



OVS

*Consolidated
Non-financial Statement
(legislative decree no. 254/2016)
2019*



Company information

Registered office of the Parent Company

OVS S.p.A.
Via Terraglio 17 – 30174
Venice – Mestre

Legal details of the Parent Company

Authorised share capital €227,000,000.00
Subscribed and paid-up share capital €227,000,000.00

Venice Companies Register no. 04240010274
Tax and VAT code 04240010274
Corporate website: www.ovscorporate.it



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Letter to the Stakeholders

OVS bases its vision of the future, and its role in society, on a sustainability strategy that enables its business to prosper in the long term, while seeking to ensure that its activities have positive impacts on its people, the environment and society.

This vision is as consistent as ever with the positioning adopted by OVS, which is focused on addressing the daily needs of all families and generates 40% of its turnover in the children's segment, and thus in the segment that will represent the future by definition: kids and baby clothing.

Early 2020 has been profoundly marked by the tragedy caused by the COVID-19 pandemic. Perhaps the only positive side to these recent events was the increased sensitivity to sustainability issues among those in the world who, unfortunately, were still not closely focused on them.

Our Group, which operates mainly in Italy, was also affected, reopening its stores after nearly two months of lockdown.

For some time now, our industry has been facing considerable challenges that necessitate constant improvement, as well as clear sustainability objectives for the short term that, once achieved, can provide a solid foundation for implementing increasingly challenging future goals. All of this has entailed significant changes to our business model, but we know that this is the only way to ensure tangible results in the medium to long term and create real value for all our stakeholders.

For years our Group has been deeply committed to sustainability, with due regard for the recent European directives and the UN's Sustainable Development Goals. By publishing this report we provide not only a tangible record of the results we have achieved thus far, including in terms of transparency towards the community, but also the main objectives we have set for ourselves.

OVS is guided by a circular economy model. We view sustainability as an opportunity linked to the ability to thrive over time by channelling business, investments, and core values towards the planet's resources for positive change that is viewed as deeply necessary.

We are therefore convinced that sustainability should not be confined to a single company function, but should permeate all functions. The sustainability themes of the OVS #wecare programme, guided by a Sustainability Director, spring from this vision: from corporate culture to design and the product, from materials to the supply chain, and from logistics to stores, using a systemic approach. Dozens of actions are interconnected in a strategy in which clear operational priorities are defined, in line with the objectives of the business plan. In addition, the setting and achievement of targets must be continuously monitored. Accordingly, two years ago we set up a Control, Risks and Sustainability Committee within the Board of Directors for this specific purpose.

In our opinion, the results achieved in 2019 demonstrate that OVS is capable of being among the players in the sector that most regard sustainability as a cornerstone of their business model.

Our constant commitment in the environmental arena is to reduce the impact that our company processes and products have on the environment. Over the last year, among the numerous targets set and reached, 300 tons of clothing were collected for reuse, the use of potassium permanganate was eliminated from denim production and 100% organic cotton was used in many product categories dedicated to the children's segment. The process of procuring cotton from more sustainable certified sources will be completed, extending it to 100% of products offered in 2020, and a garment rating process known as "ECO Value" was recently introduced, making it possible to indicate how much water was used and how much CO2 emitted in the producing the garments sold. Another target will be to become a completely plastic-free company, after already having eliminated the use of plastic at the site level for several years, for example through the introduction of water bottles and filtered water dispensers.

In social issues, people, corporate culture and the community are key resources for OVS in achieving its

strategic objectives and creating economic, social and environmental value. The company is also committed to a sustainable supply chain, with a particular focus on improving working standards throughout its supply chain in local communities. In 2019 we published a list of all our Group's suppliers, which are constantly monitored and evaluated in terms of compliance with environmental and social parameters. On the e-commerce site, visibility was provided for the "made-in" label and company name for all garments sold, and we expect 100% of our suppliers to be monitored through the Sustainable Apparel Coalition's HIGG index platform by 2021.

Finally, in governance, integrity and ethics are two core values for OVS's business, which has always been based on the principles of honesty, professionalism and transparency, in accordance with laws and regulations on social responsibility. As mentioned above, the creation of the Control, Risks and Sustainability Committee makes it possible to assess policies and issues relating to sustainability, ensuring value creation over time for shareholders and all other stakeholders, on a medium- to long-term basis, in compliance with the principles of sustainable development. In other governance initiatives, in 2020 specific sustainability targets began to be set, in addition to financial targets, to be integrated into the company's MBO plan.

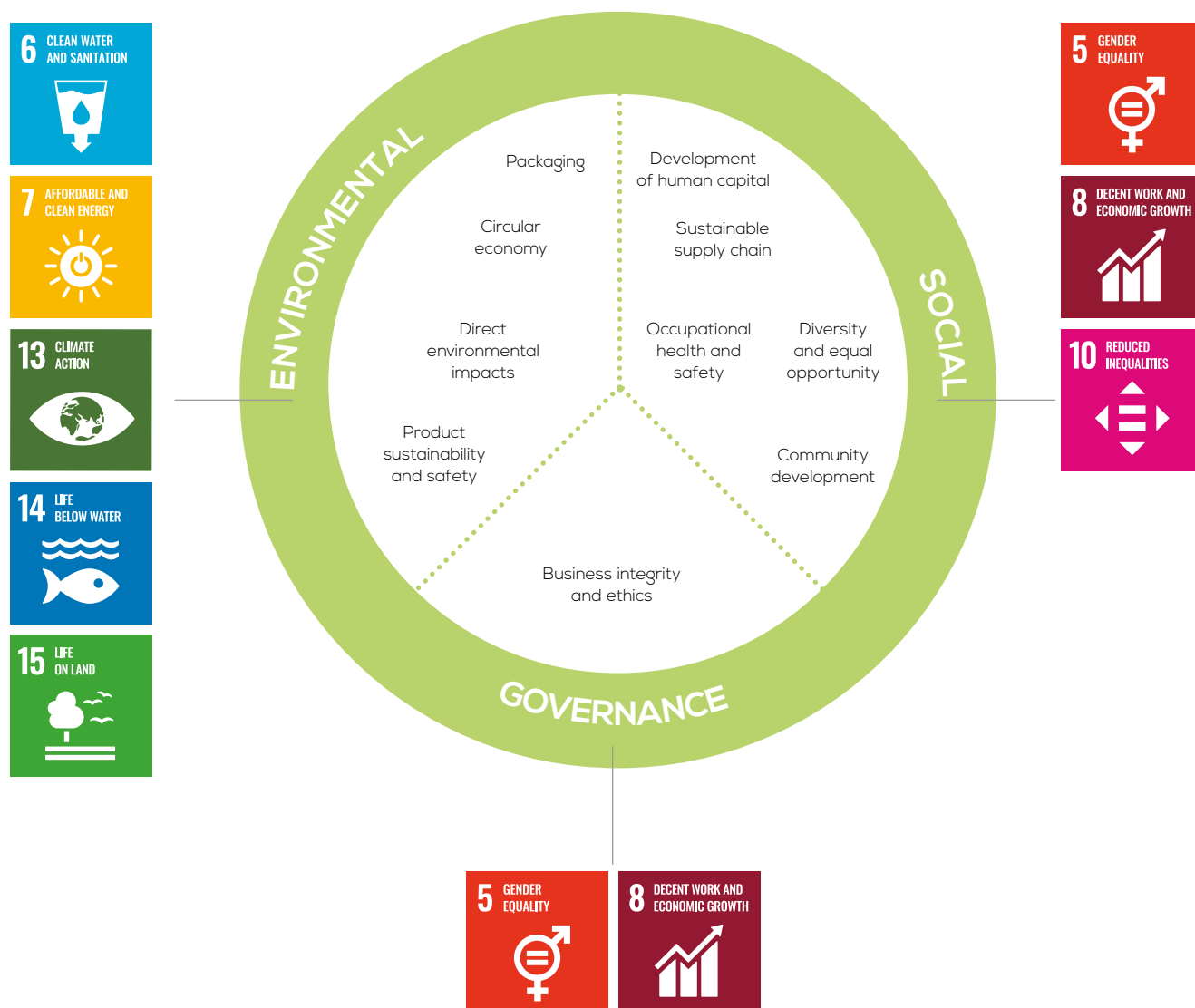
The trust millions of customers place in us every day must be nurtured with a sense of responsibility, and it is thus essential that we act in a manner consistent with a deep commitment to sustainability every day: we are convinced that the journey we began long ago is the right direction and that the challenging objectives that we have set ourselves in this area will be increasingly recognised by all our consumers.

We are convinced that, in order to rise to meet the challenges that our sector will face in the future, the business must focus on values that increasingly orient the company's vision towards the long term, leveraging sustainability in order to ensure prosperity for all stakeholders.



ESG highlights in 2019

Sustainability is part of the corporate ethos of the OVS Group, which has developed a sustainability strategy in line with the three ESG (Environmental, Social and Governance) key pillars. This section describes the main key issues of the OVS Group, which are discussed in further detail below in the respective chapters of this document. In determining its sustainability strategy, OVS also takes into account targets identified with regard to the achievement of the 17 SDGs (Sustainable Development Goals) of the UN 2030 Agenda¹, in order to define strategic corporate priorities on which to develop policies, objectives and actions to create value. Given the nature of its business, OVS has identified a specific selection of SDGs in which to invest as a priority, as described below.



¹ On 25 September 2015, the United Nations approved the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), identifying 169 targets to be reached by 2030. <https://sustainabledevelopment.un.org/?menu=1300>.

Environmental

WHY

Respect for the environment is a key value in OVS's strategy. The Group's concrete commitment to reducing the environmental impact of its corporate processes and products is borne out by a series of actions involving improved energy efficiency, the responsible selection of quality raw materials, consideration of the subject of organic cotton and certified supply chains, and careful management of chemicals and packaging, to ensure the safety and sustainability of products in order to promote a circular approach that adds value to clothing beyond its life cycle.

Direct environmental impacts

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• -5.2% overall energy consumption compared with 2018 (-7.5% on a like-for-like m² basis), with a 22%² reduction in Scope 1 emissions and a 29% reduction in Scope 2 emissions• 94% of electricity from renewable sources (83% of total energy consumption)• 349 tonnes less waste generated than in 2018• New, ISO14064-compliant carbon footprint calculation model implemented	<ul style="list-style-type: none">• Update of the eco-design criteria of the OVS Standard Profile for new openings, by means of a summary indicator of the store's sustainability (in collaboration with the University of Padua)• Launch of a detailed analysis of water consumption• Addition to disclosure of Scope 3 emissions (indirect emissions from transport and production) and implementation of a plan to further reduce CO2 emissions.

For more information, please see the chapter entitled "Respect for the environment"

Packaging

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• 95% of cardboard boxes from suppliers recycled• 2,000 tonnes of paper saved through cardboard box recycling	<ul style="list-style-type: none">• Replacement of all current plastic packaging with other, more sustainable materials

For more information, please see the chapter entitled "Respect for the environment"

Circular economy

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• 300 tonnes of clothing collected for re-use or recycling, avoiding disposal in landfill• 100% of clothing products assessed using the circularity index• Specific training on circularity provided to all product managers• Use of materials recycled from fishing nets (ECONYL) recovered by volunteer divers in the Healthy Seas programme, to make swimsuits.	<ul style="list-style-type: none">• Launch of a programme to recover and recycle textile waste from production to make recycled materials and actively reintegrate them into the production cycle• Increased use of recycled materials in our collections• Analysis of the extension of ECONYL to other types of product.

For more information, please see the chapter entitled "Product sustainability"

² This data refers only to energy consumption, thus excluding the emissions of leaks of fluorinated gas used in air conditioning systems.

Product sustainability and safety (chemical safety)

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• 54% of total ordered goods are made by an OEKO-TEX 100-certified supply chain to further guarantee the safety of our garments;• 4,901 tonnes of cotton purchased comes from certified organic crops;• the recycling of nearly 200 tonnes of polyester for fleece knitwear production has prevented the dispersion in the environment of around 14 million plastic bottles;• Complete elimination of potassium permanganate from denim processing, in favour of treatments using lasers and/or biodegradable enzymes;• More than 40,000 product tests a year to ensure high quality and safety standards on 100% of the range;	<ul style="list-style-type: none">• 100% of cotton sourced from more sustainable certified sources (around 70% in 2019)• Assessment, using a sustainability rating, of 100% of clothing product items (ECO Valore, already implemented in early 2020)• Launch of jeans production using dyeing and treatment processes that consume less water and study of impacts using the Life Cycle Assessment methodology.

For more information, please see the chapter entitled "Product sustainability"

Social

WHY

People, corporate culture and the community are key resources for OVS in achieving its strategic objectives and creating economic, social and environmental value. OVS promotes the development of human capital by valuing diversity, communication and information on corporate objectives, training at all levels, feedback on the results achieved, teamwork and the development of fair and competitive remuneration policies. For the growth of its business, OVS is committed both to a sustainable supply chain, with a particular focus on improving working standards throughout the entire chain, and to the relevant local communities, launching strong partnerships with them in order to disseminate a shared sense of responsibility, a culture of legality and the protection of the common good.

Development of human capital

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• 8,000+ OVS employees worldwide• 7,610 people in Italy, including 6,452 people on permanent contracts (78.6% are women)• An average of 10.9 hours of training delivered per capita• 100% of office staff involved in periodic performance appraisals to define targeted growth paths	<ul style="list-style-type: none">• Sustainability training for all office and retail staff• New programmes for sustainable mobility in commuting• Definition of MBO goals linked to specific sustainability indicators by the end of 2020.

For more information, please see the chapter entitled "People and corporate culture"

Sustainable supply chain (supply chain working standards)

Main results 2019

- 100% of suppliers signed the Code of Conduct and 81% were assessed against environmental and social parameters.
- 40% of production volume monitored through the HIGG Index platform of the Sustainable Apparel Coalition
- Publication on the corporate website of a list of 100% of product suppliers, including the name of the producer and the country of production for each product sold online
- 35% on the Fashion Transparency Index 2020 (vs. 25% in 2018 and a market average of 23%)

Upcoming activities

- Collaboration with key suppliers on new plans to adopt best practices in order to improve environmental and social performance.
- Adoption of HIGG as a monitoring tool for 80% of production in 2020 and 100% in 2021.
- A further improvement in the Fashion Transparency Index rating.

For more information, please see the chapter entitled "Supply chain management"

Occupational health and safety

Main results 2019

- 37,966 hours of health and safety management training

Upcoming activities

- Ongoing activation and updating of pathways to promote good health in the company, starting with the office staff, through stop smoking campaigns, the installation of hygiene stations and the dissemination of good practices for the prevention of infectious diseases.
- Definition of a policy to prevent the risks associated with the spread of Covid-19 through periodic sanitisation of stores and head office and the use of protective procedures and tools to protect customers and employees (already implemented in April 2020 with a view to a return to normal operations)

For more information, please see the chapter entitled "People and corporate culture"

Local community development

Main results 2019

- Launch of a new partnership with WWF for the Kids Creative Lab programme
- Renewal of the BullisNo campaign
- Support for the Healthy Seas programme, which uses volunteer divers to recover fishing nets and other dangerous equipment from the sea bed, preserving marine biodiversity

Upcoming activities

- Extension of employee engagement programmes

For more information, please see the chapter entitled "Community"

Governance

WHY

Integrity and ethics are two core values for OVS’s business, which is based on the principles of honesty, professionalism and transparency, in accordance with laws and regulations on social responsibility. The governance of OVS, while respecting the company’s Mission, ensures transparent management of its activities and relations with the market. Thanks to the presence of the Control, Risks and Sustainability Committee, which is tasked with assessing policies and issues relating to sustainability, OVS aims to ensure value creation over time for shareholders and all other stakeholders, on a medium- to long-term basis, in compliance with the principles of sustainable development.

Business integrity and ethics

Main results 2019	Upcoming activities
<ul style="list-style-type: none">• 1,152 hours of training on the Code of Ethics and the 231 Model• 33% of the Board of Directors are women• 60% of the Board of Statutory Auditors are women	<ul style="list-style-type: none">• Continuously updated training on the Code of Ethics and the 231 Model• Definition of a programme to improve corporate sustainability performance based on B Impact Assessment and SDG Action Manager• Definition of an MBO plan based on sustainability indicators by 2020.

For more information, please see the chapters entitled “Profile and main activities of OVS”, “Corporate management model and organisation of business activities” and “Organisational structure”, and the “Governance” and “Investor Relations” sections of the website

Methodological note and reading guide

The consolidated Non-Financial Statement (hereinafter also “NFS”) as at 31 January 2020 of the OVS Group was prepared in accordance with the provisions of Legislative Decree No. 254 of 30 December 2016 ³ (hereinafter “Decree 254”) and is an integral part of the documentation relating to the 2019 Annual Report.

The NFS takes account of the requirements of Article 1, paragraph 1073 of the 2019 Budget Law, which introduces an amendment to Article 3, paragraph 1, letter c of Legislative Decree No. 254/2016 and also prescribes the explanation of the methods used to manage the main risks generated or suffered related to non-financial topics. The Non-Financial Statement is to be regarded as supplementary and complementary to the Report on Operations and other documentation relating to the financial statements.

Last year’s Non-Financial Statement was published on 17 April 2019.

Reporting scope, process and measurement

This document is published annually. Unless otherwise indicated, the data refer to the period from 1 February 2019 to 31 January 2020, and, where possible, are compared with the same period of 2018.

The Non-Financial Statement has been drawn up to the extent necessary to ensure an understanding of the Group’s business, its performance, results and impact, covering the topics considered relevant and provided for in Article 3 of Legislative Decree No. 254/2016.

The reporting scope has been identified as the parent company OVS S.p.A. and the companies shown in the following table.

DESCRIPTION	Country
OVS S.p.A.	Italy
OVS Maloprodaja d.o.o.	Croatia
OVS France SAS	France
OVS Sourcing Limited ⁴ Group	China, Hong Kong, Bangladesh, Cambodia, Pakistan, Turkey and India
OVS Department Stores d.o.o.	Serbia
OVS Fashion España S.L.	Spain
Serenissima Retail GmbH	Austria
82 srl	Italy

However, the indicators presented below mainly represent data relating to the parent company, unless otherwise indicated, as the subsidiaries do not manage areas of activity relating to the material issues identified and represent, in total, less than 0.5% of the Group’s turnover and 7% of its total employees.

The NFS contains information on combating active and passive corruption, the environment, staff management, social aspects and respect for human rights assessed as significant and material according to a specific, consolidated process, which takes into account the particular activities of OVS, which are described below (see the relevant section on material topics related to the business activities).

With effect from the 2019 fiscal year, OVS has defined an internal procedure for drafting the Non-Financial Statement, which has not yet been officially approved, designed to define the process for collecting and approving the non-financial information to be reported, in accordance with the provisions of Legislative Decree

³ “Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU regarding the disclosure of non-financial information and information on diversity by certain companies and certain large groups”

⁴ The company also operates in the countries indicated through the relevant subsidiaries.

No. 254/2016. The persons covered by the procedure are the individuals in the company bodies/departments identified for the collection, control and certification of non-financial data and information, as well as the persons/bodies responsible for its preparation, approval and verification.

In order to standardise the reporting of information and make it easier to relate it to the contents of Decree 254, for each topic area the materiality of the topic is demonstrated with respect to OVS's activities, the associated risks, the Group's policies and commitments and the results obtained and monitored through ad hoc indicators able to represent the operational results.

The data and information contained in this Statement relate to events that took place during the reference year indicated above, deriving from the company's business activities, that are material based on the materiality analysis carried out in accordance with the Decree. As part of the data collection process, the specific functions responsible for the areas covered by the reports provided the data for which they are responsible, using extractions from corporate information systems, billing and internal and external reporting, under the coordination of the Investor Relations and Corporate Sustainability function.

The data shown are in their final form, except where specified in the table.

Specifically, on this point, OVS S.p.A. has adopted the indicators provided by the GRI Standards of the Global Reporting Initiative "Core" option, updated to the 2016 version (except for the GRI 403 – Health and Safety standard, for which the 2018 version is used).

These indicators focus on material issues identified and reported by OVS (see the section containing the table matching these issues to the relevant GRI standards).

This document been assessed for compliance by an auditing company.

The assessment was carried out according to the procedures indicated in the "Independent Auditor's Report", provided at the end of the document.

The Board of Directors of OVS approved the Non-Financial Statement on 26 May 2020.

The NFS is published in the consolidated financial statements, which can be found at www.ovscorporate.it.

Registered office

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Profile and main activities of OVS

OVS S.p.A. ("OVS") is the leading company in the Italian clothing market engaged in the creation, production and marketing of clothing for women, men and children through the OVS and Upim brands.

The OVS brand was created within Gruppo Coin in 1972. As its network has expanded over time, it has developed a bond of trust with its customers, achieving brand awareness on the Italian market of 100% in 2018 (source: Doxa 2017, men and women aged between 20 and 55).

OVS S.p.A. also owns the Upim brand, which is positioned in the value segment of the women's, men's and children's Italian clothing products market and is mainly intended for families. Upim, which has been present in Italy since 1928, was acquired in January 2010. The brand has seen significant growth in recent years.

The company's business model is typical of vertically integrated retailers and includes the following activities: product development, entrusted to a team of product managers, designers and merchandisers, that leverages an organisational structure highly specialised in sourcing with a strong presence in the key geographical areas to design, develop and implement the merchandise mix with external suppliers, under the artistic guidance of the fashion coordinator and the organisational guidance of the category managers.

OVS S.p.A. operates through its countrywide sales network with stores that differ in terms of sales area and management approach (direct sales or franchising). The Group is also the leader in the children's segment in Italy, and in recent years has won the "Retailer of the Year" award a number of times in several product categories.

