2022 SUSTAINABILITY REPORT

PATTERN GROUP

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Dear Stakeholders,

we are delighted to share our Sustainability Report 2022 with you, highlighting our dedication and accomplishments in environmental, social, and economic sustainability.

When we embarked on the journey towards sustainability in 2015, our inherent pursuit of excellence propelled us forward. The fusion of luxury and sustainability has always been an inseparable concept for us, as we firmly believe that true luxury must encompass ethics, respect for our planet, and enduring values.

We embarked on this journey with eagerness, a determination to challenge and improve ourselves. Today, we publish our sustainability report, which reflects the progress we've made and the path we eagerly embrace for the future.

This year, we have implemented several measures to reduce our business's environmental footprint. Additionally, we have extended Pattern's longstanding commitments to the companies who have joined us in building this exceptional hub of excellence.

Starting from 2023, all companies within Pattern Group have, in fact, established individual goals to reduce CO_2 emissions by employing renewable energy sources, adopting resource-conscious practices, and implementing circularity processes for raw materials. The Turin plant has successfully achieved its commitment from 2018, completely eliminating its scope 2 emissions.

Furthermore, we have enhanced transparency in our supply chain, ensuring that our suppliers uphold the same rigorous sustainability standards and respect for workers' rights. We have also expanded SA8000 certification oversight to encompass all companies within the Group.

Our decision to publish both strengths and areas for improvement in a fully transparent manner reflects the genuine commitment of our Group companies towards a more responsible, conscious, and sustainable business model.

While we take pride in our achievements, we are also aware that there is a great deal more work ahead, not only for our company but for the entire fashion textile industry as well.

We will continue to strive to integrate sustainability into our business and to set an example for the entire luxury apparel industry.

We'd like to thank you for your ongoing support and trust in our company. We eagerly anticipate your cooperation in accomplishing our sustainability goals together.

Enjoy reading,

Francesco Martorella

This Sustainability Report represents the Consolidated Non-Financial Statement (NFS) of Pattern S.p.A. and its subsidiaries for 2022 (1 January 2022 to 31 December 2022), prepared in accordance with Legislative Decree 254/2016, implementing Directive 2014/95/EU.

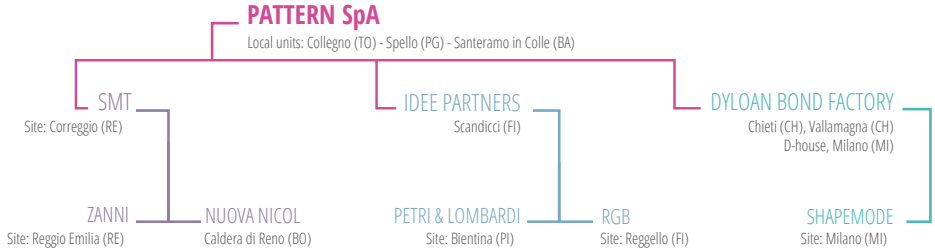
The Non-Financial Statement of Pattern Group is the primary tool for managing and reporting results in the economic, environmental, and social domains, serving as a crucial tool for information and engagement with stakeholders.

Pattern has been preparing and publishing the sustainability report since 2015 and it is approved annually by the Group's Board of Directors. The report is made accessible to all stakeholders through its publication on the Company website and is publicly disclosed through other initiatives.

Pattern's sustainability report was prepared in accordance with the methodology and principles of the GRI Standards, established and published by the Global Reporting Initiative in 2021: GRI 1 Foundation 2021, GRI 2 General Disclosures 2021, GRI 3 Material Topics 2021.

Since 2022, Pattern Group's NFS has incorporated the European Union's guidelines on reporting climate-related information. Additionally, in alignment with the Group's commitment to the Global Compact, the sustainability report has been designated as the "communication on progress" submitted annually to such organization since 2022. Lastly, Pattern Group has aligned its reporting with EU Delegated Regulation 2021/2178, which supplements EU Regulation 2020/852 by regulating the taxonomy of environmentally-sustainable economic activities. Furthermore, the retrieval of ESG data for each of the Group's locations is conducted in accordance with a dedicated internal procedure issued in 2022, later updated in 2023. This procedure outlines the activities required for measurement and data collection for the preparation of the NFS, and defines the roles and responsibilities associated with these tasks. To date, the report has not undergone External Assurance.

The scope of social and environmental data and information includes all the companies in the Group's consolidated financial statements, shown below:



The following changes in the scope have taken place since 2021:

- The acquisition by S.M.T. Srl of 100% of Zanni Srl on 7 February 2022.
- The acquisition by Idee Partners Srl of 70% of RGB Srl on 10 May 2022.
- The acquisition of 70% of D-holding, parent company of Bond Factory Srl, on 8 November 2022. D-Holding was concurrently merged by incorporation into Bond Factory Srl, which then switched to the name Dyloan Bond Factory in 2023.
- Pattern Project Srl exits on 21 July 2022, following its merger by incorporation into Pattern Spa.

While not included in the reporting scope due to its entry in Pattern Group in 2023, information about Nuova Nicol is included in the report

PATTERN

PATTERN'S TIMELINE

Pattern S.p.A. was established in late 2000 by Fulvio Botto and Francesco Martorella, who chose to embark on an entrepreneurial venture in the apparel engineering field, drawing upon their extensive experience gained from working with renowned Italian and international fashion brands. In 2005, the company expanded and diversified, adding the engineering and production of women's collections to its business. In 2009, it opened its new factory in Collegno/Turin, and in 2011 it acquired a tailor-made production chain to enhance its ability to meet customer needs and provide increased product customization options. In 2013, Pattern became the first Italian fashion manufacturing company to obtain the SA8000 Social Accountability international certification, demonstrating the company's unwavering commitment to upholding human rights in its supply chain.

In July 2014, Pattern acquired the Esemplare brand, which became the company's sole proprietary brand. In 2015, Pattern made major investments in new technologies, such as 2D/3D engineering. In 2016, Pattern published its first sustainability report, in accordance with Global Reporting Initiative (GRI) standards, and in November it was selected to join the Elite program of Borsa Italiana. In the same year, Pattern acquired a new logistics and product development area, expanding its surface area by 25%. This allowed for better management of logistics flows, enhanced product development, and improved quality control of finished products. In 2017, Pattern acquired Roscini Atelier, enhancing its competitiveness in engineering and producing women's collections.

In 2018, Pattern received the Elite certification from Borsa Italiana and launched the "From Red to Green Carpet" project, aiming to achieve sustainability and zero environmental impact by 2023.

The entrepreneurial venture revolves around a business idea focused on the fashion industry, featuring vertically integrated activities within the company. The process begins with garment design, engineering, and development, progressing to prototyping services and sample production, culminating in garment manufacturing for major international brands. The engineering of men's fashion lines is the starting point of the business.

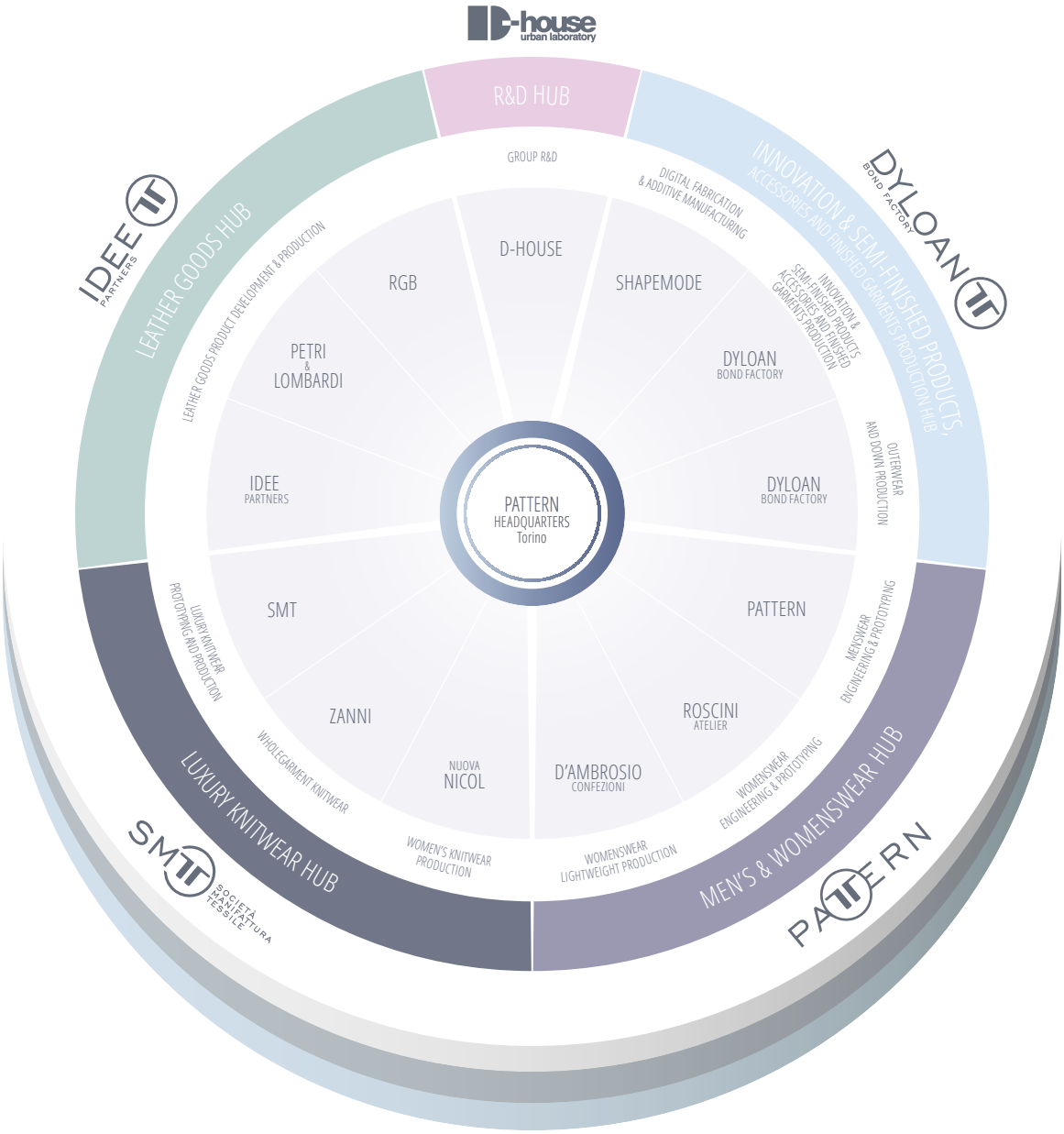
In 2019, following its listing on the Euronext Growth Milan market of Borsa Italiana, Pattern announced the entry into the group of knitwear manufacturer S.M.T. (Società Manifattura Tessile), a time-honoured Emilia-Romagna based company specialized in the prototyping and production of luxury knitwear.

Additionally, in 2021, the Group announced the entry of Idee Partners, a Tuscan company specialized in product development, design, and production in the luxury leather goods field. In the same year, Idee Partners finalized the acquisition of Petri&Lombardi, a longstanding leather goods company in Florence.

2022 was again a year of strong growth for the Group: with the acquisition of the Zanni knitwear factory in Reggio Emilia, a national and European landmark in Wholegarment (seamless) knitwear processing. Subsequently, with the entry of RGB, a specialist in the production of leather accessories, into the Tuscan Leather Goods Hub, Pattern's business plan is further consolidated, reaffirming the strength of the Italian Hub of Luxury Fashion Engineering.

Additionally, in 2022, Pattern SpA expanded its range of luxury services by acquiring Dyloan Bond Factory. This acquisition is a major milestone for the company, as Dyloan Bond Factory serves as a specialized hub in R&D for the development of special processing and semi-finished products. With two production chains in Chieti and Villamagna, it focuses on the manufacturing of outerwear and jersey products.

Fulvio Botto e Francesco Martorella



Today, Pattern Group counts 13 locations across Italy, each specializing in a specific sector.

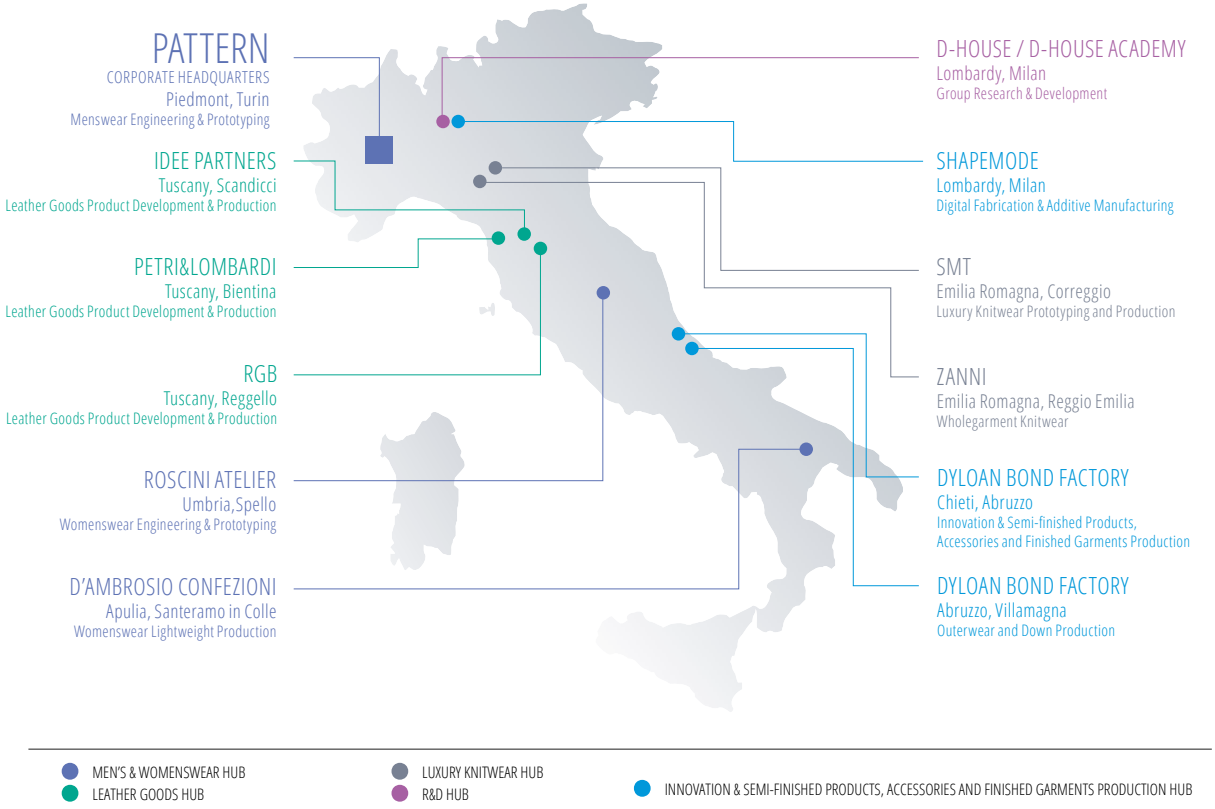
THE GROUP TODAY

The Group's mission is to achieve the full realization of the engineering and production cycle in the apparel industry. This includes conceiving traditional or digital paper patterns, developing the first prototypes, conducting the cutting phase, and creating finished garments ready for fashion shows and subsequent production.

Pattern aims to achieve a harmonious blend of craftsmanship and technology by using advanced 3D CAD software during the pattern-making stage, and investing constantly in research and development throughout all the stages of the production process. Pattern Group creates collections on behalf of renowned international haute couture brands, dedicating teams to support and collaborate closely with these top brands throughout the garment-making phase. Production primarily focuses on men's and women's first-line collections for major international brands, including their runway garments displayed on the catwalks of major haute couture events.

Our strength lies in the ability to manage and oversee the engineering and production of a diverse range of lines, encompassing various categories such as outerwear, light clothing, knitwear, and leather accessories. This versatility sets us apart and positions us as a standout player in the market. Constant customer attention and dedication to quality enable us to maintain our leading position in the luxury apparel industry.

Through the creation of hubs dedicated to the engineering, industrialization, and production of different product categories, Pattern Group aims to offer its customers more than just excellent service; it strives to provide a comprehensive experience to support the creativity of brands.



TECHNOLOGY AND INNOVATION

The textile and apparel industry is currently undergoing great changes, with the market, brands, and institutions calling for a powerful renewal.

To meet the upcoming demands, particularly those set by the European Union's regulations, Pattern has integrated a range of innovative technologies into its offerings. These technologies will enable the optimization of production processes, the reduction of raw material and resource consumption, and focus on creativity to enhance and revitalize garments at the end of their life cycle.

The companies within the service portfolio share a strong commitment to technological innovation, which serves creativity, enhances process efficiency, and promotes sustainability.

The Group, comprising highly innovative companies with a natural propensity for embracing new technologies, has established a dedicated hub for innovation, research, development, and testing of new materials. This decision has led to the study phase of several innovative projects:

NEW MATERIALS:
MY – FI (MYCELIUM FIBER) PROJECT

The MY-FI project was developed to enhance the textile industry's resilience by offering innovative bio-based fabrics that cater to the market's demand for high-quality, functional, and sustainable textiles. To achieve this, Dyloan Bond Factory conducted an experiment focused on obtaining a robust, high-performance fiber from mycelium.

The mycelium is the vegetative part of filamentous fungi, which grows in a dense network of tubular structures known as hyphae. The hyphae are mainly composed of chitin, a long-chain polymer that offers unique properties and opens up new engineering opportunities for advanced textile products, and the fibres are obtained by fermentation of biomass.

Indeed, fibres can extend the scope of nonwovens to innovative and demanding or luxury products. Mycelium's technical and aesthetic properties make it suitable for various applications, such as fashion or automotive, serving as an alternative to animal or synthetic leather.

The MY-FI project aims to create a high-functioning, high-performance bio-based fabric, empowering the textile industry to effectively address emerging global trends and challenges, meet consumer demand for new functional and sustainable textile products, and ease the environmental pressure associated with the textile industry by developing circular and biobased fabric free from microplastics.

The new material fabric underwent prototyping to gather detailed information about its properties and processability at the production level, and to validate its characteristics and properties.

LIFE CYCLE ASSESSMENT OF ADDITIVE MANUFACTURING APPLICATIONS

Dyloan is a global leader in utilizing 3D printing (3DP) technology for fabric, clothing, and footwear ornamentation. 3DP enables the direct deposition of complex 3-dimensional shapes with vibrant colors onto a variety of fabrics and substrates. 3D printing is widely regarded as a sustainable alternative to complex and time-consuming traditional supply chains due to its digital nature and on-demand production, leading to minimal waste and inventory. To date, there is limited evidence to substantiate the claim that 3D printing is more sustainable, as no comprehensive life cycle analysis has been conducted.

For this reason, Dyloan is dedicated to assessing the true environmental impact of 3D printing as a sustainable manufacturing solution. The company is working closely with leading 3D printing hardware supplier Stratasys, the Additive Manufacturing Green Trade Association, and specialized consulting firm Reeves Insight to conduct a comprehensive evaluation of the environmental impact of the Polyjet 3D printing process when applied to producing footwear elements.

The study, set to be published in the summer of 2023, will analyze various aspects, including the embodied energy, material waste, process emissions, and embodied carbon, comparing the traditional supply chain to a 3D printed alternative using the TechStyle Stratasys P850 3D printer.

The Life Cycle Assessment (LCA) studies the environmental aspects and potential impacts throughout a product's life cycle (i.e., cradle to grave), from raw material acquisition to production, use and disposal, in an iterative manner.

The general categories of environmental impacts that need to be considered include the resource use for raw material making, and the product itself, the impacts on human health and any environmental consequences.

LCA is an environmental assessment that prioritizes the satisfaction of needs by focusing firstly on the function and then on the product required to fulfill those functions. Functions play a crucial role when comparing two or more product systems, as a fair and meaningful comparison can only be achieved if the systems being evaluated provide the same function.

The Fashion Additive Manufacturing (AM) life cycle assessment (LCA) project will focus on a case study involving 3D printing on fabrics or garments and a high-value designer sneaker with an average production volume of 8,000 units.

The study will include a thorough comparison of the environmental impacts between Additive Manufacturing (AM) processes and traditional manufacturing. It aims to map the additive manufacturing process and emphasize its environmental benefits. The study will quantify the "delta" concerning processes, material use, life cycle stages, and significant waste streams associated with traditional manufacturing. Additionally, it will identify the tipping point at which AM becomes the preferred technology for large-scale fashion parts/items, considering environmental factors.

The LCA performed in accordance with ISO 14040 series standards will then lead to a life cycle impact assessment (LCIA) and translate the collected emissions data into environmental impacts using internationally recognized impact assessment methods (e.g. ReCiPe 2016).

TRANSPARENCY AND TRACEABILITY: ABC BLOCKCHAIN PROJECT (ABRUZZO BLOCKCHAIN)

Transparency and traceability are two of the main features of sustainability. For this reason, the group's technology research is actively experimenting with the use of Blockchain through various projects.

ABC Abruzzo Blockchain is a digital SaaS (Software as a Service) platform that provides a Direct to Consumer (D2C) communication channel based on verifiable traceability information with multiple levels of trust. It facilitates information sharing with customers or other supply chain partners, through QR-Code and Link generation.

Since its inception in 2008 as the foundation for mining and transacting Bitcoin and other cryptocurrencies, blockchain technology has evolved, extending its applications to various industries and functions, including supply chain, logistics, and auditing.

The blockchain is characterized by key aspects such as digitization, disintermediation, decentralization, immutability, security, traceability, and transparency.

Information is digitally recorded within the blockchain, creating a permanent and unalterable network where all validated records are irreversible and unchangeable. Additionally, the security of the network is ensured by the encryption of every piece of information within the blockchain, with each data entry having a unique identity or hash, within the network. Using this technology, every step of a product's journey along the supply chain is meticulously recorded, creating traceable and unchangeable transactions. As a result, trading can occur with increased confidence and without the need for intermediaries.

Furthermore, a distinction can be made between public and private blockchain. In public blockchains, each participant can observe and access the same sequence of data as other members of the blockchain, creating a situation of almost complete transparency among the players. In contrast, in private blockchains, users must be authorized to possess, transmit, and verify transactions and/or information, and, more generally, to participate. While the former type of blockchain is most prevalent for cryptocurrencies, private blockchains are preferred by businesses as they allow for greater control over access, replacing decentralization.

In this manner, the blockchain enables greater control and helps minimize waste in both production and the final stages of a product's life cycle. It also promotes accountability throughout the supply chain by requiring greater consumer awareness.

The blockchain enables the tracking of a product throughout its lifecycle, while also allowing the inclusion of data concerning social and environmental conditions. This capability could potentially reveal environmental and safety concerns related to the entire production process and the people involved. In turn, these concerns could result in the implementation of sustainable practices such as:

- **the circular economy**, defined by the European Union as "a model of production and consumption, which involves sharing, lending, reusing, repairing, refurbishing and recycling existing materials and products as long as possible",
- **waste reduction,** the focus of the circular economy model through product life extension,
- **emissions reduction,** since by tracking the entire product journey, the blockchain could enable the company to identify the points within the supply chain that result in higher emissions, thus leading it to optimize by choosing a supplier closer to home.

Transparency and traceability are two of the main features of sustainability. For this reason, the group's technology research is actively experimenting with the use of Blockchain through various projects.

The main goal of the ABC Abruzzo Blockchain project is to ensure security and protection for the exchanged information, which is why it incorporates notarization on Bitcoin's public blockchain.

The platform offers the opportunity to share information collected during the production process of a product with the consumer and all players in the supply chain, with a focus on transparency, trust, and traceability.

The collected data can be inputted on the product presentation page or directly on the product itself, enabling users to access the tracking information.

In essence, particularly within the fashion business, the platform serves the purpose of narrating the entire supply chain story of a technologically manufactured product, showcasing each step it undergoes and revealing its intricate journey. By tracing the entire product's journey, the focus is placed on the collective efforts of multiple technologies working in harmony to create the product, embodying a fusion of technology, aesthetics, and avant-garde aligned with ethical and sustainable standards. Moreover, prominently showcasing product traceability emphasizes their origin, creating a supply chain where ethical, sustainable, and law-abiding principles are followed.

It has been a wild ride indeed for Pattern, a leading name in Italy in engineering on behalf of top fashion luxury brands, one that started back in 2000, which has led the company to grow locally thanks to strategic alliances in the different luxury product categories, until reaching in 2022 the goal announced in 2019 at the listing on the Italian Stock Exchange: to create the first Italian Hub of Luxury Fashion Engineering and Production.

The second step in the Group's growth started in 2023, a growth that continues to be exclusively industrial, that aims to invest in Italian excellence in order to enhance the Group's Hubs and create a network of skills capable of competing in a complex and ever-changing market.

The growth project is evident right from the start in the entrepreneurial vision of the Founders - now Majority Shareholders - Franco Martorella and Fulvio Botto, a vision that was defined and structured with the entry of Luca Sburlati, Group CEO. A journey that has led the Group since 2011 to expand from 1 to 12 companies (13 locations) across 7 regions, with a substantial growth in the number of employees. This expansion has added a diverse range of technical skills of excellence, further enhancing the Group's production capacity.

Today, Pattern Group is the first Italian Hub of Luxury Fashion Engineering & Production, covering the main product categories (men's and women's lines, clothing and accessories, woven fabric, knitwear and leather goods), starting from the research and engineering phase up to production, and revolves around five industrial hubs:

- The Men's and Womenswear Hub, formed by Pattern in Turin, the parent company, a specialist in menswear and outerwear engineering, Roscini Atelier in Umbria, and D'Ambrosio Confezioni in Apulia.
- The Luxury Knitwear Hub in Emilia-Romagna, formed by S.M.T. and Zanni, joined in 2023 by Nuova Nicol.
- The Leather Goods Hub in Tuscany, formed by Idee Partners, RGB and Petri&Lombardi.
- The R&D Hub, headed by D-house based in Milan, the Group's urban innovation and research laboratory.
- The Innovation and Production Hub of Semi-Finished Products, Accessories and Finished Products, headed by Dyloan Bond Factory in the two Abruzzo locations of Chieti and Villamagna, and Milan-based ShapeMode, a specialist in Digital Manufacturing & 3D Printing.

In 2023, Pattern Group continues its second phase of growth, focusing on strengthening its districts and hubs of excellence. The inclusion of the Emilian knitwear factory, Nuova Nicol, contributes to further expanding the Group's presence in the luxury knitwear sector.

THE MEN'S AND WOMENWEAR'S CLOTHING HUB

The offices of Collegno (TO) and Spello (PG) are home to the productions of major Luxury brands, who rely on the expertise and experience of Pattern SpA's professionals for the engineering, development, and industrialization of the top Brands.

Pattern SpA is today the result of the merger of three companies: the headquarters, located in Collegno, serves as the centralized Governance centre of the Group and specializes in men's outerwear products. The merger with Roscini Atelier has added significant expertise in women's lightweight products to Pattern's portfolio. By adopting a similar organizational structure, it has expanded its service offerings to cover all categories of luxury clothing products.

The in-house production capacity, primarily focused on prototypes, samples and small productions, was expanded with the acquisition of a highly professional production chain, D'Ambrosio Confezioni, based in Santeramo in Colle (BA).

THE LUXURY KNITWEAR HUB

The latest acquisition gives birth in 2023 to what the Group refers to as the "Knitwear Valley", an area specialized in the engineering and production of luxury knitwear located between Reggio Emilia, Modena and Bologna, with S.M.T. (Società Manifattura Tessile) S.r.l. at the head - leader in the engineering and production of luxury knitwear led by CEO Stefano Casini - Zanni - a specialist in wholegarment knitwear processing - and Nuova Nicol - production of women's luxury knitwear.

SOCIETÀ MANIFATTURA TESSILE

SMT started its venture in Luxury Knitwear in 2010, shaping its organization to meet the rising demands of industry players, especially knitwear designers, nurturing their creativity with appropriate technological innovation and swift responsiveness.

Indeed, the company's mission is to swiftly engineer and develop knitted products while adhering to standards of excellence in quality, and adopting tangible and reliable industrialization criteria.

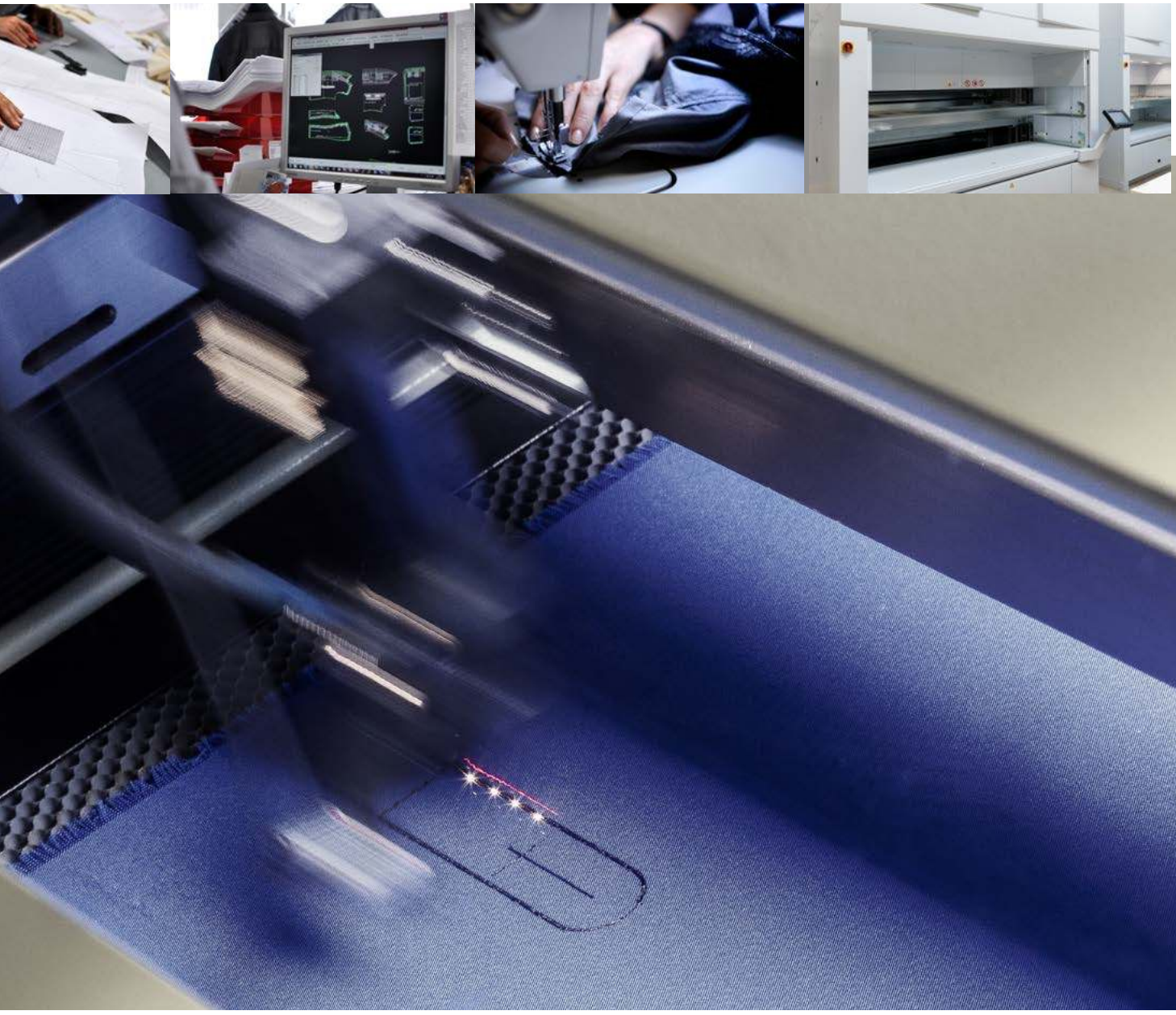
For this reason, the company has organized its departments based on a central focus on the engineering phase and has made heavy investments in Research & Development.

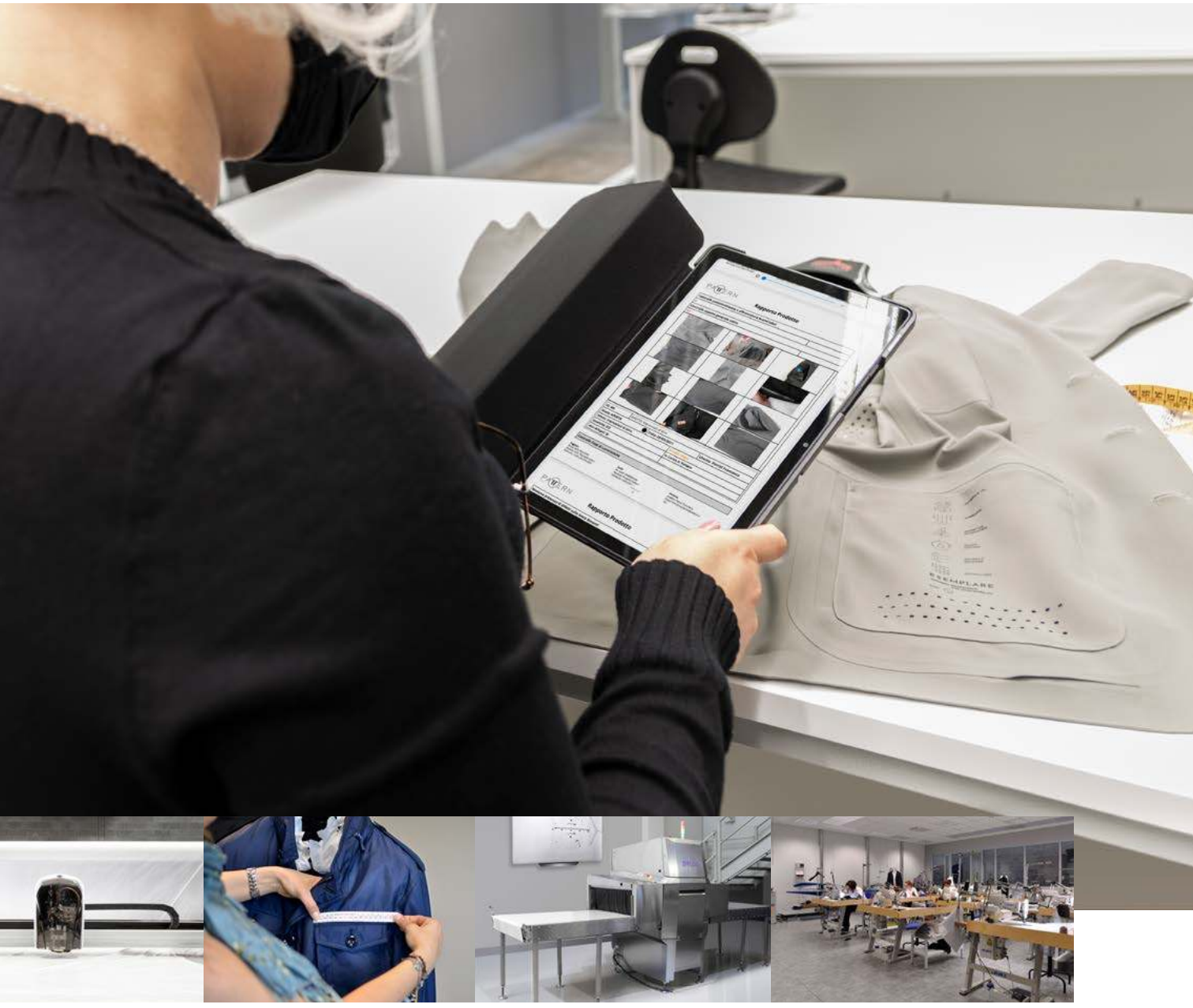
PROTOTYPING ANVD SAMPLING

Under the guidance of product managers and with the support of the S.M.T. atelier, fashion designers' requests are transformed into patterns that embody the desired fit and overall stylistic elements of the brand.

