



# **Sustainability Report 2020**

Consolidated Non-Financial Report

Pursuant to Leg. Decree no. 254/2016

**Salcef Group S.p.A.**

Approved by the Board of Directors on 24 March 2021

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# Letter to Stakeholders

GRI 102-14

Dear Stakeholders,

We are pleased to present the first edition of the Salcef Group's Sustainability Report.

In 1987, the United Nations General Assembly defined sustainable development as "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs".

This is a twofold challenge that involves all companies, with the aim of rethinking their approach to business, to reconcile a new vision that is attentive to sustainability with the need to maintain standards of management efficiency and economy, which are useful for the survival of organisations. A change of perspective is essential, as well as a moral duty, to be applied both in internal and external dynamics, to give life to a new concept, attentive not only to the immediate economic result, but also to the "ability of future generations to meet their own needs", so that our current behaviour does not negatively affect the future.

The Salcef Group has achieved important goals in 2020: from the listing on the Borsa Italiana Stock Exchange to the expansion in the American railway market. These achievements certainly give us greater size and visibility on the international stage, and what is more help the management to spread the principles of sustainable growth in corporate culture, in accordance with our mission. We have also joined the United Nations Global Compact, an initiative that brings together companies from all over the world which are committed to sustainability, particularly in terms of respect for human rights, working conditions and the environment, and the fight against corruption. Finally, an integrated management system has been implemented in compliance with the recently adopted international ISO 37001 (anti-bribery) and SA 8000 (social accountability) standards.

The Salcef Group operates in the Railway Industry, a sector that follows an international trend increasingly oriented towards promoting the development of sustainable transport, by reducing the impact on natural resources and increasing the comfort and quality of transport for passengers. A sector which, by its very nature, is absolutely projected towards a greener and more sustainable vision of the future.

Our strategic sustainability priorities are oriented towards several lines of action, including:

- Improvement of working conditions and growth opportunities for our employees and collaborators, with the implementation of organisations, control systems and reward incentives aimed at making production activities safer.
- Investments in new production facilities that not only improve the efficiency of the organisation, but also contribute to the reduction of emissions by using less fossil fuel energy sources.
- Implementation of management systems inspired by principles internationally recognised as useful in spreading an open corporate culture, to understand and develop sustainability issues within the organisation and in relations with all stakeholders.

The Salcef Group involves thousands of its employees and collaborators in its production cycles. Within the limits of our field of activity, we believe we have the skills, expertise and strengths to face the new challenges of tomorrow and to contribute to redesigning a future of sustainable mobility.



**Gilberto Salciccia**  
Executive Chairman



**Valeriano Salciccia**  
CEO



# Highlights

		Unit	2018	2019	2020
Governance					
Ethics and integrity in business management	Model 231 – Code of Ethics – Management system ISO 37001				
	Social Accountability management system SA 8000				
	Social Performance Team				
Economics					
Financial performance	Generated value	euro/mil	309	292	340
	Distributed value	euro/mil	279	264	299
Investments and innovation / digitalisation	Investments 2018-2020 - latest generation / Industry 4.0 machinery and plants	euro/mil	50		
Environment					
	Environment management system ISO 14001				
Climate change: energy - emissions	Energy management system ISO 50001				
	Energy consumption	GJ	190,807	188,284	193,206
	Consumption impact - Business Unit Track & Light Civil Works	%	83%	79%	80%
	Energy Intensity Index (Energy consumption / Revenues)	GJ/euro mil	508	535	522
	GHG emissions Scope1+Scope2	tCO <sub>2</sub> e	14,273	13,809	13,826
	Emission Intensity Index	tCO <sub>2</sub> e/euro mil	38	39	37
Sustainable management of resources and circular economy	Percentage of waste produced directed to recovery operations	%	96%	96%	97%
Water withdrawal and consumption	Water withdrawal	Mega litres	58	43	22
	Reduction in water withdrawal (2020 v 2018)	%	62%		
Human resources					
Work environment: diversities, equal opportunities, company welfare, work-life balance	Employees	No.	889	997	1.258
	Recruitments	No.	132	246	252
	Total turnover (recruitments - terminations)	%		8.0%	9.1%
	Employees under 30 years of age	%	14.7%	14.5%	16.8%
	Women employees	%	3.0%	4.3%	4.9%
Management, training and development of human	Hours of training	No.	24,739	23,941	29,748

		Unit	2018	2019	2020
resources skills					
	Average number of training hours per employee	No.	28	24	24
Occupational health and safety	Occupational health and safety management system ISO 45001				
	Injury Frequency Index (No. of injuries/hours worked x 1,000,000)		31.83	22.89	24.99
	Injury Severity Index (Days if absence due to injuries/hours worked x 1.000)		1.47	1.13	1.32
<b>Customers, products and services</b>					
Product/service quality and safety	Quality management system ISO 9001				
	Road safety management system ISO 39001				
	ECM railway management, supervision and safety system				
	Certifications - Number of technical qualifications				13
Environmental and social impact of products/services	Integrated policy and management systems				
<b>Suppliers / Supply chain</b>					
Supply chain responsibility/sustainability management	Social Accountability management system SA 8000				
	Number of suppliers undergoing qualification in 2020				763
<b>Local community and territory</b>					
Relations with and development of local community/territory	% impact of local suppliers out of total purchases	%			90.2%

During the 2018-2020 three-year period, the reduction should be noted of about 62% of water withdrawal operations performed.

It should also be noted that about 96% of total waste produced is directed to recovery operations.

# Methodological Notes

GRI 102-45 GRI 102-46 GRI 102-50 GRI 102-51 GRI 102-52 GRI 102-53 GRI 102-54

Since 22 December 2020, Salcef Group S.p.A (hereinafter also referred to as "Salcef", "Salcef Group", the "Group") has been listed on the Mercato Telematico Azionario (MTA), the main list of Borsa Italiana Stock Exchange. Salcef Group had initially debuted on the AIM Italia multilateral trading system on 8 November 2019. The listing on the MTA market entailed the obligation to prepare the Consolidated Non-Financial Report (hereinafter also "Non-Financial Report" or "NFR"), in accordance with articles 3 and 4 of Legislative Decree 254/2016 (hereinafter also "Decree"), implementing Directive 2014/95/EU.

The NFR of Salcef Group S.p.A. and its subsidiaries contains information relating to environmental and social issues, personnel, respect for human rights and the fight against corruption, useful to ensure an understanding of the Salcef Group's business activities, performance, results and the impact produced by such activities.

The NFR has been drawn up by reporting a selection of the "*GRI Sustainability Reporting Standards*" published by the *Global Reporting Initiative (GRI)*, as indicated in the [GRI Content Index](#) of this document, according to the "Referenced" reporting option.

The general principles applied in the preparation of the Non-financial report are those established by the GRI Standards: materiality, inclusiveness, sustainability context, completeness, balance of positive and negative aspects, comparability, accuracy, timeliness, reliability and clarity.

The performance indicators selected are those required by the GRI Standards, representative of the specific areas of sustainability analysed and consistent with Salcef's business activities and the impacts these produce. The selection of these indicators was made on the basis of an analysis of relevance of the same, as described in the paragraph [Materiality analysis: Salcef impacts](#). This analysis, carried out on the basis of the provisions of the GRI Standards and Legislative Decree no. 254/2016, which governs the preparation of the NFR, will be developed and looked at in greater detail in future, as part of Salcef's sustainability journey.

Quantitative information for which estimates were used is reported in the different sections of this document.

For the purposes of drafting the Non-financial report, account was also taken of the Communication of the European Commission, published in June 2019, "Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)".

The reporting scope of the qualitative and quantitative data and information refers to the performance of the parent company Salcef Group S.p.A. and subsidiaries, consolidated on a line-by-line basis, as resulting from the Group's consolidated financial statements as at 31 December 2020. For all events after 31 December 2020, reference should be made to the Group's consolidated financial statements.

In order to allow for the comparison of data over time and the assessment of the performance of the Salcef Group's business activities, comparative data for the two previous years have been included.

The process of preparing the NFR involved the heads of the various Salcef Group departments.

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The Non-Financial Report was approved by the Board of Directors of Salcef Group S.p.A. on 24 March 2021 and was audited by KPMG S.p.A. in accordance with the standards and guidance contained in ISAE 3000 (International Standard on Assurance Engagements 3000 - Revised) of the International Auditing and Assurance Standard Board (IAASB). KPMG S.p.A. is also the company responsible for the legal auditing of the Salcef Group's annual and consolidated financial statements. The Independent Auditors' Report is included at the end of this document.

The NFR, which is prepared annually, is published on the Company's institutional website at [www.salcef.com](http://www.salcef.com). For further information, please contact the following address: [sustainability@salcefgroup.com](mailto:sustainability@salcefgroup.com).



## **1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY**

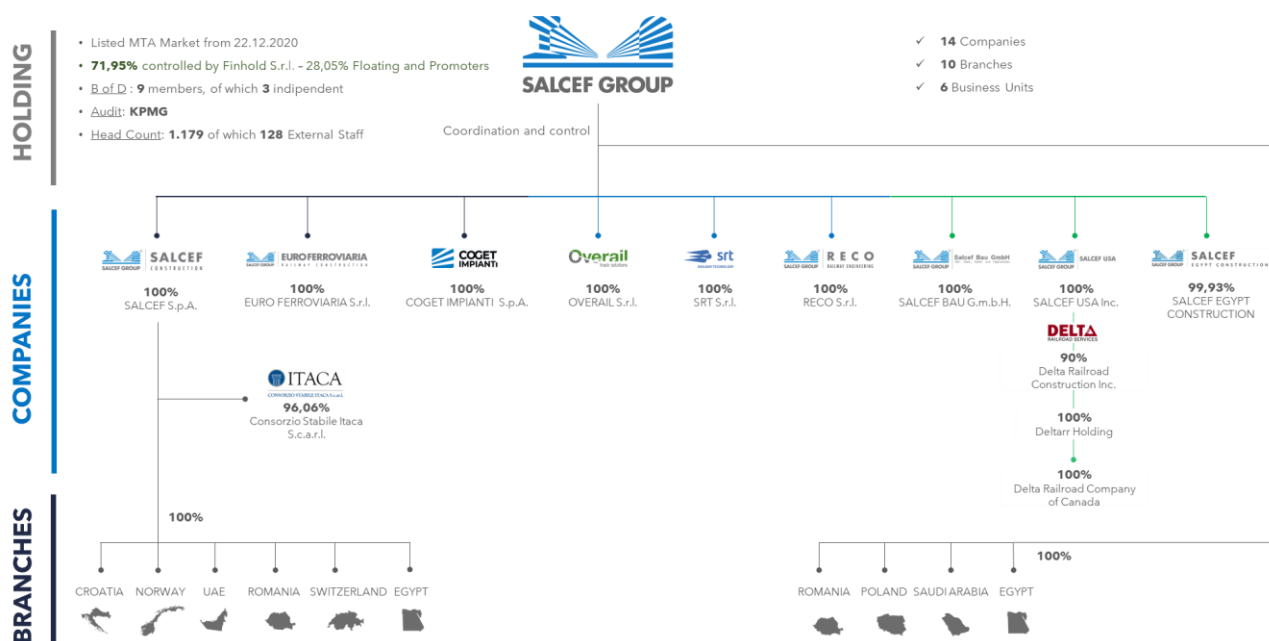
# Salcef Group

GRI 102-1 GRI 102-2 GRI 102-3 GRI 102-4 GRI 102-5 GRI 102-6 GRI 102-7

The Salcef Group's business involves the design, construction and maintenance, in Italy and abroad, of installations for railway infrastructures, tramway and underground networks. Salcef builds infrastructures to link different areas and allow the movement of goods and people thanks to its own specific know-how and equipment. In these areas, the Group provides specialised and integrated services, with advanced skills in structural, civil and technological components.

## The Group

The Group is composed of 14 companies and 10 branches. Salcef is present in 16 different countries, demonstrating an international vocation, which is developed through expansion into new markets.



**Salcef Group S.p.A.** is the Group's holding company and carries out management and coordination activities for the various subsidiaries and branches. The Group's head office is located in Rome, Via di Pietralata, 140.

**Salcef S.p.A.** is the Group's main company in terms of revenues and, together with Euro Ferroviaria S.r.l., operates on the Italian market in the railway and underground construction and maintenance sector. It has highly skilled workers and specialised machinery and has specific divisions for the main operating sectors.

**Salcef Bau GmbH** is a company which operates on the German market in the railway construction and maintenance sector, specialising in the realisation of civil works for the railway industry. Formerly H & M Bau, a long-time supplier of Deutsche Bahn AG, since 2018 it is part of the Salcef Group.

**Coget Impianti S.p.A.** is a company that has been operating in the energy transmission and telecommunications infrastructure sector since 1983. It specialises in the design, construction and maintenance of systems for railway electrification and of overhead and underground lines for the transmission and distribution of high, medium and low voltage electricity.

**SRT S.r.l.** is engaged in the design, production and maintenance of railway machinery. It operates through its industrial plant in Fano, which is also a maintenance centre certified by RFI, which runs the Italian railway network.

**Overail S.r.l.** (formerly Vianini Industria) manages the industrial complex in Aprilia and is involved in the production of railway sleepers and prefabricated components for urban transport systems.

**Delta Railroad Construction Inc.** is the parent company of Delta Group and has been operating since 1957 in the USA and Canada in the construction and maintenance of railway systems and machinery. Delta Railroad Construction Inc. was acquired in September 2020 by the Salcef Group.

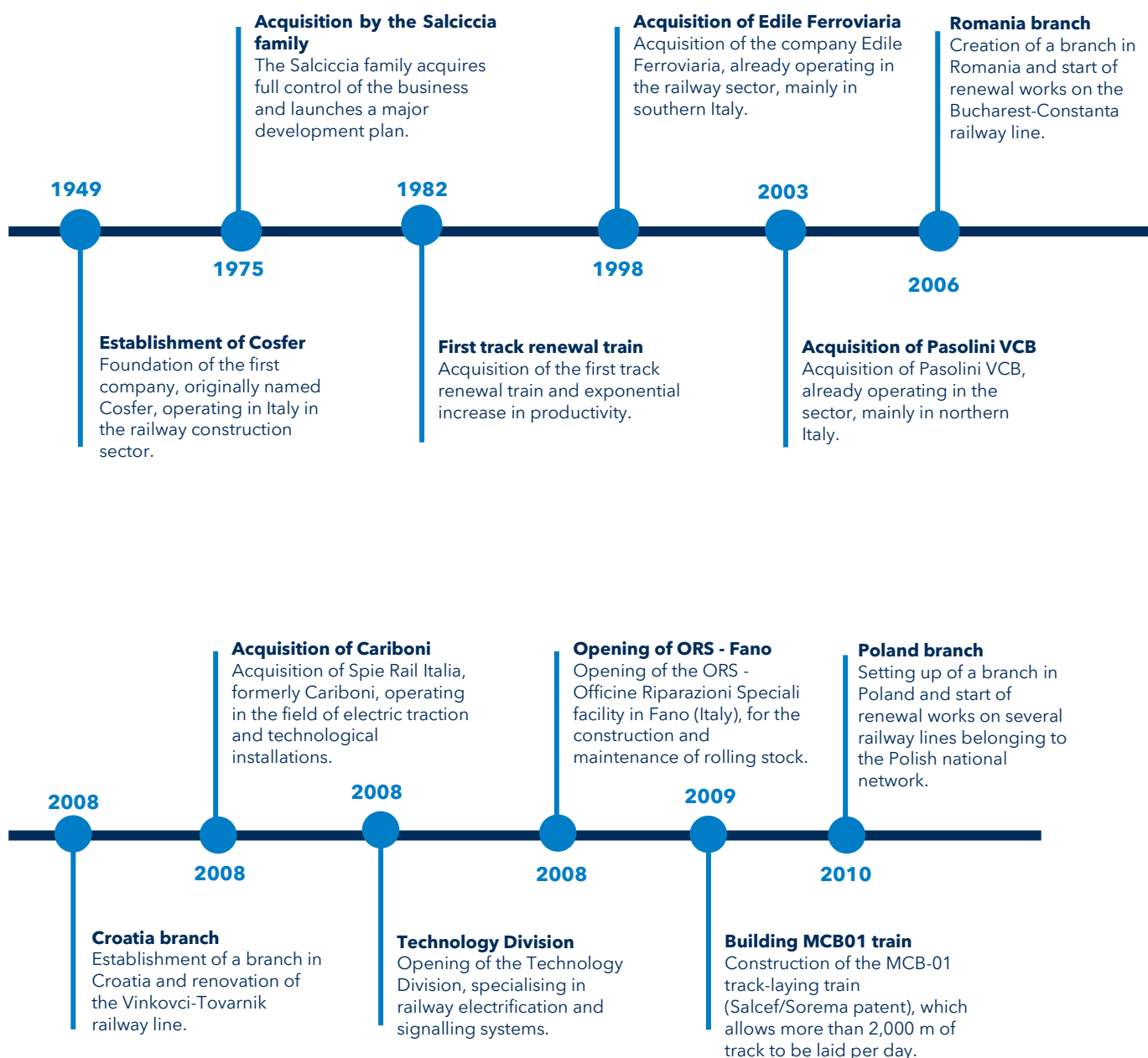
**RECO S.r.l.** is the company responsible for design activities and engineering services for the construction of railway infrastructures, but also plays a key role in the development of technological and industrial solutions, working in synergy with the other Group companies.

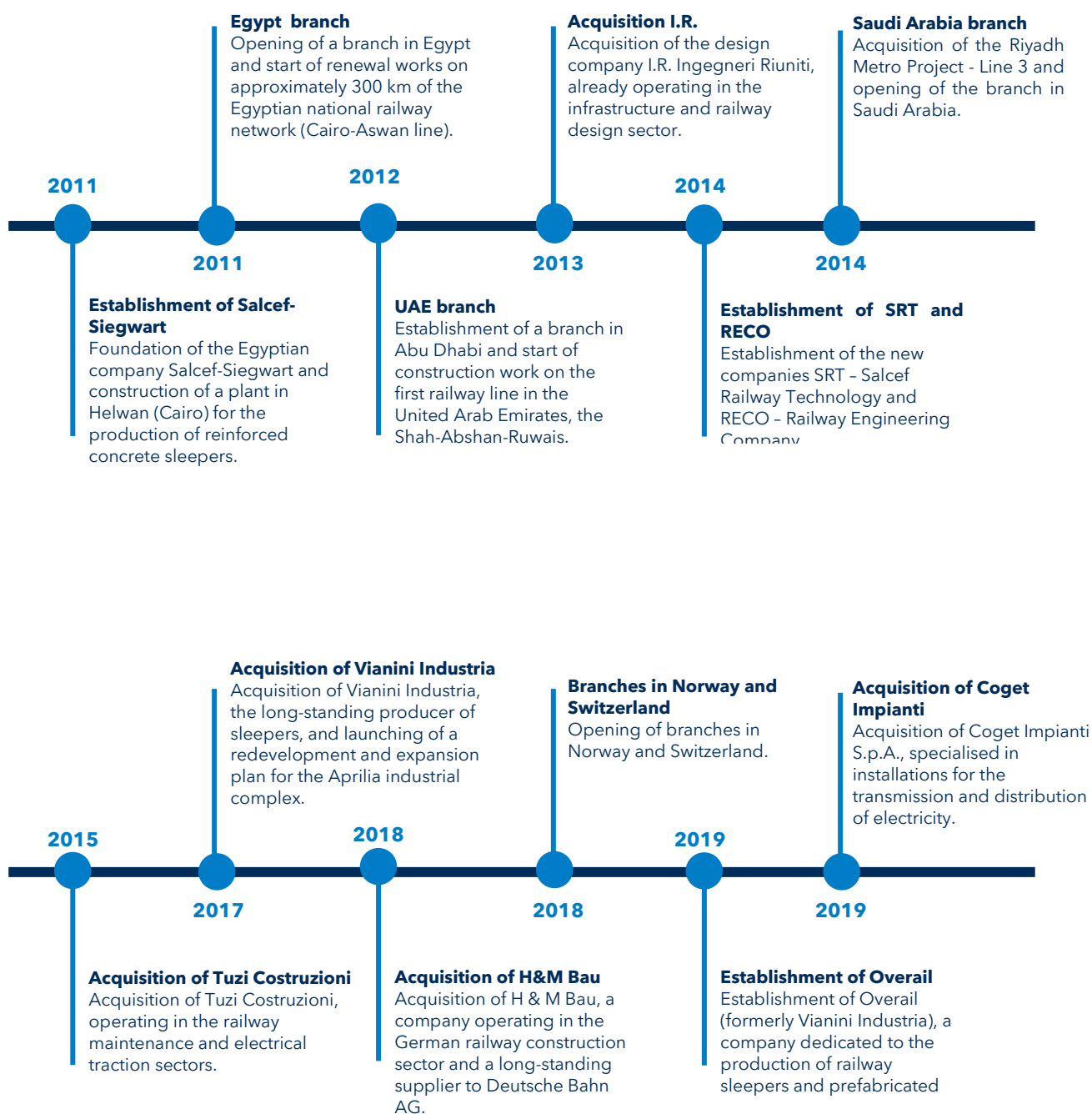
## The history of a key player in the railway sector

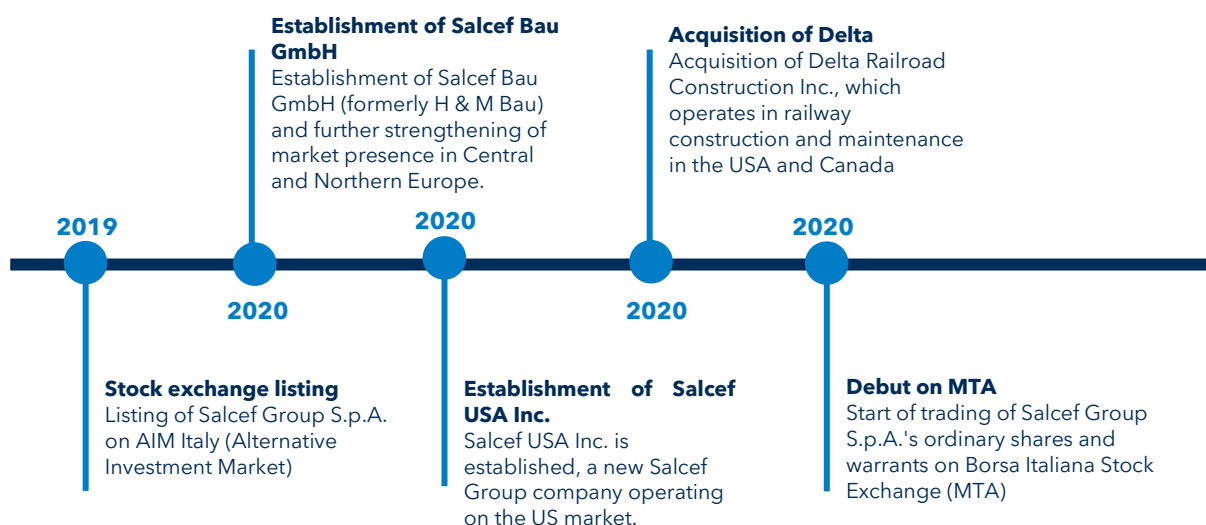
Salcef's interest in the railway construction sector began in Italy in 1949 and has always been characterised by an organisational model that favours innovation and high specialisation of production processes. Over the decades, a series of companies already operating in the track works sector have been acquired, extending the group's range of action and creating a structure capable of carrying out **complex works**.

Starting in the '90s, the Group **grew at international level**, expanding on the European market, in Africa and the Middle-East, becoming a well-known and appreciated concern in Italy and abroad.

Salcef's current corporate organisation was adopted to face up to market challenges and provide a broad range of solutions. Strong points of the Group are the specialisation of work methods, a **dynamic industrial vision** keyed to technological investment and growth on the international scenario.







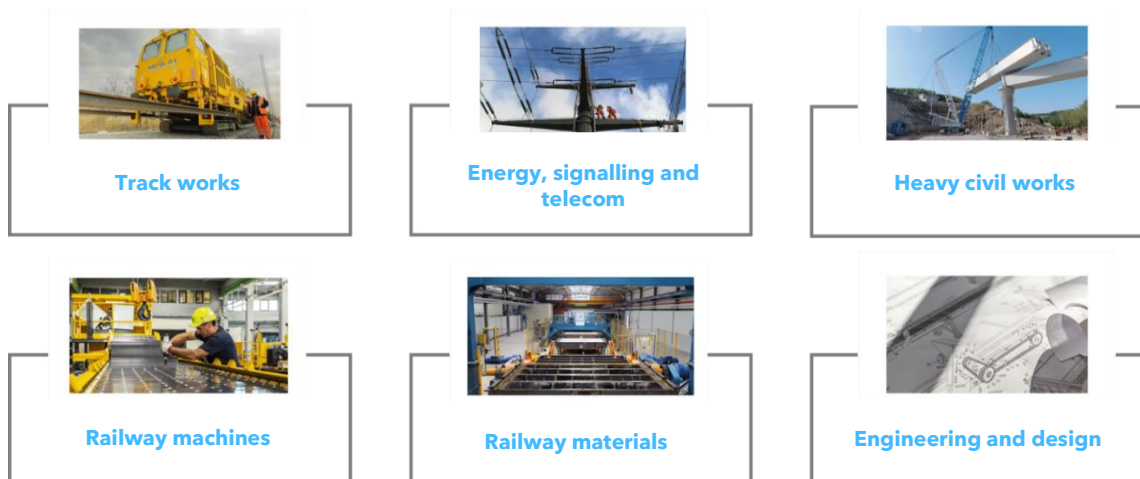
## Business sectors

The Group's core business is **the maintenance of railway installations, electrical traction, railway signalling and medium, high and ultra-high voltage electrical transmission networks**. The Group is one of Italy's leading concerns in this sector, in which it has been operating for over seventy years. The Group is also present in the following market segments:

- production and supply of machinery for the construction and maintenance of railway infrastructures;
- production and supply of railway materials;
- construction of multi-disciplinary railway works (contracts requiring more than one category of specialisation, such as the construction of railway sites, buildings, platforms, subways and other railway infrastructures) and in rolling stock engineering and rental services.

The Group's business activities are managed through Operating Departments, established in one or more Group companies subject to central control and coordination, and are divided into a single Business Unit "Railway Industry" and six operational Business Lines.

### *Operational business lines*



The Group's Works Portfolio as at 31 December 2020 amounts to EUR 602,714,960.90 and includes systematic track works renewal and maintenance, multidisciplinary railway works, energy sector works, production of sleepers and prefabricated elements and works on machinery that ensure continuity in business operations using the same operating structures, already organised in the geographical areas of interest.

Revenues for the 2020 financial year amounted to EUR 340,284,655.42. At 31 December 2020, the share capital of the parent company Salcef Group S.p.A. amounted to EUR 62,106,164.50, corresponding to 43,266,693 shares with voting rights, of which 72.381% belonged to Finhold S.r.l. and the remaining 27.619% to shareholders of less than 5%, including, in addition to the listed ordinary shares, the Performance Shares (unlisted).

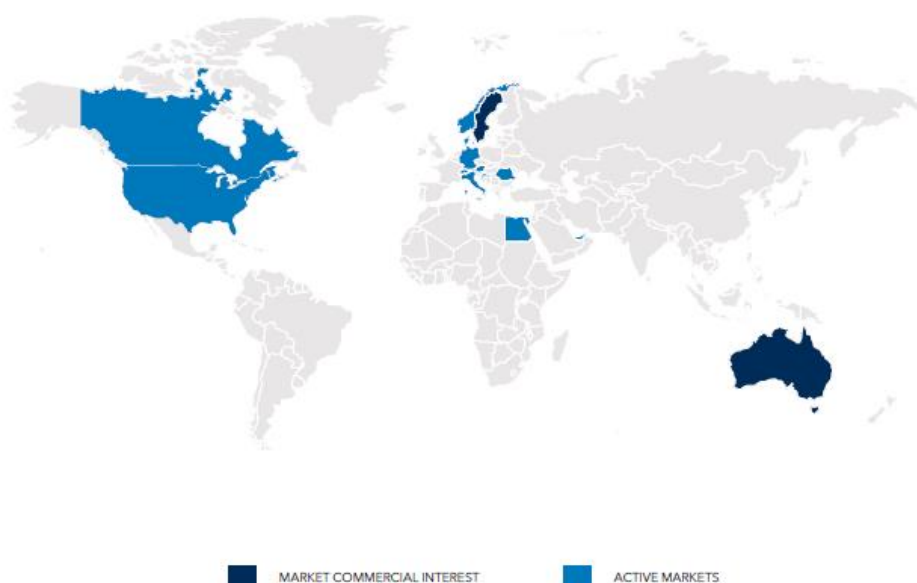
At 31 December 2020, the Group had 1,258 employees, of which 932 in Italy and 326 abroad.

## Geographical presence and size

Revenues per Business Unit (Amounts in thousands of euro)			2018		2019		2020	
Business Unit	Revenues	%	Revenues	%	Revenues	%	Revenues	%
Track & Light Civil Works	232,936	75.4%	210,568	72.2%	239,346	70.3%		
Energy, Signalling & Telecom.	27,861	9.0%	30,385	10.4%	43,786	12.9%		
Heavy Civil Works	2,535	0.8%	11,836	4.1%	18,932	5.6%		
Railway Materials	28,163	9.1%	30,302	10.4%	25,575	7.5%		
Railway Machines	16,079	5.2%	4,166	1.4%	10,546	3.1%		
Engineering	-	-	-	-	-	-		
<b>Total per B. U.</b>	<b>307,574</b>	<b>99.5%</b>	<b>287,257</b>	<b>98.5%</b>	<b>338,184</b>	<b>99.4%</b>		
Other revenues	1,544	0.5%	4,368	1.5%	2,101	0.6%		
<b>Total revenues</b>	<b>309,118</b>	<b>100.0%</b>	<b>291,625</b>	<b>100.0%</b>	<b>340,285</b>	<b>100.0%</b>		
Revenues per Geographic Area (Amounts in thousands of euro)			2018		2019		2020	
Geographic area	Revenues	%	Revenues	%	Revenues	%	Revenues	%
Italy	280,514	90.7%	254,726	87.3%	271,900	79.9%		
EU (excluding Italy)	10,493	3.4%	20,534	7.0%	46,046	13.5%		
Non-EU	16,567	5.4%	11,997	4.1%	20,238	5.9%		
<b>Total per G. A.</b>	<b>307,574</b>	<b>99.5%</b>	<b>287,257</b>	<b>98.5%</b>	<b>338,184</b>	<b>99.4%</b>		
Other revenues	1,544	0.5%	4,368	1.5%	2,101	0.6%		
<b>Total revenues</b>	<b>309,118</b>	<b>100.0%</b>	<b>291,625</b>	<b>100.0%</b>	<b>340,285</b>	<b>100.0%</b>		

## The world markets served

The Group operates in four different continents: the main market is Western Europe, mainly driven by Italy and Germany, but the Group is also present in Eastern Europe, the Middle East (UAE, Saudi Arabia, India), Africa (Egypt), as well as the United States and Canada.



# Commitment towards sustainable mobility

GRI 102-2 GRI 102-6 GRI 102-15 GRI 102-16 GRI 103-2 GRI 203-1

## Vision and Mission

**Vision** - Salcef is working to strengthen railway infrastructures at global level, giving more speed and safety to the movement of goods and people, through jobs done to the very highest quality standards, not only to facilitate the mobility of today, but to define the mobility of tomorrow. It operates in the awareness that **railways represent an opportunity for sustainable transport** able to safeguard the future generations, ensuring less pollution and more liveable cities.

**Mission** - The Group is committed to offering a highly specialised service that meets the needs of the railway market: it constantly tackles complex projects in different operating scenarios, adapting methodologies and machinery. It accompanies customers through all project phases, solving problems with an integrated approach: from design to construction and the supply of materials and machinery, it creates customised solutions that guarantee efficiency and quality.

## The strategic scenario and the business plan guidelines

The Group's strategy is based on a number of key guidelines:

- Strengthening of its competitive position
- Expansion of its business lines;
- Investment in the development of high-tech products

### Strengthening of competitive position - development by external lines

The Group has been present for over ten years in Europe, North Africa and the Middle East, and in recent years has intensified its activities in some Western European countries, particularly in Germany, with the acquisition of Salcef Bau, and in Norway with the establishment of a branch to carry out a special track maintenance three-year contract.

In view of the barriers to entry in Western European countries and the United States, resulting from a highly regulated regulatory framework, the Group intends to consolidate its position through acquisitions of local companies already operating in the sector, which have the necessary qualifications and certifications required in each country. As part of this expansion strategy, in September 2020 the Group, through its subsidiary Salcef USA, acquired 90% of the share capital of Delta Railroad Construction Inc. The Group also intends to strengthen its competitive position in Italy through acquisitions and/or mergers with companies operating in railway maintenance and technology.

### Extension of Business Lines

The Group intends to develop its activities in business sectors that are technically similar to the current ones, but with different customers and markets. In this regard, particular attention is paid to the plant engineering sector for the construction and maintenance of power networks for power distribution companies, both in Italy and abroad, mainly in Western European countries.

## Investments in the development of hi-tech products

In the context of the Industry 4.0 incentive plan, the Group has launched - mainly through the Group company SRT - innovative projects, aimed at enabling the use of technologically advanced solutions for the fitting out of new machinery, to be used for the maintenance of railway systems and the management of traffic safety on railway and urban networks. In this context, the Group has completed the expansion of its production plant in Fano to create new prototypes, including the rail grinder, used to remove defects from the rolling surface of the rails, to improve the contact surface of the wheels and reduce noise and vibrations.

## Investments in high-efficiency railway machinery

The Group's business plan includes a programme for the purchase and manufacture of new machinery and extraordinary maintenance of existing machinery to improve efficiency, productivity and environmental performance. The new and refurbished machinery will strengthen the existing work teams and will be used mainly for track renewal both in Italy and in the foreign countries where the Group operates.

## EU Green Deal and sustainable mobility


Salcef plays an important role in a key sector for creating the conditions for sustainable development. The scenario in which Salcef is placed is significantly influenced by ongoing megatrends and the strategies and policies adopted at government level (European Union, United States in individual jurisdictions) regarding sustainable mobility (EU Green Deal and EU Next Generation).

In the European context, the Green Deal policies aim to invest in cleaner, cheaper and healthier forms of private and public transport. Rail transport plays a major role in this scenario.

Across the Atlantic, the United States has also shown its interest in sustainable mobility, and is drawing up an investment plan to boost the economy after the pandemic: \$1.9 trillion, much of which will benefit the infrastructure sector, including rail transport, which has always been a job driver. The new President Biden has announced a plan to build 17,000 kilometres of high-speed railways and upgrade existing routes.

Salcef intends to be part of the transition to an economy that can design and develop projects to adapt to, mitigate or correct the impacts of climate change, resource depletion and environmental erosion.

The goals set by the *Sustainable mobility* policy of the EU's *Green Deal* include, in particular, among the many other objectives:

 <b>Sustainable mobility</b> <i>Promotion of more sustainable means of transport</i>	
Reduction of emissions	Transport accounts for one quarter of the greenhouse gas emissions of the Union. The Green Deal aims to reduce such emissions by 90% by 2050.
Conversion to digital	Automated mobility and smart traffic control systems will help make transport more efficient and cleaner.

Use of different means of transport (intermodality)	A larger volume of goods should travel by rail or waterways, developing intermodal traffic systems
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## The Salcef value system and goals

### Salcef Group values

Integrity and transparency	Salcef's governance system is structured both to facilitate access to data and information concerning the different companies, and to ensure the utmost attention to compliance with rules. Strict control procedures are followed, both when working with the public and private sectors.
Reliability and punctuality	Every project agreed with the customer is completed, however difficult and complex. The commitment made is fulfilled punctually and rigorously, according to the agreed schedule.
Competence and competitiveness	Salcef believes and invests in the skills of its personnel: professionalism, experience and specialisation are the key words to succeed on markets.
Creativity and innovation	Salcef develops innovation through continuous research, to create new technological solutions.

### Goals

Salcef aims in particular at pursuing the following corporate goals, which are also the basis of its policies and management systems governing Group processes and operations:

- To ensure the **quality of the completed works**, products and machinery, by understanding and satisfying the Customer's needs, continuously improving the effectiveness and efficiency of production processes;
- To contribute to the **development of integrated and sustainable mobility technologies**;
- To consolidate its lead position on the Italian market and continue to grow on the international market;
- **To pursue the sustainability of its business** through the reduction of impacts linked to the performance of corporate business activities, the use of new technologies and the constant raising of personnel awareness;
- **To invest in research into new services and products** to propose an integrated, complete and multidisciplinary range of products and services to the railway industry;
- To implement the complete **digitalisation of all company processes**, reducing the amount of paperwork in the company and promoting the use of new technologies for centralising and sharing information;
- To ensure the **protection of the health and psychophysical integrity of the people** working within the Salcef Group;
- To assess **risks related to business activities**, defining and implementing measures to reduce risks, with a view to preventing occupational diseases and work injuries;

- To ensure **full compliance with applicable legal requirements** and other regulations and international standards on quality, environment and occupational health and safety;
- To ensure the **promotion of a culture of quality, environmental protection and safety** at every level of the organisation, through continuous professional training, communication and the full involvement of staff, by means of their consultation and participation, and of suppliers in the achievement of the company's quality, safety and environmental protection objectives, pursuing continuous improvement.

## Salcef's ESG policy

Salcef has developed a specific ESG policy, which regulates the management of its business activities from an environmental (**E**nvironmental), Social (**S**ocial) and **G**overnance viewpoint.

**Environmental impact** - the Group pursues the objective of reducing energy consumption and promoting the use of energy from renewable sources, gradually reducing emissions from its own machinery. This objective is achieved through interventions to improve the efficiency of machinery and manage waste in a correct and efficient way.

**Social impact** - Salcef considers respect for human rights, improvement of working conditions, attention to equality and inclusion, control of the entire supply chain as priority issues.

**Governance** - the Group pursues a timely monitoring of the implementation of regulations on corporate social responsibility and anti-corruption.

## Sustainable Development Goals - SDGs

The Salcef Group has always pursued a model of business development that embraces the principles of sustainability, transparency and quality, making concrete commitments and adopting specific management and organisational structures, with the aim of creating shared value for all its stakeholders, for people, local communities and territory, while respecting the environment. All Group companies are currently engaged in a process of sustainable innovation, which jointly involves construction sites and production plants in Italy and abroad.



Salcef, as a signatory member, bases its value system on the 10 principles of the United Nations Global Compact. According to a strategic approach consistent with its business model, Salcef's sustainability path provides for a progressive integration of the Sustainable Development Goals (SDGs), part of the United Nations 2030 Agenda.

The current context and megatrends require companies to commit to pursuing economic objectives that can also generate positive impacts in environmental and social terms. The implementation of a sustainable development policy by companies, as part of the Group's core business, is in fact a lever for achieving the SDGs, alongside specific projects and initiatives.





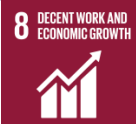

As a preliminary step, Salcef carried out a first consistency analysis of its business model and strategic objectives with respect to the SDGs, which made it possible to highlight some SDGs considered as priorities, with respect to which Salcef's



business activities are able to make a significant contribution.

Salcef is committed to building and strengthening sustainable mobility infrastructures, which can enable a better and more efficient use of natural resources, cleaner and more innovative technologies, with less environmental impact. Some SDGs, in particular SDG 9 (Industry - Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities) and SDG 13 (Climate Change Actions) are therefore part of the strategic objectives and core business of Salcef Group.

During 2021, Salcef will be engaged in an in-depth study of this first survey, which will lead to associating the SDGs with actions and objectives, integrated with its business plan, in a precise manner.

SDG	SDG Target	Company objectives	ESG policy
	<b>To ensure health and well-being for everyone and people of all ages</b> 3.6 - To halve the global number of deaths and injured in road accidents.	Development of technologies for integrated and sustainable mobility.  Investing in research into new services and products.	Social impact  Governance
	<b>Providing everyone with access to affordable, reliable, sustainable and modern energy systems</b> 7.2 - Considerably increase the share of renewable energy in total energy consumption by 2030.	Quality of works, products and machinery.  Development of technologies for integrated and sustainable mobility.  Pursuing the sustainability of its business, through the reduction of impacts related to the performance of business activities, the use of new technologies.	Environmental impact
	<b>Promotion of measures, at all levels, to combat climate change</b> 13.2 - Integrating climate change measures in national policies, strategies and planning.	Investing in research into new services and products.  Digitisation of all business processes.	

SDG	SDG Target	Company objectives	ESG policy
	<p><b>Promoting long-lasting, inclusive and sustainable economic growth, full and productive employment and decent jobs for everyone.</b></p> <p>8.3 Promotion of development-oriented policies that support productive activities, the creation of decent jobs, entrepreneurship, creativity and innovation, and that encourage the formalisation and growth of small and medium-sized enterprises, including through access to financial services.</p> <p>8.8 - Protection of the right to work and promote a healthy and safe working environment for all workers, including migrants, especially women, and those in precarious employment</p>	<p>Protecting the health and psychophysical integrity of people working within the Salcef Group.</p> <p>Assessing risks related to company activities, risk reduction, prevention of occupational diseases and work injuries.</p> <p>Promotion of the culture of quality, environmental protection and safety, training, communication and involvement of suppliers.</p> <p>Full compliance with applicable legal requirements and other regulations and international standards on quality, environment and occupational health and safety.</p>	<p>Social impact</p> <p>Governance</p>
	<p><b>Building resilient infrastructures and promoting innovation and equal, responsible and sustainable industrialisation</b></p> <p>9.1 - Development of quality, reliable, sustainable and resilient infrastructures - including regional and cross-border infrastructures - to support economic development and the well-being of individuals, with a focus on fair and affordable access for all.</p> <p>9.4 - Improving infrastructures and the sustainable reconfiguration of industries by 2030, increasing resource use efficiency and adopting cleaner and environmentally sounder technologies and industrial processes, with all countries taking action within their respective capabilities.</p> <p>9.a - Facilitating the building of sustainable and resilient infrastructures in developing countries through enhanced financial, technical and technological support for African, least developed, landlocked and small island developing countries.</p>	<p>Development of technologies for integrated and sustainable mobility.</p> <p>Investing in research into new services and products.</p> <p>Promotion of a culture of quality, environmental protection and safety, training, communication and supplier involvement.</p>	<p>Environmental impact</p> <p>Social impact</p>

SDG	SDG Target	Company objectives	ESG policy
	<b>Making towns and cities more inclusive, safe, long-lasting and sustainable</b>  11.2 - By 2030, ensuring access for all to a safe, affordable, accessible and sustainable transport system by improving road safety, especially by enhancing public transport, with particular attention to the needs of the most vulnerable, women, children, people with disabilities and the elderly.	Development of technologies for integrated and sustainable mobility.  Investing in research into new services and products.	Social impact  Governance
	<b>Ensuring sustainable production and consumption models</b>  12.2 - By 2030, achieving sustainable management and efficient use of natural resources.  12.a - Supporting developing countries in building their scientific and technological capabilities to achieve more sustainable consumption and production patterns.	Development of technologies for integrated and sustainable mobility.  Investing in research into new services and products.	Social impact  Governance

## Completed ESG projects

### Environmental impact

**Production of clean energy: towards energy self-sufficiency** - The Group is committed to the production of energy from renewable sources, in order to progressively achieve energy self-sufficiency in its plants. On the occasion of the expansion of its operating headquarters in Fano, SRT has built a photovoltaic plant with a total capacity of about 200 kWp. At the Aprilia industrial plant managed by Overall, a 361 kWp photovoltaic plant is in operation. This supplies power to the main systems.

**Water is a precious commodity** - In the production of concrete for the construction of sleepers and concrete slabs, the new Overall facilities envisage the re-use of industrial water, thanks to a water treatment plant, which minimises the waste of water through recirculation. At the Fano facility, inside the production complex for the maintenance and construction of rolling stock, a washing water treatment plant has been created. The function of this plant is to prevent polluting water from being released into the environment before it has been properly treated and sanitised.

**Sustainable railway sites** - The Group is careful to control and reduce the fuel consumption of the numerous railway machines used during railway construction and maintenance activities. In the 2018-2020 three-year period, numerous jobs were done to make the fleet more efficient and significant investments were made to purchase higher-performance machinery. For more information see the paragraphs [Investments and innovation for sustainable mobility](#).

### Social impact

**Social accountability** - In March 2020, Salcef S.p.A. obtained the SA 8000 certification, which attests to the conformity of the company's management with regard to social accountability. The objective of SA

8000:2014 is to provide a management standard based on international UN and ILO provisions, national labour laws and agreements signed with social partners. By achieving certification, Salcef is committed to protecting all staff, not only its own but also those employed by its suppliers.

The Salcef Group has also published a Social Accountability Policy, setting out the objectives and principles that apply to all Group companies and their suppliers.

Finally, Salcef is very active in the social field by participating in various projects and initiatives of important concerns such as the Caritas of Rome and the Community of Sant'Egidio in support of the weak and marginalized. See the paragraph [Association and community support](#) for more details.

