



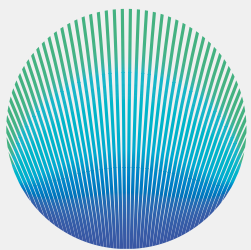
ANALYSIS OF THE MARKET FOR 2020



CREATIVE CONCEPT

2020 turned out to be a difficult year that truly put everyone to the test. As such, for this Annual Report, we have decided to present an entirely new graphic proposal - a necessary change, to be considered an evolution in a very specific, modern and cutting-edge direction: **Growth**. The proposal focuses on the concept of "aiming high", an idea that Sabaf constantly pursues in expansion of both the Group and product range. The work on the lettering of the title expresses this dynamic concept through its graphic virtuosity. The change is also being expressed through the introduction of green which, whilst it may seem to be a new colour, is actually a blend of the two official colours of Sabaf: blue and yellow. This new hue suggests a bold and clear link with the concepts of **Sustainability and the Environment**, which have always been central values for the company.

All Creative



The circle echoes the Sabaf logo, whilst the graphic lines soaring upwards are redolent of the concept of expansion and energy.



The word 'UP' is emphasised in order to reinforce the concepts of Growth and Aiming High.

AMER JPD 2020 LAFO

CONTENTS

08	INTRODUCTION TO THE ANNUAL REPORT
11	Summary of Key Performance Indicators (KPIs)
18	Products and markets
<hr/>	
24	CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION
26	Methodological note
27	Letter from the Chief Executive Officer to stakeholders
29	Business model, strategic approach and sustainable creation of value
29	Strategic approach and creation of value
29	Sustainable value creation
29	Values, vision and mission
30	Covid and social responsibility
32	Business model
41	Materiality analysis
44	Corporate Governance, Risk Management and Compliance
44	Corporate governance
57	Risk Management
59	Compliance
63	Sabaf and employees
63	Risks
64	Personnel management policy
66	The people of the Sabaf Group
70	Recruitment policy
77	Personnel training
78	Internal communication
78	Diversity and equal opportunities
80	Remuneration, incentive and enhancement systems
83	Occupational health and safety and working environment
85	Industrial relations
86	Disciplinary measures and disputes

87	Sabaf and environment
87	Risks
87	Health and safety, environmental and energy policy
88	Environmental impact
92	Environmental investments
92	Disputes
93	Sabaf, the management of product quality and customer relations
93	Risks
93	Quality management policy
95	Sabaf and supply chain management
95	Risks
95	Supply chain management policy
97	Sabaf, Public Administration and Community
100	Sabaf and shareholders
102	Sabaf and lenders
103	Sabaf and competitors
105	GRI Content Index
109	Independent auditors' report on the consolidated disclosure of non-financial information
<hr/>	
112	REPORT ON OPERATIONS
<hr/>	
124	CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020
<hr/>	
170	SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2020
<hr/>	
222	REPORT ON REMUNERATION
<hr/>	



INTRODUCTION TO THE ANNUAL REPORT



Summary of Key Performance Indicators (KPIs)	11
Products and markets	18

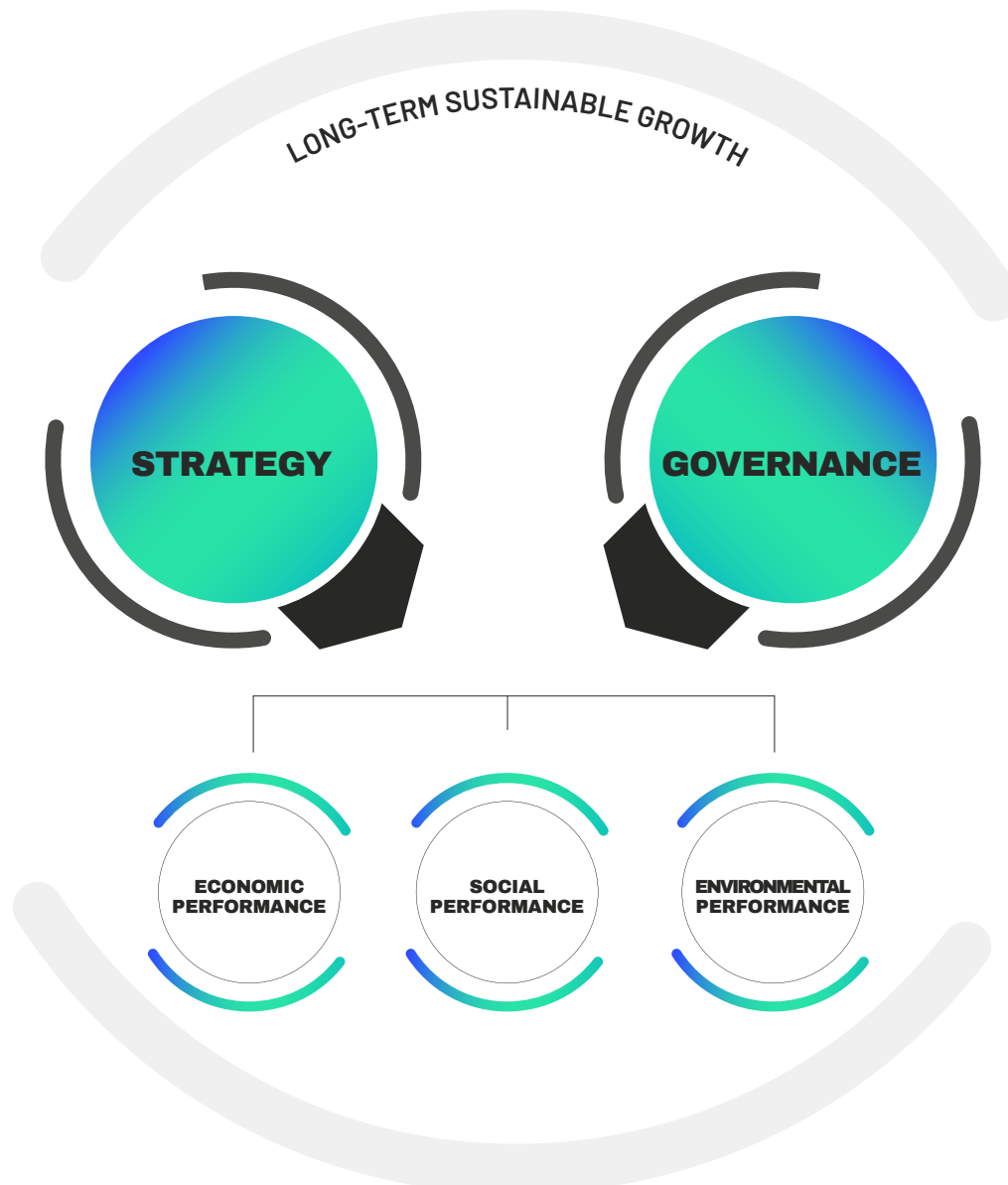
The publication of the Annual Report of the Sabaf Group, now in its sixteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated reporting of its economic, social and environmental performance.

Sabaf, one of the first international-level companies to embrace the trend of integrated reporting, intends to continue along this path, aware that integrated, complete and transparent reporting can benefit both the companies themselves, through a better understanding of the structure of the strategy and greater internal cohesion, and the community of investors, which can thus more clearly understand the connection between strategy, governance and company performance.

The Annual Report provides an overview of the Group's business model and the process of creating corporate value. The business model and the main results achieved (summary of Key Performance Indicators) are in fact presented from the standpoint of the capital employed (financial; social and relational; human; intellectual, infrastructural, and natural) to create value over time, thereby generating results for the business, with positive impacts on the community and on stakeholders as a whole. "Non-financial indicators" include the results achieved in managing and enhancing intangible capital, the main driver that allows monitoring the ability of the company's strategy to create value in a perspective of medium/long-term sustainability.

On 30 December 2016, Legislative Decree no. 254 came into force, which, in implementation of Directive 2014/95/EU on non-financial and diversity information, requires relevant public interest entities to disclose non-financial and diversity information starting from the 2017 financial statements. As a relevant public-interest entity, Sabaf prepared for the fourth year the [Consolidated Disclosure of Non-financial Information](#) presenting the main policies practiced by the company, the management models, the risks, the activities carried out by the Group during 2020, and the related performance indicators as pertains to the topics expressly referred to by Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, fight against corruption) and to the extent needed to ensure understanding of the business activity, its trend, its results, and the impacts it produces.

The Group's commitment was also confirmed by the "Oscar di Bilancio" award over the years (2004, 2013, 2017 and 2018), historic contest promoted and organised by the Italian Public Relations Federation (Federazione Relazioni Pubbliche Italiana, FERPI), which for over fifty years has been awarding prizes to the most virtuous businesses in financial reporting and in dealing with all stakeholders.



Summary of Key Performance Indicators (KPIs)

ECONOMIC CAPITAL

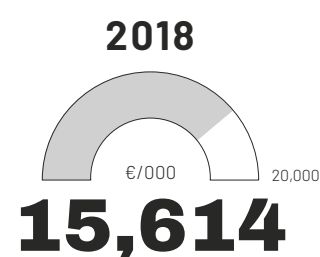
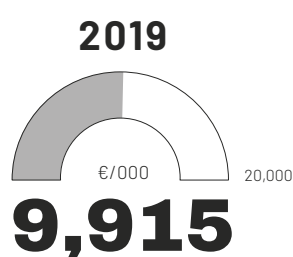
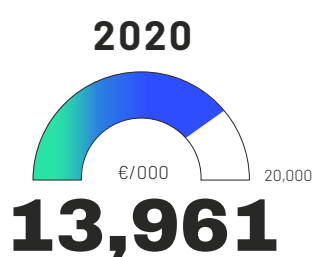
2020

2019

2018

SALES REVENUES	€/000	184,906	155,923	150,642
EBITDA	€/000	37,097	27,033	29,959
EBIT	€/000	20,093	11,896	16,409
PRE-TAX PROFIT	€/000	14,509	9,776	20,960
NET PROFIT	€/000	13,961	9,915	15,614
WORKING CAPITAL	€/000	52,229	49,693	59,730
INVESTED CAPITAL	€/000	174,129	176,233	172,870
SHAREHOLDERS' EQUITY	€/000	117,807	121,105	119,346
NET FINANCIAL DEBT	€/000	56,322	55,128	53,524
ROCE (RETURN ON CAPITAL EMPLOYED)	%	11.5	6.8	9.5
DIVIDENDS PAID OUT	€/000	3,924	6,060	6,071

Net Profit



HUMAN CAPITAL



TOTAL EMPLOYEES

no. % ♂ % ♀



AVERAGE AGE OF PERSONNEL (sum of employee age/ total employees at 31.12)

YEARS



LEVEL OF EDUCATION (number of graduates/ total employees at 31.12)

%



LEAVING TURNOVER (employees no longer in office/ total employees at 31.12)

% ♂ % ♀

	no.	% ♂	% ♀	YEARS	%	% ♂	% ♀
2020	1,168	62.0	38.0	39.3	61.6	11.5	9.7
2019	1,035	63.5	36.5	39.8	59.1	10.2	7.1
2018	760	66.6	33.4	39.7	59.6	11.1	9.1



HOURS OF TRAINING PER EMPLOYEE (hours of training/average employees at 31.12)

h



INVESTMENTS IN TRAINING/TURNOVER

%



HOURS OF STRIKE FOR INTERNAL CAUSES

h

	h	%	h
2020	10.8	0.19	0
2019	15.3	0.25	0
2018	22.3	0.33	0



TOTAL INJURY RATE (number of injuries x 1,000,000/ total hours worked)



INJURY LOST DAY RATE (days of absence x 1,000/total hours worked)

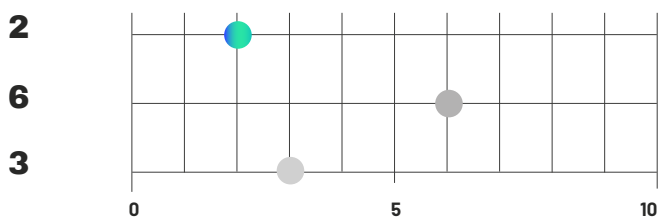
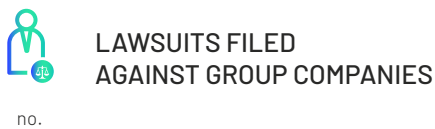
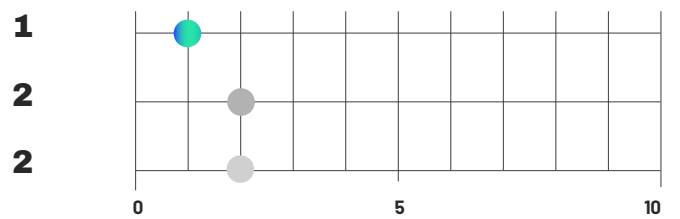
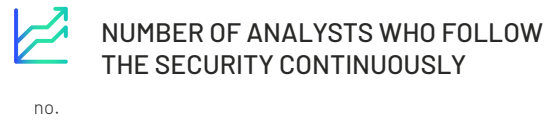
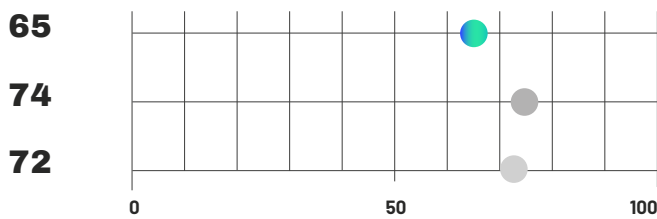
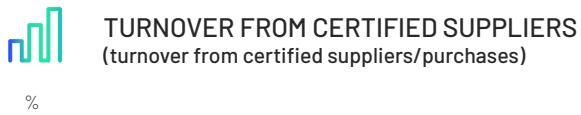
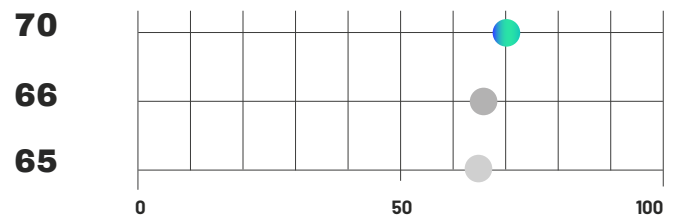
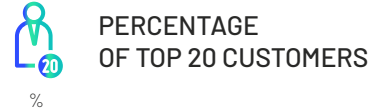
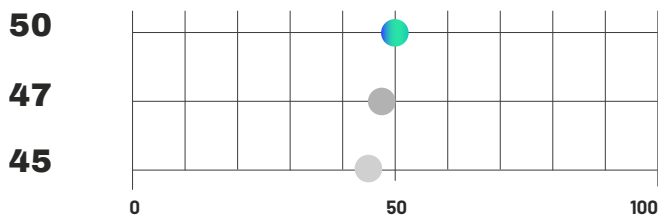
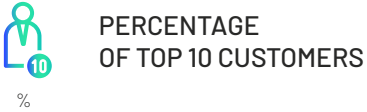
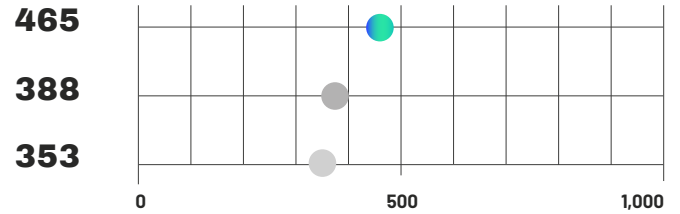
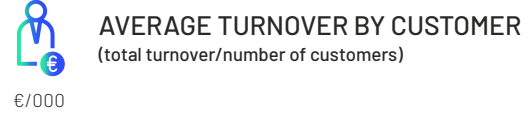
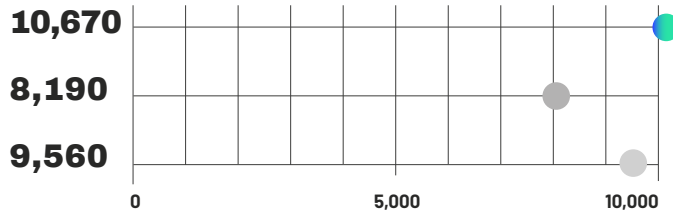
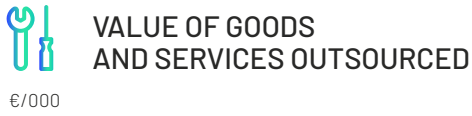
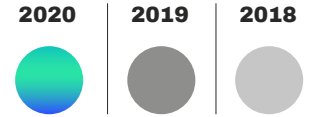


JOBS CREATED (LOST)

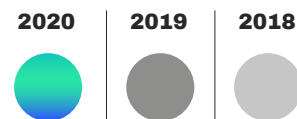
no.

			no.
2020	16.10	0.11	133
2019	10.57	0.17	15
2018	23.49	0.17	4

RELATIONAL CAPITAL

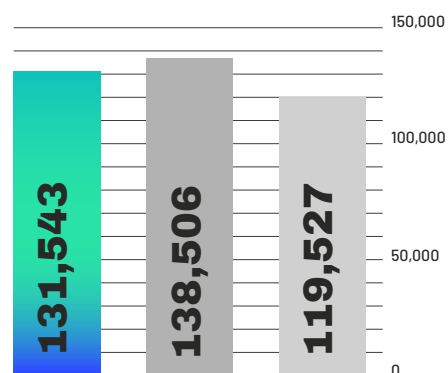


PRODUCTIVE CAPITAL



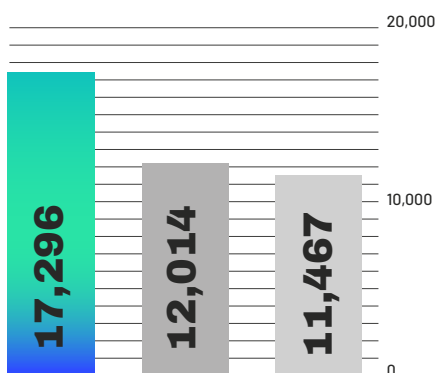
FIXED ASSETS

€/000



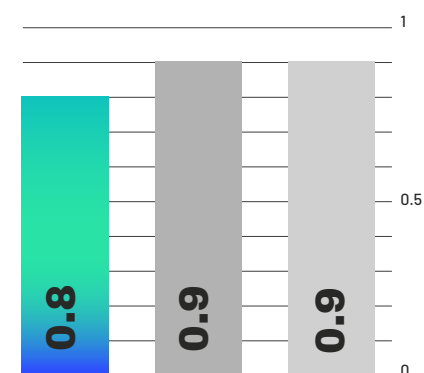
TOTAL NET INVESTMENTS

€/000



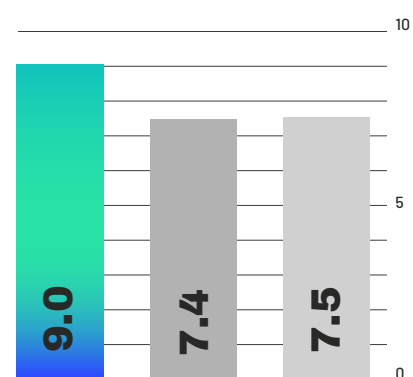
IT BUDGET¹ (investments + current expenditure)/TURNOVER

%



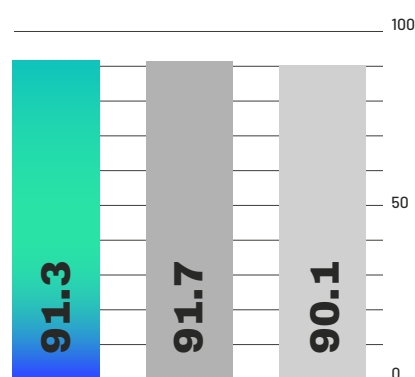
REAL INVESTMENT/ TURNOVER

%



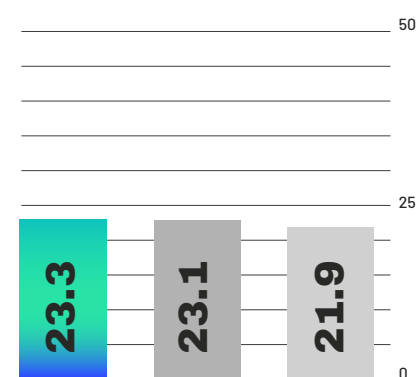
QUANTITIES SOLD OF LIGHT ALLOY VALVES ON TOTAL VALVES AND THERMOSTATS

%



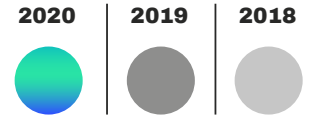
QUANTITIES SOLD OF HIGH ENERGY EFFICIENCY BURNERS ON TOTAL BURNERS

%



¹ For the 2019 reporting period, the indicator does not consider data relating to the C.M.I. Group, over which Sabaf acquired control on 31 July 2019.

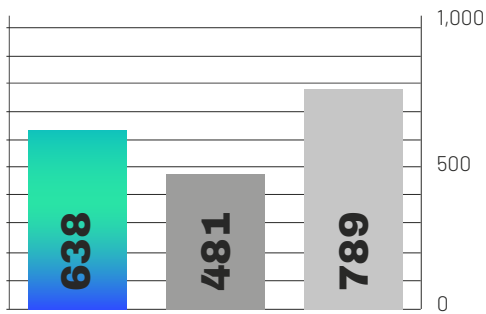
ENVIRONMENTAL CAPITAL



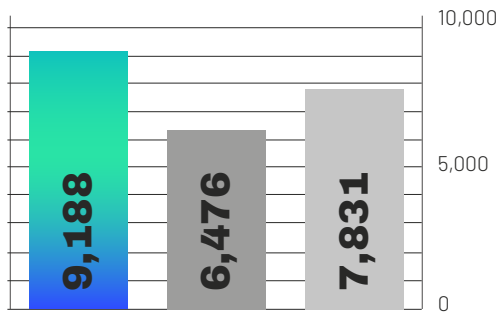
Materials used

t

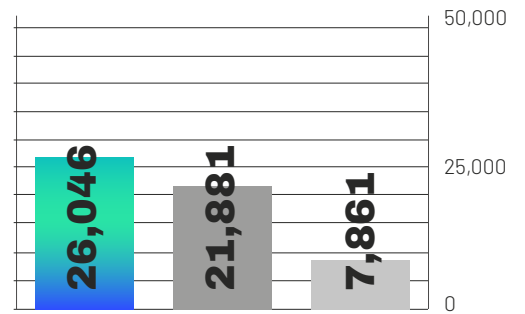
Brass



Aluminium alloys



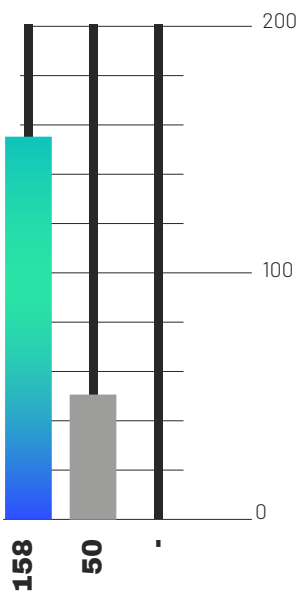
Steel



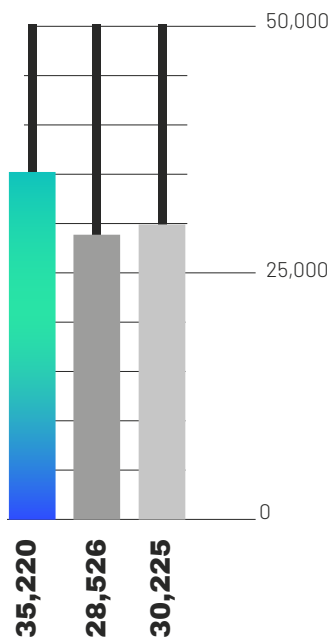
Electricity consumption

MWh

From renewable sources

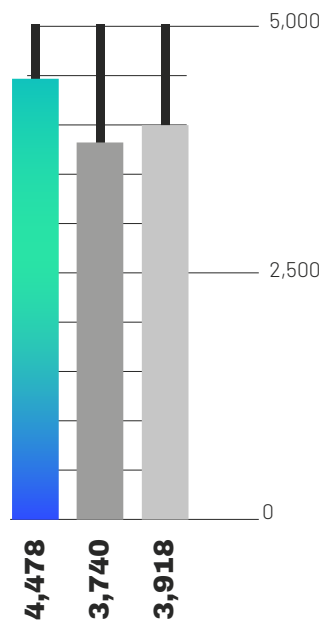


From non-renewable sources



Natural gas consumption

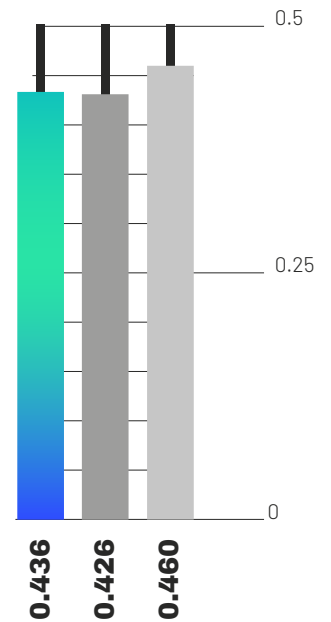
m³x1,000

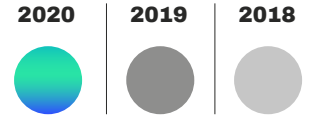


Energy intensity

(kWh/turnover)

kWh/€

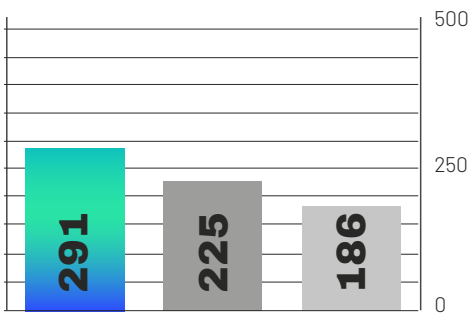




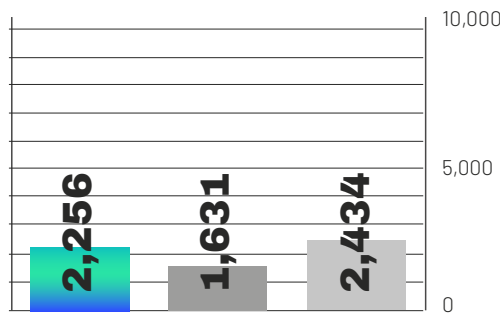
Waste²

t

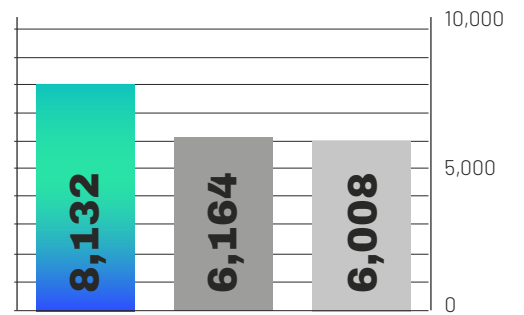
Similar to urban



Hazardous

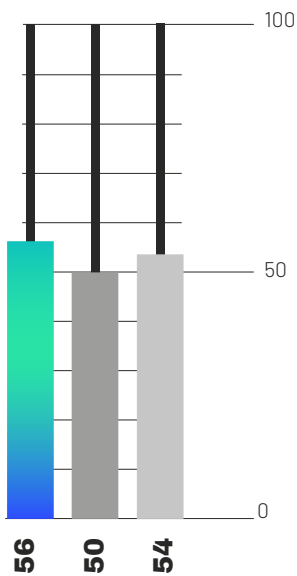


Non-hazardous



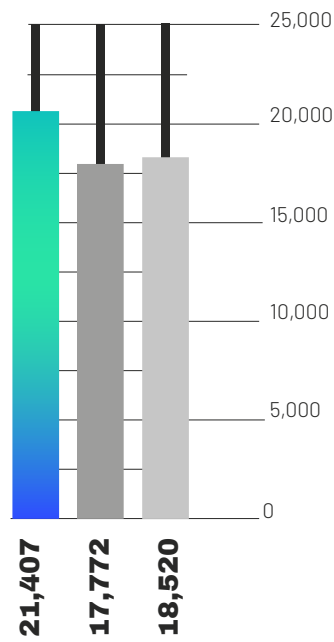
Total waste/Generated economic value

kg in €/000



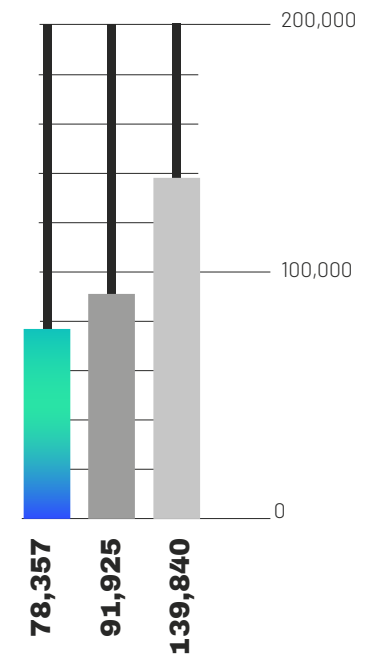
CO₂ emissions

tCO_{2eq}










Water consumption

m³



²The indicator does not include data relating to C.M.I. Poland.

INTELLECTUAL CAPITAL

	2020	2019	2018
	€/000	€/000	€/000
 Capitalised investments in research and development	465	460	340
	%	%	%
 Hours dedicated to the development of new products/hours worked³	3.3	1.0	1.3
	%	%	%
 Hours dedicated to process engineering/hours worked (hours dedicated to orders for the construction of new machines for new products or to increase production capacity/total hours worked)	2.6	2.2	2.5
	%	%	%
 Investments in intangible assets/turnover	0.6	0.7	0.4
	%	%	%
 Values of waste/turnover (production waste/turnover)	0.48	0.47	0.60
	%	%	%
 Impact of quality costs/turnover (charges and returns from customers/turnover)	0.13	0.14	0.09
	n.	n.	n.
 Number of samples for customers	5,034	6,184	1,244

³ The 2019 data does not include the C.M.I. Group and Okida.

Products and markets

Historically, the Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances, with a market share of about 40% in Europe and over 10% worldwide. In recent years, through a policy of acquisitions, the Group expanded its product range and is now active in the following segments of the household appliance market:

- gas parts;
- hinges;
- electronic components.

The reference market is represented by manufacturers of household appliances. The range also includes products for the professional sector.

THE 2018-2022 BUSINESS PLAN

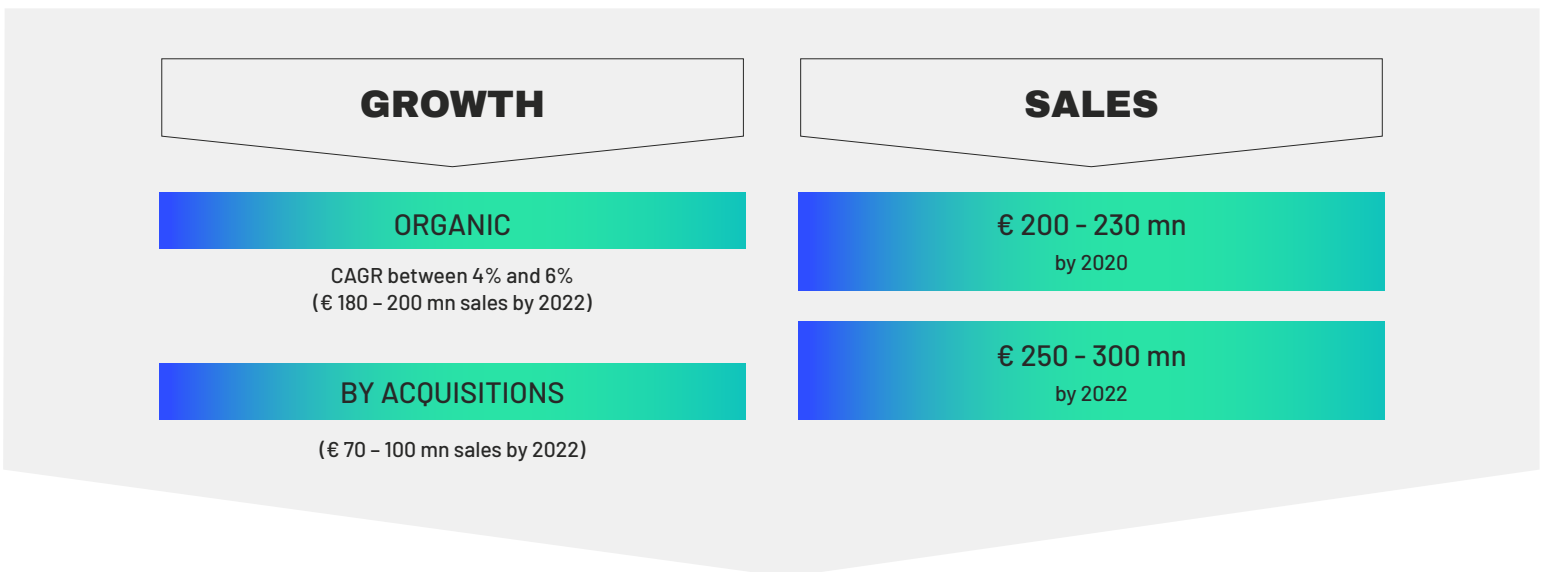
On 13 February 2018, the BoD of Sabaf S.p.A. approved the 2018-2022 Business Plan.

