flows and reduce waste.**

Major synergies will arise from the acquisition of a stake in **UpSens**, particularly with regard to **air quality solutions** and the **VMC** (Controlled Mechanical Ventilation) segment. VMC solutions enable air exchange and filtration and, through heat exchange between the outgoing and incoming air, **improve the thermal efficiency of buildings.**

Our strategic decisions are guided by the **Carbon Footprint of Products**, which allows us to assess the environmental impact of our products throughout the development stages, paying close attention to materials and components.

Case in point: our new fans are made from plastic that has a **60% lower carbon footprint than previous models.**

SIT's R&D activities will be increasingly oriented toward the **development of sustainable products**, in line with the provisions of the **European Union's ESG Taxonomy.**

MADE FOR FUTURE

ENVIRONMENTAL RESPONSIBILITY

Sustainable product processes and innovation

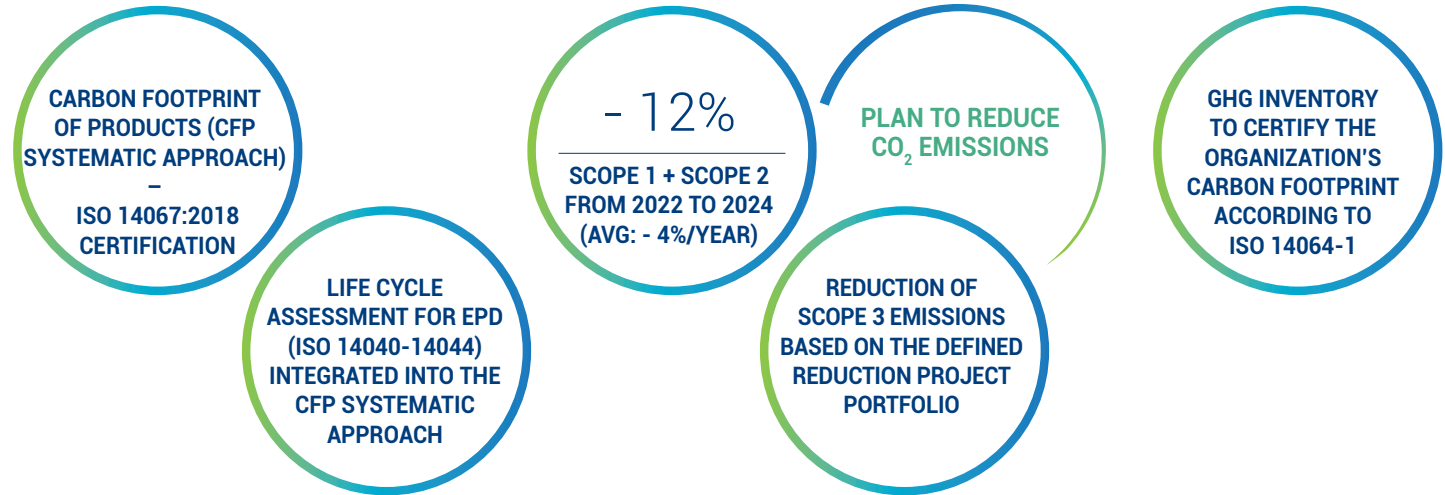


Maria Teresa Zanellato

Head of Carbon Management
Sustainability Mission Leader



DEVELOP SUSTAINABLE PRODUCTS AND REDUCE THE ENVIRONMENTAL IMPACT OF PRODUCTION PROCESSES



We have taken steps to better align our Carbon Management pathway with our business strategies, making it more structured and interconnected.

We have obtained CFP Systematic Approach certification and we are currently in the process of certifying our **Organizational Carbon Footprint** and **Life Cycle Assessment** model. These certifications enable us to provide **Environmental Product Declarations (EPDs)** for our products.

SIT has exhibited its commitment to making a positive impact by appointing a **Head of Carbon Management**, whose primary responsibility is to provide systematic and precise assistance in **defining the group's plan to reduce CO₂ emissions.**

As part of our efforts to achieve significant reductions in emissions by 2024, we have ramped up our initiatives and projects to meet European Community goals (**12% reduction in location-based Scope 1 and Scope 2 emissions**).

We have several energy efficiency projects in our portfolio, which are being executed in cooperation with our plant experts.

We are actively addressing **indirect (Scope 3) emissions**, which represent a significant portion of our **GHG inventory**. We are therefore **collaborating with our customers on circular economy** projects and focusing on areas such as packaging and transportation.

The interaction between R&D and Group Operations – which focuses primarily on our choice of materials and ancillary services, improving energy efficiency in production processes, and identifying all possible emission reduction options – is critical in the early stages of product development.

MADE FOR FUTURE

ENVIRONMENTAL RESPONSIBILITY

ESG engagement of suppliers and simplification of logistics flows



Marta Barbieri

Supply Chain Director
Sustainability Mission Leader

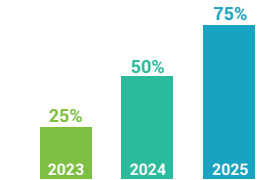


DEVELOP SUSTAINABLE PRODUCTS AND REDUCE THE ENVIRONMENTAL IMPACT OF PRODUCTION PROCESSES



ECOVADIS

LAUNCH OF ECOVADIS
PROJECT FOR SUPPLIER
ESG ASSESSMENT



LEVELS OF STRATEGIC
SUPPLIER INVOLVEMENT

We are committed to establishing a sustainable value chain that can create long-term benefits for SIT, its suppliers, and its customers.

We are committed to respecting the environment, workers' rights, and local communities. We focus on minimizing our impact throughout the product life cycle (LCA), paying particular attention to reducing our carbon footprint. We involve our suppliers as business partners in the pursuit of sustainability, quality, and safety goals for products and processes.

SIT manufactures components. Therefore, its commitment to ESG cannot be separated from the involvement of the supply chain as a whole.

In 2022, we further strengthened our supplier management process by applying ESG criteria to the engagement, evaluation, and selection stages.

SIT has launched a trial project in collaboration with EcoVadis to evaluate and monitor the sustainability systems of its suppliers. In 2023, the initiative will involve **25%** of a total pool of about **200** strategic suppliers in the Heating Division, before increasing to **50% in 2024**, and **75% in 2025**.

ESG considerations go hand in hand with **product and service quality**, in addition to **compliance with relevant materials management regulations** (such as RoHS, REACH, and Conflict Minerals).

In this regard, the Company adopted a **Trade Compliance platform** in 2022.

MADE WITH CARE

SOCIAL RESPONSIBILITY

Improve employee well-being and engagement in local communities

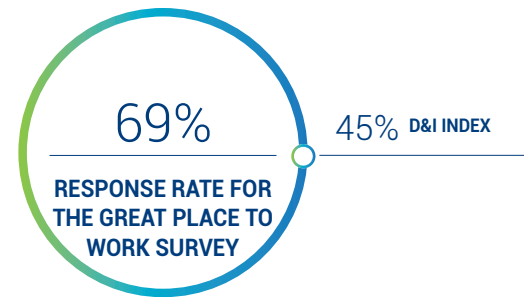
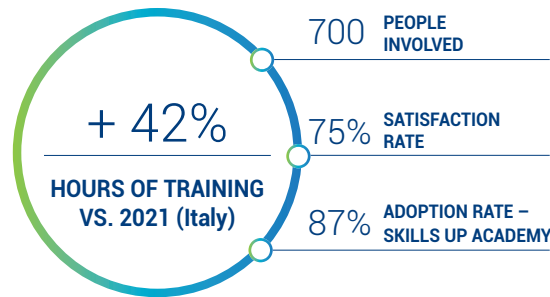


Libera Anna Insalata

Head of HR Centre of expertise
Sustainability Mission Leader



INVEST IN PEOPLE AND THE LOCAL COMMUNITY BY CREATING CONDITIONS THAT ALLOW THEM TO THRIVE



In 2022, SIT continued to invest in people to create a sustainable working environment.

Talent development and the continuous improvement of HR processes help create a positive and productive working environment.

The structuring of policies that promote inclusion and merit has resulted in the launch of concrete programs and actions that align with our stated expectations for progress.

The distribution of internal growth and filling of new positions was divided between the two genders as follows:

- **33% of managerial positions** are held by women
- **62.5% of internal promotions** were awarded to women
- 86% of SIT's new hires in 2022 come from STEM backgrounds; **25% of them are women**

Alongside merit policies, SIT has adopted an engagement strategy to support its Employee Value Proposition (EVP), focusing on three main development directions to create a great working environment:

- **SIT People Program BE:** webinars, initiatives, and courses on well-being.
- **Great Place To Work survey:** climate survey, company population measuring, and listening activities
- **Remote Work Flexibility and Leadership:** managerial support in a hybrid work setting

Ongoing education is an important means of growth for personal and organizational development. In 2022, SIT:

- **Diversified its training channels**
- **Created development plans and internal pathways for technical and managerial growth**
- **Launched an internal Digital Academy (Skills-UP), which provides access to ongoing training**

In 2022, the **SIT Foundation** was established. Its By-Laws and mission include **initiatives for talent development, inclusion, and family support.**

DIGITAL TRANSFORMATION, INNOVATION & LEAN CULTURE

SIT Sustainability Enablers

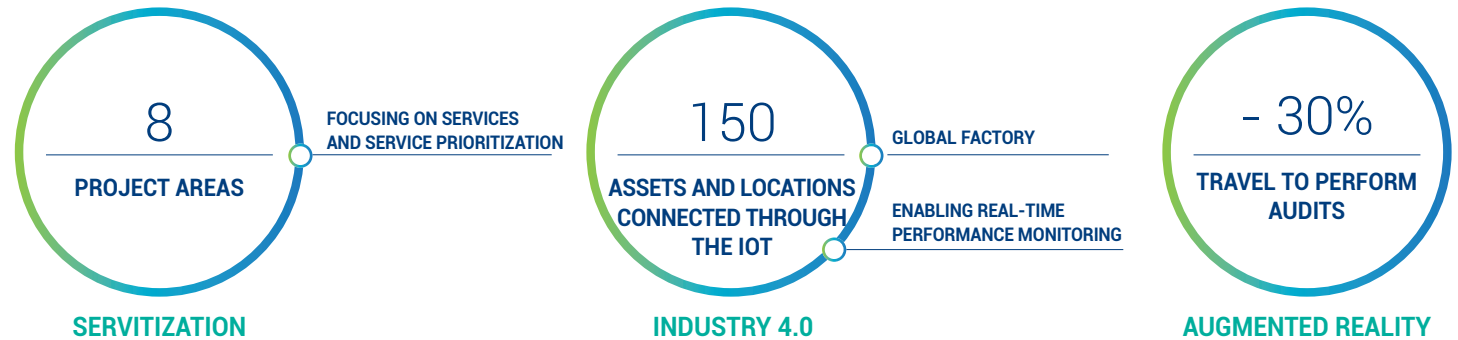


Francesco Rampazzo

Digital Transformation Manager
Sustainability Mission Leader



DEVELOP OUR POTENTIAL THROUGH DIGITAL INNOVATION



Servitization is a growing trend in manufacturing companies.

SIT is currently focusing on innovating its business models to provide value-added services to its customers through technology while supporting ESG objectives.

Thanks to the teamwork of our frontline staff, we have identified and shared the areas of service development that SIT plans to offer its customers in 2022. These areas include remote monitoring of specific product lines through an IoT network and cloud-based solutions.

The real-time monitoring of our installed fleet will enable SIT to offer services such as predictive maintenance, the ability to track hours of use of connected devices, the estimation of CO₂ emissions, and the provision of key indicators to help end customers manage their products more effectively.

Promoting a “Digital and Green” culture

among our stakeholders: this activity fully falls within the remit of developing key performance indicators to help the Company assess its environmental impact in all contexts, with the timely estimation of its carbon footprint.

The deployment of I4.0/IoT technology in production plants. These technologies monitor/increase efficiency while reducing waste (such as production stoppages and breakdowns) in full collaboration with the development of the **Lean Transformation** program.

The group's main plants underwent innovations in this regard in the 2020-22 period.

Augmented reality: remote interaction with suppliers and customers to reduce travel and increase service levels.

In **2022, approximately 30% of all audits** (customers, suppliers, and quality) **were performed using our global augmented reality platform**, reducing travel and increasing process efficiency.

For instance, several plants in different geographical regions were audited on the same working day, minimizing time and eliminating the need for travel.

DIGITAL TRANSFORMATION, INNOVATION & LEAN CULTURE

SIT Sustainability Enablers



Simone Slaviero

Lean Transformation Manager
Sustainability Mission Leader



DEVELOP OUR POTENTIAL THROUGH DIGITAL INNOVATION



LEAN SUPPLY CHAIN

Throughout 2022, SIT remained committed to the lean transformation of its production plants, building on the progress made in 2020-21.

Many of our lean projects and actions are geared towards **waste reduction**, resulting in a positive impact on energy consumption and resource utilization, hence the intrinsic link between our activities and sustainability.

The plan for 2023 is to further advance and enhance our efforts by using a lean framework based on the **promotion of improvement ideas, a culture of problem solving, and the use of scrum boards** according to an **SPDCA approach** (Scan – Plan – Do – Check – Act), including fostering sustainable practices.

Our objective is to promote a culture of sustainability and conserve resources at all organizational levels, beginning with our plants, to encourage responsible behavior by all.

SIT continued its **efforts to reinforce lean training programs**, involving **198 individuals at its Rovigo 1, Rovigo 2, and Montecassiano plants** in 2022.

The topics covered during the sessions were selected depending on the activities performed and the responsibilities of the various departments, for a total of **492 hours of training**.

On a more general level, considering the frequent transfers of goods between SIT plants, **we addressed transportation issues in terms of cost, sales functionality, and sustainability**.

GROUP PROFILE

www.sitcorporate.it



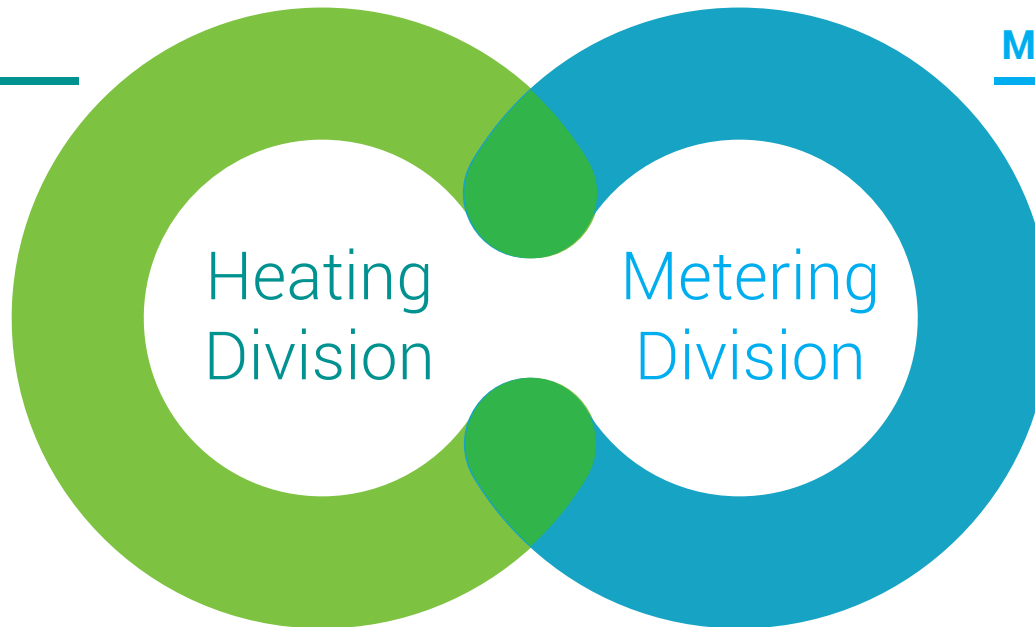
SIT S.p.A. (hereinafter also the “**Company**” or “**group**”), through its two divisions Heating and Metering, creates **intelligent solutions for the control of environmental conditions and consumption measurement for a more sustainable world.**

A market-leading multinational company, and **listed on the Euronext Milan segment**, SIT aims to be the number one **sustainable partner for energy and climate control solutions** for its customers, focusing on experimentation and the use of alternative gases with low environmental profiles. The group has production sites in Italy, Mexico, the Netherlands, Romania, China, Tunisia, and Portugal, in addition to a commercial structure covering all global markets. SIT is also a member of the **European Heating Industry** and of the **European Clean Hydrogen Alliance**, in addition to the **Community Valore Acqua per l’Italia** (“Value Water for Italy Community”).

Heating



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



Metering



Remote-controlled smart gas meters that can directly transmit consumption measurements in standard m³



Volumetric water meters for residential properties using volumetric metrological technology



Our MISSION

to create **smart solutions** for climate control and consumption measurement **for a more sustainable world**

Our VISION

to be recognized as the **leading sustainable partner** for energy and climate control solutions - and to enjoy the journey



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.

SUSTAINABILITY

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



LEAN

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

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.

HISTORY AND BUSINESS OPERATIONS

1953

Pierluigi and Giancarlo de' Stefani found SIT La Precisa, a precision mechanics company, in Padua, Italy



"LA PRECISA"



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 - 2010

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 MeterRSit to enter the Smart Gas Metering sector
- 2016**
Establishment of MeterRSit 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
- 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

Production capacity expanded

- +30% on average at the various *plants*
- Opening of a *hub* in Tunisia to manufacture electronic and plastic components and assemble SIT products

2020

Water metering

- Acquisition of Portuguese company Janz and entry into the water metering sector

2021

Expansion and innovation

- Acquisition of the NGA product line - electronic valves for gas storage water heaters from the US company Emerson Electric
- Founding of MeterRSit UK in Manchester
- MeterRSit's 100%-hydrogen meter is the first in the world to achieve MID certification



SIT's 2022

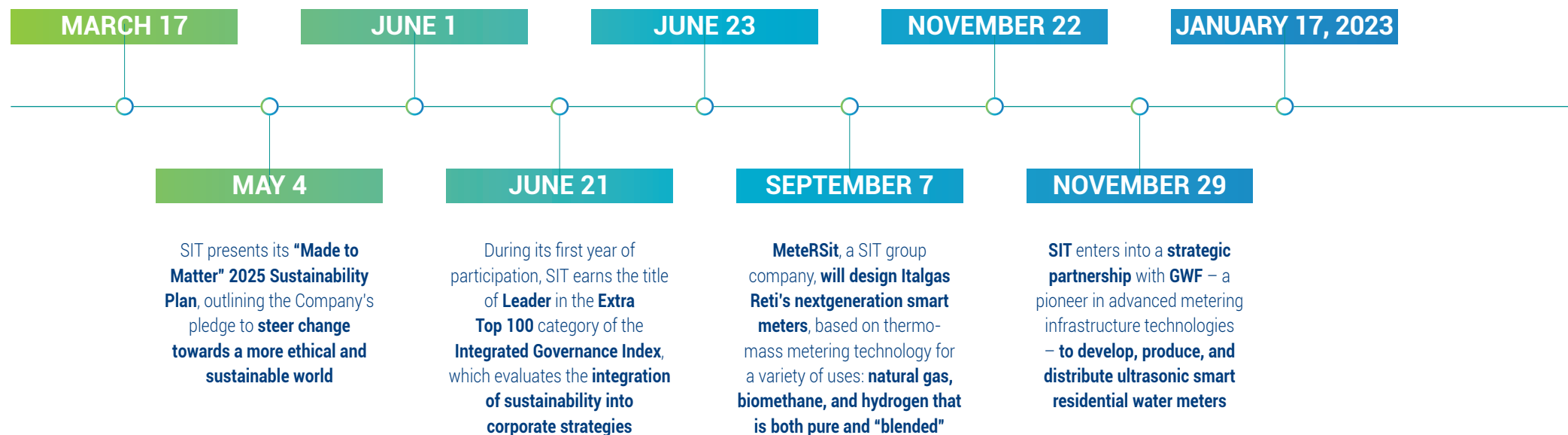
SIT secures a **Euro 15 million loan** from Cassa Depositi e Prestiti to invest in **green economy and energy efficiency**

SIT obtains **certification for its Product Carbon Footprint Management System (CFP Systematic Approach)**, which follows the **ISO 14067:2018** standards and a "cradle to gate" approach

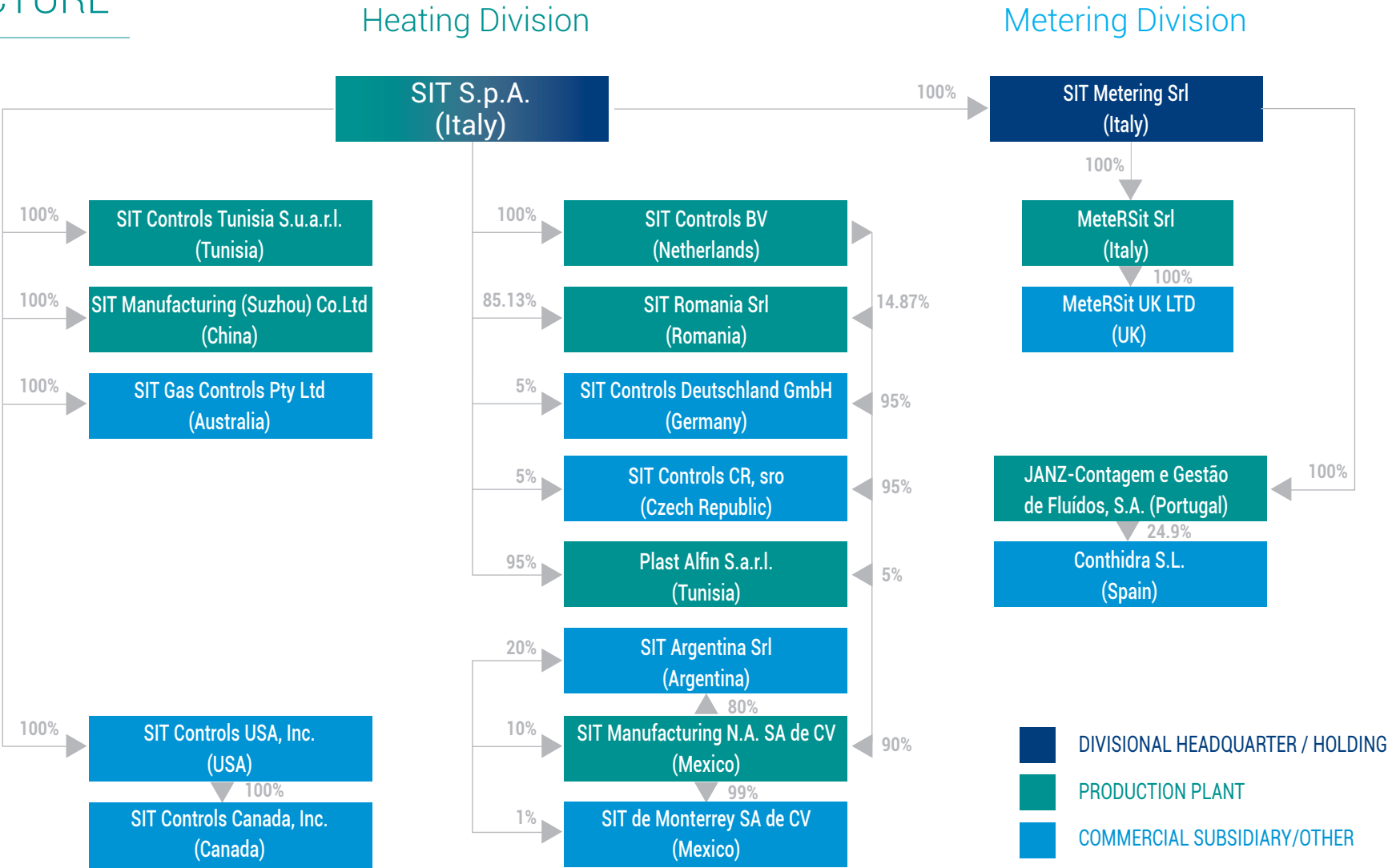
At the MCE trade fair in Milan, SIT presents **Alteas 100% hydrogen ready**, the new Ariston-branded boiler **fitted with "made by SIT" combustion control systems that produces zero emissions thanks to the use of green hydrogen**

SIT joins the **United Nations Global Compact**, the **world's largest corporate sustainability initiative**, with over 20,000 companies and organizations present in 160 countries

SIT increases its overall score and receives **confirmation** of its **"Silver" rating from ECOVADIS**, an international ratings agency that evaluates the Corporate Social Responsibility (CSR) performance of companies



GROUP STRUCTURE



With respect to the 2021 scope, it should be noted that in November 2022 the liquidation process of MeterSIt Romania Srl was completed



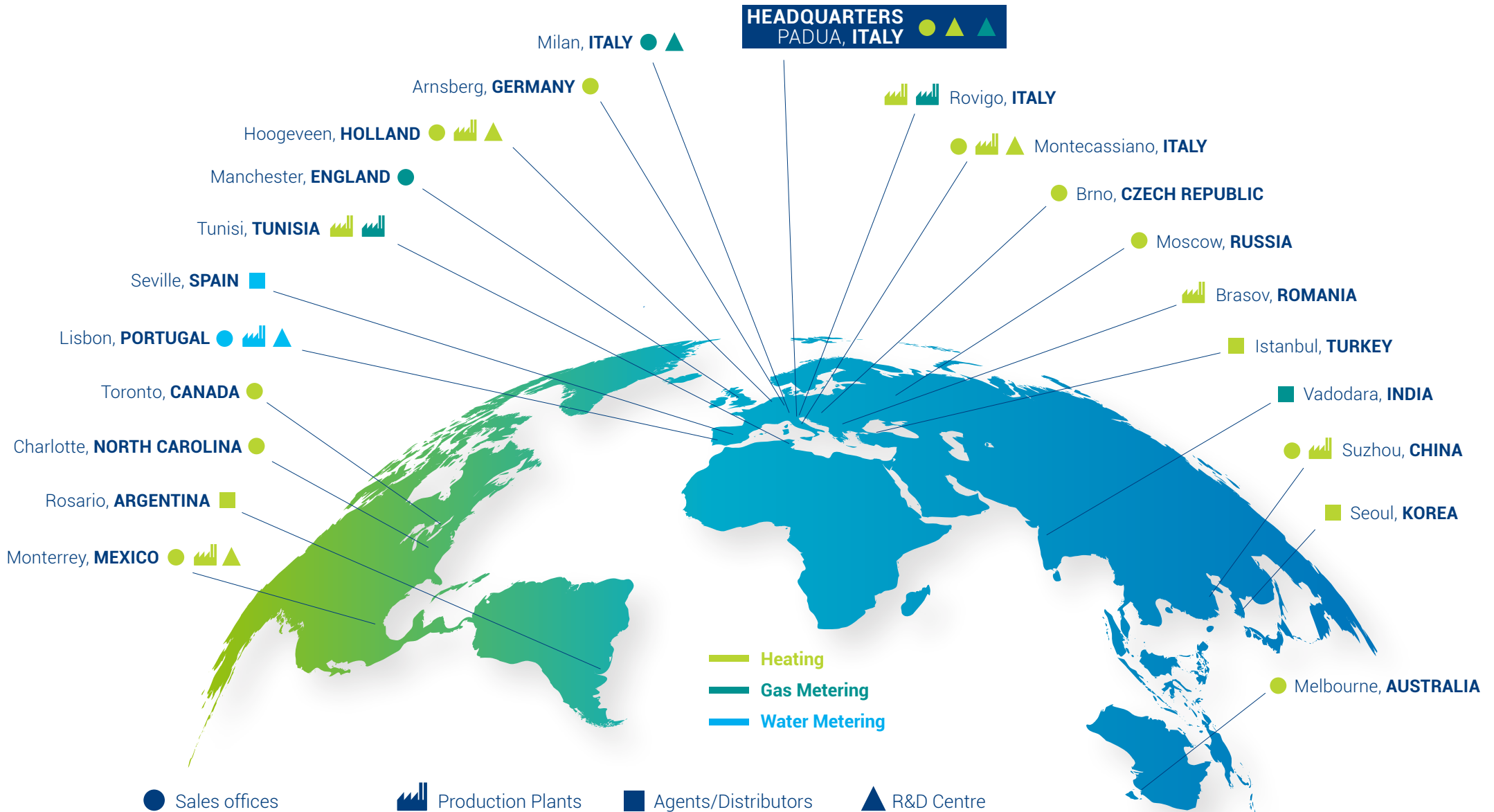
PRODUCTS AND MARKETS



APPLICATIONS	PRODUCTS	MAIN MARKETS
CENTRAL HEATING Combined heating and hot water systems	<ul style="list-style-type: none"> • Multifunctional safety and control valves for gas • Non-captive electronic controls • Fans and smoke exhausts • Innovative solutions for assembled and pre-tested integrated systems for condensing boilers 	Global leader Main European player Air management technology completes offer
DIRECT HEATING gas and pellet stoves and fireplaces	<ul style="list-style-type: none"> • Mechanical controls (gas valves and sensors) • Electronic controls (boards, remote controls and user interfaces) • Fans for gas fireplaces • Stoves and room heating appliances 	North America, United Kingdom, and Europe
STORAGE WATER HEATING components for domestic water heating	<ul style="list-style-type: none"> • Mechanical controls, and pilot burners 	North America, Argentina, and Australia
PROFESSIONAL COOKING EQUIPMENT	<ul style="list-style-type: none"> • Mechanical controls and fans for high-end catering appliances and range hoods 	Europe and USA. SIT is the market leader in Europe
GAS METERING	<ul style="list-style-type: none"> • Residential, commercial, and industrial smart gas meters and accessories 	Europe
WATER METERING	<ul style="list-style-type: none"> • Residential, commercial, and industrial smart water meters 	Europe and South America

GLOBAL PRESENCE

SIT has a global presence supported by its headquarters in Padua and production plants in Italy, Mexico, the Netherlands, Romania, China, Tunisia, and Portugal. The Company also has sales offices in Europe, America, Asia, and Australia, in addition to a network of agents and distributors in all countries in which SIT operates.



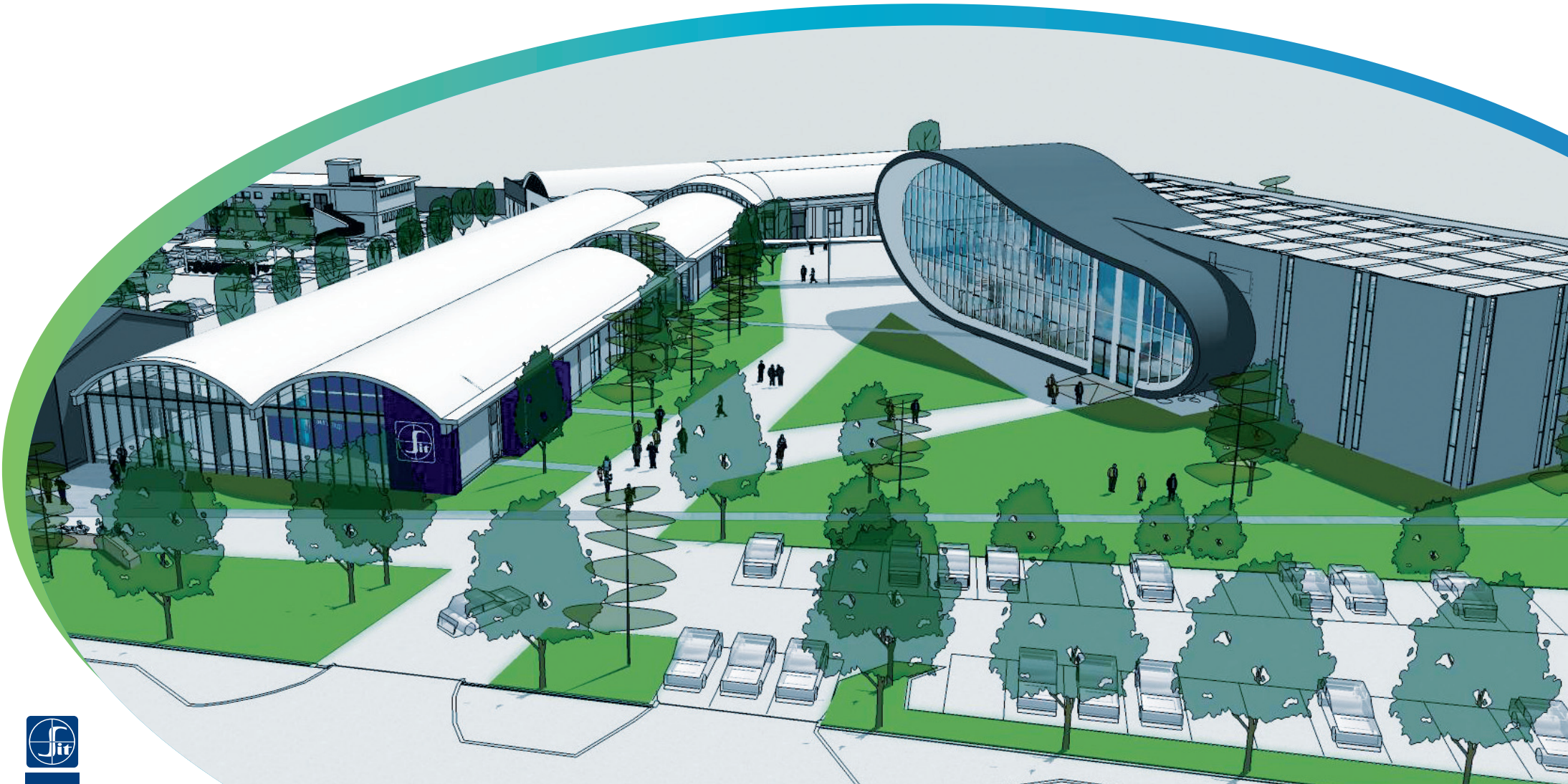
OUR NEW HEADQUARTERS

The project for **SIT's new headquarters** is twofold, with delivery scheduled by the end of 2023.

The initial stage (which is already complete) involved constructing a **new state-of-the-art building with a sleek, curved design** – almost resembling a spaceship – named S_Lab, which **will house the R&D department**.

The second stage of the project will involve renovating **industrial production warehouses** to accommodate **management offices and workshops**.

These spaces will be highly adaptable to accommodate a range of work needs. The building has been designed with a special focus on **energy efficiency**, incorporating features such as a **photovoltaic system** to generate a portion of the energy required for the Company's operations, **electric car charging stations**, and the use of **boilers in the test center to provide heating**.



PRODUCTION PLANTS

One of the **group's two Rovigo facilities** performs aluminum die-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 second facility in Rovigo and those in **Brasov** (Romania), **Monterrey** (Mexico), and **Suzhou** (China) perform the electromechanical assembly of gas safety, control, and regulation systems. The **Hoogeveen** (Netherlands) facility produces electronic controls. Electric fans are produced at the **Montecassiano (MC)** plant for heating purposes, home appliances, and fume exhaust kits. 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 plants produces plastic elements, while the second, similarly to Rovigo, has begun production of safety, control, and regulation systems for combustible gas.



