

SUSTAINABILITY REPORT

Our everyday commitment to make
our corporate footprint ever lighter

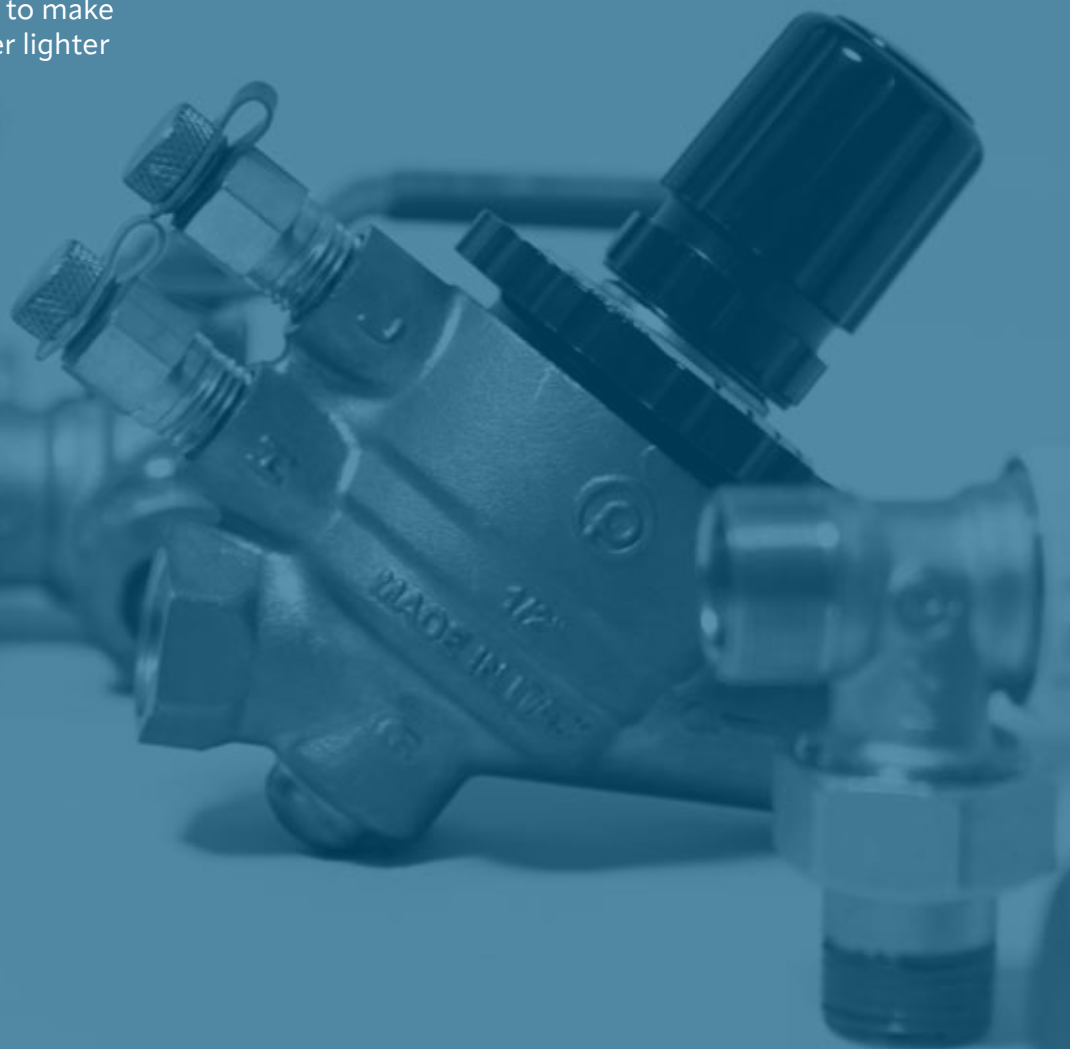


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INTRODUCTION

LETTER



OUR COMPANY IS A FAMILY BUSINESS, DEEPLY ROOTED IN THE LOCAL AREA WHERE WE WERE BORN AND GROWN, WHERE OUR HEAD OFFICE IS STILL LOCATED.

Ours is a family company, **deeply rooted in the territory**, where we were born, raised. Nowadays this is not only the headquarters of our business but of our whole life.

Because of this visceral bond, **protecting the surrounding nature** has always been fundamental to us, in equal measure to the growth of our company and our group. One could not exist without the other.

In 2023, we published the **sustainability report** for the first time, with reference to fiscal year 2022, in both Italian and English, making it available to our global customer base. The feedback received in recent months has offered a variety of insights and confirmed

Since 1938 we have been manufacturing valves and heating and air conditioning components in San Maurizio d'Opaglio, in the heart of the Lake Orta area.

that **we are on the right path** to increasingly reduce our environmental impact and leave a positive footprint on the territory and communities where our group companies operate. **We are constantly confronting** with these realities in order to globally introduce this systematic process which is currently reported by us only in Italy.

Drafting the sustainability report has also helped us to engage with suppliers and customers, and after doing an initial **sustainability assessment**, we aim to make this as a part of our periodic evaluation of the quality of our supply chain.

2023 was also the year of our **85th anniversary celebration**. Three generations with the entire staff of Italian companies, gathered to celebrate under a marquee set up at our main and historic headquarters in San Maurizio d'Opaglio.

A purposeful choice to celebrate and enjoy together in a different way the

place where we have been working for so long, in a more **informal and relaxed** way, with people at the center of everything, because they are the key to Pettinaroli's longevity and solidity.

In the next pages you will find the many **new developments** brought in this year, from the renovation of the heating systems, to the new bonus program based on KPIs, to the lifelong learning academy, to the publication of the code of ethics, just to name a few.

New challenges lie ahead, including those in the field of sustainability, and this will be reflected in this document, which we will evolve as we go along, with the goal of getting it to the format required by the EU directive.

This will require an even more comprehensive collection and reporting of data, as well as a closer **involvement of the group companies and the supply chain**, but it is an opportunity that we do not want to miss and we believe it is essential to **continue to grow and develop together**.

HIGHLIGHTS

A FEW KEY FIGURES TO RECAP OUR COMPANY ACTIVITIES IN 2023

2023 turned out to be a positive year for Fratelli Pettinaroli S.p.A. for several reasons. Although the company achieved **substantial results**, it did not just reap the rewards of its painstaking work, but went above and beyond by investing in various areas in order to create an increasingly virtuous cycle.

The following page shows a few **key figures** summarising some of the results achieved in the year, classified according to the relevant areas as per **ESG (Environmental, Social, Governance) classification criteria**.

Albeit partially, these figures portray a situation where all three aspects of **Corporate Social Responsibility** are enhanced and improved within the scope of constant positive development.

These topics will then be expounded on and evidenced in this report through texts, diagrams and tables containing all the useful details to better understand **the scope of the activities carried out by Fratelli Pettinaroli S.p.A.** during the year being reported.

The numbers in the side graph refer to the following ESG classification criteria:



€ 166+ MLN
TURNOVER

Aggregate turnover of
Pettinaroli Group companies

88%
RECYCLED
RAW MATERIAL

Used in
Production

818
HOURS OF
TRAINING

Provided by the
company during 2023

100%
ELECTRICITY FROM
RENEWABLE SOURCES

Purchased by the
San Giulio Consortium

11
PETTINAROLI GROUP
BRANCHES

Located across Europe
and North America

99%
RECOVERED WASTE

Out of the 4,3 tons produced
(33.5% less than 2022)

87,1%
CUSTOMER
SATISFACTION

Overall score achieved
during the year 2023

5
MEMBERS INVOLVED IN
TERRITORIAL INSTITUTIONS

Representing Fratelli
Pettinaroli S.p.A.

€ 238.000+
CERTIFICATIONS

24 product certifications obtained
from 21 different bodies in addition
to multiple system certifications

€ 5,5 + MLN
INVESTMENTS

Deployed in production to improve
products and processes

METHODOLOGICAL BASIS

OUR REPORTING
PRINCIPLES

GRI 1 SEZ.4

In preparing Fratelli Pettinaroli S.p.A.'s Sustainability Report for **2023** we referred to **GRI standards**, the guidelines published by the Global Sustainability Standards Board (GSSB) in 2021, in short, GRI Standards 2021.

As for both report contents and quality, the company adopted the **Reporting Principles of GRI 1 Sect. 4**, namely:



ACCURACY

We employed all our best resources to ensure the utmost accuracy and detail of the reported information in order to allow an appropriate assessment of the company's impacts.



BALANCE

All negative and positive facts concerning company performance were reported in an unbiased way, providing a fair representation without any omissions.



CLARITY

The report presented information in a way that is accessible and understandable by all users.



COMPARABILITY

We reported data and information consistently to enable an analysis of changes in the company's impacts over time and compared to other organisations.



COMPLETENESS

Information was collected, recorded, compiled, analysed, reported and processed in such a way as to ensure its utmost completeness, in order to enable an assessment of impacts during the reporting period.



STAKEHOLDERS

The Company accurately identified its stakeholders (please refer to the following paragraph).



SUSTAINABILITY CONTEXT

The Company included the widest number of activities and performance indicators which may have an impact, to provide transparency on how it contributes or aims to contribute to sustainable development.

REFERENCE DATA AND INFORMATION

The company performed a materiality analysis of all significant material issues included in the report (please refer to the following paragraph), considering **all economic, environmental and social issues** as well as any other aspects that may affect stakeholders' assessment and decisions (completeness).

While taking up the option of reporting by reference, the company considers it essential to report the information set out in GRI Standard 2, paragraphs 2-1, 2-2, 2-3, 2-4, 2-5, 2-6, 2-7, 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-22, 2-23, 2-24, 2-27, 2-28, 2-29 e 2-30 for the sake of completeness in the Report, and the relevant data were therefore reported.

The information and data contained in **this Sustainability Report refer to the company Fratelli Pettinaroli S.p.A.**, having its registered office in San Maurizio d'Opaglio, and the activities developed in the year 2022, namely, from 01 January 2022 to 31 December 2022, unless otherwise stated and duly justified.

Where possible, the quantitative data reported in **this Sustainability Report consider a three-year time** span to allow for an assessment of their trend over time. The business and financial figures are drawn from the audited company report. Where included, figures for the years 2022 and 2021 are provided for comparative purposes only. Any estimated data included in the report were duly noted.

REPORTING PERIOD

Fratelli Pettinaroli S.p.A. is a joint-stock company, with a €3,000,000 share capital, directly and indirectly held by the Pettinaroli family.

Its registered office and manufacturing site is located at 38, Via Pianelli, in San Maurizio d'Opaglio, Italy. It is the parent company of the **Pettinaroli Group**, which includes:

- a) a manufacturing subsidiary, T.S.M. Galvanocromo S.r.l., located in Gozzano, Italy
- b) two distribution subsidiaries, Jomar Group Ltd and Hydronic Components Inc., and a property subsidiary, M&P Capital LLC, located in Michigan, the USA
- c) a distribution subsidiary, Pettinaroli A/S N.E., and a property subsidiary, Pettinaroli Logistic A/S, located in Denmark
- d) a distribution subsidiary, Pettinaroli Sas, located in France
- e) a distribution subsidiary, Pettinaroli Suisse Sa, located in Switzerland
- f) a distribution subsidiary, Pettinaroli UK Limited, located in the UK
- g) an international business desk (IBD) located in Dubai-UAE to coordinate business in the Middle East area
- h) an IBD located in Spain, coordinating Spanish and Latin America markets.

Fratelli Pettinaroli S.p.A. operates in the **engineering sector**; specifically, the Company produces valves and components for heating and air conditioning systems. All the above-mentioned business units are included in this Sustainability Report.

For this year, the count of staff training hours was revised to exclude those provided to contracted workers. As a result, calculations from past years were also changed to ensure comparability.

Since this is the first year of reporting, the Company did not conduct any reviews on the information contained in previous reporting periods. The company decided to forgo external assurance for this report. However, it conducted **accurate and systematic** data collection, recording, compilation and analysis in order to easily examine information and **establish its quality** (verifiability). The company is committed to **publishing its Sustainability Report annually** (timeliness). Responsibility for reviewing and approving the information contained in the Sustainability Report, including material issues, is vested in the company's Board of Directors, who will record the review and approval of the Sustainability Report at a regular Board Meeting.

For any further information or queries on this Sustainability Report please contact the Company by e-mail at the address sustainability@pettinaroli.com.

HISTORY

Set up in **1938**, Fratelli Pettinaroli S.p.A. has always stood for quality, reliability and innovation in the manufacturing of components for engineering system applications.

The corporate strategic vision is more and more **focused on R&D** in various business areas – heating, conditioning, plumbing equipment and renewable energy.

To establish its position on foreign markets, the company began an **internationalisation** process in the 1990s that led it to be a Group including eight companies, operating in over 60 countries worldwide.

Despite its constant growth over **more than 85 years**, the Company is still family-owned with a continuous improvement policy.



TIMELINE

1938

COMPANY
SET UP

Giuseppe and Mario Pettinaroli founded a small family business, Fratelli Pettinaroli, in San Maurizio d'Opaglio, producing taps for gas systems in a modest workshop.

1950

EXPANSION AND
FIRST FOREIGN
CONTRACTS

After the end of the World War II, business resumed and gained momentum. The company gradually expanded, until its headcount reached around 80 workers, and obtained its first international contracts in the United States and Russia

1970

FURTHER
EXTENSION
OF PREMISES

Company premises were extended and refurbished, thus kick-starting the production of water, gas and steam valves. In these years Pettinaroli second-generation joined the company, which then obtained its first major certification from BSI

1980

ACQUISITION
OF THE FIRST
SUBSIDIARY

After their long-standing, solid cooperation as an external supplier, Pettinaroli acquired TSM Galvanocromo S.r.l. (a company specialising in electroplating metal surface treatment.)



CERTIFIED QUALITY

Ensuring product quality and compliance with international standards have been an endorsed corporate feature for years: therefore, the Fratelli Pettinaroli quality system has been certified by the **British Standard Institute** since 1975 and approved (and constantly updated) according to the latest revision of ISO 9001. The company also holds **ISO 14001** (2015) and **ISO**

50001 (2018) certifications, renewing its commitment to produce while protecting the environment and the surrounding area, based on a long-standing deeply rooted connection to the territory. The products are approved by **numerous authoritative institutions**, thanks to our high-quality standards, rigorous testing and production monitoring as well as the top quality of

the raw materials being used. Fratelli Pettinaroli S.p.A is also the first company that obtained the renowned **OQC** registration from **NSF**, a certification that provides proof of the true origin of all components of its products, to further guarantee and support the company's proud claim that its entire production is **100% Made in Italy**.

1990

STRENGTHENING THE BUSINESS NETWORK

Heavy investments are made in new technologies and foreign logistics centres are created to manage the distribution of Pettinaroli products throughout the world. A process of internationalisation begins

2000

A FOOTHOLD ON INTERNATIONAL MARKETS

The death of the founders does not stop the growth of the company, which, by acquiring branches in Switzerland, France, Denmark and the United States, becomes an international Group to all intents and purposes

2010

HVAC BECOMES OUR CORE BUSINESS

After years of investment in research and development, the company enters a new market, the HVAC market. The success of its innovative solutions is immediate to the point of making the company's core business

OGGI

THE MULTINATIONAL PETTINAROLI GROUP

Today, over 80 years after its foundation, and still a family business in its third generation, Pettinaroli has become a constantly growing multinational Group involving more than 60 countries all over the world

THE PETTINAROLI GROUP



Fratelli Pettinaroli S.p.A. is the parent company of a multinational Group which includes several subsidiaries spanning two continents

The Group includes a manufacturing subsidiary, **T.S.M. Galvanocromo S.r.l.**, located in Gozzano, Italy; two distribution subsidiaries, **Jomar Group Ltd** and **Hydronic Components Inc.**, and a property subsidiary, **M&P Capital Llc**, located in Michigan, the USA; a distribution subsidiary, **Pettinaroli A/S N.E.**, and a property subsidiary, **Pettinaroli Logistic A/S**, located in Denmark; a distribution subsidiary, **Pettinaroli Sas**, located in France; a distribution subsidiary, **Pettinaroli Suisse Sa**, located in Switzerland; a distribution subsidiary, **Pettinaroli UK Limited**, located in the UK; an IBD located in Dubai-UAE to coordinate the Middle East area; an IBD located in Spain, coordinating Spanish and Latin America markets.



Jomar is a leading brand for plumbing, industrial, natural and liquid propane gas business across the US and Canada. Located in Warren, Michigan, the company manages the distribution of Pettinaroli products all over the North American territories, ensuring the supply of prime quality products with approvals and technical support



Hydronic Components Incorporation (Hci), based in Madison Heights, Michigan, has been a leader in the North American balancing and plumbing market for more than 25 years. Hci has introduced quality valve kits to minimize the time and space required to install hydronic terminal units.



