

SUSTAINABILITY REPORT | 2023

Executive Summary





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Context and methodological approach

In 2023, Valvitalia embarked on a strategic path to integrate sustainability into its business activities. It anticipated regulatory obligations by two years and demonstrated a concrete desire for greater transparency and responsibility towards its stakeholders.

The company has voluntarily chosen to adopt a proactive approach, following the principles of the European Sustainability Reporting Standards (ESRS). The modelling of the report was started at the Italian plants, with the aim of creating a solid methodological and procedural basis for progressively broader reporting in accordance with future European requirements.

The preparation of the report was based on a thorough dual materiality analysis, which identified the most relevant ESG issues for the company's activities and assessed their consistency with stakeholder expectations. This process was achieved through the active involvement of stakeholders. It started with an internal dialogue with various company departments with a particular focus on the function responsible for sustainability issues, and with the direct involvement of the CFO. In addition, the company conducted a preliminary mapping of the impacts along the entire value chain, identifying critical areas early on and outlining corrective actions to improve the collection and management of information.

While initially focusing on the national perimeter, Valvitalia defined the analysis and reporting model to include all Italian plants and their operations for the first year.

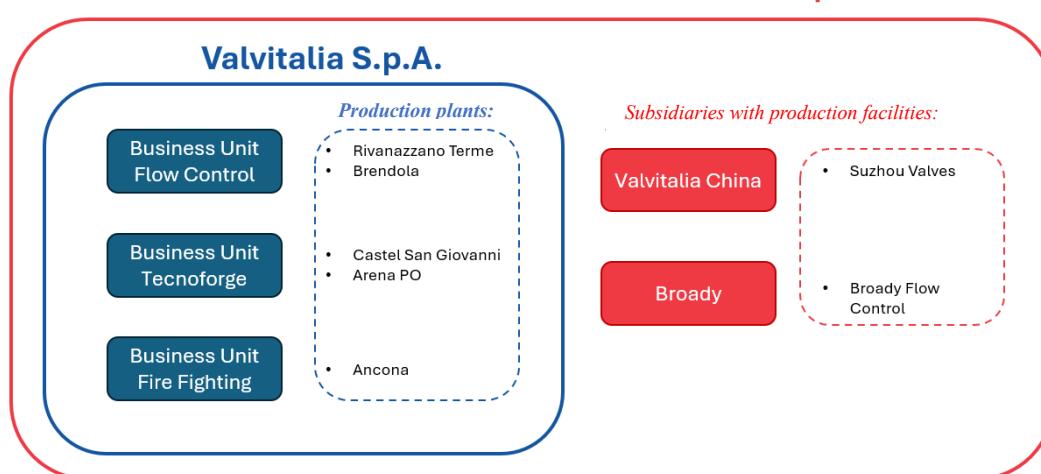
As part of this approach, which aimed to achieve uniformity of processes and clarity of communication, international subsidiaries were temporarily excluded. However, they will be included in future reports in accordance with the provisions of the Corporate Sustainability Reporting Directive (CSRD). The goal as early as FY 2024 is globally consolidated reporting that accurately reflects the further impacts (and risks) and activities of all its locations, national and international.

As a result of this approach, it was possible to identify the first areas for improvement and to initiate concrete actions in order to improve processes and develop strategic skills, as well as to create new models of consultation between the various company departments.

Corporate structure and governance

Valvitalia, founded in 2002, is a leading group specialized in the design, production and globally supply of highly specialised products for the oil, petrochemical, electrical, marine and civil sectors. Operating through three main Business Units - Flow Control (valves and accessories), Fire Fighting (fire-fighting systems) and Tecnoforge (flanges and fittings) - Valvitalia serves more than 100 countries, supported by five production plants in Italy and two abroad, as Broady and Valvitalia China.

