



**INTRODUCTION TO THE
ANNUAL REPORT
AND
CONSOLIDATED DISCLOSURE
OF NON-FINANCIAL INFORMATION
2023**

SABAF S.p.A.
Via dei Carpini, 1 – 25035 OSPITALETTO (BS) ITALY
Share capital €12,686,795 fully paid in
www.sabafgroup.com

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INTRODUCTION TO THE ANNUAL REPORT 2023

The publication of the Annual Report of the Sabaf Group, now in its nineteenth edition, confirms the Group's commitment, undertaken since 2005, to an integrated report on 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, 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 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 ("PIEs") to disclose non-financial and diversity information starting from the 2017 financial statements. Therefore, as a PIE, Sabaf has prepared, for the seventh year, the Consolidated Disclosure of Non-Financial Information which describes the main policies applied by the company, its management models, the risks, the activities carried out by the Group in 2023 and the related performance indicators covering the topics set out in the Legislative Decree no. 254/2016 (environmental, social, personnel-related, respect for human rights, anti-corruption) in order to ensure an understanding of the company's operations, performance, results and impacts.

Summary of key performance indicators (KPIs)

Economic capital		2023	2022	2021
Sales Revenues	€/000	237,949	253,053	263,259
EBITDA	€/000	29,612	40,092	54,140
EBIT	€/000	11,062	21,887	37,508
Pre-tax profit (loss)	€/000	(6)	12,209	29,680
Net profit	€/000	3,103	15,249	23,903
Working capital	€/000	71,848	79,380	68,631
Invested capital	€/000	243,538	240,528	190,043
Shareholders' equity	€/000	170,388	156,162	122,436
Net financial debt	€/000	73,150	84,366	67,607
Return on invested capital (EBIT/invested capital)	%	4.5	9.1	19.7
Dividends paid out	€/000	0	6,690	6,172

Human capital		2023	2022	2021
Total employees	no.	1,318	1,238	1,278
<input type="checkbox"/> men	%	59.9	59.5	60.9
<input type="checkbox"/> women	%	40.1	40.5	39.1
Average age of personnel (total age of employees/ total employees at 31.12)	years	40.3	40.3	39.5
Level of education (number of university and high school graduates/ total employees at 31.12)	%	60.1	65.1	64.4
Employee turnover (departures/employees at 31.12)	%	24.1	22.7	17.7
<input type="checkbox"/> men (departures/men at 31.12)	%	23.8	25.6	21.9
<input type="checkbox"/> women (departures/women at 31.12)	%	24.6	18.4	11.2
Training hours per employee (training hours/total employees at 31.12)	h	28.4	23.1	17.4
Investments in training of employees/turnover	%	0.33	0.39	0.27
Hours of strike for internal causes	h	0	0	39
Total work-related injury rate (number of work-related injuries x 1,000,000/total hours worked)		6.94	8.16	15.59
Injury lost day rate (lost days x 1,000 / hours worked)		0.14	0.13	0.26
Jobs created (lost)	no.	35	(40)	110

Relational capital		2023	2022	2021
Value of goods and services outsourced	€/000	9,513	13,564	18,227
Average turnover per customer (total turnover/number of customers)	€/000	589	615	629
Percentage of top 10 customers	%	51	51	47
Percentage of top 20 customers	%	68	69	67
Certified supplier turnover (certified supplier turnover/purchases)	%	72	75	72
Number of analysts who constantly follow the security	no.	3	3	2

Productive capital		2023	2022	2021
Fixed assets	€/000	179,655	170,750	130,093
Total net investments	€/000	16,942	20,856	23,752
IT costs (investments + operating costs)/turnover	%	0.8	0.6	0.6
Real investment/turnover	%	8.6	7.6	8.7
Quantities sold of light alloy valves on total valves and thermostats	%	94.0	91.1	89.3
Quantities sold of high energy efficiency burners on total burners	%	29.6	31.9	26.5

Environmental capital		2023	2022	2021
Materials used				
<input type="checkbox"/> steel	t	19,791	20,587	26,801
<input type="checkbox"/> aluminium alloys	t	8,297	7,917	11,326
<input type="checkbox"/> brass	t	532	639	1,227
Electricity consumption				
<input type="checkbox"/> from renewable sources	MWh	4,272	3,520	4,853
<input type="checkbox"/> from non-renewable sources	MWh	32,819	32,658	39,276
Natural gas consumption	m ³ x1,000	4,192	4,090	5,474
Energy intensity (KWh/turnover)	kWh/€	0.359	0.308	0.378
Water withdrawal ¹	m ³	95,663	115,982	102,447
Waste by type ²				
<input type="checkbox"/> similar to urban	t	193	209	356
<input type="checkbox"/> hazardous	t	1,790	1,619	2,238
<input type="checkbox"/> non-hazardous	t	8,376	7,833	9,385
Total waste/Generated economic value (kg in €/000)	kg in €/000	41	36	45
CO ₂ emissions				
<input type="checkbox"/> Scope 1+Scope 2 market-based	tCO _{2eq}	23,646	23,150	29,134
<input type="checkbox"/> Scope 3	tCO _{2eq}	19,244,500	not measured	not measured
Intensity of CO ₂ emissions (Scope 1 and Scope 2 market-based emissions/turnover)	tCO _{2eq} /millions of €	106	91	111

¹ The indicator does not include the data relating to C.G.D. s.r.l.

² The indicator does not include the data relating to the Polish branch C.M.I. s.r.l.

Intellectual capital		2023	2022	2021
Capitalised investments in research and development	€/000	2,249	2,506	1,770
Hours dedicated to the development of new products/hours worked	%	3.5	3.1	3.1
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)	%	1.8	2.3	1.7
Investments in intangible assets/turnover	%	1.1	1.2	0.8
Value of waste/turnover (production waste/turnover)	%	0.58	0.47	0.48
Impact of quality costs/turnover (charges and returns from customers/turnover)	%	0.09	0.07	0.05
Number of samples for customers	no.	2,418	3,232	5,571

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 organic investments and through 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.**

In 2022, the Group announced its entry into the **induction** cooking components market. Sabaf thus is present in all cooking technologies: gas, traditional electric and induction. The entry into the induction cooking industry is the result of an important investment plan developed by the Group via a dedicated project team based in Italy. Leveraging a team of more than 50 electronic engineers, Sabaf developed its own project know-how internally by filing proprietary patents, software and hardware, and aspires to create innovative products that better meet customers' needs and new consumer trends. The first prototypes were unveiled in the second half of 2022, while the first sales are expected for the first half of 2024.

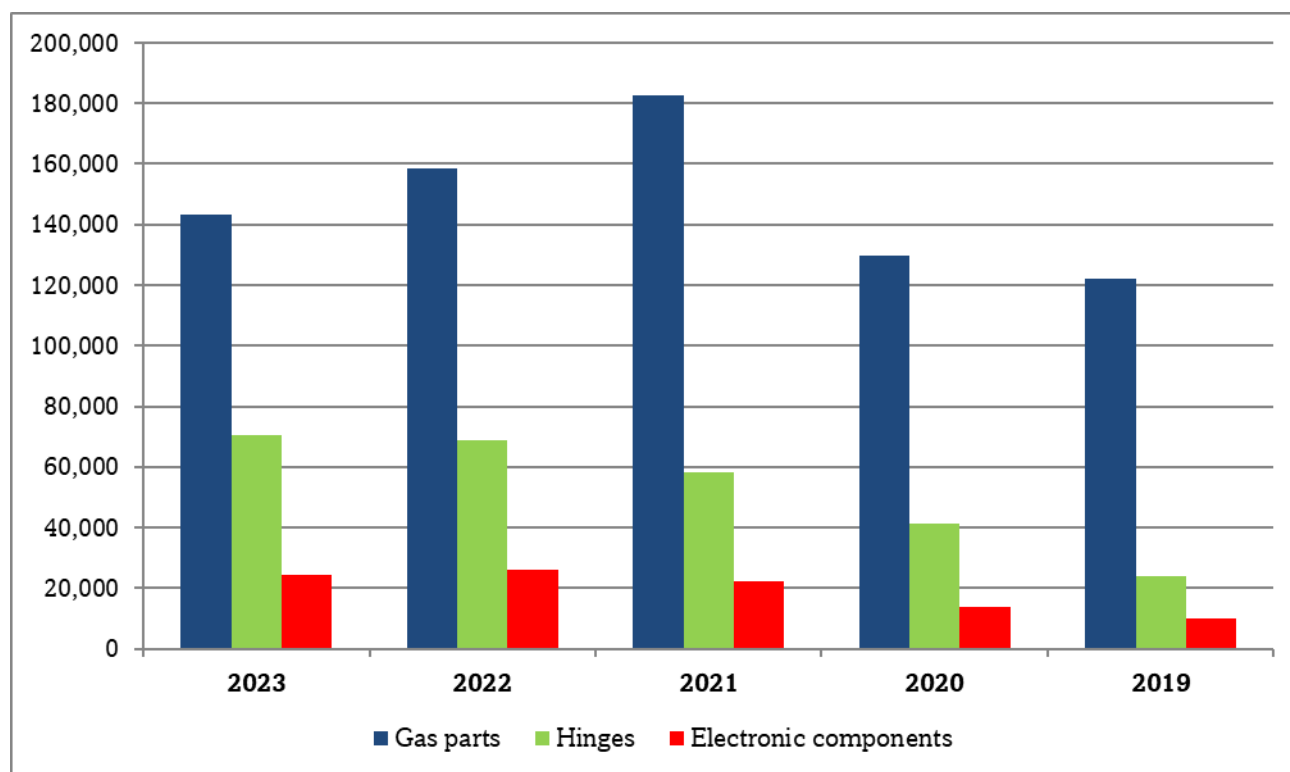
The reference market of the Sabaf Group is represented by manufacturers of household appliances. The range also includes products for the professional sector.

The product range

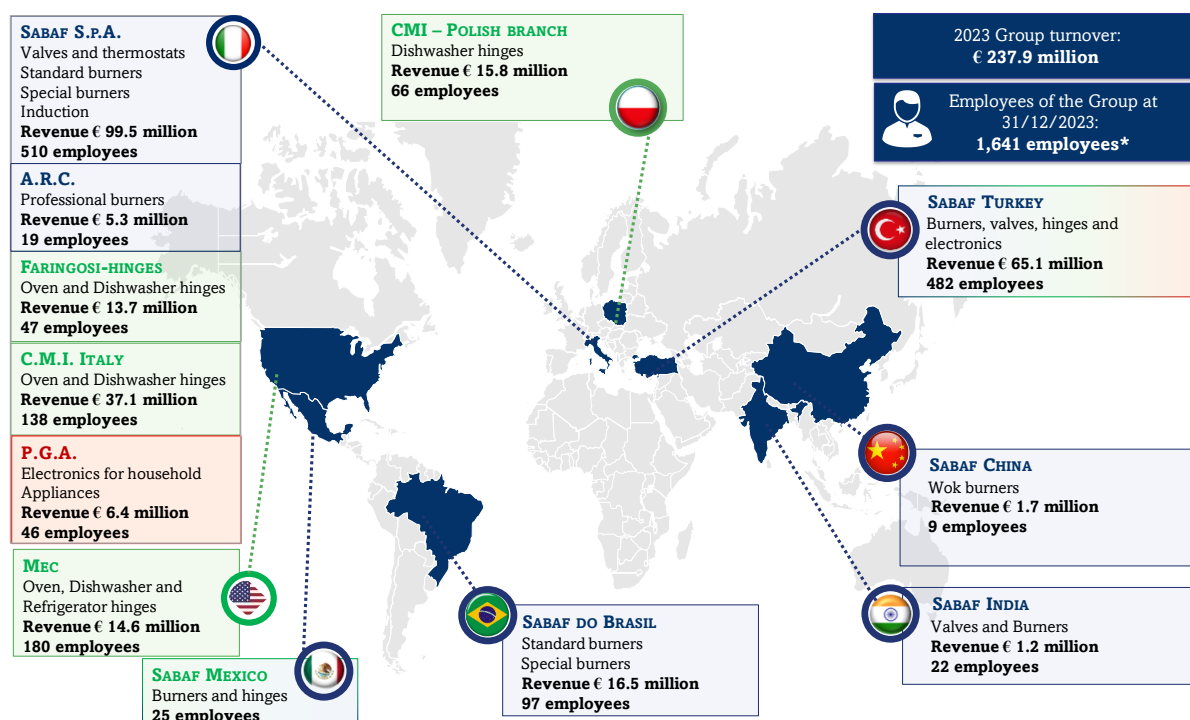
Gas parts	Hinges	Electronic components	Induction
<p>Valves: they regulate the flow of gas to the covered (of the oven or grill) or uncovered burners.</p> <p>Burners: by mixing the gas with air and burning the gases used, they produce one or more flame rings.</p> <p>Accessories: include spark plugs, microswitches, injectors and other components to complete the range.</p>	<p>They allow movement and balancing when opening and closing the oven door, washing machine door or dishwasher door.</p>	<p>Electronic control boards, timers and display and power units for ovens, refrigerators, freezers, hoods and other products.</p>	<p>Complete kits including all components for hob operation.</p>

Sales by division

(€/000)



The industrial footprint



* including agency workers and interns

Countries and customers³

(no.)	2023	2022	2021
Countries	54	56	56
Customers	404	411	418

In line with the applicable commercial policies, most of the active commercial transactions are characterised by long-standing relations that developed over the years. There are 41 customers with annual turnover of more than €1 million (43 in 2022). The distribution by class of turnover is as follows:

(no.)	2023	2022	2021
> €5,000,000	12	14	15
from € 1,000,001 to € 5,000,000	29	29	33
from € 500,001 to € 1,000,000	24	19	18
from € 100,001 to € 500,000	64	74	81
< € 100,000	275	275	271
Total customers	404	411	418

³ Data processed considering customers with sales above €1,000.

Sabaf's international development: challenges and opportunities

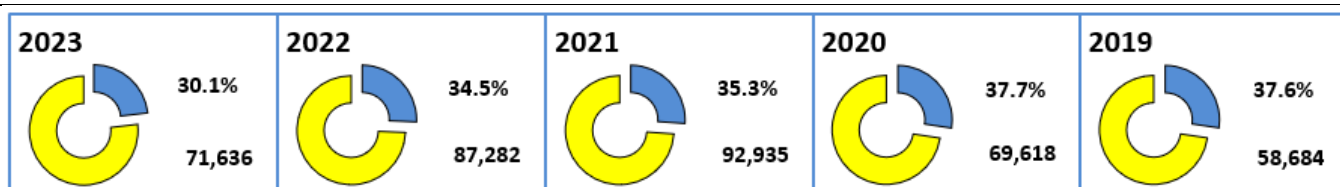
Analysis of the scenario

Performance figures⁴

Europe (excluding Turkey)



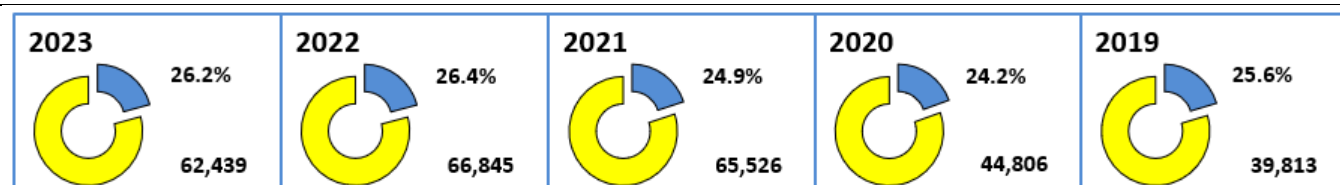
Europe has historically been the Sabaf Group's main market. European household appliance production is characterised by high quality, innovative contents - especially in terms of digitalisation and energy efficiency - and design. Therefore, the demand for components is also increasingly characterised by more technological and higher performance goods.



Turkey



Turkey is the main production hub of household appliances for the European market. In this context, the opening of a production plant in 2012 and the acquisition of Okida Elektronik (September 2018) were key elements in support of the growth strategy. In 2021, Sabaf opened a new plant in Turkey to increase production capacity for electronic components. Production of hinges for dishwashers for customers with production sites in Turkey was also started in 2022. In 2023, Turkey accounted for 26% of the Group's production and total sales. The Turkish domestic market accounts for approximately 5% of the final destination of Sabaf components. The residual percentage refers to exported household appliances.



⁴ Sales by geographical area (€/000) and percentage impact on Group sales.

North America

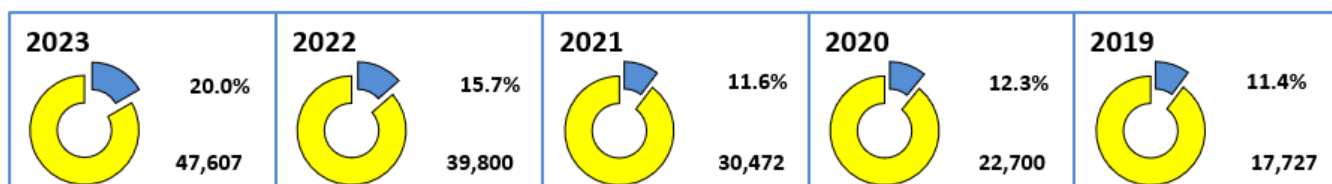


Sabaf Group sales and market share in North America have been growing steadily in recent years, also thanks to the development of products co-designed with major customers.

In 2021, the Group acquired a plot of land in San Luis de Potosi (Mexico), where the construction of a plant for the production of burners was completed in 2023. This plant will become operative in the first half of 2024.

In July 2023, Sabaf S.p.A. completed the acquisition of 51% of Mansfield Engineered Components LLC (“MEC”), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high quality levels and demanding standards required by the US market.

Its direct foothold in North America results in shorter time and lower logistics costs. Furthermore, the relationships with large US players, with which the Sabaf Group already has excellent business contacts and which are long-standing MEC customers, can be further strengthened.



South America

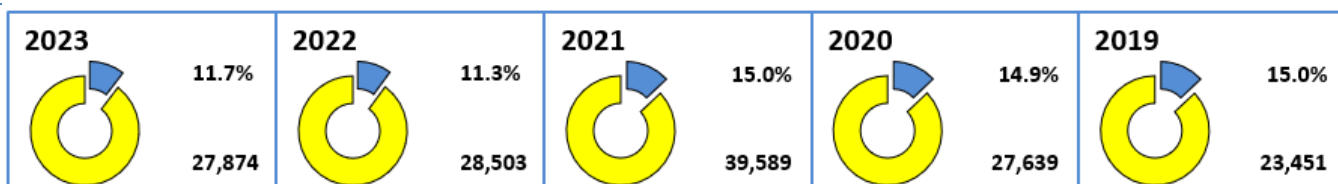


Sabaf has a well-established presence in Brazil (one plant has been operational since 2001).

The Sabaf Group believes that the development potential of this area is 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.

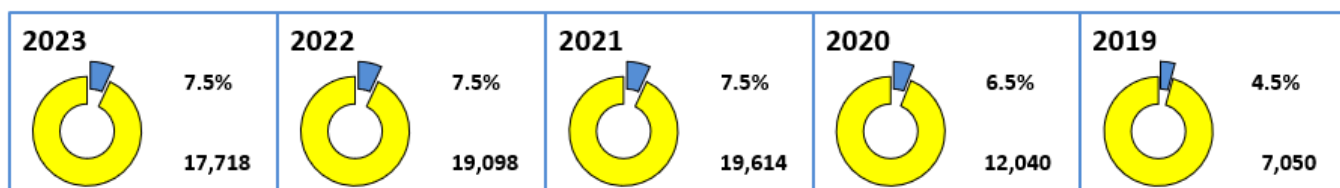


Africa and Middle East



Sabaf has a long-standing presence and reputation in the Middle East and Africa.

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.

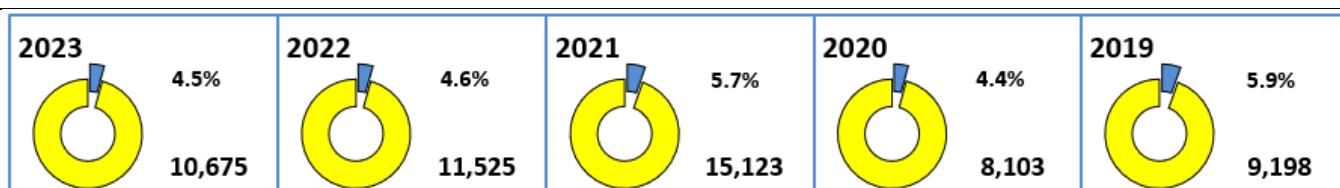


Asia and Oceania



The Indian market offers significant potential: indeed, the household appliance market is developing rapidly. With respect to the cooking sector in particular, the population that will have access to gas as an energy source (replacing traditional sources such as charcoal or other biomass) is expected to grow steadily. In 2022, Sabaf was the first western manufacturer to invest directly in gas cooking components, starting the production of valves and burners in Hosur (Tamil Nadu).

China, with its production of more than 30 million hobs per year, is the most important market in the world. The Group aims to establish partnerships with major Chinese customers.



CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION 2023

(prepared pursuant to Article 4 of Legislative Decree no. 254/2016 as subsequently amended
and integrated)

Methodological note

Preparation criteria

The Sabaf Group's Consolidated Disclosure of Non-Financial Information (the “Disclosure” or the “NFD”), prepared in accordance with Article 4 of Legislative Decree no. 254/2016 as subsequently amended and integrated) (the “Decree”), provides information (policies applied, risks and related management methods, management models and performance indicators) on environmental, social, personnel-related, human rights and anti-corruption issues, necessary to ensure an understanding of the Group's operations, 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 (the “GRI Standards”) published by the Global Reporting Initiative (“GRI”) as the “reference standard” for fulfilling the requirements of Legislative Decree no. 254/2016. Indeed, the GRI are the most widely recognised and internationally disseminated Guidelines. Since 2022 Sabaf has been applying the GRI Standards published in 2021, which updated the drafting process, general disclosures and the process for identifying and evaluating material topics: GRI 1 Foundation; GRI 2: General Disclosures and GRI 3 Material Topics. This Disclosure has been prepared under the “in accordance” reporting option and, similarly to the Financial Disclosure, covers the period from 1 January 2023 to 31 December 2023. The process of defining the content and determining the material topics, also in relation to the areas envisaged by the Decree, was based on the principles envisaged by GRI Standards (accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability). Specifically, the material topics were identified by conducting a materiality analysis in accordance with GRI 3: Material Topics 2021. The analysis was conducted by involving the company's managers and stakeholders in order to assess the positive and negative, potential and actual impacts of the Sabaf Group and identify material topics. The GRI Content Index included at the bottom of the Disclosure facilitates the retrieval of information.

With respect to reporting standards, the Sabaf Group has embarked on the process of aligning its Consolidated Disclosure of Non-Financial Information with the new requirements of the Corporate Sustainability Reporting Directive, which became effective on 5 January 2023 and which the Group plans to implement in 2024.

This Disclosure, which is prepared annually, was approved by the Board of Directors on 19 March 2024 and, in accordance with one of the options envisaged by Article 5 of Legislative Decree no. 254/2016, it constitutes a separate report from the Report on operations. Moreover, this Disclosure is subject to a limited assurance engagement carried out in accordance with ISAE 3000 Revised by the independent auditors EY S.p.A., which were appointed to audit the Group's financial statements, except for that set out in the “EU Taxonomy” section. The quantitative indicators which do not refer to any general or topic-specific disclosure of the GRI Standards, shown in the pages indicated in the GRI Content Index, were not covered by the limited assurance engagement carried out by EY S.p.A.

The Consolidated Disclosure of Non-Financial Information was published on the website www.sabafgroup.com on 29 March 2024. For further information on this Disclosure, please contact info@sabaf.it.