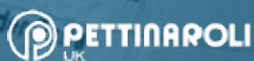
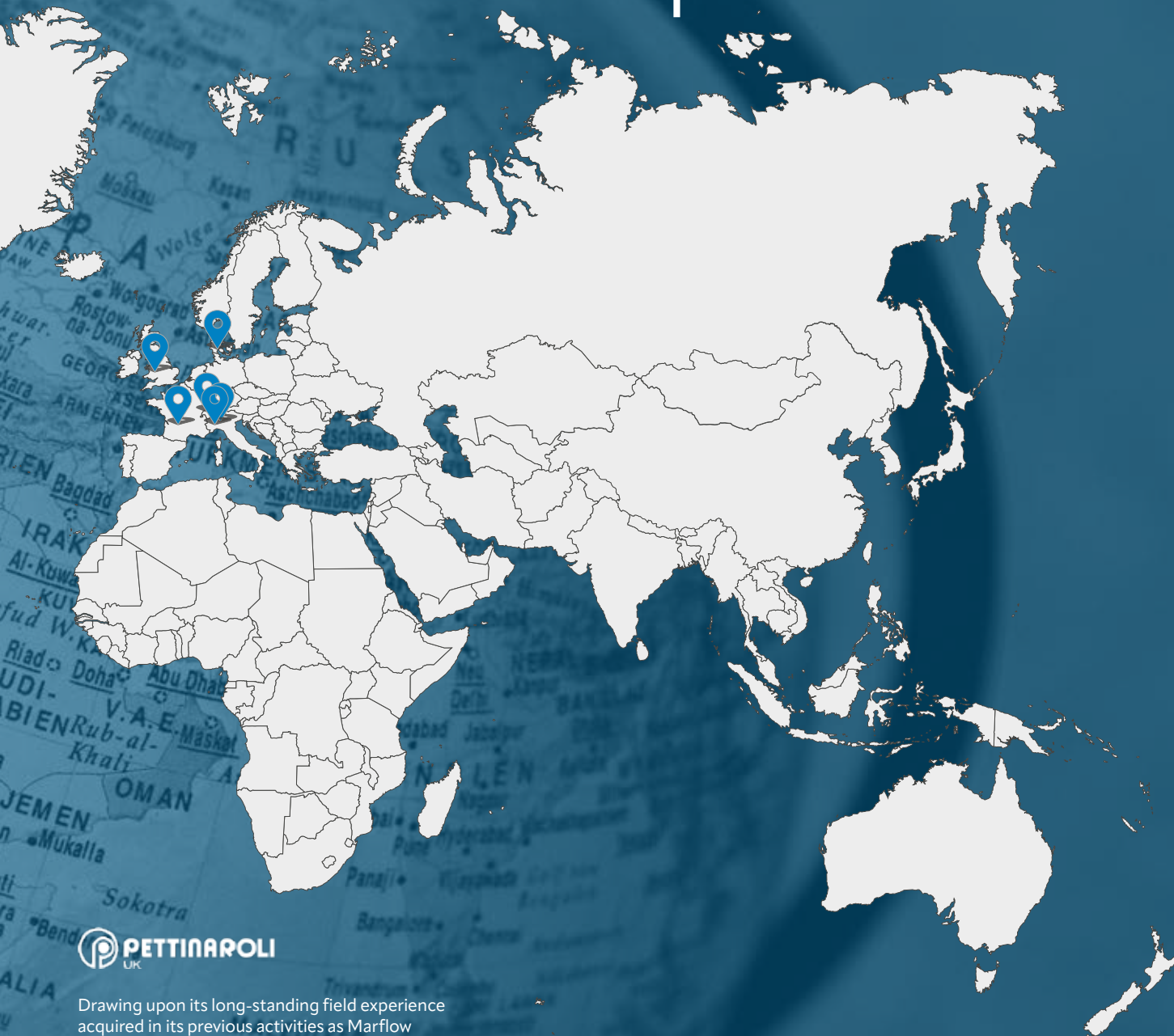
Located in Middelfart, Denmark, Pettinaroli A/S has been dealing with the distribution of Pettinaroli products in Northern European Countries for over 20 years. The company also focuses on developing cutting-edge home automation systems for energy saving.



Headquartered in Carmaux, Pettinaroli France relies on an efficient network to deal with the logistics and distribution of Pettinaroli products all over France. The long-standing experience and fast delivery services of its warehouse makes it a perfect partner for any projects across the country, especially in the Paris metropolitan area.



A global presence



Drawing upon its long-standing field experience acquired in its previous activities as Marflow Hydraulics, Pettinaroli UK is currently recognised in the UK as a leading manufacturer and distributor for advanced HVAC systems. Located in Birmingham, the company operates throughout the country with a focus on new construction projects in the London area.



Pettinaroli Suisse S.A. was the first foreign subsidiary of the Pettinaroli Group. Located in Montreux, it distributes Pettinaroli products all over the Swiss market, providing HVAC solutions with full technical assistance.



Belonging to the Pettinaroli Group since 1982, TSM Galvanocromo is located in Gozzano (Italy). The company specialises in electroplating surface treatment for taps and valves components. Over the years, TSM has developed environmentally-friendly treatments such as TEA®+ and White P Bronze and recently implemented a PVD-process dedicated system.

VISION

DESIGNING AND DEVELOPING DEVICES THAT MAKE BUILDING SYSTEMS MORE RELIABLE, EFFICIENT AND SUSTAINABLE

We believe that through continuous research and development it is possible to obtain products with an ever increasing level of energy saving and efficiency. For this reason we constantly invest in quality testing, process innovation and training of human resources.

MISSION

PROVIDING OUR CUSTOMERS WITH THE BEST SOLUTIONS FOR SYSTEM APPLICATIONS

To do so, we work daily to create systems that integrate with plants and manage them, constantly improving their performance.

VALUES

ROOTS

Pettinaroli stands for "Roots", deeply connected to a family history that started in the early 20th century and reaches far into the future, more solidly than ever. A success story, the result of commitment, respect and loyalty, preserving its founders' values and eagerly welcoming the tomorrow's challenges.

INNOVATION

Pettinaroli stands for "Innovation", because research and development are the driving force behind our constant progress. From our first products, through pioneering inventions, to cutting-edge solutions, we are never content with applying the best existing technologies, but we always go above and beyond, to invent new and revolutionary ones.

QUALITY

Pettinaroli stands for "Quality". Quality of an all-Italian production, guaranteed by highly qualified personnel working in safe, state-of-the-art plants and facilities. Quality in service, which each of us is committed to providing every day, to guarantee the best possible support to each of our partners.

GROUP

Pettinaroli stands for "Group", geographically distributed in offices around the world, but working together as one team. Whether in the United States, France, Switzerland, Denmark, the United Kingdom or Italy, where the Group's headquarters and manufacturing facilities are located, each subsidiary represents a single tile in one big mosaic.

KNOWLEDGE

Pettinaroli stands for "Knowledge", because by drawing upon our expertise we can manufacture products with increasingly higher performance, and by disseminating our knowledge we can train professionals to fully exploit the potential of our solutions, helping them to create a positive impact in the world we live in.

SUSTAINABILITY

Pettinaroli stands for "Sustainability", because our commitment to protecting the environment and supporting our community is unwavering. We believe that there is no valuable business activity that can disregard the safeguard of the Earth and the society where it is performed. We believe that there is no entrepreneurial success without respect for one's own land and roots.

PEOPLE

Above all, Pettinaroli stands for "People", because people are the beating heart of the company and the key to its success. Hundreds of professionals cooperate side by side on a daily basis, creating a stimulating and engaging environment, and making each of our offices around the world an inclusive, people-friendly place to meet.



POLICY

WHERE DOES THE NEED FOR A DOCUMENT SUMMARIZING ALL THE ACTIVITIES THAT MAKE FRATELLI PETTINAROLI S.P.A. A SUSTAINABLE COMPANY COME FROM?

Sustainability is one of the latest **trend topics**. But like all highly contemporary issues, its core concept risks becoming misused.

This report aims to demonstrate how **attention to sustainability had been a priority** to Fratelli Pettinaroli long before it became a widely shared trend topic.

Policy on Quality, the Environment, Energy, Occupational Health and Safety and Human Rights

Relying on its 85-plus years' business experience, Fratelli Pettinaroli S.p.A. company has grown into a domestic and international leader for its economic, production and quality competitiveness. Fratelli Pettinaroli S.p.A. wishes to qualify as a key partner among Manufacturers of taps and fittings, water, gas and heating valves as well as electroplating treatment.

The Top Management intends to continue pursuing company goals with full commitment, fulfilling both product engineering and energy, environmental and regulatory requirements.

The objectives imposed by this policy are as follows: **compliance with the currently applicable law**, constant improvement in customer satisfaction, constant quality improvement, the **sensible usage of energy sources** and reduction in the relevant costs, a **reduction in the environmental impact** of processing, activities and products, **accident prevention** and workers' health protection.

In order to achieve the set objectives the following essential requirements must be met: complying with design project specifications in production activities; using resources so as to obtain product compliance with quality requirements and contract specifications as well as the applicable standards; auditing **the effectiveness of company management systems** (Quality, Energy, Environment); measuring the performance of company processes in order to assess their constant improvement; measuring supplier performance; examining the feedback from existing and prospective customers; considering and assessing all the environmental, energy and

safety standards when designing and developing new products or processes; raising awareness among personnel, suppliers and customers about environmental and energy issues; establishing personnel training programmes; consider potential risks to company business and processes, and plan all the activities required to mitigate their negative effects.

The key concept of **customer satisfaction** with a view to quality must be applied to all business units at Fratelli Pettinaroli S.p.A., in order to influence the mind-set of company personnel as well as all the parties involved. As the parties involved affect quality, the environment and energy performance, they must ensure **the utmost effectiveness and efficiency**, as far as the contribution of each party is concerned, within the scope of the supplied products, materials, services or performance.

Fratelli Pettinaroli S.p.A. is committed to adopting the following principles: pursuing constant improvement in **environmental and energy performance**, promoting and **respecting human rights** and avoiding any direct or indirect involvement in abuse or any instances of forced or compulsory labour, striving to effectively eradicate child labour, supporting workers' freedom of association, acknowledging the right to collective negotiations, opposing any forms of labour and professional discrimination, opposing any forms of corruption, including bribing and blackmailing, constantly monitoring production facilities and the activities performed therein in order to promptly locate any impact sources and prevent any subsequent environmental incidents, making the adopted policy available and known to the general public.

The **value** of a **choice**

Operating while protecting the surrounding environment

Choosing to draft a report on all the activities that make Fratelli Pettinaroli S.p.A. a sustainable company was both **a challenging and exciting feat**. It was challenging, certainly not because of a lack of topics, but rather for the intention to ensure that each line will convey **the company's commitment to making the footprint of its activities increasingly light**. It was exciting because, when scrolling through the list of social and ecological initiatives that we have been carrying out for years – many of which have been going on for over a decade – we realized that the elements for preparing a meaningful report were really all there, even too many for a single document. Around here, **ethics has always been a shared value** rather than a mere

norm. Therefore, **“operating while protecting the surrounding environment”** has become an increasingly meaningful statement that best represents a concept that we deeply feel is ours. There is no entrepreneurial success without respect for one's own land and roots. **There is no valuable business that can ignore the safeguard of the environment and the community** where a company operates. For all these reasons, actually showing you examples of what we have often told you just with words is not mere boasting. Indeed, this Report was developed with a specific intent: **to give value to a choice**, your choice, the responsible and sustainable choice that you make every time you decide to buy a Pettinaroli product.

GOVERNANCE

Fratelli Pettinaroli S.p.A. adopts a governance and supervisory system based on a traditional model and including:

BOARD OF DIRECTORS

Consisting of four independent executive Directors (two men and two women), in office for three financial years with a re-election option.

The Board is vested with the following powers:

- ordinary and extraordinary company governance
- establishing company policies and objectives
- appropriateness of the organisational, administrative and accounting structure
- management performance and ensuring the creation of economic value
- ensuring that the commercial benefit of the company is pursued in compliance with the decisions of the Shareholders' Meeting

BOARD OF AUDITORS

The Supervisory Body consists of three auditors appointed for three years (two men and one woman).

The Board of Auditors supervises the management of company operations as to:

- compliance with the law
- compliance with the Articles of Association
- compliance with financial principles

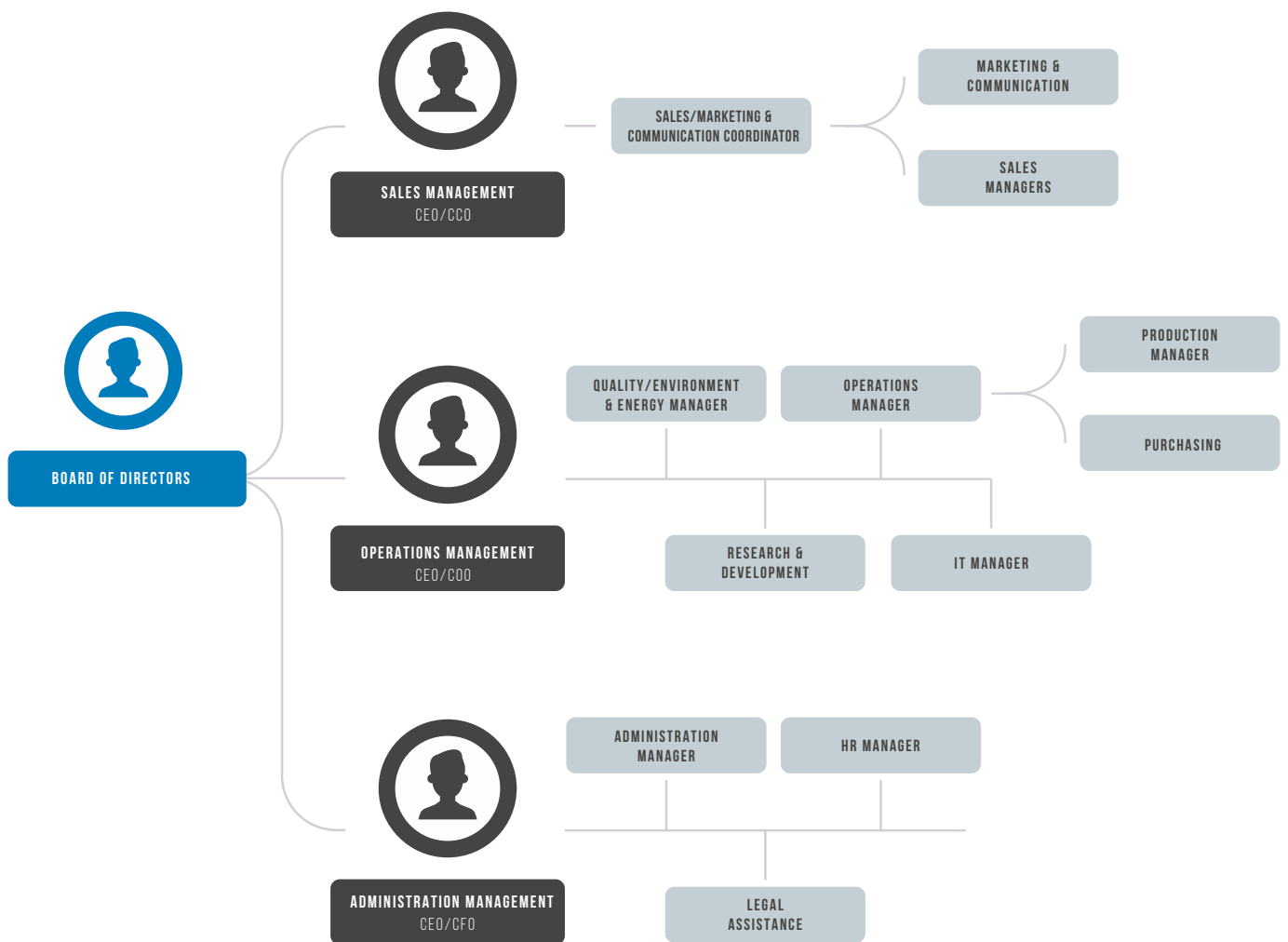
STATUTORY AUDITOR

The auditing firm, in office for three financial years, carries out periodic audits in order to verify:

- compliance with national and international accounting standards
- correct tax calculation
- compliance with national regulations and tax obligations

Within the scope of Sustainability issues, **Fratelli Pettinaroli S.p.A. has set up a team** entrusted with the following tasks: proposing initiatives on ESG issues, monitoring company compliance with current regulations and preparing **annual sustainability reports** that will be submitted to the Board of Directors for approval.

ORGANISATION CHART



CERTIFICATION

Fratelli Pettinaroli S.p.A. holds System certifications (ISO 9001, ISO 14001, ISO 50001), several product certifications, both for the water and gas sector, and other voluntary certifications (EcoVadis and OQC).

In addition, the **QC Department**, cooperating with R&D and Administration Departments, constantly monitors the development of standards, regulations and sector Directives in order to **continuously guarantee the conformity and compliance of products and materials**.

In 2023 we obtained the **first EPD (Environmental Product Declaration) certifications**, for brass manifolds and mixing units. The future goal is to obtain EPD certification for valves designed for methane gas applications, which make up a significant percentage of sales.

Fratelli Pettinaroli S.p.A. adopts a **systematic approach** to the management of processes, controls, monitoring and training. Product certifications are essential in order to market products in foreign countries where the company

holds its core business. Maintaining product and system certifications involves a wide range of **third-party audits**. On average, **Fratelli Pettinaroli S.p.A. is subject to 25 to 30 audits per year**.

Company investments to maintain existing certifications and obtain new ones are **constantly increasing**.

In addition to standard production controls, **products undergo rigorous checks** in accordance with the applicable technical regulations in order to ensure their conformity.

The test laboratory is equipped with all the equipment required to conduct flow tests as well as tightness, hydraulic resistance, impact, torsion, bending tests. We can also verify the chemical composition of brass, and perform SCC testing.



SYSTEM CERTIFICATIONS

Voluntary **ISO system certifications** are proof of the high level of our company organisation. **ISO 9001** refers to the implementation, monitoring and constant updating of our company's internal quality system. **ISO 14001** certifies that the company has a system for controlling the environmental impact of its activities, and systematically seeks its improvement. **ISO 50001** certifies that an energy management system (EnMS) is in place, to improve its energy performance and optimal use of energy.