## Governance

**Anti-bribery system** - In June 2020, Salcef S.p.A. obtained ISO 37001 certification, which attests to the compliance of the company management with regard to the prevention of corruption. By adhering to the principles of ISO 37001:2016 – Anti-Bribery Management System, Salcef is therefore formally committed to the fight against corruption, through the promotion of a culture of ethics, legality and transparency.

The Salcef Group has also prepared an Anti-Corruption Policy, with the intent to communicate to all stakeholders its commitment to meet the requirements of the anti-bribery management system and to promote continuous improvement of the system.

# Materiality analysis: Salcef impacts

GRI 102-40 GRI 102-42 GRI 102-43 GRI 102-44 GRI 102-47 GRI 103-1

## The role of stakeholders

Stakeholders are those entities (individuals or groups) who express different interests towards a company and with whom a company interacts in the performance of its activities. Salcef develops and intends to maintain effective and lasting relationships with its stakeholders. The involvement and discussion with stakeholders (stakeholder engagement) permits not only understanding their needs, expectations and assessments, but also allows the company to better define strategies and business objectives, assessing the change (potential or ongoing), the risks and seizing opportunities.

Salcef's system of relationships with its stakeholders provides for different tools and channels of dialogue for different categories of stakeholders, consistent with the level of interdependence and influence on the organisation.

Stakeholder	Engagement activities Projects - Initiatives - Relations
<b>Shareholders</b>	Shareholders' Meeting - Board of Directors - Press releases - Website - Financial statements.
<b>Banks - financiers - investors</b>	Shareholders' meeting - Investor relations activities - Website/dedicated section - Periodic meetings and events - Press releases - Financial statements - Interviews and specialist reports.
<b>Employees</b>	Dialogue with Human Resources department - Institutional/informal meetings - Training paths and meetings - Career growth and development paths - Welfare initiatives - Company ERP - Performance appraisal process - Newsletter and internal communication - Multimedia channels for sharing and communication (chat, videocall, video streaming) - Website and social channels.
<b>Union organisations - Workers' representatives</b>	Periodic meetings with HRUs and trade unions - Periodic meetings on workers' safety - Establishment of internal committees to share aspects of occupational health and safety.
<b>Suppliers of goods, services and works</b>	Definition and sharing of production/service standards - Business meetings and visits/audits - Dedicated portals and platforms - Assessment tools and questionnaires - Company ERP - Clear and transparent definition of supplier qualification and selection criteria through a dedicated and shared set of rules - Website.
<b>Partner enterprises</b>	Sales meetings and company visits - Social media - Events - Assessment tools and questionnaires.

Stakeholder	Engagement activities Projects - Initiatives - Relations
<b>Competitor companies</b>	Website - Participation in tenders - Benchmarking.
<b>Customers (Direct customers - indirect customers/infrastructure managers - Railway transport service operators)</b>	Business meetings and company visits - Publications - Social media - Other dedicated communication channels (customer portals) - Events, trade fairs and other marketing activities - Assessment tools and questionnaires - Audits and checks - Coordination and planning meetings - Correspondence - Website - Pre-qualification processes - Qualification processes, Supplier Register - Participation in Expressions of Interest - Participation in Tenders.
<b>National and local public administration - Authority, Institutions and Regulating Bodies</b>	Meetings / sending and exchange of communications for specific obligations or requests - Audits and verifications - Correspondence.
<b>Local communities and users of public transport services</b>	Meetings with local community representatives - Company visits - Website and social channels.
<b>Media</b>	Dissemination of press releases - Social media - Website - Publications - Events - Interviews and specialised features.

## Material topics

The relevant topics to be reported in the Sustainability Report in accordance with GRI Standards are those that reflect the significant economic, environmental and social impact of the organisation. In this context, impact refers to the effects that an organisation has on the economy, the environment and/or society (positive and/or negative), but also with respect to the expectations, interests and assessments of its stakeholders.

According to the European Union's approach, defined in the Communication of the European Commission published in June 2019 containing the guidelines on climate change reporting under the NFRD / Non Financial Reporting Directive - Directive 95/2014, material topics are those areas of sustainability that can have significant impacts on the development, performance and value of a company. At the same time, a material topic is defined in relation to the social and environmental areas and issues on which the company, through its activities, can have a significant impact. The two directions of materiality are interconnected. The materiality analysis process is also dynamic and based on the evolution of the reference context.

Not all material aspects are of equal importance, and the emphasis within a report reflects their relative priority. For the purposes of drafting the first Sustainability Report, although prepared according to the GRI Referenced reporting option, Salcef carried out a materiality analysis, in accordance with GRI Standards. The analysis was also carried out taking into account the provisions of Legislative Decree no. 254/2016, which governs the preparation of the NFR.

## The materiality analysis process

- 1 Stakeholder identification/mapping
- 2 Business plan guidelines and objectives
- 3 Documentary analysis of the reference scenario: sector legislation and megatrends (in particular EU Green Deal policies - EU Next Generation Plan and EU Europe on the move)
- 4 Benchmarking analysis
  - Sector - Sustainability reporting of national and international comparables;
  - SASB (Sustainability Accounting Standards Board) Materiality Map: a) Infrastructure - Engineering & Construction Services; b) Resource Transformation - Industrial Machinery & Goods; c) Transportation - Rail Transportation.
- 5 Stakeholder
  - Insight into recurring engagement activities carried out with different categories of stakeholders.
  - Expectations from context analysis / Integrated management system
- 6 Assessment of management/department managers, also from the perspective of their respective stakeholders - function-specific
- 7 Validation of materiality topics and level of priority by Salcef's top management (Chairman / Chief Executive Officer)

As part of the sustainability process, the materiality analysis will be developed and looked at in more detail in future.

The following table shows, for each material topic identified, the reasons and areas of impact, the connection with the areas of Legislative Decree 254/2016, which governs the preparation of the Non-Financial Report and the Indicators (GRI Standards) used for reporting. The different material topics identified have different impact boundaries, generally transversal however to the plurality of stakeholders.

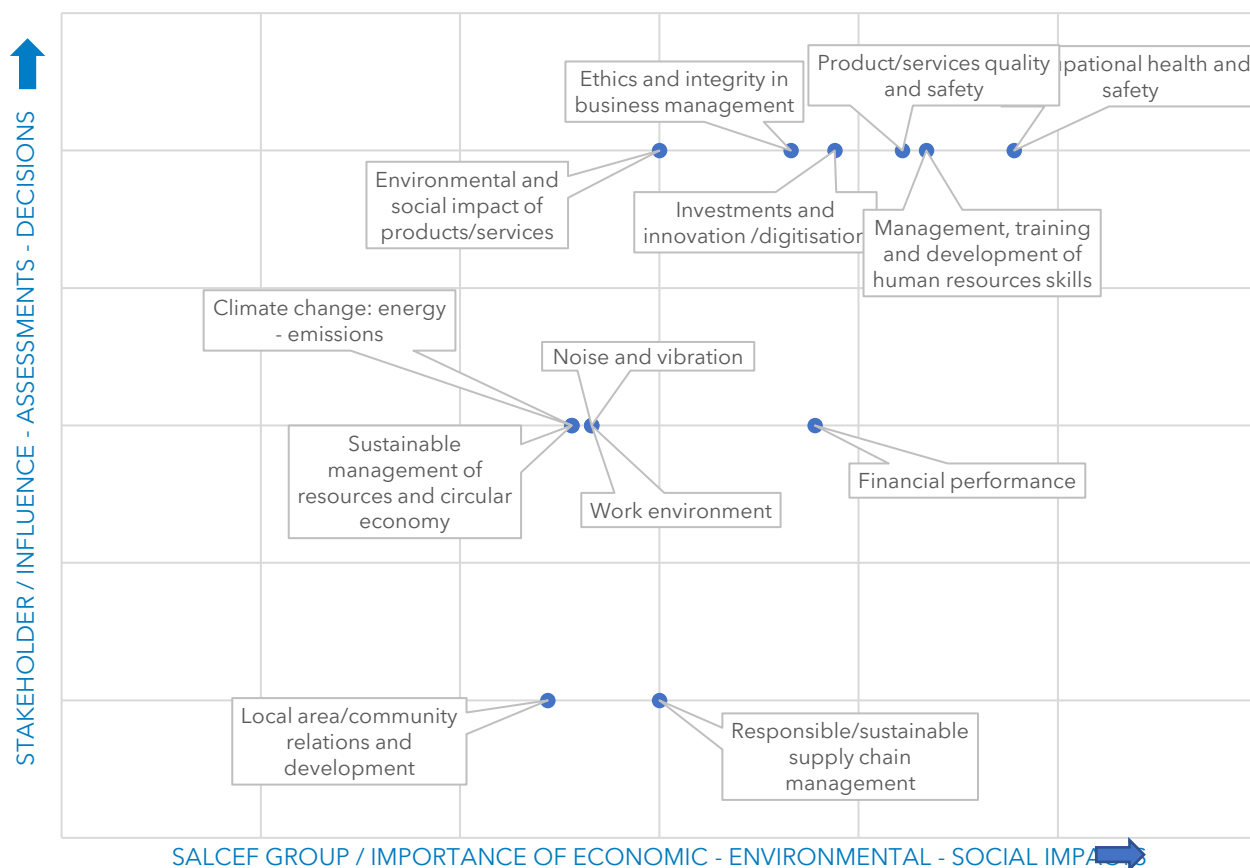
Material topic	Impacts and motivations / relevance of topic	Fields of reference Leg. Decree no. 254/2016	GRI Standards Topic Specific Standards
<b>Governance</b>			
Ethics and integrity in business management	<i>Business ethics &amp; integrity</i> / Responsible corporate governance requires the respect of principles and the application of a code of ethics, regulatory compliance and integrity, which are preconditions for ensuring reliable management of activities and business in order to generate value for all stakeholders in the short, medium and long term.	Fight against active and passive corruption  Respect for human rights	GRI 205-1 GRI 205-2 GRI 205-3 GRI 206-1 GRI 207-1 GRI 207-2 GRI 207-3 GRI 207-4 GRI 307-1 GRI 406-1 GRI 419-1
<b>Economic</b>			
Financial performance	Economic sustainability and financial balance are essential conditions for the operation of companies and for ensuring an adequate distribution of the economic value generated in favour of their stakeholders (first and foremost employees and suppliers). The creation of value for the company therefore means the ability to respect, over time, the economic balances which characterise company management.	Social	GRI 201-1 GRI 201-4
Investments and innovation / digitisation	The ability to invest and innovate is a driver not only of economic but also of environmental and social development. The design and development of new solutions and technologies, together with the progressive digitisation of services, helps to achieve environmental and social objectives and generate positive impacts.	Social  Environment	GRI 203-1
<b>Environment</b>			

Material topic	Impacts and motivations / relevance of topic	Fields of reference Leg. Decree no. 254/2016	GRI Standards Topic Specific Standards
Climate change: energy - emissions	Energy profile aspects of production infrastructures and operations: optimisation of energy consumption / energy efficiency / reduction of CO <sub>2</sub> emissions. These areas are significant because of the consequences that a company's energy profile and emissions have on the objectives of containing/mitigating the negative effects of climate change. At the same time, climate change is relevant in relation to an organisation's ability to equip itself with an infrastructure that can adapt to the effects generated by ongoing climate change.	Environment	GRI 302-1 GRI 302-3 GRI 302-4 GRI 305-1 GRI 305-2 GRI 305-4
Sustainable management of resources and circular economy	Reference to the types and characteristics of purchases of raw materials / semi-finished products / components and percentage coming from recycling. Including aspects related to waste management: efficiency and compliance with legislation, but, above all, with regard to the relevance of policies and approaches and targets for reducing the amount of waste resulting from industrial processes.	Environment	GRI 301-1 GRI 301-2 GRI 306-3 GRI 306-4 GRI 306-5
Water withdrawal and consumption	The topic is related to the relevance of the effects linked to the use (withdrawal) and consumption of water resources (sources of withdrawal for industrial uses / water withdrawal in water-stressed areas / water consumption for the production of manufactured goods / projects and measures for the reuse of process water and wastewater treatment).	Environment	GRI 303-1 GRI 303-2 GRI 303-3 GRI 303-5
<b>Human resources</b>			
Management, training and development of human resources skills	The management and development of an organisation rely significantly on people and their skills. The ability to attract and keep talents, to develop professional growth paths and the enrichment of skills are indicators of the value of an organisation and help strengthen identity and purpose, corporate culture, the level of involvement and sense of belonging. The ability to last over time, to have people capable of supporting the creation of value by the organisation requires investing in the development of people, through training courses, such as to enhance and improve skills and positive repercussions.	Personnel  Respect for human rights	GRI 401-1 GRI 401-3 GRI 404-1
Work Environment: diversities, equal opportunities, company welfare, work-life balance	These aspects include issues related to equal opportunities as regards access to employment and career development. Protection and enhancement of nationality, gender, age and cultural diversity of people working in the organisation. The issue is also linked to the development of the corporate welfare system and work management and organisation methods (remote-working) as tools for balancing the relationship between professional activity and people's private sphere and as a further guarantee of equal opportunities..	Personnel  Respect for human rights	GRI 405-1
Occupational health and safety	The management of the company, its people and infrastructure makes it necessary to constantly monitor sensitive processes, with particular regard to the prevention of injuries and occupational diseases for all staff and all other parties involved, including suppliers/contractors. This approach allows for the continuous improvement of safety and health in all workplaces, minimising risks and ensuring the best	Personnel  Respect for human rights  Social	GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9

Material topic	Impacts and motivations / relevance of topic	Fields of reference Leg. Decree no. 254/2016	GRI Standards Topic Specific Standards
	working conditions.		
<b>Customers / Products and services</b>			
Quality and safety products / services	The issue is related to the ability to provide products and offer services of high quality, reliability and with safety guarantees for direct/end customers. These are important conditions that characterise the management of relations with customers, also to be understood as the level of customer satisfaction and the ability to respond adequately and promptly to their requests and needs.	Social	GRI 416-1 GRI 416-2
Environmental and social impact of products/services	The impact of the products/services is to be understood as linked to: a) environmental and social impact for the development of the projects/worksites; b) ability to develop and put forward solutions that can generate positive environmental and social impact downstream in the value chain (direct customers and end users) / benefits of a sustainable mobility system.	Social Environment	Transversal / Reported on the basis of general indicators only (GRI 102)
<b>Suppliers / Supply chain</b>			
Responsible/sustainable management of supply chain	Supply chain management according to sustainability criteria: governance, selection, assessment of suppliers on the basis of social - environmental parameters / indicators). A sustainable profile of an organisation cannot disregard the management of the supply chain according to coherent principles, through mechanisms and tools that can ensure, over time, not only control of the supply chain, but also a partnership for sustainability. Such tools include the adoption of policies, monitoring activities, reward mechanisms in tendering (selection, assessment and choice of purchases of products and services).	Respect for human rights  Social  Environment	GRI 204-1 GRI 308-1 GRI 406-1 GRI 413-1 GRI 414-1
<b>Community and territory</b>			
Relations with and development of local community/territory	The development of the reference area through the works carried out is an integral part of the business model in terms of a) distribution of generated value (involvement of local suppliers) and b) relations with the community and its involvement	Social	GRI 413-1

The materiality analysis carried out internally for the drafting of Salcef's first Sustainability Report also included an assessment and prioritisation of relevant issues in relation to their degree of current relevance and potential impact. The materiality matrix, shown below, provides a summary and an overall view of the issues, in relation to their impact, taking into account the assessments and interests of stakeholders.

## Materiality matrix





## **2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY**

## The solutions: business activities, services and customer relations

GRI 102-2 GRI 102-4 GRI 102-6 GRI 102-7

The Salcef Group operates through a single **Strategic Business Unit (SBU)** called "Railway Industry" that coordinates strategies, processes, resources and technologies for the different business lines. The Railway Industry SBU is divided into six Operational Business Units. The **six Business Units**, defined by type of activity, report to the corresponding Operating Departments, established in one or more Group companies engaged in one or more specific businesses, subject to the central control and coordination of the parent company Salcef Group.

### The business model

The Group mainly carries out its business through participation in tenders or contracts, according to the following model:



The model developed by the Salcef Group allows it to maintain control over all stages of the process, in order to ensure a high level of control and comply with quality standards. The Group's business activities include the planning of production costs and times and are organised in such a way as to optimise the in-house production capacity of the sites and plants. The starting point of the model is commercial development, with activities linked to the commercial and marketing process, aimed at acquiring new contracts through participation in tenders, and ends with all site and factory production activities specific to each Line of Business.






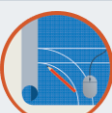
The commercial and tendering phase includes participation in tenders for orders lasting several years and the stipulation of contracts for the production of railway machinery and materials for third party customers. The critical analysis of the market is aimed at identifying opportunities consistent with the Group's operating capabilities and the consequent study and preparation of a proposal with the support of the Tender Offices.

## The Business Units

	<b>TRACK &amp; LIGHT CIVIL WORKS</b> Business unit  Track construction and maintenance works and ancillary civil works. This includes work on the railway, tram and underground superstructure for both ballasted and non-ballasted systems. The work also includes preventive and corrective rail grinding.
	<b>ENERGY, SIGNALLING &amp; TELECOMMUNICATION</b> Business unit  Construction and maintenance of electrical traction and railway signalling installations, as well as works for the distribution of high, medium and low voltage energy via overhead and underground lines.
	<b>HEAVY CIVIL WORKS</b> Business unit  Construction and maintenance of complex railway infrastructure works encompassing several categories of specialisation.
	<b>RAILWAY MATERIALS</b> Business unit  Production and supply of railway materials such as mono-block concrete sleepers, precast tunnel lining segments, underground concrete slabs and other prefabricated materials for the urban transport system.
	<b>RAILWAY MACHINES</b> Business unit  Design, construction, maintenance, sale and hiring of machinery for carrying out construction and maintenance work on railway infrastructure.
	<b>ENGINEERING</b> Business unit  Railway infrastructure and works design and engineering services.

The Business Units are headed by the BUM (Business Unit Manager) who coordinates all the Operating Departments and the relevant Chief Operating Officers (COO) of the various subsidiaries.

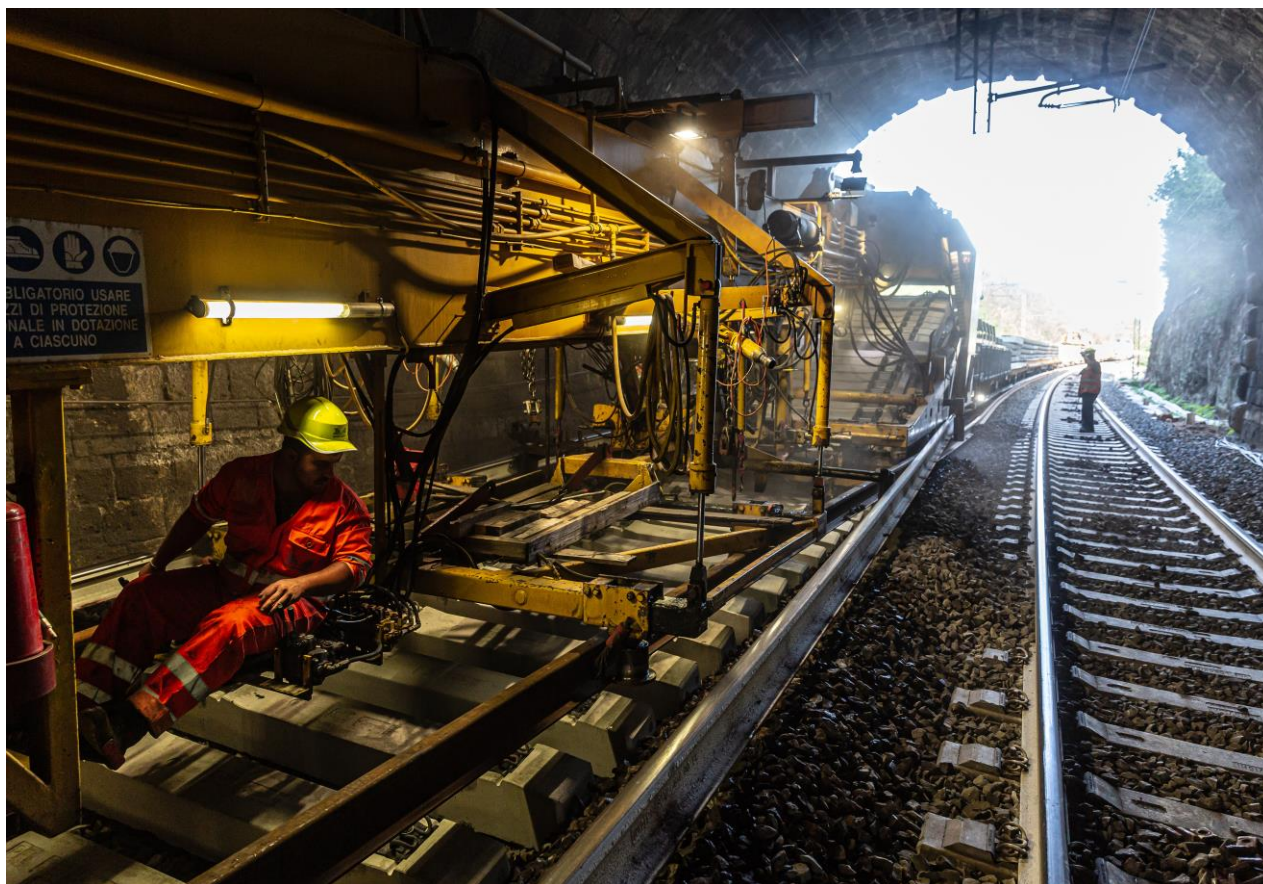
Below is a diagram showing the distribution of the Business Units for the main Group companies.

BUSINESS UNIT		Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	SRT S.r.l.	RECO S.r.l.	Overall S.r.l.	Salcef Bau GmbH	Coget Impianti S.p.A.	Delta Railroad Construction Inc.
	TRACK & LIGHT CIVIL WORKS	●	●	●				●		●
	ENERGY, SIGNALLING & TELECOMMUNICATION		●	●					●	
	HEAVY CIVIL WORKS		●					●		
	RAILWAY MATERIALS						●			
	RAILWAY MACHINES				●					●
	ENGINEERING					●				

## Track & Light Civil Works

The TRACK & LIGHT CIVIL WORKS Business Unit represents the Group's core business and is engaged in the construction, maintenance and renewal of railway lines. It operates through the relevant Operating Departments of the companies Salcef, Euro Ferroviaria, Salcef Bau and Delta Railroad Construction as well as their respective Branches.

The operational capabilities involve the use of complex rolling stock operating machinery and skilled personnel to operate the machinery. The Group, by virtue of contracts stipulated with its Customers, and in particular with RFI, a company belonging to the Ferrovie dello Stato S.p.A. Group, owner and manager of the Italian national railway network, operates with its own sites on a permanent basis, providing routine maintenance and renewal of most of the railway lines in central Italy.



The services provided include track works on railway, underground and tram lines, and include the following main activities: track and switch points construction with both traditional (Ballast) and innovative (Slab Track) track works, track and switch points renewal, track and switch points overhaul, ballast screening/cleaning, rail welding, track and switch points levelling, rail grinding and construction and maintenance work on operational railway lines, the railway platform and infrastructures (bridges, tunnels, stations).

For track construction, the Group has developed its own track laying system, based on the use of the MCB-01 laying train, which ensures high productivity and high quality standards.

The Group is one of the 7 market operators registered in the list of companies of Rete Ferroviaria Italiana S.p.A. ("RFI") for railway renewal, able to offer its customers a fully mechanised system for track renewal. This method consists of using a railway vehicle (so-called renewal train) that allows continuous operation with a reduced impact on the railway service, guaranteeing high performance in terms of precision and speed of execution as well as a reduction in production costs. To date, Group companies have 4 complete renewal sites that operate continuously in Italy and abroad, with a significant investment in terms of high productivity machinery. Such endowment gives the Group great operational potential, only matched by a handful of competitors on the European scene.



Each site is fully mechanised and, thanks to the organisation of the workforce divided into teams dedicated to specific activities, ensures compliance with stringent quality and safety standards at work, with average daily productivity among the highest on the global market, with the potential to carry out track construction work of up to 2 km per day and track renewal during partial interruptions to rail traffic of up to 1 km per day.

In the recent period, the Group has built and renewed track on the new high-speed railway lines Turin-Novara, Florence-Bologna, Padua-Mestre, Brescia-Treviglio, built for speeds of up to 350 km/h, as well as numerous other Italian railway sections, mainly for double-track projects and works in urban nodes.

Abroad, the main track construction projects have included: construction of the new Shah-Habshan-Ruwais railway line, involving over 400 km of track, in the desert area of Abu Dhabi; renewal of about 300 km of track as part of various projects to modernise railway lines in Egypt; and construction of about 90 km of ballast-less track for the new underground/metro line no. 3 in the city of Riyadh, Saudi Arabia.

As regards the results for 2020, despite the difficult pandemic situation, production results were in line with expectations, demonstrating organisational and production capacity. Below is a summary of the main activities.

Job type	UM	Production 2020
<b>Rail construction</b>	km	50
<b>Rail levelling</b>	km	650
<b>Rail/STT renewal</b>	km	260
<b>Ballast cleaning</b>	km	340
<b>Rail grinding</b>	km	150
<b>Destressing</b>	km	830
<b>Switch points renewal</b>	n.	430

## Energy, Signalling & Telecommunication

The ENERGY, SIGNALLING & TELECOMMUNICATION Business Unit operates through the Energy Operating Departments of the companies Salcef, Euro Ferroviaria and Coget Impianti, as well as their respective branches.

The Business Unit provides its customers with all services related to works in the field of electric traction, substations and railway signalling, on railway, underground/metro and tram lines, divided into the following main activities: construction of foundations and support piles, laying of new overhead lines and simultaneous dismantling of old ones, installation of earthing and protection circuits, construction and maintenance of electrical substations and distribution cabins, replacement of conductors, overhaul of contact lines, yard and cabin activities for the installation and maintenance of signalling systems, construction of distribution structures, with high medium and low-voltage overhead and underground lines.



Over a long period of activity, the Business Unit has built up a set of skills and resources that enable it to operate efficiently on the various types of contact lines present on European and non-European railway networks with direct or alternating current at different voltages.

Like the TRACK & LIGHT CIVIL WORKS Business Unit - with the exclusion of the construction of new plants and innovative systems, which in any case currently account for a residual portion of turnover - activities can be considered non-cyclical, inasmuch as the elements making up the electrical traction systems undergo natural wear and tear, which requires continuous and periodic maintenance to be carried out in order to ensure the safety of traffic and the efficiency of the systems. Activities include routine maintenance, carried out on a frequent basis, as well as renewal of the systems, normally carried out every 15/20 years.

Like the work carried out in the railway sector, this is a niche activity and there are few specialised companies in Italy, particularly for the construction of ultra-high voltage installations. In addition, the workers employed must have special authorisations and certifications issued by customers. On-site activities are often carried out in rather complex conditions, especially for the installation of infrastructures in inaccessible places, such as forests and mountains.

The most significant activity of the ENERGY, SIGNALLING & TELECOMMUNICATION Business Unit is represented by the maintenance, renewal and construction of the overhead line on railway lines, with about 100 km per year of line renewed with new foundations, supports, conductors, circuits and the decommissioning of the old line, as well as work on the new electrification systems for the Arcisate-Stabio, Castelpiano-Montecarotto lines and the Bucharest underground/metro. The Business Unit also operates in the electrical substations sector and in the railway signalling systems sector with routine maintenance activities. In the last few years, 5 Electric substations on the Adriatic ridge, the Poggioreale Electric substation and the S. Severa Electric substation have been renovated and several MV/LV transformer stations have been built.

The Business Unit is engaged in the development and adoption of innovative power supply systems, such as the rigid electric overhead lines for installation in tunnels with reduced clearance, third-rail systems for

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underground lines and tramway power supply systems with activities on the Bucharest underground/metro and the Rome and Cagliari tramways, as well as work on the Rete Ferroviaria Italiana.

As regards the building of structures for the distribution of high, medium, and low voltage power supplies through overhead and underground lines, the main customer is Terna S.p.A. ("Terna"), a company engaged, *inter alia*, in electricity transmission and security of supply, inasmuch as in charge of transmission and dispatching of electricity in Italy. Terna is responsible for the design and development of the National Transmission Grid ("NTG") and implements NTG development measures based on a ten-year plan approved each year by the Ministry of Economic Development, called the "Grid Development Plan". In the long term, the Plan envisages the construction of over 8,000 km of high and ultra-high voltage lines, of which about 60% will use existing infrastructure corridors. Terna has approved a major Development Plan for 2019, which envisages investments of over EUR 13 billion to manage energy transition and ensure the safe integration of renewables with the development needs of the national electricity grid.

## Heavy Civil Works

Through the HEAVY CIVIL WORKS Business Unit, which was created to offer a wider range of services to various customers, the Group, thanks to its operational structure and management capacity, has successfully carried out numerous complex works over the last decade.



The orders carried out by the HEAVY CIVIL WORKS Business Unit are those involving the construction of new railway lines, the doubling of existing lines, the construction of new installations in complex stations or the upgrading of railway junctions. Generally, these contracts involve both construction activities, such as buildings and infrastructure, and track works, electric traction and signalling. The activities carried out by the subsidiary Salcef Bau mainly concern the renewal of railway bridges.

The know-how acquired allows the Group to provide an integrated service, which is particularly appreciated, and which allows, through a selective approach to the market and the reduction of fixed structural costs, the continuation of activities and the maintenance of requirements, albeit with a considerable reduction in volumes.

The orders carried out by the Business Unit are the construction of new railway lines, the installation of second lines alongside existing ones, the construction of new installations in complex stations or the upgrading of railway junctions. Generally, these contracts include construction activities, such as buildings and infrastructures, track works, electrical traction and signalling. In recent years, RFI, in order to adapt and speed up existing railway lines, including secondary ones, has planned projects which mainly consist of doubling railway sections, upgrading junctions and speeding up existing railway lines, which are part of the activities of this Business Unit.

Among the major projects carried out in recent years are the construction of the new railway section between Stabio and Arcisate, which links Italy and Switzerland, for an amount of approximately EUR 120 million, which was inaugurated in December 2017, the doubling of the Castelpiano-Montecarotto and Saronno-Segno sections, as well as the completion of the Cattolica Tunnel and the new Olbia and Riccione stations.

During the course of 2020, Salcef Bau performed various jobs, including the renewal of 8 bridges in the city of Darmstadt, on the outskirts of Frankfurt. The activities focused on replacing the existing steel spans with reinforced concrete spans, which were built on site and then installed using specific machinery and technologies. The installation work was carried out in several stages, with track partial interruptions of 52 hours on weekends only. At the same time, the renewal of a railway bridge with a metal span near Buchenbach (Stuttgart) was completed. The work involved replacing the existing span with a metal span assembled near the site and then erected with the aid of a lattice girder crane.

## **Railway Materials**

The RAILWAY MATERIALS Business Unit operates through Overall's Production Operating Department. The RAILWAY MATERIALS Business Unit is engaged in the design, production and sale of railway materials: RFI 260, RFI 240, RFI 230 sleepers, tunnel sleepers with USP, switch points bearers, vats and blocks for massive superstructure systems, other reinforced concrete solutions for railway superstructures, and precast segments for tunnel lining.

Overall supplied tunnel segments for the construction of the new Metro Line C in Rome. In the future, this production line will be replaced by the production of switch points bearers and innovative track products (Slab Track). To this end, a reconversion plan has been drawn up for the plants currently used for the production of segments. The design and development of the new products and related production lines is expected to be completed by 2021.

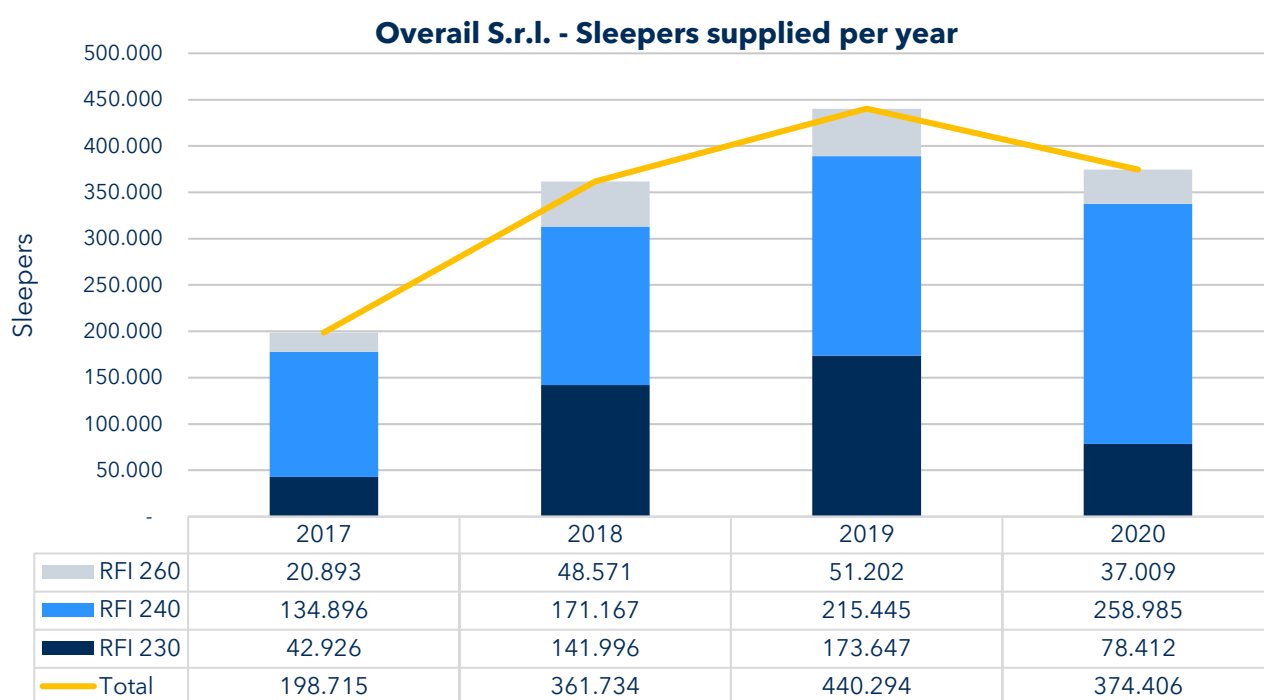
Overall is one of the major producers of pre-stressed mono-block concrete sleepers in Italy. Throughout its activity Overall has produced various types of sleepers and manufactured innovative products such as the first high-performance sleeper for high-speed lines.

The Group has completed the first phase of an important investment plan aimed at modernising the production complex of the Aprilia plant, with the simultaneous enhancement of the know-how deriving from the acquisition of Vianini Industria S.r.l. In particular, during 2019, the construction of a new facility for the production of sleepers was completed, built using the most modern solutions and technologies in terms of safety, efficiency and environmental impact, with a capacity of approximately 4,500 sleepers per day.

A new line for the production of innovative track products (Slab Track) is under construction. In addition to the supply of railway sleepers for RFI, Atac and Ferrovia Sangritana, Overall has supplied segments for tunnels used for the construction of the new Metro Line C of Rome, prefabricated plates with BI-N Massive system for the Metro C in Rome and for the Paliotto - Naples section.



Shown below is a summary graph of RFI type railway sleepers supplied during the 2018-2020 period.



## Railway Machines

The Group, through its RAILWAY MACHINES Business Unit, provides design, construction, maintenance and after-sales services for railway infrastructure construction and maintenance machinery. The Business Unit develops new and methodical solutions, which enable it to develop innovative design proposals in line with the various needs of its customers.

The Business Unit operates through the Production Operating Department of SRT and its specific Engineering, Production and Maintenance teams, and through the Quality Track Equipment Operating Department of Delta Railroad Construction.

The organisation of the RAILWAY MACHINES Business Unit includes services related to the maintenance and production of rolling stock, which are developed by highly specialised teams. The SRT Operating Department provides qualified technical support for the development of new products as well as optimised solutions, in terms of costs and time, to maintenance problems, thus making possible the direct production of spare parts with reduced costs for the companies of the Group.

The Business Unit offers a wide range of products, based on the concept of modularity, consisting of towed and self-propelled rolling stock suitable for use in multiple versions, as well as specific machinery and equipment:

- the SGMNS 4-axle multimodal wagon, a towed railway wagon suitable for various configurations for transporting materials and carrying out work in the railway maintenance sector;
- the KGMNS 2-axle multimodal wagon, a towed wagon with different configurations, for transporting materials and carrying out work in the railway maintenance sector;
- the SRT 407 4-axle multimodal motor trolley, a self-propelled vehicle with various configurations for railway maintenance work;
- minor equipment for the construction of innovative track works (Slab track);
- 10M and 34M grinding trains with underground and railway gauge.

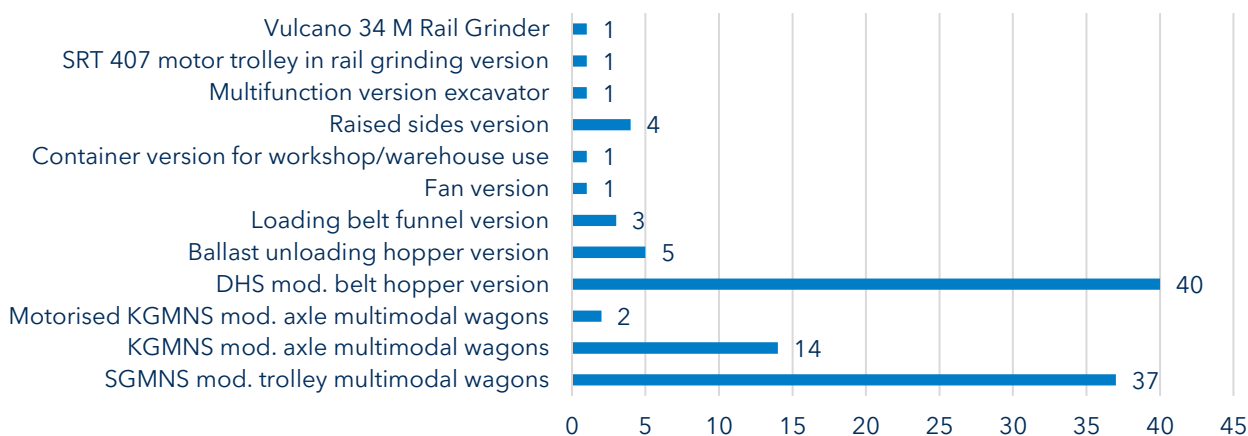
All machinery is designed and manufactured in compliance with the standards applicable in the countries of destination and undergoes the homologation process required by the relevant authorities.

SRT has completed a plant expansion project, with the construction of new workshops and offices, again in the owned area in the Municipality of Fano, to increase the production capacity of rolling stock, together with maintenance activities, mainly carried out for Group companies. In the new configuration, the plant features a 13,900 square metre facility and a rail yard with 5,900 metres of track directly linked to the Italian railway network.



Over the years, the Business Unit has expanded its customer base, and has concluded contracts to sell railway vehicles/machinery to third parties, both in Italy and abroad, mainly consisting of multimodal wagons with customised outfittings. Thanks to the completion of the expansion of the SRT production facility (see the [SRT industrial facility](#) paragraph) and to the introduction of the latest generation of equipment such as milling machines, machining centres, lathes, bridge cranes, etc., the RAILWAY MACHINES Business Unit is now able to guarantee delivery deadlines in line with market requirements.

### SRT production - 2018-2020 period



In 2018, SRT was awarded the tender for the maintenance of RFI's work vehicles supplied to the PAM (Production Area Management) in Ancona, consolidating its position as the Entity in Charge of Maintenance (ECM) in accordance with Directive 2004/49/EC and EU Regulation No. 445/2011.

In addition, during 2020, the RAILWAY MACHINES Business Unit, through the company SRT, developed the first prototype of the "Vulcano 34M" Rail Grinder, which was then completed and presented in the early weeks of 2021. This vehicle is a real construction site train made up of 4 units designed to travel at a speed of 100 km/h, already operating in Italy and abroad as part of the projects carried out by the TRACK & LIGHT CIVIL WORKS Business Unit through its subsidiary Salcef S.p.A.



In 2021, another 2 rail grinders consisting of a single module of 10 grinding wheels will be completed, mainly dedicated to underground line grinding activities, and the production of a second 34 M rail grinder has already started.

The RAILWAY MACHINES Business Unit, with the acquisition in 2020 of the company Delta Railroad Construction Inc. (USA), expanded its business by introducing the Quality Track Equipment Operating Department of Delta Railroad Construction, which mainly carries out revamping and systematic equipment maintenance and rental activities.

## Engineering

The Group also operates in the provision of design and engineering services for railway works and structures through the ENGINEERING Business Unit, which operates through the Engineering Operating Department of the subsidiary Reco, providing support to its customers and Group companies from the earliest stages of project execution to the drafting and definition of the project itself.



The Business Unit is structured with specific teams for the specialist skills required in the field of railway projects (civil works, track works, energy, signalling) and helps customers to identify solutions and prepare technical drawings. The Group manages every aspect of the design of railway equipment systems, electrical traction and infrastructure works, contributing to the development of construction projects, the upgrading of infrastructure and the integration, renewal and maintenance of railway and metro networks in Italy and abroad.

Specifically, the Group provides all services relating to the field of civil and transport engineering, including: pre-feasibility and feasibility studies, preliminary, executive and as-built design, topographical surveys, project management services and engineering consultancy. The Business Unit relies on the expertise of engineers, surveyors and technical staff who have acquired significant experience in the sector, as well as external consultants.

The ENGINEERING Business Unit has developed numerous projects, characterised by the interaction between different sectors, such as track works, electrical traction and civil works. In particular, worth

mentioning is the design of the public transport line for Maputo and Matola in Mozambique, a project worth about USD 1.2 billion, and the design of the new Riyadh metro line 3.

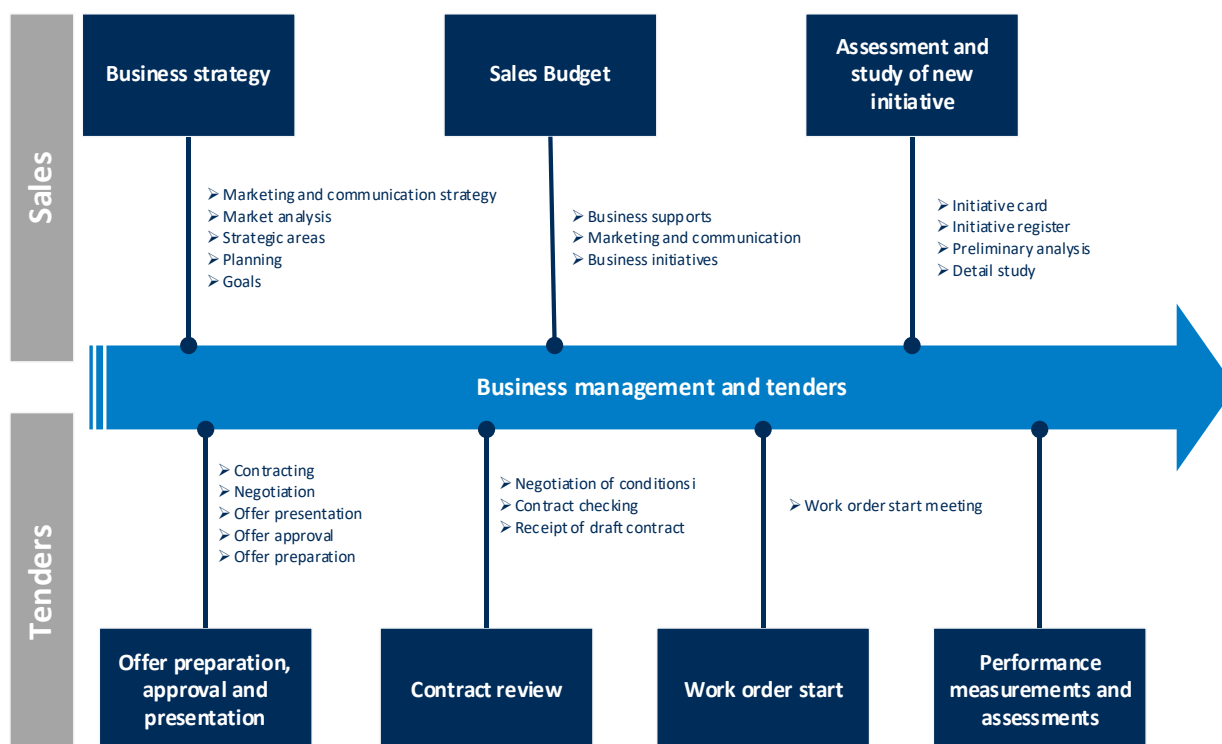
## The ethics of business relations

In line with its core values and aware that each customer has different needs and expectations, the Salcef Group bases its relationships with all customers, whether private or public, on the most stringent compliance with applicable legislation and existing internal procedures, as well as on the principles of integrity, honesty, fairness, respect and mutual trust, and on professionalism, independence and fairness.

