

# MAKING PROGRESS

SUSTAINABILITY REPORT 2021



## THE REWARDS OF TRANSPARENCY

OVS earns first place in the Fashion Transparency Index 2021.

## COTTON TO BE PROUD OF

100% of OVS cotton today comes from low impact supply chains.

## INVESTING IN THE FUTURE

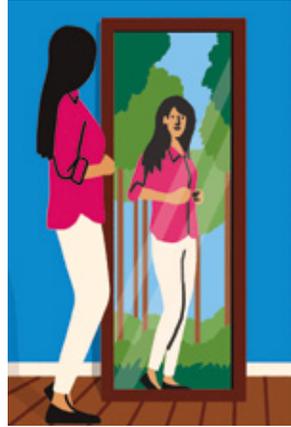
With the Sustainability-Linked Bond OVS strengthens its sustainability strategy.

# OVS

OVS



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# 01

## *Vision*

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### HIGHLIGHTS

- Introduction of Sustainability-Linked Bond
  - New targets on the front of decarbonization
  - OVS market share grows to 9%
  - Online sales grow up to 50%
- 

### A style fit for the planet

Fashion designers are well aware of the importance of exact measurements. Today, finally, the fashion industry is understanding how this also holds true for its impact on the environment and people. The same care we put in designing a sleeve or a flap should also be put into the design of a sustainable business and, most importantly, in its honest and rigorous measurement.





**Stefano Beraldo**

CEO OVS S.p.A

**INTERVIEW**

*How was the year that just ended?*

The year 2021 was a year of excellent results with a strong increase in sales compared to the previous year, achieved with the same space and an increase in market share from 8.4% in 2020 to 9.3%. Our group has grown more than any other player, physical or digital, operating in Italy in the clothing sector. I believe that customers have rewarded the work

done and the innovations introduced in our product proposal, far from the logic of “fast fashion”. The creative direction of Massimo Piombo, an internationally renowned designer, has made a significant contribution to the development of collections increasingly characterised by durable garments that combine style, quality, and sustainability, always at affordable prices.

The ubiquity of our network also allows us to have a unique position in the market, with a proximity offer able to meet the needs of customers less willing to travel for shopping.

“**It is not possible to talk about sustainability without transparency and measurability.**”



*Speaking of impacts, those of the fashion industry are important. And more and more companies are looking to take a path toward a more sustainable profile. Where do we stand?*

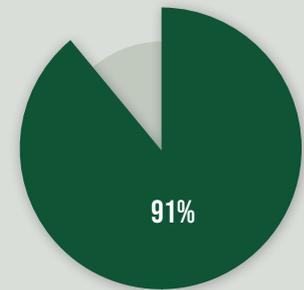
The criticality of our industry lies in the very concept of fashion: by definition, what is fashionable today, is not fashionable tomorrow. A lot of progress is certainly being made, both as individual companies and at the industry level, by adopting virtuous practices, reducing impacts and waste with a view to circularity. However, it is not enough: we need a common vocabulary, shared reading tools and protocols, thanks to which we can measure and compare the efforts of different companies.

*What is the role of OVS in driving this transformation in the fashion world?*

The first step we took was conceptual, almost philosophical in nature, when five years ago I asked my team to share with me an initial goal: transparency. We have always been aware that it is not possible to talk about sustainability without transparency and measurability. That is why we share openly what we do, the results we achieve, and the challenges we are still facing.

Last year, we updated and extended to 100% of the garments of our brands the set of indicators “Eco Valore”,

a sort of passport that clearly explains the environmental impacts of the entire life cycle of the product. This allows our customers to make more informed choices. Our efforts were rewarded by achieving the top spot in the 2021 Fashion Transparency Index rankings.



Production volume coming from suppliers **involved in continuous improvement initiatives**



*The production of OVS garments involves various countries around the world. What do you do to ensure sustainability throughout the supply chain?*  
 More than 90,000 people work in our supply chain, and all our efforts would be in vain without continuous improvement of working conditions along the supply chain. Aware of our role, we actively participate in multi-stakeholder initiatives that amplify the scope of positive impacts. We have

renewed our participation in Accord in Bangladesh to continue in the safety of production buildings and we are working in the Sustainable Apparel Coalition to promote adherence to the Higg platform as a supply chain monitoring tool. About 90% of our production volume already comes from suppliers involved in these initiatives.

Cotton from **low impact or more sustainable sources**

**100%**

*What goals have you achieved and what goals do you set for the future in the short and medium term?*

By 2021, we were able to source 100% of our cotton from more sustainable sources, and we work every day to select the best raw materials and most innovative treatments to reduce the impact of what we do. In addition to what we do in choosing materials and suppliers, we promote a style and quality that makes clothes more durable.



**Emission reduction**  
 from 2016 to 2019

**85%**

Maybe they cost a little more to the end customer, but this is the way to move away from a fast fashion model and work towards a more sustainable fashion. And then this encourages greater circularity: the more beautiful and desirable a garment is, the more concrete the possibility that it can be used longer and by more people.

On the decarbonisation front, from 2016 to 2019, we reduced emissions by 85% and now we have new targets, endorsed by Science Based Targets Initiative: a further 46% emissions reduction by 2030. Decarbonisation is also one of the concrete and stringent commitments that we have decided to put before investors. We were among the first to issue a Sustainability-Linked Bond, whose interest rate is linked to the achievement of particularly challenging



environmental and social sustainability objectives. This 2021 has been an important year, highlighting OVS' resilience and confirming the validity of our strategic approach.

The results we report in this document stimulate us to move forward with conviction on this path, involving our customers more and more in a key of total transparency.



# Our brands



**OVS**

OVS - Leading Italian brand in the clothing market. It offers a selection of contemporary and essential style, with excellent value for money and great attention to sustainability in the choice of materials and production processes.



**OVS  
kids**

OVS KIDS - Leading brand in the Italian children's clothing market. Its target audience are children, 0 to 15 years old, with a competitive, high-quality offer that pays great attention to the selection of raw materials and the creation of garments that are both stylish and practical.



**PIOMBO**

PIOMBO - Brand dedicated to contemporary men and women, present in over 500 OVS stores in Italy. Designed by Massimo Piombo, the collections express the taste and talent of the well-known designer in the research of fabrics and care for details and combinations of shapes and colors.



**STEFANEL**

STEFANEL - Italian contemporary women's clothing brand, famous for the design and quality of its knitwear.



**upim**

UPIM - It is the Italian family department store, a benchmark for a shopping service that is convenient, accessible and targeting the actual needs of families. It offers a service that is close to the community, with a wide and varied offer ranging from clothing for the whole family, to beauty and home.



**BLUKIDS**

BLUKIDS - Upim's clothing brand for children. A benchmark for quality, convenient, accessible shopping, directed at the needs of families, dressing kids throughout their childhood years, from day-wear, to school wear to special occasions.



**CROFF**

CROFF - Historic brand for home decoration with easy, informal and contemporary design, for everyday use. CROFF collections represent different settings in the house, always with an excellent quality/price ratio.

# Key numbers

A woman with long dark hair, wearing a white short-sleeved button-down shirt and white wide-leg trousers, stands on a paved path. She is looking upwards and to the right. The background features palm trees, red flowers, and a mailbox.

**2,052**

Stores worldwide

**8,259**

Employees worldwide

**1,359** MIO EUR

Revenue

**9.3%**

Group Market Share

**94%**

OVS brand global awareness

**OUR PATH**

*Bringing circularity into fashion*

Clothing consumption set to increase by 2030

**63%**

Average amount of clothes thrown away by an European citizen every year

**11KG**



The sector in which we operate is complex: procurement of raw materials, processing of textile fibers, production of garments, transport logistics. This complexity is reflected in the impacts it produces at every stage of the value chain: on water availability and quality, on air pollution, on the loss of soil wealth, and on the risks associated with working conditions in the supply chain located in countries where regulation can be very weak.

The impacts also concern consumption habits: the fashion system invites us to buy more and more garments, often guided by emotional rather than functional choices.

This is why we want to accelerate the transition to a circular system, a model that extends the life cycle of raw materials and products as far as possible to reduce the impact on the environment and society.

We are aware of the opportunity we have to impact the system and we feel this sense of responsibility. We want to be the Italian company of reference for consumers looking for beautiful, affordable clothes that have a positive impact on people and the planet.

This is why we have embarked on a path that is based on transparency, integrates capillary actions and looks at clear and ambitious objectives.

The sustainability strategy has 5 key pillars:

- **Products and Materials**  
We choose more sustainable materials - opting for organic and/or recycled solutions - and lower impact manufacturing processes.
- **Supply Chain**  
We collaborate with and support suppliers to continuously improve environmental and social practices.
- **Customers**  
We communicate with our customers in a transparent manner, guiding them in the most informed purchasing choices.
- **People**  
We strive every day for everyone to reach their full potential
- **Stores** We improve the energy efficiency of stores and business facilities.



**INTERVIEW**

**Simone Colombo**  
*Head of Corporate Sustainability*

*In 2021, you achieved significant results in transparency and sustainability. What new goals are you setting?*  
2021 was the year of maturity, the result of a path of growth that led us to achieve important results.

We have worked to have solid positioning on must-have issues, such as sourcing 100% more sustainable cotton or engaging the supply chain with the Sustainable Apparel Coalition's Higg tools.

An equally important achievement was the adoption of traceability and measurement tools that built the platform of transparency on which we can now confidently base both our communication and the construction of an even more solid path to meet the challenges we face.

Our strength is really knowing where we are now and where we want to be.

*Can you give us a concrete example?*

Cotton is a clear example of this. Although we have achieved our goal of sourcing 100% more sustainable cotton, we must continue to look for even better solutions, increasing the percentage of organic or recycled material, despite the difficulties: only 1% of the world's cotton production follows the organic farming protocol and is subject to high price volatility. In addition, about 20% of the world's cotton comes from China's Xinjiang region. However, we have decided to ban all sourcing from that area following allegations of forced labour and human rights violations against the Uighur ethnic minority.

“ 2021 was a year of maturity for OVS; we see our achievements as a new starting point to impact even more. ”



For this reason, we continue to experiment with new forms of sourcing and have partnered with a Sicilian producer to supply high quality organic cotton on order. Production has just begun and the crop will be available next year for a capsule collection. It is a first experiment to bring back to Italy an agricultural production which disappeared in the 50s, also experimenting with ancient and valuable varieties because very resistant to drought.

Always with a view to making a doubly sustainable cotton, we aim to increase the percentage of regenerated cotton: it allows us to further reduce impacts compared to organic, avoiding where possible the dyeing phase. Thanks to the work done with our suppliers in Bangladesh in the context of the Circular Fashion Partnership, we have activated new supply chains and increased the quality of the cotton harvested to reach percentages in the garments of 70% recycled cotton. The advantages of this initiative have been many: for us, the possibility of working with a less expensive and

higher quality material; for the supplier, the transformation of the cost of disposal into revenue; for the community, the transparent and correct management of textile waste taken away from local organisations, which do not always operate legally.

*Do you have any other initiatives planned on the materials regeneration side?*  
We will also continue to work on the recycling of synthetic materials, activating dedicated partnerships such as the one with Repreve and we will increase the use of regenerated polyester wherever possible, starting with those functional garments made mostly of this material, such as



outerwear, swimwear, sportswear, despite the fact that, like cotton, recycled polyester is also subject to speculative phenomena that cause great price volatility.

*How are you doing with respect to the other big issue of decarbonisation?*  
We have certainly achieved excellent results, but for us they are only a starting point for more challenging goals. We started with our decarbonisation strategy in 2016, and within three years we reduced direct emissions by 85% through energy

efficiency programs, such as LED lighting and renewable energy purchases. In 2021, we set our reduction targets according to scientific parameters and in line with the Science Based Targets initiative to reduce emissions by 46% by 2030.

*How does the Sustainability-Linked Bond affect this path?*

The Bond gave our Sustainability Plan even more strength because of the synergies created between the Bond targets and the Plan actions. In fact, the work we are doing on improving the materials portfolio or supply chain quality has fuelled a number of initiatives congruent with the Bond objectives. The Sustainable Performance Targets selected, including decarbonisation in line with SBTs and supply chain assessment with the Higg platform, are indeed very challenging, so much so that they are rated by Sustainalytics as “highly ambitious” and “very strong.” These are valid goals that are consistent with our strategy and will serve as leverage in our purchasing and procurement decision-making processes.

*You have also achieved great things in terms of supply chain transparency. What are the next steps?*

In the coming months, we will focus our efforts on the issues of living wages and associational freedom for workers in the supply chain. As a company, we do not have direct leverage for immediate results. What we can do, however, is create the enabling conditions so that the wages of workers involved in our supply chain gradually come into line with the living wage, through the development of union representation that also makes collective bargaining possible. In this sense, the Higg platform is of great support to us as it represents a wealth of information that allows us to identify areas of possible intervention.

Our approach is to accompany the supplier, supporting them with targeted training and consulting programs to act seriously and urgently with respect to the social and environmental commitment we demand.



Our  
strength:  
**consciousness**

02

## Product & materials

### HIGHLIGHTS

- 100% natural cotton
- 1.8 million garments made from recycled synthetics
- More than 3 million garments from more sustainable pulp
- 47% of denim made with water-efficient systems

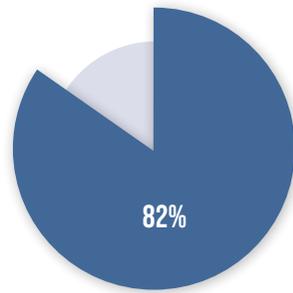
### A future cut from a different cloth

The choice of materials is essential in creating a piece of clothing. It's twice as important if we take into account the impact that every material has on the environment and on communities. In order to minimize this impact without affecting our style, we apply ingenuity and attention to details: this allows us to improve the sustainability of our cotton, denim, wool, viscose, polyester.

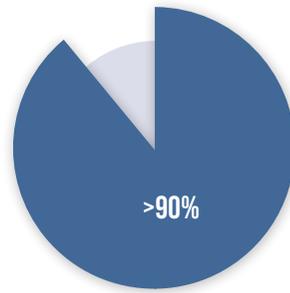
## 02 Product & materials

We choose materials and create products with one principle in mind: minimise the consumption of natural resources and reduce the impact on the environment and people as much as possible. For us, creativity and sustainability can go hand in hand.

Raw materials alone determine about 60% of a clothing company's environmental impacts. That is why we are constantly looking for virtuous materials and production processes, have initiated collaborations with new material suppliers and created a list of criteria to guide the work of our product managers.



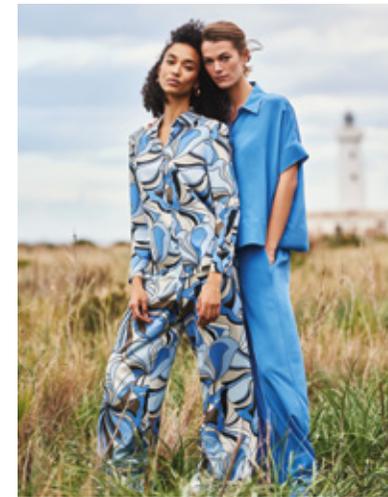
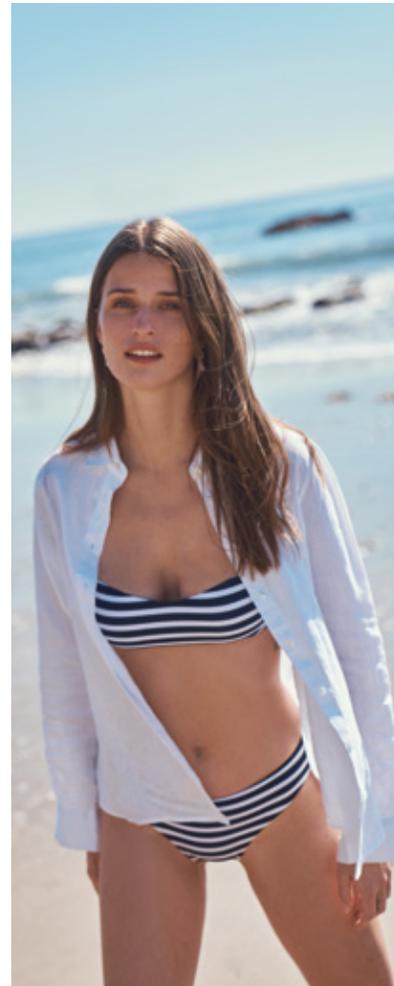
Percentage of materials from certified **low impact** supply chains



Products made with materials from certified **low impact** supply chains by 2025

By 2025, more than 90% of our products will have at least one of the following characteristics: composition with certified low-impact raw materials (such as organic cotton or recycled polyester); production with reduced water or chemical consumption treatments; specific certification on the finished product (e.g. OEKO-TEX, Cradle-to-Cradle,...); design in collaboration with projects with positive social impact.

Another important step in the development of better products is the application of Eco Valore, which measures all the impacts of the products in our collections, which can be consulted in the product sheet of e-commerce to guide our customers towards more conscious choices.



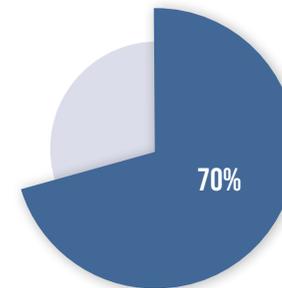
### OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

*Responsible consumption and production*

To reduce the use of resources in the entire production cycle, we promote circularity with concrete interventions aimed at using production waste; we favour natural products grown with more sustainable methods, such as organic cotton and Better Cotton, we use recycled materials, such as regenerated polyester, and we make sure that, in the production of our garments and in the packaging, natural ecosystems are respected, as for viscose and FSC paper.

*Clean water and sanitation*

To combat the growing scarcity of potable water, a growing problem due to the climate crisis, we prioritise more virtuous materials with reduced water consumption, promote water conservation practices in manufacturing processes, innovate in denim production and adopt strict wastewater management guidelines for our suppliers.



Percentage of **cotton** vs. other materials used in our products



More sustainable cotton used since FW 2021: certified organic, Better Cotton or recycled

# 100%

### 100% PROUD OF OUR COTTON

Cotton is the most important material for us: it represents about 70% of the materials used in our products and we buy more than 20 thousand tons of it every year. Aware of the impact of traditional farming, since 2016 we have been moving towards purchasing more sustainable cotton. We set ourselves challenging goals and we have met them: 100% of our cotton today is recycled or comes from sources that are more respectful of the environment, farmers and communities.





Number of items produced with cotton from certified organic crops in the 2021 collections

**+58MLN**

Number of farmers involved in the Better Cotton Initiative

**2.9MLN**

**Better Cotton**

Better Cotton has so far reached 2.9 million farmers worldwide, representing 22% of world production.<sup>2</sup>



Through our cotton program, we have helped millions of farmers around the world improve agricultural practices and conditions for cotton workers.