Rovigo (Italy)

Die-casting, mechanical controls, sensors, Gas meters and logistics hub



Montecassiano (Italy)

Fans, smoke exhaust kits



Hoogeveen (Netherlands)

Electronic controls



Tunis (Tunisia)

Mechanical and electronic controls, plastic components



Monterrey (Mexico)

Mechanical controls, sensors



Brasov (Romania)

Mechanical controls, integrated systems, fans



Suzhou (China)

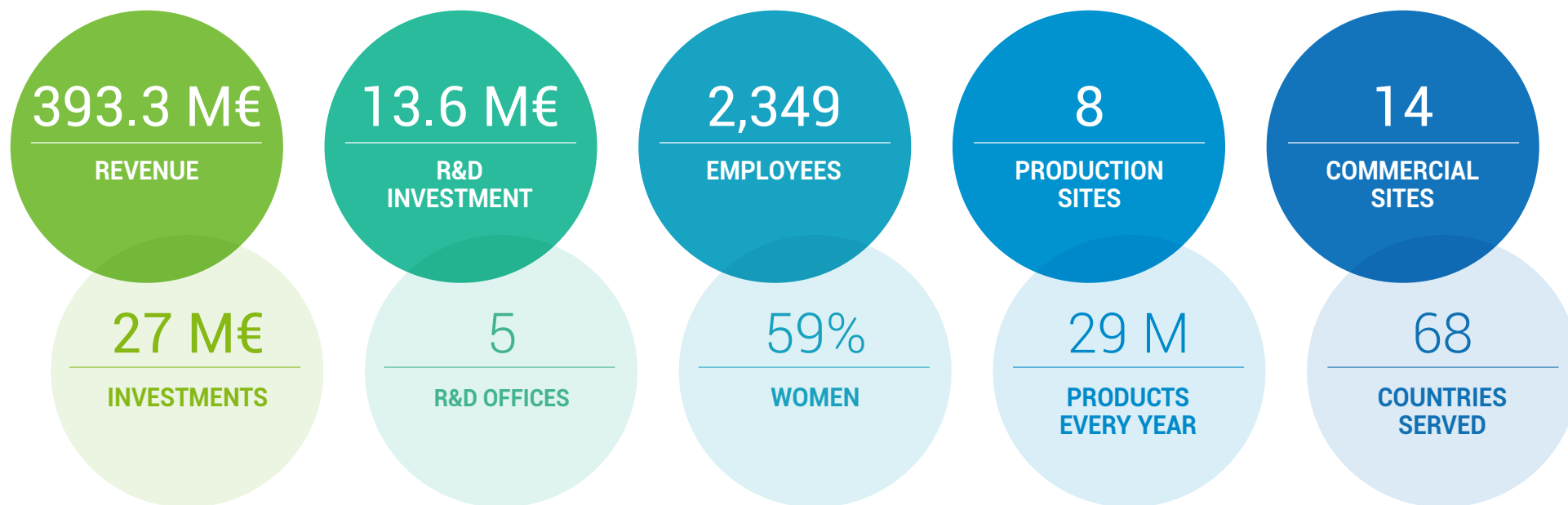
Mechanical controls

Lisbon (Portugal)

Water meters



THE SIT GROUP IN A NUTSHELL



SIT AND SUSTAINABILITY

Our **Green Paper** provides the **perfect summary of SIT's commitment to ESG**. It reflects the group's Mission and Vision and is organized around **five sustainability pillars**, aligned with the **UN's 2030 Agenda goals (SDGs)** and serving as a guide for SIT's sustainable development efforts.



- INCREASED AUTOMATION OF PROCESSES
- DATA DRIVEN TRANSPARENCY & MONITORING OF RESOURCES
- VALUE ADDED SERVICES FOR CUSTOMER



- LONG TERM SUSTAINABLE ECONOMIC PERFORMANCE
- INTERNATIONAL MARKET PRESENCE
- VALUE DISTRIBUTION AMONG STAKEHOLDERS
- CUSTOMER SATISFACTION



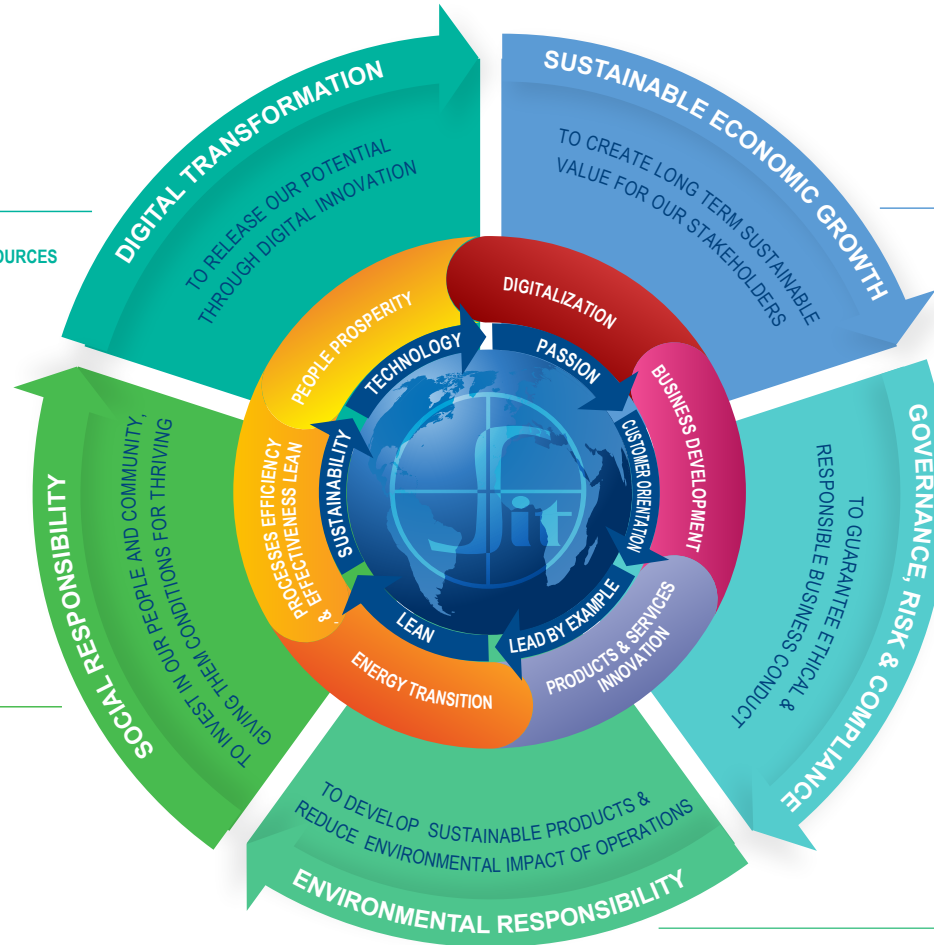
- PEOPLE ENGAGEMENT & DEVELOPMENT
- DIVERSITY, INCLUSION, EQUAL OPPORTUNITIES
- HEALTH & SAFETY
- WELFARE & WORK-LIFE BALANCE



- CORPORATE GOVERNANCE
- RISK MANAGEMENT
- BUSINESS ETHICS & INTEGRITY
- REGULATORY COMPLIANCE
- RELATIONS WITH INSTITUTIONS



- ENABLE HYDROGEN / LOW CARBON TRANSITION
- SUPPLY CHAIN SUSTAINABLE DEVELOPMENT
- ENERGY & WATER CONSUMPTIONS MANAGEMENT
- WASTE RECYCLING
- DECREASE OF CO₂ EMISSIONS X UNIT



OUR PATH



LINK: "MADE TO MATTER" PRESENTATION CONFERENCE CALL

2022

- First "Made by SIT" 100% hydrogen boiler with combustion systems
- SIT presents its first **Sustainability Plan - "Made to Matter"**
- Certification of **Product Carbon Footprint** management system (CFP Systematic Approach) - ISO14067:2018
- First assessment by the **Carbon Disclosure Project - CDP** (result: C "awareness")
- **SIT joins the United Nations Global Compact**
- SIT confirms its **EcoVadis "Silver"** certification, improving its score

2021

- The BoD structures and establishes **Sustainability Governance**
- SIT defines its **Business Plan** in synergy with its sustainability objectives and projects
- **LCA pathway begins**
- SIT obtains **EcoVadis "Silver"** certification

2020

- SIT's commitment to establishing ESG objectives and strategy lead to the drafting of a "**Green Paper**"
- SIT obtains **EcoVadis "Bronze"** certification

2019

- SIT defines its new **Mission** and **Vision**
- **Sustainability becomes a fundamental value** to be promoted and disseminated within and outside the group
- **HY4HEAT project begins**
- **PlasticLess project begins**

2018

- SIT publishes its **first Sustainability Report** in compliance with Directive 2014/95/EU



SUSTAINABILITY GOVERNANCE

In 2021, SIT formed a **sustainability governance team** to demonstrate its commitment to achieving **sustainable success** and addressing the Company's and its key stakeholders' ESG needs in a precise and systematic manner. The team's responsibilities include defining, adopting, reporting on, and monitoring the "Made to Matter" Sustainability Plan.



SUSTAINABILITY MISSION LEADERS

In 2022, as part of its Sustainability Governance efforts, SIT identified **"Mission Leaders"**, who are members of a multi-department team led by the Corporate Sustainability Director. These individuals have been assigned specific responsibilities, such as setting policies and goals, executing projects, and reporting results related to sustainability.

The group has assigned project representatives who play a key role in the development of **material topics** related to sustainability initiatives undertaken by the Company, specifically in the areas related to "Made to Matter."

The Mission Leaders have appointed specific sustainability figures as needed, including the **Head of Carbon Management**. The group of Mission Leaders reports periodically to the Steering Committee on its activities and ongoing projects.

MISSION LEADERS AND ESG FOCUS AREAS

Paul Fogolin

Chief Financial Officer

- Sustainable economic growth
- Sustainable Finance
- EU Taxonomy

Marco De Luca

Governance, Risk & Sustainability Officer

- Sustainability rating
- Sustainability Report
- Ethics and business integrity

Roberto Mottola

Chief Technology Officer

- Research and Development and Sustainable Innovation

Marta Barbieri

Supply Chain Director (Heating Div.)

- Responsible supply chain management
- Supplier Engagement

Maria Teresa Zanellato

Head of Carbon Management

- Carbon Footprint
- Emissions
- Circular economy

Libera Insalata

Head of HR centre of expertise

- Culture of sustainability
- Diversity & Inclusion
- ESG communication

Simone Slaviero

Lean Transformation Manager

- Lean Transformation
- Energy consumption

Francesco Rampazzo

Digital Transformation Manager

- Digital transformation
- IoT, Industry 5.0
- Servitization



The team has a completely flat hierarchy and a multidisciplinary approach, providing a concrete example of a circular and innovative management model.

MADE TO MATTER

SIT's 2025 Sustainability Plan represents the Company's dedication to promoting a more sustainable and ethical world by **instigating change**.



CREATED BASED ON MATERIALITY ANALYSIS AND THE GREEN PAPER



DEFINED BY THE UN 2030 AGENDA INCLUDED IN MADE TO MATTER PLAN



IN FINANCIAL RESOURCES ALREADY ALLOCATED TO PLAN (CAPEX/OPEX)

MADE BY US



SUSTAINABLE ECONOMIC GROWTH
GOVERNANCE, RISK & REGULATORY COMPLIANCE

MADE FOR FUTURE



ENVIRONMENTAL RESPONSIBILITY

MADE WITH CARE



SOCIAL RESPONSIBILITY



DIGITAL TRANSFORMATION, INNOVATION & LEAN CULTURE

2022 RESULTS

MADE BY US



MADE FOR FUTURE



MADE WITH CARE



DIGITAL TRANSFORMATION, INNOVATION E LEAN CULTURE



The following are the primary **"Made to Matter"** objectives, including updates on the progress of ongoing projects and initiatives launched in 2022

MAIN OBJECTIVES	PROJECTS/INITIATIVES COMPLETED IN 2022	CHAPTER/PARAG. REFERENCE
INTERNATIONAL BUSINESS DEVELOPMENT	MARKET GROWTH IN THE US HEATING DIVISION	Economic Performance
	INTERNATIONAL EXPANSION OF METERSIT (SMART GAS METERING)	
	INTERNATIONAL EXPANSION OF JANZ IN THE WATER METERING SECTOR	
ESG FUNDING	FINANCING THE BUSINESS THROUGH ESG-LINKED RESOURCES	Sustainable Finance
STRENGTHENING THE ESG FRAMEWORK	ADHERENCE TO THE UN GLOBAL COMPACT	Human Rights
	ESG COMPLIANCE FRAMEWORK: NEW CODE OF ETHICS AND ANTIBRIBERY & ANTITRUST POLICY	Governance, Risk & Regulatory Compliance
H₂-READY PRODUCT DEVELOPMENT ROADMAP	COMPONENT DEVELOPMENT FOR HYDROGEN BOILERS	Research and Development and Sustainable Innovation
CO₂ EMISSIONS REDUCTION:	DEFINITION OF EMISSIONS REDUCTION PLAN	The management of greenhouse gas emissions
	CARBON FOOTPRINT OF PRODUCTS CERTIFICATION	
	ORGANIZATIONAL CARBON FOOTPRINT CERTIFICATION	
	PHOTOVOLTAIC SYSTEMS IN ROVIGO (DIE-CASTING) AND PADOVA (NEW HQ)	
	ENVIRONMENTAL POLICY	Governance, Risk & Regulatory Compliance
INNOVABILITY AND ECO-DESIGN	ECO-DESIGN LOGIC APPLIED TO NEW PRODUCT DEVELOPMENT	Research and Development and Sustainable Innovation
IMPROVE EMPLOYEE WELL-BEING AND ENGAGEMENT IN LOCAL COMMUNITIES	GENDER PAY EQUALITY	Compensation
	GREAT PLACE TO WORK ASSESSMENT	Employer Branding
	ESG-LINKED LTI and MBO	Compensation
	SIT DIGITAL TRAINING HUB	Development of resources
	HUMAN RIGHTS POLICY	Human Rights
	SIT FOUNDATION	SIT Foundation
SUSTAINABILITY ENABLERS	LEAN TRAINING	Lean Transformation
	CYBERSECURITY: RISK ASSESSMENT, TRAINING, INCIDENT RESPONSE POLICY	Data and information security

COMPLETED

UNDERWAY – NO MAJOR ISSUES



FUTURE GOALS

Below are the main **"Made to Matter"** projects" SIT will launch in 2023.

E

	DESCRIPTION	TARGET / KPI
CO ₂ EMISSIONS REDUCTION PLAN (EXECUTION)	<p>Scope 1 and Scope 2: execution/completion of projects and initiatives to contain and reduce direct emissions</p> <p>Scope 3: execution of projects and initiatives to contain and reduce indirect emissions</p>	<p>- 12% CO₂ EMISSIONS (at group level)</p> <p>the % reduction will be defined for each initiative/project</p>
ENERGY EFFICIENCY	<p>Energy diagnosis of plants in Italy</p>	<p>Assessment and definition of energy-saving actions</p>
EPD CERTIFICATIONS	<p>EPD certification of major product families</p>	<p>Achievement of certification (valves, fans, circuit boards, gas meters)</p>

S

CULTURE OF SUSTAINABILITY	<p>Execution of initiatives to foster a culture of sustainability among the group's stakeholders, including: • Fast track training • ESG webinar & corner • Lean & sustainability training • Supplier engagement</p>	<p>No. of hours invested/No. of individuals - categories of stakeholders involved</p>
GENDER PAY GAP ROADMAP	<p>Defining the roadmap for analyzing, containing, and reducing the gender pay gap through the following activities: • Assessment Gender Careers Path • Pay Gap Analysis - structured on Grade</p>	<p>Corporate functions and Key Roles</p>
GENDER EQUALITY CERTIFICATION	<p>Certification of Gender Equality, in application of UNI/PdR 125:2022 practices</p>	<p>Achievement of certification</p>

G

ESG EVALUATION & DATA MANAGEMENT	<p>1) Integration of strategic economic-financial evaluation ESG indicators into processes</p> <p>2) Sustainability data digitization project – definition of a process architecture with identification of reference applications for data management</p>	<p>1) Development of a set of ESG indicators</p> <p>2) Software selection</p>
RATING / INITIATIVES	<p>1) CDP – Carbon Disclosure Project: new assessment 2023</p> <p>2) Science Based Target Initiative: adherence to the initiative</p>	<p>1) Score: B – “Management”</p> <p>2) Level: “Commitment”</p>
ESG RISK MANAGEMENT	<p>Adoption of risk scorecards for suppliers that include ESG factors</p>	<p>100% of new suppliers assessed</p>



STAKEHOLDERS AND MATERIAL TOPICS

SIT considers the **requests of its stakeholders** when defining its sustainability strategy and assigns a priority level to each of them, identifying the most suitable forms of engagement.



ENGAGEMENT ACTIVITIES

MAIN INITIATIVES 2022

Shareholders, investors and lenders	<ul style="list-style-type: none"> • Dedicated group policies and procedures • Periodic financial/non-financial disclosures • Company communications • Market communications • Periodic meetings 	<p>On October 6, 2022, SIT S.p.A.'s Board of Directors approved the "Shareholder Communication Policy" to foster open and ongoing communication with all shareholders</p>
Customers	<ul style="list-style-type: none"> • Co-design and co-development projects of innovative technology solutions • Trade shows, periodic meetings, and invitations to company events • Audit of plants belonging to SIT subsidiaries • Continuous dialogue via the corporate website and magazine • Training workshops on group products 	<p>Throughout 2022, SIT partnered with its customers on various R&D initiatives, which resulted in the creation and testing of innovative and sustainable products and solutions related to home heating and consumption management. SIT also took part as an exhibitor at leading industry trade shows</p>
Governments, PA, institutions, regulators	<ul style="list-style-type: none"> • Discussion meetings with representatives of local institutions • Participation in regulatory committees at a European and national level 	<p>The Company collaborates with the Confindustria Veneto network, promoting various events, with a specific focus on sustainability-related topics</p>
Trade associations	<ul style="list-style-type: none"> • Participation in rules committees, seminars, conferences • Discussions on market trends and emerging needs 	<p>Members of SIT Management are chairpersons of trade associations in the sectors in which the Company operates</p>
Universities and research centers	<ul style="list-style-type: none"> • Collaborations on innovation projects and research into new materials • Internships for students 	<p>Collaborative initiatives with universities, schools, and research centers multiplied in 2022</p>
Suppliers, subcontractors and commercial partners	<ul style="list-style-type: none"> • Periodic meetings • Quality audits and assessments • Product development in partnerships 	<p>SIT's Sustainability Plan emphasizes the involvement of suppliers in sustainability initiatives and projects, with ESG criteria integrated into the selection process</p>
Local community and society	<ul style="list-style-type: none"> • Participation in events promoted by local associations • Projects supporting social initiatives 	<p>The section on Supporting Local Communities lists some of SIT's major initiatives in this area</p>
Employees and collaborators	<ul style="list-style-type: none"> • New hire insertion program • HSE training activities and dedicated "soft & hard skills" training • Job postings to promote internal mobility and professional growth • Remote working and initiatives for a better work-life balance • Referral programs during the staff recruitment process • Company intranet • Company house organ ("SIT&Talk") • Welfare plans • Company events 	<p>SIT considers human resource management to be an important material topic and therefore supports both internal and external initiatives to recruit, select, and retain top talent. SIT's products and services are designed with a strong focus on flexibility, work-life balance, and cutting-edge welfare measures</p>
Trade Unions	<ul style="list-style-type: none"> • Meetings for the presentation of business plans and joint reviews, and for the stipulation of new agreements 	<p>SIT advocates for social dialogue and supports freedom of association, with 95% of its employees covered by collective bargaining agreements</p>
The media	<ul style="list-style-type: none"> • Company website • Press releases • Media events and communication 	<p>In 2022, SIT employees participated in sustainability initiatives, including interviews and conferences dedicated to sustainability topics</p>

MATERIALITY ANALYSIS

In 2022, SIT performed a new materiality analysis in accordance with the guidelines set by the GRI Universal Standards 2021, with a specific focus on GRI 3. Material topics 2021.

In fact, on **October 6, 2021**, GRI released the **new Universal Standards or Universal Indicators in order to:**

- **Increase the transparency and clarity** of reporting on material topics, i.e., those that are most relevant to an organization's stakeholders.
- **Align the standards with other international benchmark principles**, such as: the **United Nations Guiding Principles** on Business and Human Rights; the **OECD Guidelines**; and the **International Labour Organization (ILO)** International Standards.

One of the major changes concerned, in particular, the materiality analysis.

GRI Standard 3: Material topics (introduced to replace GRI 103: 2016) provides detailed guidance on determining material topics; in addition, it explains how to use Industry Standards in this process.

Material topics represent an organization's biggest impacts on the economy, environment, and society, including human rights. The Topic Standards (GRI 200 Economic, GRI 300 Environmental, GRI 400 Social series) have not changed substantially.

Specifically, the new GRI 3 includes the following steps in the process of identifying and evaluating material topics.

The organization will need to review its material topics in each reporting period to accommodate any changes in impacts. Changes may result from the organization's activities and business relationships. This review helps ensure that material topics are those deemed most significant for the organization in each new reporting period.

- 1 Understand the organizational context.**
During the initial stage, SIT conducted a high-level analysis of its business operations, sustainability context, and stakeholders. The information required to assess both current and potential impacts was acquired during this process.
- 2 Identify actual and potential impacts.**
SIT identified its actual and potential impacts on the economy, the environment, and people (including its impacts on their human rights). These impacts include negative and positive, short-term and long-term, intentional and unintentional, and reversible and irreversible impacts.
- 3 Evaluate the significance of impacts.**
SIT evaluated the identified impacts to determine their significance and prioritize them accordingly. By prioritizing the identified impacts, SIT was able to take action to address them and determine material topics for reporting purposes. Evaluating the significance of impacts is necessary in cases where addressing all impacts simultaneously is not feasible.
- 4 Prioritize the most significant impacts for reporting purposes.**
SIT arranged its impacts in descending order of significance and established a benchmark to determine which of these impacts it should concentrate on for reporting purposes. The impacts were categorized into material topics according to the "Made to Matter" areas.

MATERIALITY ANALYSIS

Risk Scoring Scale

IMPACT	PROBABILITY
4 CRITICAL	HIGHLY PROBABLE PROBABILITY OF OCCURRENCE OVER 50%
3 HIGH	PROBABLE PROBABILITY OF OCCURRENCE BETWEEN 25% AND 50%
2 MEDIUM	LESS PROBABLE PROBABILITY OF OCCURRENCE BETWEEN 5% AND 25%
1 LOW	IMPROBABLE PROBABILITY OF OCCURRENCE BELOW 5%

N.B.: The "Risk Scoring Scale" borrowed from the Enterprise Risk Model (ERM), was applied to both positive and negative impacts.

In relation to material topics, the identified impacts were evaluated based on the following criteria:

Positive:	Negative:	Actual:	Potential:
the Company's strategies and activities have a positive impact on various dimensions	the contribution is predominantly negative in nature (getting worse)	the (positive/negative) impact has already occurred	the impact might occur

Once the above was determined, the impact was assessed according to the Company's Enterprise Risk Management approach, applying SIT's **Risk Scoring Scale**

An overall **score** was subsequently assigned to **each impact**, which, together with the score obtained from the context analysis, determined the **total score**.

The materiality analysis was conducted as mentioned above and presented to the **Control, Risks, and Sustainability Committee** on **December 12, 2022**. It was subsequently approved by the **Board of Directors of SIT S.p.A.** at a meeting on **December 16, 2022**.

The materiality analysis was conducted mainly with the support of senior management and involved analyses, studies, and other documentation from national and international bodies, trade associations, universities, and research centers, with a specific focus on sustainability topics.

To validate the materiality analysis, SIT sent out an **online survey** in January and February 2023 to key stakeholder categories:



The survey asked participants to rate the level of relevance of the **26 sustainability topics identified by the Company** on a scale of 1 (not very relevant) to 5 (very relevant).

SIT's Sustainability department analyzed the survey results, which were presented and discussed during the Control, Risks and Sustainability Committee meeting on February 23, 2023. The survey results essentially corroborated the findings of the internal materiality analysis, so no updates on this matter were deemed necessary to be presented to the Board of Directors.

MADE TO MATTER: MADE BY US

SUSTAINABLE ECONOMIC GROWTH / GOVERNANCE, RISK & REGULATORY COMPLIANCE



MATERIAL TOPICS	DEFINITION	P / N - A / P	DESCRIPTION	IMPACTS
Economic Performance	Ensure that economic and financial performance is in line with market and stakeholder expectations by pursuing long-term sustainable growth	POSITIVE ACTUAL	A strong financial structure and positive economic performance are crucial for generating a positive impact on the distribution of economic value, employment rates, and investments	
Risk Management	Identify and manage risks associated with the Company's operations by evaluating their impacts from an economic, environmental, social, and governance viewpoint and developing appropriate mitigation and control measures	NEGATIVE POTENTIAL	Failure to manage business risks, including those related to ESG topics, could result in significant economic, social, and environmental disruption. SIT has included ESG dimensions in its ERM to raise the organization's awareness of these topics	
Ethics and Business Integrity	Promote ethical and integrity-driven business practices by adopting suitable codes of conduct, policies, and procedures	POSITIVE POTENTIAL	SIT adopts a holistic approach that combines economic performance with ethical business conduct, and adopts policies and measures to monitor the ethical behavior of its stakeholders	
Market Presence	Strengthen our market position by offering sustainable products and solutions that support the long-term economic development of the communities and regions in which SIT operates	POSITIVE POTENTIAL	The Company's leadership in its target markets, its promotion of sustainable technologies and products, and the expansion of its market share can contribute to the well-being of the community from an economic, social, and environmental perspective	
Customer Satisfaction	Build and maintain relationships with our customers that enable us to keep track of their development and satisfaction	POSITIVE ACTUAL	Our customers are our "compass." SIT is always defining new projects to develop innovative and sustainable products and technologies in collaboration with its business partners	
Relations with Public Institutions	Maintain a proactive and responsible dialogue with institutions and the public sector while protecting the interests of the Company, trade associations, public bodies, and local communities	POSITIVE ACTUAL	The Company constantly and actively cooperates with institutions in the regions in which it operates and with international organizations, adhering to proposed initiatives and making proposals in turn	
Compliance with Laws and Regulations	Ensure that the Company complies with specific governance, environmental, social, and economic laws and regulations	NEGATIVE POTENTIAL	Non-compliance with laws and regulations could have significant repercussions on the Company's business, reputation, and ESG commitments	
Corporate Governance	Achieve sustainable success by adopting the highest standards of corporate governance and integrating ESG objectives into its strategy	POSITIVE ACTUAL	SIT complies fully with the 2020 Corporate Governance Code, and maintains a governance structure aligned with best practices	

PRIORITY



MADE TO MATTER: MADE FOR FUTURE



ENVIRONMENTAL RESPONSIBILITY

MATERIAL TOPICS	DEFINITION	P / N - A / P	DESCRIPTION	IMPACTS
Research and Development - Sustainable Innovation	Design and develop innovative and sustainable products and solutions while reducing the environmental impact of our operations	POSITIVE POTENTIAL	SIT is actively developing and updating its product range with a focus on eco-design and Life Cycle Assessment (LCA) principles. Notably, the Company has already made significant strides in adopting alternative fuels (hydrogen and biogas) and energy-efficient equipment. SIT will be able to contribute significantly to the energy transition process	
Responsible Supply Chain Management	Establish strong partnerships with suppliers and encourage their participation in environmental, social, and governance initiatives	POTENTIAL NEGATIVE	SIT is aware that not involving its supply chain in its business and ESG strategies poses a potential risk and is therefore increasingly involving its partners in its ESG journey	
Energy Consumption	Measure and monitor energy consumption with precision to identify and execute actions for reduction	POSITIVE POTENTIAL	The Company makes use of cutting-edge technologies that will reduce the energy consumption of its operations	
Emissions	Measure and evaluate emissions of greenhouse gases, ozone-depleting substances, and other pollutants, and establish a carbon management strategy in line with EU objectives	ACTUAL POSITIVE	SIT has charted its own path in reducing emissions and containing its Carbon Footprint at both the product and organizational level. Its objectives comply with the requirements of European Community programs and international reference standards	
Circular Economy	Adopt production and consumption models dedicated to extending the life cycle of products and their reintroduction into the value chain, reducing waste and reuse	POTENTIAL NEGATIVE	If circular economy principles are not integrated into the organization, it could be severely impacted by the challenging economic environment, which includes difficulty in sourcing production components and increased costs due to raw material scarcity	
Product Quality and Safety	Guarantee the highest standards in terms of quality and safety of our products and solutions	ACTUAL POSITIVE	The SIT brand has a long-standing association with product quality and safety, which has been acknowledged by our customers and business partners, with whom we collaborate to maintain the highest standards in line with market needs	
Effluents and Waste	Use waste management and disposal methods as part of an environmental impact prevention and reduction strategy	POTENTIAL NEGATIVE	Although the impact of this topics on SIT's business might be very limited, attention should also be paid to waste management in relation to Circular Economy project objectives	
Water Resources	Monitor the use and management of water resources to guarantee efficient water consumption and reduce potential impacts on the local area	POTENTIAL POSITIVE	With its new water metering business, SIT can significantly contribute to the improved management of water resources, limiting their consumption and waste	





MADE TO MATTER: MADE WITH CARE

SOCIAL RESPONSIBILITY

MATERIAL TOPICS	DEFINITION	P / N - A / P	DESCRIPTION	IMPACTS
Culture of Sustainability	Promote a culture that inspires and encourages a lifestyle and work-life based on sustainability at all internal and external levels	POSITIVE ACTUAL	SIT continuously promotes projects to encourage a culture of sustainability among its stakeholders	
Management and Development of Human Resources	Enhance and manage the Company workforce by considering each individual as an added value, helping employees perform their duties and improve their skills, abilities, and knowledge	ACTUAL POSITIVE	Human resources are the most important resource for our Company, and we strive for the optimal management of our employees. This is evidenced by our countless initiatives in the areas of employer branding, training, and work-life balance over the years	
Diversity, Inclusion & Equal Opportunities	Strengthen and promote a proper culture of diversity, equal opportunity, and inclusion by enhancing policies and practices based on mutual respect	POTENTIAL POSITIVE	D&I topics represent the new frontier of SIT's commitment, in relation also to its adherence to the principles of the UN Global Compact. The Company is in the process of adopting appropriate policies and intends to obtain gender equality certification	
Worker Health and Safety	Adopt prevention and promotion measures regarding the protection of health and safety in all Company environments to ensure a safe and hazard-free workplace	ACTUAL POSITIVE	Worker health and safety is a "must" in terms of SIT's commitments. Over the years, the Company has worked tirelessly to maintain its high safety standards	
Human Rights	Support and ensure that all internal and external stakeholders respect human rights and fundamental freedoms, promoting a company culture based on respect and the recognition of human dignity	POTENTIAL NEGATIVE	The Company has a duty to uphold fundamental freedoms and has taken steps to do so by adopting a Human Rights Policy in 2022. This policy seeks to systematically and structurally address any possible issues related to potential violations in accordance with the best international reference standards	
Welfare and Well-being	Support a healthy work-life balance by encouraging good practices for employees' physical, social, and mental well-being	ACTUAL POSITIVE	SIT has undertaken a number of initiatives to ensure the well-being of its employees. These include flexible work measures, parentability, and a mental health service	
Local Community Commitment	Respect and consider the needs of communities local to the Company, involving them in the creation of sustainable value, be it social, environmental, or economic	POTENTIAL POSITIVE	The Company participates in and sponsors local community initiatives and advocates for activities that promote the economic, social, and environmental development of the local area	
Labor/management Relations	Encourage a constructive and positive relationship between the Company, its employees, and trade unions, promoting social dialogue and upholding the principles of freedom of association and collective bargaining	POTENTIAL NEGATIVE	The Company guarantees all workers freedom of association and has established constructive forms of dialogue with social partners	



PRIORITY



MADE TO MATTER: DIGITAL TRANSFORMATION, INNOVATION AND LEAN CULTURE

DIGITAL TRANSFORMATION, INNOVATION AND LEAN CULTURE

MATERIAL TOPICS	DEFINITION	P / N - A / P	DESCRIPTION	IMPACTS
Digital Transformation	Develop and deliver sustainable customer services through the use of specific enabling technologies	POSITIVE ACTUAL	Defining, adopting, and monitoring all production, R&D, and Staff business processes from a digital perspective according to a lean logic represents an enabling factor for all ESG dimensions at SIT. The Company has been on this path for some time now, and the benefits are concrete and measurable	
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			





MADE BY US

Material Topics:

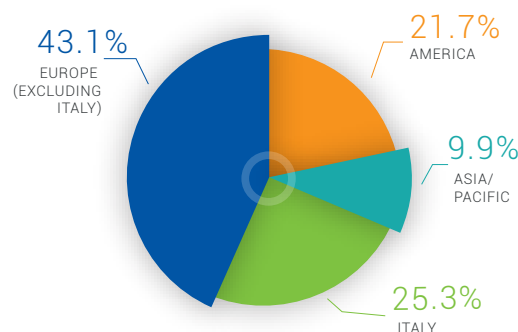
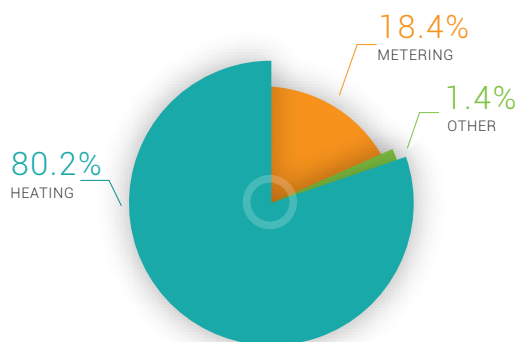
- Economic Performance
- Market Presence
- Customer Satisfaction
- Corporate Governance
- Risk Management
- Ethics and Business integrity
- Compliance with Laws and Regulations
- Relations with Public Institutions

SUSTAINABLE
ECONOMIC GROWTH

GOVERNANCE, RISK &
REGULATORY COMPLIANCE

ECONOMIC PERFORMANCE AND PRESENCE ON THE MARKET

We report below a breakdown of 2022 sales by division and geographical area:



2022 consolidated revenues were **Euro 393.3 million** and were **up 3.4% on 2021** (Euro 380.5 million). Q4 2022 consolidated revenues totaled 102.9 million, increasing 8.6 million or 9.1% on the same period of the previous year (Euro 92.4 million).