The technical and creative talent of the STOLL and SHIMA SEIKI programming team, backed by cutting-edge enterprise software, excels in designing the optimal technical weaving configuration, by interpreting and shaping customer inspirations, which are then transformed into finished garments by the atelier workers.

Great teamwork enables the company to deliver each brand's samples within the most stringent timelines, maintaining the highest quality standards, and adhering to the agreed target price.

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Rapporto Prodotto

PRODUCTION

SMT manufacturing excellence owes its success to the decision to create an in-house manufacturing line of the highest standard. The department is organized into two laboratories: sampling and production. These laboratories are independent of each other, yet constantly interact in the development of the garments.

This approach to work ensures consistent production quality and process traceability.

S.M.T. can also rely on a chain of external laboratories, carefully selected and supervised according to the group's sustainability standards.

Thanks to continuous and direct communication between the production department and the prototyping laboratory, S.M.T. can effectively translate even the most intricate sample processes into high-performance solutions for production.

The manufacturing process is backed by a team of specialists who excel at optimizing all processing stages, ensuring unwavering adherence to the quality standards set by each individual brand. Moreover, thanks to a certified supply chain of partner laboratories, the garments can undergo special processing such as needle punching, printing, embroidery, gauzing, and heat sealing to achieve the desired finishing touches.

Last but not least, to maintain impeccable quality standards for customers, S.M.T. has implemented a comprehensive system that includes rigorous controls at every stage of the garment processing cycle, from weaving and washing to manufacturing and final bagging.

RESEARCH AND DEVELOPMENT

Since 2019, S.M.T. has established its own in-house Research & Development department, where qualified consultants collaborate with fashion designers to identify the most suitable yarn, innovative processing methods, and cutting-edge weaving techniques.

Specifically, the R&D department spearheads product innovation, developing capsules and special projects that go beyond seasonality. It explores and promotes the latest advancements in knitwear technology, extending its application to product categories like footwear, accessories, handbags, interior design, automotive, and more.

TECHNOLOGY

FULLY-FASHIONED KNITWEAR The weaving and programming department boasts the latest generation of flat knitting machines for fully-fashioned knitwear, ensuring the constant use of the most advanced technology tailored to the specific product requirements.

SMT's technology assets currently comprise 120 weaving machines, equally divided between STOLL (ranging from 1.5 to 20 gauge) and SHIMA SEIKI (ranging from 3 to 18 gauge), including technologies for textured weaving, vanisé, a knitting technique by which two yarns are intertwined, creating fabrics with faces of different colours or different fibres and inlay.

The programming department relies on state-of-the-art software, ensuring rapid turnaround times for prototypes and special projects.

TREATMENTS AND FINISHES The company has equipped itself with a treatment and finishing department to complete the management of the processing stages. Specifically, the department includes an electronic gauzing machine, which allows the extraction of hair from fabrics, as well as a laundry and ironing section equipped with 8 washing and tumbler machines, and 15 ironing stations, steaming tables, and presses.

ZANNI

With the acquisition of the time-honoured company Zanni Maglieria, renowned for its expertise in producing seamless garments using SHIMA SEIKI WHOLEGARMENT® technology, SMT further solidifies its position in the industry and integrates new technical excellence into its existing know-how.

The Wholegarment® technology assets boast a total of 34 machines with a wide range of gauges from 18 to 5, along with 5 Shima Seiki APEX 4D stations for engineering and programming.

As a world exclusive, Shima Seiki Ltd, a top player among knitting machine manufacturers, chose Zanni as the company to conduct the first operational test of the new XR technology, bringing the inaugural no. 001 of the new WholeGarment machine to Reggio Emilia, featuring unprecedented innovative performance.

The scheduling of the tests was conducted in collaboration with Shima Japan, and many of the technical solutions studied during development were given close attention by Shima Seiki's Japanese engineers, who sent a revised software version in light of the suggestions regarding the technical versatility tests developed.

NUOVA NICOL

Nuova Nicol S.r.l., an Emilian company founded in 1975, specialized in the production of women's luxury knitwear with a top luxury customer portfolio, places the utmost attention to the quality of yarns and fabrics, and boasts a large fleet of machinery that guarantees significant production output. The company represents the latest entry into the Group and complements the offering dedicated to the production of luxury knitwear.

THE LEATHER GOODS HUB

IDEE PARTNERS

Idee Partners, an Italian company founded in 2008 and based in Scandicci/ Florence, specializes in the development, engineering and production of accessories in the luxury leather goods sector. Thanks to the strong specialization in product development and a vertical structure, the company can cover the entire value chain. Idee Partners currently engineers and produces for leading fashion and luxury brands, utilizing a structured internal organization that efficiently manages strong engineering and production capacity in-house. In October 2021, it joined Pattern Group, becoming a key player in the development of the business plan centered on establishing the Luxury Leather Goods Hub.

DEVELOPMENT

Product development is the flagship of Idee Partners: upon receiving the creative direction from the customer, patterns are designed, volumes and uppers are refined and, through all the technical steps, prototypes and final samples are developed.

The in-house team of product managers, consisting of professionals skilled in interpreting creative ideas, guidelines, and market trends, enables Idee Partners to support the client's Design team in developing creative solutions from initial product concepts, and finally turning them into physical products and product renderings. Alternatively, the company can also offer its clients a full engineering service.

All the development phases are handled by the highly specialized in-house pattern departments and sample rooms, and these are reinforced by external partners to provide the required capacity during peak periods by sharing the same CAD pattern-making system. The entire prototype development process is overseen by a dedicated project manager who is able to constantly manage time, cost and issues that may arise.

Idee Partners' vast experience, along with continuous research and close collaboration with top suppliers of raw materials (leather, fabrics, accessories, etc.), allows the development of innovative and tailor-made materials that meet the rigorous requirements of both Italian and international standards.

PRODUCTION

With strong expertise in collection industrialization, Idee Partners' Production team efficiently manages the entire production process, providing expert guidance from project inception to final production delivery.

Depending on customer preferences, Idee Partners can either directly manage the purchase of raw materials or focus solely on providing expert craftsmanship services (cutting and assembly).

Prior to manufacturing and delivery to the customer's distribution hub, Idee Partners performs quality control on finished products.

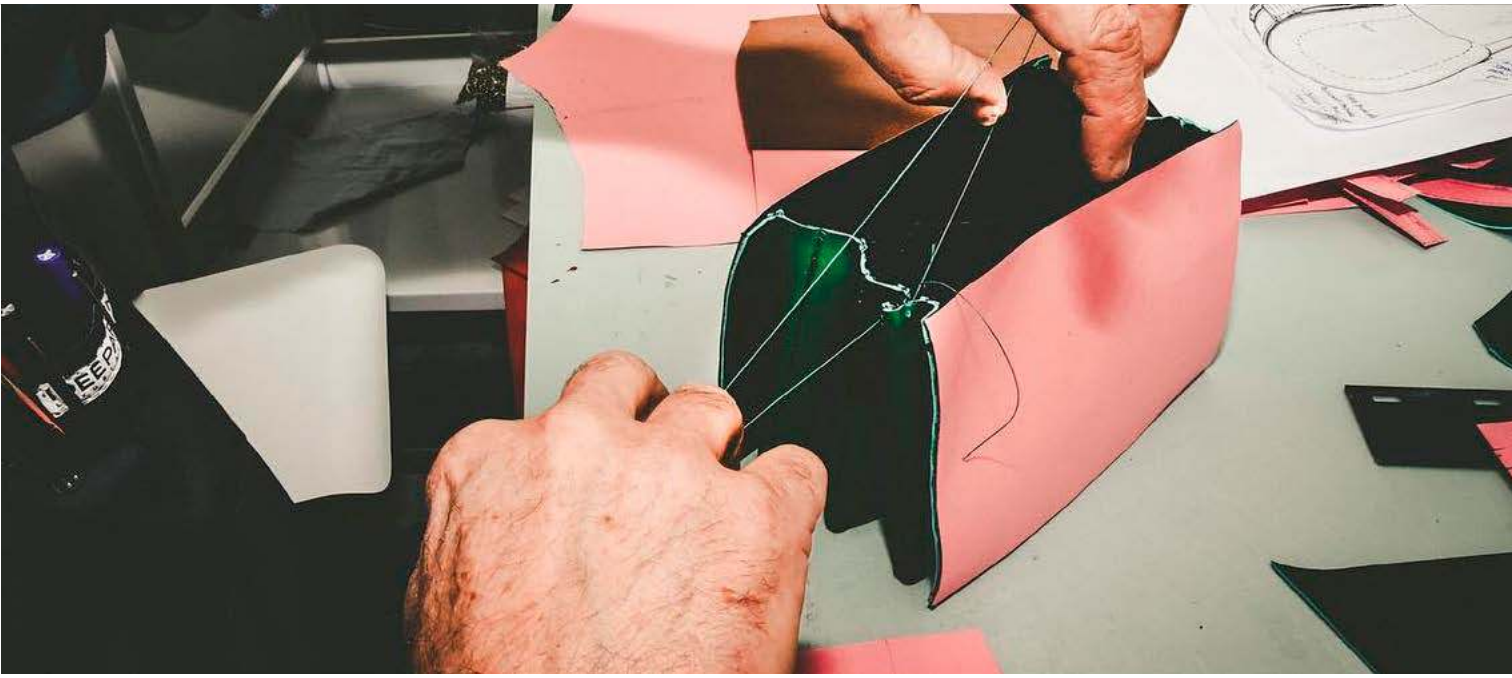
FOOTWEAR

The footwear business unit specializes in supporting startups and established brands to create and engineer new and innovative collections. The entire activity is managed in-house, starting from the development phase, production of prototypes, and showroom samples, to the pre-production overview of industrialization and engineering of the collection.

INNOVATION AND TECHNOLOGY

To maintain a cutting-edge position in the leather goods market, Idee Partners continually invests in technological innovation, research, and development, with a strong focus on the continuous training of its employees. The engineering and creation stages are constantly analyzed and improved, with the integration of the latest technologies.

Indeed, by using modeling and printing CAD systems along with the most advanced simulation programs, process efficiency is significantly improved by optimizing time and costs starting from the prototyping stage. This approach guarantees the best quality for the finished product.



PETRI&LOMBARDI

Founded in 1990 and based in Bientina (PI), Petri & Lombardi S.r.l. specializes in the production of leather goods. The company, which has a production facility of approximately 1,500 square meters and is almost self-sufficient in terms of electricity requirements thanks to its photovoltaic system, became part of Pattern Group following the acquisition of Idee Partners in 2021. The company employs a team of over fifty highly specialized professionals for in-house production, ensuring the highest level of quality. With its strong expertise in industrializing collections and close coordination with the Idee Partners team, Petri & Lombardi efficiently manages the entire production process, from cutting and assembly to quality control, manufacturing, and delivery to the end customer.

RGB SRL – BENEFIT COMPANY

The acquisition of RGB is part of Idee Partners' strategic plan, which started in 2021 with the acquisition of 60% of Petri & Lombardi. Both acquisitions are geared towards consolidating one of the largest Independent Tuscan Hubs in the leather goods sector, encompassing both the engineering and production phases with a "Made in Italy" focus.

Thanks to this latest acquisition, Idee Partners has significantly increased its production capacity, boasting 220 employees and a state-of-the-art internal organization structured around production lines. By strategically integrating a strong emphasis on product development with an impressive direct production capacity, Idee Partners has solidified its position as a key player in the Tuscan leather goods sector.

RGB's primary focus is on producing leather goods, particularly bags, while upholding and preserving the "artisan knowledge" that embodies the excellence of the Tuscan territory.

RGB was established as a Benefit Company due to its commitment to being an organization that prioritizes caring for and protecting the environment, respecting and valuing its employees, and contributing positively to the broader community, making ethics, legality and transparency the cornerstones of its corporate culture.

INDUSTRIALIZATION

In the industrialization department, RGB creates a foundation for material optimization and streamlining production stages. This involves evaluating innovative solutions and implementing ameliorative changes through continuous engagement with the customer.

PRODUCTION

RGB boasts certified expertise gained through prestigious collaborations with renowned brands in the luxury industry. The company is equipped and organized to carry out the entire production cycle in-house from industrialization to finished product manufacturing.

The expert hands and know-how of technicians with extensive industry experience blend seamlessly with the technological advancements of state-of-the-art machinery used for production.

The main production departments, including leather cutting, preparation, and assembly, are all connected to quality check stations, enabling constant monitoring and detection of any deviations from the customer's quality standards. The organizational, administrative and management sections work in perfect synergy with the production departments, collaborating to meet the demands of the brands effectively.

Moreover, certain stages of industrial production are outsourced to trusted external groups, overseen at every step by a designated company contact person.

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THE INNOVATION & SEMI-FINISHED GOODS PRODUCTION HUB

The decision to incorporate an innovation hub into the business plan arises from a recognition of the vital significance of innovation and research in ensuring the long-term competitiveness of businesses. An innovation hub is a centre of excellence dedicated to researching and developing new technologies and products, attracting talent and funding to support innovation.

Additionally, an innovation hub provides an opportunity to collaborate with other companies, research institutes, universities and other industry players to share knowledge and resources and foster the creation of an innovation network. This can lead to synergies, strategic alliances and partnerships that can improve the competitiveness and sustainability of the entire industrial supply chain.

DYLOAN BOND FACTORY

Bond Factory embarked on its journey in 1987 with the goal of seeking new ideas and proposing innovative solutions for the fashion world. Headquartered in Chieti, Bond Factory has evolved into a company that specializes in producing finished garments and special products. It maintains a constant balance between advanced technology and a commitment to preserving the essence of craftsmanship.

In its historical headquarters in Chieti, Bond Factory engages in a wide range of activities, including engineering, prototyping, sampling, customization, production of fabrics, semi-finished products, processing and finished garments. The company leverages state-of-the-art technologies in the industry: heat sealing, laser, high frequency, ultrasound, screen printing, digital printing, thermoforming, digital embroidery, 3D printing.

In 2022, a historic garment factory based in Villamagna, specializing in the production of outerwear, was acquired, with the aim of stepping up in-house output, meeting the increasing demand in the luxury fashion segment.

HEAT SEALING

INSERTS - The creation of a heat-sealed insert allows an element of any shape, colour, and size to be inserted between the edges of two fabrics that are spaced apart, enabling the reuse of fabric scraps and materials that cannot be used in other productions due to their small size.

TAPES - Heat sealing enables the broadening of potential applications for tapes and beading, facilitating their quick application to pre-manufactured garments. The technique is particularly compelling from an upcycling perspective as it enables the transformation of unsold or leftover garments, giving them a refreshed and renewed look.

INLAY - The application of a heat-sealed inlay involves the insertion of fabric and material cuts, overlapping, or “kissing”, the profiles. In the former case, the profiles are joined through the use of thermobonding, while, in the latter case, through ultrasonic sealing. Again, scrap materials can be used.

ULTRASOUND

SEALING - Ultrasonic heat sealing is limited to synthetic fabrics, enabling the creation of garments without overlaps. Indeed, the fabric profiles are sealed together using a sonotrode[1] to melt the fibres at their contact points. This process uses a very limited amount of energy and reduces leftovers.

1. A component that transmits vibrations to the work piece (ultrasonic sealing)

ULTRASOUND

QUILTING - Ultrasonic coupling allows two or more synthetic materials to be coupled and joined through sealing points.

Unlike the traditional stitching technique, ultrasonic stitching does not involve puncturing the fabrics, which prevents structural weakening from occurring. This significantly increases the durability of the garment and lengthens its life cycle.

LASER TECHNOLOGY

CUTTING - Laser cutting is a highly versatile technology. It has opened up new possibilities for creativity by guaranteeing remarkable results for even the most complex processing tasks. The technique delivers a cleaner result and significant time savings in production. It allows for perfectly sealed edges, particularly when cutting synthetic fabrics, eliminating the need for trimming and avoiding waste and additional processing.

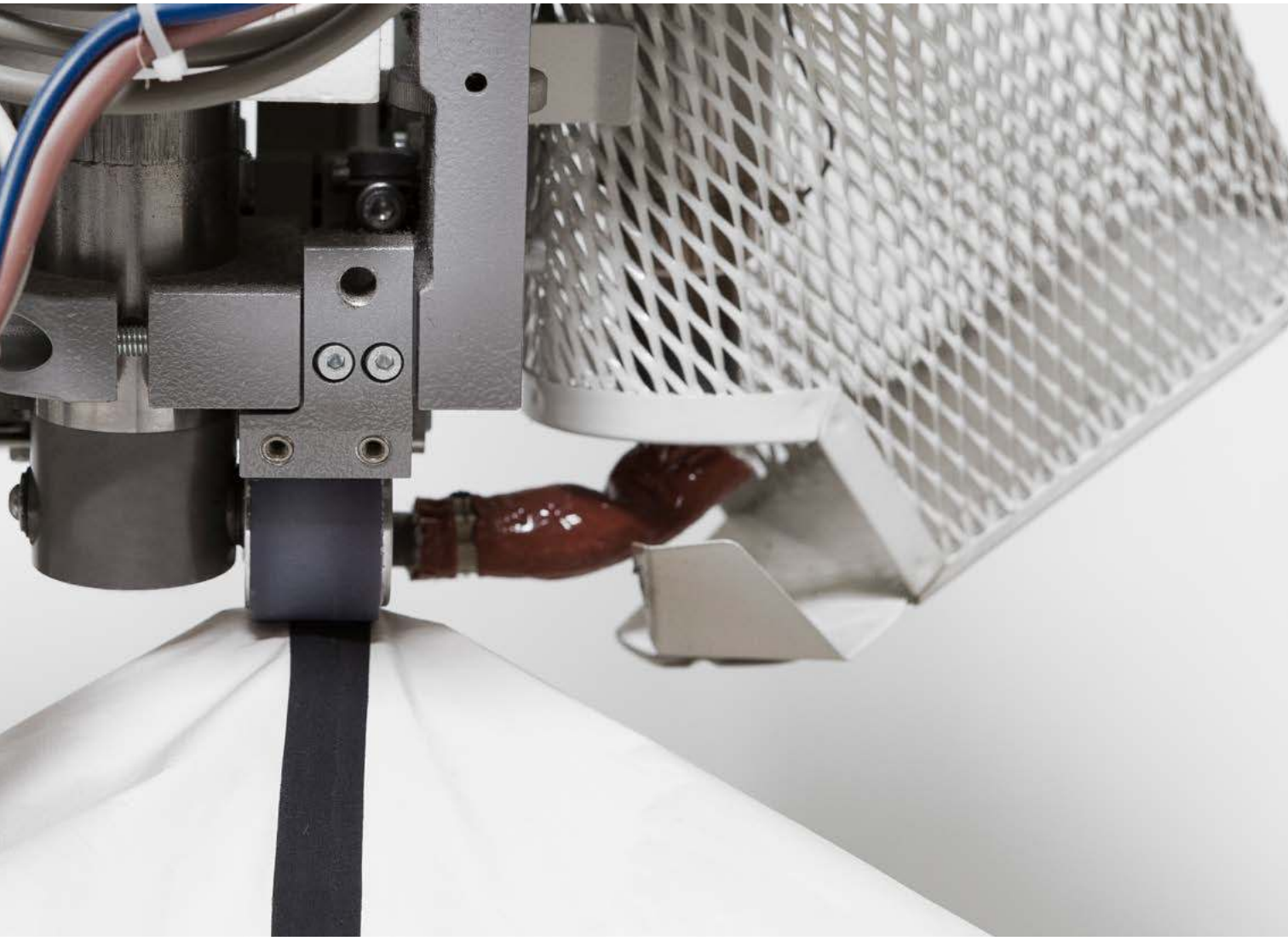
ENGRAVING - Laser engraving enables personalization through the creation of graphic designs and patterns. It is based primarily on the removal of a superficial layer of fabric through engraving, allowing for the realization of even the most intricate designs. This technique eliminates the need for printing chemicals normally used in conventional printing processes.

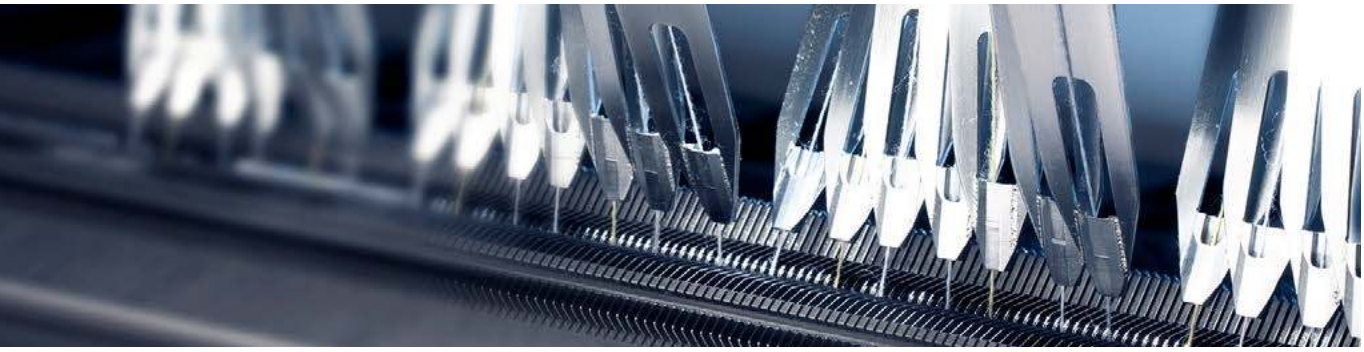
EMBOSSING

Embossing is a technique whereby three-dimensional effects or relief can be created with the fabric itself by using a shaping process. Shaping is achieved by using a material to give the specially made thickness based on the design to create.

INJECTION QUILTING

The making of a heat-sealed quilt allows textile structures and materials of different types to be joined together by appropriately designed points or lines of contact, incorporating supporting materials or padding. Fabrics remain unpunctured, ensuring a perfect insulation between the inside and outside.





THERMOSHAPING

Thermoshaping is a hot processing technique used on thermoshapeable fabrics, where these fabrics are shaped using specific temperature and vacuum conditions. This way, the fabrics conform to the mold, taking on the desired shape without the need to add additional materials or adhesives.

HIGH FREQUENCY

This technique utilizes high-frequency energy in the form of an electromagnetic field and pressure to effectively join fabrics together. The application of electrical energy causes molecules within the fabric to move, generating heat and resulting in the melding of the fabrics. No heat is applied from the outside but is generated within the material itself.

EMBROIDERY

TRADITIONAL - Embroidery remains a popular technique in the fashion industry due to its ability to embellish, personalize, and enhance the craftsmanship of a garment, now achieved through modern techniques.

DIGITAL - The introduction of innovative embroidery technology now allows for high-quality thread colouring on demand, based on the input from a previously designed graphic layout. By utilizing a single spool of recycled polyester thread, this technique enables the creation of embroidery without the need for stock materials of different colours.

NEEDLE PUNCHING

Needle punching is a special embroidery method of joining different materials without threads or seams. Special hooked needles are used during the embroidery process to carry knits and fabrics over each other, intricately weaving and mixing them to create distinctive and eye-catching effects. This method eliminates the need to purchase and accumulate materials such as spools of yarn.

LAMINATION

Laminating is a finishing technique that involves heat sealing a fabric with a foil to enhance its appearance, texture, properties, and potential applications. This technique helps improve waste fabrics and reuse leftover materials.

PRINTING

DIGITAL - Innovative digital printing technologies currently used in productions employ water-based inks, enabling on-demand manufacturing while avoiding overproduction. These technologies also lead to significant reductions in water consumption (by 96%), energy usage (by 95%), and emissions (by 17%).

SCREEN PRINTING - Screen printing is a printing technique where ink is applied to a surface using a squeegee, avoiding areas made impermeable by a blocking stencil.

3D PRINTING

3D printing is based on overlapping layers. In fact, it is called additive manufacturing because it does not involve the removal of material, unlike traditional techniques. The benefits of this technology are evident in reduced transportation and waste. Through digital and dematerialized prototyping, it avoids the use of raw materials in garments not intended for consumption.

SHAPEMODE

Shapemode is a competence centre specialized in Digital Fabrication, Additive Manufacturing and DfAM (design for additive). It is a digital ecosystem where various entities in the world of Industry 4.0 coexist, sharing years of experience in the field. Through its services, ShapeMode guides and accompanies businesses into the world of Digital Fabrication by offering solutions and training tailored to customer needs.

THE RESEARCH AND DEVELOPMENT HUB

D-HOUSE

In 2020, D-House Urban Laboratory was established in the heart of Milan, with the aim of creating and enhancing synergies with international partners by integrating them into R&D activities. The Hub serves as a space for experimenting with new technologies and materials, with a focus on responsibility and the development of circular solutions and products. D-house combines tradition and modernity, craftsmanship and innovation, thanks to its vertical research and development team. Events, panel discussions and workshops are organized within the Lab to promote new sustainable scenarios. D-House Academy trains future professionals in prototyping and the practical application of new technologies. It is a space for designers, companies, and students to come together, fostering cross-pollination and creativity.

To fully embrace the uncertainty of this of this ever-changing market, the company has developed an ambitious and targeted plan, based on five fundamental values, represented by the 5 "E".

These guiding principles permeate every aspect of our business and guide us in pursuing excellence, addressing environmental and economic challenges, and providing quality service to our customers.

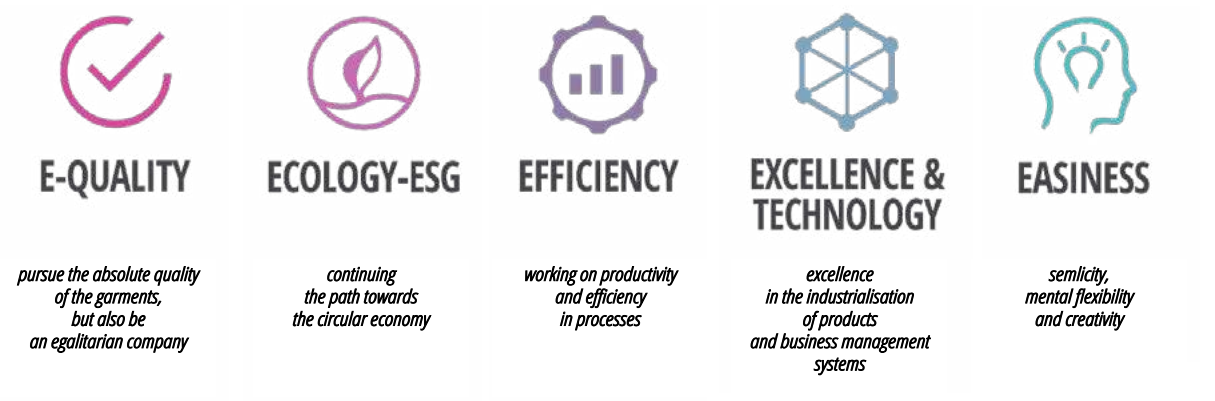
E-QUALITY: Our priority is to ensure the highest quality in everything we do. We are committed to offering products and services that meet and exceed our customers' expectations. Quality is our business card, and we are convinced that it is the foundation for building lasting relationships with our customers.

ECOLOGY-ESG: Sustainability is at the heart of our activities. We are committed to protecting the environment and minimising the impact of our operations on the ecosystem. We adopt eco-friendly practices and adhere to the principles of Environmental, Social, and Governance (ESG) to make sure we are a socially responsible company oriented towards the common good.

EFFICIENCY: We recognize the importance of being efficient and agile in our operations. We are constantly trying to improve our processes, reduce waste and optimize resource use. This allows us to react quickly and effectively to market challenges and to the needs of our customers.

EXCELLENCE & TECHNOLOGY: To stay competitive in a world in constant change, we aim for excellence and technological innovation. We invest in research and development to offer innovative and cutting-edge solutions. We understand that the adoption of new technologies allows us to improve our operational efficiency and meet the evolving needs of our customers.

EASINESS: We believe that simplifying the lives of our customers is essential to build a relationship of trust. We are committed to making it easy and convenient to do business with us. Whether it's a simple shopping experience or an efficient service process, we always put the customer at the heart of our decisions.



The plan was born from the analysis of a market deeply changed in the last year and from the need to manage more and more a concept that suddenly became familiar to us: uncertainty.
To do this, the company has defined 5 fundamental values to be pursued in all our activities, called precisely the 5 "E".

These five values, the 5 "Es", lie at the very core of our business plan, guiding our actions and strategic decisions as we face market uncertainty with determination. With our commitment to excellence, sustainability and innovation, we aspire to build a prosperous and sustainable future for the company and all our stakeholders.

Pattern Group's 2022 financial statements show a double-digit revenue performance (+57%), driven by strong organic growth and the successful completion of various acquisitions.

- Revenue: € 109.2 million (€ 69.5 million) + 57.1%
- EBITDA: € 11.1 million (€ 7.7 million) + 44.6%
- Profit for the year: € 4.1 million (€ 3.7 million) + 10.6%

Production	94.438.464
Engineering	10.787.749
Other revenue	3.985.587
Total revenue from sales	**109.211.799**

The solid financial health and strong operating performance serve as a foundation for effectively supporting the implementation of ESG-compliant management practices.

In essence, the solidity of operating sustainability serves as the primary principle that empowers Pattern Group to meet environmental and social challenges proactively and confidently in this rapidly evolving industry.

Indeed, the operating stability of the organization empowers ESG Governance to allocate the necessary resources for developing strategies to achieve corporate social responsibility goals:

- Centralization of Governance
- Protection of the environmental mission
- Monitoring and improvement of the supply chain
- Stakeholder engagement
- Enhancement of people (training and wellbeing)
- Diversity & Inclusion Policies
- Carbon Neutrality
- Integrated management system: quality, environment, health and safety
- Responsible production processes
- Circular Economy

CREATION AND DISTRIBUTION OF ADDED VALUE

Added value is a quantitative measure that reflects a company's ability to generate wealth and subsequently distribute it among different stakeholders.

It is determined by the difference between the wealth generated and the costs incurred in its distribution to various stakeholders, making it a pivotal connection between the Annual Financial Report and the Sustainability Report. The Statement of Determination and Distribution of Added Value initially displays the total economic value generated by the company's core operations, followed by a breakdown of the Economic Value distributed and retained. The share of distributed economic value is divided among key stakeholders: suppliers, employees, shareholders, public administration, banks, community and environment.

A review of the consolidated and separate financial statements shows an increase from the prior year: sales increased from € 69.5 mn to € 109.2 mn, up by 57.1% versus 2021.

Table 1 Capacity to create added value (consolidated)

	december 2019		december 2020		december 2021		december 2022	
Revenues from typical production	55.203.409	99,3%	52.740.520	100,3%	72.001.371	103,6%	108.626.802	99,5%
External costs of production	-21.784.790	-39,2%	-21.318.573	-40,5%	-28.288.862	-40,7%	-38.787.864	-35,5%
Characteristic added value	33.418.619	60,1%	31.421.947	59,8%	43.712.509	62,9%	69.838.938	63,9%
Total added value (gross of façon manufacturers)	33.369.784	60,0%	31.862.230	60,6%	43.914.487	63,2%	70.563.321	64,6%

The following table shows the distribution of added value and illustrates how wealth, generated through the activities and interactions of various stakeholder groups with Pattern, is allocated.

Table 2 Global added value trend (consolidated)

	december 2019		december 2020		december 2021		december 2022	
Employees remuneration	-9.144.352	-16,4%	-12.311.104	-23,4%	-15.044.677	-21,6%	-25.244.779	-23,1%
Façon manufacturers' remuneration	-18.150.738	-32,6%	-14.719.851	-28,0%	-21.038.724	-30,3%	-34.532.678	-31,6%
P.A.	-1.613.638	-2,9%	222.109	0,4%	-1.363.250	-2,0%	-1.736.295	-1,6%
Banking system	-54.579	-0,1%	-113.762	-0,2%	-125.014	-0,2%	-283.915	-0,3%
Company	-453.687	-0,8%	-1.819.224	-3,5%	-2.423.902	-3,5%	-4.236.271	-3,9%
Shareholders	-3.792.621	-6,8%	-2.996.144	-5,7%	-3.673.556	-5,3%	-4.063.633	-3,7%
Sustainability	-160.169	-0,3%	-124.254	-0,2%	-245.365	-0,4%	-465.750	-0,4%
Global added value	-33.369.784	-60,0%	-31.862.230	-60,6%	-43.914.487	-63,2%	-70.563.321	-64,6%

The primary factor contributing to the creation of Pattern Group's added value is the companies, and their personnel, to whom Pattern Group's production capacity is subcontracted; as a result, approximately 31.6% of the added value created is allocated to a select group of outside contractors ("façonists") and sub-contractors of processing stages, monitored and managed in accordance with the Group's high standards of social and qualitative compliance.