Organic cotton is grown, produced and processed according to organic farming standards, which excludes the use of pesticides, chemical fertilizers and GMO seeds. It saves up to 91% of water compared to traditional cultivation, with the added benefit of improving soil quality<sup>1</sup>. It protects the working conditions of all people involved in the supply chain, by avoiding exposure to hazardous chemicals and ensuring ethical working practices are adopted.

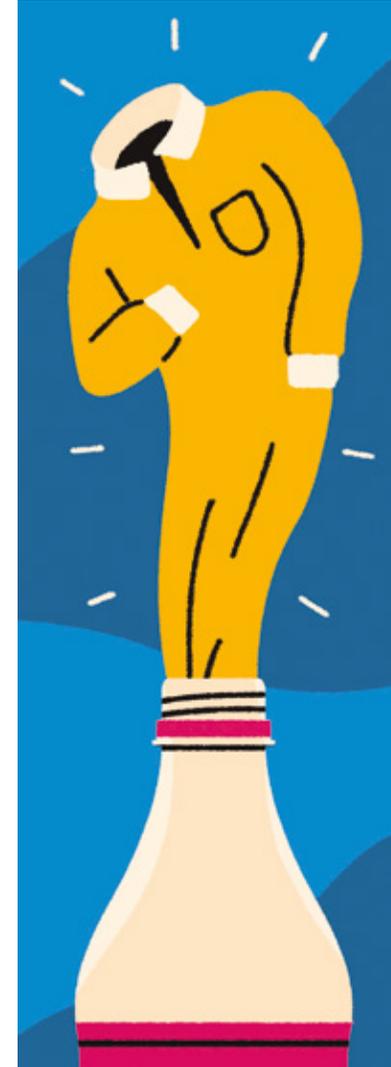
We particularly prefer it for the baby world that requires more attention. In the 2021 collections,

we made more than 58 million garments produced with cotton from certified organic crops.

*Better Cotton*

We were the first Italian company to join, in 2016, Better Cotton, the world's largest program to support a radical improvement in the cotton industry and reduce the impact on the environment and the people who grow it. Compared to conventional production, Better Cotton is grown using integrated methods that limit the use of pesticides and fertilisers, saving water and reducing energy consumption.

It also teaches farmers virtuous practices such as crop rotation, which enriches the natural fertility of the land. It creates better working and living conditions and generates higher economic yields, up to 40% higher than conventional farming.



Starting in 2019, we have chosen to make some garments only from recycled polyester, such as the fleece or *Less is Better* collections. This has allowed us to have a lower impact and recover plastic for the equivalent of 20,000,000 bottles.



*And finally, recycled cotton*  
No fibre is ever as sustainable as a fibre that has already been produced. For this reason, where possible we reprocess and give new life to cotton from pre-consumer waste (production residues) and post-consumer waste (end-of-life garments). In this way, a double positive effect is generated: a raw material that is already available is enhanced and its disposal in landfills is prevented.

**THE SECOND LIFE OF POLYESTER**

After cotton, our second most important material is polyester. Like all petroleum-derived synthetics, it is a non-renewable resource and contributes significantly to carbon dioxide emissions.

Therefore, we have set ourselves the goal of progressively increasing the percentage of recycled polyester in our collections.



Number of garments made from recycled synthetics in 2018

**400,000**

Number of garments made from recycled synthetics in 2021

**1.8MLN**

**Like new, but more sustainable**

The polyester regeneration process allows the fibre to be recreated so as to maintain the same performance as the original raw material. In its recycled version, polyester allows to:

- save up to 85% of energy
- reduce CO2 emissions by up to 75%
- limit our dependence on oil
- reclaim plastic waste (mainly PET bottles) that would otherwise end up in landfills

We went from about 400,000 garments in 2018 to 1.8 million garments made from recycled synthetics, including considering polyamide. Our goal is to replace 100% of polyester and polyamide with recycled materials or biodegradable alternatives by 2030.

Recycled polyester is also the big star of many of our functional collections, such as the no-label **Less is Better** collection, the **Ocean Care** beachwear collection or the **Puffy Jacket** line.

*Less is better*

A line of innovative garments with essential lines (jackets, vests, polo shirts and pants, but also backpacks), made with sustainable materials and high technical content. The collection has been conceived, from design to in-store sales, with a circular approach: simple, single-material design, made of polyester or recycled polyamide entirely paper-free: all labels are replaced by a QR code printed on the garment that allows to read product information online.



*Less is better* is our circular collection: simple, single-material design, with recycled materials, paper-free.

*Ocean Care*

Each year, we offer a selection of costumes made from materials recovered from the seas: from the polyester of plastic bottles, to the polyamide of fishing nets abandoned and fished out by volunteer divers of **Healthy Seas**, of which OVS is an associate partner.

*Puffy Jacket line*

A line of men's-women's-children's down jackets made from 100% recycled synthetic materials including padding.



**ANIMALS FIRST, THEN WOOL**

In the 2021 collections, we made 100,000 garments with merino wool certified according to the RWS (Responsible Wool Standard), which guarantees the welfare of the animals involved. In particular, it is the "Amico Eco" yarn of Lanerossi, a historical spinning mill of Vicenza, used in men's knitwear for Fall/Winter 2021 collection.

**Responsible Wool Standard**

The Responsible Wool Standard ensures that the wool comes from responsibly managed farms, in accordance with strict criteria for animal welfare and environmental impact reduction. Furthermore, traceability is guaranteed throughout the entire production process, from the livestock farms to the production of the yarn and the manufacture of the finished products.

**DENIM THAT IMPROVES WITH TIME**

As of 2019, 100% of our denim is made without potassium permanganate, a substance that is harmful to humans and the environment.

To achieve the aged effect of denim, we alternatively use only worker-safe treatments, such as laser technology or biodegradable enzymes.

**Savings in the dyeing process**

Water

**-66%**

Chemicals

**-60%**

By 2025, all of our jeans will use water-reducing technologies.

However, we did not stop there. Traditional denim production consumes large amounts of water. Thanks to an innovative dyeing process that improves color absorption and highly efficient water treatment plants, we are able to minimise water consumption in denim production.

In fact, we can go from 6 to 8 cycles of dyeing and oxidizing traditional denim to get the ideal shade, to just applying a short interval of dye.

Energy

**-51%**

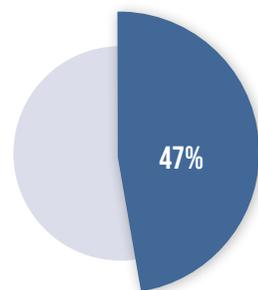
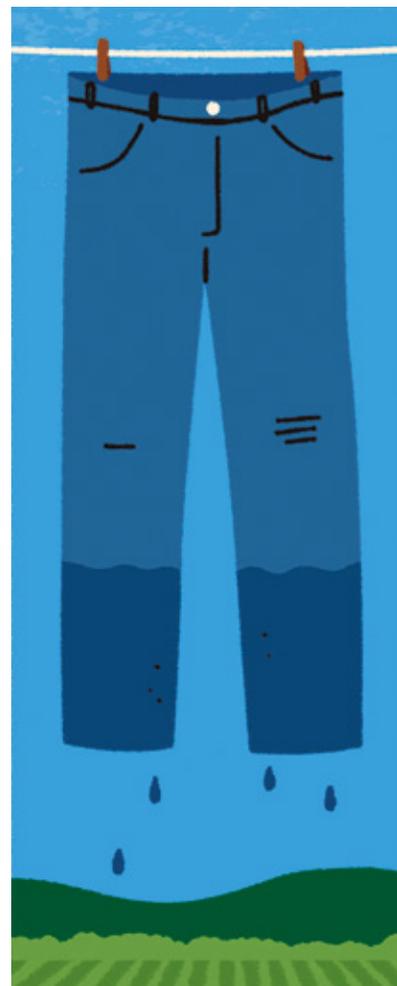
Dyes

**-30%**

Our denim offering has been our strength and specialisation for a few years now. In any case, we are working to implement the innovations already started and to better direct the improvements: with the support of the University of Padua we have conducted a Life Cycle Assessment (LCA) on three jeans models (men, women and children) involving two of our most important denim suppliers. The results confirmed that cotton growing and garment washing are the most

water-intensive steps. Our choice to select more sustainable cotton provides significant savings and is a clear result of how consumers can also do their part by intentionally reducing the frequency of washing.

To improve our customers' awareness, we have included ideas and tips in the description of each online garment to save resources and make garments last longer, which include suggestions on how to avoid or reduce the frequency of washing.



Percentage of **water-efficient** denim  
By 2025 we will reach 100%, returning water to productive areas at high water risk

**Life Cycle Assessment**  
LCA analyses provide data from every stage of a product's life cycle, from cradle to end-of-life, i.e. from the impacts of raw materials through cultivation, production, and distribution to use, repair, maintenance, and disposal or recycling.

Cellulosic materials to be produced according to FSC or PEFC standards by 2030

**100%**

Number of garments from certified cellulosic pulp

**+3MLN**

**THE ELEGANCE OF TREES**

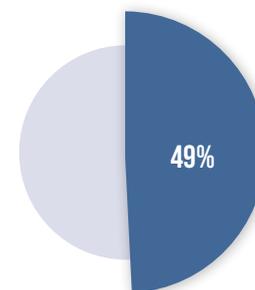
Forests play a crucial role in conserving biodiversity and removing CO2 from the atmosphere. Some fibers used in the clothing industry are obtained from the cellulose extracted from the wood of the trees.



In order to ensure sustainable management of this natural resource, we give preference to material produced from trees grown in forests managed in accordance with the FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) standard, with which we have the objective of replacing 100% of cellulosic materials by 2030.

that ensure both a more sustainable origin of the raw material and reduced impact manufacturing processes, as well as the full biodegradability of the fibers in all environments, including fresh and marine water.

Traditional synthetics, on the other hand, are not biodegradable, leading to serious problems in wastewater treatment plants and marine litter and the spread of microplastics during washing.



Percentage of **Co2 emissions reduced** in the production of viscose from certified cellulose

In 2021, we have increased the use of materials produced by Lenzing™





Among the fibers produced by Lenzing we use:

**LENZING™ ECOVERO™** viscose: a fiber that comes from trees from controlled and FSC-certified forests, through responsible production that allows to reduce CO2 emissions and water consumption by up to 50% compared to traditional viscose, as confirmed by the EU Ecolabel certification, the European Union's eco-label.

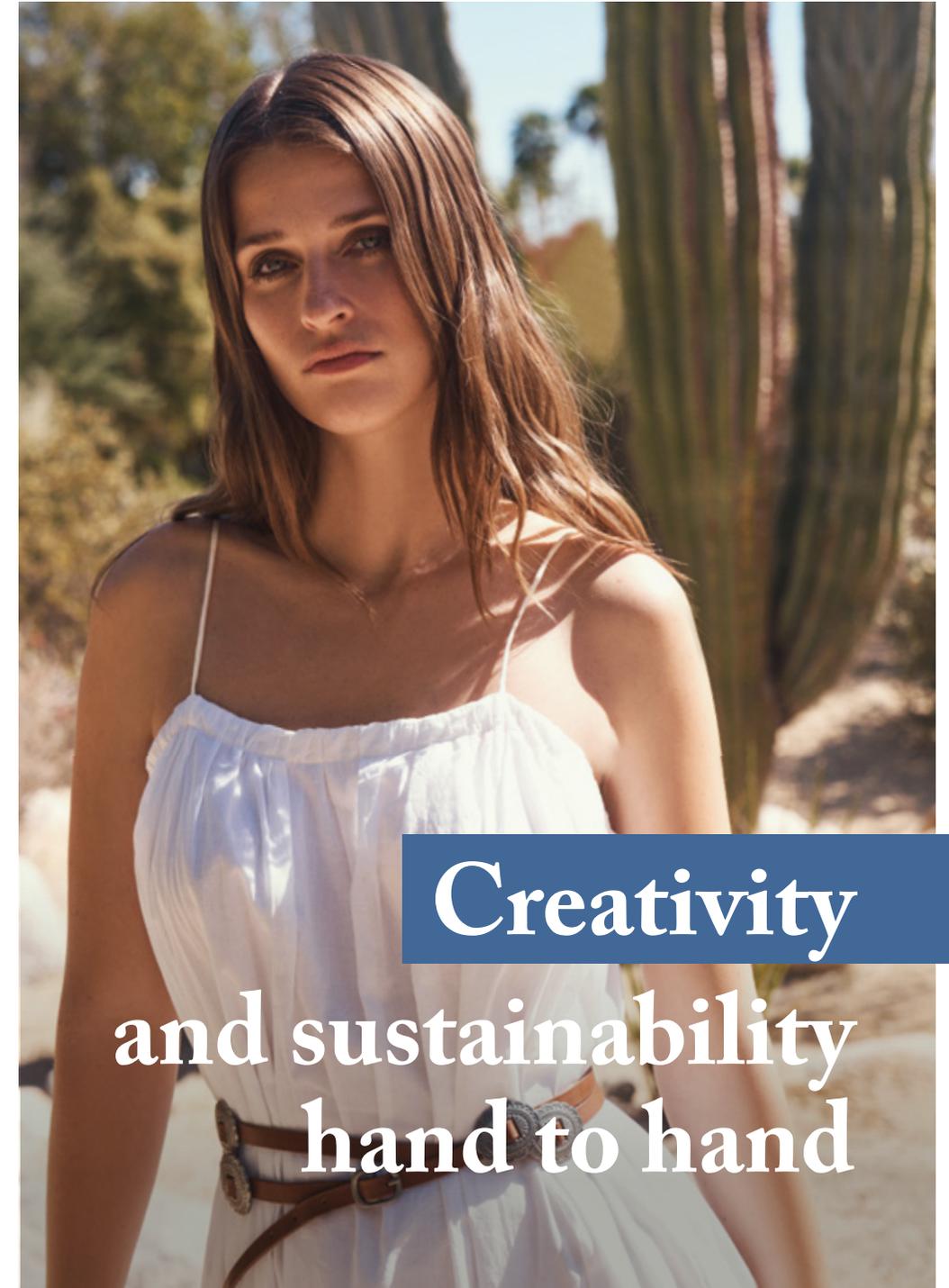
**TENCEL™**: the brand name for fibers made from eucalyptus pulp (TENCEL™ Lyocell) and beech pulp (TENCEL™ Modal). These are completely biodegradable fibers obtained from trees from sustainably managed forests and through processing with low environmental impact. For the sustainable development of this material, Lenzing received the Environmental European Award 2020.

### Textile Exchange Material Change Index (MCI) Results

The Material Change Index (MCI) is a key component of the Corporate Fiber & Materials Benchmark program sponsored by Textile Exchange to assist participating companies in measuring and sourcing more sustainable textile materials.

As a result of our materials strategy following the 2021 survey, we achieved the following results:

- **LEADING** in the **STRATEGY** section, which is recognised for companies that score above 76 out of 100 in their materials sustainability strategy and how it is integrated into the business model and management systems.
- **MATURING** in the **CIRCULARITY** section, which is recognised for companies that score between 51 and 75 out of 100 against their circularity strategy based on resource use efficiency, product design, recycled content and end-of-life tissue collection services.



**Creativity**  
**and sustainability**  
**hand to hand**

**SAFE BY DESIGN**

*Safety tests on all garments and OEKO-TEX certification*

Each item we offer for sale has been verified according to our quality and safety protocols. We apply strict restrictions on the use of chemicals and have established stricter parameters than international regulations. In addition, as a further verification of compliance with our Restricted Substances List, we subject a number of randomly sampled items in the store to chemical and physical testing by a third party.

We are a leader in the children's segment and for us the safety of our products is paramount.



**73%**

Purchased products in 2021 from **OEKO-TEX-certified supply chain in the children segment**, on an upward trend from 2020.

As a further guarantee for the consumer, especially for children's clothing and underwear, we certify the absence of harmful chemicals by applying the OEKO-TEX 100 STANDARD (class I and II) for more than 50% of our production each year, reaching over 70% in the children's collection.

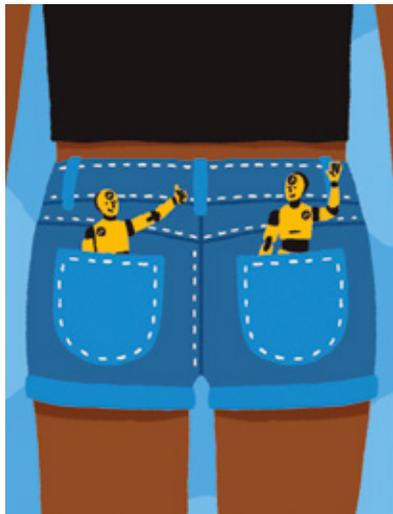
*Banning hazardous chemicals throughout the supply chain*

Our goal is the ultimate elimination of potentially hazardous chemicals throughout the supply chain, not just in the finished product, **by 2030**. Therefore, we have included a section within our Code of Conduct requiring our suppliers to comply with the **Zero Discharge of Hazardous Chemicals (ZDHC)** guidelines, which bind to the elimination of potentially hazardous substances in all process steps and wastewater. In 2021, we also completed the mapping of wet process facilities and aim to test 100% of the wastewater from our suppliers' facilities against potentially toxic substances by **2025**.

**STANDARD 100 BY OEKO-TEX®**

It is an independent control and certification system for product safety in the textile industry. To obtain certification, all components of an article must meet the required criteria: in addition to the outer material, for example, also padding, prints and accessories (buttons, zippers, studs).

In addition, the OEKO-TEX® tests modulate the level of exclusion of possible toxic substances also taking into account the intended use of fabrics and materials. The more intense the contact of a product with the skin and the more sensitive it is, the stricter the requirements will be.



**SUSTAINABILITY AT HOME**

For the past several years, we have extended our commitment to sustainability to Croff-branded household products. As with apparel, the primary focus is on selecting low-footprint materials.

In 2021, we expanded the range of the Eco by Croff collection, which already includes: organic cotton for bath sponges and table textiles, recycled down for bed accessories, recycled and non-coloured glass for the table (glasses and bottles) and bathroom accessories, recycled aluminium from cans for pots and pans, bamboo for containers.

By 2022, we will incorporate into the collection:

- recycled polyester padding
- recycled aluminium cookware line
- recycled plastic kitchenware.

Also planned is the launch of an "I love green" stationery line, in collaboration between Croff and Arbos, a B Corp-certified sustainable Italian stationery company and a member of FSC and the Italian circular economy network.



**INTERVISTA**

**Antonio Margotti**  
*Operations, Sourcing, Buying & Merchandising Director*

*The first place in the Fashion Transparency Index ranking is recognition of OVS's commitment to transparency. What was the path within the supply chain that led the company to this result?*

The guarantee of transparency that we offer to our consumers also stems from our stable presence in the territories in which we operate. We have adopted a policy of transparency and engagement with our suppliers that, over time, has allowed us to establish healthy relationships and conduct that allow us

not so much to impose choices, as to share them. Our goal has always been to create a favourable environment that improves the living and working conditions of the people employed in the supply chain and consequently also the quality of the product.