The Group comprises OVS S.p.A. and its subsidiaries operating abroad, both managing the network of single-brand stores (mainly in franchising) and controlling product development and manufacturing operations.

The history of the OVS Group

OVS was initially created in 1972 as "Magazzini Oviessa", a division of the company Coin S.p.A. engaged in department store management. The department store model was developed in the 1970s and 1980s with the sale of clothing products; the product sectors then expanded, with the introduction of household items, sports equipment, toys, perfumery and leather goods.

In 2005, the Coin group transferred the business arm comprising the activities of the then OVS to the newly established company, OVS S.r.l., wholly owned by Gruppo Coin, which was subsequently transformed into Oviessa S.p.A..

In January 2010, Gruppo Coin acquired 100% of the share capital of Upim S.r.l., one of Italy's largest clothing companies, with a presence in the country of 135 directly operated stores under the Upim brand and 15 under the Blukids brand, as well as over 200 stores in franchising.

In January 2013, the merger by incorporation of the subsidiaries Oviessa S.p.A., Coin S.p.A., Upim S.r.l., Oviessa Franchising S.p.A. and Coin Franchising S.p.A. into Gruppo Coin S.p.A. became effective. After this corporate reorganisation, Gruppo Coin S.p.A. became the parent company of Gruppo Coin.

In April 2014, Gruppo Coin launched a corporate reorganisation project to hive off the business unit comprising the "OVS-UPIM division", which was transferred to OVS S.p.A. on 1 August 2014. OVS S.p.A. has been listed on the Italian Stock Exchange since March 2015.

In 2016, OVS created #wecare, a strategic sustainability programme to integrate social and environmental performance into the general business strategy. Details of the programme are set out below.

In order to increase the effectiveness of the actions defined in the #wecare programme and make sustainability an integral part of company business, in 2019 specific duties relating to sustainability were assigned to a number of liaison officers from various corporate functions, each within his or her own area of responsibility, while maintaining central coordination with the Corporate Sustainability function.

Mission and values

OVS S.p.A. it has set itself the task of “giving everybody, every day, the freedom to dress Italian, always for the best possible price”, basing its success on concrete values that inspire the behaviour of all the people who play a part in its business processes.

The values and behaviours described below form the foundations of the day-to-day thoughts and actions of every person making up OVS’s great team.

This team, always in a cohesive and motivated way and by adhering consistently to these values and behaviours, determines, on a daily basis, the path of extraordinary growth and development that the company has embarked upon with passion, pragmatism, determination and success, and will enable it to achieve ever-more challenging goals in a sustainable way.

VALUE CREATION

Generate value in everything we do for customers, colleagues, the company and the communities in which we operate.

- Imagination: Imagine without limits, beyond the ordinary.
- Innovation: Have a natural attitude to change and continuous improvement.
- Teamwork: One team, as the sum of the value of the individuals within it.
- Italian lifestyle: The excellence of Italian style offers the appeal of a unique lifestyle to everyone.
- Respect: Always act with respect for ourselves, others and the environment in which we live.
- Openness: Be open to new experiences and to diversity.

We have based our sustainability strategy on a manifesto that fully conveys the spirit of the #wecare programme, available on the dedicated website, we.care.ovscorporate.it. The programme provides a strategic and systemic dimension of OVS’s social and environmental commitment, laying the foundations for a new business model strongly focused on measuring impact. This commitment begins with an action to raise the awareness of internal resources through a training programme delivered to all employees, extending as far as the organisational processes and production decisions. The manifesto is described below:

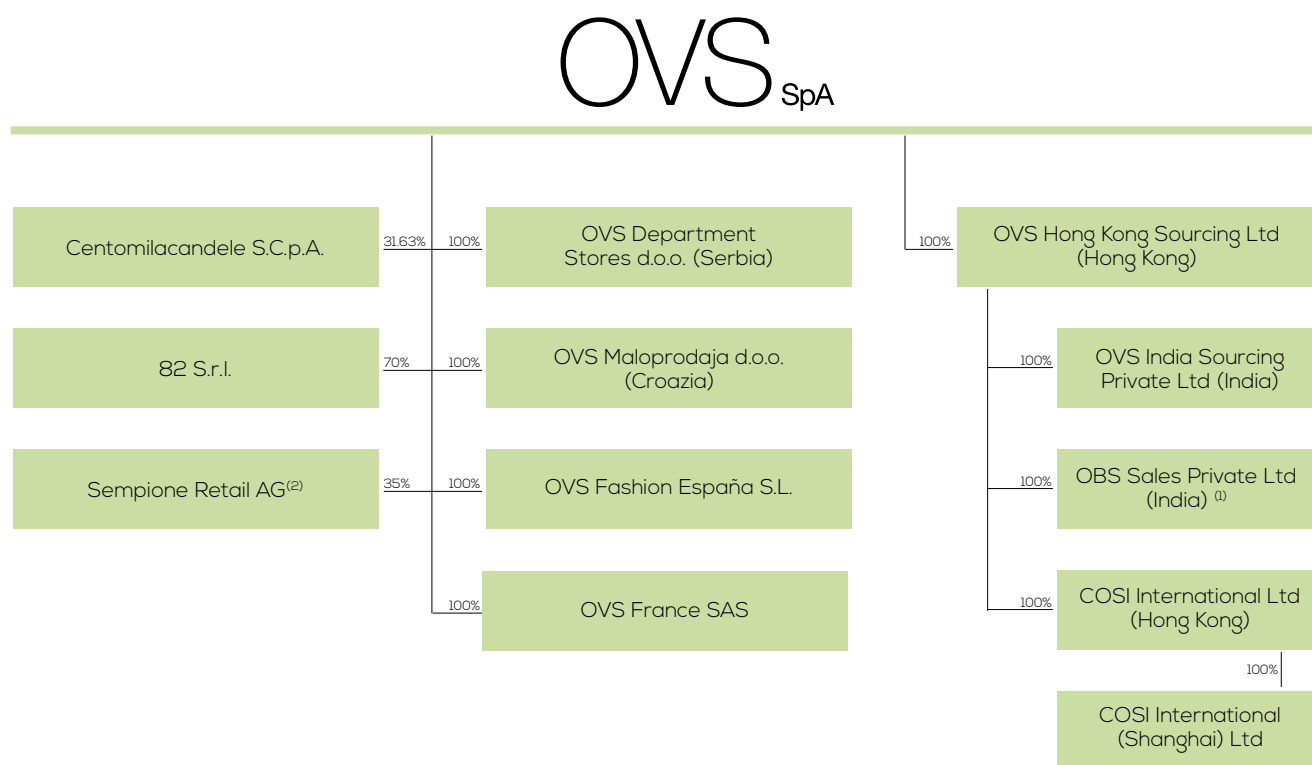
#WECARE MANIFESTO

We are aware of the role we can play in **TAKING RESPONSIBILITY** for a **MORE SUSTAINABLE FUTURE** for the environment, the millions of customers who trust us and all the people who work with us. We want to create **BEAUTIFUL AND ACCESSIBLE CLOTHES** that have a **POSITIVE IMPACT** on the world and the people who live here. We know we have a **LONG JOURNEY** ahead of us, and we are committed to improving with **EVERY STEP**. We ask ourselves every day what is **RIGHT**, and we rethink what we do to **DESIGN FASHION** where the **BEAUTIFUL** is necessarily also **GOOD**.



The structure of the Group

The following chart shows how the OVS Group is organised, indicating the relative equity investments as percentages.



(1) In liquidation

(2) Bankruptcy declared on 6 November 2018

Brands & business model

The logo for OVS, consisting of the letters 'OVS' in a bold, black, sans-serif font.

The **OVS** brand is Italy's leading clothing brand for women, men and children, with a market share in Italy of 6.4% (December 2019 - source: Sitaricerca).

OVS's leadership position is also confirmed by strong recognition of its brand, which has been present in Italy since 1972, the countrywide sales network and the shift towards more style-based collections.

The brand renewal process launched in 2007 has allowed OVS to be recognised and appreciated by the market as a brand capable of combining day-to-day and quality fashion content at the best possible price and interacting with its customers in both institutional forms and through new multimedia channels.

The brand identity is reflected in the product portfolio, which is well balanced by gender and categories, and an offer that combines basic garments with more style-oriented items. The strength of the brand is based on price leadership with no compromise on product quality.

The logo for upim, consisting of the word 'upim' in a bold, black, lowercase sans-serif font.

Upim was established in 1928, when it opened its first store in Verona. Its long history as a department store saw a turning point in 2009, when Gruppo Coin acquired the brand and completely revamped its formula.

The Bernardi stores acquired by the Group in 2012 also took on the Upim banner. Upim's central value is being "close to people": geographically, due to its local presence; commercially, due to its day-to-day convenience and broad offering that responds to service needs in several segments; and finally, due to its clear and direct communication style.

Upim's offer is mainly aimed at families, with a particular focus on the quality/price ratio and the provision of current, tasteful products that are also basic and functional, so not completely influenced by fashion trends, but with the characteristics of ongoing collections that may be re-offered and enjoyed over time.

The brand's current market share is 1.7% (as at 31 December 2019 - Source: Sitaricerca) and it is constantly expanding.

The logo for OVS KIDS, consisting of the letters 'OVS' in a bold, black, sans-serif font, with the word 'KIDS' in a smaller, black, sans-serif font below it.

OVS Kids is Italy's leading supplier of clothing for infants, boys and girls aged 0-14.

It has directly operated stores and franchises in Italy. Within the reference segment, its market share is 16.3% (as at 31 December 2019 - source: Sitaricerca).

The logo for Blukids, consisting of the word 'Blukids' in a stylized, blue, handwritten-style font, with a red underline.

Blukids is the Upim clothing brand dedicated to children aged 0-14 years with an "active" clothing line. It became part of Gruppo Coin in 2009, and is now a benchmark for convenient, accessible shopping meeting the daily needs of mothers and children.

It has directly operated stores and franchises in Italy. Within the reference segment, its market share is 3.6% (as at 31 December 2019 - source: Sitaricerca).



CROFF is Upim's historic Italian textiles and home accessories brand. Its collections express the various worlds of the home, ranging from textiles to table and kitchen ware and from accessories to furnishings, with an offer of basic, quality products at affordable prices.

Shaka
INNOVATIVE BEAUTY

Shaka Innovative Beauty is the OVS S.p.A. brand dedicated to perfumery, make-up products, professional make-up accessories and a bath and skincare line, with around 300 stores in Italy.

Business model

OVS designs and develops its collections through an integrated process that starts with the study of trends and styles, creating an accessible fashion offering that can satisfy the requirements of families, young people and older consumers.

The collection is organised with a focus on various scenarios for wearing the clothes, ranging from everyday life to school, sports and more formal occasions. Everything is designed to respond to the desire to dress with Italian style at an affordable price.

The products are made using a model that is outsourced but strongly integrated within the internal value chain, thanks to cutting-edge logistics and sourcing organisation.

The products are sold in a very extensive network of stores (DOS and franchising) located countrywide and constantly expanding, in Italy and abroad.

Meanwhile, the ongoing growth of e-commerce with a multi-channel approach represents another major factor in development and a further addition to customer service, both now and in the future.

The main features and success factors of the OVS business model are: speed of execution, dynamic projects, innovative drive and close attention to costs, together with extremely flexible implementation and a strong focus on results.

Innovation

Digital transformation is at the heart of OVS's strategies and involves all areas of our business, including e-commerce, omnichannel services, customer relations and operations. Our goal is to create a dialogue with our customers, making them feel welcome in an environment, whether physical or virtual, that is designed with them in mind. We have therefore invested in CRM (Customer Relationship Management), e-commerce and digitalisation of stores, to move towards a complete, seamless integration of e-commerce (online) with physical stores (offline).

OVS-ID, OVS's digital card, which has achieved around 1.5 million subscriptions in just over a year, defines a one-to-one relationship with its subscribers based on a series of customised communications designed to help customers move closer to the world of OVS, and enables OVS to deliver benefits increasingly connected to emotion and experience thanks to the new CRM programme.

For us, delivering a value experience also means being part of our customers' daily lives and simplifying them. This is a common theme in areas as diverse as product strategy, the offer of exclusive services such as the Digital Personal Shopper, and new models for relationships between our sales assistants and our customers, to support them when they make their purchases, including remotely (via phone, WhatsApp or chat). Early this year, OVS also launched the exclusive "buy now pay later" service in collaboration with the "Noosa" start-up, which uses a dedicated app to allow customers to spread payments in stores over monthly instalments at no additional cost. In collaboration with a London-based start-up, we are also working on artificial intelligence systems – combined with the human touch of fashion stylists – to offer more relevant personalised content on the website and provide services such as "your wardrobe", a digital space with dedicated advice.

Data technologies, artificial intelligence, the Cloud and new micro-service architectures are at the heart of the digital transformation programme, not only with regard to the customer relationship but also in the supply chain. In this last area, we are engaged in strategic projects relating to distribution planning and models based on demand prediction that allow goods re-planning and distribution requirements to be managed in an agile and flexible way, using increasingly accurate criteria. These investments were recently launched and now allow the company to refine the tools it needs to adapt dynamically to future scenarios imposed by the emergency situation with the necessary speed and flexibility.

Responsible governance

CORPORATE GOVERNANCE

OVS S.p.A. (hereinafter OVS)⁵ has been listed on the Mercato Telematico Azionario (electronic stock market) organised and managed by Borsa Italiana S.p.A. since 2 March 2015.

OVS's corporate governance system is based on the "traditional" organisational model and developed according to the regulations in force and applicable to the sector. It complies with the legal regime for listed companies and the recommendations of Borsa Italiana's Self-Regulation Code, to which OVS adheres voluntarily. OVS's organisation is also influenced by best practices derived from national and international comparison.

OVS exercises management and coordination with respect to its subsidiaries, which are legally autonomous and apply the principles of correct corporate and business management.

The company's main governance bodies are:

- the Shareholders' Meeting: composed of the shareholders of OVS S.p.A., it expresses the corporate will, resolving in accordance with the procedures and on the matters envisaged by the law and by the Articles of Association, in ordinary and extraordinary form;
- the Board of Directors: together with the Board of Statutory Auditors, it is the most senior body in the Group's governance structure. The Board is vested with all powers of ordinary and extraordinary management, except for those that the law expressly assigns to the Shareholders' Meeting;
- the Board of Statutory Auditors: oversees compliance with the law, the Articles of Association and the principles of correct management of the company;
- the Financial Reporting Officer: compiles the corporate accounting documents.

The Board of Directors of OVS also operates through the CEO and the directors with powers of representation and is assisted by Committees, set up within the Board, which make recommendations and give advice:

- The Control, Risks and Sustainability Committee: supports the assessments and decisions of the Board of Directors relating to the internal control and risk management system and the sustainability strategy;
- The Appointments and Remuneration Committee: assists the Board of Directors in making assessments and decisions regarding the composition of the Board of Directors and the remuneration of directors and managers with strategic responsibilities.

⁵ For more information, please see the "Governance" section of the corporate website at www.ovscorporate.it, where the "Report on Corporate Governance and Ownership Structure" can be found.

Composition of the Board of Directors and the Board of Statutory Auditors

BOARD OF DIRECTORS

On 11 March 2019, non-executive directors Stefano Ferraresi, Stefania Criveller and Marvin Teubner tendered their resignations.

Accordingly, on 13 March 2019, the Board of Directors of OVS S.p.A. resolved, pursuant to Article 2386 of the Italian Civil Code and Article 13.4 of the Articles of Association, with the favourable opinion of the Board of Statutory Auditors, to co-opt three new members: Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, all non-executive and the latter also meeting the independence requirements established by current legislation and the Code of Corporate Governance. On the same date, Nikos Stathopoulos also resigned as member and Chairman of the Board of Directors with effect from the Shareholders' Meeting that would have approved the financial statements as at 31 January 2019. The other members were unchanged.

The resignations and the co-option related to the transaction in which Gruppo Coin S.p.A., as the seller, sold its 17.835% interest in the company to Tamburi Investment Partners S.p.A., as the buyer, which was completed on 11 March 2019.

The Shareholders' Meeting of 31 May 2019 was therefore called, inter alia, to confirm the appointment of directors Giovanni Tamburi, Alessandra Gritti and Massimiliano Magrini, who were co-opted on 13 March 2019, having been nominated by shareholder Tamburi Investment Partners S.p.A., and Elena Garavaglia, who was co-opted on 20 June 2018, having been nominated by the institutional investors, and who was taken at the time of co-option from the minority list of the Shareholders' Meeting of 31 May 2017, which appointed the current Board of Directors in its original form. The Shareholders' Meeting supplemented the Board of Directors with a view to continuity, confirming the appointment of directors Giovanni Tamburi, Alessandra Gritti, Massimiliano Magrini and Elena Garavaglia.

The Shareholders' Meeting also appointed Franco Moschetti, electing him Chairman of the Board of Directors. Mr Moschetti was nominated by shareholder Tamburi Investment Partners S.p.A. to replace Nicholas Stathopoulos, whose resignation was effective on the date of the said Shareholders' Meeting.

The Board of Directors currently has nine members, 33% of whom are women and most of whom are aged over 50 (89%).

Fiscal year 2019							
Composition of the BoD	Gender	Age	Role	Independence	Mandate start date	Nationality	Qualifications
Franco Moschetti	M	over 50	Non-executive	N	31.05.2019	Italian	Degree in Industrial Sciences, specialising in Business Economics
Stefano Beraldo	M	over 50	Executive	N	14.05.2014	Italian	Degree in Economics and Business
Giovanni Tamburi	M	over 50	Non-executive	N	13.03.2019	Italian	Degree in Economics and Business
Alessandra Gritti	F	over 50	Non-executive	N	13.03.2019	Italian	Degree in Business Economics
Gabriele Del Torchio	M	over 50	Non-executive	Y	02.03.2015	Italian	Degree in Economics and Banking
Elena Garavaglia	F	31-40	Non-executive	Y	20.06.2018	Italian	Degree in Law
Heinz Krogner	M	over 50	Non-executive	Y	27.07.2014	German	Degree in Economics
Massimiliano Magrini	M	over 50	Non-executive	Y	13.03.2019	Italian	Degree in Political Science
Chiara Mio	F	over 50	Non-executive	Y	31.05.2017	Italian	Degree in Business Economics

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors consists of three standing auditors and two alternate auditors. The Shareholders' Meeting of 31 May 2019 confirmed the appointment of Stefano Poggi Longostrevi as Chairman of the Board of Statutory Auditors. Mr Poggi Longostrevi took over on 1 June 2018, having previously served as the alternate auditor taken from the minority list at the Shareholders' Meeting of 31 May 2017. The Shareholders' Meeting also appointed Emanuela Italia Fusa as an alternate auditor. Both proposals were made by institutional shareholders, who represented that there were no connections and/or significant relationships with shareholders holding, including jointly, a controlling or relative majority stake.

The elected auditors will remain in office for the term of office of the current Board of Statutory Auditors until the Shareholders' Meeting called to approve the financial statements for the year ended 31 January 2020.

For further details, please see the company's press release of 31 May 2019.

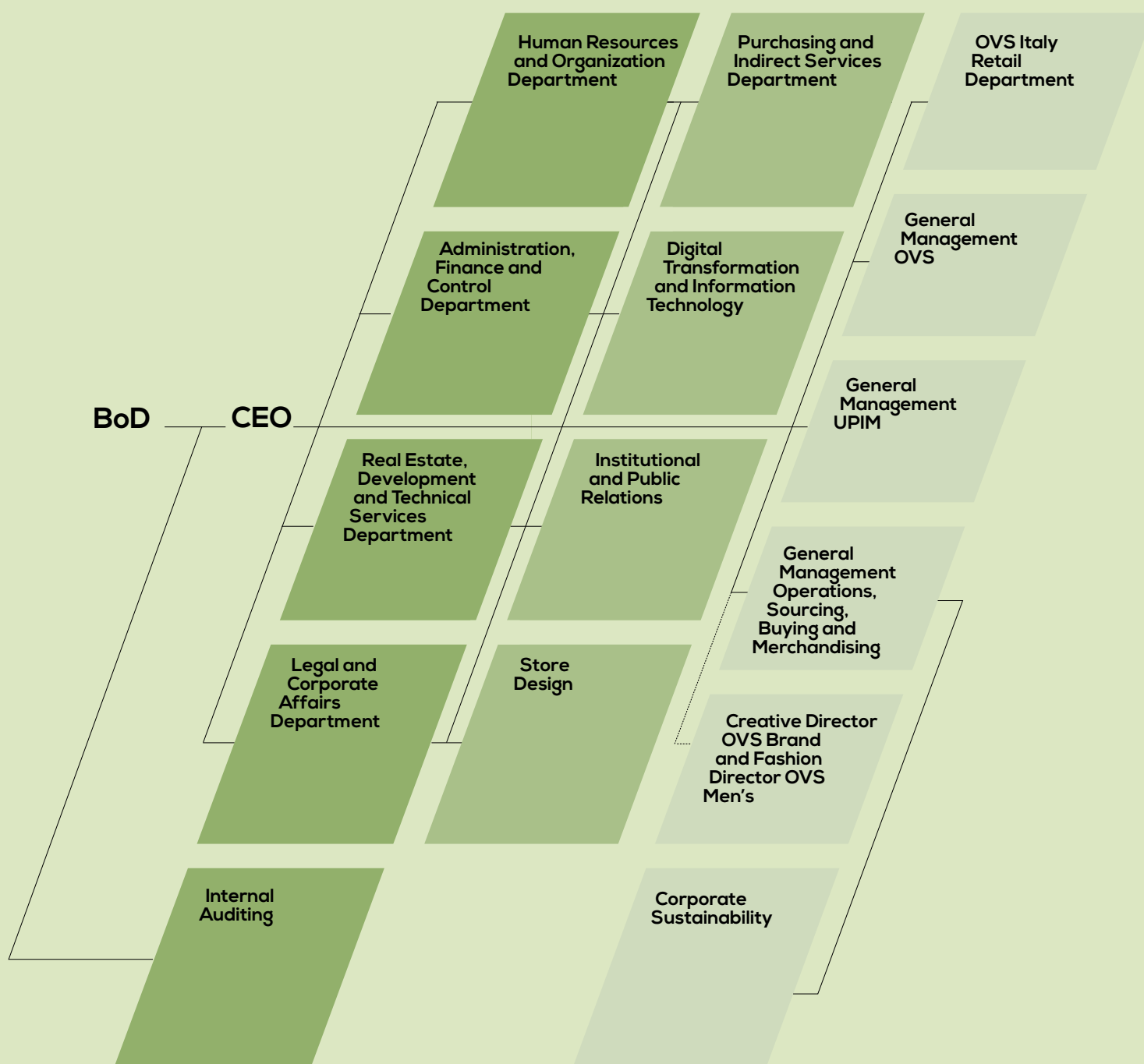
The elected auditors will remain in office for the term of office of the current Board of Statutory Auditors until the Shareholders' Meeting called to approve the financial statements for the year ended 31 January 2020.