Secondly, the success of Pattern and the companies forming part of the Group is certainly attributable to the daily commitment of the people who work tirelessly to ensure its growth, which is why, in fact, approximately 23.1% of the added value created goes to remunerating their work. Due to the specific nature of Pattern's activities and industry, employees play a crucial role in determining the company's success.

In 2022, the distribution of value to partners and shareholders amounted to approximately € 4 mn and represents 3.7% of redistribution, also including the share of the year's profit allocated to reserves.

The added value allocated to costs related to corporate social responsibility and sustainability projects is expected to grow further in 2023. This growth is attributed to the acquisitions and the subsequent increase in revenue, which expands the scope of measurement and the interventions aimed at achieving Pattern's sustainability standards.

Therefore, the final calculation of the added value dedicated to sustainability takes into consideration the following cost items:

- Social and environmental audits
- Investments in the subcontractor improvement plan
- Laboratory analysis for the assessment of chemical compliance with MRSL and PRSL
- Social, environmental, anti-corruption, system and product certifications
- Circular waste management
- Safe management of special and/or hazardous waste
- Dedicated consulting for the measurement/reduction of CO_2 emissions
- Access and investment in acceleration projects on climate, environmental and social topics
- Energy efficiency plants
- Efficient replacement of the company car fleet
- Analysis of emissions
- Delta markup of the purchase cost of energy from renewable sources vs. cost from fossil sources
- Team 100% dedicated to sustainable development topics
- Investments in employee smart mobility
- Technology dedicated to sustainability projects

The redistribution of added value in 2022 and the costs related to corporate social responsibility and environmental compliance issues show that 0.4% of total revenue was allocated to the integration of sustainability principles into the business model of Pattern Group companies. The figure is quite impressive in absolute terms: the budget has almost doubled from a spend of around € 250 thousand in 2021 to over € 460 thousand in 2022. This amount actually lowered the dilutive effect of the spending percentage that would have been plausible given the substantial rise in overall sales resulting from the acquisitions.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement holds utmost importance for Pattern Group, and it is dedicated to fostering open dialogue with all stakeholders. The belief is that continuous exchange of information can influence and provide valuable insights for driving business growth. Communication with stakeholders reflects the Group's acknowledgment of its responsibility to the social environment in which it operates. There are different types of stakeholders in Pattern Group, each of whom has different interests in the group (shown in the table below).

To accommodate all the requests and expectations of its diverse stakeholders, Pattern uses a variety of tools, which are constantly being expanded, such as *surveys* and *workshops*. Creating a genuine community that fosters long-term shared value will be of paramount importance in the coming years.

The involvement of key stakeholders contributed to the identification and evaluation of material topics.

The table shows:

- The main categories of stakeholders;
- The tools for listening, dialogue, and engagement in 2022;
- Interests in Pattern Group.

PATTERN GROUP STAKEHOLDERS MAPPING

Pattern stakeholders	Listening and engagement tools	Stakeholder interests in Pattern
Investors and banks	Shareholders' Meeting Dedicated website and e-mail "Dedicated Shareholder Events" Meetings with shareholders Survey to identify material topics	Pattern Group share value growth Transparency on goals, long-term strategies, and company performance
Pattern Employees	Corporate climate survey Sustainable mobility survey SA8000 reporting box Notice board Survey to identify material topics	Opportunities for professional growth Implementation of corporate welfare policies Transparency and involvement on company performance Continuing education opportunities
Customers	Regular discussion meetings Survey to identify material topics Portal Dedicated teams to manage brand needs Webinars and roundtables Business performance analysis Audits	Protection of brand reputation Product reliability and safety Quality assurance Transparency along the supply chain Support in the development of innovative products Reducing impacts on the environment and society Compliance with delivery times
Institutions	Interaction with institutional bodies Survey to identify material topics	Compliance with current regulations Ensuring protection of the environment and society Promotion of sustainable development Controlling the supply chain to manage environmental and social risks
Suppliers and their employees	Daily reports from the procurement department Survey to identify material topics Regular discussion meetings Audits	Compliance with contract conditions Ensuring a continuous working relationship
Subcontractors and their employees	Control audits Daily reports from the production department Regular meetings, given the proximity with our subcontractors Survey to identify material topics	Compliance with contract conditions Ensuring a continuous working relationship
Future generations	Partnerships with Universities Hiring-oriented recruitment programs Engagement of vocational schools Social Networks	Career opportunities On-the-job training Mitigating impacts on the environment and society Promotion of sustainable development Activities to promote craftsmanship

MATERIALITY ANALYSIS

Pattern Group has developed a materiality analysis process in accordance with the requirements of Legislative Decree 254/16 and GRI 3 reporting standards: Material topics 2021, for a greater understanding of environmental and social issues.

Since 2022, Pattern Group has incorporated a dual perspective in the evaluation process of material topics to meet the new requirements of European Directive 2022/2464: Inside-out, which defines the impact of businesses on environmental issues, and outside-in, which defines how sustainability issues affect the results, situation and performance of businesses.

The identification of material topics holds significant importance for Pattern Group and its stakeholders. In the absence of Industry Standards, the process involves identifying both current and potential impacts, whether positive or negative, on the economy, environment, and people, including human rights impacts, within the scope of its business activities and relationships.

To define Pattern Group's impacts, a comprehensive analysis of the context in which the entire Group operates was conducted. This involved considering the sustainability reports of comparables within the textile industry and also taking into account various sources of information:

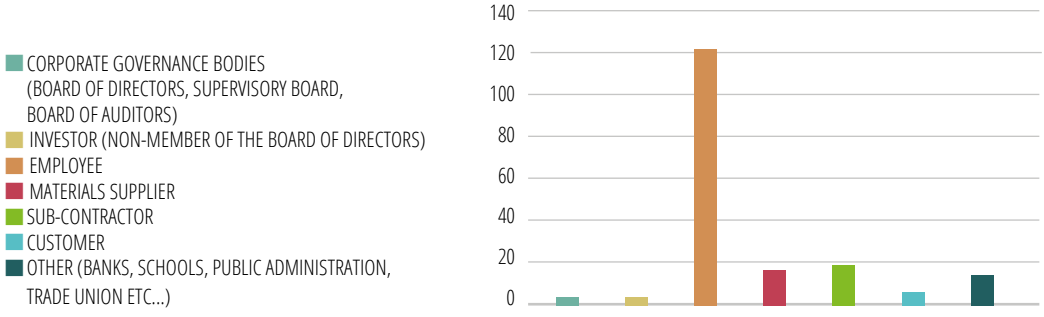
Company documents, Annual Financial Report and Group Risk Assessment, Organizational, Management and Control Model pursuant to Legislative Decree 231/2001, SA8000 Standard for the social section, ISO 14001 certification for environmental aspects of certified companies, Group Code of Ethics;

International standards and initiatives, including the Sustainable Development Goals of Agenda 2030, the Global Compact, GRI Standards, **Science Based Target Initiative (SBTi)**, **Carbon Disclosure Project (CDP)**, the guidelines brought forward by ZDHC; the strategy for the textile industry promoted by the European Commission;

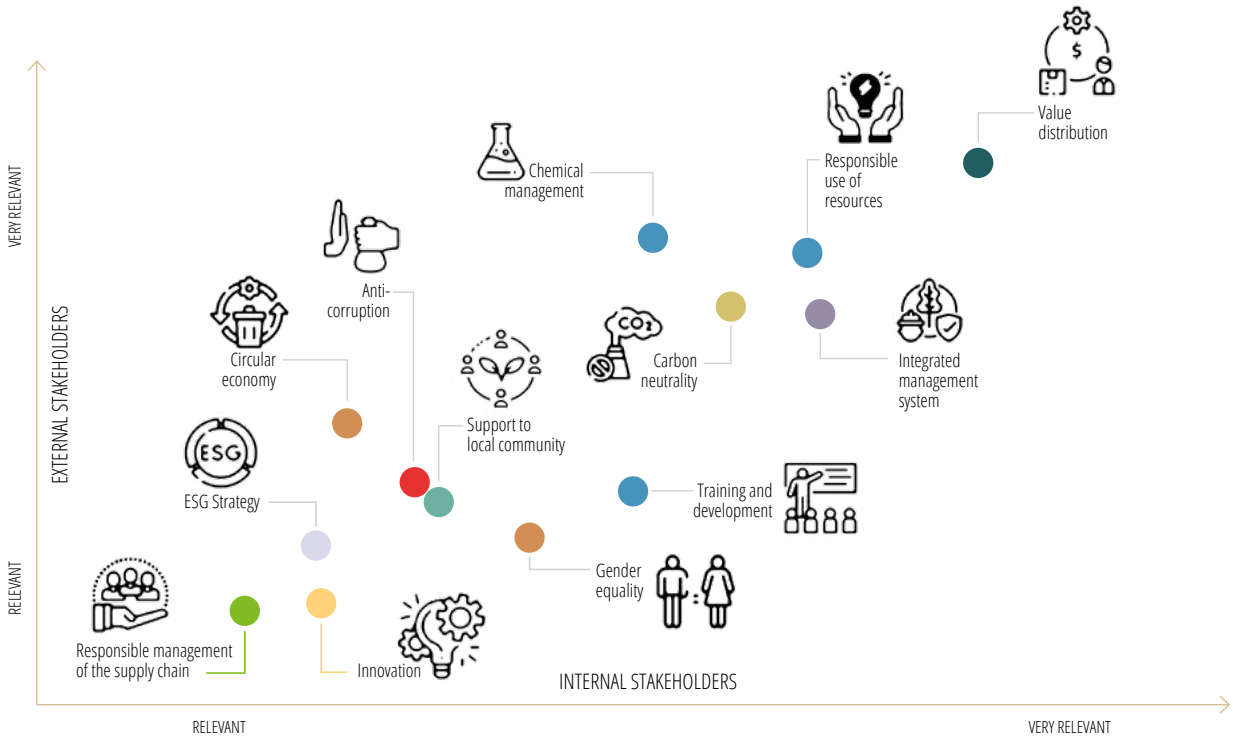
External documents, scenario change analysis, Customer Standards, Article 81 of the Occupational Safety Consolidation Act, the Environmental Consolidation Act 152/2006.

Based on the evaluations gathered, a relevance threshold was defined, and 13 material topics were prioritized.

To determine the significance assessment of the various material topics, all types of stakeholders were directly involved by filling out the "ESG 2023 Dual Materiality Analysis" questionnaire. This questionnaire involved the same categories of stakeholders as the prior year, with the following number of responses:



Despite the increase in the questionnaire response rate compared to the previous matrix, the response rate is still quite low. For the current year, Pattern Group will implement engagement actions to all stakeholders, such as *surveys* and *workshops*, with the aim of increasing participation in the company's initiatives.



MATERIALITY MATRIX

The matrix comprises 13 topics identified as material by Pattern Group and its stakeholders, positioned along two axes:

¬ The x-axis reflects the significance of internal stakeholders (governance bodies, employees);
¬ The y-axis reflects the significance of external stakeholders (investors, raw material suppliers, subcontractors, customers, banks, schools, PA, unions).

Pattern Group's ESG strategy is aligned with the Sustainable Development Goals of the 2030 Agenda. Each material topic is paired with its respective SDG (Sustainable Development Goal).

In order to ensure a better understanding of the topics, a description is given below:

VALUE DISTRIBUTION

- Allocate adequate human and economic resources to combat climate change, monitor social compliance, and develop innovative projects to make the production process more effective and efficient.

EFFICIENT USE OF RESOURCES

- Ensure responsible use of resources (water, energy and materials) in Group companies and along the supply chain;
- Seek constant reduction of direct and indirect energy consumption by investing in the adoption of the best available technologies for energy efficiency and promoting timely monitoring of energy consumption levels.
- Improve water consumption efficiency through the development of solutions for water reuse in processing cycles.
- Implement Industry 4.0 to enhance production process efficiency and optimize resource use.

SINTEGRATED MANAGEMENT SYSTEM

- Share and implement an integrated management system (quality, safety, environment) across all Group companies to enhance process efficiency and effectiveness.

CHEMICAL RISK

- Eliminate hazardous chemicals from raw materials, finished products and production processes to safeguard end consumers, workers and the environment.
- Continuous improvement of chemical management system performance through compliance with ZDHC's Roadmap to Zero Program.

CARBON NEUTRALITY

- Implement strategies to reduce climate-changing gas emissions to achieve the goal of carbon neutrality.
- Procurement or self-generation of renewable energy.
- Enhance process efficiency to reduce transportation.
- Make industrial waste circular.
- Involve and support the supply chain in decarbonization goals

TRAINING AND HUMAN CAPITAL DEVELOPMENT

- Organize educational and inclusive training courses for all employees.
- Initiate training projects with the establishment of specific academies to facilitate the inclusion of new professional figures in the company.
- Involve universities through research projects aimed at the development of professional skills.

CIRCULAR ECONOMY AND TRACEABILITY

- Develop innovative projects for tracking and circularizing industrial waste, ensuring proper waste management in accordance with European Directives.
- Encourage the integrated approach between traditionally separate companies to facilitate the reuse of secondary raw materials and enhance the value of byproducts.
- Identify a tool to facilitate the LCA calculation of products in anticipation of the requirement to issue digital product passports.

GENDER EQUALITY

- Create tools to measure and report in a transparent way, sex-disaggregated data in line with the new European directive (CSRD).
- Establish and implement company policies and procedures for recruitment, pay and professional development, promoting women's empowerment.
- Set goals and targets for gender equality at all levels and establish an action plan to achieve them.

LOCAL COMMUNITY SUPPORT

- Forge connections with local communities by actively participating and supporting the creation of inclusive and high-quality offerings.

FIGHT AGAINST CORRUPTION

- Ensure a corruption control system in compliance with Legislative Decree 231 and oversee its implementation within the Group.

ESG STRATEGY

- Identify the most reliable international benchmark standards in measuring ESG performance for monitoring the Group's sustainability strategy.

DIGITAL INNOVATION AND 3D DEVELOPMENT

- Cut emissions from the physical transportation of prototypes, reduce raw material use and waste production by encouraging product development through 3D technology.

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

- Apply a transparent due diligence process to guarantee fair working conditions and adequate pays for all supply chain participants, aligning with the SA8000 Standard's specifications.

PATTERN COMMITMENTS

One of the main challenges for companies implementing an ESG strategy in their organizational model is ensuring a reliable performance measurement, selecting the most appropriate KPIs, and setting goals aligned with the pressing global climate and social crisis.

To define tangible goals and utilize scientifically sound methods, Pattern has aligned with several initiatives, offering credible, consistent, and globally acknowledged guidelines for strategizing.

In recent years, the fashion industry's emphasis on sustainable business models has surged, necessitating Brands to depend on partners who can safeguard social and environmental compliance values, now increasingly pivotal to consumers.

Heeding these urgent demands, the European Commission has enacted proposals aimed at overhauling the EU's climate, energy, transport, and taxation policies to cut net greenhouse gas emissions by a minimum of 55% by 2030 versus 1990 levels. It also targets the production and consumption of textile goods, acknowledging the sector's significance. To fulfill these commitments, it outlines a series of measures designed to achieve the goals set.

Indeed, the Commission's 2030 vision for textiles demands that all textile products in the EU market be durable, repairable, recyclable, primarily crafted from recycled fibres, free from hazardous substances, and produced with due regard for social and environmental rights.

2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The 2030 Agenda for Sustainable Development is an action agenda for people, the planet and prosperity. Signed on 25 September 2015 by the governments of the 193 member countries of the United Nations, and approved by the UN General Assembly.

The Agenda comprises 17 *Sustainable Development Goals* (SDGs), encompassed within a larger action plan with 169 associated targets or goals across environmental, economic, social, and institutional areas, all set to be accomplished by 2030. The 17 Goals encompass vital development concerns considering the three dimensions of sustainable development - economic, social, and ecological - harmoniously. They aim to eradicate poverty, combat inequality, address climate change, and foster peaceful societies respecting human rights.

The sustainable development goals bear global relevance, impacting and engaging all societal facets in every country, from private corporations to the public sector, and from civil society to information and cultural professionals. The SDGs therefore call on companies around the world to promote sustainable development through their investments, solutions developed and business practices adopted. The global goals will in turn push companies to reduce their negative impact and maximize their positive contribution to the 2030 Agenda for Sustainable Development.

UNITED NATIONS GLOBAL COMPACT

The United Nations General Assembly adopted the 2030 Agenda for Sustainable Development: a roadmap consisting of 17 goals - the *Sustainable Development Goals* (SDGs) - and 169 subgoals (targets).

In September 2021, Pattern became a Participant in the UN Global Compact, the world's largest strategic corporate citizenship initiative, signing a pledge to foster a new phase of globalization marked by sustainability, international cooperation, and multi-stakeholder partnership.

Membership in the United Nations Global Compact offers a range of training opportunities. These are designed to implement and articulate environmental, social, and governance policies and practices, while also facilitating the exchange of best practices. This helps to develop effective strategies and solutions for common challenges by providing management tools and resources centered on various environmental, social, and governance issues aligned with the United Nations' identified development goals.

CLIMATE AMBITION ACCELERATOR

In 2022, Pattern, along with 41 other Italian companies that are members of the UN *Global Compact,* took part in the *Climate Ambition Accelerator Program.*

The program, in its first year for the Italian Network, was developed by the UN Global Compact with the intent of equipping member companies with the necessary knowledge and skills to devise and implement robust decarbonization strategies in line with the Paris Agreement's goals.

This pathway, divided into 3 modules and delivered via diverse learning and discussion methods (on-demand sessions, live meetings with international experts, workshops, and peer learning), empowered Pattern to explore methodologies and approaches for calculating Scope 1, 2, and 3 greenhouse gas emissions. It delved into defining Science-Based targets (SBTs) and applying various reduction strategies to meet climate goals. This included studying and conducting practical exercises on specific Business Cases.

Active participation in the *Climate Ambition Accelerator* by Italian companies of all sizes and industries shows their dedication towards a Net-Zero economy, a priority now on both European and international agendas.

TARGET GENDER EQUALITY ACCELERATOR

With the signing of the *"CEO Statement of Support for the Women's Empowerment Principles"*, Pattern SpA joins the Accelerator Target Equality (TGE) pathway and, specifically, the joint Women's Empowerment Principles (WEPs) initiative, fostered by UN Global Compact Network Italy and UN Women to promote and contribute to the achievement of SDG 5 - Gender Equality.

Signing the WEPs marked a key first step in implementing and advocating gender equality. This was later complemented by preparing the *"Women's Empowerment Principles Gender Gap Analysis Tool"* - an assessment tool enabling Pattern to gauge and evaluate its initial performance in gender equality, thereby effectively identifying necessary policies, practices, and actions to achieve its promoted equality goals.

The first self-assessment score, structured around a management model with four analytical categories - Commitment, Implementation, Measurement, Transparency - stands at 31%, aligning with the national average. This reflects that the company already acknowledges the importance of gender equality, and is taking tangible steps to implement policies and practices that measure, report, and foster women's empowerment.

FASHION INDUSTRY CHARTER FOR CLIMATE ACTION

In July 2019, Pattern signed the UNFCCC-proposed commitment, the Fashion Industry Charter for Climate Action, containing a commitment to set science-based emission reduction goals approved by SBTi, in Scope 1, 2 and 3 categories within 24 months, and to commit to achieving net zero emissions by 2050.

The commitment also includes quantifying, monitoring and publicly reporting greenhouse gas emissions on an annual basis through CDP and consistent with measurement and transparency standards and best practices;

Additionally, it requires to submit relevant reduction pathway plans for 2030 within 12 months and provide updates every 3 years.

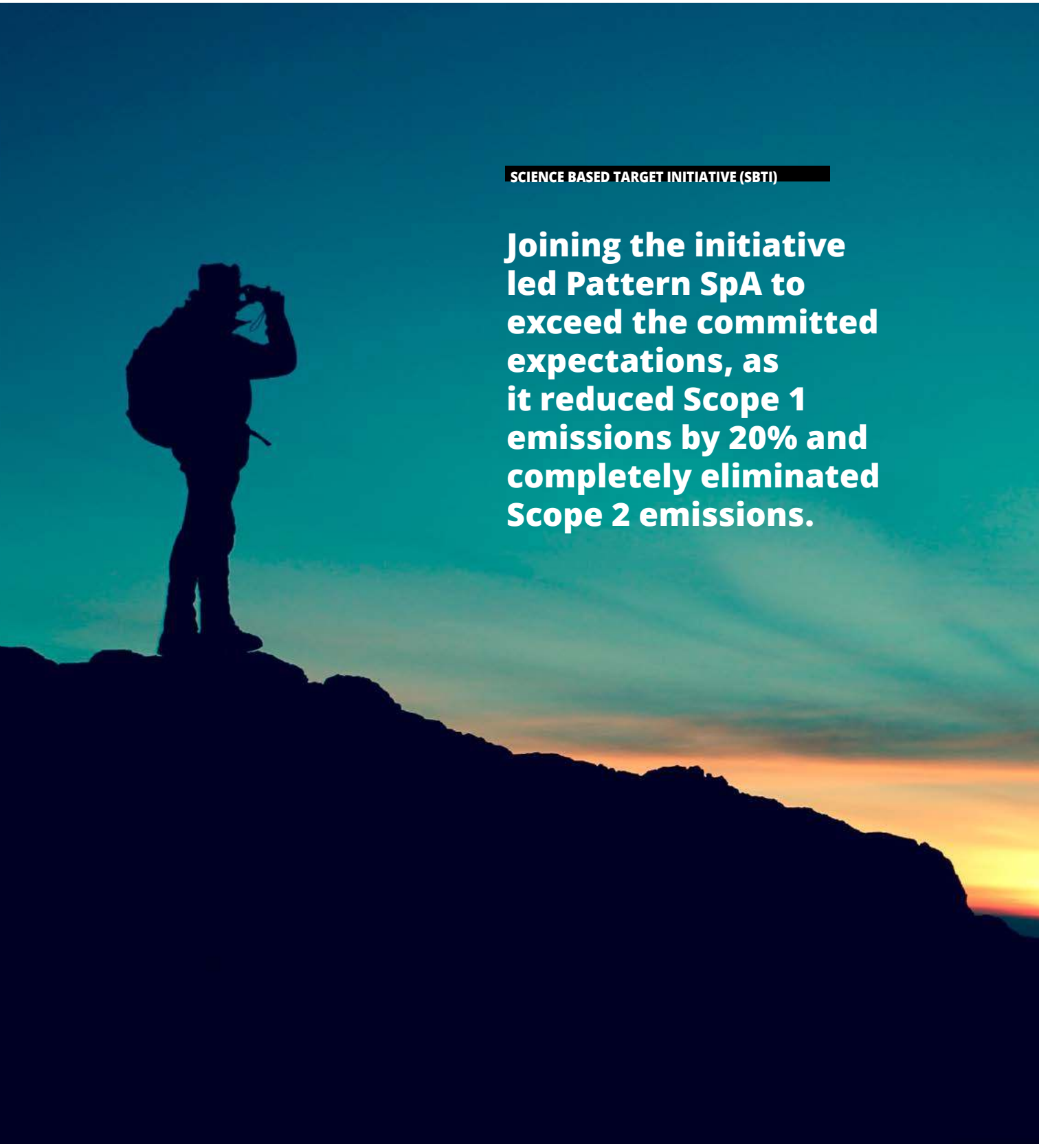
United Nations Climate Change
Global Climate Action

Fashion for Climate
Fashion Industry Charter for Climate Action

SCIENCE BASED TARGET INITIATIVE (SBTI)

The goals set in the UNFCCC's commitment letter to textile firms mirror the ambitious goals set by the Science Based Target Initiative (SBTi). Pattern has pledged to this initiative at its more demanding level of 1.5° - namely, to implement reduction strategies to restrain the average global temperature increase to 1.5°.

This initiative, a collaboration among the Carbon Disclosure Project, UN Global Compact, World Resources Institute, and WWF, was designed to offer businesses ambitious, well-defined, sector-specific routes to cut emissions. It ensures that corporate Climate Action aligns with the Paris Agreement's goals and encourages companies to aid the transition to a zero-emissions economy.



SCIENCE BASED TARGET INITIATIVE (SBTI)

Joining the initiative led Pattern SpA to exceed the committed expectations, as it reduced Scope 1 emissions by 20% and completely eliminated Scope 2 emissions.

Science-based targets (SBTs) are science-based goals to drastically reduce greenhouse gas emissions in line with the level of decarbonization required to keep global temperature rise below 1.5°C, as set out in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) and the Paris Climate Agreement.

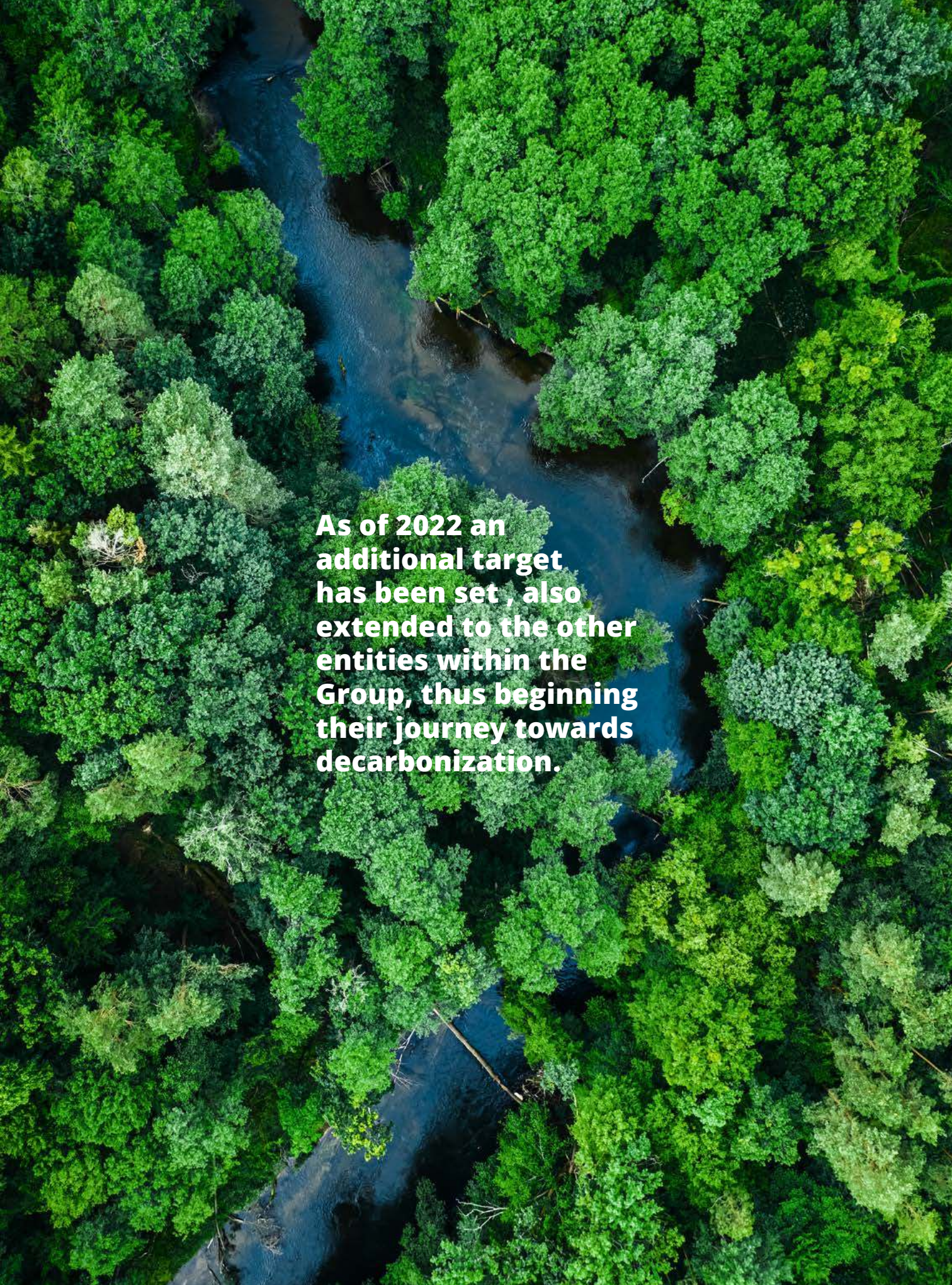
Starting in 2020, Pattern has set a scope 1 and 2 emissions reduction goal, validated by the Science Based Target Initiative, committing to:

- Reduce absolute GHG emissions related to scopes 1 and 2 by 50% by 2030, adopting 2018 as the baseline
- Measure and reduce its scope 3 emissions

Joining the initiative **led Pattern SpA to exceed the committed expectations, as it reduced Scope 1 emissions by 20% and completely eliminated Scope 2 emissions**. This was achieved through the installation of a photovoltaic system, procuring electricity from 100% certified renewable sources, and building a geothermal plant at the Collegno site.
Now, following the inclusion of several new companies in the scope of responsibility, **as of 2022 an additional target has been set**[2] **, also extended to the other entities within the Group**, thus beginning their **journey towards decarbonization** with the following goals:

GHG EMISSIONS IN SBTi GOALS [NEAR-TERM TARGET]	METHODS APPLIED TO SBTi GOALS	SBTi GOALS	NEAR-TERM TARGET COVERAGE IN YEARS
Scope 1 and 2 (at least 95%)	Scope 1 - Absolute contraction	42% reduction by 2030 from 2022	5/10 years from the year of target submission
	Scope 2 - Renewable energy supply requirements	100% of electricity purchased from renewable sources by 2027	by 2030
Scope 3 (at least 67%) - mandatory if >40% emissions of scope 1,2,3	Scope 3 - Absolute contraction	42% reduction by 203 from 2022	5/10 years from the year of target submission

2. Pattern Group's Sustainability Governance, in consideration of recent scientific insights and studies on CO_2 offsetting via Carbon Credits, has contemplated revising its carbon neutrality strategy, focusing its operational and economic efforts on reduction. Please refer to the "Note on Offsetting" at the end of this document for further details.



As of 2022 an additional target has been set , also extended to the other entities within the Group, thus beginning their journey towards decarbonization.

NATIVA: CO_2ALIZIONE ITALIA

On 15 June 2022, Pattern, together with 60 other Italian companies, formed CO_2alizione Italia, a new coalition of companies sharing a common commitment to the pursuit of climate neutrality. The birth of this coalition was initiated by Nativa srl, a Benefit Company as well as the first B Corp in Europe, with the intent of increasing climate engagement and spreading the adoption of innovative governance practices through a growing number of companies around the world. The ultimate goal is to provide a push for achieving climate neutrality by 2050, a target set by the European Union to combat global warming and help achieve the goals of the Paris Climate Agreement.

Specifically, companies participating in this initiative pledge to gradually adapt their business and operational models towards a zero greenhouse gas economy. They incorporate the goal of climate neutrality into their corporate bylaws, making it a genuine business purpose (alongside profit generation) safeguarded over time, even amidst management shifts, generational transitions, or stock market listings.

By the first quarter of 2023, Pattern will include the following pledge in its bylaws:

"The company pledges to employ responsible and transparent practices in its business and operational model, striking a balance among shareholders' interests, employees, and future generations. This pledge involves measuring and mitigating environmental impacts by fostering energy efficiency, utilizing renewable energy, and reducing waste and CO_2 emissions, all aimed at achieving carbon neutrality".

By participating in this initiative, Pattern not only pledges to incorporate climate purpose into its bylaws, but more significantly, to set tangible annual goals, develop specific actions, and report the progress made towards achieving climate neutrality.

coalizione

CO2
NET
ZERO
2050

ESG RATING

The ESG (Environmental, Social and Governance) rating is an assessment of a company's performance in terms of environmental sustainability, social impact and governance practices. It indicates a company's ability to manage risks and opportunities in these three key areas.

The ESG rating does not replace traditional rating but complements it. Its purpose is to increase available information, thereby enhancing ratings and decisions.

Increasingly, investment decisions consider not only "financial" parameters but also "extra-financial" or ESG (Environmental, Social, and Governance) factors. These play a crucial role in determining an investment's sustainability over the medium to long term.

This introduces the ESG rating (or sustainability rating), a summary assessment that certifies the solidity of an issuer, security, or fund from the perspective of environmental, social, and governance aspects.

Disclosure of ESG performance data forms the basis for increasing a company's reputation and attracting investment. As the world's most comprehensive dataset, its sharing enables fueling and monitoring global progress towards building a truly sustainable economy for both people and the planet.

Beyond satisfying investors and customers, environmental data reporting enables a company to protect and enhance its reputation, boost competitive advantage, uncover risks and opportunities, and monitor and benchmark progress. In a world where mandatory disclosure is gaining momentum, such disclosure helps companies demonstrate proactivity and stay ahead of regulations.

Investors, consumers, and politicians expect companies to take responsibility for their value chain and purchasing decisions. The global pandemic has underscored that the resilience of supply chains and business models is more crucial than ever.

Addressing stakeholder disclosure requests brings tangible business benefits:

- Protect and enhance a company's reputation - build trust through transparency and address the public's growing environmental concerns.
- Increase competitive advantage - gain a competitive edge when it comes to stock market performance, access to capital, and bidding for contracts.
- Track and evaluate progress - benchmark environmental performance against industry peers, using an internationally recognized sustainability score and feedback related to climate goals.
- Uncover risks and opportunities - identify emerging environmental risks and opportunities that would otherwise be overlooked, to inform the data-driven strategy.
- Stay ahead of regulations - in a world where external disclosure is increasingly demanded, sometimes even mandatory, reporting through CDP enables companies to meet reporting regulations across various regions. CDP membership allows companies to be fully aligned with TCFD recommendations.

SER RATING

The Supplier Engagement Rating (SER) offers an evaluation of how effectively companies engage their suppliers on climate issues. This stems from recognizing the significance of involving the supply chain in achieving environmental impact reduction goals. Indeed, as an organization's average upstream emissions are approximately 11.4 times larger than its direct emissions, organizations have a much larger potential to reduce global emissions by influencing their supply chains.