Constant presence allowed us to establish appropriate rules of engagement. Today, in order to work with us, suppliers must be active on the Higg platform to demonstrate their commitment and daily progress in ensuring proper working conditions.



*What kind of evolution have incumbent suppliers had thanks to the collaboration and dialogue with OVS?*

Sustainability is no longer an optional extra: in order to exist on the market, you need to make it your own. Many suppliers have started with us on a path of evolution necessary to keep up with our demands and those of other customers. Not all providers move forward at the same speed: for those who have had more difficulty following us, we have made resources and expertise available to help them along their path to growth and improvement.

*What was OVS's support for the transformation of these suppliers?*

In addition to ensuring continuity of supply over time, we participate in some programs such as Accord in Bangladesh, where we have a strong presence. Among the various purposes, Accord intends to support, also from the economic-financial point of view, those suppliers who may have difficulties in the safety of production buildings. Moreover, even in the midst of the

pandemic, we have tried to maintain production volumes by avoiding the cancellation of orders and delaying shipping dates.

*One goal of the Sustainability-Linked Bond is to reduce Scope 3 emissions, which is also closely tied to manufacturing processes. How much can this goal act as leverage for OVS's supply chain transformation?*

Certainly, the issuance of the Bond has accelerated our path of evolution. We started by selecting better materials, which required the development of new skills and new supply chain investments. Going forward, we will consolidate production volumes to those suppliers who are investing in more innovative, low-emission technologies, and identify mechanisms and reward systems that will drive them to further improvement, toward the Scope 3 emissions reduction target of 21% by 2024.

*What is the action or project that has had the greatest positive impact in your area of expertise?*

In 2021, we reached the goal of 100% more sustainable cotton, our primary material.



“ We help create the conditions for the entire supply chain, the entire industry, to evolve towards a model of transparency and sustainability. ”



*The topic of human rights and labor exploitation is very much on the minds of particularly hot and sensitive contexts. One example is Myanmar, which experienced a coup in 2019: what positive contribution can OVS make?*

Over time, these situations usually see companies have two types of approaches: I leave and move everything, or I stay because my business cannot be affected. In short, run or stay regardless. I believe our duty is to ensure business continuity, while respecting the territory.

It is clear that if we coordinate as a sector we can have a more significant impact, for example by putting in place actions that firstly safeguard people's living conditions and then by seeking local partnerships that allow us to have more awareness of what is happening.



The other major achievement was to have almost completely eliminated plastic from our packaging, with a switch to FSC paper and the use of only recycled plastic for hangers and logistics materials. We will now continue our journey by focusing on the supply chain, leveraging the Higg platform as a tool for collaboration and sharing of actions at the industry level, going beyond the work of individual brands, to a kind of “sustainability squared”.

Percentage of Scope 3 emissions reduction by 2024

21%

*Supply chain does not only mean production processes, but also everything related to product logistics. What are the strengths of the OVS distribution system?* In logistics, for the volumes we handle, the little details can make all the difference. We pay particular attention to the optimisation of shipping loads, even to

the detriment of delivery times, we dialogue directly with shipping lines and coordinate with our suppliers so that the transport solution that has the least impact on the environment is chosen, for example avoiding air transport. In addition, we continuously invest in the development of



our information systems so that transportation planning is constantly optimised.

*Like all retail businesses, OVS has to deal with the problem of unsold stock.*

*How do you manage this process from the perspective of circularity?*

Our product offering is based on garments for everyday use and a great strength in children's clothing: we sell products that from one season to the next largely maintain the same saleability. This allows us to re-propose the unsold product in the following season after appropriate reconditioning, maintaining affordable prices, and possibly redirect them to our outlet stores in the area, or selling them to stockists.

Our purchasing planning mechanism always takes into account both the unsold stock in the year and the product life cycle. Thanks to this, we have already eliminated the problem of destroying unsold stock for years.



*OVS has already made an important intervention on the choice of materials. On the design side, have you identified a path?*

It is now common knowledge that along with a more sustainable product comes a "cleaner" product that is more durable and wearable over time than a more featured garment. Therefore, with this goal in mind, we integrate sustainability principles right from the garment design phase. A practical example of this was the decision to design "Less is better", a plain-coloured, single-material collection made with virtuous materials and without any kind of accessory packaging.

03

# Supply Chain



## HIGHLIGHTS

- 90,000 workers employed in 16 countries
- 91% of production from suppliers on Higg platform
- Achieved “Progressive+” Membership within the Sustainable Apparel Coalition
- Wage inquiry conducted on 430 mills

## The thread that unites us

The production of our garments involves thousands of people around the world and offers stable employment opportunities precisely where the textile industry is the biggest driver of development, but also where human rights are not always held in the highest regard. For this reason, we know we have a dual responsibility: to continually strive to monitor and improve working conditions and to make the results of these actions transparent to our customers.



**OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

*Clean water and sanitation.* To combat the growing scarcity of drinking water caused by the climate crisis, we promote water conservation practices in our manufacturing processes and adopt strict guidelines for **wastewater management** from our suppliers.

*Decent work and economic growth.*

To contribute to fair and sustainable economic development in the places where our supply chain operates, we are committed to promoting decent working conditions, ensuring that workers receive adequate pay, and providing equal opportunity.

*Responsible consumption and production.*

In order to reduce the use of natural resources in the entire production cycle and to improve the quality of life of all the people involved, we promote circularity with concrete actions aimed at using production waste and with production processes that reduce environmental impact.



**BORDERLESS TRANSPARENCY**

Our supply chain spans 16 countries and involves more than 600 suppliers, totalling more than 90,000 workers employed in the production of our garments. This is a complex ecosystem, made up of very different realities. Therefore, we tailor our management system to local realities, promoting responsible manufacturing best practices and collaborating with others in the industry to drive systemic improvement.



Countries

**16**

Suppliers

**600+**

Workers

**90,000+**

*Code of Conduct*

Our Code of Conduct, inspired by international standards of reference and industry best practices, defines binding guidelines on environmental and social performance, to progressively improve the levels of transparency and sustainability of all our suppliers. Accepting to work with us therefore means assuming a shared responsibility: that of generating a virtuous circle at an economic, environmental and social level, contributing in particular to improving working conditions at a local level.



We only use suppliers who fully understand and apply our Code, and we ensure that workers are made aware of the principles described, so they are aware of their rights and able to report any non-compliance.<sup>3</sup>

*Supplier evaluation and improvement plans*

In the evaluation of our suppliers, sustainability has the same weight as the other evaluation criteria traditionally adopted (quality, service and cost). In order to monitor and measure the sustainability profile of a supplier, we rely on periodic checks - at the start of the supply and

then, as a minimum, every 12/18 months - that we carry out, either directly or through third parties on the basis of information collected through the Higg platform or any reports from trade union representatives or other associations in the area.

In an effort to be transparent and collaborative, we share evaluation results with each supplier to identify areas for improvement. If critical issues are identified, we agree on a corrective action plan with the employees representatives to incorporate any feedback.

Number of supplier audits conducted in 2021

**561**



*The Higg Platform*

We are gradually replacing the internal audit process with a supplier assessment system based on the Higg platform, ensuring that detailed information is verified and shared by other players in the supply chain. This allows us to focus the control activity on those cases where we deem immediate and direct intervention necessary, maintaining continuous monitoring of the entire supply chain. Thanks to the information reported in the platform, we can have an overview of the performance of our supply chain and support suppliers in positive change.

Beginning in 2021, we will not accredit new suppliers that do not provide full transparency through Higg platform adhesion.



“ **OVS is committed to engaging 100% of its suppliers on the Higg platform and purchasing at least 80% of its production volume from Tier 1 suppliers with both Higg FEM and FSLM modules verified by a third party by 2024.** ”



**What is the Higg Index?**

The Higg Index is a suite of assessment tools developed by the Sustainable Apparel Coalition that allows for, among other things, the measurement and comparison of environmental and social sustainability performance.

The two forms used to evaluate providers are:

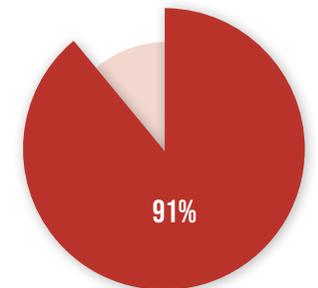
- Higg Facility Environmental Module (FEM) and Higg Facility Social and Labor Module (FSLM).
- From 2020, we will only accept new suppliers if they share their data on the platform.

*Objectives and results*

In 2021, 91% of our production volume comes from house brand apparel suppliers engaged in improvement programs through the Higg platform. Our goal is to reach 100% in 2024.

**These results are in line with achieving the Sustainable Performance Target set by the Sustainability-Linked Bond Framework**

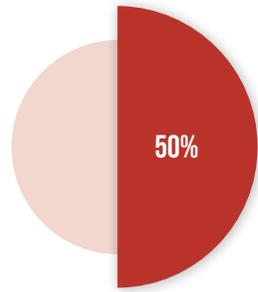
The average aggregate score obtained from audits on Higg Facility Environmental Module in 2021 was 50%, while for Higg Facility Social and Labor Module was 73%.



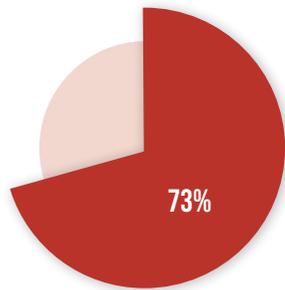
Percentage of production volume from suppliers engaged in improvement programs via the Higg platform



### 03 Supply chain



Average aggregate score on Higg Facility Environmental Module



Average aggregate score on Higg Facility Social and Labor Module

#### *Rewarding improvement*

The commitment of suppliers to monitoring social and environmental performance represents a fundamental contribution to improving OVS's transparency and achieving the sustainability objectives set. To reward progress, we initiated the "Best Suppliers 2021" program to recognise suppliers who have contributed the most to our sustainability goals and have improved their performance on HIGG.

#### *Identifying what's wrong*

Local oversight and use of the Higg platform also allows for the identification of some specific risks. Particular attention should be paid to cases of violation of workers' rights and gender discrimination. The analysis of the FSLM module allowed us to identify cases of gender-related violations in 3% of productive sources, in particular cases of physical abuse and

failure to protect the rights of female workers during maternity leave. In parallel, we conducted an environmental analysis regarding water consumption. Through tools made available by the World Resources Institute (Acqueduct Water Risk Atlas Overall Water Risk), we identified Bangladesh as the most vulnerable country, in part due to its large volume of denim production, in relation to risks associated with deteriorating water quality and water scarcity.

#### *Buying responsibly*

We adopt responsible purchasing practices throughout the supply chain to reduce any negative impact on industry workers. Based on our Responsible Purchase policy, we agree conditions with suppliers that allow to operate safely and plan production activities, for example avoiding changes to orders in progress and respecting payment terms.



#### Best suppliers 2021

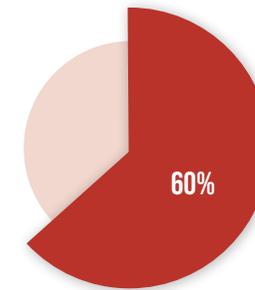
- Montex Fabrics Limited in Bangladesh
- Zhejiang Yige in Cina
- Master Textile Mills Limited in Pakistan
- KPR Mill Limited in India

#### *Aiming for a fairer wage*

We are aware that we have a great responsibility to ensure decent living conditions for the people who produce our garments. For this reason, we initiated an analysis of wage conditions in our supply chain, comparing them to wage levels defined by the Global Living Wage Coalition. Our analysis shows that no worker is paid below the legally guaranteed minimum wage and that, instead, 70% of workers are paid an average of 33% higher wages. However, in

some countries there is a gap between the minimum wage and the living wage. Living wage is the value of wages sufficient to afford a worker and his or her family a decent standard of living, and is a human right recognised by the United Nations.

To investigate further, in 2021 we conducted a wage analysis on over 430 factories, which collectively employ a workforce of 415,000 people. It turns out that 60% of workers involved in the supply chain earn at least a living wage.

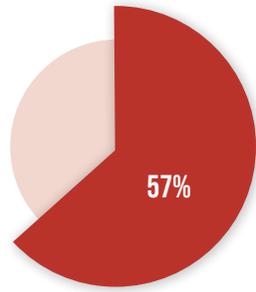


Workers earning at least a living wage

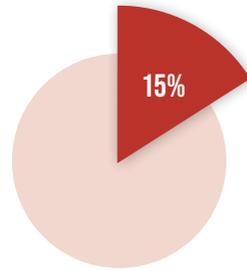




“ We are committed to decent work and to ensuring that workers are paid a fair wage that can support their real needs in life, everywhere in the world. ”



Percentage of suppliers with collective agreements



Percentage of suppliers with democratically elected employee representation bodies

The remaining 40%, despite receiving a salary above the legal minimums, do not reach the living wage. This mainly concerns Bangladesh (87% of workers) and to a lesser extent India (35%), while in China and Pakistan wages are fully aligned with the living wage.

Among the main causes of low wage levels in some countries has emerged the low prevalence of collective agreements and

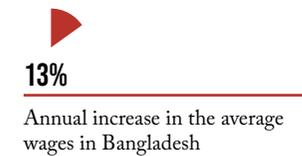
insufficient worker representation in factories in wage negotiations. We estimate that by 2021, 57% of our suppliers will have collective agreements covering about 30% of their workforce, while only 15% will have democratically elected employee representation bodies (a figure that rises to 80% if internal employee representation committees are also considered).

Our role is key in setting up improvement actions in this regard, but it is mediated by the choices of factories and local governments and the dynamics of the labour market.

In spite of the criticalities, we have been witnessing for some time now a



progressive increase in wages thanks to market mechanisms, on the one hand, and the development of a more responsible and evolved textile industry on the other. In our case, the consolidation of business relationships with suppliers more attentive to social performance has generated significant positive impacts. The annual increase in average wages, recorded since 2019 through our annual survey, was 13% in Bangladesh and over 30% in India and Pakistan.



We are also working to ensure that by 2030 each of our suppliers adopts programs to **implement worker representation bodies** democratically elected and a **collective bargaining system**.

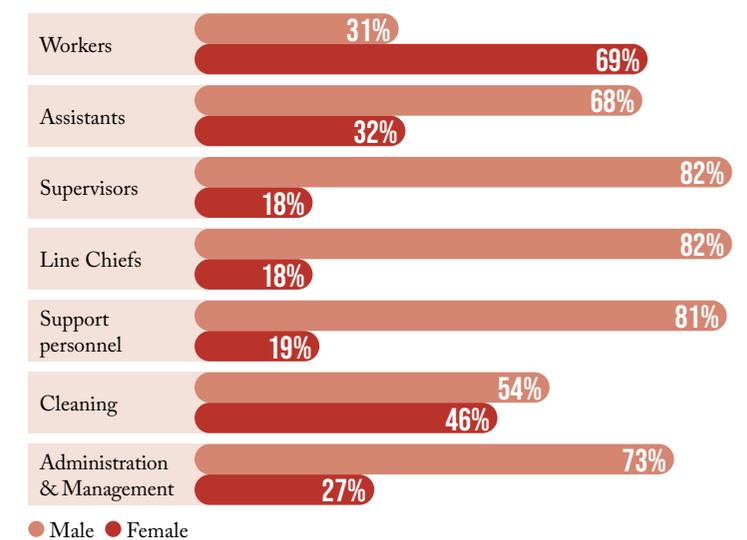
Our goal is for all workers in our supply chain to receive a living wage by 2040.

*Gender equality*

More than half of the workers in the textile industry are women. However, this proportion is very unbalanced in terms of duties: top roles (management and supervision) are predominantly held by men, 73% and 82% respectively.

That is why we strive to support every project that supports women's education and empowerment, which can foster their professional growth and economic independence.

Percentage of employees in the Supply Chain





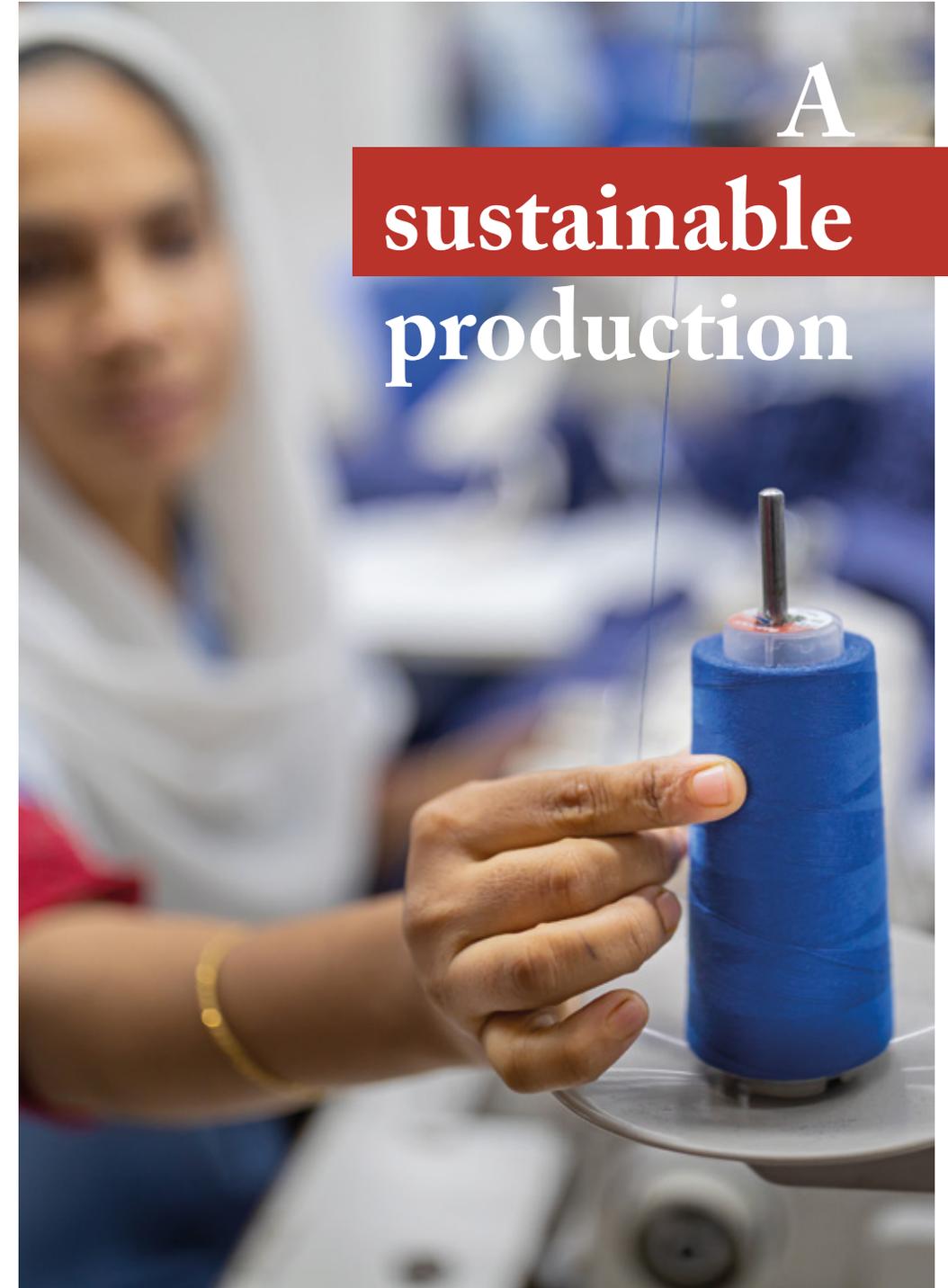
Lists of our finished product suppliers and key sub-suppliers are publicly available on the Open Apparel Registry interactive platform.