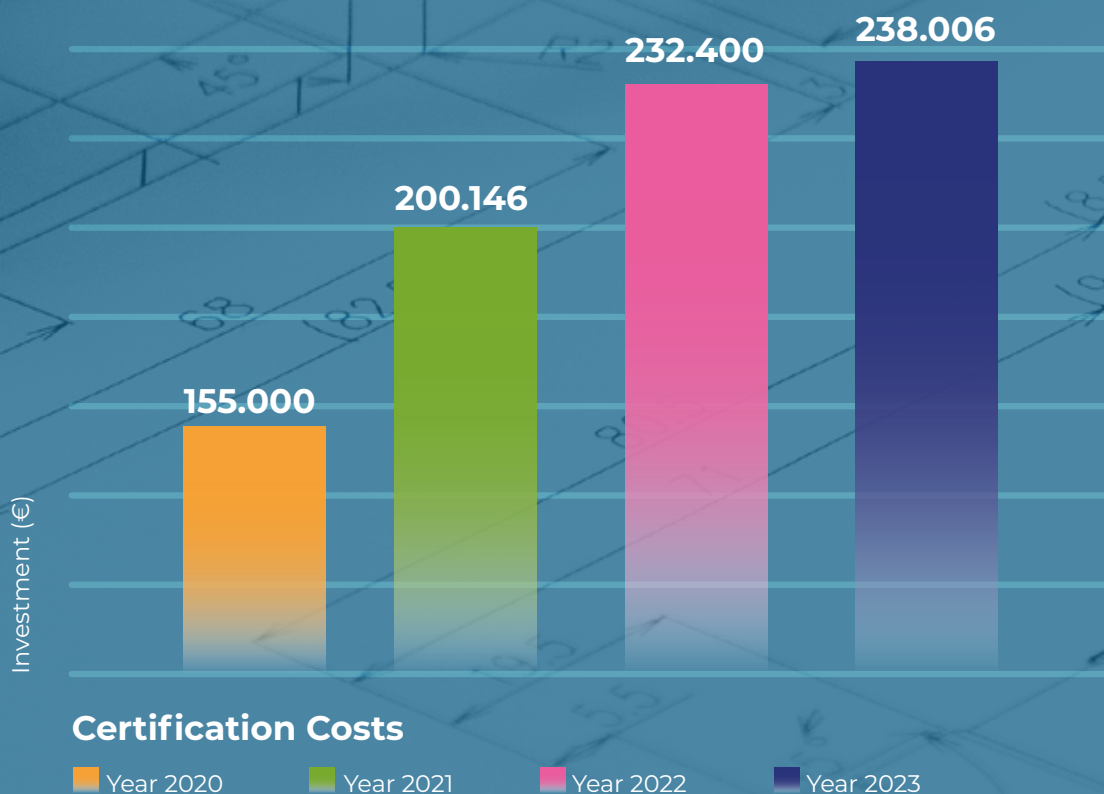
VOLUNTARY CERTIFICATIONS

EcoVadis certification assigns a score that allows the company to provide material evidence of the sustainability level of its supply chain to its prospective customers, increasingly interested in purchasing from responsible suppliers.

OQC certification issued by **NSF International** certifies that production in the Company is 100% Made in Italy.

24 Product Certifications

Total awarded by 21 different bodies in the year 2023



PRODUCT

Fratelli Pettinaroli S.p.A. is a manufacturing company specialising in thermal-hydraulic components. Our product range can be divided into four main categories:



Balancing valves

Our product range includes a complete set of **balancing valves and kits**, designed to adjust the flow rate within a system. These valves are essential **to ensure correct flow balancing in thermal-hydraulic systems**, and are especially used in **HVAC applications**.

Manifolds

Manifolds are essential components in **underfloor heating systems**. The company provides a full range of manifolds and kits including pumps. These manifolds are made of **three materials: steel, brass and plastic**. They are designed to ensure even heat distribution in the home.





Gas and water ball valves

Ball valves made in brass **designed as gas and water flow control devices**, our brass ball valves come in different sizes ranging from 1/2" to 4".

Radiator valves

Our catalogue includes a range of valves specially designed **for use with radiators and thermostatic heads**. Combined with a thermostatic head, these valves ensure **effective water flow control** in radiator heating systems, ensuring thermal comfort.



PROCESS

The production process can be outlined in 6 separate steps:

BRASS BAR DRAWING



Melt material mainly consists of production swarf, recovered materials such as turning chips and moulding burrs, as well as copper scrap. The swarf is melted in **electric furnaces** according to the specifications for the various alloys. Molten metal is poured from melting furnaces to **holding furnaces**, to be then loaded into continuous casting furnaces. After water spray cooling, the metal solidifies into cylinders, also known as **billets**. Cut billets are conveyed to the extrusion department, where they are **heated and extruded into rods or coils**.

MACHINING BY REMOVAL



This step involves **removing material from the bar or blank** to make threading and bores in accordance with **drawing specifications**. Machining is essential to obtain components with **dimensional and geometrical accuracy**.

HOT PRESS MOULDING



The rods are cut and the resulting billets are **heated and pressed**, using specially designed moulds. After moulding, the resulting parts are **shorn and sandblasted** to obtain surface smoothness and evenness.

NOTE:

- Outsourced process
- In-house process

ASSEMBLY AND COMMISSIONING



The machined and surface-treated products are then conveyed to the assembly area. **There they are assembled and undergo 100% rigorous testing** to ensure compliance with specifications and final product quality.

SURFACE TREATMENT



Many machined components undergo **surface treatments** such as chrome plating, nickel plating, annealing or any other treatments as required **to improve quality and physical properties**. These treatments may increase the corrosion resistance, hardness or durability of our products.

PACKING AND SHIPMENT



Finally, the completed products are **carefully packaged** according to the required specifications and then dispatched to customers. This step is crucial to ensure safe product delivery and **compliance with customer dispatch requirements**.

STAKEHOLDERS

Identifying stakeholders

During the preliminary steps in drafting this report, Fratelli Pettinaroli S.p.A. gathered the various company department managers to meet and discuss several key issues, including pinpointing our stakeholders.

Appropriate two-way communication channels were selected for each stakeholder.

Based on business type, the fact that shareholders are also managers and actively participate in company management, as well as funding and investment methods, the following categories were identified:



SUPPLIERS



CUSTOMERS



PERSONNEL



COMMUNITY

(local area, schools, sports, culture)



INSTITUTIONS



TRADE ASSOCIATIONS



BANKING COMPANIES



TRADE UNIONS



MATERIALITY

ANALYSIS

During the preliminary steps in drafting this report, Fratelli Pettinaroli S.p.A. summoned the various **company department managers** to meet and pinpoint the material issues on:

- Governance
- Environment
- Social issues

For each material issue, we also proceeded to **understand how it affects company operations and how the company impacts on that specific issue**, as well as how to report on the current situation, also in order to start setting future improvement objectives.

Based on this assessment, **the material issues for Fratelli Pettinaroli S.p.A. are as follows:**

Governance



1. PROCESS AND PRODUCT INNOVATION

Improving business processes, making them more efficient and effective, in order to have a positive impact on all aspects of business sustainability.

2. ECONOMIC PERFORMANCE

Creating and redistributing economic value.

3. MANAGING THE SUPPLY CHAIN

Leading and supporting suppliers to a sustainability pathway. Selecting new suppliers considering ESG issues as well.

4. ETHICS AND TRANSPARENCY

Managing and disseminating our Code of Conduct.

5. PRIVACY PROTECTION

Management system and recorded incidents.

Environment



6. PRESERVATION OF RESOURCES (RAW MATERIALS)

Effective and efficient management of raw materials.

7. PRESERVATION OF RESOURCES (WASTE)

Waste reusing and repurposing.

8. PRESERVATION OF ENERGY RESOURCES

Using energy from renewable sources.

9. EMISSIONS

Greenhouse gas emissions.

10. BIODIVERSITY

Restoring the natural habitat of Lake Orta.

Social issues



11. HEALTH & SAFETY

Preserving workplace health and safety, reducing accident and near-miss rates.

12. PERSONNEL WELFARE

Integrating, supporting through corporate welfare, union agreements, sense of belonging.

13. EQUAL OPPORTUNITIES AND PROTECTION OF DIVERSITY

Removing gaps and discrimination to protect diversity and equal opportunities.

14. PERSONNEL MANAGEMENT

Recruitment process, performance management, training plans.

15. SUPPORT TO COMMUNITY AND TERRITORY

Supporting the community and local bodies with initiatives and grants.

16. CUSTOMER SATISFACTION

Customer Satisfaction Indicators.



PRODUCT AND PROCESS INNOVATION

GRI 203-1 | PRODUCT AND PROCESS INNOVATIONS

INVESTMENTS AND CHOICES AIMING AT CONTINUOUS IMPROVEMENT

Over the past few years, Fratelli Pettinaroli S.p.A. has increased the production of **components made of brass alloys with low lead content**, in order to meet the demands of major markets and customers. The company has invested in the purchase of **new machinery** for the processing of "special" brass alloys, as well as the management of different types of scrap.

The company is gradually replacing older machinery with cutting-edge equipment. Besides **improving the production process**, processing cycles and internal logistics, the new systems **ensure a higher safety level** for operators.

Fratelli Pettinaroli S.p.A. has also strengthened its Quality Control staff in the Production and Incoming Goods departments.

The quality control of incoming goods is managed via **the new ERP system**, which allowed **speeding up or automating** some management operations. Finally, the new software helped improve the component traceability process.





**In 2023 we continued the works started 2022
in order to improve several issues:**

CONSTRUCTION OF AN AUTOMATED WAREHOUSE

The new warehouse will make it possible to rearrange production premises, improving internal logistics and the workspace. The warehouse building was completed in 2023. Next steps will be the completion of electrical systems, fire protection, technical room, shelving, software in 2024.

NEW PHOTOVOLTAIC SYSTEM

The new photovoltaic system has been installed above the existing warehouse. The rated power of the system will be approximately 600 kW. It will be started as soon as the connection paperwork with the local utility is processed.

NEW HEATING SYSTEM

The new thermal power plant (equipped with 9 condensing boilers of 540 kW each) was completed and started on November 2023. By the first quarter in 2024, the old thermal power plants located at the administrative offices, turnery, and technical office will be decommissioned. At the same time as the revamping of the old thermal power plants, the tanks used for the old fuels will be reclaimed, reaping a great benefit in terms of the related environmental impact.



ECONOMIC VALUE

GENERATED AND DISTRIBUTED

GRI 201-1 | ECONOMIC PERFORMANCE

Despite the difficulties caused by increases in the cost of components, energy costs, transportation, and conversely the reduction in sales due to general industry trends, Fratelli Pettinaroli S.p.A. confirmed its resilience in achieving a positive result.

Shown next is the reclassified **Statement of Financial Position** outlining Net Invested Capital and the corresponding sources of financing: from capital contributions (Shareholders' Equity) and from financial debt.

Working Capital remained more than satisfactory in relation to the amount of current debt, thanks to the decision to reinvest in the company the profits earned for increasing

business development and to deploy them in structural and technological improvements. The **financial debt ratio of 0.80%** demonstrates the company's consistently low degree of dependence on third economies.

The **Net short-term financial position is positive** by approximately €27.7 million, an increase of €4.2 million from the previous year, despite the significant investments being made.

	2021	2022	2023
NON-CURRENT ASSETS:			
Net intangible fixed assets	447958	440.642	549.623
Net tangible fixed assets	13.946.338	15.042.030	18.581.826
Financial fixed assets	27.412.220	28.853.019	28.780.482
Receivables due beyond 12 months	239.955	1.034.204	260.941
Long-term accrued income and prepaid expenses	5.392	2.959	433
TOTAL NON-CURRENT ASSETS	42.051.863	45.372.854	48.173.305
CURRENT ASSETS:			
Cash Value:			
Inventories	14.928.786	19.324.052	18.016.164
Prepaid expenses due within 12 months	60.298	82.085	85.801
Total Cash Value	14.989.084	19.406.137	18.101.965
Deferred liquidity:			
Receivables due within 12 months	22.722.297	24.977.368	24.731.498
Financial assets not held as fixed assets	0	9.984.413	0
Accrued income within 12 months	120.147	162.991	134.703
Total Deferred Liquidity	22.842.444	35.124.772	24.866.201
Immediate liquidity:			
Cash & cash equivalents	13.094.804	15.670.326	28.742.780
Total immediate liquidity	13.094.804	15.670.326	28.742.780
TOTAL CURRENT ASSETS	50.926.332	70.201.235	71.710.946
TOTAL COMMITMENT (or CAPITAL INVESTED)	92.978.195	115.574.089	119.884.251
NET CAPITAL:			
Share capital	3.000.000	3.000.000	3.000.000
Reserves and Profits (Losses)	67.347.346	82.809.253	92.571.114
TOTAL NET CAPITAL	70.347.346	85.809.253	95.571.114
CONSOLIDATED LIABILITIES:			
Provisions for risks and charges due beyond 12 months	15.192	0	32.230
Employee severance indemnities	1.270.676	1.280.123	1.197.335
Payables due beyond 12 months	6.623.557	9.474.081	8.597.395
Long-term accrued expenses and deferred income	193.343	562.906	225.472
TOTAL CONSOLIDATED LIABILITIES	8.102.768	11.317.110	10.052.432
CURRENT LIABILITIES:			
Provisions for risks and charges due within 12 months	85.713	40.293	36.436
Payables due within 12 months	13.412.609	17.893.324	13.577.063
Accrued expenses and deferred income within 12 months	1.029.759	514.109	647.206
TOTAL CURRENT LIABILITIES	14.528.081	18.447.726	14.260.705
TOTAL REVENUES	92.978.195	115.574.089	119.884.251

In 2023, Fratelli Pettinaroli S.p.A. sold products worth nearly €56 million, registering an 8.29% decrease in sales caused by industry contractions, after the remarkable performance in 2022 that had shown a 19% increase over 2021 and a 68% increase over 2020.

EBITDA stood at more than €5 million, accounting for 9.25 % of revenues.

EBIT, around €1.8 million.

In such a complex year as 2023, which showed on one hand an increase in operating costs and on the other hand a decrease in sales, the company achieved a **satisfactory net profit for the year of about €10.7 million**, which is the second best result in the company's history.

Reclassified Income Statement

	2021	2022	2023
REALISED PRODUCTION VALUE:			
Revenues from sales and services	51.136.151	60.963.530	55.911.071
Change in inventories of semi-finished and finished products	2.838.953	4.100.504	(476.629)
TOTAL REALISED PRODUCTION VALUE	53.975.104	65.064.034	55.434.442
EXTERNAL OPERATING EXPENSES:			
Raw and ancillary materials and consumables	30.145.437	32.883.126	26.091.531
Services	10.133.373	12.173.261	11.872.717
Leased assets	216.525	194.650	277.748
Change in raw and ancillary materials and consumables	(1.463.262)	(294.763)	831.259
TOTAL EXTERNAL OPERATING EXPENSES	39.032.073	44.956.274	39.073.255
VALUE ADDED	14.943.031	20.107.760	16.361.187
LABOUR COSTS:			
Personnel	9.357.451	10.290.186	10.516.476
Sundry operating expenses	985.505	745.087	670.156
TOTAL LABOUR COSTS	10.342.956	11.035.273	11.186.632
EBITDA	4.600.075	9.072.487	5.174.555
DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES:			
Depreciation, amortisation and impairment	2.700.777	3.134.351	3.408.669
Provisions for risks	0	0	0
Other provisions	0	0	0
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	2.700.777	3.134.351	3.408.669
EBIT	1.899.298	5.938.136	1.765.886
INCOME FROM FINANCIAL ASSETS-FAIR VALUE	8.341.740	10.699.088	8.344.556
Other revenues and gains	805.389	1.202.756	1.113.371
INCOME FROM ANCILLARY ACTIVITIES	805.389	1.202.756	1.113.371
EARNINGS BEFORE TAX	11.046.427	17.839.980	11.223.813
Income tax for the year	376.455	1.778.073	533.490
PROFIT (LOSS) FOR THE YEAR	10.669.972	16.061.907	10.690.323

GRI 201-1 Economic Value Generated and Distributed

Income from the sale of products and services and ancillary management (equity investments and other financial assets) represents the **economic value generated by the company**, which is mostly distributed among the stakeholders with whom Fratelli Pettinaroli S.p.A. deals on a daily basis.

The remaining economic value is retained by the company, with **allocation to reserves necessary for the company's development and future**. The Board of Directors decided to propose to the Shareholders' Meeting a dividend distribution of €1 million.

Following is the table with the calculation of **directly generated and distributed value**, according to the approach provided by the GRI Standard, the data of which are taken from the annual financial statements:

Economic Value Generated and Distributed

	2021	2022	2023
Direct economic value generated	63.149.948	77.248.531	67.315.283
Revenues	63.149.948	77.248.531	67.315.283
Economic value distributed	53.079.976	62.186.624	57.624.961
Payments to suppliers	43.116.118	49.141.824	45.866.884
Employee salaries and benefits	8.471.830	9.070.817	9.283.618
Payments to lenders and dividends to shareholders	627.715	1.282.653	1.496.203
Payments to Public Authorities	832.613	2.643.048	897.646
Community Investment	31.700	48.282	80.610
Economic value retained	10.069.972	15.061.907	9.690.323





SUPPLIERS

INTRODUCTION

For Fratelli Pettinaroli, the supplier is not only a third party to finalize a contract for the purchase of goods and services, but has always been considered a **real strategic partner**, in a perspective of mutual cooperation and exchange, with the goal of **common growth**.

In fact, suppliers are involved on a daily basis in Fratelli Pettinaroli's production process and not only that, the **human relationship** with them is the basis of the working one.

All suppliers are also **evaluated annually on the basis of their performance**, through specific internal procedures; this evaluation is then shared with them, with a view to sharing and continuous improvement.