The SER rating focuses on analyzing the actions carried out and the performance achieved in each of the following areas:

- Governance
- Goals
- Supply chain engagement
- Scope 3 emissions

RATINGS CDP (CARBON DISCLOSURE PROJECT) CLIMATE CHANGE

Pattern Group has chosen the tool made available by CDP (Carbon Disclosure Project) to measure its performance and obtain a reliable, internationally recognized and scientifically based ESG rating according to the best available standards.

CDP is a nonprofit charitable organization that manages the global disclosure system for investors, companies, cities, States and regions to manage their environmental impact. The world economy looks to CDP as the Gold Standard of environmental reporting, with the richest and most comprehensive dataset on corporate and city action.

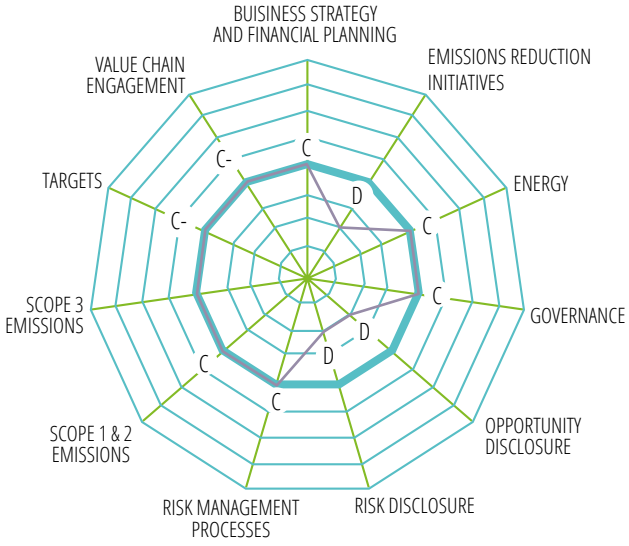
Furthermore, by converting the recommendations and pillars of the Task Force on Climate-related Financial Disclosures (TCFD) into tangible disclosure questions and a standardized annual format, CDP offers investors and disclosers a unique platform where the TCFD Framework can be implemented in real-world scenarios.

Companies that disclose through CDP do so in accordance with TCFD recommendations, in a manner that is comparable, consistent, relevant, and accessible to the global economy.

Consequently, CDP possesses the world's largest TCFD-aligned environmental database, and CDP scores are extensively used to direct investment and procurement decisions towards a zero-carbon, sustainable, and resilient economy.

CDP
DISCLOSURE INSIGHT ACTION

In 2022, Pattern Group **obtained a level C ESG rating and a Level D SER rating**. These ratings demonstrate a degree of awareness and comprehensiveness in understanding how environmental issues intersect with its business and how its operations impact people and ecosystems. However, they highlight the need to establish goals for all companies acquired by the Group, to develop an emissions reduction strategy, and to bolster engagement and support for its supply chain partners. This will enable them to not only set science-based emissions reduction targets (SBTs), but also to execute initiatives aligned with those targets.


BUISINESS STRATEGY
AND FINANCIAL PLANNING
EMISSIONS REDUCTION
INITIATIVES
ENERGY
GOVERNANCE
OPPORTUNITY
DISCLOSURE
RISK DISCLOSURE
RISK MANAGEMENT
PROCESSES
SCOPE 1 & 2
EMISSIONS
SCOPE 3
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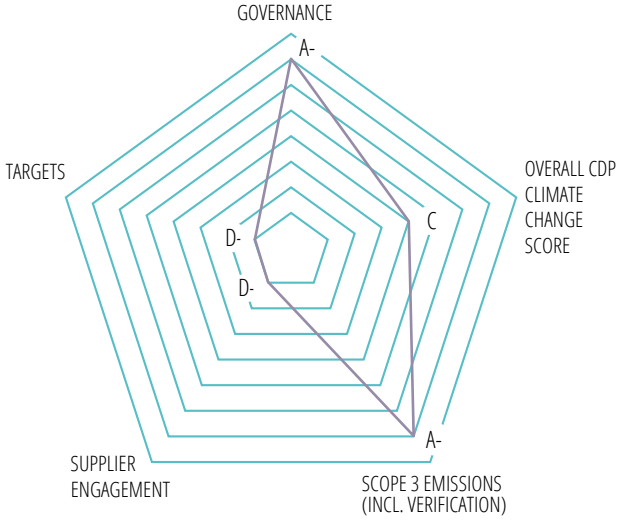
GOVERNANCE
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SUPPLIER
ENGAGEMENT
D-
D-
TARGETS

CARBON FOOTPRINT

In 2022, Pattern Group performed an Organizational Carbon Footprint (CFO) analysis for all Group companies, enabling it to establish its overall carbon footprint, which represents the direct and indirect greenhouse gas emissions associated with the Organization's activities. Pattern chose to report greenhouse gas emissions from all its activities to discern which sources have the most significant impact, thereby identifying potential mitigation and reduction actions.

Carbon dioxide is one of the most prevalent greenhouse gases, generated through the combustion of fossil fuels. The total emission of greenhouse gases is represented in terms of tons of CO_2 equivalent (tCO_2e), a cumulative measure of the "climate-changing capacity" of all greenhouse gases, with the impact of CO_2 conventionally set as 1 for comparison.

The analysis of GHG emissions and their reporting within this report were performed by referring to the GHG Protocol Corporate Accounting and Reporting Standard.

GHG PROTOCOL

The GHG Protocol Corporate Accounting and Reporting Standard is the global standard that offers technical guidance for evaluating an organization's GHG emissions based on the principles of relevance, completeness, consistency, transparency, and accuracy.

GREENHOUSE GAS PROTOCOL

The GHG Protocol breaks down GHG emissions into 3 Scopes, described below:

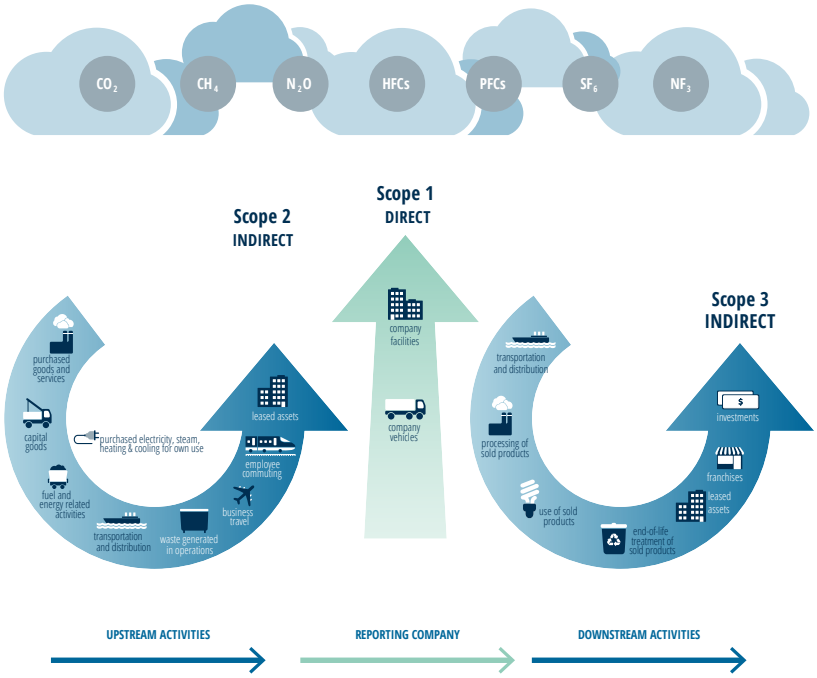
- Scope 1 - Direct emissions stemming from sources within organizational boundaries, owned and/or directly controlled by the Organization (e.g., methane gas combustion, fuel for company vehicles, process emissions)
- Scope 2 - Indirect emissions from imported energy (e.g., electricity consumption and heat consumption from district heating)
- Scope 3 - Other indirect emissions divided into 15 categories:
  - Category 1 - Goods and services purchased
  - Category 2 - Capital goods
  - Category 3 - Fuel and energy-related activities not included in scopes 1 and 2
  - Category 4 - Upstream transportation and distribution
  - Category 5 - Waste generated in operations
  - Category 6 - Business travel
  - Category 7 - Employee commuting
  - Category 8 - Upstream leased assets
  - Category 9 - Downstream transportation and distribution
  - Category 10 - Processing of products sold
  - Category 11 - Use of products sold
  - Category 12 - End-of-life treatment of sold products
  - Category 13 - Downstream leased assets
  - Category 14 - Franchises
  - Category 15 - Investments

The organizational boundaries considered in conducting the analysis were established to include in the accounting the GHG emissions associated with the activities carried out at Pattern Group companies listed below:

- Pattern (Collegno)
- Pattern (Spello)
- Pattern (Santeramo in Colle)
- S.M.T (Correggio)
- Zanni (Reggio Emilia)
- Idee Partners (Scandicci)
- RGB (Reggello)
- Petri&Lombardi (Bientina)
- Dyloan Bond Factory (Chieti)
- Dyloan Bond Factory (Villamagna)

Specifically, Scope 1, 2 and 3 emissions were calculated for all the companies listed, except for Dyloan Bond Factory (Chieti and Villamagna locations), for which only Scope 1 and 2 emissions were considered, given its very recent acquisition (November 2022), and for Pattern - D'Ambrosio Confezioni (Santeramo in Colle location), as it has no activities applicable to Scope 3 reporting given the small size of the business model. Additionally, since Dyloan Bond Factory falls within the 2022 reporting period for only two months, its accounted emissions refer only to the two-month period of November-December 2022.

Figura 1 Emission categories based on the ghg protocol



Starting in 2023, Dyloan Bond Factory's Chieti and Villamagna locations will also be subject to Scope 3 emissions analysis and reporting.

To establish the reporting boundaries, direct and indirect emissions and removals associated with the Organization's operations were identified, i.e., significant GHG emissions associated with the business activities were included within the reporting boundaries. The following table shows, for each emission category analyzed, all emissions and removals considered in Pattern Group's GHG emissions analysis.

Table 1 Emissions identified for each emission category

EMISSION CATEGORY		EMISSIONS AND/OR REMOVALS IDENTIFIED	TYPE OF EMISSION
Scope 1		1.1 Combustion of stationary plants 1.2 Combustion of mobile plants 1.3 F-Gas	Natural gas for internal use Fuel for company vehicles Refrigerants for heat pumps
Scope 2		2.1 Electricity consumption	Electricity for organizational units
Scope 3			
	Category 1	3.1 Products and services purchased by the company	Materials and services purchased by the company
	Category 3	3.3 Energy and fuels	Upstream production of power, methane gas and fuel
	Category 4	3.4 Upstream transportation of purchased products	Transportation of purchased products
	Category 5	3.5 Waste	Waste production and disposal
	Category 6	3.6 Business travel	Business travel and overnight stays
	Category 7	3.7 Employee commuting	Home-work employee commuting
	Category 8	3.8 Upstream leased assets	Additional warehouse rental

Scope 3 Category 2 is excluded from this reporting due to rapid business expansion and reorganization of structural and plant assets, which would render the figure unrepresentative of the Group's reality. The company is engaged in the creation of financial accounting monitoring tools for purchased capital equipment to be included in subsequent reporting. As for Category 13, which represents emissions from leased assets, these have already been accounted for in energy consumption within Scope 1 and Scope 2. Category 9 (downstream transportation of products) was excluded as the pickup and transportation of products made by the Organization is the responsibility of Pattern's customers, similarly Category 12 (end of life of products sold) was excluded as the products marketed by the company are not sold directly to the end customer under Pattern's brand, therefore, the Company is not directly responsible for the disposal of the items.

METHODOLOGY FOR CALCULATIN GREENHOUSE GAS EMISSIONS

The methodology used to quantify Pattern Group's greenhouse gas emissions is based on calculating the product of activity data and the corresponding emission factor, resulting in tons of CO_2 equivalent. In this analysis, all activity data concerning greenhouse gas emissions were modeled using databases such as Ecoinvent, ISPRA, and literature data.

SCOPE 1: DIRECT GHG EMISSIONS

Scope 1 emissions include direct emissions of climate-changing gases from stationary and mobile installations within organizational boundaries. Specifically, emissions from fuel and propellants for internal use were considered, and the share of F-gas topped up to air conditioning equipment was accounted for.

For the evaluation of emissions associated with the use of fuel and propellants, combustion processes were considered from the Ecoinvent database, while the GWP (Global Warming Potential) of F-gas was provided by the IPCC›s VI report.

SCOPE 2: INDIRECT GHG EMISSIONS FROM ELECTRICITY

Scope 2 emissions include indirect greenhouse gas emissions associated with electricity consumption. Excluded from the calculation are upstream emissions associated with grid losses due to electricity transmission and distribution, infrastructure construction, and losses of SF6[3] used for insulation of the electricity transmission grid. These contributions were accounted for in Category 3 of Scope 3.

For the calculation of Scope 2 emissions, a market-based approach was adopted, based on the specific production mix of each company's energy supplier, modeling the emission value from the Ecoinvent database.

SCOPE 3: INDIRECT EMISSIONS GENERATED UPSTREAM AND DOWNSTREAM OF THE COMPANY'S BUSINESS

In the analysis and reporting of Scope 3 emissions, 8 of the 15 emission categories in the GHG Protocol from sources outside Pattern's organizational boundaries were included.

For category 1 emissions, a mixed approach was chosen: spend-based for accounting for the services used by the company, and data-based for accounting for the products used by the company.

Category 3, instead, includes emissions associated with the production of fuels and energy purchased and consumed by the organization, which are not included in Scope 1 and Scope 2. The ISPRA report 363/2022 "Indicators of efficiency and decarbonization of the national energy system and the electricity sector" was referred to for modeling of electricity losses related to its distribution. Regarding SF6 emissions, the figure comes from Terna. Lastly, emissions from self-generation of electricity and infrastructure are taken from the Ecoinvent database. Furthermore, emissions associated with upstream methane gas for heating and fuel for company cars are also accounted for in Category 3.

Category 4 includes emissions from the transportation of products and goods purchased by the company. Emissions were evaluated by dividing them into the three types of vehicles used by the company and calculated according to the kilometers traveled multiplied by the weight of material transported. This allowed only the emissions from the weight of material transported to be allocated to the organization for the kilometers traveled and not the entire trip. Where mileage data could not be obtained, spend-based modeling was performed.

As for category 5, emissions from the disposal and treatment of waste generated by the organization were considered. For recyclable waste, only its transportation was evaluated, assuming a notional distance of 50 km from the recovery center, as emissions from its recycling are considered negligible. For non-recyclable waste, the ISPRA 2021 report was used to evaluate the split between waste going to landfill and incinerated waste. An emission factor was then applied based on the 2 percentages identified.

Category 6 includes emissions from business travel, for which the kilometers traveled by each means of transportation were considered, as well as emissions from any overnight stays, considering hotel nights.

As for category 7, it includes emissions generated by employees' commuting between home and work, referring solely to the days they are in the office as recorded by the company database. Specifically, for the home-to-work commute of employees, total kilometers traveled were calculated, broken down by the types of vehicles used and excluding kilometers traveled by company vehicles since they were already reported in Scope 1. The figure is based on employees' response to the questionnaire on home-to-work commuting habits, administered on a voluntary basis.

As for category 8, it includes emissions generated from the rental of the warehouse used by the company to store clothes. Specifically, from the estimated m2 used by the company, its relating electricity consumption was assessed.

3. SF6: sulfur hexafluoride, used as an insulating gas for electricity transmission and distribution along the distribution network.

PATTERN GROUP CONSOLIDATED GHG REPORT

Pattern Group's GHG emissions were calculated according to the guidelines of the GHG Protocol, which was taken as a technical reference.

The following table shows the activity data for Scope 1 and Scope 2 of all Group companies, referring to 2022. Specifically, the table shows the details of fuel consumption for internal use and for company-owned cars and electricity consumption.

Table 2 Activity data for 2022 related to Scope 1 and 2 GHGs of each company in Pattern Group

HEADQUARTERS/ TYPE OF EMISSION	FUEL FOR INTERNAL USE		FUEL FOR COMPANY VEHICLES		ELECTRICITY CONSUMPTION BY THE ORGANIZATION
	Natural gas (Scm)	LPG (l)	Petrol (l)	Diesel fuel (l)	Electricity (kWh)
Pattern (Collegno)	21.478	0	15.665	60.443,3	452.955
Pattern (Spello)	3.959	0	0	496,9	314.338
Pattern (Santeramo)	0	0	0	0	8.626
S.M.T.	44.585	0	2.368,9	21.378,9	589.467
Zanni	3.527	0	0	4.123,4	289.747
Idee Partners	0	0	5.436,8	12.173,9	205.759
RGB	0	0	1.237,6	5.885,9	472.919,84
Petri&Lombardi	0	0	0	1.314,8	153.563
Dyloan Bond Factory (Chieti)	0	3.000	2.660,4	4.281,9	106.674
Dyloan Bond Factory (Villamagna)	0	13.200	0	227,3	19.400

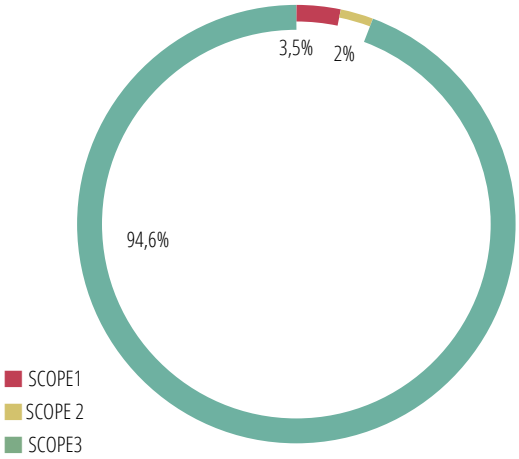
According to the above calculations, the organization's total emissions are 15,857.3 tCO_2e, broken down by Scope as shown in Table 3.

Table 3 Pattern Group's carbon footprint broken down by Scope

EMISSIONS	GHG SCOPE	tCO_2e 2022
Direct	Scope 1	548,23
Indirect	Scope 2	315,63
	Scope 3	14.993,45
Total	Scope 1,2 and 3	15.857,30

Conversely, the graph in Figure 2 shows the contributions of each Scope to Pattern Group's total GHG emissions.

Figure 2 Distribution of Pattern Group impacts in the various Scopes

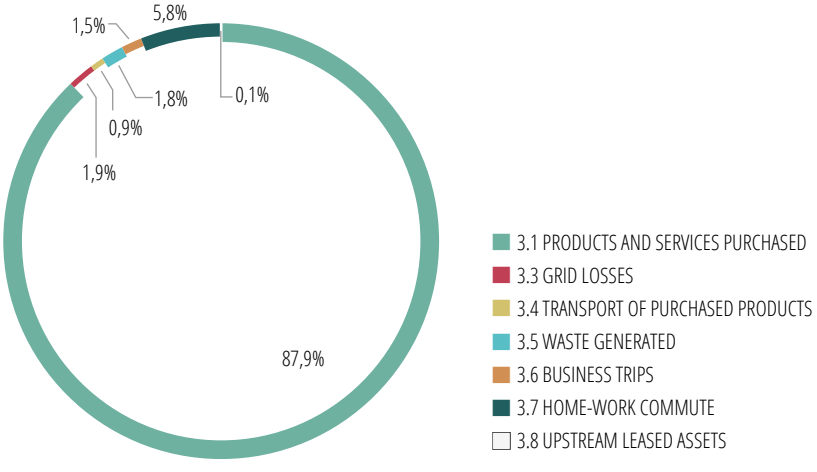


The graph in Figure 2 shows that indirect emission sources generated upstream and downstream of the company's business (Scope 3) make up approximately 95% of the Organization's total annual emissions. Table 4 details the Scope 3 emissions broken down by emission category, and the graph in Figure 3 shows the contributions of the individual emission categories of Pattern Group's CFO.

Table 4 Scope 3 emissions from Pattern Group broken down by emission category

SCOPE 3 - EMISSION CATEGORY	tCO_2e 2022
3.1 - Products and services purchased	13.178,25
3.3 - Network losses	291,43
3.4 - Transportation of purchased products	139,9
3.5 - Waste generated	267,76
3.6 - Business travel	227,31
3.7 - Home-to-work commute	872,79
3.8 - Upstream leased assets	16
TOTAL	14.993,44

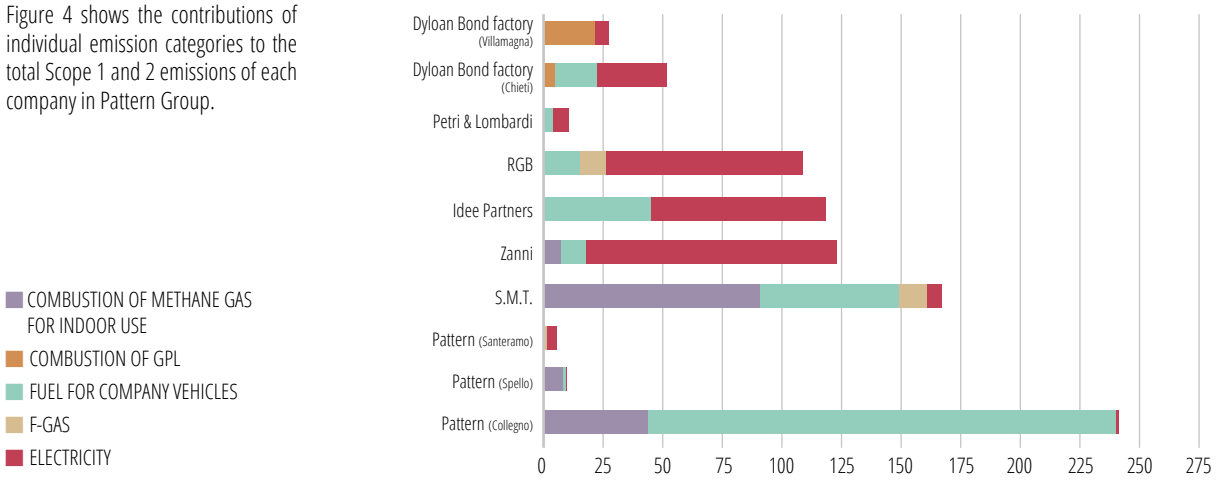
Figure 3 Distribution of Pattern Group impacts in the different emission categories of Scope 3



The graph in Figure 3 shows that most of the organization's Scope 3 emissions, approximately 88%, come from Category 1 related to goods purchased by the company, which are required for the production of end products, as well as services. The second most relevant emission category is Category 7, related to employees' home-to-work commute.

Figura 4 Distribution of Pattern Group impacts in Scope 1 and 2 emission categories

Figure 4 shows the contributions of individual emission categories to the total Scope 1 and 2 emissions of each company in Pattern Group.



The graph in Figure 4 shows that the most impactful emission category on total Scope 1 and Scope 2 emissions is different for each company in Pattern Group. This is attributed not only to the different production models of the individual companies within the Group but also to the various efforts undertaken individually by each of them in recent years to reduce consumption and emissions.

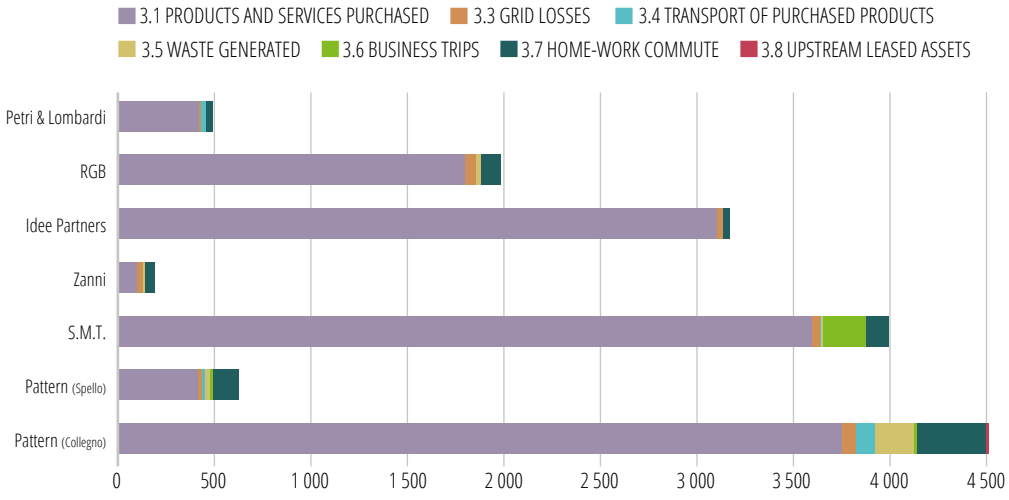
Specifically, for the parent company Pattern, which has already implemented energy efficiency initiatives at the production plant and total coverage of energy needs from renewable sources, emissions related to the use of company vehicles represents the most impactful emission category on Scope 1 and 2 emissions. This is closely associated with the presence of Corporate figures within the corporate office, whose role involves coordinating internal resources and processes, leading to frequent travel both between corporate offices and within the entire supply chain.

For Pattern (Spello site) and S.M.T., which have already reduced Scope 2 emissions using renewable energy covered by guarantees of origin, the primary emission category out of the Scope 1 and 2 total is methane gas combustion, which in the case of S.M.T. is used not only for heating workplaces but also for boilers supporting the laundry process.

As for Dyloan Bond Factory Villamagna location, the most significant emission category on the total Scope 1 and 2 emissions is LPG combustion for conducting business processes, while for all other locations the most impactful category is energy consumption.

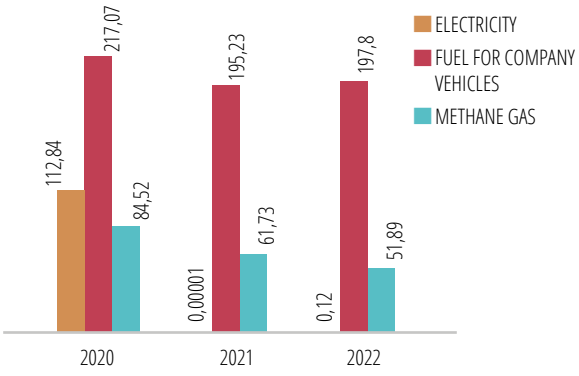
Figure 5 shows the contributions of the individual Scope 3 emission categories for each company in Pattern Group

Figure 5 Distribution of Pattern Group impacts in the different emission categories of Scope 3



The graph in Figure 5 shows that for all Pattern Group companies for which Scope 3 emissions were calculated, the most impactful category is products and services purchased by the organization. Emissions in this category are closely related to the type of materials purchased and used in the production of finished products. It is important to emphasize that Pattern does not have the authority to select the materials purchased, as these decisions are primarily driven by the choices and requirements of Brand customers. Conversely, the second most significant category on total Scope 3 emissions is employee home-to-work commute for all companies in Pattern Group, except for S.M.T., where the second most impactful category is related to business travel, since this is conducted mainly by non-company-owned vehicles and therefore are not included in Scope 1 emissions..

Figure 6 Trend over the years of Scope 1 and 2 emissions from Pattern (Collegno and Spello)



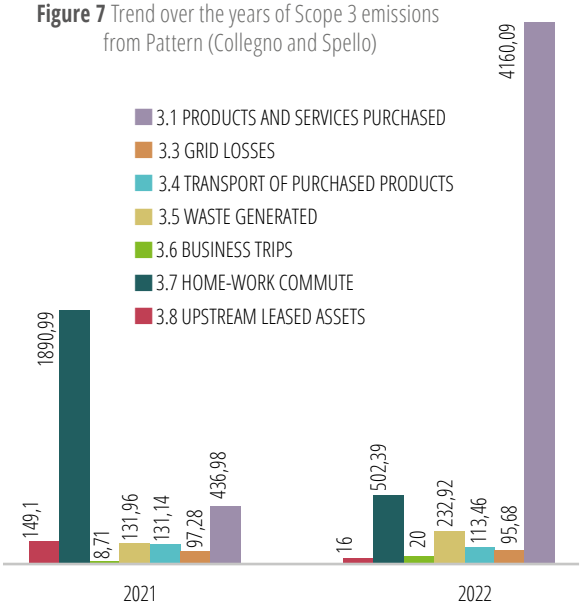
The graph in Figure 6 shows the trend over the past three years of Pattern's Scope 1 and 2 emissions (Collegno and Spello locations) related to the consumption of electricity, methane gas and fuel for company vehicles.

The graph in Figure 6 shows that, overall in the last three years there has been a total reduction in Scope 2 emissions and a reduction of approximately 20% in scope 1 emissions, demonstrating the effectiveness of the actions taken to reduce consumption and emissions associated with energy and fuel/propellants use..

The graph in Figure 7 shows the trend over the past two years of the different Scope 3 categories of Pattern.

The graph in Figure 7 shows for Pattern (Collegno and Spello locations) a 90% increase in Scope 3 emissions between 2021 and 2022, almost entirely attributable to category 1 related to purchased products and services. Specifically, the one-order-of-magnitude increase in category 1 is closely related to the increase in costs for purchased services, which rose from approximately € 1 million to € 17 million. Indeed, the year 2022 took account of the cost for subcontracting services for processing stages, an activity closely related to the company's business model. This figure was obtained by finetuning the reporting methods. Emissions related to home-to-work commute, on the other hand, were reduced by approximately 70%. This significant decrease is attributed to the higher level of detail obtained through a platform used to administer the home-to-work commute questionnaire to company employees, unlike in 2021, where the emission calculation was overestimated.

Figure 7 Trend over the years of Scope 3 emissions from Pattern (Collegno and Spello)



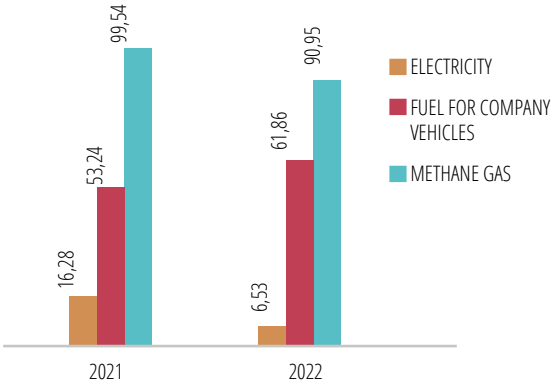


Figure 8 Trend over the years of Scope 1 and 2 emissions from S.M.T.

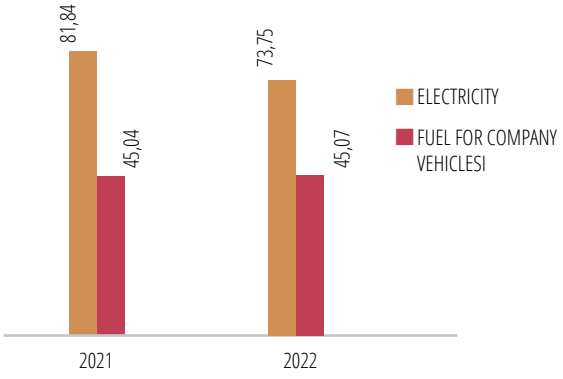
The graph in Figure 8 shows the trend over the past two years of Scope 1 and 2 emissions from S.M.T. related to the consumption of electricity, methane gas and fuel for company vehicles.

The graph in Figure 8 shows a significant reduction in emissions associated with methane gas combustion and electricity consumption, the latter reduced by approximately 60% versus the prior year.

Figure 9 Trend over the years of Scope 1 and 2 emissions from Idee Partners

The graph in Figure 9 shows the trend over the past two years of Scope 1 and 2 emissions from Idee Partners related to electricity and fuel consumption for company vehicles. The absence of the item related to methane gas is due to the company's non-use of it.

The graph in Figure 9 shows a decrease in emissions associated with electricity consumption, which correlates with a reduction of approximately 20% in consumption by the company. Instead, emissions associated with fuel combustion within company vehicles remain almost unchanged.



GREENHOUSE GAS EMISSIONS REDUCTION STRATEGY

The Organization Carbon Footprint described in the above pages serves as the foundation for formulating Pattern Group's greenhouse gas emission reduction strategy, with the goal of reducing consumption and optimizing processes.

In order to implement the actions required to achieve the emission reduction goals set by Pattern, Management has tied part of these goals to ESG rating, requiring the cooperation of all companies in Pattern Group to maintain an ESG and SER rating of at least C level by 2023.

The table below outlines a series of tangible actions, aligned with major international standards, that need to be integrated into the operations of each department of the Group to achieve the key goals of the climate-changing gas emission reduction strategy.

Table 5 Actions to reduce greenhouse gas emissions

GHG SCOPE	EMISSION CATEGORY	tCO_2e 2022 (CONSOLIDATE)	RELEVANCE	IMPROVEMENT GOAL	SUGGESTED ACTION
Scope 1	1.1 Natural gas for internal use	548,23	3,50%	42% reduction by 2030 from 2022	1.1 Electrification of production processes (where possible)
					1.1 Purchase of gas covered by guarantees of origin
	1.2 Fuel for company vehicles				1.2 Replacement of corporate fleet with reduced-emission models
	1.3 Refrigerants for heat pumps				1.3 Ongoing maintenance of air conditioning systems and establishment of "anti-waste" and "anti-dispersal" policies
Scope 2	2.1 Electricity for organizational units	315,63	2%	100% of electricity used from renewable sources by 2027	Implement photovoltaic systems on all roofs of production site (where possible).
					Enter into electricity supply contracts only with suppliers who can guarantee the use of 100% renewable sources.
Scope 3	3.1Materials and services purchased by the company	13.178,25	83,10%	42% reduction by 2030 from 2022	Define and integrate a procurement policy that takes into account: ¬ Reusable packaging ¬ Certified, recycled and/or natural raw materials Development of decarbonization projects with raw material suppliers. Forging of partnerships with own subcontractors to carry out direct emission calculations.
	3.3 Production of power, methane gas and fuel	291,43	1,80%		-
	3.4 Transportation of purchased products	139,9	0,90%		Identify logistics partners that can limit emissions generated by transportation. Optimize transportation, avoiding dedicated transport as much as possible, especially for small quantities. Adopt the principle of supplier proximity in purchasing decisions.
	3.5 Waste production and disposal	267,76	1,70%		Define and implement a circular industrial waste management policy.
	3.6 Business travel and overnight stays	227,31	1,40%		Establish in the medium term a policy for managing business travel with a view to sustainability and reducing the need for travel, consistent with business operations and goals.
	3.7 Home-work employee commute	872,79	5,50%		Promote and encourage the use of company-provided smart mobility tools.
	3.8 Upstream leased assets	16	0,10%		-

In addition to the measures to reduce energy consumption within the Group's production facilities, in 2022 Pattern's Collegno and Correggio locations also implemented measures to reduce emissions related to employees' home-to-work commute. A company carpooling project was implemented at the Collegno office, which offered employees the opportunity to travel to work by sharing their private car with one or more colleagues, a project that will be extended to the Spello office in 2023. At the S.M.T. location, a company shuttle was provided to employees, offering them the opportunity to commute from home to work without using their private cars. This initiative resulted in fuel savings and reduced CO_2 emissions.