We are also working on promoting collaborative platforms between all the players in the supply chain, so as to improve the level of traceability and gradually allow the complete publication of second and third level suppliers.

*Transparency and traceability*

For a better control of the production cycle, we do not allow the use of sub-supplies, except in expressly authorised cases, and we collect seasonally from each supplier a mapping of the production sources used, both for packaging processes and for the main production phases and the most relevant raw materials.

During 2021, we implemented new systems to map and monitor our supply chain that will allow for more detailed analysis of our suppliers and sub-suppliers. Thanks to this implementation, every OVS product will carry with it information on all those involved in the supply chain for its creation, from certifications to environmental and social performance.



A  
sustainable  
production



**BANGLADESH: THE GIANT OF TEXTILE**

Getting to know a country and keeping in touch with local realities is not easy. Bangladesh is one of the most important manufacturing areas for OVS and our local office is one of the largest in the region. In this country, the clothing sector is in fact one of the pillars of local economic development: textile production accounts for about 80% of exports and employs 4 million people, 80% of whom are women. As such, our industry is a major growth engine and economic opportunity for local communities.

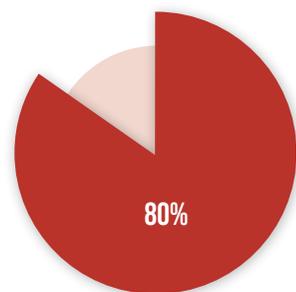
Steven Kruit, OVS country manager in Bangladesh, is a key figure for us and for our sustainable growth in the

country: thanks to a very in-depth knowledge of the country, he manages the relationships with local suppliers and identifies new opportunities for collaboration. Together with Steven and Abdul Qaium, Sustainability Manager of OVS in the country, we met Abdullah Al Mamun, Director of Ratul Group, one of the main suppliers of cotton to OVS in Bangladesh, to understand how the value of sustainability is fully understood in their production reality, thanks also to the commitment of OVS in conveying the principles of sustainability to its suppliers.



People employed within the textile sector in Bangladesh, 80% of whom are women

**4MLN**



Percentage of exports from Bangladesh accounted by **textile production**

**INTERVIEW**

**Steven Kruit**

*Country Manager in Bangladesh*

**Abdullah Al Mamun**

*Director of Ratul Group*

*What is OVS's role in Bangladesh and what have been the most important steps in Ratul's journey with OVS?*

**Steven Kruit:** OVS and other apparel brands in the country are one of the main drivers of economic growth in Bangladesh. We therefore have a great responsibility to drive this growth, favouring the most innovative companies

with the best social and environmental performance. As OVS, we have for some time now launched important initiatives to monitor and verify sustainability performance in our supply chain, thanks to the standardisation of processes and the adoption of the Higg platform that allows brands to standardise requirements. These are essential tools



that we promote with conviction: for 74 of our suppliers, the Higg-FEM module that monitors environmental performance has already been verified, and we are confident of reaching the target of 100% of verified production volume by 2024.

Moreover, right from the supplier selection phase, we look for companies that adopt the best practices and stand out not only for their technical performance, but also for their attention to the conditions and welfare of workers and their efforts to reduce environmental impact, in the design and production phase of the garments.

**Abdullah Al Mamun:** Our collaboration began in 2011, with small quantities and today we supply OVS with one million pieces per month. The company supported us in defining the pillars of our sustainability strategy and identifying our targets for emissions and chemical use. We have gained great benefits on several fronts: in addition to

Amount of recycled waste

173T

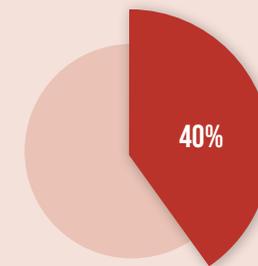
Number of T-shirts produced with recycled waste

500,000

environmental impact, product quality, worker safety, mitigation of risks related to fires and hazardous substances, and the proper use of boilers, just to name a few. In addition, we are participating in various initiatives, such as the Better Work Program, joining Better Cotton and adopting the Higg platform, which has helped us grow in social and environmental responsibility and streamline the time spent on audits by client brands.

*What have been the most significant outcomes and challenges you have worked on?*

**Steven Kruit:** One of our busiest projects in 2021 is our collaboration with the Circular Fashion Partnership, an initiative that concretely promotes the circular economy in Bangladesh.



Percentage of electricity saving



In this way, we counter the widespread illegal waste management activities and measure ourselves with concrete circularity actions and targets: 173 tons of waste recycled into new fabric, for a production of 500 thousand T-shirts, and this with a still relatively low number of factories involved. This is a great accomplishment for me and the important thing now is to extend it to other providers. As **Abdul Qaium**, our Sustainability Manager, always repeats: “we have done a lot, but a lot remains to be done.”

**Abdullah Al Mamun:** Also, for us, the most important project and at the same time the most challenging, at least in the initial phase, was to activate the Circular Fashion Partnership. The challenge has been to move away from local dynamics, to adopt a totally new and virtuous approach, also with a view

to circularity. We now sell our textile production waste through the Reverse Resources platform that valorises it as a second raw material and, in addition to having a positive impact on the environment, our economic return has tripled.

*What are the most impactful initiatives on the lives of workers in Bangladesh and specifically in Ratul?*

**Steven Kruit:** Our main goal is an alignment of wages with the living wage: we are not there yet, but we are still making some progress. The local context is certainly improving, also thanks to the action of associations and institutions active on the territory: for the first time the government of Bangladesh has invited the International Labour Organisation (ILO) to study the wage structure of the textile sector and to formulate a plan to automatically adjust the minimum wage. What we can do as a company is push for our suppliers to bring workers' wages in line with local costs, so that people employed in the industry can meet their basic needs.

**Abdullah Al Mamun:** This may seem like an obvious step for those outside of our cultural setting, but the most important initiative was being able to secure electronic payroll.

Our women workers are very happy because they receive their salaries directly into their bank accounts, without the heads of the household being able to keep it for themselves, as is the tradition in Bangladesh when it is delivered in cash. Thanks to this, they also have access to loans and very favourable rates, and within a few years they often manage to start small family businesses in their home villages.



*Beyond that, what sustainability actions are you most proud of?*

**Abdullah Al Mamun:** Over time, we have taken a number of positive environmental impact measures. We replaced the traditional lighting with LED lights, we installed servomotors on the sewing machines, saving 40% of electricity, we switched to a purification system that, with 5 steps, makes water drinkable. We would also like to invest more in photovoltaic. However, we are looking at how to reduce security risks. And then the green spaces: in one of our two factories,

“ **Sustainability means people to me.** ”

*Steven Kruit  
Country Manager OVS in Bangladesh*



Number of employees

**3,000**

Number of machines

**600**

there is a farm with 15 hectares of land, five of which are used for fruit trees and vegetables. In addition, we would like to plant trees throughout the area surrounding the manufacturing facilities to benefit the local community.

*In conclusion, what are your dreams for the next few years?*

**Steven Kruit:** I have two goals. The first is to improve our ability to plan orders. Every supplier's fear is finding themselves with production lines down. Therefore, letting a supplier know that we are there for them over the long term, guaranteeing stable production volumes, might encourage them to follow us in the improvement activities we promote. And then I would like to expand our

reward system to reward the performance of the best providers, so that they set an example for those who struggle the most to evolve.

**Abdullah Al Mamun:** We were established in 2001, with only 55 machines, and today, also thanks to the collaboration with OVS, we have two factories with 600 machines and over 3,000 employees: for me this is already a great success and a great satisfaction. However, I am not fully satisfied: my dream is to turn them into completely green factories. We want to become a model of zero environmental impact, 360 degrees, and perhaps, in the more or less distant future, achieve LEED certification.





**MYANMAR: STAY OR GO?**

Myanmar has been experiencing a very complex situation for several years. First because of the effects of the Covid-19 pandemic and then because of the installation of a military junta in power. We have decided to maintain our presence in the country because we feel a responsibility to ensure continuity of partnerships with the people involved in our supply chain. However, the context requires great attention.

Here, too, we have chosen to be present on the territory with our operative branch. Olivier Mlynarczyk, the Myanmar country manager for OVS, is a key player in guiding us in understanding the

challenges our company and our suppliers face in this country. Due to continuous lockdowns and the economic crisis, the working conditions of the population have worsened considerably, with the risk of violations of the rights of employed workers and inadequate wages, as well as the occurrence of possible corruption on which we are not willing to make any compromises.

In order to guarantee better living and working conditions, Olivier has frequent and continuous dialogue with local institutions, in particular with the European Chamber of Commerce and the European Union Embassy present in Myanmar. Moreover, and this is an important

“  
**We have set a red line: avoid any relationship with factories with which there is a risk of not being effective in identifying possible human rights violations.**  
 ”

*Olivier Mlynarczyk  
 Country Manager OVS*



innovation, from now on, all the international brands present in Myanmar will collaborate with each other, under the guidance of local institutions to define together the guidelines and actions to be put in place to evolve the local context.

Also, the direct comparison with the suppliers is a fundamental step in this run of improvement. SMK for example, one of our main suppliers in Myanmar, is a factory that due to the lockdown and social instabilities has seen reduced business volume with many European customers. Despite this,

it is one of the most virtuous examples in the country in terms of sustainability: it was the first supplier to obtain GOTS certification in Myanmar, it uses only certified cotton (organic and Better Cotton) or recycled, it has followed us in the project to eliminate plastic from packaging and, despite the obstacles present at local level, it has decided to invest in projects dedicated to energy saving. We are thus working to return to growth and ensure stability in the business relationship with them, to sustain these investments together over time.



**TEAMING UP FOR CHANGE**

Real system change can only be achieved by reasoning with a team logic, allying and collaborating with all the players involved.

We want to help create a shared approach and for this reason, we actively participate in various international initiatives to improve sustainability in the fashion sector.

With this in mind, we were the first Italian clothing company to join the Sustainable Apparel Coalition.

*Sustainable Apparel Coalition (SAC)*

The Sustainable Apparel Coalition (SAC) is a global multi-stakeholder alliance for the fashion industry, created with the goal of spreading sustainability practices and transparency in the industry.

This collaboration promotes information sharing and allows for the adoption of uniform standards.

Since 2017, we have been a member of SAC and have adopted the Higg Facility Tools module, the digital assessment platform developed by the Sustainable Apparel Coalition to measure the social and environmental performance of our suppliers' facilities.

In 2021, we also achieved a higher level of membership, the "Progressive+," as a result of our work to create tangible improvements in the adoption, verification, transparency, and impact of the Higg Index.



*Circular Fashion Partnership*

We are part of the steering committee of the Circular Fashion Partnership, a multi-stakeholder project led by the Global Fashion Agenda.

The initiative was created to concretely promote circular economy in Bangladesh: the objective to retrieve production waste and transform it into new materials, with a positive impact on circularity and economic performance of the entire supply chain.

*Accord on Fire and Building Safety*

OVS is one of the signatories to the "Accord on Fire and Building Safety", a legally binding agreement between brands, manufacturers and the main local trade unions, promoted at international level by the OECD (Organisation for Economic Cooperation and Development). It aims to improve working conditions in companies operating in Bangladesh through the verification and safety of working environments in the textile supply chain.



Change  
is achieved  
with a team  
logic

# 04

## Customers

### HIGHLIGHTS

- Ranked first in the Fashion Transparency Index
- 100% of garments with an Eco Valore label
- More than 45,500 families and children supported



### Transparent, above all

Being sustainable means first of all being transparent. Transparency helps our clients make informed choices, understand the true impact of what they buy, and it strengthens the relationship of trust that has been uniting us ever since. In recognition of our efforts in this direction, we were ranked first in the 2021 Fashion Transparency Index.

PARKIN

With our products we reach about 15 million customers, especially families, and we feel the responsibility to lead an increasingly necessary cultural change.

For this reason, for years we have been involved in social and environmental awareness activities aimed particularly at young people. We share our goals and challenges by trying to make our customers fully involved and increasingly aware of the importance of their purchasing choices.

The Eco Valore index now appears on the site in the product sheet of all our clothing allowing users to understand at a glance the environmental impact of each product.



Our efforts were rewarded with first place in the Fashion Transparency Index 2021.

Our commitment to sustainability is recognised by our customers in Italy: we are the first brand spontaneously cited as a sustainable brand.<sup>4</sup>

We have accelerated the digitalisation of our operations and proximity e-commerce and are working on greater integration between stores and the online channel.

Looking forward, this multi-channel availability will allow us to offer value-added services, such as same-day delivery or “green” delivery, reducing time and impact and improving our customers’ shopping experience.



“  
**Transparency is a way of doing things for us.**  
**We want information to be accessible to everyone to guide informed choices.**  
 ”



**OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

*Sustainable cities and communities*  
 Through careful and transparent communication and education and awareness activities, we intend to contribute to promoting the social, cultural and environmental development of the territories in which we operate.

*Responsible consumption and production*

We are committed to promoting awareness and virtuous behaviour of the families we reach through transparent communication and investment in educational activities.

**A TRANSPARENT RECORD**

Our commitment to adopting an increasingly transparent approach has been recognised by being ranked number one in the Fashion Transparency Index 2021 by Fashion Revolution, a global movement urging the fashion industry to respect human rights and the environment at all stages of the production cycle.<sup>5</sup>

The Index analyses and ranks 250 of the leading international fashion brands and retailers, identified on the basis of turnover and notoriety, assessing their degree of transparency in disclosing the policies, practices and actions undertaken throughout the production chain.



Transparency Index score **23%** **78%**

● **Average score** of main international fashion brands and retailers

● **OVS score** The only brand exceeding the 70% threshold



**Transparency in the fashion world**

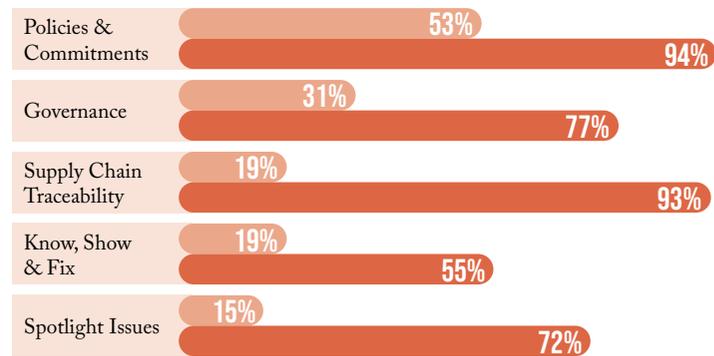
For the fashion industry, transparency means sharing information about the products and materials used, the supply chain, business practices and their impacts on human rights and the environment. This is critical to assigning responsibility, tracing the causes of problems, and triggering response actions.



OVS took first place in this special transparency ranking, thanks to the result on 239 indicators, with 78% of the objectives achieved and a significant leap forward compared to the 2020 edition (+44%).

To fully understand the value of this result, just think that the average score was 23% and that OVS was the only brand to exceed the 70% threshold. What is more, we performed far above

average in each of the five key areas into which the Fashion Transparency Index is divided:



● Average ● OVS



Driving this success has been our being among the first brands in the world to make public for every garment we sell the information regarding the materials of composition, the details of the specific supplier that produced it and the impact calculated on three key indicators (Eco Valore, see dedicated section), as well as the disclosure of the number of supply chain workers paid in an amount equal to the living wage of their country. In fact, the issue of pay in factories in countries like Bangladesh is precisely one of the systemic challenges on which only the first step of widespread transparency will bring significant improvement for the entire industry.

**ECO VALORE: THE LABEL SAYS IT ALL**

In order to make informed and responsible choices, our customers need to know the environmental impact of the clothes they buy. It is based on this belief that, after launching in 2020, last year we extended Eco Valore to 100% of the products on our e-commerce, including the UPIM collection. Customers who buy in store receive in real time the digital receipt with the information of Eco Valore related to the product purchased,

Percentage of our products that became “transparent” thanks to the Eco Valore Index in 2021

**100%**



“ **We are working on the integration of Eco Valore with Higg Index, to make the information on impacts even more complete and to make our products comparable with those of other brands.** ”

information that can also be consulted within the profile on the OVS App. In addition, where possible, the index also highlights resource savings compared to a conventionally made garment. Eco Valore is composed of three pieces of data: water consumption and CO2 emissions, both from the production process, and circularity. The algorithm that calculates circularity has been refined over the past year to make it more accurate and adherent to reality.



**67%**

Percentage of our collection that can be usefully recycled at the end of its life thanks to a mono-material composition or by choosing compositions compatible with the main channels of mechanical and/or chemical recycling of textile materials



**32%**

Percentage of our collection that can be sent to recycling processes in other industrial sectors



**1%**

Percentage of our collection that do not have a available recycling channel.



**THE NEW ALGORITHM TO CALCULATE THE CIRCULARITY INDICATOR**

The circularity indicator expresses on a scale from 1 to 10 how recyclable a garment is. During 2021, OVS refined the calculation methodology in collaboration with the University of Padua based on existing scientific standards and concrete considerations related to actual recovery capacity. The result is the Circularity Potential Index<sup>6</sup>. There are several factors that affect recyclability. First of all, the type of fibers used (i.e. cotton, polyester, wool). Then the presence of different types of fibers: as the number grows, it becomes more and more difficult to recycle the garment. Finally, let us consider the number of components (i.e. front, back, padding): the higher the number, the more difficult and expensive recycling becomes.

**FIRST PRIZE FOR THE CORRIERE DELLA SERA SUSTAINABILITY REPORT**

We achieved first place for the fashion sector in the Sustainability Report Award created by Corriere della Sera and Bologna Business School with our report last year, in recognition of the attention we place on transparency and the ability to effectively communicate social and environmental performance to all stakeholders as a fundamental aspect of our path towards a sustainable model.

For the awarding of the prize, 15 main themes related to environmental, social and governance aspects were evaluated, considering their presence in the financial statements, the indication of the objectives that the company intends to achieve and the presence of metrics for measuring them.