At 31 January 2020, the Board of Statutory Auditors had five members, 60% of whom were women and 80% of whom were aged over 50.

At 31 January 2020, these members were as follows:

Fiscal year 2019							
Composition of the Board of Statutory Auditors	Gender	Age	Role	Independence	Mandate start date	Nationality	Qualifications
Stefano Poggi Longostrevi	M	over 50	Chairman of the Board of Statutory Auditors	Y	01.06.2018	Italian	Degree in Economics and Business
Eleonora Guerriero	F	41-50	Standing Auditor	Y	31.05.2017	Italian	Degree in Economics and Business
Roberto Cortellazzo Wiel	M	over 50	Standing Auditor	Y	23.07.2014	Italian	Degree in Economics and Business
Antonella Missaglia	F	over 50	Alternate Auditor	Y	31.05.2017	Italian	Degree in Economics and Business
Emanuela Italia Fusa	F	over 50	Alternate Auditor	Y	31.05.2019	Italian	Degree in Economics and Business

Organisational structure



Sales departments

The General Management teams dedicated to OVS and UPIM, which are responsible for customer service and image in stores, oversee budgeting processes, in-season sales management (promotions, markdowns, sales, etc.), organisation of activities (displays, customer service, replenishment, shop windows, etc.) and new store openings.

A network of Area Managers, responsible for different geographical areas, ensures countrywide oversight, managing visual merchandising activities to ensure that the image and display and communication criteria are consistent with the guidelines for the brand concept, and, lastly, coordinates the franchising sales network in Italy, optimising sales performance and profitability by providing support and direction to the partners.

Product sourcing and development

Product development is entrusted to a team of product managers, designers and merchandisers that leverages a group structure highly specialised in sourcing with a strong presence in the key geographical areas to design, develop and implement the merchandise mix with external suppliers, under the artistic guidance of the Fashion Director and the organisational guidance of the Product Managers.

Product development starts with the selection of fabrics or with models from reworked samples. The clothing production phase is monitored in terms of quality, supply times, costs and sustainability and is carried out by teams residing in the producing countries. The production cycles range from a few weeks for basic clothing products manufactured in neighbouring countries (Turkey, Romania, Italy or other countries in the Mediterranean basin) to five or six months where the price is the most critical variable and where the need for advance planning is greater. The products are sent to the central warehouse and directed from there to the network of DOS and franchises according to a push-pull model, to enable constant attention to improving saleability. The sales policy is entirely managed by OVS and includes the definition of prices, and consequently margins, the formulation of the commercial calendar (an essential and distinctive component in maintaining high interest in the brand) and in-season product management.

Marketing functions

The Marketing functions of OVS and Upim are responsible for communication processes, defining advertising campaigns, media plans, web marketing management and website development. They also monitor the market with regard to the positioning of the brand image and the orientation of the target of interest (consumption, customers, competitors).

OVS's Marketing structure is also responsible for customer relationship management and customer care processes, as well as OVS's commercial partnerships, and, lastly, is responsible for managing the world of OVS on social media.

E-business

The E-Commerce function directly manages the e-commerce business processes and the dedicated platform, ensuring their evolution and optimisation and the achievement of high quality standards and the business results defined by the company, using a multi-channel approach which ensures a constantly improving service for the end-customer. This function also manages the various corporate websites and ensures consistency with the corporate image in order to enhance the digital visibility of the Group brands and increase traffic towards them.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

OVS considers the topic of “Integrity and business ethics” to be material, and has adopted an internal control and risk management system, consisting of tools, organisational structures, procedures and company rules that allow for sound, proper corporate management that is consistent with its strategic and operational objectives. It complies with the applicable laws and regulations on correct and transparent internal and market reporting, and enables the consequences of unexpected results to be prevented and limited. It is also based on the Code of Ethics and the organisational model developed pursuant to Legislative Decree No. 231/01 (231 Model).

Furthermore, in order to disseminate the principles and practices to be followed to combat corruption risk, OVS has entered into intercompany service agreements that regulate group activities and the adoption by subsidiaries based abroad of the principles laid down in the Code of Ethics and the 231 Model.

CODE OF ETHICS

In its Code of Ethics, OVS S.p.A. identifies benchmark corporate values, highlighting all of the rights, duties and responsibilities of everybody working in or with OVS S.p.A. (employees, partners, government, shareholders and any other person with whom contact is established). The Code of Ethics was adopted by resolution of the Board of Directors of the company on 27 October 2014 and subsequently updated by resolution of the Board of Directors of 14 December 2016 and 18 April 2018. The Code of Ethics can be viewed on the corporate website.

ORGANISATION, MANAGEMENT AND CONTROL MODEL (LEGISLATIVE DECREE NO. 231/01)

The main objective of the 231 Model is to configure a structured and organic system of rules, including organisational rules, and control procedures and activities, to raise awareness among all individuals acting in the name and/or on behalf of OVS S.p.A. about the need to base their behaviour on principles of loyalty and fairness, and to prevent the risk that the offences referred to in the decree will be committed. The 231 Model can also be found on the corporate website.

WHISTLEBLOWING

For some time, OVS has had a framework of values and behaviours in place to inspire those who work within or with our company. It is in OVS's interest to promote and direct its actions according to principles of loyalty and fairness and to adopt the necessary countermeasures to prevent criminal offences from being committed. In this context, OVS has developed a Whistleblowing System to collect testimonies and reports that help it to continue on this path. The “Whistleblowing Procedure”, defined in April 2018, governs the process of managing reports of material unlawful conduct pursuant to Legislative Decree No. 231/2001, or breaches of the 231 Model adopted by the company, based on precise and consistent facts. Breaches of the Code of Ethics, the law and regulations can be reported on the corporate website. Reports are handled with the utmost confidentiality and anonymity is guaranteed for whistleblowers.

ENTERPRISE RISK MANAGEMENT AND NON-FINANCIAL RISK MANAGEMENT

Given the complexity of management activities and taking into account that risk-taking is a fundamental and indispensable part of the company's activity, the Board of Directors of OVS has assessed the importance of identifying and mapping the main risks in advance and adopting suitable instruments to govern them and reduce their impact. The company has therefore adopted a risk management system, drawing inspiration from the international standards “Enterprise Risk Management - Integrating with Strategy and Performance” and “Internal Control - Integrated Framework”, produced by the US Committee of Sponsoring Organizations of the Treadway Commission.

In particular, in 2015, with an update in 2019, the Board of Directors, on the recommendation of the Director in charge of the internal control and risk management system, having received a favourable opinion from the Control, Risks and Sustainability Committee and from the Board of Statutory Auditors, approved the company's "Guidelines for the Internal Control and Risk Management System" to identify, supervise and manage areas of risk, ensuring the achievement of strategic and operational objectives, the reliability of financial reporting, compliance with laws and regulations and the safeguarding of corporate assets.

In line with these purposes, the risk management system adopted by the company has the following aims:

- to disseminate the risk prevention and mitigation culture within the company;
- to contribute to the strategic planning process by defining the risk appetite;
- to contribute to the achievement of the objectives by identifying, assessing and prioritising risks and implementing appropriate responses;
- to ensure transparency on the risk profile assumed and the management strategies implemented, through periodic and structured reporting to the Board of Directors and top management.

The Board of Directors is responsible for coordinating and supervising the risk management process, so that the risks assumed within the scope of the business are consistent with the business strategies approved, also defining the acceptable risk threshold.

The Control, Risks and Sustainability Committee is responsible for assisting the Board in (i) identifying and assessing the main risks affecting the company and its subsidiaries so that they are adequately monitored; and (ii) defining and updating mitigation plans and risk governance in general.

The Director responsible for the internal control system is tasked with (i) identifying the main corporate risks, taking into account the characteristics of the business and the operations performed by the company and the Group; and (ii) taking care of the design, implementation and management of the internal control and risk management system, constantly verifying its adequacy and effectiveness.

Among the current and/or potential risks to which the OVS Group is or could be exposed, it is possible to identify certain risks, undergone and generated, related to the topics that OVS S.p.A. has identified as material for the Group and its stakeholders.

A table summarising the management of non-financial risks is provided below:

Table 1 – Procedures for managing non-financial risks

Material topic	Non-financial risks	Management policy/procedures Pursuant to Law No. 145/2018, Article 1, paragraph 1073	Supervisory tool
Business integrity and ethics	<p>Active/passive corruption risk – identified in the context of risky activities pursuant to Legislative Decree No. 231/2001.</p> <p>Integrity of business conduct</p> <ul style="list-style-type: none"> - A retail business model, distributed throughout the country and with broad operational delegation, is exposed to the risk of a lowering of the ethical standards of the personnel and/or its external staff, with operational, compliance and economic implications. 	<p>Through the organisation, management and control model pursuant to Legislative Decree No. 231/01, OVS manages active and passive corruption risks, identifying potentially sensitive activities, examples of offences and the structures and main safeguards put in place. This policy is disseminated globally through the Code of Ethics and the whistleblowing system. Specific supervisory activities are carried out through the Supervisory Body (SB). Adoption of Codes governing Group reports on standards of conduct</p>	<p>Organisation, management and control model pursuant to Legislative Decree No. 231/01.</p> <p>Code of Ethics</p> <p>Whistleblowing procedure.</p> <p>Code of Conduct.</p>
Sustainable supply chain	<p>Risks related to the supply chain partnership, arising from changing business needs.</p> <p>Dependence on raw materials</p> <ul style="list-style-type: none"> - cotton is the most important fabric for OVS (over 70% of OVS's clothing production is in cotton). While the impact of cotton production is already significant today, it is likely to increase further in the coming decades, making cotton a scarce and more expensive resource. 	<p>OVS asks suppliers to adhere to and comply with the Code of Conduct, which is binding in relation to environmental and social performance.</p> <p>Internal and external audit programmes are implemented, based on the Code of Conduct.</p> <p>OVS actively participates in industry collaboration initiatives to guide the monitoring and development of environmental and social performance in the supply chain.</p> <p>OVS has defined a cotton procurement strategy that emphasises certified sustainable sources.</p>	<p>Code of Conduct.</p> <p>Industry Collaboration initiatives.</p> <p>HIGG Index.</p> <p>Responsible procurement strategy for cotton.</p> <p>Product certifications.</p>
Development of human capital	<p>Incompetence and incapacity resulting from lack of training and skills management and updating of individual skills.</p> <p>Demotivation and lack of responsibility due to failure to recognise merit and results because there is no performance appraisal plan.</p> <p>Risk related to lack of adaptability in a changing environment.</p> <p>Misalignment due to failure to share company objectives.</p> <p>Insufficient productivity due to a negative corporate climate, reflecting a lack of a sense of belonging, motivation, and corporate identity.</p>	<p>OVS defines an investment plan in order to implement training programmes appropriate for the achievement of performance.</p> <p>Training for continuous adjustment of technical skills and soft skills.</p> <p>Use of performance appraisal schemes aligned with best market practices.</p> <p>Development of the soft skills most suitable to strengthen employees' capacity for adaptation and resilience.</p> <p>Development of communication channels for the sharing of corporate goals.</p> <p>Progressive expansion of dialogue initiatives with staff.</p> <p>Adoption of the Code of Ethics containing principles for the protection of workers and human rights.</p>	<p>Training programmes.</p> <p>Performance appraisal programmes.</p> <p>Code of Ethics.</p>

Material topic	Non-financial risks	Management policy/procedures Pursuant to Law No. 145/2018, Article 1, paragraph 1073	Supervisory tool
Diversity and equal opportunity	Employment relations and negative impacts arising from gender discrimination.	Adoption and development of well-being programmes to create a tailor-made working environment. Special focus on situations related to pregnancy (see the MAAM Programme for the promotion of soft skills linked to maternity), and ensuring uniform career paths.	Well-being programmes. Maternity As A Master (MAAM) programme.
Occupational health and safety	Risks to the health and safety of workers in Italy and abroad, arising from incorrect assessments of these risks and from programmes not suitable for their prevention.	OVS defines specific plans for the protection of employees' health and safety, fire and other disasters, first aid and prevention and control of the suitability of buildings. Compliance with applicable environmental legislation through the promotion of safe and environmentally friendly processes and activities. Supervisory activities for the risk of regulatory non-compliance (SB). Implementation of necessary measures related to the COVID-19 emergency.	Plans to protect health and safety. Compliance with applicable law. Rules on social distancing, sanitiser dispensers in all indoor environments, provision of masks, on-site medical advice and assistance.
Community development	Failure to integrate the company into the social fabric.	OVS supports and proposes community development programmes with a positive impact on improving living and working conditions and managing environmental risks, including in developing countries. Reputation managed through proactive institutional communication and social media strategies.	Community development programmes. Social media strategies.
Circular economy	Dependence on raw materials and negative impacts on the environment.	Adoption of an action plan to develop strategies for the implementation of circular economy virtuous models and processes.	Plan for the development of the circular economy. ICESP (Italian Circular Economy Stakeholders Platform) working group.
Direct environmental impacts	Negative impact on climatic conditions. Damage to ecosystems due to waste disposal.	Plan for the rational consumption of energy resources. The exclusive use of certified renewable energy. Plan to improve the efficiency of structures (stores, head office and warehouses). Prevention of pollution caused by polluting emissions in the atmosphere, which increase the greenhouse effect. Efficient management of scraps and waste generated by production activities is ensured. Appropriate management and monitoring systems are implemented.	Plan for the efficient management of energy resources. ISO14064 Carbon Footprint Assessment and reduction plan under the patronage of the Ministry of the Environment.

Material topic	Non-financial risks	Management policy/procedures Pursuant to Law No. 145/2018, Article 1, paragraph 1073	Supervisory tool
Sustainability marketing	Reputational and customer satisfaction risk due to a lack of overall management of stakeholder relations.	Adoption of Codes governing Group reports on standards of conduct with stakeholders. Stakeholder engagement and sustainability information activities.	Codes of conduct. Stakeholder engagement.
Packaging	Damage to ecosystems due to waste disposal.	OVS helps to reduce waste production by using responsible disposal methods. Implementation of appropriate management and monitoring systems.	Management and monitoring systems.
Product sustainability and safety	Health and safety risks to consumers	All aspects related to compliance monitoring affect the risk of non-compliance, which may lead to judicial and administrative sanctions as a result of breaches of mandatory or self-regulatory rules. OVS complies with the new regulations requiring stricter standards for the management of chemical agents in the production of garments, leading to higher costs.	Product certification and labelling. Restricted Substances List and product testing programme

Audit activities

Internal audit activities are carried out in support of the Board of Directors, the Control, Risks and Sustainability Committee and the Board of Statutory Auditors, targeting all corporate areas. 231 compliance audit activities are carried out in support of the Supervisory Body, and constitute the main monitoring and control tool, together with the whistleblowing system previously described. In 2019, audit activities were carried out on the following: the foreign office dedicated to sourcing, the management processes of the national sales network and seven actions in the corporate area, including actions specifically regarding regulatory compliance.

Business integrity and prevention of active and passive corruption

OVS's commitment to preventing and combating active and passive corruption is explained in its Code of Ethics, in which it rejects and sanctions any corrupting behaviour (including, for example, the giving or promise of donations in money or other benefits, also in the form of gifts or benefits of any kind, hiring, etc.) in relations with interlocutors or partners. In particular, OVS censures the behaviour of those who give or promise money or other benefits to any person belonging to other private entities (e.g. directors, managers, employees) so that the latter breach the obligations of their office or their obligations of loyalty to the entity to which they belong, even if such conduct may convey a direct or indirect advantage to the company. In this regard, the company also condemns

any corrupting behaviour aimed at obtaining from its interlocutors or partners any information relating to third parties or the disclosure of industrial and business secrets or in any case of confidential data or know-how. This commitment applies to both employees and third parties, through an appropriate disciplinary system and with the provision of specific “ethical” contractual clauses. OVS assesses and manages the risk of corruption: risk mapping for the purposes of the 231 Model constitutes for OVS a fundamental element in terms of preventing the risk of corruption, and of ethics and compliance more generally. Accordingly, within the 231 Model, a series of protocols relating to the management of high-risk activities and a series of protocols relating to the management of cross-functional instrumental activities have been developed. OVS also has a whistleblowing system in place, through which it provides an online platform for reports, ensuring maximum confidentiality and discretion. In 2019, no incidents of corruption were recorded, either active or passive, relating to corporate activities. In 2019, a total of 1,152 training hours were delivered on the Code of Ethics and the 231 Model, compared with 1,008 hours in 2018.

Sustainability and value creation strategy

SUSTAINABILITY STRATEGY AND GOVERNANCE

OVS’s sustainability strategy is based on the commitment of every corporate function to considering, in every one of its actions, the environmental and social impacts with which it is inevitably associated, and is expressed through the sustainable innovation programme *#wecare*, defined in 2015 and launched in February 2016.

For OVS, sustainability must be a characteristic feature of every business action, without limiting itself to creating a specific “capsule collection”. With the *#wecare* programme, the company is committed to improving the current business paradigms in the fashion world by using tools and skills that have become available thanks to movements such as the Benefit Corporation⁶, which aim to redefine business success. Since 2017, OVS S.p.A. has used the B Impact Assessment⁷ in its own analysis and assessment models to achieve an overview of the impact generated by the organisation and the initiatives launched. This tool also allows us to identify priority areas for improvement and the future objectives of the *#wecare* plan.



The various initiatives are categorised according to their impact or purpose. OVS identifies three categories of measures that are functional to the general strategy for improving its sustainability profile.

We Improve: dedicated to initiatives with a substantial impact on the main indicators of the environmental/social impact of the business;

We Innovate: dedicated to exploring new possibilities that are sometimes modest in impact but could be extended within the business;

We Inspire: dedicated to projects involving stakeholders, their awareness and the creation of virtuous partnerships.

The *#wecare* programme is also based on the scientific framework and the principles of sustainable innovation developed over years of research by The Natural Step, an NGO founded in Sweden in 1989.

⁶ Benefit Corps are companies that meet the highest standards of accountability and transparency and aspire to use the business to address and resolve environmental and social problems.

⁷ The B Impact Assessment, developed by the not-for-profit B Lab, is a set of global and independent measurement standards for the assessment of social and environmental performance. It allows a company to measure its absolute impact and compare it with benchmarks. The impact assessment is carried out on four areas of analysis (employees, community, environment and governance) and on the company's business model.

These principles provide a concrete and comprehensible definition of sustainability for all and are necessary, sufficient and universal to describe a sustainable future.

In a sustainable society:

- nature is not subject to increases in the concentration of substances extracted from the earth's crust (e.g. heavy metals and fossil fuels)
- nature is not subject to increases in the concentration of substances produced by human activity (e.g. waste and pesticides)
- nature is not degraded faster than the time required to regenerate (e.g. deforestation and overbuilding)
- the satisfaction of people's basic needs is guaranteed, promoting health, participation, skills development, impartiality and enhancement of the individual.

In the periodic review of its sustainability strategies, OVS S.p.A. also considers the 17 Sustainable Development Goals (SDGs), adopted in September 2015 by the UN General Assembly within the 2030 Agenda for Sustainable Development. These objectives relate to different areas of social, economic and environmental development, and to the processes that may accompany and favour them.

By means of ongoing discussions with significant stakeholders and the use of dedicated tools (such as the SDG Action Manager), OVS S.p.A. has identified the following objectives as particularly relevant for its activities: 5 (Equal Opportunities), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 10 (Reduced Inequalities), 12 (Responsible Consumption and Production), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land).

Control, Risks and Sustainability Committee

In the context of sustainability governance, the Control, Risks and Sustainability Committee is also responsible for overseeing sustainability issues related to the performance of the company's activities and the assessment of the NFS. This Committee is set up within the Board of Directors and its members are independent directors. The Head of Corporate Sustainability reports periodically to the Board and the Committee's meetings are attended by the CEO and the Board of Statutory Auditors.

The Committee provides support and advice to the Board on sustainability, i.e. the processes, initiatives and activities relating to the company's commitment to sustainable development throughout the value chain, and also examines the NFS contents that are relevant for the purposes of the internal control and risk management system. It also assesses sustainability policies designed to ensure value creation over time for shareholders and all other stakeholders, on a medium- to long-term basis, in compliance with the principles of sustainable development. Finally, it analyses the guidelines, objectives and consequent processes relating to sustainability and non-financial reporting submitted annually to the Board of Directors.