Reporting boundary

The reporting boundary of qualitative and quantitative data and information provided in the Consolidated Disclosure of Non-Financial Information of the Sabaf Group refers to the performance of the Sabaf Group (the "Group" or "Sabaf") for the year ended 31 December 2023 and includes all companies consolidated on a line-by-line basis, except for:

- Sabaf Mexico, a newco that did not make any sales until 2023;
- Mansfield Engineered Components LLC ("MEC"), acquired on 14 July 2023;
- Sabaf US and Sabaf America which do not perform trade or manufacturing activities and are irrelevant for NFD purposes.

The economic and financial figures provided in the Introduction and in the NFD include all companies in which Sabaf S.p.A. holds a controlling interest in accordance with the consolidated financial statements at 31 December 2023.

In 2023, Okida Elektronik Sanayi Ve Ticaret A.S. (Okida) was merged into Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turkey). Therefore, in the 2023 NFD, the data and information pertaining to Sabaf Turkey also include those of Okida.

Reporting process

In 2019, the Board of Directors of Sabaf S.p.A. approved a procedure to report 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 content of the Disclosure.

The procedure, which has been applied for the preparation of this Disclosure, envisages the involvement of the parent'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 Group's management and accounting process and from a non-financial reporting system (data collection package) specifically implemented to meet the requirements of Legislative Decree no. 254/2016 and the 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 2023.

Letter from the Chief Executive Officer to stakeholders

Dear shareholders and stakeholders,

In 2023, the household appliance market was characterised by a combination of cyclical and structural trends that tested the strategy and robustness of manufacturers and component suppliers.

Demand, especially in the first part of the year, remained weak, in line with the trends that characterised the second half of the previous year, when the strong, abnormal post-pandemic boost had worn off. The key manufacturers (Sabaf's customers) continued to reduce their stocks until approximately the middle of the year. Since then, signs of a turnaround have begun to appear, which will be discussed further on in this letter. Furthermore, 2023 confirmed that a new concentration of manufacturers is underway, with Eastern groups playing an active role.

The Sabaf Group reacted well to the weak economy and proved its competitive resilience in the current market scenario. Diversification of supply, global operations, flexibility and commercial capacity enabled us to mitigate the impact of the slowdown in demand and maintain a largely positive profit margin in 2023.

With respect to structural trends, the ongoing consolidation in the household appliances market confirms the success of Sabaf's strategic decisions over the past few years. By strengthening and promoting the internationalisation of our production structure we are now in a position to meet the suppliers' expectations of today's large global manufacturers and we can cope with high demands, economic-financial solidity and proximity to their production facilities. Today, Sabaf is one of the few Italian component manufacturers which can serve the large global manufacturers of household appliances and is the only one covering all cooking technologies.

With respect to operations, in 2023, significant actions were taken in all three strategic areas of the business plan: expansion and diversification of the range offered (including through acquisitions); development of synergies between Group companies; and strengthening the global industrial footprint.

In July, Sabaf acquired 51% of Mansfield Engineered Components LLC ("MEC"), a US company based in Mansfield (Ohio) and the leading North American manufacturer of hinges for household appliances (mainly ovens, washing machines and refrigerators), designed and manufactured to meet the high quality levels required by the US market. Sabaf also signed an option to purchase the remaining 49% interest held by the founding partners in the next few years.

This is the fourth acquisition made by the Group since 2018, following those of Okida (Turkey), C.M.I. and P.G.A. (Italy) As a result of these transactions, Sabaf increased its turnover by more than 60% (from €150.6 million in 2018 to €238 million in 2023) and reduced the impact of gas cooking components from 90% in 2018 to 60% in 2023.

The acquisition of MEC was financed by means of a reserved capital increase equal to 10% of the share capital, which was entirely subscribed by Montinvest s.r.l., a subsidiary of Fulvio Montipò (founder and Chairman of Interpump Group S.p.A.), a highly successful and experienced entrepreneur and an ideal partner for Sabaf.

Sabaf, which already manufactures hinges for household appliances through the subsidiaries C.M.I. s.r.l. and Faringosi Hinges s.r.l., has become the leading manufacturer in western nations.

This transaction also increased the weight percentage of North America in the Group's turnover, which is expected to exceed 25% in 2024. Thanks to its direct foothold in the US, as well as in Mexico, the Group will strengthen its contacts with large US manufacturers, which are long-standing customers of MEC and also customers of Sabaf.

A burner production plant in San Luis Potosi, central Mexico, became operative in 2023 to serve the North American market. The new plant follows that opened in India in 2022 to produce gas cooking valves and burners. There are now 15 production plants (six in Italy, nine abroad) with a total of 1,641 employees. The progress of our globalisation does not alter the fundamental role of the Ospitaletto site, which remains our key plant and the heart of our know-how and professional skills.

2023 was also characterised by highly innovative research and development activities in the Group's four divisions (induction, electronics, hinges and gas). A team of more than 90 electronic and mechanical engineers working in the various Group companies focus on the development of new projects. The aim is to increase the quality and competitiveness of products: high-efficiency burners with lower CO₂ emissions, hydrogen-powered burners and hinges with greater functionality.

In 2023, the development of the induction cooking project continued in line with the business plan. The component offer is attracting the interest of the market and the first orders from several customers.

Sabaf also began to extend its operations into certain electronics sectors not strictly related to the household appliance sector (e.g., electro-medical and home care appliances), in line with its goal of becoming a smart appliances (IoT) operator, in addition to its traditional focus on gas cooking components.

The focus on conforming the development strategy and organisation to ESG principles remains a priority. As a matter of fact, sustainability has been the guiding principle in every area of Sabaf's operations for years now, sometimes even ahead of the market. Sabaf complies with international best practices in many areas: emissions reduction, energy efficiency, occupational safety, health prevention and support for the communities in the areas where the company operates. In 2023, the pursuit of the sustainability goals set out in the business plan continued in relation to safety, training and CO₂ emissions reduction.

In 2023, for the fifth consecutive year, Sabaf was among the winners of the Best Managed Companies Award, given by Deloitte Private to Italian business excellences. This award further confirms the high level of professionalism achieved by the entire organisation. The Best Managed Companies were selected by an independent jury, made up of experts from the Italian institutional and academic world, who assessed several parameters: strategy; skills and innovation; commitment and corporate culture; governance and performance measurement; sustainability; supply chain; globalisation.

Finally, with respect to 2024, as mentioned at the beginning of this letter, since the second half of 2023, the market has seen a turnaround with orders picking up and gradually gaining strength, reaching double-digit growth in the first two months of 2024, a trend that had not been seen for quite some time. In 2024, the components for electromagnetic induction will further boost revenue growth. The Group entered this segment in 2022: the preparatory work carried out so far, including commercial work, is about to generate the first significant results. Synergies are also expected between the Group companies and a significant increase in the operation of the new production

plants in India and Mexico. In short, we have good reasons to be optimistic about achieving the ambitious sales and profitability goals set for the year.

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 success over time.

The Sabaf Group is aware that sustainable success 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 People 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 People within shared rules of behaviour. People's central role is 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 People, even if such decisions can be efficient, economically convenient and legally acceptable. Respecting the value of People 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 People.

The Charter of Values of Sabaf

The Charter of Values of Sabaf, approved by the Board of Directors, is available on the website www.sabafgroup.com under the section Sustainability - Sustainability at 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, competitors, 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 central role of People, as an essential condition for the sustainable success of business in the long term. Sustainable success, 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 activities 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 empowering people 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 is also a reference document with respect to the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001. Therefore, it sets out a series of general rules of conduct that Group employees are required to abide by.

Any stakeholder of the Sabaf Group can report cases of alleged non-compliance with the Charter by sending a written, non-anonymous description to Sabaf S.p.A.'s Internal Audit Department.

The Internal Audit Department takes appropriate measures to protect the reporting parties from any type of retaliation, discrimination, penalisation or any consequence resulting therefrom, ensuring them confidentiality on their identity, without prejudice to law obligations and the protection of the rights of the company or of persons accused wrongly and/or in bad faith.

The Internal Audit Department considers all reports of violations received or non-compliance with the Charter identified in the course of its activities and informs:

- the Supervisory Body of the relevant company, if the violation is relevant to the topics covered by Legislative Decree no. 231/2001;
- the Board of Directors, if the violation is particularly serious or involves top management or the directors of the company.

No reports of violations or non-compliance were received during 2023.

With a view to initiating the appropriate procedure against the person responsible for the violation, in accordance with the existing disciplinary system, the Internal Audit Department reports to the person's line manager and to the Human Resources Department any violations of the Charter discovered in the course of its activities or reported by other corporate departments (after verifying their validity).

The values, rules of conduct and commitments set out in the Charter of Values are communicated to employees and integrated into the corporate culture.

**Table summarising Sabaf Group policies by topics pursuant to
Legislative Decree no. 254/2016 as subsequently amended and supplemented**

Topic under Legislative Decree no. 254/2016	Reference policies
Environment	
<i>Basic principles</i>	
<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	
<i>Basic principles</i>	
<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
Personnel	
<i>Basic principles</i>	
<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
Personnel/Health and Safety	
<i>Basic principles</i>	
<ul style="list-style-type: none"> ▪ Achieve working standards that guarantee health and maximum safety, also through the upgrading 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	
<i>Basic principles</i>	
<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 no. 231/2001 ▪ Whistleblowing procedure
Social/Supply chain	
<i>Basic principles</i>	
<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

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

Sabaf S.p.A. has an Integrated Management System of Health and Safety which is ISO 45001, ISO 14001 and ISO 50001 certified.

Faringosi Hinges s.r.l., C.G.D. s.r.l. and C.M.I. s.r.l. have a Management System of Health and Safety that is ISO 45001 certified.

Sabaf Turkey and C.M.I. s.r.l. have an ISO 14001-certified Environmental Management System.

In any case, the ISO 14001, ISO 45001 and ISO 50001 standards are sources of reference and inspiration for the entire Group.

The Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001 has been adopted by Sabaf S.p.A., Faringosi Hinges s.r.l. and, to the extent of Occupational Health and Safety issues, by C.G.D. s.r.l. and C.M.I. 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 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 verticalization 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 out 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 with synergy 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 and the more recent acquisition of P.G.A., Sabaf has also acquired a strong electronic know-how that, together with the traditional and strong mechanical skills, further expanded 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 production 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. The innovation efforts in this area are focused on the development of burners that reduce fuel consumption (natural gas or GPL) and emissions (carbon dioxide and carbon monoxide, in particular) in users. In line with its energy transition policy, the Group has also embarked on a major investment plan to enter the electromagnetic induction cooking sector. Sabaf is also involved in experimental projects and feasibility studies for the use of hydrogen as an alternative fuel to natural gas and GPL for domestic and professional cooking appliances.

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 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 is extending its product range to other components for household appliances. This expansion is pursued both through internal research and through growth through acquisitions. For example, the acquisition of A.R.C. s.r.l. in 2016, a company which operates in the professional cooking sector, of Okida in 2018 and P.G.A. in 2022, which are active in the design and production of electronic components for household appliances, the C.M.I. Group in 2019 and MEC in 2023, which design and produce hinges for ovens and dishwashers. The entry into the induction cooking components sector is another strategically important project for which Sabaf put together a dedicated development team and which also draws on the expertise of Okida and P.G.A.

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

Economic capital:

- Net financial debt **€73,150,000**
- Shareholders' Equity **€170,388,000**
- Invested capital **€243,538,000**
- Market capitalisation at 31 December /Shareholders' Equity **1.40**

Economic capital:

- Sales revenue **-6.0%**
- EBITDA as a percentage of sales **12.4%**

Human capital:

- Employees **1,436** (including temporary workers and trainees)
- Advanced education: employees with a degree or diploma **60.1%**
- Training hours by employee **28.4**
- Investments in training on turnover **0.33%**

Human capital:

- No. of hires **353**
- Leaving turnover **24.13%**
- Strike hours on hours worked **0.08%**
- Recordable injury rate **6.94**
- Injury lost day rate **0.14**

Business approach

- Innovation, enhancement of internal resources and continuous learning
- Internationalisation
- Quality, internal and external safety, eco-compatibility
- Sustainability

Relational capital:

- Turnover from the top 10 customers **51%**
- No. customers (with sales over €1,000) **404**

Relational capital:

- Average turnover by customer **€589,000**
- No. of samples for customers **2,418**

Distinctive features

Internal and verticalised production of:

- components and products
- machinery, tools and moulds based on specific know-how

Productive capital:

- Production sites **15**
- Real investment on turnover **8.6%**
- Value of property, plant and equipment **€109,432,000**

Productive capital:

- Burners sold
No. of Parts **28,518,968**
- High efficiency burners **29.6%**
- Valves and thermostats sold
No. of Parts **17,337,693**
- Light alloy valves and thermostats sold **94.0%**

Environmental capital:

- Steel **19,791 t**
- Aluminium alloys **8,297 t**
- Brass **532 t**
- Electricity consumed **37,091 MWh** (of which **4,272 MWh** from renewable sources)
- Natural gas consumed **4,192,000 m³**
- Water withdrawal **95,663 m³**

Environmental capital:

- Waste (kg) on economic value generated by the Group (€/1,000) **41**
- CO₂ emissions Scope 1+Scope 2 market-based) **23,646 tCO₂e_{2eq}**
- CO₂ emissions Scope3 **19,244,500 tCO₂e_{2eq}**

Products

- Gas parts
- Hinges
- Electronic components
- Induction

Intellectual capital:

- Hours dedicated to the development of new products **3.5%**
- Hours dedicated to process engineering **1.8%**

Intellectual capital:

- No. of Patents **81**
- Capitalised investments in research and development **€2,249,000**

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, the Public Administration and community (external donations).

<i>(€/000)</i>	2023	2022	2021	Δ 2023-2022
Economic value generated by the Group	251,355	268,082	267,918	(16,727)
Revenue	237,949	253,053	263,259	(15,104)
Other income	8,926	10,182	8,649	(1,256)
Financial income	1,815	1,917	750	(102)
Value adjustments	3,542	3,432	2,525	110
Bad debt provision	(34)	(1)	(103)	(33)
Exchange rate differences	(2,359)	(515)	(7,399)	(1,844)
Income/expenses from the sale of property, plant and equipment and intangible assets	1,516	251	237	1,265
Adjustments to property, plant and equipment and intangible assets	0	(189)	0	189
Profits/losses from equity investments	0	(48)	0	48
Economic value distributed by the Group	227,946	241,281	232,521	(13,335)
Remuneration of suppliers	162,613	176,493	166,164	(13,880)
Remuneration of employees	58,160	49,926	53,964	8,234
Remuneration of lenders	10,524	11,032	1,179	(508)
Remuneration of shareholders	0	6,758	6,172	(6,758)
Remuneration of the Public Administration ⁵	(3,386)	(3,040)	4,997	(346)
External donations	35	112	45	(77)
Economic value retained by the Group	23,409	26,801	35,397	(3,392)
Amortisation/depreciation	20,066	18,267	16,869	1,799
Provisions	93	49	29	44
Use of provisions	(130)	(6)	(12)	(124)
Reserves	3,380	8,491	18,511	(5,111)

⁵ Including 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:

- **sharing values, mission and sustainability strategy;**
- **training and communication;**
- an **internal control system** capable of monitoring risks (including social, environmental and reputational risks) and checking the implementation of commitments vis-à-vis stakeholders;
- **key performance indicators (KPIs)**, which can monitor economic, social and environmental performance;
- a clear and comprehensive **reporting system**, which can effectively inform different stakeholders' categories;
- a **stakeholder engagement system**, to compare with the expectations of all stakeholders and receive useful feedback for continuous improvement.

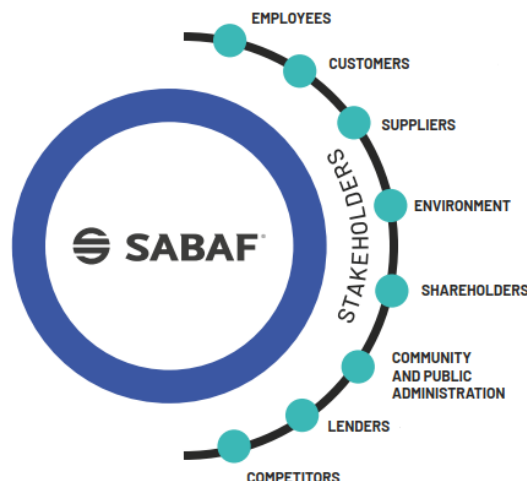
The precautionary approach

The awareness of the social and environmental aspects that accompany the Group's activities, together with 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 deal with 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.

Stakeholder engagement is one of the key steps in the relevant materiality analysis for non-financial topics subject to reporting in the Disclosure. At this stage, employees, customers, suppliers, investors, lenders and financial analysts, environmental and community representatives are selected on the basis of their qualifications and relevance as stakeholders and asked to provide an assessment of each impact related to the topics for which they are responsible.

The additional initiatives for involving each stakeholder that are carried out periodically are described below (generally every two or three years). The relevant issues arising from these activities are reported in the following paragraphs.

Stakeholder	Regular stakeholder engagement initiatives
Employees	<ul style="list-style-type: none"> ▪ Employee satisfaction survey and climate analysis ▪ Meetings with employees ▪ Meetings with trade unions
Customers	<ul style="list-style-type: none"> ▪ Customer Satisfaction Survey
Suppliers	<ul style="list-style-type: none"> ▪ Regular meetings
Shareholders	<ul style="list-style-type: none"> ▪ Dialogue with current and potential investors ▪ Comparison with proxy advisors ▪ Dialogue with financial analysts
Community and Public Administration	<ul style="list-style-type: none"> ▪ Dialogue with universities
Lenders	<ul style="list-style-type: none"> ▪ Regular dialogue
Competitors	-

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 manufacturers complying with the Code **voluntarily** undertake 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**, as well as 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. By signing the CEO Statement of Continued Support and by publishing the [Communication on Progress 2023](#) (CoP) and the 2023 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

Principle I

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

Principle II

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

Labour

Principle III

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

Principle IV

The elimination of all forms of forced and compulsory labour.

Principle V

The effective abolition of child labour.

Principle VI

The elimination of discrimination in respect of employment and occupation

Environment

Principle VII

Businesses should support a precautionary approach to environmental challenges and

Principle VIII

undertake initiatives to promote greater environmental responsibility; and

Principle IX

encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle X

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

Materiality analysis

The GRI Standards require that the content of the Consolidated Disclosure of Non-Financial Information be identified based on a materiality analysis. In compliance with the GRI Standards, since 2014 Sabaf has started a process to identify the material topics to be reported, i.e., those topics that have the most significant impact of an organisation on the economy, the environment and people.

In accordance with the GRI Universal Standards 2021 and in order to align this document with the recent regulatory developments in sustainability reporting, during the year, the materiality process was revised and updated as described below.

1. Understanding the context of the organisation and drawing up the Long List of potential topics

Starting from the material topics identified in previous reporting periods, as well as following an analysis of the internal and external context that considered the sector-related scope of reference, a Long List of ESG topics potentially relevant to the Sabaf Group was defined. The identified topics were adjusted by considering, on a preliminary basis, the topics and sub-topics covered by the European Sustainability Reporting Standards (ESRS) Sector Agnostic of the Corporate Sustainability Reporting Directive, which were published in July 2023 and which Sabaf will report starting from 2025.

2. Definition of impacts

For each potentially relevant topic, the organisation's impacts (positive and negative, actual and potential) were defined as the effects it has or could have on the economy, the environment and people, including effects on human rights, as a result of its operations or business relations. The impacts, associated individually with a specific ESG topic, reflect an analysis that focused, in particular, on the sector in which the company operates, its operations and the activities that impact the value chain.

3. Assessment of impacts

As part of stakeholder engagement, the impacts identified were subject to the assessment by internal and external stakeholders. Specifically, at this stage, top management, employees, customers, suppliers, investors, lenders and financial analysts, environmental and community representatives are selected on the basis of their qualifications and relevance as stakeholders and asked to provide an assessment of each impact related to the topics for which they are responsible. The assessment was carried out in accordance with the guidelines published by the GRI Standards, i.e., considering two main criteria:

- Likelihood, i.e., the chance of the impact happening;
- Severity, i.e, the severity of an impact should it happen. The assessment of the severity also considered:
 - the scale, i.e., how grave the impact is;
 - the scope, i.e., how widespread the impact is;
 - irremediable character, i.e., how hard it is to counteract or make good the resulting harm.

For each impact, stakeholders were invited to express, via a specific survey accompanied by specific guidelines, a score from 1 to 5 relating to the above criteria (Likelihood and Severity).

4. Short list of material topics

The score obtained for each impact was analysed in order to obtain, starting from the assessments of individual stakeholders, a score associated with each topic. The topics were then sorted by score and finally included in the Short List of Sabaf's material topics.

The updated list of Sabaf's material topics and the related impacts by ESRS topic is shown below. Sabaf S.p.A.'s Board of Directors approved the following list of material topics on 20 February 2024.