The underlying objective of the Plan is to undertake a renewed path of growth, both organic and through acquisitions: an acquisition policy that can also increase the product range in sectors adjacent to the current ones, taking full advantage of the potential of the Sabaf Group.

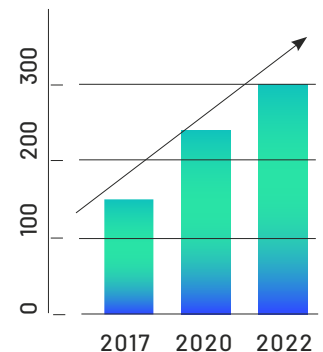
As a whole, the Business Plan defines a revenue target ranging from €250 to €300 million, accompanied by a gross profitability (EBITDA%) of more than 20% and supported by an investment plan of up to €230 million.

With regard to the organic component, the Plan set an annual growth target for revenue ranging from 4% to 6%, with the aim of achieving a turnover target of €180-200 million in 2022.

The Group also assesses growth opportunities through acquisitions, which, based on the objectives of the Business Plan, could generate additional revenues ranging from €70 to €100 million at the end of the five-year period.



ESTIMATED SALES GROWTH BETWEEN
65% AND 100%
(2022 COMPARED TO 2017)



THE PRODUCT RANGE

GAS PARTS

Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.

Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.

Accessories: include spark plugs, microswitches, injectors and other components to complete the range.

HINGES

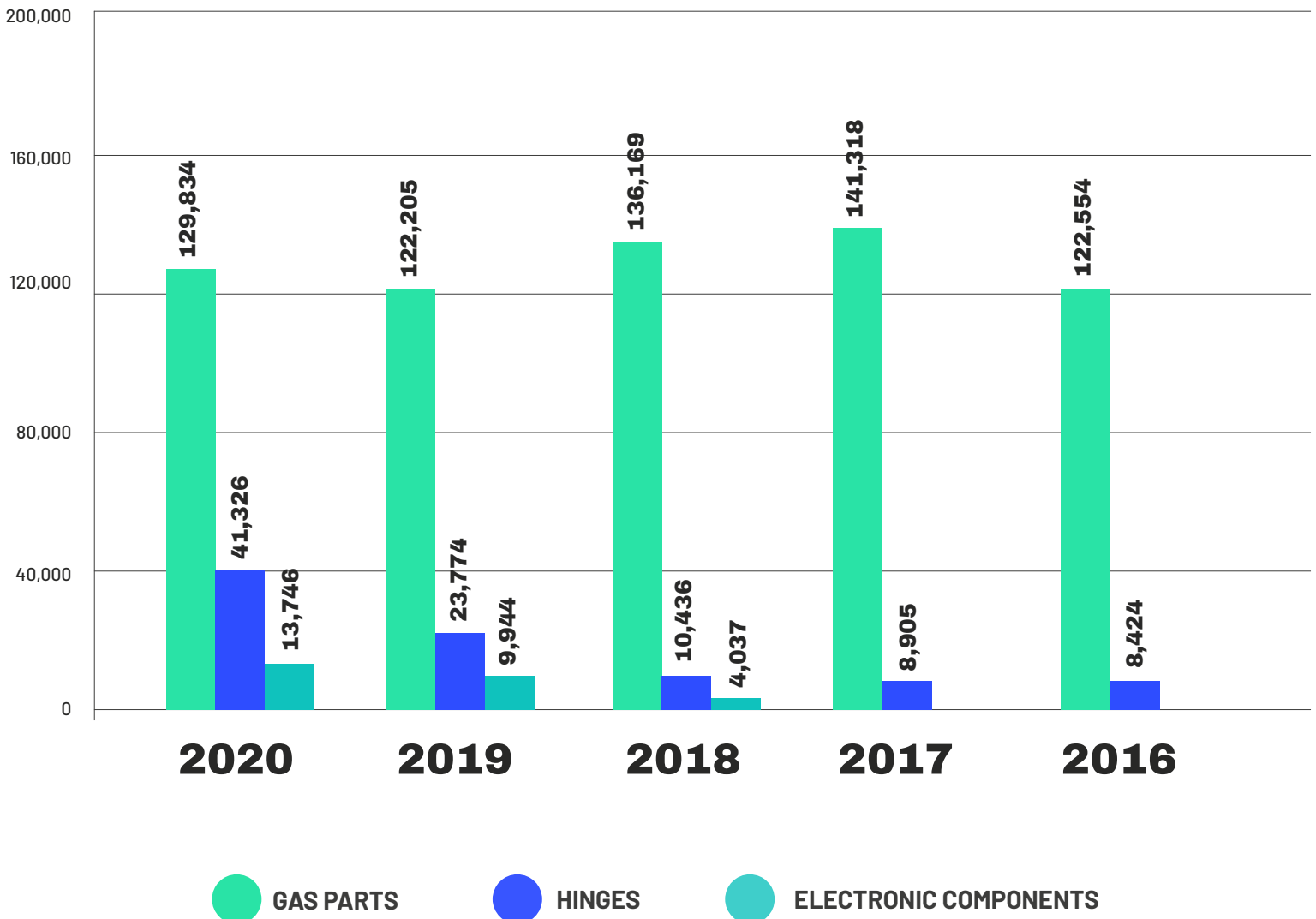
They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.

ELECTRONIC COMPONENTS

Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.

SALES BY DIVISION

(€/000)



THE INDUSTRIAL FOOTPRINT

SABAF S.P.A.

Valves and thermostats
Standard burners
Special burners
REVENUE € 102.6 MILLION
562 EMPLOYEES

FARINGOSI HINGES S.R.L.

Oven hinges
Dishwasher hinges
REVENUE € 10.6 MILLION
55 EMPLOYEES

CMI POLAND

Dishwasher hinges
REVENUE € 10 MILLION
48 EMPLOYEES

SABAF TURKEY

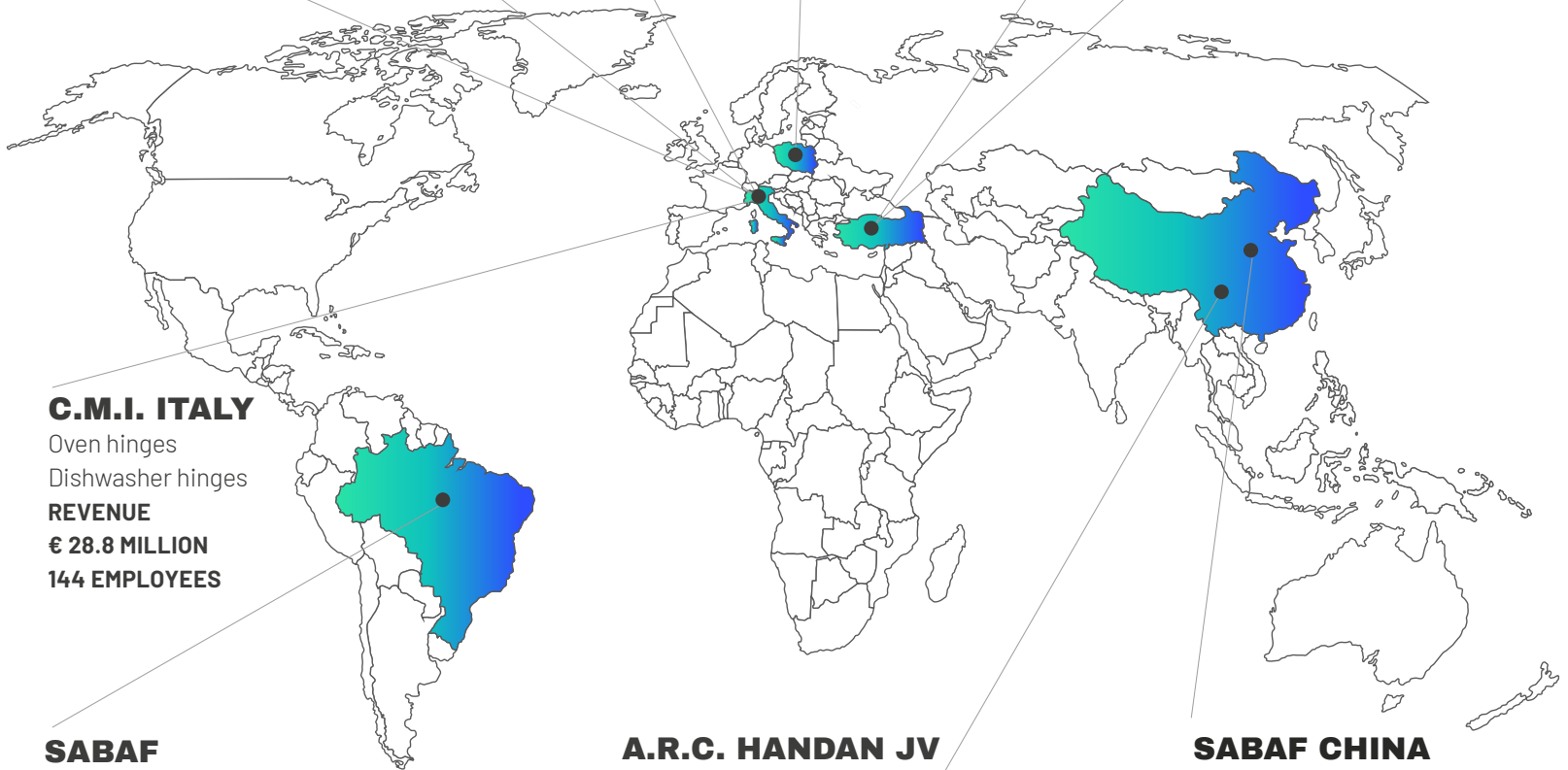
Standard burners
REVENUE € 26.9 MILLION
202 EMPLOYEES

A.R.C. S.R.L.

Professional burners
REVENUE € 4.1 MILLION
21 EMPLOYEES

OKIDA ELEKTRONIK

Electronics
for household appliances
REVENUE € 14 MILLION
173 EMPLOYEES



C.M.I. ITALY

Oven hinges
Dishwasher hinges
REVENUE € 28.8 MILLION
144 EMPLOYEES

SABAF DO BRASIL

Standard burners
Special burners
REVENUE € 12.3 MILLION
118 EMPLOYEES

A.R.C. HANDAN JV

Professional wok burners

SABAF CHINA

Wok burners
REVENUE € 1.1 MILLION
8 EMPLOYEES

€

€ 184.9

million

2020 GROUP
TURNOVER

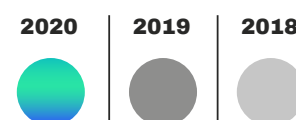
1,331

employees

EMPLOYEES OF THE GROUP
AT 31.12.2020⁴

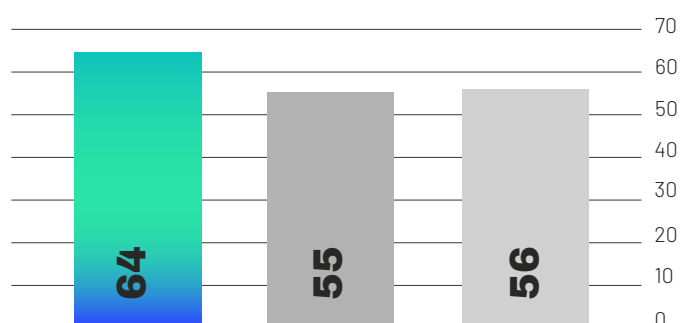
⁴ Including temporary workers and trainees.

COUNTRIES AND CUSTOMERS⁵



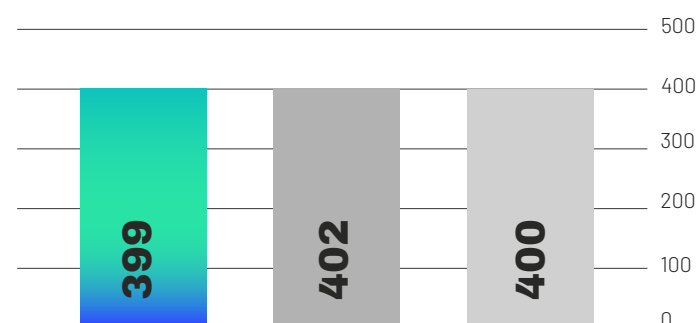
COUNTRIES

(no.)



CUSTOMERS

(no.)



In line with the followed commercial policies, most of the active commercial relations are characterised by relations consolidated over the long term. There are 32 customers with annual sales of more

than €1 million (as in 2019). The distribution by class of turnover is as follows:

(no.)	2020	2019	2018
> 5,000,000 euro	10	7	7
from 1,000,001 to 5,000,000 euro	22	25	25
from 500,001 to 1,000,000 euro	24	16	20
from 100,001 to 500,000 euro	64	75	64
< 100,000 euro	279	279	284
Total customers	399	402	400

⁵Data processed considering customers with sales above €1,000. In the last 5 years, the Sabaf Group's share of sales in international markets (excluding Italy and Western Europe, areas where Sabaf has a consolidated presence) increased from 64.7% in 2015 to 74.9% in 2020.

SABAF'S INTERNATIONAL DEVELOPMENT: CHALLENGES AND OPPORTUNITIES

ANALYSIS OF THE SCENARIO

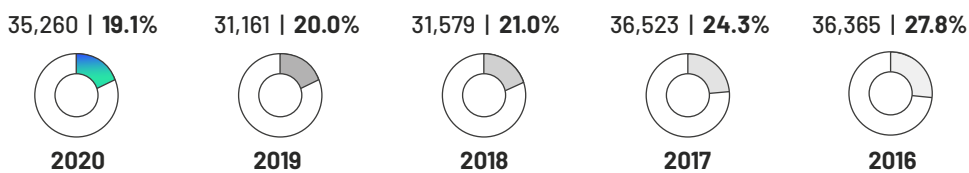
PERFORMANCE DATA⁶

ITALY

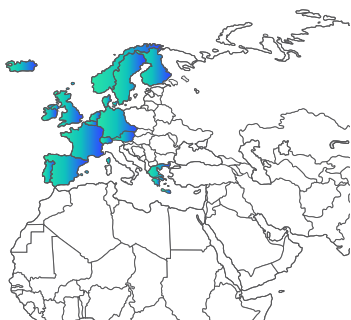


In the last ten years, the production of household appliances in Italy has been strongly reduced: some players left the sector and others relocated part of their activities to Turkey and Eastern Europe. There are still manufacturers focused mainly on the up-market or on special products, strongly dedicated to exports, which continue to show excellent results.

The importance of the Italian market for Sabaf is consequently lower than in the past. The majority (estimated at approximately 80%) of Sabaf's sales in Italy are destined for household appliances exported by our customers.

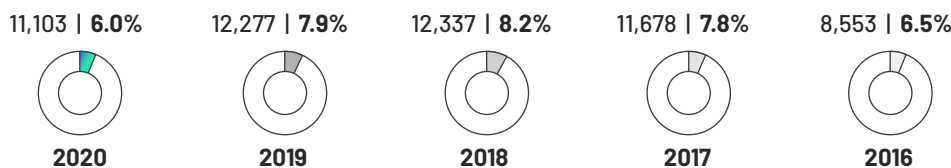


WESTERN EUROPE

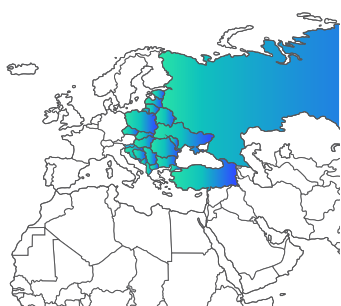


The same trend that characterised Italy was also seen in the other Western European countries: in Western

Europe, up-market products remain high, where Sabaf is increasing its share.



EASTERN EUROPE AND TURKEY



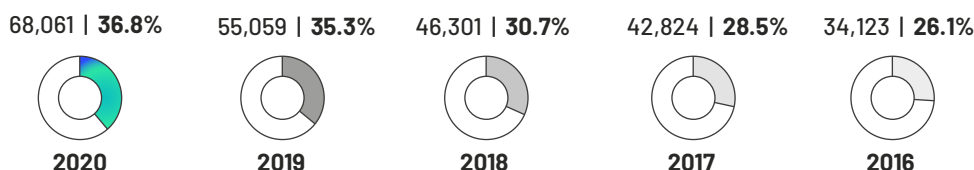
Turkey is now the state where the largest number of household appliances are produced. In this context, the opening of a production plant in Turkey and the acquisition of Okida Elektronik (September 2018) are key elements in support of the growth strategy.

Sabaf estimates that about 75% of sales in Turkey are exported by our customers (mainly in Europe); however, the Turkish domestic market is of increasing importance: the average age of the population, the number of new households and the increase in income are converging

indicators of a growing demand for durable goods. Contingent factors such as the currency crisis of 2018 can lead to temporary reversals of this trend in 2019.

The Group's strategy is to further develop its activities in Turkey in the coming years.

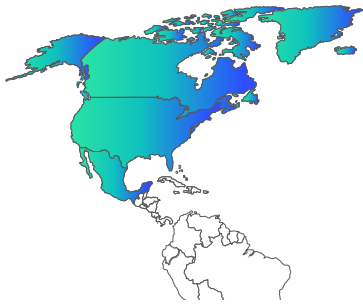
The Group is also active in other Eastern European markets, where it has recently concluded new commercial agreements.



⁶Sales by geographical area (€/000) and percentage incidence on Group sales.

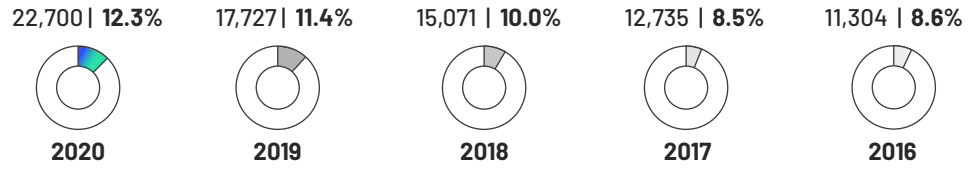


NORTH AMERICA AND MEXICO



Sabaf's presence in North America is relatively recent, but sales and market share have been growing steadily in recent years. Future plans also include the development of

products co-designed with major customers and a more direct coverage on the market, also through a production site in Mexico.



SOUTH AMERICA

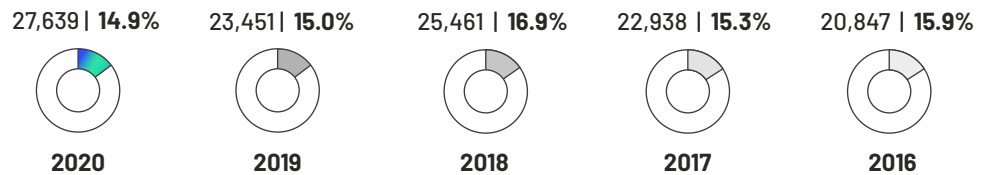


For future development, Sabaf can count on a consolidated production presence (a plant in Brazil has been operating since 2001).

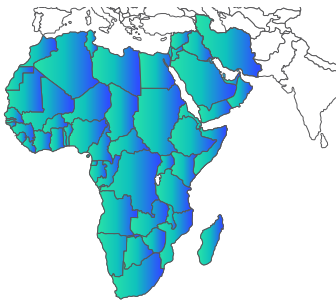
The Sabaf Group believes that the development potential of this area is still extremely interesting, considering the significant size of the market and the demographic growth trends.

The product range for the local market was recently expanded, with the production of special burners in Brazil, also to meet the specific nature of demand.

Other markets of great interest to the Group are those in the Andean area.

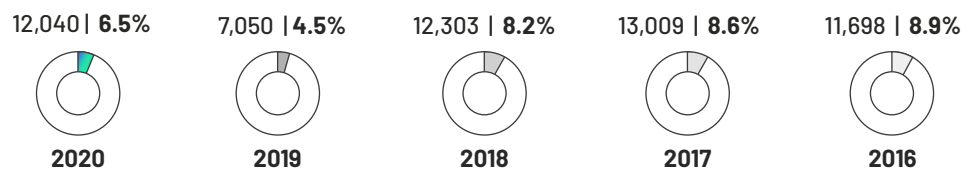


MIDDLE EAST AND AFRICA

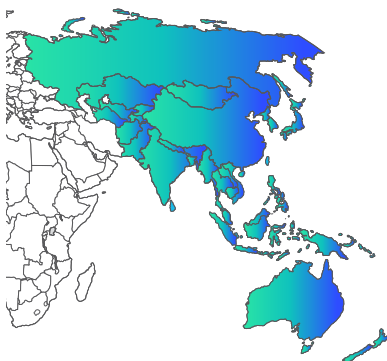


Sabaf has a long-standing presence and reputation in the Middle East and Africa. These are areas where social and political developments can lead to high volatility.

The Group considers the Middle East and Africa among the most promising markets in the medium term, also in view of demographic trends and the growing rate of urbanisation.



ASIA AND OCEANIA



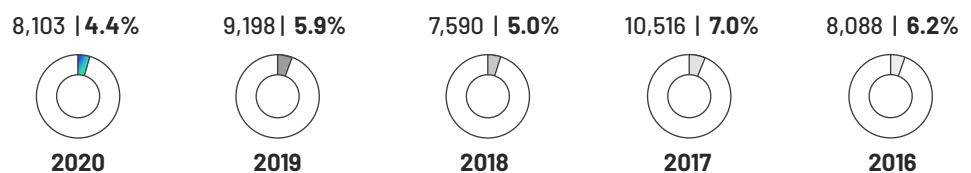
China, with its production of more than 30 million hobs per year, is the most important market in the world.

The Group, aware that it offers high quality products that are increasingly competitive compared to those supplied by local competitors, aims to establish long-term partnerships with the main Chinese hob manufacturers.

Another market with great potential is the Indian market,

for which Sabaf developed a range of dedicated burners: a production site was acquired in Hosur (Tamil Nadu) in 2020, where production of gas parts will begin in 2021.

Although sales in China and India still represent a small share of Sabaf's total business, these areas are a strategic priority for the Group.



CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION

**(prepared pursuant to Article 4
of Legislative Decree 254/2016)**

Methodological note	26
Letter from the Chief Executive Officer to stakeholders	27
Business model, strategic approach and sustainable creation of value	29
Corporate Governance, Risk Management and Compliance	44
Sabaf and employees	63
Sabaf and environment	87
Sabaf, the management of product quality and customer relations	93
Sabaf and supply chain management	95
Sabaf, Public Administration and Community	97
Sabaf and shareholders	100
Sabaf and lenders	102
Sabaf and competitors	103
GRI Content Index	105
Independent auditors' report on the consolidated disclosure of non-financial information	109

Methodological note

PREPARATION CRITERIA

The Consolidated Disclosure of Non-Financial Information of the Sabaf Group (hereinafter also referred to as the "Disclosure"), prepared in accordance with Art. 4 of Legislative Decree 254/2016 as amended (hereinafter also referred to as the "Decree"), contains information (policies practiced, risks and related management methods, management models and performance indicators) on environmental, social, personnel, human rights and anti-corruption issues, to the extent necessary to ensure understanding of the activities carried out by the Group, its performance, results and impact. Each section also describes the main risks, generated or suffered, related to the above issues and deriving from the Group's activities.

The Sabaf Group identified the GRI Sustainability Reporting Standards (hereinafter also referred to as "GRI Standards") published by the Global Reporting Initiative (GRI) as the "reference standard" for fulfilling the obligations of Legislative Decree 254/2016, as the most widely recognised and internationally disseminated Guidelines. As from 2019, Sabaf reports on occupational health and safety using the GRI 403 indicator: Occupational Health and Safety 2018; as from 2020, it reports on taxes using the GRI 207 indicator: Tax 2019. This Disclosure is prepared according to the "in accordance - core" reporting option. The process of defining the contents and determining the material topics, also in relation to the areas envisaged by the Decree, was based on the principles envisaged by GRI Standards (materiality, stakeholder inclusiveness, sustainability context, completeness, comparability, accuracy, timeliness, clarity, reliability and balance). To help readers find the information in the document, the GRI Content Index is at the bottom of the Disclosure.

This Disclosure was approved by the Board of Directors on 23 March 2021 and will be prepared annually. In accordance with one of the options envisaged by Art. 5 of Legislative Decree 254/2016, it constitutes a separate report from the Report on operations. Moreover, this Disclosure is subject to limited review according to ISAE 3000 Revised by the independent auditors EY S.p.A., appointed to audit the Group's accounts.

REPORTING BOUNDARY

The reporting boundary of qualitative and quantitative data and information contained in the Consolidated Disclosure of Non-Financial Information of the Sabaf Group refers to the performance of the Sabaf Group (hereinafter also referred to as "Group" or "Sabaf") for the year ended 31 December 2020 and includes all companies consolidated on a line-by-line basis. The 2019 data relating to the C.M.I. Group is consolidated from the date Sabaf acquired control (31 July 2019). Any exceptions are clearly indicated in the text at specific indicators.

REPORTING PROCESS

In 2019, the Board of Directors of Sabaf S.p.A. approved a procedure for the reporting process of non-financial information. The procedure defines the phases, activities, timing, roles and responsibilities for the management of the reporting process and for the definition, collection and validation of data and other contents of the Disclosure.

The procedure, which has been applied for the preparation of this Disclosure, envisages the involvement of the parent company's management ("group data owners") and the representatives of all subsidiaries ("subsidiary data owners"), who are responsible for the relevant areas and the related data and information covered by the Group's non-financial reporting.

In particular, the data and information included in this Disclosure derive from the company information system used for the management and accounting of the Group and from a non-financial reporting system (data collection package) specifically implemented to meet the requirements of Legislative Decree 254/2016 and GRI Standards. In order to ensure the reliability of the information contained in the Disclosure, directly measurable quantities have been included, limiting the use of estimates as much as possible. Calculations are based on the best information available or on sample surveys. The estimated quantities are clearly indicated as such. The economic and financial data and information are derived from the consolidated financial statements at 31 December 2020.

Letter from the Chief Executive Officer to stakeholders

Dear shareholders and stakeholders,

It is with great satisfaction that we can now note that the uncertainties of early 2020 due to the outbreak of the pandemic turned into a record year for Sabaf in terms of growth and revenues at the end of the year.

The coronavirus pandemic presented our Group - like all organisations - with new challenges, requiring resilience and immediate reaction to unpredictable and rapidly changing scenarios. In the first half of 2020, with the rapid and global spread of health emergencies, our priorities were to protect the health and safety of people: to this end, all Sabaf Group companies adopted every preventive measure useful to mitigate the risks of contagion. Aware of the strategic importance of our role in the household appliance chain, we have also taken all possible measures to ensure continuity of supply even during the period in which some Group companies were forced to temporarily stop production. Since the second half of the year, the allocation of a greater share of consumer budgets to household goods has led to a significant increase in the final demand for household appliances in all geographical areas from which the Sabaf Group is also benefiting.

The Sabaf Group was prepared for all these new developments. Its solid structure, product diversification, internationalisation, the acquisition of new companies, the extraordinary dedication of all the personnel, and its competence and availability even in the face of difficult situations enabled us not only to intercept a varied demand, but also in some cases to anticipate the guidelines of change, directing it to our advantage and increasing our credibility with the partner groups whose components we supply.

The 8.4% increase in revenue volume (2020 figures compared to 2019 figures, on a like-for-like basis; +18.6% in absolute terms, compared to €155.9 million in the previous year) is the result of our efforts in three product areas: gas cooking parts, electronic components and hinges. Each of these divisions significantly increased: in 2020, the electronic components division grew by 38% compared to 2019, carving out an overall share that now exceeds 7% of the Group's total turnover. Further 25% increase is expected by 2021. The hinges in turn increased their volumes by 50% (+7% on a like-for-like basis) and now account for 22% of Sabaf's total turnover.

Our aim is to position ourselves on the economic scene as a global supplier, also by continuing and strengthening the M&A process undertaken in recent years. This strategy allowed us to add electronics to the traditional mechanical field, in which our know-how is recognised internationally: technological displays and timers for programming ovens, electronic hobs and refrigerators, as well as boards for controlling hoods. Moreover, we have the potential to develop new applications that can electronically control the operation of appliances outside the large household appliances sector.

We want to be recognised as an all-round creator and producer of cutting-edge solutions in the world of smart appliances: the world of cooking is our main ground for comparison. We work on technology, innovation, rapid response to changing markets and we have always done this by putting people and safety at the heart of our projects: sustainability for us means training, investment in knowledge but also the manufacture of eco-efficient products, burners that reduce fuel consumption (methane or other gases) and emissions to users (particularly carbon dioxide and carbon monoxide). We are constantly looking





for a lower energy impact in the manufacturing process. There is no tomorrow without caring for people at work and the environment.

Geographical diversification also allows us to be present in many strategic areas of the world, whose different rates of development allow us to envisage wide margins of growth in the years to come. Today, Sabaf has over 1,300 employees in ten production units, five in Italy and five abroad. The historical head is always the one in Ospitaletto, repository of high-profile know-how and guarantee of competence and quality.

Over time, it has been joined by plants in Brazil, Turkey, China and Poland, securing fast-growing markets and the ability to closely meet the needs of the most demanding customers. In the near future, a new production unit will also be set up in India, which when fully operational will produce gas cooking parts with a total turnover of around €5 million per year, and another plant will be set up in Mexico to serve North America. These factories, which will soon be joined by another one in Turkey, not only allow us a closer connection with our customers, but also save on logistics and material transport costs in many cases.

I would also like to point out that the organisation of our supply chain also allows us to overcome any difficulties that may arise at local level. We are able to guarantee our customers that we will deliver, even if a production unit has to be shut down or experiences different kinds of difficulties. We have a structure that has enabled

us to enter into long-term contracts with the biggest manufacturers in the market. This makes us confident that we will be able to continue at a steady pace in the coming months and that we can expect further increases in turnover and good profitability. The basis of our confidence is also our financial strength, which allows us to continue to invest every year in new projects, plants, production and commercial solutions: in 2020 Sabaf, despite a complicated financial year, was able to distribute a dividend to shareholders and at the same time invested more than 17 million against 12 million in the previous year. Most of these investments are aimed at industrialising new products, designed to significantly increase shares with certain strategic customers.

We want to continue to aim high: with the new 2021-2023 business plan, we expect to increase further and significantly our turnover, develop new products and strengthen our position alongside the major global players. The ability to promptly meet the new needs of our customers and the ability to adapt to a constantly changing world will be the basis for our growth in the future.

Pietro Iotti

Business model, strategic approach and sustainable creation of value

STRATEGIC APPROACH AND CREATION OF VALUE

SUSTAINABLE VALUE CREATION

For the Sabaf Group, respect for business ethics and socially responsible behaviour are the fundamental elements of its business model. Accordingly, the Group developed a strategy and a governance model that can guarantee sustainable growth over time.

The Sabaf Group is aware that sustainable growth depends on the degree of harmony and the sharing of values with its stakeholders: compliance with common values increases mutual trust, encourages the development of common knowledge, and therefore contributes to the containment of transaction costs and control costs; in essence, it benefits the Group and all its stakeholders.

VALUES, VISION AND MISSION

Sabaf takes the Person as its original value and therefore as the fundamental criterion of every choice: this results in an entrepreneurial vision that ensures dignity and freedom to the Person within shared rules of behaviour. The centrality of the Person represents a universal value, i.e. a hyper-standard applicable without differences in time and space. In compliance with this universal value, the Sabaf Group operates by promoting cultural diversity through the criterion of equity in space and time. Such a moral commitment implies an a priori renunciation of all choices that do not respect the physical, cultural and moral integrity of the Person, even if such decisions can be efficient, economically convenient and legally acceptable. Respecting the value of the Person means that, first of all, the dimension of the category of Being in relation to Doing and Having is the overriding consideration, and therefore implies the protection and enhancement of the "essential" manifestations expressing the fullness of the Person.

The Charter of Values of Sabaf

The [Charter of Values](#) is the governance tool through which the Sabaf Group clearly explains the Company's values, standards of behaviour and commitments in relations with its stakeholders – employees, shareholders, customers, suppliers, lenders, the Public Administration, the community and the environment.

The spirit of the Charter is to reconcile the principles of economic management with ethics based on the centrality of Man, as an essential condition for the sustainable growth of business in the long term. Sustainable growth, intended as the ability to combine at the same time:

- **economic sustainability**, i.e. operate in such a way that company choices increase the value of the company not only in the short term but above all are able to guarantee business continuity in the long term through the application of an advanced model of corporate governance;
- **social sustainability**, i.e. promote ethical behaviour in business and reconcile the legitimate expectations of the various stakeholders in accordance with common shared values;
- **environmental sustainability**, i.e. produce by minimising the direct and indirect environmental impacts of its production activi-

ties to preserve the natural environment for the benefit of future generations in compliance with current laws on the subject.

The Charter aims to give a vision of ethics, focusing mainly on positive and just actions to be taken and not only on incorrect behaviour to be avoided. This vision is the basis for a positive use of freedom by decision-makers, where ethical references guide decisions in a manner consistent with the Group's culture of social responsibility. The Sabaf Group aims to develop a process based on people being given a sense of responsibility within shared rules of behaviour with which to voluntarily comply. According to this approach, it is still imperative to comply absolutely with the law and regulations in force in Italy and in the other countries where the Group operates, as well as with all the internal regulations of the Group and the values declared in the Charter.

The Charter of Values also represents a reference document as part of the Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and, as such, sets out a series of general rules of behaviour Group employees are required to comply with.

Covid and social responsibility

The health emergency experienced in 2020 has confronted us all with a new, unimaginable scenario.

Sabaf's headquarters and main plants were unfortunately in the centre of one of the most affected areas in the world; nevertheless, since the beginning of the emergency, we have worked to manage the impacts on our activities.