**INTERVIEW**

**Matteo Molon**  
*Digital Business Director*

*In which direction is OVS's e-commerce model evolving?*

We want to evolve towards an “omnichannel customer experience”, centered on customer needs in terms of service. This means that first and foremost, we need to improve the searchability and traceability of products on the site. Then we have a lot of work to do on outbound logistics, to make our shipments more efficient and to raise customer awareness of more environmentally friendly collection methods. In 2021,

we purchased carbon credits to offset the emissions of products sold in the online channel amounting to 1,000 tons of CO<sub>2</sub>eq, thanks to support for a forest conservation project in Brazil as a first step towards a Carbon Neutral e-commerce.

To improve the customer journey, we aim to increasingly enhance our sustainable product offering so that it becomes a strategic lever to attract traffic to our site. We were one of the first companies to integrate all the



information related to the environmental impact and traceability of our products into the product sheet. However, to go further we are rethinking the foundations of our platform to provide information with an increasingly precise degree of detail on the elements of sustainability. We know from the feedback we continuously collect from our customers that sustainability is already a fundamental part of our way of being in the market and is one of the elements of competitive advantage and growth on which we intend to focus.

*On the logistics side, what challenges or initiatives do you have in the pipeline and how are you moving forward with integration between physical stores and the online channel?*

We are working to improve direct-to-consumer shipping processes. One of the goals is to reduce lead times from five days to two. But not only that. Today, 35% of our customers order online and collect in store, lowering the impacts associated with last-

mile distribution; we want to increase this mode of delivery and as e-commerce volumes grow, consolidate orders to improve logistics efficiency. Also with a view to optimising distribution flows, we will encourage the use of store stock to fulfill online orders, both in terms of collection and shipping. Today, 100% of online orders are processed from one of our e-commerce warehouses; tomorrow, the product ordered online could be already available in the store chosen by the customer for pickup. This omnichannel availability will also allow us to offer value-added services, such as same-day delivery or green delivery: starting from the nearest point of sale reduces time and impact and improves customer gratification.



“ Sustainability is already a fundamental part of our market position and is one of the elements of competitive advantage and growth on which we intend to focus. ”

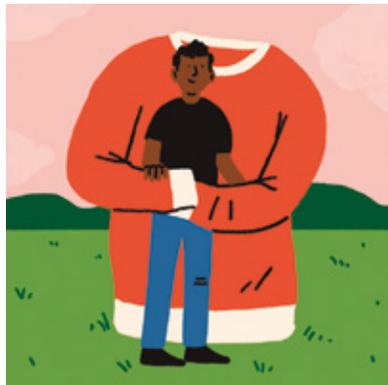


Orders delivered with the zero-impact electric bike will become a choice we offer customers. An e-commerce that will not be the biggest store in the chain, but an orchestrator of availability where supply intersects with demand in the best way possible.

*OVS is increasingly proposing itself as a marketplace platform: what are the developments in this direction?*

There are two axes on which we are moving: to host brands that are an unexpected delight and in line with our value proposition, and at the same time to collaborate with international icons such as Gap or New Balance to complete our offer.

The goal is to manage the product in the round, therefore also from the point of view of sustainability. It is not enough to have the product online, it must be part of a story that can be interpreted even by those who do not know us.



*The partnership with Save The Children*  
For over 10 years, we have supported Save the Children, the international organisation that fights to improve the lives of children in Italy, but also in those countries where it is more difficult to accomplish this mission.

**ON THE SIDE OF THE COMMUNITY**

We consider it fundamental that our customers, colleagues, collaborators and suppliers can count on cohesive communities, animated by a shared sense of responsibility towards others and by a widespread culture of legality and protection of the common good.

For this reason, we actively support people and organisations that promote the social growth of the territories that host us, with the ambition of wanting to create shared value in collaboration with some of the most important Italian and international organisations of social promotion.

We support in particular causes and projects in favour of young people, enhancing the expression of their creativity and the spread of a healthy and active lifestyle.

Moving forward, our goal is to make these positive impact projects increasingly integrated into our business strategy.



*Back to school and support for the most fragile children*  
Let us rewrite the future is the campaign with which Save the Children, since the beginning of the pandemic, has been at the side of children and their families, an organic program to fight juvenile, economic and educational poverty, to give education, opportunities and hope to the most disadvantaged children in Italy.

To support it, in conjunction with the launch of the Back to school collections, dedicated to children for the beginning of the school year, OVS has activated fundraising in all OVS stores with which Euro 38,000 were raised.

Collected

**OVER EURO 4 MILLION**

Supported over

**45,500 FAMILIES AND CHILDREN**

Offered practical help in

**4 HUMANITARIAN EMERGENCIES**

Supported

**EDUCATION, PROTECTION AND HEALTH AND NUTRITION PROJECTS AROUND THE WORLD**

Overall, in 2021, we supported

**SAVE THE CHILDREN WITH 205,000 EURO**

As we are completing the drafting of this report, we wish to express our solidarity and sympathy to all the Ukrainian people affected by the war.

Our fondest thoughts go out to our partners, colleagues, their families and co-workers and we join all those who are calling for peace.

In these difficult times, we are at Save the Children's side to bring concrete help to the many people forced to leave their homes and find refuge often in conditions of extreme hardship.

*Christmas Jumper Day: our Christmas tradition*  
Christmas Jumper Day is the day of the year dedicated to decorated Christmas sweaters, a tradition dating back many years ago in Anglo-Saxon countries.

Save the Children has turned this fun occasion into a day of donations in Italy and around the world, for those children who live in particularly difficult conditions, further aggravated by the COVID-19 emergency.

The 2021 edition Christmas sweater was designed by the singer Noemi and sold in selected OVS stores and online at [www.ovs.it](http://www.ovs.it).





*Quid Project - Designing new opportunities*

Quid Project is the ethical and sustainable fashion brand, winner of the 2020 edition of the Green Carpet Fashion Award, the prize dedicated to responsible fashion.

It is a social enterprise that is based on two pillars: recovering surplus or discarded textile materials and giving employment opportunities to people with different fragilities, women victims of violence, with disabilities, who have gone through periods of addiction or former prisoners. The organisation has 150 employees - 85% are women of 20 different nationalities - and has opened two workshops in the Verona Prison.

*Teaching respect, preventing violence*  
BullisNO is the first digital educational project promoted by OVS in collaboration with the FARE X BENE Association that addresses the issues of preventing and combating all forms of bullying and cyber-bullying. The project was created in 2016, and targets teachers and parents through an online platform, students and teachers through multidisciplinary meetings in schools with psychologists, educators, lawyers and social and digital experts from FARE X BENE.

In recent years, thanks to the BullisNO project, more than 32 million users have been reached and more than 800 adults of reference and over 15,000 girls and boys have been trained in schools throughout Italy, in the belief that they can promote the universal values of respect and sharing to prevent and combat the bullying and cyber-bullying violence.

People reached thanks to the BullisNO project

**32MLN**



The collaboration between OVS and Quid Project first materialised in 2020 and continued in 2021 with the creation of a capsule of accessories and bags designed for Earth Day 2021 (6,861 accessories and 1182 bags). A capsule of accessories for Spring/Summer 2022 collection will be produced in 2022.

For the development of the collections, OVS and Quid Project work in synergy: the design is studied by the women's product management of OVS, the fabrics are chosen from those available in the warehouses of Quid.

“  
**The collaboration with OVS gives us the opportunity to bring more and more people closer to ethical fashion.**  
”

*Anna Fiscale  
President of Quid Project*

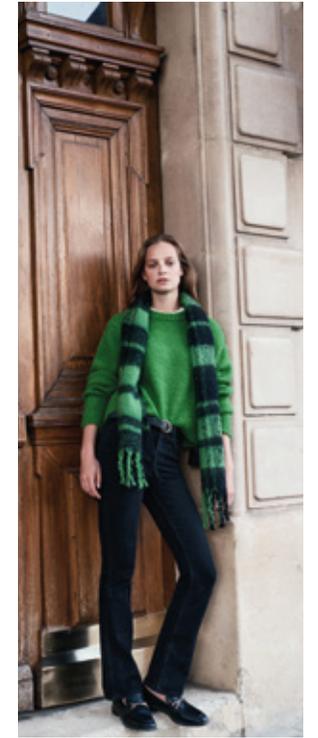
The 2021 collaboration resulted in a tote bag, a true Upcycling project. The iconic piece in the collection was made with a denim patchwork using reclaimed OVS jeans.

Accessories

**6,861**

Bags

**1,182**



*Earth Day 2021*  
On the occasion of Earth Day 2021 we celebrated with our customers our common commitment to sustainability, with a multi-channel campaign (TV, web, Instagram, Facebook) aimed not only at communicating our actions, but also at sharing and involving the entire community of people who choose our products in the sustainable innovation processes implemented by OVS to highlight the importance of their purchasing choices.



05

# People

## HIGHLIGHTS

- 8,259 people
- 860 new colleagues in 2021
- Gender pay gap reduced to almost zero
- 129 colleagues involved in masterclasses for parents and caregivers



## Diversity is our power

Every person in OVS can make a difference. Our job is to enable everyone to do so, by valuing diversity and promoting inclusion. This is why we invest in training, enhancing skills and professional know-how; we offer equal job opportunities to everyone, with no distinction, for example by reducing the pay gap between women and men and supporting parents and caregivers; we guarantee proper working conditions for everybody; we promote a culture of sharing and participation.



People are our most important asset and for this reason we invest in a rich training offer, with the aim of enhancing their skills and professionalism and implementing engagement policies towards our employees. We strongly believe that inclusion and diversity are a source of wealth and therefore offer equal employment opportunities without distinction.

“  
**Love People.  
Not Labels.**”

It is not just a slogan.



With this in mind, we have embarked on a journey to reduce the gender pay gap in order to narrow the pay gap between women and men.

We are committed to ensuring proper working conditions for our direct employees as well as those who work with us along our supply chain.

We promote a culture of sharing and participation that is reflected in all business processes, including sustainability.

New colleagues in 2021

**860**

**OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

*Decent work and economic growth*  
We invest in human capital with training pathways to spur inclusive economic growth and ensure full and productive employment for all.

We engage suppliers in a process of shared growth by pursuing sustainability goals together.

*Gender equality*  
We leave no room for any discrimination and offer equal employment opportunities without distinction based on ethnicity, religion, opinion, nationality, gender, physical condition, age, and social status.

We condemn all forms of violence and do not condone any gender-related pay gaps for equal roles, titles and seniority.

**LIFE IN OVS**

In OVS we are about 8,000 people, divided between head office, stores and foreign operating divisions. Each of us, according to our talents and potential, is committed to achieving shared goals, driven by a culture of participation.

**Growing in OVS**

*Employer Branding*  
We recognise the importance of strengthening ties with universities in order to provide opportunities for young graduates and undergraduates to enter the workforce. OVS is a place where you can put yourself to the test and where the best talents have the opportunity to train and be initiated into specific professional paths. This is why we constantly cultivate the link with the academic and scholastic world so that there is continuous contamination between knowledge and experience.

*Onboarding*  
Those who join OVS follow a specific onboarding path aimed at making them feel part of the organisation. Sustainability principles

are an integral part of the journey for both new employees in headquarters functions and store associates.

*Harmony*

We believe that in the context of one's professional growth it is important to have moments in which our attitudes and conduct find a moment of harmony with the company's values and competency model. For this reason, during the first year at OVS, new employees are accompanied to a constant exchange with others and trained to put into practice the most effective organisational conduct in our context. Just as in the stores, the online onboarding process allows the new hire to ensure harmony with the "OVS Style".

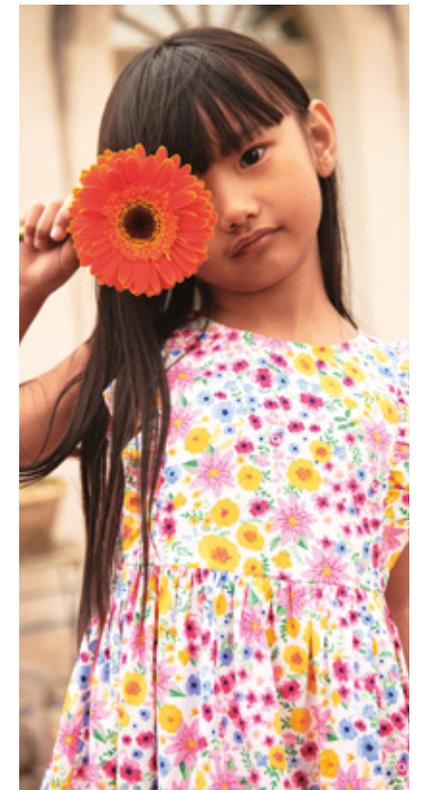
*Leadership*

Begun in the second half of 2020, the **Senior Leadership Development Program** is based on the development of management skills derived from the 5 strategic challenges: Market, Customer, Digitalisation, Simplification and Sustainability.



People in OVS

**8,000+**



This is a path comparable to the training offered by the Business Schools in the field of “executive education” which sees the certification of the skills acquired through the issue of a certificate aimed at enhancing the training curriculum of the OVS Manager.

In 2021, the **Leadership Development Program**, was arranged by level of responsibility and involved middle managers/professionals and junior managers.

It is a further completion of the OVS Academy, which is also widely recognised in the world of education (as in the case of the Store Management School) because it offers structured paths that accompany professional growth with practical experience and moments of verification of learning.

The **Leadership Development Program** supports the development of management styles for leading and engaging people.



**Feeling involved**

With increasingly engagement and participation logics in 2021, we have empowered projects that are based on co-design. Workshops were organised to introduce the tools of Design Thinking useful to create and innovate processes that impact on the customer experience and started co-design workshops on various processes. Among the main ones, the revision of the contents of the OVS Store Management School, the service model for OVS and Stefanel, the onboarding path for new hires and also employee engagement initiatives.



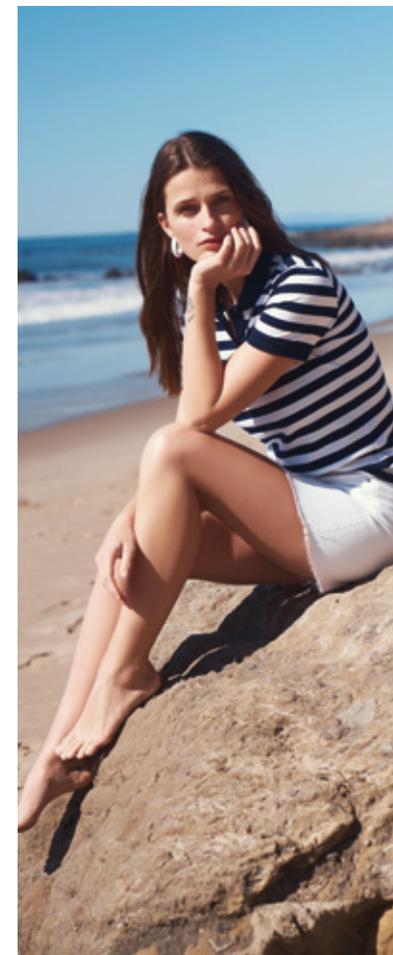
It is through the infopoint that there is visibility of the benefits offered to OVS employees to HR services and among them the daily appointment of the:

*Daily Energy*

Two-minute daily routines dedicated to personal well-being, with motivational and inspirational content (personal energy, conflict management, communication, learning agility, etc.) and insights from various disciplines.

2021 also saw the launch of *OVS MAG*, a digital magazine on air on the video wall of the HQ in Mestre and distributed to all employees of the sales network through the Daily Pills. *MAG* is inspired by the dynamism of Instagram Stories and is organised into several informative headings:

- *People*: gives space and visibility to the work of our people. It is a column with store news from video clips of employees from all functions talking about what their jobs consist of; information about contest results and particularly significant KPIs from work teams.



Starting in 2021, we have embarked on a process of renewing our internal communication system to strengthen the sense of belonging and participation. Thanks to the initiative of giving all employees a company e-mail account, everyone has been given access to the company information portal since 2021.

*Infopoint*

Thanks to the synergy between the HR and Digital Transformation & IT teams, it is the reference point for all OVS employees to easily find policies and procedures, tools and services. One of the biggest changes is the ease of use and accessibility from mobile right through the company email.



- *WeCare*: sustainability, considered inside and outside our context.
- *ForYou*: webinars, training activities, corporate event proposals, news from the web interesting to follow.
- *Inspired by*: news and/or events that help have tips and insights “out of the box”.

Video collections, a series of videos dedicated to the new collections in which, through the voice of Product Managers, we illustrate the pluses of our products. In this way, colleagues in the stores receive the training they need to orient their customers’ purchasing choices towards products with sustainability characteristics for more responsible choices.

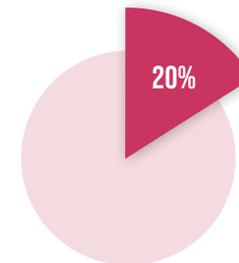
*Individual goals*  
Since 2020, we have instituted MBO targets - the Management by Objectives system - for key corporate roles and functions, particularly for Product Departments that have specific sustainability targets, for example the percentage of products that meet sustainability criteria out of the total assortment or the number of suppliers verified through the Higg platform.



**Sustainability is in our culture**

Over the last few years, OVS employees in Italy have participated in training courses on sustainable innovation issues.

In 2021, more than 100 colleagues from Product Departments were made aware of the issue of respecting human rights in the supply chain. In collaboration with an organisation that carries out campaigns on specific issues and the launch of urgent actions for the resolution of cases of violations in the textile industry in the countries of production, in November 2021, we raised awareness among over 100 colleagues (Product Managers, Sourcing Managers, etc.) on supply chain and labour law in international supply chains to create awareness of the conditions and challenges of each country where OVS produces.



Percentage of **variable compensation** linked to sustainability goals

In 2021, 20% of variable compensation was linked to the achievement of these sustainability goals. The CEO reports to the Board on the achievement of key plan objectives and part of the variable compensation depends on them.

*Gender pay gap*

We want to be an equal opportunity employer, not only in hiring, but also in compensation. Thanks to a specific professional growth program for women in the role of Store Manager, in the last 5 years, we have managed to almost completely eliminate the pay gap between men and women working in our stores. Attention on this subject is constant and appropriate analyses are carried out in order to intervene with specific corrective actions.

In addition to the awareness and training program for headquarters staff on sustainability issues, we have initiated several activities to reinforce the messages of our sustainability strategy on a daily basis.

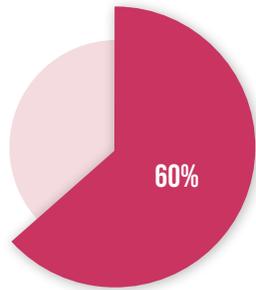
*Sustainable mobility*

We provided continuity of carpool platform services to reduce greenhouse gas emissions associated with home-to-work travel. Since in 2021, due to the restrictions related to the pandemic, contacts even between passengers in the same car have been limited, the certification of the home-work journey through the use of bicycles and scooters has been introduced and incentivised; we have also installed six charging stations for electric cars.