The personnel responsible for negotiating and managing contractual relations with the Public Administration ensure the truthfulness and correctness of all statements made, with particular reference to information on the possession of requirements, costs and other financial data. Finally, it is forbidden to provide services or grant benefits of any kind in favour of representatives of business partners which are not adequately justified in the context of the relationship established with them.

## The business process

The management of business activities requires competences and specific interventions, as shown below:



## Type of customers and completed projects

The measure of the Group's customer loyalty and the quality of the service, taking into account the characteristics of the business activities carried out, can be assessed through **the identification of the number of consecutive renewals/awards relating to a given framework agreement or contract**. Specifically, it should be noted that, starting in 2006, for 5 times, at each three-year renewal by RFI, the Group has been awarded the Framework Agreement for the implementation of the contracts relating to the routine maintenance of the national railway network "Central Lot".

RFI, Salcef's main customer, accounted for 78.1% of the Group's revenues in the 2018-2020 three-year period. Confirming the high concentration of revenues on just a few customers, it should be noted that the top 5 customers in the 2018-2020 three-year accounted for approximately 89.5% of the Group's total revenues.

Over the last 20 years, the Group has built more than 2,000 kilometres of new railway lines (with a maximum production reached of 2 kilometres in one day) and renewed approximately 7,000 kilometres of rail track. Numerous civil and plant engineering works were also carried out for the construction or modernisation of railway stations, railway tunnels, bridges, subways and other minor works. Railway infrastructures have been built in numerous operating scenarios, from the Arabian desert to the ice of the North: each project has represented a challenge on a technical and methodological level, and an opportunity to consolidate our position on the international market.

For details of the Group's business activities and latest projects see the [The Business Units](#) section and the section dedicated to projects, available on the Group's website at the link:

<https://www.salcef.com/it/progetti/>

## Supply chain sustainability

GRI 102-9 GRI 103-2 GRI 103-3 GRI 204-1 GRI 308-1 GRI 406-1 GRI 414-1

In view of the nature of its business and the market in which it operates, the Group avails itself of a large number of sub-contractors to provide services related to acquired orders. Numerous employees and collaborators of sub-contractors work on a daily basis at the various sites. The Salcef Group, in line with its approved Code of Ethics, manages relationships with suppliers with loyalty, fairness and professionalism, encouraging ongoing collaboration and solid and lasting relationships based on trust. The selection of suppliers and the determination of the conditions of purchase of goods and services are made on the basis of objective and impartial assessments, based on quality, price and guarantees provided.

### The principles

- Each Salcef Group supplier<sup>1</sup> undergoes preliminary qualification, in relation to the commodity categories to which it pertains. Such qualification may include various checks, including documentary, reputational and economic-financial aspects. The qualification of suppliers is carried out exclusively by the procurement department of the Parent Company.
- Relations with suppliers are managed through standardised General Purchasing Conditions for the entire Salcef Group, in order to ensure uniformity of treatment among the various suppliers and Group companies.
- Each Group company has an office dedicated to the management of procurement.
- The procurement office of the Parent Company coordinates the various procurement offices of the subsidiaries and monitors their performance, ensuring uniformity and adequate quality levels.
- The Company does not practice or approve any form of "reciprocity" with suppliers: the goods/services that the Company seeks are selected and purchased exclusively on the basis of their value in terms of price and quality;
- Any negotiation with a supplier, current or potential, must relate exclusively to the goods and services being negotiated with the supplier;
- The procurement process is fully integrated into the company's proprietary "My Salcef" ERP from the request stage through to contractualisation and acceptance. This ensures compliance with company procedures and transparency of the approval process.
- The staff responsible for the purchase of goods and services is independent of the production units and applicants and cannot therefore be subject to any form of pressure from suppliers.

The undertaking of commitments and the management of relations with current and potential suppliers is carried out in compliance with the Company's directives on conflicts of interest and business management.

The Group ensures, with appropriate contractual clauses, that any third parties with whom the Company collaborates (suppliers, consultants, etc.) in the manner and within the limits established in business procedures that govern decision-making processes, avail themselves of workers in compliance with regulations on residence permits, expressly requesting them to comply with the Model and the Code of Ethics and Conduct adopted by the Salcef Group, as well as with the fundamental principles contained in the SA 8000 standard, the cornerstone of corporate social responsibility.

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<sup>1</sup> Except for special categories such as hotels, restaurants, travel, etc.

## Supplier qualification and selection criteria

The assessment of Salcef Group suppliers is regulated by the "Supplier Qualification" procedure. Each supplier, which intends offering its products/services and being included in the Salcef Group's Supplier Qualification System (hereinafter also "SQF"), must register on the Group's website ([www.salcef.com](http://www.salcef.com)), and fill out the form (questionnaire) in the supplier area, providing all the information requested in order to allow verification of the existence and compliance with the indicated requirements.

For the registration request to be processed, the supplier must accept:

- the privacy policy pursuant to EU Regulation 2016/679 (GDPR) on the Protection of Personal Data and give consent to the processing and communication of its data for the described purposes,
- The Suppliers' Code of Conduct;
- The Regulation of the Salcef Group's Supplier Qualification System.

All suppliers, both new and incumbent, undergo a formal assessment for inclusion in the Company's Supplier Qualification System. The main requirements are:

- General.
- **Environmental** (environmental protection, sustainability, etc.).
- Related to **occupational health and safety**.
- **Ethical** (corporate responsibility, anti-corruption, etc.).
- Related to economic-financial capacity and solidity.
- Related to **technical-productive capacity**.
- Technical (limited to references, i.e. relevant work carried out by the supplier).
- Related to the company's **quality** organisation.
- Related to applicable regulations (e.g. occupational health and safety, environmental and social security contributions).
- Related to the absence of exclusion clauses.

In addition, critical suppliers<sup>2</sup> are subject to specific Due Diligence, also using external Business Intelligence services. In particular, the general and ethical requirements for this category of suppliers also include a check on whether the supplier is on certain lists (black lists) drawn up by international organisations (e.g. the UN), and further anomalies related to the supplier's headquarters or respective bank details (e.g. countries with privileged tax regimes).

With regard to sustainability aspects, the following are assessed in particular:

- Presence of a certified Quality, Safety and/or Environment Management System.
- Presence of a Management System for Corporate Social Responsibility
- Presence of Model 231.
- Adoption of a Code of Ethics.

<sup>2</sup> Critical suppliers are those belonging to critical commodity categories:

**Supplies** – Main material relating to: track works, electrical traction, civil works, production facility and plant, site machinery and vehicles.

**Jobs** – All jobs

**Services** – Waste management, operated equipment rental, non-operated railway equipment rental, transport

**Professional services** – Tests, business and management consultancy, laboratory tests, project and engineering appointments

The supplier, based on the data provided, performance and qualification process, may have the following statuses: Waiting for Qualification, On Probation, Qualified, Not Qualified, Suspended, On Black list.

The Salcef Group has decided to comply with the requirements of safety, environmental protection and corporate social responsibility provided by international standards of reference, not only to testify in a concrete way the need to respect, health and safety, the environment and human rights of workers, but also to promote these with its partners and suppliers. To this end, the following have been issued and made available to all interested parties:

- Integrated Quality, Environment and Safety Policy;
- Corporate Responsibility Policy;
- Anti-Corruption Policy;
- Salcef Group's Code of Ethics and Conduct;
- Organisation, Management and Control Model ("Model 231" pursuant to Leg. Decree no. 231/2001);
- Suppliers' Code of Conduct;
- Regulation of Salcef Group's Supplier Qualification System.

The ultimate goal is to stimulate a chain process of compliance by partners, suppliers and sub-suppliers, influencing their conduct and increasing their ethical and corporate quality. The Salcef Group therefore requires all its suppliers to constantly comply with all ethical, transparency, legality, safety, corporate responsibility and environmental requirements. These documents are available on the Salcef Group's website.

With regard to compliance with environmental requirements and occupational health and safety, the Salcef Group, because it considers these aspects to be very significant in the business sector in which it operates, has included important contractual clauses that commit and make the supplier responsible for particular management aspects such as:

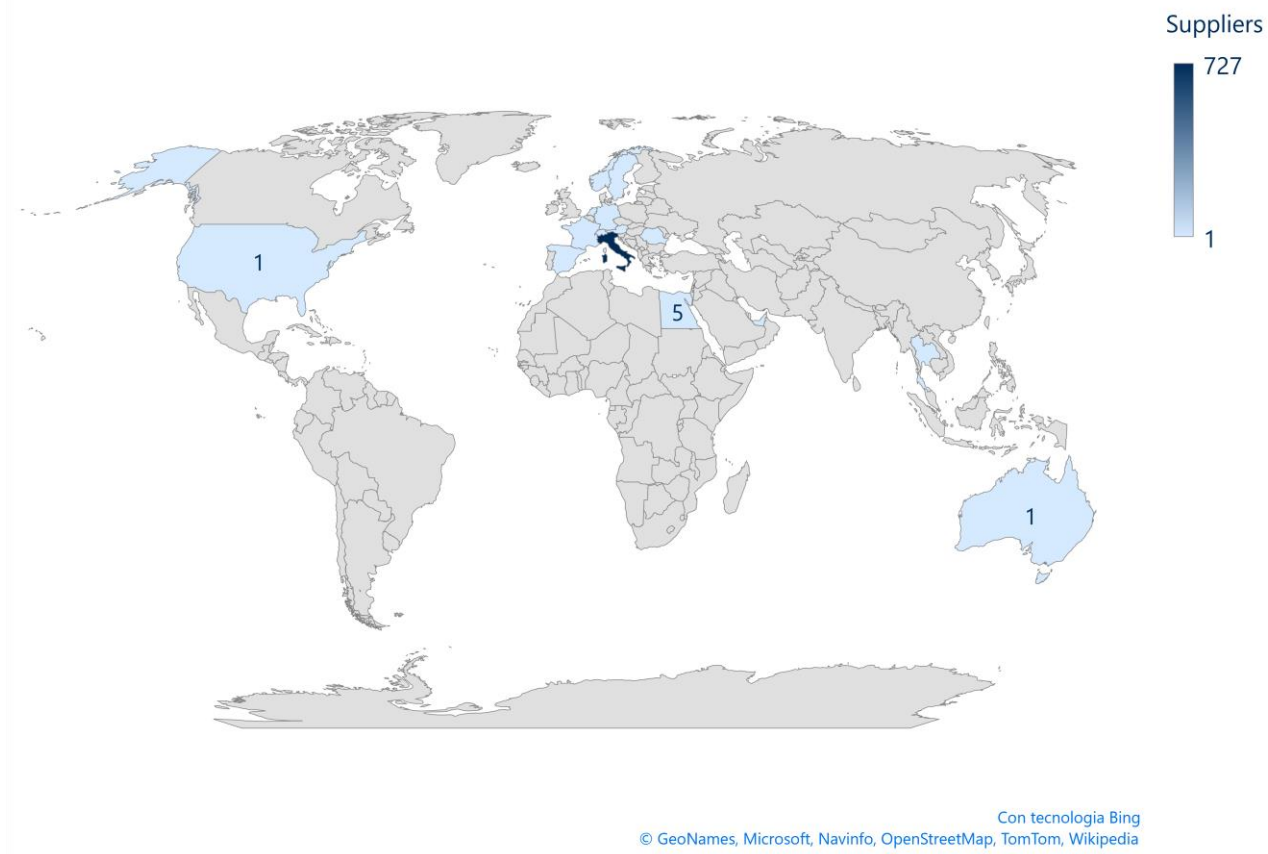
- Knowledge of the main figures responsible for the order and communication of the interfaces at the supplier's;
- Information and training provided to the supplier's workers on risks and operating procedures;
- Compliance with national and local regulations and Salcef Group procedures on the subject;
- Preparation and maintenance of relevant documentation;
- Possession of all authorisations required for the job to be done;
- Keeping, using and maintaining the machinery and equipment required for the job;
- Correct management of waste and waste processing;
- Knowledge of the emergency procedures to be adopted.

These aspects are controlled and monitored by Salcef Group personnel responsible for conducting operations and project management.

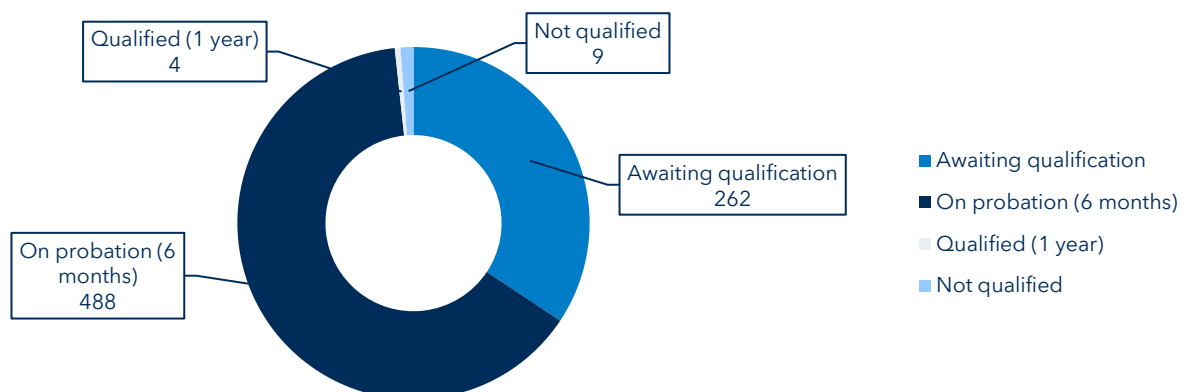
Violation of such requirements will result in the cancellation from the Supplier Qualification System and the termination of any existing contracts. In all cases of violation, the Salcef Group shall be entitled to claim compensation for damages incurred as a result of unlawful conduct, including, by way of example and not limited to, the damages caused by the application by the court of the measures provided for by applicable legislation.

The Salcef Group has qualified 763 suppliers from 17 different countries, with a strong prevalence of Italian suppliers (about 95% of assessed suppliers). The assessed suppliers represent about 39% of the suppliers used in 2020. In fact, suppliers of some commodity categories not deemed relevant, such as restaurants, hotels, travel, etc., are excluded from the assessment and qualification process. Also excluded from the above-mentioned qualification are the suppliers of the recently acquired Salcef Bau (Germany) and Delta Railroad Construction (USA). For them, the qualification process will be extended in 2021.

### Supply Chain 2020 - Qualified Suppliers by country



### Result of Supplier Qualification



## Corporate responsibility of suppliers

The Salcef Group Management intends promoting the professional growth of all employees, in compliance with national and international laws (ILO) and human rights (UN), and requires that all suppliers involved in its business supply chain comply with these principles of corporate responsibility, with specific reference to:

- Respect for the freedom and dignity of employees, including the prevention of abuse;
- Prohibition of child and adolescent labour;
- Prohibition of forced labour;
- Respect for occupational health and safety;
- Respect for the right to freedom of association and collective bargaining;
- Prohibition of any form of discrimination, including exclusion or preference based on race, sex, age, religion, political opinion, nationality and social class;
- Compliance with applicable legislation on disciplinary measures, salary, working hours and equal pay for men and women for equal work.

In order to ensure the implementation of the Corporate Responsibility Policy with regard to suppliers, the Management undertakes to select and assess suppliers on the basis of their ability to meet the requirements of the SA 8000 standard. In addition, all critical suppliers are required to formally accept and comply with the above principles by answering a questionnaire and self-declaration.

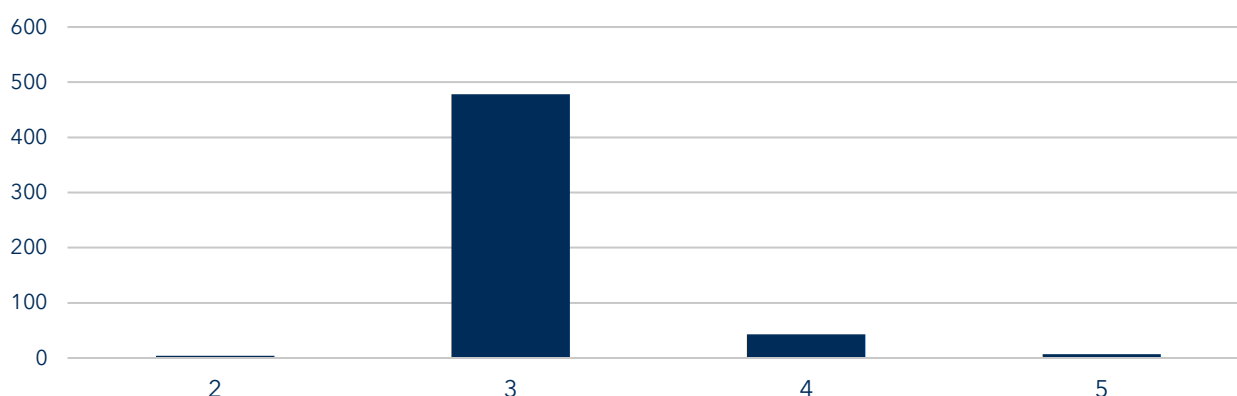
## Supplier checks and assessments

All the suppliers belonging to the Salcef Group's Supplier Qualification System are subject to analysis, checks and assessment with regard to Group standards. In detail, the main areas of assessment of each supply are:

- Service quality and quantity.
- Supply/service performance times and delivery methods.
- Compliance with applicable safety and environmental protection regulations.

On the basis of the performance in the above areas, a score (Supplier's Score) is given, which is an index of the supplier's performance. This index is also used as a reference by the purchasing department when selecting suppliers for commercial negotiations and when updating qualification.

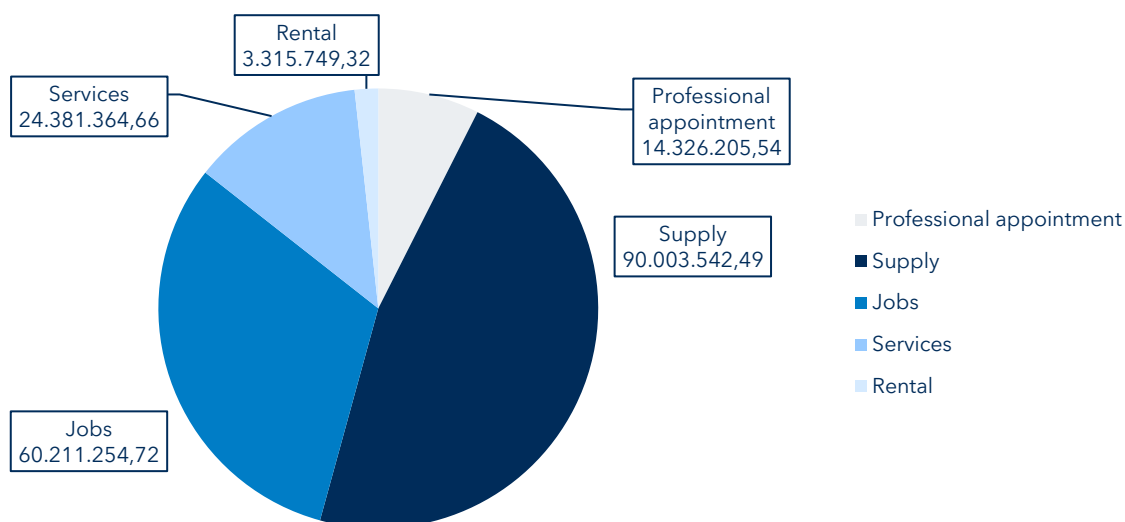
### Supplier's Score Frequency



## Salcef Group suppliers

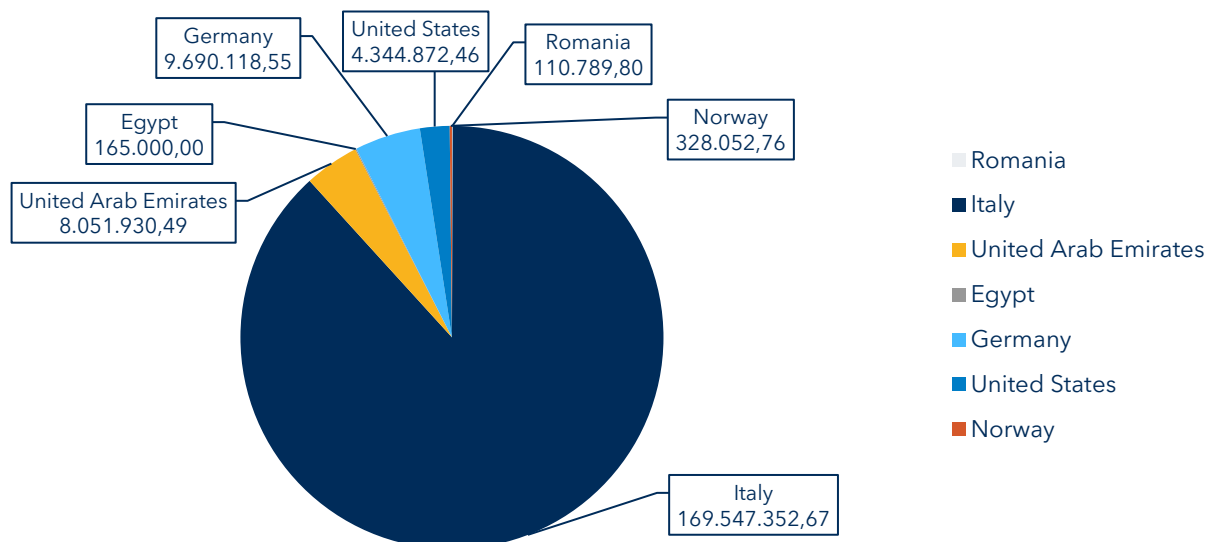
In 2020, the total value of Salcef Group supplies amounted to euro 192.2 million.

### Supply Chain 2020 - Distribution by type [euro]



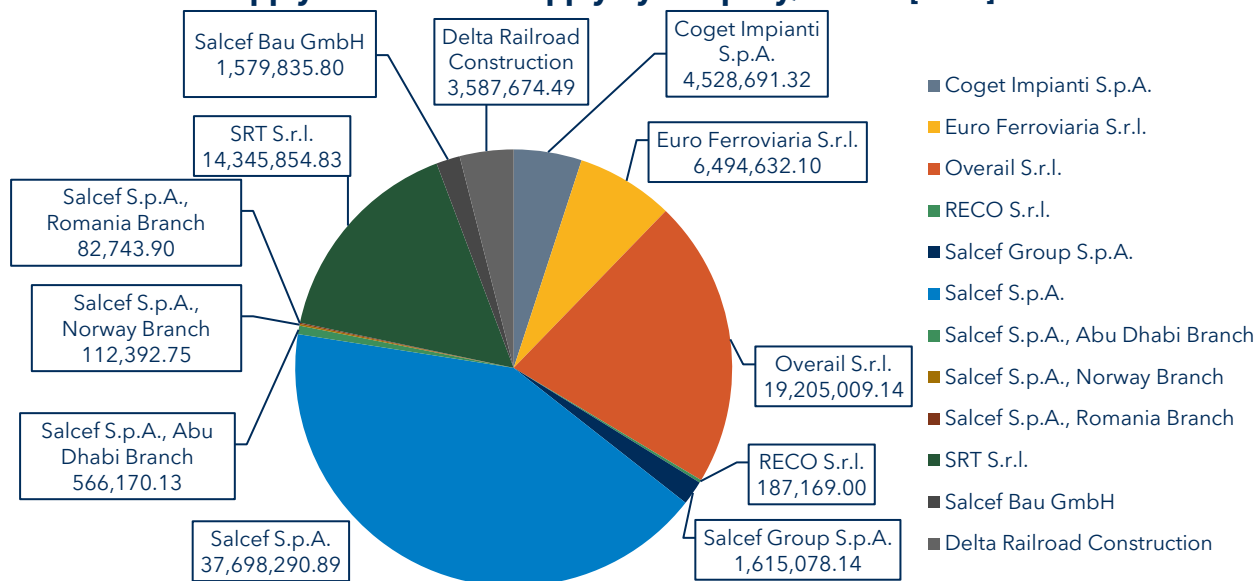
Most supplies came from Italy (about 88%).

### Supply Chain 2020 - Distribuzione per Paese [Euro]



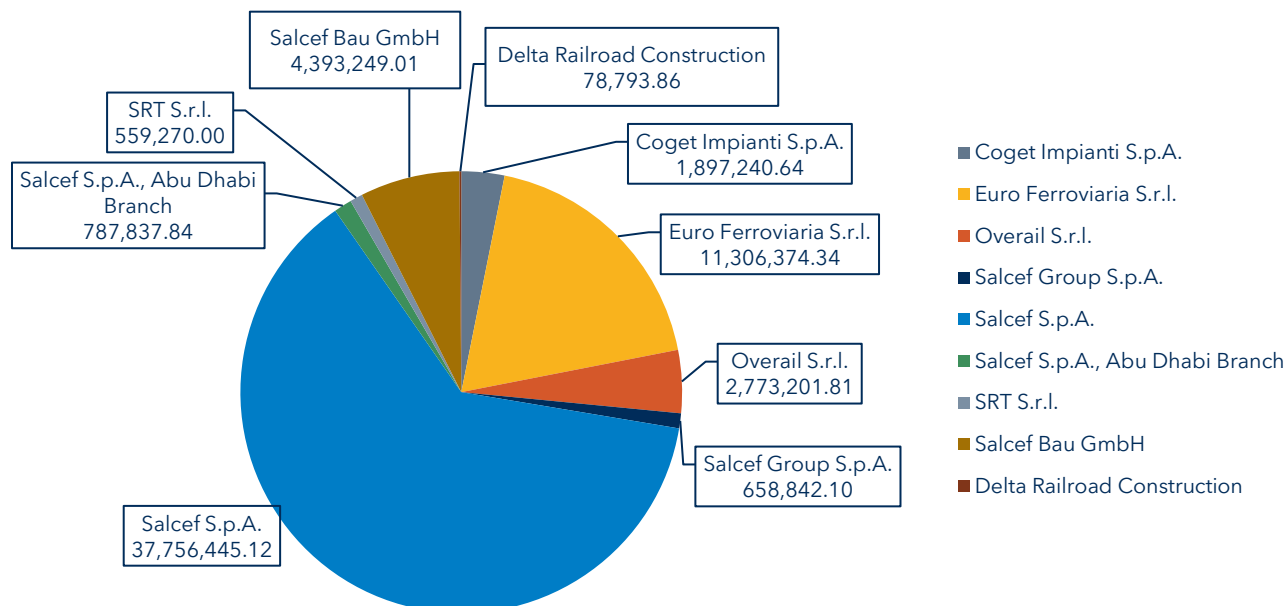
Salcef S.p.A. is the leading company as regards the two main supply categories

### Supply Chain 2020 - Supply by company/branch [euro]



Jobs (sub-contracts) are particularly widespread for construction companies.

### Supply Chain 2020 - Jobs by company/branch [euro]



With regard to suppliers and distributors outside the Group, the degree of concentration is very low. In 2020, the Group's top 5 and top 10 suppliers account for approximately 21% and 31% of costs respectively.

## Local suppliers

In the Group's business activities, which mainly consist of infrastructure projects on temporary and mobile worksites, the territorial base is often variable and this certainly does not facilitate relations with local suppliers. Local suppliers are defined as suppliers from the same country as the Group company or branch making the procurement. Despite the difficulties due to the type of business, the Group tries, whenever possible, to involve local suppliers in its business relations as this brings several benefits: the use of local suppliers allows the Group to minimise long-distance transport and mitigate the related environmental impact, with economic benefits as well. In addition, the use of local suppliers helps Salcef to have an initial contact with new communities and areas.

For some projects, the use of local suppliers is also regulated by specific contractual clauses provided by the Customer which commit Salcef to use local suppliers for certain categories or for a part of the total procurement.

In 2020, the Salcef Group maintained a strong link with the local supply chain, with an average of 90.2% of expenditure made with local suppliers. Below is a breakdown with respect to each Group company.

Company	Country	Orders placed with domestic suppliers [euro]	Orders placed with other suppliers [euro]	% Local suppliers
<b>Salcef S.p.A.</b>	Italy	89,892,061.93	3,464,950.39	<b>96.3%</b>
<b>Overail S.r.l.</b>	Italy	23,611,891.91	1,443,705.00	<b>94.2%</b>
<b>Euro Ferroviaria S.r.l.</b>	Italy	20,006,890.14	3,448,368.32	<b>85.3%</b>
<b>SRT S.r.l.</b>	Italy	13,398,504.21	1,867,645.82	<b>87.8%</b>
<b>Salcef Bau GmbH</b>	Germany	8,711,578.55	978,540.00	<b>89.9%</b>
<b>Coget Impianti S.p.A.</b>	Italy	6,998,350.75	14,298.01	<b>99.8%</b>
<b>Salcef Group S.p.A.</b>	Italy	4,988,252.74	100,676.04	<b>98.0%</b>
<b>Delta Railroad Construction Inc.</b>	United States of America	4,257,975.01	86,897.45	<b>98.0%</b>
<b>SALCEF S.p.A. Abu Dhabi Branch</b>	United Arab Emirates	1,217,879.87	6,834,050.62	<b>15.1%</b>
<b>Reco S.r.l.</b>	Italy	311,757.41	-	<b>100.0%</b>
<b>SALCEF S.p.A. Norway Branch</b>	Norway	487.07	327,565.69	<b>0.1%</b>
<b>SALCEF S.p.A. Egypt Branch</b>	Egypt	-	165,000.00	<b>0.0%</b>
<b>SALCEF S.p.A. Romania Branch</b>	Romania	-	110,789.80	<b>0.0%</b>
<b>Total</b>		<b>173,395,629.59</b>	<b>18,842,487.14</b>	<b>90.2%</b>

## Territory relations and development

GRI 413-1

### Partnerships with Universities

The Salcef Group, convinced that the training and preparation of its personnel is one of the keys to success in strengthening its business, has been actively collaborating with several Italian universities over the years, particularly in the search and selection of specialised middle management profiles (technical/engineering profiles).

In particular, for the third consecutive year, the Salcef Group is a partner in the second-level Master's degree programme in "Railway Infrastructure and Systems Engineering", organised by the La Sapienza University of Rome, with the collaboration of the largest leading companies in the railway sector, first and foremost the Ferrovie dello Stato Group.

Thanks to the Master's degree, the Salcef Group has been able to include several technical profiles in its workforce, first as interns and then with a subordinate contract, such as: mechanical design engineer, civil engineer, civil design engineer.

In addition, the Salcef Group has an active personnel area on the "Job Soul" website, for the publication of the Group's open positions, in collaboration with the Placement Offices of all the Universities located in the Lazio region.

Finally, SRT S.r.l., a Salcef Group company specialising in the maintenance and production of rolling stock, has availed itself, in recent years, of the collaboration of the prestigious Alma Mater Studiorum University of Bologna, for the activation of two curricular thesis writing internships, the first with a civil engineer and the second with a mechanical engineer.

### Association and community support

The pandemic emergency has certainly made the Salcef Group more sensitive to social issues, bringing it closer to the situations of the more marginalised members of society and structuring a continuous dialogue with the associations most active in helping the weakest citizens.

For a decade now, Salcef has been supporting the Caritas of Rome in implementing ideas and projects of solidarity within the city, addressing social hardship, focusing on the most needy and recently this relationship has intensified by participating in various initiatives to help others, such as the OGGI OFFRO IO ["IT'S ON ME"] project aimed at increasing the number of daily meals distributed in our soup kitchens; or in these times of pandemic, supporting the extraordinary emergency measures put in place by Caritas to cope with the spread of COVID-19, from reception, to health protection for the homeless and food support.

The Salcef Group has also supported the efforts of the Community of Sant'Egidio in combating the economic and social crisis linked to the COVID-19 pandemic, in order to meet the specific needs of the health emergency, with particular reference to combating forms of extreme poverty and the worsening poverty of the categories most affected by the crisis.

With the Group's contribution, the supply of meals in canteens and 'itinerant dinners' has been strengthened, particularly for the homeless, and many frail elderly people and families affected by the

crisis have been supported through the periodic distribution of food aid. Finally, local support/outreach centres have been created and strengthened in Rome and in many Italian cities, where Sant'Egidio is present, fortifying links with the local area, to ensure the long-term effectiveness of the measures taken, extending the range of multidimensional services (listening, guidance and counselling) that have combined emergency and welfare measures with personalised programmes to overcome conditions of hardship/poverty, also linked to the effects of the health emergency.

A spirit of active and concrete cooperation that unites apparently distant concerns, but which share the same sense of responsibility towards the entire community, including the weakest and most marginalised groups.

In addition, given the particular year, the Salcef Group has implemented measures in support of health facilities engaged in the fight against the pandemic. The initiative involves many Group companies, creating a support network distributed throughout the reference areas - from Lombardy to Marche and Lazio. Many local and national organisations and associations have benefited from the initiative, including, in addition to Caritas of Rome and the Community of Sant'Egidio already mentioned, the "Lazzaro Spallanzani" National Institute for Infectious Diseases, the "Ospedali Riuniti Marche Nord" Hospital, the "ASST Ospedali della Valcamonica" and the Fondazione Spedali Civili of Brescia, the Civil Defence and the Santa Maria Goretti Hospital in Latina.

## Sustainable Track Magazine

Since 2020, the Salcef Group has launched the **Sustainable Track** project, a twice-yearly magazine dedicated to the world of railway infrastructures and urban mobility, with special focus on the topic of sustainability. Each issue reports experiences in the field and provides in-depth analysis of the latest innovations, with a perspective ranging from Italy to international markets.

The magazine is a way to involve both employees and collaborators in the latest news from the railway world, but also to engage all other stakeholders by sharing projects, knowledge and news.

For more information and to see the published numbers of the magazine:  
<https://www.salcef.com/it/magazine-sustainable-track/>



### **3. GOVERNANCE**

## Responsible corporate governance

GRI 102-12 GRI 102-13 GRI 102-18 GRI 103-2 GRI 205-1 GRI 205-2 GRI 205-3 GRI 405-1

The corporate governance structure adopted by Salcef is based on the traditional organisational model and consists of the following corporate bodies:

- the Shareholders' Meeting (which resolves on matters provided for by law and the Articles of Association)
- the Board of Directors (entrusted with the management of the Company);
- the Board of Statutory Auditors (entrusted with the supervisory function).

KPMG S.p.A., appointed by the Shareholders' Meeting of 5 October 2020, has been entrusted with auditing the accounts. This assignment is granted until the approval of the financial statements at 31 December 2028.

On 6 October 2020, the Board of Directors resolved to adhere to and adopt the Corporate Governance Code of Borsa Italiana (available to the public on the website: [www.borsaitaliana.it](http://www.borsaitaliana.it)).

### Corporate bodies and Committees

The Board of Directors, which consists of nine members, was appointed by the Shareholders' meeting of 14 October 2019 and integrated on 5 October 2020 for the 2019-2021 three-year period, which appointed Gilberto Salciccia as Chairman.

#### Board of Directors

Board of Directors	
Gilberto Salciccia	Chairman of the Board of Directors
Valeriano Salciccia	CEO
Alessandro Di Paolo	Board member
Giovanni Cavallini	Board member
Attilio Francesco Arietti	Board member
Germano Maiolini	Board member
Bruno Pavesi	Independent director
Valeria Conti	Independent director
Emilia Piselli	Independent director

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company and is granted all the powers necessary for the implementation and achievement of the corporate purposes that are not strictly reserved by law or by the Articles of Association to the Shareholders' meeting.

The Chairman of the Board of Directors is entitled to represent the Company without any limitation and is also responsible for the organisation and management of corporate structures, as well as for defining the guidelines and operating strategies of the other companies of the Salcef Group. In particular: a) defining the strategic guidelines for new investments and activities aimed at efficiently maintaining the Company's assets; b) defining the operational plan for the Salcef Group's investments; c) research and development as well as other activities which, in the medium and long term, are aimed at increasing and diversifying

the range of products and services offered by Salcef Group companies, including the implementation of design activities and the study of new patents and production systems.

To the Chief Executive Officer (CEO) are attributed the powers of general representation, personnel management and labour relations, administrative management, contracts and financial management.

Board of Directors - Diversities (gender - age groups)					
Women		Men		Total	
No.	%	No.	%	No.	%
2	22.2%	7	77.8%	9	100.0%
Under 30		Between 30 and 50		Over 50	
No.	%	No.	%	No.	%
-	-	3	33.3%	6	66.7%

It should be noted that the adjustment to the principle of compliance with the diversity criterion referred to in the Corporate Governance Code (Principle 2.P.4), according to which at least one third of the Board is made up of directors of the least represented gender, will be carried out during 2021.

## Board of Auditors

Board of Auditors	
Daniela Lambardi	Chairwoman of the Board of Auditors
Giovanni Bacicalupi	Regular Auditor
Roberto Schiesari	Regular Auditor

## Committees

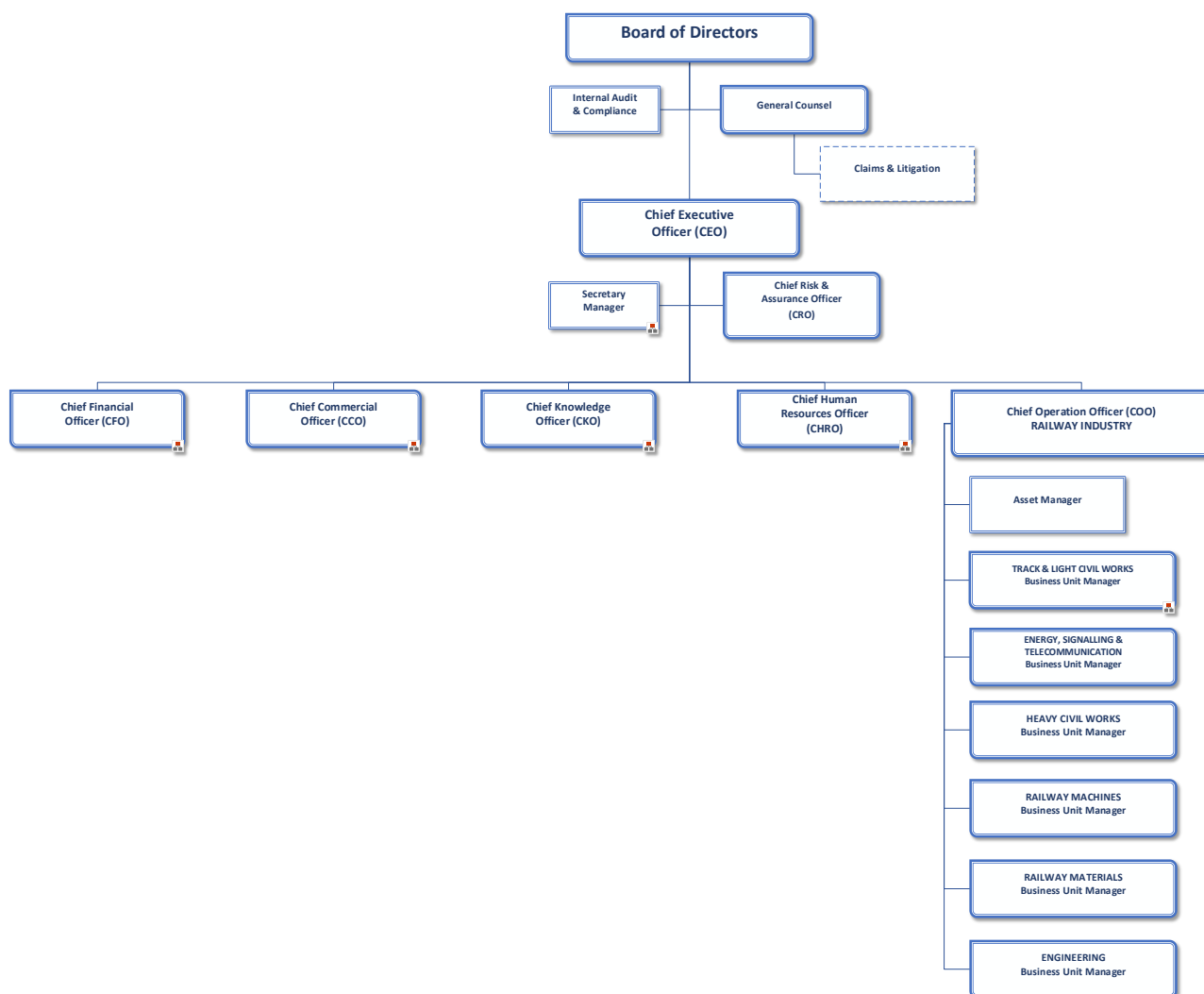
Salcef governance envisages the following Committees, of which the members of the Board of Directors are part:

- **Remuneration and Appointments Committee** (3 members): this committee advises and informs the Board of Directors on the determination of the remuneration of directors holding special offices, as well as on the remuneration and loyalty policies relating to personnel. The committee is composed of Emilia Piselli (Chairwoman); Bruno Pavesi and Attilio Francesco Arietti;
- **Control and Risk Committee** (3 members) supports the Board of Directors in assessing and deciding on risks and the internal control system. The committee is composed of Valeria Conti (Chairwoman); Emilia Piselli and Alessandro Di Paolo.
- **The Related Parties Committee** performs the functions provided for by the regulation containing provisions on transactions with related parties adopted by CONSOB with resolution no. 17221 dated 12 March 2010 as amended and supplemented, also taking into account the indications and guidelines for the application of the RPT Regulation provided by CONSOB with communication no. DEM/10078683 dated 24 September 2010. The committee is composed of Bruno Pavesi (Chairman); Emilia Piselli and Valeria Conti.

## Organisational structure

The organisational structure of Salcef Group S.p.A. has been developed with a view to optimising not only the processes for the provision of centralised services, but also to guarantee the management and coordination function between the Holding and its subsidiaries, ensuring the best conditions for the performance of the core business of the subsidiaries.

The organisational model is therefore strongly focused on "Management and Coordination", with the aim of providing governance of the Group and its subsidiaries, as well as defining the principles of corporate organisation, process management and resource management.



The organisational structure is split into 4 central departments and 1 operating department:

- **Railway Industry Operating Department:** function dedicated to the updating, development and management of Group business activities, as well as to the development of the organisation's technical and scientific know-how. Within this department operate the Asset Manager and the Business Unit Managers, who coordinate the Group's operating activities through the COOs of the subsidiary companies. The person in charge of the Railway Industry Operating Department is the *Railway Industry Chief Operating Officer*.
- **Central Finance Department:** function dedicated to the administrative, financial management and management control. The person in charge of the Department is the *Chief Financial Officer (CFO)*.
- **Central Business Department:** function dedicated to Group business development, including marketing, prequalification, external communication and Group brand promotion. The person in charge of the Department is the *Chief Commercial Officer (CCO)*.

- **Central Knowledge Department:** function dedicated to the coordination, updating and development of integrated management systems, in accordance with regulatory and technical standards. The integrated management systems include the health and safety system, environment, quality and privacy, ICT. Furthermore, the department also includes the procurement offices of the parent company, which coordinates and defines the logics to ensure the efficacy and efficiency of procurement within the Group. The person in charge of the Department is the *Chief Knowledge Officer (CKO)*.
- **Central Human Resources Department:** function dedicated to the coordination, updating and development of human resources. The person in charge of the Department is the *Chief Human Resources Officer (CHRO)*.

In addition to the structures identified above, the Company's organisational model includes the following units that report to the CEO or directly to the Board of Directors:

- **Chief Risk & Assurance Officer (CRO):** in charge of analysing and managing business risks and identifying and resolving critical issues that could damage the organisation's business.
- **Internal Audit & Compliance:** supports the organisation in monitoring, auditing and surveillance activities pursuant to Legislative Decree no. 231/01. It also plays the role of compliance function for the prevention of corruption according to the requirements of ISO 37001. For more details, see [The internal audit function](#).
- **General Counsel:** coordinates legal activities.

## Adhesion to external initiatives and Memberships

### Adhesion to codes of conduct and principles

#### WE SUPPORT



In October 2020, Salcef Group S.p.A. joined the Global Compact, the United Nations initiative created to encourage companies around the world to adopt sustainable policies and make them public, in compliance with corporate social responsibility. Salcef Group is committed to supporting and implementing the ten principles of the UN Global Compact, relating to human rights, working conditions, environment and anti-corruption. Salcef's commitment is to integrate these principles into its strategy, culture and daily actions. For more information, please visit the Salcef Group S.p.A. participant page on the website <https://unglobalcompact.org/what-is-gc/participants/141744>

### Associations - Memberships

Through its companies, the Salcef Group is a member of various trade associations as shown on the table.

Trade associations	Salcef Group S.p.A.	Salcef S.p.A.	Euro Ferroviaria S.r.l.	Overall S.r.l.	Coget Impianti S.p.A.
<b>Associazione Nazionale Imprese Armamento Ferroviario (ANIAF)</b>		●	●		
<b>ANIE Federazione</b>	●				●
<b>Collegio Ingegneri Ferroviari Italiani (CIFI)</b>	●				
<b>Confindustria Brescia</b>					●
<b>UNINDUSTRIA</b>				●	

Below is a short description of the individual associations.

### **Associazione Nazionale Imprese Armamento Ferroviario (ANIAF)**

The Associazione Nazionale Imprese Armamento Ferroviario, established in 1997, represents leading companies specialised in rail/track construction and routine and special maintenance. For more details, see the association's website and the pages dedicated to member companies: <https://www.aniaf.it/associati/>.