Thus even new suppliers are visited and evaluated **according to strict internal procedures**, before starting their working relationship with Fratelli Pettinaroli.

SUPPLIER EVALUATION

The supplier **evaluation parameters** are as follows:

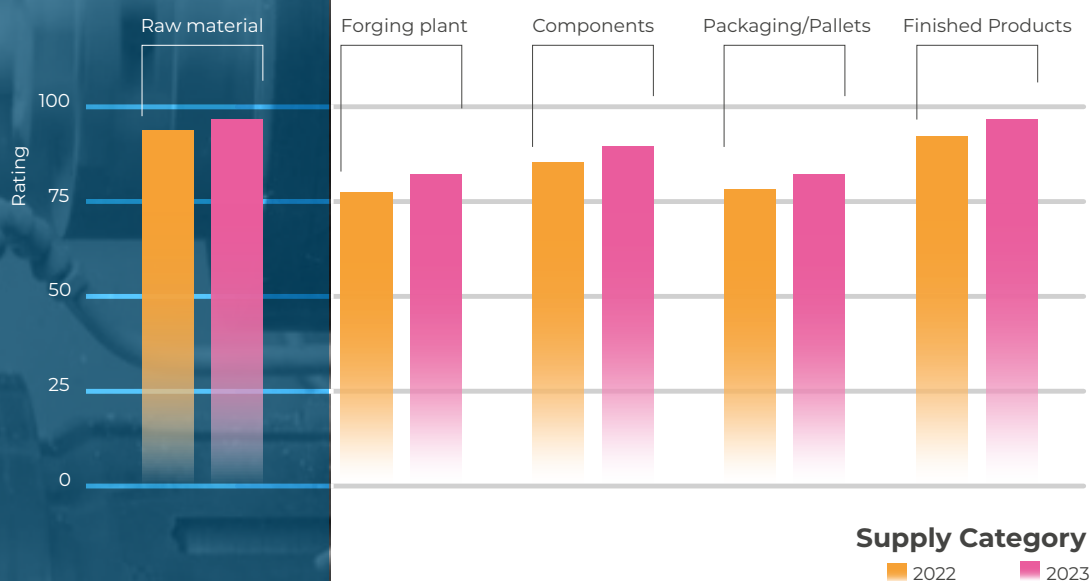
- 1) Quality of the product/service provided
- 2) Delivery time
- 3) QMS: supplier system certifications.

At the end of 2023, **82 suppliers were evaluated**, compared to 91 evaluated at the end of 2022.

This decrease of about 10%, can be explained by the fact that, the deliveries of some suppliers were reduced due to a **reduction in sales volumes**, which at the end of 2023 was around -7.9% compared to 2022, therefore, some suppliers previously evaluated, did not reach the minimum of 5 deliveries during the year; in addition, due to more stable markets and easier availability of raw materials and components, the company relied on fewer suppliers for procurement in 2023 than in 2022, "**double sourcing**" being less necessary in some cases.

Overall, the average scores of supply macrocategories in 2023 **increased by 4.3 percent** compared to 2022. In fact, comparing the average scores of supply macrocategories over the last two years, there are positive changes for all categories:

CATEGORY	2022	2023	Var. %
Raw Material	96,54	98,54	2,0%
Forging plants	79,98	83,26	3,9%
Components	87,49	89,91	2,7%
Pack. / Pallets	79,70	86,50	7,9%
Products	87,69	92,46	5,2%
AVERAGE			4,3%



Based on the values shown in the previous table, it can be seen that **all supply categories have increased in terms of performance**, mainly the parameter "delivery time" is the one that has affected the increase the most.

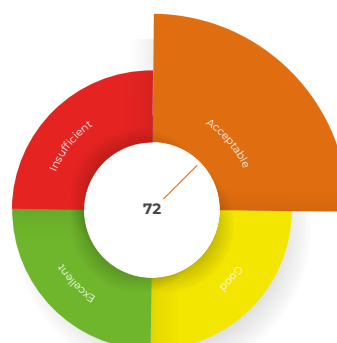
The general market situation, which was generated as a result of the pandemic, began towards the end of the first quarter of 2021 and saw a **continuous and generalized rise in the prices of raw materials**, and an increasing difficulty in sourcing them, began to stabilize in the second half of 2022, **reaching complete stability in 2023**, especially in terms of their availability, thus positively affecting the parameter of supplier deliveries

SUPPLIER EVALUATION ACCORDING TO ESG PARAMETERS

As per the goal set in 2022, a **new supplier evaluation parameter related to "Sustainability"** issues was included in the year 2023.

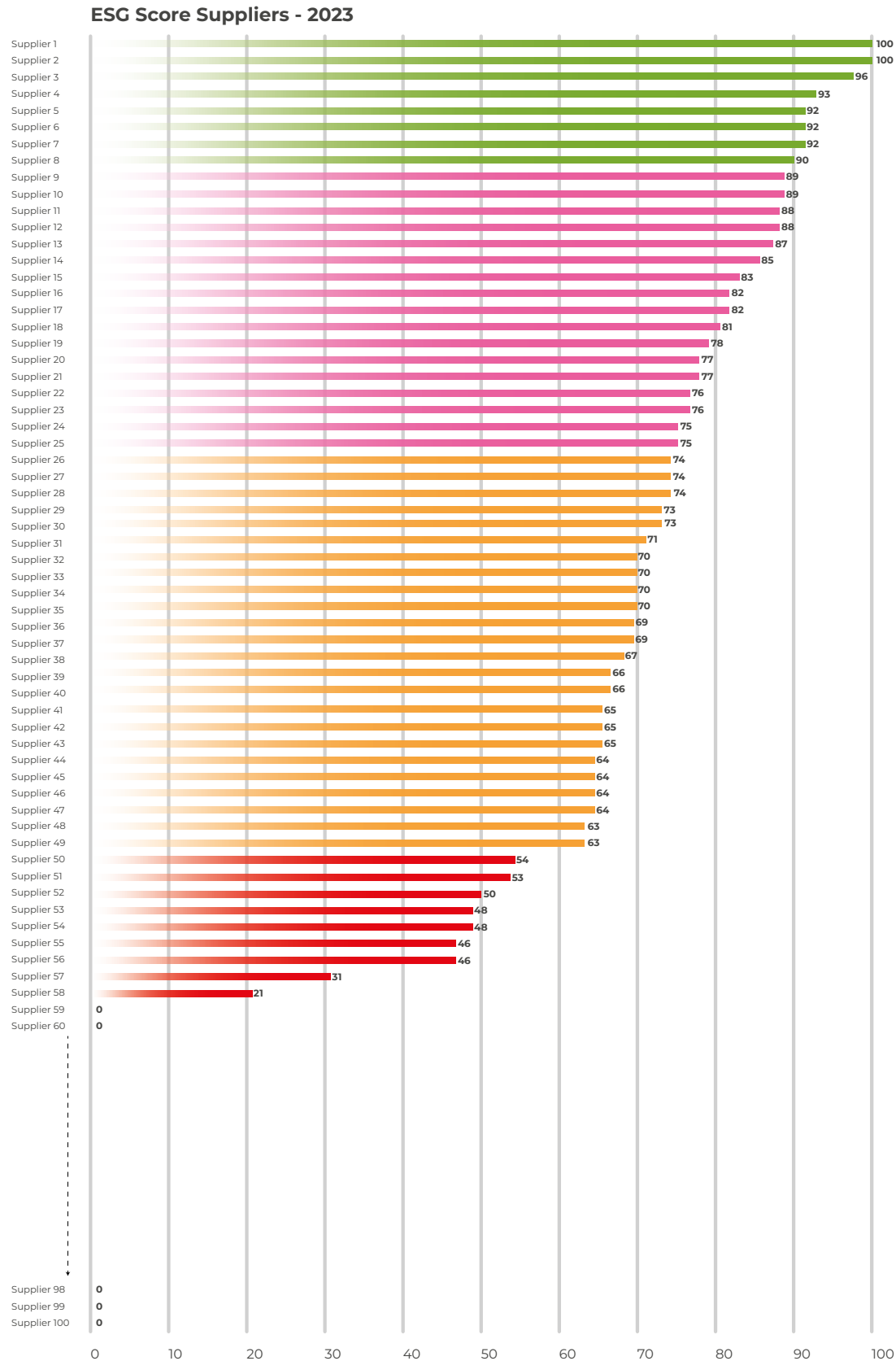
This parameter was calculated on the basis of the answers that suppliers gave, through a **specific questionnaire**, sent to them in November 2023. Each question was in fact given a score, which led to an average, constituting the "Sustainability" evaluation parameter.

The questionnaire was **sent to 100 suppliers** and the percentage of responses obtained was 58. The average score obtained by suppliers who responded was **72/100**. On the other hand, suppliers who did not give any response were given a score of "0" on the "Sustainability" parameter.



For FY 2023, it was decided that this parameter would not average with the other three parameters mentioned above, but would remain a stand-alone score.

A chart was, finally, developed and then shared with the 10 highest scoring suppliers, showing precisely the evaluation of all suppliers. To each supplier, to whom the chart was sent, only their own name was visible, while the others remained anonymous:



NON-COMPLIANCE RELATIONSHIPS TOWARDS SUPPLIERS

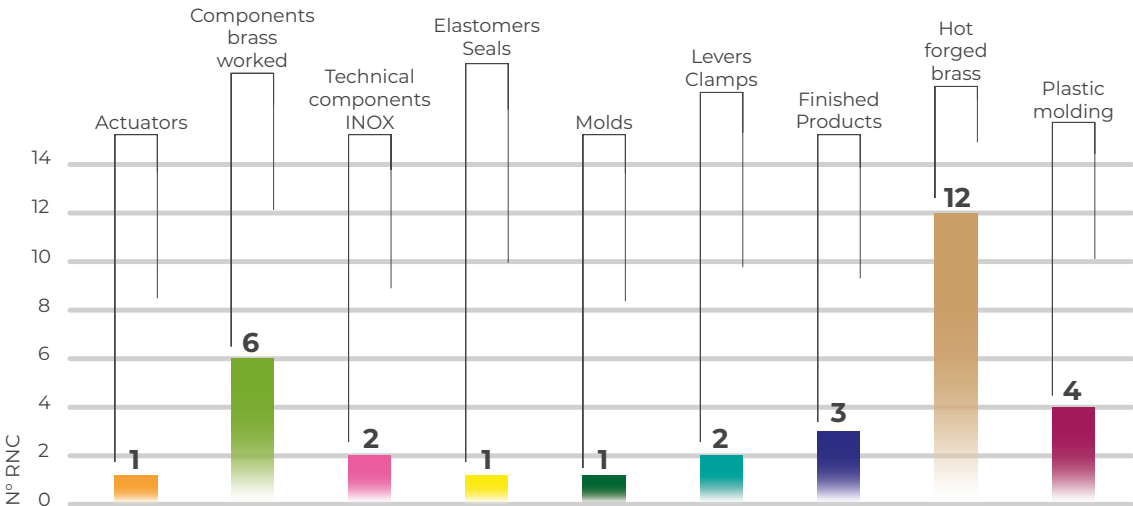
As for **NON-Compliance Reports (RNCs)**, 32 were issued in 2023, up from 42 in 2022. The forging plant category remains the one with the highest number of RNCs charged, totaling 12, or 37.5 percent of the total.

However, this percentage has **decreased from the previous fiscal year**, which was 50 percent (21 out of 42 total).

The table and graph on the right show the **number of RNCs by type of supply**.

The graph below **visually represents** what is shown in the table:

SUPPLY CATEGORY	N° RNC
Actuators	1
Machined brass components	6
INOX technical components	2
Elastomers and Gaskets	1
Castings	1
Levers, Butterflies and Anchors	2
Finished products	3
Brass hot forging	12
Plastic moulding	4
TOTAL	32

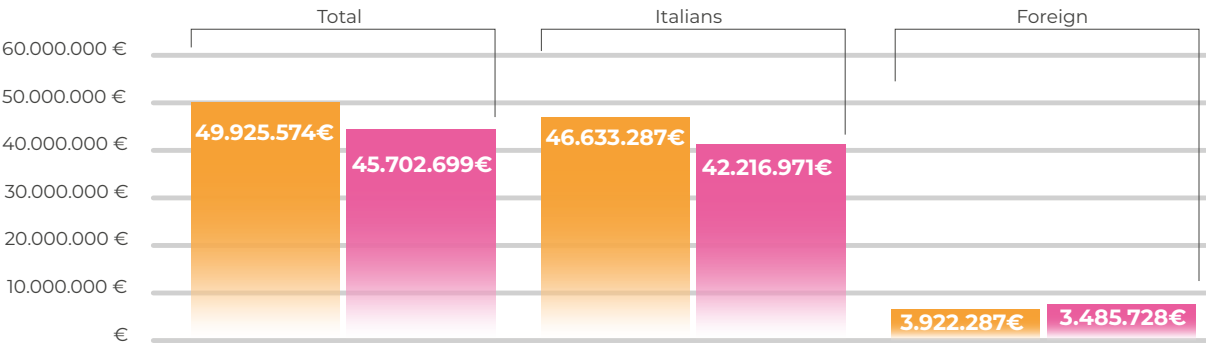


Non-conformity by type of supply

SUPPLIER ASSESSMENT

Fratelli Pettinaroli purchases essential goods and services for the manufacture of its products, **mostly from Italian suppliers (about 90%)**. Foreign suppliers are mainly located within the EU (about 7%), while only about 3% are located outside Europe. In the reference year 2023, the total expenditure incurred by Fratelli Pettinaroli for the purchase of goods and services from its suppliers amounted to €45.702.698,90. Expenditure incurred for the purchase of goods and services from Italian suppliers amounted to

€ 42.216.971,32 or 92.4% of the total amount, compared to 7.6% purchased from foreign suppliers, equivalent to € 3.485.727,58. As for Italian suppliers, **most of them are located in Northern Italy**, therefore, the definition of **“Local Supplier”** for Fratelli Pettinaroli can be attributed to all suppliers located in the **provinces of Novara and VCO**. Similarly, the “Significant Operating Locations” of suppliers can be located with the same geographical distribution as described above.



Supplier expenses

2022 2023

ETHICS AND TRANSPARENCY

PETTINAROLI CSR

The company believes that drafting a **Code of Conduct** is a key tool to disseminate Corporate Social Responsibility (CSR) Policy among its employees, suppliers, contractors and customers and express its commitment to social, regulatory, environmental and ethical issues.

Fratelli Pettinaroli S.p.A. operates **in compliance with the applicable laws and regulations** on environmental, energy and social issues. The company planned its processes by thoroughly

assessing its geographical, social and economic scope, in order to **constantly ensure the regulatory compliance of its products and processes**, and minimise its environmental impacts.

The adoption of this approach by all Fratelli Pettinaroli S.p.A. stakeholders is essential in order to ensure **increased environmental, social and energy sustainability of its business**.

The **Code of Conduct** of Fratelli Pettinaroli S.p.A. was published during 2023 on the company website and company public boards.

This document deals with issues related to **corporate social responsibility (CSR)**, with a focus on compliance with environmental, energy and social laws and regulations. It promotes sustainability in business processes, the fight against corruption, social inclusion, and respect for diversity (race, gender, religion, etc.). It also focuses on working conditions, occupational safety, human and labor rights, ensuring compliance with national and international regulations in labor matters.

WHISTLEBLOWING

Fratelli Pettinaroli S.p.A. adopts a strict ethics- and sustainability-oriented policy, so it actively promotes the **reporting of misconduct and regulatory violations**.

Any irregularities such as financial fraud, bribery, violation of laws, unethical labor practices, health and safety violations, environmental violations, and violation of company policies can be reported with complete anonymity to safeguard the reporter. Reporting can be done through the **Whistleblowing platform** made available on the company website and accessible by employees, former employees, consultants, suppliers and customers.

Since the adoption of the platform in July 2023 to date, **no reports have been filed**.

PRIVACY PROTECTION

DATA PROTECTION

It is an essential principle for Fratelli Pettinaroli S.p.A. to **guarantee the confidentiality of its stakeholders**, whose data, including personal data, are processed in compliance with current regulations.

IT infrastructures, appropriate and constantly updated to meet company requirements, are a key tool for maintaining a high performance and consistency level in company and Group activities. Their consistency is also ensured by the adopted **security measures**.

The security measures in place can **effectively counter** IT system service disruptions, unauthorised access attempts with potential data loss and general IT-related operational risks.

As to **privacy protection**, Fratelli Pettinaroli processes the personal data of all data subjects in compliance with the law and with full correctness and transparency, by implementing all the necessary technical and control measures **to protect their rights and personal data against unauthorised access**, potentially causing data destruction, loss, alteration and dissemination, including sensitive data.

During 2022, **there were no incidents of theft or loss of data** of customers or other data subjects and no data privacy infringement complaints were reported.



PRESERVATION OF RESOURCES

STREAMLINING RAW MATERIAL MANAGEMENT

Fratelli Pettinaroli S.p.A. mostly employs brass, cast iron, steel, polymer, rubber, plastics, paper and cardboard as raw materials.