Economic value generated and distributed

The economic value generated and distributed expresses an enterprise's ability to generate wealth for its stakeholders. The consolidated economic value generated by OVS is €1,291,254 thousand, down 16% compared with 2018 due to lower revenues generated and write-downs following impairment testing at 31 January 2020 (for more information, please see the notes to the financial statements). The economic value distributed was €1,223,261 thousand, down 15% compared with 2018. 95% of the economic value generated in 2019 was distributed to various stakeholders, while the remaining 5% was retained within the Group.

The majority of the economic value distributed by the OVS Group remunerates and sustains the system of supply chain companies.

Table 2 - Income statement at value generated and distributed ⁸

	2019	2018
Economic value generated by the Group	1,291,254	1,536,022
Revenues	1,374,777	1,457,154
Other income	63,062	67,935
Financial income	1,139	1,162
Adjustments to the value of financial assets	1,095	(1,260)
Doubtful accounts	(5,955)	(28,026)
Foreign exchange gains and losses	19,741	43,493
Income/expenses from the sale of tangible and intangible assets	(1,256)	(3,336)
Adjustments to the value of tangible and intangible assets	(161,349)	(1,100)
Economic value distributed by the Group	1,223,261	1,446,491
Operating costs	836,096	1,109,742
Remuneration of staff	297,027	299,553
Remuneration of lenders	71,777	17,282
Remuneration of investors	-	-
Remuneration of government*	18,283	19,848
External donations	78	66
Economic value retained by the Group	67,993	89,531
Depreciation and amortisation	207,338	64,202
Provisions	1,033	-
Reserves	(140,378)	25,329

NB: Amounts in thousands of euro

The following table shows the percentage of expenditure incurred by OVS S.p.A. with respect to local suppliers⁹, divided between purchases of goods and other purchases.

Table 3 - Invoiced by local third-party suppliers

	Fiscal year 2019	
	Goods	Non-goods
Italy and EU	28%	99%

⁸ Unlike the 2018 Non-Financial Statement, the figures refer to the consolidated financial statements.

⁹ Local suppliers are companies based in Italy or the European Union. The costs of ancillary goods and services not related to the product (e.g. consulting, leases, furnishings, etc.) are regarded as "non-goods" purchases

Sustainability Maturity Model



Through the **#wecare** programme, the company has focused its attention on aspects of sustainability relating to design and production, the use of materials and production processes, the life cycle of garments and fibre recycling, direct environmental impacts, the supply chain, customer relations and, in general, relations with its stakeholders. In particular, OVS has adopted a Business Maturity Model, developed on the basis of international best practices in the clothing/retail industry, with respect to which it periodically evaluates its positioning. The aim is to systematically verify its actions and assess the impact of its operations, creating value for the company and strengthening relationships of trust with the various stakeholders. In this way, we aim to inform customers about the care taken in the production of the garments, which are the result of good practices throughout the supply chain.

Description of the Sustainability Maturity Model

	1	2	3	4	5
VALUE PRODUCTS	The company has limited knowledge of the origin and impact of the materials it purchases and the sustainability profile of its products.		It understands the sustainability implications of the entire life cycle. The sustainability features of the product are taken into account at the same cost and quality as an intentional design criterion.		Sustainability is a driver of product innovation. All aspects of design and development incorporate sustainability as the central driver.
RESPONSIBLE PRODUCTION	No particular attention is paid to sustainability in supplier selection. Workers' conditions and environmental impacts throughout the entire production chain are not controlled.		Sustainability is a criterion for supplier selection. Suppliers are regularly properly tested and the welfare of their workers is at least at a minimum level of acceptability. The company proactively hires its suppliers and influences them in acting sustainably.		Exemplary environmental and social sustainability practices are in place throughout the entire production chain. The treatment of workers extends to the well-being of the community and society. There is tangible evidence of the positive impact of improvement initiatives involving suppliers.
PEOPLE AND CULTURE	Sustainability policies are communicated to all employees within the company. Sustainability is not yet included in training courses and development activities.		The sustainability programme is known and well communicated internally. Employees always receive sustainability training. The company measures and acts to systematically improve employee welfare through employee engagement initiatives with a view to sustainability.		Sustainability is a central part of the vision and the corporate culture. Employees know they are supported in business decisions that put sustainability ahead of short-term results.

	1	2	3	4	5
STAKEHOLDERS	Despite positive reporting efforts, the seriousness and importance of sustainability to the business is not obvious to stakeholders.		Stakeholders can observe a serious commitment to sustainability in the company's activities. Customers who want to buy sustainably can find all the product information they need to make an informed choice.		The profile and impact of the company's actions on sustainability are more telling than any report or statement of social responsibility. The company has a strong reputation for sustainability with all stakeholder groups.
SUSTAINABLE STORES	Store design and improvement specifications are largely based on functionality, construction costs and operating costs. Construction projects use some sustainable materials and take energy efficiency into account.		Sustainability criteria are defined for all construction work. The selection of architects and contractors takes strong account of their sustainability record. Material specifications, air quality, energy sources and efficient site positioning are all important issues in construction projects.		The organisation aims to ensure that no opportunities for sustainability are ever missed in the design, construction, development and restructuring of the store network.
NATURAL RESOURCES	The company's plans do not take into account the future availability of resources or the implications of depleting natural resources.		The use of limited resources is well understood by the company and every effort has been made to reduce demand for critical materials and other resources through reduction, elimination and substitution. There are clear targets for reducing the carbon footprint.		The company has clear evidence of business improvement that has not entailed an increase in its consumption of natural resources. There is an action plan in place to achieve carbon neutrality without emissions offsetting.

Stakeholder involvement

The table below shows the map of key stakeholders and the material topics for each of them: in part, these represent OVS's perception of the individual categories of stakeholders and, in part, the expectations identified by the involvement actions already under way. This tool is constantly evolving.

In 2019, OVS updated its mapping of categories of key stakeholders, which are identified using both general analyses and through the ongoing involvement of the organisational functions that normally deal with the various categories identified.

The important topics for each stakeholder have then been identified: in part, these represent OVS's perception of the individual categories of stakeholders and, in part, the expectations identified by the involvement actions already under way.

A reflection has also been launched on the dialogue channels already active in the company, to assess the capacity to oversee critical areas and strategic opportunities in the company-stakeholder relationship.

One of the fundamental guidelines of the strategic plan is based specifically on stakeholder involvement, as the company plays a crucial role in informing people and creating awareness in clothing choices.

For this reason, OVS aims to make its stakeholders protagonists in a world that works to give everyone the freedom to dress every day in an innovative and sustainable Italian style, by involving them in its initiatives.

Table 4 - Stakeholder mapping

Stakeholder	Stakeholder's interest	OVS S.p.A.'s interest in the stakeholder
CUSTOMERS	<ul style="list-style-type: none"> - Satisfy their need to purchase - Accessible and safe clothing for their families - Express their personality with brands that visibly align themselves with their values - Look fashionable 	<ul style="list-style-type: none"> - Satisfy the customer - Increase the propensity to purchase and the value of the OVS S.p.A. brand
OFFICE STAFF	<ul style="list-style-type: none"> - Fulfil themselves professionally - Increase the sense and purpose of their role - Increase their skills - Increase well-being during the working day (concentration, nutrition) 	<ul style="list-style-type: none"> - Increase employee productivity - Increase the sense of belonging to the company - Reduce the turnover rate - Make the employee an ambassador of OVS S.p.A.'s values
COMPETITORS	<ul style="list-style-type: none"> - Acquire market share through distinctive levers - Common interest in improving the reputation of fast fashion 	<ul style="list-style-type: none"> - Maintain leadership in fast fashion in Italy - Use distinctive levers to increase brand reputation - Common interest in improving the reputation of fast fashion
SUPPLIERS	<ul style="list-style-type: none"> - Consolidate the relationship with OVS S.p.A. over time and increase the value of the relationship - Improve their practices 	<ul style="list-style-type: none"> - Systematically improve the supplier's environmental and social practices - Promote economic development
LOCAL COMMUNITIES PRODUCING COUNTRIES	<ul style="list-style-type: none"> - Support from the company on a par with institutions in developing countries - Promotion of work and rights 	<ul style="list-style-type: none"> - Tighten profitable relationships to generate shared value - Increase the level of acceptance of the company
LOCAL COMMUNITIES STORES (ITALY)	<ul style="list-style-type: none"> - Support from the company on a par with institutions for a common benefit 	<ul style="list-style-type: none"> - Tighten profitable relationships to generate shared value - Increase the level of acceptance of the company
PRESSURE GROUPS	<ul style="list-style-type: none"> - Ensure that OVS S.p.A. is part of the solution in solving global environmental problems by reducing the impact of the fashion industry - Increase transparency and consumer information to guide more informed choices - Develop sustainable brands rather than greenwashing 	<ul style="list-style-type: none"> - Be recognised as a serious brand with a clear strategy in terms of environmental and social sustainability
INSTITUTIONS	<ul style="list-style-type: none"> - Enforce the rules - Incentivise the company if it is virtuous in improving access to and availability of resources for citizens 	<ul style="list-style-type: none"> - Leverage institutions to create a positive impact
OPINION LEADERS	<ul style="list-style-type: none"> - Create new trends 	<ul style="list-style-type: none"> - Be perceived as a modern brand, designed for families and their needs

Stakeholder	Stakeholder's interest	OVS S.p.A.'s interest in the stakeholder
STAFF IN STORES	<ul style="list-style-type: none"> - Promote well-being in the store (temperature, cleanliness, etc.) - Facilitate interaction with the customer with distinctive arguments 	<ul style="list-style-type: none"> - Increase employee productivity - Facilitate interaction with the customer with distinctive arguments - Reduce the turnover rate
INVESTORS	<ul style="list-style-type: none"> - Increase the return on investment - Reduce the risk of the investment - Specific targets on environmental, social and governance due diligence 	<ul style="list-style-type: none"> - Communicate sustainability as a strategy to minimise risk and create long-term value. - In general, create value.
FRANCHISEES	<ul style="list-style-type: none"> - Improve performance - Increase the attractiveness of the brand 	<ul style="list-style-type: none"> - Establish long-term partnerships in line with OVS S.p.A.'s values
INDUSTRY COALITIONS	<ul style="list-style-type: none"> - Acquire new affiliates - Ensure that the affiliate plays an active role in improving working conditions and reduce the use and impact of harmful substances in the clothing industry's supply chain 	<ul style="list-style-type: none"> - Join coalitions strategically in order to increase the visibility of OVS S.p.A. and maximise the positive impact, leveraging economies of scale generated by industry collaboration

The main initiatives for dialogue and stakeholder involvement are as follows:

CUSTOMERS

- Customer satisfaction surveys and service quality surveys;
- Educational programmes;
- Annual survey to identify important issues.

OFFICE STAFF

- Initiatives for training and development of human capital;
- MAAM Project;
- Code of Ethics and safety training;
- Annual survey to identify important issues.

SUPPLIERS

- Periodic meetings with key suppliers to share good practices for the improvement of environmental and social performance;
- Audit programmes;
- Industry collaboration initiatives;
- Periodic surveys.

LOCAL COMMUNITIES PRODUCING COUNTRIES

- Periodic meetings;
- Partnerships.

LOCAL COMMUNITIES STORES

- Activities as part of FederDistribuzione.

INVESTORS

- Investor relations activities;
- Annual publication of the calendar of corporate events;
- Periodic surveys.

FRANCHISEES

- Periodic meetings;
- Periodic surveys.

SECTOR ASSOCIATIONS AND INDUSTRY COALITIONS

- Membership of international initiatives to improve sustainability across the fashion industry (Sustainable Apparel Coalition (SAC), Better Cotton Initiative, Better Factories Cambodia, Accord, FederDistribuzione)

COMMUNITIES

- Meetings with members of the fashion and arts world to conduct investment initiatives for social and cultural promotion activities in the community (e.g. the Peggy Guggenheim Collection, Save The Children, Fare x Bene Onlus, WWF, etc.).

Materiality analysis

In order to improve sustainability policies, refine reporting processes and focus more precisely on priority topics, OVS considers the point of view of its stakeholders (those entities that have a position of interest towards the company and therefore a capacity for influence), through constructive and fruitful dialogue. In 2016, 2017 and 2019, the company carried out specific structured activities to identify stakeholder perceptions of the most significant ("material") issues for OVS's sustainability, with the aim of improving its ability to intercept emerging trends on the domestic and international market for inclusion in reporting.

The following activities were carried out to define the list of material topics:

- recognition of the current situation through an analysis of various internal public and non-public sources (internal analysis);
- analysis of sector benchmarks, conducted on a selected sample of competitors operating at national and international level (external analysis);
- comparison with the main issues arising from the Sustainable Development Goals (SDGs);
- online survey disseminated to a panel of around 61,000 individuals and entities, of which 629 responded, consisting of customers, suppliers, investors and franchisees (last survey in February 2020).

In summary, the most significant issues arising from the survey were:

Community development, an important theme for the creation of value for the region. This interest is expressed through the company's support for initiatives linked to social or environmental objectives;

Environmental impacts deriving from the company's activities, in terms of energy efficiency, efficient use of water, management of CO2 emissions, waste management, logistics, packaging and contribution to the circular economy;

Product sustainability and safety, in relation to information on controls of potentially harmful substances and on the origin of products;

Sustainable supply chain, including sustainable product design and overseeing interactions with suppliers regarding stimulating and improving their sustainability

Based on the results of the surveys previously described and considerations related to the needs of the company, the following material topics have been identified:

- Business integrity and ethics;
- Sustainable supply chain;
- Diversity and equal opportunity;
- Occupational health and safety;
- Community development;
- Circular economy;
- Direct environmental impacts;
- Packaging;
- Product Sustainability and Safety;
- Development of human capital;
- Sustainability marketing.

The table below shows the material topics identified by the OVS Group on the topics envisaged by Legislative Decree No. 254/2016.

Table 5 - Matching of decree and material topics areas

Scope of Decree No. 254/2016	Material topics
RESPECT FOR HUMAN RIGHTS	SUSTAINABLE SUPPLY CHAIN
COMBATING ACTIVE AND PASSIVE CORRUPTION	BUSINESS INTEGRITY AND ETHICS
STAFF	DEVELOPMENT OF HUMAN CAPITAL DIVERSITY AND EQUAL OPPORTUNITY OCCUPATIONAL HEALTH AND SAFETY
ENVIRONMENT	DIRECT ENVIRONMENTAL IMPACTS PACKAGING CIRCULAR ECONOMY PRODUCT SUSTAINABILITY AND SAFETY SUSTAINABLE SUPPLY CHAIN
SOCIAL	COMMUNITY DEVELOPMENT SUSTAINABLE SUPPLY CHAIN

Materiality matrix

OVS S.p.A., in compliance with the GRI standard, has consulted certain categories of stakeholders in order to determine the degree of relevance of the material topics to be addressed in this NFS.

By combining the ratings of the topics from the point of view of OVS and from the point of view of its stakeholders, their positioning was defined within a matrix which shows topics that exceed the so-called materiality threshold, i.e. that have obtained, on both axes, an average rating of more than 3.4 from the stakeholder perspective and 2.80 from the company perspective, on a scale from 1 (negligible aspect) to 4 (very significant aspect).

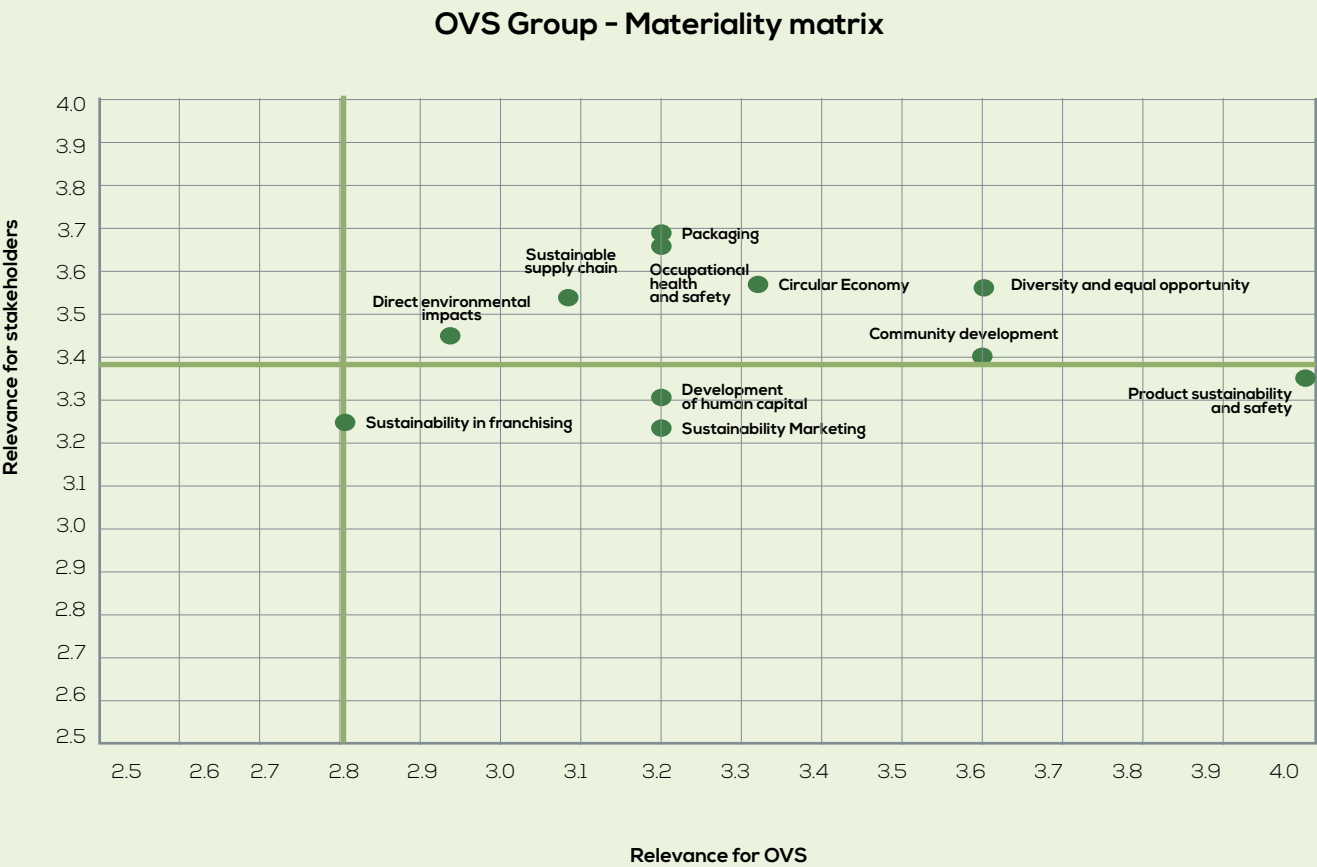
This summarising of the two perspectives enabled us to:

- identify "material" topics;
- verify the degree of alignment or misalignment between the stakeholder perspective and the company perspective on each topic.

As can be seen from the top chart, a linear correlation emerged between topics relevant for OVS S.p.A. and topics relevant for stakeholders, indicating a substantial overlap between interests within and outside the company. There are no significant deviations from the 2018 materiality analysis. There is a shift in the "Packaging" and "Community Development" topics, which now fall into the material category, while the "Human Capital Development" and "Product Sustainability and Safety" topics are slightly under the threshold, based on the stakeholder rating. The priority areas emerging from the analysis are already monitored by the #wecare programme with structured support metrics and processes. The chart below summarises the assessments made on the basis of the responses of employees, other staff and customers.

The following sections will provide details of the activities and related KPIs of the programme, with a particular focus on topics in which the stakeholders are mainly interested and which are therefore material for us.

Figure 3 - Materiality matrix



The following table shows the scope of the impact that the OVS Group generates in relation to each topic regarded as material, distinguishing between the impact within the OVS Group (including the impact on the “Staff” category of stakeholders) and the external impact, i.e. referring to one or more categories of reference stakeholders.

Table 6 - Scope of the impact of material topics

OVS material topic	GRI topic specific disclosure	Relevance for					
		OVS	Staff	Customers	Suppliers	Region	Associations
Product sustainability and safety	Marketing and labelling Customer health and safety Socio-economic compliance	X		X	X		
Sustainability marketing	Market presence Economic performance	X					
Business integrity and ethics	Anti-corruption Anti-competitive behaviour	X	X		X		
Development of human capital	Occupation Relations between employees and management Training and education	X			X		X
Sustainable supply chain	Social assessment of suppliers Environmental assessment of suppliers Procurement practices	X			X		
Direct environmental impacts	Materials Energy Water and drainage Emissions Water and waste discharge Environmental compliance	X	X		X	X	
Diversity and equal opportunity	Diversity and equal opportunity	X	X				X
Packaging	Marketing and labelling Socio-economic compliance	X		X	X		
Occupational health and safety	Occupational health and safety	X	X		X		
Community development	Local communities	X	X			X	X
Circular economy	Economic performance Socio-economic compliance	X		X	X	X	X

Product sustainability

Product sustainability and safety, careful management of packaging and circular economy issues, as well as respect for animal welfare, are fundamental themes of OVS's sustainability strategy.

The main policies established to oversee the issues are summarised below:

- A strict garment safety control programme through a publicly available RSL (Restricted Substances List) and specific certifications (e.g.: OEKO-TEX);
- Adoption of a methodology to systematically monitor the impact of OVS's offering on the planet, starting from the product development phase;
- A sourcing strategy dedicated to materials with the greatest impact (cotton and polyester) to ensure the progressive use of sustainable and/or circular materials;
- The promotion of circular economy initiatives in fashion and participation in innovative research and development projects in this area;

Sustainable design

The improvement measures identified by analysing the potential impacts of a piece of clothing on the environment and the people who make it and wear it are even more effective if this assessment starts at the initial design phase of the product.