### **ANIE Federazione**

ANIE Federation is one of the largest trade organisations in the Confindustria system in terms of importance, size and representativeness. ANIE has 1,500 member companies in the electrical and electronic sector.

The member companies, suppliers of cutting-edge technological systems and solutions, are an expression of Made in Italy technological excellence, the result of significant annual investments in research and innovation. ANIE's sectors account for 30% of the private expenditure in Research and Innovation invested each year in our country. For more details see the association's website and the page dedicated to member companies: <https://anie.it/aziende>.

### **Collegio Ingegneri Ferroviari Italiani (CIFI)**

The Collegio degli Ingegneri Ferroviari Italiani (C.I.F.I.), founded in 1899, is one of the oldest and most important technical and professional associations in Italy.

It brings together approximately 2200 individual members and over 130 industrial and transport companies, as well as a number of university institutes. The CIFI's activities are fundamentally cultural and provide moral support to the profession. For more details see the association's website: <http://www.cifi.it/>.

## Confindustria Brescia and UNINDUSTRIA

Area concerns of the Confindustria system in the areas of Brescia and Lazio. They represent and protect entrepreneurs and businesses in the area and offer widespread external representation and an integrated system of relations with stakeholders. For more details see the association's website: <https://www.confindustriabrescia.it/> and <https://www.un-industria.it/>.

## Organisation, management and control model Leg. Decree no. 231/2001

The Salcef Group has adopted an "Organisation, Management and Control Model" ("Governance Model or Model") pursuant to Legislative Decree no. 231/2001; this legislation introduced the administrative liability of entities into the Italian legal system. The Model takes into account the organisational and operational characteristics of Salcef and is periodically updated. As required by the relevant legislation, an appropriate Supervisory Body (SB) has been established to oversee the operation of and compliance with the Model and to update it. The Model is available on the website [CG Salcef - Company Documents](#)

The Model consists of a General Section and Special Sections. The General Section describes the essential components of the Model, with particular reference to the Supervisory Body, the training of personnel and dissemination of the Model inside and outside the company, the disciplinary system and the measures to be taken in case of non-compliance with the provisions of the same.

The Special Sections are dedicated to the different types of crimes and administrative offences considered of possible risk for the Salcef Group. To this end, each Special Section contains references to the individual offences referred to in Legislative Decree no. 231/2001, to the general principles of conduct by which behaviour must be inspired in all areas potentially at risk of offence, and to the areas identified as being at risk of offence. Within each area at risk of offence are identified the sensitive activities, the possible ways in which offences may be committed or conducts instrumental to their commission, as well as the principles of preventive control.

## Code of Ethics

Salcef is determined to ensure maximum fairness in the conduct of its business and related activities, including in order to protect its image and reputation. The Code of Ethics, an integral part of the Model, sets out the principles and ethical values to which Salcef adheres in carrying out its business, and with which it expects the strictest compliance by all persons present in the company and, more generally, by all those who cooperate and collaborate with it in the pursuit of its corporate mission.

The Salcef Group bases all its actions, operations, relationships and transactions implemented in the management of the various corporate activities on the principles of the Code of Ethics. The Code of Ethics is binding on those who hold positions of representation, administration or management, or exercise, even *de facto*, the management and control of Salcef, or who cooperate and collaborate with it, for any reason, in the pursuit of its business objectives, on all employees without exception, collaborators and anyone who has business relationships with Salcef. In particular, Salcef Directors are required to be guided by the principles of the Code of Ethics, in setting the objectives of the company, in proposing investments and implementing projects, and in any decision or action relating to the management of Salcef.

To achieve its objectives, Salcef complies with the following principles:

<b>Observance of the laws and compliance with rules of conduct</b>
<b>Equality and impartiality</b>
<b>Integrity, honesty, transparency and reliability</b>
<b>Loyalty, fairness and good faith</b>
<b>Confidentiality and protection of company know-how</b>
<b>Value of the individual and of human resources</b>
<b>Protection of the environment and safety</b>

The Salcef Group has implemented a (Whistleblowing) channel dedicated to the receiving of reports and capable of ensuring, by computer and cryptographic means, the confidentiality of the reporter's identity. This channel is accessible through the MySalcef system, by filling in a special form available on the home page of the application. Reports are managed by the Head of Internal Audit & Compliance, who is the only person with the credentials to access this information. To date, no reports have been received through the Whistleblowing channel.

The Salcef Group, through its subsidiary Salcef S.p.A., has joined the initiative of the Italian Antitrust Authority (AGCM) and obtained Legality Rating, the last renewal of which has taken place in 2019.

## Anti-corruption measures

The risks of active and passive corruption can significantly compromise a company's reputation and image and have a significant impact on business management. For the Salcef Group it is essential and strategic, also taking into account the profile of its customers, to have adequate tools, policies and systems to counter any potential risk in this area. Salcef's anti-bribery system specifically provides for:

- Code of Ethics
- 231 Organisational Model
- ISO 37001 Management System

The Anti-Bribery Management System, which has obtained ISO 37001 certification, has been operational since 20 January 2020 and is applied to all companies, processes, procedures and operations of the Group. The most significant risks related to corruption are reported in the following [Skills training](#) and development paragraph.

The system of anti-corruption policies and procedures is subject to assessment and approval by the Board of Directors of the parent company Salcef Group S.p.A. and is communicated and disseminated to directors, Group company managements and employees.

As reported in the [Skills training and development](#) paragraph, specific training modules are envisaged with regard to anti-corruption and Model 231. The supplier qualification and selection procedures ([Supplier qualification and selection criteria](#)) paragraph envisage specific procedures of communication and acceptance of the Group policies system.

During the course of the 2020 financial period, as in the previous periods subject to reporting, no episodes have been ascertained of active or passive corruption involving directors or employees of the Salcef Group.

## The management systems

The Group has structured its management system over time in compliance with international standards on quality (ISO 9001:2015), environment (ISO 14001:2015), health and safety (ISO 45001:2018), anti-bribery (ISO 37001:2016), corporate social responsibility (SA 8000:2014), energy (ISO 50001:2018), road safety (ISO 39001:2016), and industry best practices. The following is an overview of the management systems applied and their correlation with the material themes.

Management system	Description	Material issue references
<b>ISO 9001</b>	Quality management system, applied to the company's processes and organisation, with the aim of improving effectiveness and efficiency in product manufacture and service delivery, as well as achieving and increasing customer satisfaction.	<ul style="list-style-type: none"> <li>• Quality and safety of products / services</li> <li>• Financial performance</li> <li>• Human resources management, skills training and development</li> <li>• Work environment</li> <li>• Local community/territory relations and development</li> </ul>
<b>ISO 14001</b>	Appropriate management system to control the environmental impacts of its activities, and systematically seek their improvement in a coherent, effective and above all sustainable way.	<ul style="list-style-type: none"> <li>• Climate change: energy - emissions</li> <li>• Sustainable resource management and circular economy</li> <li>• Water withdrawal and consumption</li> <li>• Noise and vibration management</li> <li>• Human resources management, skills training and development</li> <li>• Environmental and social impact of products/services</li> </ul>
<b>ISO 45001</b>	Occupational health and safety management systems defining minimum standards of good practice for the protection of workers. They also establish a framework for improving safety, reducing occupational hazards and enhancing the health and well-being of workers, thereby increasing health and safety performance.	<ul style="list-style-type: none"> <li>• Occupational health and safety</li> <li>• Noise and vibration management</li> <li>• Work environment</li> <li>• Human resources management, skills training and development</li> <li>• Quality and safety of products / services</li> </ul>
<b>ISO 50001</b>	A management system that aims to pursue, through a systematic approach, the continuous improvement of its energy performance, including energy efficiency as well as energy consumption and use.	<ul style="list-style-type: none"> <li>• Climate change: energy - emissions</li> <li>• Sustainable resource management and circular economy</li> <li>• Environmental and social impact of products/services</li> </ul>
<b>ISO 37001</b>	Management system to support the organisation in its fight against corruption by establishing a culture of integrity, transparency and compliance. The standard can provide an important aid in implementing effective anti-corruption measures.	<ul style="list-style-type: none"> <li>• Ethics and integrity in business management</li> <li>• Human resources management, skills training and development</li> <li>• Responsible management / supply chain sustainability</li> </ul>
<b>SA 8000</b>	A management system relating to corporate social responsibility (CSR) that aims to improve working conditions. In particular, the management system relates	<ul style="list-style-type: none"> <li>• Ethics and integrity in business management</li> <li>• Noise and vibration management</li> </ul>

Management system	Description	Material issue references
	to: respect for human and workers' rights, protection against the exploitation of minors, and protection of occupational health and safety.	<ul style="list-style-type: none"> <li>Human resources management, skills training and development</li> <li>Work environment</li> <li>Occupational health and safety</li> <li>Environmental and social impact of products/services</li> <li>Responsible management / supply chain sustainability</li> <li>Local community/territory relations and development</li> </ul>
<b>ECM</b>	Management system in accordance with EU Regulation 779/2019 (ex EU Reg. 445/2011) which aims to improve access to the rail transport services market by defining common principles for the management, regulation and supervision of railway safety, in particular defining requirements for the training, competence and organisation of Entities in Charge of Maintenance (ECM) across the Union.	<ul style="list-style-type: none"> <li>Human resources management, skills training and development</li> <li>Quality and safety of products / services</li> </ul>
<b>ISO 39001</b>	Management system aimed at planning, implementing and improving road safety and reducing the risk of accidents on the road	<ul style="list-style-type: none"> <li>Management, skills training and development of human resources</li> <li>Work environment</li> <li>Occupational health and safety</li> </ul>

Below is a table showing a summary of the certificates obtained by the Group companies with respect to the management systems.

Company	ISO 9001	ISO 14001	ISO 45001	ISO 50001	ISO 37001	SA 8000	ECM	ISO 39001
Salcef Group S.p.A.	●	●	●					
Euro Ferroviaria S.r.l.	●	●	●			●		
Salcef S.p.A.	●	●	●		●	●		●
Reco S.r.l.	●							
SRT S.r.l.	●						●	
Overail S.r.l.	●	●	●			●		
Coget Impianti S.p.A.	●	●	●	●	●	●		
Delta Railroad Construction <sup>3</sup>	●							

<sup>3</sup> Certification of Delta Railroad Construction refers only to the Quality Track Equipment, subsidiary of Delta Railroad Construction, Inc.

## Quality, safety and environmental impacts of the service

GRI 103-2 GRI 416-1

In over 70 years of business, Salcef has carried out hundreds of projects all over the world, to ensure the **safety of railway traffic, create new connections and contribute to sustainable urban mobility**. Railway infrastructures have been built in many different operating scenarios, from the Arabian desert to the ice of the North: each project has represented a technical and methodological challenge, and an opportunity to consolidate the Group's position on the international market.

Quality, respect for the environment, health and social responsibility are essential conditions for running a business. Salcef is committed to achieving the company's objectives of protecting the environment, maintaining the highest level of technical efficiency, ensuring legality, optimising the rational use of resources and energy, and identifying all risks to people and the territory, in the belief that these elements represent added value for the customer, for the work done and for those who make use of it.

In addition, the Group's international nature has enabled it to gain in-depth knowledge of the sector's regulatory system abroad as well as at national and European level, thus increasing its skills and offering ideas for improvement and innovation, making the management model even more solid. For further details see the [Regulatory compliance](#) paragraph

### The integrated policy for quality, the environment and safety

Salcef is oriented towards the provision of excellent services to its customers and the promotion of a culture of quality, respect for the environment and safety, for the design, construction and maintenance of railway, tramway and underground/metro lines and related civil works with the supply of related components, as well as machinery, vehicles and rolling stock for the construction, renewal and maintenance of infrastructures and the design and production of prefabricated components for the railway infrastructure.

For the Salcef Group, the protection of the environment is a fundamental value of the community and is compatible with business development. The Salcef Group is therefore committed to operating in its headquarters and construction sites in compliance with applicable regulations, applying the best available technologies, to promote and plan business development aimed at enhancing natural resources, preserving the environment and promoting initiatives for widespread environmental protection. Furthermore, the Group operates by taking into account the needs of the communities in which it carries out its business activities (worksite activity territorial areas) and contributes to their economic, social and civil development.

To this end, the continuous improvement of internal management processes is considered fundamental, operating according to the methods provided for by the integrated quality, environment and occupational health and safety management system in compliance with UNI ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards.

## Industry certifications - Technical qualifications

The Group's business activities are mainly concentrated in the public sector and are therefore exposed, in Italy and abroad to changes in the inherent regulatory framework, such as, but not limited to: public works regulations, tax and environmental regulations, public safety, building and urban planning.

As well as holding general certifications (i.e. ISO 14001:2015 for the environment and ISO 45001:2018 for safety), the Group also holds certifications relating to the reference sector. In particular, the Group companies engaged in construction activities in Italy (Salcef S.p.A., Euro Ferroviaria S.r.l. and Coget Impianti S.p.A.) hold the SOA certification, which is the mandatory certification for participation in tenders for the execution of public works contracts, as well as for inclusion in special supplier registers managed by the main customers, managers of railway and urban transport infrastructures.

The main technical qualifications held by the Salcef Group and specific to its sector are listed below:

- **Qualification RFI SQ\_001** - Works on electric traction and energy systems
- **Qualification RFI SQ\_003** - Providers of engineering services
- **Qualification RFI SQ\_004** - Jobs on track works
- **Qualification RFI SQ\_005** - Railway signalling systems
- **Qualification RFI SQ\_011** - Civil works on operating lines
- **Qualification RFI SQ\_012** - Maintenance of equipment and machinery
- **Qualification RFI SQ\_013** - Technological systems for emergencies in railway tunnels
- **Qualifications Deutsche Bahn AG** - Supplier management system
- **Certification Zertifizierung Bau** - Monitoring of sewer pipes on behalf of third parties
- **Qualification Terna S.p.A.** - Works on 150Kv and 380Kv power lines (LELE02-04)
- **Qualification Terna S.p.A.** - HV Cable laying works (LELE04)
- **Qualification Achilles Utilities Nordics & Central Europe** - Supplier prequalification system
- **Entity in charge of maintenance** - EU Dir. 2004/49/EC and EU Reg. no. 445/2011

## The environmental impact of services and products

Salcef's integrated policy and, specifically, the ISO 14001 environmental management system that is part of it, aims to ensure full compliance with applicable legal requirements and other regulations and international standards on the environment, pursuing continuous improvement.

In this context, it is therefore a priority for Salcef to comply with environmental regulations in the conduct of its business activities, in the various countries where it operates, in order to minimise the environmental impact of services and products (products for infrastructures and the provision of railway services).

Risks related to compliance with environmental regulations, as well as to the use of potentially hazardous substances, with the possibility of environmental damage and/or other violations of applicable regulations, are identified and managed through a system that provides for:

- A system of company proxies that determines the competencies, responsibilities and powers of the persons in charge of managing environmental issues.
- Training of all personnel on regulatory issues as well as specific duty training.
- Adaptation of all company procedures and personnel behaviour to the principles of compliance with these regulations.

- Plan for periodic checks on the correct application of procedures and the level of training of personnel, as well as the internal sanctions system.
- Activation of controls for compliance with environmental regulations by relevant suppliers and subcontractors.
- Supervision of the correct application of the integrated management system procedures and of any additional job-specific procedures (quality, environmental or other management plans).

From a different perspective, the activities managed by Salcef, which play an important role in the transition to an extended model of sustainable mobility, are able to generate positive environmental and social impacts (see the previous chapter on this subject). [1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY](#) and the [Commitment towards sustainable mobility](#) paragraph.

Such positive environmental and social repercussions can in fact be more effective considering Salcef's capacity to develop and put forward innovative and technologically cutting-edge solutions, analysed in detail in the following [4. INFRASTRUCTURES, MACHINES AND INNOVATION](#) chapter.

# The control model and efficacy of policies

GRI 103-3

## The internal audit function

Salcef's control model includes the Internal Audit function. The Internal Audit Manager checks, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system, through an audit plan, approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks.

The objective of the internal audit activity is to assess the effectiveness of the policies adopted by the Salcef Group in the various relevant areas and fields and to identify improvement measures.

The Internal Audit department also prepares periodic reports containing adequate information on its activities, on the way in which risk management is conducted and compliance with the plans defined for risk containment, and verifies, as part of the audit plan, the reliability of information systems including accounting systems. The Internal Audit Manager is not responsible for any operational area and reports hierarchically to the Board of Directors.

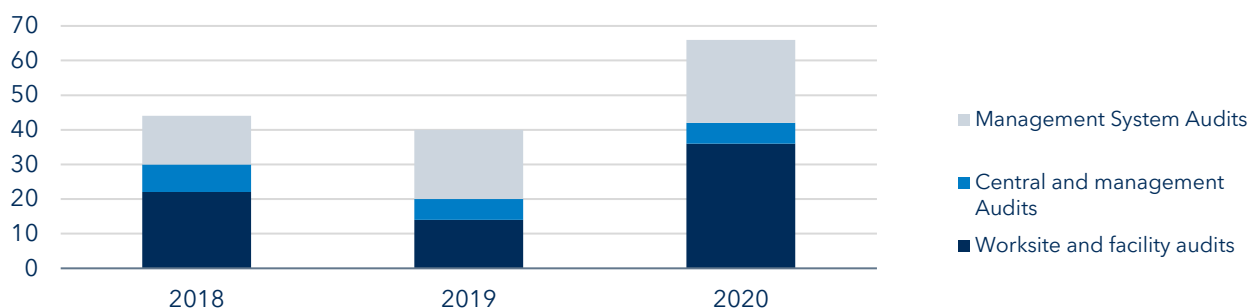
## Policy assessment

The Group constantly verifies the effectiveness of its policies, procedures and management systems through internal audits. In particular, three macro-types of audits have been identified:

- **Central and management audits:** audits aimed at assessing the Group's central and transversal processes, checking the correct application of procedures, information flows and the integrated management system, as well as compliance with the Management Organisational Model (MOM) pursuant to Legislative Decree no. 231/01. Audits are conducted by the parent company's Internal Audit & Compliance department, which also relies on the support of other central internal departments and external consultants.
- **Management System Audits:** audits carried out to check the correct application of the management systems applied.
- **Worksite and facility operating audits:** audits carried out to check the proper functioning of operational processes, especially with regard to safety, environment and quality aspects. These are mainly carried out by the HSE function of the reference company.

The following graph shows the trend of audits carried out in the 2018-2020 three-year period for all types.

### Audits carried out per year



### Central and management audits

The central and management audits have concerned the areas summarised on the table

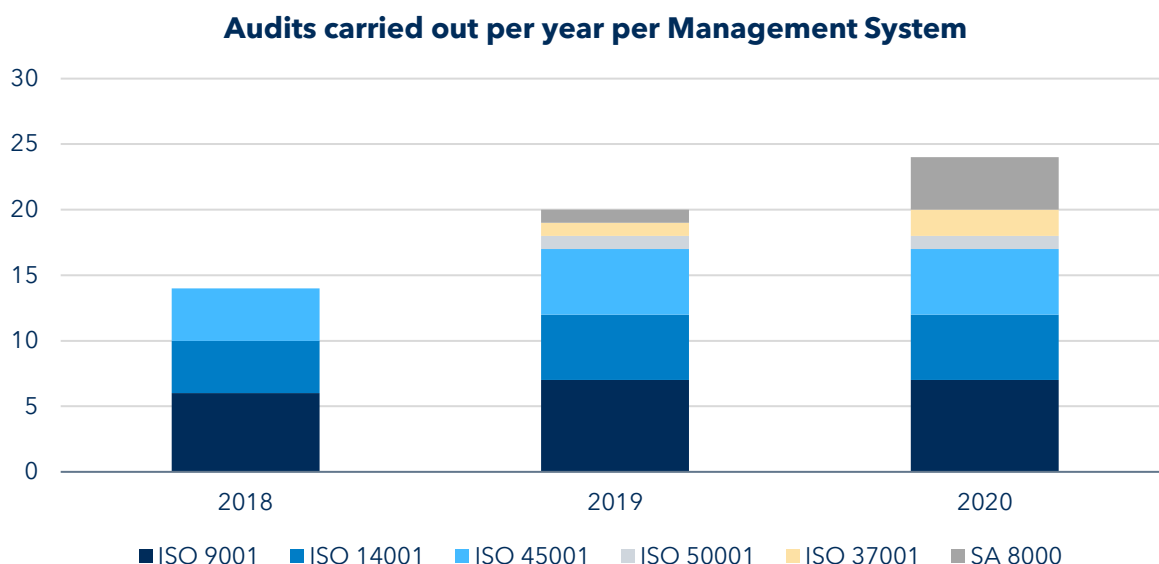
Central and management audits	2018	2019	2020
MS Safety Management	●		
MS Management Consultancy Management	●	● <sup>4</sup>	
Procurement Management	●	● <sup>4</sup>	● <sup>4</sup>
Treasury Management	●		
Closing of Financial Statements	●		
Intercompany Contracts	●		
Tender and Sales Management	●	● <sup>4</sup>	●
MS Sponsorships and Contributions	●		●
Order Management		●	
Order Management - Environmental Aspects		●	
Wages and contributions		●	● <sup>4</sup>
Gifts, Entertainment and Hospitality Expenses			●
Keeping of Insider MS Register			●

No Nonconformities or ineffective procedures were registered for 2020, but a number of new requirements and improvement opportunities were.

<sup>4</sup> Follow up Audit

## Management System Audits

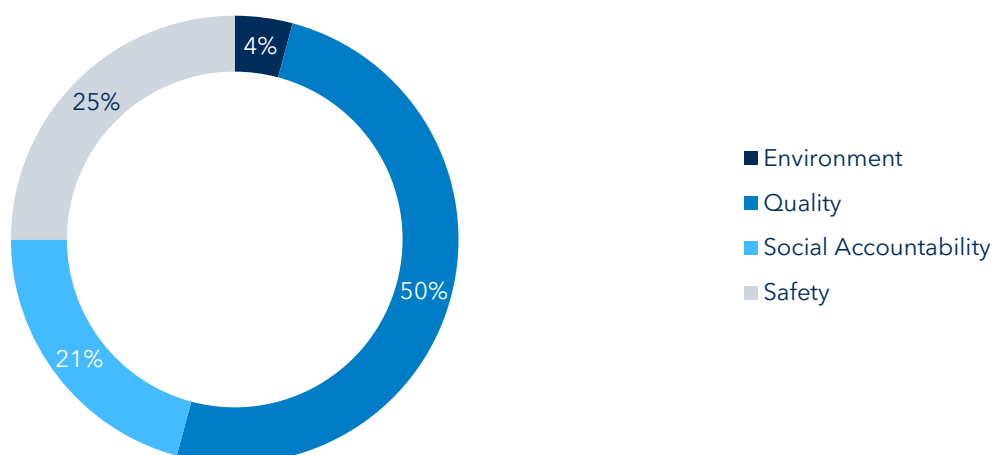
During the 2018-2020 three-year period, audits were carried out on all the management systems applied in the Salcef Group companies. The following graph shows the trend of the Management System audits carried out in the 2018-2020 three-year period:



During the course of 2020, 24 observations were made which mainly concerned the following aspects:

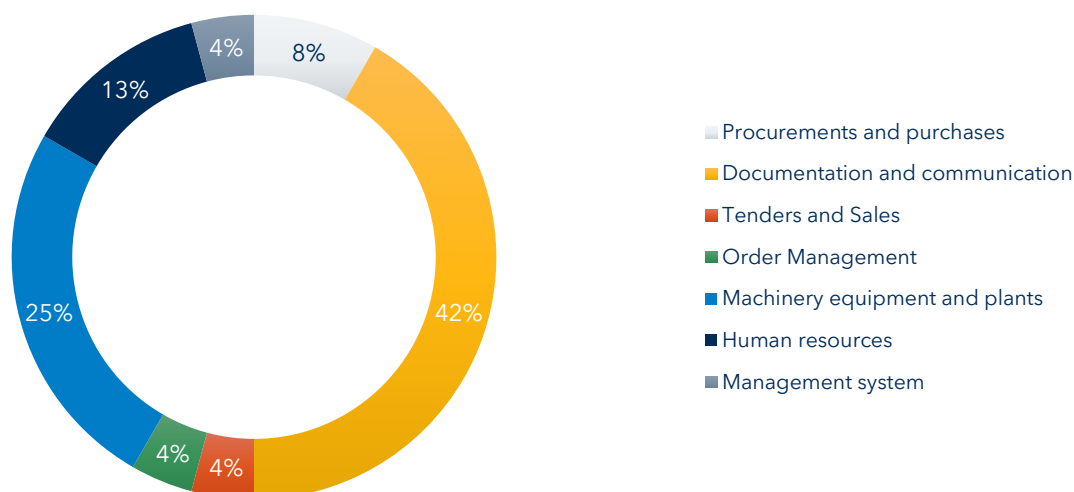
- Quality
- Social Accountability
- Safety
- Environment

## Field of Observations - 2020



During 2020, the 24 observations made on management systems mainly concerned aspects relating to “Documentation and Communication” and “Machinery, equipment and plants”.

### Type of Observations - 2020

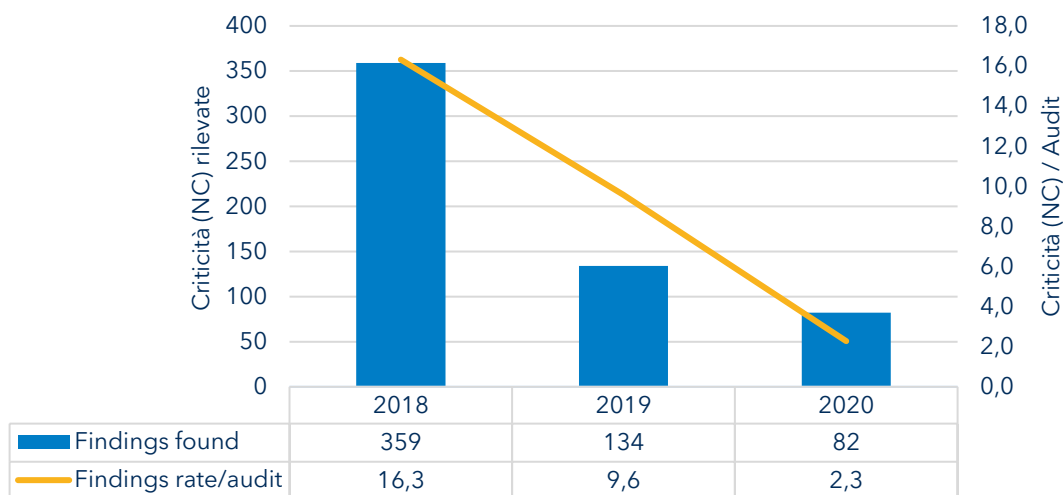


### Worksite and facility operating audits

Operating audits are of paramount importance for the Group as they make it possible to ascertain that all the procedures and organisation put in place to perform business activities are in fact followed.

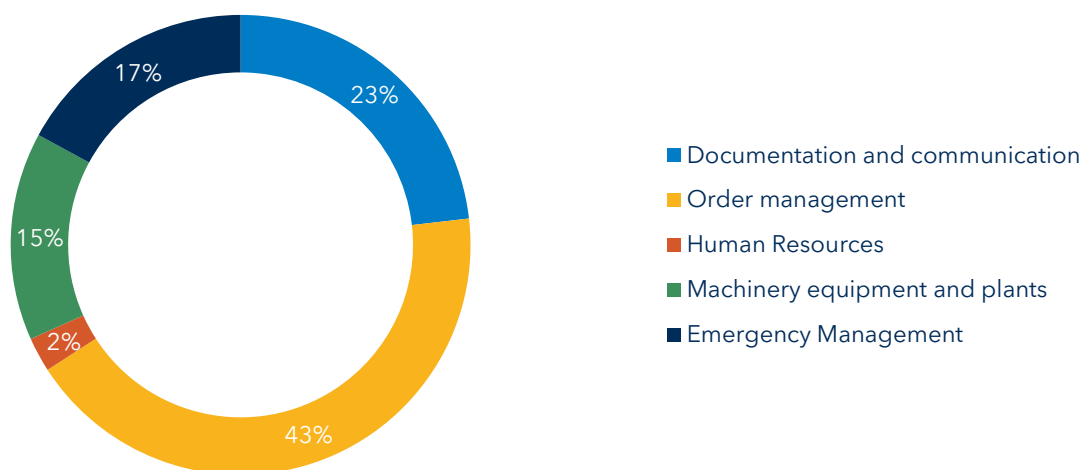
Over time, the operating audit planning and conduction process has become standardized and all the corrective measures adopted have gradually improved the process with a consequent reduction in the number of findings detected, as is shown on the following graph.

### Worksite and facility operating audits - Findings (NC)



With respect to 2020, the 82 nonconformities found, all now closed or undergoing closing, mainly concerned aspects tied to job management and documentation and communication.

### Worksite and facility operating audits - Type of reported NC - 2020



### Social Performance Team

Salcef has set up a **Social Performance Team**, a function provided for by the SA 8000 standard - Social Accountability, whose duty it is to:

- collaborate in risk assessment, to identify and prioritise areas of actual or potential non-compliance with the SA 8000:2014 standard and/or the ISO 45001:2018 standard;
- suggest to the Management improvement actions to address the identified risks;

- effectively monitor activities in the workplace in order to control compliance, the implementation of planned actions and the effectiveness of the methods adopted;
- collaborate with other areas of the organisation to review, define, analyse and/or resolve any possible non-compliance with SA 8000:2014 and ISO 45001:2018 standards;
- facilitate the conducting of periodic internal audits and prepare reports for Management on the performance and benefits of measures taken;
- organise periodic meetings to review the progress made and identify any measures to make the application of the SA 8000:2014 and ISO 45001:2018 standards more effective.

The Social Performance Team (SPT) also performs the functions of Safety Committee, established in accordance with ISO 45001:2018 - Safety Management System.

## The Salcef Group in EcoVadis

All Italian Salcef Group operating companies are registered in the EcoVadis portal. EcoVadis is an independent and internationally accredited body that provides corporate social responsibility assessments of companies operating in over 160 countries and in more than 200 sectors. In particular, EcoVadis also plays a significant role in the supplier assessment of RFI, the Group's main customer.

Salcef, Euro Ferroviaria, Overail, SRT and Coget Impianti have been assessed through the analysis of policies, actions and results in four distinct areas: environment, labour practices and human rights, fair trade practices and sustainable procurement, and have achieved better overall scores than the average for the reference sector, being awarded one gold and four silver medals. For the Group, this result is both a means of further improving the sustainability practices already in place and a further guarantee for customers.



# Risk management

GRI 102-11 GRI 102-15

## Enterprise Risk Management

The Salcef Group has adopted a risk management methodology - **Enterprise Risk Management (ERM)** - appropriately tailored to its specific business, for the identification, assessment, treatment and monitoring of business risks. The analysis of business processes has led to a map of business activities and their relationships, which is associated with a list of risks, but also of opportunities of varying importance in terms of criticality and impact.

### ERM goals

- To promote the dissemination of risk management in business processes in order to ensure consistency in methodologies and tools for risk management and control;
- To develop a common language and disseminate an adequate risk management culture;
- To provide a uniform approach for the identification of events which could affect the company's business activities;
- To ensure the carrying out of business activities, coordinating the risk owners and the other players involved in the process.

### Risk Model

Salcef's **Risk Model** aims at:

- Supporting the risk identification activity;
- Ensuring uniformity of language;
- Obtaining an overall view of the risk portfolio.

### Main functions involved

From an organisational viewpoint, the main Salcef risk management players are:

- **Risk Owner:** the person responsible for the process impacted by the risk, in charge of defining the measures to be taken to mitigate the risk and monitor it. All the main functions of the Salcef Group are involved.
- **Chief Risk and Assurance Officer (CRO):** he or she initiates and supports the implementation of the risk management process, stimulating the development of methodologies and tools for the process, and coordinates all those involved (Risk Owner);
- **Control and Risk Committee:** consisting of non-executive directors, both internal and external to the Group, the majority of whom are independent. It has the function of supporting the Board of Directors in assessing and taking decisions with respect to the Internal Control and Risk Management System. It is called upon to check the adequacy and effectiveness of this system in relation to the characteristics of the company and the assumed risk profile.



## Risks and management methods

Below are the risks, by scope and category, identified by Salcef's ERM system as relevant. For these risks, a summary is provided of the related management methods, including through references to other parts of this document and/or documentation available on Salcef's website. The same table also highlights the underlying material issues, which are reported in this Non-Financial Report.

In view of Salcef's business model and the sector in which it operates, the risk management system and overall control model assigns significant importance to compliance risks, and in particular to those related to the material issue of ethics and integrity in business management, a strategic and central element in Salcef's governance.

It should also be noted that the environmental risks identified are, by their very nature, cross-cutting with respect to the underlying material issues, which are detailed in the table.

In the area of risks related to the competitive environment, the ERM analysis carried out has revealed a significant opportunity, linked in particular to the development and introduction of new technologies and working tools, linked to scenarios of technological evolution. Salcef's research and development activity is focused in this direction.

Risk Scope/Category	Correlated material topic	Summary of management methods
<b>Strategic risks</b>		
<b>Human capital</b> Skills training Risks arising from the lack within the Salcef Group of the skills necessary for the proper development and management of business activities	<ul style="list-style-type: none"> <li>Management, training and development of human resources skills</li> <li>Work environment</li> </ul>	<ul style="list-style-type: none"> <li>Defining the organisation of the company, enhancing the value of human resources by defining the company's personnel management policies in relation to remuneration, training and satisfaction (see <a href="#">Personnel management, growth and development policies</a>).</li> <li>Definition of personnel qualification criteria necessary for assigning roles, functions and duties. Verification and supervision of internal moves and changes of role and function.</li> </ul>
<b>Competitive context</b> Revenue concentration  Risks related to the concentration of revenues and investment policies in the public sector of the main customers. The Group's largest customer (RFI) - represents more than 70% of consolidated revenues. In addition, the Group's Works Portfolio is mainly concentrated in Italy and, therefore, the Group's activities and economic and financial results are linked to the performance of the Italian economy.	<ul style="list-style-type: none"> <li>Financial performance</li> </ul>	<ul style="list-style-type: none"> <li>The investment plans of customers - mainly RFI in Italy - depend on development policies as well as the willingness of central institutions (government, local authorities, etc.) to finance maintenance/renewal and construction of new infrastructures. In order to contain the risk of revenue concentration, it is useful to increase the diversification of customers, products offered and the countries in which the company operates.</li> </ul>
<b>Evolution of macro-economic scenario.</b> Risks generated by changes in the national and global macroeconomic scenario, as a result of events that may substantially alter economic, financial and industrial variables, such as the COVID-19 pandemic.	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Investments and innovation / digitization</li> </ul>	<ul style="list-style-type: none"> <li>Constant monitoring of the Italian and international macroeconomic situation / perceiving possible negative trends and consequently adjusting the Development Plan and investments for the growth of the Group. (see <a href="#">The strategic scenario and the business plan guidelines</a>)</li> </ul>
<b>Compliance risks</b>		
<b>Leg. Decree no. 231/2001 - ISO37001</b> The possibility that a Group company and/or a director or employee thereof may be involved in proceedings for offences committed in breach of Legislative Decree no. 231/2001 and of anti-corruption regulations which may lead to the application of sanctions against the above-mentioned persons (both natural persons and legal entities) with negative repercussions in terms of reputation, exclusion from tenders and/or qualification systems with Public Contractors.	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> </ul>	<ul style="list-style-type: none"> <li>Training of all personnel, with appropriate degrees of detail, in order to disseminate knowledge of the Organisational Model, Special Parts and Code of Ethics, as well as the founding principles of the Salcef Group's anti-corruption policy (see <a href="#">Skills training and development</a>).</li> <li>Particular awareness by the management of the culture of ethics and business integrity. Plan for periodic verification of the correct application of procedures and the degree of staff training (see <a href="#">The control model and efficacy of policies</a>).</li> <li>Carrying out specific jobs at the request of the Board of Directors, the CEO, the Board of Auditors and the Supervisory Body.</li> <li>Adaptation of all company procedures and personnel behaviour to the principles of compliance with these regulations.</li> <li>Performing Due Diligence on third parties, in line with the provisions of the Organisational Model and Anti-Corruption Policy.</li> <li>Systematic monitoring and reporting by Department Managers.</li> <li>Planning and carrying out training and information initiatives on compliance issues (see <a href="#">Skills training and development</a>).</li> <li>Assessing the performance of company executives and managers, including the degree of compliance with established rules and procedures.</li> </ul>
Non-compliance with anti-corruption rules and the code of ethics and conduct Receipt of sanctions for non-compliance with 231 and/or anti-corruption legislation	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> </ul>	

Risk Scope/Category	Correlated material topic	Summary of management methods
		<ul style="list-style-type: none"> <li>Verification of the correct application of procedures as regards Leg. Decree no. 231 and anti-corruption. Implementation and updating of existing ones, with IA&amp;C / internal audits. (see <a href="#">Central and management audits</a>)</li> <li>Verification of the adoption of corrective or improvement measures identified by Management.</li> </ul>
Business relations with business partners or suppliers not properly verified in advance	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> <li>Responsible management / supply chain sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Systematic awareness-raising of the competent corporate functions for carrying out the defined activities. Verification of the correct application of due diligence regulations and procedures. (see <a href="#">The control model and efficacy of policies</a>)</li> </ul>
<b>Public Tender Regulations</b> Risks arising from non-compliance with current legislation on public procurement and qualification systems in place at specific customers' (e.g. RFI), as well as other existing regulations (antitrust, privacy, etc.).	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of company procedures aimed at transposing all the legal and regulatory obligations imposed by national law on public procurement, as well as the regulations of the qualification systems at the Customer's and other applicable rules and regulations. (see <a href="#">Regulatory compliance</a>)</li> </ul>
<b>Occupational Safety</b> Risks related to COVID-19 infection (travel restrictions, unavailability of employees due to COVID-19, etc.).	<ul style="list-style-type: none"> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Definition of specific protocols to ensure business continuity. Support in defining and verifying the correct application of protocols to minimise the possibility of contagion and dissemination among workers (see <a href="#">COVID-19: impacts on organisation and adopted measures</a>).</li> </ul>
Risks of work injuries due to non-compliance with company regulations	<ul style="list-style-type: none"> <li>Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>Supervising the management of work injuries and the process of dealing with them (e.g.: reports to the competent bodies, insurance companies, etc.). Verifying the correct application of the provisions, procedures, protocols for the prevention of work injuries work (see <a href="#">Occupational health and safety and Injuries</a>)</li> </ul>
<p>Risks associated with compliance with occupational health and safety regulations (offices, construction sites, etc.), including the risk of COVID-19 infection (travel restrictions, unavailability of employees due to COVID-19, etc.).</p> <p>Possible occurrence of criminal, civil and labour disputes, with consequences in terms of assets, financial and reputational aspects, as well as the application of sanctions pursuant to Legislative Decree no. 231/2001.</p>	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> </ul>	<ul style="list-style-type: none"> <li>A system of company proxies determining skills, responsibilities and powers of the persons in charge of managing workplace safety issues.</li> <li>Training of all staff on regulatory as well as job-specific issues (see <a href="#">Skills training and development</a>).</li> <li>Adaptation of all company procedures and personnel behaviour to the principles of compliance with these regulations.</li> <li>Plan for periodic verification of the correct application of procedures and the degree of staff training as well as the internal sanctioning system (see <a href="#">The control model and efficacy of policies</a>).</li> <li>Start of controls for compliance with safety regulations by relevant suppliers and subcontractors (see <a href="#">Supply chain</a>).</li> <li>Specific attention to the application of appropriate protocols to minimise the possibility of infection and spread of COVID-19 among workers (see <a href="#">COVID-19: impacts on organisation and adopted measures</a>).</li> </ul>

Risk Scope/Category	Correlated material topic	Summary of management methods
<b>Environmental</b> Risks related to compliance with environmental legislation as well as regarding the use of potentially hazardous substances, with the possibility of environmental damage and/or other violations of existing legislation.	<ul style="list-style-type: none"> <li>Ethics and integrity in business management</li> <li>Investment and innovation/digitisation</li> <li>Climate change: energy - emissions</li> <li>Sustainable resource management and circular economy</li> <li>Water withdrawal and consumption</li> <li>Noise and vibration management</li> <li>Quality and safety of products / services</li> <li>Environmental and social impact of products / services</li> <li>Responsible management / supply chain sustainability</li> <li>Community/territory relations and development</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of ISO 14001 environmental management system (see <a href="#">Environment and the use of natural resources</a>).</li> <li>A system of company proxies determining skills, responsibilities and powers of the persons in charge of managing environmental issues.</li> <li>Training of all staff on regulatory as well as job-specific issues (see <a href="#">Skills training and development</a>).</li> <li>Adaptation of all company procedures and personnel behaviour to the principles of compliance with these regulations.</li> <li>Start of controls for compliance with environmental regulations by relevant suppliers and subcontractors (see <a href="#">Supply chain sustainability</a>).</li> <li>Plan for periodic verification of the correct application of procedures and the degree of staff training as well as the internal sanctioning system (see <a href="#">The control model and efficacy of policies</a>).</li> </ul>
<b>Operating Risks</b> <b>Corporate Responsibility</b> /Responsibilities in case of work injuries	Occupational health and safety	<ul style="list-style-type: none"> <li>Verification of the correct activation of specific policies to cover related direct and indirect risks and the existence of a proper system of powers of attorney and proxies.</li> <li>Supervision of the correct application of the procedures of the integrated management system and of any additional job-specific procedures (quality, environmental or other management plans).</li> <li>Implementation of NC reporting tool via My Salcef</li> </ul>
<b>Financial Risks</b> Liquidity	Financial performance	<ul style="list-style-type: none"> <li>Definition and implementation of the Group's Industrial Plan and consequent industrial, budgetary, financial and administrative policies.</li> </ul>

## The precautionary principle

Introduced in 1992 at the United Nations Conference on Environment and Development (*United Nations Principle 15 of The Rio Declaration on Environment and Development*) in the context of safeguarding the environment and biodiversity and transposed and used at various levels of government and in practice in the areas of consumer protection and health, the principle states that "*in order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation*".

The application of the precautionary principle implies, as part of the risk management strategy, a prior assessment of the potential adverse environmental and social effects that could result from decisions and/or policy choices regarding products and processes. If the existence of a risk of serious or irreversible damage is identified, the adoption of appropriate and effective measures must be assessed, also in relation to the benefits and costs, aimed at preventing and/or mitigating the negative impacts. Salcef's system of identification, assessment and management of risks takes into account the following principle.

## Regulatory compliance

GRI 206-1 GRI 207-1 GRI 207-2 GRI 207-3 GRI 307-1 GRI 416-2 GRI 419-1

The Group operates in accordance with the provisions applicable to it and in force according to the legislation applicable in the various operating contexts of reference.

### Compliance with environmental regulations

The companies of the Salcef Group are subject to environmental permits to carry out their activities. In its worksites and plants, the Salcef Group pursues a sustainable business model, aiming to reduce environmental impact in all its forms, in particular by reducing emissions and eliminating and properly managing waste.

Due to the type of projects and services it provides, the Salcef Group is subject to all environmental regulations. These include, and with specific reference to Italy:

- Legislative Decree no. 152 dated 3 April 2006 (the so-called "Environment Code"): environmental regulations in Italy. In particular, the Environment Code regulates the procedures for obtaining environmental permits and includes regulations on soil protection, water pollution protection, waste management, water discharges, clean-up of contaminated sites, air protection and reduction of emissions into the atmosphere.
- Presidential Decree no. 59 dated 13 March 2013: regulates (plants not subject to Integrated Environmental Authorisation, "AIA") the Single Environmental Authorisation, as well as the simplification of administrative formalities on environmental matters for small and medium-sized enterprises.
- Ministerial Decree dated 6 September 1994: regulatory and technical indications regarding interruption of the use of asbestos and, in particular, risk assessment, control, maintenance and reclamation of materials containing asbestos present in building structures.
- Royal Decree no. 1775 dated 11 December 1933: Consolidated text of the legal provisions on water and electrical installations (regulations on derivations and uses of public waters).
- Regulation (EC) no.1907/2006/EC (REACH Regulation) dated 18 December 2006: proper management of any chemical substances (assessment and registration methods); Regulation (EC) no. 1272/2008/EC dated 16 December 2009: classification, labelling and packaging of substances and mixtures.
- Technical standard UNI EN ISO 14001:2015: requirements of an environmental management system that an organisation can use to develop its environmental performance.

Group companies and their activities are subject to environmental and occupational safety regulations. These regulations govern, among other things, the release of polluting materials into the water, air and soil, the use, storage and disposal of hazardous substances and waste, as well as the cleaning up of any contaminated areas. In this context, Salcef operates by virtue of a number of environmental authorisations that are subject to periodic renewal (every five years), which contain requirements, including technical ones, that must be complied with. The Group companies with the relevant authorisations are: Overall site, Aprilia plant, SRT site, Coget site (Rovato plant), Coget site, (Corteno Golgi plant).