For companies that, like Sabaf, place sustainability at the heart of their business model, it was more than ever the time to adopt responsible choices towards all stakeholders: it is especially in highly critical circumstances such as those experienced that corporate values must be transformed into concrete actions.

The highest priority is the protection of the health and safety of people: to this end, all Group companies adopted every preventive measure useful to mitigate the risks of contagion. It was also important to provide employees with financial peace of mind: Sabaf S.p.A. approved a contribution of a net amount of €200, granted to employees and personnel with temporary work contracts, for the benefit of approximately 650 employees. Employees also benefited from pandemic insurance coverage, which was renewed for 2021.

With regard to its suppliers, Sabaf considered it its duty to continue to meet its commitments in full compliance with the contractual terms established in order to avoid further aggravating the difficult situations that many of them have had to face. Therefore, the Sabaf Group immediately joined the #iopagoifornitori initiative launched by AIB (Associazione Industriale Bresciana), with the aim of encouraging companies to comply with the payment terms agreed with suppliers and, more generally, to promote transparent and efficient practices.

Despite the legislative measures that led to the temporary halt in operations in March and April, Sabaf has taken every possible initiative to ensure the continuity of supplies to customers, aware of the consequences that delays in deliveries can cause.

Lastly, support for the local community was not neglected, with a significant donation being made to the Fondazione Spedali Civili di Brescia in the early days of the emergency, in support of one of the healthcare facilities most affected in the area.

Table summarising the Policies of the Sabaf Group with reference to the contents of Legislative Decree 254/2016 as amended¹

Topic envisaged by Legislative Decree 254/2016	Reference policies
ENVIRONMENT	
Basic principles <ul style="list-style-type: none"> • Raise staff awareness and train the personnel to promote environmental awareness • Minimise direct and indirect environmental impacts • Adopt a precautionary approach to environmental impacts • Encourage the development and diffusion of environmentally friendly technologies and products • Define environmental objectives and improvement programmes • Search for the right balance between economic objectives and environmental sustainability 	<ul style="list-style-type: none"> • Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
HUMAN RIGHTS	
Basic principles <ul style="list-style-type: none"> • Adopt socially responsible behaviour • Promote respect for the fundamental human rights of workers in all countries where the Group operates • Avoid all forms of discrimination and favouritism in respect of employment and occupation • Enhance and respect diversity 	<ul style="list-style-type: none"> • Charter of Values • Manual of the Social Responsibility Management System in compliance with SA8000 Standard
PERSONNEL	
Basic principles <ul style="list-style-type: none"> • Encourage continuous learning, professional growth and knowledge sharing • Provide clear and transparent information on the tasks to be carried out and the position held • Encourage teamwork and the dissemination of creativity in order to allow the full expression of individual skills • Adopt criteria of merit and competence in employment relationships • Encourage the involvement and satisfaction of all the personnel 	<ul style="list-style-type: none"> • Charter of Values • Manual of the Social Responsibility Management System in compliance with SA8000 Standard
PERSONNEL/HEALTH AND SAFETY	
Basic principles <ul style="list-style-type: none"> • Reach working standards that guarantee health and maximum safety, also through the modernisation and continuous improvement of workplaces • Minimise any form of exposure to risks at work • Disseminate the culture of risk prevention through systematic and effective training • Promote the protection not only of oneself, but also of colleagues and third parties • Encourage the diffusion of products with security systems 	<ul style="list-style-type: none"> • Charter of Values • Manual of the Integrated Management System of Health and Safety, Environment and Energy in compliance with ISO 14001, ISO 50001 and ISO 45001 standards
ANTI-CORRUPTION	
Basic principles <ul style="list-style-type: none"> • Raise awareness among all those who work for Sabaf so that they behave correctly and transparently in the performance of their activities • Comply with local anti-corruption regulations 	<ul style="list-style-type: none"> • Group Anti-corruption Policy • Organisation, management and control Model pursuant to Legislative Decree 231/2001
SOCIAL/SUPPLY CHAIN	
Basic principles <ul style="list-style-type: none"> • Ensure absolute impartiality in the choice of suppliers • Establish long-term relationships based on fairness in negotiations, integrity and contractual fairness 	<ul style="list-style-type: none"> • Charter of Values

¹ The Group intends to gradually extend its reference policies to the most recently acquired companies (Okida and C.M.I.). For 2020, the Group's policies are applied in Okida and C.M.I. only to the extent that they are explained in the individual sections of this Disclosure.

The Charter of Values and the Anti-corruption Policy are applied and disseminated in all Group companies.

Sabaf S.p.A. adopts a Social Responsibility Management System certified and compliant with the SA8000 standard and an integrated management system of Health and Safety, Environment and Energy certified and compliant with ISO 45001, ISO 14001 and ISO 50001 standards.

Faringosi Hinges s.r.l. and C.G.D. s.r.l. adopt a Health and Safety management system certified and compliant with ISO 45001 standard. In any case, the ISO 14001, ISO 45001, ISO 50001 and SA8000 standards are sources of reference and inspiration for the entire Group.

The Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 is adopted by Sabaf S.p.A. and Faringosi Hinges s.r.l. and, limited to the part concerning Health and Safety at Work, by C.G.D. s.r.l..

VISION

Combine business decisions and results with ethical values by going beyond family capitalism and opting for a managerial rationale oriented not only towards the creation of value but also towards the respect of values.

MISSION

Consolidate the technological and market leadership in the design, production and distribution of the entire range of components for household gas cooking appliances through constant attention to innovation, safety and the enhancement of internal expertise.

Associate the growth of company services with social and environmental sustainability, promoting an open dialogue with the legitimate expectations of stakeholders.

BUSINESS MODEL

STRATEGIC PILLARS OF SABAF'S BUSINESS MODEL

In line with its shared values and mission, Sabaf believes that there is a successful industrial and cultural model to be consolidated both through organic growth and growth through acquisitions. The Group believes that its business model - oriented towards long-term sustainability and characterised by a high level of verticalisation of production and production facilities close to the main markets - is adequate to face future challenges and new scenarios.

The distinctive features of the Sabaf model are set below.

Innovation

Innovation represents one of the essential elements of Sabaf's industrial model and one of its main strategic levers. Thanks to continuous innovation, the Group has managed to achieve excellent results, identifying technological and production solutions that are among the most advanced and effective currently available and establishing a virtuous circle of continuous improvement of processes and products, until acquiring technological competence with characteristics that are difficult to match for competitors. The know-how acquired over the years in the development and internal production of machinery, tools and moulds, which is integrated synergistically with the know-how in the development and production of our products, represents the main critical

success factor of the Group. With the acquisition of Okida, Sabaf has also acquired a strong electronic know-how that, together with the traditional and strong mechanical skills, can further expand the business spaces for the Group.

The investments in innovation allowed the Group to become a world leader in a highly specialised sector. The production sites in Italy and abroad are designed to guarantee products according to the highest levels of technology available today and represent a cutting-edge model both for environmental protection and safety of the employees.

Eco-efficiency

Sabaf's product innovation strategy gives priority to the search for improved environmental performance. Attention to environmental issues is reflected both in innovative production processes that have a lower energy impact in the manufacture of products, and for what concerns gas parts, in the design of eco-efficient products during their daily use. Innovation efforts in this area are directed towards the development of burners that reduce fuel consumption (natural gas or other gases) and emissions (carbon dioxide and carbon monoxide, in particular) in users.

Safety

Safety has always been one of the essential elements of Sabaf's business project. Safety for Sabaf is not just a matter of complying with existing standards but a management philosophy oriented towards the continuous improvement of its performance, in order to guarantee the end user an increasingly safe product. In addition to investing in research and development of new products, the Group has chosen to play an active role in disseminating a safety culture: Sabaf has long been promoting the introduction of regulations worldwide - in the various institutional venues - that make it compulsory to adopt products with thermoelectric safety devices. Sabaf also promoted the ban on the use of zamak (zinc and aluminium alloy) for the production of gas valves for cooking, in consideration of the intrinsic danger. To date, the use of zamak is still permitted in Brazil, Mexico and other South American countries, limiting business opportunities in the valves segment for Sabaf.

Success on international markets and partnerships with multinational groups

Sabaf pursues its growth through its success in international markets by trying to replicate its industrial model in emerging countries with due consideration of local culture.

In line with its reference values and mission, the Group operates in emerging Countries in full respect of human rights and the environment and in compliance with the United Nations Code of Conduct for Transnational Corporations. This choice is driven by the awareness that only by operating in a socially responsible way it is possible to ensure long-term development of industrial experience in emerging markets.

The Group also intends to further strengthen its collaboration with customers and its position as main supplier of a complete range of products in the cooking components market, also thanks to its ability to adapt production processes to specific customer needs and provide an increasingly wide range of products.

In relations with large household appliance groups, the reliability of partners along the supply chain is more than ever an essential requirement. The presence of production facilities in all strategic geographical areas, the ability to react immediately to sudden changes in macroeconomic scenarios - such as those brought about by the pandemic - and financial solidity put the Sabaf Group in a favourable position compared to smaller, less structured competitors.

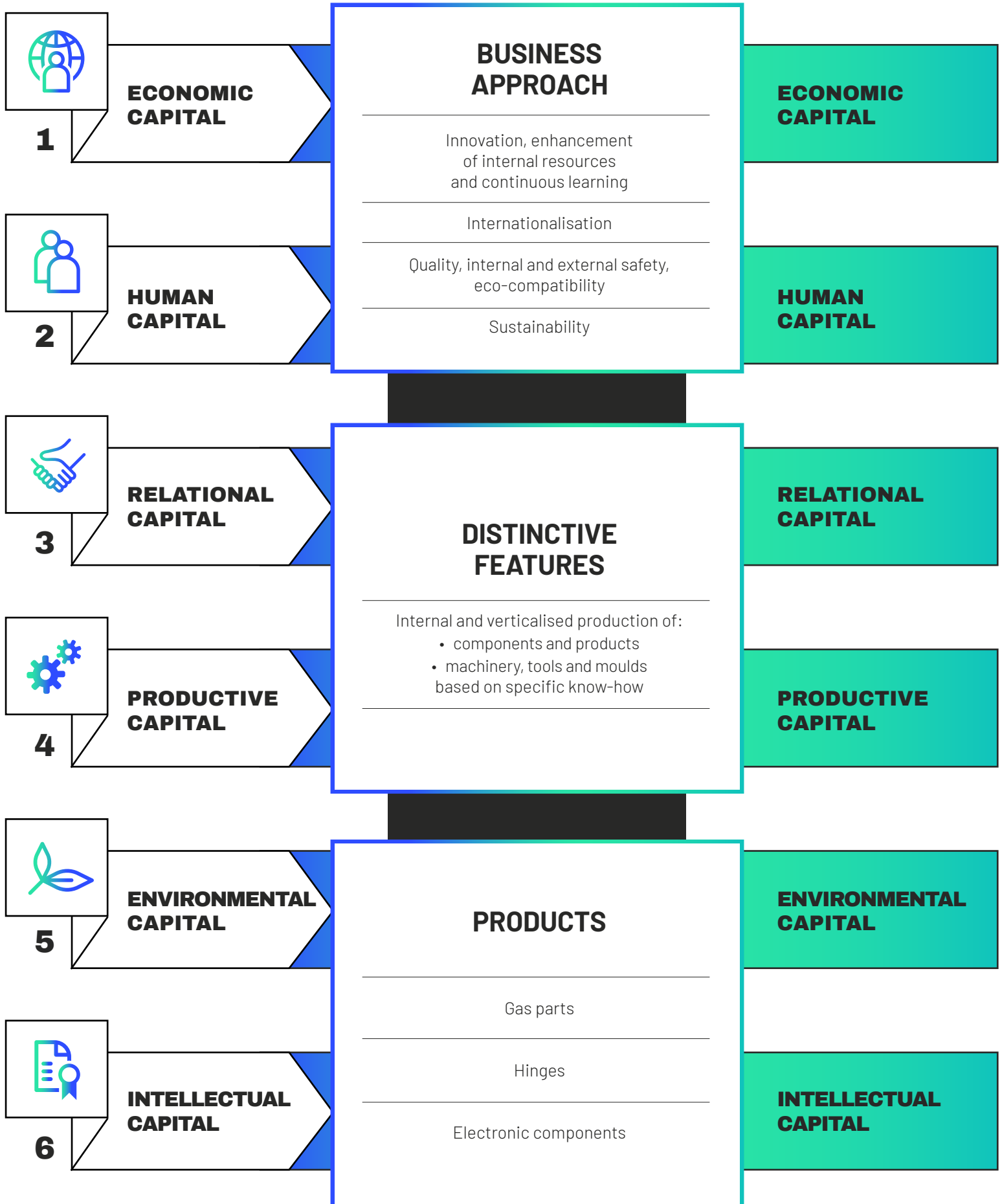
Widening the range of components and development through acquisitions

The continuous expansion of the range aims to increase customer loyalty through the widest satisfaction of market requirements. The possibility of offering a complete range of components is an additional distinguishing feature for Sabaf compared to its competitors. In order to sustain a dynamic growth path, the Group intends to extend its product range to other components for household appliances. This expansion is pursued both through internal research and through growth through acquisitions, assessing opportunities for partnerships and acquisitions of other companies. Examples of this are the acquisition of A.R.C. s.r.l. in 2016 and 100% in Okida in 2018, through which Sabaf entered the professional burners and electronic components for household appliance sectors. Finally, in 2019, Sabaf acquired control of the C.M.I. Group, an important manufacturer of hinges for ovens and dishwashers, significantly strengthening its position also in this product range where it was already present through Faringosi Hinges.

Enhancement of intangible assets and of its intellectual capital

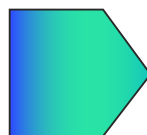
Sabaf carefully monitors and increases the value of its intangible assets: the high technical and professional competence of the people who work there, the image synonymous with quality and reliability, the reputation of a company attentive to social and environmental issues and the requirements of its stakeholders. The promotion of the idea of work and relations with stakeholders as a passion for a project based on common values in which everyone can recognise themselves symmetrically represents not only a moral commitment, but the real guarantee of enhancement of intangible assets. In this perspective, the sharing of values represents the link between the promotion of a corporate culture oriented towards social responsibility and the enhancement of its intellectual capital.

Business model



**1****ECONOMIC CAPITAL**

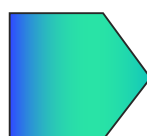
- Net financial debt **€56,322,000**
- Shareholders' Equity **€117,807,000**
- Invested capital **€174,129,000**
- Market capitalisation at 31 December/ Shareholders' Equity **1.49**



- Sales revenue **+18.6%**
- EBITDA as a percentage of sales **20.1%**

**2****HUMAN CAPITAL**

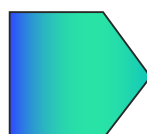
- Employees **1,331** (including temporary workers and trainees)
- Advanced education: employees with a degree or diploma **61.6%**
- Training hours by employee **10.8**
- Investments in training on turnover **0.19%**



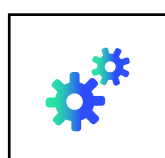
- No. of new employees **259**
- Leaving turnover **10.79%**
- Strike hours on hours worked **0.06%**
- Recordable injury rate **16.10**
- Injury severity index **0.11**

**3****RELATIONAL CAPITAL**

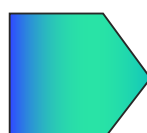
- Turnover from the top 10 customers **50%**
- No. customers (with sales over €1,000) **399**



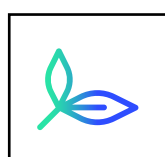
- Average turnover by customer **€465,000**
- Lawsuits filed against Group companies **2**
- No. of samples for customers **5,034**

**4****PRODUCTIVE CAPITAL**

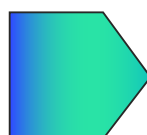
- Production sites **11**
- Real investment on turnover **9%**
- Value of property, plant and equipment **€79,760,000**



- Burners sold **No. of Parts 35,789,868**
- High efficiency burners **23.3%**
- Valves and thermostats sold **No. of Parts 18,305,560**
- Light alloy valves and thermostats sold **91.3%**

**5****ENVIRONMENTAL CAPITAL**

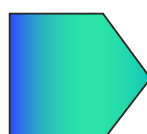
- Brass **638 t**
- Aluminium alloys **9,188 t**
- Steel **26,046 t**
- Electricity consumed **35,378 MWh** (of which **158 MWh** from renewable sources)
- Natural gas consumed **4,478,000 m³**
- Water used **78,357 m³**



- Waste (kg) on economic value generated by the Group (€/1,000) **56**
- CO₂ emissions **21,407 tCO_{2eq}**

**6****INTELLECTUAL CAPITAL**

- Hours dedicated to the development of new products **3.3%**
- Hours dedicated to process engineering **2.6%**



- No. of Patents **88**
- Capitalised investments in research and development **€465,000**

GENERATED AND DISTRIBUTED ECONOMIC VALUE

The analysis of the determination and distribution of economic value among stakeholders, prepared in accordance with the indications of the GRI is shown below.

The table was prepared distinguishing between three levels of economic value. The generated one, the distributed one and the one

retained by the Group. The economic value represents the overall wealth created by Sabaf, which is then distributed among the various stakeholders: suppliers (operating costs), employees, lenders, shareholders, public administration and community (external perks).

(€/000)	2020	2019	Change
ECONOMIC VALUE GENERATED BY THE GROUP	190,001	160,095	29,906
Revenue	184,906	155,923	28,983
Other income	7,184	3,556	3,628
Financial income	1,366	638	728
Value adjustments	1,502	1,859	(357)
Bad debt provision	(118)	(509)	391
Exchange rate differences	(4,811)	(1,379)	(3,432)
Income/expenses from the sale of property, plant and equipment and intangible assets	105	46	59
Value adjustments to property, plant and equipment and intangible assets	(141)	0	(141)
Profits/losses from equity investments	8	(39)	47
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	161,995	140,762	21,233
Remuneration of suppliers	112,014	96,626	15,388
Remuneration of employees	43,700	37,103	6,597
Remuneration of lenders	2,146	1,339	807
Remuneration of shareholders	3,924	6,060	(2,136)
Remuneration of the Public Administration ²	150	(408)	558
External perks	61	42	19
ECONOMIC VALUE RETAINED BY THE GROUP	28,006	19,333	8,673
Depreciations and amortisation	16,968	15,183	1,785
Provisions	612	91	521
Use of provisions	(10)	(64)	54
Reserves	10,436	4,123	6,313

² Includes deferred taxes.

GOVERNANCE OF SOCIAL RESPONSIBILITY AND STAKEHOLDER ENGAGEMENT

SOCIAL RESPONSIBILITY IN BUSINESS PROCESSES

To transform the values and principles of sustainable development into intervention choices and management activities, Sabaf applies a structured methodology, the key factors of which are as follows:



THE PRECAUTIONARY APPROACH

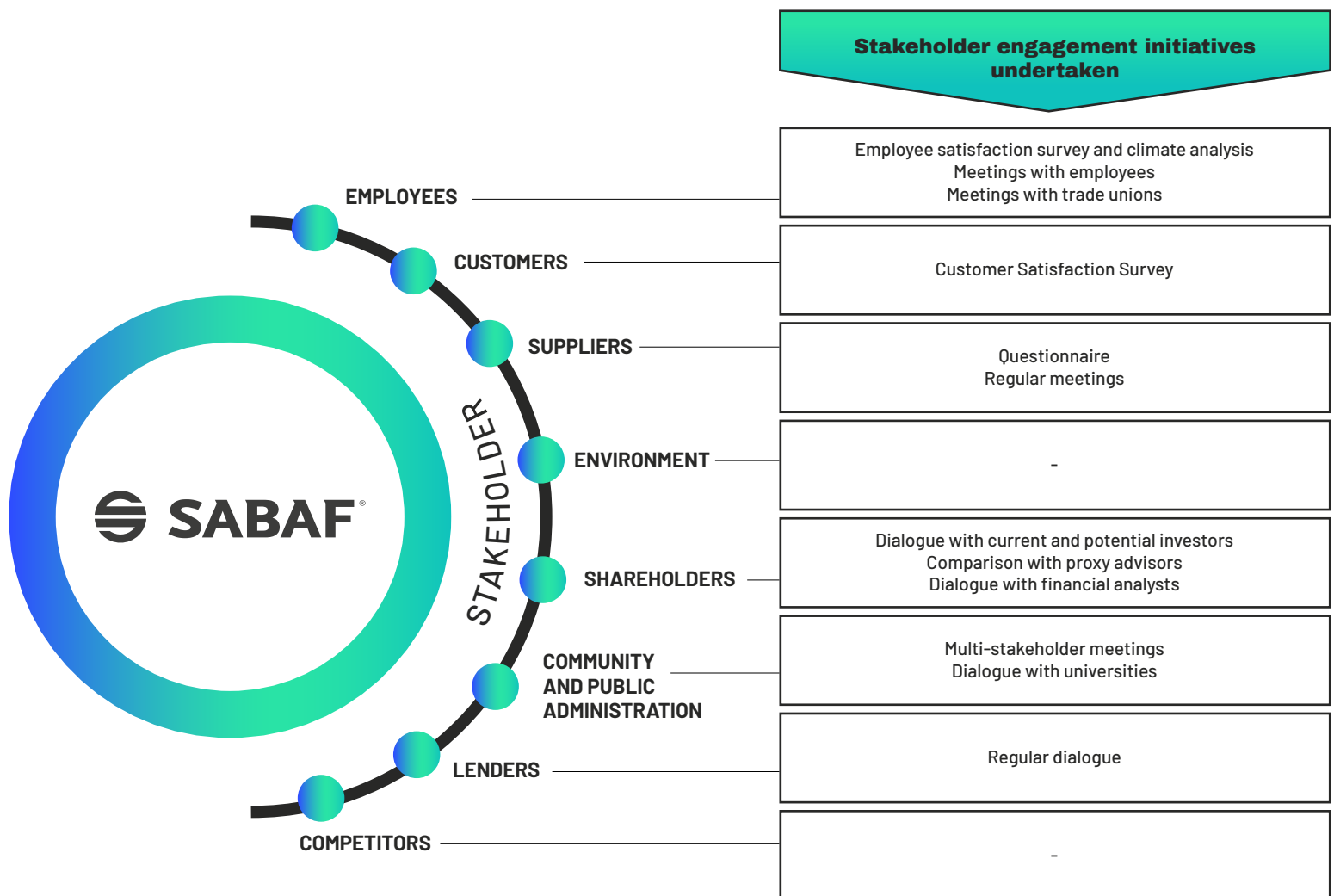
The awareness of the social and environmental aspects that accompany the Group's activities, together with the consideration of the importance of a cooperative approach with stakeholders and the Group's good reputation, has led Sabaf to adopt a **precautionary approach** in managing the economic, social and environmental variables that it has to manage on a daily basis. To this end, the Group analysed specifically the main risks of the different operating dimensions.

Detailed information on the internal control system and on the risk management system is provided in the next paragraph ["Corporate Governance, Risk Management and Compliance"](#).

STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strengthening the social value of its business activities through careful management of relations with stakeholders. The Group intends to establish an open and transparent

dialogue, encouraging opportunities for discussion in order to identify lawful expectations, increase trust in the Group, manage risks and identify new opportunities.



The identification of stakeholders is an essential starting point for defining social and environmental reporting processes. The “stakeholder map” provides a summary representation of Sabaf’s main stakeholders, identified on the basis of their business characteristics, the characteristic aspects of the market and the intensity of their relations with the latter. The Annual Report is the preferred communication tool for presenting the significant economic, social and environmental performance achieved during the year.

The initiatives for involving each stakeholder that are carried out periodically are described below (generally every two or three years). In 2020, as a result of pandemic containment restrictions, some engagement activities took place remotely. The relevant issues arising from these activities are reported in the following paragraphs.

Sabaf complies with the Code of Conduct of APPLiA Europe

Sabaf complies with the code of conduct of APPLiA Europe, an association of manufacturers of household appliances representing companies in the household appliances industry.

The **Code of Conduct** confirms the commitment of the European household appliance industry to **ethical** and **fair** behaviour. The Code aims to promote fair and sustainable standards in **working conditions** and **environmental protection** to support **fair competition** in **global markets**.

The producers complying with the Code commit themselves **voluntarily** to implement decent working conditions, which include compliance with common standards regarding:

MINIMUM AGE

WORKING HOURS

HYGIENE AND SAFETY CONDITIONS

**RESPECT FOR FREEDOM OF ASSOCIATION
AND COLLECTIVE BARGAINING**

RESPECT FOR ENVIRONMENTAL STANDARDS

The signatory companies also undertake to **raise awareness** among their **suppliers** of the principles of the Code of Conduct and encourage them to pursue them. They also require that the same principles be proposed to the whole supply chain through the latter.

The Annual Report of Sabaf is also the tool through which the Group reports year by year on the practical implementation of the principles of the Code and the progress achieved, as specifically required of the companies complying with it.

Sabaf complies with the Global Compact

In 2004, Sabaf complied formally with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten universally accepted principles of human rights, labour rights, environmental protection and anti-corruption. With the publication of the 2020 Annual Report, we renew our commitment to making the Global Compact and its principles

an integral part of our strategy, culture and day-to-day operations, and we also commit to explicitly declare our commitment to all employees, partners, customers and the general public. The Consolidated Disclosure of Non-Financial Information sets out in detail the actions taken by the Sabaf Group in support of the ten principles.

THE 10 PRINCIPLES OF THE GLOBAL COMPACT



HUMAN RIGHTS

I

Businesses should support and respect the protection of internationally proclaimed human rights; and

II

make sure that they are not - even if indirectly - complicit in human rights abuses.

III

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

IV

The elimination of all forms of forced and compulsory labour.

V

The effective abolition of child labour.

VI

The elimination of discrimination in respect of employment and occupation.

VII

Businesses should support a precautionary approach to environmental challenges and

VIII

undertake initiatives to promote greater environmental responsibility; and

IX

encourage the development and diffusion of environmentally friendly technologies.

X

Businesses should work against corruption in all its forms, including extortion and bribery.

LABOUR

ENVIRONMENT

FIGHT AGAINST CORRUPTION

MATERIALITY ANALYSIS

The GRI Standards require that the contents of the Disclosure of Non-Financial Information be defined on the basis of a materiality analysis. In compliance with the requests of GRI Standards, Sabaf has started since 2014 a process of identifying the material topics to be reported, i.e. those topics:

- of significant economic, environmental or social impact for Sabaf’s business
- that could substantially affect the assessments and decisions of stakeholders.

From this perspective, materiality takes into consideration not only the point of view of the organisation but also that of stakeholders.

Considering the pervasive impacts of the pandemic, at the end of 2020 the Group deemed it appropriate to update the materiality analysis, integrate the material topics and resubmit them to management for assessment. The top managers involved were asked to express an evaluation (on a scale from 0 to 5) on the material topics identified and inherent to their responsibilities, both from an internal perspective and from the perspective of the stakeholders concerned. The materiality analysis was approved by the Board of Directors at its meeting on 11 February 2021.

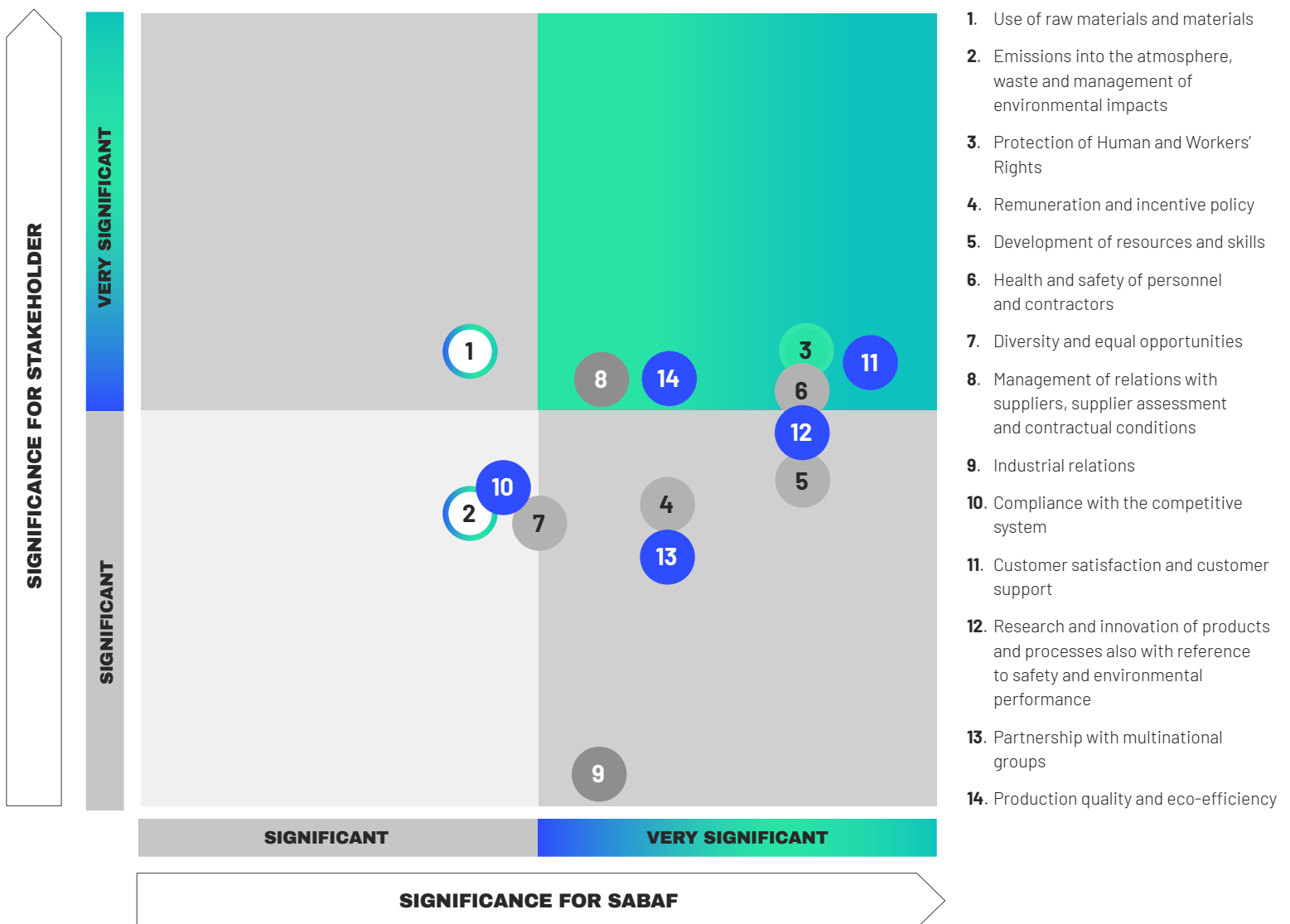
With respect to the 2019 results, the recent materiality analysis points out:

- from an internal perspective, the greater materiality of health and safety topics and the protection of diversity and equal opportunities;
- from the point of view of external stakeholders, the increasing importance of reliable relations with customers and suppliers and the guarantee of continuity of supplies.

It is noted that in defining material topics, the following topics are considered preconditions for operating and are therefore considered very important for both Sabaf and its stakeholders:

- **creation and distribution of sustainable value over time** (GRI 201: Economic Performance; scope of the Decree: transversal);
- **transparent and effective governance system to support business** (GRI 102-18: Governance structure; scope of the Decree: transversal);
- **constant attention to compliance with the law in the performance of its activities**³ (GRI 205: Anti-Corruption and GRI 307: Environmental Compliance; scope of the Decree: fight against corruption);
- **an approach of fairness and transparency towards the public administration** (GRI 207: Tax; scope of the Decree: transversal).

Materiality matrix⁴



³ This includes the fight against corruption, which is an essential aspect of managing the Group’s business and therefore included in the preconditions. It is discussed in this document in the section [“Corporate Governance, Risk Management and Compliance”](#).

⁴ Only the topics considered relevant by the organisation and subject matter of reporting are represented.