Scope of Legislative Decree no. 254/16	GRI Standards	Material topic	Impacts	Potential/actual
Environment	GRI 3: Material Topics 2021 GRI 302: Energy 2016 GRI 305: Emissions 2016	Climate change	Contribution to climate change by producing GHG emissions during business operations and/or along the value chain.	Actual
			Offering of products that produce GHG emissions during their use.	Actual
			Use of non-renewable energy sources with emission impact to carry out business operations.	Actual
			Possible inefficient use of energy resources and lack of supervision and consumption efficiency.	Potential
			Introduction of business solutions that reduce the greenhouse gas emissions of products during the use phase.	Actual
	GRI 3: Material Topics 2021 GRI 301: Materials 2016 GRI 306: Waste 2020	Circular economy	Generation of waste during the performance of business operations and along the value chain.	Actual
			Recovery, recycle and/or reuse of waste materials in business operations and along the value chain, thereby reducing waste and the sourcing of virgin raw materials.	Actual
			Selection of raw materials that conform to a circular business model, such as non-virgin materials from recovery and/or recycling.	Actual

Personnel management Human rights	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021	Working conditions	Offering of stable employment contracts, including through dialogue with trade union representatives, and implementation of remuneration policies focusing on the economic and professional satisfaction of employees.	Actual
	GRI 202: Market Presence 2016 GRI 401: Employment 2016		Employment contracts and wage policies that do not guarantee adequate working conditions in the areas controlled by the Group.	Potential
	GRI 402: Labour/management relations 2016		Presence of a corporate culture that promotes the well-being of employees and enables work-life balance.	Actual
			Any incidents of violation of workers' rights and/or working conditions.	Potential
	GRI 3: Material Topics 2021 GRI 403: Occupational health and safety 2018.	Health and safety	Occurrence of incidents and work-related ill health	Actual
			Adoption of voluntary measures to protect the health and safety of workers and dissemination of a corporate culture that promotes care and awareness.	Actual
	GRI 3: Material Topics 2021 GRI 405: Diversity and Equal Opportunity 2016 GRI 406: Non-discrimination 2016	Equal treatment and opportunities for all	Adoption of a corporate culture that protects and promotes gender equality, inclusiveness, non-discrimination and cultural integration.	Actual
			Any incidents of discrimination based on gender, sexual, religious and/or political orientation, ethnic origin or social and personal conditions.	Potential
	GRI 404: Training and Education 2016	Training and skills development	Improvement of employees' personal and professional skills by adopting training plans and initiatives.	Actual
	GRI 3: Material Topics 2021	Other work-related rights	Adoption of corporate policies to comply with and monitor the protection of human rights in the organisation's companies.	Actual

			Any incidents of human rights violations (e.g., child labour and/or forced labour) in the organisation's companies.	Potential
Human rights Social	GRI 3: Material Topics 2021 GRI 414: Supplier Social Assessment 2016	Workers in the value chain	Adoption of control measures that safeguard the working conditions of workers along the value chain, including respect for human rights, health and safety and adequate remuneration.	Actual
			Possible lack of safeguards to monitor and protect the working conditions of employees in the value chain, including respect for human rights, health and safety and adequate remuneration.	Potential
			Dissemination of a responsible culture that promotes the well-being of workers along the value chain.	Actual
			Dissemination of a responsible culture that protects and promotes gender equality, inclusiveness, non-discrimination and cultural integration along the value chain.	Actual
Social	GRI 3: Material Topics 2021 GRI 201: Economic performance 2016	Affected communities	Creation of jobs and distribute economic value in the affected areas that have a positive impact on local communities.	Actual
			Collaboration with local universities, institutions and associations, contributing to the growth of local communities.	Actual
	GRI 3: Material Topics 2021 GRI 416: Customer Health and Safety 2016	Consumers and end-users	Adoption of safeguards and procedures to ensure high standards of product safety.	Actual
Incidents caused by product defects and/or malfunctions that may affect the safety of end consumers.			Potential	

Social Anti-corruption	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti- Corruption 2016 GRI 206: Anti-Competitive Behaviour 2016 2016 GRI 207: Tax 2019	Business conduct	Existence of corporate policies that promote and disseminate an ethical and responsible corporate culture.	Actual
			Any damage to the market and stakeholders related to non-compliance with applicable regulations and the organisation's failure to adopt ethical principles.	Potential
			Possible incidents of corruption.	Potential
			Adoption of effective whistleblowing procedures and procedures that safeguard the anonymity of whistleblowers.	Actual
			Partnerships based on principles of collaboration and transparency that contribute to market enrichment and facilitate the achievement of sustainability goals.	Actual

Corporate Governance, Risk Management and Compliance

Corporate Governance

Overview

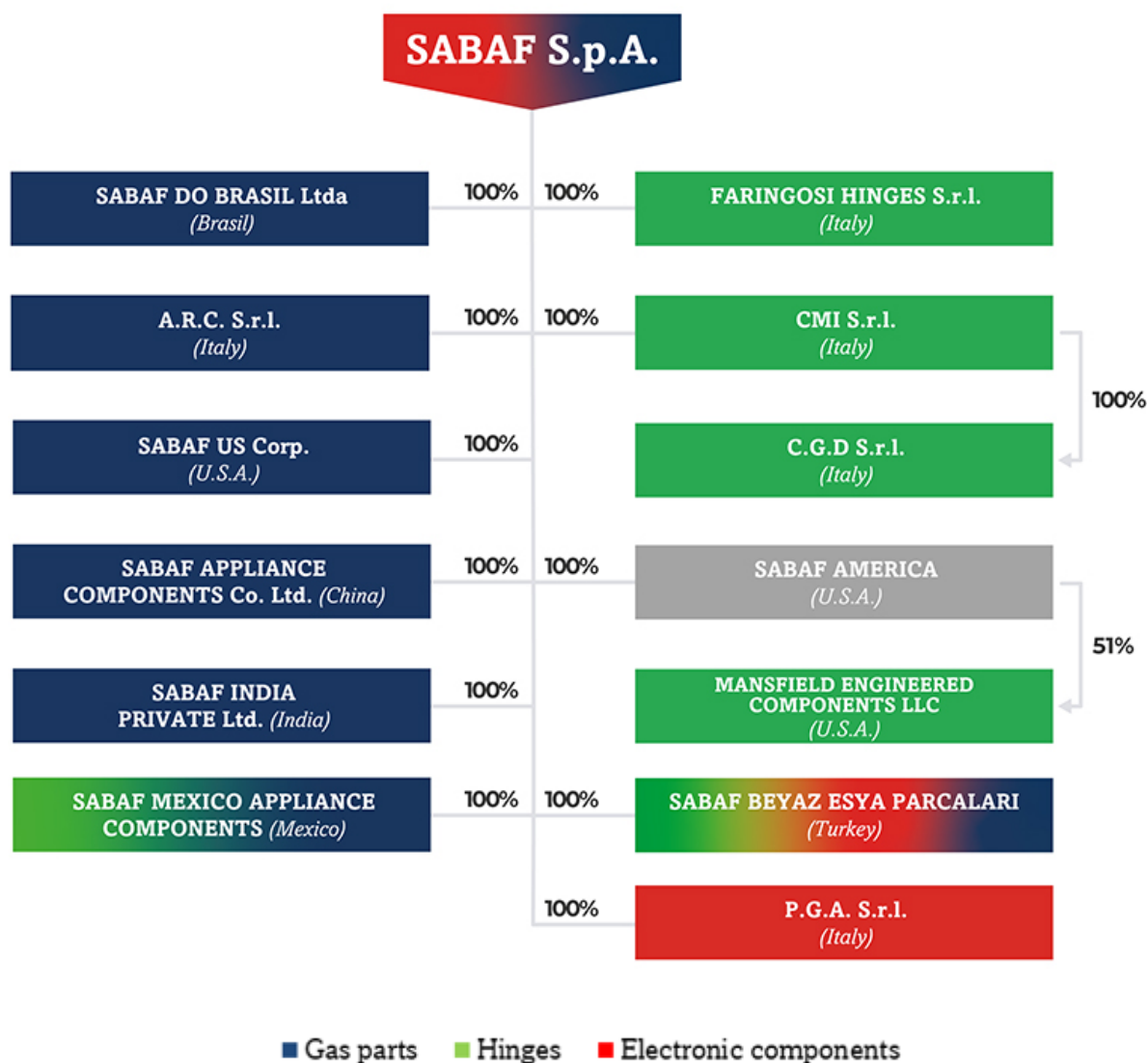
Since its listing on the stock exchange in 1998, the corporate governance model of Sabaf has been based on a strict separation between the shareholding structure and management of the Company and of the Group.

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 has taken action on its own model to fully implement the Code.

This section highlights 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 "Report on Corporate Governance in Italy: the implementation of the Italian Corporate Governance Code (2023)", published in February 2024 and concerning the Corporate Governance reports for 2022 of 202 listed Italian companies. The benchmark 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 with the main European and non-European countries, based on data published by Spencer Stuart in the analysis "Boards around the world".

Group structure



Sabaf Group companies are active in the following business segments.

Gas parts

- Sabaf S.p.A., valves and burners
- Sabaf Brazil, burners
- Sabaf Turkey, valves and burners
- Sabaf China, burners
- A.R.C. s.r.l., professional burners
- Sabaf India, valves and burners
- Sabaf Mexico, burners (start of production scheduled for 2024)

Electronic components

- Sabaf Turkey, electronic control boards, timers, display and power units for ovens, hoods, vacuum cleaners, refrigerators and freezers
- P.G.A., electronic control boards for household appliances: hoods, refrigeration, air quality control and water supply, IOT

Hinges for household appliances

- Faringosi Hinges s.r.l.
- C.M.I. Group
- Sabaf Turkey
- MEC

Induction components (start of production in 2024)

- Sabaf S.p.A.
- Sabaf Turkey
- P.G.A.

Sabaf US Corp. exclusively provides sales support services to other Group companies. Sabaf America Inc. was set up to complete the acquisition of Mansfield Engineered Components LLC (“MEC”) on 14 July 2023.

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;
- the **Board of Statutory Auditors** in charge of supervising: (i) compliance with the law in force and the Company's Memorandum of Association, as well as compliance with the principles of proper administration in the performance of the Company's activities; (ii) the adequacy of the Company's organisational structure, internal control and risk management system and administrative and accounting system; (iii) how the corporate governance rules set forth in the Corporate Governance Code are effectively implemented; (iv) risk management; (v) the statutory audit and the independence of the independent auditor;
- the **Board of Directors**, in charge of the Company administration and its operations.

In accordance with the provisions of the Corporate Governance Code the Company complies with, this model is supplemented by:

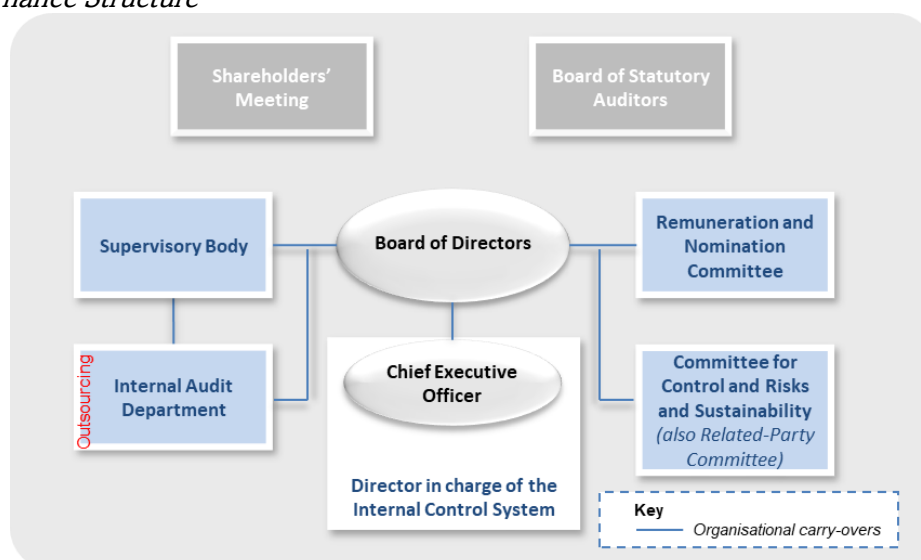
a) the Committees set up by the Board of Directors within its members, each one with proposal and advisory functions on specific matters and without decision-making powers, such as:

- the **Committee for Control and Risks and Sustainability**, that also takes on the functions of the Related-Party Committee;
- the **Remuneration and Nomination Committee** that takes on the functions envisaged for 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 **Supervisory Body**, set up following the adoption of the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, adopted by Sabaf since 2006.

The Governance Structure



Board of Directors guidelines on the quantitative and qualitative composition of the Board of Directors

In view of the renewal of its corporate bodies, on 20 February 2024, the Board of Directors of Sabaf S.p.A., at the suggestion of the Remuneration and Nomination Committee, approved the “Board of Directors’ guidelines on the optimal quantitative and qualitative composition of the Board of Directors for the 2024-2026 three-year period”, taking into account the Articles of Association and the results of the BoD Self-assessment approved on 19 December 2023.

This document sets out the Company's indication on the characteristics considered functional to ensuring an optimal composition of the Board of Directors, with the aim of guiding the names put forward during the renewal stage, so that the benefits that can derive from a balanced composition of the Board are taken into consideration. It 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.

With respect to the composition of the Board, the document outlines the following characteristics:

- Number of members
- Number of independent and non-executive Directors
- Gender equality
- Training and professional experience
- Age and seniority in office
- Time availability and number of offices held

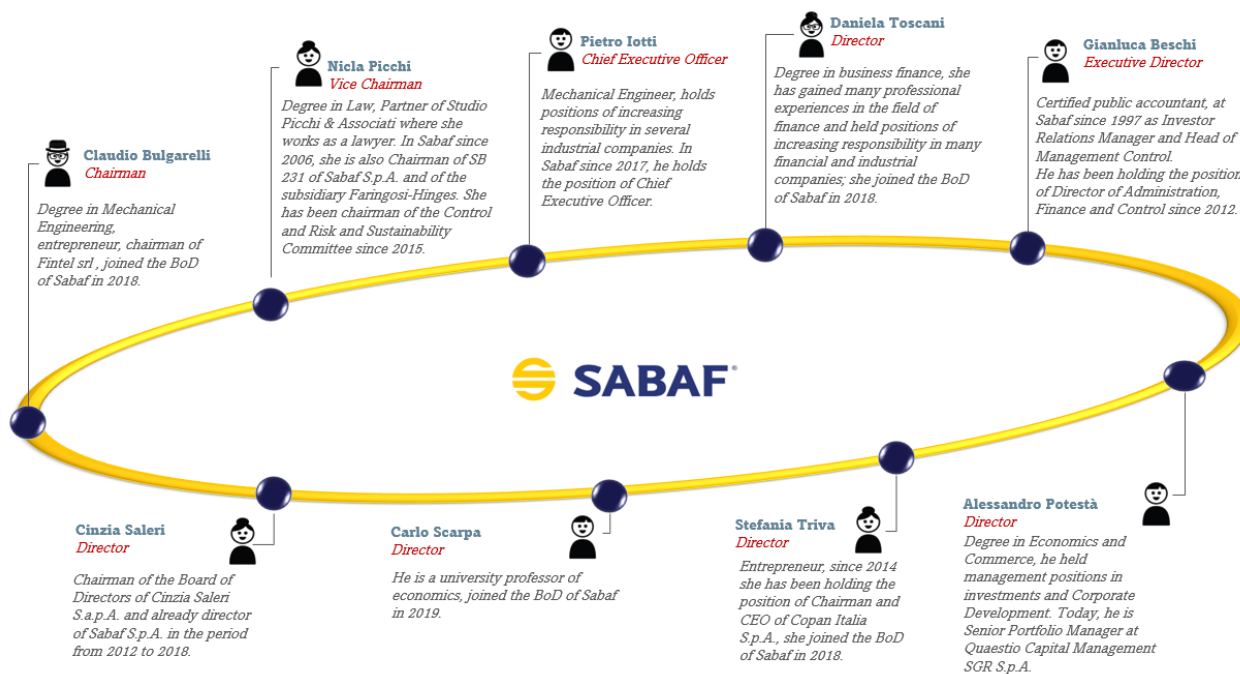
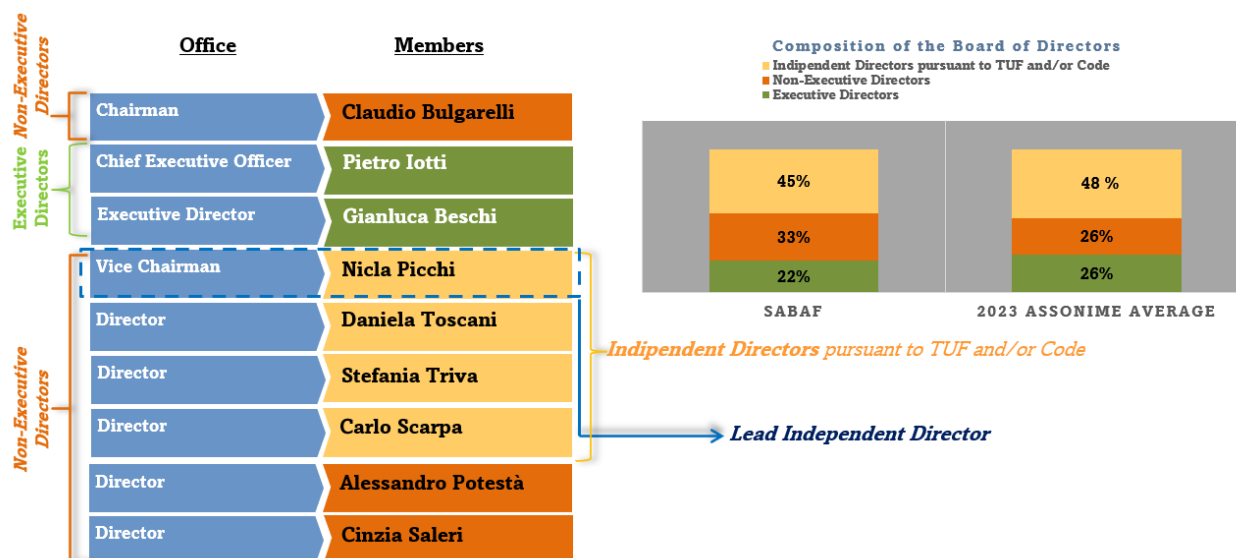
Furthermore, there are specific requirements for the positions of Chair of the Board of Directors and Chief Executive Officer, Executive Directors and Independent Directors

The “[Board of Directors’ guidelines on the optimal quantitative and qualitative composition of the Board of Directors for the 2024-2026 three-year period](#)” is published on the Group's website and described in the Corporate Governance and Share Ownership Report.

Board of Directors

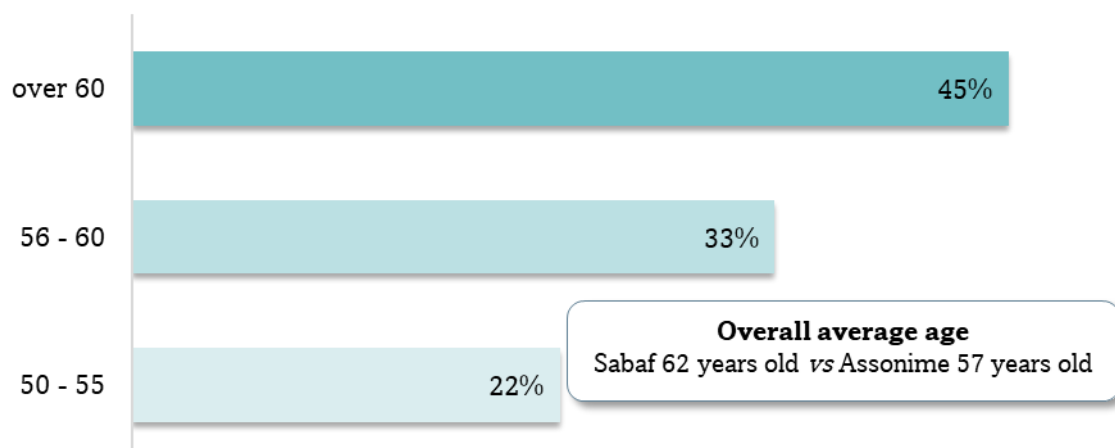
The Board of Directors currently in office, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021-2023, is composed of 9 members⁶, including:

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

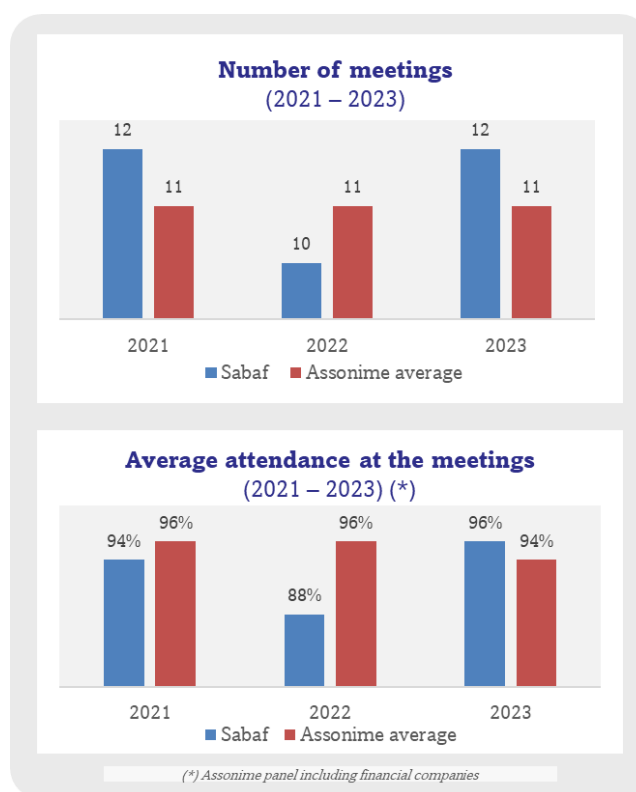


⁶ The *Curriculum Vitae* of each Member is available on the Group's website.

Average age of directors

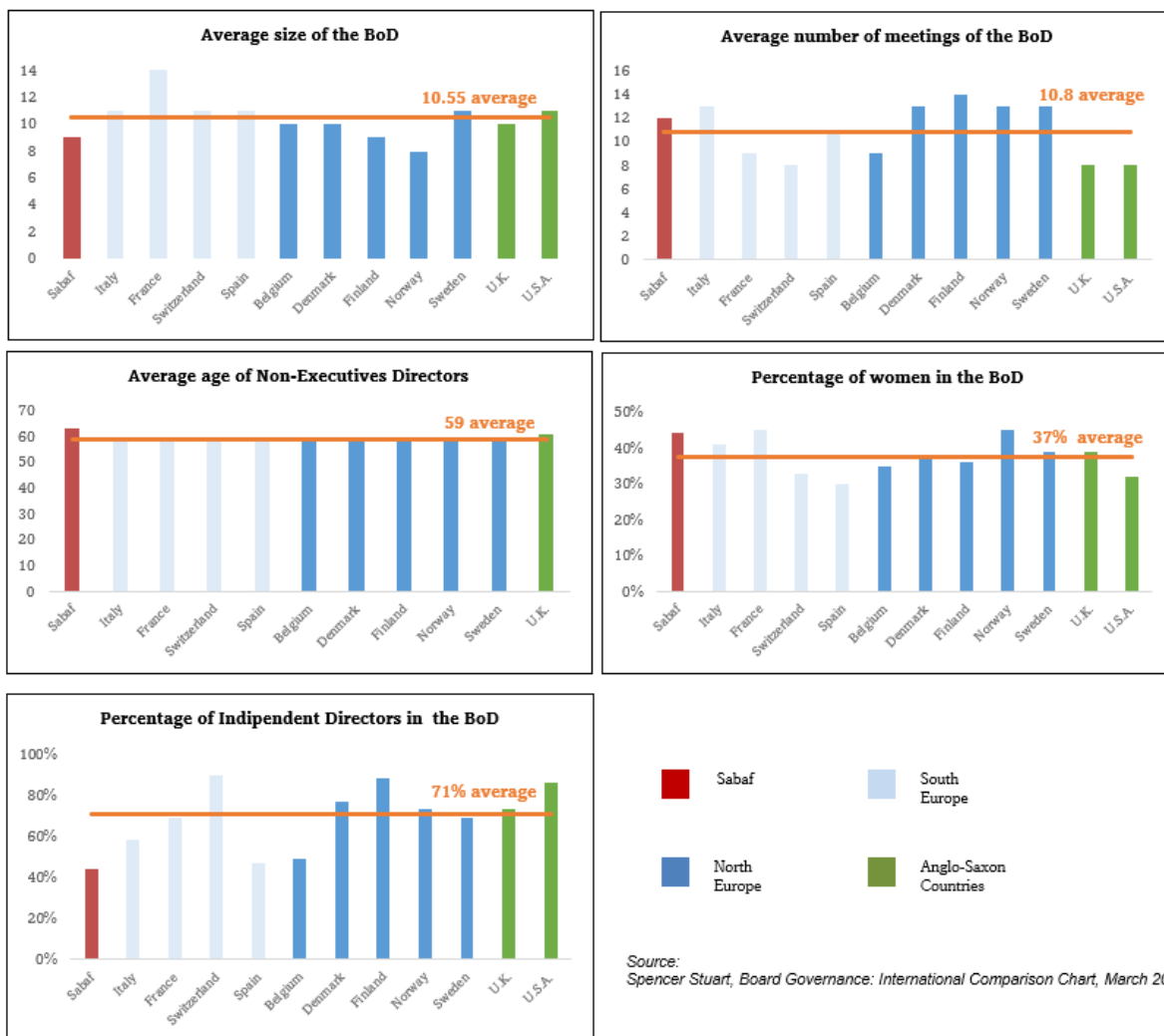


55% of the current board members are between 50 and 60 years old. The average age is higher than the average of Assonime sample (62 vs. 57 years).



In 2023, the Board of Sabaf met 12 times (slightly above Assonime average), with an average attendance rate of 96%. In general, the attendance of Sabaf directors at Board meetings in the last three years (93% on average) is slightly below than that of Assonime panel (95%).

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



The comparison was made using the data published by Spencer Stuart in the analysis “Board Governance: International Comparison Chart” published in March 2022.⁷

Self-assessment of directors

The Board of Directors of the Company, in order to periodically assess the effectiveness of its activities and the contribution made by its individual members, opts, with respect to possible approaches to assessment, for the self-assessment of individual Directors through the distribution, compilation, collection and processing of questionnaires and the subsequent discussion in the Board of Directors of the results obtained, in order to identify any elements for improvement. The Operating Guidelines of Sabaf S.p.A.'s Corporate Governance Manual regulate this process, under which the board's contribution to defining the company's strategy is also assessed.