REVENUE BY DIVISION

(Euro.000)	2022	%	2021	%	diff	change %
Heating	315,338	80.2%	298,251	78.4%	17,087	5.7%
Metering	72,516	18.4%	76,913	20.2%	(4,397)	(5.7%)
Total sales	387,854	98.6%	375,164	98.6%	12,690	3.4%
Other revenues	5,451	1.4%	5,357	1.4%	94	1.8%
Total revenues	393,305	100%	380,521	100%	12,784	3.4%

REVENUES BY GEOGRAPHIC AREA

(Euro.000)	FY 2022	%	FY 2021	%	diff	change %
Italy	99,452	25.3%	106,992	28.1%	(7,540)	(7.1%)
Europe (excluding Italy)	169,396	43.1%	167,497	44.0%	1,899	1.2%
America	85,481	21.7%	74,241	19.5%	11,240	15.1%
Asia/Pacific	38,976	9.9%	31,791	8.4%	7,185	22.6%
Total revenues	393,305	100%	380,521	100%	12,784	3.4%

HEATING DIVISION

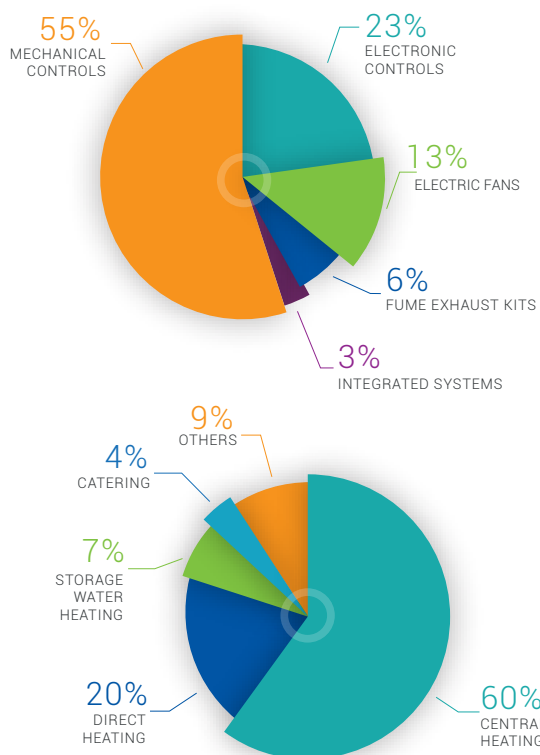
Heating Division sales in 2022 amounted to Euro **315.3 million**, +5.7% compared to Euro 298.3 million in 2021 (+2.4% at like-for-like exchange rates). In the fourth quarter, the division's core sales rose 4.1% to Euro 80.5 million, compared with Euro 77.4 million in the same period of 2021.

The following table presents Heating Division core sales by region according to management criteria:

(Euro.000)	2022	%	2021	%	diff	change %
Italy	56,116	17.8%	55,682	18.7%	434	0.8%
Europe (excluding Italy)	138,022	43.8%	140,078	47.0%	(2,056)	(1.5%)
America	82,839	26.3%	72,025	24.1%	10,814	15.0%
Asia/Pacific	38,361	12.2%	30,467	10.2%	7,894	25.9%
Total sales	315,338	100%	298,251	100%	17,087	5.7%

ECONOMIC PERFORMANCE AND PRESENCE ON THE MARKET

The following charts break down H1 2022 Heating sales by product family and application (data from management sources):



Italian sales were substantially in line with 2021 at Euro 56.1 million (Euro 55.7 million in the previous year). The Catering segment performed strongly with growth of Euro 1.4 million, (+34.7%), while Direct Heating sales rose Euro 0.6 million (+8.1%), thanks particularly to Space Heaters; Central Heating saw a contraction of Euro 1.8 million (-5.3%), particularly due to the contraction of Integrated Systems (Euro -1.9 million, -45.1%) and electronics (Euro -0.6 million); Fans grew Euro 1.0 million overall (+12.1%), recovering the delays suffered in the initial months of the year due to component shortages.

Sales in **Europe** (excluding Italy) in 2022 decreased Euro 2.1 million (-1.5%) on the previous year. The Central Heating segment in **Turkey**, the top shipping market with 12.1% of division sales, grew 7.9% on 2021, particularly in the Central Heating segment, while the **UK**, accounting for 6.4% of division sales, contracted 9.5% in the Central Heating segment, mainly due to the family of Flues products. **Central European** remains strong, thanks to the introduction of new products, up Euro 3.9 million on 2021 (+8.0%). The Russian market, in terms of sales made before July 10, 2022, the date on which the Heating product sanctions entered into force, accounted for 3.0% of division sales (Euro 9.4 million).

Sales in the **Americas** rose 15.0% (+3.6% at like-for-like exchange rates), thanks to fireplaces growth of Euro 5.9 million (+15.6%) and the Central Heating electronics performance, which reported growth of Euro 5.1 million (+50%) on 2021; the Storage Water Heating applications contracted 12.3% (Euro 2.7 million).

Asia/Pacific sales were up 25.9% (+20.0% at like-for-like exchange rates) to Euro 38.4 million (Euro 30.5 million in 2021). Growth was reported in **China** (7.6% of the division), up 22.7% (+Euro 4.4 million) as a result of the Central Heating retail market recovery, and in **Australia** - improving Euro 1.1 million (+15.7%).

Looking at the main product categories, we note a rise in the sales of **Electronic Controls** (+33.7%, Euro 18.5 million) and **Fans** (+9.0%, Euro 3.3 million). These product categories benefited from the normalization of the supply chain, which had previously affected their sales in 2021 and the first half of 2022. The **Mechanical Controls** segment shows no significant change from the previous year, whereas the Flues and Integrated Systems segments experienced a decline of 16.3% and 14.5%, respectively.

At the application segment level, **Central Heating** accounted for 59.6% of division sales, increasing 5.5%, while **Direct Heating** (20.3% of the division sales) rose 8.6% due to the strong fireplaces market in the USA and for applications sold in Italy.

METERING DIVISION

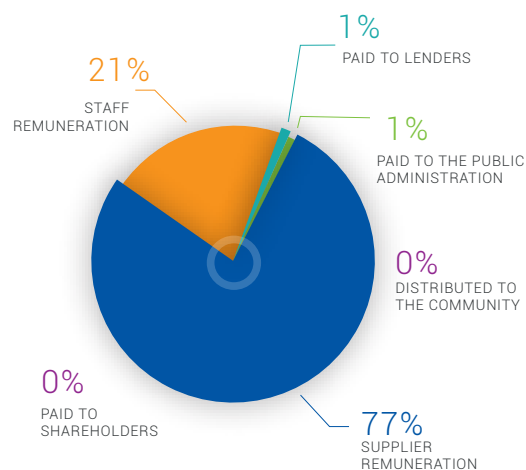
Metering Division sales were Euro 72.5 million (Euro 76.9 million, reducing 5.7% on the previous year).

In 2022, sales in the **Smart Gas Metering** sector totaled Euro 48.4 million, reducing 15.4% on 2021. This performance reflects the curve for the initial installation of smart meters on the Italian market, of which more than 80% have now been replaced. Sales in Italy accounted for 92.5% of the total, while overseas sales accounted for 7.5% (from Greece, Central Europe, the UK and India).

Water Metering sales totaled Euro 24.2 million, up 22.2% on 2021. Portugal accounts for 24.6% of sales, Spain for 30.0%, the rest of Europe for 32.5% and America and Asia respectively for 7.0% and 6.0%.

ECONOMIC PERFORMANCE AND PRESENCE ON THE MARKET

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



1) The "distribution of profits for the year" is based on the assumption that no dividends will be distributed in the current financial year. This is due to the proposal put forward by the Board of Directors of SIT S.p.A. to allocate the entire profit to the extraordinary reserve. The Shareholders' Meeting, which is scheduled for May 3, 2023, will consider and approve this proposal.

2) For more details on "donations, sponsorships and collaborations", please refer to the paragraph entitled "Support for local communities".

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.

Direct economic value generated and distributed (in Euro thousands)	2022	2021
(A) Economic value directly generated	412,356	393,707
(B) Economic value distributed	373,412	357,001
(A-B) Economic value withheld	38,944	36,705
Economic value distributed (in thousands of Euro)		
Staff remuneration	80,182	81,990
Personnel costs	80,182	81,990
Distributed to suppliers	285,863	259,005
Raw materials, ancillaries, consumables and goods	233,573	210,685
Service costs	52,291	48,321
Paid to lenders	4,760	5,096
Financial expenses	4,760	5,096
Paid to shareholders	0	7,299
Distribution of profits for the year ¹	0	7,299
Paid to the Public Administration	2,355	3,462
Income taxes	2,355	3,462
Distributed to the community	252	149
Donations, sponsorship and collaborations ²	252	149
Total economic value distributed	373,412	357,001

SUSTAINABLE FINANCE

SIT has a **net debt portfolio of Euro 139 million**. The adoption of the interest rate hedging policy has been particularly important and beneficial in a financial environment featuring rising interest rates. In fact, at the reporting date, **89% of the group's total** outstanding loans were fixed-rate. SIT fulfilled its "Made to Matter" commitment by obtaining an additional **loan of Euro 15 million from CDP for the development of "green" projects**, which has been added to the Senior Facility Agreement and Bond, both of which were already linked to ESG objectives.

ECONOMIC PERFORMANCE AND PRESENCE ON THE MARKET

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.**

The main changes in 2022 occurred in the **water metering business segment**. In fact, Janz continued its efforts to align its service levels with SIT's standards. The **group adopted a CRM system** (Salesforce.com) to constantly monitor the development of customer relationships and make this information available to all business departments.

In 2022, the **technical collaboration between Janz and MeterSit in the field of communication systems** yielded its first positive outcomes. This partnership allowed the presentation of the new range of radio modules with WMBUS and LoRa technology at the Enlit fair in Frankfurt, which are compatible with most Janz products and allow for the continuous remote monitoring of consumption. By adopting this approach, water network managers can **lower billing operational expenses**, receive alerts concerning anomalies in individual user accounts, and **detect potential leaks in the distribution network. New meters were showcased** at the Enlit fair. The meters **feature an electronic register and integrated communication system.**



GOVERNANCE, RISK & REGULATORY COMPLIANCE



SIT has fully integrated sustainability-oriented corporate governance into its operations: the effects of ESG topics are reflected throughout its business and value creation chain.

In a world of constant change, companies must embrace an ongoing process of updating and refining their organizational structure and internal procedures.

As a result, during 2022, the Company kept track of changing regulations and best practices. In particular, SIT S.p.A has faithfully complied with the articles and recommendations of the **2020 Corporate Governance Code**.

When considering its Sustainability Plan, and specifically addressing Governance, Risk, and Regulatory compliance matters, the primary areas of focus included:

- the overall strengthening of the **compliance & regulatory framework**, with the updating of the **Code of Conduct**, and the drafting of an **Environment Policy**, an **Anti-Corruption Policy**, and an **Anti-Trust Policy**. These policies will be circulated widely within the organization in 2023;
- the updating of its Enterprise Risk Management (ERM) Model to **include ESG-linked risks**, considering the increasing importance of these topics to stakeholders, changing regulations, and best practices in risk management;
- **adherence to the United Nations Global Compact**, with its 10 principles in the areas of **Human Rights**, the **Environment**, and **Anti-Corruption**. In this area, the new **Human Rights Policy** and a **Diversity & Inclusion Policy** were officially approved.
- ongoing attention to **regulatory developments**, with particular reference to new changes introduced by the European Union.

SIT's commitment to **being inclusive** in its sustainability efforts was demonstrated by its **ongoing dialogue with key stakeholders, peers, and the best practices** in the industry.

The Company's "Made to Matter" roadmap has been validated by the numerous ESG-related awards it has received from international ratings companies (ECOVADIS), assessment initiatives (Carbon Disclosure Project), industry bodies, and specialized media (Etica News, Credit Suisse Sustainability Award, ISole24Ore).



SUSTAINABLE SUCCESS

Throughout its history, the SIT group has shown that environmental, social, and governance (“ESG”) topics are interdependent with the development of its business model, which is consistently geared towards achieving **“sustainable success”** and **generating long-term value for its stakeholders**. The achievement of strategic business objectives is inherently linked to environmental, social, and governance commitments.

In recent years, the Company has undertaken a well-structured sustainability journey, beginning with the **systematic monitoring of the environmental, social, and economic impacts of its operations**, and by drafting this Sustainability Report.

The Company regularly updates its Corporate Governance System, taking into account the feedback and concerns of all its stakeholders.

The creation of a Sustainability Governance body (please refer to the introduction of this report) – which reports to the CEO and is headed by a **Corporate Sustainability Director** with specialized ESG knowledge – represents a significant milestone in this journey.

The Control, Risks and Sustainability Committee consists of Independent Directors with a strong awareness of ESG topics. The Committee plays a crucial role within the SIT Board of Directors, whose members include Directors with full independence of judgment and expertise in ESG matters. These Directors are capable of guiding ESG strategies and putting their experience at the service of the Company. The Committee is kept up to date on the progress of the Sustainability Plan and reports to the Board of Directors at official meetings.

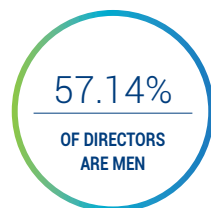
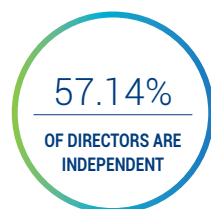
In 2022, the Company identified and delegated specific ESG responsibilities, including in relation to its **“Made to Matter” Sustainability Plan**, which was first presented to investors on a conference call in May 2022.

Several managers were assigned specific **responsibilities related to the development of SIT’s ESG strategy**, in conjunction with their existing roles. These tasks included promoting a culture of sustainability at all levels and overseeing projects related to environmental responsibility (“Made for the Future”) and social responsibility (“Made With Care”), as discussed in the relevant sections. An example of this is the **Head of Carbon Management**, who acts as the point of reference for **carbon footprint** assessments of all SIT activities and the definition of emissions reduction actions within group operations.

Sustainability permeates all levels of the SIT organization.

CORPORATE GOVERNANCE

There were no changes to the composition of the Board of Directors in 2022.



SIT believes that the proper management of corporate governance is a fundamental prerequisite for the achievement of its strategic objectives, including those 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 corporate governance system, which follows the traditional system of administration and control, comprises the following corporate bodies:

- (i) the **Board of Directors**, which manages the Company;
- (ii) the **Board of Statutory Auditors**, appointed to oversee (i) compliance with law and By-Laws, and adherence to principles of correct governance, (ii) adequacy of the Internal Control System and administrative-accounting system, and its reliability in correctly reflecting operational events, (iii) the effective enactment of corporate governance rules under the Corporate Governance Code, and (iv) the financial disclosure process, efficacy of internal control mechanisms, internal audit, and risk management, legal audit of annual accounts and consolidated accounts, and independence of the independent audit firm;
- (iii) the **Shareholders' Meeting** considers motions on matters within its remit, pursuant to the law or the By-Laws.

Auditing activities are entrusted to the registered independent audit firm Deloitte & Touche, appointed by the Shareholders' Meeting upon the reasoned proposal 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, 2022, the Board of Directors was composed as follows:

Name	Role
Federico de' Stefani	Chairperson & Chief Executive Officer
Chiara de' Stefani	Executive Director Corporate Sustainability Director
Attilio Francesco Arietti	Non-Executive Director
Fabio Buttignon	Independent Director
Bettina Campedelli	Independent Director
Carlo Malacarne	Independent Director
Lorenza Morandini	Independent Director

Internal Board Committees

The Board of Directors has created three committees:

- The Control, Risks, and Sustainability Committee (CRSC):**

supports the evaluations and decisions of the Board of Directors concerning the Internal Control and Risk Management System, in addition to those concerning the approval of the relative periodic financial reports and non-financial reports as per Legislative Decree No. 254/2016. The Control, Risks, and Sustainability Committee is composed of three Non-Executive Directors, the majority of whom are independent.

In its current configuration, the Issuer’s Control, Risks, and Sustainability Committee is composed of Independent Directors Bettina Campedelli, as Chairperson, Lorenza Morandini, and Carlo Malacarne.

The Control, Risks, and Sustainability Committee Regulation, which is currently in force and to which reference should be made, was approved by the Board of Directors on February 27, 2019.
- The Related Parties Committee (RPC):**

comprises three Non-Executive Directors, the majority of whom are independent. The Committee provides a non-binding opinion to the Board of Directors on the interests of the Company to undertake transactions with Related Parties, as well as on the benefits and substantial correctness of the relative conditions.

The Independent Directors Bettina Campedelli, Fabio Buttignon, and Carlo Malacarne were appointed as members of the Related Parties Committee by the Board of Directors on May 6, 2020, with Ms. Campedelli serving as Chairperson. The Board has adopted a Related Party Transactions Procedure to facilitate the identification and appropriate management of situations where a Director has a personal or third-party interest.
- The Remuneration Committee (RC):**

assists the Board of Directors through investigative, proposal and consultation duties, for the evaluations, and decisions concerning the remuneration policy of Directors and Senior Executives.

The Remuneration Committee, consisting of Independent Directors Carlo Malacarne as Chairperson, Fabio Buttignon, and Bettina Campedelli, was appointed by the Board of Directors on May 6, 2020. The Board of Directors confirmed on the same day that all members of the Remuneration Committee possess the necessary expertise and experience in financial and remuneration policy matters. The functioning of the Committee is governed by special regulations.

For further information, please refer to the documentation on the Company's website:

www.sitcorporate.it – **Corporate Governance section > Governance Documents**

COMPOSITION OF THE BOARD COMMITTEES

Independent Directors	CRSC		RPC		RC	
	Chair	Member	Chair	Member	Chair	Member
Bettina Campedelli	X		X			X
Carlo Malacarne		x		x	X	
Fabio Buttignon				x		x
Lorenza Morandini		x				

See also the “**2022 Corporate Governance and Ownership Structure Report**”, on www.sitcorporate.it - **Corporate Governance section > Corporate Governance System**

*The 2022 remuneration policy, thus defined, received **100% favorable votes at the SIT S.p.A Shareholders' Meeting on April 29, 2022***

Remuneration Policies

The focus on ESG topics is also fully reflected in the remuneration policies adopted by the SIT group in 2022 (see also "**Compensation**" in the "Made With Care" section).

The Company has established ESG performance objectives, starting with the CEO and extending to the short-term **Management By Objectives (MBO)** and **Long Term Incentives (LTI)** programs.

The objective is to combine *business performance with a focus on environmental concerns, social responsibility, ethical conduct, and maintaining positive stakeholder relationships.*

Objectives were set for the **Chairperson, CEO, and Senior Executives (SEs)** identified by the Company under the Corporate Governance Code.

The structure defined and corresponding remuneration policies were then adopted throughout the organization, according to a "cascading" approach, and in alignment with the planned Made to Matter initiatives.

This ensured that all Departments/Functions committed to defining, adopting, and monitoring Sustainability Plan initiatives, in line with the medium-term Strategic Business Plan (PAM) objectives.

In 2022, 100% of the population included in the MBO and LTI plans were assigned a share of sustainability goals in varying percentages depending on their role and how the plan's projects related to their work tasks.

Progress in achieving the goals is constantly evaluated and monitored by the HR Department and the Sustainability Governance Bodies.

The **Remuneration Committee** plays a key role in assessing the progress of MBO and LTI objectives, and serves as a link to the Board of Directors by providing an independent opinion on the establishment of remuneration policies at Board meetings.

SIT has now fully adopted this approach, which will be replicated in 2023 in line with the evolution of Made to Matter and Strategic Business Plan (PAM).

For further information, please refer to the documentation on the Company's website:

www.sitcorporate.it - Corporate Governance section > Corporate governance system > Remuneration reports

1
EVOLUTION
IN CORPORATE
GOVERNANCE

RISK MANAGEMENT

The process of risk identification and management - **Enterprise Risk Management (ERM)** – is now firmly established at the group level.

ERM update

However, at the end of 2022, major changes were made to ERM, with particular reference to:

- **The Risk Model:** taxonomy of risks deemed relevant by the Company;
- **The Risk Scoring Scale:** impact/probability risk assessment parameters.

This is in view of the following factors:

The **Corporate Governance Code** has imposed new challenges, requiring the adoption of **sustainability-oriented strategies** and a **broader consideration of stakeholders in the long-term value creation process**.

- The Board of Directors examines and approves the business plan of the Company and the group it heads, also on the basis of an analysis of the issues that are important for the generation of long-term value, carried out with the possible support of a committee whose composition and functions are determined by the Board of Directors **[recommendation 1 a)]**

- The Board of Directors defines the nature and level of risk compatible with the strategic objectives of the Company, including in its assessments every element considered significant with regard to the sustainable success of the Company **[recommendation 1 c)]**

The role of enterprise risk management (ERM) and the risk management department is crucial in **helping the Governing Body** define and regularly update SIT's **"Risk Appetite"**. This **refers to the level of risk that the Company is willing to assume to achieve its objectives**, before taking action to mitigate risk becomes necessary. Hence the need to revisit the Risk Model and Risk Scoring Scale.

2
REGULATORY
EVOLUTION

The number of **national and international regulations** and bodies requiring companies to **report on ESG performance and related risks generated and incurred** is increasing. We are also seeing the continued development of **regulatory proposals aimed at reducing companies' ESG impacts**.

Organisms:

- **ESMA** - European Securities and Markets Authority
- **ISSB** - International Sustainability Standards Board

Main Regulations:

- **Legislative Decree No.254/2016** - Sustainability Report
- **EU Directive 2022/2464** - CSRD
- **Regulation (EC) No. 2020/852** - European Taxonomy

RISK MANAGEMENT

3

THE ENERGY TRANSITION

The process of identifying and managing company risks should incorporate disclosure of the positive and negative impacts a Company's activities have in the ESG sphere, as **requested by relevant regulatory bodies**.

The adoption of **EU policies to reduce greenhouse gas emissions** requires the **introduction of decarbonization targets in companies' strategic plans**

- **"FIT for 55" package**
- Increased cost of purchasing CO₂ allowances
- Higher prices of carbon intensive raw materials from non-EU countries
- Extra costs associated with the use of energy from fossil fuels
- **EU Green Deal** - encourage green transition and eliminate net GHG emissions by 2050
- **REPowerEU** - make Europe independent of Russian fossil fuels well before 2030

SIT has established decarbonization objectives in accordance with the requirements of the European Community, and the potential consequences of not attaining these targets should be evaluated from a risk management standpoint.

4

SUSTAINABLE FINANCE

Ratings agencies, stock market indices, and investors are paying increasing attention to non-financial performance and how **Environmental, Social, Governance (ESG) risks are managed**

• Ratings agencies:

- Moody's
- FTSE Russell
- ISS
- S&P Global

• ESG Rating & Carbon Management:

- Sustainalytics
- Carbon Disclosure Project – CDP
- EcoVadis
- Science Based Targets – SBT

ESG risks, due to their cross-cutting nature, were already partly included in SIT's Risk Model. Updating the ERM, therefore, involved redefining and expanding the scope of certain risks, in addition to creating a new category of risks based on the materiality analysis conducted, for the purpose of preparing the ERM.

The Company faces risks associated with this factor, which may result in hindrance in **accessing the capital market in the future, negative ratings from rating agencies**, or non-compliance with industry standards on ESG performance.

SIT has incorporated its Sustainability Plan goals and the EcoVadis rating into performance objectives linked to Remuneration Policies. The latter is also currently connected to the group's financial instruments (Senior Facility Agreement and Bond).

In light of the above considerations, Enterprise Risk Management has been aligned with relevant best practices through:

- a **review of all risk assessment parameters**, including economic-financial ones;
- the **inclusion of ESG-linked risks** in the panel of those considered relevant.

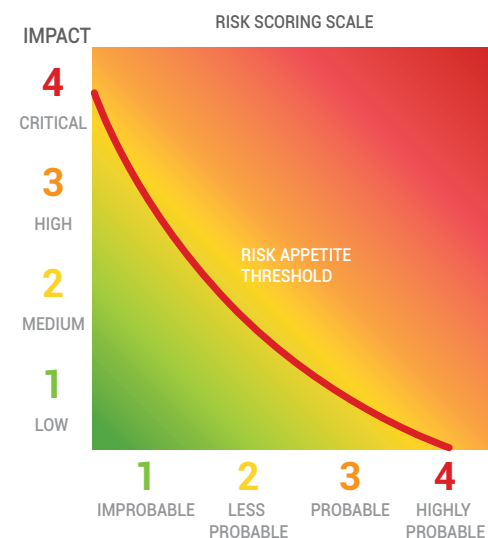
The actual deployment of the new model is scheduled for 2023; a diagram is provided on the next page.

RISK MODEL

MACROCATEGORY	RISK TAXONOMY
A EXTERNAL RISKS	<ul style="list-style-type: none"> Economic context Political/national context Sector trends Competition Technological innovation Natural/catastrophic events
B FINANCIAL RISKS	<ul style="list-style-type: none"> Capital availability/cost Funding/covenants Liquidity/working capital Commodity risk Currency/exchange risks Tax risk Interest rate volatility
C STRATEGIC RISKS	Business Strategy <ul style="list-style-type: none"> Business Development Investments M&A/JV and integration processes Organizational and governance structure Stakeholder relations
	Market <ul style="list-style-type: none"> Customer/business partner relations Tender Management
	Innovation <ul style="list-style-type: none"> R&D and sustainable innovation Intellectual property and expertise
D OPERATING RISKS	Human Capital <ul style="list-style-type: none"> Human resource management and development Health & Safety Freedom of association and labor/management relations
	Production <ul style="list-style-type: none"> Production Product quality
	Supply chain <ul style="list-style-type: none"> Purchasing / Outsourcing Logistics and warehouse Sustainable Procurement
	IT <ul style="list-style-type: none"> Strategy and architecture Data integrity Access/availability
	Planning and reporting <ul style="list-style-type: none"> BDG/Strategic planning Tax/financial planning Mgmt. and financial reporting
E LEGAL AND COMPLIANCE RISKS	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance with the Code of Conduct, policies, and procedures Contractual/Product Liability Compliance with tax and fiscal regulations

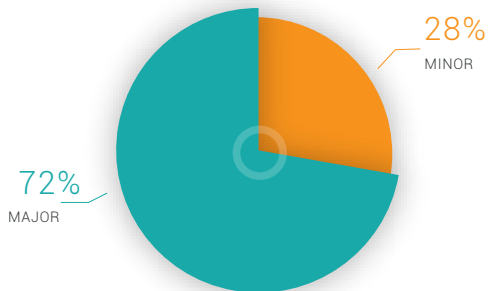
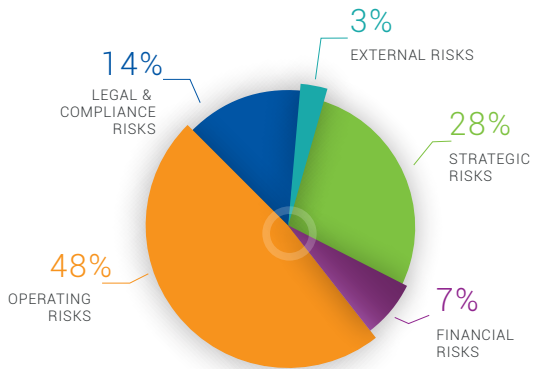
RISK MODEL

NEW MACROCATEGORY	RISK TAXONOMY
F ESG RISKS	<ul style="list-style-type: none"> Climate change Emissions and carbon management Pollution Energy consumption Human rights Diversity, inclusion and equal opportunities Culture of sustainability Ethics and business integrity



RISK MANAGEMENT

Risk by Area:



Main risks identified and mitigation plans

In 2022, Enterprise Risk Management activities related to:

- I. **Risk Assessment:** identification and evaluation of new and emerging risks.
- II. **Follow-up:** updates to the assessment of impact/probability of the risks identified in the previous sessions, including based on the progress of the relevant remediation plans.

29 risks were identified as a result of this process and were categorized according to the Risk Model. They were classified as either "major" (21) or "minor" (8) based on their proximity to the Company's established "risk appetite" threshold.

In relation to "major" risks, the Company has developed and adopted suitable remediation plans, in agreement with Senior Management and in compliance with the provisions of the Internal Control and Risk Management System (ICRMS).

The outcome of ERM activities is shared with the **Control, Risks, and Sustainability Committee** on a semi-annual basis by the **Risk Officer**, in coordination with key **Process Owners**. The Committee reports promptly to the Board of Directors on the Company's overall risk profile and the progress of remediation plans.

Risk assessment

When updating the ERM Model, SIT identified several relevant risks, especially concerning the disclosure areas of this document. The assessment included evaluating the potential impact and likelihood of these risks to occur, and determining the need to adopt suitable remediation plans.

Climate change

The risk pertains to the potential consequences of climate change on SIT's activities, assessed from a dual materiality perspective.

First of all, the Company's business development needs to take into account the potential impacts of increasing global temperatures, particularly concerning "transition risks³⁾", which include:

- **the introduction of new regulations and product standards;**
- **the development of new technologies that use energy sources other than gas;**
- **the evolution of market demand toward low-carbon and/or energy-efficient applications.**

³⁾ Task Force on Climate-related Financial Disclosure (TCFD)

RISK MANAGEMENT



There is also a need to assess possible “physical risks” related to the rise in catastrophic natural events (floods, droughts, earthquakes) over time, which could have an impact on the group's business continuity.

SIT has been proactively committed to these causes for some time by continuously monitoring the development of industry regulations. The Company has also participated in debates with regulatory bodies in the sectors in which it operates, at both the national and international level. It also engages in constant communication with its main stakeholders.

The process of developing new products and solutions is inspired by the logic of **eco-design**, paying special attention to Carbon Footprint profiles and environmental impact in general. **SIT has ensured its products are ready for the use of alternative fuel sources (primarily hydrogen and biomethane).**

Business differentiation and market response strategies are geared towards new “green” technologies. The Company is investing heavily in these areas by collaborating with major customers in technology partnership projects and diversifying its business into market segments that prioritize sustainability topics, such as mechanical ventilation.

The Company has adopted appropriate emergency management procedures to safeguard business continuity against physical risks. The Company constantly monitors these types of risks through property and business continuity risk assessment activities, with the use of specialized insurance consulting firms.

The second perspective related to climate change risk assessment involves exploring how the Company can combat climate change by adopting specific measures to mitigate the environmental impact of its operations. This can be achieved by reducing its carbon footprint, in addition to cutting emissions and consumption. By aligning its strategies with the carbon neutrality objectives set by the international community, the Company intends to contribute to the enhancement of community well-being as a whole.

SIT can be regarded as a leader in this particular area because:

- **it has certified its product carbon footprint measurement system in compliance with UNI EN ISO 14067:2018. Moreover, by mid-2023, it will obtain Organizational Carbon Footprint certification (GHG inventory);**
- **as a crucial step, it has integrated CFP measurements into its product development process, taking environmental impact into consideration alongside economic and financial evaluations;**
- **it has established a long-term plan to reduce CO₂ emissions (scopes 1 and 2), in line with European Community targets;**
- **it is actively engaged in specific projects to limit Scope 3 emissions, which involve significant participation from its value chain.**

RISK MANAGEMENT



SIT is subject to periodic audits by environmental supervisory authorities, which are carried out with full transparency and proactive cooperation

Considering these factors, the risk of climate change is currently evaluated as medium/low, and the measures for mitigation that are already in place are appropriate for the Company's risk profile.

The Company anticipates no significant consequences on the development of its business in the near future, as it has already factored in potential changes in demand for its products and solutions through strategic planning, which involves conducting relevant scenario analyses.

Emissions, Carbon Management, Pollution

The principal risks in this domain relate to the management of business operations, encompassing the entire value chain.

The evaluations include impact factors related to evolving environmental regulations, monitoring and containing pollutant emissions, managing energy consumption and natural resources, and ensuring appropriate disposal or reuse of waste.

In this regard, SIT ensures strict compliance with environmental regulations in all countries in which it operates. The group's main production plants are environmentally certified (ISO 14001:2015), and its Rovigo die-casting plant possesses an Integrated Environmental Authorization.

Environmental risks are closely monitored across all levels of the organization through the adoption of suitable structures and procedures. This is to ensure conformity with regulations, in addition to the performance of regular audits and monitoring controls. SIT also relies on independent laboratories and certifying bodies to guarantee the accuracy of the collected data and compliance with regulations.

The Company is dedicated to undertaking actions to reduce emissions, optimize energy consumption efficiency, and promote recycling and resource reuse in its production processes.

Similarly, in this case, the Company's risk level is considered to be medium-low. This is due to the significant absence of major events linked to the environmental impact of SIT's operations in its history and the positive results of periodic audits carried out by regulatory authorities.

Looking ahead, the Company adheres to the highest standards regarding the adoption of measures to minimize its environmental footprint, which can be deemed appropriately proportional to the environmental impact it generates.

Over the years, SIT has not detected any significant concerns related to this risk type through the activities mentioned above and is consistently striving to improve and monitor the working conditions of its employees and collaborators, thereby retaining a low-risk profile

SIT has also recently embarked on the process of Gender Equality Certification in application of the UNI/PdR 125:2022 practice

Protecting occupational health and safety

The assessed risk relates to SIT's failure to adopt appropriate policies and actions to safeguard the health and safety the group employees and contractors.

SIT is equipped with an organizational safety structure that reflects the requirements of the most advanced management systems. The same procedures and behavioral principles are applied across the entire group, as in the case of its Italian production plants, which are governed by the strictest regulations.

Each plant has designated company representatives specifically responsible for Health, Safety & Environment matters. These representatives are coordinated in Italy by the Employer in compliance with the provisions of Legislative Decree No. 81/2008. At the global level, these teams are overseen by the group's HSE Manager, who conducts regular inspections to guarantee compliance with local and international regulations, provide specialized training to local representatives, and develop and execute relevant mitigation plans for identified non-compliance risks.

The entire safety management system is based on the presence of the appropriate certifications issued by local supervisory authorities, the establishment and execution of safety plans, and specific 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 aspects of health, safety, and the environment.

Absolute importance is given to accident prevention through regular training and refresher courses for workers.

Human rights

This risk relates to the potential violation of human rights within the scope of activities carried out by SIT, with extension to the monitoring of policies and actions taken by the group's main stakeholders. In 2022, SIT devoted significant efforts to revising its ESG policy framework.

In this context, special attention was paid to the matter of human rights, which was included ex-novo as a material topic in the NFS. In this sense, SIT has made efforts to:

- update its Code of Conduct, devoting special attention to the respect and protection of fundamental rights within the value chain;
- draft and publish a policy dedicated to diversity and inclusion (D&I) topics.

Joining the United Nations Global Compact (in October 2022) represents another important step in the Company's commitment to fully adopting principles related to social, environmental, and anti-corruption issues. In 2023, SIT will ensure the full adoption and circulation of the above policies within the group and monitor their results through appropriate KPIs.

RISK MANAGEMENT

In 2022, the Company drafted an Anti-Corruption Policy that will be adopted and circulated in 2023. It includes appropriate risk assessment activities, employee training, and dedicated monitoring tools



Active and passive corruption

The risk pertains to the adoption of conduct that may lead to the commission of corruption offenses by SIT employees, collaborators, or relevant stakeholders in the management of Company activities or in the context of business relations.

In general, the Company takes a zero-tolerance approach to corruption and has prepared and adopted appropriate policies and procedures to prevent risks of this nature.