Valvitalia Group



For a complete list of Valvitalia's subsidiaries, please refer to Table 1: Valvitalia Subsidiaries in the Sustainability Report

With its first **Sustainability Report**, Valvitalia marks an important turning point towards the integration of ESG issues into its corporate strategy, also promoted by its majority shareholder CDPE Investimenti S.p.A.. In order to transform the company into a more responsible business model, strategic initiatives such as the following are being implemented:

Emission reduction:

monitoring and progressive reduction of the environmental footprint through the definition of a base year.

Sustainable procurement:

promoting ESG practices along the supply chain and supporting suppliers to improve their sustainability performance.

Innovation for customers:

development of sustainable solutions such as hydrogen valves and carbon capture technologies.

Valvitalia's business model is based on a **value chain** consisting of the following four main pillars:

- **Suppliers:**

selected mainly in Italy (90% of the total), with strict quality and reliability criteria. In 2023, Valvitalia collaborated with 1,396 suppliers, generating a total economic value of EUR 141.98 million, 84% of which was spent in Italy. Of the supplier pool, 160 have certifications such as ISO 14001 and ISO 45001, while 77 suppliers were assessed for ESG criteria during the reporting period.

- **Production:**

organised in advanced plants that focus on technological innovation and efficient production processes, in line with the company's environmental and social objectives.

- **Distribution:**

characterised by road transport for the domestic market and air transport for international exports, partly managed by external logistics partners.

- **Customers:**

leading operators in the oil & gas, energy and transport sectors, who recognise Valvitalia as a reliable partner for innovative and sustainable solutions.

Corporate governance consists of a 7-member **Board of Directors (BoD)** (2 female and 5 male), 2 of which are executive, and a 15-member **Management Committee**. The Board of Directors meets monthly to oversee strategic and operational activities, while the Management Committee, led by the CEO, discusses major corporate issues on a weekly basis. Corporate governance incorporates an emphasis on ESG issues with a dedicated sustainability executive on the Management Committee, who coordinates environmental, social, and governance strategies and objectives and promotes the integration of ESG issues throughout the organisation. The company does not have an Equal Opportunities Committee but has adopted a **Diversity and Inclusion Policy** since 2022 to promote a fair and diversity-friendly environment.

The **Supervisory Board (SB)** (composed of three members) guarantees autonomous and independent control, monitoring the application of the 231 Organisational Model and promptly reporting any violations to the Board of Directors and the Board of Auditors.

Valvitalia S.p.A. is a company owned by CDPE Investimenti S.p.A. (75%) and Finvalv s.r.l. (25%).



Materiality Analysis and Stakeholder Relations

Valvitalia Group has adopted an integrated and structured approach to identifying and managing material issues, analysing financial materiality and impact to ensure a comprehensive view of how risks, opportunities, and the business model interact. This two-fold approach allows us to comprehend both the significant effects of the company's activities on the environment and society (impact materiality) and the financial implications of these effects on the company's ability to generate economic value in the medium and long term (financial materiality) and has integrated stakeholder involvement into the process.

Stakeholder mapping made it possible to identify the main interest groups¹ classified according to criteria of dependence, influence and relevance. In the materiality assessment process, the different stakeholder groups were involved through specific questionnaires.

This process supported the dual materiality analysis, which identified priority areas for the development of ESG strategies. The analysis of **impact materiality** focused on the positive and negative impacts, real and potential, that Valvitalia's activities generate on the environment and society. These impacts were assessed in terms of scope, magnitude and irreversibility, through an evaluation that integrated input gathered from key stakeholder engagement. The following themes emerged as relevant from the analysis:

- Workers well-being, health and safety
- Sustainable supply chain
- Relationship with local communities
- Emissions and climate change