*Stop plastic bottles*

We have continued to install micro-filtered water dispensers, thus helping to reduce the waste generated by plastic bottles by about 60%, saving over a ton of CO<sub>2</sub>.



Reduction of the waste generated by plastic bottles

*Zero-mile canteen*

We have brought sustainability to our company canteen as well, offering a menu of entirely local, zero-mile products and an evening take-away service, while maintaining the same affordable prices as the canteen.

*Pathway Health & Wellness alongside our people*

Initiatives dedicated to office and sales colleagues to promote personal care and well-being continued. The Health & Wellness Pathway in 2021 focused on the following topics:

first aid with defibrillator use, sleep and nutrition, and concentration exercises. New for 2021, included in the Health and Wellness path is Hardiness, a 4-meeting path that involved the entire population of Product Manager Assistants, amounting to about 90 colleagues.

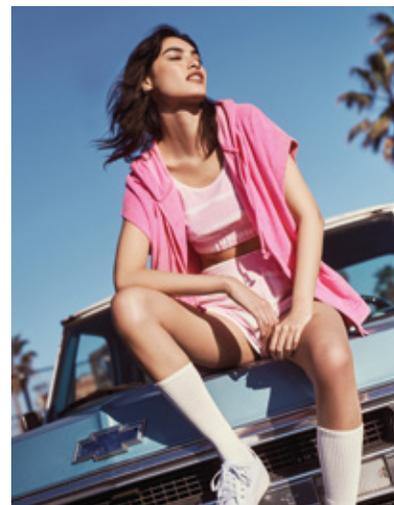
Developing “hardiness” means being able to resist stress and be responsive, deal successfully with everyday challenges, improve own leadership and professional effectiveness.

“Hardiness” is a subjective characteristic that measures the ability to withstand difficult situations and high pressures to which we are all subjected. It is the attitude and ability to transform complicated and unfavourable circumstances into opportunities for personal development, strengthening and growth, without giving in to psychophysical strain. The pathway measures this characteristic and individually provides guidance for building a personal plan to meet the challenges.



“  
**My dream is a young and flexible company, and that is why we are working on a plan for generational turnover and increasing the presence of women in key roles.**  
 ”

*Gianni Moscatelli  
 Director of Human Resources & Organisation*



In order to enhance the person-professional dialectic, with Lifeed - an Edtech company that designs innovative solutions for the development of human capital and has created Life Based Learning - webinars have been organised for the entire company population on the following topics: change management; nature as a model of innovation; life changes as factors of learning and development of competencies.

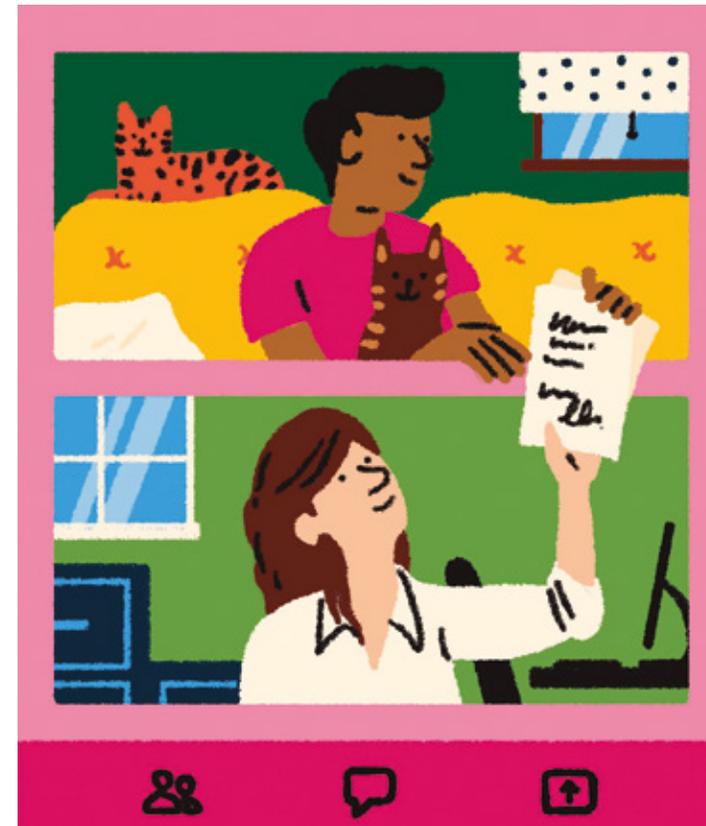
Since 2017, again in collaboration with Lifeed, we have been running a digital training program aimed at pregnant women, new moms, new dads and child caregivers because being (or becoming) a parent and being a caregiver is a Master.

**A healthy flexibility**

The two years of pandemic have made us realise how essential flexibility has become today for employee satisfaction and the quality of work in the company.

For this reason, we have trained and supported our managers helping them to better organise their teams in this new context and we have followed a path of implementation of smart-working to all areas of the company headquarters.

We are committed to making agile working a new normal from a revolution dictated by necessity. In this way, we want to welcome and stimulate a cultural change that will lead the company to work for results and be ready to flexibly manage the organisation of our staff.





# 06

## Stores

### HIGHLIGHTS

- -85% emissions from 2016 to 2019
- 99.5% of green energy bought in Italy
- 50% of stores are LEED certification ready
- 4.5 millions kWh/year will be saved by switching to LED

### Making room for sustainability

We are the largest Italian retailer for apparel and we manage a network of more than 2,000 shops, that constitute our main source of direct and indirect impact. That's why we want our stores to be the showcase of our commitment to sustainability. This is why we are continuously looking for the best solutions for the design, construction and daily management that will help us improve the wellbeing of our sales force, and reduce our carbon footprint, as defined in 2021 based on targets approved by the *Science Based Targets initiative*.

We are the largest Italian clothing retailer and manage a network of over 2,000 points of sale.

We want our stores to showcase our commitment to sustainability. Not only for the products we display for sale, but also for the design and management choices we make to minimise our environmental impact and improve the well-being of our sales force and the customer experience of our customers.

Point of sales

2,000+

The network of stores represents the main source of our direct impacts and we are therefore continuously looking for the best solutions for the design, construction and daily management of our spaces to implement our carbon footprint reduction strategy, defined in 2021 based on targets approved by the Science Based Targets initiative.



Already since 2017, 99.5% of the electricity we purchase for our network of stores in Italy and from our headquarters comes from certified renewable sources with Guarantee of Origin. Finally, our Environmental Management System has been ISO 14001 certified since 2020.

Green electricity purchased in Italy

99.5%



**Pontenure warehouse**

The logistic hub of Pontenure is the real beating heart of the replenishment process of our stores in Italy and abroad.

▶  
20%

Again, we are working to reduce our impacts, particularly with a plan to invest in photovoltaic, which now provide about 20% of our energy needs.

**OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)**

*Decent work and economic growth*

With its network of stores distributed throughout the territory, OVS contributes to creating economic stability in the communities in which it operates and offers opportunities for growth and professional development of young talents.

*Sustainable cities and communities*

OVS stores are designed, built and operated to reduce the impacts of our activities and help promote the social, cultural and environmental development of the communities in which we operate.

**THE NEW SUSTAINABLE STORE CONCEPT**

The new store concept, designed with the aim of strengthening the sustainability profile of our stores, is applied to all new openings or restyling.

For us, it represents an important step in the path that began in 2016, which over the years has led us to incorporate international best practices both in the design phase, in the selection of low-impact materials, and in the construction and site management phase, as well as in the daily operation of the store.

*Design*

We follow design criteria that facilitate both assembly and the recovery of materials at the end of their life: furniture and finishes are interlocking to allow for installation and avoid the use of glues or sealants.

This makes it easier to separate materials for reuse or recycling when the store is dismantled.



*Material selection*

We select materials considering their origin and end of life. Therefore, we use only a few certified and easily recyclable materials: glass, 100% FSC wood and 95% recycled aluminium from post-consumer waste. We have eliminated plastic entirely and reduced non-recyclable drywall.

*Lighting*

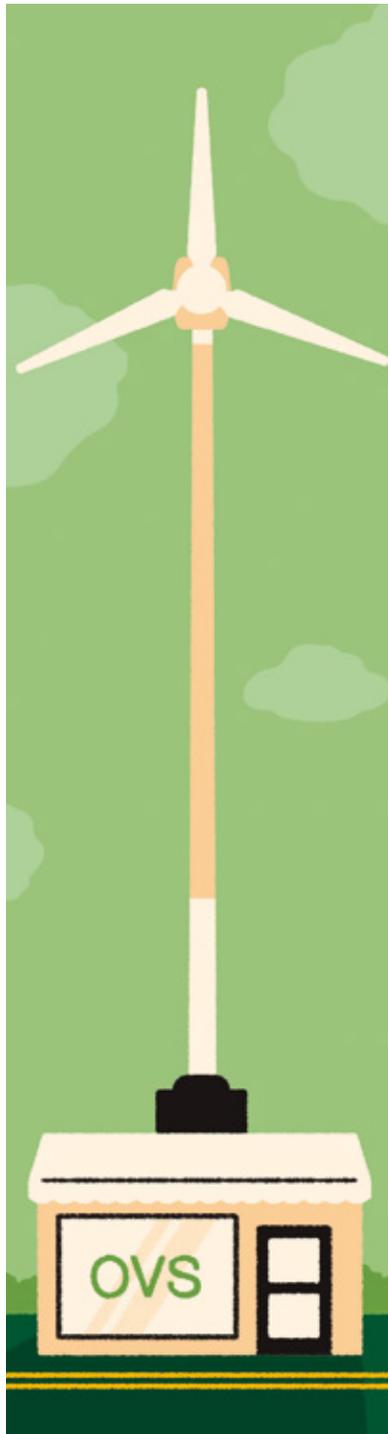
We have eliminated furniture lighting and developed a relamping plan on over 100 stores, with the introduction of LED lighting fixtures, which will result in an estimated savings of 4.5 million kWh/year in 2022.

*Air Quality*

To improve indoor air quality - in addition to traditional air treatment systems - we use natural filtering systems with extensive use of plants to optimise people's well-being.

Aluminium used in our shops is recycled at

**95%**



*Heating*

We have set up a plan to modernise the boilers, gradually eliminating the most obsolete ones, which will lead to a gradual decrease in diesel consumption.

*Energy saving*

Since 2019, we have been carrying out a 360-degree energy saving project, both by involving staff with initiatives to raise awareness and disseminate good practices, and by acting on the management and maintenance side of the stores.

In 2021, we have enhanced this project by launching an electricity consumption monitoring plan on a wide perimeter of stores so that we can take prompt action on anomalies. Each store has a widget that allows store managers to monitor the store's energy performance.

Estimated saving of kWh /year in 2022 with the introduction of LED lighting fixtures

**4.5MLN**

**MEASURING OURSELVES TO IMPROVE OURSELVES**

During 2021, we launched an initial evaluation of our stores through the Arc digital platform, developed by the Green Building Council, which allows to measure and improve the sustainability performance of any built environment. This platform allows us to monitor the impacts of OVS stores at all times, tracking progress and providing feedback to guide more informed and aware decisions.

In 2021, we activated the platform for the areas of water, energy and waste, achieving an average score of 38 (the maximum score achievable in the 3 areas is 56), just below the minimum threshold required to access LEED EBOM certification of 40.

Approximately 50% of the stores monitored qualify for LEED certification, including four for LEED Gold certification and the remainder for LEED Silver certification.

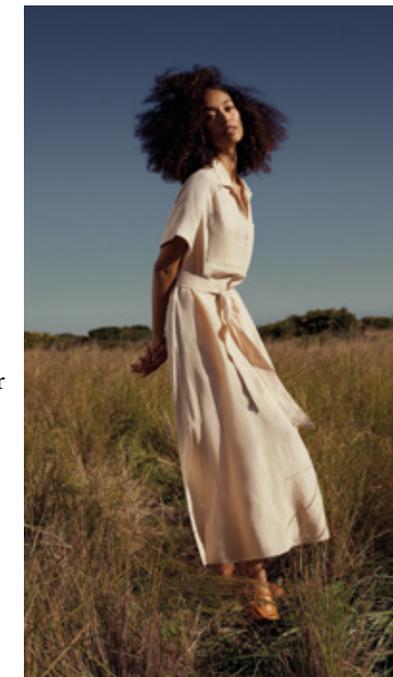
In 2022, we will extend store analytics to the Human Experience and Transportation areas, again through the Arc platform.

**The Arc Platform**

The platform returns a score with respect to five areas of analysis: water, energy and waste through a measurement of consumption parametrised to the surface area of the store and the average level of occupancy, the human experience and transport through a survey aimed at employees to assess their perception of space and their level of satisfaction.

Number of stores evaluated with the ARC platform sustainability indices

**800**

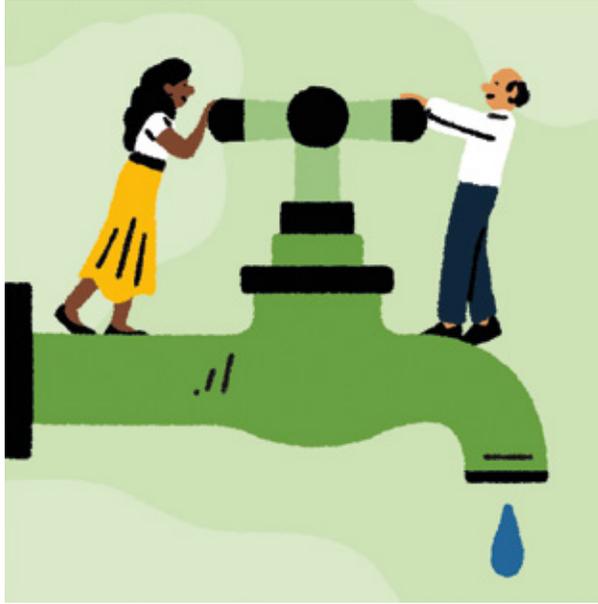


**STEWARDSHIP STORE IN TREVISO**

In April 2021, our new store in Via Indipendenza in Treviso was inaugurated, a space of about 2000 square meters on three floors: a radical renovation has transformed it into a more welcoming and at the same time energy efficient place.

Thanks to careful design, the store has achieved LEED Gold certification, which recognises its high environmental performance in terms of reduced consumption, resource and material efficiency, indoor air quality and site sustainability. It is a result that confirms the solidity of the path undertaken and that constitutes the first concrete validation of the new store concept by offering a laboratory for testing the new practices suggested by LEED certification.

The new store in Treviso has obtained LEED Gold certification



These are some highlights from our stewardship store in Treviso:

- 40% water savings compared to the baseline for a store of the same size;
- energy savings of 11%, again compared to the baseline, with energy purchased entirely certified with Guarantees of Origin (GO);
- installation of CO2 monitoring probes in the sales area and office spaces;
- installation of additional meters for all relevant consumption to identify and intervene on any peaks;
- newly installed exclusively LED lights and desk lamps on workstations in offices to enhance the customisation of spaces;
- 78% waste recovered and therefore not disposed of in landfills during the construction phase;
- preference in the use of wood, 100% FSC certified, and materials with a high percentage of recycled content;
- EPD (Environmental Product Declaration) certified products;
- dry assembly of materials, with very low use of glues and sealants.

**LEED Certification**  
LEED®

is a standardised measurement methodology for assessing the sustainability of buildings, developed by the U.S. Green Building Council (USGBC), aimed at offering designers the possibility to immediately know the weight of their choices, in terms of environmental impact.

The areas of analysis are divided into five categories:

- site sustainability
- water use efficiency
- energy and atmosphere
- materials and resources
- indoor air quality

A sixth category – design process innovation – includes issues not included in the other categories, such as acoustics, community sharing, and other factors that vary with the type of building intervention.



**Sustainability**  
**in our stores**  
**too**

07

*Details*



**OVS GROUP PROFILE**

*Group structure*

The following graph shows the composition of the OVS Group with an indication of the relative percentages held.

Through the companies operating in Serbia, Croatia, Spain and France, OVS develops its retail business, mainly through commercial affiliation and, with the exclusion of France, through a number of directly operated stores.

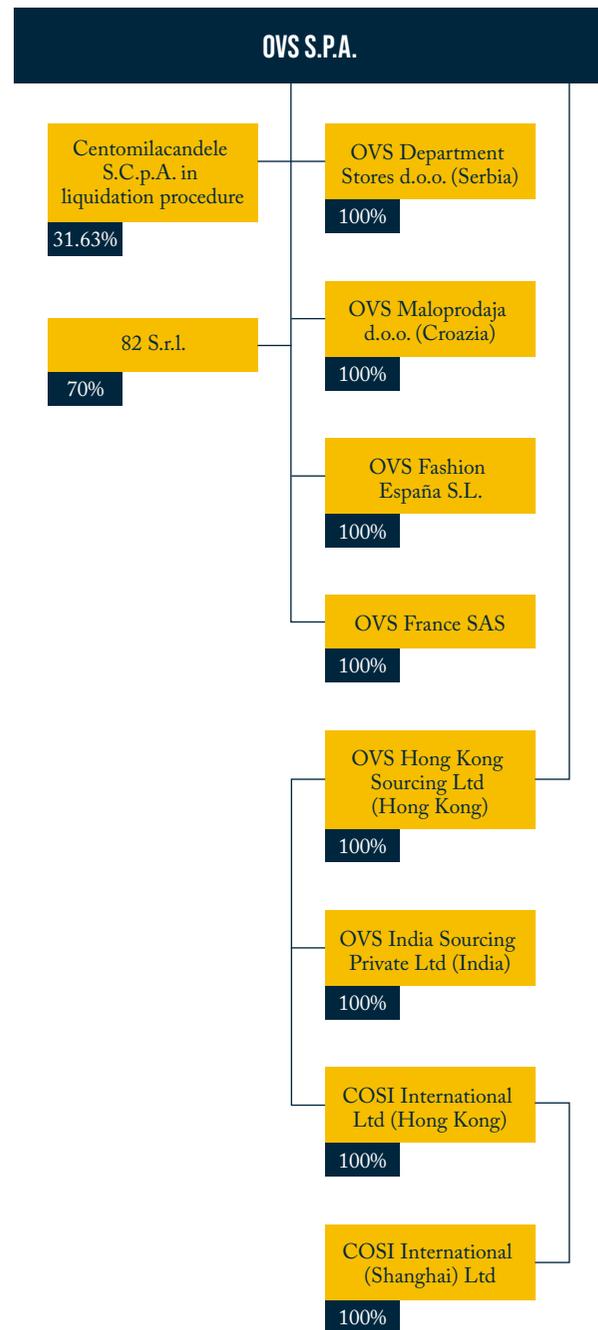
The company branch headed by OVS Hong Kong Sourcing Ltd is instead responsible for the processes of research and supplier accreditation, product industrialisation at production sources, production and shipment monitoring and quality control.