By carrying out this type of analysis when the materials are sorted, the fabric processing and treatment techniques are chosen and the decision is made as to where to locate and how to organise the production chain. Challenges related to the commitment to sustainable fashion can be anticipated with a long-term strategic approach, with greater room for manoeuvre to address them effectively.

For this, a synthetic product sustainability rating tool is used in the development and testing phase to systematically monitor the impact of OVS S.p.A.'s offering on the planet in terms of materials, suppliers and production processes, thus guiding the adoption of solutions that improve sustainability.

This methodology is based on a product life-cycle approach and enables qualitative determination of product improvement priorities and quantitative assessment of the impacts of the actions undertaken.

Every OVS S.p.A. Product Manager also periodically receives specific training and guidelines designed to enhance their knowledge of the impacts associated with materials, processes and other important design aspects and how to direct product design in order to mitigate environmental impacts.

Responsible use of materials

The impact of materials is estimated to be about 60%¹⁰ of the overall footprint of a piece of clothing throughout its entire life cycle. For details of the materials used, see Table 25. We constantly monitor the materials used in our clothing products. However, we want sustainability to be a characteristic feature of all our products, starting with the materials for our entire product portfolio, and we therefore do not limit ourselves to creating a specific capsule collection.

Among the other initiatives which it has joined, OVS S.p.A. is a participant in the ECAP (European Clothing Action Plan), which aims to introduce a fashion industry model with less impact, working in particular on materials.

We are therefore working to identify solutions that can be applied throughout all of our collections and make a substantial contribution to our constant improvement, including through international collaborations.

In addition to specific innovation projects for some processing phases, OVS has identified its intervention priorities by acting first of all on the most important materials: cotton and polyester.

¹⁰ From "Measuring Fashion" - Quantis & ClimateWorks Foundation 2018

Sustainable cotton

Cotton is the most important material for us, and our customers appreciate its versatility and naturalness. However, we are aware that “natural” does not always mean “low-impact”. Although conventional cultivation of cotton takes up less than 3% of total cultivated land at the global level, it accounts for most of the world’s production of insecticides and pesticides, harming both farmers and the extended neighbouring communities and requiring high consumption of both water and chemical fertilisers¹¹.

However, there is an alternative: a more sustainable cotton grown in an ethical manner by dramatically reducing the use of all harmful chemicals. With this approach, less water is also used, with savings of up to 90%, soil quality and yield are improved, and better working conditions are promoted for the people involved in the supply chain. OVS S.p.A. has therefore decided to strategically promote sustainable cotton farming without compromising on people and the environment. For this reason we are committed to progressively purchasing only sustainable cotton, and we were the first Italian retailer to join the Better Cotton Initiative in 2016. This initiative was created to actively support the transformation of the global cotton industry and radically improve its impact on environment and the people who grow cotton. In the 2019 fiscal year, OVS collected a number of BCCUs (Better Cotton Claim Units – credits each corresponding to 1kg of cotton) amounting to over 9,677 tonnes of cotton.

Furthermore, we support organic farming, which we favour, particularly – but not only – for children’s clothing. In 2019, OVS S.p.A. purchased around 4,900 tonnes of cotton from certified organic farms. Compared with the 2018 figure (2,805 tonnes), the increase is significant (+75%) thanks to the new procurement strategy, which aims to achieve a target of 100% of cotton from certified farms in 2020.

Polyester

In 2019, OVS used 6,065 tonnes of polyester in the production of its clothing and accessories.

Polyester is a non-renewable fossil-derived material with significant impacts on climate change and the dispersion of persistent substances into the environment.

For this reason, a major project to gradually replace virgin polyester with post-consumer recycled material was launched in 2018, and this continued in 2019.

OVS decided to start this process by making pile knitwear for the Autumn/Winter collection from recycled polyester, aiming to find the best solutions for extending this decision to other types of product.

Through this initiative, 198,48 tonnes of recycled polyester were sourced, avoiding the dispersion into the environment of the equivalent of around 16 million plastic bottles.

To promote the development of new technologies for the recovery of textile materials, OVS is part of the Industrial Advisory Board of Demeto, a project financed under the Horizon 2020 programme for the creation of a plant for the chemical recycling of polyester. This project will also enable polyester yarns to be generated from end-of-life garments.

Denim

Denim or jean fabric is mainly made of cotton. It is generally blue in colour and is the fabric traditionally used to make jean-cut trousers. It is a serge with a diagonal weave that makes it a particularly robust fabric.

In addition to the impacts associated with cotton, substantial amounts of water and toxic substances are used during the various phases of jeans processing, particularly during dyeing, finishing, washing and rinsing.

For some time, OVS has not allowed the sandblasting technique to be used on its jeans. Since 2019, only treatments without potassium permanganate, a chemical that is harmful to humans and the environment, have

¹¹ Textile Exchange – Organic Cotton Round Table 2016

been used. To achieve the typical aged effect, which gives denim its authentic look and its uniqueness, ozone-based treatments and laser machines are used to ensure the safety of workers and the planet and to reduce the use of water.

Quality and safety

We regard product safety and quality as an essential pre-requisite for our product offering, also considering the market share we represent and our leadership position in the children's clothing segment.

For this reason, we carry out more than **40,000 tests per year** on our products to guarantee the quality and safety of 100% of our range. Within the company, a Quality Assurance function ensures that the quality of items offered for sale corresponds to predefined standards in terms of internal production requirements, materials and workmanship, and compliance with current regulations.

The Quality Assurance function draws up the product quality standards required of all suppliers, both Italian and foreign, and performs ongoing reviews of "production requirements" to adapt them to increasingly stringent regulatory and market requirements, defining those specific to each product line with the product managers.

All our garments undergo chemical and physical testing to ensure that they comply with the limits on potentially hazardous substances defined by OVS S.p.A., which are of a higher standard than those established by law and are compiled in our Restricted Substances List.

DEFINING CLEAR QUALITY AND SAFETY STANDARDS

Every product must comply with the most stringent quality standards, in terms of both materials and production processes.

We require our manufacturers, as an integral part of the contract, to apply the strictest restrictions to the use of chemicals, in line with the provisions in force in the countries of the European Union, and – on the basis of the precautionary principle – we have established parameters for residues of harmful chemicals on clothing that are more stringent than the legal limits, in particular for clothing intended for children aged up to 36 months.

As a further guarantee for the consumer, especially for children's wear and underwear, OVS S.p.A. has held OEKO-TEX 100 certification (Classes I and II) for several years. This certification aims to ensure that the item of clothing is people-friendly, in order to offer an additional guarantee of the safety of the finished product, checking it according to criteria that are far more exacting than the parameters required at national and international level. In-depth product audits and periodic company audits also make it possible to direct the industry towards the responsible use of chemicals in the long term and on a global scale.

In 2019, OVS S.p.A. purchased approximately 90 million products from the OEKO-TEX-certified supply chain, equal to 54% of total ordered goods, a significant percentage increase compared with 2018.

Product quality is subject to continuous control processes: checks are carried out on items of clothing, accessories, cosmetics and home textiles from the creation stages, with the involvement of qualified and independent third parties that certify their full compliance with the legal and quality requirements defined by OVS S.p.A..

All batches of categories of clothing, footwear, costume jewellery, cosmetics and items intended for contact with food are subject to mandatory controls, with samples taken directly in production and analysed in ISO:17025-certified laboratories of leading international companies.

Quality control activity is carried out both at Italian suppliers and at reception points in Italy where supplies from abroad arrive, and at foreign suppliers. In this second case, inspections are carried out on site by functions dedicated to operational quality within the Group's subsidiaries in the producing countries, always making use of analyses and controls conducted by certification bodies and specialised laboratories.

In the event of non-compliance with the minimum production, quality and performance requirements, whenever possible an attempt is made to intervene with reconditioning, followed by further testing, to allow for products

to be sold. In the event of non-compliance in terms of the safety or toxicity aspects of the product, the margins for corrective intervention may be more limited, resulting in the cancellation of orders and the disposal of non-compliant products.

NO CASES OF PRODUCT RECALL FOR QUALITY OR SAFETY REASONS IN 2019

In recent years, thanks to careful control work, OVS S.p.A. has not been involved in significant proceedings or transactions related to claims for damages caused by defects in products sold.

Animal welfare

The company's designers have been asked to replace materials of animal origin with more virtuous materials from an environmental and ethical point of view. If this is not possible, they guide their choices towards solutions that ensure the exclusion of any form of animal abuse.

DOWN

The use of real down is usually avoided, but if this material is required, OVS S.p.A. guarantees the exclusive use of Downpass certified down, ensuring full traceability. Animal welfare is guaranteed by a ban on live animal plucking. Furthermore, the environmental impact is reduced by ensuring that feathers come from animals bred for food purposes.

FUR

OVS banned the use of animal fur in its collections some time ago, signing a formal commitment with LAV (the Italian Anti-Vivisection League) and the Fur Free Alliance, thus demonstrating its particular focus on issues relating to safeguarding and respecting the environment and the animal world. [http:// www.lav.it/en/news/ovs-fur-free](http://www.lav.it/en/news/ovs-fur-free). OVS has also banned the use of angora wool in its products.

Approach to the circular economy

The earth is a system that is closed for matter and open for energy: we must therefore consider that everything we produce and consume remains inside it, as if we were in a spaceship.

Our challenge in this area is to be guided by a new production and consumption concept, moving from a linear model of input-output to a circular model in which each element has a new life and can be regenerated. Whatever is not consumed is assimilated into another process.

USED CLOTHING COLLECTION

In 2013, OVS S.p.A. launched an initiative that involves its consumers in collecting and recycling used clothing, thus avoiding the impacts of their disposal. The clothes collected by OVS S.p.A. are selected, analysed and transformed, following strict standards and making use of the most advanced technologies in collaboration with ICO, a worldwide operator in fabric recycling. The garments are carefully sorted: if still wearable, they will be treated so that they can be put back on the market as second-hand clothes; otherwise, depending on their condition, they may be transformed into different products or broken down into their textile fibre to recover new

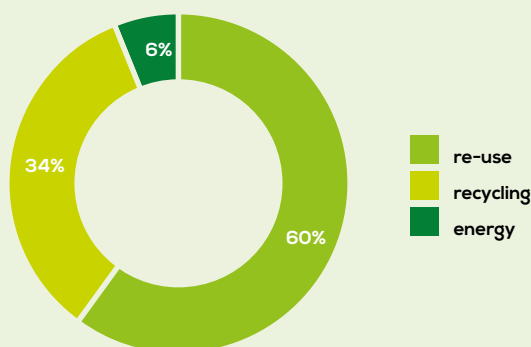
raw material or, in the last instance, be used to produce energy.

OVS S.p.A. has collected around 1,200 tonnes of clothing since the initiative was launched.

300 tonnes were collected in 2019 alone, a significant increase from 147 tonnes in 2018, thanks to the relaunch of the initiative with new consumer incentives in May 2019.

The graph below shows the recycling and reuse percentages for the garments collected, provided by ICO.

Figure 4 - Allocation percentages for used clothing



The programme also donated 2 euro cents to Save the Children for every kg of clothes recovered, thus reinforcing the message of care for the planet with the support of major social campaigns.

GLOBAL FASHION AGENDA - COMMITMENT TO CIRCULAR FASHION

Global Fashion Agenda is a platform in the fashion world that promotes the in-depth knowledge of issues related to sustainability among the executives and creatives of the most important fashion brands, acting at both strategic and operational levels. The transition to a circular system is imperative for today's fashion industry. The linear economic model currently in use of take-produce-discard is reaching its physical limits, as the global population, it is estimated, will exceed 8.5 billion by 2030 and consequently the global production of clothes will increase by 63%.

At the 2017 Copenhagen Fashion Summit, Global Fashion Agenda invited brands and retailers to participate in an initiative to promote a circular fashion system.

OVS was the only Italian company to participate, alongside another 94 international companies, which together represent a combined value of 12.5% of the world fashion market.¹²

OVS will commit, with the other participants, to taking the lead in accelerating the transition to a circular system that restores and regenerates materials, offering new opportunities for innovative design, increased customer engagement and building shared economic value.

¹² <https://www.globalfashionagenda.com/commitment/#>

Table 7 - Circular fashion objectives

Area	Objective	Status
1 - design strategies to improve the recyclability of garments	By 2020, all our product managers will be trained and assessed on the application of circularity principles in the product.	Completed
	By 2020, all our product briefs will include circular design principles.	Completed
	By 2020, all our clothing will be measured with a circularity score.	Completed
2 - increase in the volume of used clothing collected	By 2020, all our stores in Europe will have an active used clothing collection system and we will collect 1,000 tonnes of clothing per year.	Ongoing
3 - increase in the volume of re-used clothing	By 2020, we will have launched a collaboration with a partner specialising in the recycling of fabrics and/or a philanthropic institution for the management of all the clothing collected by the brands of the OVS S.p.A. group.	Ongoing
4 - increase in the volume of garments made from recycled fibres	By 2020, we will have produced 3 million garments with textile fibres collected from consumers.	Ongoing
	By 2020, we will have launched at least two promotion and research initiatives in the recycling of textile fibres for cotton and polyester, which represent more than 80% of the fibres we buy.	Completed

INNOVATIVE PROJECTS - RECYCROM

The goal we set ourselves is to progressively increase the use of fibres from waste or recycling processes to give real value to the process of recovering end-of-life clothing. For this reason we have launched research projects, including an innovative technological transfer project for the recovery and treatment of fabric swatches and scraps generated during the making of clothes to transform them into dye.

One of the most impactful phases in the life cycle of clothing products is certainly the dyeing phase. OVS S.p.A. has developed Recycrom technology, in partnership with an innovative Italian start-up, which enables the treatment of fabric swatches and scraps generated during the making of clothes for their transformation into dye, reducing the relative impacts by more than 95%.

Responsible production and supply chain

OVS considers the "sustainable supply chain" issue to be important, and is therefore aware of the relationship of interdependence with a complex supply chain extending to numerous countries around the world, as well as the associated risks.

The sustainability strategy has to include the creation of a driver of co-development for all parties within the chain.

For this reason, OVS has defined:

- A Code of Conduct that introduces binding guidelines on environmental and social performance in order to continuously improve levels of transparency and sustainability;
- An internal and foreign audit programme based on the Code of Conduct;
- A supplier assessment system that incorporates sustainability KPIs into the main assessment criteria;
- Collaboration plans with key suppliers for the adoption of good practices to improve environmental and social performance.

Our suppliers

The production of a piece of clothing involves a complex range of activities, often carried out by different parties, each specialising in a specific activity and often located in emerging countries, with different cultural sensibilities and different levels of ability to manage business activity while fully protecting the environment, workers and local communities.

Each supply relationship pursues the combined objectives of effective support for our business and creating a positive impact on local communities, helping to improve working conditions at the production sites of our suppliers and supporting economic development in production locations.

Table 8 - Ordered goods by country of production

Country	2019			2018	
	Suppliers	Ordered goods	Delta ordered goods (%)	Suppliers	Ordered goods
Albania	4	€679,726	6.73%	6	€636,879
Bangladesh	81	€218,413,872	-19.94%	87	€272,822,225
Bulgaria	3	€769,685	-19.29%	1	€953,642
Cambodia	14	€7,539,642	-41.55%	15	€12,899,740
China	228	€151,110,184	-12.79%	234	€173,270,696
Greece	0	€0	-100.00%	1	€23,493
India	97	€60,302,226	-11.02%	95	€67,771,777
Italy	140	€32,974,776	-9.77%	148	€36,547,125
Myanmar	14	€31,841,979	4.77%	15	€30,392,467
Pakistan	38	€25,910,183	17.42%	27	€22,066,856
Poland	7	€1,001,720	-6.21%	5	€1,068,009
Portugal	11	€1,716,494	10.37%	13	€1,555,239
Romania	8	€1,815,709	-32.97%	8	€2,708,774
Serbia	1	€24,932	-93.80%	2	€402,059
Spain	10	€1,819,947	998.50%	9	€165,676
Thailand	0	€0	-100.00%	1	€8,346
Tunisia	7	€4,955,893	-6.25%	7	€5,286,214
Turkey	32	€10,828,336	35.74%	27	€7,977,386
Vietnam	6	€10,559,743	41.16%	7	€7,480,475
Other countries	45	€6,915,720	25.79%	39	€5,497,751
Total		€569,180,765			€649,534,830

NB: Ordered goods were calculated taking into account orders with returns in fiscal year 2019.

The total number of suppliers is 620. In the above table, suppliers with products from different countries have been counted as many times as the number of countries in which they produce. The “Other countries” grouping is regarded as a single production area in which each supplier is individually counted according to the grouping (for example, a supplier that manufactures in Indonesia and South Korea is counted once and not as many times as the number of countries where it produces).

Supply chain management

Supply chain management is based on a structured operational framework to make sure that the practices adopted and working conditions comply with our core values and help to disseminate a positive impact on people and the environment.

OVS works only with suppliers that fully respect the values and guidelines on environmental and social performance contained in our Code of Ethics. See Table 26.

The guidelines do not simply represent a list of instructions, but a shared responsibility that generates a virtuous circle for everyone, at an economic, environmental and social level, contributing in particular to improving working conditions with positive repercussions on local communities.

The behavioural standards described concern the areas relating to people, the environment, compliance and transparency, and are based on the relevant international regulations, such as the UN Convention on the Rights of the Child, the Universal Declaration of Human Rights and the ILO (International Labour Organization) Conventions, as well as other industry best practices.

By agreeing to work with us, each supplier is required to ensure that the principles described in the Code are applied in its own behaviour. We work with our suppliers to ensure that this is not just a formal commitment, but translates into an awareness and involvement of the entire supply chain in order to establish direct and continuous relationships.

AUDITING OF SUPPLIERS

The company operates with more than 40 staff dedicated to verifying on-site the real situations at the production sites.

To ensure adherence to the principles established by the Code and measure the actual environmental and social performance of our supply chain, we implement a periodic audit plan.

The protocol we apply for these controls was revised in 2016, and has been fully operational since 2017.

The control activity is carried out by the staff of OVS Sourcing, one of our subsidiaries with offices in Hong Kong, Bangladesh, Turkey, India and Pakistan, which carries out sourcing, quality assurance and control services exclusively for OVS S.p.A.. We also make use of controls carried out on suppliers by third parties and we adhere to Industry Collaboration initiatives. In Bangladesh, which produces nearly 40% of our volumes, we have signed up to the Accord programme. Thanks to this initiative, we are able to check all of our suppliers’ production directly on site from the point of view of the safety of working conditions (see details in the box below).

In order to assess, in an integrated way, the overall performance of the suppliers and their ability to manage their business effectively, also considering protection of the environment, workers and local communities, we have defined a new service quality concept that includes sustainability among the other assessment criteria (Quality, Service and Costing).

In particular, we use a rating system that summarises the sustainability profile of each supplier based on information gathered through a self-assessment process, verified subsequently through the audit programme, which takes into account their ability to mitigate the impact on the environment and ensure adequate working conditions, assessment of the level of risk inherent in the sector or country in which the supplier operates, and the degree of transparency and external commitment of the supplier in terms of corporate social responsibility. This data is then integrated with other KPIs in the standard areas of corporate performance assessment to obtain an integrated assessment of all the aspects relevant to the business.

We also undertake to deal with appropriate diligence with any reports, including those received by external

parties, of possible supplier behaviour that diverges from the shared ethical and environmental standards, and to verify and sanction any violations in the most appropriate ways.

Table 9 - Additional supply chain data¹³

Indicator	2019
Total product suppliers	620
Production volume (ordered cost)	569,180,765
Number of internal controls	703
Number of external controls	97
Number of suppliers covered by internal controls	328
Number of suppliers covered by external controls	97
Production volume covered by internal controls	440,965,429
Production volume covered by external controls	183,408,269
Total production volume covered by controls	624,373,698

HIGG INDEX

We are aware that the commitment of a single brand is not enough to generate positive long-term impacts. For this reason, we work within the Sustainable Apparel Coalition to build transparency tools and to improve environmental and social performance throughout the value chain.

We have started using the HIGG Index platform for this purpose, with the goal of extending its application to all our suppliers.

Through this platform, OVS aims to involve all its suppliers in an action to increase transparency in which the entire industry participates.

Its use enables the same approach to the assessment of the environmental and social performance of the supply chain to be used at industry level. Each factory carries out its own self-assessment, attaching supporting documentation and making this information available to all interested parties.

The outcome of the self-assessment is reviewed by an independent third party, accredited by the Sustainable Apparel Coalition, which is tasked with reviewing data and information, correcting it as necessary and publishing the updated profile.

The third party performing the review may be appointed by the factory, OVS or another brand, making certified information available to all parties working with the same production entity.

Continuing the programme of mobilising its supply chain towards a more informed and sustainable production model, in 2019 OVS involved suppliers that together represented around 40% of production in programmes for training and involvement in the HIGG Index platform, with the aim of improving their environmental performance. The goal for 2020, which has already been substantially achieved, is to involve suppliers that together represent 80% of production in the use of the tool.

At the same time, since 2020 we no longer enter into any supply relationship with partners that do not have an active profile on the HIGG platform.

In 2019, OVS continued its commitment, within the Bangladesh Accord, to make factories safe in Bangladesh,

¹³ The total production volume covered by controls is greater than the production volume since the same supplier may have undergone both internal and external controls.

reporting a remediation rate for its suppliers of 94% and the involvement of approximately 140,000 workers in occupational safety training.

TRANSPARENCY

Since 2018, OVS's transparency has been assessed every year by the Fashion Transparency Index of Fashion Revolution. Through this initiative, we were able to identify areas of action to improve the transparency of our operations.