In 2022, Pattern also worked to manage the transportation of its Collegno supply chain by developing and implementing the use of an app to optimize trips and reduce dedicated transportation for small quantities.

As of 2023, Pattern has set the goal of implementing the previously listed best practices across all Group locations. This includes initiatives such as green energy procurement, self-production of renewable energy, and the adoption of efficient plants and production processes in all Group companies.

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ENERGY EFFICIENCY

As early as 2015, Pattern began reporting its electricity and natural gas consumption. Subsequently, in 2017, the company started calculating the associated CO_2 emissions. The results obtained from these analyses equipped the company with essential insights to outline a methodology to reduce its consumption and, consequently, its emissions. Pattern then defined the actions to implement with the aim of achieving carbon neutrality, starting implementation as early as 2018. Firstly, to reduce heat loss and energy consumption, the company has undertaken plant efficiency investments that encompass a range of measures, such as renovation works, window and door replacements, and transitioning to LED lighting systems in all rooms.

Additionally, for the same purpose, a geothermal system was installed to support the heat pump in the main office in Collegno. This system is designed to fulfill the energy demands for heating and cooling the new warehouse as well as a portion of the existing laboratory. This not only results in significant operating cost savings but also leads to a reduction in emissions associated with the air conditioning needs of the above rooms. If a natural gas boiler were used, it would emit approximately 25,000 kg/year of carbon dioxide into the atmosphere.

In order to cut the emissions associated with the production of purchased electricity, the Collegno, Spello and Correggio plants source from 100% renewable energy sources, certified by guarantees of origin.

Additionally, photovoltaic systems have been installed at five of Pattern Group's production facilities listed below to self-produce zero-emission electricity:

- **Pattern - Collegno site** (installed power of 68 kW, 2022 energy yield of 80.5 MWh, self-sufficiency degree of 17%);
- **Pattern - Spello site** (installed power of 40 kW, 2022 energy yield of 41.5 MWh, self-sufficiency degree of 12%);
- **Zanni** (installed power of 20 kW, 2022 energy yield of 20.9 MWh, self-sufficiency degree of 7%);
- **Petri & Lombardi** (installed power of 60 kW, 2022 energy yield of 78.4 MWh, self-sufficiency degree of 31%);
- **RGB** (installed power of 105 kW, 2022 energy yield of 163.8 MWh, self-sufficiency degree of 29%).

In early 2023, photovoltaic systems were expanded at the following sites:

- **Idee Partners**, a system consisting of 225 modules with a capacity of 90 kW and with a 15 kWh storage system;
- **Maglificio Zanni**, a system consisting of 224 modules with a total capacity of 112 kW added to the existing plant, thus bringing the capacity to 132 kW.

Furthermore, a power expansion is being finalized for the Pattern Spello location.

The photovoltaic systems installed at the Idee Partners and Maglificio Zanni offices will not fully meet the energy needs. To cover the remaining portion, energy supply from 100% renewable sources with guarantees of origin will be utilized, totally cutting their Scope 2 emissions.

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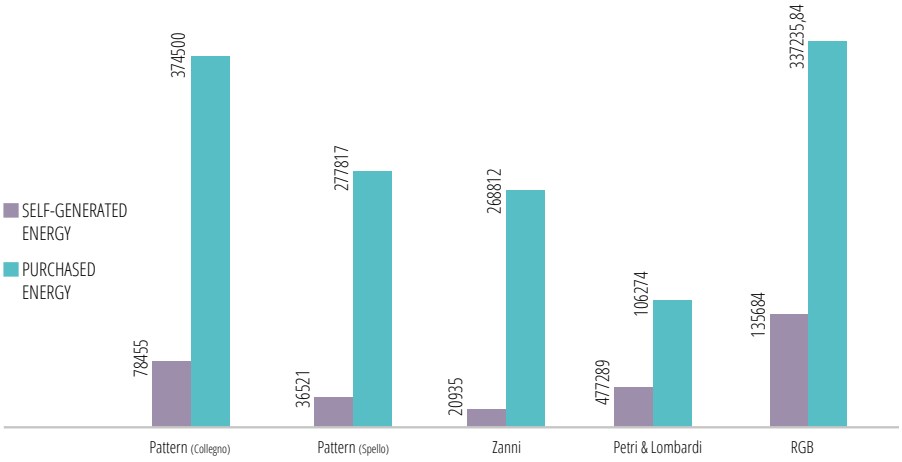
Figure 10 Self-sufficiency degree in 2022 of Pattern Group companies equipped with photovoltaic system



SMART MOBILITY

In compliance with Article 229 paragraph 4 of Law Decree no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020, at end 2021 the Collegno office of Pattern Group appointed a corporate Mobility Manager and in 2022 drew up its first Home-to-Work Commute Plan, in accordance with Interministerial Decree no. 179 of 12 May 2021.

The Home-to-Work Commute Plan (HWCP) is a tool aimed at guiding companies and public administrations in establishing and implementing effective measures to optimize employees' daily home-to-work commutes. It encourages sustainable forms of mobility and promotes alternatives to the individual use of private motor vehicles. Sustainable mobility, as defined in the European Sustainable Development Strategy, seeks to create transportation systems that align with the economic, social, and environmental needs of society while minimizing adverse impacts on the economy, society, and the environment.

The planning of measures to be incorporated into the HWCP must stem from the intersection of transportation demand, analyzed through a questionnaire administered to employees, and the available transportation options in the area. It also considers employees' willingness for change and the company's available resources.

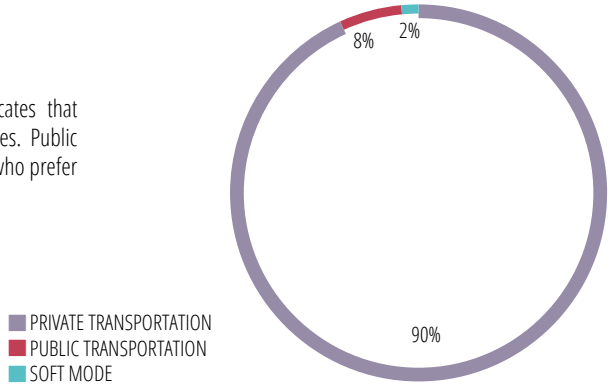
The data used for analyzing employee home-to-work commute, mobility requirements, and willingness to adopt sustainable forms of mobility are obtained from the questionnaire results administered to Collegno office employees through the Mobility management platform named Emma.

In the survey administered to employees, the following home-to-work commute modes were considered:

- Private transportation: private car and motorcycle, moped or scooter;
- Public transportation: local public transportation, company shuttle, and a combination of public and private transportation;
- Soft mode: walking, carpooling, bicycle and e-scooter.

Figure 11 Pattern employees modal split (Collegno)

The graph in Figure 11, representing the modal split, indicates that approximately 90% of respondents prefer using private vehicles. Public transportation users account for approximately 8%, while those who prefer the soft mode are approximately 2%.



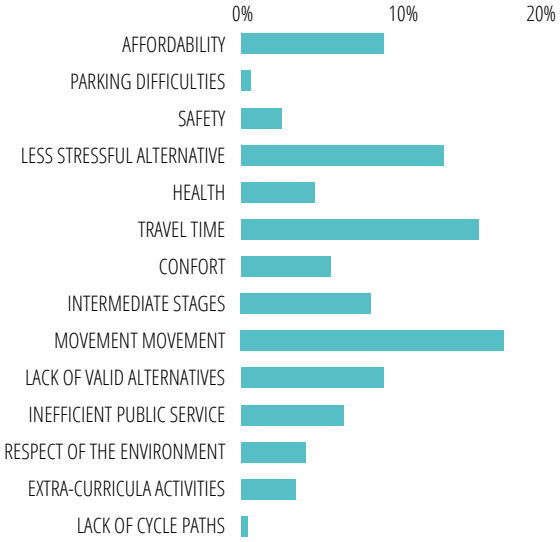


Figure 12 Reasons for the modal choices of Pattern (Collegno) employees

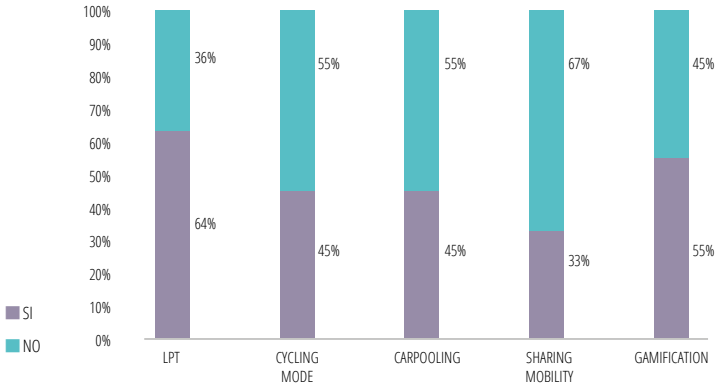
The graph in Figure 12, on the other hand, shows the main reason cited by employees when choosing the transportation mode for their home-to-work commute. The majority of respondents, approximately 17%, indicated that the main reason for their choice is freedom of mobility. Next, travel time and being the least stressful alternative count for approximately 15% and 13%, respectively.

The graph in Figure 13 shows the diverse propensities for change in respondents' home-to-work commutes. The comparison shows that the most favourable feedback is towards local public transportation (approximately 64%), followed by the willingness to use a gamification app (approximately 55%). Bicycle mode and carpooling record a favourable propensity of approximately 45% each, while sharing mobility is indicated by approximately 33%.

The EMMA Mobility management platform, provided by the Metropolitan City of Turin and the Piedmont Region through 5T s.r.l., allows Mobility Managers from both private and public companies to digitize and streamline data collection on mobility demand. The platform also enables entities such as the Piedmont Region, Piedmont Mobility Agency, Metropolitan City of Turin, and area Mobility managers to visualize Commute Plans in a centralized, integrated, and harmonized manner. This helps in shaping the public transport offering in line with the actual demand, with the ultimate goal of governing and sharing the promotion and incentivization of sustainable mobility.

In an effort to decrease the number of cars used for home-to-work commute and thereby reduce the company's carbon footprint, Pattern's Collegno office actively engaged in a company carpooling project from September 2021 to August 2022. This project, conducted in collaboration with the neighbouring company Prima Industrie spa and financially supported by the European Community, sought to encourage employees to share car rides.

Figure 13: Propensities to change in respondents' home-work commute



IMPLEMENTATION AND MONITORING PROGRAM

The experience gained from the initial corporate carpooling experiment highlighted the need for an innovative approach to the mobility challenge, which led to the concept of gamification. This approach aims to actively engage employees in a scoring system based on the pollutant emissions produced. The ultimate goal is to create virtuous business competition by encouraging employees to travel as many miles as possible in a sustainable manner.

For this purpose, at end 2022, Pattern equipped itself with a platform developed to track and reward employee smart commute habits. The platform incentivizes the lowest-impact modes of travel, including carpooling, cycling, using public transportation, walking, and more, as alternatives to private car usage.

Concurrent to the launch of the platform, Pattern introduced a rewards program allowing employees to earn points by certifying their commute through the app and redeem rewards made available by the company, including: Ticketone vouchers, fuel vouchers, Trenitalia card, Decathlon vouchers, etc...

CIRCULAR ECONOMY ACTION PLAN

FROM LINEAR TO CIRCULAR

The circular economy represents not only a tool for mitigating climate change and reducing emissions; it is indeed a golden opportunity for the economy.

According to a study conducted by a team of researchers from the Department of Economics and Statistics at the University of Turin, led by Professor Vera Palea and published in the Journal of Environmental Management, "The circular economy offers two significant opportunities. The first obviously concerns climate change mitigation targets, which are especially stringent in the European Union. The second aspect, on the other hand, is purely economic".

The study shows that companies that implement circular economy strategies benefit from better economic and financial performance. Circular companies enjoy better operating and venture capital profitability, lower cost of debt and improved market valuations.

The circular economy shifts away from traditional "linear" economies, where products are manufactured, used, and then disposed of, though now at times recycled, reducing some waste. Indeed, the circular economy goes far beyond the linear model by establishing a virtuous circle around product use, which encompasses manufacturing, repair, refurbishment, reuse, remanufacturing, and recycling.

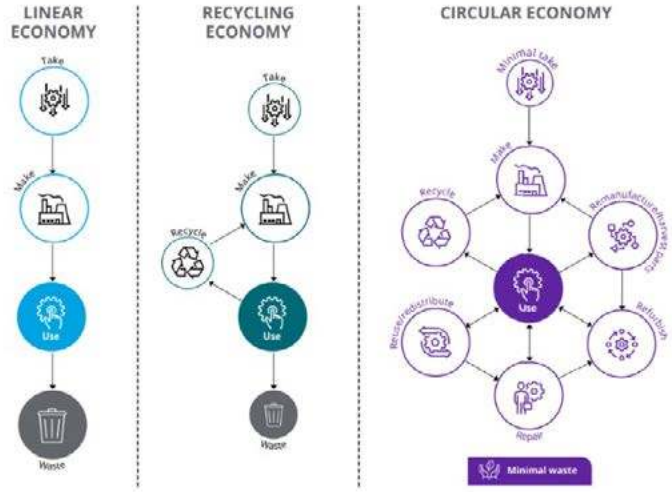
FROM WASTE TO RESOURCE

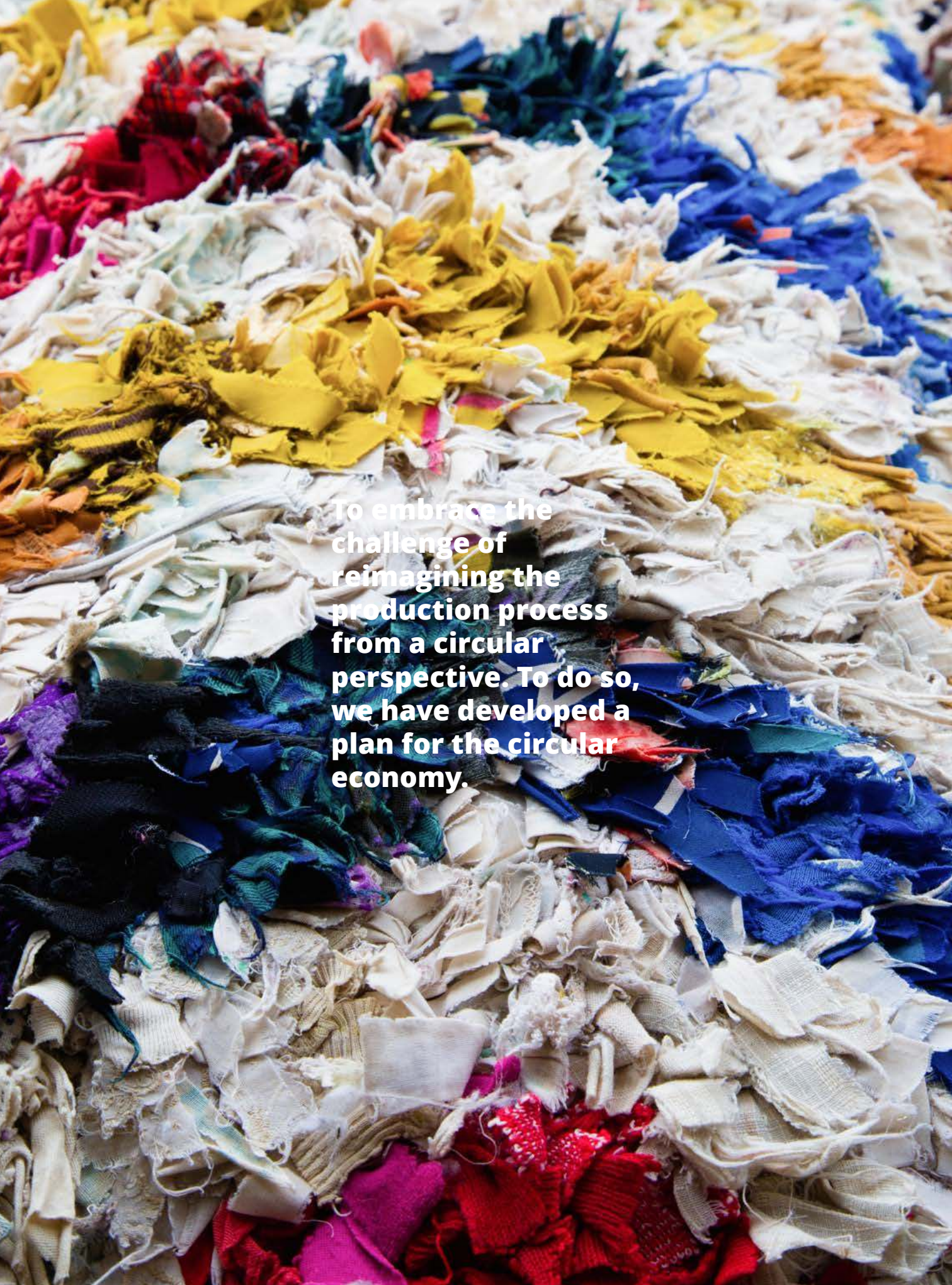
One of the main goals set by the Pattern S.p.A. Governance for 2023 is to embrace the challenge of reimagining the production process from a circular perspective. To do so, we have developed a plan for the circular economy which includes the following goals:

- 100% traceability of textile waste in the supply chain
- Partnerships and industrial symbiosis projects to increase raw material reuse capacity and create the textile recycling supply chain
- Research projects to expand the amount of fibre started for second life applications
- Enhancement of waste as a driver of supply chain engagement

In 2022, we accepted the invitation from Sistema Moda Italia and President Sergio Tamborrini to become one of the founding members of the Retex. Green consortium. The consortium's vision is to reimagine the fashion industry, aiming to achieve 100% circularity, and envisioning a future where all players in the supply chain, both upstream and downstream, actively participate in circular practices.

Retex.Green, as the leading consortium of manufacturers, serves as a catalyst for change and actively drives the textile-fashion industry towards innovative sustainability. It fosters synergies and provides diverse solutions to all stakeholders, leveraging our manufacturing know-how and acknowledging our leadership in this domain.





To embrace the challenge of reimagining the production process from a circular perspective. To do so, we have developed a plan for the circular economy.

Pattern has proactively addressed the need for waste material traceability and compliance with the Environmental Consolidation Act in its subcontracting supply chain. It has digitized the waste management process and has developed a platform and a related process, which aims to manage production waste and leftovers.

WASTE DIGITIZATION

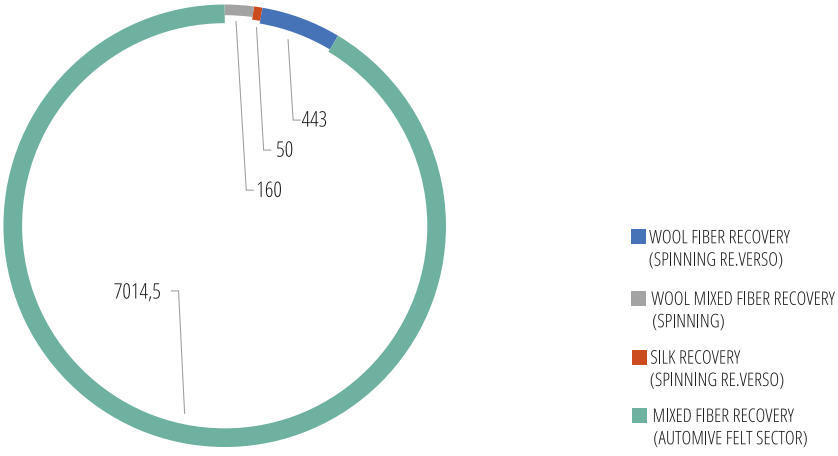
Pattern has proactively addressed the need for waste material traceability and compliance with the Environmental Consolidation Act in its subcontracting supply chain. It has digitized the waste management process and has developed a platform and a related process, which aims to manage production waste and leftovers. The tool leverages blockchain technology as a notarization mechanism, enabling a complete traceability system based on identifying QR codes with all relevant information. This facilitates proper management, tracking, and reporting of the amount of scrap generated in the subcontracting chain.

The goal is to provide a comprehensive tool that can connect the various players in the supply chain, creating an integrated network to manage the textile waste collection and processing process and be able to track the circularity of industrial waste.

The idea stems from the need to address a specific requirement - primarily regulatory - ensuring compliance with the law (Legislative Decree 116/2020), and secondly, a market demand. With growing urgency, the market necessitates the application of traceability and transparency measures across all levels:

Vendor	Sub-Contractor:	Waste Collector:	Recovery System
Brand protection	Compliance with the law	Travel optimization	Access to raw material traced
CO_2 reduction through circular textile waste management	Special prices	Business optimization	Customer communication
Economic enhancement	Full service	Expansion of upstream and downstream supply chain	Visibility
Customer communication			Business optimization

KILOGRAM RECYCLED IN 2022



INDUSTRIAL SYMBIOSIS

The concept of symbiosis draws from the idea of "symbiotic biological relationships" usually found in nature, where at least two unrelated species mutually benefit through the exchange of materials, energy, or information. This particular form of symbiosis is referred to as "mutualism". Thus, industrial symbiosis consists of exchanges between different entities that produce a collective benefit greater than the sum of the benefits that could be achieved by acting individually.

The traditional definition of industrial symbiosis describes it as a method where typically disparate industries adopt a unified approach. This approach aims to enhance competitive advantages through the exchange of materials, energy, water, and/or byproducts. Key elements facilitating the execution of industrial symbiosis include inter-company collaboration and the availability of synergy opportunities within a suitable geographical and economic environment.

The notion of industrial symbiosis is metaphorically likened to an industrial ecosystem imitating a natural ecosystem.

The key aspect of symbiosis is matching inputs and outputs to create links between sectors. Several methods can be used to systematically gather this data, such as written and oral surveys, and literature reviews.

The implementation of industrial symbiosis can be based on:

- **REUSE OF WASTE OR BYPRODUCTS:** this involves the exchange and transfer of certain waste or byproducts from one business to another, wherein these materials serve as replacements for commercial products;
- **SHARING:** this could involve either sharing or collectively managing utilities like energy, water, and wastewater, or infrastructure; alternatively, it could simply involve the sharing of services;
- C**ASCADING USE:** this takes place when a resource is utilized consecutively in various applications. With each subsequent use, the resource diminishes in quality, leading to a reduced level of refinement and hence lower economic value;
- **CLOSED CYCLE:** this approach aims to restore products within these streams as close as possible to their original form, akin to traditional recycling.

Here are some good examples:

LINEAPELLE PROJECT FOR LONDON COLLEGE OF FASHION

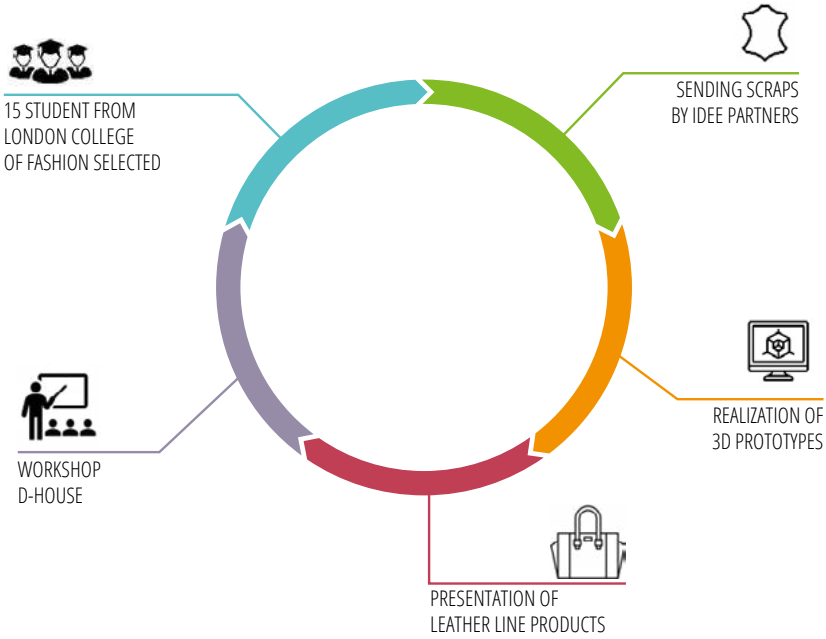
Indeed, a project focused on reuse and the circular economy was designed and advanced, precisely with the vision and principles of Industrial Symbiosis in mind.

The generation of solid tanning waste is a matter requiring significant attention, especially considering the recent directions from the European Commission. The Commission has endorsed numerous initiatives under the European Green Deal, expressly designed to support the transformation of the European economy into a system that is more sustainable, resilient, and circular. In this context, designing innovative solutions represents a distinct opportunity for one of Italy's most emblematic production sectors, the tanning industry. Notably, this industry is currently one of the most commendable sectors within the National Bioeconomy system.

Leather, already produced following the principles of the Circular Economy (by enhancing a food industry waste), has the potential to be even more circular, effectively addressing escalating challenges in sustainability and innovation.

The project was developed by D-House in collaboration with Linea Pelle for the London College Of Fashion:

- 15 students from LCF's BA Cordwainers Fashion Bags and Accessories course were selected to explore new design ideas for bags and small leather goods.
- Production scraps, which cannot be used in other production processes, were sent by Idee Partners, to be used as raw material for making physical prototypes.
- With the available waste materials, students made digital prototypes, in 3D to avoid the material production of non-final products. The physical products were made only after the 3D prototype was approved.
- Upon the Project's completion, D-House plans to select at least 2 students who have crafted the most intriguing prototypes, particularly in terms of material use and design, for display at the Milan Lineapelle Fair.
- With the support of D-House Academy, a series of workshops will be organized for Students during the Project to enhance their understanding of trends, sustainability and leather.



LEADERS: ENHANCEMENT OF TANNING WAST AND ADDITIVE MANUFACTURING

- The generation of solid tanning waste is a concern that requires refreshed urgency, propelled by the "European Green Deal". This initiative advocates for measures expressly designed to catalyze the transformation of the European economy into a system that is "greener", more resilient, and circular.

- Leather, as mentioned above, represents, as a raw material a waste from the food industry. Within tanneries, waste stemming from shaving and trimming activities is generated, which cannot be incorporated into other projects, such as finished leather trimmings.

- The primary goals of the Project encompass researching and developing innovative solutions for the enhancement of solid tanning waste, investigating and experimenting with novel solutions for transforming shavings and trimmings of tanned/refinished hides, and utilizing them in the production of new generations of regenerated materials and refinishing agents/ systems through Additive Manufacturing techniques.

- The new products will be developed following comprehensive characterization work and potential pretreatment. Their capacity for further transformation through cross-linking with polymeric agents for use in 3D BIO-PRINTING techniques will also be tested.

The rationale for this experimentation lies in the mounting interest shown by brands and the fashion industry towards 3D printing technologies and increasingly sustainable methodologies. This has encouraged the companies participating in the project to develop additive manufacturing techniques while concurrently identifying strategies to curtail the usage of traditional polymer-based formulations (commonly employed in regular 3D printing systems).

Consistent with the innovative and circular evolution of all the most representative sectors of Made in Italy, the textile and fashion industry can benefit from additional momentum in this direction by incorporating the innovative elements generated by the project. This can be achieved primarily through the redefinition of production paradigms and approaches to enhance the value of waste, fostering virtuous industrial symbiosis processes. Specifically, 3D printing technology will enable, via circular strategies, the creation and marketing of new products derived from tanning industry waste that would otherwise end up in landfills. These products can be utilized for manufacturing articles and goods for both the fashion sector, in combination with other textile materials, and other relevant sectors.

Focus on natural materials and, more in general, on sustainable products, along with consumer interest in personalized products, has indeed expanded, not only in the fashion industry but also in other areas. The versatility of 3D printing technology is a key factor driving its increasing use for innovative development across extending industries (particularly considering the potential application of these products in creating interiors for the automotive and aerospace industries). Even within the tanning cycle, the use of the identified technological strategies could facilitate the manufacturing of products and materials for tanning processing, especially for refinishing. The goal is to replace traditionally used chemical formulations (such as synthetic finishing polymers) with naturally derived formulations, sourced from the transformation and enhancement of tanning waste.

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D-REFASHION LAB: TECHNOLOGY AT THE SERVICE OF UPCYCLING

The D-refashion lab project aims to influence the Brand's existing inventory by changing it using technologies supplied by Dyloan Bond Factory.

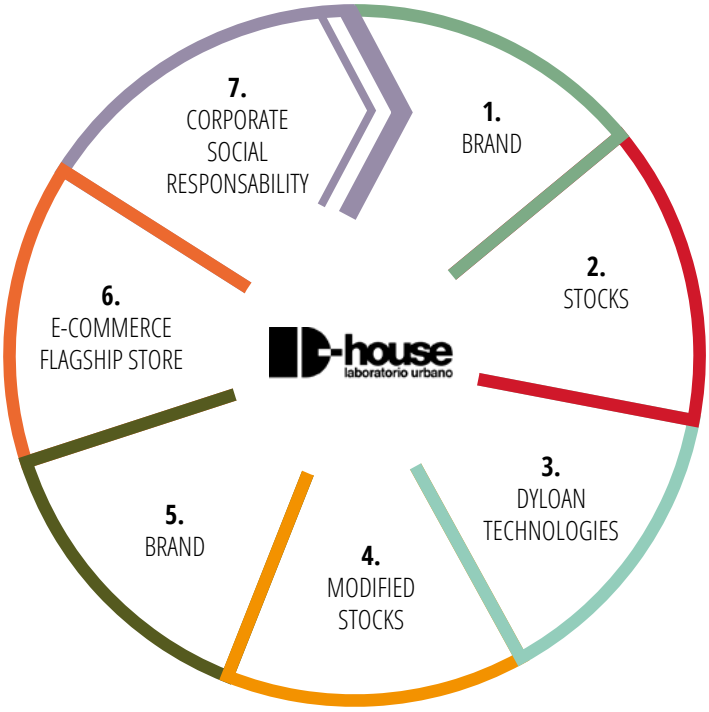
The technologies and creative network of D-house by Dyloan enable the change of clothing, accessories and fabrics. The D-house team will follow the Brand by creating 3D renderings of the requested changes before taking direct action on the stock.

The project is spearheaded by D-house, Dyloan's urban laboratory based in Milan, which embodies the natural progression of all the experiences garnered over thirty years of operation.

Together with our partners, we strive to find the best customization solutions with a sustainable and circular approach, in order to reduce the amount of inventory and prevent the destruction of these garments.

Project activities for setting up D-Refashion Lab included planning and conducting R&D aimed at developing an Upcycling project.

The goal is the revisiting of leftover and/or second-choice garments, with the aim of granting a second life to the manufactured garment by solving, at least in part, the issue of unsold items in the industry. The activity will be carried out in accordance with sustainability principles and guidelines. Specifically, the initial phase of the study focused on the analysis and comparison with brands in the Fashion Luxury industry. Conversely, the goal of the second phase is directed towards analyzing the materials and technologies that can be effectively used for reworking already constructed garments.



CHEMICAL MANAGEMENT SYSTEM

Each Pattern Group location has a designated Chemical Manager. Their role involves spearheading the implementation of ZDHC's Roadmap to Zero program within their production facility while simultaneously engaging with their supply chain. They achieve this by monitoring and enhancing their suppliers' proficiency in chemical management. A chemical management system involves the identification of processes and products that present a significant chemical risk. It outlines the operational methods to identify, monitor, and reduce these risks by eliminating hazardous substances from products and byproducts. The ultimate goal is to ensure a safe supply chain. The chemical management system implemented by Pattern has as its scope Pattern Group's manufacturing plants, raw material suppliers and wet process subcontractors.

MRSL AND PRSL

Pattern has established its own chemical management policy signed by Management and communicated to all its employees and upstream partners, who are involved and monitored in order to ensure process control and thus minimize the risk from the presence of hazardous chemicals in the supply chain, as outlined within the MRSL (Manufacturing Restricted Substances List) and PRSL (Product Restricted Substances List) lists.

By adhering to these common provisions, it becomes more straightforward for both Pattern and other parties involved to certify the absence of components in their products that are harmful to Man and the environment.

ZDHC ROADMAP TO ZERO PROGRAMME

Since 2015, Pattern has initiated a cooperative process with its customers and suppliers, aimed at the gradual elimination of chemicals considered harmful to Man and the environment by major international standards, within its supply chain production processes. To this end, Pattern and its customers, suppliers and subcontractors adopt the protocol outlined by the ZDHC foundation (Zero Discharge of Hazardous Chemicals), established in 2011 with the explicit intent of providing Brands and all stakeholders in the textile-clothing and footwear industry with a unified, global standard for responsible chemical management.

Bearing this in mind, in 2014 the ZDHC foundation published the first list of restricted substances within textile, leather, and footwear manufacturing processes, named the Manufacturing Restricted Substances List (MRSL). Additionally, it developed guidelines and platforms for implementing the Roadmap to Zero program. This program is designed to promote the spread of best practices for sustainable chemical management throughout the value chain, with the ultimate goal of achieving zero discharges of hazardous chemicals into the environment.

As a result of the path taken, Pattern, along with the companies in its supply chain, have instated the role of Chemical Manager within their production sites. Their responsibility is to guide the implementation of a chemical management system that aligns with the principles of the ZDHC protocol. This system enables the monitoring, evaluation, and management of chemical risks related to the use of hazardous chemicals in the production processes across the entire supply chain.