Site work carried out by Group companies is authorised from time to time with temporary permits required by the applicable regulations.

### **The asbestos risk**

For some time now, Salcef has been taking action in relation to the risk posed by asbestos-containing materials on its sites. In this regard, it should be noted that in Overail, as of 28 May 2020, all activities for the removal and maintenance of asbestos-containing materials that began in 2007 have been completed. As regards SRT, on the other hand, the asbestos removal activities were completed in 2019. At the date of this document, there are no Salcef Group sites with presence of asbestos.

### **Underground tanks**

In consideration of the fact that the presence of underground tanks is, in general, likely to increase the risk of soil and groundwater contamination, also in accordance with Legislative Decree no. 152/2006, such installations within the Group are always monitored and limited.

At the date of preparation of the document, only the company Overail has underground tanks in the Aprilia industrial complex.

### **Sanctions and/or disputes relating to environmental issues**

At the time of writing, there are no environmental disputes that have given rise to significant penalties for non-compliance with environmental laws, rules and regulations.

### **Failure to observe laws and regulations in the social and economic fields**

At the date of this document, there are no cases of violations of laws and/or regulations relating to social and economic provisions. No such sanctions were received in 2020 and there are no significant proceedings in this regard.

### **Human rights**

The issue of human rights is essentially an integral part of the processes linked to the supply chain, human resources management and related potential problems. In this respect, refer to what is specified in the relevant paragraphs of this document dedicated to the analysis of relations with suppliers ([Supply chain sustainability](#)) and to the management of human resources ([Human resources](#)).

### **The impacts of products and services on health and safety**

During the reporting period there were no instances of non-compliance with standards, regulations or voluntary codes concerning the health and safety impacts of products and services.

### **Cybersecurity and Privacy Regulation**

In carrying out its business activities, the Group processes personal data, including data of a special nature, relating to individuals (e.g. employees, customers, suppliers, etc.) and is therefore required to comply with the provisions of the GDPR, as well as any other national and/or EU provisions applicable to privacy, including any applicable provisions of the Italian Data Supervisory/Protection Authority.

The Group has implemented its own privacy structure in accordance with the regulations dictated by the GDPR, adopting the documentation required by the aforementioned legislation (e.g. privacy notices, appointment of external processors, designation of persons authorised to process data, etc.).

## **Procedures relating to respect for competitors**

During the reporting period, there was no incident and/or initiation of proceedings or legal action against the Salcef Group in relation to violation of free competition, monopolistic practices, antitrust, etc.

## **Tax transparency**

### **Approach to taxation**

The Salcef Group's approach to taxation complies with the provisions contained in the "Code of Ethics and Conduct" adopted by the Group. The Salcef Group has not defined a specific tax strategy.

The Salcef Group's management is guided by the principles of honesty and legitimacy and respects, including in its approach to taxation, the laws and regulations on taxation applicable in all those countries in which the Group operates. Under no circumstances does the Salcef Group pursue or realise its interests in violation of tax laws.

The Salcef Group's objective in relation to taxes is to fulfil its tax obligations (both formal and substantive) in a complete, correct and timely manner, in order to minimise the tax risks associated with the application of the laws and regulations on taxes applicable in all countries in which the Group operates, also in relation to cases where there are doubts about interpretation.

### **Tax governance, risk control and management**

The Salcef Group has a low propensity for tax risk. When determining the tax treatment of a particular transaction or activity, it adopts reasonable, well-founded and reasoned tax choices and interpretations.

In light of the size and complexity of the Group's business, risks may arise in relation to the interpretation of complex tax regulations. These risks are identified and analysed internally and with the support of qualified tax advisors, taking into account each country in which the Group operates.

The Salcef Group is supervised by the Board of Statutory Auditors and audited by independent auditors.

### **Relations with tax authorities (stakeholder)**

The Salcef Group guarantees, in accordance with the provisions contained in the "Code of Ethics and Conduct", compliance with the applicable legal provisions, the principles of transparency, honesty and fairness in dealing with the tax authorities of the countries in which it operates. The management of relations with tax authorities is performed solely by the corporate functions appointed for this purpose.

The Group does not improperly influence, not even through third parties, the decisions of the tax authorities of the countries in which it operates. On the contrary, it aims to maintain open and constructive relations with all competent tax authorities and to resolve any disputes in a spirit of cooperation, including through the use of instruments for the settlement of disputes.

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In cases of particular uncertainty on the tax treatment applicable to relevant issues, the Salcef Group assesses the possibility of using tools so as to be able to know the position of the relevant tax authorities in advance.

To date, the Salcef Group is not subject to the so-called country-by-country reporting rules set forth in article 1, paragraphs 145 and 146 of Law No. 208 dated 28 December 2015 and Council Directive 2016/881/EU dated 25 May 2016 amending Directive 2011/16/EU, as well as the related implementing provisions.

Please refer to the consolidated financial statements of the Salcef Group for information on taxes.



## **4. INFRASTRUCTURES, MACHINES AND INNOVATION**

# The infrastructures

GRI 102-2 GRI 102-4

## Industrial facilities and complexes

### SRT's industrial facility

SRT headquarters (see [srtfano.com](http://srtfano.com)) consist of a production facility located in central Italy, in Fano (PU). The SRT production plant has a strategic position for the movement of rolling stock, as it has its own railway yard connected to the Adriatic line, and consists of 2,500 m of track, 480 m of which are covered. It is 700 m from the RFI railway station. The facility covers about 13,900 m<sup>2</sup>, of which 3,100 are covered. All SRT sheds are equipped with tracks and inspection pits. The facilities are equipped with machinery and equipment such as lathes, milling machines, pillar drills, band saws, hoists, overhead cranes and welding machines.



### SRT photovoltaic system

A photovoltaic system consisting of 768 x 260 W panels, with a capacity of 199.68 KWh, has been installed at the Fano headquarters. Based on the 2020 electricity consumption of 278,482 kWh, the photovoltaic system, which produced 110,163 kWh, satisfies approximately 40% of the electricity demand.



### **Washing water treatment plant**

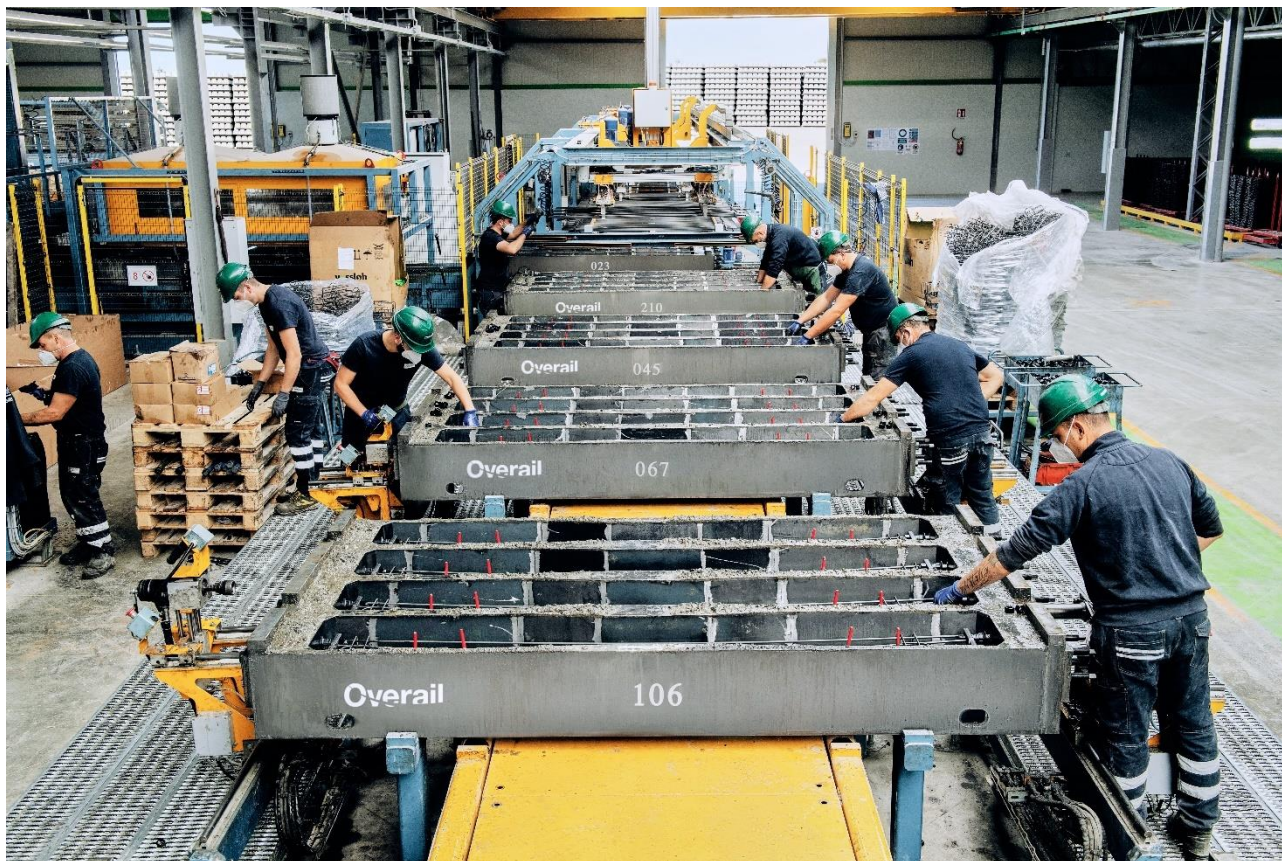
In 2019, a rolling stock washing water treatment plant was installed in the SRT production facility for the maintenance and construction of rolling stock.

The plant has the following treatment features:

- Reduction of sedimentary substances > 90%
- Total hydrocarbons < 5 mg/l

## The Overail industrial complex

Overail ([overail.com](https://www.overail.com)) manages the Aprilia industrial complex, a production hub and research centre that sets an example for the railway industry in terms of technological innovation and production capacity. A smart facility designed according to the Industry 4.0 model, characterised by the automation of the main production and control processes, and attention to environmental sustainability. The latter is a key aspect for the heavy industry manufacturing sector.



The Overail industrial site includes several state-of-the-art production facilities and covers 284.721 m<sup>2</sup>, occupying a strategic position that allows easy access to all the worksites in central Italy. Currently only 35% of the industrial area is occupied, covering about 21.000 m<sup>2</sup>.

Since the Salcef Group acquired Overail S.r.l. (formerly Vianini Industria S.r.l.), in September 2017, major endeavours have been made to improve, requalify and expand the industrial site, including the installation of new production plants and sheds to be used for logistics and maintenance of the Group companies. The Aprilia plant is also equipped with an internal railway system linked to the Rome-Nettuno line, enabling efficient, intermodal and environmentally sustainable logistics.



### **Overail photovoltaic system**

Overail S.r.l. has a photovoltaic system that supplies a total 361 KWp and a total production estimated at 447,000 kWh/Year, equivalent to 176 tonnes of CO<sub>2</sub> emissions avoided and 590 trees planted.

The system has been in operation since October 2019 and during 2020 produced 276.81 MWh, of which 218.35 MWh for self-consumption. The energy produced by the photovoltaic system represents 15% of the total yearly demand of electricity of Overail S.r.l.'s production complex (1,803 MWh).

Moreover, Overail has optimised its work shifts, with greater distribution during the day so as to maximize the self-consumption of electricity produced by the photovoltaic system.



### **Central Water Supply Plant**

The central water supply plant is designed to treat, store and monitor the facility's water supply: from inlet to use for boilers, concrete production, amenities and fire-fighting systems. The plant consists of storage tanks and a system of two separate stations: one for pretreatment with mechanical filtering and the other for double reverse osmosis.



Thanks to technological innovation and closer attention to responsible consumption, the system ensures that water is controlled and reaches every point of the facility. The plant features a system of sensors,

probes and volume flow meters which permits determining in real time the volumes of water consumed by each utility, and the quantities of water, both raw and treated stored inside the underground tanks.

Overail has set up an optic fibre connection between the water plant and the company network that allows remote monitoring and control measures, according to the Industry 4.0 model: the computer system of the plant allows controlling parameters, such as levels, flow rates, pressures, total conductivity and pH, through the display of data, both historical and collected in real time.

The purpose of the new plant is to ensure the quality of concrete production, limit consumption and maintain the efficiency of installations.



### **Technology and production quality**

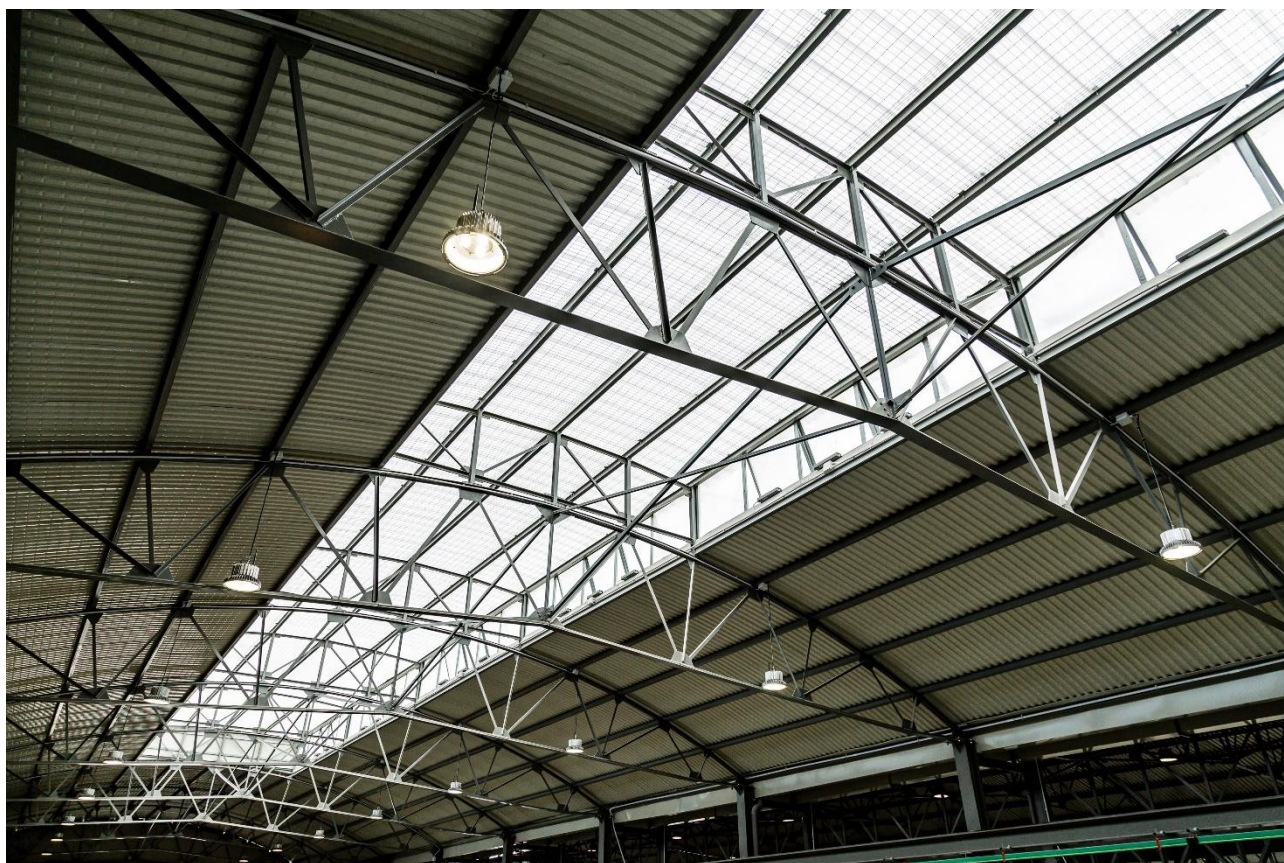
The Aprilia complex stands out for its innovation. The new plants for the production of sleepers and turnout bearers allow software control of all the production phases: from assembly, with precise traceability of the batches of parts making up the product, to monitoring the temperature of the forced curing of the concrete and product.

The water supply plant, designed to treat, store and monitor the plant's water supply, is essential to ensure the quality of concrete production and to maintain plant efficiency. The water treatment system consists of storage tanks and a treatment plant with two separate stations: pre-treatment with mechanical filtration and double reverse osmosis.

The new centralised cement mixing plant for concrete production ensures better logistics, as it allows both supplying the sleeper and the turnout bearer plants from a single monitoring and control station. It has the advantage of having a single unloading point, and is also equipped with a cooling system for the aggregates and mixing water, which is essential during the summer months.

### **Optimised work areas and energy saving**

The design of the Overall facility work areas have been optimised to facilitate both production activities and cleaning and maintenance, which are essential in order to maintain high and constant production standards. The redevelopment of the industrial complex uses materials with a high coefficient of thermal insulation for the roofs and partition panelling, and a ventilation system for the internal spaces that operates by means of natural air circulation. In addition, all the warehouses are equipped with a lighting system with wireless LED lamps that constantly provide the optimum intensity to operate at best.



### **Environmental sustainability: water is a precious commodity**

Water, a precious natural resource, is a strategic component for the production of concrete products and for the durability of the plants, and this is why solutions have been adopted to significantly reduce its waste. In particular, the water used to wash the concrete and the water coming from the condensation of steam from the curing cells are channelled towards a filtering system that allows them to be reused in the production cycle.

### **Optimisation of energy consumption**

The environmental sustainability of the plant is also centred on the control of energy consumption, implemented using innovative instruments. The power supply for the sleeper system is provided by a high-performance boiler of the latest generation, while the pneumatic elements of the sleepers and cement mixers are activated by energy-saving compressors.

In 2020, the renewal of all machines used for internal logistics, cleaning and maintenance was completed, replacing the previous obsolete machines with latest-generation electric or diesel-powered ones.

### **Efficient logistics**

The new Overail industrial complex has been designed to ensure efficient logistics in managing the flow of incoming goods, internal movements and the dispatch of finished products. Thanks to a weighing station, it is possible to control all accesses and materials, and to put on file transported machines and materials. The railway link, which is currently under construction, will make the Aprilia site an efficient logistics-production hub, crucial for the Central Italy area. The industrial area is entirely crossed by a set of tracks, and will be linked to the Campo di Carne station.

### **Quality Track Equipment of Delta Railroad Construction**

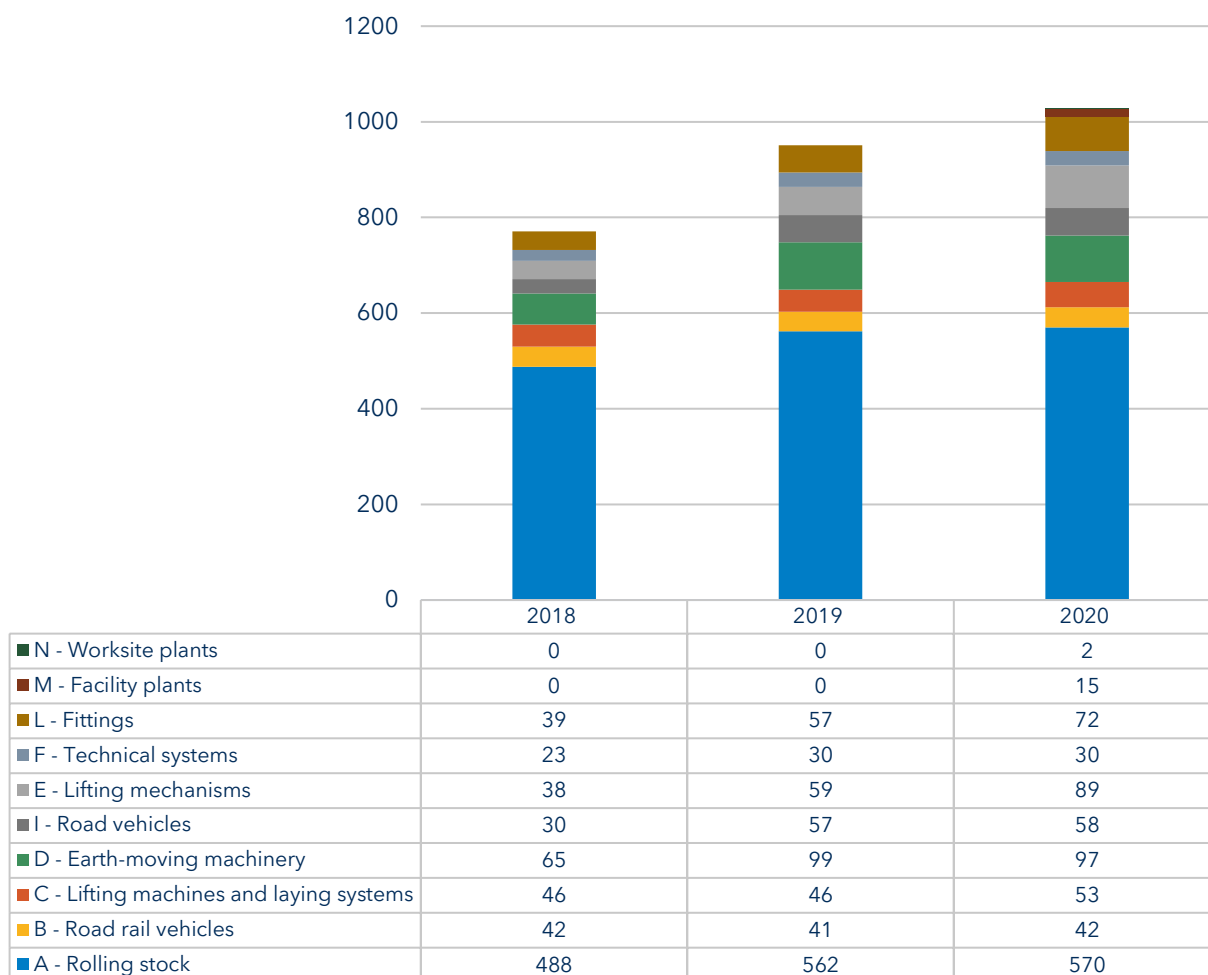
The Quality Track Equipment division ([qualitytrackequipment.com](http://qualitytrackequipment.com)) of the US company Delta Railroad Construction is engaged in the production, maintenance and revamping of railway equipment (Railway Machines Business Unit) and has a dedicated industrial plant located in Austinburg, Ohio (2950 Industrial Park Drive, Austinburg, Ohio 44010). The plant has an area of approximately 4645 m<sup>2</sup>.

## Machinery and equipment

The Salcef Group makes use of highly specialised machinery with high production efficiency, to carry out all types of jobs on tracks, overhead electrification lines but also in production facilities.

The Group is constantly committed to optimising and expanding its machine inventory, designing and building new machinery such as 2- and 4-axle technological wagons and motor trolleys with a wide range of interchangeable outfittings, useful to optimise the use of its fleet and reduce costs. Considering the most relevant categories of machinery and equipment, the Group has grown from 771 total units in 2018 to over 1,000 in 2020.

**Machines and equipment per year**



With reference to rolling stock only, the figures for 2020 are the following:

Type	Quantity
<b>A - Rolling stock</b>	<b>570</b>
A.01-Locomotive	52
A.02-Ballast levelling and profiling machine	25
A.03-Profiling train	21
A.04-Welding machine	5
A.05-Multiservice motor trolley	4
A.06-Soil stabiliser	4
A.07-Ballast screener	7
A.08-Laying and renewal train	6
A.09-Hopper car	118
A.10-Flat wagon	130
A.11-Cement mixer wagon	4
A.13-Box wagon	11
A.14-Self-propelled trolley	13
A.15-Draisine	15
A.16-Overhead wiring wagon	5
A.17-Stringing wagon	6
A.18-Trailer	38
A.19-Recovery trailer	4
A.20-Motorised turntable ladder trailer	36
A.21-Reel unwinder trailer	2
A.22-Multiservice wagon	64
<b>Total number</b>	<b>570</b>

## Investments and innovation for sustainable mobility

GRI 203-1

Salcef works to enhance railway infrastructure globally, to enable greater speed, safety and contribute to the development of sustainable mobility.

The investments made by the Group, which are an integral part of its business activities, pursue the stated objectives and are aimed at providing products and services according to the highest standards, to support the development of railway infrastructures, with economic, environmental and social impacts on local communities and areas.

### Industry 4.0

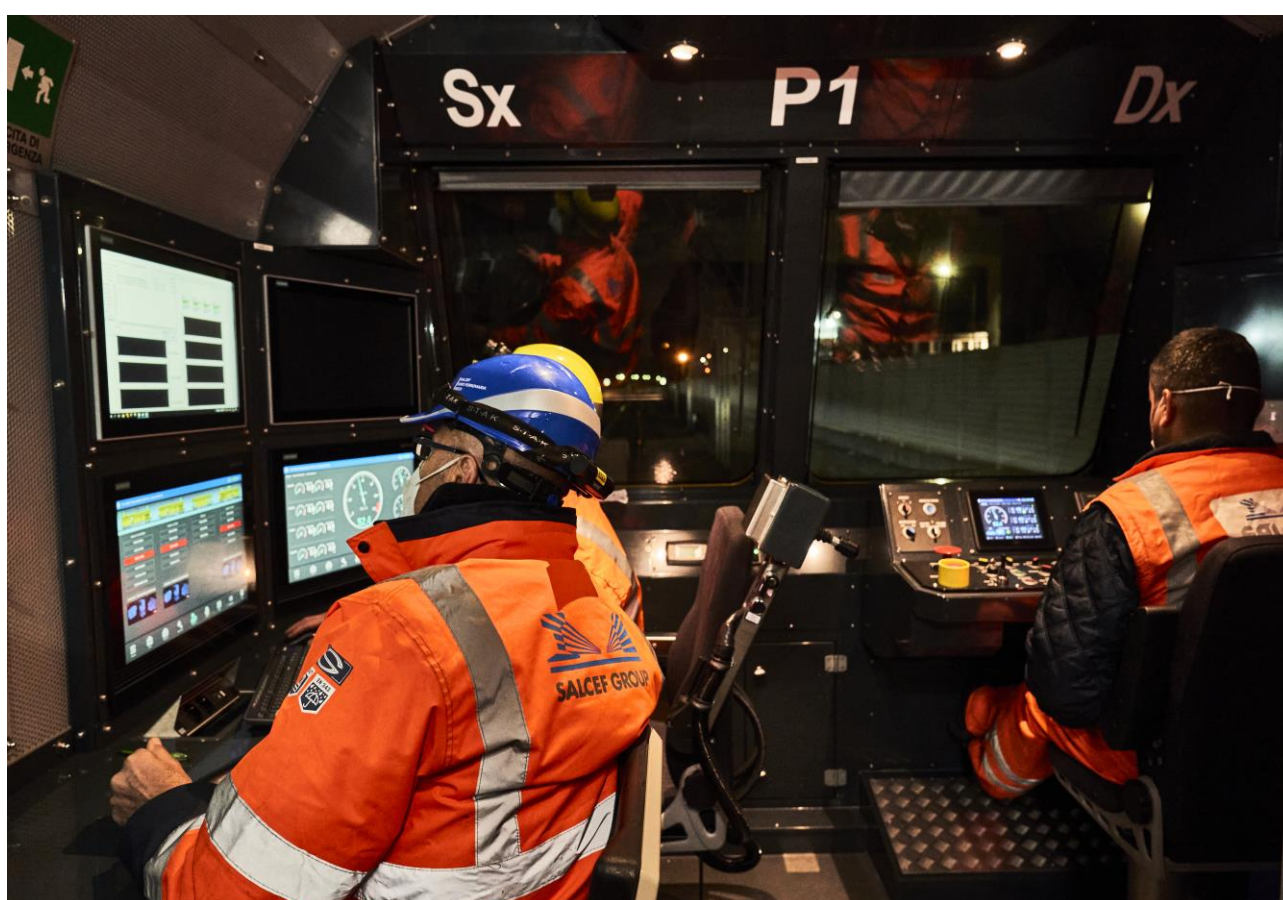
Industry 4.0 is a term first coined by the German government in 2011 to define an industrial strategy able to promote the development of computerisation in industries, particularly manufacturing, with the aim of creating the efficient and ergonomic 'Smart Factory'. This evolution of manufacturing is considered the Fourth Industrial Revolution.



Industry 4.0 introduces the latest technological innovations, including cyber-physics systems, wireless communication, the Internet of Things, digitisation, robotics and advanced sensor technology. In this scenario, machines are able to connect to other machines or logistics systems such as the My Salcef

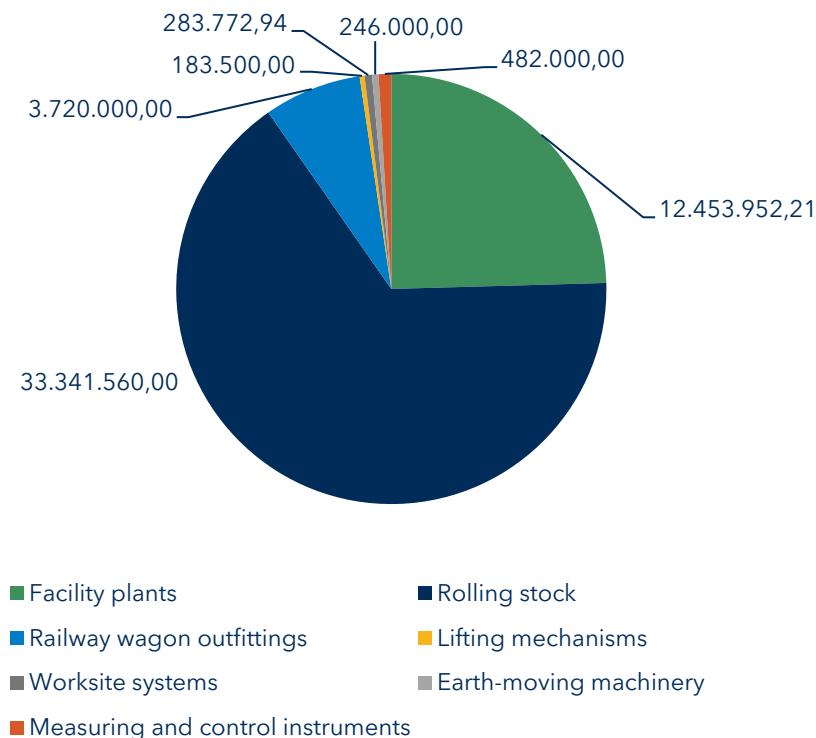
management system and exchange information with them: instructions, part programs, production data, diagnostics and maintenance, geolocation, alarms, etc. The interconnection of the machines with the company's management system allows for greater control over production, so that decisions can be based on objective and real data, as well as improving performance in the areas of quality, safety and the environment.

In the 2018-2020 three-year period, the Salcef Group invested in latest generation Industry 4.0 machines worth more than **50 million euros**. Investment activities according to this approach to innovation will continue in 2021.



Industry 4.0 machinery includes the following categories: Rolling stock - Railway wagon outfittings - Worksite equipment - Plant equipment - Lifting equipment - Earth-moving machinery - Measurement and control instruments. To date, the Salcef Group has interconnected 46 Industry 4.0 machines to its computer systems, with an investment of over 46 million euros.

### Categories of Industry 4.0 machinery in terms of value [euro]

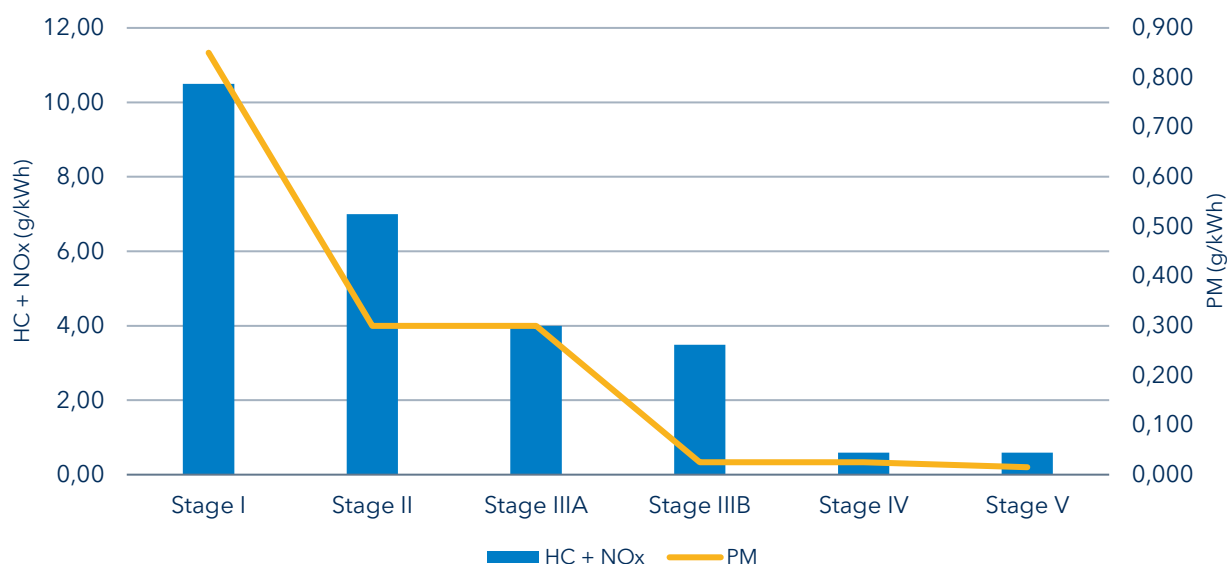


### Engine evolution

The Salcef Group invests in the renewal, upgrading and requalification of its vehicle/machinery fleet, mainly on rail and road machinery, defined as Non-Road Mobile Machinery (NRMM). The term NRMM is used in European emission standards for engine emissions not primarily used on public roads. The definition includes off-road vehicles as well as railway vehicles. The European standards for non-road diesel engines harmonise with the US EPA standards and include gradually stringent levels known as Stages I - V standards. The Stage V standards are being phased in from 2018 with full implementation from 2021. The adoption of new, more restrictive Stages is always implemented by power bands.

For more details see: [https://ec.europa.eu/growth/sectors/automotive/environment-protection/non-road-mobile-machinery\\_en](https://ec.europa.eu/growth/sectors/automotive/environment-protection/non-road-mobile-machinery_en)

### Emission limits from Stage I to Stage V for HC + NOx and PM

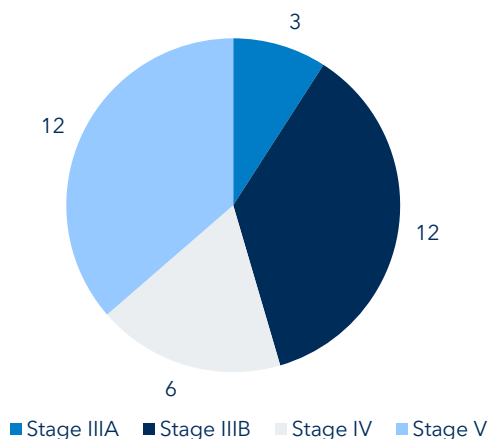


Source: [International Council on Clean Transportation](https://www.iclei.org/en/our-work/air-quality/air-quality-standards)

From 2018 to 2020, investments in Industry 4.0 and innovation include 33 new non-road mobile machines (NRMM), worth a total of more than 36 million, equipped with engines from Stage IIIA to the latest Stage V.

Type	Quantity	Value of asset [euro]
<b>Railway wagon outfittings</b>	<b>18</b>	<b>3,720,000.00</b>
Stage IIIB	12	2,400,000.00
Stage V	6	1,320,000.00
<b>Worksite equipment</b>	<b>3</b>	<b>283,772.94</b>
Stage V	3	283,772.94
<b>Earth-moving machinery</b>	<b>2</b>	<b>246,000.00</b>
Stage IV	1	120,000.00
Stage V	1	126,000.00
<b>Rolling stock</b>	<b>10</b>	<b>32,295,000.00</b>
Stage IIIA	3	5,400,000.00
Stage IV	5	18,695,000.00
Stage V	2	8,200,000.00
<b>Total</b>	<b>33</b>	<b>36,544,772.94</b>

### Non-Road Mobile Machinery Stage per N.



The renewal of obsolete vehicles/machinery destined for scrapping improves environmental performance related to fuel consumption and atmospheric emissions.

In 2018, a campaign began to upgrade and revamp a number of older locomotives, whose engines were also replaced. In particular, the upgrade campaign involved 6 G1100 locomotives, on which Stage IIIA engines were installed, and 6 LDH 70 locomotives on which Stage I engines were installed. The new engines represent the best solution in terms of compatibility and performance of these machines and significantly improve their environmental performance.

Salcef's commitment to updating its machinery, in favour of better performance, including environmental performance, is therefore also achieved through the enhancement and improvement of existing machinery, the life cycle of which is extended.



## **5. FINANCIAL PERFORMANCE: VALUE CREATION AND DISTRIBUTION**

## Generated and distributed economic value

GRI 103-2 GRI 201-1 GRI 201-4

As shown on the following table, 2020 shows a net profit attributable to the Group of € 41.2 million (€ 27.6 million in the same period of 2019).

As shown by the EBITDA and EBIT economic indicators available in the financial statements, the 2020 financial year is characterised by an increase in the profitability of the Group's core business, inasmuch as an increase in revenues (+ 16.7 percentage points) was matched by a less than proportional increase in production costs (+ 15.5 percentage points, i.e. the percentage incidence on total revenues went from 82.6 percentage points to 81.7 percentage points).

Net profit was affected by the change in the fair value of warrants, amounting to 16.1 million euros, which includes the negative fair value differential recognised in the 2020 financial year in relation to the "*warrant in compendio e integrativi*" ("*summary and supplementary warrants*") exercised in that period and the change, compared to the previous year, in the fair value of the above-mentioned warrants issued and not yet exercised at 31 December 2020.

Another significant aspect affecting net profit for 2020 is the deferred taxation recognised at 31 December 2020 amounting to €17.6 million and the allocation of the substitute revaluation tax for an amount of €1.8 million.

The Salcef Group's portfolio of works at 31 December 2020 includes systematic renewal and maintenance of track works (71.35%), infrastructure works (2.80%), energy sector works (23.19%), production of sleepers and prefabricated elements (1.47%) and works on machinery (1.19%), which ensure business management continuity by using the same operating structures, already organised in the geographical areas of interest.

Economic value (in thousands of euro)	2018	2019	2020
<b>Generated Economic Value</b>	<b>309,118</b>	<b>291,625</b>	<b>340,285</b>
Operating Costs	(205,855)	(187,270)	(211,302)
Human Resources - Personnel cost	(51,900)	(55,457)	(70,657)
Net Financial Costs	(4,325)	(6,422)	(18,144)
Public Administration	(16,438)	(14,815)	1,093
Shareholders - Distributed Dividends <sup>5</sup>	-	-	-
<b>Distributed Economic Value</b>	<b>(278,518)</b>	<b>(263,964)</b>	<b>(299,010)</b>
<b>Withheld Economic Value</b>	<b>30,600</b>	<b>27,661</b>	<b>41,275</b>

<sup>5</sup> Considering the intercompany eliminations

## **Subsidies and contributions from the Public Administration**

Salcef S.p.A., a Group company, accrued and recorded a tax credit for Industry 4.0 tangible assets and new capital goods amounting to €3.8 million in relation to investments made in 2020. Coget impianti S.p.A. accrued and recognised a credit totalling €75,000 for the same tax benefit. The other companies, Euro Ferroviaria S.r.l. (32,000 euros), SRT S.r.l. (13,000 euros) and Overail S.r.l. (38,000 euros) also accrued tax credits, which, however, were not recognised in the financial statements at 31 December 2020 and will be recognised starting from the 2021 financial year.

These credits will be used to offset, through the F24 form, taxes and duties due starting from the 2021 financial year.

The companies of the Salcef Group have taken advantage of the facilitation provided by paragraph 3 of article 24 of Leg. Decree no. 34 dated 19 May 2020, converted, with amendments, by law no. 77 dated 17 July 2020, which allows certain Group companies not to pay the IRAP balance for the previous year and the first IRAP advance for the same year during the 2020 financial year. The overall benefit received falls within the limits of the conditions set out in the European Commission's communication of 19 March 2020 C (2020) 1863 final "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency", as amended and supplemented.

A Salcef Group company (Salcef S.p.A.) accrued tax credits during the 2020 financial year in relation to purchases of PPE used to limit the spread of COVID-19, pursuant to the provisions of article 125 of Leg. Decree no. 34 dated 19 May 2020, converted, with amendments, by Law no. 77 dated 17 July 2020. This credit will be used for offsetting purposes in the 2021 financial year to the extent permitted under the limits and conditions provided by the European Commission and dated 19 March, 2020 C (2020) 1863 final "Temporary framework for State aid measures to support the economy in the current COVID-19 emergency", as amended and supplemented.

Salcef Group, Euro Ferroviaria and Overail also received aid in the form of guarantees under the SME Guarantee Fund instrument (Law no. 662/96, article 2, paragraph 100, letter a). In particular, the total guarantee obtained in this case was Euro 15 million.



## **6. SKILLS AND HUMAN RESOURCES**

## Human resources

GRI 102-41 GRI 103-2 GRI 103-3 GRI 406-1

### Personnel management, growth and development policies

For the Salcef Group, human resources represent an indispensable and valuable asset for its very existence and future development. In order to enhance the competencies and skills of its employees, the Salcef Group adopts merit criteria and ensures equal opportunities for all.

The Salcef Group is also committed to ensuring that authority is exercised fairly and correctly, avoiding any abuse. In particular, the Group ensures that authority never becomes an exercise of power detrimental to the dignity and autonomy of employees and collaborators in the broadest sense. Work organisation choices safeguard the value of employees and collaborators.

The Salcef Group, in the pursuit of protecting and promoting the supreme value of the human person, does not tolerate any discriminatory conduct, nor any form of harassment and/or personal or sexual offence. The Group, in each of its companies, is committed to providing a working environment that excludes any form of discrimination and harassment related to race, sex, religious beliefs, nationality, age, sexual orientation, disability, language, political and trade union opinions or other personal characteristics not related to work.

The Salcef Group guarantees the physical and moral integrity of its employees and collaborators, working conditions that respect individual dignity and safe and healthy work environments. Requests or threats aimed at inducing people to act against the law and the Group's Code of Ethics, or to adopt behaviours detrimental to each person's moral and personal beliefs and preferences, are not tolerated under any circumstances.

The Salcef Group categorically excludes the use of child labour (workers under 16 years of age) and ensures compliance with this principle even when employing personnel provided by temporary work agencies.

The Salcef Group does not use or support the use of forced labour. The work performed by all employed personnel is absolutely voluntary, no one is the victim of threats or other intimidation that would force them in any way to work for the company. In addition, the Salcef Group, at the time of hiring, always applies the "National Collective Labour Agreement" of the sector of reference or its equivalent for foreign countries. In the case of foreign workers, these contracts will be translated into the original language of the worker. At the time of hiring, each worker is informed about the procedures for resigning and the main rules of conduct established by the company.

### Selection and recruitment

The Salcef Group bases its efficiency and competitiveness on communication and interpersonal skills, motivation, flexibility, technical expertise, ability to analyse and identify priorities, aptitude for responsibility, reliability, ability to work in a team, professional goals, knowledge and involvement in the company of its personnel, and supports the professional growth of its resources. These values are the founding criteria of the recruitment and selection process, formalised through a specific procedure for use by the entire Group. In addition, the results of the selection process are recorded on special forms, with a view to process transparency and traceability.

## Trade-union relations and collective bargaining

The Salcef Group ensures its staff have the right to collective bargaining and freedom of association, and Salcef has taken all necessary measures to comply with the requirements of SA 8000. In the geographical area in which the Salcef Group operates, there are no situations in which the right to freedom of association and collective bargaining are prevented (thanks to national legislation). All workers are therefore free to form, participate and organise in trade unions of their choice and to bargain collectively with the company.

At national level, the Salcef Group applies, in the conduct of contractual relations with all its workers, the management lines defined by the applicable National Collective Labour Agreement (CCNL) and all requirements established by the applicable mandatory legislation on contractual relations with employees/collaborators. In particular, the National Collective Labour Agreements (CCNL) used so far for the different sectors are: Metalworkers, Construction, Bricklayers, Industrial managers.

Abroad, in most of the countries where the Group operates, there are National Collective Labour Agreements with the exception of Egypt, Romania, Saudi Arabia and the United Arab Emirates. In these cases, however, the Salcef Group ensures uniform conditions in accordance with local regulations and Group policies.

Therefore, the total percentage of employees covered by collective bargaining agreements as of 2020 is 90.5%, and the figure for the 2018-2020 three-year period is as follows.

Employees covered by collective bargaining agreements	2018	2019	2020
Employees covered (unit)	774	911	1,138
% of total for the period	87.1%	91.4%	90.5%

## Performance management and MBO

The Performance Management process is one of the cornerstones of human resources management in the Salcef Group, as it responds to the need to establish a structured relationship between employees and the company and integrates the needs and expectations of all stakeholders.

The first element that characterises the Performance Management process is the sharing with all Group personnel of the strategic objectives, which are renewed and defined annually, keying them to the specificity of the different roles and associating them with expectations on individual performance.

The method places emphasis not only on objectives but also on competencies and behaviours, with the aim of clarifying the Salcef Group's cultural model and supporting the company's growth process, ensuring that all founding values are preserved, despite the growth in size and complexity of the organisation.