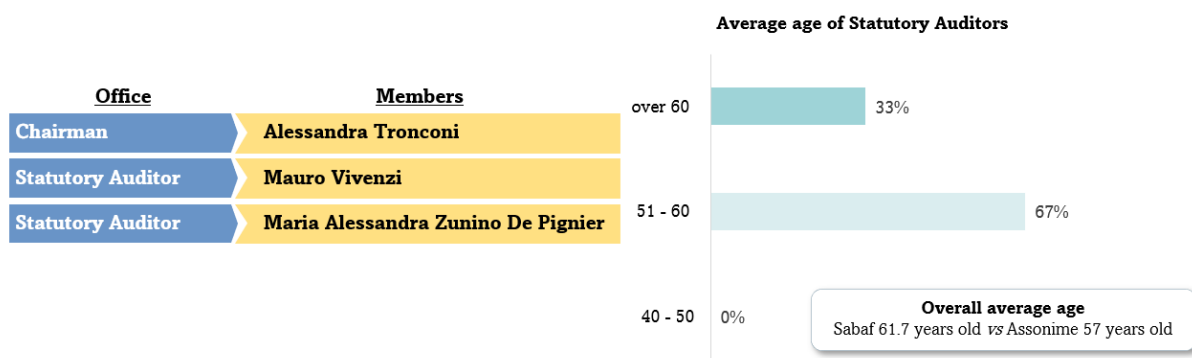
Consistent with the provisions of the Corporate Governance Code and the Corporate Governance Manual, which envisage that the self-assessment of the Board of Directors is to be carried out at least every three years, the Company's Board of Directors carried out its last self-assessment in 2023. For further information, please refer to the Report on Corporate Governance and Ownership Structure available on the Group's website under Investors - Corporate Governance.

⁷ <https://www.spencerstuart.com/research-and-insight/international-comparison-chart>

Board of Statutory Auditors

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 6 May 2021 for the period 2021 to 2023, is composed of 3 members⁸ with an average age of 62 years (higher than Assonime average of 57 years).

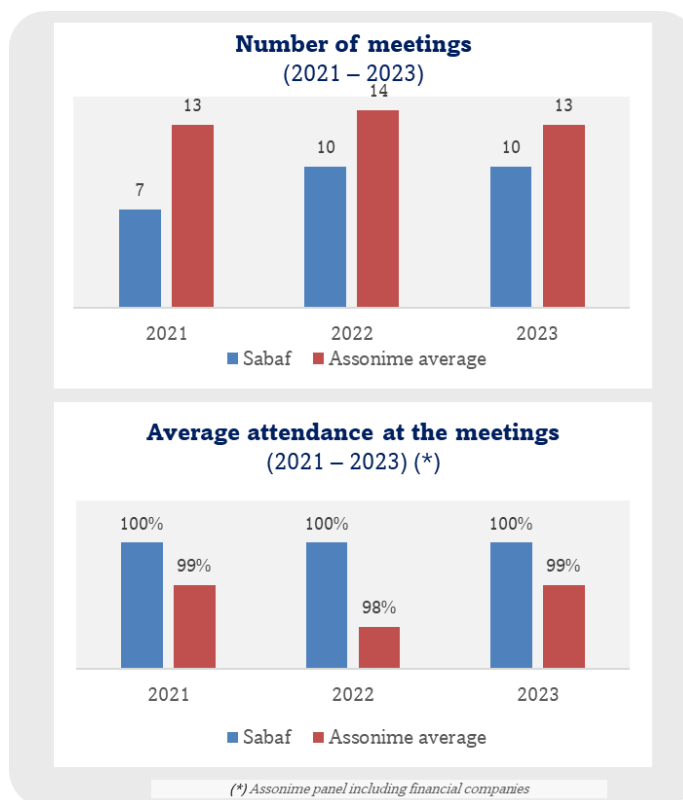
The Chairman of the Board of Statutory Auditors is the expression of the minority list.



The Board of Statutory Auditors of Sabaf met on average 9 times in the last three years (10 meetings in 2023), a number of times lower than the average number of meetings of Assonime sample (13.3 meetings in the three-year period).

The attendance of members at meetings was 100% in the period 2021 to 2023, 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 Committee for Control and Risks and Sustainability and of the Remuneration and Nomination Committee, in the half-yearly collective meetings with the Control Bodies and individual meetings with the independent auditors.



⁸ The *Curriculum Vitae* of each statutory auditor is available on the Group's website.

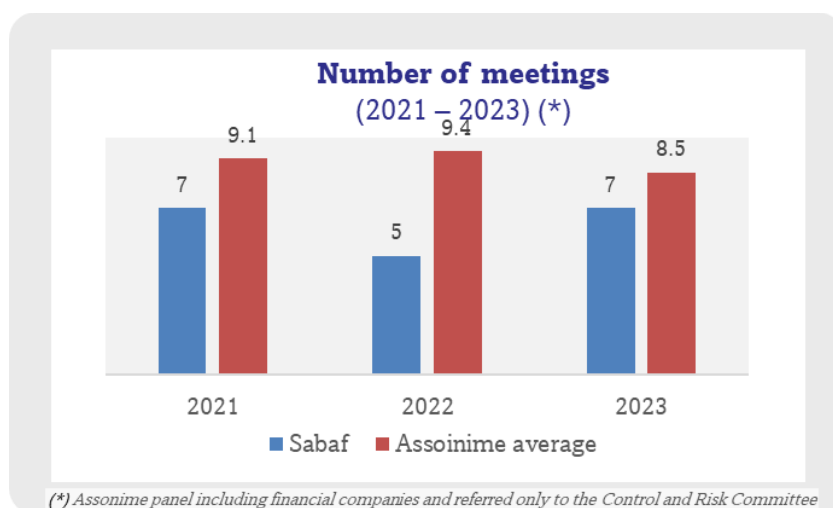
Committee for Control and Risks and Sustainability

The Committee for Control and Risks and Sustainability currently in office, set up within the Board, consists of 3 members.

In line with the choice made by about 64% of Assonime panel (referring only to the CRC), the CCRS of Sabaf is made up exclusively of independent directors.

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

<u>Office</u>	<u>Members</u>
Chairman	Nicla Picchi
Member	Daniela Toscani
Member	Carlo Scarpa



The Committee met on average 6.3 times in the last three years (7 meetings in 2023), a number of times lower than the average number of meetings of Assonime sample (9.0 meetings on average).

In 2023, the Committee, among other things:

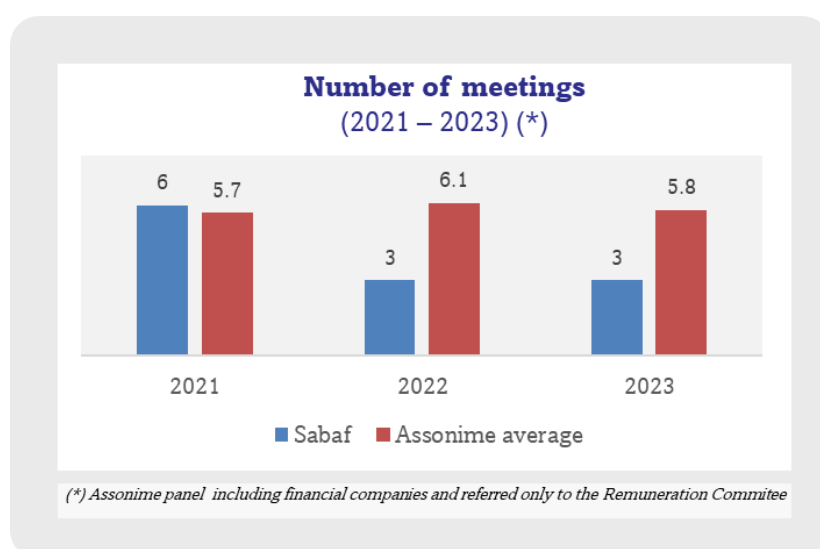
- evaluated, together with the Financial Reporting Officer and the auditors, the correct application of the accounting standards;
- analysed the results of the risk assessment conducted at the end of 2023 and the consequent 2024 Audit Plan Proposal;
- analysed the results of the Internal Audit operations carried out during the year;
- made considerations regarding sustainability issues, in particular with reference to:
 - the Group's methodological approach to managing and reporting on sustainability issues;
 - current and future legal requirements (CSRD, European Taxonomy Regulation, Carbon Border Adjustment Mechanism (CBAM));

- identification of a consultant to assist the Company: a) in defining a timetable of activities required to comply with the “Corporate Sustainability Reporting Directive”; b) in defining the sustainability path and strategy, activities that will include the preparation of a Transition plan for climate change mitigation, also with the aim of integrating the ESG strategy into the business plan.

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 60% of Assonime panel), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the Board of Directors.

<u>Office</u>	<u>Members</u>
Chairman	Daniela Toscani
Member	Stefania Triva
Member	Alessandro Potestà



In the last three years, the Committee met fewer times than Assonime average (4 vs 5.9). In particular, in 2023, the Committee met three times.

In 2023, the Committee, among other things:

- analysed the final results of the managerial incentive plan (MBO) for the 2021 and prepared the managerial incentive plan for 2022, approved by the Board of Directors on 21 March 2023;
- analysed the preliminary report on the long-term incentive plan (the “LTIP”) for directors and employees of the Company and its subsidiaries through the free allocation of shares (the “Stock Grant Plan”), approved by the Board of Directors on 13 May 2021. For further details, reference should be made to the 2023 Report on Remuneration, available on the Company's website at: www.sabafgroup.com, under the section “Investors - Corporate Governance”,

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 6 May 2021, it was confirmed that the criteria for implementing Corporate Social Responsibility ("CSR") are the responsibility of the Board. At the same meeting, the Board of Directors set up a Board committee, the **Committee for Control and Risks and Sustainability**, which, with reference to sustainability issues, has the task of:

- supporting the Board of Directors in the analysis of issues relevant to the Company and the Group, promoting a policy that integrates sustainability into business processes in order to ensure the creation of sustainable value over time for shareholders and all other stakeholders;
- promoting the dissemination of the culture of sustainability among all stakeholders;
- assessing the environmental, economic and social impacts of business activities;
- expressing opinions on the annual and multi-year sustainability targets to be achieved;
- expressing opinions on the initiatives and programmes promoted by the Company and the Group in terms of corporate social responsibility;
- assessing the suitability of periodic information to correctly represent the Company's business model, strategies, the impact of its activities and the performance achieved;
- examining the contents of periodic non-financial information;

All Sabaf employees, as part of their responsibilities and competences, are required to implement the Group's sustainability strategy every day in the performance of their activities.

Induction programme

In 2023, the members of the Committee for Control and Risks and Sustainability were involved in ESG-related induction activities. Specifically, the Company invited consultants to describe the current legislative framework and the recent and forthcoming regulations, such as the Corporate Sustainability Reporting Directive (CSRD), the European Taxonomy Regulation and the Carbon Border Adjustment Mechanism (CBAM).

Internal Audit and Supervisory Body

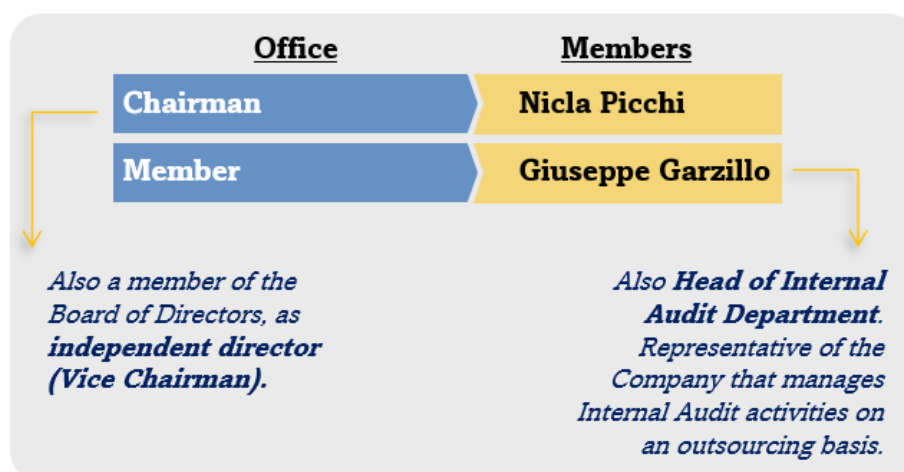
Internal Audit

On 25 June 2019, the Board of Directors, upon the proposal of the Director in charge of the Internal Control and Risk Management System, entrusted the responsibility for 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, a partner of the company, as the Head of the department. On 16 December 2021, the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and after hearing the Board of Statutory Auditors, renewed the appointment of PwC for the three-year period 2022 to 2024 and confirmed Mr. Garzillo as Head of Internal Audit.

The Head of Internal Audit reports hierarchically to the Board of Directors, which approves the Work Plan.

Supervisory Body

The Supervisory Body, appointed on 6 May 2021 by the Board of Directors for the three-year period 2021 to 2024, comprises Nicla Picchi, independent director and Vice Chairman of the Company, and Giuseppe Garzillo, Head of Internal Audit.



During 2023, the Supervisory Body of Sabaf met 6 times, asking the Company's management to attend the meetings in order to carry out in-depth analyses on specific aspects.

Conflicts of interest

The Board of Directors adopted a Guideline setting out the procedures for the approval and implementation of transactions carried out by the Company and its subsidiaries in which a director has an interest, in order to:

- regulate the operating procedures suitable for facilitating the identification and appropriate management of situations in which a director has an interest, potential or otherwise, on its own behalf or on behalf of third parties, which is not only conflicting but also competing with the Company's interest;
- ensure that these transactions are carried out in a transparent manner and in compliance with the criteria of correctness in form and in substance.

In the presence of a director's interest:

- if the transaction is subject to the approval of the Board of Directors, the Director with such an interest must immediately and fully inform the Board prior to the commencement of

the Board's discussion, specifying the nature, terms, origin and extent of the underlying interest (even if potential or on behalf of third parties) and must leave the Board meeting at the time of the discussion and any subsequent resolution;

- if the transaction falls within the powers of the Chief Executive Officer who has an interest in the transaction, the latter shall refrain from carrying it out and submit it to the Sabaf Board for approval.

In both cases, the resolution of the Board of Directors must contain an adequate justification of the reasons and the benefits of the transaction for the Company.

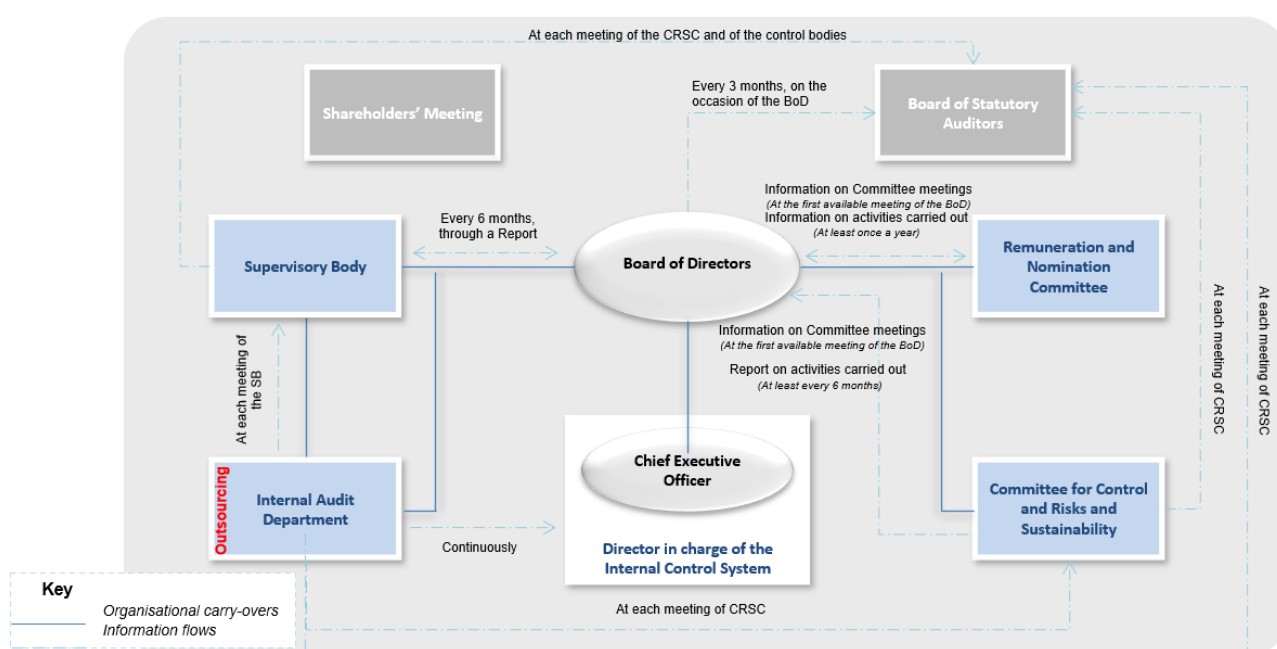
If the existence of the director's interest, potential or otherwise, constitutes a Related Party transaction, the provisions of the Procedure regulating related-party transactions, published on the website www.sabafgroup.com apply.

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

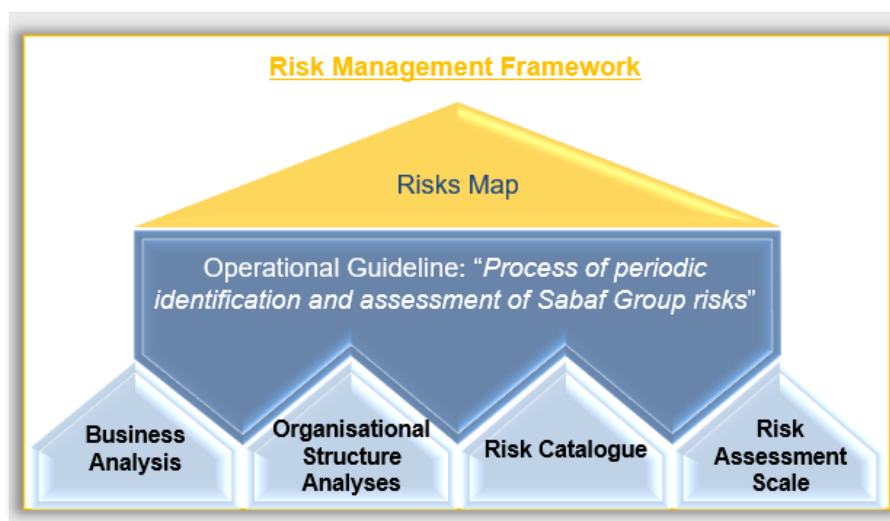


Risk Management

As part 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 parties 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 September and October 2023.

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 (EBITDA %)	< €0.5 million	between €0.5 and €2 million	between €2 and €5 million	> €5 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 "key accounts"	Significant impacts on: i) efficiency/continuity of one or more key business processes and/or ii) relations with key customers (key account)	Critical impacts on: i) efficiency/continuity of business and/or ii) relations with key customers (key account)

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	Adequate (with possible room for improvement)	To be strengthened	Lacking/Non-existent
Description	In line with best practices and best in class	There are policies, procedures and/or operating instructions. However, there is still room for improvement.	Processes are not structured and are based on the skills of the individuals involved	Lack of controls, policies, procedures and organisational structures to manage and address risks/opportunities
% of reduction of inherent risk	75-90%	50-75%	30-50%	0-30%

The risks related to the topics covered by Legislative Decree no. 254/2016 are described in this document, 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 no. 262/2005 and Legislative Decree no. 231/2001, GDPR, 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.*

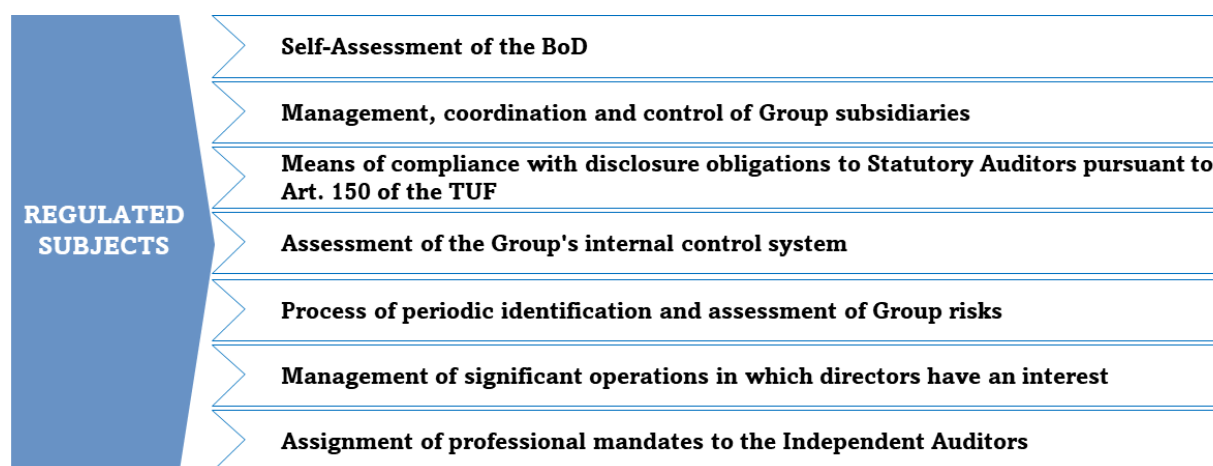
Integrated compliance and the Corporate Governance Manual

Following compliance with the Corporate Governance Code and in order to adopt the good governance practices sponsored in this document in its processes, Sabaf adopted a **Corporate Governance Manual**⁹ that regulates principles, rules and operating procedures.

This Manual, adopted by Board resolution of 19 December 2006, was updated several times over the years in order to reflect new laws and regulations in Corporate Governance, as well as the best practices adopted by the Company over time.

The Manual includes some operating guidelines, also approved by the Board of Directors, prepared for the purposes of duly performing the activities pertaining to Sabaf's management and control bodies.

Operating guidelines



⁹ The latest version of the document in accordance with the provisions of the Corporate Governance Code, approved by the Board of Directors on 16 December 2021, is available on the Company website, at www.sabafgroup.com under the Investors - Corporate Governance section.

Integrated compliance and Legislative Decree no. 231/2001

In 2006, Sabaf S.p.A. adopted the **Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001**¹⁰, aimed at preventing specific crimes by employees and/or collaborators in the interest or to the advantage 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, i.e., its real ability to prevent crimes 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 the Model 231 and appointed the SB, ensuring, in line with the parent, its proper updating and effective operation.

In 2019 and in 2021, C.G.D. and C.M.I., respectively, adopted their own Model 231, limited to the management of issues related to occupational health and safety.

Activities carried out in 2023

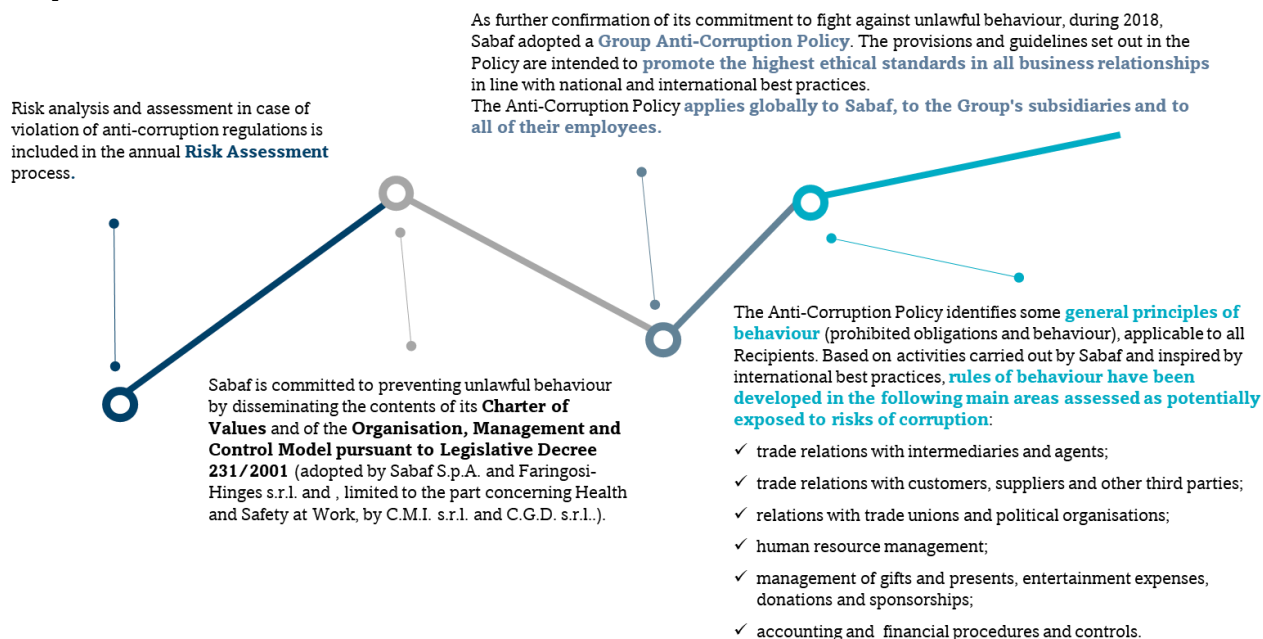
In 2023, the Body:

- verified the effectiveness of the Model, both through checks carried out by Internal Audit and by interviewing the personnel involved in sensitive activities;
- carried out the updating and collection of flows in patent management;
- carried out the updating and collection of flows in HSE;
- carried out in-depth studies on the whistleblowing process in the light of the new regulations and made proposals to strengthen this process;
- held periodic consultation meetings with Company management in order to analyse certain issues relating to the management of personnel and related information flows, the environment and occupational health and safety matters in the workplace, as well as issues subject to audits during the year.