MATERIAL TOPICS

Scope Legislative Decree 254/16	ID	Material topic	Importance of the topic for Sabaf	Link to GRI Standards	Internal impacts	External impacts (*)
ENVIRONMENT	1	Use of raw materials and materials	Use of materials for production, considering the maintenance of quality standards and assessing their environmental and social impact.	GRI 301: Materials	Sabaf	
	2	Emissions into the atmosphere, waste and management of environmental impacts	Definition of monitoring and reduction activities of emissions of polluting substances into the atmosphere and of waste generated by the production processes of Sabaf. Impacts to be considered include smart working for part of the workforce, which has led to a reduction in travel by employees.	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and waste	Sabaf	Suppliers
HUMAN RIGHTS	3	Protection of Human and Workers' Rights	Protection of human rights as provided for in the "Universal Declaration of Human Rights" and the principles laid down in the conventions of the International Labour Organisation. One of the main objectives is to ensure working conditions with health and safety standards adapted to the health emergency period and, consequently, to safeguard business continuity.	GRI 406: Non-discrimination GRI 414: Supplier Social Assessment	Sabaf	Suppliers
PERSONNEL-RELATED	4	Remuneration and incentive policy	Definition of fixed and variable components of remuneration for employees. Incentive system based on the achievement of pre-established targets in order to pursue company targets. Establishment of a welfare bonus system to recognise activities carried out during the health emergency.	GRI 202: Market Presence GRI 404: Training and education	Sabaf	Trade union org.
	5	Development of resources and skills	Boost the Group's expansion, through organic growth, maintaining the excellence of its economic results and preserving its financial solidity. Increase skills through training activities with the aim of guaranteeing the continuous professional growth of employees.	GRI 401: Employment GRI 404: Training and education	Sabaf	
	6	Health and safety of personnel and contractors	Management, in compliance with occupational health and safety regulations, of topics related to occupational health and safety: training, prevention, monitoring, improvement objectives, also with reference to the measures implemented against the spread of the Coronavirus during health emergencies in the workplace and the protection of frail persons in extraordinary working conditions.	GRI 403: Occupational Health and Safety	Sabaf	Suppliers
	7	Diversity and equal opportunities	Commitment to ensuring equal opportunities for women and protected categories.	GRI 405: Diversity and equal opportunity	Sabaf	

MATERIAL TOPICS						
Scope Legislative Decree 254/16	ID	Material topic	Importance of the topic for Sabaf	Link to GRI Standards	Internal impacts	External impacts (*)
SOCIAL	8	Management of relations with suppliers, supplier assessment and contractual conditions	<p>Sabaf's commitment to defining a relation with the supply chain based on the principles of fairness in negotiations, integrity and contractual fairness. These include supporting the supply chain by joining industry initiatives and observing contract payment terms in times of possible difficulty.</p> <p>Sharing corporate values with suppliers.</p> <p>Sabaf defines minimum criteria for the creation of a lasting relationship with suppliers, based on the principles of social responsibility.</p>	GRI 414: Supplier Social Assessment	Sabaf	Suppliers
	9	Industrial relations	<p>The relationship between Sabaf and trade union representatives, based on the principles of transparency, mutual fairness and willingness to negotiate agreements aimed at ensuring healthy and safe working conditions.</p>	GRI 402: Labor management relations	Sabaf	Trade union org.
TRANSVERSAL	10	Compliance with the competitive system	<p>Compliance with regulations and behaviour that ensure Sabaf conducts its business in a balanced and regular competitive environment.</p>	GRI 206: Anti-competitive behaviour	Sabaf	
	11	Customer satisfaction and customer support	<p>Ability to respond effectively to customer expectations, at all stages of the relationship (from design to after-sales service).</p>	GRI 416: Customer Health and Safety	Sabaf	
	12	Research and innovation of products and processes also with reference to safety and environmental performance	<p>Identification of new technological and production solutions (also with a special attention to safety and environmental performance) that allow the Group to strengthen its leadership in the industrial sector to which it belongs.</p>	GRI 416: Customer Health and Safety	Sabaf	Customers
	13	Partnership with multinational groups	<p>Sabaf's opening to strategic collaborations with the main players in the sector.</p>	(**)	Sabaf	
	14	Production quality and eco-efficiency	<p>Search for better product or process performance and solutions in terms of environmental impact.</p> <p>Designing new eco-efficient products.</p> <p>Revision of business processes with the introduction of smart working, which can promote a lower environmental impact while maintaining standards of effectiveness and efficiency.</p>	Please refer to topics 2 and 12	Sabaf	

(*) Reporting is not extended to the external boundary.

(**) With regard to these topics (not directly related to a Material Topic envisaged by the GRI Standards Guidelines), Sabaf indicates in the document the adopted management approach.

Corporate Governance, Risk Management and Compliance

CORPORATE GOVERNANCE

OVERVIEW

The corporate governance model of Sabaf has always been based on a strict separation between the shareholding structure and management of the Company and of the Group.

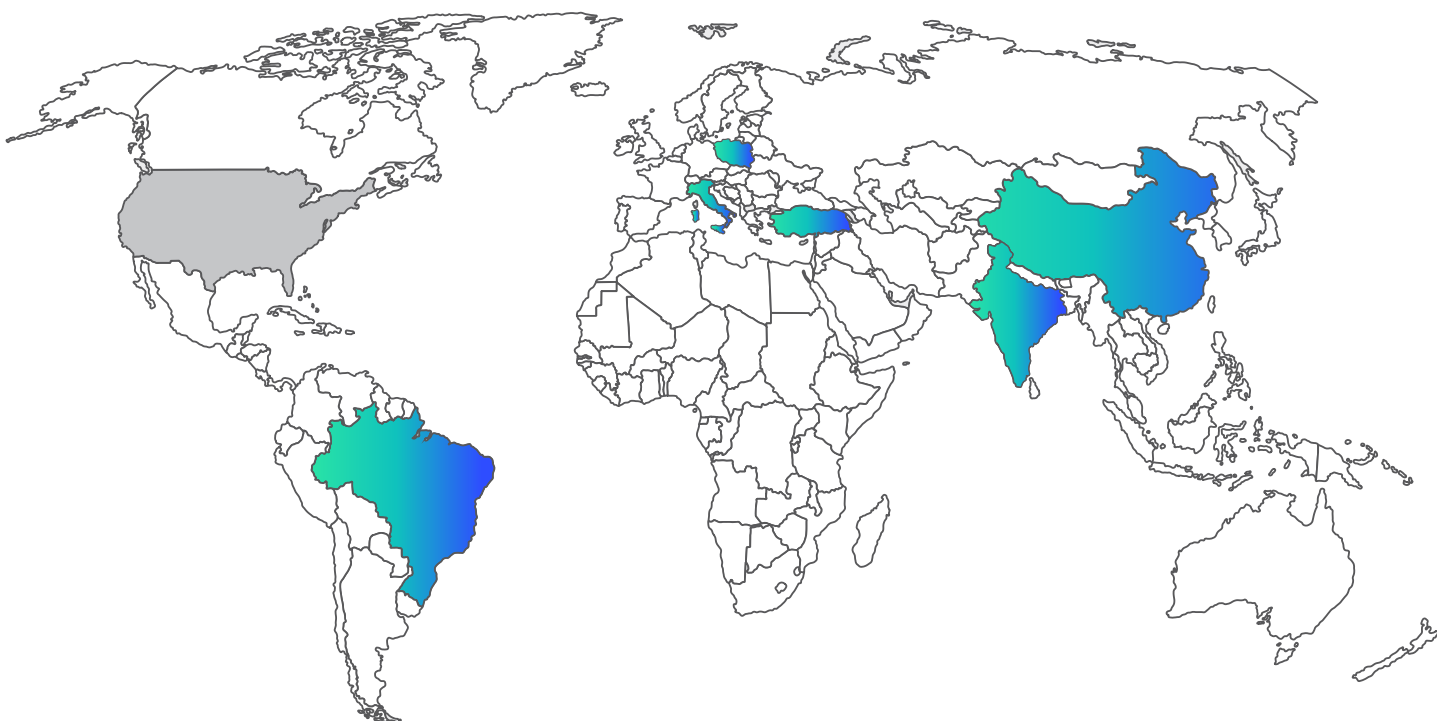
Sabaf is committed to maintaining a system of governance aligned

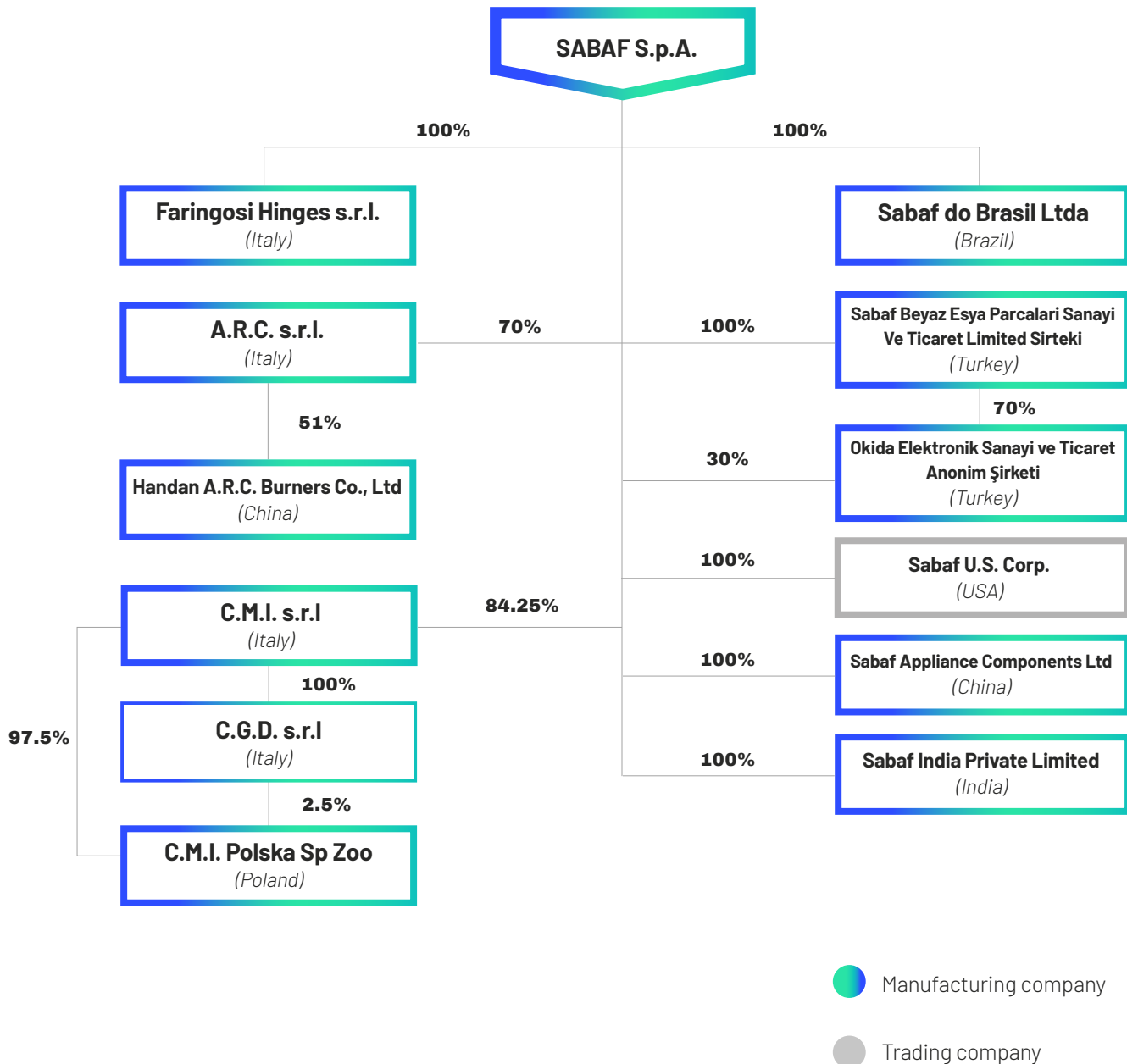
with the recommendations and best practice. The Company has welcomed the new Corporate Governance Code, fully agrees with its innovations and is evaluating whether any changes should be made to its model to fully implement the Code.

The purpose of this section of the file is to highlight the choices made by Sabaf and the peculiarities of its governance system. Where possible, a comparison with other listed companies is also provided, using the information collected by Assonime in its document Notes and Studies "Corporate Governance in Italy: self-discipline, remuneration and compliance-or-explain", published in February 2021 and concerning the Corporate Governance reports for the 2019 financial year of 220 listed Italian companies. The bench-

mark used below takes into account, where available, a panel of "non-financial" companies only.

An analysis of the characteristics and functioning of the Board of Directors is also provided in comparison with the top 100 Italian listed companies (industrial and financial) and similar data from the main European and non-European countries, based on data published by Spencer Stuart in the analysis "Boards around the world".





Sabaf Group companies are active in the following business segments:

GAS PARTS

- Sabaf S.p.A., valves and burners;
- Sabaf do Brasil, burners;
- Sabaf Turkey, burners;
- Sabaf Appliance Components, burners;
- A.R.C. s.r.l. and A.R.C. Handan⁵, professional burners;
- Sabaf India, valves and burners (start of production scheduled for 2021).

ELECTRONIC COMPONENTS

- Okida, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers.

HINGES FOR HOUSEHOLD APPLIANCES

- Faringosi Hinges;
- C.M.I. Group.

⁵ Measured at equity.

THE GOVERNANCE STRUCTURE

Sabaf adopted a **traditional** model of management and control, characterised by the presence of:

- **Shareholders' Meetings** (ordinary and extraordinary) called to pass resolutions pursuant to the laws in force and the Company's Articles of Association;
- **Board of Statutory Auditors**, in charge of supervising: *(i)* compliance with the law and Articles of Incorporation and adherence to principles of proper management in the performance of corporate activities; *(ii)* the adequacy of the Company's organisational structure, internal control and risk management system and administrative/accounting system; *(iii)* the procedures for effective implementation of the corporate governance rules envisaged in the Corporate Governance Code; *(iv)* risk management; *(v)* the regulatory audit of the accounts and the independence of the auditing firm;
- **Board of Directors**, in charge of company administration and management of Company operations.

This model is supplemented, in accordance with the provisions of the Corporate Governance Code the Company complied with, by:

- a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:
 - **Control and Risk Committee** that also takes on the functions of the Related-Party Committee;
 - **Remuneration and Nomination Committee** that takes on the functions envisaged by the Remuneration Committee and integrates them with those relating to the appointment and composition of the control bodies indicated by the Code;
- b) the **Internal Audit department** in charge of checking the operation and adequacy of the internal control and risk management system.

Finally, the Group's administration and control model is completed by the presence of the **Supervisory Body**, set up following the adoption of the organisation, management and control model pursuant to Legislative Decree 231/2001, adopted by Sabaf since 2006.



KEY

Organisational carry-overs

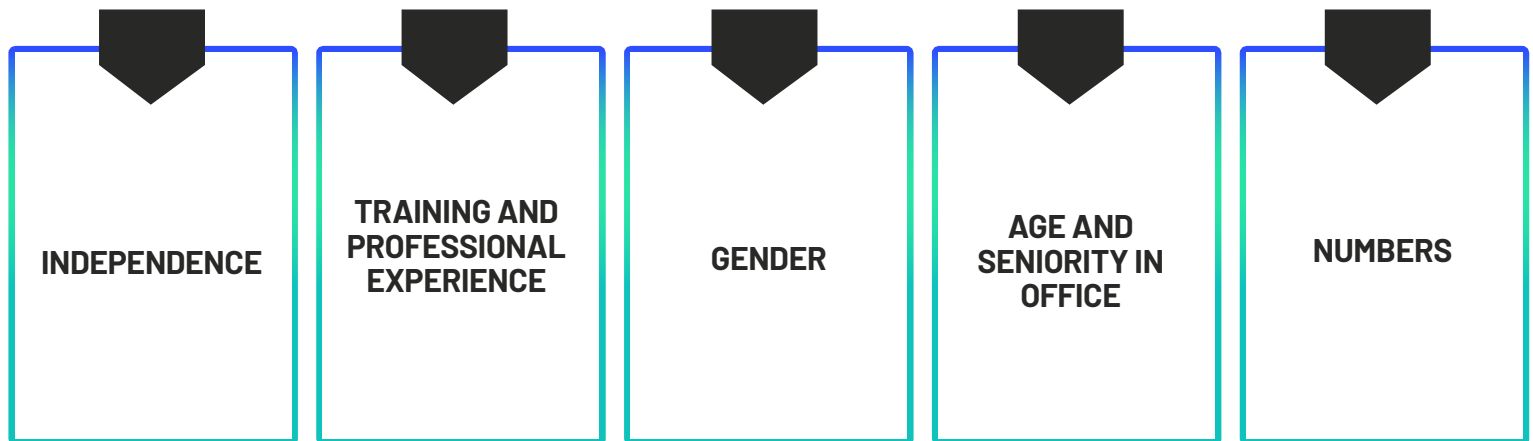
POLICY ON THE COMPOSITION OF CORPORATE BODIES

On 26 March 2018, Sabaf S.p.A. adopted a Policy on the composition of the Corporate Bodies. The Policy was updated by the Board of Directors on 11 February 2021, in view of the renewal of corporate offices and to implement the provisions of the new Corporate Governance Code.

The Policy sets out the Company's guidelines on the characteristics considered functional to ensuring an optimal composition of the Corporate Bodies (Board of Directors and Board of Statutory Auditors), with the aim of guiding the names put forward when

renewing the Corporate Bodies, so that the benefits that can derive from a balanced composition of the Board and Board of Statutory Auditors inspired by criteria of diversity are taken into consideration. The Policy sets out the characteristics and factors considered necessary for the BoD to be able to carry out its assigned tasks more efficiently, take decisions thanks to the contribution of a number of qualified points of view and examine the issues under discussion from different perspectives, also within the framework of the internal board committees established from time to time.

The Policy sets out the following characteristics for the composition of each of the two bodies:



The [Policy on the composition of the Corporate Bodies](#) is published on the Group's website and described in the Report on corporate governance and ownership structure.

BOARD OF DIRECTORS

The Board of Directors currently in office is composed of 9 members⁶, including:

- 3 executive directors;
- 2 non-executive directors;
- 4 non-executive and independent directors.

EXECUTIVE DIRECTORS

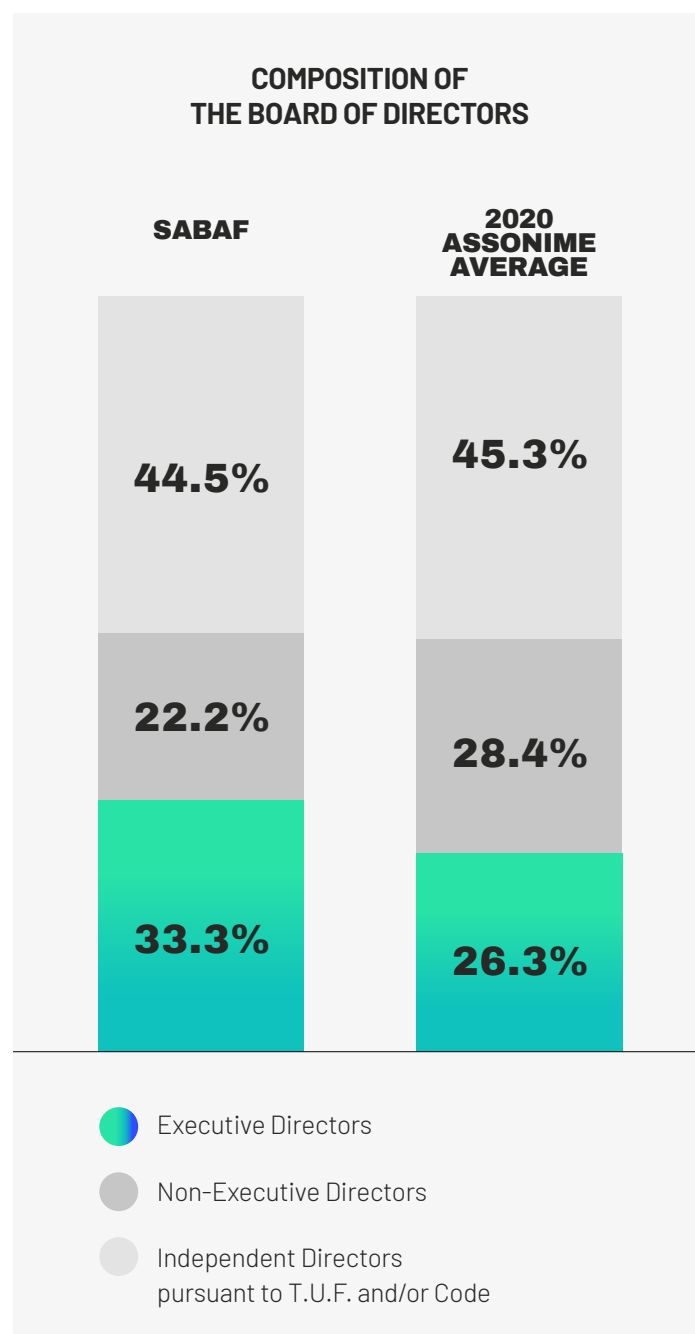
OFFICE	MEMBERS
Chairman	Giuseppe Saleri
Chief Executive Officer	Pietro Iotti
Executive Director	Gianluca Beschi

NON-EXECUTIVE DIRECTORS

OFFICE	MEMBERS
Vice Chairman	Nicla Picchi <i>LEAD INDEPENDENT DIRECTOR</i>
Director	Daniela Toscani
Director	Stefania Triva
Director	Carlo Scarpa
Director	Alessandro Potestà
Director	Claudio Bulgarelli

INDEPENDENT DIRECTORS
 pursuant to T.U.F. and/or Code

COMPOSITION OF THE BOARD OF DIRECTORS



⁶The *Curriculum Vitae* of each Member is available on the Group's website.

COMPOSITION OF THE BOARD OF DIRECTORS

GIUSEPPE SALERI
Chairman

Founder of Sabaf, of which he acquired full ownership in 1993. Promoter of listing on the stock exchange in 1998.

NICLA PICCHI
Vice Chairman

Degree in Law, Partner of Studio Picchi & Associati where she works as a lawyer. In Sabaf since 2006, she is also Chairman of SB 231 of Sabaf S.p.A. and of the subsidiary Faringosi-Hinges. She has been chairman of the Control and Risk Committee since 2015.

PIETRO IOTTI
Chief Executive Officer

Mechanical Engineer, holds positions of increasing responsibility in several industrial companies. In Sabaf since 2017, he holds the position of Chief Executive Officer.

CLAUDIO BULGARELLI
Director

Degree in Mechanical Engineering, entrepreneur, chairman of Fintel srl, joined the BoD of Sabaf in 2018.

CARLO SCARPA
Director

He is a university professor of economics, joined the BoD of Sabaf in 2019.

DANIELA TOSCANI
Director

Degree in business finance, she has gained many professional experiences in the field of finance and held positions of increasing responsibility in many financial and industrial companies; she joined the BoD of Sabaf in 2018.

STEFANIA TRIVA
Director

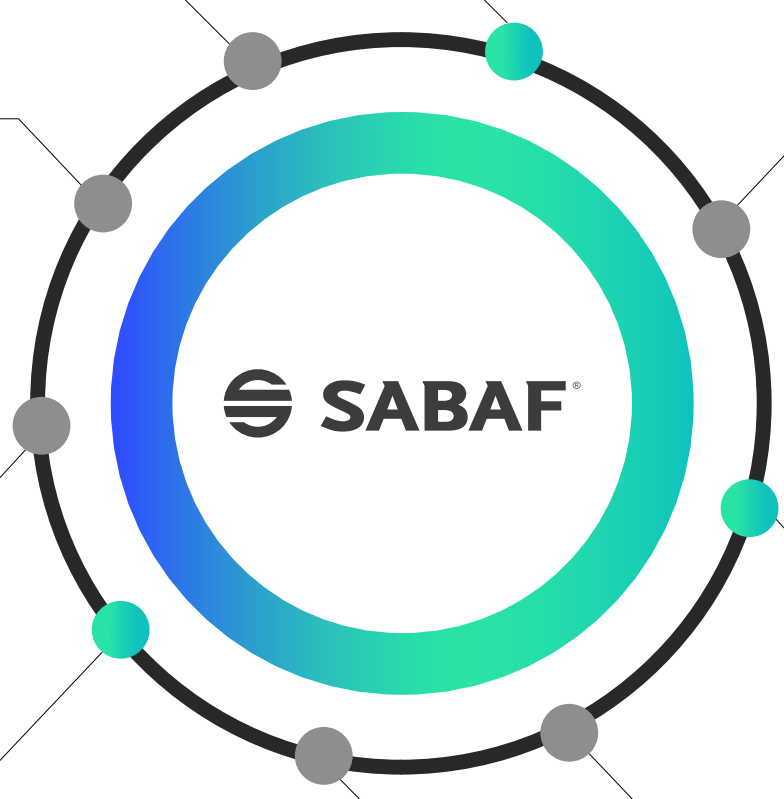
Entrepreneur, since 2014 she has been holding the position of Chairman and CEO of Copan Italia S.p.A., she joined the BoD of Sabaf in 2018.

ALESSANDRO POTESTÀ
Director

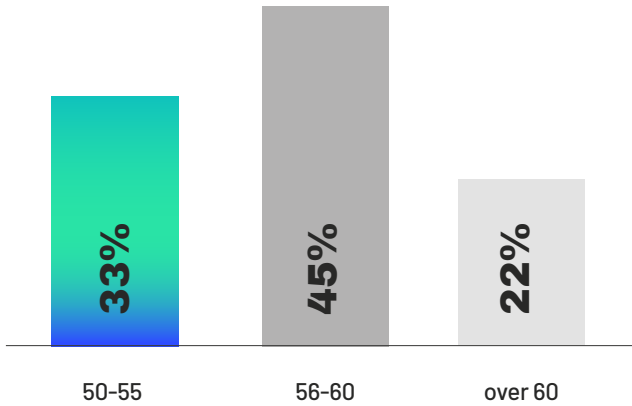
Degree in Economics and Commerce, he held management positions in investments and Corporate Development. Today, he is Senior Portfolio Manager at Quaestio Capital Management SGR S.p.A.

GIANLUCA BESCHI
Executive Director

Certified public accountant, at Sabaf since 1997 as Investor Relations Manager and Head of Management Control. He has been holding the position of Director of Administration, Finance and Control since 2012.



AVERAGE AGE OF DIRECTORS



Overall average age

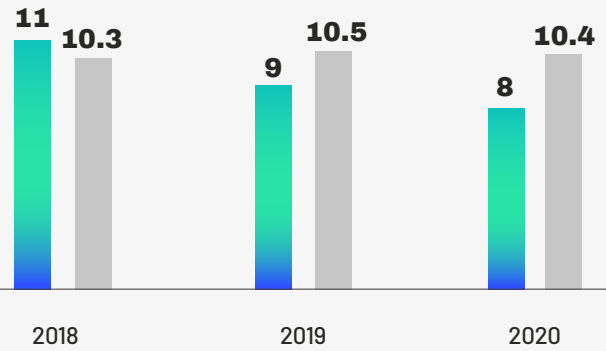
Sabaf 62 years old vs Assonime 56.7 years old

78% of the members of the Board in office are between 50 and 60 years old; the average age is higher than the average of the Assonime sample (62 vs 56.7 years old).

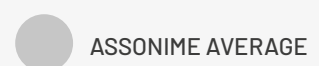
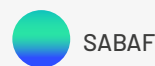
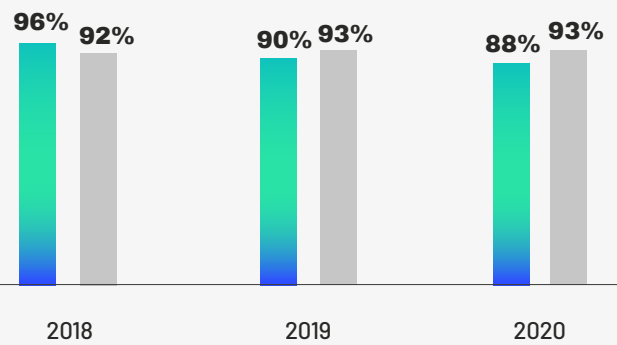
In 2020, the Board of Sabaf met on 8 occasions (below the Assonime average), with an average attendance rate of 88%. In general, the attendance of the Sabaf directors at the Board meetings in the last three years is slightly below than that of the Assonime panel.

The meetings were attended by the *Board of Statutory Auditors* and - occasionally - the managers of Sabaf, who were invited to attend and report on specific issues on the agenda.

NUMBER OF MEETINGS (2018-2020)

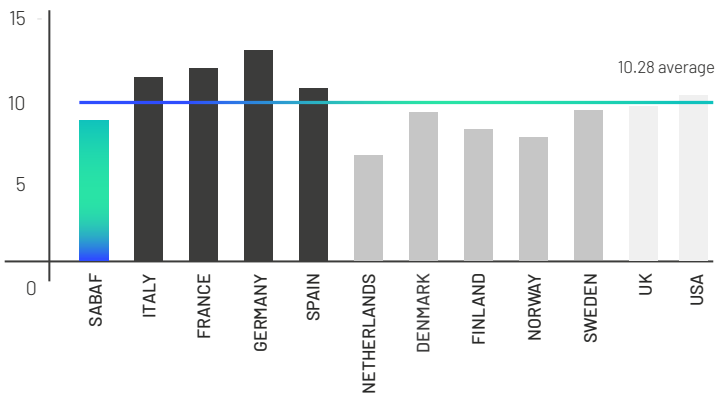


AVERAGE ATTENDANCE AT THE MEETINGS (2018-2020)⁷

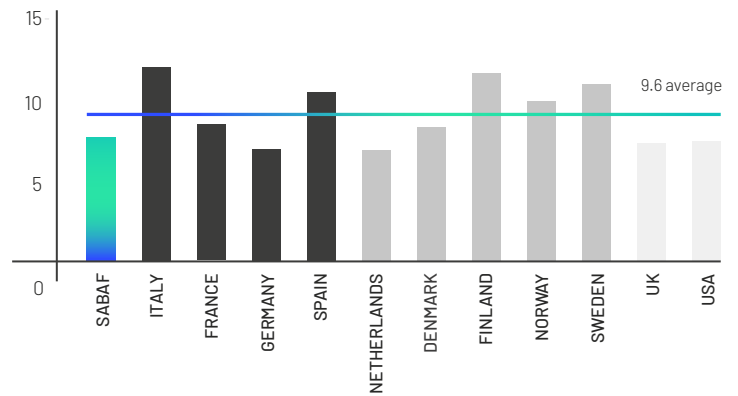


⁷ Assonime panel including financial companies.

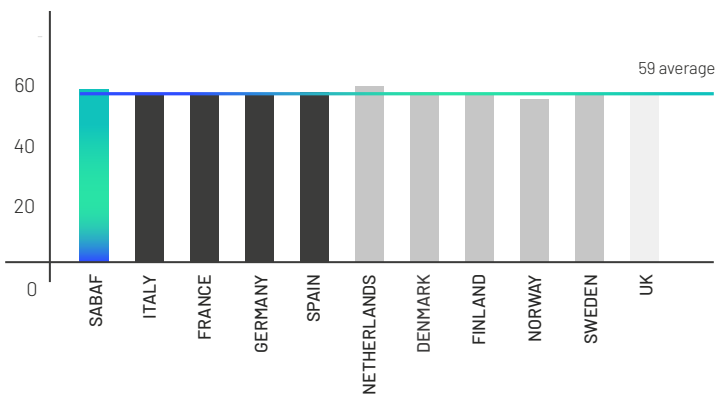
AVERAGE SIZE OF THE BoD



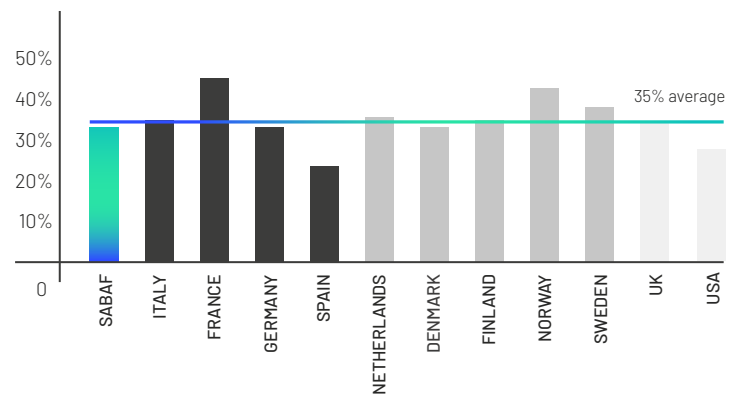
AVERAGE NUMBER OF MEETINGS OF THE BoD



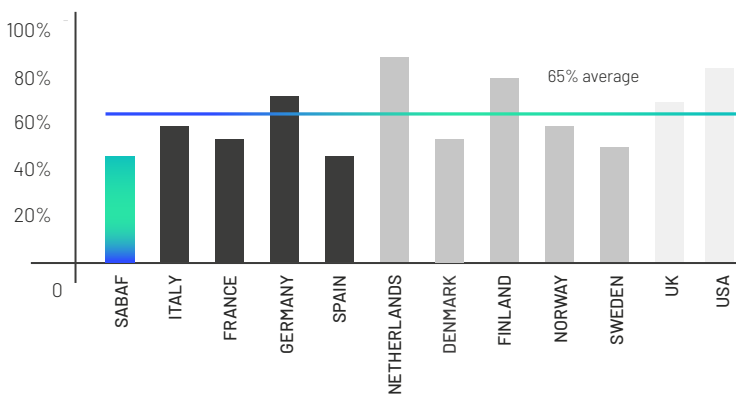
AVERAGE AGE OF NON-EXECUTIVE DIRECTORS



% OF WOMEN IN THE BoD



% OF INDEPENDENT DIRECTORS IN THE BoD



- SABAF
- SOUTH EUROPE
- NORTH EUROPE
- ANGLO-SAXON COUNTRIES

The comparison was made using data published by Spencer Stuart in the analysis "Boards around the world"⁸.

During the financial year, the Board of Directors carried out its assessment of the size, membership (including professional competences, managerial skills and seniority) and operation of the Board of Directors and its Committees, opting for the self-assessment of individual directors, coordinated by the Lead Independent Director.

The results of the assessment were generally positive and were discussed at the Board of Directors' meeting of 17 December 2020.

Source: Spencer Stuart Boards Around the World 2020

⁸<https://www.spencerstuart.com/research-and-insight/boards-around-the-world?category=all-board-composition&topic=all-topics>

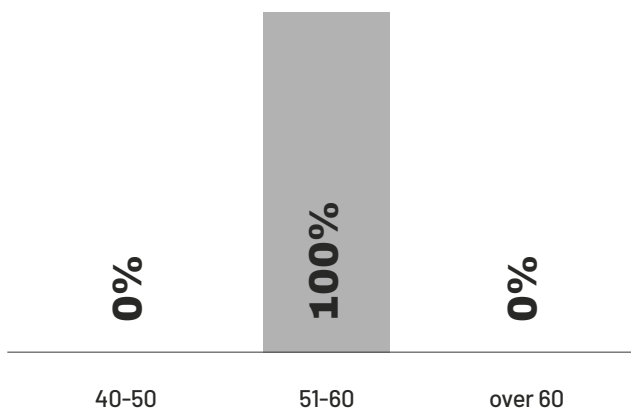
BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 8 May 2018 for the period 2018 to 2020, is composed of 3 members⁹ with an average age of 54 years old (lower than the Assonime average, 56.2 years old). All members of the Board of Statutory Auditors are between 50 and 60 years old.