The strength of this project lies in the supply chain's shared understanding of a clear protocol, unified guidelines, and tools. This aspect is crucial in achieving shared and quantifiable goals for reducing environmental impact. Furthermore, the open sharing of information through the dedicated ZDHC tools (ZDHC Gateway - Chemical Module and Wastewater Module) streamlines multiple control procedures related to input chemicals, output wastewater, and the chemical management process.

ZDHC TOOLS FOR CHEMICAL MANAGEMENT SYSTEM

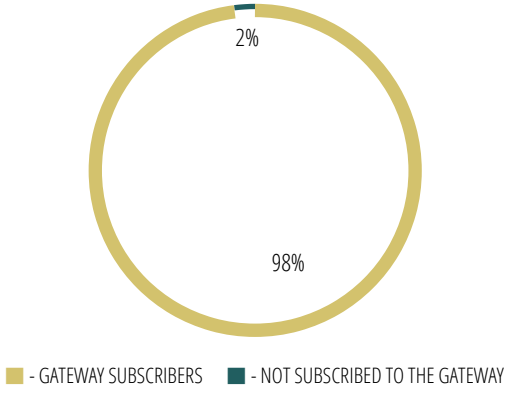
ZDHC's *Roadmap to Zero* program is divided into three macro areas involving all steps of the production process: Input, Process and Output. Regarding these sections, ZDHC has developed and provided a suite of tools to all supply chain stakeholders. These tools facilitate the sharing of input, output, and process control information to assist companies in assessing the performance of their chemical management system.

GATEWAY – CHEMICAL MODULE

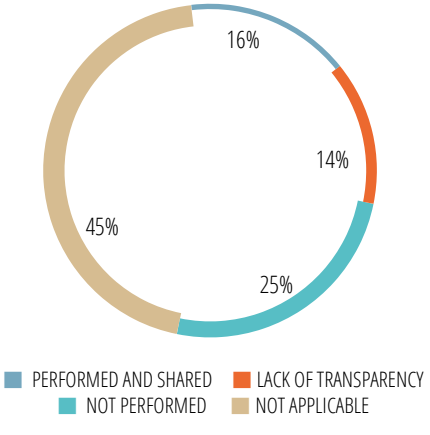
To facilitate the exchange of information among Brands, suppliers and chemical formulators, ZDHC has provided an online platform called *Gateway*. Within the *Chemical Module* section, formulators can register their products for verification and approval by ZDHC-accredited Certification Bodies. Concurrently, suppliers and Brands can search for MSRL-compliant chemicals and cross-check their chemical inventory against the database of formulations and chemicals uploaded to the *Gateway*.

Pattern is registered on the *Gateway* portal providing it access to all registered products, enabling the evaluation of the compliance status of products used within its supply chain. Pattern's monitoring of the implementation of ZDHC's Roadmap to Zero Program within the supply chain commences with ensuring that its upstream partners are registered on the ZDHC *Gateway*. The graph below shows the percentage of Pattern's raw material suppliers, in terms of purchase volume for 2022, registered on the *Gateway*.

ADOPTION OF ZDHC GATEWAY - RM SUPPLIERS



INCHECK REPORT - RM SUPPLIERS



CHEM CHECK & IN CHECK

The *ChemCheck* report is a compliance certificate that formulators can generate after ZDHC verifies the MRSL compliance level of one of their chemical products registered in the *Chemical Module*. *ChemCheck* enables suppliers to identify which of the products used have been verified and certified by ZDHC. The combination of all *ChemChecks* forms the *InCheck*, which is a tool that allows suppliers to verify the level of compliance of their entire chemical inventory.

The chart shows the percentage of Pattern's raw material suppliers, in terms of purchase volumes for 2022, who have assessed their chemical inventory's compliance with the MRSL ZDHC through *InCheck* reports.

WASTEWATER STANDARDS AND GUIDELINES

ZDHC has created standards and guidelines that provide a harmonized set of wastewater and sludge parameters, limit values and test methods. These guidelines aim to transcend compliance with mandatory regulations by ensuring that water discharge does not negatively impact the environment and the community.

The WWG (*Wastewater Guidelines*) include the evaluation of two sets of parameters:

- Conventional parameters and heavy metals - The limit values for substances in wastewater are becoming more stringent, progressing through three levels: foundational, progressive, and aspirational;
- ZDHC MRSL parameters - The limit values for substances in wastewater are unambiguous and include substances classified as hazardous in ZDHC's MRSL.

GATEWAY – WASTEWATER MODULE

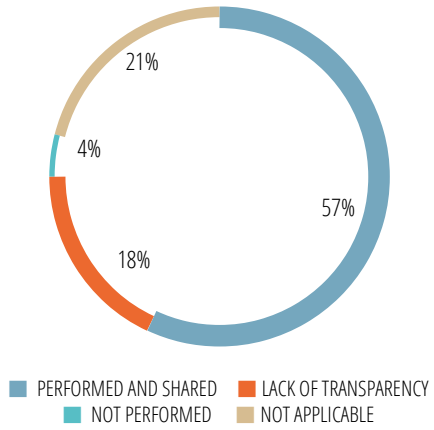
Similarly to the *Chemical Module*, ZDHC has also created a section within the *Gateway* called the *Wastewater Module*. This module allows all participants in the supply chain to publish their wastewater test results after they have been verified and uploaded by ZDHC-accredited laboratories. Wastewater analysis is conducted and evaluated based on the *Wastewater Guidelines* standard.

CLEARSTREAM REPORT

Once the wastewater test results have been evaluated by ZDHC-accredited laboratories, a certificate known as the ClearStream report is issued. This report serves as an assurance for suppliers regarding the quality of their water outflow.

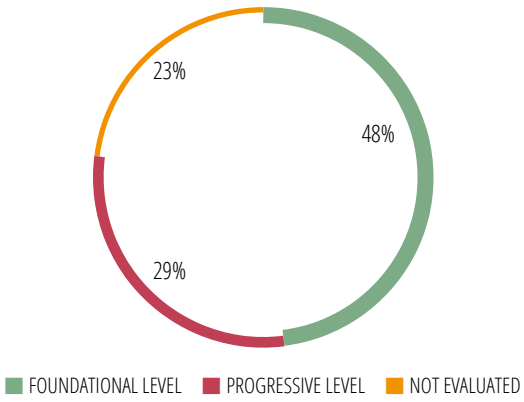
Pattern, therefore, twice a year requires its suppliers to publish wastewater analysis results on the Gateway and share the resulting ClearStream report. The graph shows the percentage of Pattern's raw material suppliers, in terms of purchase volumes for 2022, who have performed wastewater analysis according to the ZDHC WWG by sharing ClearStream reports with Pattern.

CLEAR STREAM REPORT WET PROCESSES RM SUPPLIERS



ZDHC SUPPLIER TO ZERO

RM SUPPLIER TO ZERO CERTIFICATE



Supplier to Zero is a new platform developed by ZDHC to guide suppliers in properly implementing a ZDHC-compliant chemical management system and effectively monitoring its performance. Indeed, the *Supplier Platform* is integrated with the *Gateway*, enabling a connection between input, output and chemical management process control tools. The *Supplier to Zero* also represents a roadmap toward supplier leadership, from the *Foundational* level through the *Progressive* level to the Aspirational level.

Pattern initiated the assessment process in 2022 and achieved the *Foundational* level. In 2023, it continues to progress towards attaining the *Progressive* level.

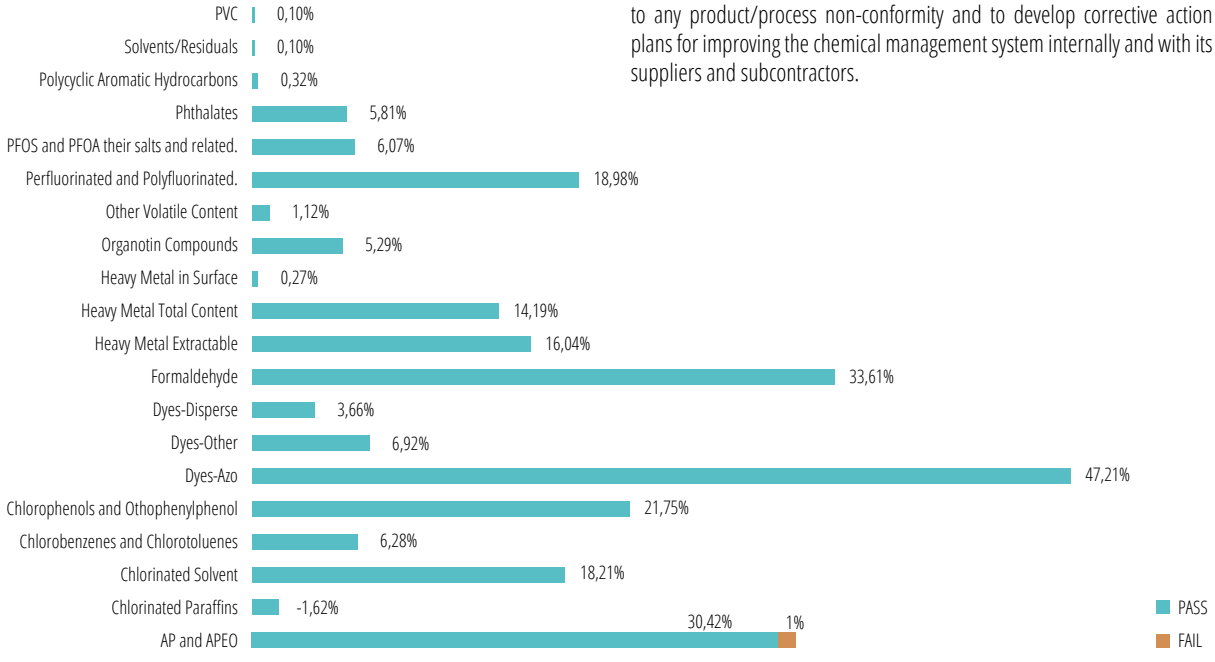
The graph shows the percentage of Pattern's raw material suppliers, in terms of purchase volumes for 2022, who have evaluated their chemical management system through the assessment available on the *Supplier Platform*, obtaining a certificate certifying the level of implementation of the ZDHC *Roadmap to Zero* program.

CHEMICAL DUE DILIGENCE

To minimize risks to the end consumer regarding potential contact with hazardous chemicals through the use of finished products, Pattern's customers have arranged to test the quality and chemical compliance of supplied materials according to specified standards. These standards are deemed essential prerequisites for the sale of clothing. Additionally, to assess the chemical compliance of purchased raw materials, Pattern conducts regular due diligence checks on selected items following a chemical risk assessment. After following specific pre-assessment criteria such as volume/value of a supplier's business out of the total ordered, supplier rating, type of material, processing undergone by the item in question, Pattern's Chemical Manager decides the number of tests to be conducted and which substances to test. The fabrics are then sent to accredited laboratories for analysis. Pattern conducts due diligence for each season with a primary focus on the purchased raw materials, fabrics, and linings. This is where the highest chemical risk is concentrated, particularly concerning wet processing conducted in the upstream supply chain. The graph below shows the volume percentages of fabrics purchased in 2022 tested by Pattern and its suppliers against each parameter of PRSLs, dividing the results between tests that were *PASS* and those that were *FAIL*.

The assessment of the supply chain through due diligence testing is also intended to assist the Chemical Manager in identifying the causes that led to any product/process non-conformity and to develop corrective action plans for improving the chemical management system internally and with its suppliers and subcontractors.

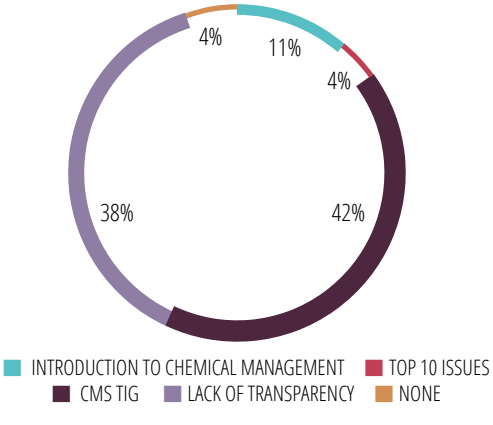
VOLUMES TESTED FOR EACH PRSL PARAMETER



ZDHC ACADEMY

ZDHC *Academy* is an online platform established by ZDHC and accessible to all stakeholders in the supply chain. Corporate chemical management system managers can access training courses, organized by ZDHC-accredited bodies, aimed at enhancing their knowledge and skills for implementing a sustainable chemical management system. The platform also offers instructions in utilizing ZDHC tools in the textile, apparel, leather, and footwear industries. Upon completion of the training paths and the final exam, certifications are issued that allow the *Chemical Manager* to conduct in-house training on *Chemical Management* topics. The chart shows the latest ZDHC-accredited training achieved by the corporate *Chemical Managers* of the suppliers from whom Pattern sourced in 2022.

SUPPLIER'S ZDHC ACADEMY CERTIFICATE



CONSERVATION AND PROTECTION OF WATER RESOURCES

Starting from mid-2022, the Collegno office of Pattern Group has made a commitment to take part in a water conservation supply chain project, created with the intention of preserving water as a valuable resource for the future of mankind and the environment, as well as for the very existence of fashion textile-clothing companies, which is closely related to the availability and quality of water.

Participation in this project, for a company such as Pattern that does not conduct in-house wet processes, led to the engagement of direct partners in its upstream supply chain. The focus was on wet processing facilities, while also targeting partners without in-house wet processes, to mobilize that specific segment of the supply chain.

In 2022, 66% of fabric suppliers, in terms of purchase volume, were engaged in the *Water Conservation* project. Similar to Pattern, they appointed an internal corporate resource as the *Water Manager*. This role is tasked with enhancing corporate partners' awareness about responsible water use, the risks linked to water unavailability and poor quality, as well as identifying opportunities for improving the company's water management system. The goal is to assist supply chain partners in improving their resilience profile, thereby also improving the corporate resilience profile.

The resilience profile is assigned to supply chain partners following a Water Assessment, the final outcome of which results from the analysis and combination of the following elements:

- **geographical water risk**, which is the risk associated with factors closely related to the geographical location of the supplier (e.g., water scarcity, flooding, and water quality). Water risk can be calculated by adopting WWF's online **Water Risk Filter** tool, which gives a risk from 1 (very low) to 5 (very high);
- **water intensity class** of the facility (applicable only to supply chain partners with in-house wet processes) is determined based on the higher value between absolute daily water consumption and production-related water consumption. Specifically, the classification ranges from A (low absolute/production-related water consumption) to E (high absolute/production-related water consumption);
- **the water resource management system**, evaluated through a range of performance indicators encompassing internal implementation aspects, such as consumption monitoring, integrating water into government policies, developing action plans, and fostering internal engagement. Additionally, performance indicators related to supply chain implementation are considered, including the engagement and evaluation of supply chain partners and their achieved resilience profile. The score achieved for each performance indicator determines the percentage of water management system implementation, resulting in a rating ranging from exemplary (80-100%) to very poor (0-35%).

Water Assessment performance indicators analyze the level of implementation of the water conservation project within the company, at the supply chain and in terms of continuous improvement.

The internal implementation area consists of 13 KPIs related to:

- corporate commitment to the water conservation project;
- appointment of a corporate *water manager*;
- aptitude and participation of the *water manager* in project initiatives;
- water risk mapping of its facility and wet supply chain;
- measurement and monitoring of overall water use and discharge by the facility;
- mapping of water consumption for individual production processes;
- company policies and procedures regarding the water conservation project;
- contingency and mitigation plans for reservoir risks related to scarcity, flooding, and water quality;
- water consumption reduction goals;
- development and implementation of water conservation action plans;
- wastewater recycling goals;
- employee engagement and awareness programs;
- transparent disclosure with the supply chain of its water consumption data.

The implementation area in the supply chain features 4 KPIs related to:

- engagement of upstream supply chain partners in conducting *water assessment*;
- resilience levels achieved by supply chain partners;
- mapping the water footprint of manufactured finished products;
- communication of the water footprint of wet processes carried out in-house and in the upstream supply chain.

The area regarding ongoing improvement consists of 3 KPIs related to:

- development of a corporate library of best practices in production process design;
- development of processes or products with a reduced water footprint;
- development and implementation of ongoing improvement plans.

(Excellent, Green, Amber, Red, Hotspot). The Excellent and Hotspot levels, shown below, apply only to wet processes that have daily water consumption higher than 35 m3:

Hotspot - this level is assigned to partners that show a particularly poor level of resilience, related mainly to high geographical water risk associated with poor water management capacity;

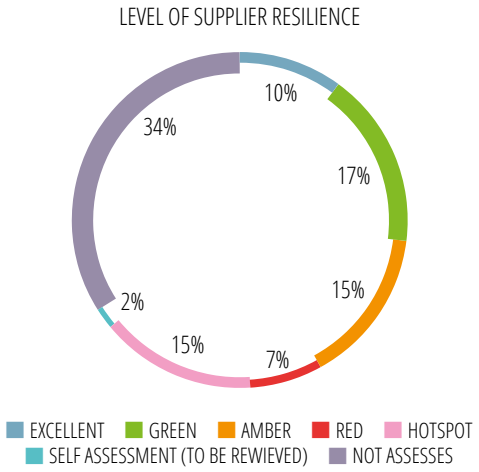
Excellent - this level is assigned to partners that show a particularly good level of resilience, generally associated with low water risk and high water management capacity.

As they cannot address geographical water risk, which is closely linked to the company's location, but only the mitigation of specific physical risks, resilience profile improvement plans should concentrate on specific aspects of the water management system that contribute to reducing the company's water footprint.

For partners with wet-processing operations, this means identifying water-saving opportunities by mapping and monitoring water usage in individual in-house production processes, setting smart goals to reduce water consumption, and implementing corrective actions such as developing materials with reduced water footprints (by taking action on production recipes and raw material purchases), and implementing the best technologies that can make processes more efficient from a water consumption perspective and recycle wastewater.

For partners without wet-processing operations or with water consumption below 35 m3/day, where the water intensity class is not applicable, but who face the highest water risk within their wet-processing supply chain, improving the resilience profile is primarily linked to aspects of their own management system concerning supply chain implementation. This involves engaging and enhancing the resilience profile of their direct partners.

Considering the fabric suppliers from whom the Turin office sourced in 2022, 64% in terms of purchase volume underwent a second-party Water Assessment, resulting in the following ratings:



With the data collected from its supply chain, by first half 2023, Pattern's Collegno office will be able to validate its *self-assessment* (Amber result) through a second-party audit. Below are the goals related to the *water conservation* project that the company aims to achieve by 2023:

- Increase the percentage of engaged suppliers for whom a *water assessment* has been conducted and an improvement plan developed (from 51% to at least 60% by volume);
- Increase the percentage of suppliers with *ratings* higher than or equal to amber (from 42% to at least 60% by volume);
- Ensure that supply chain partners with Hotspot level of resilience develop a continuous improvement plan that includes specific actions to exit Hotspot status within 3 months of the assessment;
- Calculate the water footprint of the most representative products made by the company by collecting *water footprint* data from supply chain partners involved in the production of these products;
- Involve the Spello and Correggio offices in conducting *water assessments*.

SA8000 STANDARD

Pattern has identified an internationally recognized standard to ensure a reliable measurement system for assessing social aspects. This standard bridges industry and corporate codes, creating a common language for measuring social compliance within the company.

Since 2013, Pattern has therefore decided to adopt and certify a management system in compliance with SA8000, a voluntary standard, issued by SAI, verifiable through third-party audits. This standard outlines the requirements that organizations must meet, including the recognition and improvement of workers' rights, workplace conditions, and an effective management system.

Social Accountability International (SAI) is a nonprofit, multi-stakeholder organization active globally since 1997. The goal SAI shares with its stakeholders is decent work everywhere, emphasizing a widespread understanding that decent work can be advantageous for businesses while also safeguarding basic human rights.

The core elements of this standard are based on the Universal Declaration of Human Rights, ILO conventions, international standards, human rights and national labour laws. The purpose of SA8000 is to offer a verifiable and robust standard for valuing and safeguarding all staff within the scope of an organization's control and influence. This includes individuals producing products or providing services for the organization, including its own employees and those employed by its suppliers, subcontractors, sub-suppliers, and home workers. An organization is expected to achieve compliance with the Standard through an adequate and effective management system. The 8 requirements outlined by SA8000 serve as the main KPIs on which the Standard focuses. These requirements form the basis of the operational map that enables an organization to achieve full and sustainable compliance with SA8000 through continuous improvement, also referred to as "Social Performance".

CHILD LABOUR
Child labour is not allowed
FORCED AND COMPULSORY LABOR
People have the right to change jobs and must not be forced to work
HEALTH & SAFETY
People must not be endangered while working
FREEDOM OF ASSOCIATION
People have freedom of association and the right to be listened to
DISCRIMINATION
Recruitment, wages and promotions must be equal and fair
DISCIPLINARY PRACTICES
People must not be abused at work and subjected to any bodily coercion
WORKING HOURS
The overtime is limited, voluntary and paid with a surcharge.
RETRIBUTION
People must receive sufficient pay to be able to live.
MANAGEMENT SYSTEM
Organizations must use a management system in order to continuously ensure their compliance.

ELEMENTS OF THE SA8000:2014 STANDARD

SA8000 REQUIREMENTS	CORPORATE COMMITMENTS	REGULATORY REFERENCES	
1. CHILD LABOUR	Prohibit the resort to or support of child labour in the manufacture of any product or the provision of any service, where child labour is defined as the provision of individuals who are under the age of 15 and have not completed compulsory education. Ensure that young workers, who are still minors have adequate conditions for learning, growth and professional development, as well as suitable health and safety conditions.	- ILO Convention 138 and Recommendation 146 - ILO Convention 182 - Leg. Decr. 345/99 supplemented by Leg. Decr. 262/00	- L.25/55 - L.977/67 - L.451/94
2. FORCED AND COMPULSORY LABOUR	Prohibit the resort to or support forms of forced labour, including compulsory or servile labour, that involve any form of non-legal restriction on individual freedom, rights and dignity. Ensure that there are no restrictions on workers' freedom of movement and that they are not required to provide financial guarantees or deposit their identity documents with the organization.	- ILO Convention 29 - ILO Convention 105 - L. 300/70	- L. 108/90 - L. 297/82 - Leg. Decr. 152/97
3. HEALTH AND SAFETY	Ensure the health and safety of workers at all times by providing a safe and healthy work environment, appropriate work equipment, safety training, and taking effective measures to prevent and minimize the risk of accidents and injuries in the workplace..	- ILO Convention 102 - ILO Convention 155 and Recommendation 164 - ILO Convention 183 - Leg. Decr. 626/94	- L638/83 - Leg. Decr.493/96 - EEC Dir 89/391 - EEC Dir 94/33 - EEC Dir 91/383
4. FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING	Guarantee workers the freedom to freely form and/or join unions or other workers' organizations, to choose their own representatives, and to be able to bargain publicly and according to law, without fear of interference, restriction or discrimination.	- ILO Convention 87 - ILO Convention 135 - ILO Convention 98	- L.300/70 - EEC 9/12/89
5. DISCRIMINATION	Prohibit the resort to or support of any form of discrimination in hiring, pay, access to training, promotion, termination, or retirement, based on race, national, territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinion, age, or any other condition that could give rise to discrimination.	- ILO Conventions 111 - ILO Conventions 100 - ILO Conventions 159 - ILO Conventions 177 - L.300/70 - L.903/77 - L.125/91	- L. 40/98 - L.53/2000 - L.53/00 - L.108/90 - Leg. Decr.151/01 - EEC Dir. 75/117 - EEC Dir. 76/207
6 DISCIPLINARY PRACTICES	Treat all staff with dignity and respect, banning the use of corporal punishment, physical or mental coercion or verbal abuse. Clearly define the rules of acceptable behaviour and applicable penalties for violations, ensuring that these rules and penalties comply with applicable laws and regulations and are shared with all workers. .		- ILO Convention 29 - L.758/94
7 WORKING HOURS	Comply with applicable laws, collective bargaining (where applicable) and industry standards on working hours, rest and public holidays. Ensure that the normal working week (excluding overtime) does not exceed 48 hours, that workers have at least one day off for every seven working days, that there is at least 11 hours of rest between working days, and that overtime is limited to a maximum of 12 hours per week.	- ILO Convention 1 - ILO Convention 98 and Recommendation 116	- L.300/70 - L.196/97 - L.264/58 - L.409/98
8. PAY	Ensure the right of staff to a decent salary in line with legal or minimum industry standards or, where applicable, collective agreements. Ensure a salary sufficient to meet the basic needs of staff, as well as provide some discretionary income.	- ILO Convention 100 - ILO Convention 131 - L.300/70	- L. 297/82 - L. 863/84 - L.230/62
9. MANAGEMENT SYSTEM	Properly develop and implement a management system, i.e., a set of policies, procedures and processes, in line with the requirements of the standard, in order to ensure its compliance and ensure more efficient use of resources, improved risk management capability and increased customer satisfaction. Extend knowledge of and compliance with the standard's requirements to internal staff and the supply chain by applying a clear "due diligence" process that includes supply chain risk mapping and assessment. Conduct a root cause analysis of non-conformities so that corrective actions can address them and preventive actions can be taken to prevent their re-occurrence.		

SOCIAL REPORT

This SA8000 report is prepared to address the systemic indicators of management review and external communication, and is the result of the participation of social partners in the implementation of the Social Accountability System. In fact, it is signed not only by the company's legal representatives, but also by the workers' union representatives and their SA8000 representatives.

The analysis provides qualitative and quantitative information showing compliance of individual requirements to the standard. In addition to providing Management with a valuable tool for internal review, it helps various stakeholders understand the company's social responsibility policy and the specific commitments the company has made by certifying its system according to the SA8000 standard.

Through the integrated QHSE and SA8000 Management System, which has been extended to its investees and subsidiaries, Governance has defined ways to manage and monitor compliance with the requirements of the Standard.

The management and control procedure, with its defined compliance criteria, is extended to all Group companies and, through a signed code of conduct, also to suppliers and subcontractors.

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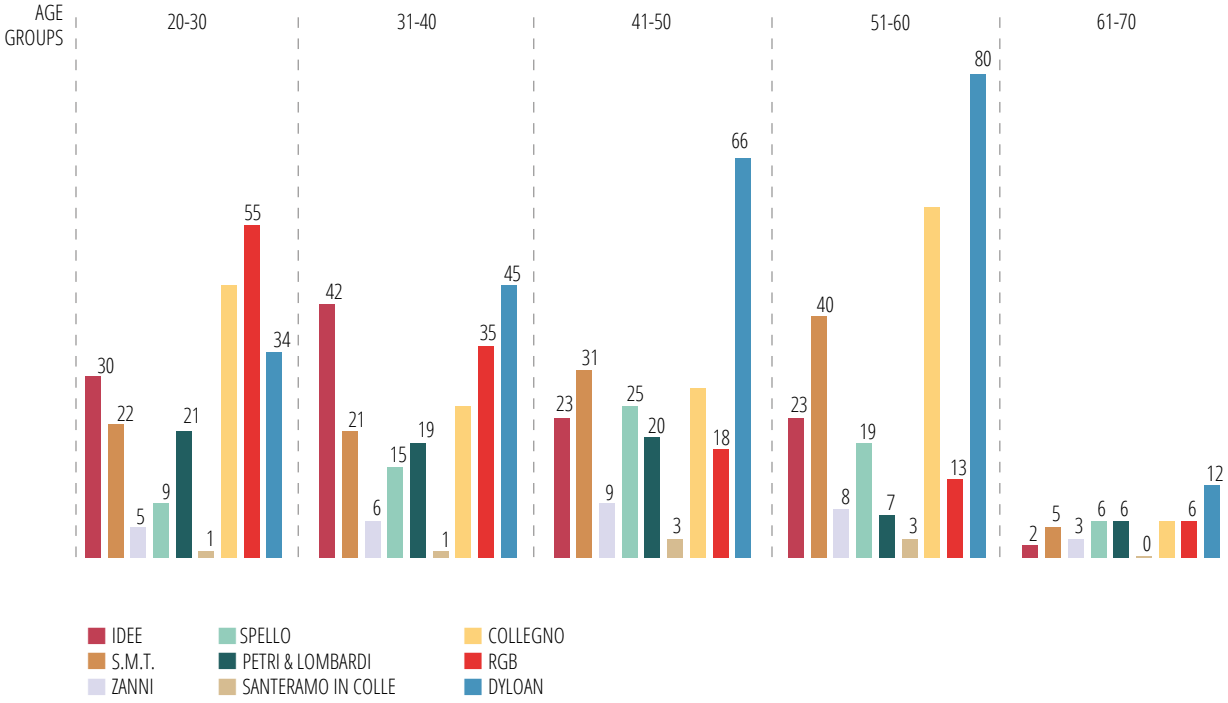
Pattern obtained a Group certificate in March 2022, encompassing all the companies within the Group at that time. In 2023, the centralized control system will be extended to include all the companies that joined later, and their certification will be expanded accordingly.

REQUIREMENT 1 - CHILD LABOUR:

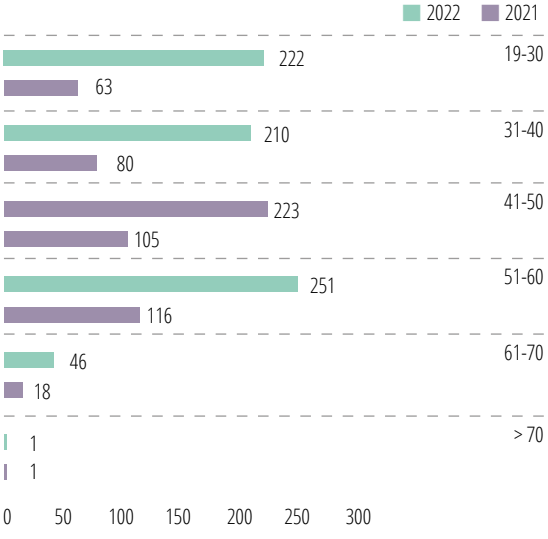
The company does not intend to use and encourage the use of child labour and ensures monitoring procedures to prevent this from occurring. Pattern Group has issued a procedure applied to all Group companies defining that appropriate management and control plans are adopted to ensure the support of children who may find themselves in situations that fall under the definition of child labour. These plans primarily aim to support children's school attendance and ensure they are not exposed to dangerous, unsafe, or harmful situations that could negatively impact their health or hinder their overall development. To promote the development of specific skills, the company collaborates with the local industrial technical institute and offers several internships each year to young individuals who are no longer children but not yet of age. In the work in which they are employed, young workers are not exposed to situations that are dangerous, unsafe or harmful to their health.

EMPLOYEE BREAKDOWN BY AGE

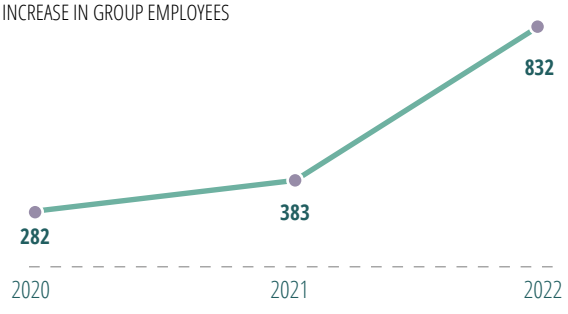


Due to the multiple acquisitions made, Pattern Group has experienced significant growth. Indeed, the number of employees has more than doubled since 2021. The change in terms of age illustrated in the graph shows a significant increase especially among employees between the ages of 19 and 30, aligning with the basic focus on research, development, and nurturing of young human capital. Indeed, Management highlights that the confirmation rate of relationships that started as internships, progressed to apprenticeships, and eventually resulted in permanent contracts is close to 100%, demonstrating the company's commitment to acquiring young talent.

CONSOLIDATED 2022-2021



INCREASE IN GROUP EMPLOYEES



REQUIREMENT 2 - FORCED OR COMPULSORY LABOUR:

All the individuals employed by the company work on a voluntary basis. Indeed, work obtained under threat of any penalty is prohibited. To ensure the complete voluntariness of work performance, the company is dedicated to ensuring that all workers have a comprehensive understanding of the rights and responsibilities arising from their employment contract.

No worker ever left money or original copies of documents on deposit in the company. All workers receive, and sign for acceptance, an employment contract detailing the terms and conditions of the work they sign, containing their grade level, the job they are hired for, and the regular weekly working hours.

REQUIREMENT 3 - HEALTH AND SAFETY:

Safety has been prioritized in work organization activities to guarantee a safe and healthy workplace for both workers and anyone else involved in the company's activities. Different initiatives and measures have been taken to prevent accidents, health damage and other causes of danger. The main ones follow:

- Workers' union representatives have been involved in many stages of safety management (risk monitoring, identification of measures, staff training);
- a worker health and safety officer has been appointed;
- continuous monitoring is conducted on the operation of plant and machinery, to regularly check the suitability and safety of machinery and equipment, as well as emissions of harmful substances and disturbing noises;
- responsibilities, procedures, and operating instructions for supporting and directing individual behaviour have been documented in an internal procedure manual, which is shared with workers;
- a fire and evacuation plan has been established;
- a health surveillance plan has been developed for each employee that includes a basic protocol of health assessments (instrumental and laboratory tests) for each individual task;
- training sessions are organized for all workers on health and safety issues.

INJURIES AND ILLNESSES IN THE WORKPLACE:

Through a dedicated strategy focused on protecting the health and safety of workers and all individuals involved in the company's operations, and by mitigating accident risks, there has been a significant improvement in injury and illness rates over time. Both the relating frequency and severity ratios and the number of injuries decreased, exceeding the industry average values[4].