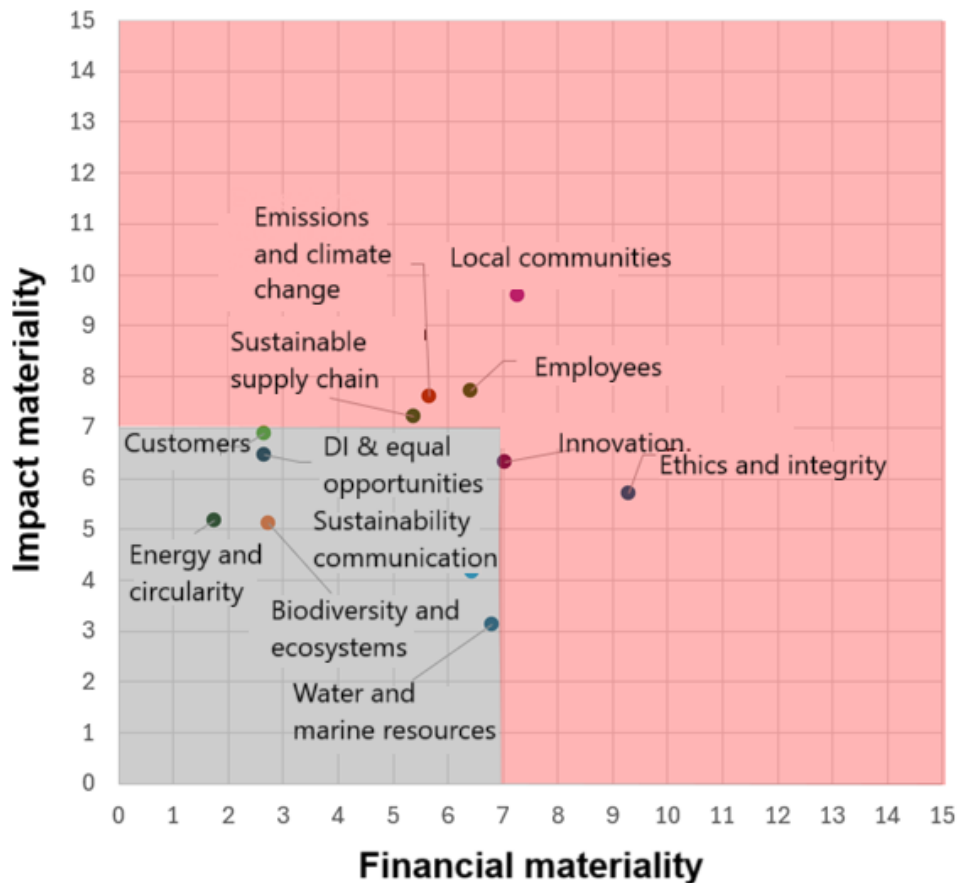
Furthermore, **financial materiality** involves identifying risks and opportunities that could affect the company's economic stability and resilience. Valvitalia evaluated the likelihood, magnitude, and period of occurrence of these factors, considering their direct impacts on its operations and undertaking a preliminary assessment of the supply chain (a process that will be improved in future reports). The following themes emerged as relevant from the analysis:

- Relationship with local communities
- Ethics and integrity
- Innovation

The intersection between these two dimensions is represented by **dual materiality**. The latter synthesises the results of the impact and financial analyses, providing a holistic picture of the priority issues for the company.

¹ Strategic groups include suppliers, customers, employees, academic institutions, the majority shareholder (CDPE Investimenti S.p.A.), trade associations, trade unions and financial institutions.

This process will enable Valvitalia to develop new targeted strategies to address emerging challenges, seize growth opportunities and ensure transparent reporting in compliance with the highest regulatory standards.



Emissions and climate change

A series of strategic and operational initiatives were implemented by Valvitalia in 2023 with the aim of improving energy efficiency, optimising production processes and mitigating the impacts of climate change. These initiatives, in line with corporate policies and international standards, reflect the goal of integrating environmental sustainability into the business model, while ensuring regulatory compliance and added value for all stakeholders.

From the point of view of consumption, there is a slight increase in total energy consumption (+4.2%) compared to 2022 derived from natural gas, which, despite a significant decrease over the three-year period (from 29,405 MWh in 2021 to 20,305 MWh), accounts for 69% of the total. This is followed by the use of petroleum derivatives (petrol and diesel for company vehicles), which increased from 1,849 MWh in 2021 to 2,384 MWh in 2023, assuming a significant role in the energy mix. The contribution of renewable energy sources is only related to the production of the photovoltaic plant built at the Castel San Giovanni Tecnoforge factory.