¹⁰ The latest version of the document, approved by the Board of Directors on 13 May 2021, is available on the Company website, at www.sabafgroup.com under the Investors - Corporate Governance section.

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 crimes during the performance of its operations.



There were no instances of corruption during the three-year period from 2021 to 2023.

Whistleblowing

In 2023, Sabaf S.p.A. and some of its subsidiaries set up a special channel to report crimes and irregularities, introducing an enhanced mechanism to protect those willing to report improper conduct that has come to their attention as part of their work.

A specific tool is available to be used for reporting breaches such as:

- predicate crimes under Legislative Decree no. 231/2001;
- further crimes covered by Law Decree no. 24/2023.

The whistleblowing channel guarantees the confidentiality and privacy of both the reporting person and the content of the report, and underlines Sabaf's commitment to promoting an ethical, transparent and accountable working environment.

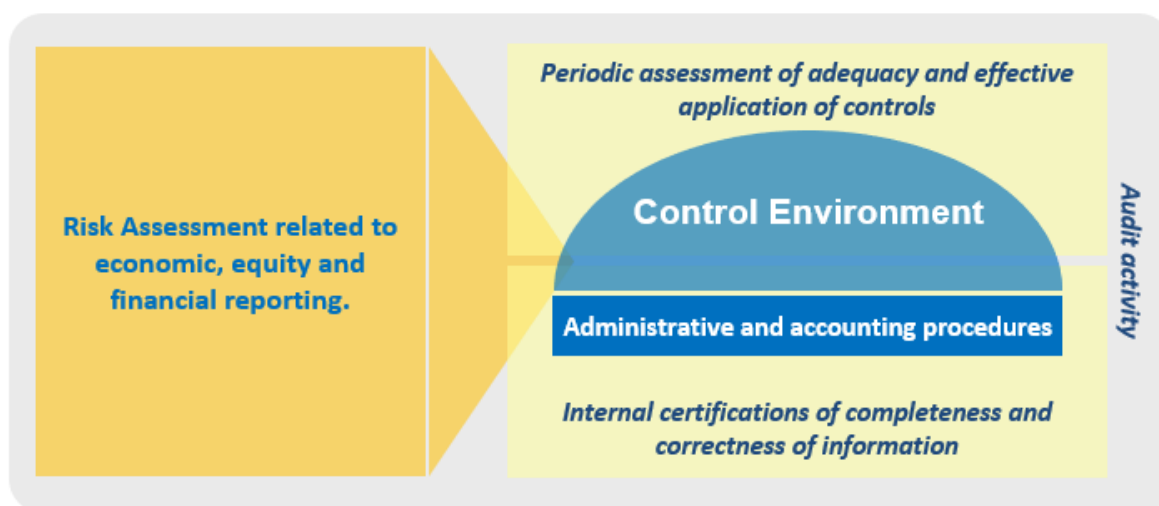
Integrated Compliance and Law 262/2005

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



Compliance with laws and regulations

There were no significant instances of non-compliance with laws and regulations in 2023.

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 performance 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.

Personnel management policy

The commitment to social responsibility and the protection of workers' health and safety are strategic elements for the Sabaf Group 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.

During 2023, 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 1,318 employees at 31 December 2023 compared to 1,238 at the end of 2022. Employees are up 80 units compared to the previous year (+6.46%). Of these, 47 refer to the inclusion of P.G.A. and Sabaf India in the reporting boundary.

Breakdown of employees by gender and by geographical area (no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	292	162	454	298	163	461	309	164	473
Faringosi Hinges s.r.l. (Bareggio, Milan - Italy)	19	23	42	20	23	43	22	23	45
A.R.C. s.r.l. (Campodarsego, Padua - Italy)	14	5	19	14	5	19	16	5	21
C.M.I. s.r.l. (Valsamoggia, Bologna – Italy)	32	53	85	30	56	86	31	53	84
C.G.D. s.r.l. (Valsamoggia, Bologna – Italy)	39	4	43	40	3	43	41	3	44
P.G.A s.r.l. (Fabriano, Ancona - Italy)	18	16	34	-	-	-	-	-	-
Total Italy	414	263	677	402	250	652	419	248	667
C.M.I. s.r.l. - Polish branch (Myszków, Poland)	19	28	47	17	30	47	19	26	45
Total Poland	19	28	47	17	30	47	19	26	45
Sabaf Brazil (Jundiaí, São Paulo - Brazil)	77	16	93	60	15	75	94	18	112
Total Brazil	77	16	93	60	15	75	94	18	112
Sabaf Turkey (Manisa - Turkey)	263	218	481	150	104	254	144	94	238
Okida (Esenyurt/Istanbul – Turkey)	-	-	-	103	99	202	97	112	209
Total Turkey	263	218	481	253	203	456	241	206	447
Sabaf China (Kunshan, Jiangsu Province – China)	4	3	7	5	3	8	5	2	7
Total China	4	3	7	5	3	8	5	2	7
Sabaf India (Hosur, Tamil Nadu - India)	13	0	13	-	-	-	-	-	-
Total India	13	0	13	-	-	-	-	-	-
Group total	790	528	1,318	737	501	1,238	778	500	1,278

With respect to the types of contract adopted, at 31 December 2023, there were 1,314 employees with permanent contracts equal to 99.7% of the total (99.5% at the end of 2022) and 4 employees with a fixed-term contract, equal to 0.3% of the total (0.5% at the end of 2022).

Group

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	788	526	1,314	733	499	1,232	770	498	1,268
Fixed term	2	2	4	4	2	6	8	2	10
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Group total	790	528	1,318	737	501	1,238	778	500	1,278

Italy (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D., P.G.A.)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	412	262	674	399	249	648	412	246	658
Fixed term	2	1	3	3	1	4	7	2	9
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Total	414	263	677	402	250	652	419	248	667

Poland (C.M.I. - Polish branch)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	19	28	47	17	30	47	19	26	45
Fixed term	0	0	0	0	0	0	0	0	0
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Total	19	28	47	17	30	47	19	26	45

Brazil (Sabaf Brazil)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	77	16	93	60	15	75	94	18	112
Fixed term	0	0	0	0	0	0	0	0	0
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Total	77	16	93	60	15	75	94	18	112

Turkey (Sabaf Turkey and Okida)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	263	218	481	253	203	456	241	206	447
Fixed term	0	0	0	0	0	0	0	0	0
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Total	263	218	481	253	203	456	241	206	447

China (Sabaf China)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	4	2	6	4	2	6	4	2	6
Fixed term	0	1	1	1	1	2	1	0	1
Non-guaranteed hours	0	0	0	0	0	0	0	0	0
Total	4	3	7	5	3	8	5	2	7

India (Sabaf India)

(no.)	31/12/2023			31/12/2022			31/12/2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Permanent	13	0	13	-	-	-	-	-	-
Fixed term	0	0	0	-	-	-	-	-	-
Non-guaranteed hours	0	0	0	-	-	-	-	-	-
Total	13	0	13	-	-	-	-	-	-

Workers who are not employees (agency workers or similar and interns)

(no.)	31/12/2023	31/12/2022	31/12/2021
Agency workers	117	115	198
Interns	1	3	11

In 2023, the Group also employed 762 people who carried out contract work at the premises of the Group.

Breakdown of personnel by age¹¹

(%)	31/12/2023	31/12/2022	31/12/2021
< 30 years old	15.8	16.6	20.2
30 – 50 years	67.3	67.1	63.7
over 50 years	16.9	16.3	16.1
Total	100.0	100.0	100.0

The age of the youngest employees in the Group is 19 years old for Italy, 20 years old for Poland, 20 years old for Turkey, 17 years old for Brazil, 35 years old for China and 30 years old for India.

Breakdown of the personnel by length of service

(%)	31/12/2023	31/12/2022	31/12/2021
< 5 years old	46.7	46.9	48.4
6 – 10 years	11.8	10.4	9.9
11 – 20 years	22.9	25.9	27.9
over 20 years	18.6	16.8	13.8
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 edge.

¹¹ For consistency with the table “Percentage distribution of employment by category, age and gender” and in accordance with the forthcoming standard ESRS S1-9, in the 2023 NFD, the age brackets shown in the table and in the following pages were changed from 4 to 3 and the 2022 and 2021 figures were restated accordingly.

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

(%)	31/12/2023	31/12/2022	31/12/2021
Degree	15.0	16.7	16.0
High school leaving diploma	45.1	48.4	48.4
Middle school leaving certificate	37.6	32.2	33.1
Elementary school leaving certificate	2.3	2.7	2.5
Total	100.0	100.0	100.0

Change in personnel in the three-year period by age and gender

Group - Hires (H) and Turnover (T)

(no.)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	56	43	33	25	36	19
	30-50 years old	82	81	58	59	71	34
	> 50 years old	3	6	1	8	5	3
Total women		141	130	92	92	112	56
Men	< 30 years old	103	87	74	75	130	85
	30-50 years old	101	85	70	99	88	73
	> 50 years old	8	16	5	15	6	12
Total men		212	188	149	189	224	170
Total		353	318	241	281	336	226

Rates of employee hire (H) and turnover (T) by geographical area, age group and gender¹²

Group

(%)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	10.61	8.14	6.59	4.99	7.20	3.80
	30-50 years old	15.53	15.34	11.58	11.78	14.20	6.80
	> 50 years old	0.57	1.14	0.20	1.60	1.00	0.60
Total women		26.71	24.62	18.37	18.37	22.40	11.20
Men	< 30 years old	13.04	11.01	10.04	10.18	16.71	10.93
	30-50 years old	12.78	10.76	9.50	13.43	11.31	9.38
	> 50 years old	1.01	2.03	0.68	2.04	0.77	1.54
Total men		26.83	23.80	20.22	25.65	28.79	21.85
Total		26.78	24.13	19.47	22.70	26.29	17.68

¹² The total hiring (turnover) rate is calculated as the ratio of the number of employees hired (departed) to the number of employees at 31 December. The hiring (turnover) rate by gender is calculated as the ratio of the number of employees hired (departed) in the specific gender category to the number of employees at 31 December in the same gender category.

Italy (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D., P.G.A.)

(%)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	0.38	0.76	1.60	0.40	0.81	0.00
	30-50 years old	1.52	1.90	2.80	1.60	2.82	3.63
	> 50 years old	0.76	1.14	0.00	1.60	0.40	1.21
Total women		2.66	3.80	4.40	3.60	4.03	4.84
Men	< 30 years old	2.42	0.97	1.74	1.74	3.10	0.95
	30-50 years old	1.93	3.86	3.98	5.47	3.58	3.34
	> 50 years old	1.93	3.14	0.75	3.48	0.48	2.15
Total men		6.28	7.97	6.47	10.69	7.16	6.44
Total		4.87	6.35	5.67	7.98	6.00	5.85

Poland (C.M.I. - Polish branch)

(%)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	3.57	3.57	3.33	0.00	0.00	0.00
	30-50 years old	10.71	21.43	16.67	6.67	7.69	7.69
	> 50 years old	3.57	0.00	3.33	3.33	3.85	0.00
Total women		17.85	25.00	23.33	10.00	11.54	7.69
Men	< 30 years old	10.53	0.00	0.00	11.76	10.53	10.53
	30-50 years old	5.26	5.26	5.88	5.88	5.26	5.26
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
Total men		15.79	5.26	5.88	17.64	15.79	15.79
Total		17.02	17.02	17.02	12.77	13.33	11.11

Brazil (Sabaf Brazil)

(%)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	12.50	12.50	6.67	6.67	5.56	0.00
	30-50 years old	18.75	12.50	0.00	26.67	27.78	11.11
	> 50 years old	0.00	0.00	0.00	0.00	5.56	0.00
Total women		31.25	25.00	6.67	33.34	38.90	11.11
Men	< 30 years old	22.08	14.29	6.67	30.00	38.30	23.40
	30-50 years old	19.48	2.60	3.33	35.00	22.34	15.96
	> 50 years old	0.00	2.60	1.67	1.67	1.06	1.06
Total men		41.56	19.49	11.67	66.67	61.70	40.42
Total		39.78	20.43	10.67	60.00	58.04	35.71

Turkey (Sabaf Turkey and Okida)

(%)		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	23.85	17.43	13.30	11.33	16.02	9.22
	30-50 years old	33.03	31.19	22.17	24.14	27.67	10.19
	> 50 years old	0.00	1.38	0.00	1.48	0.97	0.00
Total women		56.88	50.00	35.47	36.95	44.66	19.41
Men	< 30 years old	28.14	27.38	24.90	18.97	32.78	23.65
	30-50 years old	28.14	25.10	19.76	21.34	21.16	17.43
	> 50 years old	0.00	0.00	0.40	0.00	1.24	0.83
Total men		56.28	52.48	45.06	40.31	55.18	41.91
Total		56.55	51.35	40.79	38.82	50.34	31.54

China (Sabaf China)
(%)

		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	30-50 years old	0.00	0.00	33.33	0.00	0.00	0.00
	> 50 years old	0.00	0.00	0.00	0.00	0.00	0.00
Total women		0.00	0.00	33.33	0.00	0.00	0.00
Men	< 30 years old	0.00	0.00	0.00	0.00	0.00	0.00
	30-50 years old	0.00	0.00	20.00	20.00	0.00	20.00
	> 50 years old	0.00	25.00	0.00	0.00	0.00	0.00
Total men		0.00	25.00	20.00	20.00	0.00	20.00
Total		0.00	14.29	25.00	12.50	0.00	14.29

India (Sabaf India)
(%)

		2023		2022		2021	
		H	T	H	T	H	T
Women	< 30 years old	0.00	0.00	-	-	-	-
	30-50 years old	0.00	0.00	-	-	-	-
	> 50 years old	0.00	0.00	-	-	-	-
Total women		0.00	0.00	-	-	-	-
Men	< 30 years old	0.00	0.00	-	-	-	-
	30-50 years old	23.08	0.00	-	-	-	-
	> 50 years old	0.00	0.00	-	-	-	-
Total men		23.08	0.00	-	-	-	-
Total		23.08	0.00	-	-	-	-

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)	2023			2022			2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Training for new employees, apprentices, training contracts	6,906	906	7,812	3,947	735	4,682	2,112	463	2,575
Technical training and information systems	6,254	1,468	7,722	2,109	583	2,692	3,671	1,040	4,711
Quality, safety, environment, energy and social responsibility	11,542	6,378	17,920	7,930	4,794	12,724	6,519	2,486	9,005
Administration and organisation	242	161	403	724	288	1,012	752	412	1,164
Foreign languages	1,370	535	1,905	1,746	931	2,677	1,447	959	2,406
Other (e.g. lean philosophy/production/office)	1,024	646	1,670	2,872	1,975	4,847	1,529	889	2,418
Total hours of training received	27,338	10,094	37,432	19,328	9,306	28,634	16,030	6,249	22,279
Hours of training provided by internal trainers ¹³	9,011	447	9,458	7,628	789	8,417	1,677	273	1,950
Total	36,349	10,541	46,890	26,956	10,095	37,051	17,707	6,522	24,229

In 2023, 37,432 hours of training were provided to employees (28,634 in 2022). In addition to this, 4,667 hours of training were received by agency workers (6,375 in 2022).

Average hours of training per capita received by category

(hours)	2023			2022			2021		
	M	W	Tot.	M	W	Tot.	M	W	Tot.
Blue Collars	37.9	17.7	29.1	22.7	15.6	19.6	18.2	7.6	13.8
White collars and Middle Managers	26.8	24.9	26.2	36.7	31.0	34.8	29.2	34.8	31.0
Managers	30.4	14.0	28.2	14.3	4.1	12.9	11.6	11.1	11.6
Total employees	34.6	19.1	28.4	26.2	18.6	23.1	20.6	12.5	17.4
Agency workers	56.2	12.9	39.9	61.9	38.6	55.4	44.4	32.5	39.7
Total personnel	36.4	18.6	29.3	29.8	19.8	25.9	23.8	15.2	20.4

The difference in training hours provided by gender is related to the tasks carried out.

In 2023, the total cost incurred for training activities of Group personnel was approximately €630,000 (roughly €800,000 in 2022). In addition, there were training costs for agency workers, which, in 2023, amounted to around €100,000 (roughly €190,000 in 2022).

¹³ Including training given to agency workers.

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, at the end of 2023, accounted for 40.1% of the workforce (40.5% in 2022).

Percentage distribution of employment by gender

	31/12/2023		31/12/2022		31/12/2021	
	no.	%	no.	%	no.	%
Men	790	59.9	737	59.5	778	60.9
Women	528	40.1	501	40.5	500	39.1
Total	1,318	100.0	1,238	100.0	1,278	100.0

Percentage distribution of employment by contract, gender and geographical area

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.

Group

		31/12/2023		31/12/2022		31/12/2021	
		no.	%	no.	%	no.	%
Full-time	M	788	59.8	733	59.2	776	60.7
	W	476	36.1	444	35.9	446	34.9
	Tot.	1,264	95.9	1,177	95.1	1,222	95.6
Part-time	M	2	0.2	4	0.3	2	0.2
	W	52	3.9	57	4.6	54	4.2
	Tot.	54	4.1	61	4.9	56	4.4
Total		1,318	100.0	1,238	100.0	1,278	100.0

Italy (Sabaf S.p.A., Faringosi, A.R.C., C.M.I., C.G.D., P.G.A.)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	412	398	417
	W	211	193	194
	Tot.	623	591	611
Part-time	M	2	4	2
	W	52	57	54
	Tot.	54	61	56
Total		677	652	667

Poland (C.M.I. - Polish branch)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	19	17	19
	W	28	30	26
	Tot.	47	47	45
Part-time	M	0	0	0
	W	0	0	0
	Tot.	0	0	0
Total		47	47	45

Brazil (Sabaf Brazil)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	77	60	94
	W	16	15	18
	Tot.	93	75	112
Part-time	M	0	0	0
	W	0	0	0
	Tot.	0	0	0
Total	93	112	75	

Turkey (Sabaf Turkey and Okida)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	263	253	241
	W	218	203	206
	Tot.	481	456	447
Part-time	M	0	0	0
	W	0	0	0
	Tot.	0	0	0
Total	481	456	447	

China (Sabaf China)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	4	5	5
	W	3	3	2
	Tot.	7	8	7
Part-time	M	0	0	0
	W	0	0	0
	Tot.	0	0	0
Total	7	8	7	

India (Sabaf India)

(no.)		31/12/2023	31/12/2022	31/12/2021
Full-time	M	13	-	-
	W	0	-	-
	Tot.	13	-	-
Part-time	M	0	-	-
	W	0	-	-
	Tot.	0	-	-
Total	13	-	-	

Percentage distribution of employment by category, age and gender

(<i>%</i>)		31/12/2023			31/12/2022			31/12/2021		
		M	W	Tot.	M	W	Tot.	M	W	Tot.
Managers	< 30 years old	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	from 30 to 50 years old	0.6	0.1	0.7	0.4	0.1	0.5	0.4	0.0	0.4
	over 50 years	0.9	0.2	1.1	1.1	0.2	1.3	1.0	0.2	1.2
	Total	1.5	0.3	1.8	1.5	0.3	1.8	1.4	0.2	1.6
White collars and Middle Managers	< 30 years old	2.8	1.3	4.1	3.0	1.6	4.6	2.4	1.2	3.7
	from 30 to 50 years old	11.1	5.6	16.7	10.1	5.9	16.0	9.5	4.8	14.3
	over 50 years	2.7	0.9	3.6	2.3	1.0	3.3	2.4	1.0	3.3
	Total	16.6	7.8	24.4	15.4	8.5	23.9	14.3	7.0	21.3
Blue Collars	< 30 years old	7.7	4.0	11.7	8.0	4.0	12.0	11.1	5.4	16.5
	from 30 to 50 years old	26.8	23.1	49.9	27.6	23.0	50.6	27.0	22.0	49.0
	over 50 years	7.3	4.9	12.2	7.0	4.7	11.7	7.1	4.5	11.6
	Total	41.8	32.0	73.8	42.6	31.7	74.3	45.2	31.9	77.1
Total	< 30 years old	10.5	5.3	15.8	11.0	5.6	16.6	13.5	6.6	20.2
	from 30 to 50 years old	38.5	28.8	67.3	38.1	29.0	67.1	36.9	26.8	63.7
	over 50 years	10.9	6.0	16.9	10.4	5.9	16.3	10.5	5.7	16.1
	Total	59.9	40.1	100.0	59.5	40.5	100.0	60.9	39.1	100

Remuneration, incentive and enhancement systems

All Group companies apply local national contracts, supplemented with any best deals. It is estimated that, in the last three years, more than 60% of the Group's employees were covered by collective agreements.¹⁴

The employees of Sabaf S.p.A., Faringosi Hinges s.r.l., C.M.I. s.r.l., C.G.D. s.r.l., A.R.C. s.r.l. and P.G.A. s.r.l. are covered by the national collective agreement for the metalworking industry.

In Sabaf S.p.A., this agreement is supplemented by second-level bargaining, which includes:

- 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.

Pursuant to the agreement to renew the national collective bargaining agreement of 5 February 2021 for the metalworking industry, in 2023, Confindustria and the trade unions approved the annual adjustment of contractual minimum amount on the basis of the trend of the harmonised consumer price index for European Union countries (HICP), net of imported energy, at 6.6%. With respect to this increase, the companies may opt to absorb the individual allowance over basic pay. Given the extraordinary inflation trend recorded in 2022, as a sign of tangible support for employees, all Italian companies of the Sabaf Group opted not to absorb the individual allowance, which was paid out in full.

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.

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

Remuneration of directors and executives with strategic responsibilities

The Board of Directors, at the suggestion of the Remuneration and Nomination Committee, defines the policy for the remuneration of directors and managers with strategic responsibilities. This policy is submitted by the Board to the approval of the Shareholders' Meeting.

In 2023, the remuneration policy for directors and executives with strategic responsibilities approved by the Shareholders' Meeting of 6 May 2021 and covering the three-year period from 2021 to 2023 remained in force, unchanged from the previous year. At its meeting on 19 March 2024, the Board of Directors, at the suggestion of the Remuneration and Nomination Committee, approved the Company's new "General Remuneration Policy" covering the three-year period from 2024 to 2026, which will be submitted for approval at the Shareholders' Meeting. The Remuneration Policy for directors and executives with strategic responsibilities is available at www.sabafgroup.com.