The Chairman of the Board of Statutory Auditors is the expression of the minority list.

OFFICE	MEMBERS
Chairman	Alessandra Tronconi
Statutory Auditor	Mauro Vivenzi
Statutory Auditor	Luisa Anselmi

AVERAGE AGE OF STATUTORY AUDITORS



Overall average age

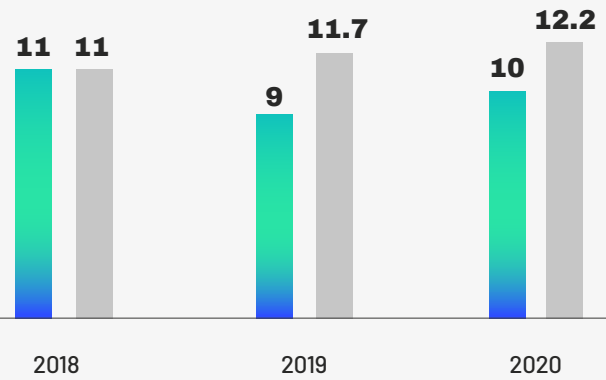
Sabaf 54 years old vs Assonime 56.2 years old

The Board of Statutory Auditors of Sabaf met on average 10 times in the last three years (10 meetings in 2020), a number of times slightly lower than the average number of meetings of the Assonime sample (11.6 meetings on average).

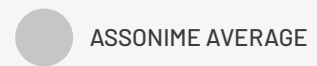
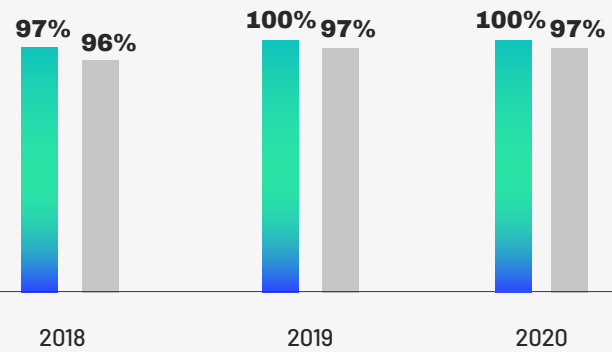
The average attendance of members at meetings was 99% in the period 2018 to 2020 (100% in 2020), higher than that of other listed companies of the research.

In general, the commitment of the Board of Statutory Auditors of Sabaf is achieved not only by carrying out checks and attending the periodic meetings required by law, but also by involving all members in the meetings of the Board of Directors, of the Control and Risk Committee and of the Remuneration and Nomination Committee, in the half-yearly collective meetings with the Control Bodies and individual meetings with the independent auditors.

NUMBER OF MEETINGS (2018-2020)



AVERAGE ATTENDANCE AT THE MEETINGS (2018-2020)¹⁰



⁹ The Curriculum Vitae of each statutory auditor is available on the Group's website.

¹⁰ Assonime panel including financial companies.

CONTROL AND RISK COMMITTEE

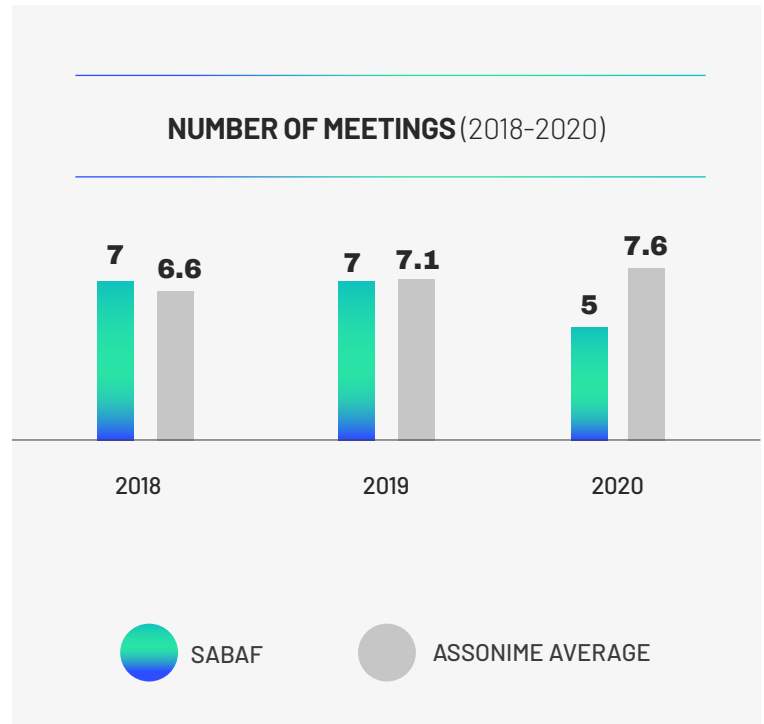
The Control and Risk Committee currently in office, set up within the Board, is composed of 3 members, in line with the vast majority of cases in the Assonime sample (3 members, 72% in cases).

In line with the choice made by about 65% of the Assonime panel, the CRC of Sabaf is made up exclusively of independent directors.

The Committee was also assigned the functions pertaining to the Related-Party Committee.

OFFICE	MEMBERS
Chairman	Nicla Picchi
Member	Daniela Toscani
Member	Carlo Scarpa

The Committee met on average 6.3 times in the last three years (5 meetings in 2020), a number of times slightly lower than the average number of meetings of the Assonime sample (7.1 meetings on average).



In 2020, the Committee among other things:

- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment carried out at the end of 2020 and the consequent 2021 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year.

REMUNERATION AND NOMINATION COMMITTEE

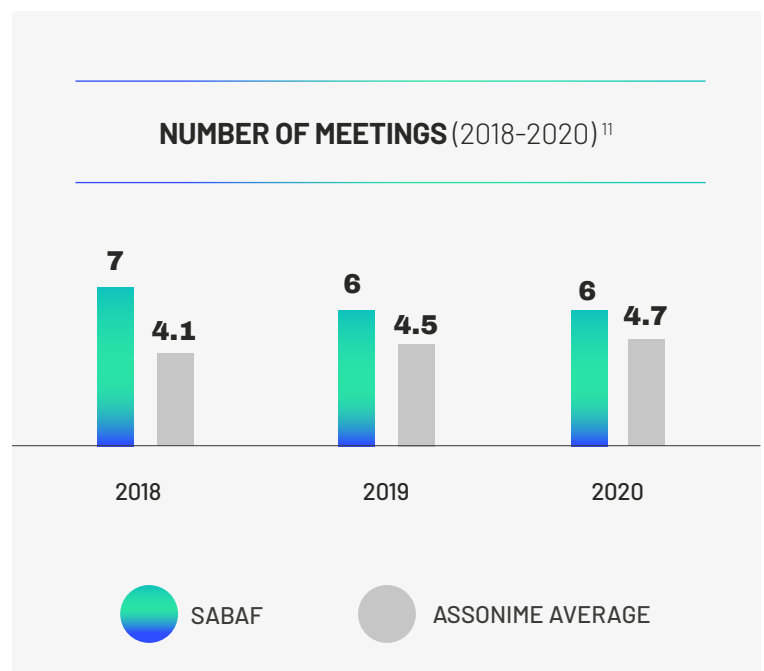
The Remuneration and Nomination Committee, set up within the Board, comprises three non-executive members, the majority of them independent (in line with the choice made by 40% of the Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

OFFICE	MEMBERS
Chairman	Daniela Toscani
Member	Stefania Triva
Member	Alessandro Potestà

In the last three years, the Committee met a number of times higher than the Assonime average (6.3 vs 4.4). In particular, during the last financial year, the Committee met six times.

In 2020, the Committee among other things:

- examined the 2019 draft Report on Remuneration;
- examined the results of the 2019 short-term incentive plan and made proposals for the 2020 MBO plan;



- made proposals concerning the composition of the boards of directors of certain subsidiaries;
- analysed and shared proposals for updating the Policy on the composition of corporate bodies in the light of the new Corporate Code.

¹¹ Assonime panel referred only to the Remuneration Committee.

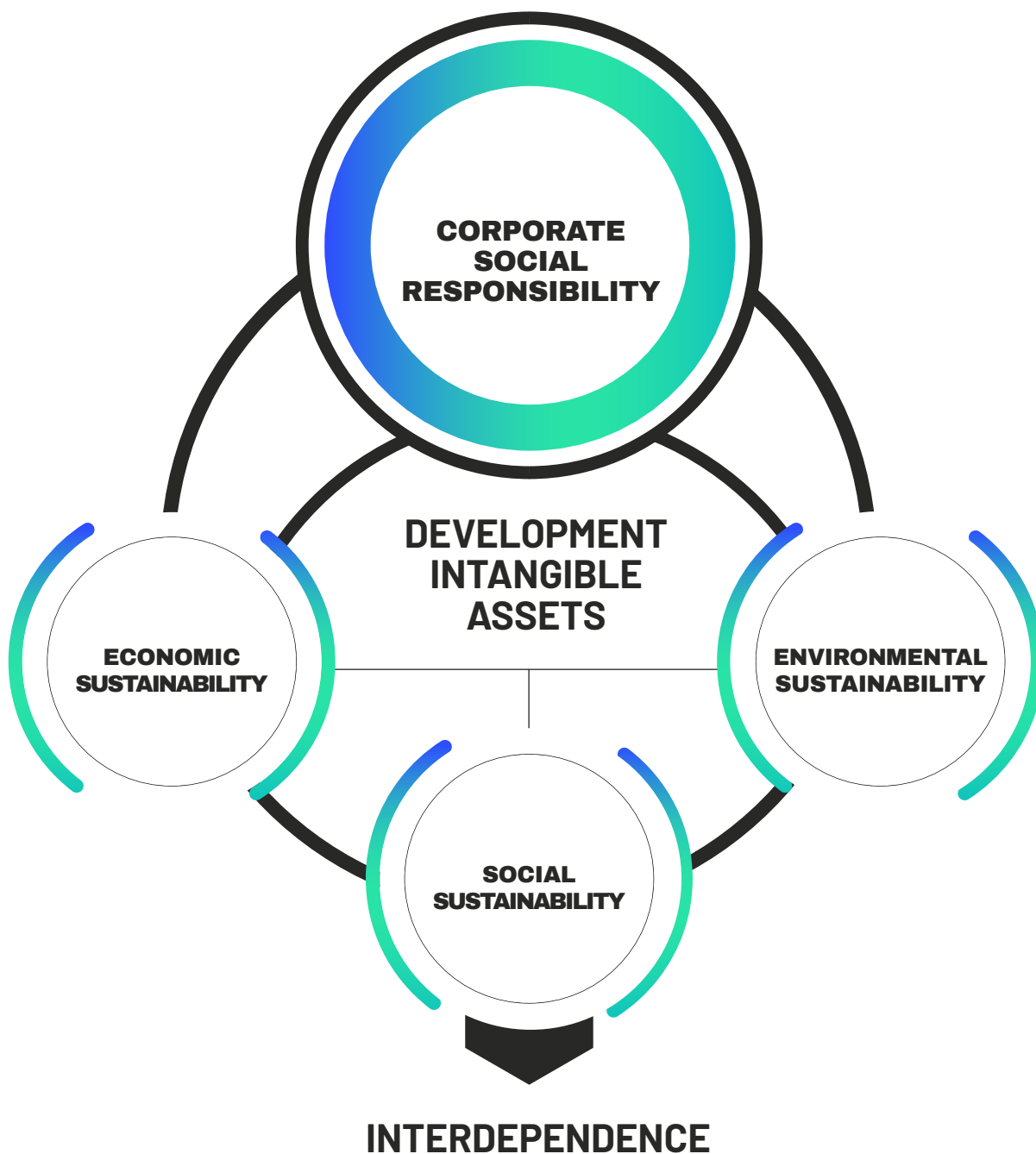
GOVERNANCE OF SUSTAINABILITY

Sabaf has always believed that **social and environmental topics** are an integral part of the Group’s strategy and, as such, are the **responsibility of the Board of Directors**.

With reference to the governance of these topics, at the meeting of the Board of Directors on 3 August 2017, which, among other things, granted powers to executive directors following the appointment of the new Chief Executive Officer, it was confirmed that the criteria for implementing Corporate Social Responsibility (“CSR”) are the responsibility of the Board itself.

In order to show the commitment with regard to sustainability topics, Sabaf has been jointly publishing its economic, social and environmental sustainability performance in its Annual Report since 2005.

All Sabaf employees, as part of their responsibilities and competences, are required to implement CSR every day in the performance of their activities.



INTERNAL AUDIT AND SUPERVISORY BODY

INTERNAL AUDIT

On 8 May 2018, the Board of Directors renewed the engagement of an independent external company that provides Internal Audit services, Protiviti s.r.l., to carry out the functions of the Internal Audit Department for the three-year period from 2018 to 2020. It then identified Emma Marcandalli, the company's Managing Director, as Head of that department. This decision has been made because the professional resources to establish such a function are not available internally and also taking into account the greater skills and efficiency that a specialist outside firm can offer with regard to internal control given the size of Sabaf. Following the resignation of Emma Marcandalli from her position as member of the Supervisory Body and Head of Internal Audit, on 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, subject to the

favourable opinion of the Control and Risk Committee, as well as after hearing the Board of Statutory Auditors, entrusted the Group Internal Audit Department for the period from 1 July 2019 to 31 December 2021 to PricewaterhouseCoopers Advisory S.p.A. (PwC) identifying Giuseppe Garzillo, Partner of the company, as the Head of the department.

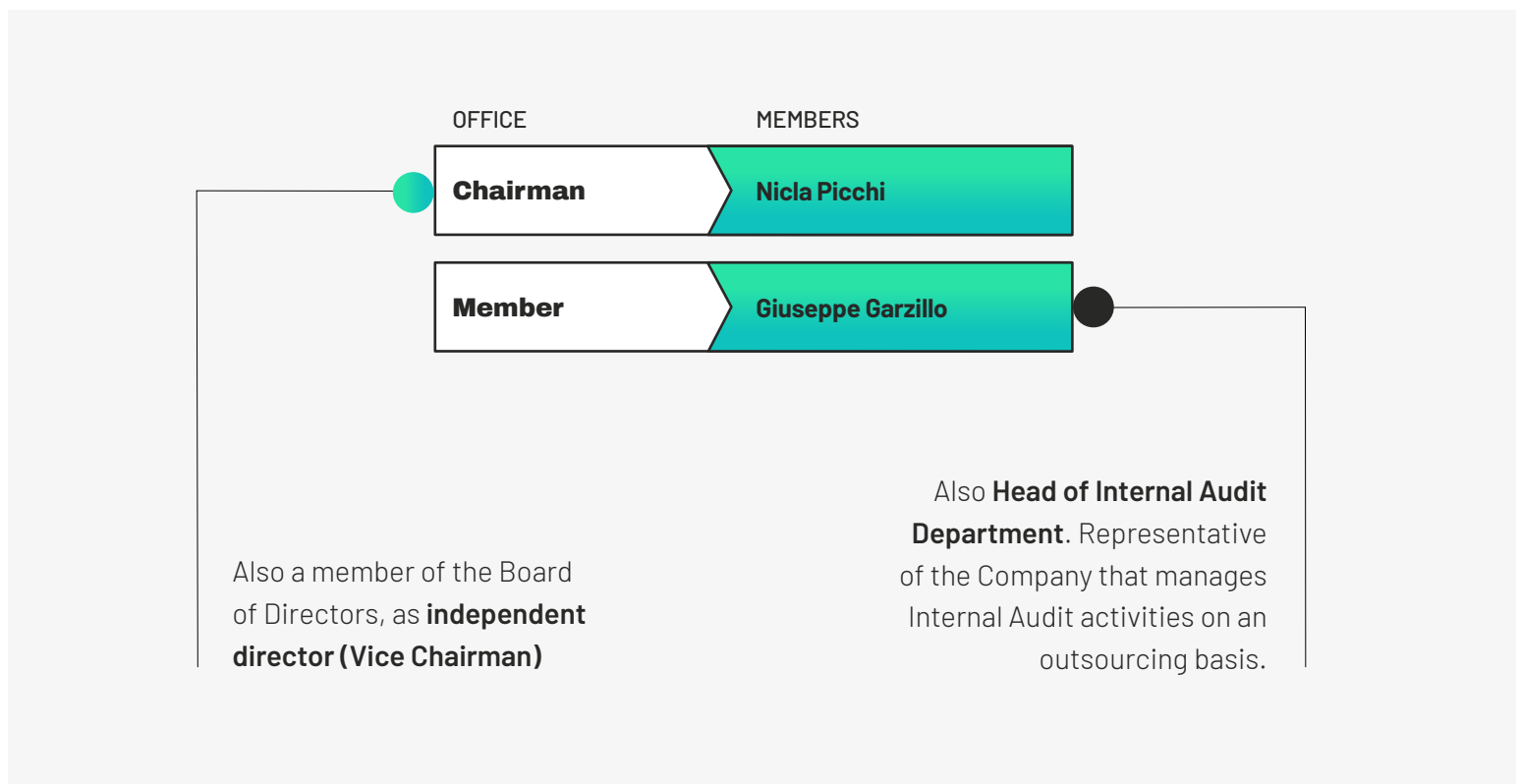
The Head of the Internal Audit department is responsible for verifying that the Internal Control and Risk Management System is working properly and is not responsible for any operational areas and remains in office for the entire term of the Board of Directors which appointed him/her.

The Head of the Internal Audit department reports to the Board of Directors, which approves the Internal Audit Plan, as well as the appointment, and also defines the termination of the engagement.

SUPERVISORY BODY

The Supervisory Body (in office for the three-year period 2018 to 2020) comprises Nicla Picchi, independent director and Vice Chairman of the Company (Chairman) and Giuseppe Garzillo, Head of

the Internal Audit Department, appointed on 25 June 2019 following the resignation of Emma Marcandalli.



During 2020, the Supervisory Body of Sabaf met 4 times, asking the Company's management to attend the meetings in order to carry out in-depth analysis on specific topics.

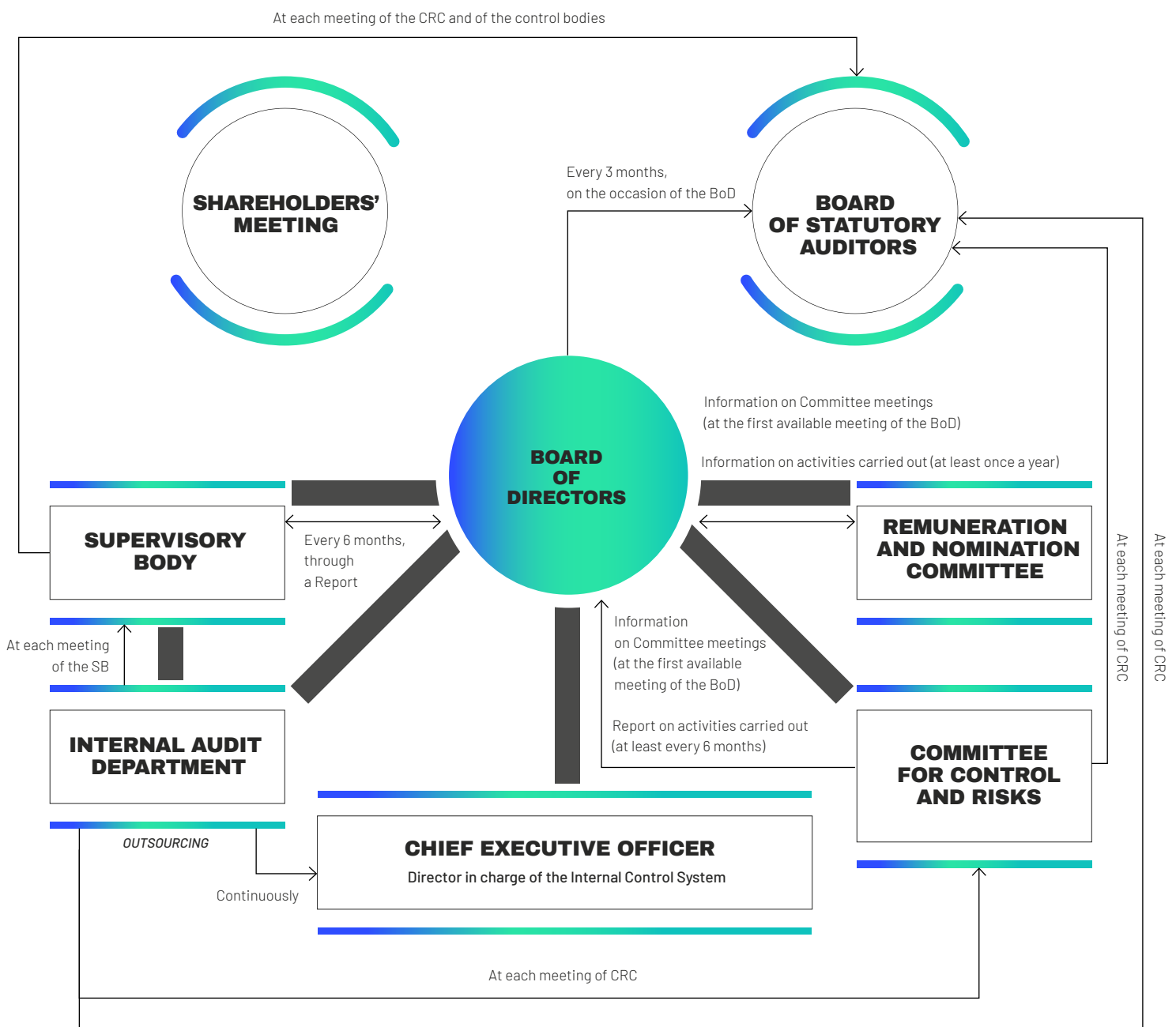
INFORMATION FLOWS

The administration and control model of Sabaf operates through a **network of periodic and systematic information** flows between the various corporate bodies.

Each body, according to the timing and methods defined by the Articles of Association, the Governance Model and other internal

documents, reports to the functionally superior body on the activities carried out in the reference period and those planned for the following period, any observations noted and suggested actions.

Information flows within the governance structure



KEY

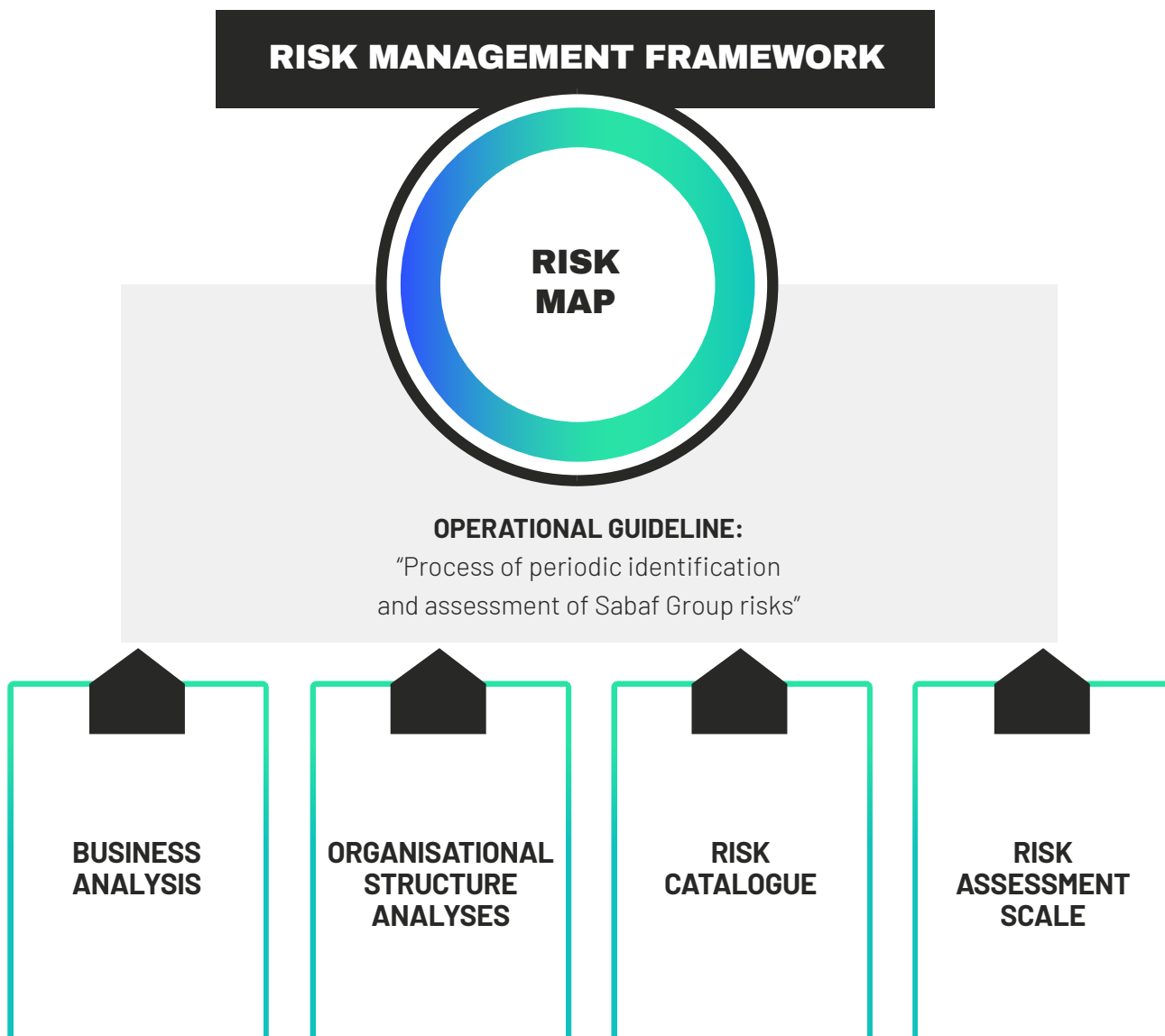
- Organisational carry-overs
- Information flows

RISK MANAGEMENT

In the course of its business, Sabaf defines its strategic and operational objectives and identifies, assesses and manages risks that could prevent the achievement of these objectives.

In recent years, Sabaf has gradually moved closer to the concepts of risk assessment and risk management, developing a structured process of periodic identification, assessment and management of risks, defined and formalised in a Guideline of the Corporate Governance Manual.

The risk management process includes all the material topics identified by the Group as part of the materiality analysis carried out in accordance with the provisions of the GRI Standards.



The Guidelines define the roles and responsibilities of the risk assessment and risk management processes, indicating the subjects to be involved, the frequency of the process and the assessment scales.

The most recent risk assessment activity, coordinated by the Internal Audit department and aimed at updating the risk assessment, was carried out in October and November 2020.

The identification of risks was carried out according to a structured approach that involved the following steps:

- conducting specific interviews with the front lines and the Chief Executive Officer - risk owner/process owner;
- sharing of risk assessment documents drawn up after meetings with risk owner/process owner;
- identification of the universe of risks considered relevant for the Group;
- identification of top risks;

- prior examination of the risk assessment by the Control and Risk Committee;
- approval of the Board of Directors.

All risks were investigated in terms of initial impact and probability, inherent risk and, taking into account existing mitigation measures, residual risk. The result of this analysis was represented within specific “heat maps” representing the risks in terms of “residual risk” and “current level of control”.

SEVERITY RATE				
SEVERITY DRIVERS	MINOR 1	MODERATE 2	SIGNIFICANT 3	CATASTROPHIC 4
ECONOMIC AND FINANCIAL (EBIT)	< €0.5 million	€0.5 million - €1.5 million	€1.5 million - €4 million	> €4 million
HSE	Limited or negligible temporary impact on health and safety and/or the environment (minor environmental damage)	Moderate impacts/damage on health and safety and/or the environment (recoverable environmental damage)	Serious impacts/damage on health and safety and/or the environment (critical environmental damage)	Very serious impacts/damage on health and safety and/or the environment (catastrophic pollution)
REPUTATIONAL	Insignificant or small impacts on the level of trust of stakeholders	Moderate impacts on the level of trust of stakeholders but requiring targeted action by the company	Significant impacts on the level of trust of stakeholders requiring action by the company	Trust of key stakeholders significantly compromised with need for immediate action
OPERATIONAL	No impact on business processes and/or customer relations	Low impacts on: i) efficiency/continuity of one or more non-critical business processes and/or ii) relations with customers other than keyaccounts	Significant impacts on: i) efficiency/continuity of one or more key business processes and/or ii) relations with key customers (keyaccounts)	Critical impacts on: i) efficiency/continuity of business and/or ii) relations with key customers (keyaccounts)

FREQUENCY RATE				
FREQUENCY DRIVERS	RARE 1	UNLIKELY 2	POSSIBLE 3	LIKELY 4
Probability of occurrence in the following three years	<5%	from 5% to 25%	from 25% to 50%	>50%
Frequency of occurrence	Event never occurred in the past and considered unlikely	Event occurred in the past and considered not very likely	Event occurred in the past and considered likely	Event occurred (several times) in the past/recently

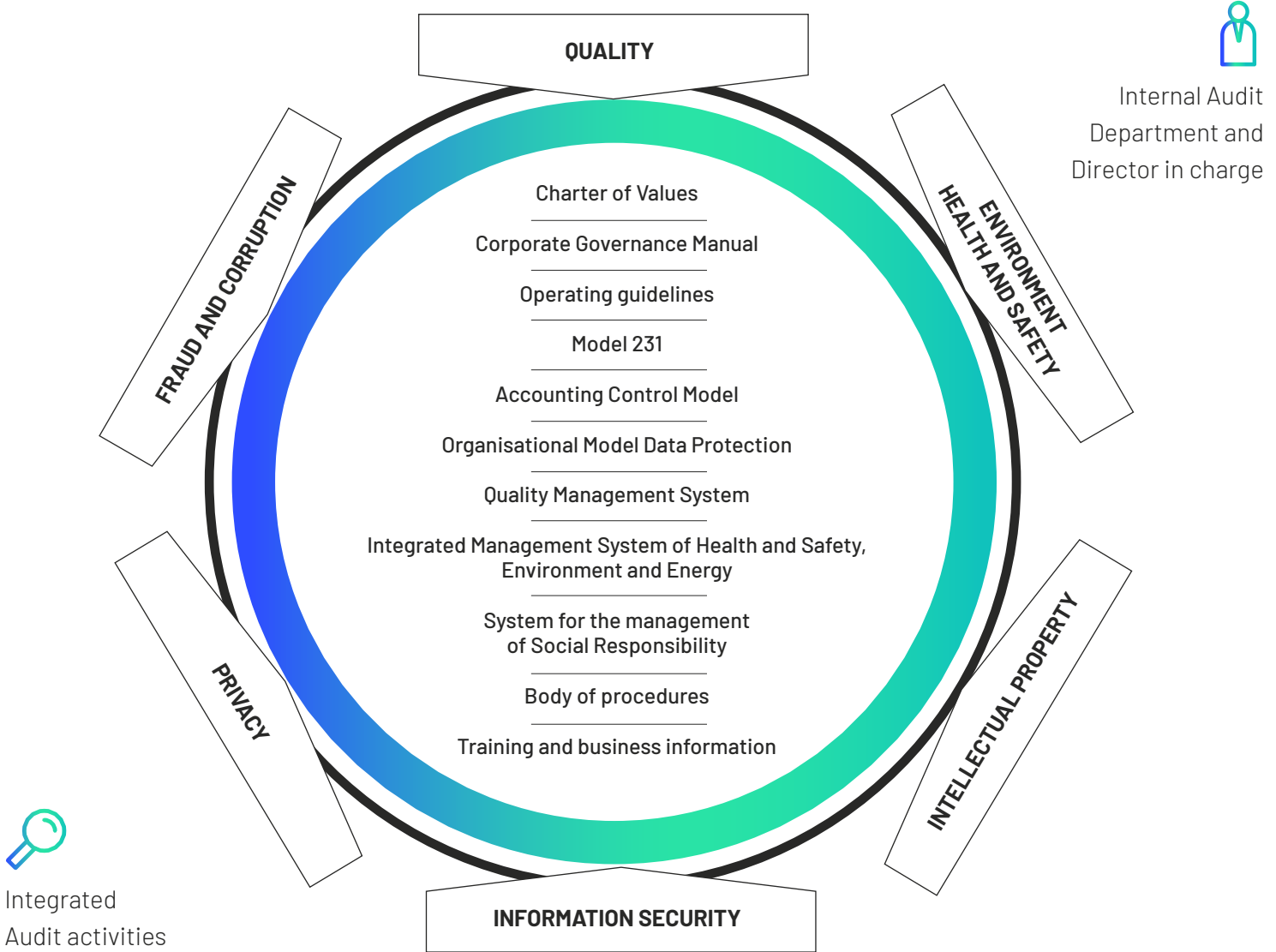
LEVEL OF CONTROL				
LEVEL OF CONTROL	OPTIMAL 1	ADEQUATE (WITH POSSIBLE ROOM FOR IMPROVEMENT) 2	TO BE STRENGTHENED 3	LACKING/NON-EXISTENT 4
Description	In line with best practices and best in class	There are policies, procedure and/or operating instructions. However, room for improvement is still to be evaluated	Processes are not structured and rely on the ability/competencies of involved individuals	Lack of controls, policies, procedures and organisational structures aimed at managing and addressing risks/opportunities
% of reduction of inherent risk	90%	75%	50%	30%

The risks relating to the topics referred to in Legislative Decree 254/2016 are set out in this Disclosure, under the different chapters. For further details on risk factors, please also refer to the Report on Operations.