In particular, the competencies assessed, in line with the company's values, are: fairness and transparency, sense of belonging, respect, result orientation, time management, problem solving, autonomy, tenacity, interpersonal communication, economic sensitivity, customer orientation, creativity and innovation, integration and cooperation, learning orientation, flexibility, leadership.

A further objective of the Performance Management process is to provide Salcef Group managers with a solid tool for managing the relationship with their employees, based on objective assessment criteria, but

also characterised by relational moments aimed at gap analysis and continuous improvement of technical and soft skills.

In the context of Performance Management, in 2020 the Salcef Group also designed a Management Incentive System MBO (Management By Objectives) with the aim of communicating, in a formal and clear manner, to all strategic managers of the organisation, the objectives defined year by year and directing the efforts and energies of all personnel towards the achievement of these objectives. The MBO will be a valid tool available to the company's management to objectively assess the objectives achieved and the behaviour of front-line managers. The Performance Management and Management By Objectives processes will be fully operational as and from 2021.

## COVID-19: impacts on organisation and adopted measures

The risk of contagion from coronavirus is an exogenous risk in the context of the business activities carried out by the Salcef Group and documented in the RAD: it is a biological risk not directly related to Salcef's own activities. In this sense, taking into account the guidance given by the health authorities, the risk from COVID-19 for the Group's workers can be superimposed on that of the general population. It can be attributed to a generic risk, and consequently, all the following must be applied and respected:

- all prevention and protection provisions laid down by national and regional authorities, valid for the entire population, in order to contain the spread of the virus;
- the specific provisions for work activities issued by the authorities.

In order to deal with the pandemic, the Salcef Group has adopted a policy oriented towards the utmost prudence and health protection and has implemented the following measures:

1. risk assessment regarding: occupational health and safety; regulatory compliance; business continuity;
2. updating of the risk assessment document for occupational health and safety;
3. constant monitoring and prompt application of national and regional regulations issued to combat the epidemic;
4. engagement of internal and external resources with the necessary skills (Doctor, Health and Safety Officer, Personnel Office, etc.) and the setting up of specific committees, which are still active, to gather the necessary information, share it, interpret it and translate it into operational indications for management;
5. prompt communication to all personnel of the measures taken by the authorities and the company;
6. immediate activation of remote working for all personnel whose duties/activities are compatible with this working method;
7. procurement on the market of personal protective equipment, sanitizers, thermometers, gloves and anything else needed to protect against contagion, with the simultaneous creation of adequate stocks
8. definition and adoption of anti-contagion protocols to be applied to protect staff in the various working contexts (offices, worksites, plants), constantly updated on the basis of new knowledge and new regulations; it contains the procedures and all the operational indications needed to conduct the various business activities in safety;
9. widespread distribution to employees of the anti-contagion protocol and application of dedicated signs in all workplaces;
10. verification of the correct application of the anti-contagion protocol in the production units and offices of the various branches
11. tracking of close (internal) contacts of employees who have tested positive for the coronavirus;

12. periodic and additional sanitisation of work environments in the event of suspected contamination;

Below is a detail of some of the measures mentioned.

### **Risk containment protocols**

The Salcef Group has tried to organise its work activities in the best possible way, in compliance with national and international regulations and any additional actions that respond to a precautionary logic. To this end, a specific COVID-19 Infection Risk Assessment has been carried out for each Group company, and detailed protocols have been prepared to regulate work activities in offices, construction sites and other production units. The protocols in general regulate:

- Procedures for accessing workplaces and entry and exit (including for external visitors);
- Cleaning and sanitizing environments;
- Personal hygiene precautions to be adopted;
- Distribution and use of personal protective equipment;
- Management of common areas;
- Organisation of offices, worksites and production facilities;
- Movements and events relating to work (training, medical checkups, meetings, transfers, etc.).

The Salcef Group has not limited itself to adopting the protocol indicated by the competent authorities, but has taken care of the definition of the measures by involving all company personnel and analysing operational activities, defining responsible behaviour. The protocols and their contents are widely distributed to each worker through newsletters, hand deliveries, posters and information briefings.

In addition, in order to implement containment measures and ensure social distancing in all contexts, including those that are not strictly operational, the Group's fleet of vehicles/machinery and cars has been increased in order to reduce interior occupation. Safety standards and distancing measures have also been adopted in the management of hotels and restaurants used by operational staff on duty, to be maintained even during meals and accommodation, sometimes using more than one facility for the same team, to further isolate staff.

### **COVID emergency committee**

On 24/02/2020, the CEO of Salcef Group, in light of the particularly delicate situation created by the epidemiological emergency related to the spread of the Coronavirus (SARS-CoV-2) and in the awareness that the adoption of appropriate measures to protect the physical integrity of employees, established a Task Force with immediate effect, in order to monitor the measures adopted by the competent authorities and any risk situations, defining where necessary the most appropriate mitigating actions. This Task Force is composed of:

- Chief Risk & Assurance Officer of Salcef Group S.p.A.
- Internal Audit & Compliance of Salcef Group S.p.A.
- HSE Manager of Salcef Group S.p.A.
- Chief Human Resources Officer of Salcef Group S.p.A.
- HSE Manager of Salcef S.p.A.

The Task Force meets periodically and minutes are kept of the meetings. In addition, on a daily basis, the HSE Manager of Salcef Group S.p.A. records the trend of COVID-19 contagions within all Group companies by drafting a specific report. The Task Force avails itself of the Doctor in charge of Health

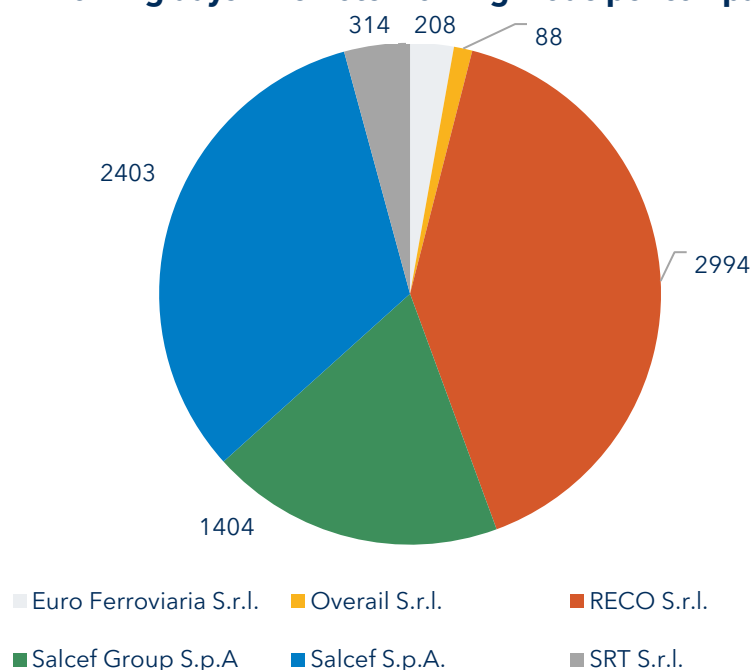
Supervision, as well as the designated Health and Safety Officers and any other specialist resource necessary to implement its mandate.

In addition, following the COVID-19 emergency, a Company Committee has been set up for each Group company to verify compliance with the COVID-19 Anti-Contagion Protocol. This Committee, which is made up of the Employer, HSE Manager/Health and Safety Officer, Competent Doctor and Workers' Safety Representative, verifies the correct application of the Protocol and assesses contagion trends. Minutes are kept of the meetings.

## Remote Working

With the advent of the pandemic, the Salcef Group has encouraged the use of remote working for all employees in a position to do so. In 2020, 7,411 working days in remote working mode were carried out in the Group.

**Working days in remote working mode per company**



## Employees and the work environment

GRI 102-8 GRI 401-1 GRI 401-3 GRI 405-1

### Employees

In terms of number of employees, the Salcef Group is continuously expanding. Suffice it to say that in the 2018-2020 three-year period, it has grown by more than 350 employees, reaching 1,258 at the end of 2020. The reason for this strong increase in human resources, in addition to the positive turnover and increasing recruitment, is to be found in the acquisitions of Salcef Bau GmbH (formerly H & M Bau), Coget Impianti S.p.A. and Delta Railroad Construction Inc. For these companies, the entire workforce was absorbed into the Salcef Group.

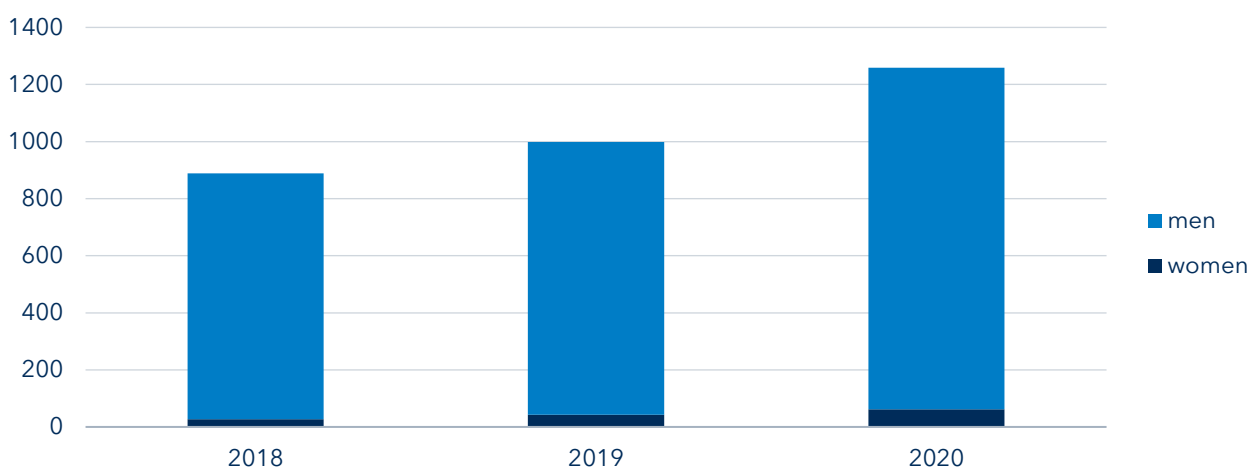
In the tables in this section, when reference is made to employees, other categories of workers are not included, as they are not significant for the Salcef Group. In the [Temporary workers](#) paragraph, details of temporary workers in the Group are provided.

### Employees by gender

In the Salcef Group, there is a strong male component. Men represented more than 95% of the total workforce in 2020. The number of women has increased slightly from 3% in 2018 to almost 5% in 2020 with a representation of 62 women at the end of the 2020 period.

Office and other workers	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
Number of employees at end of period	27	862	<b>889</b>	43	954	<b>997</b>	62	1,196	<b>1,258</b>

Office and other workers (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
Percentage of employees at end of period	3%	97%	<b>100%</b>	4%	96%	<b>100%</b>	5%	95%	<b>100%</b>



## Employees by type of contract and by gender

The most frequent type of contract is the open-ended contract (about 79% of total in 2020).

Type of contract	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
Open-ended	22	584	<b>606</b>	34	749	<b>783</b>	53	946	<b>999</b>
Fixed term	5	278	<b>283</b>	9	205	<b>214</b>	9	250	<b>259</b>
<b>Total</b>	<b>27</b>	<b>862</b>	<b>889</b>	<b>43</b>	<b>954</b>	<b>997</b>	<b>62</b>	<b>1,196</b>	<b>1,258</b>

Type of contract (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
Open-ended	3%	66%	<b>68%</b>	3%	75%	<b>79%</b>	4%	75%	<b>79%</b>
Fixed term	0%	31%	<b>32%</b>	1%	21%	<b>21%</b>	1%	20%	<b>21%</b>
<b>Total</b>	<b>3%</b>	<b>97%</b>	<b>100%</b>	<b>4%</b>	<b>96%</b>	<b>100%</b>	<b>5%</b>	<b>95%</b>	<b>100%</b>

## Temporary workers

In the Salcef Group, temporary workers are used only in limited cases. In fact, as can be seen from the table below, this concerns only three companies/branches of the Group: Overall, SRT and the United Arab Emirates branch of Salcef S.p.A. For these companies, temporary workers (or agency-supplied workers) are used to cope with peaks of discontinuous work over time and in accordance with signed union agreements.

The total number of temporary workers at the end of the 2020 period amounted to 69, slightly more than 5% of the total number of Group employees and can therefore be considered insignificant.

Company / Branch	Temporary workers at 31/12/2020
Overall S.r.l.	48
Salcef S.p.A. - Abu Dhabi Branch	13
SRT S.r.l.	8
<b>Total</b>	<b>69</b>

## Employees by type of job and geographic area

The 'open-ended' employment contract is the predominant one in Italy, while in the other areas the figure is rather variable. In general, fixed-term employment is adopted for project-based workers, i.e. hired for a specific job order.

Moreover, as can be seen from the table below, there is generally an upward trend in the number of employees in all areas of the Group.

Type of contract	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Open ended	546	700	734	36	45	51	3	2	16	-	-	-	-	-	137	21	36	61	606	783	999
Fixed term	207	165	198	29	18	16	33	22	13	14	9	28	-	-	-	-	-	4	283	214	259
<b>Total</b>	<b>753</b>	<b>865</b>	<b>932</b>	<b>65</b>	<b>63</b>	<b>67</b>	<b>36</b>	<b>24</b>	<b>29</b>	<b>14</b>	<b>9</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>137</b>	<b>21</b>	<b>36</b>	<b>65</b>	<b>889</b>	<b>997</b>	<b>1258</b>

## Employees by type of job and gender

Part-time work is rarely used (1.5%). Almost all Group workers are full-time.

Type of job	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Full-time</b>	21	845	<b>866</b>	34	948	<b>982</b>	52	1,187	<b>1,239</b>
<b>Part-time</b>	6	17	<b>23</b>	9	6	<b>15</b>	10	9	<b>19</b>
<b>Total</b>	<b>27</b>	<b>862</b>	<b>889</b>	<b>43</b>	<b>954</b>	<b>997</b>	<b>62</b>	<b>1,196</b>	<b>1,258</b>

## Diversities

Diversity by gender and age group is analysed below in relation to the employment category, considering three macro-groups: executives, office workers and middle managers, and blue-collar workers. No other relevant types of diversity are found. Each of the following tables shows the data in unit and percentage terms.

## Employees by category and gender

As mentioned above, women are the least represented in the Group. Women are mainly employed in the office worker-middle manager category, while men are mainly blue-collar workers (906 units at the end of 2020). Given the particularly manual and physical nature of the job, there are almost no female workers.

Employee category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	24	<b>24</b>	-	28	<b>28</b>	1	35	<b>36</b>
<b>Staff - Managers</b>	25	175	<b>200</b>	40	211	<b>251</b>	48	255	<b>303</b>
<b>Workers</b>	2	663	<b>665</b>	3	715	<b>718</b>	13	906	<b>919</b>
<b>Total</b>	<b>27</b>	<b>862</b>	<b>889</b>	<b>43</b>	<b>954</b>	<b>997</b>	<b>62</b>	<b>1,196</b>	<b>1,258</b>

Employee category (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	2.7%	2.7%	-	2.8%	2.8%	0.1%	2.8%	2.9%
<b>Staff - Managers</b>	2.8%	19.7%	22.5%	4.0%	21.2%	25.2%	3.8%	20.3%	24.1%
<b>Workers</b>	0.2%	74.6%	74.8%	0.3%	71.7%	72.0%	1.0%	72.0%	73.1%
<b>Total</b>	<b>3.0%</b>	<b>97.0%</b>	<b>100.0%</b>	<b>4.3%</b>	<b>95.7%</b>	<b>100.0%</b>	<b>4.9%</b>	<b>95.1%</b>	<b>100.0%</b>

## Employees by category and age group

In the 2018-2020 three-year period, this indicator tends to be rather stable. For all three employment categories analysed, the most representative age group is from 30 to 50 (over 50% in the years analysed).

Employee category	2018				2019				2020			
	29 and under	From 30 to 50	Over 50	total	29 and under	From 30 to 50	Over 50	total	29 and under	From 30 to 50	Over 50	total
<b>Executives</b>	-	13	11	<b>24</b>	-	16	12	<b>28</b>	-	18	18	<b>36</b>
<b>Staff - Managers</b>	24	149	41	<b>214</b>	27	166	51	<b>244</b>	38	194	71	<b>303</b>
<b>Workers</b>	107	337	207	<b>651</b>	118	353	254	<b>725</b>	173	466	280	<b>919</b>
<b>Total</b>	<b>131</b>	<b>499</b>	<b>259</b>	<b>889</b>	<b>145</b>	<b>535</b>	<b>317</b>	<b>997</b>	<b>211</b>	<b>678</b>	<b>369</b>	<b>1,258</b>

Employee category (%)	2018				2019				2020			
	29 and under	From 30 to 50	Over 50	total	29 and under	From 30 to 50	Over 50	total	29 and under	From 30 to 50	Over 50	total
<b>Executives</b>	-	1.5%	1.2%	<b>2.7%</b>	-	1.6%	1.2%	<b>2.8%</b>	-	1.4%	1.4%	<b>2.9%</b>
<b>Staff - Managers</b>	2.7%	16.8%	4.6%	<b>24.1%</b>	2.7%	16.6%	5.1%	<b>24.5%</b>	3.0%	15.4%	5.6%	<b>24.1%</b>
<b>Workers</b>	12.0%	37.9%	23.3%	<b>73.2%</b>	11.8%	35.4%	25.5%	<b>72.7%</b>	13.8%	37.0%	22.3%	<b>73.1%</b>
<b>Total</b>	<b>14.7%</b>	<b>56.1%</b>	<b>29.1%</b>	<b>100%</b>	<b>14.5%</b>	<b>53.7%</b>	<b>31.8%</b>	<b>100%</b>	<b>16.8%</b>	<b>53.9%</b>	<b>29.3%</b>	<b>100%</b>

## Employees by age group and gender

For this indicator as well, as we said before, the trend in the three-year period analysed was stable and the most represented age group was that from 30 to 50, for both women and men.

Age group	2018			2019			2020		
	women	men	total	women	men	total	women	men	Total
29 and under	3	139	<b>142</b>	5	141	<b>146</b>	11	202	<b>213</b>
From 30 to 50	17	473	<b>490</b>	31	506	<b>537</b>	37	645	<b>682</b>
Over 50	7	250	<b>257</b>	7	307	<b>314</b>	14	349	<b>363</b>
<b>Total</b>	<b>27</b>	<b>862</b>	<b>889</b>	<b>43</b>	<b>954</b>	<b>997</b>	<b>62</b>	<b>1,196</b>	<b>1,258</b>

Age group (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	Total
29 and under	0.3%	15.6%	<b>16.0%</b>	0.5%	14.1%	<b>14.6%</b>	0.9%	16.1%	<b>16.9%</b>
From 30 to 50	1.9%	53.2%	<b>55.1%</b>	3.1%	50.8%	<b>53.9%</b>	2.9%	51.3%	<b>54.2%</b>
Over 50	0.8%	28.1%	<b>28.9%</b>	0.7%	30.8%	<b>31.5%</b>	1.1%	27.7%	<b>28.9%</b>
<b>Total</b>	<b>3.0%</b>	<b>97.0%</b>	<b>100.0%</b>	<b>4.3%</b>	<b>95.7%</b>	<b>100.0%</b>	<b>4.9%</b>	<b>95.1%</b>	<b>100.0%</b>

## Recruitment and turnover

### Recruitment by age group and gender

Recruitment in the Salcef Group in the 2018-2020 three-year period shows an upward trend, a sign of the Group's constant growth. The age group most commonly found in recruitment at the end of 2020 is the 30-50 age group, unlike in 2018. In fact, in the last period, the preference was for hiring more experienced staff.

Age group	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
29 and under	1	59	60	3	63	66	3	74	77
Between 30 and 50	1	61	62	9	113	122	5	130	135
Over 50	1	9	10	3	55	58	2	38	40
<b>Total</b>	<b>3</b>	<b>129</b>	<b>132</b>	<b>15</b>	<b>231</b>	<b>246</b>	<b>10</b>	<b>242</b>	<b>252</b>

Age group (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
29 and under	1%	45%	45%	1%	26%	27%	1%	29%	31%
Between 30 and 50	1%	46%	47%	4%	46%	50%	2%	52%	54%
Over 50	1%	7%	8%	1%	22%	24%	1%	15%	16%
<b>Total</b>	<b>2%</b>	<b>98%</b>	<b>100%</b>	<b>6%</b>	<b>94%</b>	<b>100%</b>	<b>4%</b>	<b>96%</b>	<b>100%</b>

### Recruitment by age group and geographic area

Most of the staff were recruited in Italy where the Group has most of its facilities and business activities.

Age group	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
29 and under	52	63	51	2	1	5	1	-	6	5	-	-	-	-	5	-	2	10	60	66	77
Between 30 and 50	46	99	99	5	4	9	2	2	6	9	9	-	-	-	6	-	8	15	62	122	135
Over 50	8	43	22	1	2	1	1	1	1	-	-	-	-	-	4	-	12	12	10	58	40
<b>Total</b>	<b>106</b>	<b>205</b>	<b>172</b>	<b>8</b>	<b>7</b>	<b>15</b>	<b>4</b>	<b>3</b>	<b>13</b>	<b>14</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>0</b>	<b>22</b>	<b>37</b>	<b>132</b>	<b>246</b>	<b>252</b>

Age group (%)	Italy	Eastern Europe	Middle East	North Africa	North America	Western Europe	Total
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	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
29 and under	39%	26%	20%	2%	-	2%	1%	-	2%	4%	0%	-	-	-	2%	-	1%	4%	45%	27%	31%
Between 30 and 50	35%	40%	39%	4%	2%	4%	2%	1%	2%	7%	4%	-	-	-	2%	-	3%	6%	47%	50%	54%
Over 50	6%	17%	9%	1%	1%	-	1%	-	-	-	-	-	-	-	2%	-	5%	5%	8%	24%	16%
<b>Total</b>	<b>80%</b>	<b>83%</b>	<b>68%</b>	<b>6%</b>	<b>3%</b>	<b>6%</b>	<b>3%</b>	<b>1%</b>	<b>5%</b>	<b>11%</b>	<b>4%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6%</b>	<b>-</b>	<b>9%</b>	<b>15%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Terminations by age group and gender

As regards employment terminations, the most involved age group was that between 30 and 50, the same as for recruitment.

Age group	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
29 and under	1	28	29	-	46	46	1	37	38
Between 30 and 50	-	56	56	2	82	84	5	71	76
Over 50	-	34	34	3	42	45	-	47	47
<b>Total</b>	<b>1</b>	<b>118</b>	<b>119</b>	<b>5</b>	<b>170</b>	<b>175</b>	<b>6</b>	<b>155</b>	<b>161</b>

Age group (%)	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
29 and under	0.8%	23.5%	24.4%	-	26.3%	26.3%	0.6%	23.0%	23.6%
Between 30 and 50	-	47.1%	47.1%	1.1%	46.9%	48.0%	3.1%	44.1%	47.2%
Over 50	-	28.6%	28.6%	1.7%	24.0%	25.7%	-	29.2%	29.2%
<b>Total</b>	<b>0.8%</b>	<b>99.2%</b>	<b>100.0%</b>	<b>2.9%</b>	<b>97.1%</b>	<b>100.0%</b>	<b>3.7%</b>	<b>96.3%</b>	<b>100.0%</b>

## Termination of employment by age group and geographic area

An analysis of the data by area shows that the largest number of terminations took place in Italy, as in the case of recruitment. There was also a slight peak in terminations in 2018 in the Middle East area due to the closure of the project in Saudi Arabia.

Age group	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
29 and under	14	36	28	2	-	2	13	8	4	-	-	-	-	-	3	-	2	1	29	46	38
Between 30 and 50	39	64	53	9	10	4	6	6	4	2	-	-	-	-	8	-	4	7	56	84	76
Over 50	32	39	33	-	3	2	2	1	-	-	-	-	-	-	6	-	2	6	34	45	47
<b>Total</b>	<b>85</b>	<b>139</b>	<b>114</b>	<b>11</b>	<b>13</b>	<b>8</b>	<b>21</b>	<b>15</b>	<b>8</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>-</b>	<b>8</b>	<b>14</b>	<b>119</b>	<b>175</b>	<b>161</b>

Age group (%)	Italy			Eastern Europe			Middle East			North Africa			North America			Western Europe			Total		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
29 and under	12%	21%	17%	2%	-	1%	11%	5%	2%	-	-	-	-	-	2%	-	1%	1%	24%	26%	24%
Between 30 and 50	33%	37%	33%	8%	6%	2%	5%	3%	2%	2%	-	-	-	-	5%	-	2%	4%	47%	48%	47%
Over 50	27%	22%	20%	-	2%	1%	2%	1%	-	-	-	-	-	-	4%	-	1%	4%	29%	26%	29%
<b>Total</b>	<b>71%</b>	<b>79%</b>	<b>71%</b>	<b>9%</b>	<b>7%</b>	<b>5%</b>	<b>18%</b>	<b>9%</b>	<b>5%</b>	<b>2%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11%</b>	<b>0%</b>	<b>5%</b>	<b>9%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Reason for termination by gender

As can be seen from the data below, the main reason for termination is voluntary departure (resignation). The second most important reason is represented by what is indicated in Other where there are mainly non-confirmations of fixed-term contracts for end of projects.

Reason for termination	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
Voluntary departure	1	53	54	2	75	77	4	59	63
Retirement	-	9	9	-	13	13	-	17	17
Dismissal	-	3	3	2	11	13	1	29	30
Other	-	53	53	1	71	72	1	50	51
<b>Total</b>	<b>1</b>	<b>118</b>	<b>119</b>	<b>5</b>	<b>170</b>	<b>175</b>	<b>6</b>	<b>155</b>	<b>161</b>

## Turnover by gender

In the tables on turnover, only the years 2019 and 2020 are taken into account, as these are based on end-of-period data for 2018-2020.

Overall, it can be seen that the rate of recruitments is almost double the rate of terminations, another sign of strong growth in human resources. Looking also at the overall turnover rate, it is confirmed that the number of recruitments exceeded the number of terminations by about 9% in 2020. The same trend can be observed for both genders.

Turnover	2019			2020		
	women	men	total	women	men	total
Negative turnover (terminations)	18.5%	19.7%	<b>19.7%</b>	14.0%	16.2%	<b>16.1%</b>
Positive turnover (recruitment)	55.6%	26.8%	<b>27.7%</b>	23.3%	25.4%	<b>25.3%</b>
<b>Total turnover</b>	<b>37.0%</b>	<b>7.1%</b>	<b>8.0%</b>	<b>9.3%</b>	<b>9.1%</b>	<b>9.1%</b>

## Negative turnover (terminations) by geographic area and age group

The negative turnover data reflect what was previously shown for terminations by geographic area and age group.

Age group	Italy		Eastern Europe		Middle East		North Africa		North America		Western Europe		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
29 and under	4.0%	2.8%	-	0.2%	0.9%	0.4%	-	-	-	0.3%	0.2%	0.1%	<b>5.2%</b>	<b>3.8%</b>
Between 30 and 50	7.2%	5.3%	1.1%	0.4%	0.7%	0.4%	-	-	-	0.8%	0.4%	0.7%	<b>9.4%</b>	<b>7.6%</b>
Over 50	4.4%	3.3%	0.3%	0.2%	0.1%	-	-	-	-	0.6%	0.2%	0.6%	<b>5.1%</b>	<b>4.7%</b>
<b>Total</b>	<b>15.6%</b>	<b>11.4%</b>	<b>1.5%</b>	<b>0.8%</b>	<b>1.7%</b>	<b>0.8%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.7%</b>	<b>0.9%</b>	<b>1.4%</b>	<b>19.7%</b>	<b>16.1%</b>

## Positive turnover (recruitment) by geographic area and age group

The positive turnover data reflect what was previously said for recruitment by geographic area and age group.

Age group	Italy		Eastern Europe		Middle East		North Africa		North America		Western Europe		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
29 and under	7.1%	5.1%	0.1%	0.5%	-	0.6%	-	-	-	0.5%	0.2%	1.0%	7.4%	7.7%
Between 30 and 50	11.1%	9.9%	0.4%	0.9%	0.2%	0.6%	1.0%	-	-	0.6%	0.9%	1.5%	13.7%	13.5%
Over 50	4.8%	2.2%	0.2%	0.1%	0.1%	0.1%	-	-	-	0.4%	1.3%	1.2%	6.5%	4.0%
<b>Total</b>	<b>23.1%</b>	<b>17.3%</b>	<b>0.8%</b>	<b>1.5%</b>	<b>0.3%</b>	<b>1.3%</b>	<b>1.0%</b>	<b>-</b>	<b>-</b>	<b>1.5%</b>	<b>2.5%</b>	<b>3.7%</b>	<b>27.7%</b>	<b>25.3%</b>

## Total turnover by geographic area and age group

Generally speaking, a positive turnover is found for all areas and years apart from the odd minor exception.

With respect to the age groups, a positive trend can be seen for turnover in the 50 and under age group and a negative turnover for the over 50s, which is only of course to be expected.

Age group	Italy		Eastern Europe		Middle East		North Africa		North America		Western Europe		Total	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
29 and under	3.0%	2.3%	0.1%	0.3%	-0.9%	0.2%	-	-	-	0.2%	-	0.9%	2.2%	3.9%
Between 30 and 50	3.9%	4.6%	-0.7%	0.5%	-0.4%	0.2%	1.0%	-	-	-0.2%	0.4%	0.8%	4.3%	5.9%
Over 50	0.4%	-1.1%	-0.1%	-0.1%	-	0.1%	-	-	-	-0.2%	1.1%	0.6%	1.5%	-0.7%
<b>Total</b>	<b>7.4%</b>	<b>5.8%</b>	<b>-0.7%</b>	<b>0.7%</b>	<b>-1.3%</b>	<b>0.5%</b>	<b>1.0%</b>	<b>-</b>	<b>-</b>	<b>-0.2%</b>	<b>1.6%</b>	<b>2.3%</b>	<b>8.0%</b>	<b>9.1%</b>

## Maternity leave

All Salcef Group employees are entitled to maternity / paternity leave. The trend with respect to people who have taken maternity/paternity leave over the three-year period is stable, with an average of just under 5 leaves per year.

The data shows that all male staff return to work after taking leave, while 58.3% of female staff returned over the three-year period.

Maternity leave	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
No. of employees entitled to maternity leave	27	862	<b>889</b>	43	954	<b>997</b>	62	1,196	<b>1,258</b>
No. of employees who took leave	4	-	<b>4</b>	3	1	<b>4</b>	3	3	<b>6</b>
No. of employees who returned to work during the reporting period after taking their leave	3	-	<b>3</b>	1	1	<b>2</b>	2	3	<b>5</b>
No. of employees who returned to work after taking leave and who are still employed by the organization in the 12 months after returning	2	-	<b>2</b>	-	1	<b>1</b>	1	3	<b>4</b>
<b>Work return rate</b>	<b>75%</b>	-	<b>75%</b>	<b>33%</b>	<b>100%</b>	<b>50%</b>	<b>67%</b>	<b>100%</b>	<b>83%</b>
<b>Retention rate</b>	<b>67%</b>	-	<b>67%</b>	-	<b>100%</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>	<b>80%</b>

## Skills training and development

GRI 103-2 GRI 103-3 GRI 205-2 GRI 404-1

The Salcef Group adopts a structured training system aimed at the overall management of training obligations and the continuous improvement process. Training is a prerequisite for maintaining competitive capacity and allows for addressing issues related to technological and organisational innovation.

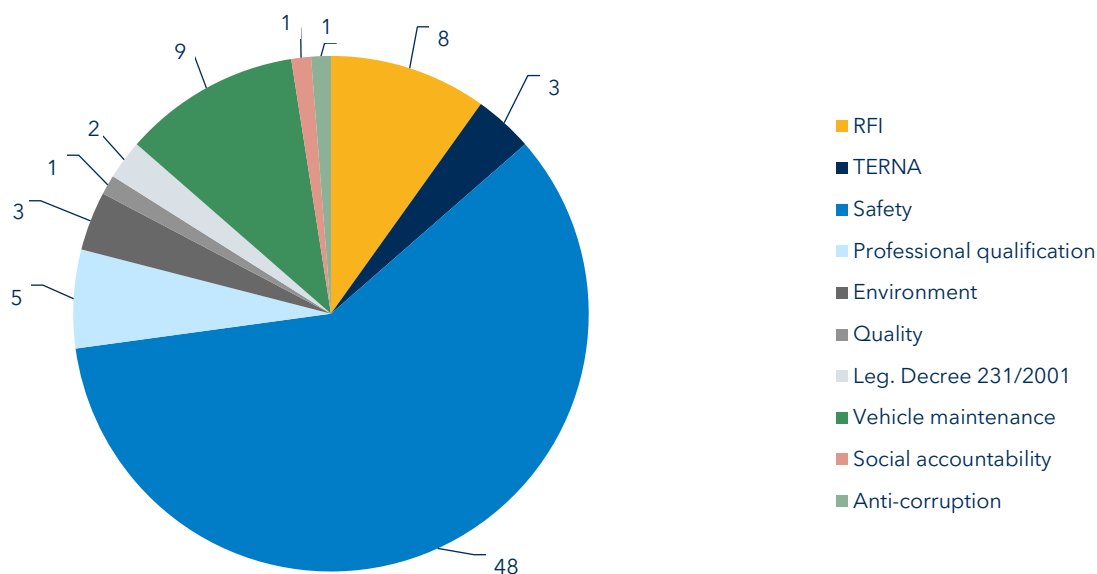
This process helps to focus attention on the actual training needs, on the planning and implementation of activities consistent with actual requirements and also provides methodologies and tools that allow building and monitoring a corporate training plan taking into account the identification of training needs, the analysis of actual training needs, the definition of a plan of training activities and the assessment of training activities.

Within the Salcef Group, the Human Resources Department of the Salcef Group (also "SG") is identified as the entity responsible for coordinating Training for SG and its subsidiaries and defines the training requirements for the Group's jobs. The Training process is managed through the company's proprietary My Salcef ERP, which ensures proper monitoring and control. Within the software, all of the Group's training activities have been recorded (81 different courses divided into 10 types).

In addition, the software identifies all the jobs done within the Group (more than 120 different jobs) and for each of them, requirements are identified in terms of training, medical examinations and Personal Protective Equipment. This way, for each new employee or job change, the measures to be taken are immediately clear while the management of expiry dates, with alerts and email notifications to all personnel involved in the training process, facilitates and simplifies the monitoring of this process.

Training is provided by the company during working hours, using internal teaching or the services of specialised consultancy firms, as appropriate. There is normally a learning assessment at the end of each training action.

### Training by type

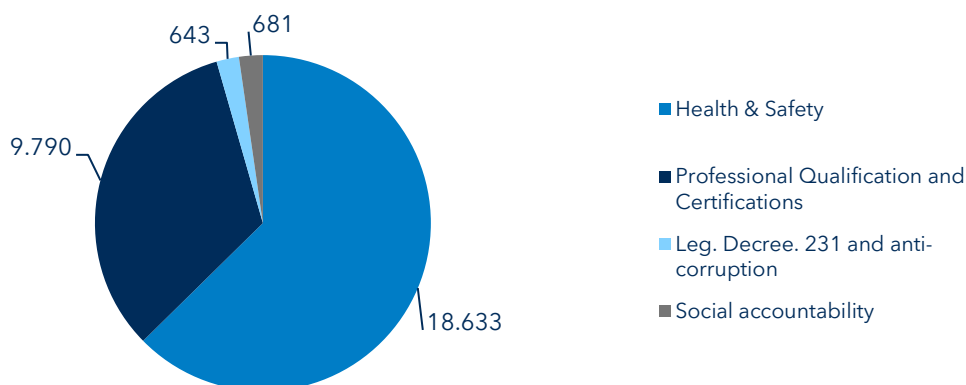


In addition to the quantitative data provided below, there is an important amount of training "not tracked" by the management system, represented by training and information on the worksite. This type of training is formalised by means of a special report and involves all workers on the site for about one hour. It is carried out every time a new order is executed or a new worker is introduced into the production unit. The purpose of this activity is to inform and raise awareness of the specific risks of the worksite among all the personnel involved.

### Provided training

The data shown below relate to the training provided during the 2018-2020 three-year period. These are the training totals and averages for the year. Special training categories are also analysed.

### Hours of training provided - 2020



## Total hours of training by category and gender

Over the 2018-2020 three-year period, the Salcef Group provided a total of over 78,000 hours of training. As can be seen from the table below, the data trend is increasing and follows that for recruitment and for employees seen in the previous sections. In the year 2020, 29,748 hours of training were provided.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	344	<b>344</b>	-	228	<b>228</b>	1	519	<b>520</b>
<b>Staff - Managers</b>	148	3,431	<b>3,578</b>	375	2,973	<b>3,348</b>	643	4,758	<b>5,401</b>
<b>Workers</b>	60	20,757	<b>20,817</b>	30	20,336	<b>20,366</b>	30	23,798	<b>23,828</b>
<b>Total</b>	<b>207</b>	<b>24,532</b>	<b>24,739</b>	<b>405</b>	<b>23,536</b>	<b>23,941</b>	<b>674</b>	<b>29,075</b>	<b>29,748</b>

## Average hours of training by category and gender

Analysing the data on average hours of training, it will be seen that the total figure is around 24 hours per person per year, which can be considered fairly stable. In 2018 and 2019, the figure was slightly higher due to the integration into our Group of the personnel of the acquired companies, especially Overall (formerly Vianini Industria) and Coget Impianti.

Training mainly concerns blue-collar workers. In fact, as the Salcef Group is highly specialised, blue-collar workers are the most frequent recipients and there are various types of training provided. These are described in greater detail in the following sections.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	14.3	<b>14.3</b>	-	8.1	<b>8.1</b>	1.0	14.8	<b>14.4</b>
<b>Staff - Managers</b>	5.9	19.6	<b>17.9</b>	9.4	14.1	<b>13.3</b>	13.4	18.7	<b>17.8</b>
<b>Workers</b>	29.8	31.3	<b>31.3</b>	10.0	28.4	<b>28.4</b>	2.3	26.3	<b>25.9</b>
<b>Total</b>	<b>7.7</b>	<b>28.5</b>	<b>27.8</b>	<b>9.4</b>	<b>24.7</b>	<b>24.0</b>	<b>10.9</b>	<b>24.3</b>	<b>23.6</b>

## Total hours of Health & Safety training by category and gender

Health & Safety, or occupational health and safety, training is the most important type of training for the Salcef Group both in terms of courses (to date there are 48) and hours provided. In fact, in the 2018-2020 three-year period, a total of 40,655 hours were provided for this type of training, which alone accounts for more than half of the total training hours provided by the Group in the period.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	64	<b>64</b>	-	101	<b>101</b>	-	349	<b>349</b>
<b>Staff - Managers</b>	104	1,420	<b>1,524</b>	256	1,774	<b>2,030</b>	520	2,931	<b>3,451</b>
<b>Workers</b>	-	10,660	<b>10,660</b>	8	7,635	<b>7,643</b>	8	14,825	<b>14,833</b>
<b>Total</b>	<b>104</b>	<b>12,144</b>	<b>12,248</b>	<b>264</b>	<b>9,510</b>	<b>9,774</b>	<b>528</b>	<b>18,105</b>	<b>18,633</b>

## Total hours of professional qualification and certification training by category and gender

Training classified in the Professional Qualification and Certification group includes all training provided for a particular job or the use of a machine or equipment. This group also includes training carried out to obtain customer certifications (e.g. RFI, Terna, etc.). This type of training mainly involves blue-collar workers.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	244	<b>244</b>	-	72	<b>72</b>	-	120	<b>120</b>
<b>Staff - Managers</b>	16	1,834	<b>1,850</b>	32	920	<b>952</b>	40	1,440	<b>1,480</b>
<b>Workers</b>	-	9,918	<b>9,918</b>	8	12,320	<b>12,328</b>	8	8,182	<b>8,190</b>
<b>Total</b>	<b>16</b>	<b>11,996</b>	<b>12,012</b>	<b>40</b>	<b>13,312</b>	<b>13,352</b>	<b>48</b>	<b>9,742</b>	<b>9,790</b>

## Total hours of training leg. decree no. 231 and anti-corruption by category and gender

Training leg. decree no. 231 and anti-corruption includes all the training provided with regard to the Salcef Group's Code of Ethics and Conduct (see [The Code of Ethics](#)), the Organisation, Management and Control Model pursuant to leg. decree no. 231 (see [Organisation, management and control model leg. decree no. 231/2001](#)) and the Anti-Bribery Management System (see [Anti-corruption measures](#)).

Training is mandatory for all personnel and envisages two different modules depending on the risk profile; one is for blue-collar workers and the other is for office workers, middle managers and executives.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	35	<b>35</b>	-	19	<b>19</b>	-	34	<b>34</b>
<b>Staff - Managers</b>	28	236	<b>264</b>	55	198	<b>253</b>	42	208	<b>250</b>
<b>Workers</b>	-	179	<b>179</b>	6	227	<b>233</b>	6	354	<b>360</b>
<b>Total</b>	<b>28</b>	<b>450</b>	<b>477</b>	<b>61</b>	<b>443</b>	<b>504</b>	<b>48</b>	<b>596</b>	<b>643</b>

## Total hours of social accountability training by category and gender

Training relating to social accountability includes SA 8000 management system training and involves all staff. It consists of two different modules, one for the Social Performance Team (see [Social Performance Team](#)) and one for all the staff.

Job category	2018			2019			2020		
	women	men	total	women	men	total	women	men	total
<b>Executives</b>	-	-	-	-	16	<b>16</b>	-	16	<b>16</b>
<b>Staff - Managers</b>	-	-	-	32	81	<b>113</b>	41	179	<b>220</b>
<b>Workers</b>	-	-	-	8	154	<b>162</b>	8	437	<b>445</b>
<b>Total</b>	-	-	-	<b>40</b>	<b>251</b>	<b>291</b>	<b>49</b>	<b>632</b>	<b>681</b>

## **Training in the field**

Given the high specialization of the Salcef Group's business activities, in addition to education, training is an important step in the Salcef Group. Training is the set of activities designed to teach workers the proper use of equipment, machinery, systems, substances, devices (including personal protective equipment) and work procedures in order to allow each worker to exercise an informed (and therefore responsible) discretionary capacity in their job.

Training, where required, takes place when a new employee is hired or changes job, or when new machinery or technology is introduced. During the training start-up phase, the operating department identifies the trainer, who must have particular characteristics and experience in the field and who will have the task of instructing, training and supporting the resource in performing the new job.

# Occupational health and safety

GRI 103-2 GRI 103-3 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 403-8 GRI 403-9

## Occupational health and safety regulations

The rules on occupational health and safety are contained in Legislative Decree no. 81/2008 (the "Decree 81/08") issued to reorganise and coordinate the relevant regulations. Decree 81/08 establishes the way in which a series of preventive actions, such as risk assessment in the company, must be compulsorily carried out and, consequently, a series of measures must be taken to improve occupational health and safety including: (i) the adaptation of facilities, plants and equipment; (ii) health checkups, (iii) training courses and all other mandatory aspects, the lack or absence of which could expose the company to significant penalties.

Decree 81/2008 provides for the establishment and appointment within the company of specific figures (such as the Health and Safety Officer, the workers' representative, the competent doctor) including the employer, who makes an assessment of the risks present in the company, adopts the prevention and protection measures able to eliminate or contain the risks and ensures that each worker is adequately trained and informed.

At international level, the main regulatory references are:

- the ISO 45001 standard;
- the NEBOSH guidelines;
- Protocols, recommendations and guidelines of the International Labour Organisation (ILO);
- Local laws and regulations on occupational health and safety in the country where work is being done.

Bearing in mind that the Salcef Group's Safety Management System is strongly inspired by Italian legislation, which is particularly comprehensive and effective abroad, the Group's approach to occupational health and safety is to always apply the most stringent measures that best protect workers.

## Principles and the management system

The Salcef Group considers the protection and promotion of health, safety and welfare of the individual as a value and a priority principle in all its activities, therefore, the activities and processes related to personnel management are extremely important. The way it operates therefore is aimed at protecting employees, customers, suppliers and, in general, anyone who enters the sphere of influence of the Salcef Group.

Salcef Group guarantees working conditions that respect the dignity of the individual and ensures safe and healthy work environments, in compliance with applicable accident prevention and occupational health and hygiene regulations. Salcef strongly promotes the dissemination of a culture of safety and awareness of the risks associated with the jobs carried out, requiring from everyone, at all levels, responsible behaviour and respect for the safety system in place and all business procedures that form an integral part thereof. In this perspective, each employee, collaborator and anyone who works in offices, yards and plants of the Group is called to contribute personally to the maintenance of safety and quality of the working environment in which they operate, scrupulously complying with the safety system and all company procedures that are a part thereof.