	IDE	SMT	ZANNI	SPELLO	P&L	SANTERAMO	COLLEGNO	RGB	DYLOAN
NO. ACCIDENTS	1	0	1	0	0	0	2	3	0
SEVERITY INDEX	0,12	0	0	0	0	0	0,07	0,11	0
DAYS OF ABSENCE DUE TO INJURY	17	0	4	0	0	0	26	25	0
NO. OF PENALTIES RECEIVED	0	0	0	0	0	0	0	0	1

REQUIREMENT 4 - FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING:

The company respects the right of all staff to form and join unions of their choice and the right of workers to collective bargaining. There are union representatives elected by workers who are not subject to any kind of discrimination and who communicate freely with workers in workplaces. Appropriate company spaces have been set aside for union communications and used for holding union meetings that employee representatives call at least once a year. During the year, 48 hours were granted for union leave.

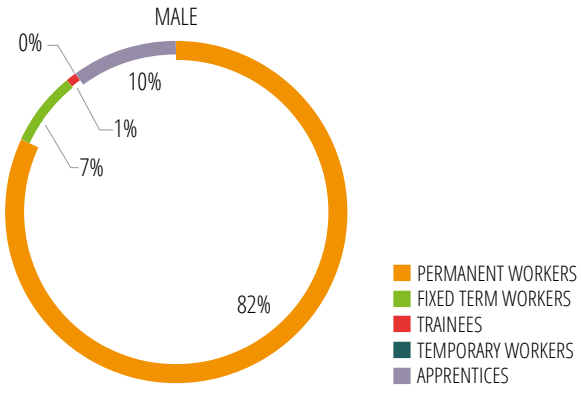
By respecting clear responsibilities, the emphasis on engaging in dialogue with labour organizations has encouraged a problem-solving approach, leading to the active involvement of all parties. All companies in Pattern Group apply and abide by the requirements of national collective bargaining agreements, signed by the main trade unions and specific to the type of production at the relevant site.

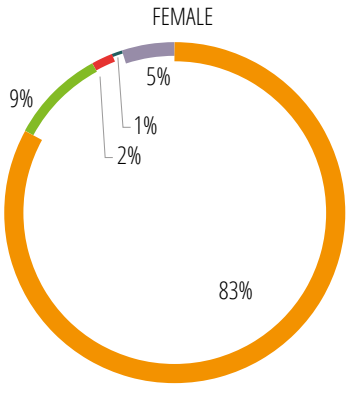
4. Relating Frequency (*1000 employees): compensated injury events/number of reports; Severity Ratio (* employee): consequences of compensated injury events (expressed in days lost)/number of reports.

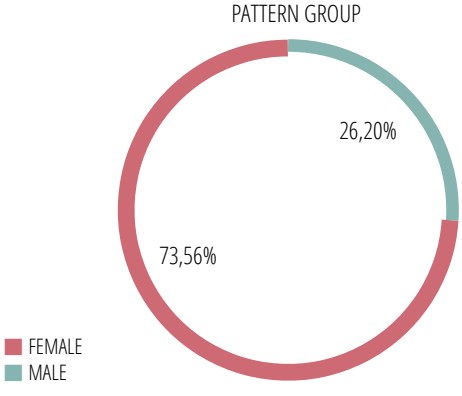
REQUIREMENT 5 - DISCRIMINATION:

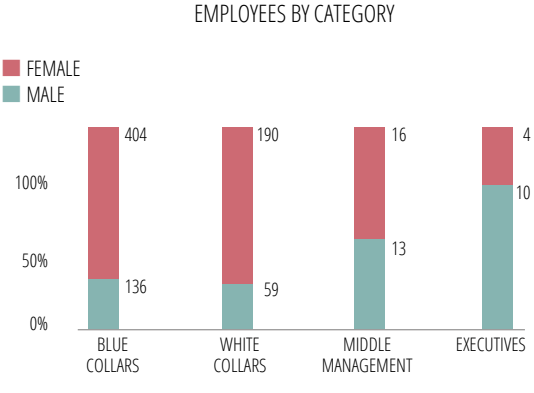
The company guarantees equal opportunities for all people working there and does not allow any form of discrimination. New staff are recruited based on objective criteria such as their training, experience, and skills that align with the specific roles they will be undertaking. Work is remunerated in accordance with the indications set out in the National Collective Bargaining Agreements of the relevant sector and in the supplementary agreements agreed upon at the company level with the trade unions. The same regulatory sources govern promotions, dismissals and retirements. Access to training is provided taking corporate needs into account. Training courses on health and safety and social responsibility are organized for all workers, regardless of their assigned duties. There is no interference with each worker's freedom to follow their own principles. Workers' integrity is protected, and any behaviour that could be offensive to their personal space is strictly prohibited. There are Codes of Ethics and Codes of Conduct in all locations that formally condemn any behaviour detrimental to the personal dignity of male and female workers.

PARENTAL LEAVE	**CONSOLIDATED**	
	M	**F**
Total no. Employees entitled to parental leave	127	348
Total no. Employees who have taken parental leave	1	22
Total no. Employees returned to work after the end of parental leave	1	15
Total no. Employees on parental leave at the reporting date	0	9
Optional parental leave hours granted	1616	11857,5









FEMALE PRESENCE:

Women are predominantly present in the middle management, white-collar, and blue-collar categories, comprising the majority in both absolute numbers and as a percentage of the workforce. The steering committee is predominantly composed of women; however, there is still limited female representation at the executive level. In recent years, the company's awareness of women's discrimination has increased, and in an effort to bridge the gap, Pattern has participated in the UN Global Compact's Target Gender Equality Accelerator program. The company measures its performance using the WEPs Gender Gap Analysis Tool provided by the United Nations.

REQUIREMENT 6 - DISCIPLINARY PRACTICES:

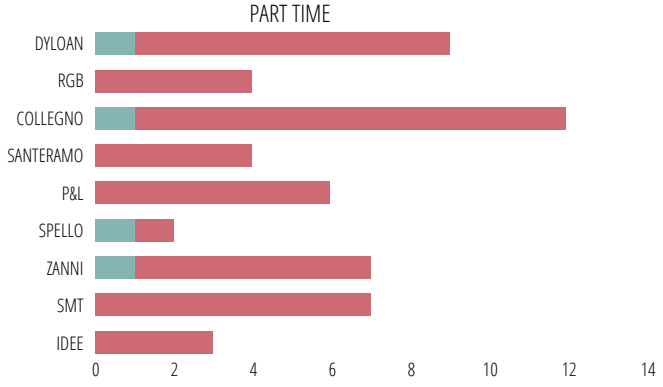
The Code of Ethics and the Code of Conduct are signed by employees and are made available on notice boards in the offices and on the company intranet. Disciplinary measures are handled in accordance with the requirements set out in the applicable collective bargaining agreement. No complaints of physical, verbal or sexual abuse were collected through the anonymous reporting systems available to employees.

REQUIREMENT 7 - WORKING HOURS:

Ordinary working hours are Monday through Friday, 8:30 a.m. to 12:30 p.m., 1:30 p.m. to 5:30 p.m.: the duration of work is set at 40 hours per week and is determined by the regulations of the National Collective Bargaining Agreements in the industry. Any changes in the distribution of hours over the week are agreed upon with workers, as is the scheduling of vacation, leave, and permits. Overtime work is only conducted in exceptional and short-term productive circumstances that cannot be met by hiring new staff. It is always agreed upon by the human resources manager with the individual worker. Extra working hours are remunerated with contractually established increments in accordance with the provisions of the relevant collective bargaining agreements. There are contracts, exclusively for employees at or above the 6th grade level, that provide for a flat rate of working hours. However, these hours are tracked by the electronic attendance recording system and are made available for reference in the human resources operating system.

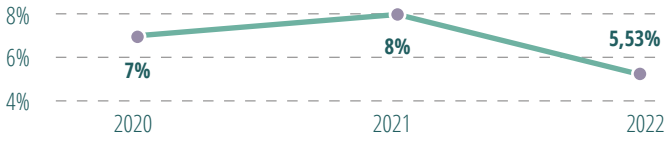
Details of employees employed under part-time and full-time contracts by gender and location are shown below.

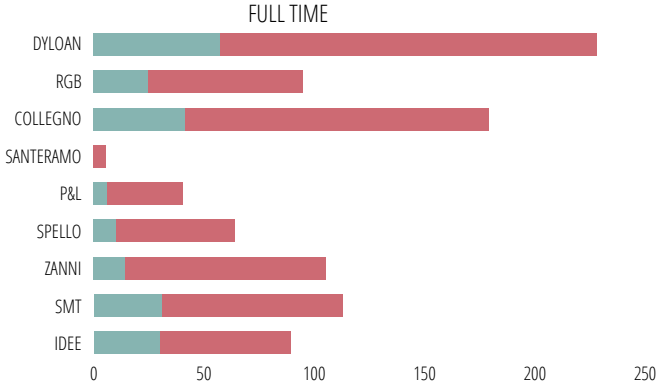
	GROUP		
	M	**F**	**TOT**
Part-time	4	49	53
Full-time	214	565	779



	MALE	FEMALE
DYLOAN	1	8
RGB	0	4
COLLEGNO	1	11
SANTERAMO	0	3
P&L	0	6
SPELLO	1	1
ZANNI	1	6
SMT	0	7
IDEE	0	3

WEIGHT OF TRAINEES ON TOTAL EMPLOYEES





	MALE	FEMALE
DYLOAN	57	171
RGB	25	70
COLLEGNO	41	85
SANTERAMO	0	5
P&L	6	34
SPELLO	10	54
ZANNI	14	10
SMT	31	82
IDEE	30	54

REQUIREMENT 8 - PAY:

The average pays to employees are in accordance with the National Contracts and are well above the national poverty line, though the actual amount may vary depending on the specific job functions. The pays received are thus able to meet the basic needs of workers and provide them with some discretionary income. Schedules accompanying paychecks indicate the various items that make up compensation, and no withholding for disciplinary purposes is made.

The contract forms used in 2022 were:

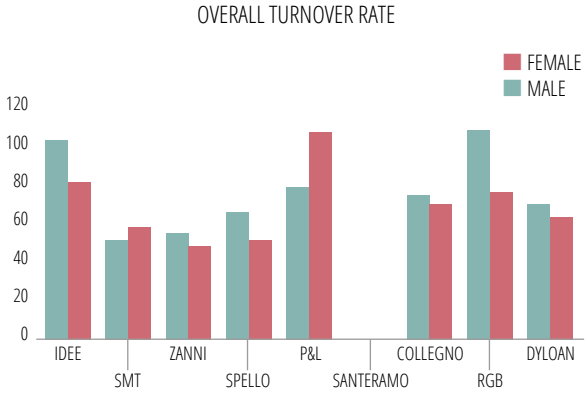
PAY DIFFERENCE PATTERN GROUP

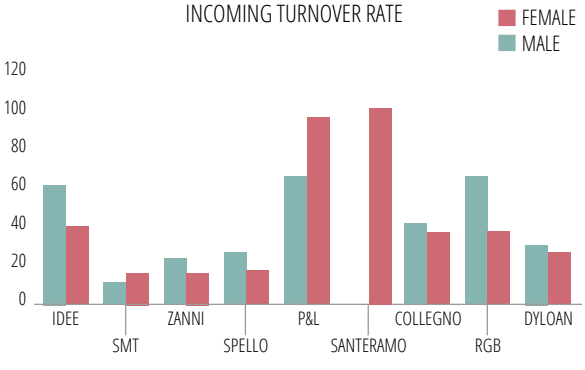
CONTRACT FORMS	IDEE		SMT		ZANNI		SPELLO		P&L		SANTERAMO		COLLEGNO		RGB		DYLOAN	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
PERMANENT WORKERS	22	45	31	86	13	12	9	50	5	24	0	5	34	75	18	64	47	145
FIXED TERM WORKERS	7	7	0	3	1	2	1	2	1	4	0	2	2	10	0	1	4	23
TRAINEES	0	0	0	0	1	0	0	2	0	0	0	1	1	3	0	1	0	3
TEMPORARY WORKERS	0	0	0	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0
APPRENTICES	1	5	0	0	0	2	1	1	0	4	0	0	5	8	7	8	7	6
CONSULTING WORKERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
COCOCO	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1

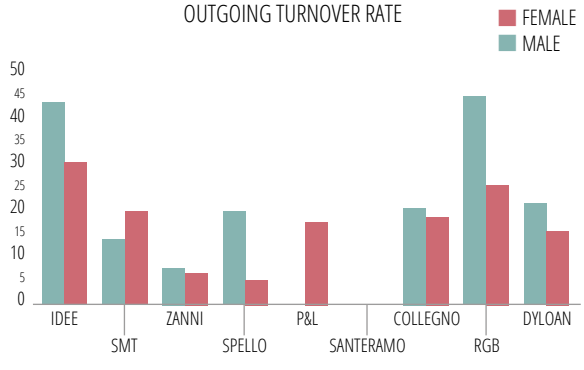
TURNOVER RATE BY GENDER

The turnover rate[5] , also called staff turnover rate, is a metric that indicates the percentage of employees who leave the company in a given period of time, usually annually. This metric is calculated by dividing the number of employees who left the company for any reason (voluntary resignation, layoffs, retirements, etc.) by the total number of employees in the company and multiplying the result by 100.

The turnover rate is a significant metric as it can provide insights into the company's stability and employee satisfaction. A high turnover rate can indicate potential issues in the work environment, corporate culture, or personnel management, which may have negative implications for productivity and work quality. Instead, a low turnover rate may indicate good personnel management and a healthy corporate culture, which could increase employee satisfaction and improve company performance.







The high turnover rate is considered normal. High mobility is due to natural processes such as retirements and the employment of new staff, which is largely influenced by the rapid growth of the Group.

5. Overall Turnover Rate = (No. Employees added to the payroll + No. Employees who stopped working/permanent and fixed-term employees at 31/12) *100.

SOCIAL COMPLIANCE OF THE SUPPLY CHAIN

The fragmentation of supply chains, the disintegration of the production fabric following the relocation of brands and various moments of crisis in the landscape of small, mostly artisanal enterprises, has created challenges for supply chains. These difficulties have sometimes led small entrepreneurs to make risky management choices that could potentially impact the reputation of their clients.

To address the growing need to protect its own reputational capital and that of the brands it produces, Pattern has implemented a comprehensive system of periodic monitoring, based on the principles of compliance with the standard and the requirements of Law, conducted by SA8000:2014-certified auditors, of all the suppliers involved in the processing stages with whom it collaborates.

The resulting assessment provides an overview of the level of risk in the supply chain and is followed by an ongoing improvement plan that requires companies to make efforts to meet the required standards.

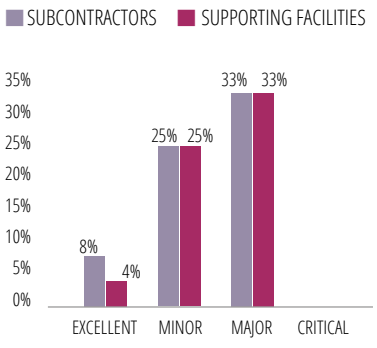
The risk grading policy is based on compliance with the industry's collective bargaining agreement, Labour Law legislation, Legislative Decree 81/2008 and the 8 social responsibility requirements summarized in the SA8000 Standard, and involves the assignment of a rating divided into:

- **EXCELLENT:** the company demonstrates excellent management of its employees and meets all the requirements of Legislative Decree 81/2008; no non-conformities have been found
- **MINOR:** the company has good maturity in employee management and safety; however, minor shortcomings have been found
- **MAJOR:** the company's employee and safety management practices are rated as deficient; serious non-conformities have been found
- **CRITICAL:** the company does not fully respect the rights of its employees and/or endangers their physical safety

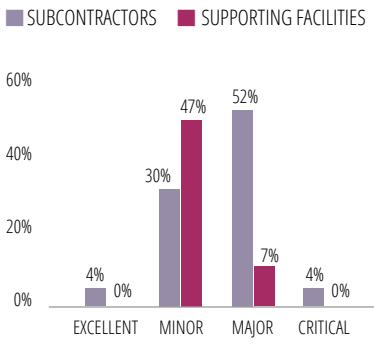
Failure to meet any of the requirements outlined in the Social Responsibility Requirements section results in a "Critical" rating. Pattern has opted not to collaborate with companies rated CRITICAL, and has amplified scrutiny over high-risk sub-suppliers. in order to guide companies towards achieving the desired level of social compliance.

TYPE OF RISK IN SUPPLY CHAINS

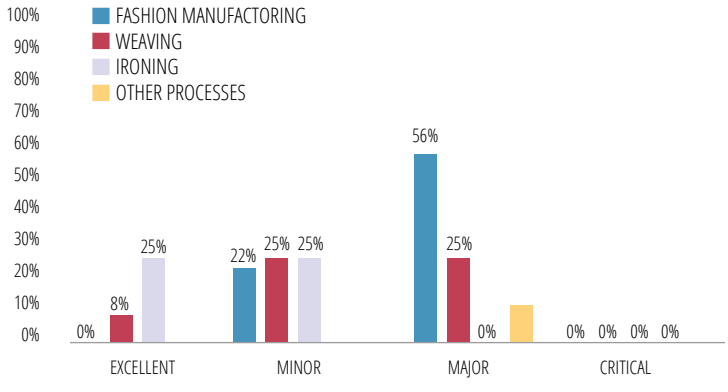
COLLEGNO CHAIN



SPELLO CHAIN



SMT CHAIN



OVERALL EVALUATION OF PATTERN LOCATION CHAINS

The goal of a 20% reduction in Major rating set in 2021 was met. Specifically, it was reduced by 21.37%.

The goal of increasing the Excellent rating was not met. Specifically, it decreased by 2.84% still highlighting a mismatch between social compliance requirements and the management of SMEs that make up the textile/clothing supply chain.

The Excellent rating refers to a corporate performance evaluation system that takes into consideration several aspects, including social compliance. The 2.84% decrease in the rating may indicate that there were problems in the management of SMEs that make up the textile/clothing supply chain, which negatively affected social compliance.

Several causes could explain this decrease, such as:

- Deficiency in communication and cooperation efficiency between the contracting company and the companies within the subcontracting chain.
- Lack of attention by subcontractors to social compliance and regulations on workers' rights, occupational safety, environmental protection, etc.
- Challenges in attempting to harmonize production needs and target prices with social compliance requirements.

A number of measures may need to be taken to solve this situation and improve the quality of the subcontracting supply chain, such as:

- Enhance dialogue and cooperation among supply chain participants via information exchange, the dissemination of best practices, and more personalized feedback sessions after monitoring audits.
- Provide training and support to SMEs on social compliance and regulations on labour rights, occupational safety, environmental protection, etc.
- Increase the engagement of all departments through awareness and recognition actions.

This will help address the underlying causes of the decline in Excellent rating and improve social compliance in the textile/clothing supply chain.

In 2022, Pattern Group's periodic audit scope encompassed 45 companies, inclusive of subcontractors and process-stage suppliers, representing roughly 82% of the total companies within the supply chains of Pattern's various sites.

The diminished audit scope was a result of the Group's rapid expansion and the ensuing need to engage new manufacturers, facilitating a production increase to meet market demands. To provide broader oversight over the expanding supply chain and assure adherence to social compliance standards, two new dedicated personnel were incorporated in 2023.

At end 2021, 100% of the companies within the supply chains of the Turin, Spello, and SMT offices underwent inspection and evaluation. However, the supply chain census for the Scandicci office, Idee Partners S.r.l., initiated in 2022 and slated for completion in 2023, remains underway.

Following each inspection, through appropriate cause analysis, a corrective action plan is formalized to solve the non-conformities found and prevent their re-occurrence, aiding companies in their pursuit of excellence. The company also conducts a periodic review of the effectiveness of all corrective actions implemented and, during the audit, ascertains the effective solution of non-conformities identified in the previous audit.

RELATIONS WITH THE TERRITORY: SLOW FIBER

In September 2022, Pattern took part in the founding assembly of Slow Fiber, a network created through the meeting with Slow Food of a number of virtuous companies in the Italian textile supply chain. The aim is to extend Slow Food's values also to the textile domain, educating consumers and increasing their awareness of the impact of production processes in the textile supply chain.

The initiative was warmly welcomed due to its deep ties with the Piedmont region, resulting from a consortium of 16 local firms operating across diverse sectors of the textile supply chain.

Unveiled at Terra Madre, Slow Fiber aspires to prove the potential of crafting textile products for both apparel and furnishings that simultaneously embody beauty, consumer health, environmental friendliness, fairness in respecting workers' rights, and durability, thereby promoting a longer lifespan to minimize waste production.

Born from the alliance between Slow Food Italy and sixteen virtuous textile companies, the new network embodies a tangible example of positive change. This transition hinges on a sustainable production process designed to create aesthetically pleasing, health-conscious, eco-friendly, equitable, and enduring products, honoring both human dignity and Nature's fragile balance.

Originating from the Slow Food association, long committed to promoting wholesome, clean, and fair food for all, Slow Fiber adapts these ideals to apparel and furnishings. It thus impacts our interaction with the body and beauty, integrating ethical, just, and balanced values.

Slow Fiber strives to promote awareness about the environmental, supply chain workforce, and consumer health impacts of textile products, fostering a fresh ethic and culture for attire and home decor. Bearing this in mind, Slow Fiber also intends to enlarge its network by incorporating and soliciting both Italian and international companies. The goal is to amplify the reach of this transformation, making it a collective, robust, and prompt endeavor.

Slow Fiber

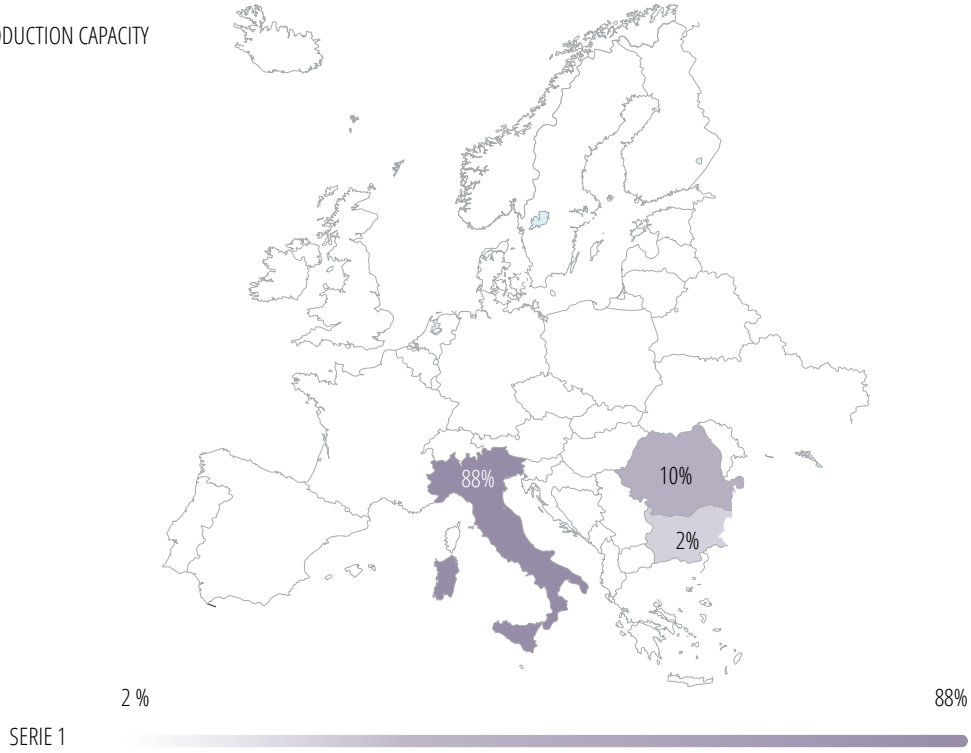
Sostenitore Ufficiale

Slow Food'Italia

PROTECTION OF MADE IN ITALY

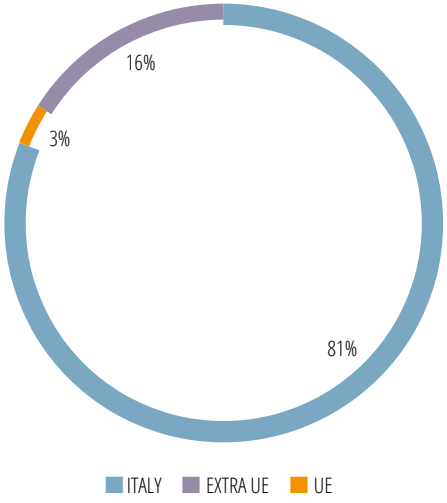
In recent years, the fashion industry has undergone a major change in the value chain, related to production cycle and methodology developments. This change has been propelled by the distinct needs of end consumers, who seek increasingly rapid fulfillment of their demands. However, major fashion houses' decisions to relocate production have led to a more extended supply chain, occasionally conflicting with these consumer demands. And now, amidst global geopolitical instability, we are witnessing a re-emergence of environmental and social sustainability values, with appeals originating from both consumers and institutions. Against this backdrop, Pattern positions itself as a genuine partner, not merely a subcontractor, for engineering, cutting and manufacturing garments. A persistent dialogue permeates the production process, and Pattern's Governance, deeply attuned to environmental and social concerns, safeguards the brand's reputation. To ensure social, environmental and health and safety compliance, Pattern subcontracts its productions solely to garment manufacturers who commit to stringent periodic supervision. The extensive reach of its supply chain spans the entire Italian peninsula, safeguarding the invaluable legacy of expertise synonymous with Made in Italy. The choice to endorse an Italian supply chain aligns with the company's philosophy, emphasizing enduring, stable supplier relationships and aiding the growth of Italian fabric manufacturers - vital complementary components of the production process.

PRODUCTION CAPACITY



NUMBER OF SUBCONTRACTORS BY REGION

GEOGRAPHICAL BREAKDOWN
OF RAW MATERIAL PURCHASES



COMMITMENT TOWARDS THE NEW GENERATIONS: CORPORATE ACADEMIES

Human resource management is becoming increasingly pivotal to business strategies, especially in this moment of time marked by constant change and complex events amid uncertainty. Strategies must adapt to changing scenarios, necessitating continual fine-tuning of training approaches and of new talent acquisition methods.

Pattern regards people and their skills as core values, and its *Academies* are based on these beliefs. These training and selection paths strive to equip employees as *"Ready to work"* – capable of contributing and adding value to the company from the moment they join. Moreover, employee teams transform into educators by imparting their expertise and skills to train the young generations and preserve occupations that need to remain vibrant and appealing.

The programs are designed to convey the technical skills at the heart of the Made in Italy concept, and are based on an analysis of the most in-demand roles in the local area. There are four main stages: recruitment, selection, training and onboarding. Territorial advertising campaigns draw and inspire young individuals aspiring to carve out careers in luxury fashion. After an initial assessment, candidates participate in group and individual selection assessments to identify motivation and aptitude. Training courses are curated by an internal team boasting robust technical prowess and a keen understanding of training needs and business processes. The educational program is divided between theory and practice and lasts 180-240 hours. Individuals who prove to be talents to invest in are hired and embark on a journey of coaching and continuing education until they attain self-sufficiency.

The training programs are rooted in traditional craftsmanship, but fused with modern technologies to appeal to newer generations. Efforts are made to address the demand for fresh incentive and highly relevant subjects, such as technology and sustainability, which should be an inherent component of the pathways.

In November 2022, SMT experimented Pattern Group's first Academy for training Knitting Operators. The journey commenced with a recruitment phase, driven by a targeted Attraction campaign primarily employing social media platforms popular among the youth. After an initial screening, candidates were invited to participate in a one-day assessment at the company, where they underwent manual testing, group testing, and individual interviews with the HR Team.

The 10 individuals chosen following the assessment embarked on a 240-hour training course, combining theoretical and practical elements, tailored specifically to SMT's needs. The course was instructed by internal lecturers, SMT employees, who shared their expertise with enthusiasm and a deep sense of company and local area responsibility, facilitating the transfer of skills and technical knowledge. Upon training completion, 4 out of the 10 course participants were deemed fit to join the SMT team. The remaining trainees were referred to the project's partner Employment Agency for placement in other local businesses.

Following this initial experimentation, many other Group companies have undertaken initiatives aimed at training young talent in their local area.

To continuously enhance in-house skills, group companies also offer tailored training hours in collaboration with reputable and accredited institutions.

Our investment in training hours beyond the mandatory requirements is a tangible sign of our dedication to corporate sustainability. By enhancing the skills of our employees, promoting motivation and engagement, reducing turnover, and adapting to market challenges, we seek to build a more resilient and sustainable company. We believe that investing in our employees is a key step toward a prosperous and sustainable future for our organization.

AVERAGE TRAINING HOURS DELIVERED THROUGHOUT THE YEAR.

	DYLOAN BOND FACTORY	IDEE PARTNERS	PETRI & LOMBARDI	RGB	D'AMBROSIO CONFEZIONI	SMT	ROSCINI ATELIER	ZANNI	PATTERN	GROUP
Top Management	3	0	0	0	0	0	0	0	42	45
Upper Management	7	0	0	0	0	0	20	0	0	27
Middle Management	7	0	0	0	0	0	28	0	0	35
Entry/Junion Level	25	0	0	0	0	0	0	0	0	25
Operational Functions	17	0	0	0	0	10	23	0	4	54

	SESSIONS 2022	SESSIONS 2023	OUTGOING POSITION	NO. OF PEOPLE TRAINED/ TO BE TRAINED.	EDUCATORS	RECRUITED
PETRI & LOMBARDI	3	–	leather manufacturing operators	43	2 sessions internal 1 session internal	25
SMT	1	1	knitwear sampler	11	internal	4
DYLOAN	–	2	prototyper	20	internal	–
ROSCINI	–	1	prototyper	10	internal	–
RGB	–	2	leather manufacturing operators	20	internal/external	–
IDEE PARTNERS	–	–	leather craftsman	10	internal/external	–

Training sessions are still ongoing and are aimed at integrating the most worthy professionals in the company.

FONDAZIONE S.I.A. FOLLOWING TRANSFORMATION OF ASSOCIAZIONE FINSAA

Since 2022, Pattern S.p.A. has been a member of Fondazione S.I.A., which carries on the mission of FINSAA, a private nonprofit association founded in the 70s and based at the Industrial Union of Turin, with its management entrusted to the latter.

To achieve these objectives, it has consistently relied on substantial assets, solely of private origin and self-financed. In 2006, its resources were significantly bolstered by a substantial legacy from the visionary philanthropist, Ms. Marcella Carolina Novo. Relatively unknown to the general public, she was a successful manager and entrepreneur (the first woman in Italy to become CEO of a major industrial company in 1958) who passed away in late 2004. Part of her legacy was entrusted to FINSAA, recognized as a deserving beneficiary of her complete faith in supporting young individuals pursuing studies relevant and beneficial to the Turin production system.

Therefore, FINSAA's primary objective was to aid the SAA (School of Business Administration of the University of Turin) in accordance with the Statute (Presidential Decree 01.10.1974, No. 616), which emphasized its innovative status as a "business school". This designation conferred administrative independence from the University and laid the foundation for a pioneering public-private partnership.

In 2022, the 10-member consortium, including Pattern SpA, collaborated with the Executor and the Prefecture of Turin to enhance the recognition, scope, coherence, and long-term vision of its mission. Despite mounting commitments, it opted to convert the Association into a Foundation for Business Interest Studies (S.I.A.).

QHSE INTEGRATED POLICY AND SA8000

Pattern S.p.A. is committed to providing high-quality products and services in a safe and environmentally sustainable manner, respecting the health and safety of its employees, customers and the environment in which it operates.

To achieve this goal, Pattern S.p.A. is committed to:

- Complying with applicable quality, health, safety and environmental regulations and laws.
- Identifying and assessing the health, safety and environmental risks associated with its operations and taking preventive and corrective measures to minimize them.
- Promoting a culture of safety and health across all its departments by promoting training and awareness among its employees.
- Providing its employees with the resources and equipment they need to do their work in a safe and environmentally sustainable manner.
- Continuously monitoring and improving its QHSE management system by identifying performance targets and indicators, measuring performance, analyzing results, and taking corrective and preventive actions.
- Involving its suppliers and business partners in promoting a responsible approach to quality, health, safety and the environment.

Pattern S.p.A. is committed to ensuring the communication and dissemination of this policy to all its employees, employees of its subsidiaries and investees, and anyone who may be involved in its operations. Management is committed to providing the necessary resources to implement this QHSE policy and to making QHSE management system documentation available to its employees and customers upon request.

HEALTH AND SAFETY POLICY

The Corporate Management of Pattern S.p.A. and each of the Group's relevant locations commits to allocate human, instrumental, and financial resources to achieve the goals of enhancing worker safety and health. This commitment is an integral part of their operations and a strategic endeavour aligned with the company's broader objectives.

It makes this document known and disseminates it to all parties in the company and undertakes that:

- from the moment of defining new activities or revising existing ones, safety aspects are considered indispensable content;
- all workers are trained, informed and sensitized to perform their tasks safely and to take on their OHS responsibilities;
- the entire company organization (including managers, supervisors, designers, installers, purchasing and maintenance departments, workers, and others) actively engages in achieving the assigned safety objectives according to their respective responsibilities and competencies, so that:
- the design of machinery, plants, and equipment, as well as workplaces, operating methods, and organizational aspects, are conducted with a focus on preserving the health of workers, company assets, third parties, and the surrounding community where the company operates;
- information regarding company risks is shared with all workers, and training is provided and updated, with specific emphasis on the tasks they perform;
- emerging needs during work activities are promptly addressed with speed, efficiency, and diligence;
- cooperation among various corporate resources, and collaboration with business organizations and external designated bodies are promoted;
- all applicable laws and regulations are complied with, procedures are formulated, and identified company standards are followed;
- activities are managed also with the aim of preventing accidents, injuries and occupational illnesses. The design, operation and maintenance, including cleaning of workplaces, machines and facilities is directed to this end.