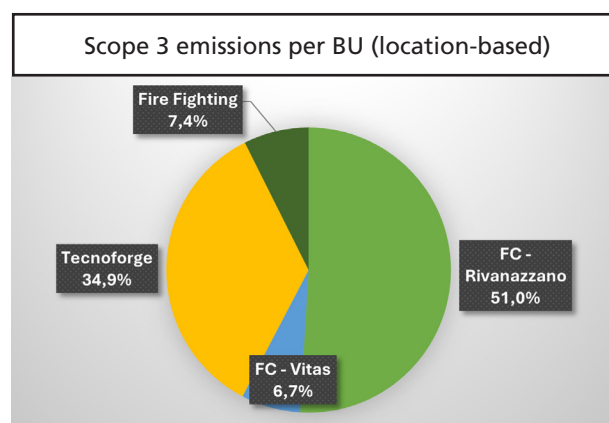
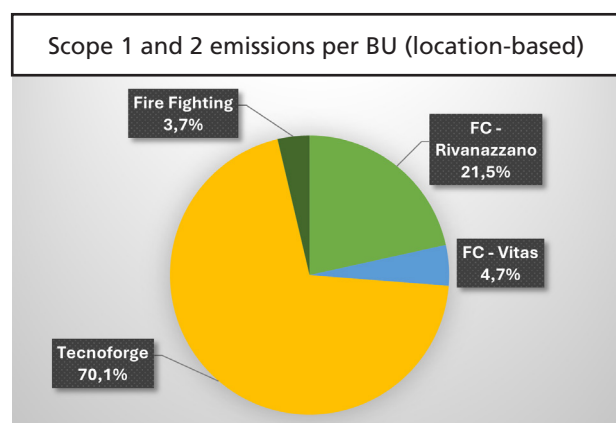
VALVITALIA - energy consumption	UM	2021	2022	2023
Total energy consumption from fossil sources	MWh	38,696	28,171	29,377
Total energy consumption from renewable sources	MWh	67	90	84
Total energy consumption	MWh	38,763	28,261	29,431

In 2023, Valvitalia S.p.A. calculated its greenhouse gas (GHG) emissions following the methodological approach of the GHG Protocol. **Total emissions are 17,533 tonnes of CO₂ equivalent** according to the location-based method (and 19,530 tonnes according to the market-based method)².

Scope 1 emissions amounted to 4,986 tonnes, mainly related to consumption at the Tecnoforge sites (72%), followed by the Rivanazzano site (21%).

For Scope 2, the emissions amounted to 1,746 tonnes (location-based) and 3,348 tonnes (market-based), with Tecnoforge having a higher incidence due to natural gas consumption.

As a final point, Scope 3 is the largest component, with 10,800 tonnes, primarily resulting from emissions from upstream transport and distribution (3,450 tonnes) and employee commuting (2,165 tonnes). Due to a lack of complete data, the reference year does not include emissions from the purchase of goods and services: Valvitalia is working on a project to improve data collection and Scope 3 analysis in future sustainability reports.



² Market-based: This method considers the energy mix of purchased electricity, reflecting the organisation's specific choices. The approach may include emissions related to the supplier's energy mix, as indicated in specific contracts. In the absence of specific information on the purchased mix, a national 'residual mix' (electricity sources not covered by a Guarantee of Origin or with reliable traceability) can be used to avoid double counting. Location-based: This approach is based on the average emission intensity of the national grid from which the energy is taken. The average emission factor for the energy mix in the country in which consumption occurs is taken into account. Each methodology offers a different perspective on emissions, useful for complementary analyses.