COMPLIANCE

INTEGRATED COMPLIANCE

INTERNAL CONTROL SYSTEM



The risk management activity carried out by Sabaf also takes into account compliance requirements in order to achieve the company's objectives.

The internal control system is based on the following elements:

- organisation of the **internal control and risk management system**;
- procedures and mechanisms for the concrete implementation of the **control principles**;
- continuous **verification and monitoring processes** carried out at various levels of the organisation, both within the company processes and through independent structures.

In particular, Sabaf prepares an integrated and risk-based Audit Plan, broken down according to specific control objectives (operational risks, compliance risks with Law 262/2005, Legislative Decree 231/2001, GDPS, security of company information systems, etc.).

The execution of the interventions is assigned, in outsourcing, to a single structure, the Internal Audit, in turn responsible for reporting the results of the activities carried out to the competent control bodies.

All this translates into an integrated **compliance culture** and tools.

INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

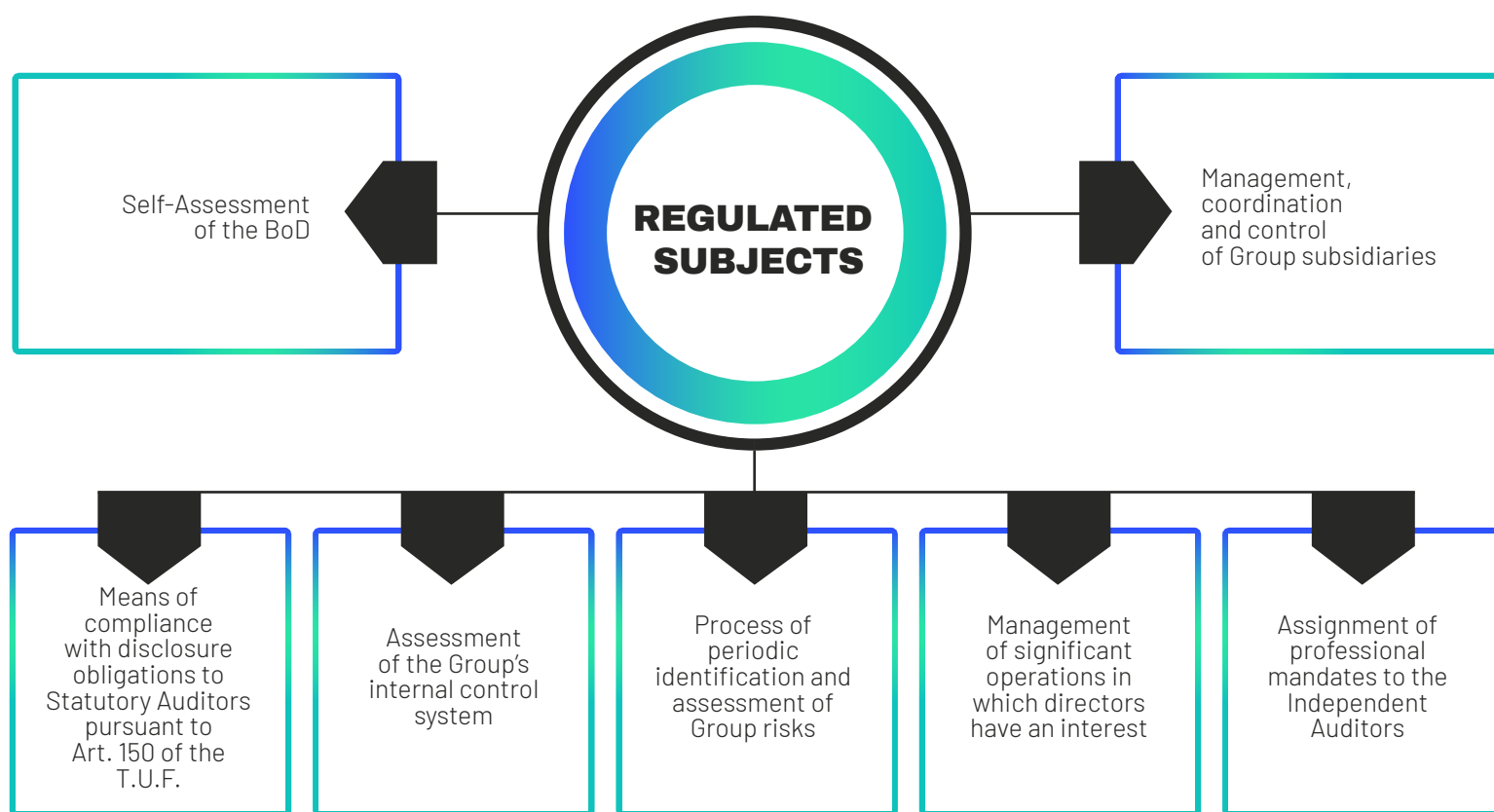
Following compliance with the Corporate Governance Code for listed companies and in order to internalise the good governance practices sponsored in this document in its processes, Sabaf adopted a **Corporate Governance Manual**¹² that regulates principles, rules and operating procedures.

This Manual, adopted by Board resolution of 19 December 2006, has been updated several times over the years in order

to reflect new laws and regulations in Corporate Governance, as well as best practices adopted by the Company over time.

The Manual includes some operating guidelines, also approved by the Board of Directors and updated from September 2018, prepared for the purpose of the correct carrying-out of the activities pertaining to Sabaf’s management and control bodies.

OPERATING GUIDELINES



INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 231/2001

In 2006, Sabaf S.p.A. adopted the **Organisation, Management and Control Model, as suggested by Legislative Decree 231/2001**¹³, aimed at preventing the commission of specific types of offences by employees and/or employees in the interest or for the benefit of the Company.

In the following years, the Company, under the supervision of the Supervisory Body, promptly responded to the need to adapt the Model and the control structure to the regulatory changes that had occurred from time to time.

The Company entrusts the Supervisory Body with the task of assessing the adequacy of the Model itself, i.e. its real capacity to prevent offences as well as to supervise the operation and correct observance of the adopted protocols.

In 2008, the subsidiary Faringosi Hinges s.r.l. also adopted Model 231 and appointed the SB, ensuring, in line with the parent company, its proper updating and effective operation.

In 2019, C.G.D. s.r.l. adopted its own Model 231, limited to the management of issues related to health and safety at work.

¹² The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 25 September 2018, is available on the Group website, at www.sabafgroup.com under the Investors - Corporate Governance section.

¹³ The latest version of the document, approved by the Board of Directors on 25 September 2018, is available on the Group website, at www.sabafgroup.com under the Investors - Corporate Governance section.

Activities carried out in 2020

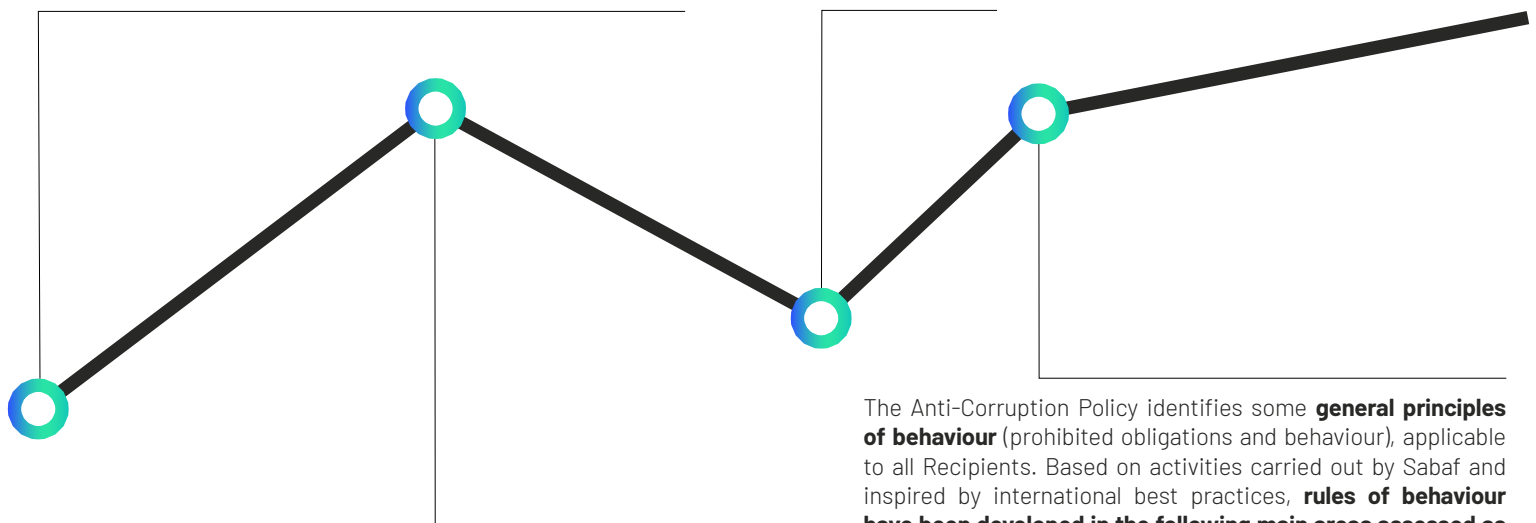
In 2020, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and through conversations with personnel involved in sensitive activities;
- carried out specific investigation activities regarding the occupational health and safety management processes, also with regard to the control units and anti-contagion measures taken to manage the Covid-19 pandemic emergency;
- held periodic consultation meetings with Company management in order to analyse certain environmental and occupational health and safety matters, as well as issues subject to audits during the year;
- carried out informational and training exercises aimed at employees with respect to several protocols governed by the Model, as well as training sessions on Legislative Decree no. 231/01.

INTEGRATED COMPLIANCE AND ANTI-CORRUPTION

The Sabaf Group, aware of the negative effects of corrupt practices in business management, is committed to **preventing and combating** the occurrence of **offences** in the carrying-out of its activities.

Risk analysis and assessment in case of violation of anti-corruption regulations is included in the annual **Risk Assessment** process.



Sabaf is committed to preventing unlawful behaviour by disseminating the contents of its **Charter of Values** and of the **Organisation, Management and Control Model pursuant to Legislative Decree 231/2001** (adopted by Sabaf S.p.A. and Faringosi-Hinges s.r.l.).

As further confirmation of its commitment to fight against unlawful behaviour, during 2018, Sabaf adopted a **Group Anti-Corruption Policy**. The provisions and guidelines set out in the Policy are intended to **promote the highest ethical standards in all business relationships** in line with national and international best practices.

The Anti-Corruption Policy **applies globally to Sabaf, to the Group's subsidiaries and to all of their employees.**

The Anti-Corruption Policy identifies some **general principles of behaviour** (prohibited obligations and behaviour), applicable to all Recipients. Based on activities carried out by Sabaf and inspired by international best practices, **rules of behaviour have been developed in the following main areas assessed as potentially exposed to risks of corruption:**

- trade relations with intermediaries and agents;
- trade relations with customers, suppliers and other third parties;
- relations with trade unions and political organisations;
- human resource management;
- management of gifts and presents, entertainment expenses, donations and sponsorships;
- accounting and financial procedures and controls.

There were no cases of corruption for the three-year period from 2018 to 2020.

INTEGRATED COMPLIANCE AND LAW 262/2005

Sabaf considers the Internal Control and Risk Management System for financial information an integral part of its risk management system.

In this regard, Sabaf has integrated the activities relating to the management of the internal control system on financial reporting into its Audit and Compliance process since 2008.

The Group defined its own **Accounting Control Model**, approved for the first time by the Board of Directors on 12 February 2008, subsequently revised and updated.

ELEMENTS CHARACTERISING THE ACCOUNTING CONTROL MODEL



Sabaf and employees

RISKS

The management of relations with the employees of the Sabaf Group cannot disregard the identification, assessment and management of potential risks. The relevant risk categories in this area are set out below.

Strategic risks, which could affect the achievement of the Group's development objectives, such as the lack of adequate skills, the loss of key resources or the difficulty of replacing them.

Legal and compliance risks, related to contractual liabilities, compliance with the regulations applicable to the Group and the commitments set out in the Charter of Values, such as the correct application of labour contracts in force in the various countries in which the Group operates, health and safety regulations, compliance with the criteria of fairness and impartiality in the management of human resources.

Operational risks, which may lead to malfunctions in the carrying-out of current activities, such as high turnover or conflicting industrial relations.

The Sabaf Group implements structured policies and defines centrally coordinated guidelines in the following areas:

- selection and recruitment of personnel;
- training;
- health and safety;
- internal communication;
- remuneration and incentive systems;
- company welfare;
- industrial relations.

To this end, the group's organisational structure includes the positions of Global Group HR Director and Group HSE Manager.

The combination of these systems and policies enables the Group to have an adequate control of the risks related to the management of relations with employees.

The following paragraphs outline, for each of these topics, the characteristics of the "Sabaf model" and the performance achieved.

Health emergency and relations with employees

With the rapid and global spread of the health emergency, the priority for the Sabaf Group has been the protection of people's health and safety.

In the first phase of the emergency, when uncertainties were at their highest and protective instruments were not yet sufficiently available, the plants in Ospitaletto (Brescia) and Bareggio (Milan), areas that were strongly affected by the first wave of the contagion in Italy, suspended production in advance of the law measures that subsequently imposed a lockdown throughout Italy.

Strict protocols to mitigate contagion risks were immediately adopted in all companies and have been continuously adapted based on relevant best practices.

Serological tests and swabs were periodically performed, which prevented the spread of significant hotbeds.

For all functions that allow it, smart working has been widely used and forms of flexibility have been guaranteed to ensure a balance between personal and family needs and work commitments.

An insurance policy was taken out for all employees of the Italian companies and a one-off bonus was awarded as a form of financial support and a token of their commitment in such a delicate period.

It is precisely the extraordinary dedication of all the personnel, their competence and willingness, even in difficult situations, that enabled them to react promptly and to adapt the level of activity to violent fluctuations in demand.

PERSONNEL MANAGEMENT POLICY

THE SOCIAL RESPONSIBILITY AND HEALTH AND SAFETY MANAGEMENT SYSTEM

The commitment of the Sabaf Group to social responsibility and the protection of workers' health and safety are strategic elements for Sabaf and the compliance with labour standards that guarantee respect for human rights, health and maximum safety is an essential paradigm.

The Group is committed to pursuing the following objectives, which are also set out in the Charter of Values:

- promote respect for the fundamental human rights of workers in all countries where the Group operates, as identified in the principles established in the Global Compact and in the Code of Conduct of APPLiA Europe (European association of household appliances), relating to child labour, forced and compulsory labour, occupational health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary procedures, working hours and remuneration criteria;
- carry out their activities by creating a group of motivated people who can operate in a work environment that encourages and rewards fairness and respect for others;
- produce profits without ever losing sight of the respect for the rights of its workers;
- identify and analyse potential hazards and risks in business processes, in order to make workplaces safer and more comfortable;
- avoid any form of discrimination and favouritism during the recruitment phase of personnel, whose selection must be made on the basis of the applicants' profiles meeting the company's requirements;
- value and respect diversity, avoiding any form of discrimination in career advancement on the grounds of gender, sexual orientation, age, nationality, state of health, political opinions, race and religious beliefs at all stages of the employment relationship;
- adopt criteria of merit and competence in employment relationships, based also on the achievement of collective and personal objectives;
- avoid all forms of harassment of workers;
- enhance the contribution of human capital in decision-making processes, encouraging continuous learning, professional growth and knowledge sharing;
- provide clear and transparent information on the tasks to be carried out and the position held, the performance of the Group and market developments;
- establish a responsible and constructive dialogue with trade unions, fostering a climate of mutual trust in compliance with the principles of fairness and transparency, respecting their roles.

For this reason, Sabaf S.p.A. adopted and maintains a Social Responsibility Management System that, by integrating with the other management systems operating in the company (health, safety, environment and energy and quality), constitutes an effective means for constant risk reduction. This objective is achieved through the following instruments:

- maintaining full compliance with applicable laws, directives, current local regulations and voluntarily agreed standards (Global Compact, Code of Conduct of APPLiA Europe);
- the full implementation of the Charter of Values;
- the prior assessment of human rights, health and safety aspects;
- the development of a process based on people being given a sense of responsibility within shared rules of behaviour.

Sabaf S.p.A. and the SA8000 Standard

Sabaf S.p.A. has been using a Social Responsibility Management System certified and compliant with the SA8000 standard since March 2009.

In order that the main stakeholders can actively participate in the implementation of the Social Responsibility System, particular attention was paid to their involvement in the methods described below.

To Sabaf S.p.A. workers through specific training sessions. Understanding the importance of adopting a Social Responsibility System is also facilitated by sharing information material on company electronic noticeboards, on the HR PORTAL workers' portal, on the network and on the company website.

To the trade unions: through awareness and the convinced involvement of trade union workers' representatives is fundamental for the full implementation of the System.

To suppliers, sub-suppliers and sub-contractors, through the signing of a commitment to comply with the requirements of the Standard, an integral part of contracts. Audits are also carried out on suppliers.

To customers, by committing themselves within the household appliance industry to support ethical and fair behaviour, also through compliance with the Code of Conduct of APPLiA Europe.

To the institutions, through the commitment to carry out its activities in order to overcome mere compliance with the law.

To the community: complying with the Global Compact, the United Nations initiative for companies that commit to upholding and promoting the ten principles: human rights, labour, environmental protection and anti-corruption.

From 2021, Sabaf S.p.A. has decided not to renew the SA8000 certification. The policies and procedures in place at all Group companies ensure full compliance with all the requirements of the Standard, regardless of external certification.

During 2020, no episodes of discrimination were observed, no transactions/activities with a high risk of recourse to child labour and forced or compulsory labour or with a high risk of violation of the right

of workers to exercise their freedom of association and collective bargaining were identified.

THE PEOPLE OF THE SABAF GROUP

The Sabaf Group had 1,168 employees at 31 December 2020 compared to 1,035 at the end of 2019. The increase in the number of employees compared to the previous year was 133 (+12.85%).

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	312	168	480	318	170	488	329	174	503
Faringosi Hinges s.r.l. (Bareggio, Milano - Italy)	23	23	46	23	21	44	22	21	43
A.R.C. s.r.l. (Campodarsego, Padua - Italy)	15	5	20	16	5	21	15	4	19
C.M.I. s.r.l. (Loc. Crespellano - Valsamoggia, Bologna - Italy)	31	51	82	33	52	85	n/a	n/a	n/a
C.G.D. s.r.l. (Loc. Crespellano - Valsamoggia, Bologna - Italy)	35	3	38	34	4	38	n/a	n/a	n/a
C.M.I. Polska SP ZOO (Myszków, Poland)	19	25	44	18	29	47	n/a	n/a	n/a
Sabaf do Brasil (Jundiaí, São Paulo - Brazil)	74	13	87	69	13	82	70	17	87
Sabaf Turkey (Manisa - Turkey)	129	69	198	84	42	126	64	36	100
Okida¹⁴ (Esenyurt/Istanbul - Turkey)	80	85	165	56	40	96	n/a	n/a	n/a
Sabaf Appliance Components (Kunshan) Co., Ltd. (Kunshan, Jiangsu Province - China)	6	2	8	6	2	8	6	2	8
GROUP TOTAL	724	444	1,168	657	378	1,035	506	254	760

As regards the types of contract adopted, at 31 December 2020, there are 1,143 employees with permanent contracts (97.9%) and 25 with fixed-term contracts (2.1%).

GROUP

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	711	432	1,143	621	369	990	487	247	734
Fixed term	13	12	25	36	9	45	19	7	26
GROUP TOTAL	724	444	1,168	657	378	1,035	506	254	760

Sabaf S.p.A.

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	306	166	472	312	167	479	326	171	497
Fixed term	6	2	8	6	3	9	3	3	6

¹⁴ In September 2018, Okida joined the Sabaf Group. The company was included in the reporting boundary as from 2019.

Faringosi Hinges s.r.l.

	31.12.2020			31.12.2019			31.12.2018		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	23	23	46	23	21	44	22	21	43
Fixed term	0	0	0	0	0	0	0	0	0

A.R.C. s.r.l.

	31.12.2020			31.12.2019			31.12.2018		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	15	5	20	16	5	21	15	4	19
Fixed term	0	0	0	0	0	0	0	0	0

C.M.I. s.r.l.

	31.12.2020			31.12.2019			31.12.2018		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	28	51	79	30	51	81	n/a	n/a	n/a
Fixed term	3	0	3	3	1	4	n/a	n/a	n/a

C.G.D. s.r.l.

	31.12.2020			31.12.2019			31.12.2018		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	34	3	37	33	4	37	n/a	n/a	n/a
Fixed term	1	0	1	1	0	1	n/a	n/a	n/a

C.M.I. Poland

	31.12.2020			31.12.2019			31.12.2018		
(no.)	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	19	25	44	17	29	46	n/a	n/a	n/a
Fixed term	0	0	0	1	0	1	n/a	n/a	n/a

Sabaf do Brasil

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	74	13	87	65	13	78	70	17	87
Fixed term	0	0	0	4	0	4	0	0	0

Sabaf Turkey

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	128	59	187	65	37	102	51	32	83
Fixed term	1	10	11	19	5	24	13	4	17

Okida

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	80	85	165	56	40	96	n/a	n/a	n/a
Fixed term	0	0	0	0	0	0	n/a	n/a	n/a

Sabaf China

(no.)	31.12.2020			31.12.2019			31.12.2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Permanent	4	2	6	4	2	6	3	2	5
Fixed term	2	0	2	2	0	2	3	0	3

PERSONNEL WITH TEMPORARY WORK CONTRACT OR SIMILAR AND TRAINEES

(no.)	31.12.2020	31.12.2019	31.12.2018
Temporary workers	155	42	57
Trainees	8	2	3

BREAKDOWN OF PERSONNEL BY AGE

(%)	31.12.2020	31.12.2019	31.12.2018
< 30 years old	18.9	17.2	13.9
31 – 40 years old	34.5	35.1	39.9
41 – 50 years old	31.6	31.8	31.8
over 50 years old	15.0	15.9	14.4
TOTAL	100.0	100.0	100.0

The low average age of Group employees (39.3 years old) confirms the strategy of hiring young workers, giving priority to training and internal growth rather than acquiring skills from outside.

The age of the youngest employees in the Group is 20 years old for Italy, 20 years old for Poland, 18 years old for Turkey, 16 years old for Brazil and 31 years old for China.

BREAKDOWN OF THE PERSONNEL BY LENGTH OF SERVICE

(%)	31.12.2020	31.12.2019	31.12.2018
< 5 years	44.5	37.2	26.7
6 – 10 years	9.0	12.3	12.9
11 – 20 years	31.9	36.6	46.7
over 20 years	14.6	13.9	13.7
TOTAL	100.0	100.0	100.0

Sabaf is aware of the fundamental importance of having a stable and qualified workforce that is a key factor in maintaining its competitive advantage.

RECRUITMENT POLICY

In order to attract the best resources, the recruitment policy aims to ensure equal opportunities for all candidates, avoiding any kind of discrimination. The selection procedure requires, inter alia:

- the selection process to be carried out in at least two stages with two different representatives;
- that at least two applicants be assessed for each position.

The assessment of the applicants is based on their skills, training, previous experience, expectations and potential, tailoring them to the specific needs of the company.

BREAKDOWN BY QUALIFICATION

(%)	31.12.2020	31.12.2019	31.12.2018
Degree	15.4	14.9	14.1
High school leaving diploma	46.2	44.2	45.5
Middle school leaving certificate	36.5	39.7	40.1
Elementary school leaving certificate	1.9	1.2	0.3
TOTAL	100.0	100.0	100.0

CHANGE IN PERSONNEL IN THE THREE-YEAR PERIOD BY AGE AND GENDER

HIRES

(no.)	2020	2019	2018	
♀	< 30 years old	52	18	11
	31-40 years old	37	9	8
	41-50 years old	20	6	0
	> 50 years old	0	0	1
TOTAL WOMEN	109	33	20	
♂	< 30 years old	72	46	24
	31-40 years old	50	25	41
	41-50 years old	21	3	4
	> 50 years old	7	2	1
TOTAL MEN	150	76	70	
TOTAL	259	109	90	

EMPLOYEE TURNOVER

(no.)		2020	2019	2018
♀	< 30 years old	19	9	7
	31-40 years old	7	9	13
	41-50 years old	10	8	2
	> 50 years old	7	1	4
TOTAL WOMEN		43	27	26
♂	< 30 years old	27	32	34
	31-40 years old	32	19	17
	41-50 years old	8	10	6
	> 50 years old	16	6	3
TOTAL MEN		83	67	60
TOTAL		126	94	86

RATE OF EMPLOYEE HIRE BY GEOGRAPHICAL AREA, AGE GROUP AND GENDER

GROUP

(%)		2020	2019	2018
♀	< 30 years old	11.71	4.76	4.33
	31-40 years old	8.33	2.38	3.15
	41-50 years old	4.50	1.59	0.00
	> 50 years old	0.00	0.00	0.39
TOTAL WOMEN		24.54	8.73	7.87
♂	< 30 years old	9.94	7.00	4.74
	31-40 years old	6.91	3.81	8.10
	41-50 years old	2.90	0.46	0.79
	> 50 years old	0.97	0.30	0.20
TOTAL MEN		20.72	11.57	13.83
TOTAL		22.17	10.53	11.84

ITALY (SABAF S.P.A., FARINGOSI, A.R.C., C.M.I., C.G.D.)

(%)		2020	2019	2018
♀	< 30 years old	0.00	1.59	1.01
	31-40 years old	1.60	0.00	1.01
	41-50 years old	1.20	0.40	0.00
	> 50 years old	0.00	0.00	0.50
TOTAL WOMEN		2.80	1.98	2.51
♂	< 30 years old	0.48	0.71	1.09
	31-40 years old	0.96	1.18	0.55
	41-50 years old	0.96	0.00	0.27
	> 50 years old	0.96	0.47	0.27
TOTAL MEN		3.36	2.36	2.19
TOTAL		3.15	2.22	2.30

POLAND (C.M.I. POLAND)

(%)		2020	2019	2018
♀	< 30 years old	0.00	0.00	n/a
	31-40 years old	0.00	10.34	n/a
	41-50 years old	0.00	6.90	n/a
	> 50 years old	0.00	0.00	n/a
TOTAL WOMEN		0.00	17.24	n/a
♂	< 30 years old	10.53	11.11	n/a
	31-40 years old	0.00	0.00	n/a
	41-50 years old	0.00	0.00	n/a
	> 50 years old	0.00	0.00	n/a
TOTAL MEN		10.53	11.11	n/a
TOTAL		4.55	14.89	n/a

BRAZIL (SABAF DO BRASIL)

(%)		2020	2019	2018
♀	< 30 years old	0.00	0.00	5.88
	31-40 years old	15.38	7.69	5.88
	41-50 years old	7.69	0.00	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		23.07	7.69	11.76
♂	< 30 years old	14.86	8.70	2.86
	31-40 years old	14.86	7.25	38.57
	41-50 years old	2.70	1.45	1.43
	> 50 years old	2.70	0.00	0.00
TOTAL MEN		35.12	17.40	42.86
TOTAL		33.33	15.85	36.78

TURKEY (SABAF TURKEY AND OKIDA)

(%)		2020	2019	2018
♀	< 30 years old	33.77	17.07	22.22
	31-40 years old	20.13	6.10	13.89
	41-50 years old	10.39	3.66	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		64.29	26.83	36.11
♂	< 30 years old	27.27	25.00	28.13
	31-40 years old	16.75	10.71	18.75
	41-50 years old	7.18	1.43	3.13
	> 50 years old	0.48	0.00	0.00
TOTAL MEN		51.68	37.14	50.00
TOTAL		57.02	33.33	45.00

CHINA (SABAF CHINA)

(%)		2020	2019	2018
♀	< 30 years old	0.00	0.00	0.00
	31-40 years old	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		0.00	0.00	0.00
♂	< 30 years old	0.00	0.00	0.00
	31-40 years old	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL MEN		0.00	0.00	0.00
TOTAL		0.00	0.00	0.00

TURNOVER RATE BY GEOGRAPHICAL AREA, AGE GROUP AND GENDER

GROUP

(%)		2020	2019	2018
♀	< 30 years old	4.28	2.38	2.76
	31-40 years old	1.58	2.38	5.12
	41-50 years old	2.25	2.12	0.79
	> 50 years old	1.58	0.26	0.39
TOTAL WOMEN		9.69	7.14	9.06
♂	< 30 years old	3.73	4.87	6.32
	31-40 years old	4.42	2.89	3.36
	41-50 years old	1.10	1.52	1.19
	> 50 years old	2.21	0.91	0.20
TOTAL MEN		11.46	10.19	11.07
TOTAL		10.79	9.08	10.39

ITALY (SABAF S.P.A., FARINGOSI, A.R.C., C.M.I., C.G.D.)

(%)		2020	2019	2018
♀	< 30 years old	0.40	0.51	0.00
	31-40 years old	0.00	1.53	1.52
	41-50 years old	0.80	1.53	0.51
	> 50 years old	2.40	0.51	0.51
TOTAL WOMEN		3.60	4.08	2.53
♂	< 30 years old	0.00	0.56	0.54
	31-40 years old	1.68	1.40	1.63
	41-50 years old	0.48	1.96	1.09
	> 50 years old	3.13	0.84	0.27
TOTAL MEN		5.29	4.76	3.54
TOTAL		4.65	4.52	3.19

POLAND (C.M.I. POLAND)

(%)		2020	2019	2018
♀	< 30 years old	4.00	3.45	n/a
	31-40 years old	0.00	3.45	n/a
	41-50 years old	8.00	0.00	n/a
	> 50 years old	4.00	0.00	n/a
TOTAL WOMEN		16.00	6.90	n/a
♂	< 30 years old	5.26	5.56	n/a
	31-40 years old	0.00	0.00	n/a
	41-50 years old	0.00	0.00	n/a
	> 50 years old	0.00	0.00	n/a
TOTAL MEN		5.26	5.56	n/a
TOTAL ¹⁵		11.36	6.38	n/a

¹⁵ 2019 data modified compared to the 2019 Annual Report due to a publication error.

BRAZIL (SABAF DO BRASIL)

(%)		2020	2019	2018
♀	< 30 years old	0.00	7.60	0.00
	31-40 years old	15.38	15.38	5.88
	41-50 years old	7.69	15.38	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		23.07	38.46	5.88
♂	< 30 years old	17.57	7.25	17.14
	31-40 years old	8.11	7.25	7.14
	41-50 years old	2.70	4.35	2.86
	> 50 years old	0.00	0.00	0.00
TOTAL MEN		28.38	18.85	27.14
TOTAL		27.59	21.95	22.99

TURKEY (SABAF TURKEY AND OKIDA)

(%)		2020	2019	2018
♀	< 30 years old	11.04	7.32	19.44
	31-40 years old	3.25	3.66	25.00
	41-50 years old	3.25	3.66	2.78
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		17.54	14.64	47.22
♂	< 30 years old	6.22	16.43	28.13
	31-40 years old	9.09	6.43	9.38
	41-50 years old	1.91	0.00	0.00
	> 50 years old	1.44	1.43	0.00
TOTAL MEN		18.66	24.29	37.50
TOTAL		18.18	20.72	41.00

CHINA (SABAF CHINA)

(%)		2020	2019	2018
♀	< 30 years old	0.00	0.00	0.00
	31-40 years old	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL WOMEN		0.00	0.00	0.00
♂	< 30 years old	0.00	0.00	0.00
	31-40 years old	0.00	0.00	0.00
	41-50 years old	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00
TOTAL MEN		0.00	0.00	0.00
TOTAL		0.00	0.00	0.00

The significant increase in the levels of activity in the second half of the year led to a sharp rise in the rate of employee hire, which was twice as high in 2020 as in the previous two years. Particularly significant was the increase in the number of employees in the Group's Turkish companies, following the strong development of business in that Country.

The policies put in place in recent years allowed a significant reduction in the employee turnover rate even in areas such as Turkey where the Group had experienced the greatest difficulties in personnel retention.

PERSONNEL TRAINING

Within the Sabaf Group, the professional growth of employees is supported by continuous training.

The Group Human Resources Department, having consulted the

relevant heads and gathered the training requirements, prepares an annual training plan on the basis of which the specific courses to be carried out are planned.

(hours)	2020			2019			2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Training for new employees, apprentices, training contracts	1,615	546	2,161	2,340	1,302	3,642	4,363	1,299	5,662
Technical training and information systems	2,393	823	3,216	2,316	117	2,433	2,121	704	2,824
Quality, safety, environment, energy and social responsibility	3,963	1,095	5,058	3,079	878	3,957	3,649	1,040	4,689
Administration and organisation	434	106	540	683	545	1,228	724	554	1,278
Foreign languages	470	268	738	1,234	540	1,774	1,339	420	1,759
Other (e.g. lean philosophy/production/office)	675	267	942	2,036	767	2,803	256	496	752
TOTAL HOURS OF TRAINING RECEIVED	9,550	3,105	12,655	11,688	4,149	15,837	12,452	4,513	16,963
Hours of training provided by internal trainers ¹⁶	4,306	946	5,252	979	284	1,263	7,239	1,915	9,154
TOTAL	13,856	4,051	17,907	12,667	4,433	17,100	19,691	6,428	26,119

In 2020, 12,655 hours of training were provided to employees. In addition to this, 5,725 hours of training were received by employees with temporary work contract.