*Operating Model*

OVS S.p.A. (OVS) is the company at the head of the leader group in Italy in the women's, men's and children's clothing market. The OVS brand was established within the Coin Group in 1972 and, gradually expanding its network, it has been able to develop a bond of trust with its customers over time, achieving brand awareness on the Italian market of 94% in 2021.

OVS also operates with the UPIM brand, which is positioned in the value segment of women's, men's and children's apparel

**Figure 1**  
Company Organisation Chart



market in Italy and it is primarily a family store. UPIM, present in Italy since 1928, was acquired in January 2010, and has enjoyed significant growth in recent years. In 2021, the Stefanel brand was acquired, recognised in Italy and abroad, particularly in women's knitwear, for its quality, simplicity and style.

The Company operates according to a business model typical of vertically integrated retailers, offering products created in-house, and acting as a platform that welcomes a selection of brands that are always synergistic with its proposal.

Product development is entrusted to a team of product managers, designers and merchandisers who, relying on an organisational structure highly specialised in sourcing with a strong presence in key geographical areas, conceive, develop and produce the merchandise mix with external suppliers, under the artistic guidance of the creative director and the organisational guidance of the category managers.

In parallel, to ensure a wider selection of products and brands, OVS is evolving as a phygital marketplace through the introduction of new iconic brands and innovative proposals.

OVS operates through a multi-channel approach with a network of stores - direct and franchised - in Italy and abroad integrated with the e-shop.

OVS is also the leader in the clothing market in Italy with a share of 9.3%, which in the children's market represents over 20%. The Group consists of OVS S.p.A. and its subsidiary companies operating abroad, in the management of the network of stores (mainly in franchising), and in the control of product development and manufacturing operations.

In addition, part of the business is developed through commercial partnerships with third-party brands that can represent a valid integration of the OVS product proposal. In relation to this business sector, OVS acts as a distributor through its own network of sales outlets.

The product areas directly managed are:

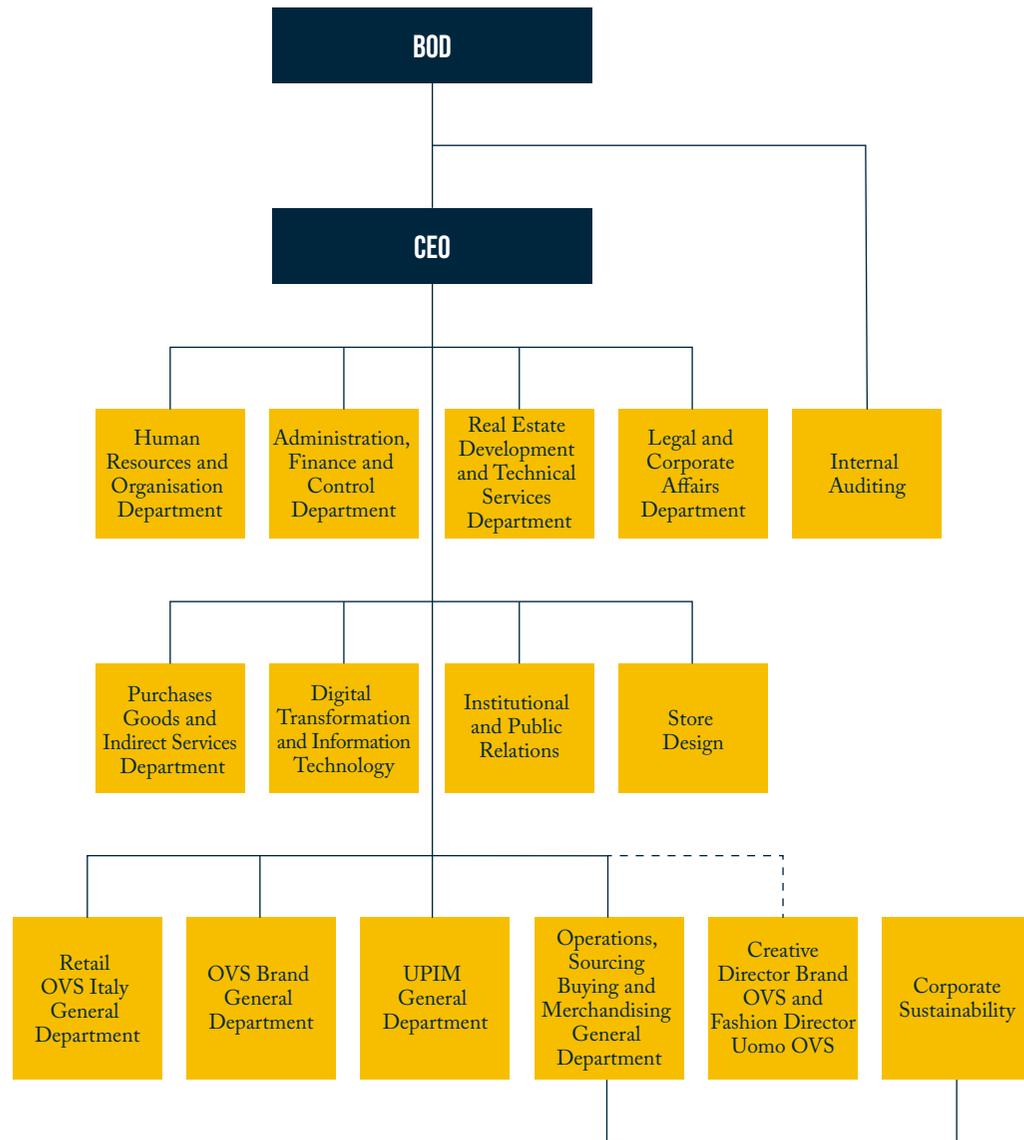
- Total look clothing: realisation and marketing of clothing products for men, women and children, designed for everyday use, but with an offer dedicated also to special occasions;
- Footwear and accessories: development of collections of footwear, handbags and other non-textile accessories to complement apparel offerings;
- Home Furnishings: selection of home textiles, housewares and home accessories.

Through commercial partnerships OVS integrates its offer with:

- Clothing and accessories from iconic brands or made by interesting emerging brands;
- Perfumery and cosmetics developed in collaboration with leading manufacturers; this area of offer also includes a limited selection of own-brand products.

Organisational structure

**Figure 2**  
Company Organisation Chart



*Mission and values*

Our mission is “to make beauty accessible to all” and it is based on concrete values that inspire the people who take part in the company processes, to behave respecting the environment and the communities in which we operate.

Working in OVS is a source of growth, of value and wellbeing for everyone. Everyone’s daily commitment is aimed at improving everything they manage so that their contribution can really make a difference. We create value through an approach always oriented towards the solution, the needs and the sustainability that mission, objectives, resources and timelines impose. We create value for customers, stakeholders and shareholders every day, through small and large things that our passion drives us to do.

**Imagination:** we are a company that welcomes and encourages everyone’s ideas to imagine new and possible scenarios. We train the imagination and courage to do what others have yet to accomplish.

**Innovation:** we are not afraid to choose and adopt change. We want to be recognised and welcomed in our ability to lead rather than follow the market.

**Team Work:** one team as the sum of the values of each individual member.

**Value Creation:**

we create value for customers, stakeholders and shareholders every day, through small and large things that our passion drives us to do.

**Opening:** to be a place of meeting, debate and exchange of ideas and actions. While respecting individuals, their personal qualities and their respective needs. To always be attentive and willing to listen to the changing world, to the needs, desires and dreams of its customers and to be able to meet the expectations of all stakeholders by becoming messengers of the concept of “beauty accessible to all”, in any shape or form each one of us conceives and beholds.

**Italianism:** capitalise on the virtuous aspects of being Italian by instilling them into our passion for our work, identifying creative solutions, letting our sensitivity to beauty and well-made guide our every-day choices and actions. Attention to detail, innate creative aptitude, natural creative inclination to be transformed every day into concrete value.

**Respect:** promote behaviours that recognise the value of each individuals and each idea through small and large daily gestures in relationships, actions and activities. Listening (which is different from feeling) and caring about people and their wishes. Encourage action and participation through recognition and celebration of merit, making virtuous behaviour go viral. In work, business and global relationships with customers, stakeholders and the environment.

These core values guide our daily behaviours and build a positive vibe towards the environment and ourselves, concretely influencing and improving the lives of the people who work in our company and the consumers who interact with our brand on a daily basis.

Corporate Governance

As of 2 March 2015, OVS S.p.A (hereinafter OVS)<sup>7</sup>, is a company listed on the Mercato Telematico Azionario (Screen-based Stock Exchange) organised and managed by Borsa Italiana S.p.A.

OVS corporate governance system is based on a “traditional” organisational model and is developed according to the regulations in force and applicable to the sector, observing the legal regime of a listed issuer, as well as the indications of the Self-Regulatory Code promoted by Borsa Italiana to which OVS subscribes voluntarily.

The Company has adopted the new Corporate Governance Code of Listed Companies, published on 31 January 2020 by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. (“Corporate Governance Code”); in accordance with the provisions thereof, information will be given to the market on the methods of application in the report on corporate governance, which will be published within the time limits set by the law.

OVS also takes into account the best practices deriving from the comparison at national and international level.

The organisation shall manage and coordinate its Subsidiaries, which maintain legal autonomy and apply the principles of correct corporate and business management.

The main governance bodies of the company are:

- the Shareholders’ Meeting: composed of the shareholders of OVS, expresses the will of the company, deliberating in the manner and on the matters provided for by 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 highest governance body of the Group. It is vested with all powers for ordinary and extraordinary administration, with the exception of those powers that the law expressly attributes to the Shareholders’ Meeting;
- the Board of Statutory Auditors: has the task of supervising compliance with the law, the Articles of Association and the principles of correct administration of the Company;
- the Financial Reporting Officer: is responsible for preparing the Company’s financial reports.

The OVS Board of Directors also operates through the Chief Executive Officer and the Directors with proxy powers and is assisted by the Committees, set up within the Board itself, with proposing and advisory functions:

- The Control, Risk and Sustainability Committee: supports the Board of Directors’ assessments and decisions relating to the internal control and risk management system and the sustainability strategy;
- The Appointments and Remuneration Committee: has the task of assisting the Board of Directors in evaluating and deciding on the composition of the Board and the remuneration of directors and managers with strategic responsibilities.

On 9 July 2020, the Shareholders’ Meeting appointed the current Board of Directors, whose term of office will expire upon the approval of the financial statements at 31 January 2023.

**Table 1**  
BoD Composition

|                             | GENDER | AGE GROUP | ROLE          | INDEPENDENCE | ASSIGNMENT FROM DATE | NATIONALITY | ACADEMIC TITLE  |
|-----------------------------|--------|-----------|---------------|--------------|----------------------|-------------|---|
| <b>FRANCO MOSCETTI</b>      | M      | over 50   | Non-executive | S            | 31/05/2019           | Italian     | Master of Science degree in Industrial Science, Major in Business and Economics |
| <b>STEFANO BERALDO</b>      | M      | over 50   | Executive     | N            | 14/05/2014           | Italian     | Master of Science in Business and Economics                                     |
| <b>GIOVANNI TAMBURI</b>     | M      | over 50   | Non-executive | N            | 13/03/2019           | Italian     | Master of Science in Business and Economics                                     |
| <b>ALESSANDRA GRITTI</b>    | F      | over 50   | Non-executive | N            | 13/03/2019           | Italian     | Master of Science in Business Administration and Economics                      |
| <b>CARLO ACHERMANN</b>      | M      | over 50   | Non-executive | S            | 09/07/2020           | Italian     | Master of Science in Business and Economics                                     |
| <b>ELENA GARAVAGLIA</b>     | F      | 41-50     | Non-executive | S            | 20/06/2020           | Italian     | Law degree (J.D.)   |
| <b>VITTORIA GIUSTINIANI</b> | F      | over 50   | Non-executive | N            | 09/07/2020           | Italian     | Law degree (J.D.)   |
| <b>MASSIMILIANO MAGRINI</b> | M      | over 50   | Non-executive | S            | 13/03/2019           | Italian     | Master of Arts in Political Science   |
| <b>CHIARA MIO</b>           | F      | over 50   | Non-executive | S            | 31/05/2017           | Italian     | Master of Science in Business Administration and Economics                      |

The Board of Directors that was elected is composed as follows: Franco Moscetti (Chairman), Stefano Beraldo (CEO), Chiara Mio, Giovanni Tamburi, Alessandra Gritti, Vittoria Giustiniani, Carlo Achermann, taken from the BoD List, and Elena Garavaglia, taken from the Minority List.

The Board of Directors currently consists of 9 members, 44% of whom are women and most of the members, 89% are in the over 50 age group.

Female members of the Board of Directors

**44%**

Members of the Board of Directors in the over 50 age group

**89%**

The Board of Statutory Auditors consists of 3 standing members and 2 alternate members. On 9 July 2020, the Shareholders' Meeting elected the current Board of Statutory Auditors, whose term of office will expire upon the approval of the financial statements at 31 January 2023.

The Board of Statutory Auditors that was elected was made up as follows: Stefano Poggi Longostrevi (Chairman) taken from the Minority List, Standing Auditors Paola Tagliavini and

Roberto Cortellazzo Wiel taken from the List that obtained the highest number of votes; Alternate Auditors Emilio Vellandi taken from the List that obtained the highest number of votes and Emanuela Fusa, taken from the Minority List.

As of 31 January 2022, the Board of Statutory Auditors consists of 5 members, 40% of whom are female and all of whom are over the age of 50.

The members of the Board of Statutory Auditors are listed below:

Female members of the Board of Statutory Auditors

40%

Members of the Board of Statutory Auditors in the over 50 age group

100%

**Table 2**  
Composition of the Board of Statutory Auditors

|                                  | GENDER | AGE GROUP | ROLE  | INDEPENDENCE | ASSIGNMENT FROM DATE | NATIONALITY | ACADEMIC TITLE   |
|----------------------------------|--------|-----------|---|--------------|----------------------|-------------|--|
| <b>STEFANO POGGI LONGOSTREVI</b> | M      | over 50   | Chairman of the Board of Statutory Auditors | S            | 01/06/2018           | Italian     | Master of Science in Business and Economics                |
| <b>PAOLA TAGLIAVINI</b>          | F      | over 50   | Statutory Auditor                           | S            | 09/07/2020           | Italian     | Master of Science in Business Administration and Economics |
| <b>ROBERTO CORTELLAZZO WIEL</b>  | M      | over 50   | Statutory Auditor                           | S            | 23/07/2014           | Italian     | Master of Science in Business and Economics                |
| <b>EMILIO VELLANDI</b>           | M      | over 50   | Alternate Auditor                           | S            | 09/07/2020           | Italian     | Master of Science in Business and Economics                |
| <b>EMANUELA FUSA</b>             | F      | over 50   | Alternate Auditor                           | S            | 31/05/2019           | Italian     | Master of Science in Business and Economics                |

**Sustainability Governance**  
In the context of the governance of sustainability, a key role is attributed to the Control, Risks and Sustainability Committee, which has been entrusted by the BoD with the supervision of sustainability issues related to the exercise of company activities and the assessment of the NFS.

This Committee was established on 23 July 2014. On 4 August 2020, the Board of Directors appointed the current Committee, which consists of 3 Directors, all non-executive and all whom meet the independence requirements of the Consolidated Law on Finance (TUF) and the Corporate Governance Code:

- Chiara Mio (Chair)<sup>8</sup>
- Massimiliano Magrini
- Franco Moschetti

The Committee provides support and advice to the Board of Directors on sustainability issues, to monitor the Company's commitment to sustainable development throughout the entire value chain. The Committee is responsible

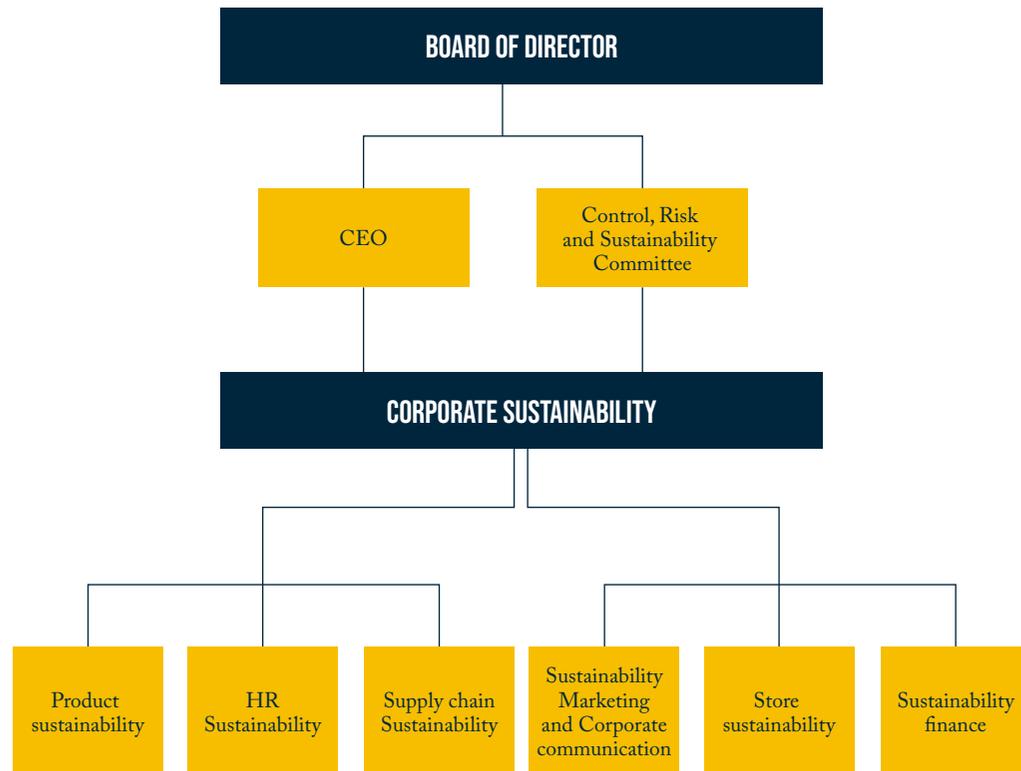
for supervising the internal control and risk management system. Furthermore, it is the task of the Committee to assess sustainability policies and plans aimed at ensuring the creation of value over time for the shareholders and all other stakeholders, in the medium to long term, in accordance with the definition of sustainable success. Finally, it expresses its opinion on the adequacy of the Non-Financial Statement submitted annually to the Board of Directors.

The current Corporate Sustainability Plan was evaluated by the Committee in December 2020 and formally approved by the Board of Directors. The meetings organised by the Committee require the participation of the Chief Executive Officer and the Board of Statutory Auditors.