Specifically, OVS's score was 25% in 2019, rising to 35% in 2020 (compared with a total average score of 23% for the 250 brands analysed).

This significant increase was achieved thanks to both the publication of a list of all suppliers manufacturing OVS S.p.A. products on the corporate website in downloadable format and the indication in each product sheet on the website www.ovs.it of the name of the manufacturer and the country of production.

OVS's objectives include improving transparency through collaboration platforms that allow faster and more efficient information-sharing between the various players in the supply chain, to ensure the publication of a complete map of its supply chain that includes second- and third-level suppliers.

Greater transparency is not limited to the publication of the names of suppliers, but, thanks to a project launched in 2019 that will see numerous releases in the course of 2020, it is now possible to find important information on the e-commerce site on the sustainability features of the materials used and a new indicator called ECO Valore, created in collaboration with the University of Padua.

ECO Valore represents the cradle-to-gate impact generated to create each garment in terms of CO2 emissions and water consumption, assessed according to ISO 14040 and 14044 standards and using the IPCC GWP 100 method for CO2 emissions and the Pfister et al. method for the water footprint.

This set of indicators has also been enriched by a third value created for the first time by OVS S.p.A., which represents the circularity of the garment, i.e. its compatibility with end-of-life recycling processes, on a scale of 1 (minimum) to 10 (maximum). This indicator is calculated on the basis of the complexity of the garment, determined according to the number of different components (fabric, lining, padding, etc.), the number of different fibres the fabrics are made of and an RPI (Recyclability Potential Index – Subramanian Senthilkannan Muthu, Yi Li, 2012) for each fibre.

Adherence to international initiatives

In order to develop a supply chain that creates real development opportunities for the local communities in which it is established, we adhere to international initiatives to improve sustainability throughout the fashion industry:

SUSTAINABLE APPAREL COALITION (SAC)



This association works to develop sustainable practices in the clothing sector to prevent environmental damage and have a positive impact on individuals and communities associated with their activities (collaboration during 2016, formal membership in 2017).

BETTER COTTON INITIATIVE



The Better Cotton Initiative is a non-profit multi-stakeholder governance group that promotes better standards in agriculture and cotton practices in 21 countries. <http://bettercotton.org> - Details in the "Products of value" section.

ACCORD



The Accord on Fire and Building Safety in Bangladesh, which was established following the Rana Plaza incident, is an international agreement promoted by the OECD between contracting companies, trade unions and the Bangladesh garment association to check and ensure the safety of working environments in the local textile supply chain that have signed up to the agreement (a member since May 2014). See the box on the next page for further details. In 2017, OVS S.p.A. signed the new agreement, which contains some new elements, including the extension of its scope to textile products for the home and other textile accessories, and the transition of the Accord functions to the national government bodies of Bangladesh.

BETTER FACTORIES CAMBODIA



This is a non-governmental organisation working with local institutions and governments to protect workers in countries at risk of breaches of human and labour rights (a member since March 2015).

People and corporate culture

Each year, OVS outlines a global programme designed to develop its human capital, which identifies the priority topics of growth and training, diversity and equal opportunities, protecting health and safety at work, and seeking to achieve an organisation that combines talent enhancement with optimisation of productivity and the dynamics of labour costs.

Although there is no formal policy in place on human resources management, OVS has consolidated over time those areas on which management activities can be focused in order to protect its people. The areas for attention in staff management concern the topics of health and safety of the Group's staff, remuneration, training, skills management and the process of refreshing individual skills, performance appraisal, adaptability in a constantly changing context, the sharing of corporate objectives and the focus on commercial results, internal engagement and motivation. This also prevents the associated risk profiles.

OVS sees the growth of its people and their skills as a fundamental principle in its corporate ethos. It is therefore

committed to defining pathways, tools and opportunities to enable everyone to reach their full potential. OVS makes significant investments in the training and development of its resources to ensure alignment with the skills required by the business and by the market. For this purpose, in 2019, with the active contribution of a selected sample of staff, the OVS S.p.A. Capability Model, which identifies the capabilities that managers must have in order to face and overcome the fundamental challenges posed by the Business Plan, was updated. The key management capabilities are also the reference model for all staff, although they are specifically structured according to the main levels of responsibility. SHL, the leading international talent management company, has provided best practices against which internal information can be measured.

All of the talent management processes will be progressively aligned with this model. These processes comply with the company's guiding principles and are designed to achieve the following objectives:

- to anticipate and support the transformation of the skills of its resources with a view to preparing them for the challenges that the development of the business, market and technology will present in the near future;
- to manage and optimise investment in training and to measure and control costs;
- to prepare and support career development by increasing mobility and employability;
- to make the organisation more efficient, including in order to effectively control costs.

In 2019, the organisational overhaul that began in 2018 was continued.

To give further impetus to OVS S.p.A.'s digital transformation plan, the Digital Transformation & Information Technology Department was strengthened with the creation of a new Data Innovation & Process Digitalisation unit, in order to identify and promote advanced ways of using data geared to innovation in our business model, to enrich knowledge of our customers and their needs, to improve our ability to plan and distribute the product range, and to correlate business indicators, using algorithms, to support short and long-term analysis and decision-making pathways.

At the same time, the Strategic Planning & Business Intelligence Department was created in order to identify and analyse opportunities and information in a structured, sound, rapid, integrated and innovative way, so as to generate responses, actions and plans in the short and medium-long term, with a strong awareness of the overall consequences and optimising the resources available.

The search for greater organisational efficiency has taken place in all business areas and resulted in the overhaul of the company's core processes (for example, Buying & Merchandising), with a clearer allocation of responsibilities and roles within the different functions that have led to actions aimed at the overall maximisation of the stock and a clearer management of the Style involvement processes.

Overall, the aim is to combine productivity optimisation and growth with an increase in expertise useful for growth projects, including through hires with a strong international profile, particularly in the world of Products, Digital and supervision of Sourcing in the Far East.

Internal mobility and careers are translated into structured pathways and continuous analysis of the potential of each resource in relation to the current and future needs of the individual departments.

OVS S.p.A. has always valued internal growth, resulting in good staff mobility between departments at the head office and between sales and the head office, accompanied by training programmes enabling optimisation of the steps implemented. In particular, the "Drive your Development" programme involves individuals with potential at the head office and in the retail functions who have recently completed change projects through engagement in classroom activities involving action learning and peer-to-peer feedback.

Workforce composition

The OVS Group's success depends on the work of around 8,000 people worldwide. Approximately half of them have worked for the company for more than 10 years.

Employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Bangladesh	100	5	105	106	5	111
China & Hong Kong	22	90	112	20	99	119
Spain	9	92	101	16	86	102
Croatia	7	109	116	7	104	111
India	40	10	50	44	10	54
Italy	1,579	6,031	7,610	1,619	6,080	7,699
Cambodia		1	1		2	2
Pakistan	10		10	8		8
Serbia	23	49	72	21	47	68
Turkey	1	7	8	1	6	7
TOTAL	1,791	6,394	8,185	1,842	6,439	8,281

The main operating area is Italy, and the following indicators therefore mainly refer to this scope.

At 31 January 2020, the total number of OVS employees in Italy was 7,610. Of these 6,452 were hired on permanent contracts, with women representing 78.6% of the total (5,072) and men representing 21.4% (1,380). The number of fixed-term employees is 1,158, including 959 women (83%) and 199 men (17%).

At managerial level the proportion of women is lower, at 22.5%.

The permanent staff employed in the sales network totalled 5,664, comprising 4,553 women (80%) and 1,111 men (20%).

The number of permanent office staff totalled 788, comprising 519 women (66%) and 269 men (34%).

Table 10 – 2019 permanent workforce in Italy by professional category (office roles)

	2019			% increase	2018		
	Men	Women	Total		Men	Women	Total
Managers - Dirigenti	55	16	71	(0.03)	55	18	73
Professionals - Quadri	84	73	157	(0.04)	92	72	164
Employees - Impiegato	128	429	557	(0.05)	144	444	588
Workers - Operaio	2	1	3	0	2	1	3
TOTAL	269	519	788	(0.05)	293	535	828

Table 11 – 2019 permanent workforce in Italy by professional category (store roles)

	2019			% increase	2018		
	Men	Women	Total		Men	Women	Total
Store managers	317	288	605	0.08	305	256	561
Other roles	794	4,265	5,059	0.00	786	4,265	5,051
TOTAL	1,111	4,553	5,664	0.01	1,091	4,521	5,612

Table 12 – Workforce compared with previous year

	2019			2018		
	Men	Women	Total	Men	Women	Total
TOTAL	1,380	5,072	6,452	1,384	5,056	6,440

During 2019, OVS S.p.A.'s permanent workforce in Italy increased by 12 units.

Outgoing turnover¹⁴ in 2019 was 30%, down 3% compared with 2018. Incoming turnover was in line with last year at 29%, up 1% compared with 2018.¹⁵

OVS enhances talent and seeks out qualified professionals. 13.3% of the staff of OVS S.p.A. on permanent contracts have a bachelor's degree and nearly 57% have a high school diploma. More than 50% of the office staff have a bachelor's degree, while around 8% of the store employees have a bachelor's degree and 59% have a high school diploma. See Table 33.

The types of activities of OVS S.p.A.'s network of stores require a flexible operating model with extensive use of part-time working. About 30% of our permanent staff work part-time (1,934 people).

In 2019, the company also made use of employees on fixed-term contracts, and at the end of the financial year (31 January 2020) there were 1,158 of these employees in the workforce.

Most of OVS S.p.A.'s staff on permanent contracts are aged 30 to 50. Young people under 30 are also numerous (706 in total). The average age is 42. With regard to length of service, more than half the corporate population has worked for the Group for more than 10 years (60% of the population), and the average length of service is around 14 years.

The figures presented show substantial stability in the employment relationship throughout its duration.

Table 13 – Breakdown of permanent workforce in Italy by age bracket

Age	2019			2018		
	Men	Women	Total	Men	Women	Total
<30	176	530	706	168	507	675
30 - 50	798	3,341	4,139	800	3,451	4,251
>50	406	1,201	1,607	416	1,098	1,514
TOTAL	1,380	5,072	6,452	1,384	5,056	6,440

OVS's employees are distributed uniformly throughout Italy, thanks to an extensive countrywide sales network.

Return to work after parental leave is 95%, down slightly, not significantly, compared with 97% in 2018.¹⁶

Finally, it should be noted that the total number of people in protected categories is 270, including 65 men and 205 women.

¹⁴ To calculate incoming and outgoing turnover, the number of employees hired/terminated is compared with the total number of employees, with details by contract type, age range and gender.

¹⁵ See

Table 28 – Hires in Italy by gender and incoming turnover

Table 29 – Hires in Italy by age bracket in 2019

Table 30 – Terminations in Italy by gender and outgoing turnover

Table 31 – Terminations in Italy by age bracket in 2019

¹⁶ See Table 36 – Return to work after parental leave in Italy

Training and development

In 2019, the #wecare sustainability programme continued the work undertaken in 2017, with increased participation by sales staff and a particular focus on employees in the world of products. The theme of sustainability has become an institutional theme in on-boarding meetings.

Table 14 - Hours of training by geographical area

	TOTAL TRAINING HOURS 2019	AVERAGE HOURS PER EMPLOYEE 2019	TOTAL TRAINING HOURS 2018	AVERAGE HOURS PER EMPLOYEE 2018
Italy	83,124	10.9	78,987	10.3
Bangladesh	565	5.4	744	6.7
China & Hong Kong	470	4.2	1,910	16.1
India	60	1.2	54	1.0
Pakistan	0	0	52	6.5
Turkey	0	0	3	0.4
TOTAL	84,219		81,750	

Approximately €458,000 were invested in training in 2019, the same investment as in 2018 but with an increase of around 5% in training hours.

In 2019, an average of 10.9 hours of training per employee was delivered at OVS S.p.A.

Of the total number of people who took part in training activities, women received 8.4 hours per capita on average, compared with their male colleagues, who received 20.6 hours per capita. Overall training hours amounted to 50,552 for women and 32,572 for men, making a total of 83,124.

This difference between the genders in terms of average training hours is due to differences in the distribution of the workforce between the head office and the stores. In the latter organisational area, where there is a clear prevalence of female employees, training mainly takes place on the job which, in line with the GRI standard, is not included in training hours.

In 2019, only on-the-job training was provided in Pakistan and Turkey, and was excluded from the above table in accordance with the GRI standard.

Generally, OVS S.p.A. pays a lot of attention at the Group level to enhancing employees' skills through training and development activities, to foster talent as much as possible and to support each person's personal and professional growth.

These initiatives take the form of classroom activities, on-the-job training, project work and social learning. The main skills development paths are:

INDUCTION PROGRAMME

Provides all the cross-functional skills for the role held in OVS S.p.A. (organisational relations, effective use of IT tools, English language). In this context, all new hires with office roles are involved in an on-boarding activity and a training and development path on the cross-functional skills useful for effective inclusion and integration in the company.

The #wecare sustainability programme launched in 2017 became an integral part of the onboarding process in 2019.

BUYING AND MERCHANDISING SCHOOL

Designed to reinforce all the distinctive style, product and management skills that mark out every fashion retail professional. The processes and sustainability programme were constantly updated in 2019.

ACADEMY

The programmes are aimed at managers and senior professionals. They involve people who have embarked on a path of development towards roles with more responsibility and organisational importance. OVS regards continuous growth as a source of personal and corporate development. It therefore organises development activities in this area, which also involve participation in individual pathways.

OVS RETAIL SCHOOL

Currently the main Italian corporate school dedicated to training professionals in the management of clothing stores, such as visual merchandisers, department heads, etc., offering programmes to develop distinctive skills to operate effectively in the OVS sales network.

UPIM RETAIL SCHOOL

Provides continuous skills refreshment for salespeople and visual merchandisers operating in the Upim sales network.

OVS STORE MANAGEMENT SCHOOL

Provides advanced training for the Store Manager Diploma, aiming to continuously develop the skills required to excel in this role.

OVS S.p.A. uses a training method based on the 70 - 20 - 10 principle, which is recognised as the training criterion for optimum performance.

This assumes that 70% of training activities relate to on-the-job training, which, as it takes place day-to-day, is not currently formalised in reported training hours. The reported hours are divided into 20% and 10% for traditional classroom activities, socialisation of formal classroom experiences and of course e-learning.

The OVS Store Management School provides formal certification of the skills acquired with the OVS STORE MANAGER DIPLOMA. This diploma is also issued in OPEN BADGE digital format. The aim is to give weight to what is learned (the training path that young graduates follow at OVS to become store managers) and give weight to what is taught (the skills of the trade that OVS enables them to learn). In 2019, 65 new store managers "graduated".

Based on the experience of the OVS Store Management School, the Upim Store Management School also produced 22 young graduates in 2019.

In 2019, as part of the digitisation goals, the new "Learning Point" Learning Management System was introduced, providing everyone, at any time and including from their personal devices, with what they need to fulfil their roles, defining their training objectives by choosing from a wide range of topics of both personal and professional interest, sharing self-produced training support (micro learning and prosumer) and recommending the learning of colleagues through the rating system.

The working method used for the design was carried out with design thinking methodologies and therefore participation and involvement in the various phases of the project of representative samples of users, i.e. office and retail staff with varying levels of responsibility.

A very wide range of training activities are provided online. Formal training requirements are thus covered and opportunities to reinforce the skills and abilities of each person are provided, drawing on a wide range of free resources. Overall, the use of e-learning opportunities has expanded considerably.

Workshop activities are also planned with methods closer to the concept of action learning or classroom consultancy. Individual and/or small group coaching methods are also included in the development paths.

All the training programmes provide a final assessment test of the level of learning to establish how effective and enjoyable the course has been and to enable the the training offer to be continuously improved.

The Group continued its action on skills development in 2019, pursuing the measures undertaken and launching new initiatives. Specifically:

- A basic leadership development path was launched for junior managers, with a view to broader involvement of management in leadership development in 2020
- The programme to develop hardiness, i.e. the ability to confront and overcome difficult situations, which is essential in responding vigorously and energetically to continuous questions and requests, was extended. It is based on concepts such as commitment, resilience, the ability to meet challenges and accountability for events. A Hardiness Trainer certification pathway was also launched in this context.
- An engagement development activity which, using personal and role-based awareness in cognitive and emotional terms as the starting point, helps to increase the effectiveness of individuals' actions vis-a-vis their teams
- In the context of management skills development in view of changes in organisational structures, a Team Empowerment pathway was created with the aim of developing greater organisational awareness but also to deal with the necessary changes relating to new ways of working and reporting (in particular for the Digital Innovation & Information Technology function).

Two thematic areas were also continued:

- Language training for the development of English language knowledge through e-learning, individual courses and group courses. English Graduation Day was also established, on which participants in the courses received a diploma from a Specialised Institute certifying the level of English language knowledge achieved after a final test.
- The care of the "person" as part of the "Health and Wellness" programme, which saw wide participation by head office staff on topics of nurturing well-being related to nutrition, ergonomics and concentration. An innovative initiative relating to digital skills was also extended to the children and younger siblings of staff.

Health and safety

OVS S.p.A. has established a Health and Safety Service, as required by law, and pursuant to Article 17, letter b, paragraph 4 of the Safety Act (TUS), has appointed an external Health and Safety Manager (HSM) who meets the requirements of professionalism, experience and training.

The specific duties and responsibilities of the HSM, who is appointed by the employer to which he or she reports and provides services, consist of coordinating the Health and Safety Service. Specifically, his or her tasks are as follows:

- identifying risk factors, assessing risks and identifying measures for the safety and healthiness of working environments, in accordance with applicable legislation, on the basis of specific knowledge of the corporate organisation;
- developing, insofar as he or she is competent, preventative and protective measures resulting from the risk assessment and the control systems for such measures;
- developing security procedures for the various corporate activities;
- proposing training and information programmes for workers;
- taking part in occupational health and safety consultations, as well as in annual safety meetings;
- providing workers with information:
 - on the risks to occupational health and safety associated with the company's activities in general,
 - on first aid, fire fighting and evacuation procedures,
 - on the names of first aid and fire prevention workers and the competent doctor.

The management procedures described below are subject to specific instructions, including for subsidiaries, which implement them in view of specific local regulations.

OCCUPATIONAL SAFETY MANAGEMENT SYSTEM

In particular, it should be noted that, in line with the provisions of the Safety Act (Legislative Decree 81/2008), the Health and Safety Service (meaning all persons, systems and means, whether external or internal to the company, aimed at preventing and protecting against occupational risks for workers) has, by improving its effectiveness over time, implemented an occupational safety management system which, as well as complying with the applicable legislative provisions, includes a series of activities, coordination meetings and verifications to ensure regular monitoring of workers' safety in the workplace.

In accordance with the provisions of Legislative Decree 81/2008, OVS followed the UNI INAIL Guidelines for the preparation of the procedures of its occupational safety management system.

RISK ASSESSMENT AND IDENTIFICATION OF HEALTH AND SAFETY MEASURES

Employers, in collaboration with the HSM and with the competent doctor, after consulting the safety representative (where present), carry out the risk assessment and process the Risk Assessment Documents (hereinafter also "RAD") in accordance with applicable legal provisions and the company safety policy.

These documents are processed for both the company's registered office and for each store (or warehouse, where applicable) and are stored respectively at the head office or at the store (or warehouse) concerned.

The document contains: a report on the assessment of occupational health and safety risks, the identification of prevention and protection measures adopted on the basis of the assessment carried out and the personal protection devices used, the programme of measures deemed appropriate to ensure that safety levels are improved over time, the identification of procedures for implementing the measures to be carried out and the roles within the company organisation that will perform them, the appointment of the Health and Safety Manager, the workers' safety representative or regional safety representative and the competent doctor who took part in the risk assessment, and finally the identification of the duties that may expose workers to specific risks requiring recognised professional capacity, specific experience and appropriate education and training.

The Risk Assessment Documents are updated whenever there is a material change in working activity.

EMERGENCY AND FIRST AID MANAGEMENT

In view of the fact that OVS carries out activities with low ignition risk and with little manual activity, emergency management procedures have been adopted aimed primarily at prevention, prompt requests for intervention by the competent bodies (for example, VV.FF, etc.), a definition of tasks and responsibilities in managing these, and rapid evacuation of premises if necessary.

The emergencies for which procedures have been created are: lack of electricity, initial fire, alarm from smoke detection system, alarm from automatic fire extinguishing system (sprinklers), earthquake and failure of the air conditioning system (ventilation).

Every year, the Technical Services Manager verifies the state of implementation of the procedures and sends the Supervisory Body a report on the controls carried out. Within the office and stores, the company ensures that the fire safety signs at the safety exits, fire extinguishers and hydrants are in place. In addition, sound systems have been installed so that evacuation announcements can be made and, finally, first aid units are provided in each unit.

PERIODIC SAFETY MEETINGS

Every year, a periodic safety meeting is held, attended by: the employers; the HSM; the competent doctor; the workers' safety representative (where present) and the Supervisory Body pursuant to Legislative Decree 231/01 is also invited to participate, which, however, is related.

During this meeting, the company checks that the RAD is up to date and verifies the progress of accidents, training and information programmes and any measures to be taken with regard to safety.

HEALTH SUPERVISION

Health supervision is carried out by a competent doctor. For each worker under medical supervision, the competent doctor keeps a medical file containing the results of medical checks and attaching the results of the tests carried out.

The doctor will perform medical examinations: before admission to employment, in order to establish the absence of contraindications to the work to which the worker is assigned, and to assess his or her suitability for the specific duties; periodically during the performance of the work, at the worker's request, if related to working risks; at the time of a change of duties, in order to verify suitability for the specific duties; and at the end of the employment relationship, in the cases provided for by applicable legislation.