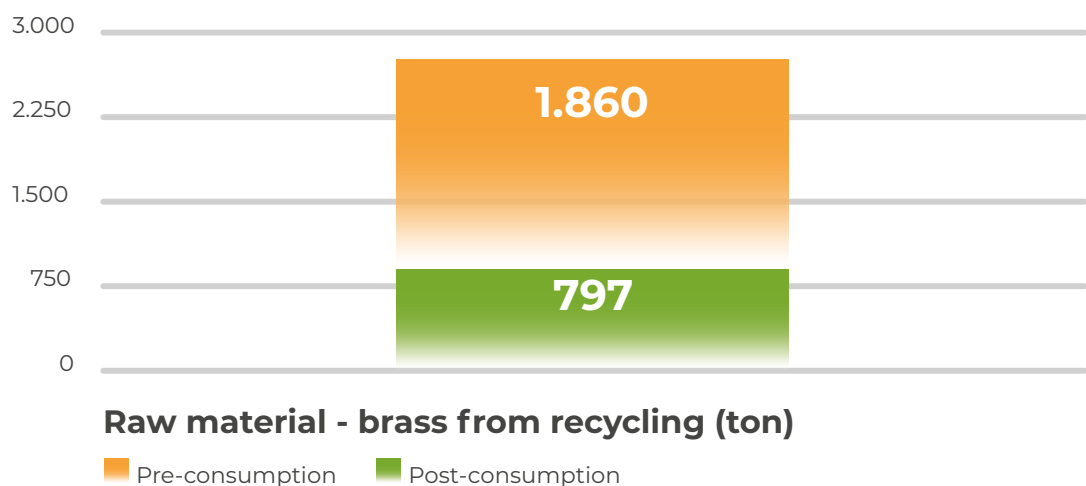
Brass, the prevailing raw material, is produced by Italian drawing companies in the form of bars. In the year 2023, Fratelli Pettinaroli S.p.A. purchased **2.657 tons of brass**. This raw material is composed of about 70 percent pre-consumer recycled material (i.e., all that material obtained from the recovery of production waste and materials generated during the manufacturing process of a product), and the remaining part post-consumer (obtained from the recovery/recycling of products that have reached the end of their life). The "recyclability" of raw material brass at the end of a product's life cycle is **almost 100%**. Approximately **1.820 tons were recovered** during machining in the form of turnings and blanks; an additional 12 tons in the form

of scrap composed from discontinued items, i.e., material delivered to drawing mills and reused as pre-consumer recycled material. In 2023, 68% of purchased raw material, turned into scrap after processing, was totally reused by the drawing mills for the production of new bars.

Additional materials such as:

- Brass (purchased components & products): 158.92 tons
- Steel (AISI 303, AISI 316): 97.38 ton
- Cast iron: 21.68 ton
- Other metals: 18.34 ton
- Elastomers (EPDM/NBR/HNBR/FKM): 5.35 ton
- Plastics (PA, ABS, PSU, PVC): 46.83 ton
- Fiber for gaskets: 0.56 ton
- Multi-material components: 15.48 ton
- Polyurethane foam: 1.02 ton
- Ancillary materials for packaging: 1.05 ton
- Labels: 1.6 ton
- Paper (instructions etc.): 3.23 ton (renewable material)
- Labels: 1.8 tons
- Paper (package inserts, etc.): 3.6 tons (renewable materials)

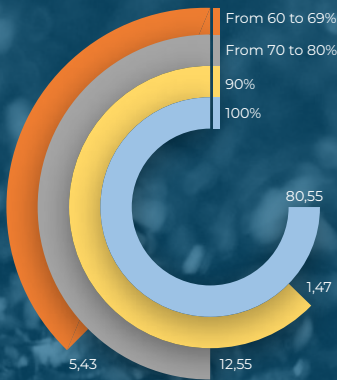
The following chart shows the quantity by weight of materials collected from pre-/post-consumption recycling:



In 2023, **9 tons of ancillary materials** (materials and substances used in the production process) were purchased, broken down as follows:

Material/Substance	Use	Quantity (tons)
Emulsifiable oil	Machining	2,85
Cutting oil	Machining	4,25
Metal-cleaning alcohol	Washing	0,54
Adhesives / glues	Assembly	1,10
Assembly lubricants	Assembly	0,26
PTFE-based sealant	Assembly	0,05
Pad Printing Ink	Pad printing	0,01

The following chart shows the weight of packaging, broken down according to the relevant recycled material percentage:



Weight of packaging purchased with recycled material 2023 (tons)

The total amount of non-renewable materials used in our 2023 production was approximately **3.034 ton**.

Renewable materials are used in final product packaging. The weight of package inserts and cardboard packaging (boxes, partitions, etc.) purchased in 2023 reached the amount of **127 ton**.

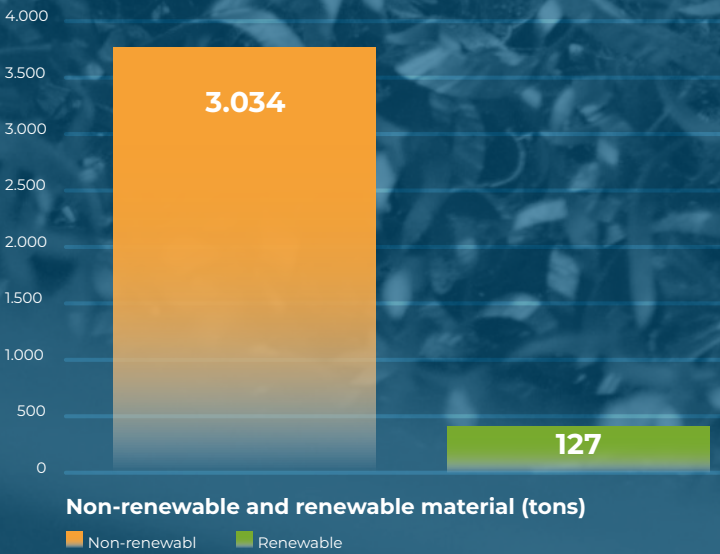
The cardboard packaging purchased during the year was produced using a variable amount of recycled raw materials.

80% of all the packaging we purchased was entirely made of recycled materials.

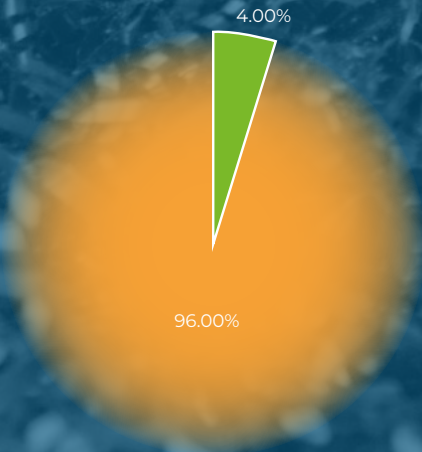
In 2023, the company disposed of about 14 tons of paper and cardboard from:

- Packaging used in the production process
- Packaging used for procured components
- Offices (records, etc....)

The ratio of renewable to non-renewable materials used in production in 2023 is shown below:



Non-renewable and renewable material (tons)

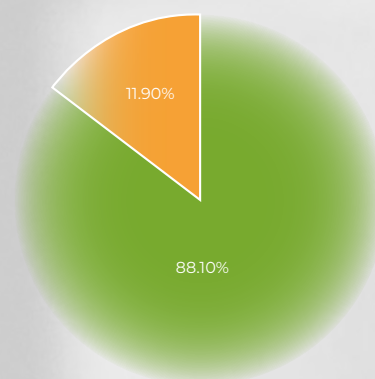
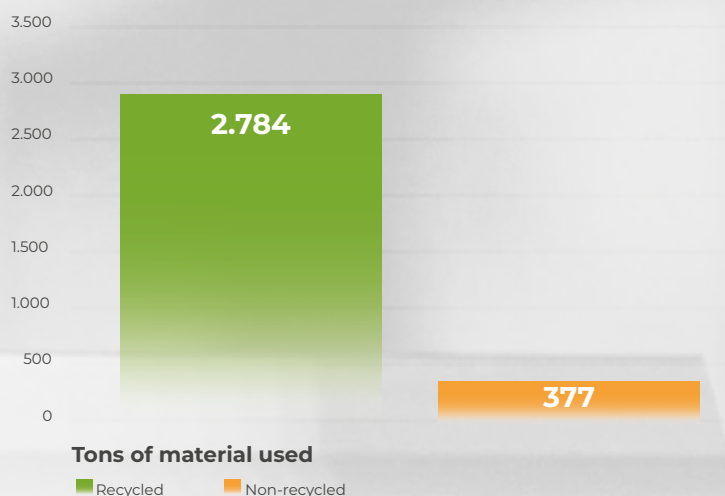


Material used: comparison

Non-renewable material Renewable material

As shown in the chart, most materials being used are non-renewable. However, this figure should be assessed together with the percentage of recycled raw materials (88%), whereby the use of non-renewable virgin raw materials drops to around a mere 12%.

The ratio of recycled to non-recycled materials used in production in 2023 is shown below:



Total input materials used = 3,161 (including all materials and components)
 Total recovered input materials used: 2,784 (2,657 + 127)
 Percentage of recycled input materials (%): 88,07%

Total raw material consumption (tons):

Raw material type before 2022	Non-renewable	Renewable
Brass (bars / purchased products and components)	2,815,92	-
Stainless steel	97,38	-
Other metals	18,34	-
Elastomers	5,35	-
Plastics (other than packaging)	46,83	-
Paper (labels only)	1,6	-
Cast iron	21,68	-
Fibre for seals	0,56	-
Multi-material components	15,48	-
Ancillary packaging materials	1,05	-
Polyurethane foam (packaging)	1,02	-
Ancillary process-related materials	9	-
Paper and cardboard	-	127

As for scrap from labels, employing materials that can be recycled into paper (labels + reels) is being considered for 2024.

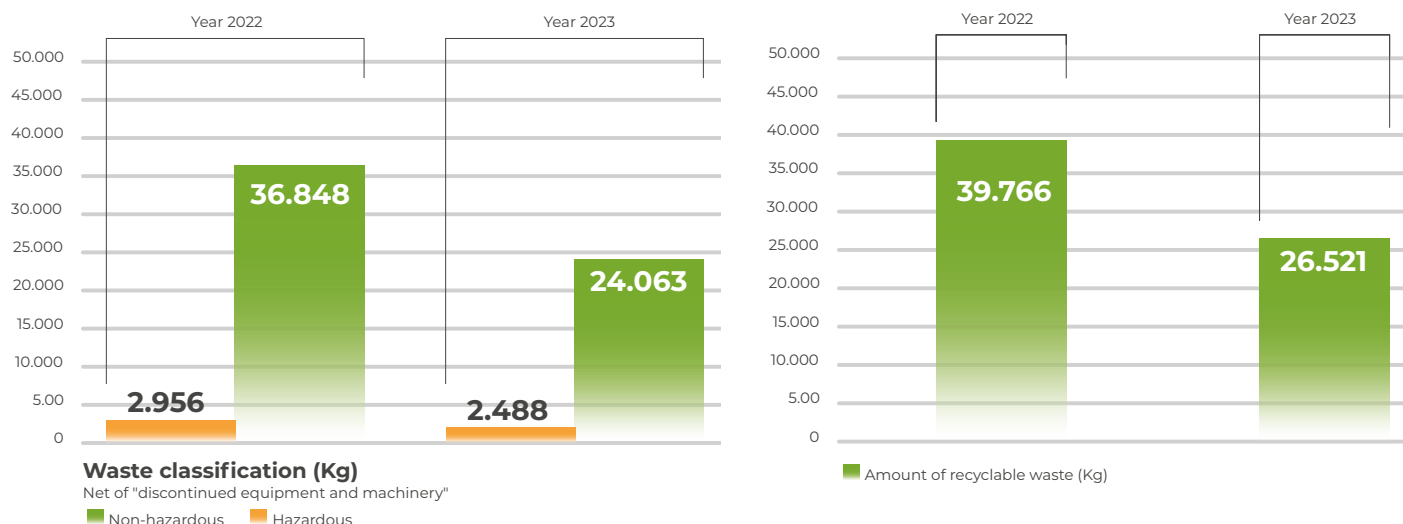
WASTE RECYCLING AND REUSE

As shown in the summary table below, the total quantity of disposed waste in 2022 decreased compared to 2021:

Type	Waste Description	EWC	M.U.	2021	2022
Non-hazardous	Iron scrap	17 04 05	KG	14.791	5.436
Non-hazardous	Metal filings and shavings	12 01 01	KG	5.789	4.644
Non-hazardous	Cast iron scrap	12 01 02	KG	0	0
Non-hazardous	Aluminium scrap	12 01 04	KG	0	0
Non-hazardous	Bronze scrap	17 04 01	KG	0	0
Non-hazardous	Components removed from equipment	16 02 16	KG	0	80
Non-hazardous	Spent print toner cartridges	16 02 16	KG	48	3
Non-hazardous	Paper and cardboard	15 01 01	KG	16.220	13.900
Non-hazardous	Septic tank sludge	20 03 04	KG	0	0
Hazardous	Ion exchange resins	11 01 16	KG	38	30
Hazardous	Non-chlorinated emulsions	13 01 05	KG	2.890	2.418
Hazardous	Rinse and stop-fixing solutions	09 01 05	KG	0	0
Hazardous	Monitors	16 02 13	KG	0	40
Hazardous	Absorbents and filter materials	15 02 02	KG	28	0
Total hazardous waste:				2.956	2.488
Total non-hazardous waste:				36.848	24.063

Waste mainly consists of materials from production processing, i.e., metals and cardboard packaging.

Hazardous waste decreased compared to the previous year, as shown in the following charts:



Of the total waste generated in **2023** of **41.3 tons**, **99% went to recovery**.

In addition, compared to the previous year, **waste generated decreased by 33.5%** (net of discarded equipment and machinery).

Paying increasing attention to **sustainability aspects** as well, we are considering the implementation of some **more eco-friendly solutions** with regard to packaging, namely:

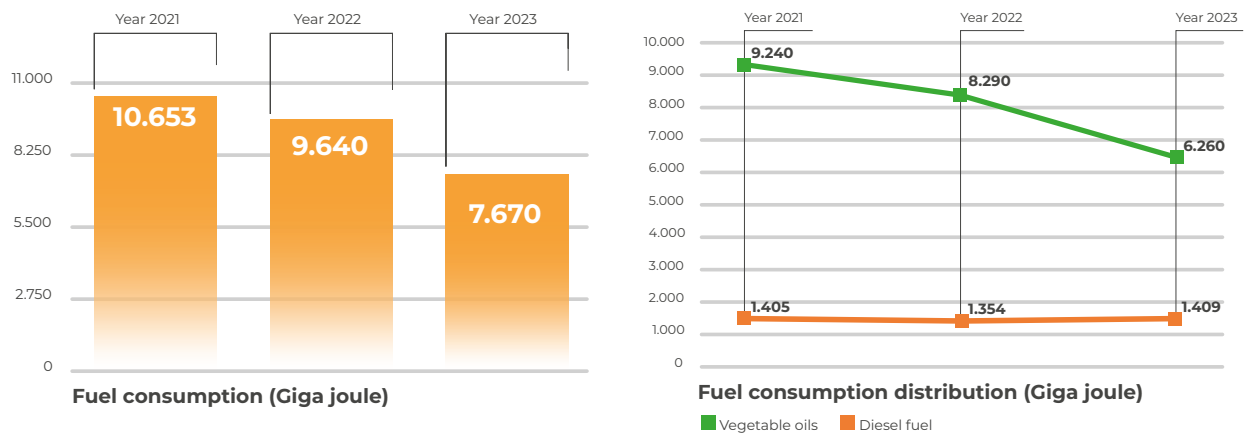
- The use of **labels made from recycled materials** (including their backing)
- The **gradual replacement of paper instruction sheets** for our products, in favor of "virtual" instructions (implementation of QR code to be scanned). This solution has already been applied for the CE valve series with green lever/flapper (French market), with an average annual saving of 8000 A5-size instruction sheets. In addition to the advantages from an environmental point of view, regarding waste reduction, there is an advantage from a logistical and production point of view.
- **Use of bags made from 50% recycled material**. Consumption in 2023 was 46.700 bags, corresponding to 607 kilograms of polyethylene, to which "film" should be added, the amount purchased in 2023 being 5.629 kilograms.



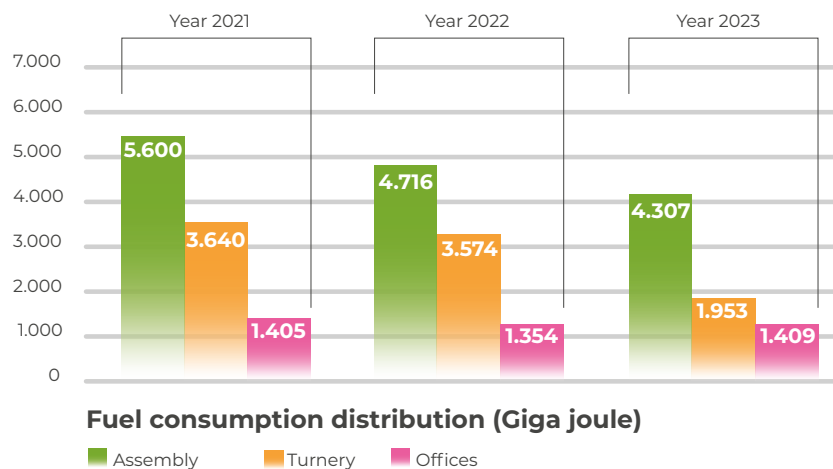
PRESERVATION OF ENERGY RESOURCES

GRI 302-1 | USING RENEWABLE
ENERGY RESOURCES

2023 annual consumption of fuel from non-renewable sources was lower than in previous years. The relevant details are provided below:



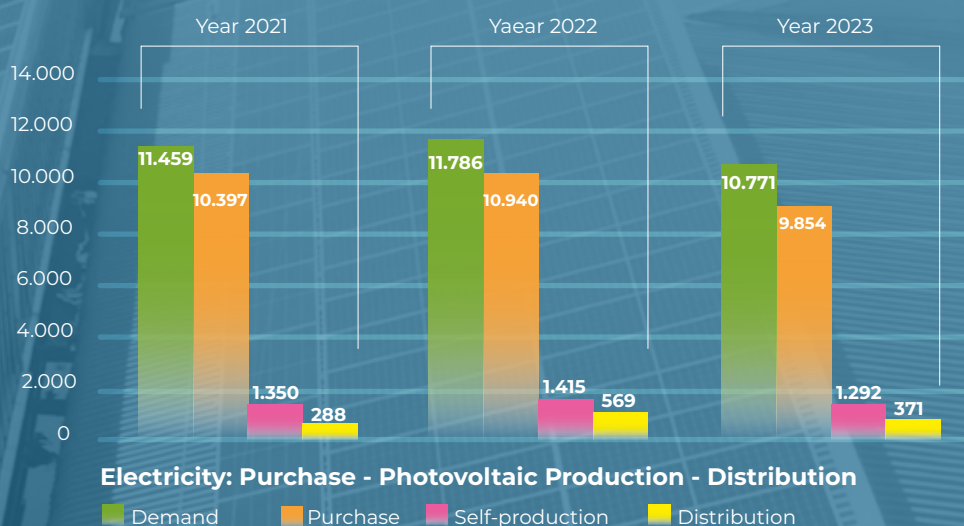
The indicated consumption consists of a part of **Diesel oil (33.1 tons)**, dedicated to office heating and the remainder (170 tons), consisting of **vegetable oils**, dedicated to heating the production areas (53 tons lathe department and 117 tons assembly department).). The decrease in consumption is due to **the implementation of methane gas** for the assembly department and the lower number of hours worked in the lathe shop compared to 2022.