The group's Italian companies have adopted Organization, Management, and Control Models in accordance with the regulations set out in Legislative Decree No. 231/01. These models establish behavioral rules and control principles that stakeholders must adhere to, with specific reference to corruption offenses. At the international level, basic principles are defined by the Code of Conduct and dedicated procedures and policies.

The Company historically has not experienced incidents of corruption and has a medium-low profile of exposure to this type of crime, but constantly works to maintain high standards of ethics and integrity.

IT risks

Cyber risks mainly concern:

- improper use by SIT employees and collaborators of the IT infrastructure and devices that the Company makes available for the performance of their work duties;
- the Company's exposure to cyber-attacks, which could compromise the normal course of business processes/activities and/or the theft or loss of sensitive data, even going so far as to compromise business continuity.

SIT's IT Department has appointed specific professionals with experience in cyber security and annually defines a risk assessment and management program that includes:

- a system of internal policies and procedures that outline the main rules for the use of corporate IT resources by employees, including the regulation of physical and digital access to data and information;
- the continuous updating of IT infrastructure at both the HW and SW level to ensure the best active and passive protection solutions against external attacks (viruses, ransomware, phishing, etc.);
- a program of penetration testing and vulnerability assessments, to identify potential gaps in IT infrastructure and draft appropriate remediation plans related to detected non-conformities;
- extensive training for all employees with digital identities on cyber risks.

The Company responded promptly to the increase in cyber risks in 2022 due to recent geopolitical events by intensifying its monitoring activities and strengthening related safeguards, in line with the best benchmarks, to maintain a low-risk profile.

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

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.*

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.

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 group⁴.

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.

⁴ For example, the Code of Conduct, 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.

ETHICS AND BUSINESS INTEGRITY

SIT wants to create value for all its stakeholders. This means placing economic performance alongside ethical performance, prioritizing the creation of safe, high-quality products and guaranteeing awareness of the social and environmental impact of its work

REPORTING MECHANISMS

The Code of Conduct includes reporting mechanisms for all stakeholders at the group level, in compliance with relevant international regulations on whistleblowing

One of the Company's 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 properly behave, regardless of the role held in relation to the company.

The compliance framework

As part of its Sustainability Plan, the Company has prioritized strengthening its **Compliance Framework**, which consists of **corporate policies, internal procedures, and operational processes** that define appropriate principles of behavior and control tools designed to **prevent and counteract unethical conduct** and ensure compliance with standards and best practices.

The main project involved **updating the group's Code of Conduct in 2022**, which, by defining best behavioral practices, is **one of SIT's main corporate responsibility tools. It has been developed in full coherence and alignment with the Company's Mission and Vision and the specific values associated with them.**

The new Code of Conduct, based on the group's **fundamental principles**, is based on the following dimensions relevant to management:

- **of business relationships;**
- **of human resources;**
- **of the environment;**
- **of governance and regulatory compliance;**
- **of privacy and data and information usage.**

The new Code of Conduct places a strong emphasis on ESG topics, to which special attention is paid.

In 2022, an **Ethics and Equal Opportunities Committee** was established to periodically update and review the Code of Conduct. The Committee also ensures that the Code is circulated throughout the group and defines, adopts, and monitors specific ethical actions.

The revised **Code of Conduct was approved by the Board of Directors on March 21, 2023**. Specific induction and training activities will be conducted throughout the year to ensure its full circulation to employees, collaborators, and other key group stakeholders.

Finally, in 2022, no reports were received regarding breaches of SIT's Code of Conduct.





In 2022 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

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, according 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.

With regards to the Organizational Model, the **Supervisory Board** (also "SB") established at each of the two companies has the task of:

- (i) **monitoring compliance with its provisions by all Addressees;**
- (ii) **analyzing and evaluating its effectiveness in preventing offenses;**
- (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;**
- (vi) **proposing to the Board of Directors updates to the Model to accommodate changes in the 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.

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.

COMPLIANCE WITH LAWS AND REGULATIONS

In 2022, there were no significant violations of rules and regulations, and the Company did not receive any fines or penalties

Every department at SIT is accountable for managing the risk of non-compliance with regulatory requirements, government standards, and international obligations, in line with the Company's Internal Control and Risk Management System.

Therefore, the company departments conduct suitable monitoring activities to keep up with regulatory changes and continuously collaborate with other departments to ensure that the Company's operations comply with the legal and regulatory framework.

They use expert advisers and consultants, where necessary and for particularly complex matters.

Critical issues detected are punctually shared with control and staff departments (Legal, Governance & Risk Management, Administration Control and Finance, Human Resources) and, if necessary, brought to the attention of the Corporate Control Bodies (Internal Audit, Control, Risks and Sustainability Committee, Board of Statutory Auditors, Supervisory Board). Ultimately, regulatory compliance issues are reported to the CEO and Board of Directors (BoD).

The main regulatory areas that are monitored relate to:

- product safety and quality;
- protecting intellectual property;
- health, safety, and hygiene in the workplace;
- safeguarding the environment;
- labor law;
- accounting, tax, and customs;
- competition, corruption.

COMBATING CORRUPTION

SIT's commitment to combating all forms of active or passive corruption is of particular importance, per applicable laws and regulations. This commitment has been further strengthened by the Company's decision to join the UN Global Compact in 2022.

SIT maintains a **"zero-tolerance"** policy towards incidents of corruption and is investing in strengthening its control and monitoring systems, in addition to providing appropriate training to company personnel.

COMPLIANCE WITH LAWS AND REGULATIONS



Finally, we note that no episodes of active or passive corruption were detected within the group in 2022

In 2022, SIT developed a group **Anti-Corruption Policy**, which will be distributed in 2023. The main goal of this policy is to provide adequate references, guidelines, and operational instructions to ensure that all parties:

- **fully understand their duty to personally and professionally act in line with the highest standards of transparency, ethics and integrity;**
- **contribute to combating corruption by aligning their behavior with the provisions of national and international standards, the SIT Code of Conduct, and the set of corporate policies, procedures, and best practices;**
- **can identify and report concrete cases or suspicious events related to corruption and/or fraud, using the appropriate tools made available by the Company and the legislative system (e.g., whistleblowing channels).**

The Policy is an additional tool to mitigate corruption risks related to the Company's activities and forms part of a broader control and monitoring system represented by:

- **The Code of Conduct;**
- **Group policies, procedures, and operational guidelines;**
- **The internal control system according to Law No. 262/05;**
- **The Organization, Management and Control Models pursuant to Legislative Decree No. 231/01;**
- **Company IT systems;**
- **A delegation and authority system.**

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

In 2022, SIT's entire "white-collar" workforce in Italy received training on issues related to Legislative Decree No. 231/01, including corruption crimes, as part of a training program provided on the new "Skilla" training platform.

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 joined to various associations and participates in both local and international working groups, collaborating with companies from different sectors to encourage innovation and the standardization of product technical standards for common general interests.

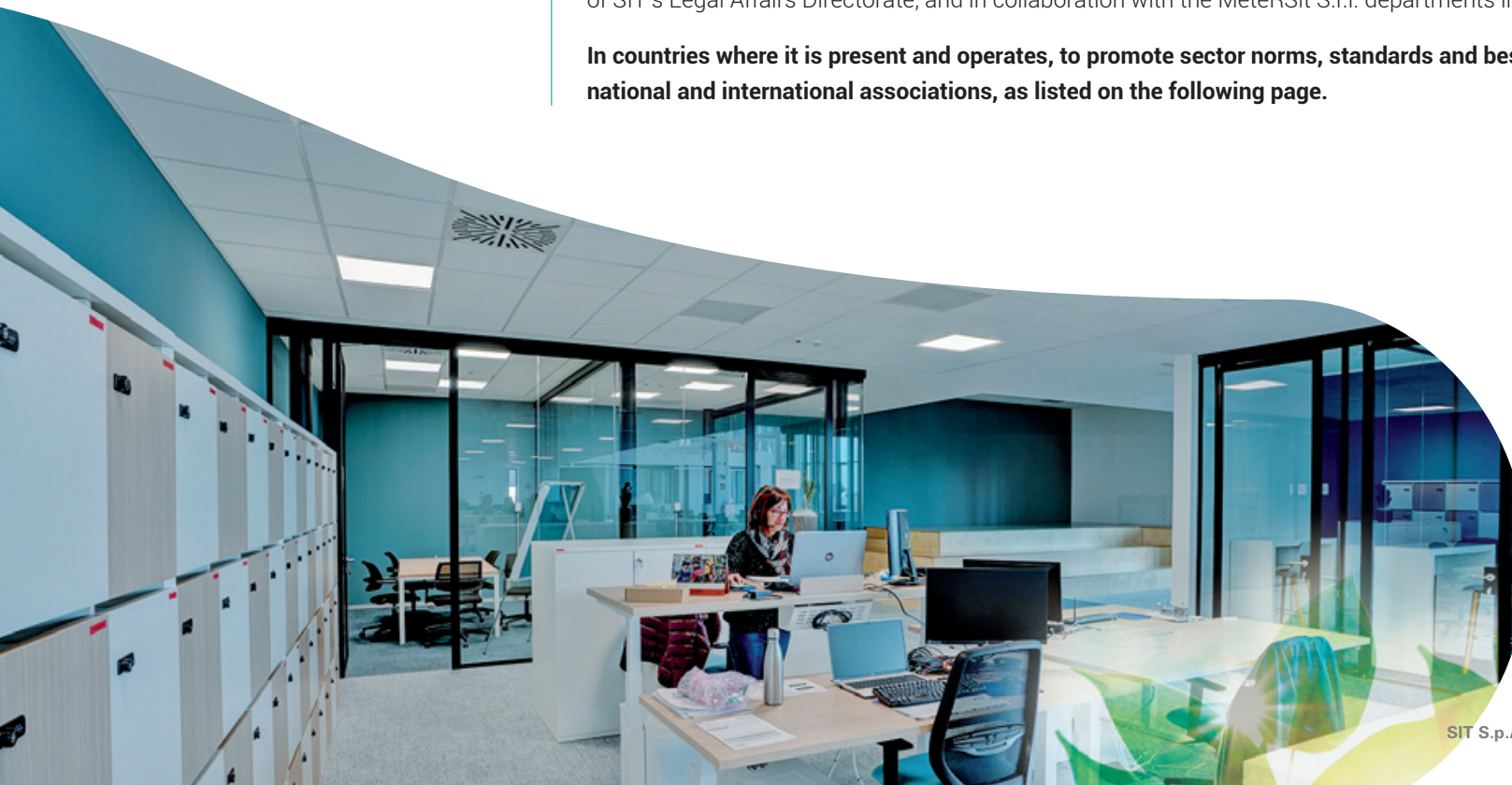
Regarding the group Metering Division, MeteRSit S.r.l. maintains institutional and commercial relations with the main Italian gas distribution companies, and participates in both public and private tenders.

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. MeteRSit S.r.l. is therefore 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 S.r.l. 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, to promote sector norms, standards and best practices, SIT collaborates with various national and international associations, as listed on the following page.



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	<p>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 a few years after the association's foundation in 1963.</p> <p>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.</p> <p>In November 2021, Ettore Rossi, SIT's Regulatory Affairs Manager, was appointed Afecor's new Chairperson.</p>
	FARECOGAZ The European Association of gas meters gas pressure regulators manufacturers and Associated Safety Devices and Stations	<p>Farecogaz is the leading European association of manufacturers of gas meters, gas pressure regulators, associated safety devices, and control stations.</p> <p>The association's goal is to be a key player in the European gas industry, along with Marcogaz, the association of European gas distributors. Together, they promote the digitalization of gas infrastructure towards a green transition. Farecogaz works with the European Commission, CEN, ISO standardization authorities, and the metrological regulator WELMEC to ensure consistent and jointly accepted standards for meters and pressure regulators in Europe.</p> <p>In October 2022, Giovanni D'Alberton, Market & Regulatory Affairs Manager at MeteRSit, was appointed Chairperson of the Farecogaz Metering Technical Committee.</p>
	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	<p>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.</p> <p>MeteRSit is a member of Figawa and participates in several technical committees to receive information on the status of key regulations and initiatives related to the world of natural gas and hydrogen in Germany.</p>
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 Variata 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	APPLiA 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. MeterSIT is an ANIE member and participates in the Smart Metering Group, which brings together associated manufacturers in the field of electricity-gas-water meters and associated energy awareness devices.
	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.
	Community Valore Acqua per l'Italia (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 Community Valore Acqua per l'Italia brings together representatives along the water supply chain, including network operators, service providers, agricultural representatives, industrial players, technology providers, and software developers.
	UNI Italian Standards Body	UNI is Italy's national body for standardization in all fields. MeterSIT is a member of UNI and participates in Technical Commissions on metrology (CT027) and flow metrology (CT055).
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	The AGA brings together gas delivery companies in the energy industry. 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.



MADE FOR FUTURE

Material Topics:

- Research and Development and Sustainable Innovation
- Responsible Supply Chain Management
- Energy Consumption
- Emissions
- Circular Economy
- Water Resources
- Effluents and Waste
- Product Quality and Safety

ENVIRONMENTAL RESPONSIBILITY

SIT AND THE ENVIRONMENT



In 2022, SIT completed the Organizational Carbon Footprint measurement process (GHG inventory of Scope 1, 2 and 3 emissions), adopting 2021 as its baseline year

SIT pays close attention to the **environmental impact of its activities**, from product development, to production, distribution to customers, and after-sales.

SIT actively contributes to the task of preserving the planet's resources and **protecting future generations** by addressing critical environmental topics such as climate change and the depletion of natural resources.

SIT's commitment to this issue translates into:

- **innovation**, by investing in the research and development of products that minimize environmental impact, focusing on projects that involve the use of renewable sources;

In the Heating Division, SIT has already made its products **100% compatible with alternative fuels, such as hydrogen and biomethane**. The 100% Hydrogen Meter was the first in the world to obtain MID certification.

- adopting a **circular economy** logic;
- constantly ensuring **full compliance with current environmental protection legislation**;

SIT has adopted an **ISO 14001:2015** certified Environmental Management System (EMS) at **45% of its production plants**; Rovigo (Italy – three plants), Monterrey (Mexico), Brasov (Romania).

- promoting and encouraging responsible behavior and **awareness among all stakeholders of the group towards environmental impacts** and the conscious use of resources;
- **committing** to maintaining **high environmental standards** throughout its entire supply chain, with a particular focus on monitoring and **reducing energy consumption and emissions, promoting the efficient use of raw materials, and reducing and reusing waste**;
- ensuring an **open and collaborative dialogue with all relevant bodies and authorities**;
- promoting and being active participants in **environmental improvement projects** in its local communities.

RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION

At the end of 2022, SIT had 90 active patent families, compared to 88 in 2021

SIT has engaged in numerous **research initiatives** alongside renowned Italian universities, including the Polytechnic University of Milan, the University of Padua, and the University of Ferrara. Additionally, SIT has collaborated with leading global players in co-design and development endeavors. It has also established **partnerships with technology incubators and providers**. Numerous research collaborations with universities are currently active on the development of **innovative technologies** aimed at significantly **reducing energy consumption and pollution**, while ensuring ever-improving user comfort.

At SIT, the **innovation and development process** follows the logic of **eco-design** to minimize the environmental impact of products throughout their life cycle: from design to production, and from use to disposal (end of life).

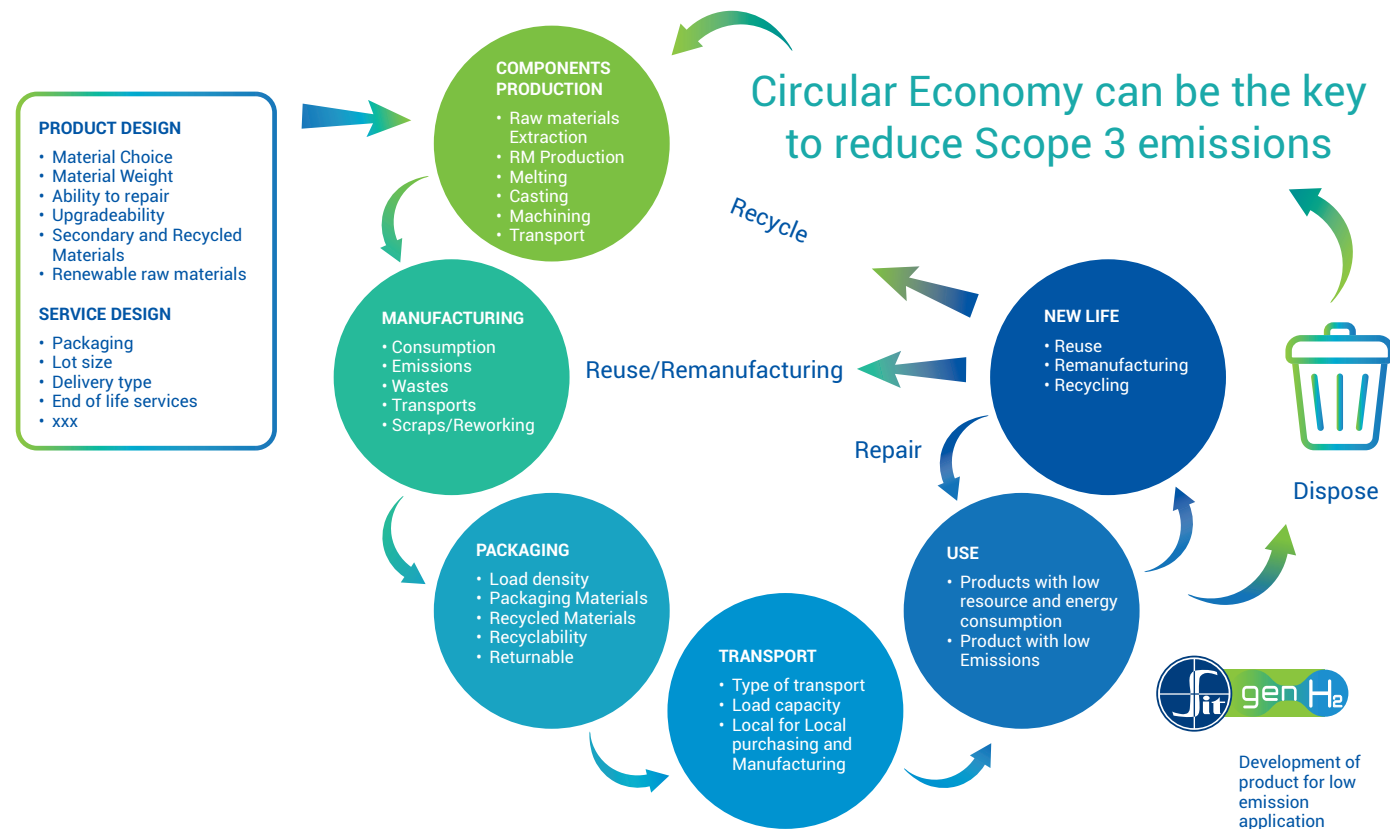
The Product Development Procedure was updated in 2022 to include the **Product Carbon Footprint analysis** during the early stages of design.

SIT's Research and Development Department can systematically evaluate viable design alternatives using a **Life Cycle Assessment** approach, considering the calculation of CO₂ emissions alongside technical and economic dimensions.

In 2022, SIT incurred **Research and Development costs of Euro 13.6 million, equivalent to 3.5% of revenues**, compared to Euro 12.5 million in the previous year (3.3% of revenues).

In 2022, the research and development area had an **average workforce of 124**, including **79** located at the Parent Company.

Research seeks to develop electronic and mechanical solutions that are increasingly integrated, while at the same time capable of maximizing comfort performance by reducing energy consumption and CO₂ emissions. SIT seeks to **provide its customers with innovative solutions that enhance efficiency and expedite their sustainability strategies at the most favorable total cost of ownership, while ensuring a rapid time-to-market.**



RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION

SIT has confirmed its position as a technology partner for manufacturers of boilers and heating systems, actively contributing to the transformation of the supply chain towards

MeteRSIT's meters have already been used in pilot projects in the United Kingdom, including hydrogen villages in Gateshead

CO₂ EMISSION REDUCTION

Consistent with the decarbonization objectives set by the European Union, SIT has integrated and adapted its product range in the Heating and Metering divisions to use **hydrogen** and **biomethane**. This was achieved through the development of tailored solutions in collaboration with major customers.

As for the **Heating Division**, SIT continues to invest in the development of technologies for boilers capable of operating with both **100% hydrogen** and biogas blends.

At the MCE fair in Milan, held in 2022, SIT exhibited a new, high-efficiency residential boiler fitted with **"Made by SIT"** combustion control systems that produce **zero emissions** thanks to the use of green hydrogen.

To reduce CO₂ emissions associated with the production of components upstream of its activities, SIT calculated the Carbon Footprint of its new condensing boiler fans. The results revealed a reduction of over 20% compared to previous models, achieved through the use of lighter materials, a redesigned circuit board, and other measures.

Building on the products that have already been certified for the UK market, which can operate with gas mixtures containing up to 23% hydrogen, **SIT completed the certification process for residential and commercial meters that can operate with 100% hydrogen in 2022.**

In fact, the subsidiary company MeteRSit has also obtained **MID - Measuring Instrument Directive** certification for its commercial meter **Domusnext® 2.0 MMU40 H₂**, released by the notified body NMI Certin B.V. The certification is valid in Europe and the UK but is also recognized in other non-EU countries and guarantees the accuracy and reliability of the measuring instrument.

The Domusnext® 2.0 MMU40 H₂ meter also obtained Commercial Product Assurance (**CPA**), which is a form of cyber security certification issued by the UK cyber security agency NCSC (National Cyber Security Centre). It is valid for the UK. CPA-certified products guarantee data integrity and communication safety against fraud and cyber-attacks. The certification covers not only the product but also the integrity of the company's processes over the entire life cycle - from design and production, to operability in the field to end-of-life disposal.

In 2022, MeteRSit's metrology laboratory – one of the few laboratories in Europe equipped with certified instrumentation and procedures for measuring mixtures containing hydrogen and pure hydrogen – received confirmation of laboratory accreditation for its technical and system parts according to **ISO/IEC 17025** by ACCREDIA inspectors.

Of particular importance was the publication, on December 22, 2021, of the **UNI EN 17526:2022 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. Although UNI EN 17526 has not been standardized, it still constitutes a technical benchmark for manufacturers and certification bodies to issue the CE conformity marking. It also ratifies the **maturity of the product** and certifies its full right of "citizenship" within the landscape of the various existing technologies.

RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION



MeteRSit made notable progress in 2022 by developing and manufacturing a multi-protocol meter, named **"Vision"**, which incorporates various communication technologies. The Vision product not only has the ability to be used in settings with up to 23% hydrogen, but can also identify and adapt itself to the actual percentage of hydrogen fed into the grid.

Finally, Italgas Reti asked MeteRSit to design an innovative thermo-mass technology meter, which can provide accurate measurements in any conditions, without the need for external conversion devices. Accuracy is guaranteed for a variety of uses: natural gas, biomethane, and hydrogen, both pure and "blended" with natural gas blends. The innovative meter, which will be launched in 2023, incorporates sensor technology that can analyze pressure losses in networks, detect seismic activity, and communicate automatically with the central system.

REDUCTION OF ENERGY CONSUMPTION

In 2022, the development of new **condensing boiler fans** designed to operate with both blended and **100% hydrogen** was completed. These fans use three-phase brushless motor technology, making them 5% more efficient than benchmark competitors, quieter, and able to offer the best performance-to-size ratio.

New fans equipped with new-generation condenser and brushless motors have also been developed for **extractor range hoods**. Due to their high energy efficiency, they have been categorized as class A++ (with brushless motors).

These fans boast the highest capacities and efficiencies and are equipped with special accessories that reduce vibrations generated by rotating parts and noise. This new generation of capacitor motors is designed to achieve the highest possible efficiency levels and reduce consumption at various operating speeds, resulting in tangible utility savings.

REDUCTION OF WATER CONSUMPTION

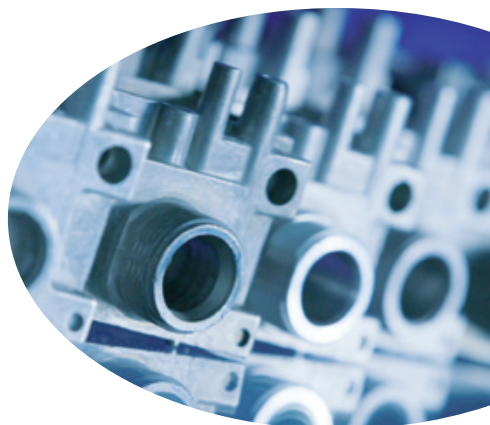
SIT, which entered the water meter market at the end of 2020 with the acquisition of the Portuguese company **Janz**, also pursues the development of sustainable products through the introduction of new technologies for **measuring water resource consumption**. The latter allows end users to track their consumption, which has a positive impact on waste reduction, thus ensuring **water savings and energy efficiency**.

This is all made possible by **IoT** (Internet of Things) technology. One example is the next-generation smart water meters showcased at the **Enlit** exhibition in Frankfurt in November 2022.

When deployed on a large scale, new water meters can help drastically reduce water waste. In fact, they are equipped with a communication system that detects consumption remotely, identifies leaks and inefficient use from a smart building perspective, and supports the provision of services to ensure network efficiency, as well as water balancing.

RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION

The partnership with UpSens is part of a strategic development path for the VMC segment



IMPROVED AIR QUALITY

The pandemic has brought an awareness that the ongoing monitoring of **air quality, noise, and brightness** in indoor environments, as well as the automated control of the systems involved in their management (air conditioning, heating, and ventilation), are a basic requirement for people's health.

A focus upon health and well-being in indoor environments is growing: in Italy and other industrialized countries, people spend about 90% of their time indoors, where the air can be as much as five times more polluted than outdoors. Smart buildings have therefore grown in popularity over recent years, involving the digital and automated connection, thanks to IoT (Internet of Things) and home automation, of residential and office buildings, which therefore become "intelligent", i.e., capable of monitoring quality parameters and managing in an automated way the systems that make an indoor spaces healthy.

Indoor air quality control is one of the core elements of SIT's mission. This awareness prompted SIT to acquire a stake in **UpSens** in 2022. This innovative SME is based in Trento and belongs to the Optoi Group. It specializes in the development of devices for monitoring indoor environmental parameters, both in standard and custom set-ups, with specific expertise in air quality. By making this **strategic decision**, SIT demonstrated that it intends to play a leading role in the energy transition, creating solutions that can truly make a difference to people's quality of life, in line with decarbonization goals and environmental protection policies. Major synergies will arise from the collaboration between SIT and UpSens in the area of air quality solutions, particularly in the **VMC** (Controlled Mechanical Ventilation) segment. VMC solutions enable air exchange and filtration and, through heat exchange between the outgoing and incoming air, improve the thermal efficiency of buildings. SIT is already a supplier of control electronics for the VMC segment and plans to further expand its range over the coming years.

USE OF CIRCULAR ECONOMY LOGIC

SIT operates in a global market that is currently facing **increased demand for raw materials** and **resource scarcity**. In light of the impact that extracting and using raw materials has on the climate (increased energy consumption and carbon dioxide emissions), in addition to the European Commission's action plan for a new circular economy under the Green Deal, **SIT is committed to creating sustainable products by purchasing secondary materials or reusing existing ones.**

By doing so, SIT can contribute to reducing the amount of materials used, the Carbon Footprint of its products, and Scope 3 emissions.

All **die-cast** components produced by SIT at its own plants and those provided by suppliers are made from secondary aluminum.

SIT applies a logic of regeneration and reuse with regard to the brass bodies of its **water meters**.

RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION

In fact, the following two factors are systematically encouraged during the design phase:

- A focus on **minimizing the consumption** of materials used in the manufacture of products and components. Efficiency is a key requirement for the sustainability of new products;

The production of plastics used in new fans reduces CO₂ emissions by 60% compared to previously used plastics

- The use of **materials that produce lower emissions**;

To enhance sustainability and decrease the carbon dioxide emissions of its products, MeteRSit is exploring the potential of incorporating recycled plastic shells into its domestic, commercial, and industrial meters

- The choice, where possible, of **recycled materials**: the metals used in the manufacture of products are mainly of secondary origin, and scraps are sent for recovery;

Aluminum, brass, and steel, which make up an average of 66% of the weight of a valve and 49% of a fan, are made from scrap

- The **search for opportunities to reuse materials**. For water meters, products from the market are actively recovered for remanufacturing and reuse of the brass body, in line with a logic that also seeks to reduce the energy cost of material recovery. As a component supplier, **collaboration with customers** is key in establishing policies on circularity.

Specifically, the **reuse of materials**, initial discussions have begun with key customers to identify additional **cross-cutting opportunities to reduce emissions**, with the goal of strengthening the partnership toward shared sustainability.



RESPONSIBLE SUPPLY CHAIN MANAGEMENT

In 2022, we further strengthened our Supplier Management process by applying ESG criteria to the supplier engagement, evaluation, and selection stages

The Supplier Code of Conduct has to date been signed by 63% of suppliers, covering 95% of turnover

We are committed to establishing a **sustainable value chain** that can create long-term benefits for SIT, its suppliers, and its customers. We are committed to respecting the environment, workers' rights, and local communities. Our focus is on minimizing our impact throughout the product life cycle (LCA), paying particular attention to reducing our carbon footprint. We involve our suppliers as business partners in the pursuit of sustainability, quality, and safety goals for products and processes.

Both group divisions have a **central procurement department** for the procurement of raw materials, components, semi-finished products and services (both auxiliary and unrelated to production) for all of the divisions' companies.

To respond appropriately to the needs of an increasingly volatile market, the **Heating Division's** entire supply chain brings together under a single management team the Sales, Material Planning, Customer Care, After Market and Procurement departments. SIT believes that the synergies that come from working as a single team promote improvements in the level of service provided to customers, enabling a focus on analyzing and managing market dynamics and fluctuations and managing the supplier base with increasing attention to risk coverage and ESG issues.

Over the years, the group has established a structured supplier management process, which seeks to obtain components, materials, and services at the right price, on time, and with a high level of quality. It also has the goal of promoting an environment geared toward respect for **ethics** and **sustainability**, along with the development of stable relationships, the pursuit of safety, innovation, and technological development throughout the supply chain.

SIT encourages continuous improvement in its suppliers' performance and their involvement in product innovation processes, with a view to strategic partnership. To ensure the utmost safety and quality of its products, **SIT is committed to involving suppliers from the earliest stages of project development**, taking a preventive and proactive approach to anticipate and resolve any critical issues. Direct discussion, sharing of best practices, mentorship, and process analysis are just a few examples of activities carried out once again in 2022 to support the development of quality skills in production process management.

Finally, 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 that 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'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, fair competition, anti-trust, conflict of interest and corruption prevention, information confidentiality, and property rights. The Code is distributed to suppliers during the stipulation of the supply contract, and must be returned signed for acknowledgment.

In carrying out its activities, SIT relies on the contribution of more than **600** companies, located in **30** countries around the world, which provide goods and services that are essential to the group's industrial processes.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT



In 2022, there were **623** third-party suppliers for **98** commodity groups. In terms of expenditure, the suppliers with the greatest impact are those that provide direct materials.

Percentage of suppliers by supply type	2022	2021
Metals, raw materials, plastic and rubber components	38%	38%
Electronics and electromechanical components	33%	30%
Production services for factories and subcontractors	29%	32%

SIT also pursues an **international development strategy that centers around** the local area and a commitment to creating stable relationships with local communities. This is reflected in the high percentage of suppliers located in the same geographical area of Italy where the group's foundry, machine shop and logistics hub are located.

However, given the specificity of its products, in the supplier selection, process the **quality of procured materials** takes precedence over the geographical proximity of the supplier to group production sites. We also 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 group companies.

As shown in the following table, procurements from local suppliers are highest in **Italy, Portugal, and the Netherlands**.

Portion of spending on local suppliers ⁵	2022	2021
Italy	43%	45%
Portugal	40%	47%
Netherlands	30%	37%
China	25%	17%
Mexico	12%	11%
Romania	3%	3%
Tunisia	3%	2%

5) The percentage is calculated from expenditure on direct suppliers, considering local suppliers to be located in the same geographical region. The calculation also includes inter-company suppliers. Countries with significant operations are those where the group has production facilities. The 2021 figure of 47% for Portugal is included as of the 2022 NFS as it is useful for comparative purposes with 2022.

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**.

With this objective, and in the interests of raising awareness of the importance of sustainability issues, a training course focused on Carbon Footprint was organized in 2022 and involved the entire Central Purchasing function.

EcoVadis' main assessment tool consists of a collaborative platform which allows companies to monitor their suppliers' sustainability practices, manage their risks, and request that corrective action is taken where it is deemed necessary

SUPPLIER SUSTAINABILITY SYSTEM ASSESSMENT

In the process of **auditing suppliers** working under contract for SIT, inspections are planned to verify compliance with applicable regulations on **health and safety in the working environment**.

Prompted also by the need to verify suppliers' measures to contain the COVID-19 pandemic, SIT has applied a structured process shared with the suppliers themselves, which seeks to raise their awareness and support them in the effective management of occupational health and safety aspects, preventing and mitigating any impacts caused by the activities outsourced by SIT.

The process comprises three main stages:

- Clear **communication** of the standards SIT requires of its business partners regarding product and service quality, respect for **Human Rights** and worker protection, and attention to **ESG issues** more generally
- **Evaluation** of suppliers' ability to meet technical specifications and ESG requirements, both at the qualification stage and throughout the business relationship, and monitoring of supply risk
- **Support** suppliers in their continuous performance improvement activities along with strengthening innovation capacity

Guided by a specific desire to assess and possibly extend sustainability culture and practices to the entire upstream supply chain, in 2022 **SIT began an experimental project to assess and monitor its suppliers' sustainability systems** with the support of **EcoVadis**, an independent international rating company that seeks to improve companies' environmental and social practices.

The assessment methodology incorporates several international sustainability standards (e.g., the Global Reporting Initiative, ISO 26000) and is based on **21 Corporate Social Responsibility (CSR) criteria** grouped into four categories:

- Ethics
- Working practices and human rights
- Environment
- Sustainable procurement

Trade CSR scores - which are expressed on a scale from zero to 100 - correspond to performance that can be ranked from insufficient to structured and proactive towards ESG issues. For each supplier analyzed, the EcoVadis platform issues an assessment report that highlights strengths and areas for improvement in managing sustainability issues, which the supplier can use to take action to improve its performance.

As part of the experimental project, in **2023** the initiative will involve **25%** of a total pool of about **200** strategic suppliers in the Heating Division, before increasing to **50% in 2024**, and **75% in 2025**.

Conflict minerals refer to commodities or minerals such as tin, tantalum, tungsten and gold from areas of high risk or affected by armed conflict, where trade in such materials may finance armed groups, fuel forced labor and other human rights violations, and support corruption and money laundering

MANAGEMENT OF THE PROCUREMENT OF RAW MATERIALS AND CHEMICAL PRODUCTS

As SIT products are extremely specific safety and measurement products, both component suppliers and the components themselves are subjected to rigorous approval processes that lead to reliable supply standards.