Workers well-being, health and safety

In order to ensure the well-being, safety and development of its employees, Valvitalia adopts a structured and participatory approach, recognising their contributions to the success of the company as a whole. The company's commitment is based on ethical principles derived from international standards and codified in the Code of Ethics, including the protection of human rights, the promotion of diversity, and compliance with health and safety regulations.

The company actively promotes employee participation through tools such as internal surveys, suggestion boxes and a whistleblowing system for anonymous reporting. Special attention is paid to continuous training, accident prevention and near miss monitoring, with the aim of zero accidents.

In 2023, Valvitalia had 628 employees, with men (78.8%) outnumbering women (21.2%). Almost all contracts are open-ended (98.7%), while fixed-term contracts (1.3%) are limited to 8 persons, mainly men³.

Employees by type of contract, by gender - 2023					
Total employees	no.	628		Total Employees	no. 628
- of which men	no.	495		Full time	no. 605
- of which women	no.	133		- of which men	no. 494
Permanent work	no.	620		- of which women	no. 111
- of which men	no.	489		Part time	no. 23
- of which women	no.	131		- of which men	no. 1
Fixed-term work	no.	8		- of which women	no. 22
- of which men	no.	6		-	-
- of which women	no.	2		-	-

The company places a high level of importance on valuing diversity, promoting an inclusive culture, and protecting the health and safety of its employees. As part of its Diversity and Inclusion Policy, the company is committed to ensuring an ethical, inclusive and discrimination-free working environment, and all of its employees and partners have committed to the Policy.

Regarding the management of safety-related issues, Valvitalia has adopted an ISO 45001-certified system for occupational health and safety management, which aims to minimise risks and promote high safety standards. As part of a structured methodology, the company identifies hazards, evaluates risks, and plans improvements, monitoring the effectiveness of the actions taken through rigorous internal audits. As a result of the selection of auditors, impartiality and technical competence are ensured, thereby enhancing the reliability of the system and ensuring its continuous improvement.

³ Most employees work full-time (96.3%), while part-time contracts (3.7%) involve almost exclusively women. There are no self-employed, contract workers or workers with variable hours, highlighting a stable and structured workforce.



Valvitalia adopts a transparent and structured pay system, in line with the CCNL (National Collective Bargaining Agreement) Metalmeccanici and CCNL Dirigenti Industria, guaranteeing its employees the coverage provided by the CCNLs themselves for events such as illness, unemployment, accidents, parental leave and retirement. In addition, Valvitalia has introduced flexible working arrangements, enabling 350 employees to engage in smart working. This is with the aim of promoting an improved work-life balance, fostering employee well-being and contributing to organisational sustainability by reducing travel and its environmental impact.

Sustainable supply chain and relationship with local communities

It is Valvitalia's policy to manage its value chain responsibly, with special attention paid to the supply chain, by adopting policies and tools to protect the rights of suppliers' workers, improve their working conditions, and prevent negative impacts on the environment. Using a structured analysis, the company has identified a number of significant supply chain-related impacts, including positive effects such as contractual stability, work-life balance, and professional development, as well as negative impacts such as excess working hours, undignified wages, a lack of respect for diversity, or violations of fundamental rights.

To meet these challenges, Valvitalia has launched initiatives such as the ***Suppliers Code of Conduct***, planned for 2024, inspired by international standards of human rights and safety at work. This binding document promotes fundamental ethical principles, including the prohibition of discrimination, and forced or child labour. It also guarantees with respect to freedom of association, as well as respect for decent working conditions. Valvitalia's approach also extends to ethical issues, requiring suppliers to adhere to anti-corruption policies and prohibiting non-compliant practices, such as gifts and favours. All this in order to establish business relationships based on integrity. In order to ensure compliance with regulatory and operational developments, policies and procedures are periodically reviewed. In addition, the company is developing monitoring tools such as **ESG questionnaires** to assess supplier practices. Moreover, it is structuring the ***Valvitalia Integrity Line*** reporting channel to ensure compliance and manage critical issues.