The medical examinations, which are under the company's responsibility and at its expense, include medical and biological examinations and diagnostic investigations targeted at risk and deemed necessary by the competent doctor.

The company doctor must visit the workplace at least twice a year, together with the HSM.

TRAINING AND INFORMATION ACTIVITIES

On the basis of the health and safety system adopted by the company and pursuant to the provisions of Articles 36 and 37 of the TUS, the company provides appropriate training and information, as indicated in the tables above.

The training and information activities focus on: (i) the importance of the recipients' actions being consistent with the corporate safety policy; (ii) the consequences of the behaviours and activities to be implemented; and (iii) the consequences in the event of deviations from safety requirements. Training activities are carried out by the Human Resources and Organisation Department, in collaboration with the HSM and the Sales Department. The implementation of the training is entrusted to the managers at the store level, with the exception of courses for the Safety Team, which are coordinated by the Technical Services and also carried out through external consultants.

Head office training is conducted at the time of recruitment and is conducted by the Human Resources and Organisation Department.

In addition to specific training on occupational health and safety, OVS provides its employees with additional voluntary training programmes.

These programmes cover training in early intervention, healthy lifestyle, healthy nutrition, stopping smoking and other topics updated annually. A free medical clinic service is also available to office staff.

COORDINATION AND CONTROL ACTIVITIES IN THE EVENT OF OUTSOURCING OF WORK TO THIRD PARTIES

In accordance with the provisions of Legislative Decree No. 81/2008, when work is assigned within the company, i.e. the productive unit, to contractors or self-employed individuals, the Technical Services employees, also consulting with the Legal and Corporate Affairs Department:

- verify, including through the registration with the chamber of commerce, the technical and professional suitability of the contractors or self-employed individuals for the work to be awarded under contract;
- provide these parties with detailed information on the specific risks in the environment in which they will operate and the prevention and emergency measures adopted in relation to their activity.

- cooperate in the implementation of measures to prevent and protect against the risks of accidents during the working activity subject to the contract;
- coordinate measures to protect against and prevent the risk to which workers are exposed, providing each other with information, including in order to eliminate risks due to interference between the work of the various companies involved in the performance of the overall project.

The integrated Risk Assessment Document (RAD) is attached to all such contracts or implementing documents. The staff of contractors must be provided with an identity card bearing their photograph, their personal details and the name of their employer. Workers are required to display this ID card.

OCCUPATIONAL SAFETY STATISTICS

With regard to OVS S.p.A., no cases of work-related sickness were recorded during the year. There were 94¹⁷ workplace accidents, none of which was serious¹⁸.

There were no fatal work-related accidents in 2019.¹⁹

OVS S.p.A. provided 37,966 hours of training on occupational health and safety management, compared with 34,817 in 2018.

Development, appraisal and remuneration

By means of stock option plans, if certain performance targets are met, OVS S.p.A. offers managers and key individuals at the Group a remuneration system that provides for the allocation of bonus ordinary shares of OVS S.p.A.. The variable portion of the remuneration of key personnel is thus linked to the company's actual performance and the creation of value for shareholders over the long term, creating a highly competitive incentive system capable of attracting and retaining highly qualified individuals and supporting the development of the company.

To facilitate staff development, a structured performance management system has been implemented to periodically appraise work performance by means of formal meetings with managers to analyse to what extent employees have achieved the targets set and progressed on their career development path. In 2019, this system covered 100% of office staff and around 9% of OVS S.p.A. employees in the sales network. OVS's performance management provides for periodic formal meetings with managers, individual or group appraisals and observations on the ground by line managers or HR personnel.

We highlight in particular that the formal performance appraisal process covered 100% of male store managers and 93% of female store managers. Other store roles are subject to an informal appraisal process.

Each year the process of defining remuneration plans takes into account different variables such as the salary budget, individual performance and benchmarking against other companies through market research.

This process includes defining separate variable remuneration plans according to employees' roles. Specifically, the sales network staff have a variable remuneration plan defined by the Company Supplementary Agreement, which provides for the awarding of bonuses if predefined targets are met by the stores in question. The remuneration of managerial head office and sales roles generally also includes a portion of variable remuneration based on individual annual performance with a gate linked to the company's overall results.

OVS ensures that the minimum starting salary is equal for men and women, fully respecting equal opportunities. See Table 40

The ratio of women's pay to men's pay in the same professional category is shown below (essentially the same).

¹⁷ The total number of accidents, including during the commute to and from work, was 170.

¹⁸ An accident resulting in an absence of 180 days or more is considered "serious" as defined by the GRI standards.

¹⁹ See Table 39 - Accident index Italy

Table 15 – Comparison of men’s/women’s pay by professional category – office staff

	2019		
	Men	Women	Salary ratio
Managers - Dirigenti	145,855	132,312	0.91
Professionals - Quadri	59,191	58,363	0.99
Employees - Impiegato	38,497	33,608	0.87
Workers - Operaio	32,723	26,884	0.82

Table 16 – Comparison of men’s/women’s pay by professional category – store staff

	2019		
	Men	Women	Salary ratio
Store managers	38,949	34,383	0.88
Other roles	25,939	25,457	0.98

The ratio of the highest paid person’s gross annual salary to the median pay excluding the highest is 27.19. As well as remuneration, all OVS S.p.A. staff are offered a **supplementary pension fund with free membership** and a health care programme guaranteed for all employees, regardless of the contractual formula (fixed/permanent and part time/full time). All staff are also offered a wide range of agreements with gyms, fitness centres and shopping opportunities provided through a dedicated web portal.

Car pooling

In addition to the programme to raise staff awareness of issues related to sustainable innovation, we have launched activities to ensure that everyone makes a concrete contribution, including in their day-to-day actions. We have provided employees with a car pooling platform to reduce the greenhouse gas emissions associated with their daily commute to head office.

During 2019, journeys to and from work at the head office totalling 81,519 km **were made via car pooling**, and **emissions of nearly 6 tonnes of CO2 were avoided**, corresponding approximately to the planting of a small forest of 80 trees every year.

Respect for the environment

According to the materiality analysis, other fundamental aspects relate to direct environmental impacts and packaging, and in this regard OVS is developing specific strategies, principally to reduce the impact linked to stores and to reuse packaging as much as possible. The environmental commitments have not yet been structured in a formal policy, but they concern:

- the optimal planning and management of premises to reduce our impacts, while improving interior comfort for the people who frequent them;
- the sustainability profile of stores to assess the impact of our design choices on people and the environment with the entire life cycle in mind.
- the gradual replacement of plastic packaging with more sustainable materials.
- the definition of a structured plan to reduce greenhouse gas emissions.

SUSTAINABILITY IN STORES

An improvement priority for the Group is to raise the sustainability profile of the store network, starting with new openings, as these represent the main source of the direct impacts of the business.

With this objective, a specific OVS standard (hereinafter, also the “guidelines”) for stores has been developed that defines the design criteria to be adopted for all new openings, aiming to minimise the impact on the environment by considering the entire life cycle of the building: from the integrated design phases, through construction up to communication to visitors to the store.

The objectives proposed by the guidelines adopted are as follows:

- reduce operating costs through an integrated approach that incorporates sustainability criteria during the design, construction and management of the store;
- minimise energy expenditure and polluting emissions;
- systematically improve the quality of the environment and the perceived level of comfort within the store, starting with air conditioning and air quality and including lighting, the materials used and cleaning;
- have a positive impact on productivity and staff retention;

The OVS store – the cornerstone of our business and a space for direct contact with the customer – is increasingly a place for coming into contact with and sharing our concrete commitment to sustainable fashion. The environment itself was created to conform to these values: a store accessible to all, suitable for families, with a welcoming atmosphere, built using eco-friendly materials and applying solutions for energy efficiency and climatic well-being.

The standard profile of OVS’s stores is based on the main international green building standards (e.g. LEED, BREEAM, etc.).

The guidelines provide recommendations on how to improve the sustainability of the building by focusing on the following areas:

- **management:** relating to aspects concerning site management and the minimisation of impacts on the surrounding areas;
- **health and well-being:** relating to all the necessary precautions to guarantee healthy and wholesome environments for occupants. Some indicators of internal quality relate to natural and artificial lighting, the visual connection of regularly occupied spaces with external areas, the thermal comfort of occupants, acoustic services, and more generally the quality of the indoor air
- **energy:** a scope that covers the measurement, control and optimisation of consumption through the use of consumption accounting and monitoring systems
- **transport:** relating to the promotion of alternative mobility and connection of the store with public transport systems, assessing the location of the stores in urban areas and proximity to public services open to the community
- **water:** an area of oversight that aims to reduce and optimise the use of water resources through strategies to minimise possible facilities losses, the use of efficient sanitary equipment and taps and the increased use of non-potable resources
- **materials:** relating to the analysis of the materials used in production with the aim of directing choices towards materials with low environmental impact. Specifically, the presence of product certifications, the re-use of resources and the analysis of the life cycle are rewarded
- **waste:** a field relating to the reduction of waste production, both in the construction phase and during operation, through the creation of dedicated areas for separate waste collection, composting, the use of materials or recovery components in the construction phase and the use of machinery to reduce the volumes of waste produced
- **pollution:** relating to the reduction of pollution in all environmental aspects: energy, acoustics, lighting, etc.

Energy consumption

“Direct environmental impacts” is a material topic for OVS S.p.A., relating to energy efficiency, power consumption, CO2 emissions, water resource management and hazardous and non-hazardous waste.

OVS's current consolidated environmental practices include the company's principles and commitments, for the purpose of managing and mitigating the environmental impacts of its activities.

Specifically, the commitments concern:

- the application of environmental management practices consolidated over the years;
- the exclusive use of certified renewable energy;
- support for the development of initiatives to increase the level of energy efficiency, by improving the efficiency of structures (stores, head office and warehouses) and internal and external processes;
- the containment of CO₂ emissions.

The environmental data below relate to the period from 1 January 2019 to 31 December 2019 and only to the Parent Company, OVS S.p.A..

ENERGY

The total energy consumption of OVS S.p.A., determined by its consumption of electricity and fossil fuel, amounted to **724,937 GJ**, of which **600,971 GJ** came from renewable sources (**83%**), in particular from certified electricity. Total energy consumption was reduced by 5.2% (7.5% on a like-for-like m² basis).

Table 17 - Aggregate energy consumption Italy²⁰

Values in GJ	Fiscal year 2019			Fiscal year 2018		
	Head office	Stores	Total	Head office	Stores	Total
Electricity	9,931	628,146	638,077	11,434	651,270	662,704
Fossil fuel	2,790	70,668	73,458	3,388	84,727	88,115
District heating	0	13,402	13,402	0	13,842	13,842
Total	12,721	712,216	724,937	14,822	749,839	764,661
Energy/personnel (GJ/hc)	16	105	95	17	110	99
Energy/m ² (GJ/m ²)	0.61	0.99	0.98	0.71	1.07	1.06

A specific programme to contain our energy needs was launched some years ago to reduce energy consumption, with a positive impact on the environment and on the Group in terms of reducing operating costs.

A key factor in the success of the energy saving programme has been empowering the store teams and seeking their active involvement through the sharing of good practices, the specific training of store managers in this area linked to incentive and recognition mechanisms, and the quarterly communication of energy consumption performance to each store, indicating areas for action.

The implementation of this programme was made possible due to the simultaneous launch of a centralised system for controlling consumption and energy costs that allows individual stores to be monitored daily. Thanks to the partnership with the Centomilacandele consortium, controlled by the Group, a web-based platform has been developed that tracks the data for hourly energy consumption, comparing it with the values recorded in the previous year and thus detecting anomalous consumption peaks.

The ease and speed with which the data can be analysed allows for the prompt reporting of anomalies to the store and the consequent intervention of the store manager or maintenance technician.

In 2019, we recorded additional energy consumption from fuel consumption by our company's car fleet of 12,633 GJ. Since this information was not reported in 2018, it has been excluded, for ease of reading, from the table above and the tables below. From next year the tables will include this indicator, ensuring correct comparability.

FOSSIL FUEL

In 2019, total consumption of fossil fuel relative to OVS S.p.A.'s head office and stores was 73,458 GJ, obtained by adding together the consumption of methane (40,372 GJ, equal to 1,034,903 scm), diesel (32,927 GJ, equal

²⁰ In the calculation of per capita consumption, the consumption recorded in the calendar year is compared with the number of staff at 31 January 2020.

to 913,931 litres) and LPG (159 GJ, equal to 6,300 litres). This is a significant decrease of 17% compared with last year (88,115 GJ).

Table 18 - Fossil fuel consumption in Italy (scm for methane, litres for diesel and LPG)

	Methane		Diesel		LPG	
	2019	2018	2019	2018	2019	2018
Head office	71,514	86,850				
Stores	963,389	1,085,283	913,931	1,174,211	6,300	3,400
Total	1,034,903	1,172,133	913,931	1,174,211	6,300	3,400

To the above 2019 data, 350,649.95 litres of diesel should be added, relating to the consumption of the company car fleet. This figure was not recorded in 2018 and is therefore not included in the table to ensure a like-for-like comparison.

ELECTRICITY

With regard to the monitoring of electricity consumption, it should be noted that an increasing number of stores, now more than a hundred, to which new store openings are added from time to time, are equipped with systems to measure and monitor the electricity consumption of the lighting and air conditioning systems. The constant monitoring of data relating to the individual stores means that consumption anomalies can be reported to our technical department, which can then establish the cause.

The tables below show OVS S.p.A.'s electricity consumption, expressed in GJ ²¹, in relation to the head office and stores.²²

Table 19 - Electricity consumption in Italy

Values in GJ	2019	2018
Head office	9,931	11,434
Stores	628,146	651,270
Total	638,077	662,704

The energy efficiency initiatives carried out in 2019 resulted in an overall reduction in electricity consumption per square metre of 5.8%, as shown in the table below.

Table 20 - Electricity consumption/m²

	2019	2018
Electricity consumption/m² (GJ/m²)	0.8834	0.9373

In 2019, OVS S.p.A. produced 325 GJ of electricity from photovoltaic panels.

Since 2017, OVS S.p.A.'s electricity requirements (head office and stores) have been covered by certified green energy according to company policy. The total value of electricity from renewable sources is 600,971 GJ, out of

²¹ The DEFRA 2018 conversion factors were used to calculate consumption in GJ.

²² See previous note

638,077 GJ of total consumption (94%, net of 325 GJ of electricity produced independently from photovoltaic panels).

The difference of 37,106 GJ between total electricity and certified renewable electricity mainly relates to the consumption of electricity by users not owned by OVS S.p.A., which is recharged or, to a negligible extent, taken over in supply contracts, the amendment of which has not yet been negotiated.

CO2 emissions

In 2019, OVS S.p.A.'s direct CO2 emissions relating to the head office and the stores were 11,500 tCO₂e²³ of direct emissions (the sum of the emissions shown in the table and the emissions described in the following section), mainly deriving from combustion of diesel, natural gas and LPG to heat the store network.

Table 21 - Scope 1 emissions in Italy

Source	Unit of measurement	2019		2018	
		Consumption	Emissions (t CO ₂ e)	Consumption	Emissions (t CO ₂ e)
Natural gas	cm	1,034,903	2,102	1,172,133	2,458
Diesel	l	913,931	2,521	1,174,211	3,468
LPG	l	6,300	10	3,400	5
Coolant gases	kg	2,872	5,900	1,566	3,228
TOTAL			10,533		9,159

967 litres of diesel should be added to the emissions shown in the table, relating to the diesel consumption of the company car fleet. This figure was not recorded in 2018 and is therefore not included in the table to ensure a like-for-like comparison.

The table shows a substantial reduction in consumption related to winter heating due to the Energy Saving programme, which was unfortunately cancelled out by a worsening of coolant gas emissions. This will be investigated in 2020 with a review of maintenance programmes to contain fluorinated gas leaks.

Table 22 - Scope 2 emissions in Italy – Market based

Source	Unit of measurement	2019		2018	
		Consumption	Emissions (t CO ₂ e)	Consumption	Emissions (t CO ₂ e)
Non-renewable electricity	kwh	10,307,350	2,922	10,808,719	3,891
District heating	kwh	3,722,828	655	3,845,010	1,154
TOTAL		14,030,178	3,578	14,653,729	5,045

Indirect CO2 emissions (Scope 2) amounted to 3,578 tonnes²⁴, much less than in the previous year. This reduction can be explained by the greater focus on consumption due to the Energy Saving programme involving the sales network.

In 2019, a project was carried out to assess the Carbon Footprint of the OVS organisation in collaboration with the Ministry of Environment and the University of Padua. The project enabled the creation of a greenhouse gas inventory model based on 2018, which will be used in the next few years to provide a better and more complete

²³ The DEFRA 2019 and TERNA 2018 factor was used to calculate CO2 emissions

²⁴ TERNA 2018 and DEFRA 2019 factors were used to calculate CO2 emissions.

representation of OVS S.p.A.'s greenhouse gas emissions.

The results of the work performed in accordance with ISO14064 was certified by certification body SGS S.p.A.

The project is structured in 4 steps:

1. Inventory of greenhouse gases;
2. Definition of an emissions reduction plan;
3. Definition of an emissions offset plan;
4. Communication plan.

Steps 3 and 4 are currently still in progress.

Water

In 2019, OVS S.p.A.'s **water consumption** was 800,065 cubic metres and can be broken down as follows.

Table 23 - Water consumption in Italy

Consumption (cm)	2019	2018
Head office	25,830	21,674
Stores	774,235	733,315
TOTAL	800,065	754,989

The water data have been calculated based on the readings of the relative meters, where available. For the remainder, we estimated consumption using an average per square meter that excluded stores with special features (evaporation towers, condensation systems, etc.), for which the actual data were used instead.

The water used is mainly taken from municipal water networks. With regard to water consumption, it is necessary to point out that the figure recorded for the stores comprises the sum of the consumption directly attributable to OVS S.p.A. and other consumption, not directly attributable, which is not currently measurable. This is the case when OVS S.p.A. subleases part of the premises leased to it without having a meter installed to specifically measure the consumption of the third party. OVS S.p.A. charges back for this consumption using methods not necessarily related to actual consumption.

Waste

OVS S.p.A. has been focusing more closely in recent years on containing the waste produced throughout the entire production cycle. Specifically, we have taken the following actions:

- we began collecting used clothes in 2013, and by the end of 2019 had collected over 1,000 tonnes of garments, thus avoiding their disposal in landfill (see dedicated section);
- we have optimised the life cycle of packaging with reusable polythene bags and more efficient management of clothes hangers to reduce waste production;
- our logistics use secondary packaging that is re-used several times in our distribution processes; its design is also optimised to reduce paper waste during production;
- we implement "green purchasing" policies, starting by mainly purchasing recycled ecological paper (the rest is FSC certified).

Table 24 - Total waste production in Italy²⁵

Amounts in tonnes	2019			2018		
	Warehouses	Head office	Stores	Warehouses	Head office	Stores
TOTAL WASTE	3,812.72	102.54	6,195.61	4,461.30	126.02	5,886.23

The information shown in the previous table was determined on the basis of final data on the head office, depots and part of the store network. Some categories of waste have also been better defined than in the previous year: therefore, the data are not always directly comparable. See Table 43 and Table 44.

Packaging

OVS S.p.A. continuously monitors the use of logistics packaging, reusing it as much as possible. A few years ago we launched the RIUTILIZZAMI project for the recovery and reuse of packaging used at the logistics centre and packages sent to the stores. In 2018, the **RIUTILIZZAMI Programme** enabled **2,903,808 cardboard boxes from suppliers** to be reused, i.e. **95% of the cardboard boxes received**. The total recycling rate is almost 50%.

This made it possible to limit the number of new cardboard boxes purchased to 3,040,991, saving around **2,000 tonnes of paper**. At the Pontenure depot, a process of reconditioning wooden transport pallets was also activated, which involves the repair of damaged pallets by dedicated employees to avoid their disposal as waste. With regard to hanger disposal, OVS does not send hangers to customers so that they can be re-used in normal store operations. Hangers that are no longer usable because they are broken or obsolete are recycled thanks to a partnership with one of our suppliers, which uses them to produce new hangers. In 2019, 223 tonnes of plastic hangers were recycled.

In 2019, the replacement of 100% of plastic display packaging with cardboard or recycled plastic supports was also initiated. This project will be completed by 2020 and will be reported in the next financial statements.

Communities

OVS believes the topic of community development to be material, and is therefore actively committed to supporting people and organisations that promote the social growth of the areas in which the company operates, aiming to create shared value that will also benefit future generations. Also, in view of the importance of the world of children for our business activities, we specifically support causes and projects for younger people, encouraging them to express their creativity and promoting a healthy and active lifestyle.

Going forward, our goal is to incorporate these positive projects more and more into our business strategy, strengthening our active social presence over the years through strong partnerships with some of the biggest Italian and international social promotion organisations.

Community investments and initiatives

In 2019, OVS continued its commitment to promoting social, cultural and environmental activities in the region, in particular through the implementation of the Kids Creative Lab and BullisNO projects, for which OVS S.p.A. develops and produces materials and coordinates initiatives on a pro bono basis.

²⁵ The 2018 figure has been restated as waste data collection methods were refined in 2019.



KIDS CREATIVE LAB

Kids Creative Lab is an educational project for primary school children promoted by OVS and the Peggy Guggenheim Collection. The initiative, now in its seventh edition, offers free tools, multidisciplinary prompts and all useful instructions for creating a creative laboratory in school. Kids Creative Lab is based on participatory practice, promoting individual contributions within a shared project. The final work is always the sum of the contribution of the individual participants, as part of a collective approach in which "I" becomes "we", so that every child can feel part of a large creative process.