The Salcef Group undertakes:

- to carry out safe activities in order to protect the health of the Company's employees and the communities where it has its offices, aligning its operating strategies with the company's policy on safety, health and the environment;
- to provide training and information for all those who work in the offices, yards and plants belonging to the Group, as regards the risks related to safety to which they are exposed from time to time, providing them with the means and Personal Protective Equipment required by applicable legislation in relation to the type of job done;
- to periodically review and continuously monitor the performance and efficiency of its safety-related risk system, to maintain safe workplaces, to protect the integrity of its staff, and to achieve the objectives of continuous improvement set by Salcef in terms of safety, health and the environment.

The commitment towards occupational health and safety is a major aspect for the Salcef Group. For this reason, and to go beyond mere legal compliance, an occupational health and safety management system has been maintained, implemented and improved, and is applied for all Group operations and companies. The management system is certified according to the ISO 45001:2018 standard.

The occupational health and safety management system is applied to all Salcef Group workers and also extends to all parties that come under the Group's sphere of influence, such as subcontractors, temporary workers, professionals, etc.

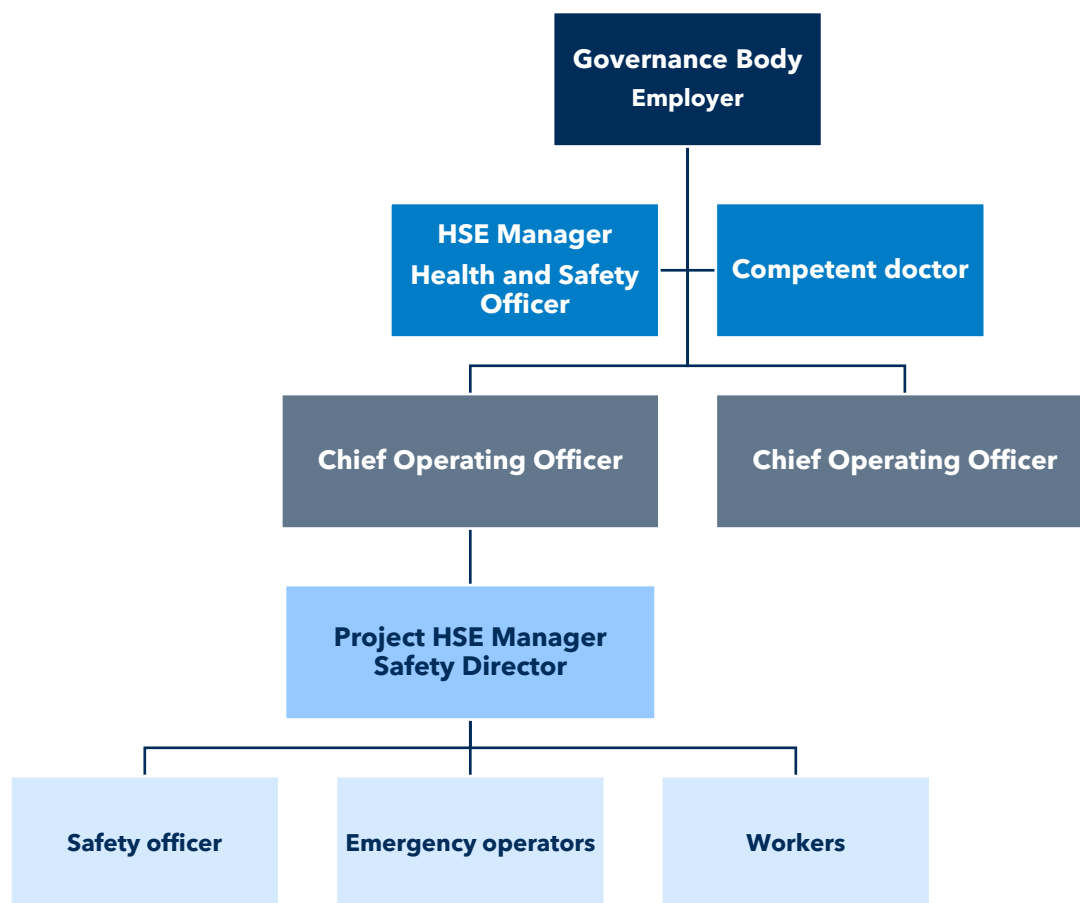
The correct and effective application of the integrated management system, including the occupational health and safety management system, is checked at least once a year through internal audits, carried out by qualified personnel. For more information on the results of these audits, see the [Management System Audits](#) paragraph.

Furthermore, all certified management systems are audited annually by independent, accredited third-party auditors. These audits assess the conformity of the applied management system with the requirements of the international standards for reference management systems.

## **Safety organisation**

In the Salcef Group, safety organisation provides for a Safety Management System Manager, called HSE Manager, reporting to the Knowledge Department of the parent company. He or she is responsible for maintaining the implemented management system in operation and effective, including the operational control and updating of the same and reporting to the Management Representative on the performance achieved and areas for improvement. The HSE Manager of the parent company Salcef Group S.p.A., besides being the Head of the Prevention and Protection Service pursuant to Legislative Decree no. 81/2008, carries out the activity of Management and Coordination of the Safety and Environment offices of the Group's subsidiaries, ensuring uniformity, support and dissemination of corporate best practices.

In each subsidiary, furthermore, the main figures in the safety organisation are represented in the following diagram. They are identified and formally appointed.



- The **Governance Body** (sole director or CEO) performs the function of the Employer within the meaning of Legislative Decree no. 81/08. In particular, it draws up and approves the risk assessment document (see details in the following [Risk identification and assessment](#)) paragraph in which are also defined all the measures to be put in place to eliminate/mitigate such risks. It also appoints the other safety organisation figures.
- The **HSE Manager** coincides with the figure of the Health and Safety Officer (RSPP) pursuant to Legislative Decree no. 81/2008. He or she is in charge of managing safety in the workplace and relations with the various control and certification bodies and organisations and coordinates with workers' safety representatives and the Directors. The HSE Managers / HSOs of the Group's subsidiaries are hierarchically dependent on the Employer of reference, but are also centrally coordinated by the HSE Manager / HSO function of the parent company, Salcef Group S.p.A. They meet periodically to discuss and define any critical issues encountered, management system performance and any improvement measures to be implemented.
- The **Competent Doctor** is a figure required under Legislative Decree no. 81/2008 to carry out the monitoring and health surveillance functions required by law and under the Health and Safety Management System. This figure is only present in Italian companies. Abroad, health monitoring and surveillance are carried out by responsible persons with the involvement of local institutes and specialised centres.
- The **Chief Operating Officer** is appointed by the Employer and granted all the powers associated with such appointment. He or she is responsible for Operation Management and coordinates men, machines and resources in the various orders acquired by the company/branch.

- The **Project HSE Manager** coincides with the figure of Safety Manager pursuant to Leg. Decree no. 81/2008. He or she is appointed for the companies in which the Governing body and the Chief Operating Officer, because of the complexity, including logistic, of the operating concern, are unable to effectively monitor the operating units of reference, as, more specifically, in the case of companies working in temporary and mobile worksites. The Project HSE Manager is responsible for monitoring and supervising the correct application of the safety environment management system and procedures in the assigned business units. The Project HSE Manager (or alternatively the Chief Operating Officer or the governing body) appoints emergency workers, who are trained to respond to hazardous and emergency situations. For details see the [Processes for workers to move away from hazardous situations](#) paragraph.
- The **person in charge** coincides with the same figure provided for under Legislative Decree no. 81/2008. Within each work team, he or she has the task of supervising and overseeing compliance by individual workers with their safety obligations.

## Risk identification and assessment

With regard to hazard identification, risk assessment and incident investigation, Legislative Decree No. 81/08 and related legislation regulate in detail responsibilities, activities, deadlines. In addition to the legal requirements, the procedures of the occupational health and safety management system also apply. In this context:

- the mandatory legal requirements applicable in the organisation are identified;
- information is collected in the field (operational control);
- nonconformities (whether incidents, injuries or near misses) are recorded and dealt with;
- preventive actions are taken as suggested by the analysis of the results of the operational control and the nonconformities found.

## Hazard identification

The assessment of the risks to which workers are exposed is carried out by analysing the specific situations in which workers at the various workstations find themselves during the performance of their duties.

The risk assessment is:

- correlated with the choices made for equipment, substances and workplace layout;
- aimed at identifying and implementing appropriate measures and measures to be implemented.

Risk assessment is therefore linked both to the type of work phase carried out in the production unit and to situations determined by systems such as: work environment, structures and facilities used, materials and products involved in the processes.

The guidelines considered are based on the following aspects

- observation of the work environment (requirements of the work rooms, access routes, safety of equipment, microclimate, lighting, noise, physical and harmful agents);
- identification of the jobs performed at the workplace (to identify the hazards arising from individual jobs);
- observation of the way work is carried out (to check compliance with procedures and whether they involve additional hazards);

- examination of the environment to detect external factors that may have negative effects on the workplace (microclimate and ventilation);
- review of work organisation;
- review of psychological, social and physical factors that may contribute to stress at work and how they interact with each other and with other factors in the work organisation and environment.

The risk assessment is also revised when there are changes in the production process or work organisation that are significant for the health and safety of workers, or in relation to the degree of development of technology, prevention or protection, or following significant injuries or when the results of health surveillance show it to be necessary. Following this revision, the prevention measures are also updated as required.

### Reporting any hazards and hazard situations in the workplace

All workers are able to report possible hazards and dangerous situations at work in various ways. The main tools available include the following:

- **Whistleblowing:** a dedicated channel for receiving reports that guarantees, by computer and encryption methods, the confidentiality of the identity of the reporter. This channel is accessible through the My Salcef ERP system, by filling out a form available on the home page of the application. Whistleblowers are guaranteed the utmost confidentiality. These confidentiality criteria are also guaranteed in the subsequent management of the report.
- **Reports of near misses<sup>6</sup>:** following a near miss, an Injury or Near Miss Report can be made detailing the occurrence.

The Salcef Group does not retaliate in any way against workers who report such incidents, but rather encourages them: HSE Managers periodically raise awareness among workers, in order to encourage them to report any near miss, for the continuous improvement of the prevention system.

In addition, the Salcef Group has planned, as an objective for improvement of the occupational health and safety management system, an increase in the number of these reports compared to previous years.

### Processes for workers to move away from hazardous situations

An Emergency and Evacuation Plan is drawn up for each of the Group's offices and premises. This contains the measures for managing emergencies and evacuation from the workplaces in the company headquarters.

As regards emergency procedures for activities in production units on mobile and temporary sites, since this information is specific, it is assessed each time before work begins and included in a specific Emergency Plan, an integral part of the Operational Safety Plan (OSP) of the specific work order.

Emergency workers are identified and formally appointed for both the headquarters and the operating units. They are informed and trained as regards the contents of the Emergency Plans and on any measures to be taken.

In the event of an emergency, each worker is free to leave work situations that are considered likely to cause occupational injury or illness.

<sup>6</sup> An event which could have caused an injury of varying seriousness or could have or did cause damage to property and which, by pure chance, ended without significant consequences for the persons involved.

## **Analysis of emergency situations or near misses**

Once the emergency or near miss has occurred and once all the necessary measures have been taken to react to the incident and/or keep the emergency under control, the Safety Manager communicates what has happened to his or her managers by sending an "Injury or Near Miss Report" outlining all details of the occurrence.

Subsequently, the HSE Manager checks whether the event or near miss is a Non-Compliance, and if so, manages it in accordance with the company procedure.

This activity will be used to analyse the root causes that generated the emergency situation, in order to prevent it from happening again. To this end, the HSE Manager investigates the incident, determines the causes and checks - also involving the HSE Manager of the parent company - whether similar incidents have already occurred. On the basis of these analyses, the HSE Manager, with the support of all parties and the involvement of the HSE Manager of the parent company, defines the corrective actions to be taken.

In addition, the HSE Manager checks whether it is necessary to update the Risk Assessment Document and whether changes to the integrated management system are required on the basis of the analysis of the emergency or near miss that occurred.

At the periodic meeting held pursuant to article 35 of Legislative Decree no. 81/08, the HSE Manager communicates to the Workers' Representatives information on incidents, injuries and near misses, corrective actions taken and their effectiveness.

## **Health monitoring and surveillance**

The Salcef Group adopts a system for monitoring the physical health conditions of its resources, starting from the assessment of suitability prior to hiring through to the termination of employment, reviewed from time to time in accordance with applicable legislation. The health protocol is specific for each Group Company on the basis of the health checks required for each homogeneous group of duties.

The Human Resources department together with the HSE department define the medical examination requirements for the various duties and communicate them to the competent doctor. Finally, the health protocol is defined by the competent doctor on the basis of the occupational risks of the homogeneous groups of duties assessed in the Risk Assessment Document pursuant to Legislative Decree no. 81/2008. In particular, different types of health checks are carried out as follows:

- Medical checkups required by law
- Medical checkups for specific qualifications
- Medical checkups following prolonged absences for health reasons.

Confidentiality of employee health information is guaranteed in accordance with the requirements of the GDPR and Italian implementing legislation.

## **Worker participation - The HSE Manager / Health and Safety Officer, Workers' Safety Representative and Safety Committees**

The HSE Managers / Health and Safety Officers of the Group's subsidiaries are often in contact with workers and managers of production units and meet with them to discuss and define any critical issues encountered or possible critical situations brought to light by the workers themselves. Moreover these

activities are carried out also with the aid of Workers' Safety Representative who represents the workers as regards occupational health and safety.

In addition, in order to improve communication and participation of all workers, the Salcef Group has introduced, in addition to the figure of the Workers' Safety Representative, the Safety Committees, which have the task of collaborating in risk assessment and possibly suggesting to the Management improvement actions to address the identified risks.

The Safety Committee coincides with the Social Performance Team (SPT), set up in accordance with the SA 8000:2014 - Social Accountability (for further details see the [Social Performance Team](#) paragraph).

These committees consist, for each company, of the Management Representative, of the Quality and Privacy Manager, of the HSE Manager of reference, of the Workers' Safety Representative and/or Workers' Representative for the SA 8000 and of a union representative, if available.

## **Health and safety training and promotion**

All Salcef employees receive training as regards occupational health and safety, according to the jobs they perform, in accordance with the requirements and expiries set by legislation and their Integrated Management System. The planning of training procedures is carried out by the HSE Manager / Health and Safety Officer. Emergency management drills are also conducted regularly.

Consultation and participation of workers with regard to occupational health and safety takes place through the workers' safety representatives. These are identified by the workers themselves from among the members of the trade union representatives, are consulted on risk assessment, and participate in the annual safety meeting and other meetings called by the HSE Manager / Health and Safety Officer. The HSE Manager / Health and Safety Officer convenes a yearly Safety Meeting, which is attended by the Employer, the Competent Doctor and the Workers' Representatives.

For more details on the training process see [Skills training and development](#).

Salcef also offers its employees, both at home and abroad, a supplementary healthcare plan, with costs paid by the company.

## **Prevention and mitigation of impacts on health and safety**

Salcef Group requires suppliers of goods and services to formally accept the Salcef Group's Code of Ethics as an integral and substantial part of the relationship and to refrain from conduct contrary to such code. The Code of Ethics expressly includes clauses regarding occupational health and safety. With the aim of preventing and mitigating the negative impacts on the health and safety of workers not directly controlled by it and who do not work in places under its control, Salcef gives priority to qualified suppliers with proven experience in the production of required goods and services. (see [Supplier qualification and selection criteria](#)).

## **Injuries**

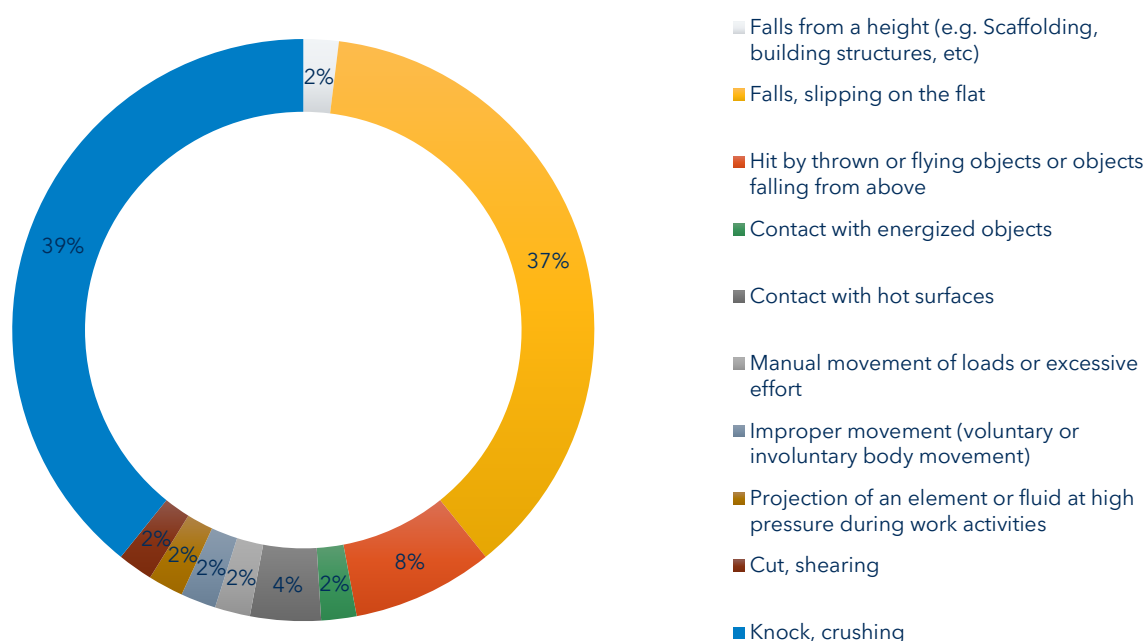
In recent years, the Salcef Group has placed even greater emphasis on the importance of Occupational Health and Safety, introducing a specific target to reduce the frequency and injury severity index. Annually, the results are evaluated from a qualitative and quantitative point of view, thus determining the overall performance achieved.

During the three-year period of reference, no mortal injuries and 2 serious injuries<sup>7</sup> occurred out of a total of 146 recorded injuries.

Work injuries (excluding to and from work injuries)	2018	2019	2020
Mortal injuries	-	-	-
Serious injuries	-	1 (2.5%)	1 (1.96%)
Recordable work injuries (excluding serious injuries)	55 (100%)	39 (97.5%)	50 (98.04%)
<b>Total</b>	<b>55</b>	<b>40</b>	<b>51</b>
Hours worked	2018	2019	2020
Total hours worked	1,728,009	1,747,636	2,040,878

In detail, with reference to 2020, the main types of injuries were “falls and slipping” and “knocks and crushing”.

### Types of injuries



Besides the accidents described above, in the 2018-2020 three-year period, 11 accidents to and from work occurred.

To-and-from work injuries	2018	2019	2020
Number of to-and-from work injuries	6	4	1
Days of absence due to to-and-from work injuries	801	106	165

<sup>7</sup> Injuries that caused an absence or over 6 months

With reference to the seriousness of the injuries that occurred in the 2018-2020 three-year period, the absence is recorded of mortal injuries and the very low occurrence of incidents with serious consequences.

Indices	2018	2019	2020
<b>Death rate resulting from work injuries</b> [(number of deaths resulting from work injuries / number of hours worked) *1,000,000]	-	-	-
<b>Rate of work injuries with serious consequences (excluding deaths)</b> [(number of work injuries with serious consequences / number of hours worked) *1,000,000]	0.58	0.57	0.98
<b>Rate of recordable work injuries</b> [(number of recordable work injuries / number of hours worked) *1,000,000]	34.72	24.60	24.50

Over the last three years, there has been a stationary trend in injury frequency and severity, with a slight deterioration in average duration. The single injury index (calculated as the product of the annual severity index and frequency index) worsened slightly during 2020.

Injury indices (excluding to-and-from work injuries)	2018	2019	2020
<b>Injury frequency index</b> (Number of injuries/hours worked x 1,000,000)	31.83	22.89	24.99
<b>Injury severity index</b> (days of absence due to injuries /hours worked x 1,000)	1.47	1.13	1.32
<b>Average duration of injuries</b> (days of absence due to injuries / Number of injuries)	46.20	49.30	52.75
<b>Single injury index</b> (frequency index * severity index)	<b>46.80</b>	<b>25.83</b>	<b>32.94</b>

During the reporting period, no professional illnesses were recorded in the Group.

## Absences

The total days of absence show a slight increase due to illness during 2020: this figure is in line with the situation caused by the COVID-19 epidemic.

Days of absence by type	2018	2019	2020
Injuries (excluding to-and-from work injuries)	2,541	1,972	2,690
Illnesses	14,329	12,284	17,831
Leave (maternity- parental)	476	509	531
Other	6,205	7,951	11,273
<b>Total</b>	<b>24,352</b>	<b>22,822</b>	<b>32,490</b>



## **7. ENVIRONMENT: MANAGEMENT, COMMITMENT AND IMPACTS**

## Environment and the use of natural resources

GRI 103-2 GRI 103-3

The Group has demonstrated its commitment to promoting environmental and energy protection, through the adoption of an Integrated Quality, Health and Safety and Environment Policy and through the communication of the principles referred to in it to its staff and all stakeholders.

Through the adoption of this Policy, the Salcef Group aims to pursue the following corporate objectives:

- Use processes and technologies that prevent and/or reduce impacts on the environment;
- Manage production activities in order to reduce the environmental impacts directly related to them, with particular attention to the management of waste produced, emissions into the atmosphere, consumption of raw materials and risks related to the use of pollutants;
- Pursue a constant increase in environmental performance;
- Implement the complete digitisation of all business processes by reducing the company's paper documentation and favouring the use of new technologies for the centralisation and sharing of information.

The Salcef Group, considering the protection of the environment essential for the quality of life and sustainable development, as a concrete implementation of its commitment to environmental protection, aims to reconcile the needs of economic development and value creation with the respect and protection of the environment.

## The sustainable management of resources

GRI 301-1 GRI 301-2 GRI 306-3 GRI 306-4 GRI 306-5

### Responsible consumption

The choices of purchase, consumption and eventual disposal of materials are of fundamental importance for sustainability, both from an environmental and social point of view. These choices are oriented towards increasingly eco-compatible materials, taking care of customer satisfaction and focusing attention on the entire community and territory.

The Group is committed to analysing the entire supply chain, from raw materials to end-of-life, when building a project. The sustainability of resources stems from the management of the supply chain (see [Supply chain sustainability](#)) and the assessment of its suppliers, through the correct management of materials in the production process, guaranteeing both safety and environmental reliability and durability, and finally through the correct management of waste in compliance with legislation and company procedures, encouraging recycling and reuse practices and reducing waste..

### The materials

The table below shows the quantities of the main materials procured in the last three years by the Salcef Group. As can be seen from the quantities handled, the main materials are those of the railway infrastructure, such as: railway ballast, concrete and cement mixes, various aggregates, concrete products, steel materials (rods, wire, etc.), iron materials, prestressed reinforced concrete sleepers and bearers, etc. All these materials are mainly used in the activities carried out by the [Track & Light Civil Works](#) Business Unit.

The following materials, however, are of particular importance: oils and greases, thinners and vehicle components, which are mainly related to the activities carried out by the [Railway Machines](#) Business Unit. An analysis of the historical trend in the use of some materials closely related to the construction of civil infrastructure works such as: concrete and cement mixes, marble, flooring and cladding and steel materials, shows that these have decreased in the last period mainly due to the end of some infrastructure contracts such as the completion of the Arcisate - Stabio section for the new Italy-Switzerland link and the doubling of the Castelpiano-Montecarotto section on the Orte-Falconara line.

On the other hand, as regards materials linked to the production and maintenance of railway machinery, a significant growth was recorded, mainly due to two factors: on the one hand, the latest acquisition of Delta Railroad Construction and, on the other, the new orders acquired by the subsidiary SRT S.r.l.

Of no less importance is the stability that some strategic supplies have recorded in the three-year period due to the maintenance of the stable portfolio of works in the company's core business (railway ballast, technical gases in cylinders, aluminothermic welding kits, etc.).

Lastly, there was a significant increase in supplies relating to safety devices recorded in the last year, for the implementation of all protocols for the containment of COVID-19 infection risk. (see [COVID-19: impacts on organisation and adopted measures](#)).

The table below shows that all materials are non-renewable with the exception of: wooden formwork, lumber, wood material in pieces (strips, etc.), which are indicated in footnote 7.

Material	U.M.	2018	2019	2020
Asphalt and bitumen	m <sup>3</sup>	987.2	33,030.7	487.2
Concrete and cement mixes	m <sup>3</sup>	143,948.0	94,556.1	38,750.5
Wooden formworks, various measurements and accessories <sup>7</sup>	m <sup>2</sup>	17,930.2	1,735.0	102.6
Metal formworks various measurements and accessories	m <sup>2</sup>	7,702.1	-	17,892.0
Cement	t	22,738.0	38,370.0	30,454.5
On-track machine parts	n.	123,230.9	163,331.8	513,075.7
Bituminous conglomerate	t	50,106.9	1,299.1	1,631.5
Switch points and other rail equipment (joints, bumpers, level crossings)	n.	320.0	958.7	1,401.0
Thinners and additives	L	257,622.5	314,890.0	115,517.0
Safety devices (PPE, extinguishers, etc.)	n.	57,700.0	55,754.0	268,135.0
Bituminous emulsion	L	-	215,544.9	300.0
Technical gases in cylinders (oxygen, acetylene, etc.)	n.	47,359.8	60,321.3	52,546.8
Geotextile, sheaths, mattresses	m <sup>2</sup>	77,309.5	26,016.0	48,350.7
Logistic systems	n.	12.0	171.0	39,501.0
Miscellaneous aggregates	t	246,815.7	157,944.9	151,173.0
Aluminothermic welding kits	n.	13,507.0	14,962.0	15,406.0
Timber <sup>8</sup>	m <sup>3</sup>	20.0	24.5	160.0
Concrete products in pieces	n.	3,431.0	22,719.6	11,116.0
Concrete or marble products in m (culverts, slabs, guard rails, etc.)	m	168,090.4	52,390.5	16,434.0
Marbles, floors and coverings	m <sup>2</sup>	199,509.9	7,031.8	7,169.5
Electrical material in m (cables, earthing wires, etc.)	m	63,800.0	27,337.0	6,972.3
Electrical material in pieces (end pieces, wire terminals, etc.)	n.	132,304.6	88,003.1	320,119.5
Steel material in pieces in kg (rods, wire, etc.)	kg	9,511,180.6	4,904,725.3	2,526,580.0
Rubber material in pieces	n.	6,219.0	7,320.0	331,878.0
Wood material in pieces (strips, etc.) <sup>7</sup>	n.	119,816.0	80,198.0	63,961.0
Material in PVC in m	m	89,933.1	55,316.2	71,460.6
Material in PVC in pieces	n.	60.0	84.0	1,605.0
Iron materials in m	m	42,756.8	36.0	67,671.5
Iron materials in pieces	n.	5,184,101.8	10,833,988.0	3,862,542.0
Metal materials in kg (profiles, sheets, meshes, etc.)	kg	746,743.3	138,748.6	504,453.0
Metal materials in pieces (metal sections, nuts and bolts, etc.)	n.	142,193.3	27,054.0	102,640.0
Oils and greases in kg	kg	866.6	1,434.8	1,858.2
Oils and greases in litres	L	151,150.0	212,639.9	99,056.9
Prefabricated panels in reinforced concrete. (e.g., slabs)	m <sup>2</sup>	-	3,330.0	15,417.0

<sup>8</sup> Renewable material

Material	U.M.	2018	2019	2020
Track ballast	t	448,429.1	393,789.6	490,011.1
Fencing	m	438,834.3	3,414.7	15,577.3
Fencing and net (in m <sup>2</sup> )	m <sup>2</sup>	1,345.0	-	5,100.0
Resins / chemical binders	n.	10,060.0	434.0	2,043.0
Track	t	-	644.2	15,959.5
Road or railway signalling	n.	4,981.1	298.0	1,587.0
Coupling system	n.	268,964.0	622,243.0	386,055.0
Sleepers and bearers in prestressed reinforced concrete	n.	7,544.9	86,749.0	47,011.0
Wooden sleepers and bearers	n.	0.0	242.0	1,033.0
Paints and enamels (in kg)	kg	75,516.0	851.0	12,595.9
Paints and enamels(in litres)	L	19,362.5	-	5,540.0

### Materials used obtained from recycling/reuse

The table below shows the quantities of materials from recycling/reuse. It will be seen that these materials are only used in the construction and maintenance of railway infrastructure ([Track & Light Civil Works](#) Business Unit) and are used mainly for temporary yards and secondary activities. In fact, for the construction of operational lines, the materials used are always subject to approval or pre-qualification by the customer and in most cases it is the customer itself that requests materials that are not recycled/reused.

Material	U.M.	2018	2019	2020
Reused switch-points	n.	-	3.0	-
Recycled aggregates	t	26,860.4	-	-
Reused prestressed reinforced concrete sleepers	n.	2,953.7	-	1,300.0

In the following table, for each material obtained from recycling/reuse, the relative percentage of use in the period of reference is indicated.

Material - Switch-points	U.M.	2018	2019	2020
Re-used switch-points	n.	-	3.00	-
Switches-points and other track devices (not obtained from recycling/reuse)		-	23.00	9.00
<b>% Materials obtained from recycling/reuse</b>	<b>%</b>	<b>-</b>	<b>11.5%</b>	<b>0.0%</b>

Material - Aggregates	U.M.	2018	2019	2020
Recycled aggregates	t	26,860.42	-	-
Miscellaneous aggregates (not obtained from recycling / reuse)		246,815.67	157,944.89	151,173.03
<b>% Materials obtained from recycling/reuse</b>	<b>%</b>	<b>9.8%</b>	<b>-</b>	<b>-</b>

Material - Sleepers	U.M.	2018	2019	2020
Reused sleepers in prestressed reinforced concrete	n.	2,953.65	-	1,300.00
Sleepers and bearers in prestressed reinforced concrete (not obtained from recycling/reuse)		7,539.93	86,746.00	46,622.00
<b>% Materials obtained from recycling/reuse</b>	<b>%</b>	<b>28.1%</b>	<b>-</b>	<b>2.7%</b>

## Waste production and management

### Waste produced

The waste produced by the Salcef Group derives in part from the administrative activities of the offices and in part from the operational activities of mobile and temporary sites and factories.

All actions that in some way give or may give rise to the production and management of waste are carried out taking into account the principles of environmental protection established by the relevant legislation and company procedures.

Most of the waste produced by the activities carried out at the sites can be assimilated to household waste, therefore, the special non-hazardous waste produced by the Group's operating companies is the component that has the greatest impact on the total.

The following tables show the data for the 2018-2020 period, indicating the quantities of hazardous and non-hazardous waste disposed of or recovered, broken down by type. The quantities are expressed in tonnes (t).

The incidence of special waste generated by work and site and/or plant activities on the total amount of waste produced is highlighted, in particular non-hazardous aggregates from construction and maintenance activities, removed materials and all other types of waste that are functional to the activity carried out at the production sites, such as packaging waste.

The production of hazardous waste is lower than the total and derives mainly from the disposal of motor oil products, filters, brake pads, etc. from vehicle maintenance activities carried out by the [Railway Machines](#) Business Unit.

It should be noted that the quantity of both hazardous and non-hazardous waste produced in 2018 is higher than in subsequent years as a result of an increase in production and the presence of larger orders of the [Heavy Civil Works](#) Business Unit.

In general, it should be borne in mind that the activities of construction sites with extremely different lifetimes and those of plants are varied and may change depending on the contracts awarded during the year. Although there are no great possibilities for optimising the management of the generated waste, the Group is committed to observing the rules on presorting for the correct disposal of the waste produced and is continuously researching possible measures to improve the management of the waste produced.

Hazardous wastes (t)	2018			2019			2020		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Other oils for engines, gears and lubrication	10,113	-	<b>10,113</b>	8,241	-	<b>8,241</b>	13,964	-	<b>13,964</b>
Other emulsions	1	1,000	<b>1,001</b>	2,022	80	<b>2,102</b>	-	3,760	<b>3,760</b>
Absorbent, filtering materials (including oil filters not otherwise specified), rags and protective clothing contaminated by hazardous substances	6	1,650	<b>1,656</b>	9	742	<b>751</b>	6	3,601	<b>3,607</b>
Hazardous components other than oil filters, brake pads containing asbestos, brake fluids and anti-freeze fluids containing hazardous substances	-	2,440	<b>2,440</b>	-	2,961	<b>2,962</b>	-	2,830	<b>2,830</b>
Mineral, gear and lubrication oils, non-chlorinated, for engines	2,000	-	<b>2,000</b>	1,651	-	<b>1,651</b>	2,664	-	<b>2,664</b>
Packaging containing residues of or contaminated by hazardous substances	3	247	<b>250</b>	70	577	<b>647</b>	3	2,164	<b>2,167</b>
Waste paints and varnishes containing organic solvents or other hazardous substances	-	150	<b>150</b>	-	221	<b>221</b>	-	1,460	<b>1,460</b>
Lead batteries	2,025	-	<b>2,025</b>	1,065	-	<b>1,065</b>	1,266	-	<b>1,266</b>
Oil filters	442	-	<b>442</b>	541	-	<b>541</b>	1,079	-	<b>1,079</b>
Glass, plastic and wood containing or contaminated by hazardous substances	51,968	-	<b>51,968</b>	9,644	220	<b>9,864</b>	155	126	<b>281</b>
Other hazardous waste	241	282	<b>523</b>	42	4,121	<b>4,163</b>	6	41	<b>47</b>
<b>Total hazardous wastes</b>	<b>66,799</b>	<b>5,769</b>	<b>72,568</b>	<b>23,285</b>	<b>8,922</b>	<b>32,207</b>	<b>19,143</b>	<b>13,982</b>	<b>33,125</b>

Non-hazardous wastes (t)	2018			2019			2020		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
Railway ballast, other than that containing hazardous substances	246,256	25,074	<b>271,330</b>	283,294	-	<b>283,294</b>	358,995	-	<b>358,995</b>
Concrete	167,531	540	<b>168,071</b>	121,558	-	<b>121,558</b>	114,344	-	<b>114,344</b>
Iron and steel	119,026	-	<b>119,026</b>	113,608	-	<b>113,608</b>	62,297	-	<b>62,297</b>
Ferrous material filings and shavings	1	-	<b>1</b>	17,360	-	<b>17,360</b>	49,123	-	<b>49,123</b>
Packaging in mixed material	56,198	4	<b>56,203</b>	57,157	-	<b>57,157</b>	44,892	-	<b>44,892</b>
Earth and rocks other than those containing hazardous material	68,425	-	<b>68,425</b>	29,118	100	<b>29,218</b>	44,219	84	<b>44,303</b>
Mixed construction and demolition wastes, other than those containing mercury, PCB	36,251	-	<b>36,251</b>	24,601	-	<b>24,601</b>	10,485	-	<b>10,485</b>

Non-hazardous wastes (t)	2018			2019			2020		
	Recovery	Disposal	Total	Recovery	Disposal	Total	Recovery	Disposal	Total
and other hazardous substances									
Septic tank sludge	-	2,320	<b>2,320</b>	-	18,640	<b>18,640</b>	4	7,839	<b>7,843</b>
Plastic wastes	1	-	<b>1</b>	120	-	<b>120</b>	2,614	-	<b>2,614</b>
No-longer-used tyres	7,280	-	<b>7,280</b>	2,624	-	<b>2,624</b>	2,325	-	<b>2,325</b>
Other non-hazardous wastes	10,016	39	<b>10,055</b>	15,158	32	<b>15,190</b>	5,408	506	<b>5,914</b>
<b>Total non-hazardous wastes</b>	<b>710,985</b>	<b>27,978</b>	<b>738,964</b>	<b>664,598</b>	<b>18,773</b>	<b>683,371</b>	<b>694,708</b>	<b>8,429</b>	<b>703,137</b>

<b>Total Wastes (t)</b>	<b>777,784</b>	<b>33,747</b>	<b>811,532</b>	<b>687,883</b>	<b>27,695</b>	<b>715,578</b>	<b>713,850</b>	<b>22,411</b>	<b>736,261</b>
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## Wastes and recovery

The waste produced is generally destined for recovery operations and transport and disposal activities are carried out by specialised waste disposal companies in full compliance with waste legislation and company procedures. Given the large-scale use of natural resources in the building and railway construction sector, it is important to consider an alternative procedure to the simple disposal of waste through authorised centres in order to reduce the environmental impact.

Depending on the commodity nature of the waste, material recovery includes different types but, as can be seen from the table, it is mainly carried out for the recovery of aggregate waste or reuse for the production of secondary raw materials, which are preferred in most cases to recycling. All operations are carried out off-site in specialised plants.

Most of the waste produced by construction and demolition activities, which is certainly inert and can therefore be disposed of without characterisation (bricks, tiles and ceramics, cement mixtures, earth and rocks, packaging), went for recovery. Again, the largest percentage concerns non-hazardous waste with an increase in 2018 due to an increase in production of the [Heavy Civil Works](#) Business Unit.

Despite the fact that most of the time this waste is not very polluting or not polluting at all, proper on-site management is essential. Particular attention is therefore paid to the waste production phase, which is carried out ensuring, as far as possible, the separation of hazardous waste and of the different types in order to make recovery and/or recycling possible.

Hazardous wastes (t)	2018			2019			2020		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Preparation for reuse	-	66,436	<b>66,436</b>	-	22,982	<b>22,982</b>	-	18,953	<b>18,953</b>
Recycling	-	-	-	-	-	-	8	2	<b>10</b>
Other recovery operations	-	363	<b>363</b>	-	303	<b>303</b>	-	180	<b>180</b>
<b>Total hazardous wastes</b>	-	<b>66,799</b>	<b>66,799</b>	-	<b>23,285</b>	<b>23,285</b>	<b>8</b>	<b>19,135</b>	<b>19,143</b>

Non-hazardous wastes (t)	2018			2019			2020		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Preparation for reuse	-	225,306	<b>225,306</b>	-	204,172	<b>204,172</b>	-	161,906	<b>161,906</b>
Recycling	-	7,690	<b>7,690</b>	-	63,936	<b>63,936</b>	-	56,538	<b>56,538</b>
Other recovery operations	-	477,990	<b>477,990</b>	-	396,491	<b>396,491</b>	-	476,264	<b>476,264</b>
<b>Total Non-hazardous wastes</b>	-	<b>710,986</b>	<b>710,986</b>	-	<b>664,599</b>	<b>664,599</b>	-	<b>694,708</b>	<b>694,708</b>

<b>Total wastes (t)</b>	-	<b>777,785</b>	<b>777,785</b>	-	<b>687,884</b>	<b>687,884</b>	8	<b>713,843</b>	<b>713,851</b>
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## Waste disposal

Disposal, which legislation identifies as residual in the waste management hierarchy, consists of the definitive treatment and storage of waste and scrap that cannot be further exploited. In the case of the Salcef Group, disposal is identified with the deposit in a landfill or in a preliminary deposit for subsequent operations such as treatment, incineration, etc.

As can be seen, the amount of waste destined for disposal operations, carried out off-site at qualified landfill sites, is small, and over the years it has followed the flow of production.

Hazardous wastes (t)	2018			2019			2020		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Landfill	-	5,765	5,765	-	8,920	8,920	-	13,980	13,980
Other disposal operations	-	4	4	-	2	2	-	2	2
<b>Total Hazardous Wastes</b>	-	<b>5,769</b>	<b>5,769</b>	-	<b>8,922</b>	<b>8,922</b>	-	<b>13,982</b>	<b>13,982</b>

Non-Hazardous Wastes (t)	2018			2019			2020		
	On site	Off site	Total	On site	Off site	Total	On site	Off site	Total
Incineration (with energy recovery)	-	1	1	-	7	7	-	33	33
Landfill	-	27,970	27,970	-	18,748	18,748	405	7,917	8,322
Other disposal operations	-	7	7	-	17	17	-	74	74
<b>Total Non-Hazardous Wastes</b>	-	<b>27,978</b>	<b>27,978</b>	-	<b>18,773</b>	<b>18,773</b>	<b>405</b>	<b>8,024</b>	<b>8,429</b>

	On site 2018	Off site 2018	Total 2018	On site 2019	Off site 2019	Total 2019	On site 2020	Off site 2020	Total 2020
<b>Total wastes (t)</b>	-	<b>33,747</b>	<b>33,747</b>	-	<b>27,695</b>	<b>27,695</b>	<b>405</b>	<b>22,006</b>	<b>22,411</b>

# The water resource

GRI 303-1 GRI 303-2 GRI 303-3 GRI 303-5

The water reporting standard (GRI 303) is consistent with the SDGs / Sustainable Development Goals of the United Nations 2030 Agenda, in particular Goal 6, which sets targets related to, among others, the sustainability of water resources worldwide. The standard requires reporting on an organisation's water use, associated impacts and how to address them.

## Water resource management policies

**Sources of extraction** - The Group's sources of water withdrawal are planned with the aim of limiting the impact caused by production activities (facilities), with which the most significant uses of water are associated. The main sources of withdrawal are groundwater (wells) and aqueducts.

**Water stress** - Water stress refers to the ability or inability to meet the demand for water, both from humans and from ecosystems as a whole, i.e. the ratio of total water withdrawal to available renewable supply from surface and groundwater sources. Water extractions include domestic, industrial, irrigation, livestock and non-consumptive uses. Higher values indicate greater *competition* between users

As a tool for assessing water stress areas, reference was made to the Aqueduct Water Risk Atlas [Aqueduct | World Resources Institute \(wri.org\)](https://www.wri.org/aqueduct) of the World Resources Institute.

The Salcef Group's Italian production units, in particular the [The Overail industrial](#) complex (Aprilia LT) and [SRT's industrial facility](#) (Fano PU), are located in areas characterised by water stress, classified as high/very high. The following measures have been taken to limit the Group's impact on water resources:

- **Overail** - [Railway Materials](#)
  - Withdrawal only from owned well to reduce impact on the water mains;
  - Building of a [Central Water Supply Plant](#) to treat, store and monitor the water used in the facility;
  - System of reuse of concrete washing water and of water originating from steam condensation (see [Environmental sustainability: water is a precious commodity](#))
- **SRT** - [Railway Machines](#)
  - Withdrawal only from owned well to reduce impact on the water mains;
  - Building of a [Washing water treatment plant](#).

## Water withdrawal - consumption and drainage

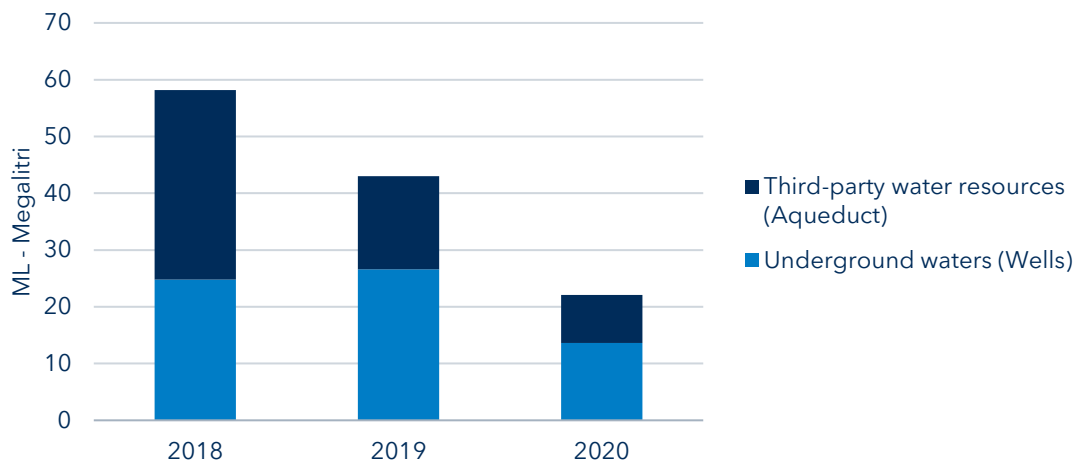
### Water withdrawal

As required by GRI Standards (GRI Guideline 303-3), withdrawal data are reported in mega litres (1 cubic metre = 0.001 mega litres). The table also shows extractions in relation to the characteristics of the water, which is divided into: fresh water (water with a concentration of total dissolved solids equal to or less than 1,000 mg/l), and other types of water, with a concentration of total dissolved solids greater than 1,000 mg/l.