The remuneration policy envisages the structuring of the remuneration of executive directors and executives with strategic responsibilities in such a way that it is significantly made up of variable remuneration, including financial instruments: (i) whose payment is conditional on the achievement of common targets (in particular, Group EBITDA and EBIT) and individual targets,

¹⁴ For Italy, the percentage is 100%.

not only of an economic-financial nature, but also of a technical-productive and/or socio-environmental nature; (ii) subject, in part, to adequate retention and deferral mechanisms. The objectives to which the disbursement of significant portions of variable remuneration is conditioned are structured in such a way as to prevent them from being achieved through short-term management choices that would potentially undermine the sustainability and/or the Company's ability to generate profit in the long term. In this context, the policy aims to encourage the achievement of the strategic objectives set out in the business plans in force and to create long-term value for stakeholders, also in line with the principles of corporate social responsibility.

The Report on remuneration describes each of the items that make up the remuneration, showing their consistency with the Policy, and details of the remuneration paid.

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.

In 2021, the shareholders' meeting approved a long-term incentive plan, linked to the economic-financial and sustainability objectives set out in the 2021-2023 business plan. The socio-environmental sustainability objectives were defined with reference to the issues that the materiality analysis carried out at the end of 2020 has highlighted as being of greatest relevance to Sabaf and its stakeholders:

Material topic	KPI	Impact on the LTI Plan
Emissions into the atmosphere	CO ₂ emissions Scope 1 + Scope 2 market-based/Revenue	15%
Development of resources and skills	Hours of training per capita (by collaborator)	5%
Health and safety of personnel	Summary indicator of work-related injuries (work-related injury rate x injury lost day rate x 100)	5%

KPI	Unit of measurement	Actual 2020	2021 objective	Actual 2021	2022 objective	Actual 2022	2023 objective	Actual 2023
CO ₂ emissions	tCO _{2eq} /millions of Euro	132	126	111	120	91	114	108
Hours of training	h	13.9	11.0	20.4	13	25.9	15	29.3
Summary indicator of work-related injuries	-	177	140	405	120	106	100	127.6

The 2023 Report on remuneration, available on the Company's website www.sabafgroup.com, under the section "Investors - Corporate Governance", sets out further details of the LTI Plan.

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 2023, this incentive system involved 73 employees of the Group (64 men and 9 women). The operating mechanisms of the MBO system are described in the Remuneration report.

Quality of Production Flow (QPF) Award

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 2023, improvement targets in these areas were set for 116 people involved in relevant business processes.

<i>(no.)</i>	White Collars	Blue Collars	Total
Men	44	61	105
Women	4	7	11
Total	48	68	116

In addition to being a tool for steering towards challenging objectives (705 objectives were assigned, achieved or exceeded in 72% of cases), the QPF award 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, which also in 2023 could be enjoyed in the form of company welfare. In consideration of the results achieved, the VPB is 91.96% above target in 2023.

Faringosi Hinges has a VPB agreement in place for the three-year period 2021 to 2023, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 90% above target in 2023.

C.M.I. has a VPB agreement in place for the three-year period 2023 to 2025, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 88.19% above target in 2023.

In 2023, at C.G.D., a VPB agreement was established for the first time, shared with trade union representatives and valid for the three-year period 2023 to 2025, with the possibility of converting all or part of the bonus achieved into company welfare. The VPB is 100% above target in 2023.

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 maximum annual total compensation to median annual total compensation¹⁵

	2023	2022	2021
Ratio of maximum compensation to median compensation	20	45	34
Ratio of maximum compensation increase to median compensation increase	-	7	n.a.

Ratio between the standard entry level age by gender paid by Group companies and the local minimum wage provided for in the contracts

Minimum increase (%)	2023		2022		2021	
	M	W	M	W	M	W
Sabaf S.p.A.	28%	28%	29%	29%	29%	29%
Faringosi Hinges s.r.l.	3%	3%	3%	3%	3%	3%
A.R.C. s.r.l.	0%	0%	0%	0%	0%	0%
C.M.I. s.r.l.	2%	2%	2%	2%	2%	2%
C.G.D. s.r.l.	0%	0%	0%	0%	0%	0%
P.G.A s.r.l.	0%	0%	-	-	-	-
C.M.I. Polish branch	1%	1%	9%	9%	2%	2%
Sabaf Turkey	8%	8%	14%	14%	15%	15%
Okida	-	-	0%	0%	0%	0%
Sabaf Brazil	20%	20%	9%	9%	14%	14%
Sabaf China	75%	75%	75%	75%	19%	19%
Sabaf India ¹⁶	8%	-	-	-	-	-

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

Ratio of average remuneration of female personnel to average remuneration of male personnel¹⁷

(%)	2023	2022	2021
White-collars, middle managers and managers	82%	80%	82%
Blue Collars	90%	89%	87%

¹⁵ The remuneration used as a reference is that of the Chief Executive Officer and includes the gross fixed component and the gross variable short-term and long-term components (including the value of shares granted during the year and related to the 2018-2020 LTI plan). No employees among those reported in Disclosure 2-7 were excluded and no full-time equivalent rates of pay were used for part-time employees. The figure for the ratio of maximum remuneration increase to median remuneration increase is not available for 2021 as it is based on data not covered by the reporting period. In 2023, the maximum remuneration decreased by 57% compared to 2022 (when it included a long-term incentive component). In 2023, the median remuneration remained essentially the same as in 2022.

¹⁶ Sabaf India had no female employees at 31 December 2023.

¹⁷ Calculated on basic remuneration. The indicator does not include Sabaf India, which had no female employees at 31 December 2023, and, limited to the "Blue collars" category, Sabaf China, which had no women among its blue collars at year end.

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);
- typical risks in metalworking companies, such as cuts and bruises.

The Group is also exposed to the compliance risk, resulting from any 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.

As from 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 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. and P.G.A. 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 and 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., Faringosi Hinges s.r.l., C.M.I. s.r.l. and C.G.D. s.r.l., the health and safety management system has been certified according to ISO 45001 since 2017, 2021, 2022 and 2020, respectively.

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 its main subsidiaries (Faringosi Hinges, A.R.C., Sabaf Brazil, Sabaf Turkey, C.M.I.).

Employees

Number and duration of work-related injuries	2023	2022	2021
Hours worked	2,304,029	2,205,632	2,308,816
Near misses/Medical treatments without lost days	42	40	47
Recordable work-related injuries ¹⁸ (absence < 6 months) - excluding fatalities	16	18	35
<i>of which commuting incidents¹⁹</i>	0	0	0
High-consequence work-related injury (absence > 6 months) - excluding fatalities	0	0	1
<i>of which commuting incidents</i>	0	0	0
Fatalities as a result of work-related injury	0	0	0
<i>of which commuting incidents</i>	0	0	0
Days lost due to work-related injury	327	283	610
Total work-related injuries - including fatalities	16	18	36
<i>of which commuting incidents</i>	0	0	0
Work-related injury rate (number of injuries x 1,000,000/hours worked)			
<i>Recordable work-related injury rate</i>	<i>6.94</i>	<i>8.16</i>	<i>15.16</i>
<i>High-consequence work-related injury rate</i>	<i>0.00</i>	<i>0.00</i>	<i>0.43</i>
<i>Fatalities rate as a result of work-related injuries</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total work-related injury rate	6.94	8.16	15.59
Injury lost day rate (days of absence x 1,000/hours worked)			
Rate based on high-consequence work-related injury	0.14	0.13	0.26

In 2023, the work-related injury rate improved and the injury lost day rate at 31 December 2023 was stable compared to the previous year.²⁰ The most common injuries are bruises and cuts.

¹⁸ Recordable work-related 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.

¹⁹ Only if transport has been organised by the organisation and the transfers have taken place within working hours.

²⁰ At 31 December 2023, two work-related injuries were pending. Therefore, since the absence from work continued in 2024, the days lost and the 2023 injury lost day rate will be recalculated.

External workers

Number and duration of work-related injuries	2023	2022	2021
Hours worked	525,194	329,864	460,135
Recordable work-related injuries ²¹ (absence < 6 months) - excluding fatalities	3	5	7
<i>of which commuting incidents</i> ²²	0	0	0
High-consequence work-related injury (absence > 6 months) - excluding fatalities	0	0	0
<i>of which commuting incidents</i>	0	0	0
Fatalities as a result of work-related injury	0	0	0
<i>of which commuting incidents</i>	0	0	0
Days lost due to work-related injury	17	42	76
Total work-related injuries - including fatalities	3	5	7
<i>of which commuting incidents</i>	0	0	0
Work-related injury rate (number of injuries x 1,000,000/hours worked)			
<i>Recordable work-related injury rate</i>	<i>5.71</i>	<i>15.16</i>	<i>15.21</i>
<i>High-consequence work-related injury rate</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>Fatalities rate as a result of work-related injuries</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Total work-related injury rate	5.71	15.16	15.21
Injury lost day rate (days of absence x 1,000/hours worked)			
Rate based on high-consequence work-related injury	0.03	0.13	0.17

No instances of occupational disease were reported at Group level in 2023.

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.

Use of dangerous substances

Only materials that fully comply with the requirements of Directive 2011/65/EU (RoHS Directive) which tends to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium are used for production.

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 promotes health and safety

The “People First!” project

“People First!” is the project promoted by Confindustria Brescia to strengthen the culture of health and safety in the province. The project, unveiled in April 2023, aims to empower as many players as possible by promoting a widespread sense of responsibility on this issue: HR managers, safety officers, academics, trade unions and schools (starting with primary schools).

In order to launch the project, Confindustria Brescia brought together member companies, local entrepreneurs and training experts. Fourteen companies - including Sabaf - with a total of more than 6,000 employees - joined the initiative and became safety ambassadors, organising safety communication campaigns and opening the doors of their plants to describe the good practices they have adopted.

The project is based on three streams: training (primarily, prevention and safety trainers), technology applied to safety and virtuous company management systems.

The aim of the meetings is to develop cross-cutting and systemic proposed improvements in all areas of individual protection.

As a matter of fact, the project also covers operational streams which focus on the implementation of:

- safety training and refresher courses;
- diversity and inclusion policies;
- corporate welfare measures and work-life balance initiatives;
- technological innovation measures applied to safety;
- virtuous business management systems.

The first meeting took place at Sabaf's Ospitaletto headquarters on 20 April 2023, hosting the representatives of the companies comprising Confindustria Brescia Safety Observatory and 10 other member companies.

The Milan-based Cattolica University also joined the project by training company experts on innovative methods.

Health and Well-being Prevention Campaign

Sabaf is on the side of women in the fight against breast cancer, a silent disease that led to 55,900 new breast cancer diagnoses in Italy in 2023.²³ Early diagnosis can actually save lives. For this reason, Sabaf promoted a company welfare project in collaboration with the ESA association, which has been promoting breast cancer prevention activities for years by raising awareness among women of the value of mammography screening as a tool for possible early diagnosis and therefore treatment of the disease.

In November 2022, Sabaf organised an information session with medical specialists for its employees and, in early 2023, offered a completely free breast check-up to all women in the company between the ages of 25 and 49.

A similar project was implemented in October 2022 at one of the Turkish sites which is scheduled to run every two years.

²³ Data source: www.epicentro.iss.it/tumori/aggiornamenti

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 March 2022, the second level company agreement of Sabaf S.p.A. was renewed, valid until 31 December 2024.

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; these data will continue to be disseminated and made transparent;
- the possibility of converting all or part of the variable performance bonus (VPB) into welfare;
- attention to the individual and family well-being of personnel through targeted policies (working hours, leave, etc.);
- a renewed commitment to ever more efficient solutions and targeted training programmes to maintain the already optimal level of health and safety for all employees.

In the Group companies, at 31 December 2023, 180 employees, or 13.7% of the total, were members of trade unions (in 2022, 153 employees, or 12.4% of the total, were members).

Hours of participation in trade union activities during 2023 amounted to 0.23% of the hours worked (0.17% in 2022).

Participation in trade union activities	2023	2022	2021	Benchmark²⁴
Meeting				
Number of hours	1,493	862	1,537	
Percentage over hours worked	0.06	0.04	0.07	
Number of hours per capita	1.1	0.7	1.2	2.0
Leave for trade union duties				
Number of hours	1,839	1,921	1,766	
Percentage over hours worked	0.08	0.09	0.08	
Number of hours per capita	1.4	1.6	1.4	
Strike				
Number of hours	1,904	1,016	2,196	
Percentage over hours worked	0.08	0.05	0.10	
Number of hours per capita	1.4	0.8	1.7	4.5
Total				
Number of hours	5,237	3,798	5,499	
Percentage over hours worked	0.23	0.17	0.24	
Number of hours per capita	4.0	3.1	4.3	

All strikes called in 2023 related to public issues and never to specific company issues.

In 2023, the Group's Italian companies made use of the temporary unemployment fund for 14,024 hours (1.2% of hours worked) and the solidarity contract for 20,315 hours (1.8% of hours worked).

Business climate analysis

The Group conducts a business climate analysis every three years.

Between July and October 2021, a climate analysis called “Conoscere e Ascoltare” (Knowing and Listening) was carried out in Sabaf S.p.A., C.M.I. (in Italy and Poland), C.G.D. and Faringosi Hinges.

The attendance was very high (601 total participants) and allowed people to express their perceptions of the key elements of their working life in our Group in a frank and direct manner.

The summary of the results reveals an undoubtedly positive and encouraging picture.

Among the elements of working life on which more than 70% of people expressed a positive perception are safety issues, the sense of belonging and pride in their company, and the canteen.

Furthermore, the expertise deemed appropriate to one's job and the relationship with one's colleagues are the real treasures of living in the company, which contribute concretely to the foundation of the business climate in the Sabaf Group.

The results also give us an indication of the elements that people perceive as needing improvement, including the chapter on Training, Evaluation and Incentives and that on Information and Communication.

²⁴ FEDERMECCANICA, *L'industria metalmeccanica in cifre (September 2023) – Ore pro-capite di assenza dal lavoro (2021)*, <https://www.federmeccanica.it/centro-studi/industria-metalmeccanica.html>

Sabaf Turkey and Okida are a GREAT PLACE TO WORK®

In January 2023, Sabaf Turkey and Okida were awarded the Great Place to Work ® certification, proving that the Turkish companies of the Sabaf Group are excellent workplaces, attentive to people's well-being and able to attract talent, increase employee motivation and improve employer branding.

The Great Place to Work® model puts people at the centre of every process, because a “great place to work” is “an environment where employees believe in the people they work for, take pride in what they do, and feel good about their colleagues”.

The GPTW® model measures the working climate on the basis of 5 aspects:

- CREDIBILITY - Two-way Communication, Competence, Integrity
- RESPECT - Professional Development, Involvement, Care
- EQUITY - Fairness of treatment, Impartiality, Justice
- ORGANISATION - Individual work, Work group, Corporate image
- COHESION - Confidence, Hospitality, Collaboration

Disputes

At 31 December 2023, a number of minor disputes with some former employees were outstanding.

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 physical risks related to climate change, such as the increase in global temperatures, sea level and the increase in extreme weather events, the Group has not identified any significant risks to date. On the other hand, transitional risks, such as the increase in energy costs, changes in consumer choices or those related to the introduction of new technologies, which the Group manages at a strategic level, are of significant impact and probability (see, in particular, the following sections on “Product and process Innovation and environmental sustainability” and “Climate change and decarbonisation”).

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 45% of the Group's total production) has been certified in compliance with

ISO 14001. Sabaf Turkey's production sites were certified ISO 14001 compliant in 2022 (gas and hinge division plant) and in 2023 (electronics division plant). C.M.I. s.r.l.'s production site was ISO 14001 certified in 2023.

In 2015, the Energy Management System implemented at the Ospitaletto site 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 no. 59 of 18 February 2005.

Sabaf's HSE function coordinates the management of environmental issues for all the Group's production sites.

Product and process innovation and environmental sustainability

Cooking technologies and environmental sustainability

About 30% of the people on our planet, i.e., 2.5 billion people, rely on solid fuels (wood, coal, dried dung, crop residues) for cooking. This population is mainly concentrated in Sub-Saharan Africa, where the unavailability of clean fuels affects 82% of the population. Furthermore, Central Asia, India, China, South-East Asia and Latin America also have significant percentages. In addition to being harmful to the environment, pollution from traditional fuels has major consequences for the health of users and households.

The other 5.5 billion people cook using fossil fuels (mainly natural and LPG) or electricity.

While it is clear that the use of solid fuels is the most harmful to the environment, there is a widespread perception that the environmental impact of electric cooking is less than that of gas cooking.

Actually, the measurement of environmental impact cannot be separated from the consideration of the electricity production mix (fossil fuels, renewables, nuclear). An authoritative study shows that, given the electricity production mix in Italy, the total CO₂ emissions over the life cycle of an induction hob are 1,590 kg, more than 50% higher than the total emissions of a gas hob (1,050 kg).²⁵

Another in-depth study²⁶ has recently conducted an impact analysis of different cooking technologies, according to scientific standards (ReCiPe 2016 and PEF). In a nutshell, the analysis covered 18 impact categories, which were then reduced to a single point value (OWDS - Overall Weighted Damage Score). The OWDS was the highest in the case of coal-fired cooking appliances (118) and the lowest for LPG and natural gas appliances (5 and 5.2 respectively). Electric cooking appliances, with an OWDS of 8.6, have 174% of the environmental impact of gas hobs.

With respect to sustainable development, reducing the environmental impact of cooking food will necessarily require a two-pronged strategy:

²⁵ <https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011>

Journal of Cleaner production - «Comparative life cycle assessment of cooking appliances in Italian kitchens», 2018

Claudio Favi ^a, Michele Germani ^b, Daniele Landi ^b, Marco Mengarelli ^c, Marta Rossi ^b

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²⁶ <https://www.itjfs.com/index.php/ijfs/article/view/2170>

Italian Journal of Food Science, 2022 - Environmental impact of the main household cooking systems - A survey, 2022 Alessio Cimini and Mauro Moresi, University of Tuscia

- promote access to lower impact energy sources for the population still using solid fuels;
- favour electric cooking only where and when the energy production mix is characterised by a predominantly green energy component.

The Sabaf Group's business development path is consistent with the ecological transition plans. On the one hand, the growing presence on international markets, including through the recent start-up of a factory for the production of gas cooking components in India, may contribute to the spread of gas cooking appliances in emerging countries, replacing traditional forms of cooking with a high environmental impact. The Group's investments to enter the sector of components for induction cooking, the most efficient form of electric cooking, the spread of which is constantly growing in the European market, is equally strategic.

A possible revolution - Hydrogen burners

The Sabaf Group actively participates in a number of experimental projects aimed at assessing the feasibility of using hydrogen to replace natural gas (methane) as a power source for gas cooking appliances.

The Group designed burners capable of operating with 100% hydrogen, and subsequent laboratory tests and prototypes have confirmed the technical feasibility of such products.

The main projects involving Sabaf include:

- the UK government-sponsored Hy4Heat project, which successfully ended in 2022;
- a pilot project in cooperation with the Colombian customer Industrias Haceb, for which Sabaf obtained the European Union's LCBA (Low Carbon and Circular Economy Business Action) Sustainability certification.

The real possibility of using hydrogen on a large scale as a fuel source still has to overcome major technological challenges, both in terms of production and distribution.

One solution that may be implemented relatively quickly entails the use of a mixture of natural gas and hydrogen via the existing distribution network.

High efficiency burners

For many years, the Sabaf Group has been at the forefront in offering gas 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 account for 30% of the total burners produced.

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 94% of the valves produced by the Sabaf Group.

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 is also used at production sites in Brazil, Turkey and India.

Environmental impact

CDP

Aware of the value of complete and transparent disclosure, in 2023, Sabaf joined for the fourth consecutive year the **Climate Change** and **Water programmes** of **CDP**, 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.

In its third year of participation, Sabaf received a C- rating in the Climate Change section on a scale ranging from A to F.

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)	2023 consumption	2022 consumption	2021 consumption
Raw materials			
Steel	19,791	20,587	26,801
Aluminium alloys	8,297	7,917	11,326
Brass	532	639	1,227
Enamel	353	301	289
Stainless steel	19	50	139
Solder (tin)	9	8	not measured
Zamak	6	6	12
Plastic	5	not measured	not measured
Cast Iron	0	168	144
Copper	0	6	7
Bronze	0	1	1
Associated process materials			
Release agent for foundry	136	not measured	not measured
Blasting grit	81	not measured	not measured
Lubricants for production machinery	51	not measured	not measured
Components			
Electronic components	537	not measured	not measured
Springs	317	not measured	not measured
Thermoelectric safety components	120	not measured	not measured
Cast iron components	108	not measured	not measured
Brass components	92	not measured	not measured
Aluminium alloy components	1	not measured	not measured
Packaging materials			
Wood	1,140	813	935
Cardboard	722	744	1,019
Plastic	279	282	281

34% of steel, 75% of aluminium alloys and 99% of brass used in 2023 are produced by scrap recovery; the remaining 66% of steel and 25% of aluminium alloys are produced from ore.

The Group estimates that at least 70% of the cardboard and 100% of the plastic used for packaging comes from recycling. Cardboard and wood are renewable materials.

Sabaf products fully comply with the requirements of Directive 2011/65/EU (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 respect to the REACH Regulation (Regulation no. 1907/2006 of 18 December 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 sources²⁷

		2023 consumption	2022 consumption	2021 consumption
Electricity				
<i>from renewable sources</i>	MWh	4,272	3,520	4,853
<i>from non-renewable sources</i>	MWh	32,819	32,658	39,276
Natural gas	m ³ x1,000	4,192	4,090	5,474
Diesel fuel	lx1,000	78	86	79
Gasoline	lx1,000	30	15	12
GPL	lx1,000	0.04	0.10	0.10
Butane	lx1,000	0.04	not measured	not measured
Acetylene	lx1,000	0.01	not measured	not measured
Total consumption	GJ	288,952	280,571	358,285

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 46% 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 52% of total energy requirements.

Electricity from renewable sources is produced by a photovoltaic plant in operation at C.M.I. (106 MWh in 2023; 63 MWh in 2022; 151 MWh in 2021) or comes from the purchase of I-REC certificates (4,166 in 2023; 3,457 MWh in 2022; 4,702 MWh in 2021).

Energy intensity

(kWh on turnover in €)	2023	2022	2021
Energy intensity	0.359	0.308	0.378

²⁷ Updated factors published in 2021, 2022 and 2023, respectively, by the Department for Environment, Food and Rural Affairs (DEFRA) were used to calculate consumption.

Water

Water withdrawal (m³)	2023	2022	2021
from waterworks	57,867	71,982	69,109
<i>of which freshwater</i>	57,867	71,982	69,109
<i>of which other water</i>	0	0	0
from well	37,054	43,536	30,630
<i>of which freshwater</i>	37,054	43,536	30,630
<i>of which other water</i>	0	0	0
rainwater	742	464	2,708
<i>of which freshwater</i>	0	0	0
<i>of which other water</i>	742	464	2,708
Total²⁸	95,663	115,982	102,447

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 chemical/physical concentration plants that make it possible to significantly reduce the quantities of water required and waste produced. A concentration plant is also in operation at the Brazilian production site (since 2019) and at the Turkish production site (since 2023).

At the Ospitaletto plant, there is a plant for the collection of rainwater intended for use in industrial activities. In 2023, 742 m³ were collected (464 m³ in 2022).

²⁸ The indicator does not include data relating to C.G.D. s.r.l.

Waste

Trimmings 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. Waste, broken down by type and method of disposal, is summarised below²⁹.