Valvitalia has initiated a supplier engagement process to collect data on impacts along the supply chain and plans to develop a more structured model aimed at improving the company's understanding of worker conditions in the supply chain as well as overall value. Although the geographical and cultural diversity of the supply chain presents a challenge, the company is determined to develop a more inclusive and participatory management approach.

As a result of the double relevance analysis, several elements of attention were identified with regard to the relationship between the company and the local communities in the regions where the company operates.

Valvitalia's activities generate significant positive impacts, such as creating direct and indirect employment and supporting the economic well-being of communities through stable recruitment policies and partnerships with local suppliers. However, potential negative impacts related to community safety, freedom of expression and association, and transparency were identified mainly related to events that could occur along the supply chain.

To manage these risks, Valvitalia adopts an approach based on transparency, dialogue and compliance with international standards. The measures implemented, as well as those in the process of implementation, such as the monitoring of supplier practices by means of ESG questionnaires and the development of a **Supplier Code of Conduct**, represent some of the solutions identified for managing these risks.

With respect to the local Italian dimension, Valvitalia participates in local and national initiatives in order to strengthen ties with the territory and dialogue with key stakeholders. This includes associations such as Assolombarda and ANIMA.

Valvitalia participates in the ESG and HSE communities within CDP-Cassa Depositi e Prestiti, reinforcing its commitment to sustainable practices. At the same time, the company promotes initiatives for the involvement of young talents, participating in events such as the Career Day of the Milan Polytechnic. It also collaborates with the Pavia Employment Centre to facilitate job supply and demand meetings.

Among the most significant projects, the partnership with ITS Mechatronics in Pavia stands out for the activation of post-diploma courses of excellence. As of 2023, Valvitalia has initiated an internship programme aimed at enhancing local talent and responding to business requirements, demonstrating its commitment to integrating training with the labour market.





Ethics and integrity

Valvitalia has developed a solid governance system that serves as the foundation for its daily operations and reflects its values of integrity, transparency, and accountability. The **Code of Ethics**, the central document of the system, promotes principles of legality, loyalty, respect for the person, equal opportunities, health and safety protection, sustainable development and customer orientation, inspired by the UN Universal Declaration of Human Rights. These values are integrated into the company's practices through tools such as the **Diversity and Inclusion Policy and Procedure**, the **Organisation, Management and Control Model pursuant to Italian Legislative Decree No. 231/2001**, and an **Anti-corruption Procedure**.



Model 231 identifies risks related to offences such as corruption, cybercrime, environmental crimes and violations of workers' rights. The system is monitored by an autonomous and independent Supervisory Board (SB), which is responsible for ensuring compliance with the Model, assessing its effectiveness, and proposing updates. The Supervisory Board also ensures compliance with anti-corruption procedures by ensuring transparency and accountability in all company activities.

Between the end of 2023 and the beginning of 2024, Valvitalia launched a project to improve staff training on anti-corruption policies. In addition to reviewing internal procedures and developing specific educational materials, these activities aim to ensure that all employees, including members of the governing body and key corporate stakeholders, have a systematic and informed approach to anti-corruption policies.

A key element of Valvitalia's governance system is the whistleblowing procedure, provided for in accordance with EU Directive 2019/1937. In order to ensure maximum protection of whistleblowers from any forms of retaliation or discrimination, this procedure provides secure and confidential channels for reporting potential wrongdoing. Reports are accepted in either an identified or anonymous format and are handled by a specialised team that includes the Supervisory Board and the head of the legal department.

Valvitalia has developed a comprehensive **Anti-Corruption Procedure**, which is a pillar of its corporate governance system, based on a zero-tolerance policy towards any corrupt practices. This procedure provides clear and detailed rules for preventing, detecting, and managing potential corrupt practices, applicable to all persons acting on behalf of the company. It is made accessible through institutional channels, fostering transparency and fostering a culture of legality among stakeholders.

In 2023, there were no legal actions filed against the company for unfair competition or antitrust practices, demonstrating its commitment to conforming to regulations and following ethical principles.