¹⁶ Including training given to employees with temporary work contract.

AVERAGE HOURS OF TRAINING PER CAPITA RECEIVED BY CATEGORY

(hours)	2020			2019			2018		
	♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Blue Collars	11.6	4.4	8.7	18.2	10.0	15.1	23.7	15.2	20.8
White collars and Middle Managers	16.9	18.2	17.3	16.9	15.2	16.3	29.8	24.4	27.9
Managers	24.7	4.0	22.6	11.6	3.5	10.8	16.2	51.5	18.5
TOTAL	13.2	7.0	10.8	17.8	11.0	15.3	24.8	17.5	22.3

In 2020, the total cost incurred for training activities of Group personnel was approximately €360,000 (approximately €390,000 in 2019). In addition, there are training costs for temporary personnel, which in 2020 were around €123,000 (around €28,000 in 2019).

The preventive measures taken in the face of the health emergency affected the levels of training provided during 2020. Due to the restrictions introduced to contain the pandemic, many of the in-person training activities had to be suspended for most of the year and some training projects had to be postponed.

INTERNAL COMMUNICATION

With the aim of developing a dialogue and continuous involvement between the company and its employees, Sabaf organises meetings and sharing sessions in which the results of projects to improve quality, efficiency and productivity are presented.

The HR representatives provide assistance to all Group employees on matters relating to the employment relationship.

The focus on internal communication uses, among other things, advanced tools that can reach all employees, such as a dedicated portal and electronic bulletin boards.

Systematic meetings in the various departments promote communication and involvement of personnel.

DIVERSITY AND EQUAL OPPORTUNITIES

Sabaf is constantly committed to ensuring equal opportunities for women employees, who currently represent 38% of the workforce (36.5% in 2019).

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY GENDER

	31.12.2020		31.12.2019		31.12.2018	
	no.	%	no.	%	no.	%
♂	724	62.0	657	63.5	506	66.6
♀	444	38.0	378	36.5	254	33.4
TOTAL	1,168	100.0	1,035	100.0	760	100.0

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CONTRACT AND GENDER

The Group, in accordance with the organisational and production requirements, is attentive to the family requirements of its employees. To date, most of the demands for reduced working time made by workers have been met.

		31.12.2020		31.12.2019		31.12.2018	
		no.	%	no.	%	no.	%
Full-time	♂	722	61.8	651	62.9	504	66.3
	♀	387	33.1	327	31.6	208	27.4
	♂♀	1,109	94.9	978	94.5	712	93.7
Part-time	♂	2	0.2	6	0.6	2	0.3
	♀	57	4.9	51	4.9	46	6.0
	♂♀	59	5.1	57	5.5	48	6.3
TOTAL	1,168	100.0	1,035	100.0	760	100.0	

PERCENTAGE DISTRIBUTION OF EMPLOYMENT BY CATEGORY, AGE AND GENDER

		31.12.2020			31.12.2019			31.12.2018		
(%)		♂	♀	♂♀	♂	♀	♂♀	♂	♀	♂♀
Managers	< 30 years old	0	0	0	0	0	0	0	0	0
	from 30 to 50 years old	1	0	1	1	0	1	1	0	1
	over 50 years old	1	0	1	1	0	1	1	0	1
	TOTAL	2	0	2	2	0	2	2	0	2
White collars and Middle Managers	< 30 years old	2	1	3	1	2	3	2	2	4
	from 30 to 50 years old	10	5	15	10	5	15	10	5	15
	over 50 years old	2	1	3	2	1	3	2	1	3
	TOTAL	14	7	21	13	8	21	14	8	22
Blue Collars	< 30 years old	10	4	14	10	3	13	8	2	10
	from 30 to 50 years old	29	22	51	31	22	53	35	21	56
	over 50 years old	7	4	11	7	4	11	8	2	10
	TOTAL	46	30	76	48	29	77	51	25	76
TOTAL	< 30 years old	12	6	18	10	5	15	10	4	14
	from 30 to 50 years old	40	27	67	42	27	69	46	26	72
	over 50 years old	10	5	15	11	5	16	11	3	14
	TOTAL	62	38	100	63	37	100	67	33	100

The managers of all Group offices come from a geographical area close to the registered offices in which they operate, with the exception of the general manager at the premises of Sabaf China, who has been living in China for many years.

REMUNERATION, INCENTIVE AND ENHANCEMENT SYSTEMS

All Group companies apply local national contracts, supplemented with any best deals.

The employees of Sabaf S.p.A. are classified according to the provisions of the National Collective Labour Contract for the metal and engineering industry, supplemented by second-level negotiations, which include:

- contractual minimum;
- company welfare from National Collective Labour Agreement;
- productivity or personal bonuses per level;
- production bonus per level;
- fixed performance bonus (part of which includes part of the previous variable bonus) for all levels;
- variable performance bonus that is the same for all levels.

LONG-TERM INCENTIVE (LTI)

A long-term incentive plan (stock grant plan) was introduced in 2018, which envisages the free allocation of shares to parties (directors and employees) who hold or will hold key positions for Sabaf S.p.A. and its subsidiaries.

The Plan aims to promote and pursue the involvement of the beneficiaries whose activities are considered relevant for the implementation of the contents and the achievement of the objectives set out in the 2018-2022 Business Plan, foster loyalty development and mo-

MANAGEMENT BY OBJECTIVES (MBO)

A Group-wide incentive system linked to collective and individual objectives (MBOs) is in place, involving managers and other employees with managerial responsibilities. In 2020, this incentive

As from 2019, Sabaf S.p.A. and Faringosi Hinges have launched a new corporate welfare platform (Edenred), which has been very well received by employees. The platform has also been extended to C.M.I. and C.G.D. as from 2020.

In addition to economic incentives, the incentive system includes company agreements for access to goods or services on favourable terms for all employees, regardless of the type of contract.

The Group believes that a fundamental element of the incentive system is represented by the training opportunities provided.

tivation of managers, by increasing their entrepreneurial approach as well as align the interests of management with those of the Company's shareholders more closely, with a view to encouraging the achievement of significant results in the economic and asset growth of the Company and of the Group.

The operating mechanisms of the LTI system are described in the Remuneration Report.

system involved 43 employees of the Group (39 men and 4 women). The operating mechanisms of the LTI system are described in the Remuneration Report.

The “premio produciamo qualità (PPQ)” (literally, “We produce quality prize”)

With the aim of rewarding the contribution of personnel to the achievement of company objectives, as from 2016 Sabaf S.p.A. introduced an incentive system related to quality objectives (reduction of waste and rework), production efficiency and precision in carrying out projects.

In 2020, improvement targets in these areas were set for 116 people involved in relevant business processes.

(no.)	White Collars	Blue Collars	TOTAL
♂	44	64	108
♀	2	6	8
TOTAL	46	70	116

In addition to being a tool for steering towards challenging objectives (489 objectives were assigned, achieved or exceeded in 54% of cases), the PPQ stimulated teamwork and favoured the sharing of short- and medium-long term development plans at all company levels.

Variable Performance Bonus (VPB)

The supplementary company contract of Sabaf S.p.A. envisages a variable performance bonus for all employees, also based on quality and productivity indicators.

Also in 2020, the VPB could be enjoyed in the form of company welfare.

Personnel Participation Bonus (PPB)

In 2018, Sabaf S.p.A. introduced a Personnel Participation Bonus (PPB) for all its employees who, through effective participation, help to achieve the company's objectives.

This bonus was paid also in 2020 in the form of company welfare.

The forms of social security in force for all Group employees are those envisaged by the regulations in force in the various Countries in which the Group operates.

RATIO OF MINIMUM MONTHLY SALARY LAID DOWN BY COLLECTIVE LABOUR AGREEMENTS TO MINIMUM SALARY PAID BY GROUP COMPANIES¹⁷

2020

(in €)	MINIMUM SALARY UNDER COLLECTIVE LABOUR AGREEMENT		MINIMUM SALARY PAID		MINIMUM INCREASE (%)	
	♂	♀	♂	♀	♂	♀
Sabaf S.p.A.	1,629	1,629	1,677	2,200	3%	35%
Faringosi Hinges s.r.l.	1,629	1,629	1,676	1,676	3%	3%
A.R.C. s.r.l.	1,628	1,628	1,656	1,628	2%	0%
C.G.D. s.r.l.	1,643	1,969	1,694	2,680	3%	36%
C.M.I. Poland	432	432	450	450	4%	4%
Sabaf Turkey	261	261	299	299	14%	14%
Okida	261	261	261	261	0%	0%
Sabaf do Brasil	247	247	279	279	13%	13%
Sabaf China	428	428	1,270	1,136	197%	165%

2019¹⁸

(in €)	MINIMUM SALARY UNDER COLLECTIVE LABOUR AGREEMENT		MINIMUM SALARY PAID		MINIMUM INCREASE (%)	
	♂	♀	♂	♀	♂	♀
Sabaf S.p.A.	1,617	1,617	1,630	2,044	1%	26%
Faringosi Hinges s.r.l.	1,617	1,617	1,664	1,798	3%	11%
A.R.C. s.r.l.	1,617	1,617	1,644	1,617	2%	0%
C.G.D. s.r.l.	1,498	1,795	1,533	2,063	2%	15%
C.M.I. Poland	389	389	465	465	20%	20%
Sabaf Turkey	288	288	329	329	14%	14%
Okida	288	288	288	288	0%	0%
Sabaf do Brasil	320	320	362	362	13%	13%
Sabaf China	380	380	1,292	1,155	240%	204%

2018

(in €)	MINIMUM SALARY UNDER COLLECTIVE LABOUR AGREEMENT		MINIMUM SALARY PAID		MINIMUM INCREASE (%)	
	♂	♀	♂	♀	♂	♀
Sabaf S.p.A.	1,605	1,605	1,664	1,884	4%	17%
Faringosi Hinges s.r.l.	1,605	1,605	1,785	1,785	11%	11%
A.R.C. s.r.l.	1,605	1,605	1,644	1,705	2%	6%
Sabaf Turkey	254	254	290	290	14%	14%
Sabaf do Brasil	313	313	353	353	13%	13%
Sabaf China	259	259	348	1,145	34%	341%

The Group has procedures in place to systematically check the regular contribution of suppliers and contractors and the correct hiring of their employees.

¹⁷ Values converted into euro at the annual average exchange rate.

¹⁸ Data not available for C.M.I. s.r.l.

RATIO OF AVERAGE SALARY OF FEMALE PERSONNEL TO AVERAGE SALARY OF MALE PERSONNEL¹⁹

(%)	2020	2019	2018
White-collars, middle managers and managers	78%	83%	71%
Blue Collars	79%	82%	77%

OCCUPATIONAL HEALTH AND SAFETY AND WORKING ENVIRONMENT

RISKS

The Health & Safety risks to which Sabaf and contractors' personnel are exposed are related to the processes at the various sites where the business is carried out. In general, the main risks to workers' health and safety are:

- risks with high associated damage (falls from a height, work in confined spaces);
- the risks resulting from the presence of aluminium casting departments (burn, exposure to high temperatures).

In 2020, as a result of the pandemic, the inherent risk of contagion became particularly relevant.

The Group is also exposed to the risk of failure to adopt measures to bring its procedures and operations into line with current health and safety regulations.

RISK MANAGEMENT

The Sabaf Group formally defines the responsibilities, criteria and operating procedures for identifying and planning prevention measures to eliminate and/or mitigate risks, as part of a system that allows the level of safety and hygiene to be optimised and constantly improved through preventive actions.

During 2019, the function of Group HSE Manager was established with the aim of coordinating the management of Health, Safety and Environment of all companies based on a common policy.

The occupational health and safety management systems of Group companies are structured according to a risk-based approach.

Prevention and reduction of risk levels are based on the following factors.

- **Effective training:** all training courses are planned and managed by internal personnel and/or external trainers, with a propensity to teach and with strong experience in the reference sector (first aid, fire-fighting, work at height, etc.). Job-specific training courses have been designed with a focus on the simulation of real cases and actual experiences, in order to make training meetings more effective. The approach to training aims to overcome the compulsory approach to encourage the active participation of all employees.

- **Cutting-edge plants:** continuous investment in increasingly modern and technologically advanced machinery reduced the levels of risk related to ergonomics and manual handling of loads and improved the systems to protect against physical risks.
- **Organisation:** the strong involvement and constant training of department heads and their awareness of obligations and responsibilities led to a clear improvement in all aspects of Health and Safety.

In order to mitigate the risks of contagion, all Group companies promptly adopted preventive measures and strict protocols, which are constantly adapted based on best practice.

In the Group companies based in Italy (Sabaf S.p.A., Faringosi Hinges s.r.l., A.R.C. s.r.l., C.M.I. s.r.l., C.G.D. s.r.l.), the risk assessment is carried out by the Employer through the collaboration of the Occupational Health and Safety Officer and the Company Physician, with the participation of all responsible parties (managers and representatives). The involvement of workers is envisaged, both through periodic meetings with safety representatives through the obligation to report possible additional risks. Equivalent systems, applied in accordance with applicable laws, are in place at the foreign offices.

In Sabaf S.p.A. and C.G.D. s.r.l., the health and safety management system has been certified according to ISO 45001 since 2017 and 2020, respectively; in Faringosi Hinges s.r.l., it has been certified according to the OHSAS 18001 standard since 2012; the transition to the new ISO 45001 standard is planned for 2021.

The management systems of the other Group companies are not certified. Moreover, the coordination at central level directs all companies towards a shared approach and methodology. For example, the support management system used at Sabaf S.p.A. has been gradually extended to certain subsidiaries (Faringosi Hinges, A.R.C., Sabaf do Brasil, Sabaf Turkey). The Group started the management and coordination of the related safety management systems for the recently acquired companies (Okida and the C.M.I. Group) as well.

¹⁹ Calculated on basic salary.

NUMBER AND DURATION OF INJURIES ²⁰	2020	2019	2018
Hours worked	1,801,120	1,513,620	1,234,369
Near misses/Medical treatments without lost days	103	39	37
Recordable injuries ²¹ (absence < 6 months) - excluding fatalities	29	15	29
<i>of which injuries while travelling to/from work²²</i>	0	0	2
Accidents with serious consequences (absence > 6 months) - excluding fatalities	0	1	0
<i>of which injuries while travelling to/from work</i>	0	0	0
Deaths as a result of injuries	0	0	0
<i>of which injuries while travelling to/from work</i>	0	0	0
Days lost due to injury	194	260	210
Total injuries - including fatalities	29	16	29
<i>of which injuries while travelling to/from work</i>	0	0	2

INJURY RATE (number of injuries x 1,000,000/hours worked)	2020	2019	2018
Recordable injury rate	16.10	9.91	23.49
High-consequence injury rate	0.00	0.66	0.00
Fatality rate as a result of injuries	0.00	0.00	0.00
Total injury rate	16.10	10.57	23.49

INJURY LOST DAY RATE (days of absence x 1,000/hours worked)	2020	2019	2018
Rate based on recordable and high-consequence injuries	0.11	0.17	0.17

Most of the injuries recorded in 2020 were minor, involving bruises and superficial cuts and burns. No serious injuries were reported; the injury lost day rate shows a significant improvement over previous years. On the other hand, the injury rate in 2020 was higher than in 2019, affected by a higher than average number of injuries in Sabaf Turkey. This company promptly planned additional and more focused training activities, aimed at increasingly developing a safety culture in line with that of the Parent Company.

Lastly, with regard to external workers, in 2020, against 201,761 hours worked, there was only one injury at Group level that did not have serious consequences, with an injury rate of 4.96 (11.64 in 2019). No cases of occupational disease were reported at Group level in 2020. In compliance with the laws in force, Group companies prepared and implemented health supervisory plans for employees, with health inspections aimed at the specific risks of the work activities carried out.

²⁰ Please note that the 2018 data was calculated according to the requirements of the 2016 version of the GRI Standard on Health and Safety.

²¹ Recordable injury includes any occupational injury, including fatal injury, that occurs to a person during or as a result of work, resulting in absence from work for less than 6 months, alternative activities or medical treatment.

²² Only if transport has been organised by the organisation and the transfers have taken place within working hours.

Sabaf, a health-promoting workplace

At the beginning of 2016, Sabaf S.p.A. joined the WHP (Workplace Health Promotion) programme, committing itself to implementing **good practices** in the field of **workplace health promotion**. The company is committed not only to implementing all measures to prevent accidents and occupational diseases but also to offering its workers opportunities to improve their health, reducing general risk factors and in particular those most involved in the genesis of chronic diseases.

Workplace health promotion is the result of the combined efforts of employers, workers and the company. The following factors contribute to this promotion:

- improving work organisation and the working environment;
- encouraging personnel to participate in healthy activities;
- promoting healthy choices;
- encouraging personal growth.

The central idea is simple: Sabaf aims to build, through a participatory process, a context that encourages the adoption of positive behaviour and choices for health.

The WHP Programme envisages the development of activities (good practices) in **6 thematic areas**: food, fight against smoking, fitness training, safe and sustainable mobility, fight against addictions, wellbeing/reconciling life and work.

USE OF DANGEROUS SUBSTANCES

Only materials that fully comply with the requirements of Directive 2002/95/EC (RoHS Directive) which tends to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium are used for production.

INDUSTRIAL RELATIONS

Sabaf complies with the labour laws of the various countries and the conventions of International Labour Organisation (ILO) on Workers' Rights (freedom of association and collective bargaining, consultation, right to strike, etc.), systematically promoting dialogue between the parties and seeking an adequate level of agreement and sharing of company strategies by the personnel.

In case of organisational changes, with regard to the minimum notice period, the Group complies with the provisions of the law and the reference contracts of the various countries.

In January 2018, the second level company agreement of Sabaf S.p.A. was renewed, valid until June 2021. The key points of this agreement are set below:

- the sharing between the company and trade unions and Unitary Union Representative Body of priorities on which to channel resources and energy in the coming years (producing quality, creating and maintaining efficiency, becoming more flexible);

- sharing objectives also through the responsible involvement of personnel;
- maintaining fair and transparent industrial relations while respecting individual roles;
- the establishment of working groups with the aim of improving the involvement of personnel at all levels;
- the continuation of the payment of a variable part of remuneration, the payment of which is related to measurable and verifiable quality and efficiency indicators; data on which dissemination and transparency will be maintained;
- the possibility of converting all or part of the variable performance bonus (VPB) into welfare.

In the Group companies, at 31 December 2020, 164 employees, or 14.0% of the total, were members of trade unions (in 2019, 125 employees, or 14.5%, were members)²³.

Hours of participation in trade union activities during 2020 amounted to 0.12% of the hours worked (0.36% in 2019).

²³ The 2019 data does not include the C.M.I. Group, over which Sabaf acquired control on 31 July 2019.

PARTICIPATION IN TRADE UNION ACTIVITIES	2020	2019	BENCHMARK ²⁴
Meeting			
Number of hours	209	2,373	
Percentage over hours worked	0.01	0.16	
Number of hours per capita	0.2	2.3	
Leave for trade union duties			
Number of hours	1,009	1,579	
Percentage over hours worked	0.06	0.10	
Number of hours per capita	0.9	1.5	
Strike			
Number of hours	1,017	1,459	
Percentage over hours worked	0.06	0.10	
Number of hours per capita	0.9	1.4	
TOTAL			
Number of hours	2,235	5,410	
Percentage over hours worked	0.12	0.36	
Number of hours per capita	1.9	5.2	3.3

All strikes called in 2020 are related to public issues and never to specific company issues.

During the first half of 2020, when the health emergency had the greatest impact on the Group's activities, the Italian companies made use of the temporary unemployment fund for a total of 66,574 hours and the solidarity contract for 416 hours.

DISCIPLINARY MEASURES AND DISPUTES

The Group makes use of all the instruments provided for in the contract for compliance with the company rules and social life. At 31 December 2020, 3 disputes were pending (all with former employees), 2 of which were started in 2020.

²⁴ FEDERMECCANICA, *L'industria metalmeccanica in cifre (June 2019) - Ore pro-capite di assenza dal lavoro (2017)*, <http://www.federmeccanica.it>

Sabaf and environment

RISKS

Environmental issues are managed through a risk-based approach, in line with the UNI EN ISO 14001:2015 standard. The relevant risk categories are set out below.

Risks of external context (environmental sustainability), concerning climate change and the objectives of protecting the environment and the territory, through the reduction of environmental impacts and the containment of the use of natural and energy resources. These impacts are considered from the product design stage, through the different stages of its implementation and from a perspective that considers the whole life cycle of the product. With regard to possible impacts related to climate change - both physical, such as the increase in global temperatures, sea level and the increase in extreme weather events, and transitional, such as the increase in

reporting requirements with respect to these topics or the change in consumer preferences - the Group has not identified any significant risks to date.

Strategic risks, including collaboration with strategic service providers with potential environmental risk (waste collection and disposal, cleaning services, maintenances).

Legal and compliance risks, related to compliance with law requirements (authorisations and compliance obligations) and requests of local institutions, also with regard to reporting obligations.

The following paragraph describes how these risks are managed.

HEALTH AND SAFETY, ENVIRONMENTAL AND ENERGY POLICY

PROGRAMME AND OBJECTIVES

The Group is committed to the following objectives:

- the prevention of pollution and rationalisation of the use of energy through the continuous improvement of its processes and products;
- the efficiency in the use of natural and energy resources during production, with a special reference to water and energy consumption;
- the reduction of the quantity of waste produced and the improvement of its quality in terms of hazardousness and recoverability.

Sabaf S.p.A. adopted and maintains an Integrated Management System of Health and Safety, Environment and Energy (EHS&En) that, by integrating with the other Management Systems operating within the company, is an effective means of pursuing a constant reduction in risks, environmental impacts and energy consumption through the following instruments:

- the prior assessment of EHS&En aspects in all company processes, with particular focus on design, production processes and purchases;

- maintaining full compliance with current law requirements, proactively using them as elements of continuous process monitoring;
- a training and information system involving all employees and collaborators.

Since 2003, the Environmental Management System of the Ospitaletto production site (which covers approximately 50% of the Group's total production) has been certified in compliance with ISO 14001.

In 2015, the Energy Management System implemented at the premises of Ospitaletto was certified in compliance with the ISO 50001 standard.

In 2008, Sabaf S.p.A. obtained the Integrated Environmental Authorisation (IPPC) from the Lombardy Region pursuant to Legislative Decree 59 of 18 February 2005.

With regard to the recently acquired companies (Okida and C.M.I. Group), the Group is starting the management and coordination activities for the purpose of managing environmental issues.

PROCESS INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

METAL WASHING

In the production process of valves and burners, it is essential to wash metals in several stages. Since 2013, Sabaf S.p.A. has been using a washing system based on a modified alcohol, a solvent that is redistillable (and therefore recyclable) due to its properties. The

environmental impact and operating costs of this solvent have been substantially eliminated, as well as the emissions and production of special waste.

This efficient and sustainable technology has also been used at the Sabaf do Brasil production site (since 2016) and at the Sabaf Turkey production site (since 2018).

LIGHT ALLOY VALVES

The production of aluminium alloy valves has several advantages compared to the production of brass valves: elimination of the hot moulding phase of brass, lower lead content in the product, lower weight and consequent reduction in consumption for packaging and transport. Light alloy valves currently account for around 92% of the valves produced by the Sabaf Group.

HIGH EFFICIENCY BURNERS

For many years, the Sabaf Group has been at the forefront in offering burners that are characterised by yields higher than standard burners. In the range of standard single ring flame sizes, since the beginning of 2000 Sabaf has introduced four series of burners (Series III, AE, AEO and HE) to the market, all of which guarantee high energy efficiency, with an efficiency of up to 68%.

The DCC series of special burners was introduced in the range of special burners: they are characterised by an energy efficiency of over 60%, the highest available on the market today for multiple flame ring burners. Moreover, DCC burners with a brass flame-spreader ring and efficiency of more than 68% were produced specifically for the Chinese market, the top of what is currently available on that market. High efficiency burners represent more than 23% of the total burners produced.

ENVIRONMENTAL IMPACT

Aware of the value of complete and transparent disclosure, in 2020 Sabaf joined the **Climate Change and Water programmes of CDP** (formerly the Carbon Disclosure Project), an international non-profit organisation that provides businesses, local authorities and governments with a system to measure, track, manage and share information on the environment globally.

In particular, companies are required to participate in an annual survey on the impact of their activities on the environment, the management of their environmental risks and the results achieved.

The aim is to make environmental performance central to business and investment decisions by leveraging information transparency.

MATERIALS USED AND RECYCLABILITY OF PRODUCTS

Sabaf products can be easily recycled because they are made almost entirely of brass, aluminium alloys, copper and steel.

(t)	2020 consumption	2019 consumption	2018 consumption
RAW MATERIALS			
Brass	638	481	789
Aluminium alloys	9,188	6,476	7,831
Zamak	10	11	33
Steel	26,046	21,881	7,861
Cast Iron	96	142	137
Enamel	246	193	189
Bronze	0	1	-
Copper	8	-	-
Stainless steel	103	116	-
PACKAGING MATERIALS			
Cardboard	706	397	454
Plastic	220	136	140
Wood	683	479	503

85% of brass and about 50% of aluminium alloys used are produced by scrap recycling; the remaining 50% of aluminium alloys and about 80% of steel are produced from ore.

43% of the cardboard and about 66% of the plastic comes from recycling.

Cardboard and wood are renewable materials.

The increases in raw material and packaging consumption in 2020 reflect the Group's higher production levels compared to the previous year.

Sabaf products fully comply with the requirements of Directive 2002/95/EC (RoHS Directive) which tends to limit the use of hazardous substances such as lead in the production of electrical and electronic equipment.

Moreover, Sabaf products fully comply with the requirements of Directive 2000/53/EC (End of Life Vehicles), i.e. the heavy metal content (lead, mercury, cadmium, hexavalent chromium) is below the limits imposed by the Directive and/or any exemptions.

With regard to the REACH Regulation (Regulation no. 1907/2006 of 18/12/2006), Sabaf is a downstream user of substances and preparations. The products supplied by Sabaf are classified as articles that do not give rise to the intentional emission of substances during normal use, therefore there is no registration of the substances contained in them. Sabaf involved the suppliers to ensure that they fully comply with REACH Regulation and to obtain confirmation that they meet their obligations to pre-register and register the substances or preparations they use. The data collected was used to complete the SCIP (Substances of Concern In Products) database as per the provisions of the ECHA agency.

ENERGY SOURCES²⁵

		2020 consumption	2019 consumption	2018 consumption
Electricity				
from renewable sources	MWh	158	50	-
from non-renewable sources	MWh	35,220	28,526	30,225
Natural gas	m ³ x1,000	4,478	3,740	3,918
Diesel oil	lx1,000	57	51	21
Petrol	lx1,000	17	10	-
GPL	lx1,000	0	0.09	-
TOTAL CONSUMPTION	GJ	290,125	238,887	249,866

The main sources used are:

- electricity, for all the equipment with electric power supply present, whether functional or not to the production process, which covers about 40% of the total energy requirement;
- natural gas, related to the operation of both production plants (foundry furnaces, washing burners, enamel kilns) and service plants (heating), which covers about 60% of total energy requirements.

Sabaf S.p.A., Sabaf do Brasil and Sabaf Turkey use natural gas as an energy source for the casting of aluminium and for the firing of enamelled lids. The production of other Group companies does not use methane as an energy source.

INDICATOR: ENERGY INTENSITY

(kWh on turnover)	2020	2019	2018
Energy intensity	0.436	0.426	0.460

The trend in energy consumption is closely related to production levels; consumption is substantially stable in relation to sales revenues.

Measures to improve the energy efficiency of installations are ongoing.

²⁵ Updated factors published in 2018, 2019 and 2020, respectively, by the Department for Environment, Food and Rural Affairs (DEFRA) were used to calculate consumption.

WATER

(m ³)	2020	2019	2018
from waterworks	50,682	56,409	110,655
<i>of which freshwater</i>	50,682	56,409	110,665
<i>of which other water</i>	0	0	0
from well	27,675	35,516	29,185
<i>of which freshwater</i>	27,675	35,516	29,185
<i>of which other water</i>	0	0	0
TOTAL	78,357	91,925	139,840

All the water used in the production processes by Group companies is destined for disposal or internal recycling for reuse in company processes: as a consequence, there is no industrial waste water.

The water used in the die-casting and enamelling processes at the plant of Ospitaletto, at the end of the production processes, is treated in concentration plants that have significantly reduced the quantities of water required and waste produced. During 2019, a concentration

plant was also started up at the Brazilian production site, which allowed a further reduction in consumption also in 2020.

At the Ospitaletto plant, there is a plant for the collection of rainwater intended for use in industrial activities. Currently, the volume of rainwater collected is not reported; however, its increased use (due to increased rainfall) has led to a significant reduction in withdrawals from wells.

WASTE

Trimings and waste from the production process are identified and collected separately for recycling or disposal. The risers deriving

from aluminium die-casting are intended for direct reuse. The waste, broken down by type and method of disposal, is summarised below²⁶.

	2020 (t)	Incidence (%)	2019 (t)	Incidence (%)
Similar to urban	291	2.7	225	2.8
Total hazardous	2,256	21.1	1,631	20.3
- reuse	142	1.3	92	1.2
- recycling	5	0.1	1	0.0
- incineration	1,135	10.6	746	9.3
- other ²⁷	863	8.1	733	9.1
- temporary and/or last year's storage	111	1.0	59	0.7
Total non-hazardous	8,132	76.2	6,164	76.9
- reuse	3,882	36.3	2,370	29.6
- recycling	2,068	19.4	747	9.3
- recovery	70	0.7	111	1.4
- incineration	690	6.5	1,359	17.0
- other	88	0.8	870	10.8
- temporary and/or last year's storage	1,334	12.5	707	8.8
Total waste	10,679	100.0	8,020	100.0

²⁶ Following a completion of the data collection system, the disposal methods for 2019 and 2020 present a more detailed classification. Data does not include C.M.I. Poland.

²⁷ Includes landfill disposal.

	2018 (t)	Incidence (%)
Similar to urban	186	2.2
Total hazardous	2,434	28.2
- disposal	992	11.5
- recovery	1,442	16.7
Total non-hazardous	6,008	69.6
- disposal	1,722	20.0
- recovery	4,286	49.6
Total waste	8,628	100.0

	2020	2019	2018
Economic value generated by the Group (€/000)	190,001	160,095	160,054
Total hazardous waste/Generated economic value (kg in €/000)	12	10	15
Total waste/Generated economic value (kg in €/000)	56	50	54

The increase in the volume of waste generated in 2020 is related to higher production levels. The incidence of waste on the economic value generated by the Group remained in line with 2019. The Group continues its efforts to reduce the production of special hazardous waste, also by purchasing raw materials and substances that are already not hazardous originally.

All Group companies have separate waste collection.

No significant spills occurred in 2020.

EMISSIONS INTO THE ATMOSPHERE

A large part of atmospheric emissions of the Sabaf Group derives from activities defined as "negligible pollution".

• Three production processes are carried out at Sabaf S.p.A:

- the production of the components that make up the burners (nozzle holder sumps and flame spreaders) involves the casting and subsequent die-casting of the aluminium alloy, sandblasting of the pieces, a series of mechanical processes with removal of material, washing of some components, assembly and testing. This production process results in the emission of negligible amounts of oily mists, as well as dust and carbon dioxide;
- the production of burner covers, where steel is used as raw material, which is submitted to blanking and minting. The semi-finished covers are then used for washing, sandblasting, application and firing of enamel, a process that generates the emission of dust;
- the production of valves and thermostats, in which mainly aluminium alloy, brass bars and moulded bodies and, to a much lesser extent, steel bars are used as raw materials. The production cycle is divided into the following phases: mechanical machining with removal of material, washing of semi-finished products and components obtained in this way, finishing of the coupling surface of bodies and masks with a diamond tool, assembly and final inspection of the finished product. This process generates negligible oily mists.

- The entire burner production process is carried out at Sabaf do Brasil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l. and in the companies of the C.M.I. Group, steel is used as the main raw material for the production of hinges, and is subjected to a series of mechanical processing and assembly that do not involve any significant emissions.
- In A.R.C. s.r.l., professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf China carries out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Okida, the production activity generates negligible emissions.

The efficiency level of the purification systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2020 showed that all emissions complied with the limits imposed by the law.

CO ₂ EMISSIONS ²⁸		2020	2019	2018
Scope 1 (direct emissions)	tCO ₂ eq	9,409	7,793	8,022
from refrigerant gases	tCO ₂ eq	162	59	-
from fuel consumption	tCO ₂	9,247	7,734	8,022
Scope 2 (indirect emissions) - location based	tCO ₂	11,998	9,979	10,498
Scope 2 (indirect emissions) - market based	tCO ₂	14,969	12,484	13,133
Total emissions Scope 1+2 (location based)	tCO₂eq	21,407	17,772	18,520

The use of natural gas to power melting furnaces results in the emission of NO_x and SO_x into the atmosphere; however, these emissions are not significant. Sabaf does not currently contain

any substances that damage the atmospheric ozone layer, with the exception of the refrigerant used in some air conditioners (R22), which is managed in compliance with the reference standards.

ENVIRONMENTAL INVESTMENTS

In 2019, the Group made two major environmental investments:

- the concentration plant of enamelling wastewater at the Brazilian plant;

- the plant for the chemical-physical treatment of enamelling waste at the Ospitaletto plant.