	2023 (t)	Incidence (%)	2022 (t)	Incidence (%)	2021 (t)	Incidence (%)
Similar to urban	193	1.9	209	2.2	356	3.0
Total hazardous	1,790	17.3	1,618	16.7	2,238	18.7
- reuse	0	0.0	73	0.7	185	1.5
- recycling	1	0.0	46	0.5	67	0.6
- recovery	406	3.9	-	-	-	-
- incineration	0	0.0	1,222	12.6	1,421	11.9
- disposal by physical-chemical treatment	989	9.6	-	-	-	-
- temporary storage prior to disposal	394	3.8	268	2.8	147	1.2
- other ³⁰	0	0.0	9	0.1	418	3.5
Total non-hazardous	8,376	80.8	7,833	81.1	9,385	78.3
- reuse	0	0.0	3,659	37.9	4,725	39.4
- recycling	3,371	32.5	2,478	25.6	2,427	20.3
- recovery	4,593	44.3	99	1.0	68	0.6
- incineration	0	0.0	392	4.1	856	7.0
- disposal by physical-chemical treatment	328	3.2	-	-	-	-
- temporary storage prior to disposal	3	0.0	1,151	11.9	1,266	10.6
- other ³⁰	81	0.8	54	0.6	43	0.4
Total waste	10,359	100.0	9,660	100.0	11,979	100.0

The breakdown of waste by composition is given below:

	2023 (t)	Incidence (%)	2022 (t)	Incidence (%)	2021 (t)	Incidence (%)	
Metals	7,243	69.9	6,974	72.2	8,042	67.1	
Liquid waste	1,658	16.0	1,551	16.1	2,611	21.8	
Sludge and powdery waste	635	6.1	437	4.5	433	3.6	
Packaging waste	Plastic	76	0.7	71	0.7	68	0.6
	Cardboard and paper	129	1.3	123	1.3	152	1.3
	Wood	211	2.0	212	2.2	297	2.5
Waste from electrical and electronic equipment	15	0.2	-	-	-	-	
Other³¹	392	3.8	292	3.0	376	3.1	
Total waste	10,359	100.0	9,660	100.0	11,979	100.0	

²⁹ The data do not include the Polish branch of C.M.I.

³⁰ Includes landfill disposal.

³¹ Urban waste, bulky waste, mixed material packaging, toners.

	2023	2022	2021
Economic value generated by the Group (€/000)	251,355	268,082	267,918
Total hazardous waste/Generated economic value (kg in €/000)	7	6	8
Total waste/Generated economic value (kg in €/000)	41	36	45

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.

No significant spills occurred in 2023.

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 Brazil and Sabaf Turkey. An analysis of the internal process shows that there are no significant emissions.
- In Faringosi Hinges s.r.l., in the companies of the C.M.I. Group and in Sabaf Turkey, 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, professional burners are produced through mechanical processing and assembly, no significant emissions are recorded.
- Sabaf India and Sabaf China carry out mechanical processing and burner assembly operations. Emissions are completely negligible.
- Electronic components (boards, timers, etc.) are assembled in Sabaf Turkey and P.G.A. The production activity generates negligible emissions.

The efficiency level of the filtration systems is ensured through their regular maintenance and the regular monitoring of all emissions. Monitoring in 2023 showed that all emissions complied with the limits imposed by the law.

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, which is managed in compliance with the reference standards.

Climate change and decarbonisation

The Sabaf Group has set a CO₂ intensity reduction target for the time horizon (3 years) of the 2021-2023 business plan. The CO₂ emission intensity reduction targets set for the 2021-2023 three-year period refer only to Scope 1 and Scope 2 emissions, which the Group has been monitoring and disclosing since 2006.

The emission intensity reduction targets were defined by considering exclusively the effects of the following actions, included in the 2021-2023 business plan and falling within the Group's direct decision-making competence:

- purchasing a share of electricity from renewable sources;
- optimising the use of energy-intensive business equipment (such as air compressors);
- using efficiently melting and enamelling kilns (which are the main facilities that consume natural gas as an energy source in the Company's production processes);
- using hybrid or fuel-efficient vehicles;
- optimising energy consumption for heating during the winter season;
- installing photovoltaic systems.

At the time the 2021-2023 business plan was drawn up, Sabaf had not yet calculated the Group's emissions along the entire value chain (Scope 3 emissions). In fact, this project only started in 2022. Consequently, Sabaf has not (nor could it have) defined a scientifically based absolute GHG emission reduction target and/or one that is consistent with the Paris Agreement's goal of limiting global warming to 1.5°C and achieving climate neutrality in 2050.

In order to address stakeholder demands and the new regulations on climate and sustainability reporting, in 2023, the Group embarked on a specific path related to carbon management and climate change mitigation. This path includes identifying specific decarbonisation levers and the consequent definition of a strategy for reducing emissions according to the main international initiatives and standards.

Scope 1 and Scope 2 emissions

CO ₂ emissions ³²		2023	2022	2021
Scope 1 (direct emissions)	tCO _{2eq}	8,937	8,546	11,493
- from refrigerant gases	tCO _{2eq}	140	49	231
- from fuel consumption	tCO ₂	8,797	8,497	11,262
Scope 2 (indirect emissions) - location based	tCO ₂	12,107	11,822	14,150
Scope 2 (indirect emissions) - market based	tCO ₂	14,709	14,604	17,641
Total emissions Scope 1+2 location based	tCO _{2eq}	21,044	20,368	25,643
Total emissions scope 1+2 market based	tCO _{2eq}	23,646	23,150	29,134

Intensity of CO₂ emissions

(tCO _{2eq} on turnover in millions of €)	2023	2022	2021
Emission intensity (scope 1 and 2 market-based)	106	91	111

³² The factors used to calculate emissions are as follows:

- 2021: Scope 1 fuels and F-GAS: Defra 2021 where available, otherwise Ispra 2016 - Scope 2 location-based: Terna 2019 - Scope 2 market-based: AIB 2020 where available, otherwise Terna 2019;
- 2022: Scope 1 fuels and F-GAS: Defra 2022 where available, otherwise Ispra 2016 - Scope 2 location-based: Terna 2019 - Scope 2 market-based: AIB 2021 where available, otherwise Terna 2019;
- 2023: Scope 1 fuels and F-GAS: Defra 2023 where available, otherwise Ispra 2016 - Scope 2 location-based: Terna 2019 - Scope 2 market-based: AIB 2022 where available, otherwise Terna 2019.

The increase in refrigerant gas emissions in 2023 was due to the recharging and maintenance of air conditioning systems.

Scope 3 emissions

In 2023, the Group analysed and measured the emissions produced along the value chain (Scope 3 emissions). The analysis made it possible to report for the first time, in a comprehensive manner, the emissions related to 11 relevant Scope 3 categories, i.e., categories 1, 2, 3, 4, 5, 6, 7, 9, 11, 12 and 13 (see the table “Scope 3”).

Identification of the relevant categories

Taking into account the Group's activities and the industry best practices and information provided by reference peers, the Scope 3 categories relevant to the Group were first identified.

The following categories were excluded as they do not apply to the Sabaf Group: category 8 (Upstream Leased Assets), category 10 (Processing of Sold Products), category 14 (Franchises) and category 15 (Investments).

The results of the calculation show that Scope 3 emissions make up 99.9% of the Group's total emissions (Scope 1, Scope 2, Scope 3). Furthermore, Category 11 alone accounts for 99.3% of the Group's Scope 3 emissions.

Calculation methodology

The data necessary to calculate the Scope 3 emissions of the relevant categories were collected for all companies in the NFD's reporting boundary. For each Scope 3 category, the methodology that ensures the highest calculation accuracy was used, in line with the quality of the data obtained, following the GHG Protocol guidelines. Specifically, the following methodological approaches were used:

- Average-data method for category 1 (Purchased Goods and Services), category 3 (Fuel- and Energy-Related Activities), category 5 (Waste Generated in Operations), category 12 (End-of-Life Treatment of Sold Products) and category 13 (Downstream Leased Assets), if physical data, such as weights and volumes, could be retrieved;
- Distance-based for category 4 (Upstream Transportation and Distribution), category 9 (Downstream Transportation and Distribution) and categories 6 and 7 (Business Travel and Employee Commuting), if the distances travelled could be calculated;
- Spend-based for category 1 (Purchased Goods and Services) and category 2 (Capital Goods), if only economic data were available.

Specific attention was paid to category 11 (Use of Sold Products), which required specific investigations in order to assess the impact of these emissions along the value chain. The Group manufactures components (intermediate products) for installation in domestic appliances, including burners for gas cooking appliances. The finished product (the hob or free-standing cooker) generates emissions during use by the end user by burning natural gas or LPG to produce the heat needed for cooking. Emissions are calculated based on a number of factors, including burner design, hob shape, grill shape and height, pan type, gas type, etc., which are largely beyond the Group's control. As a result of the investigations carried out³³, the Group decided to report the

³³ *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard.

Technical Guidance for Calculating Scope 3 Emissions, Supplement to the Corporate Value Chain (Scope 3) Accounting & Reporting Standard.

emissions relating to the use of sold products (category 11) based on the use of cooking appliances on which Sabaf burners are installed.

In order to calculate emissions, the physical data obtained from estimates of the average amount of gas required for boiling water and subsequent cooking of the pasta were used.

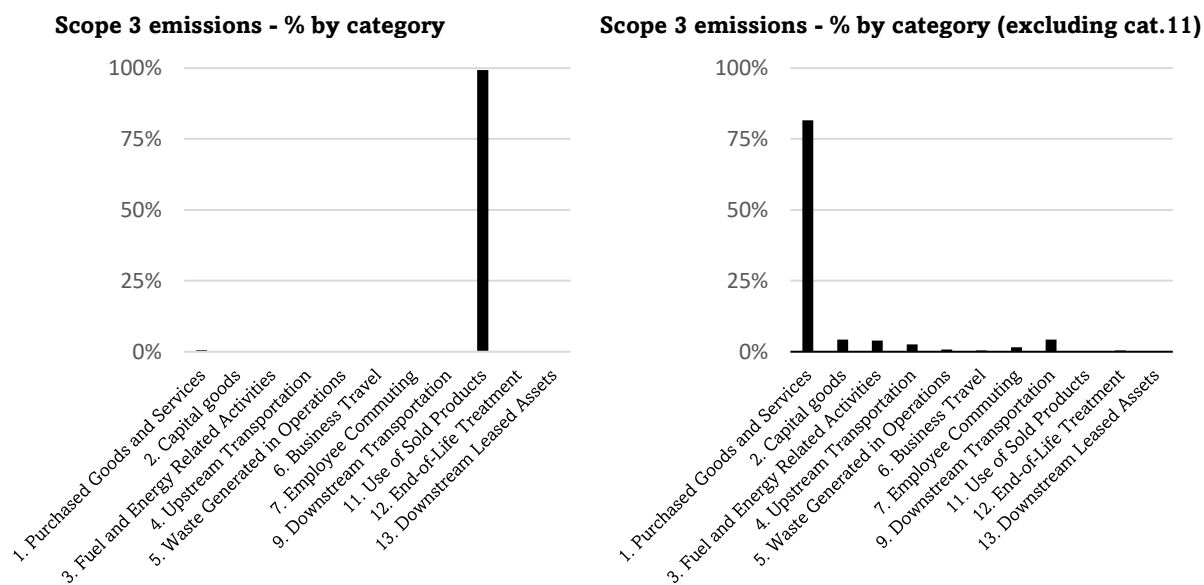
To this end, the following assumptions were made:

- the useful life of a gas cooking appliance was estimated at 20 years³⁴ (using documentation from the LCA analysis of a gas cooking appliance and the average useful life of a kitchen in Italy);
- it was estimated that one meal a day is consumed at home, for about 340 days a year;
- two separate phases were determined for calculation purposes, one for reaching the boiling temperature of the water, the other for cooking pasta;
- the cooking time of pasta was estimated at 10 minutes;
- The initial water temperature was estimated at 25°C;
- once the boiling temperature of the water is reached, the amount of gas used to cook pasta is 60% of the burner peak value;
- the amount of water used to cook the meal varies depending on the power (and therefore the size) of the burner, (several litres of water were considered, depending on the power of the burner, in accordance with the procedures of the Water Boiling Test (“WBT”), which includes 5l and 2.5l as standard. Subsequently, 5l were allocated to the 5KW burner, 2.5l to the intermediate 3KW burner and 1l to the auxiliary 1KW burner. The intermediate powers were assigned to linearly graduated litres).

The DEFRA 2023 conversion factors and the coefficients derived from the UNFCCC National Standard Parameters for 2023 (Lower Heating Value) were used for calculation purposes. After calculating the emissions for individual burners, the figures obtained were multiplied by the number of products sold in order to obtain the total value of emissions for category 11 reporting purposes.

Scope 3 (indirect emissions generated along the value chain)		2023
Total	tCO_{2eq}	19,244,500
Cat. 1 - Purchased Goods and Services	tCO _{2eq}	116,215
Cat. 2 - Capital Goods	tCO _{2eq}	6,097
Cat. 3 - Fuel- and Energy-Related Activities (not included in Scope 1 and 2)	tCO _{2eq}	5,601
Cat. 4 - Upstream Transportation and Distribution	tCO _{2eq}	3,684
Cat. 5 - Waste Generated in Operations	tCO _{2eq}	1,092
Cat. 6 - Business Travel	tCO _{2eq}	619
Cat. 7 - Employee Commuting	tCO _{2eq}	2,290
Cat. 9 - Downstream Transportation and Distribution	tCO _{2eq}	6,106
Cat. 11 - Use of Sold Products	tCO _{2eq}	19,102,012
Cat. 12 - End-of-Life Treatment of Sold Products	tCO _{2eq}	651
Cat. 13 - Downstream Leased Assets	tCO _{2eq}	133

³⁴ <https://www.sciencedirect.com/science/article/abs/pii/S0959652618308011>



The results of the calculation show that Scope 3 emissions make up 99.9% of the Group's total emissions (Scope 1, Scope 2, Scope 3). Category 11 accounts for 99.3% of the Group's Scope 3 emissions.

Disputes

Over the three-year period from 2021 to 2023, the Group did not suffer any sanctions related to environmental compliance and no dispute is pending at 31 December 2023.

Sabaf, the management of product quality and customer relations

Risks

The 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 governed by 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 (unavailability of raw materials or components, critical logistics and transport issues, production stoppages or delays, lockdowns).

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
Sabaf Turkey (Istanbul plant)	2005
Sabaf Brazil	2008
P.G.A s.r.l.	2013
Sabaf Turkey (Manisa plant)	2015
Sabaf Turkey (Manisa plant, electronics division)	2022
C.M.I. s.r.l. - Polish branch	2022
Sabaf India	2022

During 2023, 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 2023, a total of 26 functional areas of offices and production departments were checked at the Ospitaletto plant, 14 at Sabaf Brazil, 15 at Sabaf Turkey and 12 at Sabaf India. The results of these checks did not reveal any critical aspects of the system, which therefore fully complies with the regulations.

With respect to third-party inspections of the Quality Management System, annual inspections were carried out in 2023 at all certified plants, except for that in Turkey, for which the next inspection is scheduled for 2024. The activities were successfully concluded, confirming the adequacy of the System and the maintenance of the ISO 9001 certification.

In 2023, Sabaf S.p.A.'s ISO 9001 certificate was extended to the plant in Mexico.

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.

The electronic components are also certified in accordance with the operating and safety regulations in force in the markets in which they are sold, and only use components that comply with the REACH and RoHS directives.

Hinges 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 last survey was carried out between the end of 2023 and early 2024 by means of a questionnaire sent to the 20 largest customers via an online survey. The survey confirmed the

positive opinion of customers by pointing out that the quality and the innovation of its products and its timeliness, professionalism and competence in technical and commercial assistance are among its strong points.

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

With the exception of actions to recover non-performing loans, there is no dispute with customers at 31 December 2023.

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, mainly related to:

- the continuity of supplies;
- the change in prices of raw materials, electricity and gas.

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. Relations with suppliers of all Group companies are managed on the basis of uniform procedures.

With respect to suppliers' management of quality, environmental and social responsibility parameters, where the law in force already requires Sabaf to meet the minimum requirements, the risk for Sabaf is deemed lower, otherwise periodic audits are carried out. In 2023, class A and B suppliers were analysed, covering 95% of the expenditure³⁵. 77 potentially critically suppliers were identified. Forty audits were conducted without identifying any critical non-conformities, but only remarks. In connection with non-critical non-compliances, the suppliers were asked to take appropriate action. A contract was terminated due to significant weaknesses affecting the quality of supplies.

Relations with suppliers and contractual conditions

The Group's strategic suppliers are represented by:

- suppliers of raw materials, such as steel alloys and non-ferrous metals (mainly aluminium and brass); these are generally international large groups;
- suppliers of electronic components;
- suppliers of other components that are assembled into products manufactured by the Group;
- suppliers of machinery and equipment, with whom the Group has strong long-term relationships;
- various types of service providers.

³⁵ The valuation covers suppliers with an average annual turnover to Sabaf of more than €5,000 over the previous three years. The remaining suppliers are deemed not significant.

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

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 2023, the turnover of Sabaf Group's suppliers with a Certified Quality System was equal to 72% of the total (75% in 2022).

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 companies³⁶.

% domestic purchases	2023	2022	2021
Sabaf S.p.A.	78%	79%	78%
Faringosi Hinges	99%	99%	99%
A.R.C.	89%	85%	85%
C.M.I. Group	97%	98%	98%
P.G.A.	83%	-	-
Sabaf Turkey	74%	67%	66%
Okida	-	69%	65%
Sabaf Brazil	93%	95%	95%
Sabaf China	100%	100%	100%
Sabaf India	96%	-	-

Disputes

At 31 December 2023, there were no outstanding disputes with suppliers.

³⁶ A local supplier is a supplier based in the same country as each Sabaf Group company. The figures in the table do not consider intragroup supplies. Figures were translated into euro at the average exchange rates for the 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 formal tax strategy at Group level and 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 performs a supervisory, guidance and coordination function with regard to intragroup 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. The Group does not engage in tax advocacy activities.

Reporting by country³⁷

Taxes – 2023 Country-by-Country Reporting

(€/000)	Italy	Brazil	Turkey	China	U.S.A.	India	Mexico	Poland ³⁸	Total before consolidation	Consolidation adjustments	Total consolidated financial statements
Number of employees	677	93	481	7	180	13	25	47	1,523	-	1,523
Property, plant and equipment other than cash and cash equivalents	294,839	22,758	72,039	2,897	18,298	8,870	6,626	4,706	431,033	(166,439)	264,594
Sales to third parties	128,907	16,487	60,292	1,077	14,615	1,137	-	15,434	237,949	-	237,949
Intra-group revenues to other jurisdictions	30,581	-	4,826	586	277	27	-	398	36,695	(36,695)	-
Pre-tax profit (loss)	4,445	1,560	(3,276)	(929)	461	(1,311)	(1,724)	1,083	309	(315)	(6)
Income taxes paid	375	532	2,443	-	126	-	-	286	3,762	-	3,762
Income taxes for the year (A)	(555)	429	367	-	132	-	-	317	690	-	690
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	1,623	101	(1,104)	(223)	(7)	(315)	(414)	(122)	(461)	-	(461)
Theoretical income tax (C) = (A)+(B)	1,068	530	(737)	(223)	125	(315)	(414)	195	229	-	229
Effect of permanent tax differences (D)	(30)	2	-	-	-	-	-	-	(28)	-	(28)
Other changes (E)	(2,868)	-	(3,007)	223	(135)	315	414	-	(5,058)	-	(5,058)
Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current) (F) = (C)+(D)+(E)	(1,830)	532	(3,744)	-	(10)	-	-	195	(4,857)	1,229	(3,628)
IRAP (current) (G)	242	-	-	-	-	-	-	-	242	-	242
Total (H) = (F) + (G)	(1,588)	532	(3,744)	-	(10)	-	-	195	(4,615)	1,229	(3,386)

³⁷ The names and main activities carried out by Group companies are listed in the paragraph "Corporate Governance, Risk Management and Compliance" of this document.

³⁸ CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

Taxes – 2022 Country-by-Country Reporting

<i>(€/000)</i>	Italy	Brazil	Turkey	China	U.S.A.	India	Mexico	Poland³⁹	Total before consolidation	Consolidation adjustments	Total consolidated financial statements
Number of employees	652	75	456	8	-	-	-	47	1,238	-	1,238
Property, plant and equipment other than cash and cash equivalents	297,497	20,656	89,047	3,641	-	5,826	6,154	3,088	425,909	(171,595)	254,314
Sales to third parties	166,872	12,522	60,101	1,491	-	526	-	11,541	253,053	-	253,053
Intra-group revenues to other jurisdictions	25,669	-	3,270	1,398	285	-	-	980	31,602	(31,602)	-
Pre-tax profit (loss)	9,735	349	2,894	(762)	(26)	(366)	(194)	516	12,146	63	12,209
Income taxes paid	4,707	104	2,845	-	-	-	-	77	7,733	-	7,733
Income taxes for the year (A)	1,280	-	723	-	-	-	-	77	2,080	-	2,080
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	1,056	119	(143)	(183)	(6)	(88)	(47)	47	755	-	755
Theoretical income tax (C) = (A)+(B)	2,336	119	580	(183)	(6)	(88)	(47)	124	2,835	-	2,835
Effect of permanent tax differences (D)	215	7	-	-	-	-	-	-	222	-	222
Other changes (E)	(1,645)	-	(5,170)	183	6	88	47	(31)	(6,522)	-	(6,522)
Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current) (F) = (C)+(D)+(E)	906	126	(4,590)	-	-	-	-	93	(3,465)	(55)	(3,520)
IRAP (current) (G)	480	-	-	-	-	-	-	-	480	-	480
Total (H) = (F) + (G)	1,386	126	(4,590)	-	-	-	-	93	(2,985)	(55)	(3,040)

³⁹ CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

Taxes – 2021 Country-by-Country Reporting

<i>(€/000)</i>	Italy	Brazil	Turkey	China	U.S.A.	India	Mexico	Poland⁴⁰	Total before consolidation	Consolidation adjustments	Total consolidated financial statements
Number of employees	667	112	447	7	-	-	-	45	1,278	-	1,278
Property, plant and equipment other than cash and cash equivalents	196,850	19,866	40,328	2,983	-	1,850	2,803	4,432	269,112	(31,989)	237,123
Sales to third parties	178,071	16,632	56,138	1,817	-	-	-	10,601	263,259	-	263,259
Intra-group revenues to other jurisdictions	26,873	-	3,191	212	254	-	-	768	31,298	(31,298)	-
Pre-tax profit (loss)	22,438	2,080	6,392	(446)	40	(57)	(134)	746	31,059	(1,379)	29,680
Income taxes paid	1,907	694	2,550	-	-	-	-	145	5,296	-	5,296
Income taxes for the year (A)	4,943	710	1,819	-	-	-	-	145	7,617	-	7,617
Differences between the theoretical tax charge and the tax charge recognised in the financial statements (B)	441	(3)	(221)	-	-	-	-	(11)	206	-	206
Theoretical income tax (C) = (A)+(B)	5,384	707	1,598	(105)	-	-	-	134	7,718	-	7,718
Effect of permanent tax differences (D)	198	(13)	-	-	-	-	-	-	185	-	185
Other changes (E)	(2,158)	-	(2,107)	105	-	-	-	11	(4,149)	-	(4,149)
Income taxes recognised in the financial statements, excluding IRAP (corporate income tax) and substitute taxes (current) (F) = (C)+(D)+(E)	3,424	694	(509)	-	-	-	-	145	3,754	32	3,786
IRAP (current) (G)	1,211	-	-	-	-	-	-	-	1,211	-	1,211
Total (H) = (F) + (G)	4,635	694	(509)	-	-	-	-	145	4,965	32	4,997

⁴⁰ CMI Polska z.o.o. was merged into C.M.I. Cerniere Meccaniche Industriali s.r.l. on 31 December 2021.

Relations with industrial associations

Sabaf S.p.A. is one of the founders of **APPLiA 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. organises company visits for groups of students. Group representatives frequently give company presentations at universities on sustainability issues and other relevant topics.

Charitable initiatives and donations

The values that the Sabaf Group embraces are those of peace and brotherhood between people.

On 6 February 2023, a 7.9 magnitude earthquake struck south-east Turkey and northern Syria. Tens of thousands of people lost their lives or were injured. Due to the devastating collapses, survivors had to cope with the cold, lack of food, drinking water and electricity. The work of the rescuers was complicated by the damage to the road network.