SIT has established a structured process for **supplier base assessment and approval** to ensure that every supplier is able to consistently produce and deliver **high-quality** products in accordance not only with SIT's required specifications, the end customer's expected reliability, and compliance with agreed timelines and costs, but also with **international** regulations governing trade in **hazardous chemicals** and **raw materials originating from conflict zones**.

The responsible sourcing of **Conflict Minerals** is currently subject to regulation in international trade through U.S. federal law, Section 1502 of the Dodd-Frank Act, and in Europe through Regulation (EU) 2017/821. These regulations are designed to discourage the use of such materials as trading in them may fund conflicts in at-risk areas where there are serious human rights violations.

SIT undertakes to use and acquire only materials not containing minerals from conflict zones, thereby avoiding indirectly contributing to human rights violations.

This commitment is the responsibility of the Supplier Quality function, which is also tasked with:

- **Qualifying** new suppliers in line with SIT quality standards and approving new components with automotive procedures
- **Supervising** production processes and ensuring compliance with supplier control plans
- **Monitoring** the quality of supply to its production lines
- **Analyzing** supply nonconformities and implementing necessary corrective actions at suppliers
- **Continuously developing** growth and development plans for strategic suppliers and improvement plans for critical suppliers

The percentage of turnover monitored in line with the above criteria increased by an additional **1.5%** in 2022, reaching coverage of **70.6%** of direct materials purchasing turnover

Among the many actions taken to **protect human health** and **the environment**, the group has defined the **standard SIT 4900000**, which is regularly updated.

Changing constraints on material use in the international arena requires control and management tools to be available in the supply chain. As such, SIT has introduced a management system called **Material Trade Compliance (MTC)**. By introducing a privileged channel to the supply chain, this system can analytically configure **the compliance status of SIT's products**.

MTC currently allows coverage of the compliance issues regulated by the SIT 4900000 standard under the Conflict Minerals Regulation, the REACH and RoHS Directives, the U.S. Toxic Substances Control Act, and an additional set called SIT Restricted Substances that allows potential future critical issues in procurement to be monitored.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Since 2020, SIT is an AEO "Full" certified Authorized Economic Operator. This authorization from the Customs Agency proves that SIT is equipped with reliable, secure business processes that meet international trade standards

Suppliers interact with the MTC system through a dedicated portal, providing all necessary information and monitoring the processing status of requests received by SIT.

Specifically, the Conflict Minerals reporting template (CMRT) protocol is adopted for the management of Conflict Minerals.

Providers are involved with a cover letter and receive onboarding support from a dedicated guidebook and webinars.

In addition, a dedicated sustainability area has been created and is available on the **SIT Supplier Portal** home page to encourage effective communication, share best practices, and develop greater awareness of sustainability issues through topic-based insight. This included sharing brochures dedicated to Conflict Minerals and the issue of Cobalt.



THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS



The scientific community, from the United Nations' Intergovernmental Panel on Climate Change (IPCC), is unanimous in identifying greenhouse gas (GHG) emissions as the main cause of ongoing climate change. It stresses the importance of rapid and timely reduction action, since the time window available to contain temperature increases below the 1.5-degree threshold is less than 10 years.

Determined to play its part in this process of change, **in 2020 SIT embarked on a process of analyzing its own emissions** to extend its focus on its impact on the environment beyond its direct activities. The process began by measuring emissions and the calculation of the **carbon footprint**, a parameter that seeks to assess the impact on climate change in terms of CO₂ emissions.

To better manage measurement, analysis, and planning activities, and to respond to increasing demands from stakeholders inside and outside the company, in 2022 a specific **Carbon Management** function was created. This is an active part of the Sustainability Team and focused on issues relating to climate change impacts.

The new function has the objective of managing greenhouse gas emissions by measuring and analyzing data, identifying potential areas for action, setting reduction targets, developing and managing an action plan, and raising awareness of climate change issues at all company levels to promote a widespread culture.

Carbon Disclosure Project

Firmly believing in the value of transparency, in 2022 SIT joined the **Carbon Disclosure Project** (CDP) program, which assessed the Company's progress on its path to decarbonization. The program recognized the Company's awareness of the issue of climate change and its efforts towards a mature model to manage its impact. CDP also provides authoritative guidance for SIT in setting improvement targets.

IMPACT MEASUREMENT

Methodologically following the ISO international standards, to measure its carbon footprint **SIT has chosen to analyze the entire product life cycle**, complementing the collection of direct emissions with that of the external activities of the SIT supply chain.

Product study

In studying its products, SIT used the **Carbon Footprint Systematic Approach**, a model created specifically for the Company according to the **UNI EN ISO 14067:2018** standard. This collects in a database all the company information needed to categorize its products and production processes in terms of Greenhouse Gas emissions. Along with the model, the **Product Category Rules** prescribed by the standard for the calculation of the specific product categories under consideration were developed and published and serve as a regulatory benchmark for the CFP for similar products.

THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

The EPD model is integrated with the CFP model and will be verified by a third party in H1 2023

The GHG inventory was created taking 2021 - the first year of reporting - as the baseline

In 2021, the system was introduced for the Heating Division's main product lines:

- Mechanical controls
- Electronic controls
- Fans

In 2022 it was extended to Gas Meters in the Gas Metering Division.

The CFP Systematic Approach model was verified by an independent third party. **SIT is therefore now autonomous in properly calculating and certifying the carbon footprint of its products** and can publish them as part of accredited Program Operators.

Analyses of two of SIT's major products - the 845 Sigma valve and the new NG40E Fan - were published as part of the Program Operator Carbon Footprint Italy.

The CFP Systematic Approach database was updated in 2022 and periodic third-party verification is scheduled for the first half of 2023. The model was also supplemented by the calculation of the **Environmental Product Declaration (EPD)**, by adding the measurement of impacts on other environmental factors to CO₂ emissions (which impact climate change), thereby further improving corporate awareness of the impact on the environment.

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 impacts of the group's various design decisions in terms of CO₂ emissions.

Calculating the Carbon Footprint of various products using the life cycle analysis approach identified the **main emissions sources**, highlighting **the impact of the Company's upstream activities**. This new awareness highlights the role of Innovation and Responsible Supply Chain Management, and the importance of ongoing relationships with customers and suppliers, alongside systematic optimization of internal processes.

The systems approach, together with a progressive path towards servitization, will create opportunities to capture and plan for inherently sustainable material choices, designs that promote **reparability** and **recyclability**, and identify potential efficiencies, confirming the close connection between environmental and economic sustainability.

The Organization's Carbon Footprint

In 2022 **the carbon footprint analysis was extended to the entire Organization**, with quantification and reporting of greenhouse gas emissions in line with the international standard **ISO 14064-1:2018**.

Along with **direct emissions** (Scope 1) and **indirect emissions related to energy production** (Scope 2), which are already monitored by SIT, **indirect emissions** (Scope 3) **related to activities indirectly related to the Company's choices** were calculated, both upstream and downstream of its facilities.

THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

Primary data - such as fuel, energy and material consumption - were collected for all processes under SIT's control. For processes not under SIT's direct control, secondary data from international databases such as Ecoinvent were used

6) Energy consumption in GJ was calculated using the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2022 and 2021 conversion coefficients. 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.

In the ISO standard, Scope 3 emissions are divided into categories that more specifically highlight their nature:

- emissions from transportation
- emissions from products used by the organization
- emissions from the use of products made by the organization
- emissions from other sources

Before preparing the inventory and in accordance with the standard, a **significance analysis** was conducted to identify, among the indirect emissions, the relevant emissions to be reported. **Scope 1 and Scope 2 direct emissions are counted at 100%**, while some types of indirect emissions were excluded because they are considered insignificant or because they cannot yet be measured.

The inventory, which will undergo **third-party verification in H1 2023**, confirmed the preponderance of indirect emissions over direct activities, highlighting how the choice of materials, supply sources, and product use pattern are essential to effectively contribute to achieving the decarbonization targets set by the International Agreements.

ANALYSIS

Direct emissions

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

Energy consumption at the organization in GJ ⁶	Unit	2022	2021
Natural gas	GJ	80,739	98,727
Diesel	GJ	5,447	4,844
LPG	GJ	2,551	2,638
Petrol	GJ	3,230	2,725
Electricity purchased	GJ	116,876	119,030
Of which from renewable sources	GJ	1,804	1,965
Total	GJ	208,843	227,964

Compared to the previous year, there was a **decrease in total energy consumption** in 2022 of around 8% in terms of GJ.

The only exceptions to this general decrease in energy use for the group as a whole are increases in transportation fuel, **diesel (+12%) and gasoline (+18.5%)** due to restrictions' lifting related to the COVID-19 emergency.

THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

For **LPG**, the figure is similar to that of last year **(-3%)** confirming a slight decrease.

The operation and maintenance of plants and equipment containing **F-Gas** 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.

As regards **emissions of ozone-depleting substances** (ODS), the Mexican plant in Monterrey - which until 2021 held and used this type of substance (specifically HCFC R22) in its air conditioning and/or refrigeration systems - in 2022 completed its work to **eliminate this type of gas**, replacing it with more environmentally friendly gases with a lower environmental impact, also in terms of GWP and CO₂ equivalent.

In China, following extraordinary maintenance carried out in 2022, ODS gas (specifically R22) was found in two difficult-to-reach outdoor equipment units of the air conditioning systems. A total survey of all equipment and its gas content will be conducted in H1 2023 to allow **informed management** in the future and the possible creation of a plan to **eliminate or replace the** contained **ozone-depleting** gases in favor of **environmentally friendly gases**.

CO₂ equivalent emissions decreased in 2022 in line with the energy consumption trend, as is to be expected, with the exception (as mentioned above) of fuels related mainly to transportation or firefighting pressurization systems.

- 7) The UK Government's GHG Conversion Factors for Company Reporting (DEFRA 2021 and 2022) 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.
- 8) 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 2018 and 2019).
- 9) For the calculation of Scope 2 emissions with the market-based method, average emission factors expressed in CO₂ relating to the residual mix (European Residual Mix 2021 - source AIB 2022) were utilized, where available. Otherwise, the emission factors used for the location-based method were also adopted for the market-based method.

Direct (Scope 1) greenhouse gas emissions⁷	Unit	2022	2021
Natural gas	tCO ₂ eq	4,093	5,025
Diesel	tCO ₂ eq	365	319
LPG	tCO ₂ eq	152	157
Petrol	tCO ₂ eq	204	171
Total Scope 1	tCO₂ eq	4,814	5,672

Indirect (Scope 2) greenhouse gas emissions – Location-Based⁸	Unit	2022	2021
Electricity purchased	tCO ₂	11,107	11,137
Total Scope 2 Location-based	tCO₂	11,107	11,137

Indirect (Scope 2) greenhouse gas emissions – Market-Based⁹	Unit	2022	2021
Electricity acquired from non-renewable sources	tCO ₂ eq	14,077	14,226
Total Scope 2 Market-Based	tCO₂ eq	14,077	14,226

THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

The new PV system is currently scheduled for commissioning upon completion of works by Q1 2024. The new plant will have a peak capacity of 811 kWp

In Rovigo, the new foundry wastewater concentrator installed at the end of 2021 has been operational since 2022. In addition to drastically reducing the amount of oily emulsions to be sent for external recovery, it has enabled the use of heat recovery from the melting furnaces to heat the assembly department

Energy consumption management

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** to contain the climate impacts of CO₂ produced by the group's activities.

SIT has therefore decided to undertake projects that involve **optimizing energy consumption** and the **self-production and self-consumption of energy from renewable sources**.

For the new **Padua Headquarters**, the solutions included in the project were chosen following feasibility assessments on energy efficiency performed during the design analysis phase. In 2022, the works planned in Phase 1 of the new headquarters were carried out with the installation of the general heating and cooling heat pump systems and a heat recovery system from the activities performed in the testing laboratories.

To partially cover **energy needs** through self-consumption of energy from renewable sources, the execution of the final design of the **new photovoltaic system** that will be installed on the roofs of the new headquarters in Padua is being assigned.

The authorization process was also completed for the **installation of a photovoltaic plant at the Rovigo site** with a peak power of about 2.8 MWp. This plant will meet about **20%** of the Rovigo 1 facility's needs, reasonably assuming a self-consumption of about **85%** of the energy produced.

The electricity purchased at the Dutch site is entirely from renewable sources.

The **process to improve energy efficiency** is continuous at the production plants. The many sites which are open to lean transformation contribute to improving production efficiency and thus **reducing the energy resources** required for production. At the Rovigo site, one of these projects achieved a **6%** improvement in foundry efficiency by increasing the speed of the presses and a reduction in stoppages, reducing the time that the cast aluminum remains in the holding furnaces.

Indirect emissions

Developing the GHG inventory involves studying the organization's indirect impact on the value chain upstream and downstream of its operational boundaries and increases the relevance of the Company's role in contributing to the overall reduction of emissions.

Indirect emissions from products used

More than **80%** of the GHG emissions in the inventory are produced **outside** the Organization, upstream of the Company's operational activities, for the extraction, processing, and transformation of raw materials used in production.

SIT's action on these issues comes through product design choices, **co-design with customers**, and its **relationship with the supply chain**. Specifically, as seen above, when optimizing consumption and choosing the materials with the lowest emissions, preference is given, wherever possible, to the use of recyclable materials, in the search for reuse opportunities and in the choice of production processes and locations.



THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

Following the pandemic, SIT chose to consolidate and extend the use of remote work into 2022, offering its employees the opportunity to work remotely for more than a third of their monthly days, thus significantly reducing transport emissions

Transport emissions

Comprehensive transportation mapping began in 2022, and the significant value of this is evident in the overall inventory.

Raw materials and components

Emissions from component transportation were calculated with the direct involvement of suppliers through a specific survey proposed as early as 2021 for the Carbon Footprint Systematic Approach database. An updated survey was sent to all suppliers in 2022, obtaining direct responses from **44%** of respondents, accounting for **47%** of total procurement turnover. The missing routes were estimated based on company information and shipping addresses. The complete picture of transportation related to all supply arrivals in the year was then constructed.

Intercompany and customers

SIT's production involves numerous exchanges between production plants and assembly plants: a detailed analysis of shipments enabled the creation of the **complete intercompany transportation map**, which is used for GHG inventory calculation. Shipments to customers were estimated in the same way. This resulted in an overall picture of the transportation of products used and manufactured by the organization, which contributes approx. **6%** of total emissions.

Developing a comprehensive transportation picture is the basis for researching possible areas for improvement. A first approach was analyzed for the flows out of the logistics hub to the Mexican and Romanian plants. In 2023, the framework will be analyzed in detail to highlight opportunities for efficiency.

Employee mobility and remote working

A significant proportion of indirect transportation emissions relates to employee travel to the workplace.

To quantify this value, a **survey** was conducted across all employees, which also gathered ideas for improvement. The work of the **Mobility Manager** continues, as outlined in the section Made with Care.

Emissions from products manufactured

Though the GHG inventory stops at the corporate "gate", since the products are used as components in customer applications, SIT's focus is also on **systematically reducing** emissions during the **use phase**.

As a strategic supplier to leading players in the energy, utility, and alternative energy resources sectors, SIT's products set it apart as an active player in the **pathways to decarbonization, energy efficiency**, and the **reduction of waste** in the use of gas and water during the product lifecycle.

As extensively highlighted above, SIT products are designed to empower its customers to reduce energy consumption and use alternative, less polluting fuels (H₂-ready products) in their applications.

Studies are also underway into the possibility of introducing **circular packaging**, thereby reducing waste disposed of by customers and minimizing the use of non-recycled raw materials.



THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

Medium-term targets defined for Scope 1+2 and Scope 3 issues have been incorporated into the remuneration systems for the Company's top management

To acquire specific skills, a number of Carbon Footprint technical experts gained diplomas from UNI-accredited courses in 2021, becoming GHG Inventory Experts the following year

THE PLAN TO REDUCE EMISSIONS

The next step following detailed measurement and analysis of the carbon footprint results is the establishment of **targets** in line with the European Union's **Green Deal** and an **emission reduction plan** as outlined below.

SIT began development of the plan as early as 2022, in parallel with the process to measure the **Organization's Carbon Footprint**, based on information from the analysis of major products.

Medium-term targets have been set for the containment of both direct and indirect emissions, and the foundation has been laid for the identification and development of long-term measures.

The **Scope 1 + Scope 2 (location-based)** target for emissions caused directly or indirectly by the Company's activities, is to **reduce emissions by 4% annually** over the medium term (2022-2024, baseline data 2021) and includes the **introduction of green energy** projects, i.e., installation of the photovoltaic system, and projects identified in Rovigo.

The **Scope 3** target has been structured in terms of projects and involves the **introduction of circular economy programs**, particularly on packaging and materials, digitalization of Supply Chain Planning, and production efficiency that pursues lean transformation.

Following a process to collect and evaluate ideas, several projects and action areas on direct and indirect emissions from **purchased energy** have also been identified and will be explored further in 2023. Of particular importance in reducing Scope 3 emissions the collaboration with the Company's external stakeholders, suppliers and customers. Constructive dialogue has already been initiated with the most significant among these.

TRAINING

To broaden the Company's knowledge and awareness of this important issue as thoroughly as possible, a training program was launched in 2021. This began with a module to **raise awareness of climate change** among the first levels of the Company.

On the Company's e-learning platform (which is open to the entire corporate population) a first sustainability contest was also held. This was widely attended, and saw SIT personnel share their stories of concrete and sustainable actions, which were publicized within the company as examples and inspiration for virtuous behavior.

A dedicated Sustainability page has been introduced to the Corporate Intranet to gather ideas, reflections and insights on these issues.

Finally, in 2022, meetings were held with the Supply Chain and Human Resources functions to disseminate Carbon Management concepts, raising awareness on the issue of climate change and the importance of emissions management.

A systematic training program is planned for 2023, which will seek to spread competence to all levels of the company.

THE MANAGEMENT OF GREENHOUSE GAS EMISSIONS

OTHER EMISSIONS

The production sites that release the most **pollutants into the atmosphere** are located in Italy and Mexico. They are followed by Janz's plant in Portugal and SIT Control's Tunisian plant.

In 2022, the emissions situation closely mirrored that of the previous year. We note a marginal increase in volatile organic compounds emissions in Italy, primarily associated with the Rovigo 1 plant. Nevertheless, this is accompanied by a noteworthy improvement in NO_x, in addition to a reduction in emissions of hazardous pollutants such as HAP perchlorate.

ITALY _ Emissions from Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant emissions

Unit kg	2022	2021
NO _x	1,882	2,864
SO _x	-	-
Persistent organic pollutants (POP)	-	-
Volatile organic compounds (VOC)	84	15
Hazardous air pollutants (HAP)	33	419
Particles (PM)	758	1,007
Other (Total Organic Carbon)	1,913	1,426

MEXICO _ Emissions from Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant emissions

Unit kg	2022	2021
NO _x	991	1,123
SO _x	31	35
Persistent organic pollutants (POP)	-	-
Volatile organic compounds (VOC)	5	5
Hazardous air pollutants (HAP)	-	-
Particles (PM)	749	807
Other (HCT, CO, Lead)	3,834	2,743

TUNISIA SIT CONTROL _ Emissions from Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant emissions

Unit kg	2022	2021
NO _x	18	-
SO _x	9	-
Persistent organic pollutants (POP)	-	-
Volatile organic compounds (VOC)	28	-
Hazardous air pollutants (HAP)	-	-
Particles (PM)	-	-
Other (HCT, CO, Lead)	-	-

PORTUGAL _ Emissions from Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant emissions

Unit kg	2022	2021
Other (Total Organic Carbon)	150	150

WASTE MANAGEMENT

The total waste generated in 2022 decreased by 20%, primarily due to a combination of reduced production levels and enhanced site management practices

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 **to enhance and maximize recovery** and hence minimizing or even eliminating environmental impacts.

The various production sites have adopted practices and operating procedures **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.

In line with the 2021 adoption of the internal waste classification system for the total waste produced by the plants, the generation of waste from the group's activities is related more to secondary and ancillary processes or services than to product waste, scrap, and/or and primary production processes.

Indeed, **product waste** and/or scrap represents around **38%** of the total. This is possible because **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 of aluminum, brass, copper, and so forth, which are handled and destined for suitable recovery through authorized managers or disposal operators, even obtaining monetary valuation, where possible.

A notable decrease in waste was achieved through the successful running of the recently installed concentration unit at the Rovigo 1 production plant towards the end of 2021. This operational upgrade enabled the recovery of oil from foundry emulsions.

WEIGHT OF WASTE GENERATED¹⁰

Unit (t)	Not sent for disposal		Sent for disposal		Total	
	2022	2021	2022	2021	2022	2021
1) Waste directly related to the product (and/or generated by primary production processes)	1,464.74	1,893.95	20.11	40.15	1,484.85	1,934.10
2) Waste originating from secondary processes not directly related to the product	761.58	854.14	201.16	224.39	962.74	1,078.53
3) Waste generated through the provision of ancillary services (and/or accessory services) not directly related to the product	319.98	503.04	1,066.71	1,258.37	1,386.69	1,761.41
Total	2,546.29	3,251.13	1,287.98	1,522.91	3,834.27	4,774.04

¹⁰⁾ The waste production data only represents waste produced by the group's production facilities.

CONSCIENTIOUS USE OF WATER RESOURCES



The well pumping authorization remained valid for 2022, and as a result, the Romanian plant maintained its dual source of withdrawal

At SIT and MeteRSit facilities, and for municipal necessities, water is mainly used for industrial purposes related to the use of water in production processes and the cooling of machinery and plants.

At present, consumption at all of the SIT group's Italian sites **comes 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 employing 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 per 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 the Mexican 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 daily 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 also 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.

CONSCIENTIOUS USE OF WATER RESOURCES

Considering the overall group data for 2022, an improvement consisting of an overall decrease in water consumption can be observed. Particularly noteworthy is the reduced consumption in “water-stressed areas”

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

With regard to the plants included in the 2021 reporting scope, namely SIT Control Tunisia, Plast Alfin, and Janz, water consumption primarily relates to domestic use requirements, in addition to cooling machines and plants. The entire water supply is met exclusively through the aqueduct system.

The only exceptions include some Janz activities and processes, specifically meter testing activities that require water to flow through meters.

In relation to this matter, increased water consumption at the Janz and Plast Alfin plants can be attributed to a rise in production volumes leading to an upsurge in flow tests and extraordinary operations such as tank draining, thorough cleaning, and subsequent refills for meter testing purposes. At the Plast Alfin plant, increased water consumption can be attributed to the installation and start-up of a new fire-fighting water system. This installation involved filling tanks, flushing and pressurizing the network, and conducting flow and pressure tests.

Considering the significant number of group plants located in regions marked by high or extremely high water-stress levels, we note that water consumption in these areas remained 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.

WATER WITHDRAWALS BY SOURCE¹¹

Source of withdrawal (megaliters)	2022		2021	
	All areas	Water stress areas	All areas	Water stress areas
Groundwater (total)	40.5	40.8	52.4	52.4
Third-party water (total)	97.7	18.3	90.3	18.7
Total water withdrawal ¹²	138.2	59.1	142.6	71.1

- 11)** To identify water-stressed areas, we used the Aqueduct Tool developed by the World Resources Institute (WRI). The WRI tool is available online at: www.wri.org/our-work/project/aqueduct. The results identified in the “water stress” scenario were taken into consideration for the analysis. The sites considered to suffer from (high or extremely high) levels of water stress are: Montecassiano (Italy), Monterrey (Mexico), Brasov (Romania), Suzhou (China) and sites in Tunisia. 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.
- 12)** Regarding water consumption in Mexico, we note that during 2022, the main meter was replaced to fulfill legal obligations that came into force. The new device required several calibrations and certifications, and as a result, SIT estimated its water consumption for 2022, in line with governmental procedures and regulations.

PRODUCT QUALITY AND SAFETY

All of the group's operating facilities are certified to ISO 9001 in its latest 2015 revision

Quality is embedded in every Function of the group, from Research and Development to Operations

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**.

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 analyzes all customer feedback.

The product and service development cycle is mapped by the **Integrated Management System**, which is correlated with procedures describing the Company's processes, including the design and manufacture of products and services and work instructions detailing the stages of work, to ensure that the process meets internal and regulatory standards of quality and safety that are constantly evolving and improving.

The **Quality Department** gives substance to and harmonizes all the operational areas in which the Company conducts its business. The documentary system of procedures, the monitoring tools provided by the System and compliance with ISO standards are fundamental elements to support the entire organization and its strategic business choices.

SIT's goal is to continue the process of strengthening the concept of quality as a managerial tool for the business. Given the group's extreme dynamism, this vision is as valid as ever.

The Quality function is headed by the **Quality Manager**, who has specific authority to ensure that the Integrated Management System is set up, applied, and maintained.

Additionally, attention to quality and safety standards of products and services is ensured across Company functions, with different levels of responsibility according to the phases of a project:

- **Responsible:** those who execute the action operationally
- **Accountable:** those responsible for carrying out the activity
- **Consulted:** those who must be consulted in order to carry out the activity
- **Informed:** those who must be informed about the activity

SIT has always been committed to seeking out the best technological and production solutions to ensure the highest quality standards for its customers. For this reason, in-house production is a strategic element of SIT's business model, allowing it direct oversight of all stages of the production process that can impact the quality of its products.

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



PRODUCT QUALITY AND SAFETY

For SIT, the collection and monitoring of this information is one of the measures of the effectiveness of the Integrated Management System

A plan of objectives for the Integrated Management System has been defined. This is reviewed by company management at periodic meetings, in compliance with the ISO regulations

SIT works in synergy with its customers to bring Intelligence to its production lines, enabling data processing at the source and making information accessible and secure. In collaboration with them, it develops solutions to add value to the final products, creating increasingly complete and integrated products.

The production processes based on lean production and make-to-stock principles, guarantee short delivery times and high levels of efficiency, for best responding to our customers' needs. To enhance its performance, SIT collects feedback from customers about the fulfillment of their expectations, both informally and systematically. In particular, **customer satisfaction** is monitored in two ways to ensure maximum flexibility, depending on the systems they use. If a customer has a vendor rating system, agreements are made to define the achievement of performance targets, monitoring methods and permanent plans for improving processes and products that are supervised periodically. If this option is not available, the survey is conducted through a dedicated survey mediated by the sales team. In addition to these direct indicators, other indirect indicators are monitored, such as analysis of sales, repair work, delivery delays and complaints received. 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 communications. 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.

SIT also pays the utmost attention to the **protection of data** managed through its corporate networks. In 2018, SIT decided to make a formal commitment to the most stringent international standards in this respect, starting the **ISO/IEC 27001:2017** certification process for MeteRSit's information security management system. The certification was recently renewed. This periodically verified certification defines the requirements of an Information Security Management System (ISMS), concerning information technology, security techniques, and information security management systems. Furthermore, it allows for the careful assessment of potential business risks related to the type of information being managed, highlighting areas for improvement.

SIT launched a dedicated procedure to monitor **privacy protection** and **data management** performance that places IT system security at the center of a corporate three-year improvement plan. The monitoring is carried out via specific forms, also drawn up to provide evidence for the certification compliance and maintenance process.

Data security management was included as a **target in the 2022 MBO plan**, focusing on protecting systems, networks, and programs from digital attacks. In this regard, a list of activities monitored through KPIs was defined to verify the achievement of specific target values, and to minimize or eliminate the risk of each threat.



**MADE
WITH CARE**

Material Topics:

- Culture of Sustainability
- Management and Development of Human Resources
- Welfare and Well-being
- Diversity, Inclusion and Equal Opportunities
- Human Rights
- Worker Health and Safety
- Engagement with Local Communities
- Labor/management Relations

SOCIAL RESPONSIBILITY

CULTURE OF SUSTAINABILITY

For SIT, cultivating a healthy and shared culture of sustainability is key to generating a positive impact on the world and operating as a responsible company

SIT's sustainability culture is based on an **awareness** that the choices and actions we adopt every single day not only impact our way of doing business but also the environment and the society in which we operate.

For SIT, embracing and fostering a culture of sustainability means **paying attention to every facet of our business operations**. This ranges from product design and resource management to nurturing relationships with employees, customers, and business partners. In practical terms, this entails **minimizing the environmental footprint** of our operations, **embracing sustainable resource** use practices, promoting a **culture of diversity and inclusion**, and striving to **improve the social and economic well-being** of the communities in which we operate.

Over the past few years, SIT has worked hard to promote a culture of sustainability within the Company, as evidenced in more detail in this document. SIT started this journey by expressing its commitment through its **Mission** and **Vision**. Subsequently, a **Green Paper** was released, serving as a sustainability manifesto, along with the **restructuring of the Governance of Sustainability**, expressed through the appointment of **Mission Leaders**.

On a daily basis, SIT takes a leading role in instilling a sense of sustainability in all its employees. This is achieved through the promotion of **initiatives, columns, and webinars** that seek to involve all individuals, fostering collaboration to transform the Company and its operations into a sustainable and responsible environment.

Promoting this culture requires perseverance and a daily ongoing company commitment. Furthermore, SIT relies on the trust of its employees, who play a crucial role in embracing this culture within their individual activities and actions. By doing so, they make a valuable and indispensable contribution to the attainment of SIT's sustainability targets.



MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES



We strive to **create optimal working conditions** by proactively addressing our surroundings and actively listening to our employees. We work together to construct a pathway consisting of **growth opportunities, trust, and effective management of individual and social complexities**. Our concrete perspective focuses on fostering **inclusion** and **leveraging the unique qualities and merits** of individuals.

In 2022, SIT continued to invest in people to create a **sustainable working environment**. Talent development and the continuous improvement of HR processes helps create a positive and productive working environment. The structuring of policies that promote inclusion and merit resulted in the launch of concrete programs and actions that align with our expectations for progress.

In general, SIT is committed to the **well-being** and **personal** and **professional growth** of its employees, prioritizing **gender equality**, the promotion of **merit** and **diversity**, and fostering a **healthy work-life balance**.

CHARACTERISTICS OF THE WORKFORCE

On December 31, 2022, SIT had **2,601** employees, compared to 2,814 the previous year. Generally speaking, the employee count across different geographical regions remains stable, with a balanced gender distribution. However, an exception is observed at the Mexican plant, where there was a temporary reduction in the workforce due to a change in the product mix.

TOTAL WORKFORCE AT DECEMBER 31¹³

	2022	2021
Employees	2,349	2,503
External workers	252	311
TOTAL	2,601	2,814

13) The total workforce includes SIT employees and external workers. External human resources take into account temporary/project-based staff, contracted workers, trainees, and agents, who tend to handle plant operations. We note that only temporary/contracted workers were included as external workers in 2021. Furthermore, only temporary workers are considered in the Consolidated Financial Statements.

PERCENTAGE OF THE WORKFORCE BY GENDER AT DECEMBER 31

	2022		2021	
	Male	Female	Male	Female
Employees	41.4%	58.6%	41.0%	59.0%
External workers	36.9%	63.1%	31.8%	68.2%
TOTAL	41.0%	59.0%	40.0%	60.0%

59% of SIT's workforce is **female**, which is largely in line with the previous year (60%). This figure confirms the substantial prevalence of women in the Company workforce.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

With the easing of the COVID-19 pandemic in 2022, more than half of events progressively returned to physical locations

19% of young talents undergoing professional training at SIT were awarded more permanent positions

EMPLOYER BRANDING

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

In 2022, the Company continued its research project "Driving the transition of manufacturing firms towards customized, integrated solutions through smart product-service systems", which is run in collaboration with the department of Economic and Management Engineering, at the University of Padua.

Aiming to bring together students, recent graduates and doctoral candidates throughout the country, in 2022 SIT took part in 19 events organized by institutions, companies, and the career guidance services of Italian universities. Through these recruitment events and participation in four employer branding initiatives, **SIT successfully identified and engaged with 1,505 talented young individuals** pursuing various educational paths. The Company established **contacts and collaborations with 31 institutions**, including research institutions and universities in Italy. It actively participates in events sponsored by the Career Services of renowned universities such as the University of Padua, the University of Calabria, the Polytechnic University of Bari, the University of Pavia, the University of Udine, and the University of Catania. In addition, in 2022, SIT continued its collaboration with the ITS Academy Meccatronico Veneto by actively participating in four events. These meetings provided opportunities to engage with 239 prospective talents studying at the Institute's various locations in the Veneto. Many of the students and recent graduates whom SIT met during the employer branding and recruiting events were then invited to participate in digital assessments to activate curricular and extracurricular internship schemes that offer a real opportunity for training and growth within the organization. SIT progressively increased its attractiveness by participating in various employer branding and recruiting initiatives and promoting new HR activities through Facebook and LinkedIn. In 2022, these actions resulted in the receipt of more than **1,131 spontaneous applications** on the company website and LinkedIn. Similarly, the Company recorded 12,950 clicks on job ads posted on LinkedIn.

7 work experience, **20** extra-curricular, and **11** curricular internship schemes were launched across Italy, of which six were dedicated to drafting dissertations.

Believing strongly in the development of skills and talent, SIT actively participated in and, at times, organized **several initiatives in collaboration with the school**. In May 2022, SIT collaborated as a proud sponsor with the Istituto Salesiano Manfredini di Este (PD) of the **Welding Junior Cup**. This prestigious annual welding competition for students is organized by CNOS-FAP (Centro Nazionale Opere Salesiane) in collaboration with the Istituto Italiano della Saldatura. To ensure the success of the competition and support the Institute, the Company donated PPE, sheet metal for welding activities, tools, and measuring instruments, providing participating students with SIT-branded sweaters.

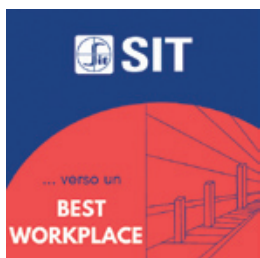
SIT requested and obtained the renewal of its Confindustria BAQ and BITS labels, which are awarded to companies that develop quality work experience courses for students (Alternanza Scuola Lavoro) at the ITS.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

In an effort to **address the training and skills gap**, SIT established a partnership with teachers from the Institute. Throughout the year, subject representatives visited the group's production plants to align educational activities, where possible, with SIT's business operations. In 2022, SIT opened the doors of its production plants to **57** students from various vocational colleges in the province of Padua and Rovigo, using the occasion as an opportunity to show them the production process of SIT products in detail. SIT also took part in a project promoted by Confindustria titled "SME DAY - Let's Get Industrial." Its key themes were beauty, the art of "knowing how to do things well," and how skills, value, and culture are translated into the production of SIT's precision products. The project highlighted the dedication and expertise of Company employees, in addition to SIT's ethical and sustainable approach, which it integrates into its daily operations.

As part of its **talent acquisition and employer branding initiatives**, SIT strives to maintain its reputation among entities and institutions that train individuals for the workforce. The Company is committed to delivering high-quality training programs, **fostering a healthy and sustainable work environment**, and addressing the issue of skills mismatch, which causes a misalignment between labor supply and demand. By doing so, SIT actively contributes to the economic and social development of the local area in which it operates.