Water withdrawal (ML - Megalitres)	2018		2019		2020	
	Total	Water stress area	Total	Water stress area	Total	Water stress area
<b>Surface waters</b>						
Fresh water ( $\leq 1,000$ mg/L Total dissolved solids)	-	-	-		-	
Other types of water ( $> 1,000$ mg/L Total dissolved solids)	-	-	-		-	
<b>Total</b>	-	-	-	-	-	-
<b>Underground waters (Wells)</b>						
Fresh water ( $\leq 1,000$ mg/L Total dissolved solids)	24.8	24.8	26.6	26.6	13.6	13.6
Other types of water ( $> 1,000$ mg/L Total dissolved solids)	-	-	-		-	-
<b>Total</b>	<b>24.8</b>	<b>24.8</b>	<b>26.6</b>	<b>26.6</b>	<b>13.6</b>	<b>13.6</b>
<b>Salt water</b>						
Fresh water ( $\leq 1,000$ mg/L Total dissolved solids)	-	-	-		-	-
Other types of water ( $> 1,000$ mg/L Total dissolved solids)	-	-	-		-	-
<b>Total</b>	-	-	-	-	-	-
<b>Water produced</b>						
Fresh water ( $\leq 1,000$ mg/L Total dissolved solids)	-	-	-		-	-
Other types of water ( $> 1,000$ mg/L Total dissolved solids)	-	-	-		-	-
<b>Total</b>	-	-	-	-	-	-
<b>Third-party water resources (Aqueduct)</b>						
Fresh water ( $\leq 1,000$ mg/L Total dissolved solids)	33.4	27.0	16.4	12.5	8.5	3.8
Other types of water ( $> 1,000$ mg/L Total dissolved solids)	-	-	-	-	-	-
<b>Total</b>	<b>33.4</b>	<b>27.0</b>	<b>16.4</b>	<b>12.5</b>	<b>8.5</b>	<b>3.8</b>
<b>Fresh water (<math>\leq 1,000</math> mg/L Total dissolved solids)</b>	<b>58.2</b>	<b>51.8</b>	<b>43.0</b>	<b>39.1</b>	<b>22.2</b>	<b>17.4</b>
<b>Other types of water (<math>&gt; 1,000</math> mg/L Total dissolved solids)</b>	-	-	-	-	-	-
<b>Total</b>	<b>58.2</b>	<b>51.8</b>	<b>43.0</b>	<b>39.1</b>	<b>22.2</b>	<b>17.4</b>

The definition of fresh water / other types of water, adopted by the GRI Standards, is based on ISO 14046:2014 and the United States Geological Survey (USGS) document, Water Science Glossary of Terms, [water.usgs.gov/edu/dictionary.html](http://water.usgs.gov/edu/dictionary.html), (accessed 1 June 2018) and the World Health Organization (WHO) Guidelines for Drinking-water Quality, 2017.

### Water extraction



Water withdrawal in areas characterised by water stress concern the Group's Italian plants mentioned above, together with (to a lesser extent) water withdrawal during operations and contracts managed in Saudi Arabia and the United Arab Emirates.

With reference to water withdrawal data, the Group company that uses the most water is Overall. The source of supply of the industrial water of this company is the well for the derivation of water from a groundwater body, with withdrawal of public water from the water table to cater to the various requirements.

The water taken from the well is used in different ways:

- Directly for the packaging of concretes for the manufacture of products.
- Directly for washing plant, machinery and equipment: at the end of washing, the water is sent to the treatment plant and then recycled for subsequent reuse in the production process, and in particular in the concrete mixing plants.
- After treatment, the water is used to feed steam generators (curing of sleepers), for accelerated curing of the manufactured products.
- Part used for washing work surfaces as well as machinery.

The plant's production can be carried out on a single shift or divided into two shifts of eight hours each.

When production is carried out on a single shift, accelerated curing is not necessary, so no H24 steam generators are used (potential for consumption of approximately 2 m<sup>3</sup>/h of H<sub>2</sub>O).

The unequal water balance recorded in 2020, compared to 2018 and 2019, concerns, in addition to a slight decrease in the number of m<sup>3</sup> of concrete produced (also due to the health emergency), a prevalent production on a single shift, with reduced use of steam generators. In addition, it should be considered that in 2020 site activities within the site for upgrading and expansion works were reduced compared to 2018-2019, also partly due to the health emergency.

## Water discharges

Water discharges are the result of office activities and, prevalently, of industrial facilities.

The following types of wastewaters are produced by [The Overail](#):

- **industrial wastewaters**, these waters are kept completely separate from domestic and storm water discharges;
- **domestic wastewater**, consisting of wastewater from sanitary facilities;
- **stormwater runoff**, collected from the impermeable areas of the plant with a washing effect.

As part of the restructuring and expansion of the plant, the plan is to insert a new plant for demineralising the water taken from the well, consisting of a double reverse osmosis process, to feed only the boilers for producing the steam needed to make concrete. This system does not produce sludge but generates a continuous discharge, which has the same chemical components as the water taken from the well.

The application for authorisation to discharge Overail's treated industrial waste water, in the sole case of any final discharge into a body of surface water, concerns the Fosso di Caronte.

Furthermore, in order to reduce the quantity and avoid discharges on the ground or into ditches (after suitable treatment), a complex system has been installed for the collection, recirculation and treatment of water resulting from washing and condensation in order to reuse it in the production process.

Rainwater is conveyed to two discharge points: Fosso di Caronte and Fosso Carraccio.

Unused and untreated rainwater qualifies for direct discharge into surface water bodies in compliance with legal requirements and without treatment.

The AUA (Single Environment Authorisation) requires that a check be carried out to make sure the water discharged from the facility's wastewater treatment plant (which treats process water together with production water and civil wastewater) complies with the legal limits for the discharge of industrial water into a surface water body. To this end, as established in the Annual Self-Audit Plan, annual monitoring is carried out by an accredited external laboratory.

With reference to the SRT facility, the discharge into the public sewerage system of industrial wastewater from the railway car washing plant and from the collection and treatment of rainwater runoff and first rainwater from the washing plant, produced by the railway car workshop, has been authorised, in compliance with the emission limit values set by the AUA.

For all other locations, discharges are subject to a specific authorisation.

## Water consumption

Water consumption is mainly due to the production activities of the [Track & Light Civil Works](#), [Energy](#), [Signalling & Telecommunication](#), [Heavy Civil Works](#) and [Railway Materials](#) Business Units.

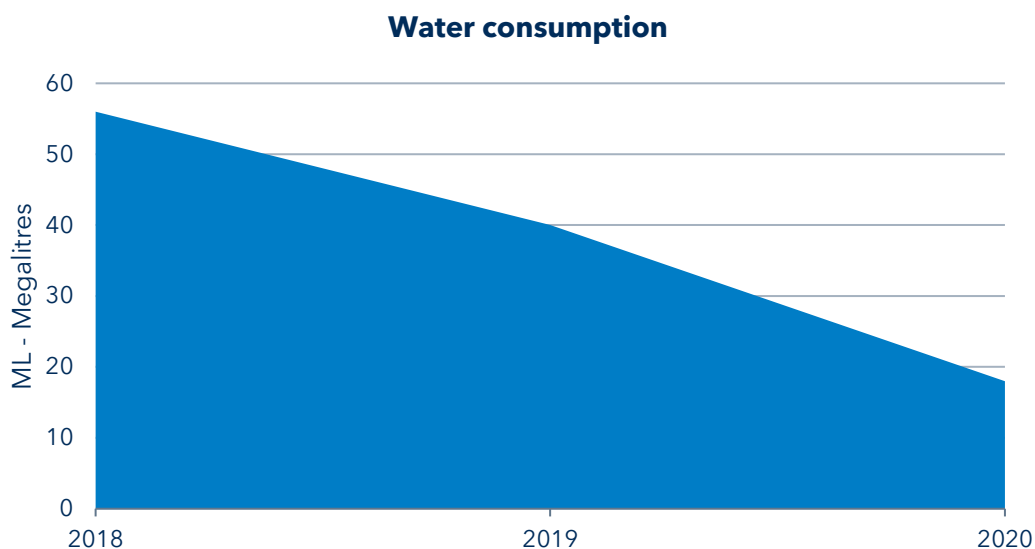
In the first three Business Units mentioned above, water consumption mainly relates to all civil works activities carried out during operations on the railway infrastructure, such as: construction of foundations, retaining walls, paving, etc.

As regards the [Railway Materials](#) Business Unit, consumption stems from the work done in the Overail facility (see [The Overail](#)), which mainly uses water in production processes inasmuch as water is required for cement mixing.

Also in consideration of the fact that Overail produces only to acquired orders and never for stocking, it is not possible to forecast any fixed annual water consumption. This must instead be measured, in the final balance, by reading the flow meter and measuring the water taken from the water table through the electric pump submerged in the well. Extracted quantities are reported annually, in accordance with the requirements of the relevant area authority.

In addition to the quantitative controls, there are also qualitative controls, carried out by an external laboratory in accordance with what is declared in the annual self-control plan.

Water consumption	2018	2019	2020
Total water consumption	56	40	18

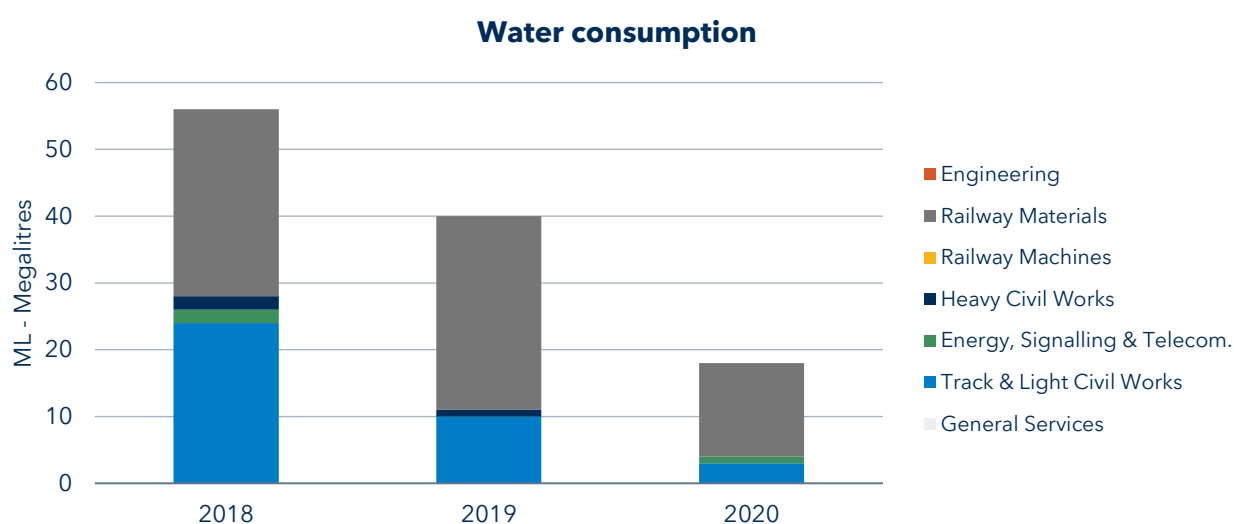


## Water consumption per Business Unit

Below is a detail of water consumption expressed by Business Unit. The prevalence of the [Railway Materials](#) Business Unit can be seen for this indicator (up to about 78% of the total for 2020).

Consumption is expressed in megalitres.

Year	General Services	Track & Light Civil Works	Energy, Signalling & Telecom.	Heavy Civil Works	Railway Machines	Railway Materials	Engineering	Total (ML)
2020	-	3	1	-	-	14	-	18
2019	-	10	-	1	-	29	-	40
2018	-	24	2	2	-	28	-	56



# Climate change: energy - emissions

GRI 103-2 GRI 103-3 GRI 302-1 GRI 302-3 GRI 302-4 GRI 305-1 GRI 305-2 GRI 305-4

## The European Union and TCFD recommendations

In June 2019, the European Commission's Communication "Guidelines on non-financial reporting: Supplement on reporting climate-related information" was published (2019/C 209/01). This Communication, which is a supplement to the guidelines issued by the same Commission in 2017 for the non-financial reporting required by EU Directive 95/2014, contains (non-binding) guidelines for disclosures to be made by companies on climate change, complementing the recommendations of the Task Force on Climate-related Financial Disclosures -TCFD) of the Financial Stability Board.

## The Salcef reporting system

Salcef's current climate change reporting system with respect to the TCFD recommendations is summarised below:

Areas	Salcef Group
Scenarios, Risks and opportunities (business model)	<p>The effects of climate change can have a significant impact on the public transport sector and consequently on Salcef's activities, primarily in the form of opportunities. Sustainable mobility is in fact an integral part of EU policies (Green Deal) and the rail transport system should be one of the main drivers of development and investment in order to reduce the impact on the environment and climate caused by private transport emissions.</p> <p>Salcef has not yet developed specific medium to long term scenarios quantifying the resilience and economic-financial effects of a temperature increase below or equal to 2 °C and a scenario above 2 °C (20). [TCFD Recommendation, strategy (c)].</p>
Governance - policies	<p>ESG policy</p> <p>Environment policy and Management system ISO 14001:2015</p> <p>Energy 50001 Coget Impianti Management system</p>
Target	<p>The Salcef Group has set itself the following goals for 2021:</p> <ol style="list-style-type: none"> <li>1. Reduction of <b>energy intensity</b> indices;</li> <li>2. Increase in <b>energy consumed from renewable sources</b>.</li> </ol>
Performance - indicators and metrics	<p>Salcef's current reporting system provides the following information:</p> <ul style="list-style-type: none"> <li>▪ Energy consumption: direct</li> <li>▪ Direct and indirect emissions (GHG Scope 1 and Scope 2)</li> <li>▪ Energy intensity and emissions indices</li> </ul>

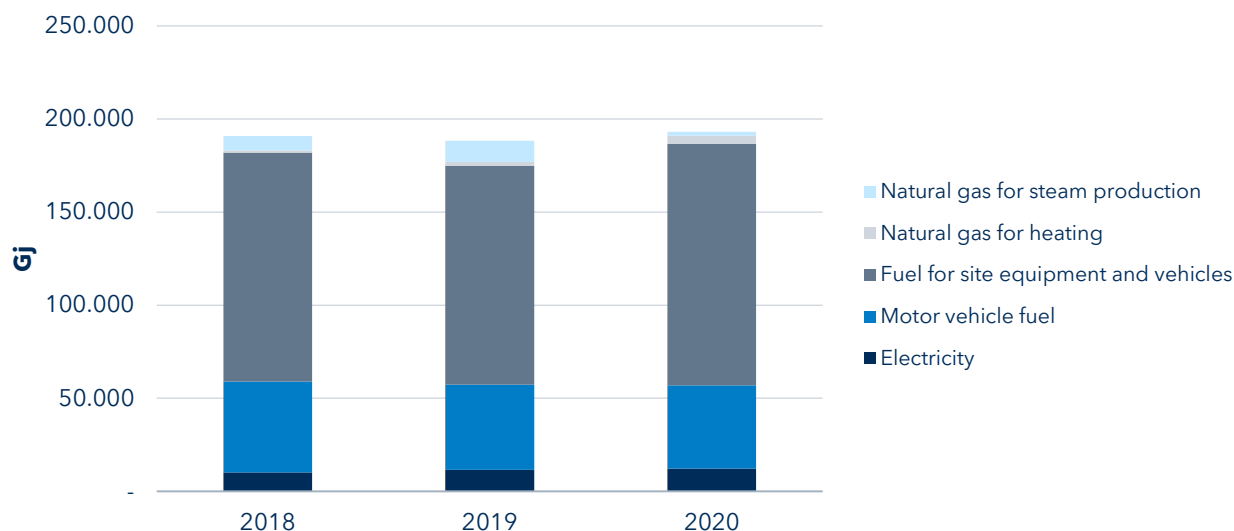
## Energy consumption

The energy sources used prevalently by the Salcef Group are diesel fuel on worksites, to fuel machinery and equipment, and electricity inside its facilities.

Consumed energy (GJ)	2018	2019	2020
<b>Electricity</b>			
Acquired electricity	10,112	11,575	11,094
Electricity produced by photovoltaic	-	52	1,393
Less: energy returned to grid	-	-	211
<b>Total</b>	<b>10,112</b>	<b>11,628</b>	<b>12,275</b>
Of which from renewable sources	-	52	1,182
<b>Motor vehicle fuel</b>			
Diesel	46,191	42,434	39,488
Petrol	2,692	3,219	5,141
LPG	33	5	2
<b>Total</b>	<b>48,916</b>	<b>45,659</b>	<b>44,631</b>
<b>On-track machine and machinery fuel</b>			
<b>Diesel</b>	<b>122,943</b>	<b>117,639</b>	<b>129,733</b>
<b>Natural gas for heating</b>	<b>1,177</b>	<b>2,113</b>	<b>4,430</b>
<b>Other sources - Natural gas for steam production</b>	<b>7,659</b>	<b>11,245</b>	<b>2,137</b>
<b>Total energy consumption - GJ</b>	<b>190,807</b>	<b>188,284</b>	<b>193,206</b>
<b>of which from renewable sources</b>	<b>-</b>	<b>52</b>	<b>1,182</b>

Energy consumption data are presented in Giga Joules, a measure provided by GRI Standards that allows for comparison. The Joule is a unit of measurement for work and energy and is "equal to the work done by the force of 1 newton to move a 1 m body along its line of action; it is identified with the energy that is dissipated in 1 second in the form of heat" (Oxford Languages).

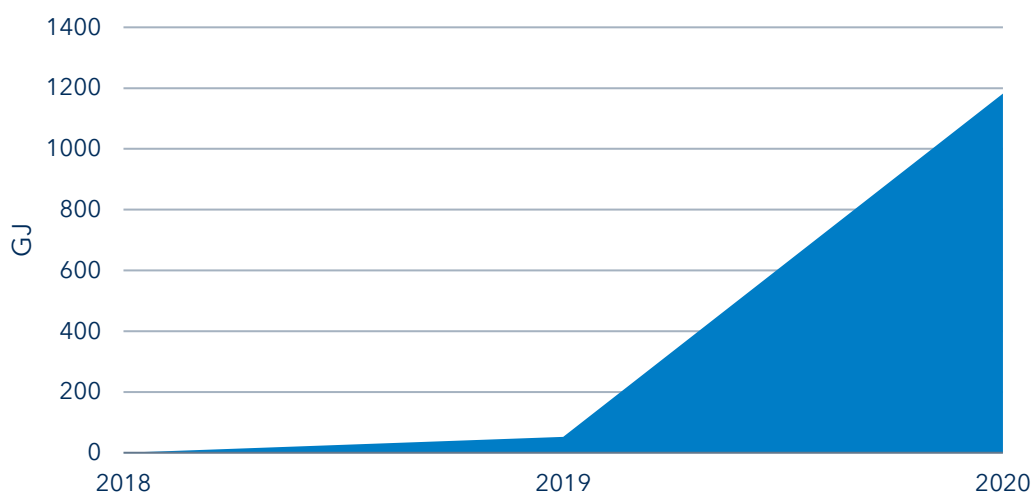
### Energy consumption



A fairly stable trend can be found for all sources in the three-year period of reference. A major consumption share (67% in 2020) was recorded for the [Fuel for site equipment and vehicles](#) with more details given in the dedicated paragraph.

An increase can also be observed in energy from renewable sources due mainly to the photovoltaic systems installed in the Overail facility (see [Overail photovoltaic system](#)) and SRT facility (see [SRT](#)), with more details provided in the section dedicated to [Electricity](#).

### Consumption of energy from renewable sources

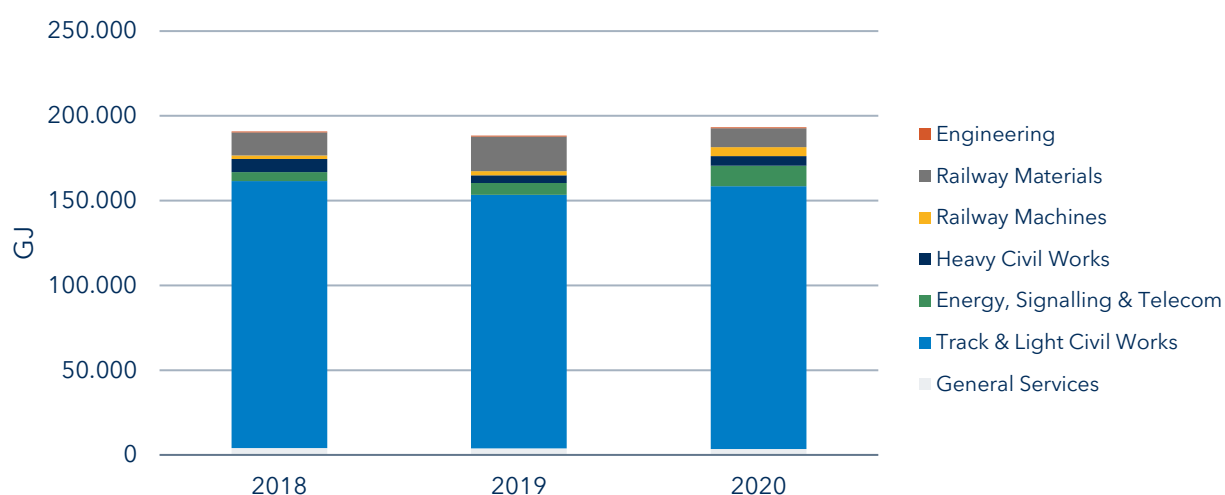


Analysing the figures per Business Unit, a net prevalence can be seen of the [Track & Light Civil Works](#) Business Unit as regards total energy consumption. This BU represents the Group's core business and is therefore the busiest. The BU consumes energy mainly in the form of [Fuel for site equipment and vehicles](#) which, as has already been said, is the most represented type of consumption.

Consumed energy (GJ) Total consumption per Business Unit	2018	2019	2020
General Services	4,012	3,853	3,463
Track & Light Civil Works	157,615	149,557	155,081
Energy, Signalling & Telecom	5,205	7,049	11,980
Heavy Civil Works	7,649	4,475	5,723
Railway Machines	2,130	2,407	5,215
Railway Materials	13,694	20,366	11,210
Engineering	502	576	534
<b>Total</b>	<b>190,807</b>	<b>188,284</b>	<b>193,206</b>
Track & Light Civil Works BU consumption incidence	83%	79%	80%

To reduce these consumption figures, the Salcef Group has set itself precise goals and the strategies described in the [Goals and projects for reducing energy consumption](#) paragraph.

### Energy consumption per Business Unit



### Electricity

Electricity is mainly used to power equipment and facilities at the production plants and offices.

In the 2018-2020 three-year period, there has been an increase in the amount of electricity consumed, but worth highlighting is the growing share of energy from renewable sources, thanks to the investments made in photovoltaic systems at Overail's facility (see [Overail photovoltaic system](#)) and SRT's facility (see [SRT](#)). In 2020, the share of energy from photovoltaic systems was around 10% of total energy consumed.

Electricity	Unit	2018	2019	2020
Acquired electricity	kWh	2,808,884	3,215,402	3,081,548
Electricity produced by systems other than photovoltaic	kWh	-	-	-
Electricity produced by photovoltaic system	kWh	-	14,471	386,973

<b>Electricity</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Less: electricity produced internally from system other than photovoltaic	kWh	-	-	-
Less: electricity produced by photovoltaic and returned to the grid	kWh	-	-	58,677
<b>Total</b>	<b>kWh</b>	<b>2,808,884</b>	<b>3,229,873</b>	<b>3,409,844</b>
of which from renewable sources	kWh	-	14,471	328,296

## Motor vehicle fuel

Motor vehicle fuel is mainly used for passenger transport and for transporting goods by road to operational units and worksites. There has been a significant reduction in the consumption of diesel fuel for motor vehicles over the three-year period.

<b>Motor vehicle fuel</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Diesel	litres	1,305,812	1,199,594	1,116,968
Petrol	litres	85,655	102,439	163,581
LPG	litres	1,287	211	78
of which from renewable sources	litres	-	-	-

## Fuel for site equipment and vehicles

Fuel for site equipment and vehicles is the energy type with the greatest impact on consumption. It is mainly used for both road and rail vehicles used on worksites, and for powering worksite infrastructure through generators. The energy vector used is diesel fuel. During the three-year period, consumption increased slightly due to increased operations, which is why it is useful to analyse the [Energy intensity](#) indicator.

<b>Fuel for site equipment and vehicles</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Diesel	litres	3,475,560	3,325,627	3,667,522
<b>Total</b>	<b>litres</b>	<b>3,475,560</b>	<b>3,325,627</b>	<b>3,667,522</b>
of which from renewable sources	litres	-	-	-

### Natural gas (methane) for heating

During the course of the three-year period, consumption relating to the "Natural gas" used for heating underwent a considerable increase.

Natural gas (methane) for heating	Unit	2018	2019	2020
Natural gas	scm	33,349	59,903	125,558
<b>Total</b>	<b>scm</b>	<b>33,349</b>	<b>59,903</b>	<b>125,558</b>

### Natural gas (methane) for steam production

During the three-year period, consumption of the "Natural gas" energy vector used for steam production at the Overall plant has improved considerably.

This was due to the fact that, when production is carried out on a single shift, accelerated curing is not necessary, so no steam generators are used. During 2020, production was predominantly single-shift, with little use of steam generators.

Other sources	Unit	2018	2019	2020
Natural gas for steam production	scm	217,099	318,721	60,572
<b>Total</b>	<b>scm</b>	<b>217,099</b>	<b>318,721</b>	<b>60,572</b>

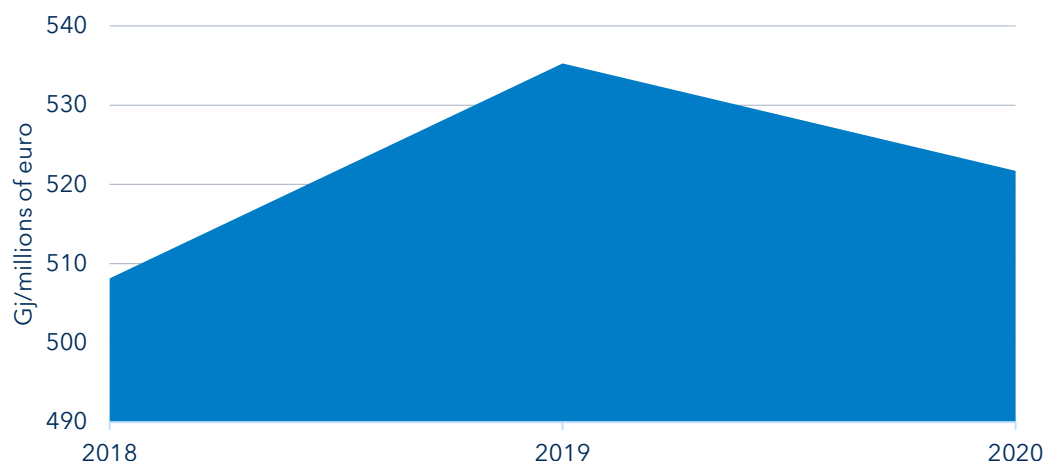
### Energy intensity

In order to analyse the intensity of consumption, it was decided to parameterise the value of consumption in relation to the revenues of the reference period, expressed in millions of euros. The index thus obtained was chosen to represent the energy consumption needed to generate one million euros in revenues. This index is particularly effective for comparing companies, Business Units or different periods, the one from the other, which will then be stripped of their production. The revenues used for this index are those aggregated without intercompany eliminations.

Over the 2018-2020 three-year period, the overall energy consumption index shows a stable trend, with a slight improvement during 2020.

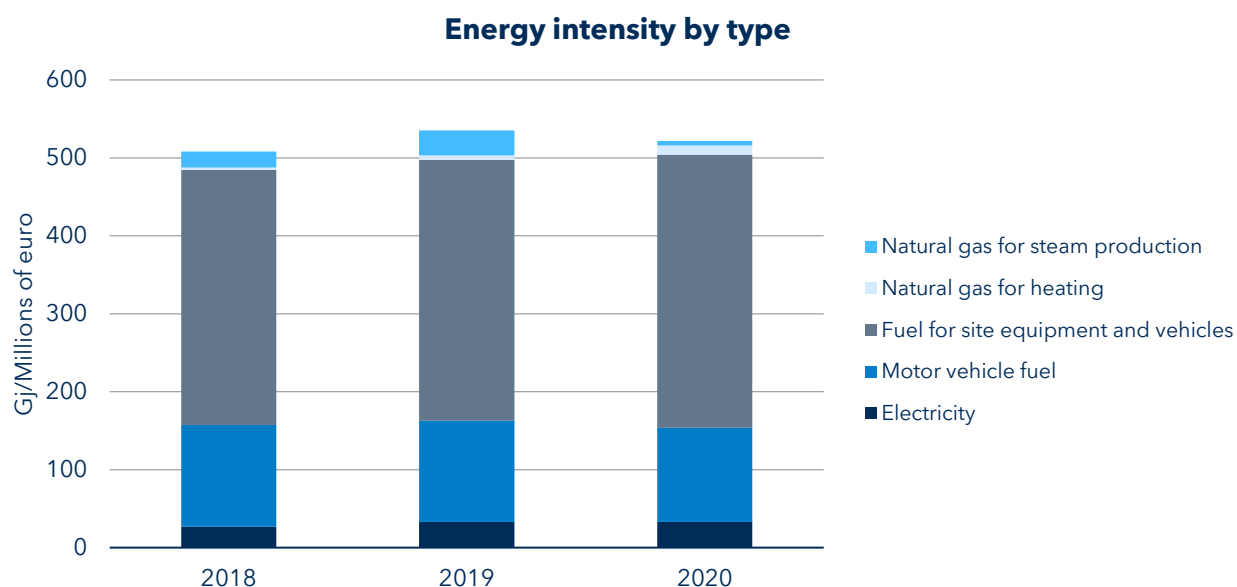
Energy intensity	Unit	2018	2019	2020
Energy consumption	GJ	190,807	188,284	193,206
Revenues	Euro	375,510,113	351,756,112	370,320,906
<b>Intensity index</b>	<b>GJ/Millions of euro</b>	<b>508</b>	<b>535</b>	<b>522</b>

### Energy intensity



By analysing the energy consumption intensity index for each type of consumption, we find an increase in the figures relating to [Fuel for site equipment and vehicles](#) and [Natural gas \(methane\) for heating](#), but generally speaking, there is an improvement in the situation in 2020 compared to 2019.

Energy intensity - GJ / millions of euro	2018	2019	2020
<b>Electricity</b>			
Purchased electricity	26.93	32.91	29.96
Electricity produced by photovoltaic	-	0.15	3.76
Less: energy returned to grid	-	-	0.57
<b>Total</b>	<b>26.93</b>	<b>33.06</b>	<b>33.15</b>
<b>Motor-vehicle fuel</b>			
Diesel	123.01	120.63	106.63
Petrol	7.17	9.15	13.88
LPG	0.09	0.02	0.01
<b>Total</b>	<b>130.26</b>	<b>129.80</b>	<b>120.52</b>
<b>Fuel for site equipment and vehicles</b>			
Diesel	327.40	334.43	350.33
<b>Total</b>	<b>327.40</b>	<b>334.43</b>	<b>350.33</b>
<b>Natural gas for heating</b>			
Natural gas	3.13	6.01	11.96
<b>Total</b>	<b>3.13</b>	<b>6.01</b>	<b>11.96</b>
<b>Other sources - Natural gas for steam production</b>			
Natural gas	20.40	31.97	5.77
<b>Total</b>	<b>20.40</b>	<b>31.97</b>	<b>5.77</b>
<b>Total energy intensity - GJ / Millions of euro</b>	<b>508.13</b>	<b>535.27</b>	<b>521.73</b>



## Goals and projects for reducing energy consumption

As is clear from the data shown, energy consumption depends, for about 80%, on the consumption of the [Track & Light Civil Works](#) Business Unit and is mainly related to the [Fuel for site equipment and vehicles](#) type.

The Salcef Group intends continuing its approach to innovation (see [Investments and innovation for sustainable mobility](#)), mainly tied to machinery, by investing in increasingly better performing assets with lower environmental impact and optimising existing ones.

What is more, as regards electricity, the current [Overall](#) is expected to be expanded to increase its production capacity, with the installation of new photovoltaic systems in other locations for self-consumption purposes.

## Emissions

### Direct and indirect emissions: GHG Scope 1 - Scope 2

The emission figures are shown in tonnes of carbon dioxide equivalent (t CO<sub>2</sub>e) and refer to direct emissions (GHG Scope 1 - Greenhouse Gases), together with indirect emissions associated with the consumption of electricity purchased from the grid (GHG Scope 2).

The Group has not stipulated specific contracts for the purchase of electricity that guarantee a specific mix of the use of primary energy sources for the production of electricity, just as there are no supply contracts with Guarantee of Origin (GO), an electronic certification that attests to the renewable origin of the sources used for the production of electricity. Consequently, the calculation of indirect emissions from electricity consumption (GHG - Scope 2) was carried out according to the "Location-based" approach.

The **location-based** method envisages accounting for emissions deriving from electricity consumption, applying average national emission factors for the various countries in which electricity is purchased.

Emissions / CO <sub>2</sub> - GHG Scope 1 t CO <sub>2</sub> e	2018	2019	2020
<b>Motor vehicle fuel</b>			
Diesel	3,430	3,112	2,842
Petrol	189	226	355
LPG	2	-	-
<b>Fuel for site equipment and vehicles</b>			
Diesel	9,130	8,627	9,338
<b>Natural gas for heating</b>			
Natural gas	66	118	249
<b>Other sources - Natural gas for the production of steam</b>	429	629	120
<b>Total - Emissions Scope 1</b>	<b>13,246</b>	<b>12,713</b>	<b>12,904</b>

#### Sources

Natural gas	Emission factor EU ETS / Ministry of the Environment - Table of national parameters for the calculation of emissions	<a href="#">EU ETS - Italia :: News (minambiente.it)</a>
Fuels	DEFRA UK - Department for Environment Food & Rural Affairs Greenhouse gas reporting: conversion factors	<a href="#">Government conversion factors for company reporting of greenhouse gas emissions - GOV.UK (www.gov.uk)</a>

With regard to direct emissions, the trend was rather stable during the three-year period analysed with a greater incidence of the [Fuel for site equipment and vehicles](#) and [Motor vehicle fuel](#) type, similarly to that recorded for consumption.

Emissions / CO <sub>2</sub> - GHG Scope 2 t CO <sub>2</sub> e - Location-based method	2018	2019	2020
Purchased electricity	1,027	1,096	922

#### Sources

Italy	ISPRA - SISANET / National Environmental Data Network Emission factors for the production and consumption of electricity in Italy (updated to 2019 and preliminary estimates for 2020)	<a href="#">Emission factors for the production and consumption of electricity in Italy – Italian (isprambiente.it)</a>
EU countries	Ministry of the Environment - ISPRA Factors of atmospheric emissions of greenhouse gases in the national electricity sector and in major European countries - 31 March 2020 (Report 317/2020)	<a href="#">Factors of atmospheric emissions of greenhouse gases in the national electricity sector and in major European countries. 2020 number – Italian (isprambiente.gov.it)</a>
USA	EPA - United States Environmental Protection Agency	<a href="#">Summary Data   Emissions &amp; Generation Resource Integrated Database (eGRID)   US EPA</a>
Other countries	CARBON FOOTPRINT COUNTRY SPECIFIC ELECTRICITY GRID GREENHOUSE GAS EMISSION FACTORS Last Updated: June 2020	<a href="#">carbonfootprint.com - Home of Carbon Footprinting</a>

Emissions / CO <sub>2</sub> - GHG Scope 1 + GHG Scope 2 t CO <sub>2</sub> e	2018	2019	2020
Total emissions GHG Scope 1 (direct)	13,246	12,713	12,904
Total emissions GHG Scope 2 (indirect)	1,027	1,096	922
<b>Total emissions GHG Scope 1 / Scope 2</b>	<b>14,273</b>	<b>13,809</b>	<b>13,826</b>

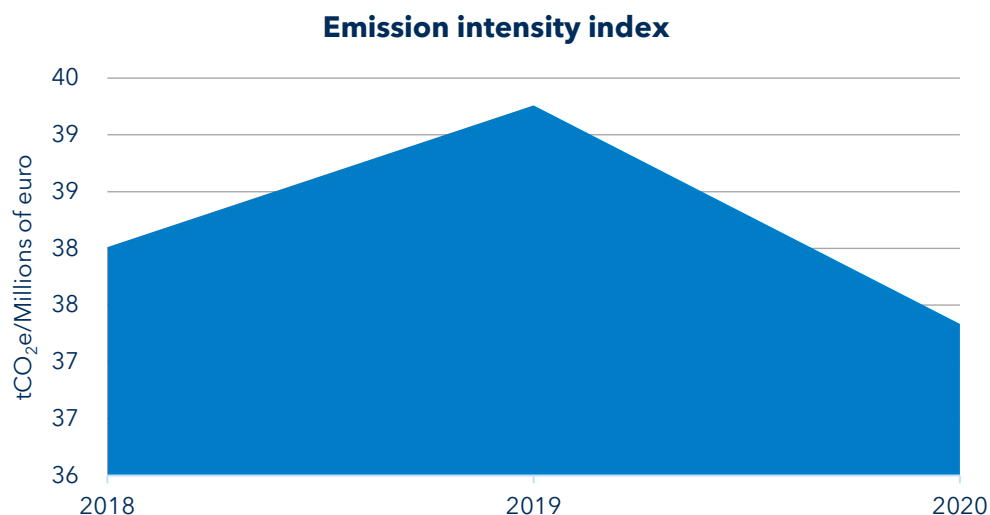
As far as indirect emissions are concerned, it should be pointed out that the final figure is significantly influenced by the emission factors applied to each reference country and therefore countries that adopt more polluting energy production mixes (e.g. Saudi Arabia, Poland and the USA) have higher emission factors. In any case, the objective is to favour consumption from renewable energy sources in order to reduce emissions.

## Intensity of emissions

In order to analyse the intensity of emissions, it was decided to parameterise the value of tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e) in relation to the revenues of the reference period, expressed in millions of euros. The index thus obtained was chosen to represent the amount of emissions generated per million euros of revenues. This index is also particularly effective for comparing companies, business units or different periods with each other. The revenues used for this index are those aggregated without intercompany eliminations.

A stable emissions intensity trend was recorded over the three-year period of reference.

Intensity of emissions	Unit	2018	2019	2020
Emissions GHG Scope 1 + Scope 2	t CO <sub>2</sub> e	14,273	13,810	13,826
Revenues	Euro	375,510,113	351,756,112	370,320,906
<b>Intensity index</b>	<b>t CO<sub>2</sub>e /Millions of euro</b>	<b>38</b>	<b>39</b>	<b>37</b>



With reference to the data for the last three years, the emission intensity indices for each energy vector show an improvement for the index for energy, motor vehicle fuel and natural gas for steam production. On the other hand, the natural gas for heating index has increased.

Emissions / CO <sub>2</sub> - Scope 2 - LOCATION BASED METHOD	Unit	2018	2019	2020
<b>Purchased electricity</b>	t CO <sub>2</sub> e	<b>2.74</b>	<b>3.12</b>	<b>2.49</b>

<b>Emissions / CO<sub>2</sub> - Scope 1</b>	<b>Unit</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Motor vehicle fuel</b>				
Diesel	t CO <sub>2</sub> e	9,14	8,85	7,67
Petrol	t CO <sub>2</sub> e	0,50	0,64	0,96
LPG	t CO <sub>2</sub> e	0,01	0,00	0,00
<b>Total</b>	<b>t CO<sub>2</sub>e</b>	<b>9.64</b>	<b>9.49</b>	<b>8.63</b>
<b>Fuel for site equipment and vehicles</b>				
Diesel	t CO <sub>2</sub> e	24.31	24.53	25.21
<b>Total</b>	<b>t CO<sub>2</sub>e</b>	<b>24.31</b>	<b>24.53</b>	<b>25.21</b>
<b>Natural gas for heating</b>				
Natural gas	t CO <sub>2</sub> e	0.18	0.34	0.67
<b>Total</b>	<b>t CO<sub>2</sub>e</b>	<b>0.18</b>	<b>0.34</b>	<b>0.67</b>
<b>Other sources - Natural gas for the production of steam</b>				
Natural gas	t CO <sub>2</sub> e	1.14	1.79	0.32
<b>Total</b>	<b>t CO<sub>2</sub>e</b>	<b>1.14</b>	<b>1.79</b>	<b>0.32</b>
<b>Total - Emissions Scope 1</b>	<b>t CO<sub>2</sub>e</b>	<b>35.27</b>	<b>36.14</b>	<b>34.85</b>

# GRI Content Index

GRI 102-55

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<b>403-4</b>	Worker participation, consultation of workers and communication on occupational health and safety	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>
<b>403-5</b>	Worker training on occupational health and safety	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>
<b>403-6</b>	Promotion of worker health	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>
<b>403-7</b>	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>
<b>403-8</b>	Workers covered by an occupational health and safety management system	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>
<b>403-9</b>	Work-related injuries	6. SKILLS AND HUMAN RESOURCES / <a href="#">Occupational health and safety</a>	<a href="#">131</a>

GRI Sustainability Reporting Standard	Chapter / Paragraph References		Notes	Pages
Material topic				
Quality and safety of products and services				
MANAGEMENT PROCEDURE				
103-1	Explanation of the material topic and its Boundary	1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY / <a href="#">Materiality analysis: Salcef impacts</a>		<a href="#">28</a>
103-2	The management approach and its components	3. GOVERNANCE / <a href="#">Quality, safety and environmental impacts of the service</a>		<a href="#">73</a>
103-3	Evaluation of management approach	3. GOVERNANCE / <a href="#">The control model and efficacy of policies</a>		<a href="#">76</a>

<b>GRI Specific Topics</b>				
<b>416</b>	<b>CUSTOMER HEALTH AND SAFETY</b>			
<b>416-1</b>	Assessment of the health and safety impacts of product and service categories.	3. GOVERNANCE / <a href="#">Quality, safety and environmental impacts of the service</a>		<a href="#">73</a>
<b>416-2</b>	Incidents of non-compliance concerning the health and safety impacts of products and services	3. GOVERNANCE / <a href="#">Regulatory compliance</a>		<a href="#">87</a>

<b>Material topic</b> <b>Environmental and social impact of products/services</b>				
<b>MANAGEMENT PROCEDURE</b>				
<b>103-1</b>	Explanation of the material topic and its Boundary	1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY / <a href="#">Materiality analysis: Salcef impacts</a>		<a href="#">28</a>
<b>103-2</b>	The management approach and its components	3. GOVERNANCE / <a href="#">Quality, safety and environmental impacts of the service</a>		<a href="#">73</a>
<b>103-3</b>	Evaluation of management approach	3. GOVERNANCE / <a href="#">The control model and efficacy of policies</a>		<a href="#">76</a>

<b>GRI Specific Topics</b>				
<b>102</b>			Cross topic - reporting according to general indicators only (GRI 102)	

GRI Sustainability Reporting Standard		Chapter / Paragraph References	Notes	Pages
<b>Material topic</b>				
<b>Responsible management/supply chain sustainability</b>				
<b>MANAGEMENT PROCEDURE</b>				
<b>103-1</b>	Explanation of the material topic and its Boundary	1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY / <a href="#">Materiality analysis: Salcef impacts</a>		<a href="#">28</a>
<b>103-2</b>	The management approach and its components	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>103-3</b>	Evaluation of management approach	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>GRI Specific Topics</b>				
<b>204</b>	<b>PROCUREMENT PRACTICES</b>			
<b>204-1</b>	Proportion of spending on local suppliers	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>308</b>	<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
<b>308-1</b>	New suppliers that were screened using environmental criteria	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>406</b>	<b>NON-DISCRIMINATION</b>			
<b>406-1</b>	Incidents of discrimination and corrective actions taken	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>413</b>	<b>LOCAL COMMUNITIES</b>			
<b>413-1</b>	Operations with local community engagement, impact assessments, and development programmes	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Territory relations and development</a>		<a href="#">60</a>
<b>414</b>	<b>SUPPLIER SOCIAL ASSESSMENT</b>			
<b>414-1</b>	New suppliers that were screened using social criteria	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Supply chain sustainability</a>		<a href="#">52</a>
<b>Material topic</b>				
<b>Relations with and development of local communities/areas</b>				
<b>MANAGEMENT PROCEDURE</b>				
<b>103-1</b>	Explanation of the material topic and its Boundary	1. SALCEF GROUP: FOR SUSTAINABLE AND SAFE MOBILITY / <a href="#">Materiality analysis: Salcef impacts</a>		<a href="#">28</a>

GRI Sustainability Reporting Standard	Chapter / Paragraph References	Notes	Pages
<b>413</b>	<b>GRI Specific Topics LOCAL COMMUNITIES</b>		
<b>413-1</b>	Operations with local community engagement, impact assessments, and development programmes	2. BUSINESS MODEL: INTEGRATED SOLUTIONS FOR THE RAILWAY INDUSTRY / <a href="#">Territory relations and development</a>	<a href="#">60</a>



## AUDITING FIRM REPORT

GRI 102-56



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(Translation from the Italian original which remains the definitive version)

## **Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018**

*To the board of directors of  
Salcef Group S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Salcef Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 24 March 2021 (the "NFS").

### **Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salcef Group S.p.A. (the "parent") for the NFS**

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), selected as specified in the "Methodological notes" section of the NFS (the "GRI Standards – GRI-Referenced option"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

### ***Auditors' independence and quality control***

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***Auditors' responsibility***

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards – GRI-Referenced option. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

- 1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
- 2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
- 3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
- 4 Gaining an understanding of the following:
  - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
  - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;

- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

- 5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
  - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we held videoconferences with the management of Salcef S.p.A., which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence, on a sample basis, supporting the correct application of the procedures and methods used to calculate the indicators.

### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Salcef Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards - GRI-Referenced option.

### **Other matters**

The 2019 and 2018 comparative figures presented in the NFS have not been examined.

Rome, 8 April 2021

KPMG S.p.A.

(signed on the original)

Marco Giordano  
Director of Audit



**Salcef Group S.p.A.**

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