The Sabaf Group took steps to immediately contribute to humanitarian aid by collecting primary need goods at the Group's Turkish offices (unaffected by the earthquake) and by collecting funds at the Italian companies. Sabaf, in turn, contributed an amount equal to twice the amount donated by its employees. The funds were earmarked for the Koc Group's "Container City Project" programme to purchase emergency accommodation units for people who lost their homes in the earthquake.

In June 2023, Sabaf signed the Ukraine Business Compact to support the country's economic recovery. The initiative was launched by the UK and Ukrainian governments at the Ukraine Recovery Conference - URC 23 held in London on 21 and 22 June 2023. This statement confirms international business support for the reconstruction and recovery of Ukraine in order to create an agile and resilient economic system and emerge from the conflict as a stronger and more prosperous country. By committing to the principles outlined in the document, the signatory companies declared their support for the cause and their willingness to engage in future trade, investment opportunities and peer-to-peer skills sharing.

In 2022, Sabaf joined the project to co-finance for six years the Chair of Associate Professor of Anaesthesiology in the new School of Specialisation in Medicine and Palliative Care at the University of Brescia (contribution of €50,000 per year). Sabaf is thus supporting an important postgraduate training programme in the city of Brescia, which is of great value to the entire community.

The Postgraduate School of Palliative Care, one of the first in Italy, was opened in November 2022. Furthermore, teaching medicine for surgery students and research projects began. The aim is to promote the culture of palliative care among young people and expand into the paediatric field, developing a reference centre in eastern Lombardy.

The results of the first year of activity of the new complex structure of Palliative Care and ADI of the Asst Spedali Civili of Brescia are encouraging: the Postgraduate School of Palliative Care has involved students and specialists from the most diverse medical areas and offered a wide range of care, from adult to paediatric, including pain therapy and home care.

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 the *Associazione Volontari per il Servizio Internazionale* (AVSI), a non-profit, non-governmental organisation engaged in international development aid projects. The donations are used to provide long-distance support to twenty children living in various countries around the world.

Disputes

At the beginning of 2023, a tax dispute in Sabaf Turkey was resolved. There was no charge to the Group as a result of the unfavourable outcome.

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

Sabaf and shareholders

The composition of the share capital

On 14 July 2023, as part of the acquisition of control over MEC, the Board of Directors of Sabaf approved a reserved capital increase for a nominal amount of €1,153,345, equal to 10% of the share capital, by issuing a maximum of 1,153,345 new ordinary shares with a par value of €1.00. The newly issued shares were offered as part of a reserved placement and fully subscribed by Montinvest s.r.l. The capital increase took place on 20 July 2023.

At the approval date of this document (19 March 2024), the share capital of Sabaf S.p.A., fully subscribed and paid-up, amounted to €12,686,795, consisting of 12,686,795 ordinary shares with a par value of €1.00 each. A total of 6,127,517 shares acquired voting rights (two votes for each share).

	No. of shares making up the share capital	Number of voting rights
Total	12,686,795	18,814,312
of which:		
ordinary shares IT0001042610	6,559,278	6,559,278
ordinary shares with increased vote IT0005253338	6,127,517	12,255,034

The shareholders entered in the shareholders' register at 9 January 2024 were 1,931, of whom:

- 1,619 own up to 1,000 shares;
- 206 own 1,001 to 5,000 shares;
- 30 own 5,001 to 10,000 shares;
- 76 own over 10,000 shares.

21.29% 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.a.p.A.	2,340,644	18.45%	4,681,288	24.88%
QUAESTIO CAPITAL MANAGEMENT SGR S.p.A.	2,306,690	18.18%	4,613,380	24.52%
MONTINVEST s.r.l.	1,160,000	9.14%	1,160,000	6.16%
FINTEL s.r.l.	898,722	7.08%	1,748,722	9.29%
PALOMA RHEEM INVESTMENTS, INC.	570,345	4.50%	1,031,683	5.48%

There are no other shareholders other than those highlighted above with a shareholding of more than 5%.

Investor relations and financial analysts

Since its listing on the Stock Exchange (1998), the Company has attached strategic importance to financial communication, which 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. On 10 February 2022, the Company adopted the [Policy for the management of the dialogue with the investors](#), which regulates the opportunities for communication and attendance for all Investors that require contact with the Board of Directors on the following matters:

- corporate governance system;
- remuneration policies;
- internal control and risk management system;
- strategic and industrial plans of the Company;
- strategic guidelines and policies on environmental and social sustainability.

The Policy entrusts the management of the dialogue with investors to the Chairman, the Chief Executive Officer and the CFO, also severally

In 2023, the Company participated in the Star Conference in March. The Company met with institutional investors as part of other roadshows organised in Milan, Frankfurt, Vienna and Paris.

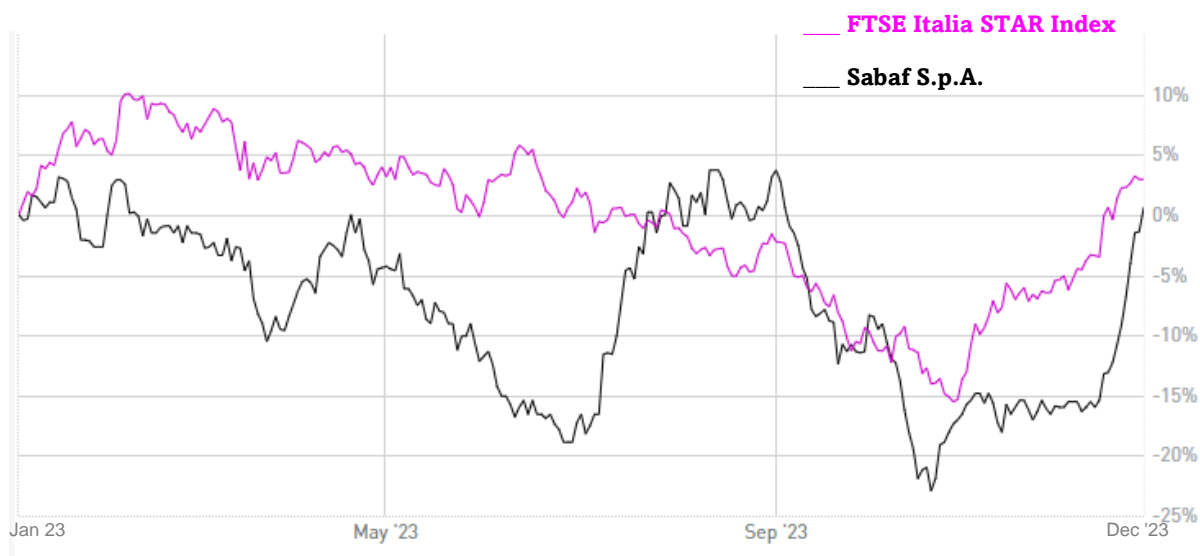
Remuneration of shareholders and share performance

In 2023, the Sabaf share recorded the highest official price on 1 February (€17.958) and the lowest on 17 October (€13.510). The average volume traded was 5,218 shares per day, equal to an average value of €85,256 (€223,623 in 2022).

2023 performance of Sabaf shares (price and volumes traded)



Sabaf vs. FTSE Italia STAR index



In 2023, the Company did not distribute any dividends to shareholders as it decided to use the funds to continue its growth path, also externally.

ESG investment

ESG (Environment, Social, Governance) criteria are increasingly important parameters for the screening and selection of investments by investors. Also through the preparation of this Disclosure, Sabaf strives to ensure maximum transparency on its sustainability strategy, social and environmental performance and level of alignment with best practices in terms of governance.

Disputes

There is no dispute with shareholders.

Sabaf and lenders

At 31 December 2023, the net financial debt was €73.2 million, compared with €84.4 million on 31 December 2022. The ratio between the net financial debt and EBITDA was 2.47 versus 2.10 at 31 December 2022.

Relations with credit institutions

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.

Other lenders

In 2021, Sabaf S.p.A. issued a €30 million bond fully subscribed by PRICOA with a maturity of 10 years and an average life of 8 years. This issue enabled the Group to diversify its sources of financing, improve financial flexibility and significantly lengthen the average duration of its debt.

Disputes

There is no dispute with lenders.

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 operating 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 global 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 over 10%. The Sabaf Group is also a world leader in hinges for oven doors and dishwashers.

Sabaf's main competitors on the international market are Copreci, E.G.O. 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.

E.G.O. is a major manufacturer of electronic components for household appliances based in Germany. In 2013, it acquired Defendi Italy (now E.G.O. Italy), a company mainly active in the production of burners in Italy and Brazil.

Robertshaw produces a wide range of components for household appliances and has a leading position in the North American market, particularly with respect to gas parts.

Main Italian and international competitors

	Valves and thermostats	Burners	Hinges	Electronic components
SABAF GROUP	x	x	x	x
Copreci (Spain)	x			x
E.G.O. (Germany, Italy)		x		x
Robertshaw (USA) ⁴¹	x	x		x
Somipress (Italy)		x		
Nuova Star (Italy)			x	

⁴¹ In February 2024, Robertshaw US Holding Corporation filed for Chapter 11 protection from creditors as part of a financial restructuring process.

2021 and 2022 economic data of the main Italian competitors⁴²

<i>(€/000)</i>	2022			2021		
	Sales	EBIT	Net profit (loss)	Sales	EBIT	Net profit (loss)
SABAF GROUP	253,053	21,887	15,249	263,259	37,508	23,903
E.G.O. Italy	38,466	(673)	(1,303)	49,814	1,127	1,246
Somigroup Group	29,176	(758)	(516)	31,375	1,633	1,554
Nuova Star	49,858	1,253	1,019	59,844	2,751	2,628

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 2023:

- there is a dispute pending against a competitor following an alleged violation of one of our patents;
- there are two disputes brought by competitors due to alleged violations of patents.

⁴² Sabaf processing from the financial statements of the various companies. Latest available data.

EU Taxonomy

Regulation (EU) 2020/852 ("EU Taxonomy") is part of the European Union's initiatives in favour of sustainable finance and aims to provide investors and the market with a framework of sustainability metrics. The EU Taxonomy focuses on the identification of environmentally sustainable economic activities, defined as those economic activities that make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of these objectives and meeting minimum safeguards.

In particular, the aim of the EU Taxonomy is to steer investments towards sustainable solutions, also in order to pursue the provisions of the European Green Deal, by identifying six environmental and climate objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control;
6. Protection and restoration of biodiversity and ecosystems.

On 27 June 2023, the regulatory framework for the EU Taxonomy was supplemented with two new Delegated Acts, Delegated Regulation (EU) 2023/2485, amending Climate Delegated Act, and Delegated Regulation (EU) 2023/2486 ("Environmental Delegated Act"), both effective as of 17 July 2023. The first Delegated Act introduces new economic activities under Regulation (EU) 2021/2139 ("Climate Delegated Act"), which determines the eligibility criteria for certain economic activities relating to the first two of the six environmental objectives, as well as the technical screening criteria for determining if these activities are Taxonomy-aligned. The second Delegated Act establishes the technical screening criteria for the other four environmental objectives and, in turn, amends Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

According to the Taxonomy, undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement shall disclose the following: (i) the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under the Taxonomy and the (ii) the proportion of capital expenditure and the proportion of operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under the Taxonomy.

These indicators must be reported for both "Taxonomy-eligible" economic activities, i.e., "eligible" activities that could potentially contribute to the achievement of environmental objectives, and "Taxonomy-aligned" economic activities, i.e., the activities "aligned" to the Taxonomy, which actually contribute to the achievement of taxonomy objectives.

As described in Delegated Regulation (EU) 2021/2178, an economic activity is Taxonomy-aligned if it complies with the requirements laid down in Article 3 of Regulation 2020/852, i.e., if it gives a substantial contribution to at least one of the above-mentioned climate and environmental objectives in accordance with the technical screening criteria set by the Commission, while at the same time does not significantly harm the remaining objectives and it meets minimum safeguards.

With respect to the taxonomy reporting of the year, non-financial undertakings must disclose eligible economic activities for all six taxonomy-related objectives and the alignment of certain activities for the first two objectives. Starting from 2024, the reporting obligation covering both Taxonomy-eligible and aligned economic activities will be extended to all six objectives of the Taxonomy.

The Sabaf Group's contribution

The Sabaf Group immediately began analysing the regulations in order to understand their potential impact on the reporting process on its Consolidated Disclosure of Non-Financial Information.

Based on the NACE code, the Delegated Acts of the EU Taxonomy Regulation identify Sabaf's activity as "Manufacture of energy efficiency equipment for buildings", within the scope of climate change mitigation and adaptation objectives. However, after further investigations into the relevant technical screening criteria and based on the decision to adopt a prudential approach, the Group opted not to consider this activity as "Taxonomy eligible". Indeed, Sabaf manufactures "key components" of household appliances that fall within the scope of the above-mentioned activity. The criteria set out in the Delegated Acts allow for alignment (or eligibility, in the case of the adaptation objective) if the key components are installed on appliances that fall into the two highest energy efficiency classes, in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council. However, to date, energy labelling is not applicable for certain categories of household appliances (such as gas hobs), nor can the Group obtain information on the energy class of the appliances for which its components are intended. Moreover, the Delegated Acts do not provide a specific definition of "key components", making the case for Sabaf's products questionable.

Furthermore, the Sabaf Group is known for its strong product innovation ability, which also aims at improving the energy efficiency of household appliances. Sabaf's gas hob and cooker burners, for example, boost efficiencies that on average exceed conventional and industry-standards envisaged by sector regulations.

Furthermore, Sabaf checked whether the sale of electronic boards could qualify as an eligible activity "1.2 Manufacture of electrical and electronic equipment", as part of the transition to a circular economy. Since electronic boards are a component of a piece of electronic equipment and that the description of activity 1.2 does not include "components", the company decided not to consider the turnover derived from the sale of electronic boards as Taxonomy eligible.

Sabaf may revise this critical analysis in the next few years based on possible regulatory developments and clarifications to the Regulation.

The non-identification or reduced identification of turnover derived from "eligible" economic activities is not an indicator of an undertaking's environmental performance, as also confirmed by the Platform on Sustainable Finance, a body established under Article 20 of Regulation (EU) 2020/852 with advisory and support functions in favour of the European Commission on Taxonomy.⁴³

The Group has identified small amounts related to secondary activities and projects, identifying activities "3.2. Manufacture of equipment for the production and use of hydrogen" and "4.1. Electricity generation using solar photovoltaic technology" as "eligible" under the climate change mitigation objective. The first activity relates to the experimental development of 100% hydrogen-fuelled burners. The second activity refers to a proprietary photovoltaic plant operating at the subsidiary C.M.I.'s plant, for turnover derived from the portion of electricity fed into the grid. The amounts related to these activities are shown in the tables below pursuant to Delegated Regulation 2021/2178 of the European Commission. Sabaf checked that activities 3.2 and 4.1 of the climate

⁴³ In the document *Platform considerations on voluntary information as part of Taxonomy-eligibility reporting* presented as an annex to the European Commission's FAQs published in December 2021 it is stated that "Eligibility is not an indicator of environmental performance; it is an indicator that an activity is in scope for testing and has the potential to be Taxonomy-aligned".

change mitigation objective complied with the criteria set out in Article 3 of Regulation (EU) 2020/852 and the related technical screening criteria as per the delegated acts. Accordingly, it concluded that these activities were only eligible for 2023 since not all the alignment requirements were met.

The Sabaf Group will continue to monitor the evolution of energy labelling and European taxonomy regulations, as the publication of further regulations specific to its business may allow it to enhance its contribution in the future.

Template - Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023		Substantial contribution criteria							DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards	Taxonomy-aligned (A.1.) or Taxonomy-eligible (A.2) proportion of turnover (2022)	Category (enabling activity)	Category (transitional activity)
	Code	Absolute turnover	Proportion of turnover (2023)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
Economic activities		€/000	%	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.00%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	0.00%			
of which enabling		0	0.00%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	0.00%	E		
of which transitional		0	0.00%	0.0%						No	No	No	No	No	No	No	0.00%		T	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
				E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	Optional						%				
Electricity generation using solar photovoltaic technology	CCM 4.1.	33	0.0%	E	N/E	N/E	N/E	N/E	N/E								0.0%			
Turnover of Taxonomy-eligible activities but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%			
Total (A.1 + A.2)		33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%			
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		246,972	100.0%																	
Total (A + B)		247,005	100.0%																	

Template - Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned (A.1) or Taxonomy-eligible proportion of CapEx (A.2) (2022)	Category (enabling activity)	Category (transitional activity)	
	Code	Absolute CapEx €/'000	Proportion of CapEx (2023) %	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution					Biodiversity and ecosystems
Economic activities			Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	No	0.00%		
of which enabling	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	No	0.00%	E	
of which transitional	0	0.0%	0.0%						No	No	No	No	No	No	No	No	0.00%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
			E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	Optional						%				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							0.0%				
Total (A.1 + A.2)	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%							0.0%				
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities (B)	36,570	100.0%																	
Total (A + B)	36,570	100.0%																	

Template - Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

2023 financial year	2023			Substantial contribution criteria						DNSH criteria ("Does not significantly harm")						Minimum safeguards	Taxonomy-aligned (A.1) or Taxonomy-eligible (A.2) proportion of OpEx, 2022	Category (enabling activity)	Category (transitional activity)
Economic activities	Code	Absolute OpEx	Proportion of OpEx (2023)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems				
		€/000	%	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes; No; N/E	Yes/N	Yes/N	Yes/N	Yes/No	Yes/No	Yes/No	o			
A. TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES																			
A.1 Environmentally sustainable activities (taxonomy-aligned)																			
Operating expenses of environmentally sustainable activities (taxonomy-aligned) (A.1)		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	0.0%		
of which enabling		0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	No	No	No	No	No	No	No	0.0%	E	
of which transitional		0	0.0%	0.0%						No	No	No	No	No	No	No	0.0%		T
A.2 Taxonomy-eligible activities but not environmentally sustainable (activities not aligned to the taxonomy)																			
				E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	E; N/E	Optional						%			
Manufacture of equipment for the production and use of hydrogen	CCM 3.2.	75	1.0%	E	N/E	N/E	N/E	N/E	N/E								0.0%		
Operating expenses of Taxonomy-eligible activities but not environmentally sustainable (activities not aligned with the taxonomy) (A.2)		75	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%		
Total (A.1 + A.2)		75	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%								0.0%		
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy non-eligible activities (B)		7,614	99.0%																
Total (A + B)		7,689	100.0%																

Table summarising the proportion of Taxonomy-aligned and Taxonomy-eligible economic activities

	Turnover	CapEx	OpEx
Aligned	0.00%	0.00%	0.00%
Eligible	0.01%	0.00%	0.97%
of which			
CCM4.1	0.01%	0.00%	0.00%
CCM3.2	0.00%	0.00%	0.97%
Non-eligible and not aligned	99.99%	100.00%	99.03%

Multi-objective template

	Proportion of turnover/total turnover	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

	Proportion of total OpEx/OpEx	
	Taxonomy-aligned by objective	Taxonomy-eligible by objective
CCM	0%	1%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Annex XII of Regulation 2022/1214

Regulation (EU) 2022/1214, which amends Delegated (EU) Regulation 2021/2139, introduces a template to report on nuclear energy and fossil gas related activities. The Sabaf Group conducted an audit without identifying any nuclear energy and fossil gas related activities.

Template 1 - Nuclear and fossil gas related activities

Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

European Taxonomy: methodological note

Under the Taxonomy, the Group's Taxonomy-aligned and/or Taxonomy-eligible economic activities must be presented through three key performance indicators (“KPIs”) in accordance with the specifications set forth in Article 8 of the Delegated Regulation:

- Turnover;
- Capital expenditure (“CapEx”);
- Operating expenses (“OpEx”).

Turnover

The numerator of the KPI consists of the Taxonomy-eligible and Taxonomy-aligned turnover. The denominator of the KPI consists of the Group's total net turnover as per the 2023 consolidated income statement and in accordance with IAS 1.82 (a); reference should be made to the consolidated financial statements included in the Group's annual report for more additional information.

CapEx

Under the EU Taxonomy, capital expenditure (CapEx) is classified as additions to tangible and intangible assets and right-of-use assets during the financial year, before amortisation/depreciation, write-downs and write-backs. It also includes additions to tangible and intangible assets resulting from company mergers.

The numerator of the KPI considers the share of capital expenditure related to eligible activities, possibly aligned, while the denominator is the total of such expenditure. According to the EU Taxonomy, CapEx may include:

- Capital expenditure related to assets or processes that are associated with Taxonomy-eligible/aligned economic activities (category as per par. 1.1.2.2. Annex I Delegated Act Art. 8);
- Capital expenditures that is part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned (“CapEx plan”) under the conditions set out in the second subparagraph of point 1.1.2.2. of Annex I Delegated Act Art. 8;
- Capital expenditure related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the Group's activities to become low-carbon or to lead to greenhouse gas reductions (Category C as per par. 1.1.2.2. Annex I Delegated Act Art. 8).

The additions attributable to acquisitions through business combinations and expenses incurred as part of a CapEx plan referred to in point 1.1.2. of Annex I of Delegated Regulation (EU) 2021/2178 and expenses recognised in accordance with IFRS 16 Leases and IAS 40 Investment Property were considered.

Finally, there are no CapExs attributable to IAS 41 Agriculture.

OpEx

Under Regulation (EU) 2021/2178, operating expenses are considered as direct non-capitalised costs that relate to building renovation measures, research and development, short-term lease and maintenance and repair. In addition, any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom

activities are outsourced, fall within the same scope. Non-capitalised costs that represent research that were recognised in the income statement were also identified. The method used to identify Sabaf Group's operating expenses involves analysing all accounts comprising the management accounting system, identifying all items pertaining to the above categories.

GRI Content Index

Statement of use	Sabaf S.p.A. has reported in accordance with the GRI Standards for the period 01/01/2023-31/12/2023.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not currently available

GRI STANDARD	DISCLOSURE	PAGE/NOTE
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	<p>SABAF S.p.A. Via dei Carpini, 1 – 25035 Ospitaletto (BS) - Italy</p> <p>SABAF S.p.A. is a company listed on the Milan Stock Exchange.</p> <p>The countries in which the Sabaf Group operates and which are relevant to the topics discussed in this Disclosure are: Italy, Poland, Brazil, Turkey, China and India.</p>
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GRI 207: Tax 2019	207-1 Approach to tax	104
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	207-3 Stakeholder engagement and management of concerns related to tax	104
	207-4 Country-by-country reporting	105-107
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GRI 302: Energy 2016	302-1 Energy consumption within the organization	89
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402: Labour/management relations 2016	402-1 Minimum notice periods regarding operational changes	81
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	403-3 Occupational health services	77-80
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External assurance



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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 2023 in accordance with article 4 of the Decree and approved by the Board of Directors on 19th March 2024 (hereinafter "NFD").

Our limited assurance engagement does not cover the information included in the paragraph "European Taxonomy" of the NFD, that are required by art. 8 of the European Regulation 2020/852.

Responsibilities of Directors and Board of Statutory Auditors for the NFD

The Directors are responsible for the preparation of the NFD 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 NFD 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 NFD 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 NFD, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by 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

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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.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the NFD 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 NFD 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 NFD were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the NFD, 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 NFD, 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 NFD with those included in the Sabaf Group's consolidated financial statements;
4. understanding of the following aspects:
 - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - 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 NFD 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 NFD.
In particular, we have conducted interviews and discussions with the management of Sabaf S.p.A. and with the personnel of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki



(Sabaf Turchia) 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 NFD.

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

- at Group level
 - a) with reference to the qualitative information included in the NFD, 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 Manisa and Istanbul, Turkey sites of Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turchia), 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 NFD of the Sabaf Group for the year ended on 31st December 2023 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.

Our conclusions on the NFD of the Sabaf Group does not refer to the information included in the paragraph "*European Taxonomy*" of the NFD, that are required by art. 8 of the European Regulation 2020/852.

Brescia, 28th March 2024

EY S.p.A.
Signed by: Marco Malaguti, Auditor

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