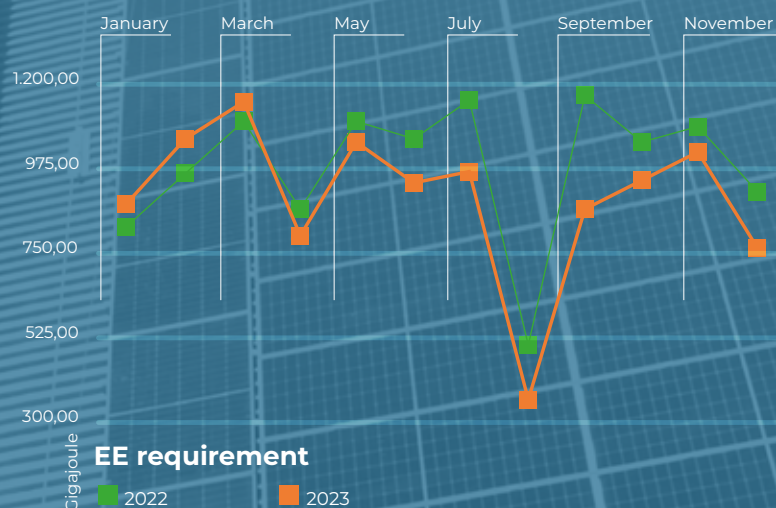
The reduction in consumption occurred mainly in the **turnery department**, also aided by the reduction in shifts compared to the year 2022, and in the assembly department where in mid-November the **old boilers were replaced with new Methane Gas ones**.

At the end of 2023, **the new thermal power plant and district heating** of all production and office areas was started, this has brought **significant benefits** in terms of energy carrier costs, plant efficiency and environmental impact related to emissions (GHG scope 1).

Compared to 2022, the need for electricity has slightly decreased, as shown in the graph Needs-purchases-autoproduction-disposal:



Trends in requirements on an annual basis (representation of the last two years):



The **overall requirement in 2023 is slightly decreasing** justified by the lower number of working hours.

The installation of **the new photovoltaic system** was completed at the end of 2023, and the construction of the new power substation (POD) resulting in the connection of the new plant, with commissioning estimated by Spring 2024.

Overall, the **total energy consumption** (electricity and fuels) of F.lli Pettinaroli S.p.A. for the calendar year 2023 was **17.149 Giga joules**.

The table below shows the data expressed in detail:

Fuel / Energy	Quantity (Gj)
Consumption of fuel from non-renewable sources	7.670
Consumption of fuel from renewable sources	0
Electricity purchased for consumption	9.850
Electricity generated and not consumed	0
Electricity sold	371
(7.670+9.850)-371= TOTAL	17.149

Goals for 2024:

- Completion of work on the construction of the new power cabin and relocation of the POD
- Connection and commissioning of the new photovoltaic system



GREENHOUSE GAS EMISSIONS

GRI 305-1-2 | GREENHOUSE GAS EMISSIONS AND RELEVANT ENVIRONMENTAL IMPACT

Over the last few years, Fratelli Pettinaroli S.p.A. has calculated the impacts from **Scope 1 and Scope 2 greenhouse gas emissions**.

The company holds a **Single Environmental Authorisation**, stating air emission limits for CO, Nox, SOX, total dust.

The company's direct emissions (scope 1) mainly come from **air conditioning systems**. Emissions from company cars account for about 0.5% of total greenhouse gases Scope 1.

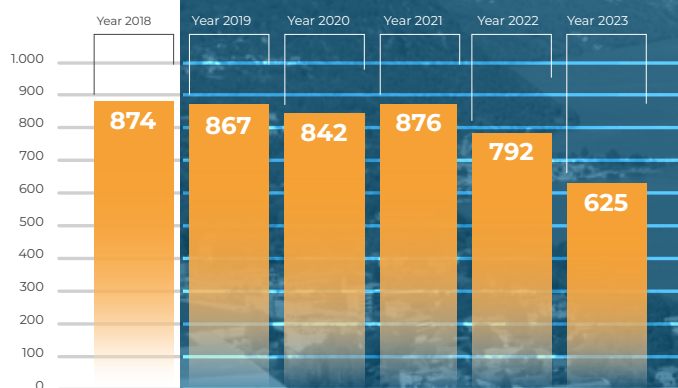
Data calculation was based on actual consumption and requirements for each energy carrier.

In November 2023, **the new thermal power plant** was started up, at which 9 condensing boilers were installed. Thus, the first major step toward the complete revamping of all existing thermal power plants was completed. The first areas that were heated with the use of the new boilers were the assembly department, the packaging/shipping department, and the warehouse.

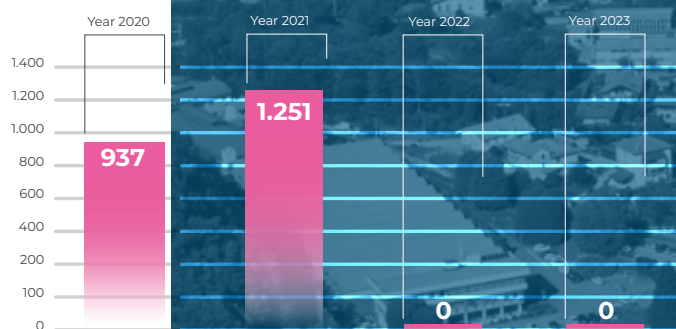
Due to the use of natural gas, **a significant reduction in greenhouse gas emissions (GHG scope 1)** and energy used for the space heating process is expected. Renovation work on the other thermal power plants (technical office, administrative offices, turnery) will be **completed by the first half of 2024**.

A reduction in GHG Purpose 1 of 25% (based on estimates of methane gas consumption for the entire plant) is estimated.

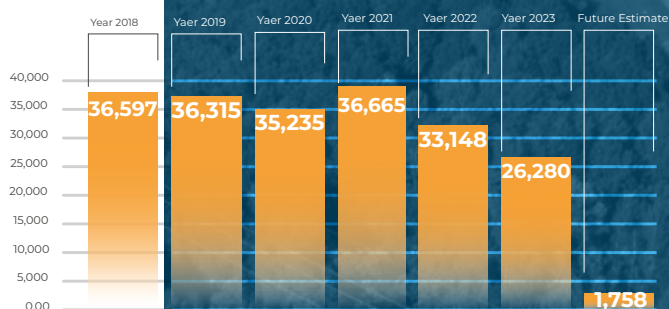
Starting in 2022, purchased electricity will come from renewable sources. The remaining portion of electricity, corresponding to about 11% of the company's energy needs, is **produced by photovoltaic system**.



Direct GHG emissions trend Scope 1



Direct GHG emission trend Scope 2



Energy used for heating systems (TJ)



BIODIVERSITY

GRI 304-2-3 | REDUCING THE ENVIRONMENTAL IMPACT OF COMPANY ACTIVITIES

Fratelli Pettinaroli S.p.A. has long been committed to reducing the environmental impact of its business by **promoting and implementing a responsible investment policy** to reduce carbon emissions and consumption by such means as its first photovoltaic system, installed in 2010. This will be followed by a new expansion project scheduled for completion in 2023.

With a view to reducing its environmental footprint and being an advocate of raising awareness, on 10 November 2021 Fratelli Pettinaroli S.p.A. accepted the proposal made by **Ecomuseo del Lago d'Orta e Mottarone** (the Lake Orta and Mottarone Ecomuseum authority) and joined **the Cusio Lake Contract**, a voluntary agreement between private and public sector entities public and private parties, aimed at combining skills and resources to coordinate wide-ranging initiatives for environmental protection, safeguarding water resources and enhancing the local territory.

The objectives of the Contract are defined on the following four main themes:

- the reduction of water pollution
- the shared redevelopment of environmental and land systems
- the lake ecosystem
- information sharing and education for environmental sustainability





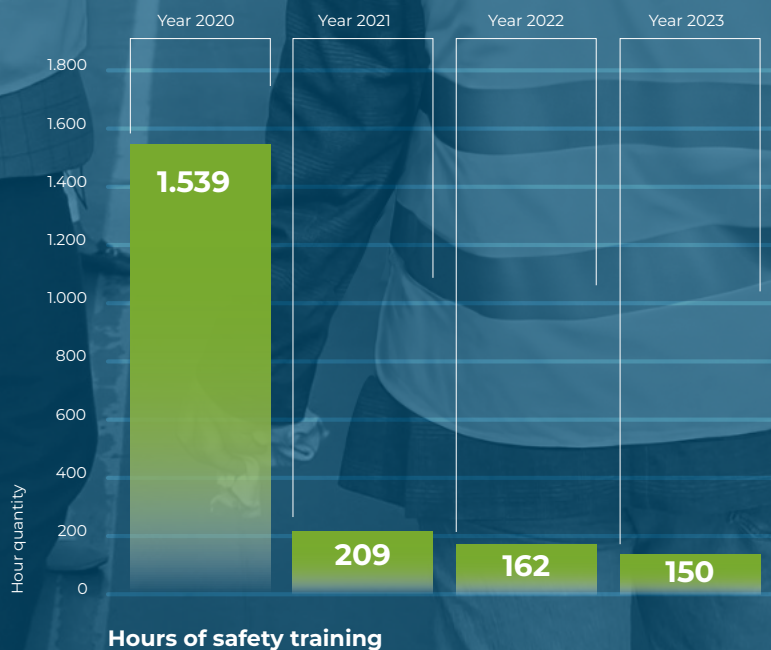
HEALTH & SAFETY

Fratelli Pettinaroli S.p.A. adopts a safety management system in accordance with the applicable Acts and Decrees. The main activities aimed at ensuring regulatory compliance and the wellbeing of all workers (whether employees or subcontractors) are as follows:

- Risk assessment
- Health surveillance
- Training
- Workplace surveillance
- Use of PPE
- Monitoring and maintenance of systems and facilities (machinery, power systems, fire-fighting equipment, escape routes)
- Monitoring regulatory compliance
- Communication

All of the above activities are performed in compliance with the applicable law and decrees in force. Our **risk assessment** involves self-managed activities performed by Fratelli Pettinaroli S.p.A., as well as more complex activities that are therefore subcontracted to qualified independent firms and advisors. As far as **health surveillance** is concerned, the Employer and the HSO cooperate with the Company Doctor in order to guarantee **suitable working conditions** to each worker. In this regard, the company gives special consideration to all restrictions and provisions concerning specific hazard exposure conditions, workstation ergonomic requirements and workplace microclimate. **The company ensures confidentiality of any personal information** shared by employees and the Company Doctor.

The following chart shows the number of health&safety training hours provided in 2020-2023 four-year period:



All workers are provided with the training required to perform their job. **Safety training** is provided by qualified and accredited trainers. The chart includes the training hours required by the Italian State-Regions Agreement, as well as the **training hours required for specific qualifications** (e.g., forklift truck operation, first aid, working at heights). The high number of training hours for the year 2020 arises from the safety refresher courses required by the State-Regions Agreement.



Fratelli Pettinaroli S.p.A. provides its employees with the **PPE** required to safely perform their tasks, based on the findings of **the Risk Assessment**. Certain types of PPE are purchased by the company and directly provided to employees. As for footwear, employees purchase the PPE themselves and the company bears part of the cost. PPE handover records are kept in the company. Each employee monitors the proper condition of their PPE and, if necessary, requests a replacement from the Department Manager or the Administration Dept.

System and machinery maintenance operations can be performed by company personnel (toolmakers, maintenance workers, qualified or instructed operators), whereas particularly complex operations requiring special skills and tools are outsourced to specialised contractors (e.g., periodic inspections of power systems and fire prevention equipment).

Regulatory activities and updates are monitored through the information service offered by Confindustria (Italian Manufacturers' Association).

Although the Health & Safety Management System is not formally certified, the company is planning the activities required to **obtain ISO 45001 certification** (for the manufacturing facility in San Maurizio d'Opaglio) Certification is expected to be obtained in 2024.

Internal communication is an essential aspect of company operations as it allows all workers to report dangerous situations, malfunction, near misses and opportunities for improvement to the Production Managers (Supervisors), the Workers' Health&Safety Representative or the HSO. Roles and tasks are clearly stated in the company organisation chart.

Over the past few years, Fratelli Pettinaroli has conducted a **thorough assessment of all machines and equipment** used in the production process, in order to schedule their revamping or gradual replacement. **The number of accidents has been decreasing in the past two years.** In 2022, accidents decreased by 37.5% compared to 2021 (including commuting accidents). The accidents that occurred resulted from mechanical hazards. On average, days of absence due to injury were no. 16 days of leave in 2021, no.14 in 2022 and no. 18 in 2023.

No workers reported occupational diseases.

As far as PPE is concerned, in 2022 the company started a project to replace the current hearing protectors (earmuffs or disposable devices) with custom-made personal protective equipment.

In order to improve the safety level during company tours, a specific **multilingual information notice was drafted for visitors**, who are provided with specific personal protective devices.

Safety-related activities for the **new automated warehouse** (fire safety, emergency situation management, signage) are underway.



EMPLOYEE WELFARE

GRI 203-1 | COMPANY WELFARE

A BENEFIT PLAN FOR A POSITIVE, INCLUSIVE ENVIRONMENT

Corporate welfare is an increasingly important tool for Fratelli Pettinaroli S.p.A., aiming **to create a positive and inclusive work environment**, where employees can feel supported and valued.

The plan is structured along three main lines, each including **a set of specific benefits**, selected according to the needs and preferences of employees.

The corporate welfare plan is designed to be flexible and customisable to meet everyone's needs.

2023 - Extraordinary grants

Inflation and the rising cost of living are two economic phenomena that have significantly affected people's lives.

Fratelli Pettinaroli S.p.A. provided flexible benefits, **petrol bonuses** for a total value of **€ 24.200**, **shopping vouchers** for a value of **€ 10.400** and payments to the **welfare** platform for **€ 4.200**.

85th Anniversary Celebration

On Friday, September 8, 2023, the eighty-fifth anniversary celebration of Fratelli Pettinaroli S.p.A. ended with an unforgettable party, involving all the staff of the Group's two Italian companies.

At the headquarters in San Maurizio d'Opaglio, the Pettinaroli Family organized an event to celebrate this important milestone together with the employees.

For the occasion, a marquee was erected and hosted **more than 200 staff members from the Fratelli Pettinaroli and TSM Galvanocromo companies**.

The evening, characterized by mild late summer weather, was enlivened by live music and a tasty barbecue served to all present.

The highlight of the celebration was the cutting of the cake, followed by **a thank-you speech by President Laura Fortis Pettinaroli**, who wanted to express her deep gratitude to all employees for their commitment and dedication.

A significant anniversary for the Pettinaroli Group, celebrated in an atmosphere of **joy and recognition** for the contributions of all staff members.



WELFARE PLATFORM

Employees may access an **online portal** to make use of multiple services, which include

purchasing fuel vouchers, electronic shopping vouchers, travel, holiday and leisure services, gym memberships, museum admissions, education and transport expenses, etc.



ANNUAL PERFORMANCE BONUS

Reaching a **Tier-2 agreement** with trade unions representation allowed establishing a **performance bonus** equally paid to all direct employees and agency workers.

Company results are measured by 4 key performance indexes (KPIs):

- A - Company profitability
- B - Customer satisfaction
- C - On-Time Delivery (OTD)
- D - Efficiency and increased productivity

As a result of the improvement achieved in each of these areas, **total bonuses paid out in 2023 amounted to €247.008**.



MEAL VOUCHERS

All direct employees and agency workers are included in the **meal voucher benefit scheme**.

In 2023 **daily meal vouchers worth €165.740** were paid out.



GENDER EQUALITY AND DIVERSITY PROTECTION

Fratelli Pettinaroli S.p.A. recognises the importance of gender equality in the workplace

For this reason the Company is committed to creating an **inclusive and respectful working environment** where all people have **equal opportunities** for personal and professional development regardless of their gender.

GENDER EQUALITY POLICY

Our Gender Equality Policy aims to:

- Make sure that the working environment is free from gender discrimination, promoting mutual respect among all employees
- Provide merit-based training and development opportunities, without any gender discrimination
- Support work-life balance for both genders
- Get rid of all forms of gender-based pay inequality

GENDER EQUALITY INITIATIVES

Some of the initiatives that Fratelli Pettinaroli S.p.A. wants to introduce to promote Gender Equality include:

- Mentoring and coaching programmes to promote the professional advancement of women within the company
- Planning training sessions on gender equality issues in order to raise awareness among all employees
- Implementing work-family balance policies to help both men and women balance their family and professional responsibilities effectively
- Internal self-appointment program for promotion to higher positions that was concluded positively

DISCRIMINATION INCIDENTS

No discrimination incidents were recorded in 2023.