Great Place To Work



In 2022, the SIT group started the process of improving its work environment, focusing on fostering positive relationships among colleagues and promoting harmony within the Company. This effort included actively listening to employees through the **"Great Place to Work"** survey. The survey, conducted over a two-week period, was sent out to Italian employees and sought to gauge their level of trust and overall perception of the Organization and its representatives. The initiative was supported by an extensive digital and paper-based communication campaign, which was further strengthened by corner stands at production plants and training sessions conducted with department heads and the General Workers' Representative Body (RSU). The campaign concluded with a presentation of the results. 69% of participants responded, providing valuable data that identified strengths and areas for improvement within the Organization. **The survey found that one in two employees consider SIT to be a "Great Place to Work".**

Based on the results obtained, SIT is creating programs to improve working conditions and personal support, identifying them with the logo "SIT: towards the best place to work", which will accompany all employee well-being initiatives promoted in communication materials.

In line with the group's long-standing commitment, the survey included an assessment of Diversity & Inclusion to gain a comprehensive understanding of the prevailing sentiments within the Company regarding these topics. The results are in line with expectations, and all ongoing projects align with the general areas of intervention identified by the survey, with a view to continuous improvement.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

SIT invests in people by creating the conditions for them to develop and grow together as a Company and system towards an increasingly sustainable environment

13% of interns were from countries outside Italy

PEOPLE ATTRACTION

SIT pays particular attention to its **Employee Value Proposition (EVP)**, which essentially consists of the experience had by employees and also 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. More specifically, 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. During the year, **63 people of 70 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, 30% were men while 70% were women. About 86% of new hires in 2022 majored in STEM subjects, of whom 25% were women and 12% from countries outside Italy.

In 2022, growth opportunities will also be provided to undergraduates and recent graduates entering the job market for the first time. As mentioned in the previous paragraph, there were **31 curricular and extracurricular internees**. Of the young people who began an internship in 2022, **16% were subsequently hired on permanent contracts** and 3% were hired on temporary contracts.

A new section called "**Careers at SIT**" was created on SIT's company intranet dedicated to internal career opportunities. SIT's employees have the opportunity to refer candidates through the **referral program** or apply for new roles through **job rotation**. Through job rotations, SIT incentivizes professional development and encourages change by igniting ambition and offering new forms of stimulation to people who are ready to step into a new role. **58% of vacancies were filled through promotions and job rotations in 2022**, solidifying SIT's focus on career plans and internal development. Through the referral program, recruiting efforts leverage the valuable contributions of employees, who receive a financial reward for their participation in filling Company vacancies. In 2022, **55% of vacancies made available through the referral program were successfully filled**. Once the referred candidate successfully completes the selection process and probationary period, a predetermined reward is paid to the employee. Additionally, if an employee makes multiple successful referrals, the amount is multiplied accordingly.

The SIT group's recruiting and selection process is inspired by the principles of honesty, meritocracy, equality, transparency, and confidentiality, guaranteeing respect for equal opportunities, fundamental human rights, and individual freedoms.

The objective is to foster the growth and development of each individual, both professionally and personally, within a working environment that is healthy, safe, stimulating, and sustainable, recognizing the rights, dignity, and personal diversity of everyone.

SIT created an onboarding program called the **Employee Journey** for all newly hired employees. The program is designed to progressively and seamlessly integrate individuals into the Company and create a welcoming and supportive opportunity to socialize within the organization. In addition, when a new employee joins the team, an official announcement is made and they are gifted a **Welcome Kit** by the HR department.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

SIT's induction plan consists of a structured "journey" comprising multiple appointments referred to as stations. These stations are designed to engage all new hires in their first 90 days at the Company

Training initiatives are both global in scope, with programs involving employees worldwide, and local, targeted more towards the needs of specific professions in individual units

14) 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.

A large part of the onboarding program is dedicated to an induction plan, which underwent a review and was fully digitized in 2022 through updates to the custom **I-plan Sign application**. According to the provisions of the induction plan, at monthly and recurring meetings, newly hired employees have the opportunity to meet representatives from various company departments. This approach promotes early familiarity with the Company's structure and characteristics, in addition to a welcoming environment and socialization. The basic induction plan is complemented by a role induction plan, which can be customized and defined by managers or "buddies," depending on the new hire's role. The objective is to familiarize new hires with the tools, methodologies, and departments they are likely to encounter during their time at the Company. With the I-Plan sign application, the onboarding process can be conducted entirely digitally, ensuring accessibility from various group locations without any space or worksite constraints. This approach aligns with SIT's chosen hybrid organizational model. In line with the targets outlined in the 2021 NFS for Italy, 2022 concluded with the complete digitization of all induction plans. **21 interns** and **67 employees** participated in the new model, accumulating a total of 188 hours and 725 hours, respectively. This represents a **39% increase in the number of hours managed compared to 2021**.

Onboarding at SIT ends with the provision of access to the SKILLS UP corporate Digital Academy. The platform makes various training topics accessible. It also includes an additional training course called "**Welcome Kit - soft skills for new hires**", which is specifically designed for new employees. In 2022, a total of 62 hours were dedicated to this course by new hires.

DEVELOPMENT OF HUMAN RESOURCES

As part of its ongoing approach to improvement and growth, and in alignment with the achievement of corporate objectives, the Company is increasing its investment in development and training initiatives. In 2022, training aligned even more closely with the hybrid working model. Employees were granted access to training opportunities in several formats to guarantee flexibility: live, recorded, in-person, remote, and blended sessions, thus expanding their options for engagement, accessibility, and inclusion.

Analysis of training needs involved managers in Italy, with the goal of identifying their team upskilling and reskilling needs through a structured and widespread approach. The **Training Committee**, established in 2022, received several requests to balance and merge inter-departmental training needs and facilitate shared skills development. These requests were incorporated into the annual training plan, which involved over **700 individuals** and amounted to **10,888 hours of training** in Italy¹⁴. This figure represents a 30% increase compared to the previous year, encompassing both internal and external training programs.

Specifically, SIT's training commitments for Italy are represented by the following percentage distribution by area of expertise:

- **56%** of training hours - **Technical Area**
- **3%** of training hours - **Digital Literacy**
- **6%** of training hours - **SIT People Program**
- **14%** of training hours - **Health and Safety**
- **21%** of training hours - **Managerial Area**

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES



These training sessions have the objective of making the vast expertise possessed by SIT employees accessible to all and fostering a climate of professional recognition, collaboration, and knowledge capitalization

The training sessions, conducted in person and remotely, consisted of **113 different training programs**, achieving a remarkable participation rate of 97% of the scheduled hours. 62% of the total budget allocated to people management was dedicated to initiatives promoting cultural evolution, well-being support, and leadership model developments.

Several initiatives were carried out in 2022 to consolidate the company mentality and involvement in sustainability, which is a core value for SIT. One specific example included the **"Carbon Footprint Expert"** course, which commenced in 2021 and ended in September 2022, resulting in a nine-person team successfully obtaining GHG Verifier and Validator certification. During the year, nine **"Local ESG Engagement"** webinars were organized to promote the circulation and sharing of best practices when reporting on sustainability, involving 35 individuals in Italy and abroad.

The SKILLS UP Digital Academy offers a comprehensive e-learning program called **"SIT For Sustainability"** in both Italian and English. This course serves as a powerful reminder of the corporate value attached to sustainability. Participants devoted a combined total of 62 hours to training materials on the 2030 Agenda, in addition to customized content related to SIT's approach and dedication to sustainability. In addition, as a part of the training course, a Company story contest was launched using **gamification** techniques. Participants were invited to share information about their sustainable endeavors as a testament to both their professional dedication and own personal commitments. Moreover, to raise employee awareness of sustainability-related topics, the opportunity to participate in free conferences and webinars on the subject was promoted at all levels of the organization. This was achieved through the distribution of dedicated newsletters across the main corporate communication platforms.

In terms of enhancing **technical skills**, a total of **740 participants** attended various training courses, accumulating a total of **6,152 hours** of training. As part of SIT's efforts to improve the efficiency of its Production Process, a specialized training course on Times and Methods - Chronometrics was developed. This 56-hour course was attended by 16 individuals from the industrialization team across multiple Italian plants, resulting in a total of 867 training hours. Regarding the approach to sustainable and third-generation prototypes, a comprehensive study focusing on metal replacement was organized. This study involved eight individuals from various company departments, totaling 64 hours of attendance. Additionally, technical personnel from the R&D departments participated in a two-day study focused on sustainable and new-generation materials. This study was dedicated to the analysis of components, their characteristics, and technical evaluation tests, resulting in a total of 112 hours of attendance. Specialized training courses were also promoted, engaging 23 participants who successfully strengthened their skills and gained access to certification programs. These specialized technical and managerial courses totaled 612 hours of training, resulting in the strengthening of high-value skills for participants, who were able to enhance their personal development, and the Company, which gained valuable resources to support its business needs.

2022 also saw the launch of **internal academies** in the R&D field. Several employees put themselves forward to become internal trainers, sharing their specific knowledge and skills with colleagues from other departments. The internal academy facilitated four training sessions in Project Management for the R&D Heating department. Additionally, the R&D Metering department initiated a program in November 2022, consisting of 38 hours of training in technical and product-related areas. The program involved groups of 15 to 20 participants until April 2023.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The ongoing commitment to a Lean & Digital Transformation

The transmission of internal skills and their capitalization also benefits interns, who are supported by their tutors, gain work experience, and can continue the learning process at the same time. In 2022, interns accessed **a total of 294 hours of training**, including on-the-job training programs, internal training, and specialist training classrooms.

Evolving market challenges and the importance of developing personnel and their intellectual capital also contributed to the enhancement of managerial skills. These skills are crucial for effectively navigating changes, aligning strategies, and leveraging human capital. In this regard, continuity was guaranteed by “Leadership and Governance” training programs for managers, with the goal of consolidating their ability to design and adopt the development plans needed to ensure that staff – and the organization as a whole – are capable of achieving medium- to long-term strategic objectives. Furthermore, investment in **foreign language learning** continued with the launch of 24 individual courses, resulting in a cumulative total of 345 hours dedicated to internationalization. Moreover, **individual coaching programs** were initiated as a support and enrichment tool for personal resources, catering to both managers transitioning into new roles of professional growth and individuals seeking to continuously improve and prepare for future challenges. In addition, the Company facilitated professional development and training by granting **166 hours of paid study leave** following personal requests from staff members.

In the area of **Digital Transformation**, the year witnessed the completion of the SPACE 1 AR glasses project. These glasses serve as an effective digital collaboration tool accessible to personnel in the Industrialization, Sales, and R&D departments. The training initiative, conducted in two sessions, involved 45 individuals from both Italian and international offices, amounting to a total of 62 training hours.

Concerning the **Lean Transformation**, SIT continues its efforts to reinforce training programs, involving 198 individuals at its Rovigo 1, Rovigo 2, and Montecassiano plants. The topics covered during the sessions were selected depending on the activities performed and the responsibilities of the various departments, for a total of 492 hours of training.

The **Skills Mapping** project was completed, in line with the commitments made. The assessment phase, which involved **Project Leaders** in the R&D Heating Department and the R&D Metering Department, was initiated in 2021 to **map essential technical and managerial skills**. In 2022, two separate tailored development programs were introduced and completed to strengthen the specific skill requirements of the two divisions.

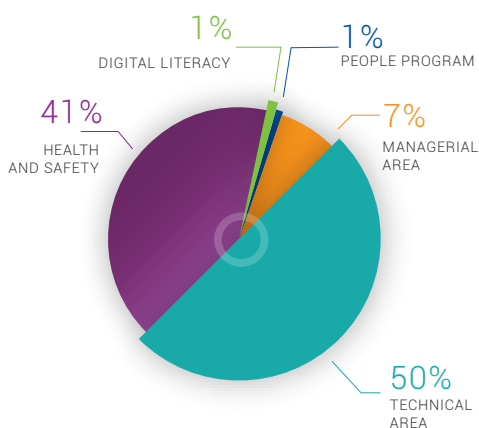
The R&D Heating department involved the 12 staff members identified in the previous year’s assessment, for whom a tailored development program was designed, consisting of a total of 352 training hours, with an average of 29.33 hours per person.

The R&D Metering department involved 22 employees in skills development, who attended a total of 572 hours, with a per capita average of 26 hours.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

In general, at group level, approximately 60,609 hours of training were completed, 44% of which by women and 56% by men. On average, approximately 26 hours of training were provided per capita

Training percentage distribution areas at group level, by type:



Skills-Up Digital Academy

In 2022, SIT launched its **Skills-Up** Digital Academy for Italian white-collar employees and key figures overseas. This new initiative consists of an innovative platform that allows employees to participate in topical, modern, interactive training courses divided into sections within broader programs, which are available in both Italian and English.

Three content categories have been developed within the digital academy: **Corporate Culture, Personal Development, and Group Compliance**. The Corporate Culture section offers training opportunities to all users within the organization on corporate values, ethical practices, and sustainable organizational culture. They are designed as bite-sized courses that emphasize the Company's values and their practical and expressive applications. Gamification is incorporated into corporate training in this section, featuring contests centered around the values of Lean Transformation, Sustainability, and Innovation. Personal Development proposals are tailored to the skills improvement needs of individuals. Compliance training focuses on topics such as the administrative liability of entities and the Organizational and Management Model pursuant to Legislative Decree No. 231/2001. Its objective is to raise awareness of these topics among all individuals involved. The pilot launch of 112 key roles at overseas branches was brought forward to April 2022, exceeding the original target set for 2023. This advancement allowed for increased involvement, extension, and accessibility to the project. **At December 31, 2022, 490 group users were active, with a total of 2,485 hours used during the year.**

With regard to general training, an international training course titled "Value Selling" was developed for the **group's overseas staff**. The course focuses on developing a new strategic commercial approach that emphasizes the value of SIT's products in customer and stakeholder relationships, in line with company objectives. This investment, made in 2021 and reconfirmed in 2022, involved employees from the Sales departments in the **USA, Canada, and Australia**, with a total of eight participants and 16 hours provided per capita, for a total of 128 hours attended. In May 2022, the intensive Lean Transformation training program dedicated to the **SIT Controls Tunisia and Plast Alfin** plant was completed, with a blend of external and internal training. The initial phase involved 49 Tunisian employees, who dedicated 1,468 hours to the sharing of content and methodologies. The second phase involved 21 Tunisian employees, who collaborated with Italian colleagues for a total of 3,976 hours to foster a practical and aligned approach across all group subsidiaries. **SIT Romania** launched its Leadership Academy pathway in 2022, which will involve management in classroom sessions, e-learning, team building, and experiential formats for the next three years. The pathway commenced with the "Leading with a Growth Mindset" module in Sanpetru, near Brasov. The project will expand to cover various topics, including communication, leadership, coaching, emotional intelligence, project management, change, and strategy. Among the foreign plants, in line with the group's human capital growth values, the acquired company **Janz** has also been promoting the development of skills and knowledge for the plant's staff through an annual training plan. In 2022, this plan saw a total of 3,536 training hours provided, involving 214 employees, with an investment in technical skills. Furthermore, employees in key roles participated in the Skills-Up Digital Academy, contributing to a total of 201 hours of engagement in the recommended **learning paths**.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The SIT skills model is based on four pillars:

- *Facilitating people*
- *Strengthening performance*
- *Steering business*
- *Developing innovation*

The abilities set out within the four pillars, and which for SIT define Talent, are:

- *Looking to the future*
- *Managing relationships positively*
- *Being open to new things*
- *Proactivity*
- *Assumption of responsibility*
- *Technical solidity*

In addition, 62.5% of internal promotions were awarded to women

ORGANIZATIONAL TALENT REVIEW

During 2022, SIT began the process of redefining, measuring, and targeting its corporate talent through an **Organizational Talent Review (OTR)** process. More precisely, the OTR is a technique for mapping the Company in terms of its organizational dynamism and gauging the risks and impacts of personnel management choices. During the year, SIT defined and described the characteristics of its **talent** in focus groups involving 40 leaders/managers, identifying a model for potential analysis and performance evaluation. The skills model was incorporated into an OTR evaluation survey to measure the potential and performance of evaluated white-collar employees. The data collection enables an evaluation of both current and prospective individual contributions to the organization.

In addition to the **Performance per Potential (PxP)** matrix, the OTR facilitated the identification of KPIs associated with personal growth within the Organization in terms of "readiness." It also included specific KPIs to assess the potential risk/impact related to resignations, along with corresponding retention plans. In total, about 330 people were evaluated by 70 evaluators (leaders/managers).

The skills model serves as a guide for the selection and evaluation processes, while the OTR survey results help to streamline various merit-based activities such as salary reviews, internal growth opportunities, job rotations, and retention plans. Based on these principles, 40% of the Company's employees are positioned within the high range of talent conception according to SIT, earning the classifications of **Star-Future Leaders** and **Key People**. Of this **40%, 22% are women**, an increasing percentage considering the recruitment policies and growth trends dedicated to inclusivity and merit.

In 2022, the percentage of internal growth, understood as **the coverage of management positions by talent already employed by SIT, stood at 58%**. 33% of vacant management positions were filled by female managers already working for the Organization. In the upcoming years, the Company will persist in assessing its talent, identifying risks and opportunities, and striving to construct the best team within an optimal work environment aligned with the values of sustainability, merit, and inclusion. This commitment seeks to maintain the competitive edge necessary to attract highly skilled professionals.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES



In 2022, we recorded a 4% increase in women as an eligible party in rewarding policies compared to 2021

COMPENSATION

SIT's compensation policies are designed to foster equal opportunities and cultivate a culture built on meritocracy, equality, and respect for diversity. These policies align with the broader objective of promoting sustainable personal development, while creating a positive, safe, and inspiring working environment.

SIT remains dedicated to carrying out salary review initiatives that are guided by a **meritocratic and objective approach**. These initiatives seek to value the contributions of all employees, while adopting a reward logic based on performance and potential.

Within its broader Total Rewarding strategy, compensation-related activities have been broken down into specific components:

- *Benefits & welfare*
- *Base salary*
- *Short-term incentives (MBOs and performance bonuses)*
- *Long-term incentives (e.g., Performance Shares, Stability Packs, and Restricted Shares)*

In fact, in 2021 SIT launched a **job levelling** and **job analysis** project involving 50 strategic roles for the development and continuity of company business in conjunction with a leading consulting firm in the Total Reward space. Following this project, SIT commenced and concluded banding and grading¹⁵ activities relating to all organizational roles in Italy, using a specific and universally recognized global methodology: the **Global Grade System**. The above activities laid the foundations for the tailored definition and adoption of a dedicated banding structure for SIT based on the Company's characteristics and the unique qualities of its workforce.

The job analysis and job leveling working group introduced salary clusters, known as **SIT Bands**, to establish benchmarks for external competitiveness and internal equity across all Company roles within Italy, in addition to the majority of strategic roles in overseas offices. The use of SIT Bands and participation in salary surveys guided the **2022 Salary Review** process, ensuring a fair and informed approach to determining salary adjustments.

The tools used for analyzing and gathering compensation suggestions incorporated the outcomes of the **Organizational Talent Review process**. These outcomes encompassed evaluations of performance, potential, and impact and risk of losing personnel, further enhancing the merit-based approach employed to determine salary increments for 2022. This approach also strengthened and clarified the Equal Pay for Equal Work vision, in which growth and the distribution of development opportunities are governed by merit alone and the present and future contribution of people, **in contrast to any form of discrimination**.

In 2022, the pay gap between men and women within the **Executive** band **shrank by almost 25%**, demonstrating a focus on inclusivity and a continuation of efforts towards gender equality.

¹⁵⁾ Banding refers to the process of identifying the appropriate band for an organizational role, which involves assessing the nature and level of contribution within one of the two predefined career paths: managerial and professional/technical. Meanwhile, grading refers to the weighting of individual organizational positions within the identified band using specific evaluation factors.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

Ratio of base salary of new hires to local minimum wage by significant operating location

	2022	2021
Italy	1.03	1.02
Romania	1.07	1.10
Mexico	1.36	1.56
Netherlands	1.24	1.22
China	1.04	1.04
Tunisia	1.00	-
Portugal	1.02	-

Furthermore, **young talents** receive comparable pay packages, with a 4% pay gap in favor of women. SIT is committed to maintaining its focus on diversity in compensation policies, ensuring fairness, meritocracy, equal opportunities, and the distribution of growth and careers based on present and future talent.

In 2022, the goal was to create, share, and widely circulate a uniform language able to recognize the levels of responsibility assigned to people within the group and support comparability, mobility, and organizational equity across Functions, Business Units, and Geographical Areas. Compared to 2021, SIT broadened and refined **its organizational awareness of the current level of equity within the group** and Total Reward competitiveness compared to competitors and other companies. Based on the existing framework, SIT sought to improve and align its variable compensation and related policy to reflect the levels of responsibility and the nature of the activities involved. Considering the weights of the roles compared to the market benchmarks, SIT took action to even out any imbalances between salary components. Consequently, certain roles that were determined to be ineligible for short-term managerial incentives due to their organizational weight had their variable component converted into a fixed salary increase.

This corrective action made the distribution of short-term incentives (MBO) more uniform and increased a number of employees' purchasing power as an immediate effect of a fair and transparent remuneration policy.

SIT tends to position itself **above the standard pay of the reference country** in order to attract more talent and remain competitive.

In this regard, the ratio of the standard new-hire entry-level wage to the local minimum wage in significant countries for the group is shown below¹⁶.

The remuneration of SIT **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 business and sustainability (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 its MBO plans, which are linked to cross-cutting projects defined in the 2021-2025 Sustainability Plan.

¹⁶⁾ 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.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

GRI 2-21:

Annual total compensation ratio

Following the introduction of the new GRI 2-21 standard "Annual total compensation ratio," we present the obtained values.

The requirement **a. annual total compensation ratio** was calculated as follows:

The ratio between the compensation of the CEO & Chairperson, including fixed remuneration and short-term variable remuneration (MBO linked to targets) and the average compensation (fixed and MBO linked to targets) of employees in Italy (SIT S.p.A and MeteRSit S.r.l.).

Indicator:
29.69

As for requirement **b. Change in annual total compensation ratio**, the variation for 2021-2022 is shown below

Percentage increase in annual total compensation for the organization's highest-paid individual

9%

Median percentage increase in annual total compensation for all of the organization" employees

5%

Change

1.87

In line with the pillars outlined in the SIT Green Paper and the corresponding UN 2030 Agenda **Sustainable Development Goals** (SDGs), these initiatives build upon the path set by SIT in 2018 to monitor the environmental, social, and economic impacts of its operations. These efforts seek to achieve continuous improvement and sustainable success, ensuring a seamless integration between strategic objectives and environmental, social, and governance commitments.

Furthermore, in 2022 the **Long-Term Incentive (LTI)** system launched in 2021 for top management continued as per the guidelines of the Corporate Governance Code. In line with its launch and adoption in 2021, this system seeks 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.

The second cycle (2022-2024) of the **Performance Shares Plan** includes 34 beneficiaries, who will be granted the corresponding shares upon verification of meeting the performance objectives corresponding to the targets outlined below:

- Three-year cumulative adjusted EBITDA (relative weight 60%);
- Adjusted NFP at end of period (relative weight 20%);
- ESG indicator (20% relative weight), which comprises the following sub-targets:
 - i) Achievement of the CO₂ emissions targets envisaged in the reduction plan, using 2021 as a baseline (8% weight)**
 - ii) Increased Trust Index GPTW (6% weight): 20% increase compared to the baseline of June 2022**
 - iii) ESG Supplier Engagement (6% weight): Ecovadis engagement of 50% of strategic suppliers**

The above plan provides for malus and clawback provisions that can be triggered in the three years following the award of shares if shares are assigned based on manifestly incorrect data.

WELFARE AND WELL-BEING

In 2022, SIT strengthened its welfare and well-being policies by paying special attention to safeguarding the physical and mental health of its employees, thus championing broadly accessible and inclusive initiatives that promote opportunities for balance and well-being. The initiatives increased fringe-benefit purchasing power, facilitated a healthier work-life-balance, and fostered a climate of personal and professional health and well-being, which is detailed in the following paragraphs. In addition to the existing initiatives established in previous years, SIT further enhanced its familial support through a partnership with the ISTUD Business School. This is a tangible advantage that provides children and siblings of employees with dedicated discounts on the school's master's degree programs.

SIT reaffirms its commitment to supporting the purchasing power of employees and their families by strengthening the on-top portion of its flexible benefits. These efforts complement the provisions outlined in national collective bargaining agreements and SIT's welfare portfolio, which has also been strengthened recently.

Strengthening corporate **welfare** policies as a means of supporting families is a source of social responsibility, especially given the current social and economic context.



MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

The management of remote work at SIT goes beyond pandemic-related organizational policies and is a conscious choice by SIT to create a working environment that allows individuals to flexibly and independently manage their own working day

SIT employees have access to a welfare budget, which can be utilized through the **Edenred** platform. Operational since January 2022, this platform offers a diverse array of service categories, enabling employees to utilize their welfare credit for themselves and members of their household. During the year, a decision was made to expand the selection of services based on employee preferences, ensuring that the service offer remains tailored to their interests. The introduction of a "Health Insurance Fund" (**Cassa Sanitaria**) within the platform provides employees with the opportunity to seek reimbursement for various medical specialist expenses, including new categories of care, medication, and pharmacy, and formerly ineligible medical devices. Additionally, the fund provides access to a wide network of contracted healthcare professionals throughout Italy. To assist with rising utility costs, employees can now also apply to have their household utility expenses reimbursed through their welfare portfolio.

The migration to the new corporate welfare portal was accompanied during the year by a targeted and effective communication plan to provide information on the services available and encourage their use. Welfare policies were promoted through the provision of information and updates via the main internal communication channels, including monitors, the Company Intranet, e-mail, and messaging, depending on the target audience, with a view to maximum distribution. The communication campaign was accompanied by face-to-face and webinar training sessions, which were attended by 191 participants for a total of 115 hours provided.

Efforts to improve **the purchasing power of SIT employees** were reflected in the use of 90% of available employee credits, which represented a 3% increase compared to the previous year. Employees were satisfied with the actions taken to improve their purchasing power, especially at the Rovigo plant, where approximately 7% of individuals opted to convert their performance bonus into a welfare portfolio. This choice resulted in an approximately 5% increase in purchasing power from this specific source of credit compared to the previous year.

New work practices have been outlined in human capital management policies to incentivize flexibility with regard to in-office presence and working hours. This shift represents another step towards creating a new work environment, in which the achievement of business goals is based on the collective efforts of all individuals in a climate of trust and productive collaboration.

The initiatives adopted in 2022 focused on promoting a healthy **work-life balance and organizational well-being**, where work-life balance is not simply about managing time but also about creating opportunities for balance and well-being within the Company, in addition to moments of sharing and interaction. The following initiatives related to daily flexibility were adopted: **9 Days of Remote Work, 100% Flexible Working Hours, and one clock-in per day to record attendance** starting from October 1, 2022 for SIT employees (HQ) and MeteRSit employees in Padua.

The integration of remote working into the organizational model is a consolidated Company practice, with **84%** of the eligible population using it regularly, contributing to a total of **143,812 hours** of remote work.

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

For SIT, the health and well-being of its people is a priority

The initiatives carried out in 2022 as part of the SIT People Program represent 16% of SIT's comprehensive culture and development plan for Italy. These initiatives successfully involved 322 individuals from different offices across the group, with a total investment of 658 hours dedicated to their well-being

Alongside the organizational changes in flexible work, training programs were introduced to strengthen the technical and managerial skills needed to adapt to these new ways of working, which have become the **new normal** for SIT. A series of webinars titled "Meeting With a Remote Worker" was created. This series consisted of seven voluntary monthly meetings held during working hours to support SIT employees throughout 2022. The topics – each of which was facilitated by a professional with expertise in their subject matter – were identified in a bottom-up manner at preliminary workshops held in 2021. This highly customized program led to the sharing of ideas and good practices in support of a hybrid organizational model, while also creating spaces for discussion and interaction among participants. The initiative involved 221 people in a total of 402 hours.

SIT maintains its commitment to safeguard the health of its workers by granting them the option to request leave for medical appointments, in accordance with the relevant regulations and provisions. This benefit was included in the additional agreements entered into locally in Italian production plants. **2,405.5** hours were used in 2022.

As part of the efforts to prioritize the well-being of individuals at SIT, numerous projects were undertaken within the **SIT People Program**. These initiatives sought to provide support in stress management and prevention, while promoting personal and emotional balance. By encouraging the adoption of disciplines and techniques, these projects allowed individuals to identify their cognitive and physical resources, promoting a state of balance and placing importance on personal well-being. The central focus continued to be the individual and their overall well-being.

The program specifically takes the form of three categories of initiatives, which were almost all debuted in 2022:

- Well-being in the Company
- Well-being in action
- Well-being in flow

The first aspect, focusing on **Well-being in the Company**, involved the development of a series of webinars. The goal was to promote accessibility and understanding of key techniques and tools to improve physical and mental well-being. A total of five sessions, which were free to attend, were organized by professionals from various disciplines. These sessions covered topics such as **yoga coaching, mindfulness, the ability to disconnect**, and positive empowerment. A total of 101 individuals participated in these sessions, which were held during working hours and amounted to a cumulative duration of 256 hours.

The second strand, **Well-being in action**, experimented with the organization of two in-person yoga courses at the end of the working day on the Company premises in Padua. 33 employees took part in this voluntary initiative, which consisted of 22 free sessions hosted by two qualified yoga teachers. SIT intends to launch a **"Psychology and Emotions" help desk** in 2023 as part of its well-being in action program. This service will offer confidential, free, and anonymous access to one-on-one therapy sessions for all employees. The uniqueness of the service lies in its accessibility in both Italian and English. Moreover, professionals are available at convenient times, enabling employees from the group's various sites to use the service effectively.

Furthermore, starting from 2023, the **Well-being in flow** program will expand its reach with the launch of columns on various topics, including sports, nutrition, and work. These columns will be published monthly and will be accessible to employees through a dedicated Intranet section. The objective of this publication series, presented in both Italian and English, is to provide useful content to employees and to promote easy access to culture and best practices for all-around well-being.



DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

SIT does not tolerate any form of discrimination based on racial and ethnic origin, nationality, age, political opinions, religious beliefs, health status, sexuality, or social-economic conditions

SIT is committed to ensuring **respect for equal opportunities** and adhering to national and supranational laws when conducting business to uphold and promote a **culture based on meritocracy, equality**, and **respect for all forms of diversity** among its internal and external stakeholders. SIT aligns with, embraces, adopts, and advocates for the set of ten core principles outlined by the **UN Global Compact**, which address human rights, labor standards, environmental protection, and anti-corruption.

SIT's principles are declared in its **"Code of Non-Discrimination and Diversity"**, drafted and approved in 2017, which formalizes the Company's firm commitment 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 embraces and appreciates diversity, recognizing it as a resource that contributes to fostering an equitable, inclusive, and merit-based work environment within the organization. The integrity of SIT's policies, actions, and results is rooted in the physical and mental well-being of its employees, in addition to the network of individuals impacted by the Company's business. SIT condemns all direct and indirect actions that infringe upon or cause harm to individuals, within both professional and personal spheres.

SIT has a zero-tolerance policy towards physical, verbal, and psychological abuse, in addition to harassment. Furthermore, the Company condemns all forms of violence and any actions, whether by individuals or groups, both within and outside the organization, that contribute to an intimidating, hostile, denigrating, defamatory, or offensive work environment.

SIT declares its zero-tolerance stance against any thoughts or actions that contradict the Fundamental Principles of Conduct outlined in its **Code of Conduct**, and which could generate or have the potential to generate adverse impacts on human rights, diversity, and inclusion. Consequently, SIT is committed to actively improving knowledge and raising awareness about workplace harassment through tangible actions. The goal is to create a culture of mutual respect and cultivate a work environment across all SIT locations that ensures tranquility for all individuals involved.

SIT's Human Resources department undertakes the responsibility to ensure compliance with such fundamental principles in the SIT group's activities, and is committed to preventing, mitigating, resolving, or remedying negative impacts arising from verified cases of discrimination, failure to ensure equal opportunities, bullying, harassment, retaliation, or intimidation.

Ethics and Equal Opportunities Committee

In 2022, SIT established the **Ethics and Equal Opportunities Committee**, which is chaired by members from the Human Resources Department, the Governance, Risk & Sustainability Department, the Chairperson of the SIT Foundation, and the Head of Compensation & Controlling. The Committee's mission is to **promote fair and transparent organizational decision-making by fostering a culture of sustainability that values merit, inclusion, and diversity.**

As part of its activities, the Committee is responsible for evaluating, managing, and monitoring the following areas:

- Inclusion initiatives
- Policies related to Human Rights and potential impacts
- Actions to ensure gender equality
- Ethics implications and compliance with the Code of Conduct
- Definition of projects and adoption of best practices in the area of Diversity & Inclusion, specifically focusing on promoting gender equality, supporting parenting initiatives, fostering multiculturalism, and facilitating cross-generational collaboration.

Specifically, the Committee's operational objectives consist of:

- Creating a guide to ensure and support a fair and inclusive work environment
- Designing action programs in line with shared guidelines and sustainability
- Adopting and planning actions related to individual programs
- Monitoring the progress of initiatives
- Measuring progress with functional KPIs to ensure continuity and improve programs and initiatives
- Evaluating initiatives independently
- Gathering feedback and researching efficient solutions to support people.



DIVERSITÀ, INCLUSIONE E PARI OPPORTUNITÀ

By obtaining the certification, SIT commits to maintaining and improving its existing effective standards where needed, in line with the evaluation structure model provided by the UNI/PdR 125:2022 reference practices:

- *Culture and strategy*
- *Governance*
- *HR processes*
- *Opportunities for growth and inclusion of women in business*
- *Equal pay for both genders*
- *Protection of parenting rights and work-life balance*

29% of the global company population is over 50 years of age and 43% of group managers are over 50

As mentioned above, the planned listening activities conducted through the **Great Place to Work (GPTW)** survey in 2022 resulted in the identification of the SIT Diversity & Inclusion Index. The D&I Index, which comprised additional items that were not included in the GPTW climate survey, provided a comprehensive overview of people's perceptions regarding crucial Diversity & Inclusion topics within the Company. With its results closely aligned with the market benchmark, the index enabled the development of a well-defined action plan that will focus on further refining SIT's inclusion policies and initiatives over the next three years.

In pursuit of gender equality, the Human Resources Department, in collaboration with the Quality Department, the Ethics and Equal Opportunities Committee, and the Sustainability Mission Leaders, initiated an organizational assessment to obtain **Gender Equality Certification**, in application of **UNI/PdR 125:2022** practices. Thanks to this Management System, the Company intends to promote gender equality in 2023 by confirming its strategic vision on women's growth and inclusion, safeguarding parenting rights, and promoting a healthy work-life balance, while also prioritizing personal and organizational performance.

In line with the pillars guiding its actions in 2023, SIT defines several areas of commitment. Specifically, the Human Resources Department is actively developing a **Parental Policy** in the area of **parenting protection**. This policy is designed to support parents preparing for the arrival of a child, and in the period immediately following the child's arrival until the child is three years old, so as to facilitate recovery and work-life balance. With its Parental Policy, the Company confirms its commitment to protect individuals who intend to become parents, whether through natural means or adoption, against all forms of discrimination in terms of selection, career progression, and pay conditions. This policy is expected to be published in 2023.