ENVIRONMENTAL POLICY

Sustainability is an integral part of the corporate culture of the group, which constantly strives to improve its environmental impact by meeting the following requirements:

- Reduce the environmental impact of the organization's operations by adopting environmentally sustainable practices that comply with environmental regulations.
- Promote the responsible use of natural resources, such as energy and water, by reducing waste and adopting low-impact technologies.
- Continuously improve the management of waste generated by the organization by reducing the amount of waste generated and recycling materials.
- Protect natural habitats and biodiversity by taking actions to reduce the impact of the organization's activities on surrounding areas.
- Foster employee training and awareness of the significance of environmental management and reducing the environmental impact of the organization's operations.
- Continuously monitor the organization's environmental performance by analyzing environmental data and taking corrective measures to improve processes.
- Adopt environmentally sustainable technologies and materials, such as by reducing the use of harmful chemicals.
- Work with suppliers and partners to promote environmental management and the adoption of environmentally sustainable practices.
- Ensure that the organization minimizes its environmental impacts and promotes sustainable practices within its supply chain.
- Maintain consistently high compliance with environmental regulations and take preventive measures to avoid pollution and contamination.
- Regularly monitor and communicate the organization's environmental impacts to its stakeholders, such as customers, employees and the local community.

QUALITY POLICY

Pattern S.p.A. has devised a business plan with a clear focus on establishing hubs of excellence for "Made in Italy" production, exclusively dedicated to crafting luxury products.

The backbone of its business model is to provide service and product quality and excellence to its customers and is committed to:

- Continuously improving customer satisfaction through the production of high-quality products and services.
- Reducing production errors and defects at the process level, with the aim of improving the quality of products and services provided.
- Increasing the efficiency of production processes while reducing waste and increasing productivity.
- Improving internal and external communication to ensure timely and accurate information flow.
- Fostering a culture of quality within the organization by involving all employees in the pursuit of quality and customer satisfaction.
- Improving the efficiency of after-sales service by promptly addressing customer inquiries and swiftly resolving issues.
- Constantly monitoring the input and output performance of the compliance of its products and taking corrective measures to improve results.
- Consistently maintaining the organization's high reputation in the market through a policy of transparency and integrity.

CORPORATE SOCIAL RESPONSIBILITY POLICY

Pattern integrates SA8000 within its business operations and establishes requirements for a social responsibility management system through compliance with and monitoring of the following goals:

- Protection of workers' rights: Ensure that all workers in the organization are treated with dignity and respect, are free from discrimination and harassment, and enjoy safe and healthy working conditions.
- Elimination of child labour: Ensure that there is no form of child labour within the organization and its suppliers.
- Fair wages and benefits: Ensure that workers in the organization and its suppliers are compensated fairly for their work, including adequate wages and benefits.
- Working hours: Ensure that working hours are appropriate and comply with labour regulations, and that workers have the right to rest and paid vacations.
- Freedom of association and collective bargaining: Ensure that workers in the organization have the right to freely associate and bargain collectively with the organization.
- Protection of workers' health and safety: Ensure that the organization provides a safe and healthy work environment, and that workers are protected from health and safety hazards.
- Supply chain management: Ensure that the organization works with suppliers who meet the same social responsibility standards and works with them to improve their performance in this area.
- Employee engagement: Involve the organization's employees in setting social responsibility goals and implementing them through training and active participation.
- Monitoring and evaluation: Regularly monitoring and evaluating the organization's social responsibility performance and taking corrective actions to continuously improve.

SGI: A SHARED CULTURE THAT VALUES UNIQUENESS

Pattern S.p.A. has established an integrated management system aligning with SA8000 - ISO9001 - ISO 45001, and ISO 14001 standards. It aims to obtain certification for this system in 2024, after effective implementation across all organizational structures.

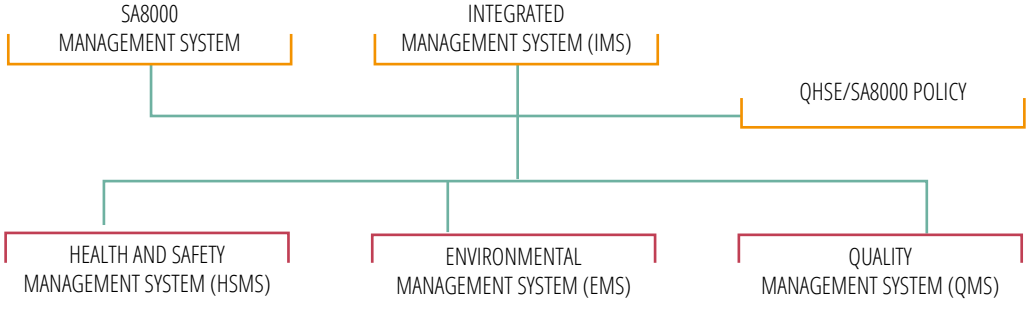
Having an integrated management system for all business locations that meets the requirements of SA8000, ISO9001, ISO45001 and ISO14001 is critical to ensuring the long-term success and a cohesive, shared culture of the Group.

Firstly, implementing an integrated management system enables the unification and optimization of business processes, eliminating duplication of activities and improving operational efficiency. This means that the company can reduce costs and improve productivity while increasing customer satisfaction.

Secondly, compliance with SA8000, ISO9001, ISO45001 and ISO14001 ensures that the company operates according to the highest standards of social responsibility, quality, occupational health and safety and environmental management. This helps safeguard the company's reputation and increase the trust of customers, suppliers and investors.

Additionally, implementing an integrated management system helps companies comply with applicable laws and regulations and prevent the risk of non-compliance, thereby avoiding fines and penalties that could adversely affect financial statements.

Lastly, an integrated management system helps the company monitor and continuously improve its performance in terms of social responsibility, quality, occupational health and safety, and environmental management. This enables the company to adapt to market changes and new regulatory requirements, ensuring the long-term sustainability of its operations.



DEVELOPMENT AND GROWTH OF OUR SUPERVISORY BODIES

The mandatory bodies of a business are those mandated by law and are essential for the management and supervision of the company. In Italy, the mandatory bodies are the Board of Directors and the Board of Statutory Auditors. The Board of Directors is the company's governing body, responsible for setting the company's strategy and overseeing its execution. On the other hand, the Board of Statutory Auditors is responsible for supervising the directors' work and ensuring that accounts are properly kept.

Voluntary bodies, on the other hand, are those that the company decides to establish on its own to improve its governance and reputation. For example, a company may decide to establish a Corporate Social Responsibility Committee, a Risk Management Committee, or a Remuneration and Appointments Committee. These voluntary bodies are tasked with assisting the Board of Directors in its decisions by providing in-depth and independent analysis of the specific issues in their remit. This way, the company can improve its governance and increase transparency and accountability towards its stakeholders.

Generally speaking, both mandatory and voluntary bodies are critical to the good governance and effective management of a company. The establishment of voluntary bodies demonstrates the company's commitment to the goals of sustainability and corporate social responsibility, enhancing its reputation and creating value for the company itself and for society as a whole.

MANDATORY BODIES

Board of Directors

The Board of Directors is a crucial component within a company. It is the governing body responsible for setting the company's strategy, taking major decisions, and ensuring the proper management of the business.

A primary responsibility of the board of directors is to safeguard the interests of shareholders by ensuring ethical and responsible management of the company. Additionally, the board of directors is responsible for setting the company's goals and strategies, ensuring maximum efficiency and optimizing results. Additionally, the board of directors is responsible for appointing the company's executives and ensuring that individuals in positions of responsibility can effectively carry out their duties in alignment with the company's goals. The board of directors is also responsible for monitoring the company's operations and regularly evaluating its performance, and is also responsible for managing the company's risks. Indeed, it must assess the risks to which the company is exposed and define the actions required to manage them effectively. This way, the board can guarantee that the company can effectively tackle market challenges and sustain its competitiveness over the long term.
It is therefore a crucial body for the management of a business. Through its monitoring, goal-setting, and risk management functions, it can ensure the company's sustainable growth and the creation of value for all stakeholders.

Pattern Group's Board of Directors is composed as follows:

Francesco Martorella	Chairman
Fulvio Botto	Vice Chairman
Luca Sburlati	Chief Executive Officer
Stefano Casini	Director
Claudio Delunas	Director
Innocenzo Tamborrini	Director
Emilio Paolucci	Independent Director

Board of Statutory Auditors

The board of statutory auditors is a mandatory internal supervisory body for joint stock companies (SPAs) and plays a key role in corporate management, ensuring the proper implementation of laws and the company's bylaws. Specifically, the board of statutory auditors is responsible for verifying the regularity of administration, the proper keeping of accounts, the conformity of management with the general guidelines of the company, and the proper application of accounting standards and legal regulations.

Among the main functions of the board of statutory auditors are reviewing the financial statements and the directors' report on operations prepared by the Board of Directors, providing an opinion on transactions of significant financial importance, and reporting any irregularities or conflicts of interest to the Board of Directors.

The board of statutory auditors serves as a critical tool for controlling and overseeing corporate management, guaranteeing transparency and integrity in the company's operations, and safeguarding the interests of shareholders and stakeholders.

Davide Di Russo	Chairman
Lucia Margherita Calista Rota	Standing Auditor
Lucia Starola	Standing Auditor
Valerio Brescia	Alternate Auditor
Riccardo Cantino	Alternate Auditor

Independent Auditors

PricewaterhouseCoopers S.p.A., in breve PwC

VOLUNTARY BODIES

CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

The direction and coordination of ESG activities are assigned to the corporate social responsibility team. To achieve greater integration into the business model, a dedicated team was established in September 2021, currently comprising 5 resources. The creation of a team focused on environmental and social topics underscores Pattern's commitment to respecting corporate growth in line with sustainability principles.

The CSR team analyzes, proposes and implements solutions to address the impacts of production activities on the environment and society. It suggests Pattern Group's sustainability strategy, reporting directly to Management and requesting approval of goals from the Board of Directors.

It is also responsible for reporting and drafting the sustainability report after gathering data, increasingly raising awareness of sustainability topics within the Group.

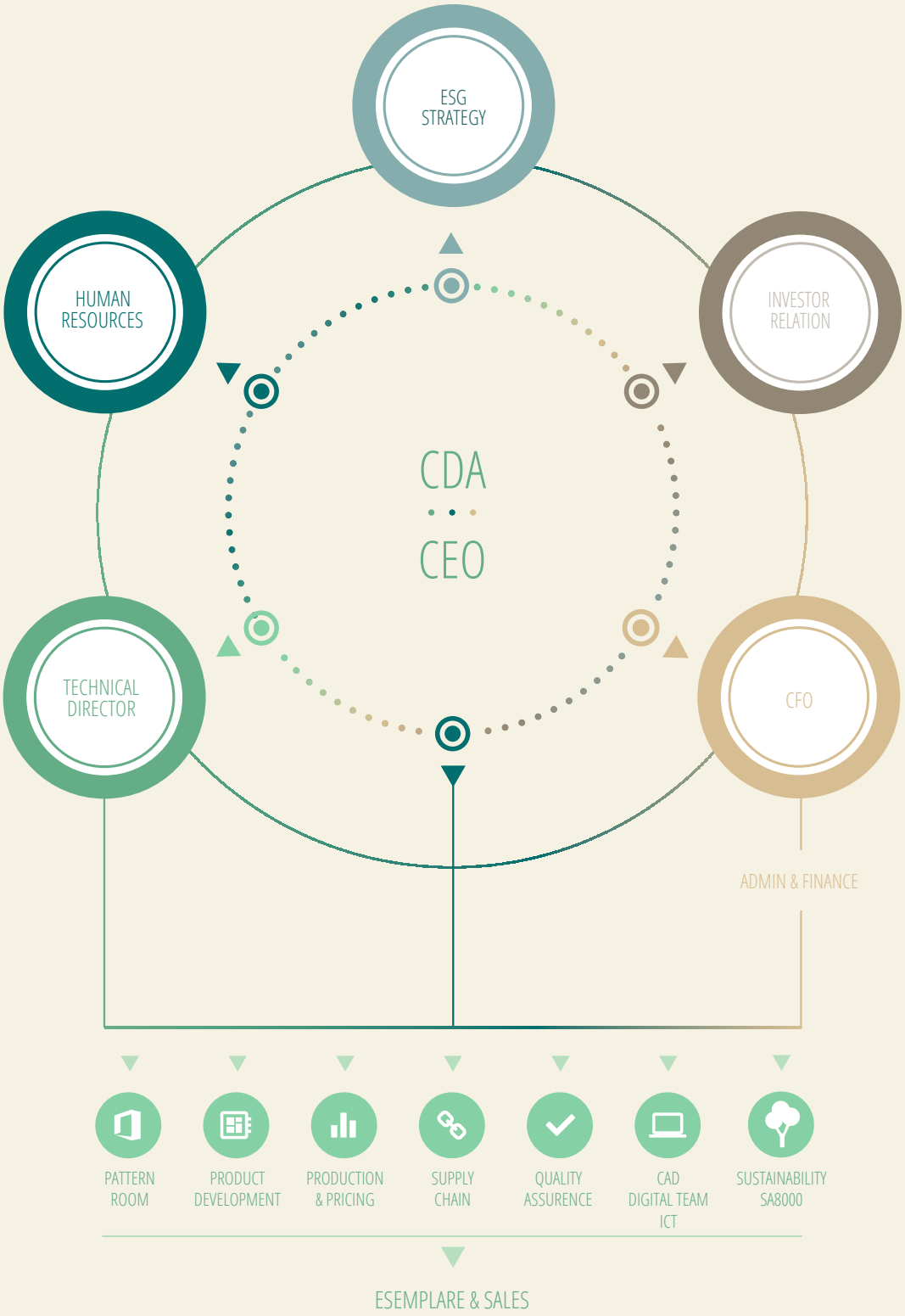
SOCIAL PERFORMANCE TEAM

In accordance with the certified SA8000 management system, it is essential to establish a Social Performance Team (SPT) responsible for ensuring the effective integration of the Standard's principles into business processes. The team should consist of a well-balanced representation, including SA8000 worker representatives (where applicable, RSA and RSU if present in the company) and Management.

Each Group location has elected SA8000 representatives and has its own SPT committee that reports to the centralized coordination of the Turin office and reports on its activities during the management review conducted annually.

SUPERVISORY BODY Leg. Decr. 231

The Company appointed the Supervisory Body in October 2021, with the aim of ensuring that this body meets the requirements of autonomy, independence, professionalism and continuity of action in accordance with the provisions of Legislative Decree No. 231 of 2001 (Articles 6 and 7), such as to ensure effective and efficient implementation of the adopted Model.


ESG STRATEGY
HUMAN RESOURCES
INVESTOR RELATION
CDA
CEO
TECHNICAL DIRECTOR
CFO
ADMIN & FINANCE
PATTERN ROOM
PRODUCT DEVELOPMENT
PRODUCTION & PRICING
SUPPLY CHAIN
QUALITY ASSURENCE
CAD DIGITAL TEAM ICT
SUSTAINABILITY SA8000
ESEMPLARE & SALES

PNAT
INSPIRED
BY PLANTS
RICA
ARIA

ESEMPLARE

MISSION, VISION & VALUES

Esemplare emerged and evolved with a clear and powerful identity, offering men's and women's *outerwear*. These lines merge cutting-edge technology and eco-sustainability focus with a minimalist style, marked by the iconic inverted Y yoke design. The Esemplare collections, the result of continuous research and experimentation, are designed, engineered and developed exclusively in Italy. Sustainability values not only define our end product, but also inspire our employees and apply to our everyday tasks.

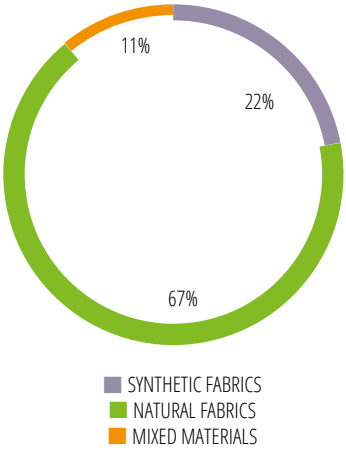
Esemplare, inspired by the blend of humanity and nature, employs fabrics and accessories that harmonize tradition with innovation, collaborating with partners who uphold the same ethical and environmental principles.

Additionally, to promote the efficient and effective use of resources, it monitors and reduces waste by using materials that have a low impact on people and the planet.

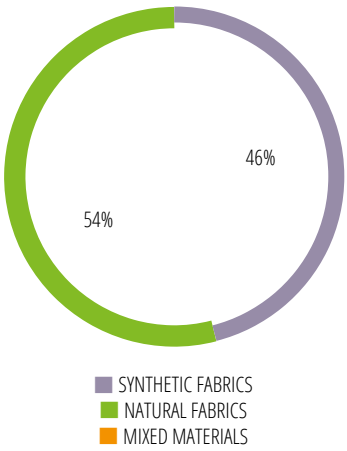
Esemplare's sustainability goals and methods align with those of Pattern, inheriting the SA8000 *Social Accountability* certification and adopting the international ZDHC protocol. Additionally, Esemplare and Pattern share the same *Chemical Management System* for overseeing company chemical use. Responsible decisions are taken for every aspect, starting with the design of corporate facilities and infrastructure. However, Esemplare's dedication to sustainability extends beyond infrastructure to include new material research. Since 2015, Esemplare has excluded fur and goose down from its new collections. To make up for the technological requirements of these materials, it recently introduced *Thermore Ecodown*, a new padding made from 100% recycled fiber. This allows for the reuse of 10 plastic bottles in the production of each garment. The material of the weather-worn garment is created from nylon re-pet, also sourced through the recycling of everyday PET bottles. Lastly, Esemplare has continued the efforts of previous years in the third macro area identifiable in the context of sustainability: the *Circular economy*.

In the graphs below, Esemplare gathered data on collections designed and produced in 2022. To measure the sustainability of the produced garments, focus was placed on the fabric, categorizing the collections into garments made from synthetic fabrics (like polyester, polyamide, etc.), those made from natural fabrics (such as viscose, cotton, wool, etc.), and those composed of mixed materials.

FW22



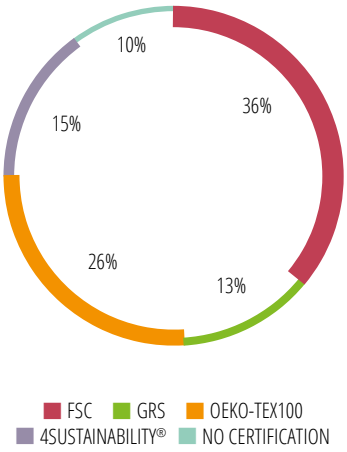
SS22



The main focus was then on product and process certifications awarded.

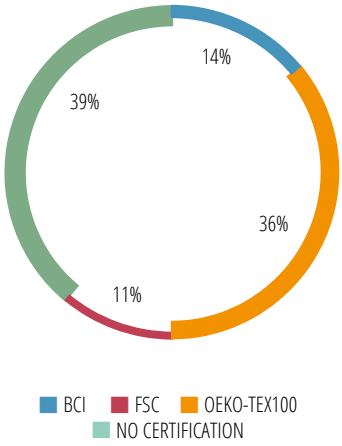
AUTUMN-WINTER COLLECTION

MAIN FABRICS WITH PRODUCT OR PROCESS CERTIFICATIONS - FW22



SPRING-SUMMER COLLECTION

MAIN FABRICS WITH PRODUCT OR PROCESS CERTIFICATIONS - SS22



Process certifications	
4Sustainability:	ensures the performance and social and environmental compliance of the entire supply chain. Specifically, it ensures the use of lower-impact materials, the elimination of toxic and harmful chemicals from production cycles, process traceability and supply chain monitoring, the responsible use of resources, and the development of reuse and recycling practices.

Product certification	
FSC - Forest Stewardship Council:	ensures that the raw materials used to make the finished product come from forests that are properly managed and in accordance with the principles of forest management standards and chain of custody.
GRS - Global Recycled Standard:	ensures, through a process of tracking input materials, that finished products are actually derived from recycled and sustainably processed raw materials.
Oeko Tex 100:	ensures the absence of harmful substances detrimental to the health of consumers or the environment.
BCI - Better Cotton Initiative:	ensures the quality of cotton used throughout the production chain, respecting the people who work it and the environment.

In cases where there are no particular certifications related to the fabrics used, Esemplare is always committed to working with Italian suppliers who have certifications at least on their processes. This serves as a baseline requirement for choosing suppliers and fabrics to use in the collection.

ESEMPLARE PROJECTS

In order to promote and enhance reuse and recycling practices typical of upcycling and re-fashioning, Esemplare chose to donate 223.39 metres of stored material to the innovative startup Must Had. The latter's core business is the production of "regenerated" clothing from waste from the world of textiles and fashion.

Additionally, in line with the values of circular economy and social responsibility that it aims to promote, Esemplare is supporting Project Quid by donating an additional 3,780 metres of surplus fabric from its brand - including 2,489 metres of Scuba, FSC-certified viscose. This social cooperative project was initiated to foster the re-employment of vulnerable men and women or in distress, by involving them in productive activities focused on reusing fabric remnants.

Lastly, in 2022, Esemplare partnered with Colori Vivi, a social tailoring enterprise based in Turin. Their goal is to foster inclusion and integration of migrant women from various countries by imparting a "concrete and qualified profession, empowering them to be independent and shape their own future". Thanks to the recovery and reuse of leftover fabrics and accessories from previous collections, 130 bags were crafted and gifted to employees. This action underscored not only the social initiatives but also reuse and recycling practices, with a view to a circular economy.

CAD	CAD stands for "Computer-Aided Design", which refers to the use of computer software and tools to create, modify, analyze, and optimize technical drawings and three-dimensional models.
NFS (NON-FINANCIAL STATEMENT)	The NFS (Non-Financial Statement) is a document that provides information on a company or organization's performance concerning sustainability and social responsibility matters. The NFS focuses on non-financial aspects such as environmental, social, and corporate governance impacts.
STAKEHOLDERS	Stakeholders are individuals or groups who have an interest or involvement in an organization, project, or activity and who can influence or be influenced by it. Stakeholders can be internal or external to the organization and include different categories of people, organizations and entities.
COMMUNICATION ON PROGRESS	The "Communication on Progress" (COP) is a voluntary document that is submitted by an organization as part of its commitment to the United Nations Global Compact (UNGC). The COP is a public and transparent communication of the organization's actions and progress in meeting the principles of the Global Compact. Through the COP, a company commits to share information on its strategy, policies, initiatives and measures taken to implement and promote the principles of the Global Compact.
R&D	R&D stands for "Research and Development" and is a vital function in organizations focused on innovation and the creation of new products, services, or processes. R&D includes activities aimed at acquiring and applying scientific, technological and business knowledge to develop new solutions and improve existing ones.
INDUSTRIALIZATION	Industrialization is the process of transforming an economic activity or production from a craft or agricultural level to an industrial level. It regards the adoption of advanced methods and technologies to increase the efficiency, productivity and standardization of production processes.
BIOBASED	The term "biobased" refers to materials, products or processes that are derived from biological or biomass sources, such as plants, algae, agricultural or forest residues, and other biodegradable materials. The use of biobased materials is one way to reduce the use of non-renewable fossil resources and to promote a more sustainable, low-carbon economy.
BLOCKCHAIN	Blockchain is an innovative technology that allows digital transactions and information to be securely and transparently recorded, shared and verified. It is a distributed and decentralized registry that serves as a public ledger, accessible to all participants in the network.
NOTARIZATION	Notarization is a legal process that lends authenticity and validity to a document or transaction.
KPIS	KPIs are key performance measures that are used to assess the progress and success of an organization, project, or activity toward set goals. KPIs are specific, quantifiable metrics offering an objective representation of performance and results. KPIs are chosen based on the organization's goals and priorities and may vary by industry and context.
DISCLOSURE	Disclosure is a term that refers to the disclosure of relevant and significant information about a company, organization, or individual. Its aim is to ensure transparency and share data and information beneficial for informed decision-making by both internal and external stakeholders.
GWP (GLOBAL WARMING POTENTIAL)	GWP (Global Warming Potential) is a measure used to assess the contribution of a greenhouse gas to global warming over a given period of time, usually 100 years. GWP is a comparative indicator that measures the effect of a greenhouse gas against that of carbon dioxide (CO_2), which is used as a reference with a GWP of 1.
F-GAS	F-gas is a term that refers to fluorinated greenhouse gases, also known as fluorinated gases or fluorocarbon gases. These gases are used in various industrial, commercial and domestic applications as refrigerants, blowing agents in the production of insulating foams, aerosol propellants, heat transfer fluids and in other chemical processes.
MARKET-BASED	In the area of environmental and carbon policies, it points to approaches based on market mechanisms.
DATA-BASED	It indicates approaches, decisions, or analyses that are based on the use and interpretation of accurate and reliable data. The "data-based" approach involves using information and empirical evidence to make informed, data-driven decisions.
SPEND-BASED	Data obtained on estimated amounts spent
HAZARDOUS CHEMICALS	These are compounds that, owing to their inherent properties, may pose a significant risk to human health, the environment or safety.
DUE DILIGENCE	"Due diligence" is a process of carefully evaluating, researching, and analyzing relevant information, data, and documents regarding an individual, company, or operation.

Statement of use	Pattern Group's Non-Financial Statement is reported in accordance with GRI Standards for the period from 1 January 2022 to 31 December 2022
Used GRI 1	GRI 1 - Foundation 2021

GRI Standard		Page	Omissions	Notes
GRI 2 - General Disclosures 2021				
The organization and its reporting practices				
GRI 2-1	Organizational details	7; 112		
GRI 2-2	Entities included in the organization's sustainability reporting	7; 13, 18 - 31		
GRI 2-3	Reporting period, frequency and contact point	7; 57		
GRI 2-4	Restatements of information	34; 64 - 66		
GRI 2-5	External assurance	7		
Activities and workers				
GRI 2-6	Activities, value chain and other business relationships	100 - 103; 104 - 105		
GRI 2-7	Employees	89 - 99		
GRI 2-8	Workers who are not employees	100 - 103		
Governance				
GRI 2-9	Governance structure and composition	112 - 113		
GRI 2-10	Nomination and selection of the highest governance body	111		
GRI 2-11	Chair of the highest governance body	6		
GRI 2-12	Role of the highest governance body	111		
GRI 2-13	Delegation of responsibility for managing impacts	112		
GRI 2-14	Role of the highest governance body in sustainability reporting	112		
GRI 2-15	Conflicts of interest		x	
GRI 2-16	Communication of critical concerns		x	
GRI 2-17	Collective knowledge of the highest governance body		x	
GRI 2-18	Evaluation of the performance of the highest governance body		x	
GRI 2-19	Remuneration policies	98		
GRI 2-20	Process to determine remuneration	98		
GRI 2-21	Annual total compensation ratio		x	
Strategy, policies and practices				
GRI 2-22	Statement on sustainable development strategy	38 - 51		
GRI 2-23	Policy commitments	108 - 111		
GRI 2-24	Embedding policy commitments	108 - 111		

GRI Standard		Page	Omissions	Notes
GRI 2-25	Processes to remediate negative impacts	48; 66 - 78		
GRI 2-26	Mechanisms for seeking advice and raising concerns	74		
GRI 2-27	Compliance with laws and regulations	77 - 78		
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GRI 3 - Material topics 2021				
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GRI 3-2	List of material topics	42 - 43		
GRI 3-3	Management of material topics	44 - 51		
GRI 201 - Economic performance				
GRI 201-1	Direct economic value generated and distributed	34 - 36		
GRI 201-2	Financial implications and other risks and opportunities due to climate change	52; 55		
GRI 201-3	Defined benefit plan obligations and other retirement plans		x	
GRI 201-4	Financial assistance received from government		x	
GRI 202 - Market presence				
GRI 202-1	Ratio of standard entry level wages by gender compared to local minimum wage	98 - 99		
GRI 202-2	Proportion of senior management hired from the local community		x	
GRI 203 - Indirect economic impacts				
GRI 203-1	Infrastructure investments and services supported	34 - 36		
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GRI 204 - Procurement practices				
GRI 204-1	Proportion of spending on local suppliers	105		
GRI 205 - Anti-Corruption				
GRI 205-1	Operations assessed for risks related to corruption	112		
GRI 205-2	Communication and training about anti-corruption policies and procedures	112		
GRI 205-3	Confirmed incidents of corruption and actions taken		x	
GRI 206 - Anti-competitive behaviour				
GRI 206-1	Legal actions for anticompetitive behaviour, antitrust, and monopoly practices		x	
GRI 207 - Tax				
GRI 207-1	Approach to tax		x	
GRI 207-2	Tax governance, control, and risk management		x	
GRI 207-3	Stakeholder engagement and management of concerns related to tax		x	
GRI 207-4	Country-by-country reporting		x	

GRI Standard		Page	Omissions	Notes
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GRI 301-1	Materials used by weight or volume		x	
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GRI 303-5	Water consumption	87 - 84		
GRI 304 - Biodiversity				
GRI 304-1	Operational sites owned, leased, or managed in protected areas and areas of high biodiversity value outside protected areas or adjacent to such areas		x	
GRI 304-2	Significant impacts of activities, products, and services on biodiversity		x	
GRI 304-3	Habitats protected or restored		x	
GRI 304-4	National Conservation List species and IUCN Red List species with habitats in areas affected by operations		x	
GRI 305 - Emissions				
GRI 305-1	Direct (Scope 1) GHG emissions	60 - 65		
GRI 305-2	Energy indirect (Scope 2) GHG emissions	61 - 65		
GRI 305-3	Other indirect (Scope 3) GHG emissions	62 - 65		
GRI 305-4	GHG emissions intensity		x	
GRI 305-5	Reduction of GHG emissions	48; 66 - 67		
GRI 305-6	Emissions of ozone-depleting substances (ODS)		x	
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions		x	
GRI 306 - Effluents and waste				
GRI 306-1	Water discharge by quality and destination		x	
GRI 306-2	Waste by type and disposal method		x	
GRI 306-3	Significant spills		x	
GRI 306-4	Transport of hazardous waste			n/a
GRI 306-5	Water bodies affected by water discharges and/or runoff			n/a

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GRI 308 - Supplier environmental assessment				
GRI 308-1	New suppliers that were screened using environmental criteria	80 - 81		
GRI 308-2	Negative environmental impacts in the supply chain and actions taken		x	
GRI 401 - Employment				
GRI 401-1	New employee hires and employee turnover	99		
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees			from NCLA
GRI 401-3	Parental leave	94		
GRI 402 - Labour/Management relations				
GRI 402-1	Minimum notice periods regarding operational changes			from NCLA
GRI 403 - Occupational health and safety				
GRI 403-1	Occupational health and safety management system	108 - 109		
GRI 403-2	Hazard identification, risk assessment, and incident investigation	92		
GRI 403-3	Occupational health services			from NCLA
GRI 403-4	Worker participation, consultation, and communicatio on occupational health and safety			from NCLA
GRI 403-5	Worker training on occupational health and safety			Leg. Decr. 81/2008
GRI 403-6	Promotion of worker health			Leg. Decr. 81/2008
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	108 - 109		Leg. Decr. 81/2008
GRI 403-8	Workers covered by an occupational health and safety management system	92		
GRI 403-9	Work-related injuries	92		
GRI 403-10	Work-related ill health	92		
GRI 404 - Training and Education				
GRI 404-1	Average hours of training per year per employee	106		
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	106		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	106		
GRI 405 - Diversity and equal opportunity				
GRI 405-1	Diversity of governance bodies and employees	94 - 95		
GRI 405-2	Ratio of basic salary and remuneration of women to men	94 - 98		
GRI 406 - Non-discrimination				
GRI 406-1	Incidents of discrimination and corrective actions taken	94		
GRI 407 - Freedom of association and collective bargaining				
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	102 - 103		

GRI Standard		Page	Omissions	Notes
GRI 408 - Child labour				
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	90 - 91; 102 - 103		
GRI 409 - Forced or compulsory labour				
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	92		
GRI 410 - Security practices				
GRI 410-1	Security personnel trained in human rights policies or procedures	92		
GRI 411 - Rights of indigenous peoples				
GRI 411-1	Incidents of violations involving rights of indigenous peoples			n/a
GRI 413 - Local communities				
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	104; 106 - 107		
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	104; 106 - 107		
GRI 414 - Supplier social assessment				
GRI 414-1	New suppliers that were screened using social criteria	100 - 103		
GRI 414-2	Negative social impacts in the supply chain and actions taken	100 - 103		
GRI 415 - Public policy				
GRI 415-1	Political contributions			n/a
GRI 416 - Customer health and safety				
GRI 416-1	Assessment of the health and safety impacts of product and service categories	82; 110		
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	82		
GRI 417 - Marketing and labeling				
GRI 417-1	Requirements for product and service information and labeling			n/a
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling			n/a
GRI 417-3	Incidents of non-compliance concerning marketing communications			n/a
GRI 418 - Customer privacy				
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data			n/a

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We'd also like to thank Cise - Lavoro Etico and Stefano Sartoris for their contribution in assessing the social compliance of SA8000-certified companies and in supply chain oversight. Your involvement and expertise have allowed us to accurately understand expectations and outline priority actions for the future.

We must also acknowledge our subcontractors, who are tasked with ever-increasing efforts and adaptability to support our business. Thank you for your dedication and for partnering with us in promoting sustainability throughout our supply chain.

This would not be possible without your invaluable contribution. You are the driving force behind our commitment to a more sustainable future. Thank you once again for your extraordinary work and for embracing our vision.

Sustainability Team

The Carbon Credits market has recently been rocked by a controversy sparked by an investigation from The Guardian and Die Zeit. The inquiry revealed flaws in the financial system that allow large corporations to offset their emissions rather than reduce them.

The investigation revealed that forest carbon offsets, approved by the world's leading certifying body, are largely ineffective and may even exacerbate global warming by relieving major polluters of their responsibilities.

It was discovered that over 90% of rainforest offset credits, commonly used by companies, turned out to be "phantom credits" and do not represent genuine carbon emission reductions. The Verified Carbon Standard (VCS), which has issued over a billion carbon credits purchased by renowned global companies to offset their emissions and label their products as "carbon neutral", struggles to substantiate the effectiveness of the offsetting strategies.

Moreover, a nine-month study revealed serious human rights concerns in at least one of the offset projects. The Guardian conducted a field visit to a flagship project in Peru. There, they video-documented park guards and police using chainsaws to demolish residents' homes, thereby uncovering forced evictions and conflict with park authorities.

In light of these revelations, Pattern SpA's Management has resolved to allocate the amount calculated for purchasing carbon credits required to offset 2022 emissions, with the goal of achieving Carbon Neutral status by 2023 as previously announced, towards energy efficiency projects across all plants and the enhancement of key subcontractors in its supply chain..

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