No major environmental investments were made in 2020.

DISPUTES

Over the three-year period from 2018 to 2020, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending.

²⁸ The factors used for calculating emissions are:

- year 2018: Scope 1 fuels: Defra 2018 - Scope 2 Location-based: Terna 2016 - Scope 2 market-based: AIB 2017, where available, otherwise Terna 2016;
- year 2019: Scope 1 fuels and F-GAS: Defra 2019 - Scope 2 Location-based: Terna 2017 - Scope 2 market-based: AIB 2018, where available, otherwise Terna 2017;
- year 2020: Scope 1 fuels and F-GAS: Defra 2020 where available, otherwise Ispra 2016 - Scope 2 Location-based: Terna 2018 - Scope 2 market-based: AIB 2019, where available, otherwise Terna 2018.

Following the completion of the data collection system, direct emissions (scope 1) for the years 2019 and 2020 also include refrigerants used in air conditioners. The increase in refrigerant gas emissions in 2020 was due to the recharging of air conditioning systems.

Sabaf, the management of product quality and customer relations

RISKS

The new UNI EN ISO 9001:2015 standard with which Sabaf complies, introduces the concept of a “risk-based approach”, which is fundamental for planning the Quality Management System. The relevant risk categories in this area are set out below.

Strategic risks, including intellectual property protection (there is a risk that some Group products, even if under patent protection, may be copied by competitors) and collaboration with critical suppliers.

Legal and compliance risks, relating to non-compliance with product regulations: Sabaf operates in international markets that adopt

different laws and regulations. The product must therefore comply with the mandatory and voluntary requirements and the organisation must be able to show this consistency to the certification bodies responsible for control.

Business continuity risks: risk of non-delivery to customers due to stoppages for reasons of force majeure (total or partial lockdowns, lack of transport services, production stoppages or delays). This risk, which in the past could be classified with a low probability of occurrence and low value, takes on higher probability and impact assessments in the current context.

Health emergency and relations with customers

The Sabaf Group’s products represent strategic components in the household appliance supply chain. Since many components are supplied on an exclusive or customised basis, it is often impossible or difficult for other players to offer alternative products.

The Group is fully aware of the effects of any non-deliveries and has taken all steps to ensure continuity of supply. During the period in which the health emergency forced the suspension of operations at some plants, the contribution of production from the Group’s other plants was crucial. Even in the second half of the year, when demand reached unpredictable peaks, the

mutual support between the various plants made it possible to respond to customers’ needs in the best possible way. Moreover, the saturation levels of production capacity were carried to the maximum everywhere, with extensive use of third shifts and work on public holidays and on days before a holiday.

The pandemic has made it even more obvious to large manufacturers of household appliances that they need a solid, reliable supplier base that can respond immediately to unpredictable changes in the economic scenario. In this context, the Sabaf Group is proving to be a partner you can count on.

QUALITY MANAGEMENT POLICY

The Quality Management System has the aim of enabling the achievement of the following objectives:

- increasing customer satisfaction by understanding and meeting their present and future requirements;
- continuous improvement of processes and products, also aimed at protecting the environment and the safety of employees;
- involvement of partners and suppliers in the continuous improvement process, favouring the “comakership” logic;
- valuation of human resources;
- improvement of business performance and of the quality management system based on “risk based thinking”;
- meet the mandatory requirements applicable to the products (laws and regulations).

In order to contribute consistently to the pursuit of these objectives, the Sabaf Group undertakes a series of commitments explicitly stated in the Charter of Values:

- to act with transparency, correctness and contractual fairness;

- to communicate product information in a clear and transparent manner;
- to adopt a professional and helpful behaviour towards customers;
- not to give gifts to customers that exceed normal courtesy practices and that may tend to influence their objective assessment of the product;
- to guarantee high quality standards of the offered products;
- to ensure constant attention in technological research in order to offer innovative products;
- to collaborate with customer companies to ensure that the end user is fully confident in using the products;
- to promote social responsibility actions throughout the production chain;
- to listen to customers’ requirements through constant monitoring of customer satisfaction and complaints, if any;
- to inform customers of potential risks related to the use of products, as well as the related environmental impact.

Group companies that have obtained quality certification according to the ISO 9001 standard

COMPANY	YEAR OF FIRST CERTIFICATION
Sabaf S.p.A.	1993
Faringosi Hinges s.r.l.	2001
C.G.D. s.r.l.	2002
C.M.I. s.r.l.	2003
Okida	2005
Sabaf do Brasil	2008
Sabaf Turkey	2015

During 2020, the Quality Management System was constantly monitored and maintained to ensure the correct implementation and compliance with the requirements of the ISO 9001 standard.

As part of the internal audit plan for 2020, a total of 26 functional areas of offices and production departments were checked at the Ospitaletto plant, 14 at Sabaf do Brasil and 14 at Sabaf Turkey. The results of these checks did not reveal any critical aspects of the system, which therefore fully complies with the standard.

With regard to third-party inspections of the Quality Management System, annual inspections were carried out in 2020 at all certified plants, with the exception of the plant in Brazil, for which the next inspection is scheduled for 2021. The interventions were successfully concluded, confirming the adequacy of the System and the maintenance of the ISO 9001 certification. Some inspections were carried out remotely due to national regulations and adjustments made by the Group to reduce physical contact and ensure safety.

CUSTOMER HEALTH AND SAFETY

Sabaf protects the health of consumers by checking that the materials that make up its products comply with the international directives in force (REACH and RoHS directives and completion of the SCIP database).

To ensure the safe operation of valves, thermostats and burners, Sabaf carries out leak tests on 100% of its production.

Valves and thermostats are also certified by third parties that

guarantee compliance with the operating and safety requirements required to be marketed on the world market.

Hinges and electronic components do not pose a significant risk to consumer safety.

During the reporting period, there were no instances of non-compliance with regulations regarding the health and safety impacts of products.

CUSTOMER SATISFACTION

The customer satisfaction survey, carried out every two years, is part of the stakeholder engagement activities that Sabaf undertakes in order to constantly improve the quality of the services offered and to respond to customer expectations.

The latest survey, carried out in 2019 through an online survey, confirmed the positive opinion of customers whose strong points included the quality of products and timeliness, professionalism and competence in technical and commercial assistance.

CUSTOMER COMPLAINT HANDLING

Sabaf systematically handles all complaints from customers. A specific process is in place and envisages:

- analysis of the alleged defect to assess its validity;
- identification of the causes of the defect;
- corrective actions necessary to prevent or limit the recurrence of the problem;

- customer feedback through 8D reports (quality management tool that enables a cross-functional team to determine the causes of problems and provide effective solutions).

DISPUTES

There is no dispute with customers.

Sabaf and supply chain management

RISKS

The supply chain presents different types of risks, which must be assessed and monitored in order to limit the possibility of damage to the companies of the Group.

Risks of external context. Considering that a significant (although not predominant) portion of purchases takes place on international markets, the Group monitors and manages the risk of instability in supplier Countries.

Strategic risks related to a socially responsible approach along the supply chain (quality of supply, respect for human rights and protection of workers, respect for the environment, energy consumption). The definition of the criticality level, especially environmental and social, derives from a risk assessment that takes into account the type of process, product or service provided and the geographical location of the supplier.

Operational risks: including continuity of supplies, assessed also by referring to the financial sustainability of the suppliers.

Health emergency and relations with suppliers

In the health emergency, the Sabaf Group has also acted in full compliance with the principles of conduct and the commitments made in the Charter of Values in its dealings with suppliers.

Maximum punctuality in meeting payments within the agreed deadline was always ensured. Sabaf immediately joined the #iopagoifornitori initiative promoted by Confindustria Brescia.

In the context of the pandemic, sharing good social responsibility practices, mutual fairness and always viewing the relationship as a strategic partnership proved to be strategic factors in facing new and unpredictable challenges together with suppliers.

The support of suppliers has been instrumental in ensuring continuity of supply throughout the supply chain, which is essential for the whole household appliance sector.

SUPPLY CHAIN MANAGEMENT POLICY

All Group companies comply with the principles of conduct defined in the Charter of Values in managing relations with suppliers.

The Group is gradually implementing a purchasing management policy valid for all Group companies. As things stand, the management of relations with suppliers in Sabaf S.p.A., Sabaf do Brasil, Sabaf Turkey, Sabaf China and Faringosi Hinges s.r.l. is conducted on the basis of uniform procedures. For the most recently acquired companies (A.R.C., Okida and C.M.I.) the general policies are shared, with a special reference to the management of the risks exposed above, and possible synergies are identified and fulfilled.

With regard to the management by suppliers of quality, environment and social responsibility, if the law in force already requires Sabaf to meet the minimum requirements, the risk is considered to be lower, otherwise periodic audits are carried out on the management of these aspects. In 2019, class A and B suppliers were analysed to cover 95% of the expenditure²⁹. This analysis revealed 34 cases of suppliers considered potentially critical, following which 25 audits were carried out from which no critical non-conformities were found but only observations. In connection with non-critical non-compliances, the suppliers were asked to take appropriate action. During 2020, the health emergency led to the need to temporarily suspend supplier audits, which will be resumed as soon as the situation returns to normal.

²⁹ The valuation is made for suppliers with an average annual turnover to Sabaf of more than €5,000 over the previous three years. Residual suppliers are considered not significant.

RELATIONS WITH SUPPLIERS AND CONTRACTUAL CONDITIONS

Relations with suppliers are based on long-term collaboration and on fairness in negotiations, integrity and contractual fairness and the sharing of growth strategies.

To encourage the sharing with suppliers of the values that underpin its business model, Sabaf has distributed the Charter of Values in a widespread manner.

Sabaf guarantees absolute impartiality in the choice of suppliers and undertakes to strictly comply with the agreed payment terms. Very short payment terms are agreed for artisan and less structured suppliers (mainly 30 days).

Sabaf requires its suppliers to be able to renew themselves technologically, so that the best quality/price ratios can always be proposed, and favours suppliers who have obtained or are obtaining Quality and Environmental System certifications.

In 2020, the turnover of suppliers of the Sabaf Group with a Certified Quality System was equal to 65% of the total (74% in 2019).

PURCHASE ANALYSIS

As shown in the table below, the Sabaf Group aims to encourage development in the area in which it operates and, therefore, in selecting suppliers, favours local companies³⁰.

	Total 2020 purchases (€/000)	% domestic purchases	Total 2019 purchases (€/000)	% domestic purchases
Sabaf S.p.A.	71,882	75%	56,466	79%
Faringosi Hinges s.r.l.	8,102	100%	8,331	99%
A.R.C. s.r.l.	2,483	85%	3,466	83%
C.M.I. Group	20,391	98%	24,916	71%
Sabaf Turkey	12,506	55%	10,242	72%
Okida	7,917	72%	5,537	68%
Sabaf do Brasil	12,341	84%	7,491	95%
Sabaf China	542	97%	534	98%

DISPUTES

No disputes with suppliers have arisen in the last three years.

³⁰ The data in the table does not take account of intercompany supplies. Values converted into euro at the annual average exchange rate. The 2019 data of the C.M.I. Group refers to the full year.

Sabaf, Public Administration and Community

RELATIONS WITH THE PUBLIC ADMINISTRATION

Sabaf has always had an open dialogue with the authorities in every local community in which it is present, in order to promote shared and sustainable industrial development, with positive repercussions for local communities.

APPROACH TO TAX

The Group, in line with the principles defined in the Charter of Values, acts according to the values of honesty, moral integrity, transparency and fairness also in the management of its tax activity. The Group also believes that the contribution from taxes paid is an important channel through which it can participate in the economic and social development of the countries in which it operates. For this reason, the Group pays attention to the compliance with tax regulations and therefore acts responsibly in the jurisdictions in which it is present.

Therefore, acting responsibly in terms of tax is for the Group a behaviour also oriented towards the protection of the company's assets and the creation of value in the medium-long term.

The Administration and Finance Department is responsible for managing tax issues. The Group has not defined a formalised tax strategy at Group level; individual companies operate in accordance with local tax regulations.

To date, the Group has no formalised tax governance. Responsibility for compliance lies with the Administration and Finance functions of each subsidiary, while the Administration and Finance Department of the parent company performs a supervisory, guidance and coordination function with regard to intra-group relations.

Tax risks are analysed and managed in accordance with the company's overall Enterprise Risk Management model.

To date, the Group has not received any requests from its stakeholders regarding tax issues. Should they arrive, they will be dealt with by the corporate functions in charge of compliance on this matter.

Relations with tax authorities are based on the principles of fairness and full compliance with the different regulations applicable in the Countries where the Group operates. Note that the Group does not engage in tax advocacy.

REPORTING BY COUNTRY³¹

(€/000)	ITALY	BRAZIL	TURKEY	CHINA	U.S.A.	INDIA	POLAND	TOTAL BEFORE CONSOLIDATION	CONSOLIDATION ADJUSTMENTS	TOTAL CONSOLIDATED FINANCIAL STATEMENTS
Property, plant and equipment other than cash and cash equivalents	167,729	13,345	39,057	1,808	-	1,585	3,636	227,160	(29,066)	198,094
Number of employees	666	87	363	8	-	-	44	1,168	-	1,168
Sales to third parties	123,156	12,347	38,881	1,092	-	-	9,430	184,906	-	184,906
Intra-group revenues to other jurisdictions	20,794	2	1,927	123	263	-	535	23,645	(23,645)	-
Pre-tax profit	8,693	2,307	4,516	(625)	78	(48)	719	15,640	(1,131)	14,509
Income taxes paid	240	790	1,969	-	-	-	-	2,999	-	2,999
Income taxes for the year (A)	1,770	791	951	-	-	-	129	3,641	-	3,641
Differences between the theoretical tax burden and the tax burden booked in the financial statements (B)	560	(6)	43	-	-	-	-	597	-	597
Theoretical income tax (C) = (A)+(B)	2,330	785	994	(150)	-	-	129	4,088	-	4,088
Permanent tax differences (D)	233	6	(265)	-	-	-	-	(26)	-	(26)
Other changes (E)	(1,332)	-	222	150	-	-	-	(960)	-	(960)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current) (F) = (C)+(D)+(E)	1,231	791	951	-	-	-	129	3,102	(276)	2,826
IRAP (current) (G)	539	-	-	-	-	-	-	539	-	539
Total (H) = (F) + (G)	1,770	791	951	-	-	-	129	3,641	(276)	3,365

³¹ The names and main activities carried out by Group companies are listed in the paragraph "[Corporate Governance, Risk Management and Compliance](#)" of this document.

RELATIONS WITH INDUSTRIAL ASSOCIATIONS

Sabaf S.p.A. is one of the founders of **APPLiA Italia (former CECED Italia)**, the association that develops and coordinates in Italy the study activities promoted at European level by APPLiA – Home Appliance

Europe with the related scientific, legal and institutional implications in the household appliances sector.

Sabaf S.p.A. has been a member of Confindustria Brescia since 2014.

RELATIONS WITH UNIVERSITIES AND THE STUDENT WORLD

Sabaf S.p.A. systematically organises company visits with groups of students and bears witness of best practices on sustainability at important conferences.

CHARITABLE INITIATIVES AND PERKS

In 2019, Sabaf S.p.A. joined the Fondazione Spedali Civili of Brescia to which it made a donation during 2020, as part of the fundraising set up to deal with the Covid emergency.

The Group's ongoing humanitarian initiatives include:

- support for the ANT Foundation, which provides free specialist medical home-care to cancer patients and cancer prevention activities;

- support for Associazione Volontari per il Servizio Internazionale (AVSI), a non-governmental, non-profit organisation engaged in international development aid projects. The donations are intended to support twenty children living in different Countries of the world at a long distance.

DISPUTES

There are no significant disputes with Public Bodies or other representatives of the community.

Sabaf and shareholders

THE COMPOSITION OF THE SHARE CAPITAL

The share capital of Sabaf S.p.A., fully subscribed and paid-up, is €11,533,450, consisting of 11,533,450 ordinary shares having the par value of €1.00 each. At the date of preparation of this Disclosure (23 March 2021), a total of 3,556,690 shares had acquired voting rights (two votes for each share).

	NUMBER OF SHARES MAKING UP THE SHARE CAPITAL	NUMBER OF VOTING RIGHTS
TOTAL	11,533,450	15,090,140
of which:		
ordinary shares IT0001042610	7,976,760	7,976,760
ordinary shares with increased vote IT0005253338	3,556,690	7,113,380

The shareholders entered in the shareholders' register at 26 February 2021 were 1,948, of whom:

- 1,649 own up to 1,000 shares;
- 211 own 1,001 to 5,000 shares;

- 29 own 5,001 to 10,000 shares;
- 59 own over 10,000 shares.

29.31% of the share capital is held by shareholders resident abroad.

RELEVANT SHAREHOLDERS				
SHAREHOLDER	NUMBER OF SHARES	% OF SHARE CAPITAL	VOTING RIGHTS	% HELD
CINZIA SALERI S.p.A.	2,415,644	20.94%	2,415,644	16.01%
QUAESTIO CAPITAL MANAGEMENT SGR S.p.A.	2,306,690	20.00%	4,613,380	30.57%
FINTEL s.r.l.	883,394	7.66%	1,733,394	11.49%
FIDELITY PURITAN TRUST	400,000	3.47%	800,000	5.30%
PALOMA RHEEM INVESTMENTS. INC.	570,345	4.95%	570,345	3.78%

There are no other shareholders other than those highlighted above with a shareholding of more than 3%.

INVESTOR RELATIONS AND FINANCIAL ANALYSTS

Since its listing on the Stock Exchange (1998), the Company has attributed strategic importance to financial communication. Sabaf's financial communication policy is based on the principles of fairness, transparency and continuity, in the belief that this approach allows investors to correctly evaluate the Company. In this perspective, Sabaf guarantees maximum willingness to engage in dialogue with

financial analysts, institutional investors and proxy advisors. During 2020, the company participated in the Star Conferences in March and October, Sustainability Week in July and the Small & Mid Cap Conference in December, events that were held in virtual format due to the health emergency.

REMUNERATION OF SHAREHOLDERS AND SHARE PERFORMANCE

In 2020, the Sabaf share recorded the highest official price on 8 December (€15.725) and lowest on 30 March (€9.476). The average

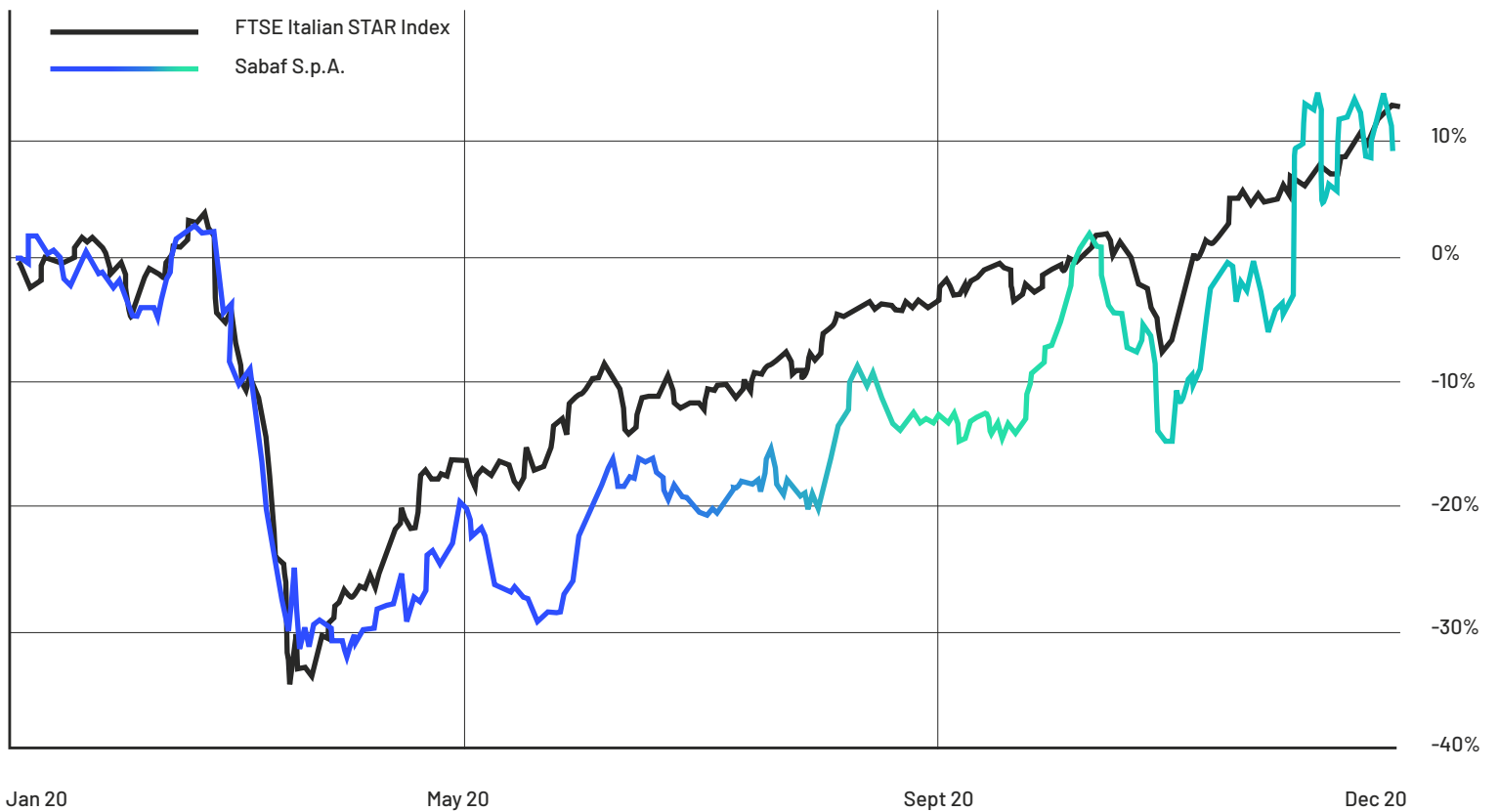
volume traded was 9,627 shares per day, equal to an average value of €121,764 (€71,894 in 2019).



2020 PERFORMANCE OF SABAF SHARES (PRICE AND VOLUMES TRADED)



SABAF VS. FTSE ITALIA STAR INDEX



The Shareholders' Meeting of 4 May 2020, in accordance with the proposal made by the Board of Directors, resolved to allocate the entire 2019 net profit to reserves. This proposal was made, on a prudential basis, in view of the uncertainties of the period that was then experiencing its most critical phase. The reassuring results at

30 June 2020 and the positive business trend in the following months subsequently allowed the distribution of a dividend of €0.35 per share (total dividends of approximately €3.9 million), approved by the shareholders' meeting on 29 September and paid on 14 October.

SOCIALLY RESPONSIBLE INVESTMENTS

Sabaf shares have frequently been analysed by analysts and managers of SRI funds, who have also invested in Sabaf on several occasions.

DISPUTES

There is no dispute with shareholders.

Sabaf and lenders

RELATIONS WITH CREDIT INSTITUTIONS

The 2018-2022 Business Plan envisages the financing of growth also through greater use of financial debt, which is expected to remain within the parameters of absolute security (net financial debt to EBITDA ratio below 2).

At 31 December 2020, the net financial debt was €56.3 million, compared with €55.1 million on 31 December 2019; the ratio between

the net financial debt and the pro-forma EBITDA³² was 1.52 versus 1.86 at 31 December 2019.

Relations with banks have always been based on maximum transparency. Relations with institutions that are able to support the Group in all its financial needs and to propose solutions in a timely manner to meet specific needs are privileged.

DISPUTES

There is no dispute with the lenders.

³² The pro-forma EBITDA is calculated taking into account, for companies acquired and entering the scope of consolidation during the year, the EBITDA for the entire year.

Sabaf and competitors

TRENDS IN THE COOKING APPLIANCE MANUFACTURER SECTOR

The household appliance industry shows the following trends.

- **Concentration**, with a small number of large players present on a global scale. This trend is less evident for cooking appliances than for other household appliances: in the cooking sector, in fact, design and aesthetics on the one hand and the lower intensity of investments on the other allow the success of even small and highly innovative producers.
- **Internationalisation of production**, increasingly relocated to countries with low labour costs.
- **Outsourcing the design and production of components** to highly specialised suppliers who, like Sabaf, are active in the main world markets and are able to provide a range of products that meets the specific requirements of different markets.

MAIN ITALIAN AND INTERNATIONAL COMPETITORS

In Europe, Sabaf estimates that it has a market share of about 40% in the sector of gas parts. The world market share is estimated at about 10%.

The main competitors of the Sabaf on the international market are Copreci, Defendi and Robertshaw.

Copreci is a cooperative located in Spain in the Basque Country, part of Mondragon Cooperative Corporation and represents Sabaf's main competitor in terms of valves and thermostats.

Defendi is an Italian company, acquired in 2013 by the German group EGO, and is mainly active in the production of burners in Italy and Brazil.

Robertshaw is the leading producer of gas parts for the North American market.

Main Italian and international competitors

	VALVES AND THERMOSTATS	BURNERS	HINGES	ELECTRONIC COMPONENTS
SABAF GROUP	●	●	●	●
Copreci (Spain)	●			●
Defendi Italy (Italy)	●	●		●
Robertshaw (U.S.A.)	●	●		
Somipress (Italy)		●		
Nuova Star (Italy)			●	

2018 and 2019 economic data of the main Italian competitors³³

(€/000)	2019			2018		
	SALES	EBIT	NET RESULT	SALES	EBIT	NET RESULT
SABAF GROUP	155,923	11,896	9,915	150,642	16,409	15,614
Defendi Italy	41,407	(1,521)	(4,237)	50,383	(98)	577
Somipress Group	35,670	3,555	2,752	36,456	2,162	1,824
Nuova Star	35,294	406	259	35,485	366	321

No further information is available on competitors due to the difficulty of finding the data.

Sabaf firmly believes that competition between companies promotes both an effective economy and sustainable growth. In making business

decisions, Sabaf also takes into account the risk of behaviour that is detrimental to free competition. Currently, the Group has not adopted a formalised policy aimed at preventing anti-competitive behaviour. According to the information available, there is no evidence of anti-competitive behaviour or infringement of antitrust regulations.

DISPUTES

At 31 December 2020:

- there is a dispute pending against a competitor following an alleged violation of one of our patents;
- there is a dispute pending brought by a competitor for alleged infringement of a patent, which was closed in early 2021 with a settlement agreement.

³³ Sabaf processing from the financial statements of the various companies. Latest available data.

GRI Content Index

GRI STANDARD	DISCLOSURE	PAGE (or direct reference)	OMISSION
GRI 101: Foundation 2016			
General disclosures			
GRI 102: General disclosures 2016	Organisational profile		
	102-1	Name of the organisation	Front cover
	102-2	Activities, brands, products, and services	pp. 18-21
	102-3	Location of headquarters	Via dei Carpini, 1 25035 Ospitaletto (Brescia)
	102-4	Location of operations	pp. 20-23
	102-5	Ownership and legal form	pp. 44-46; 100
	102-6	Markets served	pp. 20-23
	102-7	Scale of the organisation	pp. 11-23
	102-8	Information on employees and other workers	pp. 66-69
	102-9	Supply chain	pp. 95-96
	102-10	Significant changes to the organization and its supply chain	p. 26
	102-11	Precautionary Principle or approach	pp. 37; 57-58
	102-12	External initiatives	pp. 29-30; 39-40
	102-13	Membership of associations	p. 99
	Strategy		
	102-14	Statement from senior decision-maker (Chairman and CEO)	pp. 27-28
	Ethics and integrity		
	102-16	Values, principles, standards and norms of behaviour	pp. 29-32
	Governance		
	102-18	Governance structure	pp. 44-56
	102-22	Composition of the highest governance body and its committees	pp. 46-51
	Stakeholder engagement		
	102-40	List of stakeholder groups	p. 38
	102-41	Collective bargaining agreements	pp. 80-83
	102-42	Identifying and selecting stakeholders	p. 38
	102-43	Approach to stakeholder engagement	p. 38
	102-44	Key topics and concerns raised	p. 38
	Reporting practice		
	102-45	Entities included in the consolidated financial statements	pp. 20; 26; 45
	102-46	Defining report content and topic Boundaries	pp. 26; 41
	102-47	List of material topics	pp. 41-43
	102-48	Restatements of information	pp. 26; 75
	102-49	Changes in reporting	pp. 26; 41
	102-50	Reporting period	p. 26
	102-51	Date of most recent report	Year 2019
	102-52	Reporting cycle	p. 26
	102-53	Contact point for questions regarding the report	Tel: +39 0306843001 Fax: +39 0306848249 E-mail: info@sabaf.it
	102-54	Claims of reporting in accordance with the GRI Standards	p. 26
	102-55	GRI Content Index	pp. 105-108
	102-56	External assurance	pp. 109-111

GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
Material topics				
GRI 200 Economic Standards Series				
	Economic performance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58	
	103-3	Evaluation of the management approach	pp. 57-58	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	p. 36	
	Market presence			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 63-65; 80-83	
	103-3	Evaluation of the management approach	pp. 57-58; 63-65; 80-83	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	p. 82	
	Anti-corruption			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58	
	103-3	Evaluation of the management approach	pp. 57-58	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	p. 61	
	Anti-competitive behaviour			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 103-104	
	103-3	Evaluation of the management approach	pp. 57-58; 103-104	
GRI 206: Anti-competitive behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	p. 104	
	Tax			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 97-98	
	103-3	Evaluation of the management approach	pp. 57-58; 97-98	
GRI 207: Tax 2019	207-1	Approach to tax	p. 97	
	207-2	Tax governance, control and risk management	p. 97	
	207-3	Stakeholder engagement and management of concerns related to tax	p. 97	
	207-4	Country-by-Country reporting	p. 98	

GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
GRI 300 Environmental Standards Series				
	Materials			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 87-89	
	103-3	Evaluation of the management approach	pp. 57-58; 87-89	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	pp. 88-89	
	Energy			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 87-88; 89	
	103-3	Evaluation of the management approach	pp. 57-58; 87-88; 89	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	p. 89	
	302-3	Energy intensity	p. 89	
	Emissions			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 87-88; 91-92	
	103-3	Evaluation of the management approach	pp. 57-58; 87-88; 91-92	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	p. 92	
	305-2	Energy indirect (Scope 2) GHG emissions	p. 92	
	Effluents and waste			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 87-88; 90-91	
	103-3	Evaluation of the management approach	pp. 57-58; 87-88; 90-91	
GRI 306: Effluents and waste 2016	306-2	Waste by type and disposal method	p. 90-91	
	Environmental compliance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 87-88; 92	
	103-3	Evaluation of the management approach	pp. 57-58; 87-88; 92	
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	p. 92	
GRI 400 Social Standards Series				
	Employment			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 63-65; 77	
	103-3	Evaluation of the management approach	pp. 57-58; 63-65; 77	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	pp. 70-77	
	Industrial relations			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 63-65; 85-86	
	103-3	Evaluation of the management approach	pp. 57-58; 63-65; 85-86	
GRI 402: Labour management relations 2016	402-1	Minimum notice periods regarding operational changes	p. 85	
	Health and safety			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 83-85	
	103-3	Evaluation of the management approach	pp. 57-58; 83-85	

GRI STANDARD	DISCLOSURE		PAGE (or direct reference)	OMISSION
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	pp. 83-85	
	403-2	Hazard identification, risk assessment, and incident investigation	pp. 83-85	
	403-3	Occupational health services	pp. 83-85	
	403-4	Worker participation, consultation, and communication on occupational health and safety	pp. 83-85	
	403-5	Worker training on occupational health and safety	pp. 83-85	
	403-6	Promotion of worker health	pp. 83-85	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 83-85	
	403-9	Work-related injuries	p. 84	
Training and education				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 63-65; 77-78	
	103-3	Evaluation of the management approach	pp. 57-58; 63-65; 77-78	
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	p. 78	
Diversity and equal opportunities				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 47; 57-58; 63-65; 78-79	
	103-3	Evaluation of the management approach	pp. 47; 57-58; 63-65; 78-79	
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	pp. 48-53; 79	
Non-discrimination				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 63-65	
	103-3	Evaluation of the management approach	pp. 57-58; 63-65	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	p. 65	
Supplier social assessment				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 95-96	
	103-3	Evaluation of the management approach	pp. 57-58; 95-96	
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	pp. 95-96	
Customer Health and Safety				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 93-94	
	103-3	Evaluation of the management approach	pp. 57-58; 93-94	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	p. 94	
Customer satisfaction and customer support				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pp. 41-43	
	103-2	The management approach and its components	pp. 57-58; 93-94	
	103-3	Evaluation of the management approach	pp. 57-58; 93-94	
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 94	
Topics not covered by specific standards				
Partnership with multinational groups				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	pagg. 41-43	
	103-2	The management approach and its components	pagg. 32-33; 57-58	
	103-3	Evaluation of the management approach	pagg. 32-33; 57-58	



EY S.p.A.
Corso Magenta, 29
25121 Brescia

Tel: +39 030 2896111
Fax: +39 030 295437
ey.com

Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

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

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Sabaf S.p.A. and its subsidiaries (hereinafter the "Group" or "Sabaf Group") for the year ended on 31st December 2020 in accordance with article 4 of the Decree and approved by the Board of Directors on 23rd March 2021 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

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Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "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. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in Sabaf Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Sabaf S.p.A. and with the personnel of C.M.I s.r.l. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.



Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the Crespellano site of C.M.I s.r.l., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Sabaf Group for the year ended on 31st December 2020 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Brescia, 2nd April, 2021

EY S.p.A.
Signed by: Massimo Meloni, Auditor

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