Regarding **multiculturalism**, the SIT group reiterates the international mindset established in 2022 by fostering cross-group professional development opportunities at various overseas locations, involving personnel from both European and non-European countries.

In relation to **cross-generational collaboration**, the Company outlined several projects for 2023. These initiatives are geared towards promoting collaboration between senior and junior team members, emphasizing the use of inclusive language, and fostering integration across different generations to enhance value creation.

More generally, 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. The group also ensures **age diversity**.

SIT intends to appreciate each individual at the Company, fostering their professional and personal growth and development within a **healthy, safe, and stimulating work** environment where everyone, regardless of individual differences, is treated with dignity and has equal opportunities to reach their full potential. Through this approach, SIT cultivates a culture of sustainability and inclusion.

SIT embraces **inclusion** through the creation of a work environment and company that values personal differences. Everyone is provided with equal access to opportunities and resources, and is treated with equal respect.

HUMAN RIGHTS



SIT respects and promotes the protection of values such as equality, freedom, and human dignity, fair working conditions, trade union freedoms, health and safety, and the protection of the climate and environment. SIT strongly opposes and condemns forced labor, child labor, corruption, and all forms of discrimination, in addition to the violations of human rights.

SIT demonstrates its commitment to respect and promote human rights by officially adopting a **Human Rights Policy**, approved by the Board of Directors of SIT S.p.A. in December 2022. The principles contained within the policy are inspired by, but not limited to, the following International Standards:

- **Universal Declaration of Human Rights (UDHR)**
- **European Convention on Human Rights (ECHR)**
- **International Labour Organization (ILO) Conventions**
- **International Covenant on Civil and Political Rights (ICCPR)**
- **International Covenant on Economic, Social and Cultural Rights (ICESCR)**
- **International Convention on the Elimination of All Forms of Racial Discrimination (ICERD)**
- **Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)**
- **Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)**
- **Convention on the Rights of the Child (CRC)**
- **International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICPMW)**
- **The Convention on the Rights of Persons with Disabilities (CRPD)**
- **The International Labour Organization's Declaration on Fundamental Principles and Rights at Work**

The policy represents SIT's stance and defines **12 principles** that are crucial and essential for safeguarding human rights throughout all its business endeavors.



HUMAN RIGHTS



In a broader context, SIT is committed to guaranteeing respect for human dignity and the protections acknowledged by national and international regulations and conventions throughout its operations. The objective is to foster and promote a culture based on respect for irrefutable human rights and fundamental freedoms among its internal and external stakeholders.

As proof of this commitment, SIT joined the **United Nations Global Compact** in 2022. This voluntary United Nations initiative promotes a culture of sustainability and corporate citizenship, encouraging companies worldwide to contribute to an economic, social, and environmental framework that fosters a healthy and sustainable global economy from which all can benefit. To fulfill this commitment, participating companies and organizations in the UN Global Compact are obligated to share, support, and apply a set of core principles related to **human rights, labor standards, environmental protection, and anti-corruption** within their respective spheres of influence.

As a participant in the UN Global Compact, SIT is committed to:

- **Aligning** company operations with the UN Global Compact standard so that its ten principles become part of strategy, culture, and daily operations;
- **Publicly supporting** UN Global Compact and its principles through official media;
- **Communicating** progress and achievements to its stakeholders through an annual Communication On Progress (COP)

SIT webinars: SIT Joins the United Nations Global Compact

To involve and raise employee awareness regarding the Company's formal commitment, comprehensive webinars are scheduled for early 2023. These webinars will specifically target white-collar workers within the group and will be conducted in both Italian and English to educate employees about the significance of joining the UN Global Compact initiative, its unique features, and the activities that participation in this initiative will involve. Furthermore, as part of ongoing efforts to raise awareness and enhance understanding, the Human Resources department, in collaboration with the Governance, Risk, and Sustainability department, will install dedicated information corners about the UN Global Compact at the group's Italian plants.

WORKER HEALTH AND SAFETY

The group intends to maintain a culture of occupational health and safety by ensuring its employees are aware and take responsibility for risks and behaviors in the workplace. Individuals are consistently encouraged and trained to promptly report unsafe conditions, hazardous behaviors, and near misses to those in charge

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 careful management, which seeks to ensure that each employee has a suitable working environment and working conditions that respect their dignity.

Information, training and **education** are of extreme value, and are carried out by in-house and external expert employees, with the goal of raising awareness. In 2022, several safety, health, and emergency management training courses were organized in Italy. These courses amounted to approximately 1,459 hours of training, contributing to a global total of **24,861** hours across all regions and accounting for 41% of overall training efforts.

Periodic **risk monitoring** and **injury assessments** are conducted regularly, both in Italy and abroad, with the goal of preventing injuries and consistently improving health and safety conditions at the group's different locations. In addition, the Company continuously plans and carries out **maintenance and improvements** on its systems, equipment, buildings, and production processes.

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

15 joint management-worker health and safety committees were held in Italy in 2022, averaging more than one per month during the year. The committees comprise:

- Executive Designated by the Employer
- Head of Health & Safety Protection and Prevention (RSPP)
- Employee Health and Safety Representatives (EHSR)
- General Workers' Representative Body (RSU)
- Human Resources Management Representative
- Company-appointed Doctor

The meetings were organized to evaluate and report on any interventions or activities that may be necessary to improve health and safety standards and finalized to improve the health and safety conditions of all workers in all corporate environments, especially production plants.

WORKER HEALTH AND SAFETY

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

With regard to **injuries**, the indicators for 2022 show an improvement in the injury index, thus confirming the Company's commitment to reducing the number of injuries involving its employees. A total of 16 work-related injuries were recorded at group locations, including one with serious consequences at the Mexican plant. Injuries tend to involve impact trauma, crushing, and efforts to lift and move loads. As for outside workers, no injuries occurred during 2022.

TOTAL NUMBER OF INJURIES IN 2022

	Employees		External workers		Total
	Male	Female	Male	Female	
Injuries recorded ¹⁷	9	7	-	-	16
of which fatal	-	-	-	-	-
of which with serious consequences ¹⁸	1 ¹⁹	-	-	-	1

INJURY FREQUENCY INDEX IN 2022

	Employees		External workers		Total
	Male	Female	Male	Female	
Injury frequency index ²⁰	5.26	2.93	-	-	3.90
Mortality index	-	-	-	-	-
Serious injury frequency index ²¹	0.58	-	-	-	0.24

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

18) Work-related injuries from which the worker cannot recover, does not recover, or is not realistically expected to recover fully by returning to pre-accident health within 6 months.

19) The serious work-related injury involved a crushing injury sustained by a thumb.

20) 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.

21) The Frequency Index for serious work-related injuries is the ratio between the total number of serious work-related injuries and the total hours worked during the same period, multiplied by 1,000,000.

COVID-19 pandemic management

During the COVID-19 pandemic, SIT consistently demonstrated its strong commitment to addressing the emergency situation, **prioritizing the health of its workers** by maintaining a high level of vigilance and adopting prevention and protection measures internally. SIT also guaranteed compliance with the guidelines and directives issued by health and government authorities, both in Italy and abroad.

SIT remained receptive and attentive to the pandemic and related regulations, intending to ensure the continuity of all business, both at its various offices and production sites, in line with the highest standards of hygiene. To achieve this goal, **the COVID-19 Committee** remains active and attends Safety Committee meetings. The Committee is ready to make changes following updates to regulations and health protocols and monitors the effectiveness of internally adopted protocols and the health of employees on an ongoing basis. In order to contain the spread of infection as much as possible, agile working arrangements remained in place, allowing workers, where possible, to work remotely up to 5 days a week, until March 2022. SIT continued to use COVID-19 Green Certification Control Models and provided ongoing, timely training and information, enabling the Company to guarantee the smooth running of operations and prioritize the health of its workers.

Mobility Management

SIT's Italian sites and production plants have recently renewed the role of the **Mobility Manager** and the internal service dedicated to researching solutions that prioritize employee work-life balance and environmental sustainability by facilitating and optimizing commuting. Monitoring continued in 2022 through the renewal of the survey, which examines the travel patterns of employees concerning their home-work commutes. This enables annual comparisons and timely measurement of the analyzed dimensions. The survey was created and sent out in digital format to the workforce at SIT's Padua and Rovigo sites to ensure sustainability and accessibility to all addressees. The survey results led to the creation of the **Commuter Plan (PSCL)** in 2022. The plan uses employee habits to map out potential mobility efficiencies in line with sustainability goals. The objective is to improve air quality, reduce traffic congestion, and optimize costs. In this regard, SIT introduced the **"SIT X Recharge"** project at its Padua location, which provided for the creation of signposted parking areas specifically dedicated to charging electric vehicles.



SIT supports home-to-work bike mobility

ENGAGEMENT WITH LOCAL COMMUNITIES

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

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 medical-scientific research, to make a contribution to the well-being of present and future generations.

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. Furthermore, SIT actively cultivates a culture of **solidarity** and **compassion**, demonstrating a genuine interest in the well-being of others. Additionally, the Company promotes a sports culture by sponsoring amateur clubs in the local area.

Described below are some of 2022's most significant projects, events, and initiatives that demonstrate SIT's commitment to local communities and its employees.

Family support initiatives

Christmas greetings were exchanged via video in 2022, to all of the group's production and sales sites. This allowed SIT employees and their family members to participate in a virtual visit to the **"Futurism - The Birth of the Avant-Garde 1910-1915"** exhibition, sponsored by SIT and hosted at Palazzo Zabarella in Padua. The Chairperson also delivered the year-end speech from the exhibition venue.

Youth training initiatives

Similarly, in 2022, the Padua office sponsored the **"Traveling with Giotto&Co"** project, an art exhibition promoted by the Club per l'UNESCO Padova, in collaboration with the Padua Department of Culture.

SIT continued to fund **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. This concluded in June 2022. SIT is also a **supporting member of the Association of Friends of the University of Padua**. The Association, founded in 1989, seeks to promote and develop a permanent link between the financial and manufacturing sectors and the University of Padua.

In Romania, SIT continued its strategic **Dual-Learning partnership** with a local high school and town council. 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 provided a **support grant for pupils** in 2022.

Cultural initiatives

SIT sponsored the **Bano Foundation's** exhibition on Futurism at Palazzo Zabarella, until February 26, 2023, offering free entrance tickets to employees and their families.

In addition, SIT sponsored and supported the **"800 Years of Space at the University of Padua"** conference, held in Padua from September 7 to 9, 2022.

ENGAGEMENT WITH LOCAL COMMUNITIES



22) The countries in which group companies operate are defined as those in which the group has a direct production and/or commercial presence: Italy, the Netherlands, Romania, Mexico, China, Australia, the Czech Republic, Germany, Argentina, Canada, the USA, Portugal, Tunisia and the UK.

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 2022-2023 Championship season. It also sponsored the amateur basketball association **"C'è"** for children with and without intellectual and/or cognitive disabilities, giving them all the opportunity to believe in themselves, in life, and in their dreams.

Support initiatives

Janz Portugal supports the **Ester Janz Association** (AEJ), a local school for children aged four months to ten years, and a vegetable patch for children. The children of several employees attend this school, thus representing an initiative that contributes to a healthy work-life balance. Janz also provides support to the **Grupo Recreativo Janz Associados**, an employee association that promotes sports and social activities.

In collaboration with its employees, MeterSIT donated the equivalent value of Christmas gifts received from suppliers to the **Il pane quotidiano** charity in Milan. SIT also donated Christmas gifts received from suppliers to the **Red Cross in Padua**. In addition, employees were asked to donate food items to a collection.

Furthermore, SIT sponsored the event **"Moviechorus - Padua World Heritage"**, held on May 30, 2022, at the Palazzo della Ragione in Padua. The raised money was donated to **I bambini delle fate** and **Legature musicali** associations.

Initiatives to support medical research

As a Christmas gift, employees in Padua, Milan, Rovigo and Montecassiano were given a traditional panettone, purchased from the **Luca Ometto Association**, whose objective is to finance scientific research on glioblastoma, in order to help improve the effectiveness of treatments and the quality of life of patients and their families. SIT also provided support to the Luca Ometto Onlus Association during the **Padua Marathon** on April 24, 2022. Its support was directed towards **The Little Prince** project, which seeks to fund scientific research into sudden cardiac arrest deaths in children and teenagers. With the proceeds, the Foundation was able to fund the project and install defibrillators in various public locations throughout the city of Padua.

Environmental initiatives

In 2022, all the gadgets purchased for fairs in which SIT participated were made from recycled materials or sourced from all-natural materials.

The aforementioned community engagement programs and initiatives were developed and promoted in approximately **38.5%** of the countries in which group companies operate²².

ENGAGEMENT WITH LOCAL COMMUNITIES



SIT People for Ukraine

Building upon the efforts undertaken in 2021, SIT continued various initiatives to support individuals affected by the war in Ukraine.

These include:

- An initiative was introduced where SIT and MeterSIT employees had the opportunity to contribute their work hours through donations. SIT doubled the total value of these donated hours, which was then paid to the **CONADI** association;
- SIT extended its support and hospitality to three female Ukrainian students, enabling them to pursue their music studies at the Padua Conservatory of Music;
- A dedicated section was created on the company intranet, providing useful information and a support desk for employees who wished to contribute and offer practical assistance, thus involving SIT employees in the initiative;
- SIT Controls B.V. (Netherlands) joined the aid initiative for the Ukrainian people, and its employees donated work hours that were doubled by the Company and paid to the **Dutch Red Cross**;
- Janz supported the **Ukrainian Refugee Association - HelpUA** by adopting an employee hours donation initiative. The collected hours were doubled, and the corresponding value was donated to the association.



THE SIT FOUNDATION



The establishment of the **SIT Foundation– Sport, Inclusion, Talent, ETS** seeks to solidify SIT's social commitment by developing and promoting educational projects through sports.

After being incorporated in the autumn of 2022, the SIT Foundation actively built relationships and signed agreements to **commence operations in 2023**.

The conversation initiated with the world of institutions and associations enabled the SIT Foundation to be accredited as a participant in the Third Sector.

The signed agreement entails using spaces and facilities at the **Padua University Sports Center**, along with engaging in collaborative activities, to focus on essential areas such as:



Through this collaboration, the SIT Foundation actively participates in **Summer Centers**, which CUS Padua has organized for over 30 years. This service already benefits over 1,000 families from Padua during the summer holidays, and with the support of the SIT Foundation, it will now be enhanced with additional services.

At the start of the next school year, the SIT Foundation will launch **SIT Move @Cus**. This initiative will offer a safe and welcoming space for boys and girls aged five to 14 to practice sports from Monday to Friday. The initiative is unique because it combines educational and physical services in the same setting.

The projects created by the SIT Foundation are open to all, with priority access and discounts reserved for the children of SIT employees.

Throughout the year, the SIT Foundation promotes and organizes **meetings with champions and influential figures**, who share **inspiring stories and testimonies with participants**. The first event will take place on May 9, 2023, featuring Sara Simeoni, the Olympic champion (Moscow 1980) and former world record holder in high jump, as the guest speaker.

LABOR/ MANAGEMENT RELATIONS

Throughout 2022, SIT maintained and enhanced its industrial relations system by introducing a dedicated technical role, namely the HR Industrial Relations Italy specialist

Each meeting is minuted and signed by all the trade unions, including the General Workers' Representative Bodies (RSUs) and company

Approximately 94% of the group's employees are covered by collective bargaining agreements

SIT considers its employees a fundamental resource in creating value and achieving success. Through its personnel management policies, SIT has always promoted 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 - which seeks to ensure growth and optimization of work performance - and with contractual and legal provisions, SIT prioritizes the **valorization of work, professional qualifications, and increasing levels of 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.

Without prejudice to the provisions of the relevant national collective bargaining agreement, SIT recognizes the importance and centrality of the **right to information** within the framework of fair and transparent labor relations, based on communication, advance warning, and mutual respect for roles, prerogatives, and skills. As a testament to the importance of this principle, SIT adopted a labor relations model in 2021. It conducts monthly meetings with all the General Workers' Representative Bodies (**RSUs**) within the Company. These meetings primarily focus on topics related to safety development plans, including their adoption and the overall organization of work.

In addition, a total of **eight meetings** were held at the Italian plants with local and regional trade unions to discuss and compare company performance and productivity.

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.

In addition to adhering to the national collective agreement, additional coverage from second-level negotiations is provided to nearly all employees at **Italian** production plants. This ensures that workers are more actively involved in attaining plant-specific targets set by the Company.



**DIGITAL
TRANSFORMATION,
INNOVATION &
LEAN CULTURE**

**DIGITAL
TRANSFORMATION**

**LEAN
TRANSFORMATION**

DIGITAL TRANSFORMATION

The overall objective of the servitization process is to establish closer proximity between the Company and its customers. This is achieved by enhancing physical product offers with a service component and tailor-made solutions



In the present economic landscape, there is a growing tendency among manufacturing companies to align their business strategies and decisions with value-added services for customers. This shift is facilitated by digital technologies such as augmented reality, the IoT, and artificial intelligence.

The overarching trend of prioritizing customers aligns well with the goal of environmental sustainability. This alignment presents a concrete opportunity to initiate a transformative process towards **carbon neutrality** and **climate action**.

Against this backdrop, SIT's Digital Transformation department took the initiative to launch several projects focused on digital servitization.

Within the broader context of Industry 5.0 technologies, the digital servitization strategy not only improves economic performance and strengthens customer relationships through transparent information exchange and integrated customized solutions but also aligns with the **achievement of sustainable development goals**.

In fact, digital transformation improves the efficiency of business processes and generates meaningful insights, while servitization creates **new added value** for customers by monitoring and improving the product life cycle without using physical resources.

SIT's goal is to **adopt digital servitization projects with a focus on both economic and environmental sustainability**. This approach begins with basic service concepts and progresses towards the provision of more advanced and comprehensive services.

In late 2022, SIT began **developing an e-commerce platform** as a basis for the development of new services. The initial focus was on managing the aftermarket within the platform. This platform will serve as a digital enabler, providing customers with a dedicated web page where they can access their order history, benefit from personalized promotions, and stay informed about marketing initiatives and content. It is essentially an **improved service** that offers users the possibility of access at any time from any device.

It can also be used to promote and market new services, and provide after-sales support. Through the adoption of this e-commerce platform, SIT hopes to further expand its reach to new customers and markets.

In terms of customer service, SIT's Customer Relationship Management (**CRM**) platform enables the analysis of **customer satisfaction** through surveys and data processing, providing valuable insights. It will also be possible to analyze and calibrate supply and demand, assisting the supply chain in effective inventory management. Furthermore, the system will showcase SIT's efforts to **reduce its carbon footprint**, helping users to select products that combine efficiency, quality, and minimal environmental impact.

DIGITAL TRANSFORMATION

This technology reduces the need for travel, thus positively impacting the CO₂ emissions of transportation vehicles and travel costs

The IoT system plays a crucial role in enabling continuous improvement, with the goal of achieving optimal plant efficiency

AR platform

In the era of digital transformation, **Augmented Reality** represents an innovative and promising solution capable of revolutionizing business processes from a sustainable perspective.

Augmented reality is essentially **an extension of a user's environment**, which is enriched in real-time by overlaying digital information, such as text, graphics, and multimedia content. By leveraging wearable devices and real-time video streaming, the technology enables **seamless visual interaction** between two or more users. This innovative approach allows individuals, including those without specialized skills, to effectively carry out operations while keeping their hands free.

Frequently, operators in the field encounter situations requiring in-depth knowledge they don't possess. As a consequence, they have to seek assistance from experienced technicians who often need to travel to provide support. Without this technology, traditional processes would be more time-consuming, expensive, and environmentally unsustainable.

This technology is currently employed for a range of activities at SIT, including remote customer support, intercompany collaboration and training, and audits. In 2022, approximately **30%** of audits conducted at overseas production plants utilized the augmented reality platform and Smart Glasses, eliminating the need for travel while enabling prompt action and contributing to environmental sustainability.

Industrial IoT

The adoption of an **IoT** (Internet of Things) system allows for the automatic and real-time acquisition of production data at our plants. This permits us to **constantly monitor production line performance** through two-way communication between machines and operators.

The digital generation and use of factory data allows SIT to **optimize production efficiency**, enabling it to also improve its environmental sustainability.

The next step will involve the adoption of robust benchmark **KPIs**, in line with the Company's sustainability objectives.

LEAN TRANSFORMATION



Building upon the progress made in previous years, SIT continued its pursuit of lean transformation in its business processes throughout 2022.

The project's primary objective is to make **processes more streamlined and measurable**, which will have positive impacts the **company efficiency**, in addition to **reducing waste, minimizing energy consumption, improving health and safety conditions for workers, and raising customer service levels**.

In 2022, SIT further expanded the adoption of the Gemba Walk, an integral part of its Lean management philosophy. The Gemba Walk allows managers and team leaders to directly observe the work process, interact with employees, gain valuable process insights, and explore opportunities for continuous improvement. Additionally, waste reduction projects were launched during the year to enhance efficiency and achieve productivity gains at the group's primary plants. Furthermore, SIT upheld and refined its company KPIs and continued its training program on lean principles for all employees.

In 2022, the Portugal plant was also included in the Lean Transformation program, where **20 improvement projects** were identified as part of the program, covering all areas of the Company. This step involved a comprehensive revision of the production planning process and the introduction of a new system of company KPIs.

The lean transformation journey was closely aligned with the Company's digital transformation journey, resulting in the optimization and streamlining of key processes, in addition to their progressive digitalization through the adoption of **Manufacturing Execution Systems (MES)**. As a result, IT dashboards were introduced at the main plants, providing real-time visibility into the **Overall Equipment Efficiency (OEE)** trends of key machines and processes.

In 2022, the **Lean Supply Chain** project was launched, with the objective of transitioning from a push-based approach to a pull-based logic. This shift is expected to improve service levels and on-time delivery to customers while reducing overall stock levels. This goal is achieved through the introduction of the **Kanban** technique in two pilot departments, supported by the adoption of specific software (KanbanBox).

Finally, to strengthen the link between lean transformation activities and sustainability goals, the **Lean Transformation Manager** joined the corporate team responsible for coordinating all activities related to the group's sustainable development in 2022. The link between lean transformation and sustainability goals, driven by a **shared cultural transformation focused on waste reduction** and a comprehensive business process review, will lead to the adoption of joint actions across plants and headquarters, facilitated by the adoption of a joint management approach.

DATA AND INFORMATION SECURITY

The SOC (Security Operation Center) service, previously separate for MeteRSit and SIT, was centralized. All data sources were directed to a single SIEM (Security Information and Event Management) system, enhancing event correlation and control for server and enterprise network systems

To enhance corporate cyber security awareness, a dedicated web page was created on the company Intranet. This platform serves as an additional resource for sharing

The POC is limited to MeteRSit archives

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** that the threat of cyber crime is growing and becoming increasingly aggressive.

Over the course of several years, the Company relocated the majority of its servers to specialized data centers. These centers focus on mitigating the risks of data loss and unauthorized access and managing Disaster Recovery and High Availability solutions. The services are monitored 24/7 to ensure secure operations and a prompt restart in the event of an incident.

In 2022, the majority of enterprise security systems were revised and updated, including procedures and partnerships. The main goal was to improve monitoring of the attack perimeter to counteract cyber criminal activities.

The existing endpoint protection system, which utilizes machine learning and behavioral analysis for PC customers, was expanded through the acquisition of an **MDR** (Managed Detection and Response) service. This service incorporates an **XDR** (Extended Detection and Response) analysis software system. In this manner, software systems identify potential threats, and a team of cyber analysts promptly responds by applying the required solutions.

In 2022, several **VA** (Vulnerability Assessment) and **PT** (Penetration Testing) activities were conducted, with a shift in focus compared to 2021. Rather than testing the strength of the perimeter defense (firewall, WAF, VPN), an insider attack approach was adopted. By employing a "Pentera" probe, a powerful tool designed to simulate various automated cyber attacks, the security of the corporate infrastructure was tested under the assumption of a successful breach of the initial defense barrier. This scenario was simulated by exfiltrating the passwords of a user within the group.

The **output of the tests** revealed security vulnerabilities in network equipment, servers, and PC clients. The following remediation actions were concluded to remedy the highlighted defects:

- Updates to switch firmware
- Adoption of the NinjaOne remote monitoring and management platform for PCs and servers, also serving as a means to update the Windows operating system and software installed on both servers and PC clients.

By mid-February 2023, a second PT will reach its completion, prior to the formalization of an intervention and restructuring plan.

The **Corporate Cyber Security Awareness program** continued in 2022, partly as a result of the VA/PT findings. Campaign reports indicate a decrease in the incidence of phishing among the corporate population, despite a relatively low participation rate in training courses.

All existing security training initiatives will continue in 2023. In addition, a new platform is currently being evaluated to enhance the Cyber Security Awareness program, using the MS Teams application as the delivery method. It was evaluated that relying on widely-used applications in everyday life as a means for delivering the courses could be an additional way to increase training participation among the corporate population and, subsequently, mitigate the risk exposure.

A **POC** (Proof of Concept) for the adoption of a **DLP** (Data Loss Prevention) system, designed to monitor and prevent data loss or theft from corporate repositories, was initiated in the second half of 2022. The project is scheduled to conclude by the end of 2023, at which point the tool's reliability, usability, and resource requirements for monitoring and management will be thoroughly assessed based on the tests conducted.



DATA AND INFORMATION SECURITY

This activity is already underway and has resulted in the definition of an initial "incident response" flow following a potential outage of server systems along the MeteRSit

Multi-Factor Authentication (MFA) is required when logging into the most crucial system administration consoles, such as Endpoint Protection, Firewall Management, Endpoint Management, and Mobile Device Management

At the beginning of 2022, a comprehensive **gap analysis** was conducted to assess the security posture of the IT infrastructure within the "business-Italy" perimeter, not including production plants. Through this analysis, it became evident that the main challenges are not primarily linked to the Company's infrastructure or applications used for its defense. Instead, they stem from a lack of standardization of activities and formalization of IT procedures for system management and control, in addition to a structure that does not consistently prioritize security by design. To ensure objectivity, the gap analysis was conducted using the framework of controls provided by the ISO 27001 standard. Once the project had concluded, the procedures needed to reduce the gap and index their contents were identified.

In November 2022, MeteRSit successfully renewed its ISO 27001 certification after passing the surveillance audit.

Furthermore, in 2022, an Incident Response Plan (**IRP**) was developed, initially at a high level. This plan encompasses best practices that can be applied to each server to address potential incidents that may lead to system crashes. Subsequently, a thorough examination of the business departments was carried out to identify critical workflows and, consequently, the applications and servers that support key business activities. In 2023, the high-level IRP created in 2022 will be further developed into specific "process-application-server" IRPs, taking into account the insights gathered from the analysis.

An initial **Multi-Factor Authentication (MFA)** process was introduced for Microsoft Office systems and those using Office 365-based **Single Sign-On**. This process requires multi-factor authentication when accessing applications on unregistered devices or through the web.

In 2023, the adoption of MFA authentication is expected to extend to the management consoles of server virtualization systems, backup systems, and domain controllers.

From a governance and policy standpoint, **Regulations on the Use of Information Technology Resources** were developed in 2022, encompassing best practices for the appropriate use of corporate assets held by users. The policy was distributed via the web to all users who access IT resources.

Other important security initiatives introduced in 2022 include:

- The activation of the **Commvault Metallic** cloud service, which manages corporate data backups in Microsoft Office 365, covering email accounts, Teams projects, OneDrive folders, and corporate SharePoint sites, with a ten-year retention period
- Laptop PC **hard drive encryption**, previously enabled for MeteRSit, to protect corporate data from unauthorized access in the event of PC theft or loss
- The **configuration of user data backups** on company PCs through the synchronization of PC data folders with OneDrive.

As for 2023, the following initiatives are planned:

- The publication of the **User and IT asset life-cycle management procedure**, which will govern the processes of user on-boarding, user off-boarding, user role-change, and IT asset replacement
- The drafting and publication of **three additional cyber security/IT procedures**:
 - Supplier management
 - Change management
 - Asset management

EUROPEAN UNION ESG TAXONOMY

The **European Taxonomy** (Regulation EU 2020/852) sets out six objectives for identifying environmentally sustainable economic activities:

1 CLIMATE CHANGE MITIGATION

2 CLIMATE CHANGE ADAPTATION

3 SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES

4 TRANSITION TO A CIRCULAR ECONOMY

5 POLLUTION PREVENTION AND CONTROL

6 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 mentioned above;
- 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 relative Delegated Regulations. The following are the main assumptions underlying the analysis conducted and the results of the assessment of SIT activities in terms of Taxonomy eligibility.

In 2022, companies were required to **assess the level of "alignment"** of activities categorized as "eligible," based on technical screening criteria. These criteria determine the circumstances under which an economic activity can be deemed to significantly contribute to the above principles without doing significant harm to any other objective (DNSH - Do No Significant Harm).

Note: The disclosures made by the Company for 2022 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.

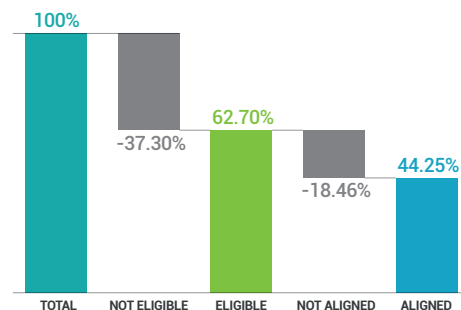
THE "ELIGIBILITY" AND "ALIGNMENT" ASSESSMENT

The assessment of the eligibility of SIT's economic activities was carried out in full compliance with the assumptions set out in 2021, as outlined in Annex 1 of Regulation (EU) 2020/852, which cover the following aspects:

REGULATION EU NO. 220/852		SIT GROUP - ELIGIBLE ECONOMIC ACTIVITIES	
ARTICLE	DESCRIPTION	DESCRIPTION	CATEGORY
3.1	MANUFACTURE OF RENEWABLE ENERGY TECHNOLOGIES	DEVELOPMENT, PRODUCTION AND SALE OF: <ul style="list-style-type: none"> • PRODUCTS FOR PELLETS (FANS) • PRODUCTS FOR THERMALLY DRIVEN HEAT PUMPS • PRODUCTS FOR HYBRID APPLIANCES • PRODUCTS FOR THE USE OF SOLAR/THERMAL ENERGY SOURCES • PRODUCTS FOR BIOMETHANE USE 	TURNOVER CAPEX: OPEX
3.2	MANUFACTURE OF EQUIPMENT FOR THE PRODUCTION AND USE OF HYDROGEN	DEVELOPMENT, PRODUCTION AND SALE OF: <ul style="list-style-type: none"> • PRODUCTS FOR H₂ USE (BLENDED OR 100%) 	
3.5	MANUFACTURE OF ENERGY EFFICIENCY EQUIPMENT FOR BUILDINGS: <ol style="list-style-type: none"> 5. ENERGY EFFICIENT APPLIANCES 7. SPACE HEATING AND HOT WATER SYSTEMS 8. COOLING AND VENTILATION SYSTEMS - HEAT RECOVERY UNITS 14. PRODUCTS FOR HEAT METERING AND THERMOSTATIC CONTROLS 16. PRODUCTS FOR SMART MONITORING AND REGULATING OF HEATING 	DEVELOPMENT, PRODUCTION AND SALE OF: <ul style="list-style-type: none"> • HOOD FANS • PRODUCTS FOR CONDENSING BOILERS • HEAT RECOVERY UNITS • ROOM THERMOSTATS • FIREPLACE ELECTRONICS AND APPS 	
4.1	ELECTRICITY GENERATION THROUGH THE USE OF SOLAR/PHOTOVOLTAIC SYSTEMS	INVESTMENT AND COSTS INCURRED IN THE CONSTRUCTION OF: <ul style="list-style-type: none"> • PHOTOVOLTAIC SYSTEMS (ROVIGO AND PADUA) • NEW BUILDING HEADQUARTERS - R&D (PADUA) 	CAPEX:
7.5	INSTALLATION, MAINTENANCE AND REPAIR OF INSTRUMENTS AND DEVICES FOR MEASURING, REGULATION AND CONTROLLING ENERGY PERFORMANCE OF BUILDINGS <ol style="list-style-type: none"> 3. INSTALLATION, MAINTENANCE AND REPAIR OF SMART GAS METERS 	ENTIRE SMART GAS METERING SEGMENT BUSINESS	TURNOVER CAPEX: OPEX

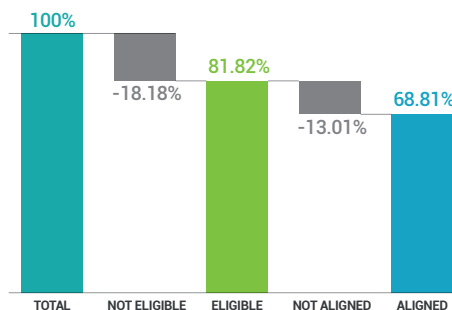
The Water Metering Division's activities do not appear Taxonomy-eligible with respect to the environmental objectives regulated to date. The Company reserves the right to carry out further assessments when the evaluation criteria for all of the other environmental objectives are made explicit. Regarding the asset "**alignment**" **assessment**, the Company performed a dedicated analytical process to identify, from its pool of eligible assets, those that actually meet the technical criteria outlined by the Taxonomy. The assessment was carried out with the assistance of management from R&D, Strategic Marketing, and Production Engineering, who analyzed SIT's product development, production, and marketing activities in relation to the taxonomy criteria. The Department of Administration, Control, and Finance (AFC) organized the data based on the conducted analysis and provided assessments in line with the adopted "assumptions" to determine the eligibility and alignment percentage data.

TURNOVER



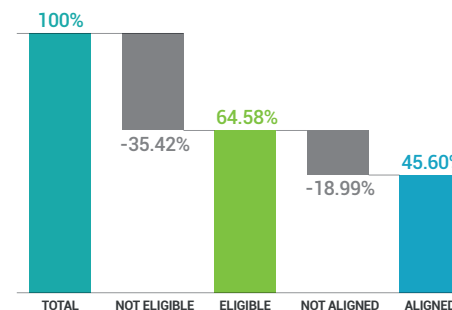
- Analyzed revenues at December 31, 2022 amounted to **Euro 382 million** and included only the **core revenues of Business Divisions**.
- Revenues identified as **eligible** amounted to **Euro 240 million**, accounting for **62.7%** of total revenues under analysis.
- Compared with 2021**, the percentage of eligible revenues decreased slightly (**-1%**), due to the mix of products sold.
- Water Metering** segment sales of **Euro 24.2 million** were **not considered eligible** (as in 2021).
- In relation to the technical Taxonomy criteria, **revenues identified as aligned** amounted to **Euro 169 million** and accounted for **44.25%** of the total revenues analyzed;
- As for the **Heating business**, the alignment assessments resulted in a total of **Euro 121 million**. **All revenues related to the Smart Gas Metering business (Euro 48 million)**, an activity that, by definition, falls squarely within the Taxonomy criteria, were considered **aligned**.