Below are details about the employees at the end of the year

Number of employees by professional category and gender:

Breakdown	No. of Managers	No. of Executives	No. of Office workers	No. of Workers	Total
Women	1	0	11	40	52
Men	2	10*	23	84	119
TOTAL	3	10	34	124	171

*n° 1 foreign resident

Contractual status of employees by professional category and gender:

Contract	Breakdown	No. of Managers	No. of Executives	No. of Office workers	No. of Workers	Total
Permanent contract	Women	1	0	11	39	51
	Men	2	10*	23	82	117
Fixed term contract	Women	0	0	0	1	1
	Men	0	0	0	2	2
TOTAL		3	10	34	124	171

*n° 1 foreign resident

Educational level of employees by professional category and gender:

Breakdown	No. of Managers	No. of Executives	No. of Office workers	No. of Workers	Total
Graduates	2	4	10	1	17
Secondary school diploma	1	6	24	44	75
Compulsory education	0	0	0	81	81
TOTAL	3	10	34	126	173

As can be noticed from the graphs, there is an imbalance of male versus female workforce. This is due to the **type of processing and product** of the company that requires personnel with technical education provided by colleges/universities that are **predominantly attended by male students**.

GRI 401-1 NEW RECRUITMENT AND TURNOVER

Number of employees by age, professional category, and gender:

Breakdown	Age	No. of Managers	No. of Executives	No. of Office workers	No. of Workers
Women	< 30 years	0	0	0	1
	30 to 50 years	0	0	0	1
	> 50 years	0	0	0	0
	Total	0	0	0	2
Men	< 30 years	0	0	1	2
	30 to 50 years	0	0	1	4
	> 50 years	0	0	0	0
	Total	0	0	2	6
TOTAL HIRES		0	0	2	8



STAFF MANAGEMENT

HUMAN
RESOURCES
GRI 404-1-3 GRI 401-1

DESCRIPTION OF PERSONNEL RESEARCH AND SELECTION

Fratelli Pettinaroli S.p.A. has guidelines in place that provide a complete framework to develop **recruitment procedure** activities, in order to ensure **a transparent and consistent process in hiring** new personnel for the company.

Personnel search and selection is a critical step in the recruitment process. Identifying proper **HR requirements** depends on the requests from various departments and corporate functions, and is also based on an assessment of needs arising from new orders, temporary staff replacements or mandatory employment.

After establishing HR needs, action is taken to identify ideal candidates. We cooperate with

employment agencies, providing them with detailed descriptions of the positions needed, or draw from the company CV database, accessible via the company drive.

hr@pettinaroli.com is the e-mail address specifically created for job candidates to submit their applications, with a view to promoting the submission of resumes. Employment agencies carry out extensive search and select the most suitable profiles, then **forward resumes for further evaluation**.

After that appointments are made with candidates who exhibit suitable potential for the available job vacancies.

This search and selection step applies to several occurrences, including:

- Temporary staff replacement, to promptly manage any absences or holidays of permanent staff
- The temporary increase in production to cope with new orders or special projects
- The replacement of retiring employees, to ensure operational continuity
- Mandatory hirings to fulfil legal quotas on the employment of individuals with disabilities to be included in the workforce

INTERVIEWS

A. Production staff interviews:

An interview with prospective production staff is essential **to assess the eligibility and skills** of a candidate.

During their interview, **candidates are asked to present their previous work history**, providing details on their accrued experience and acquired skills.

It is also useful to get information on their educational background, any qualifications or certificates (such as a forklift licence or a first-aid course certificate), and check for any allergies or intolerance to substances found in the workplace.

At the same time, candidates are provided with greater insight into company operations, by explaining its mission, values and career opportunities.

Clear explanations are provided on vacancies, the type of job contract being offered and the expected contract deadlines. **Production staff interviews take 20 to 30 minutes on average.**

At the end of the interview, candidates are not immediately given confirmation. Afterwards, a **contract proposal** is drawn up and submitted to the employment agency.

B. Technical or professional profile interviews:

Interviews for technical or professional job profiles take 30 to 45 minutes on average.

During their interview, **candidates have the opportunity to describe their career history**, main work experience and specific skills in relation to the position being sought.

Interviews are helpful to try and **assess the candidates' technical expertise level**, their knowledge of the tools and typical work methods and procedures in the position applied for, as well

as their ability to work in a team and handle any stressful situations.

In some cases, **practical or theory tests may be required** to assess a candidate's technical skills.

Typically, these interviews involve two subsequent steps – the former is conducted by the HR manager and the latter with other managers or prospective colleagues of the candidate being interviewed.

JOB OFFERS

Upon completion of the selection process, **successful candidates will receive a formal job offer.**

Offer contains detailed information on the **contractual terms and conditions**, position level and proposed salary.

In the event that a candidate accepts the offer, **the hiring process includes the conclusion**

of an employment contract that will govern the employment relationship between the company and the employee, establishing duties, responsibilities, working hours and financial terms.

Fratelli Pettinaroli S.p.A. applies the National Collective Labour Agreement of the relevant category, signed by trade unions, to all its employees.



TRAINING POLICY

The company Fratelli Pettinaroli S.p.A. recognises the importance of training as a key tool for the professional and personal development of its employees. Investing in training is the cornerstone of the company's success and growth.

The following training policies outline our commitment to providing growth and learning opportunities for all team members:

IDENTIFYING TRAINING REQUIREMENTS

We will conduct **periodical employee skills assessments** to identify areas for improvement and training needs. This assessment **will enable us to develop targeted training programmes**, tailored to the specific needs of each Department or company function.

SUSTAINABILITY AND INNOVATION TRAINING

The importance of **environmental sustainability** and innovation in the engineering sector is recognised. Therefore, training courses will be organised to raise employee awareness on these issues and promote the adoption of sustainable and innovative business practices in our company.

COURSE AND WORKSHOP PROGRAMMES

We will cooperate with certified training bodies and industry professionals **to organise courses, workshops and seminars based on the required skills and challenges of the engineering sector**. Employees will have the opportunity to participate in technical refresher courses, and courses on soft skill development, occupational safety and much more.

FINANCIAL SUPPORT TO TRAINING

In order to support the continuous development of our employees, Fratelli Pettinaroli S.p.A. will provide **financial support for attendance to external training courses which are relevant to their corporate roles**. We wish to ensure that training is accessible to all those who intend to invest in their own professional development.

PROFESSIONAL DEVELOPMENT PROGRAMMES PROFESSIONALE

Professional development programmes will be promoted for all those who wish to improve their position within the company. Our aim is to encourage employee talent and foster the growth of managerial skills, through **structured training programmes and mentoring opportunities**.

ACADEMY TRAINING

Fratelli Pettinaroli S.p.A. is among the founders of **Fondazione Academy**. The foundation's mission is to **provide excellence training** for both the faucet and valve industrial district and local businesses that use advanced manufacturing solutions, such as robotic systems. Two young people have started a **specific educational course**, which is completely free of charge, thanks to grants from regional calls for proposals. The participants, in addition to **receiving a salary**, benefit from highly specialized training. The two-year program focuses on advanced technical skills. At the end of the pathway, **students will be required to take a final exam** certifying their ability to use CAD software, read and interpret technical drawings using computer programs, and perform quality control.

ON-THE-JOB TRAINING

The value of field-based learning is recognised and on-the-job training is encouraged. Furthermore, **mentoring procedures** will be established to facilitate the transfer of skills from more experienced to less experienced employees, thus promoting knowledge sharing within the team.

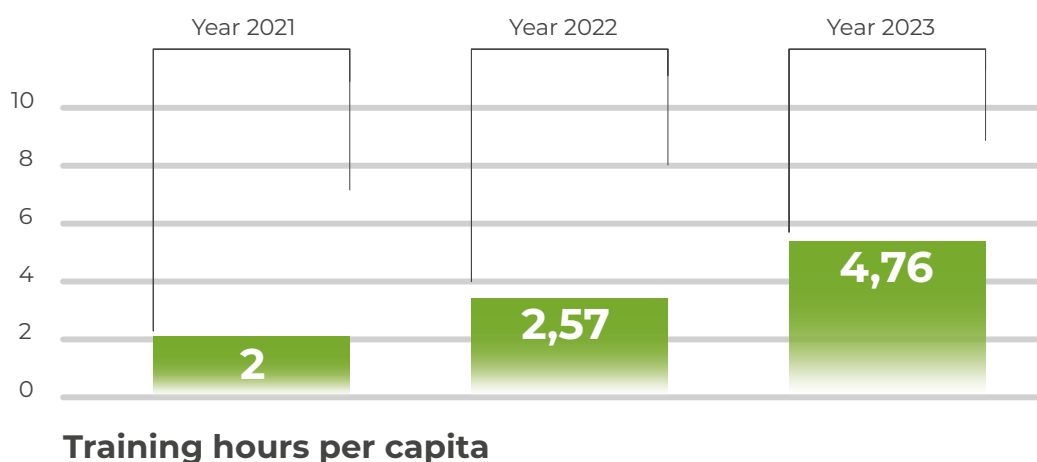
WORKPLACE HEALTH&SAFETY TRAINING

Employee safety is of paramount importance. **Workplace health&safety training courses** are held regularly, in accordance with the current regulations, in order to ensure a safe working environment and protect the health of all employees.

Fratelli Pettinaroli S.p.A.'s training policies are proof of the company's commitment **to investing in human resources**, improving employee skills and maintaining a leading position in the engineering sector. We believe that a well-trained, driven workforce is a key factor in achieving long-term success and excellence. All

employees are encouraged to take advantage of the training opportunities they are offered and **actively participate in professional development**. Our aim is to create a continuous learning environment where each individual can fulfil their potential and contribute to the progress of the company.

The following chart shows the training hours per capita over a three-year period, 2021-2023:



CAREER AND GROWTH OPPORTUNITIES

There are numerous opportunities for career and growth within a company. These opportunities usually arise in two main cases:

NEW POSITIONS

The company is constantly evolving, seeking new opportunities and challenges in various sectors and projects. This business expansion can lead to the creation of new positions requiring specific skills and abilities.

REPLACEMENT OF CURRENT POSITIONS

Occasionally, some members of our team may decide to take new paths outside the company for various reasons – retirement, a transfer or a career change. In these cases, positions become vacant and need to be filled

To ensure proper selection, an assessment is made to evaluate the skills and features required for each position. It is carefully assessed whether there are internal resources that could fill that position. An **employee skills assessment** is made to check whether there are employees who match the specific job profile or might attain such a profile with appropriate training.

If no suitable resources for the job are found within the workforce, an external search is undertaken to identify potential candidates. **The HR Department conducts targeted search and interviews**, involving qualified recruitment agencies, if necessary, in order to identify the most suitable candidate who embodies the company's core values and objectives.



IMPLEMENTATION OF KPI-BASED ASSESSMENT FOR MANAGERS AND EMPLOYEES

KPI and business growth: measuring performance to optimize efficiency and promote a motivating work environment

The introduction of evaluation based on **KPI (Key Performance Indicators)** is an effective strategy for improving performance, optimizing resources, and creating a **more transparent and**

stimulating work environment.


KPI are measurement tools that help assess the effectiveness of an organization or individual in **achieving set goals** for managers and employees in our company.

The benefits of using KPI are reflected not only in business efficiency, but also in on the **well-being and professional growth of employees**.



Goals for the Introduction of KPIs

- **Performance Improvement:** Continuous measurement of performance through KPI enables rapid identification of critical areas and prompt action. This continuous monitoring and feedback process stimulates constant and systematic improvement in business operations.
- **Goal Alignment:** The adoption of KPI ensures that all members of the organization, from managers to employees, work toward common and clearly defined goals. This strategic alignment increases internal cohesion and staff motivation.
- **Transparency and Responsibility:** KPI provide an objective basis for evaluating individual and team performance. This transparency in performance measurement fosters a more equitable work environment where merits and achievements are recognized and rewarded fairly.
- **Quality Improvement:** In engineering industries, where precision and product quality are crucial, specific KPI can help maintain high production standards, reducing defects and improving customer satisfaction.
- **Resource Optimization:** KPI-based assessment allows for the identification of inefficient resource utilization, promoting wiser management and reduced operating costs.



Benefits for the Company

- **Increased Productivity:** By constantly monitoring performance, the company can identify and implement improvements in production processes, thereby increasing operational efficiency.
- **Informed Decisions:** Data collected through KPI provide a solid basis for making strategic and operational decisions, reducing the risk of errors.
- **Market Competitiveness:** A company that adopts a KPI-based assessment system is more agile and responsive, able to adapt quickly to market changes and maintain a competitive advantage.

Benefits for Employees

- **Clarity in Goals:** Employees have a clear vision of expectations and goals to achieve, which can increase motivation and commitment.
- **Professional Development:** Continuous feedback on KPI enables employees to identify their areas for improvement and actively work on their professional development.
- **Recognition and Reward:** A transparent evaluation system based on KPI ensures that individual and team successes are recognized and rewarded, increasing job satisfaction.



€ 203.647

BONUS VALUE

Distributed since the introduction of the KPI project
during the year 2023



SUPPORT TO LOCALS AND TERRITORY

GRI 413-1-2 | SOCIAL
COMMITMENT

A CONSTANT CONTRIBUTION TO THE COMMON GOOD

Territorial Social Responsibility, which is also the product of the previous generation's commitment, is a value that has always characterised Fratelli Pettinaroli S.p.A. and which the Company implements by promoting and participating in various activities performed in the local and the Novara area, aiming at:

- Supporting situations of hardship
- Contributing to territorial development and well-being
- Promoting social inclusion and the build-up of shared values

This concept is implemented through the personal commitment and cooperation of shareholders and Directors as part of **associations and institutional activities** and is backed up by financial support to non-profit associations, through **sponsorships and donations**, and by support to local authorities and charities.

For several years, **Fratelli Pettinaroli S.p.A. has also supported youth activities** through sponsorship of the local football club and has made a decisive contribution to the renovation of the Parish Oratory premises.

2023 Dati salienti

€ 65.320

Liberal donations given to:

- Public Bodies
- Church Bodies
- Social activities that support economic and social inclusion

€ 15.290

Sponsorships and economic contributions to:

- Associations
- Local Bodies



LAURA FORTIS PETTINAROLI

President of the RSA Institute for Climatic Care BAUER for more than ten years. The residential facility is an important presence in the area, welcoming about sixty elderly and non-self-sufficient guests, to whom they sell guaranteed interventions designed to improve their autonomy and promote their well-being with professionalism and expertise.



LUCA PETTINAROLI

He holds the position of Coordinator in the Marketing Commission of the Italian Valve and Tap Manufacturers' Association of (AVR), an ANIMA Federation member, dealing with the dissemination and publicising of its activities in Italian and European expert panels. His activities are aimed at securing the participation of new members to represent the sector effectively on new global standards and product regulations, and providing free-of-charge or reduced-price advisory and training services.

In the year 2023, some shareholders, members of the Pettinaroli family, personally committed to activities in the following local institutions, representing Fratelli Pettinaroli S.p.A:



MARIA PIA PETTINAROLI

Board member of the Novara Community Foundation, for several years she has been advocating for the area's necessities in order to obtain approval for projects in the social, cultural and environmental fields. Fratelli Pettinaroli, every year, selects and supports part of such initiatives. Managing Director of the Ruvaris Consortium, in charge of promoting and coordinating joint research and development activities in the faucet and valve industry.



GIULIO PETTINAROLI

Chairperson of the Museum of Taps, he has long been committed to representing this sector and making the Museum efficient and constantly technologically updated, so that visitors, schoolchildren and new generations could appreciate the background of this activity that has brought wealth to the area and publicised it all over the world.



MARCO PETTINAROLI

Director of the Academy Foundation in Borgomanero, a training agency accredited by the Piedmont Region and founded by Fratelli Pettinaroli S.p.A., among others. The Foundation promotes technical and professional corporate culture and shares system know-how, recognising the importance of the humanities within the scope of economic, industrial, environmental and global challenges.

"FONDAZIONE ACADEMY" PROJECT

Fratelli Pettinaroli S.p.A. is among the founders of **Fondazione Academy**, which was established in response to the **growing need to train professionals in the mechanical engineering sector**. In fact, the foundation's mission is "to provide training of excellence for both the tap and valve industrial district and local businesses that use advanced manufacturing solutions, such as robotic systems." **Activities focus on three main areas:** training and professionalization, technology transfer and open innovation, and local industry observatory with relationships between universities, schools, and businesses. **Academy is a training agency accredited by the Piedmont Region** focused on training for the benefit of local development, rather than on business purposes. The foundation's vision is to merge manual and intellectual labor in the "**digital factory**". New knowledge and learning are seen as levers of development and growth for companies in the faucet/valve district and 4.0-oriented industry in the territory. During the year 2023, a **Higher Technical Institute (ITS) project** was launched. This project aims not only to develop specific technical expertise, but also to enhance individual talent and skills, **placing the person at the center of the company's transformation** towards Industry 4.0.