BULLISNO

In 2019, the third edition of "BullisNO - Chi bulla perde" ("Bullies always lose") took place. This is a social project against bullying and cyberbullying in partnership with FARE X BENE Onlus, an association that supports, promotes and protects inviolable human rights, with the support of the Lombardy Regional Education Office, and which has created the BULLISNO National Manifesto.



HEALTHY SEAS

OVS S.p.A. is a partner of Healthy Seas, the non-profit organisation that uses volunteer divers to recover fishing nets and other hazardous equipment dispersed in the sea. Through Healthy Seas, OVS helps with the protection of marine biodiversity and the recovery of valuable materials that are then recycled to produce new yarns.

OVS also supported non-profit organisations through donations and fundraisers totalling €260,445, including Save The Children, Healthy Seas, FareXBene, Time4Child and Fanciullezza.

Some initiatives with a cultural or social impact on the region, such as concerts and charity marches, were also sponsored for a total of €14,525.

Appendix: tables of indicators

Supply chain

Table 25 - Materials breakdown (tonnes)

Material	2019	%2019	2018	%2018
Cotton	21,504	62.89%	27,042	65.30%
Polyester	6,065	17.74%	6,855	16.55%
Polyamide	1,241	3.63%	1,277	3.08%
Viscose	1,866	5.46%	2,021	4.88%
Acrylic	1,195	3.50%	1,181	2.85%
Elastane	397	1.16%	447	1.08%
Polyurethane	258	0.75%	240	0.58%
Linen	191	0.56%	274	0.66%
Wool	78	0.23%	58	0.14%
Other renewable	1,067	3.12%	1,584	3.83%
Other non-renewable	331	0.97%	434	1.05%
Total	34,192	100.00%	41,412	100.00%

Table 26 - Number of new suppliers screened using environmental and social parameters

	2019	2018
TOTAL NUMBER OF NEW SUPPLIERS	77	82
TOTAL NUMBER OF NEW SUPPLIERS SCREENED USING SOCIAL CRITERIA	77	82
% OF NEW SUPPLIERS SCREENED USING SOCIAL CRITERIA	100.00%	100.00%
TOTAL NUMBER OF NEW SUPPLIERS SCREENED USING ENVIRONMENTAL CRITERIA	77	82
% OF NEW SUPPLIERS SCREENED USING ENVIRONMENTAL CRITERIA	100.00%	100.00%

Human resources

Table 27 - Distribution of workforce by geographical area

Employees	2019			2018		
	Men	Women	Total	Men	Women	Total
Bangladesh	100	5	105	106	5	111
China & Hong Kong	22	90	112	20	99	119
Spain	9	92	101	16	86	102
Croatia	7	109	116	7	104	111
India	40	10	50	44	10	54
Italy	1,579	6,031	7,610	1,619	6,080	7,699
Cambodia		1	1		2	2
Pakistan	10		10	8		8
Serbia	23	49	72	21	47	68
Turkey	1	7	8	1	6	7
TOTAL	1,791	6,394	8,185	1,842	6,439	8,281

Table 28 - Hires in Italy by gender and incoming turnover

	2019			2018		
	Men	Women	Total	Men	Women	Total
OVS S.p.A. STORES	342	1,806	2,148	356	1,744	2,100
OVS S.p.A. HEAD OFFICE	9	17	26	14	10	24
	351	1,823	2,174	370	1,754	2,124
% of total hires	16%	84%		17%	83%	
Incoming turnover rate	22%	30%	29%	23%	29%	28%

Table 29 - Hires in Italy by age bracket in 2019

	<30		30 - 50		>50		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
OVS S.p.A. STORES	254	1,350	86	441	2	15	342	1,806	2,148
OVS S.p.A. HEAD OFFICE	2	9	4	8	3		9	17	26
	256	1,359	90	449	5	15	351	1,823	2,174
% of total hires	12%	63%	4%	21%	0%	1%	16%	84%	
Incoming turnover rate	16%	23%	6%	7%	0%	0%	22%	30%	29%

Table 30 - Terminations in Italy by gender and outgoing turnover

	2019			2018		
	Men	Women	Total	Men	Women	Total
OVS S.p.A. STORES	353	1,823	2,176	391	2,072	2,463
OVS S.p.A. HEAD OFFICE	39	48	87	39	72	111
Total	392	1,871	2,263	430	2,144	2,574
% of total terminations	17%	83%		17%	83%	
Outgoing turnover rate	25%	31%	30%	27%	35%	33%

Table 31 - Terminations in Italy by age bracket in 2019

	<30		30 - 50		>50		Total		Total
	Men	Women	Men	Women	Men	Women	Men	Women	
OVS S.p.A. STORES	203	1,255	115	505	35	63	353	1,823	2,176
OVS S.p.A. HEAD OFFICE	4	18	23	22	12	8	39	48	87
Total	207	1,273	138	527	47	71	392	1,871	2,263
% of total terminations	9%	56%	6%	23%	2%	3%	17%	83%	100%
Outgoing turnover rate	13%	21%	9%	9%	3%	1%	25%	31%	30%

Table 32 - Breakdown of total workforce in Italy by full-time/part-time

Type of contract	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time employees	1,516	3,783	5,299	1,557	3,829	5,386
Part-time employees	63	2,248	2,311	62	2,251	2,313
Total	1,579	6,031	7,610	1,619	6,080	7,699

Table 33 - Breakdown of permanent workforce by qualifications in Italy

	2019			2018		
	Men	Women	Total	Men	Women	Total
Bachelor's degree or equivalent	286	573	859	278	533	811
High school diploma	787	2,889	3,676	776	2,845	3,621
Compulsory schooling	269	1,241	1,510	291	1,294	1,585
Undocumented	38	369	407	39	384	423
Total	1,380	5,072	6,452	1,384	5,056	6,440

Table 34 - Breakdown of permanent workforce by full-time/part-time in Italy

Type of contract	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time employees	1,336	3,182	4,518	1,342	3,166	4,508
Part-time employees	44	1,890	1,934	42	1,890	1,932
TOTAL	1,380	5,072	6,452	1,384	5,056	6,440

Table 35 - Breakdown of fixed-term workforce by full-time/part-time in Italy

Type of contract	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time employees	180	601	781	215	663	878
Part-time employees	19	358	377	20	361	381
TOTAL	199	959	1,158	235	1,024	1,259

Table 36 - Return to work after parental leave in Italy²⁶

		2019	2018
Employees entitled to parental leave (no.)		210	247
	women	179	207
	men	31	40
Employees who have taken parental leave (no.)		154	179
	women	149	174
	men	5	5
Employees who returned to work after parental leave (no.)		146	174
	women	141	169
	men	5	5
Employees who returned to work after parental leave and are still employed 12 months after their return (no.)		142	168
	women	138	164
	men	4	4
Total return rate (%)		95%	97%
	women	95%	97%
	men	100%	100%
Total retention rate (%)		82%	
	women	82%	
	men	80%	

Table 37 - Hours of training by type in Italy

	Hours - men	Hours - women	2019	2018
Managerial training	926	989	1,915	860
Professional training	11,256	15,048	26,304	21,306
Linguistic training	1,700	3,270	4,970	5,112
Training on Code of Ethics (231 Organisational Model, etc.)	526	626	1,152	1,008
Health and safety training	12,840	20,588	33,428	34,817
Operations	1,370	2,705	4,075	3,101
Soft skills	3,954	7,326	11,280	12,783
Total	32,572	50,552	83,124	78,987

Table 38 - Hours of training by professional category to permanent and fixed-term employees in Italy

Hours of training	Men	Women	Total	Men, women	Hours/ person
Managers - Dirigenti	1,448	228	1,676	71	24
Professionals - Quadri	1,804	1,737	3,541	157	23
Employees - Impiegato	3,386	6,357	9,743	573	17
Workers - Operaio	0	0	0	3	0
Store managers	11,894	14,833	26,727	715	37
Other roles	14,040	27,397	41,437	6,091	7
Total	32,572	50,552	83,124	7,610	11

²⁶ In 2018, the calculation of the retention rate was not available.

Table 39 - Accident index Italy²⁷

	2019	2018
Total hours worked	11,065,590	11,483,139
Number of accidents involving employees (>1 day of absence)	94	104
<i>Of which involving serious injuries</i>	0	0
Accident frequency index (no. of accidents x 1,000,000/no. of hours worked)	8.5	9.1
Serious injury frequency index	0	0

Table 40 - Comparison of minimum starting salary for men and women in Italy

	2019		2018	
	Men	Women	Men	Women
Standard entry level wage by gender (euro)	21,198	21,198	21,198	21,198
Local minimum wage at significant locations of operation by gender (euro)	21,198	21,198	21,198	21,198
Minimum standard wage by gender compared with minimum wage in Italy	1	1	1	1

Table 41 - Number of office staff who receive performance appraisals in Italy

	Men	Women	Total
Managers - Dirigenti	64	15	79
Professionals - Quadri	106	85	191
Employees - Impiegato	179	529	708
Workers - Operaio	0	0	0
Total	349	629	978

Table 42 - Number of store staff who receive performance appraisals in Italy

	Men	Women	Total
Store managers	324	268	592
Other roles	8	12	20
Total	332	280	612

²⁷ The 76 accidents that took place during the commute to and from work are not included in the table. For greater comparability, the 2018 figure has also been updated to exclude the 69 accidents while travelling.

Environment

Table 43 - Production of non-hazardous waste in Italy²⁸

Amounts in tonnes Non-hazardous waste	2019			2018		
	Warehouses	Head office	Stores	Warehouses	Head office	Stores
Paper and cardboard	2,867.28	46.66	741.08	3,573.00	63.54	533.97
Mixed packaging	839.99	10.56	4,824.52	871.00	15.24	4,607.49
Plastic			418.47			501.2
Clothing						
Wood	98.47		40.21			
Toner		0.03	3.11		0.00	4.50
Metal - iron and steel	6.98		45.07	17.30		503.67
Non-hazardous batteries		0.11	0.22		0.10	0.29
Bulky waste			119.66			180.48
End-of-life equipment		0.18	0.68		0.11	1.82
Extinguishers						
Glass		0.30			0.10	
Unsorted		24.74			26.00	
Organic		19.80			20.80	
Fluorescent tubes						
Packaging containing hazardous substances						
Iron and steel						85.37
TOTAL NON-HAZARDOUS WASTE	3,812.72	102.37	6,193.01	4,461.30	125.89	5,967.71

Table 44 - Production of hazardous waste

Amounts in tonnes Hazardous waste	2019			2018		
	Warehouses	Head office	Stores	Warehouses	Head office	Stores
Hazardous batteries						0.00
Fluorescent tubes		0.15	2.59		0.13	3.54
Glass						
Packaging containing hazardous substances						
End-of-life equipment		0.02				0.27
TOTAL HAZARDOUS WASTE	0	0.17	2.59	0	0.13	3.81

Table 45 - Fossil fuel consumption at warehouses in Italy

	Methane (MC)	
	2019	2018
Warehouses	117,847	177,210

Table 46 - Electricity consumption at warehouses in Italy

Values in GJ	2019	2018
Warehouses	19,689	22,808

²⁸ Due to the Covid-19 outbreak, data on organic and unsorted site waste was not received in time. The figure has therefore been estimated on the basis of the quantity for the previous year in proportion to the number of office employees in 2019. The 2018 figure has also been adjusted for a different calculation method.



GRI Content Index

The indicators used refer to the 2016 standard, with the exception of GRI 403 (Health and Safety) indicators, which transpose the 2018 standard.

General information

Organisational profile

		Section, notes
GRI 102-1	Name of the organization	Profile and main activities of OVS
GRI 102-2	Activities, brands, products, and services	Brands
GRI 102-3	Location of headquarters	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-4	Location of operations	PROFILE AND MAIN ACTIVITIES OF OVS
GRI 102-5	Ownership and legal form	The structure of the Group
GRI 102-6	Markets served	PROFILE AND MAIN ACTIVITIES OF OVS
GRI 102-7	Scale of the organization	The history of the OVS Group Workforce composition Economic value generated and distributed
GRI 102-8	Information on employees and other workers	Workforce composition
GRI 102-9	Supply chain	Supply chain management
GRI 102-10	Significant changes to the organization and its supply chain	PROFILE AND MAIN ACTIVITIES OF OVS Responsible governance Supply chain management
GRI 102-11	Precautionary Principle or approach	Risk supervision and management OVS adopts a prudential approach for reducing the environmental impacts of production processes and products, in accordance with Principle No. 15 of the UN Declaration of Rio de Janeiro
GRI 102-12	External initiatives	Internal control and risk management system
GRI 102-13	Membership of associations	Through the Human Resources and Organisation Director, OVS has a seat on the FederDistribuzione Executive Committee

Strategy

		Section, notes
GRI 102-14	Statement from senior decision-maker	LETTER TO THE STAKEHOLDERS

Ethics and integrity

		Section, notes
GRI 102-16	Values, principles, standards, and norms of behavior	Mission and values

Governance

		Section, notes
GRI 102-18	Governance structure	The structure of the Group Organisational structure
GRI 102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder involvement
GRI 102-22	Composition of the highest governance body and its committees	Composition of the Board of Directors and the Board of Statutory Auditors
GRI 102-32	Highest governance body's role in sustainability reporting	Sustainability strategy and governance

Stakeholder engagement

		Section, notes
GRI 102-40	List of stakeholder groups	Stakeholder involvement
GRI 102-41	Collective bargaining agreements	OVS complies with the provisions on collective bargaining agreements by applying the relevant National Collective Bargaining Agreement
GRI 102-42	Identifying and selecting stakeholders	Stakeholder involvement
GRI 102-43	Approach to stakeholder engagement	Stakeholder involvement
GRI 102-44	Key topics and concerns raised	Materiality matrix

Reporting practice

		Section, notes
GRI 102-45	Entities included in the consolidated financial statements	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-46	Defining report content and topic Boundaries	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-47	List of material topics	Materiality analysis
GRI 102-48	Restatements of information	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-49	Changes in reporting	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-50	Reporting period	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-51	Date of most recent report	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-52	Reporting cycle	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-53	Contact point for questions regarding the report	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-54	Claims of reporting in accordance with the GRI Standards	METHODOLOGICAL NOTE AND READING GUIDE
GRI 102-55	GRI 101 contents index	GRI STANDARDS CORRELATION TABLE
GRI 102-56	External assurance	INDEPENDENT AUDITOR'S REPORT

Specific information

Material aspect – Community development Development of human capital

		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE COMMUNITIES Analysis and management of non-financial risks
GRI 201-1	Direct economic value generated and distributed	Economic value generated and distributed, Table 2
GRI 201-3	Defined benefit plan obligations and other retirement plans	Development and assessment Remuneration
GRI 201-4	Financial assistance received from government	OVS received no financial assistance from government in 2019

Material aspect – Development of Human Capital

		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Remuneration

Material aspect – Community Development

		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	COMMUNITIES Analysis and management of non-financial risks
GRI 203-1	Infrastructure investments and services supported	COMMUNITIES

Material aspect – Sustainable Supply Chain**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	Responsible production and supply chain Analysis and management of non-financial risks
GRI 204-1	Proportion of spending on local suppliers	Economic value generated and distributed

Material aspect – Business Integrity and Ethics**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	Internal control and risk management system Analysis and management of non-financial risks
GRI 205-2	Communication and training about anti-corruption policies and procedures	Internal control and risk management system Training and development
GRI 205-3	Confirmed incidents of corruption and actions taken	No incidents of corruption were registered in 2019

Material aspect – Business Integrity and Ethics**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	Internal control and risk management system Analysis and management of non-financial risks
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions were registered for anti-competitive behaviour, anti-trust and monopoly practices in 2019

Material aspect – Direct Environmental Impacts, Circular Economy**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 301-1	Materials used by weight or volume	Responsible use of materials Table 25 - Breakdown of materials
GRI 301-3	Reclaimed products and their packaging materials	Packaging

Material aspect – Direct Environmental Impacts, Circular Economy**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 302-1	Energy consumption within the organization	Energy consumption
GRI 302-4	Reduction of energy consumption	Energy consumption

Material aspect – Direct Environmental Impacts, Circular Economy**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 303-1	Water withdrawal by source	Water

Material aspect – Direct Environmental Impacts, Circular Economy**Section, notes**

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 305-1	Direct (Scope 1) GHG emissions	CO2 emissions
GRI 305-2	Energy indirect (Scope 2) GHG emissions	CO2 emissions
GRI 305-5	Reduction of GHG emissions	CO2 emissions
GRI 305-6	Emissions of ozone-depleting substances (ODS)	There were no ODS emissions in 2019

Material aspect – Direct Environmental Impacts, Circular Economy

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 306-2	Waste by type and disposal method	Waste Table 43 – Production of non-hazardous waste in Italy Table 44 – Production of hazardous waste in Italy The amount of waste by disposal type is not available. OVS undertakes to report on the missing information by 2021

Material aspect – Direct Environmental Impacts, Circular Economy

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	RESPECT FOR THE ENVIRONMENT Analysis and management of non-financial risks
GRI 307-1	Non-compliance with environmental laws and regulations	In 2019 OVS was not fined or sanctioned for failing to comply with environmental laws and regulations

Material aspect – Sustainable Supply Chain, Circular Economy

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	SUPPLY CHAIN MANAGEMENT Analysis and management of non-financial risks
GRI 308-1	New suppliers that were screened using environmental criteria	Supply chain management Table 26

Material aspect – Development of Human Capital

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 401-1	New employee hires and employee turnover	Composition and distribution of personnel Human resources indicators
GRI 401-3	Parental leave	Composition and distribution of personnel Human resources indicators

Material aspect – Occupational Health and Safety

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 403-1	Occupational health and safety management system	Analysis and management of non-financial risks Health and safety
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Risk assessment and identification of health and safety measures
GRI 403-3	Occupational health services	Health supervision
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Periodic safety meetings
GRI 403-5	Worker training on occupational health and safety	Training and information activities
GRI 403-6	Promotion of worker health	Training and information activities The training programme
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Risk assessment and identification of health and safety measures Emergency and first aid management
GRI 403-9	Work-related injuries	Occupational safety statistics
GRI 403-10	Work-related ill health	Occupational safety statistics

Material aspect – Development of Human Capital		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 404-1	Average hours of training per year per employee	Training and development
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	Training and development
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	Development, appraisal and remuneration The percentage of employees measured against performance is available for office professionals (100%) and for the store managers at the stores.
Material aspect – Diversity and Equal Opportunity		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	PEOPLE AND CORPORATE CULTURE Analysis and management of non-financial risks
GRI 405-1	Diversity of governance bodies and employees	Composition of the Board of Directors and the Board of Statutory Auditors Composition and distribution of personnel
Material aspect – Business Integrity and Ethics		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 406-1	Incidents of discrimination and corrective actions taken	OVS did not register any incidents of discrimination in 2019
Material aspect – Business Integrity and Ethics		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor	There are no suppliers considered to be at significant risk for incidents of child labour and/or young people exposed to hazardous work.
Material aspect – Business Integrity and Ethics		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	Supply chain management Analysis and management of non-financial risks
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supply chain management There are no suppliers regarded as being at significant risk for incidents of forced or compulsory labour
Material aspect – Community Development		Section, notes
GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 411-1	Incidents of violations involving rights of indigenous peoples	OVS did not register any incidents of human rights violations in 2019

Material aspect – Business Integrity and Ethics

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	100% of new suppliers are screened for their human rights impact. The existing supplier base is re-evaluated annually at the level of approximately 80% of the production volume generated.

Material aspect – Community Development

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	In 2019, there were no activities with negative impacts on the local community.

Material aspect – Sustainable Supply Chain

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Supply chain management Analysis and management of non-financial risks
GRI 414-1	New suppliers that were screened using social criteria	Our suppliers

Material aspect – Community Development

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 415-1	Political contributions	OVS did not receive political contributions in 2019

Material aspect – Product Sustainability and Safety

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 416-1	Assessment of the health and safety impacts of product and service categories	Quality and safety
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	OVS did not register any incidents of non-compliance concerning the health and safety impacts of products and services in 2019

Material aspect – Sustainability Marketing, Packaging

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Quality and safety Analysis and management of non-financial risks
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	OVS did not register any incidents of non-compliance concerning product and service information and labelling in 2019
GRI 417-3	Incidents of non-compliance concerning marketing communications	OVS did not register any incidents of non-compliance concerning marketing communications in 2019

Material aspect – Business Integrity and Ethics

Section, notes

GRI 103-1; 103-2; 103-3	Management approach	Analysis and management of non-financial risks
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	OVS did not register any incidents of non-compliance with laws and regulations in the social and economic area in 2019







Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of OVSS.p.A.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of OVSS.p.A. and its subsidiaries (hereafter the "Group") for the year ended 31 January 2020 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on 26 May 2020 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by the GRI – *Global Reporting Initiative* (hereafter the "GRI Standards"), identified by them as the reporting standards.

The Directors are responsible, in accordance with the law, for the implementation of internal controls necessary to ensure that the NFS is free from material misstatement, whether due to fraud or unintentional errors.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in *the Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised ("reasonable assurance engagement")* and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in the OVS Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;



5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of OVSS.p.A. and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- as to OVSS.p.A., at its headquarter office in Venezia-Mestre, which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level and its location, we carried out meetings during which we interviewed local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of OVS Group as of 31 January 2020 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Treviso, 30 May 2020

PricewaterhouseCoopers SpA

Signed by

Massimo dal Lago
(Partner)

Signed by

Paolo Bersani
(Authorised signatory)

This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers. We have not performed any verification procedures on the English translation of the NFS of OVS Group as of 31 January 2020.