INVESTMENTS (CAPEX)



- The investments under evaluation, made during 2022, amount to **Euro 27 million**;
- Total **eligible CapEx** amounted to **Euro 22 million**, or about **82% of the total**.
- The eligibility % difference compared to 2021 (69.8%)** is due to the significant impact of **investments in the new building**, amounting to approximately **Euro 10.2 million** (Euro 1 million in 2021).
- 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 same criterion was adopted for the alignment assessment.**
- Investments in the new building are 100% eligible and aligned.
- The analysis performed resulted in an overall CapEx alignment rate of **69%**, or **Euro 18.6 million**.

OPERATING EXPENSES (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 18.5 million**), were taken into consideration.
- Of the operating expenses analyzed, approximately **Euro 12 million** were Taxonomy-eligible, representing **64.6%** of the total.
- Compared to 2021 (**Euro 8.4 million or 73.2%**), the decrease in eligibility is mainly due to increased costs related to plant and equipment, linked to non-eligible products.
- The **alignment assessment** for OpEx shows a percentage of **45.6%**, or **Euro 8.4 million**.

EUROPEAN UNION ESG TAXONOMY - SUMMARY DATA (Euro/000)

ASSETS	TURNOVER	%	CAPEX:	%	OPEX	%
TOTAL	382,362	100%	27,055	100%	18,476	100%
NOT ELIGIBLE	142,607	37.30%	4,919	18.18%	6,543	35.42%
ELIGIBLE	239,755	62.70%	22,136	81.82%	11,933	64.58%
NOT ALIGNED	70,574	18.46%	3,519	13.01%	3,508	18.99%
ALIGNED	169,181	44.25%	18,617	68.81%	8,425	45.60%

ANNEX

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METHODOLOGICAL NOTE

This document represents the **consolidated Non-Financial Statement for 2022** (hereinafter also “NFS” or “Sustainability Report”) of SIT S.p.A., 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, and was drafted in accordance with the **Global Reporting Initiative (GRI) Sustainability Reporting Standards 2021**. Annexed to this document is a “GRI Content Index”, which details the contents reported in accordance with GRI standards.

The scope and reporting period align with the Annual Financial Report of SIT S.p.A. at December 31, 2022. The Report is published on an annual basis.

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 2022 Sustainability Report are compared to the previous year, where possible. Quantitative data, where estimated, are based on the best available information or statistical assumptions.

The process of collecting data and information for this document was managed in collaboration with the various company divisions of SIT, with the goal of facilitating a clear and precise indication of the information considered significant for stakeholders in accordance with the 2021 GRI Standards’ reporting principles of **accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness**, and **verifiability**.

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 ESG Taxonomy” paragraph for further details.

Pursuant to Article 10 of Delegated Regulation (EU) No. 2021/2178 of July 6, 2021, this 2022 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.

This Sustainability Report was approved by the Board of Directors of SIT S.p.A on March 21, 2023 and was subject to limited examination (“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

SUMMARY TABLES

SIT GROUP TAX DATA - REPORTING BY COUNTRY

REGION	TAX RANGE	NOMINAL TAX RATE	COUNTRIES INCLUDED IN THE TAX RANGE	REVENUE - THIRD PARTIES ²³	REVENUES FROM INTRA-GROUP TRANSACTIONS	TOTAL REVENUE (AGGREGATE VALUE)	PROFIT BEFORE TAXES	ACCRUED TAX	INCOME TAXES PAID	TANGIBLE ASSETS ²⁴	EMPLOYEES AT DECEMBER 31, 2022	
EMEA	15% < x < 20%	15.00%	TUNISIA	62,208	39,324,547	39,386,755	2,108,608	36,634	77,748	22,709,861	298	
		16.00%	ROMANIA	9,848,748	62,735,951	72,584,699	1,672,822	338,912	278,618	16,896,320	569	
		19.00%	CZECH REP.	8,775	1,503,801	1,512,576	860,238	163,007	256,806	40,241	7	
		19.00%	UNITED KINGDOM	-	13,177	13,177	- 228,597	-	-	1,063	2	
	20% ≤ x < 25%	21.00%	PORTUGAL	24,754,634	69,326	24,823,960	2,232,421	554,576	499,297	8,305,128	235	
		25.00%	NETHERLANDS	39,864,194	3,993,170	43,857,364	2,802,465	679,375	666,508	12,463,517	81	
		x ≥ 25%	30.00%	GERMANY	210,853	1,076,450	1,287,302	508,400	162,619	64,500	51,432	4
			27.90%	ITALY	228,383,330	128,076,457	356,459,787	10,937,593	603,884	2,945,958	109,347,369	810
TOTAL EMEA				303,132,741	236,792,878	539,925,619	20,893,950	2,539,007	4,789,435	169,814,931	2,006	
NAFTA	x ≥ 25%	25.00%	AMERICA	-	3,779,677	3,779,677	1,624,881	404,558	597,873	-	6	
		26.50%	CANADA	-	310,332	310,332	97,116	25,557	94,732	-	1	
TOTAL NAFTA				-	4,090,009	4,090,009	1,721,997	430,115	692,605	-	7	
LATAM	x ≥ 25%	25.00%	ARGENTINA	446	30,064	30,510	651	-	-	-	-	
		30.00%	MEXICO	70,782,484	7,864,292	78,646,777	- 4,728,329	1,881,801	1,612,844	19,895,169	281	
TOTAL LATAM				70,782,930	7,894,356	78,677,286	- 4,727,679	1,881,801	1,612,844	19,895,169	281	
APAC	x ≥ 25%	30.00%	AUSTRALIA	7,078,519	68,797	7,147,316	618,977	192,701	239,995	4,138,812	5	
		25.00%	CHINA	23,262,930	2,251,041	25,513,971	947,886	-	-	5,610,777	50	
TOTAL APAC				30,341,449	2,319,838	32,661,287	1,566,863	192,701	239,995	9,749,589	55	
TOTAL				404,257,121	251,097,081	655,354,202	19,455,131	5,043,623	7,334,879	199,459,689	2,349	

23) In this table, "Revenues - third parties" is considered in the broadest sense, as it includes all revenues, including those related to extraordinary operations. Specifically, it also includes (i) other income, (ii) all extraordinary income, and (iii) financial income (except dividends from other companies in the scope) and any extraordinary items.

24) "Tangible assets" is the sum of the net carrying amounts of property, plant and equipment and inventory, as presented in the balance sheet, of all entities in the scope in each tax jurisdiction of residence.

SUMMARY TABLES

PRODUCT QUALITY AND SAFETY

SYSTEM CERTIFICATIONS 2022

CERTIFICATION	STRUCTURE	DESCRIPTION
ISO 9001:2015	SIT S.p.A.	Compliance with ISO 9001:2015 Quality Management System
	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 S.a.r.l.	
	SIT Controls Tunisia S.u.a.r.l.	
	MeteRSit S.r.l.	
ISO 14001:2015	JANZ - Contagem e Gestão de Fluídos, S.A.	Compliance with ISO 14001:2015 Environmental Management System
	SIT S.p.A. - Rovigo Production Plant	
	SIT Romania S.r.l.	
	SIT Manufacturing N.A.	
ISO/IEC 17025:2018	MeteRSit S.r.l. - Padua laboratory	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 Fluídos, S.A.	Compliance with AS9100:D/JISQ 9100:2016/EN 9100:2018 for the manufacture of high-precision plastic
Measuring Instruments Directive (MID) Module D	MeteRSit S.r.l.	Compliance with Directive 2014/32/EU (MID Directive)
Atex Mod. D	JANZ - Contagem e Gestão de Fluídos, S.A.	MODULE D: Production, Final Product & Testing for measuring instruments
NP EN ISO/IEC17025:2018	MeteRSit S.r.l.	Compliance with Directive 2014/34/EU (ATEX Directive)
	JANZ - Linear Metrologic Laboratory	MODULE D: Conformity to type based on quality assurance of the production process
NP EN ISO/IEC17025:2018	JANZ - Linear Metrologic Laboratory	Compliance with UNI EN ISO 17025:2018 Testing and calibration of Linear Metrologic Laboratory according to Accreditation Technical Annex M0004
	JANZ - Water Meter Laboratory	Compliance with UNI EN ISO 17025:2018 Testing and calibration of Water Meter Laboratory according to Accreditation Technical Annex M0019-1 (calibrations) & Technical Annex L0405-1 (testing cold water meters DN15 to 50)

SUMMARY TABLES

PRODUCT QUALITY AND SAFETY

2022 PRODUCT CERTIFICATIONS

CERTIFICATION	PRODUCTS	DESCRIPTION
Argentina - IGA	<i>Valves and thermostats for the regulation and safety of gas appliances</i>	Compliance with Instituto de Gas Argentino requirements
Australia - AGA	<i>Air pressure switches, multifunctional controls and safety, control and regulation systems for gas appliances</i>	Compliance with Australian Gas Association requirements
Australia - IAPMO	<i>Multifunctional controls and safety, control and regulation systems for gas appliances</i>	Compliance with GasMark certification requirements
CB Test Certificate - IMQ	<i>Smoke extractor fans</i>	Conformity of electrical/electronic product to IEC (International Electrotechnical Commission) standards
CB Test Certificate – Nemko	<i>Motors for use in range hoods</i>	
CB Test Certificate - TUV Rheinland	<i>Automatic combustion control system for gas appliances</i>	
CE - DIN- CERTCO	<i>Safety thermostat for water heaters</i>	Compliance with European Union market requirements
CE - KIWA ITALIA	<i>Aluminum concentric flues; Single wall aluminum flue; Plastic parallel/concentric flue system</i>	
CE - Open Therm	<i>Remote controls</i>	
CE GAR 2016_426 - DVGW	<i>Automatic combustion control systems, pressure switches and multifunctional controls for gas appliances</i>	
CE GAR 2016_426 - IMQ	<i>Mechanical thermostats</i>	
CE GAR 2016_426 – KIWA NV	<i>Automatic combustion control systems and multifunctional controls for gas appliances</i>	
CE GAR 2016_426 – KIWA Cermet	<i>Automatic combustion control systems and multifunctional controls for gas appliances</i>	
UKCA – KIWA Gastec	<i>Automatic combustion control systems and multifunctional controls for gas appliances</i>	Compliance with UKCA requirements
UKCA - BSI	<i>Automatic combustion control systems, pressure switches and multifunctional controls for gas appliances</i>	
UKCA – SGS	<i>Aluminum concentric flues; Single wall aluminum flue; Plastic parallel/concentric flue system</i>	
CHINA - CGAC	<i>Automatic combustion control systems and multifunctional controls for gas appliances</i>	Compliance with "China quality supervising and test for gas appliances" requirements
Mexico - ANCE	<i>Pilots, thermocouples and thermostatic valves for gas appliances</i>	Conformità con i requisiti dell'ANCE - Asociación de Normalización y Certificación A.C.
North America - CSA	<i>Pilots, thermocouples, fans, remote controls, multifunctional controls and combustion control systems</i>	Compliance with Canadian Standards Association requirements
North America - INTERTEK	<i>Electric fan</i>	Compliance with Intertek ETL certification requirements
North America - UL	<i>Automatic combustion control systems and multifunctional controls for gas appliances</i>	Compliance with UL certification requirements

SUMMARY TABLES

PRODUCT QUALITY AND SAFETY

2022 PRODUCT CERTIFICATIONS

CERTIFICATION	PRODUCTS	DESCRIPTION
UCRAINA - EURO - TYSK	<i>Pilots, thermocouples, flue gas extraction fans, fans for condensing boilers, flue gas evacuation systems, multifunctional controls and combustion control systems</i>	Compliance with the requirements of the Ukrainian market
VDE - VDE	<i>Multifunctional controls for gas appliances</i>	VDE certification of conformity to safety and quality in electrical technology
OIML Certificate	<i>x485xxx</i>	Compliance with OIML R137-1 (2012)
MID Mod. B	<i>A thermal-mass flow gas meter: X4851xx; X4852xx; X4853xx; X4854xx; X4855xx</i>	Compliance with Directive 2014/32/EU (MID Directive) MODULE B: EU TYPE EXAMINATION
MID Mod. B	<i>A thermal-mass flow gas meter: X4851xx; X4852xx; X4853xx; X4854xx; X4855xx</i>	Compliance with the requirements of the MIR 2016 regulations MODULE B: TYPE EXAMINATION
Atex Mod.B	<i>Gas Meter Domusnext step 2.0 GPRS Type G10 – G16 – G25 – MMU16 – MMU25 – MMU40 Gas Meter Domusnext step 2.0 NBIOT Type G10 – G16 – G25 – MMU16 – MMU25 – MMU40 Gas Meter Domusnext step 2.0 C&I Zigbee Type MMU25 H₂– MMU40 H₂</i>	Compliance with Directive 2014/34/EU (ATEX Directive)
CPA 1.2	<i>MMU6 RC51.22 GSME</i>	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	<i>DOMUSNEXT 2.0 MMU6 DB-GSME</i>	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.
	<i>DOMUSNEXT 2.0 MMU6-H₂ AND MMU40-H₂</i>	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	<i>MMU6</i>	The product passed all relevant test requirements in cooperation with the Smart Energy 1.4 certification program
Smart Energy certified by Zigbee Alliance	<i>MMU6 DB-GSME</i>	The product passed all relevant test requirements in cooperation with the Smart Energy 1.4 certification program
Smart Energy certified by Zigbee Alliance	<i>DOMUSNEXT 2.0 MMU40 H₂</i>	The product passed all relevant test requirements in cooperation with the Smart Energy 1.4 certification program
	<i>DOMUSNEXT 2.0 MMU6 H₂</i>	
MID Mod. B	<i>JANZ - Water Meters Volumetric: JV100, JV400, JV400e, JV600, JV600e, MSV1515, MSV2520, MSV3525 Single Jet: JM600, JM600e, JM300, JM300e, C300, C300e, CU1513, CU1513, CU2520 Multijet: MST3525, MST6025, MST6030, MST10040, MST15050, JT200 & JT250</i>	Compliance with the requirements of Directive 2014/32/EU (MID) MODULE B: measuring instruments, volumetric water meters, single jet & multijet types

ENERGY CONSUMPTION

ENERGY CONSUMPTION WITHIN THE ORGANIZATION²⁵

	Unit	2022	2021
Natural gas	m ³	2,030,470	2,485,887
Diesel	L	142,650	126,852
LPG	L	97,623	100,952
Petrol	L	94,300	78,163
Electricity purchased	kWh	32,465,485	33,063,826
Of which GO certified	kWh	501,000	546,000

25) Energy consumption in GJ was calculated using the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2022 and 2021 conversion coefficients. 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.

WASTE MANAGEMENT

WEIGHT OF WASTE BY MANAGEMENT TYPE²⁶

	Unit (t)	Hazardous		Non-hazardous		Total	
		2022	2021	2022	2021	2022	2021
Not sent for disposal	Reuse	1.44	3.73	0.18	-	2,546.29	3,251.13
	Recycling	32.23	42.18	820.35	1,134.82		
	Other	403.07	600.50	1,289.03	1,469.90		
Sent for disposal	Incinerator (including energy recovery)	1.86	-	16.89	28.40	1,287.98	1,522.91
	Incinerator (thermal destruction)	3.70	4.94	4.58	8.67		
	Landfill	14.50	28.65	900.61	903.13		
	Other	167.67	243.35	178.18	305.70		
Total		624.54	923.41	3,209.82	3,850.62	3,834.27	4,774.04

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

CONSCIENTIOUS USE OF WATER RESOURCES

WATER WITHDRAWALS BY SOURCE²⁷

Source of withdrawal (megaliters)	2022		2021	
	All areas	Water stress areas	All areas	Water stress areas
Groundwater (total)	40.5	40.8	52.4	52.4
Fresh water (≤ 1,000 mg/l total dissolved solids)	0.00	0.2	-	-
Other water (> 1000 mg/L total dissolved solids)	40.5	40.5	52.4	52.4
Third-party water (total)	97.7	18.3	90.3	18.7
Fresh water (≤ 1,000 mg/l total dissolved solids) of which	97.7	18.3	90.3	18.7
Surface water	-	2.1	-	1.8
Groundwater	-	16.0	-	16.5
Process water	-	0.3	-	0.5
Total water withdrawal²⁸	138.2	59.1	142.6	71.1

27) To identify water-stressed areas, we used the Aqueduct Tool developed by the World Resources Institute (WRI). The WRI tool is available online at: www.wri.org/our-work/project/aqueduct. The results identified in the "water stress" scenario were taken into consideration for the analysis. The sites considered to suffer from (high or extremely high) levels of water stress are: Montecassiano (Italy), Monterrey (Mexico), Brasov (Romania), Suzhou (China) and sites in Tunisia. 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.

28) Regarding water consumption in Mexico, we note that during 2022, the main meter was replaced to fulfill legal obligations that came into force. The new device required several calibrations and certifications, and as a result, SIT estimated its water consumption for 2022, in line with governmental procedures and regulations.

29) The total workforce includes SIT employees and external workers. External human resources take into account temporary/project-based staff, contracted workers, trainees and agents, who tend to handle plant operations. We note that only temporary/contracted workers were included as external workers in 2021. Furthermore, only temporary workers are considered in the Consolidated Financial Statements.

CHARACTERISTICS OF THE WORKFORCE

TOTAL WORKFORCE AT DECEMBER 31²⁹

No. people	Male		Female		Total	
	2022	2021	2022	2021	2022	2021
Employees	973	1,027	1,376	1,476	2,349	2,503
External workers	93	99	159	212	252	311
Total	1,066	1,126	1,535	1,688	2,601	2,814

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022³⁰

	< 30	30-50	> 50	Total	Rate
Male	162	95	9	266	27.3%
Female	331	255	25	611	44.4%
Total	493	350	34	877	37.3%
Rate	117.9%	27.9%	5.0%	37.3%	-

GROUP DEPARTURES BY GENDER AND AGE IN 2022

	< 30	30-50	> 50	Total	Rate
Male	179	113	28	320	32.9%
Female	345	296	70	711	51.7%
Total	524	409	98	1,031	43.9%
Rate	125.4%	32.6%	14.5%	43.9%	-

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

EMPLOYEES BY GENDER AND CONTRACT TYPE AT DECEMBER 31

No. people	Male		Female		Total	
	2022	2021	2022	2021	2022	2021
Permanent	854	910	1,101	1,269	1,955	2,179
Fixed-term	119	117	275	207	394	324
Non-guaranteed hours	0	-	0	-	0	-
Total	973	1,027	1,376	1,476	2,349	2,503

EMPLOYEES BY GEOGRAPHICAL AREA AND CONTRACT TYPE AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Africa		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Permanent	804	797	783	848	288	446	55	57	25	31	1,955	2,179
Fixed-term	6	9	115	144	0	-	0	-	273	171	394	324
Non-guaranteed hours	0	-	0	-	0	-	0	-	0	-	0	-
Total	810	806	898	992	288	446	55	57	298	202	2,349	2,503

EMPLOYEES BY GENDER AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Male		Female		Total	
	2022	2021	2022	2021	2022	2021
Full-time	960	1,014	1,306	1,407	2,266	2,421
Part-time	13	13	70	69	83	82
Total	973	1,027	1,376	1,476	2,349	2,503

EMPLOYEES BY GEOGRAPHICAL AREA AND TYPE OF EMPLOYMENT AT DECEMBER 31

No. people	Italy		Europe		The Americas		Asia/Pacific		Africa		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Full-time	758	755	868	963	288	446	54	55	298	202	2,266	2,421
Part-time	52	51	30	29	-	-	1	2	-	-	83	82
Total	810	806	898	992	288	446	55	57	298	202	2,349	2,503

GROUP NEW RECRUITS BY GENDER AND AGE IN 2021³¹⁾

	< 30	30-50	> 50	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%	

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

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022 (ITALY)

	< 30	30-50	> 50	Total	Rate
Male	25	25	4	54	10.9%
Female	7	9	0	16	5.1%
Total	32	34	4	70	8.6%
Rate	56.1%	8.2%	1.2%	8.6%	

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022 (EUROPE)

	< 30	30-50	> 50	Total	Rate
Male	32	21	5	58	22.1%
Female	38	70	24	132	20.8%
Total	70	91	29	190	21.2%
Rate	61.4%	19.4%	9.2%	21.2%	

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022 (AMERICAS)

	< 30	30-50	> 50	Total	Rate
Male	60	15	0	75	69.4%
Female	111	67	0	178	98.9%
Total	171	82	0	253	87.8%
Rate	185.9%	46.6%	0%	87.8%	

GROUP DEPARTURES BY GENDER AND AGE IN 2021

	< 30	30-50	> 50	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%	

GROUP DEPARTURES BY GENDER AND AGE IN 2022 (ITALY)

	< 30	30-50	> 50	Total	Rate
Male	5	15	11	31	6.3%
Female	2	17	14	33	10.4%
Total	7	32	25	64	7.9%
Rate	12.3%	7.7%	7.4%	7.9%	

GROUP DEPARTURES BY GENDER AND AGE IN 2022 (EUROPE)

	< 30	30-50	> 50	Total	Rate
Male	44	39	14	97	36.9%
Female	49	88	52	189	29.8%
Total	93	127	66	286	31.8%
Rate	81.6%	27.0%	21.0%	31.8%	

GROUP DEPARTURES BY GENDER AND AGE IN 2022 (AMERICAS)

	< 30	30-50	> 50	Total	Rate
Male	93	30	1	124	114.8%
Female	174	110	3	287	159.4%
Total	267	140	4	411	142.7%
Rate	290.2%	79.5%	20.0%	142.7%	

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022 (ASIA/PACIFIC)

	< 30	30-50	> 50	Total	Rate
Male	3	2	0	5	38.5%
Female	3	7	0	10	23.8%
Total	6	9	0	15	27.3%
Rate	300.0%	18.0%	0%	27.3%	

GROUP DEPARTURES BY GENDER AND AGE IN 2022 (ASIA/PACIFIC)

	< 30	30-50	> 50	Total	Rate
Male	4	2	1	7	53.8%
Female	3	7	0	10	23.8%
Total	7	9	1	17	30.9%
Rate	350.0%	18.0%	33.3%	30.9%	

GROUP NEW RECRUITS BY GENDER AND AGE IN 2022 (AFRICA)

	< 30	30-50	> 50	Total	Rate
Male	42	32	0	74	77.9%
Female	172	102	1	275	135.5%
Total	214	134	1	349	117.1%
Rate	139.9%	93.1%	100.0%	117.1%	

GROUP DEPARTURES BY GENDER AND AGE IN 2022 (AFRICA)

	< 30	30-50	> 50	Total	Rate
Male	33	27	1	61	64.2%
Female	117	74	1	192	94.6%
Total	150	101	2	253	84.9%
Rate	98.0%	70.1%	200.0%	84.9%	

LOCALLY HIRED EXECUTIVES AT DECEMBER 31, 2022³²

	Male	Female	Total
Total Executives	38	4	42
Locally hired Executives	35	4	39
Percentage of Executives hired locally	92%	100%	93%

LOCALLY HIRED EXECUTIVES AT DECEMBER 31, 2021

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

32) 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.

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

NUMBER OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT DECEMBER 31, 2022

	< 30	30-50	> 50	Total	Male	Female	Total
Executives	0	19	23	42	38	4	42
White-collar	98	350	178	626	443	183	626
Blue-collar	320	886	475	1,681	492	1,189	1,681
Total	418	1,255	676	2,349	973	1,376	2,349

PERCENTAGE OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT DECEMBER 31, 2022

	< 30	30-50	> 50	Total	Male	Female	Total
Executives	0.0%	45.2%	54.8%	100%	90.5%	9.5%	100%
White-collar	15.7%	55.9%	28.4%	100%	70.8%	29.2%	100%
Blue-collar	19.0%	52.7%	28.3%	100%	29.3%	70.7%	100%
Total	17.8%	53.4%	28.8%	100%	41.4%	58.6%	100%

NUMBER OF GROUP EMPLOYEES BY AGE, GENDER AND PROFESSIONAL CATEGORY AT DECEMBER 31, 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 DECEMBER 31, 2021³³

	< 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%

33) 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.

DEVELOPMENT OF HUMAN RESOURCES

HOURS OF TRAINING PROVIDED IN 2022³⁴

	2022				2021			
	Total hours male	Total hours female	Hours total	Average hours	Total hours male	Total hours female	Hours total	Average hours
Executives	420	310	730	17.4	993	111	1,105	29.1
White-collar	15,497	5,036	20,533	32.8	21,303	7,758	29,062	49.8
Blue-collar	17,999	21,348	39,346	23.4	9,399	28,910	38,310	20.4
Total	33,915	26,693	60,609	25.8	31,699	36,780	68,476	27.4
Average hours	34.9	19.4	25.8	-	30.9	24.8	27.4	-

34) The total number of training hours has been partially estimated from training plans defined at the beginning of year. We note that total training hours differ from those reported in the Consolidated Financial Statements, as only group employees are considered in this document.

WORKER HEALTH AND SAFETY

TOTAL NUMBER OF EMPLOYEE INJURIES IN 2022

	Male	Female	Total
Injuries recorded	9	7	16
Of which fatal	-	-	-
Of which with serious consequences	1	-	1

TOTAL NUMBER OF EXTERNAL WORKER INJURIES IN 2022

	Male	Female	Total
Injuries recorded	-	-	-
Of which fatal	-	-	-
Of which with serious consequences	-	-	-

FREQUENCY INDEX OF EMPLOYEE INJURIES IN 2022

	Male	Female	Total
Injury frequency index ³⁵	5.26	2.93	3.90
Mortality index	-	-	-
Serious injury frequency index	0.58	-	0.24

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

FREQUENCY INDEX OF EXTERNAL WORKER INJURIES IN 2022

	Male	Female	Total
Injury frequency index ³⁶	-	-	-
Mortality index	-	-	-
Serious injury frequency index	-	-	-

36) 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.

TOTAL NUMBER OF EMPLOYEE INJURIES IN 2021

	Male	Female	Total
Injuries recorded	11	7	18
Of which fatal	-	-	-
Of which with serious consequences	-	1	1

FREQUENCY INDEX OF EMPLOYEE INJURIES IN 2021

	Male	Female	Total
Injury frequency index ³⁷	6.16	2.76	4.17
Mortality index	-	-	-
Serious injury frequency index	-	0.39	0.23

37) The Frequency Index represents the ratio between the total number of injuries and the total number of days worked during the same period, multiplied by 1,000,000.

EMPLOYEE HOURS WORKED

	2022			2021		
	Male	Female	Total	Male	Female	Total
Hours worked ³⁸	1,712,159	2,391,739	4,103,898	1,786,742	2,533,742	4,320,567

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

TOTAL NUMBER OF EXTERNAL WORKER INJURIES IN 2021

	Male	Female	Total
Injuries recorded	-	1	1
Of which fatal	-	-	-
Of which with serious consequences	-	-	-

FREQUENCY INDEX OF EXTERNAL WORKER INJURIES IN 2021

	Male	Female	Total
Injury frequency index ³⁹	-	3.25	2.27
Mortality index	-	-	-
Serious injury frequency index	-	-	-

39) 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.

HOURS WORKED BY EXTERNAL WORKERS

	2022			2021		
	Male	Female	Total	Male	Female	Total
Hours worked	135,154	272,068	407,222	132,917	307,667	440,584

GRI CONTENT INDEX

DECLARATION OF USE	SIT S.p.A. presented this report in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022
GRI 1 USED	GRI 1 - Foundation - 2021
RELEVANT GRI INDUSTRY STANDARDS	N/A

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON	EXPLANATION

GENERAL DISCLOSURES

GRI 2: General Disclosures (2021)	2-1	Organizational details	13; 18; 20-22; 128; 150		
	2-2	Entities included in the organization's sustainability reporting	13; 18; 128		
	2-3	Reporting period, frequency and contact point	128; 150		
	2-4	Restatements of information	128		
	2-5	External assurance	128; 147-149		
	2-6	Activities, value chain and other business relationships	13; 18-22; 72-76; 128		
	2-7	Employees	92; 134-136		
	2-8	Workers who are not employees	92; 134		
	2-9	Governance structure and composition	46-47; Corporate Governance Report		
	2-10	Nomination and selection of the highest governance body	46-47 Corporate Governance Report		
	2-11	Chair of the highest governance body	46-47 Corporate Governance Report		
	2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Report		
	2-13	Delegation of responsibility for managing impacts	26-27; 45-47		
	2-14	Role of the highest governance body in sustainability reporting	26; 45-47; 128 Corporate Governance Report		
	2-15	Conflicts of interest	Corporate Governance Report		
	2-16	Communication of critical concerns	49-60		
	2-17	Collective knowledge of the highest governance body	26-27; 45 Corporate Governance Report		
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance Report		
	2-19	Remuneration policies	48 Remuneration Report		
	2-20	Process to determine remuneration	48 Remuneration Report		

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON EXPLANATION	
GENERAL DISCLOSURES					
GRI 2: General Disclosures (2021)	2-21 Annual total compensation ratio	103 Remuneration Report	GRI 2-21 a. and b.	a. Unavailable/incomplete information at group level	a. Information is provided solely for SIT S.p.A. and MeteRSit S.r.l. The group intends to incorporate information for all companies into the scope as per the GRI's request in the near future
	2-22 Statement on sustainable development strategy	2-3			
	2-23 Policy commitments	45; 58-61; 108-109			
	2-24 Embedding policy commitments	30; 45-47; 49-57; 72-76; 96-100			
	2-25 Processes to remediate negative impacts	31-32; 58-61			
	2-26 Mechanisms for seeking advice and raising concerns	58-61			
	2-27 Compliance with laws and regulations	60 In 2022, Plast Alfin (Tunisia) incurred an administrative penalty for the 2019-2021 period, primarily attributed to the non-payment of social security contributions related to the shuttle bus service and benefits in kind. The penalty was duly received and settled. The penalty amounted to approximately Euro 14,000			
	2-28 Membership associations	62-64			
	2-29 Approach to stakeholder engagement	31-32; 34			
	2-30 Collective bargaining agreements	117			
MATERIAL TOPICS					
GRI 3: Material topics (2021)	3-1 Process to determine material topics	33-34			
	3-2 List of material topics	35-38			

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON	EXPLANATION
ECONOMIC PERFORMANCE					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 40-42			
GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	42			
MARKET PRESENCE					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 40-41			
GRI 202: Market presence (2016)	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	102			
	202-2 Proportion of senior management hired from the local community	137			
RESPONSIBLE SUPPLY CHAIN MANAGEMENT					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 72-76			
GRI 204: Procurement practices (2016)	204-1 Proportion of spending on local suppliers	73			
COMPLIANCE WITH LAWS AND REGULATIONS					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 60-61			
GRI 205: Anti-corruption (2016)	205-3 Confirmed incidents of corruption and actions taken	60-61; No episodes of active or passive corruption were detected within the group in 2022			
ETHICS AND BUSINESS INTEGRITY					
GRI 3: Material topics (2021)	3-3 Management of material topics	35			
GRI 207: Tax (2019)	207-1 Approach to tax	57			
	207-2 Tax governance, control, and risk management	57			
	207-3 Stakeholder engagement and management of concerns related to tax	57			
	207-4 Country-by-country reporting	18; 22; 129			

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON	EXPLANATION
ENERGY CONSUMPTION					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 79-81			
GRI 302: Energy (2016)	302-1 Energy consumption within the organization	79; 133			
WATER RESOURCES					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 86-87			
GRI 303: Water and Effluents (2018)	303-1 Interactions with water as a shared resource	86-87			
	303-2 Management of water discharge-related impacts	86-87			
	303-3 Water withdrawal	87; 134			
EMISSIONS					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 77-84			
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	80			
	305-2 Energy indirect (Scope 2) GHG emissions	80			
	305-6 Emissions of ozone-depleting substances (ODS)	80			
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	84			
EFFLUENTS AND WASTE					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 85			
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	85			
	306-2 Management of significant waste-related impacts	85			
	306-3 Waste generated	85; 133			
	306-4 Waste diverted from disposal	133			
	306-5 Waste directed to disposal	133			
MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 91-105			
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	134; 136-137			
GRI 404: Training and education (2016)	404-1 Average hours of training per year per employee	99; 139			

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON	EXPLANATION
LABOR/MANAGEMENT RELATIONS					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 117			
GRI 402: Labor/management relations (2016)	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		
OCCUPATIONAL HEALTH AND SAFETY					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 110-112			
GRI 403: Occupational Health and Safety (2018)	403-1 Occupational Health and Safety Management System	110-112			
	403-2 Hazard identification, risk assessment, and incident investigation	55			
	403-3 Occupational health services	110-112			
	403-4 Worker participation, consultation, and communication on occupational health and safety	110-111			
	403-5 Worker training on occupational health and safety	96; 99; 110			
	403-6 Promotion of worker health	110-112			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	110-112			
	403-9 Work-related injuries	111; 139-140			
	DIVERSITY, INCLUSION & EQUAL OPPORTUNITIES				
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 106-109			
GRI 405: Diversity and equal opportunity (2016)	405-1 Diversity of governance bodies and employees	46; 138			
GRI 406: Non-Discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken		There is currently an ongoing appeal against a dismissal issued by SIT S.p.A. on grounds of discrimination. The outcome of the appeal remains uncertain at this time		
LOCAL COMMUNITY COMMITMENT					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 113-116			
GRI 413: Local Communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	113-116			

GRI STANDARD	DISCLOSURE	WHERE CITED	OMISSION		
			REQUIREMENTS OMITTED	REASON	EXPLANATION
PRODUCT QUALITY AND SAFETY					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 88-89; 130-132			
GRI 416: Customer health and safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	In 2022 the group did not experience any episodes of non-compliance relating to the impacts on health and safety of products and services			
RESEARCH AND DEVELOPMENT AND SUSTAINABLE INNOVATION					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 67-70			
CIRCULAR ECONOMY					
GRI 3: Material topics (2021)	3-3 Management of material topics	36; 70-71			
CUSTOMER SATISFACTION					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 43			
HUMAN RIGHTS					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 108-109			
CULTURE OF SUSTAINABILITY					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 91			
WELFARE AND WELL-BEING					
GRI 3: Material topics (2021)	3-3 Management of material topics	37; 103-105			
DIGITAL TRANSFORMATION					
GRI 3: Material topics (2021)	3-3 Management of material topics	38; 119-120			
LEAN TRANSFORMATION					
GRI 3: Material topics (2021)	3-3 Management of material topics	38; 121			
RELATIONS WITH PUBLIC INSTITUTIONS					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 62-64			
CORPORATE GOVERNANCE					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 46-48			
RISK MANAGEMENT					
GRI 3: Material topics (2021)	3-3 Management of material topics	35; 49-57			

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, 2022 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 21, 2023 (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 ESG 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.

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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, SIT Manufacturing 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, SIT S.p.A., MeterSit S.r.l and SIT Manufacturing N.A. SA de CV, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visit and 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, 2022 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 ESG Taxonomy*".

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padua, Italy
April 6, 2023

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



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