CUSTOMER SATISFACTION

GRI 416-1-2 | CUSTOMER
SATISFACTION SURVEY

CUSTOMER SATISFACTION MEASUREMENT CRITERIA

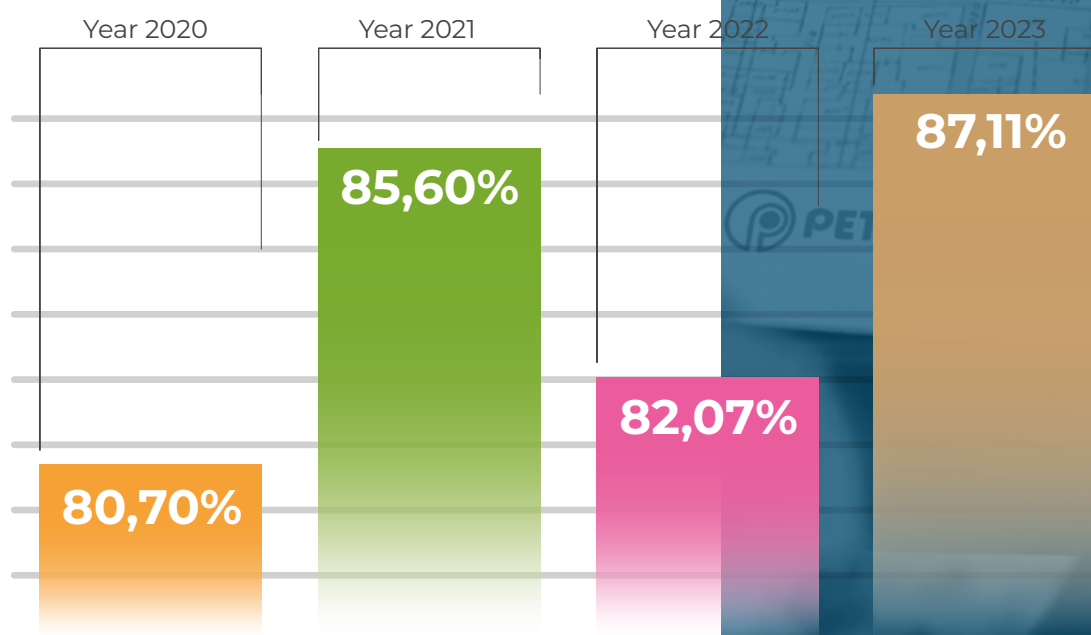
Customer satisfaction is **assessed annually** by sending out a questionnaire, via the **Google Form** platform, to allow for agile data processing.

In 2023, as it usually happens, only a fraction of customers (**27 out of about 200**) responded to the questionnaire.

It follows that each individual score given by customers could **significantly affect the scores** in each category (service, quality, etc...) and the overall score.

In 2023, **the overall level of customer satisfaction increased** compared to previous periods.

See the following graph:



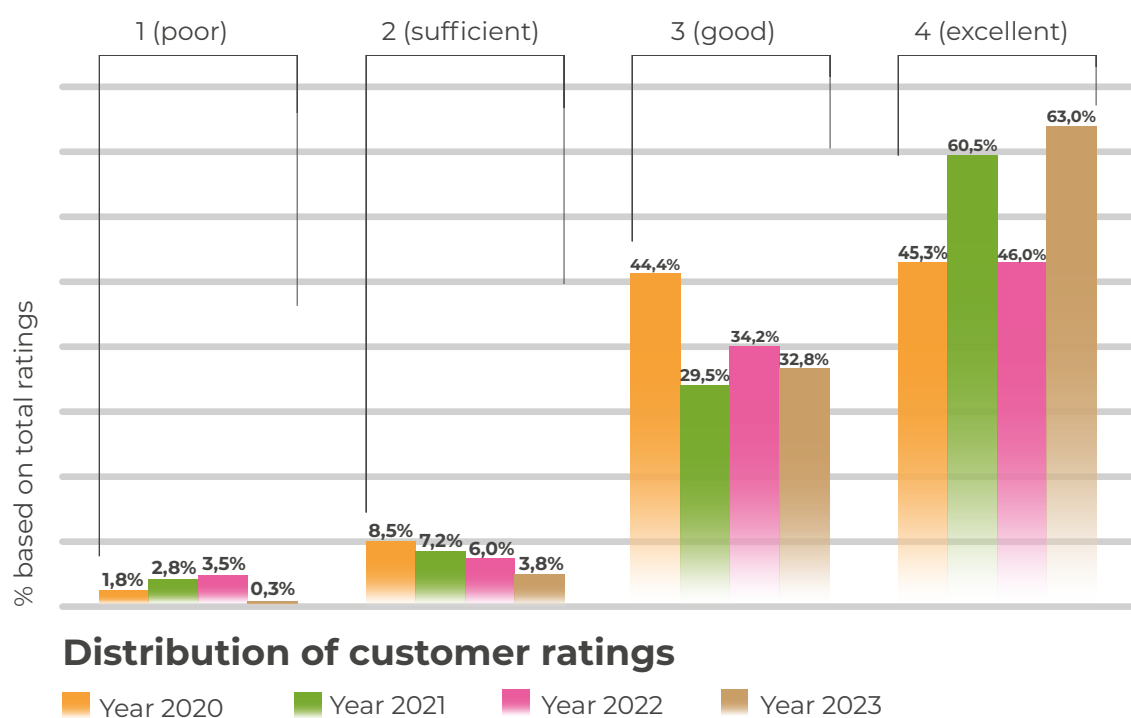
Customer satisfaction (global score)

The following table shows in detail **the percentage obtained in the individual fields**, which were the subject of the questionnaire submitted to customers, and **the variation between the last two fiscal years**:

Macro Aspects	Single Aspects	Performance Index 2022	Performance Index 2023	Variation
Service	Professionalism and expertise of staff, agents and distributors	88,97%	94,2%	5,91%
	Packaging quality of our products	89,71%	91,7%	2,19%
	Compliance with agreed delivery time	69,85%	81,5%	16,65%
Commercial aspects	Comprehensiveness and quality of our catalogs	83,33%	90,7%	8,89%
	Promptness in business responses	85,61%	87,0%	1,67%
	Flexibility in order and delivery changes	79,55%	84,3%	5,93%
Technical aspects	Overall quality of information provided by our technical department	84,09%	90,4%	7,48%
	Clarity and completeness installation instructions and data sheets	83,33%	90,0%	8,00%
	Flexibility in new product development	78,79%	87,0%	10,42%
	Professionalism of the technical staff involved	88,28%	92,3%	4,56%
Quality	Quality of materials used and finish of our products	87,88%	93,5%	6,42%
	Ease of installation of products	87,88%	93,0%	5,83%
	Compliance with requirements and technical specifications	87,12%	90,4%	3,75%

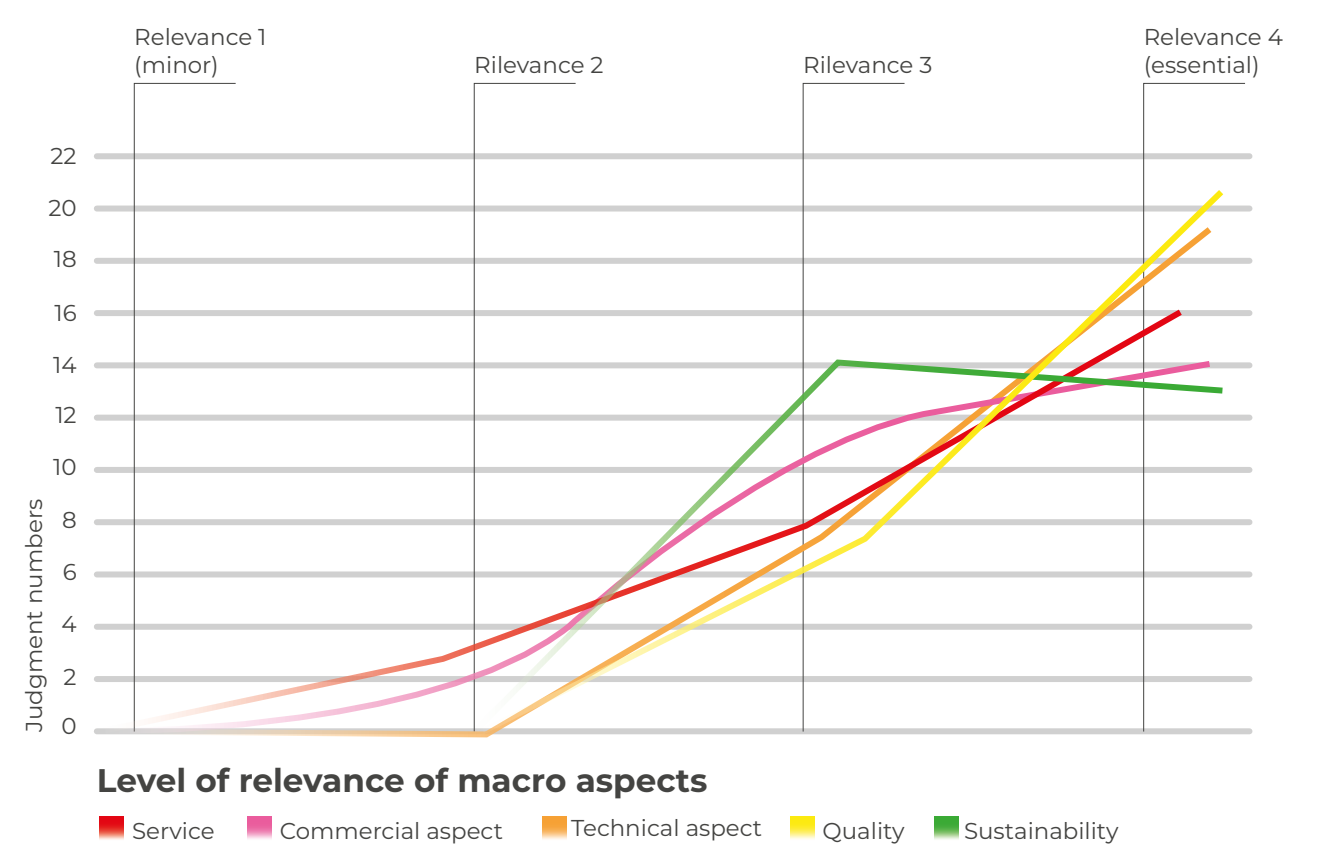
The **significant increase in scores related to on-time delivery**, which historically has always been the most critical in terms of customer satisfaction, and to flexibility in new product development is clearly noticeable.

The trend of **overall improvement in performance** is also evident from the analysis on the distribution of scores assigned by customers. The following graph represents the number of ratings assigned by customers:



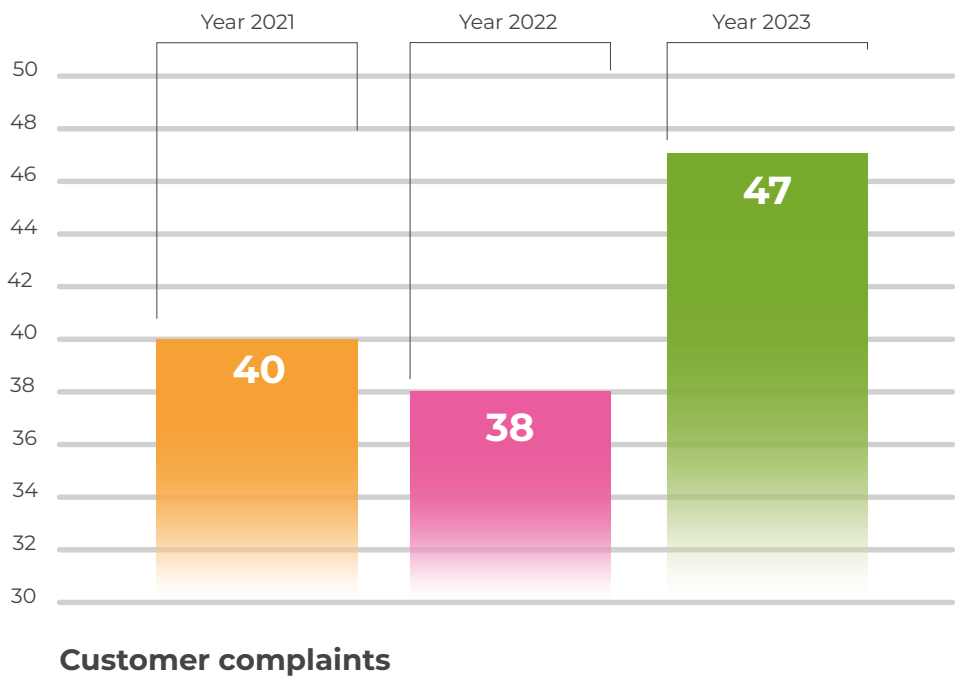
The "poor" and "sufficient" ratings are decreasing, while the "excellent" rating is increasing.

Regarding the analysis on the degree of relevance of various topics, the data review confirms that **customers consider “essential” (or primary) aspects related to technical and product quality**, while those related to sustainability are considered minor:



CUSTOMER COMPLAINTS 2023

Customer complaints received in 2023 increased slightly from 2022. The following graph shows the number of **customer complaints over the past three years**:



The number of complaints does not count cases in which the customer did not make a return, or even cases for which the customer did not provide the information we requested.

Complaints were investigated for the purpose of **defining responsibility**. In some cases no defects were found in the product, and in others the cause could not be defined. **The results of the analyses are summarized in the following table:**

Responsabilità	N° reclami (*)	% sul totale
Cliente/installatore	13	27,7%
Non determinabile	6	12,8%
Pettinaroli	10	21,3%
Difetto non riscontrato	7	14,9%
Fornitore	7	14,9%
Da definire (*)	4	8,5%

(*) For these cases, the complaint analysis is not yet finished.

These are complaints whose processing requires the **advice of external laboratories**, and cases where **the customer is making its own technical assessments**.

As shown in the table above, **only 10 out of 47 complaints** are attributable to a manufacturing defect; therefore, only about 21% are related to Pettinaroli's liability.

The average timeframe for providing feedback to customers was 35 days; the Organization's goal for the coming year is **to reduce the timeframe** (averaging of response time) required to process customer complaints **to no more than 4 weeks**.

GRI 416-2 | NON-CONFORMITY EVENTS

NON-CONFORMITY EVENTS ON HEALTH AND PRODUCT AND SERVICE SAFETY IMPACTS

With reference to health&safety impact standards, **no non-conformity events were reported** concerning products supplied by Fratelli Pettinaroli S.p.A. in 2022.

TRANSITION PLAN

The following list includes **the goals identified as part of the transition plan and covering the next three years**.
The objectives are divided into:

G - Governance

E - Environment

S - Social

G/A/S	Descrizione	Preventivato	Aggiornamento 2023
G/A/S	Sending a sustainability questionnaire to suppliers	2023	Completed
G/A/S	Supplier sustainability improvement actions		2025-2026
G/A/S	Sending a sustainability questionnaire to customers	2023-2024	In progress
G/A/S	Sustainability awareness activities toward employees	2024-2025	
G/A/S	Redefining new supplier qualification parameters	2023-2024	2024-2025
G/A/S	Adaptation to the ESRS reporting standard		2025-2026
S/A	Group Identity + Environment Event	2025	
G	Increasing EcoVadis score	2024-2025	
G	Whistleblowing – Implementation of DL 24/2023	2023	Completed
A	Support of Lake contract projects	2024-2025	
A	District heating	2023-2024	In progress
A	Improving packaging material recyclability	2024	
A	Evaluating installation of electric charging stations		2025
A	Advanced accounting and consumption reduction systems	2024	
A	Completion of photovoltaic plant expansion	2023-2024	In progress
A	Inclusion of Scope 3 calculation in greenhouse gas emission		2024-2025
S	Employee Environment Survey	2023	Completed
S	Annual Environment Survey		2024
S	Tutoring and mentoring on female staff	2024-2025	
S	Job rotation plans	2024-2025	
S	Gap analysis on Directive EU/970 and reduction of gender gap	2025	
S	Code of conduct	2023	Completed
S	Support to start a postsecondary course in Academy Foundation	2023	Completed
S	Starting a car-sharing platform	2024	
S	Measuring KPI	2023	Completed
S	Considering the creation of leisure areas	2024-2025	
S	Celebrating the 85th company anniversary	2023	Completed
S	Definition of the annual support for the territory	2024-2025	

GRI TABLE OF CONTENTS

DECLARATION OF USE AND NOTIFICATION TO GRI

Fratelli Pettinaroli S.p.A. has reported the information mentioned in this GRI content index for the period **January 01, 2023 - December 31, 2023** with reference to GRI Standards.

The company has used **GRI 1 - Fundamental Principles - version 2021** as a reference.

The organization notified GRI of its use of the GRI Standards and the declaration of use by sending an e-mail to: reportregistration@globalreporting.org.

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	Disclosure 2-2 Entities included in the organization's sustainability reporting	Methodological note	
	Disclosure 2-3 Reporting period, frequency and contact point	Methodological note	
	Disclosure 2-4 Restatements of information	Methodological note	
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	Disclosure 2-11 Chair of the highest governance body	Governance	
	Disclosure 2-12 Role of the highest governance body in overseeing the management of impacts	Governance	
	Disclosure 2-13 Delegation of responsibility for managing impacts		
	Disclosure 2-14 Role of the highest governance body in sustainability reporting		
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	Disclosure 2-17 Collective knowledge of the highest governance body		
	Disclosure 2-18 Evaluation of the performance of the highest governance body		
	Disclosure 2-19 Remuneration policies		

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	Disclosure 305-6 Emissions of ozone-depleting substances (ODS)		
	Disclosure 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		
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	Disclosure 306-2 Management of significant waste-related impacts	Resource preservation	
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	Disclosure 417-2 Incidents of non-compliance concerning product and service information and labeling		
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Fratelli Pettinaroli S.p.A. | Via Pianelli, 38 - 28017 San Maurizio d'Opaglio (NO) - ITALY
Tel: +39 0322 96217 | Email: sustainability@pettinaroli.com