In terms of internal organisation, all Sustainability issues are managed by the Corporate Sustainability Department, which periodically reports to the CEO, the Committee and the Board of Directors.



**Figure 3**  
Functional organisation chart of sustainability



The CEO, supported by the Corporate Sustainability department, defines the strategic guidelines on sustainability, assessed by the CCRS and approved by the Board of Directors. The Corporate Sustainability Department is responsible for the internal planning process and coordination of initiatives at the corporate level, involving specific work groups identified in each group function. The department manages the development of special projects, focusing on, among other things, product portfolio and supply chain improvement initiatives and the decarbonisation program.

*Reference Framework*

OVS's sustainability strategy has been an integral part of the company's business model and is based on the commitment of each corporate function to consider the environmental and social footprints that are inevitably generated by the Group's actions and activities.

For OVS, sustainability is a characterising element of every business action and it shall not be limited to a "capsule collection".

Since 2016, OVS has consolidated the actions already previously undertaken into a structured strategic path, setting its sustainability choices on the scientific framework and sustainable innovation principles developed by The Natural Step, a Non-Governmental Organisation founded in Sweden in 1989.

These principles provide a concrete and universally understandable definition of sustainability and are necessary, sufficient and universal to describe a sustainable future.

In a sustainable society:

- nature is not subject to the increased concentration of substances extracted from the Earth's crust (e.g. heavy metals and fossil fuels);
- nature is not subject to increased concentrations of substances produced by human activity (e.g. waste and pesticides);
- nature is not deteriorated faster than it needs to regenerate

itself (e.g. deforestation and construction);

- the satisfaction of people's basic needs is ensured by promoting health, participation, development of skills, impartiality and empowerment of the individual.

The company has established its commitment to improve the current business criteria in the world of fashion, by using solid and innovative tools such as the B Impact Assessment and the SDG (Sustainable Development Goals) Action Manager, in order to integrate its own analysis models and have a comprehensive view of the impact generated by the organisation and the initiatives undertaken.

**B Impact Assessment™**

Through the Benefit Impact Assessment, the company was able to identify priority areas for improvement and future goals in the sustainability plan, aligning its strategy with movements, such as the Benefit Corporation, that aim to redefine success in business.

**SDG ACTION MANAGER**

Confirming its orientation towards sustainability and its desire to contribute with its business to the global challenges and to the achievement of the 17 Sustainable Development Goals (SDGs) set by the United Nations, OVS has decided to focus its strategy on the areas of greatest potential. Through the use of an SDG Action Manager, it has, therefore, identified the following objectives as particularly relevant to its activities: 5 (Gender Equality), 6 (Clean Water, Health and Hygiene services), 8 (Decent Work and Economic Growth), 11 (Sustainable Cities and Communities), 12 (Responsible Consumption and Production).



These tools have made it possible to define a structured plan of interdependent evolution, or Sustainability Plan, which will gradually improve the sustainability profile of OVS using a systemic approach. The areas of action of the Plan identified are four, and each provide for specific short, medium and long-term commitments and actions:

**Products and supply chain:** creating products that have a positive impact on the world and the people who live in it, minimising the consumption of natural resources and taking care of the people who work in the supply chain and the environment in which they live

**People:** promotion of an inclusive working environment, capable of enhancing the diversity of each person and making them ambassadors of the OVS sustainability philosophy

**Stores and locations:** construction of stores and physical meeting places that reflect OVS's commitment and choices in the management and construction of locations,

aimed at minimising the footprint of the business

**Customers:** transparent and inclusive approach to guide customers in the development of a culture of sustainability

This document has been drawn up on the basis of the activities and processes described so far, and clearly and directly reflects the path that OVS has taken within the scope of sustainability. The materiality analysis itself (for which please refer to the corresponding paragraph) has been updated and evaluated in the light of the new steps taken by the Group, so that the financial and non-financial information reported in the NFS can give a complete and effective view of what has been achieved during the year.

*Collaborations with sector associations*

**Federdistribuzione:** We participate in the working groups of Federdistribuzione, the body that represents distribution companies in Italy, with the aim of including sustainability standards in the new Italian and European regulations.

We are also among the founding members of the **Ecotessili Consortium**, promoted by Federdistribuzione and its associated companies, dedicated to the management of textile waste. Two of our representatives, Simone Colombo and Nicola Perin, hold important positions in the consortium and the association.

**UNI - Italian Standards Body:** We participate in UNI working tables for the standardisation of sustainability and quality standards.

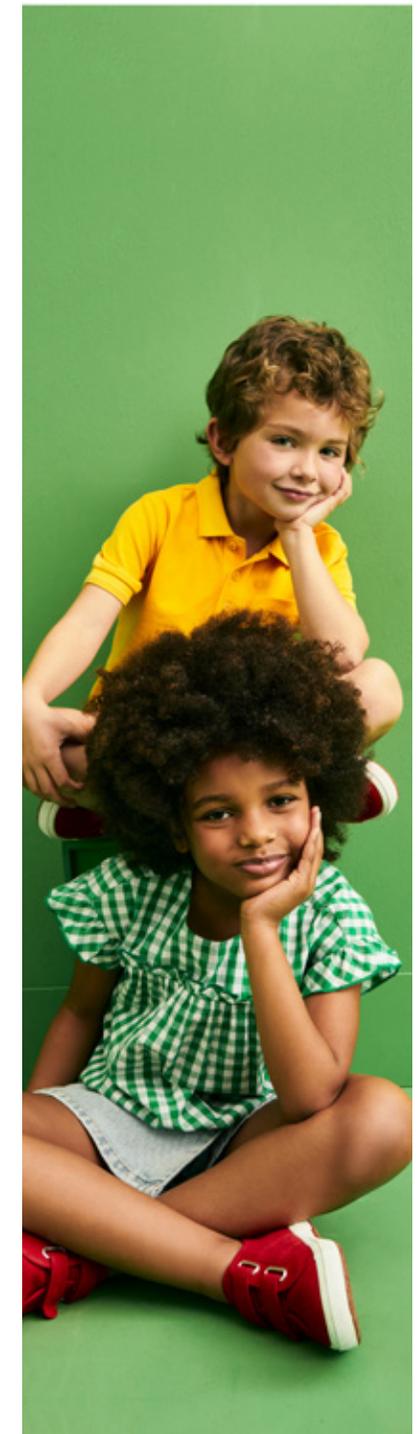
**ICESP - Italian Circular Economy Stakeholder Platform:** The ICESP platform was created to bring together initiatives, share experiences, highlight critical issues and indicate prospects in order to represent Italian specificities in Europe in terms of circular economy and to promote the circular economy in Italy through specific dedicated actions.

**Monitor for Circular Fashion:** In 2021, we joined the Monitor for Circular Fashion working group, a multi-stakeholder project

involving leading fashion companies - Candiani, Dedagroup, HModa, Manteco, Oscalito, OVS, PLM Impianti, Radici Group, Save the Duck, Temera, Vibram, Vitale Barberis Canonico, Vivienne Westwood - and led by the SDA Bocconi Sustainability Lab. An important opportunity for discussion to design new production processes and improve the communication of sustainability.

The project was created to:

- monitor and analyse national and international trends on the implementation of circularity in business
- identify KPIs that fashion industries should use to measure progress in value chain circularity and traceability
- create an Italian community dedicated to circular fashion
- exert influence on governments to incentivise pro-circular economy policies.



**STAKEHOLDERS AND MATERIALITY**

*Methodological Approach*

Consistent with its business strategy, OVS has defined the process of analysis of priorities with the aim of identifying and evaluating the priority issues for stakeholders on the basis of their relevance, comparing them with the priorities of the Group in order to verify their alignment and identify any areas of improvement.

The result of this analysis is represented in the materiality matrix and supports the definition of the contents for the drafting of this document according to the international reporting standard GRI (Global Reporting Initiative).

In terms of sustainability reporting, those aspects that have a significant impact on the Company's economic, social and environmental performance and that could substantially influence stakeholders' assessments and decisions are considered material, i.e. relevant.

The analysis is carried out by the Corporate Sustainability department, through a structured process that also involves Group management.

The materiality analysis process consists of three steps:

**Identification of potential material aspects** through:

- an internal analysis of company documentation<sup>9</sup> and the involvement of strategic stakeholders (CEO, CCRS and general management);
- an external analysis of industry benchmarks conducted on a selected sample of competitors operating at national and international level; external scenario documents<sup>10</sup>; sustainability rating company assessment questionnaires.

**Stakeholder**

**Identification:**

OVS has developed a mapping of the categories of stakeholders, with whom it deals in the course of its activities, identifying stakeholders who can affect the achievement of strategic objectives and those who can be significantly influenced by them<sup>11</sup>.

This analysis has therefore made it possible to identify the strategic stakeholders for OVS and has been carried out by progressively involving the organisational functions, which normally handle relations with the various categories identified.

**Assessment of the priorities of the issues:**

as part of the materiality analysis, the aspects analysed are, on the stakeholder side, the relevance of each issue for the specific category of stakeholder while, on the side of OVS, the level of impact of the issues on business strategies.



*Stakeholder Map*

The stakeholder map, updated in 2019 and confirmed again for this year, is the basis for identifying priority issues for each stakeholder category and therefore for building an ongoing and constructive dialogue through ad hoc engagement methods. In 2020, the new generations to be understood as customers under 25 were analysed in more detail, among the most relevant stakeholder categories.

One of the fundamental guidelines of the strategic plan is in fact based precisely on stakeholder involvement, because the Company plays a crucial role in informing people and creating awareness in clothing choices.

OVS aims to make its stakeholders the protagonists of a world that works to give everyone the freedom to wear an innovative and sustainable Italian style every day, through an approach of totally transparency.

The table below shows the map of key stakeholders, their relative priorities, the main ways in which OVS engages with them and the relative frequency of engagement.

**Table 3**  
Stakeholder map

| STAKEHOLDER                  | STAKEHOLDER INTEREST   | OVS INTEREST TOWARDS THE STAKEHOLDER   | METHODS OF INVOLVEMENT                                  | FREQUENCY          |
|------------------------------|--|--|---|--------------------|
| <b>CUSTOMERS</b>             | <ul style="list-style-type: none"> <li>Satisfy your shopping needs</li> <li>Possibility of buying affordable and safe clothes for your family</li> <li>Express your personality with brands that align appearance with core values</li> <li>Looking fashionable</li> </ul> | <ul style="list-style-type: none"> <li>Satisfy the customer</li> <li>Increase the propensity to buy and the value of the OVS brand</li> <li>Educate and raise awareness towards more responsible purchases</li> </ul>                  | Customer Satisfaction Survey and Service Quality Survey | Annual             |
|                              |  |  | Training programs                                       | Continuous         |
|                              |  |  | Survey to identify material issues                      | Periodic/as needed |
| <b>ON-SITE COLLABORATORS</b> | <ul style="list-style-type: none"> <li>Become professionally fulfilled</li> <li>Increase your sense and purpose of your role</li> <li>Increase your skills</li> <li>Increase your well-being during the working day (concentration, nutrition)</li> </ul>                  | <ul style="list-style-type: none"> <li>Increase employee productivity</li> <li>Increase the sense of belonging to the company</li> <li>Reduce the turnover rate</li> <li>Make the employee an ambassador of OVS values.</li> </ul>     | Training and human capital development initiatives      | Continuous         |
|                              |  |  | Project MAAM (Maternity As A Master)                    | Periodic/as needed |
|                              |  |  | Code of Ethics and Safety Training                      | Periodic/as needed |
|                              |  |  | Survey to identify material issues                      | Periodic/as needed |
| <b>COMPETITOR</b>            | <ul style="list-style-type: none"> <li>Gaining market share through distinctive levers</li> <li>Common interest of improving the reputation of the apparel market</li> </ul>   | <ul style="list-style-type: none"> <li>Maintaining leadership in the apparel market in Italy</li> <li>Using distinctive levers to increase brand reputation</li> <li>Common interest in improving apparel market reputation</li> </ul> | Workbenches   | Periodic/as needed |
|                              |  |  | Participation in conferences and industry events        | Periodic/as needed |

| STAKEHOLDER                                      | STAKEHOLDER INTEREST  | OVS INTEREST TOWARDS THE STAKEHOLDER   | METHODS OF INVOLVEMENT   | FREQUENCY          |
|--|---|--|--|--------------------|
| <b>SUPPLIERS</b>                                 | <ul style="list-style-type: none"> <li>Consolidate the relationship with OVS over time and increase the value of the relationship</li> <li>Improve practices</li> </ul> | <ul style="list-style-type: none"> <li>Systematically improve the supplier's environmental and social practices</li> <li>Promote economic development</li> </ul>   | Meetings with key suppliers to share best practices for improving environmental and social performance   | Periodic/as needed |
|  |   |  | Audit Programs   | Periodic/as needed |
|  |   |  | Industry Collaboration Initiatives   | Annual             |
|  |   |  | Survey   | Periodic/as needed |
| <b>LOCAL COMMUNITIES COUNTRIES OF PRODUCTION</b> | <ul style="list-style-type: none"> <li>Operational support in developing countries</li> <li>Promoting labour and rights</li> </ul>                                      | <ul style="list-style-type: none"> <li>Forge profitable relationships to generate shared value</li> <li>Increase the level of acceptance of the company</li> </ul> | Meetings on specific focuses   | Periodic/as needed |
|  |   |  | Partnership  | Continuous         |
|  |   |  | Social and cultural promotion projects in the area (e.g. Save the Children women's empowerment project, collaboration with WWF, etc.).   | Periodic/as needed |
| <b>LOCAL COMMUNITIES POINTS OF SALE (ITALY)</b>  | <ul style="list-style-type: none"> <li>Support from the enterprise as well as the institutions for shared benefit</li> </ul>  | <ul style="list-style-type: none"> <li>Forge profitable relationships to generate shared value</li> <li>Increase the level of acceptance of the company</li> </ul> | Membership activity in Federdistribuzione  | Continuous         |
|  |   |  | Meeting with certain individuals from the Fashion and Arts world, for implementation of investment initiatives in social and cultural promotion activities on the territory (e.g. Peggy Guggenheim Collection, Save The Children, Fare x Bene Onlus, WWF, etc.). | Periodic/as needed |

| STAKEHOLDER      | STAKEHOLDER INTEREST   | OVS INTEREST TOWARDS THE STAKEHOLDER   | METHODS OF INVOLVEMENT  | FREQUENCY           |
|------------------|--|--|---|---------------------|
| PRESSURE GROUPS  | <ul style="list-style-type: none"> <li>Try to make OVS part of the solution in solving global environmental problems, by reducing the footprints of the Fashion industry</li> <li>Increase transparency and information to consumers in order to guide them to more conscious choices</li> <li>Make sustainable brands stand out from “Green washer” brands</li> </ul> | <ul style="list-style-type: none"> <li>To be recognised as a serious Brand with a clear strategy in terms of environmental and social sustainability</li> </ul>  | Participation in conferences and industry events  | Periodic/ as needed |
|                  |  |  | Participation in fashion industry transparency initiatives (e.g., Fashion Transparency Index) | Periodic/ as needed |
| INSTITUTIONS     | <ul style="list-style-type: none"> <li>Enforce rules</li> <li>Encourage the virtuous companies to improving access and availability of resources for citizens</li> </ul>   | <ul style="list-style-type: none"> <li>Leveraging institutions to create positive impact</li> </ul>  | Workbenches   | Periodic/ as needed |
|                  |  |  | Participation in conferences and industry events  | Periodic/ as needed |
| OPINION LEADER   | <ul style="list-style-type: none"> <li>Bringing out new trends</li> </ul>  | <ul style="list-style-type: none"> <li>Being perceived as a modern brand, dedicated to families and their needs, innovative also from the point of view of digitalisation and services offered to customers</li> </ul> | Workbenches   | Periodic/ as needed |
|                  |  |  | Participation in conferences and industry events  | Periodic/ as needed |
| STORE ASSOCIATES | <ul style="list-style-type: none"> <li>Promote wellbeing inside the store (temperature, cleanliness, etc.)</li> <li>Foster interaction with the customer on distinctive topics</li> </ul>  | <ul style="list-style-type: none"> <li>Increase employee productivity</li> <li>Facilitate customer interaction with distinctive topics</li> <li>Reduce turnover rate</li> </ul>  | Community United We Win   | Continuous          |
|                  |  |  | Training and development of human capital   | Continuous          |
| INVESTOR         | <ul style="list-style-type: none"> <li>Increase the return on investment</li> <li>Reduce the risk associated with the investment</li> <li>Define specific targets on environmental, social and governance due diligence</li> </ul>   | <ul style="list-style-type: none"> <li>Communicating sustainability as a strategy to minimise risk and create long-term value</li> <li>In general, create value</li> </ul>   | Investor Relations Activities   | Continuous          |
|                  |  |  | Publication of reports (financial and non-financial)  | Annual              |
|                  |  |  | Participation in sustainability surveys (ESG rating)  | Annual              |

| STAKEHOLDER           | STAKEHOLDER INTEREST   | OVS INTEREST TOWARDS THE STAKEHOLDER   | METHODS OF INVOLVEMENT  | FREQUENCY           |
|-----------------------|--|--|---|---------------------|
| FRANCHISEE            | <ul style="list-style-type: none"> <li>Improve your performance</li> <li>Increase brand attractiveness</li> </ul>  | <ul style="list-style-type: none"> <li>Establish long-term partnerships in line with OVS values</li> </ul>   | Meeting   | Periodic/ as needed |
|                       |  |  | Survey  | Continuous          |
| INDUSTRY COALITIONS   | <ul style="list-style-type: none"> <li>Acquire new franchisees</li> <li>Gain active franchisee role in improving working conditions and reducing the use and footprint of harmful substances in the apparel industry supply chain</li> </ul> | <ul style="list-style-type: none"> <li>Join coalitions strategically in order to increase visibility of OVS and maximise the positive impact, leveraging economies of scale generated by Industry Collaboration</li> </ul>   | Join international initiatives for the improvement of sustainability throughout the fashion industry (Sustainable Apparel Coalition - SAC, Better Cotton Initiative, Better Factories Cambodia, Accord, Federdistribuzione) | Continuous          |
| NEW GENERATIONS (~25) | <ul style="list-style-type: none"> <li>Respond to new market demands and needs</li> <li>Include long-term impacts in defining business strategies</li> <li>Act with authenticity and transparency</li> </ul>                                 | <ul style="list-style-type: none"> <li>Anticipate the evolution of market needs</li> <li>Prepare for new challenges in the sector</li> <li>Be perceived as a modern brand, dedicated to young people and families</li> </ul> | Social media presence   | Continuous          |
|                       |  |  | Survey  | Continuous          |
|                       |  |  | Collaborations with universities (e.g. Contamination Lab)   | Continuous          |
|                       |  |  | University lectures   | Continuous          |

*Materiality analysis*

In order to improve sustainability policies, refine reporting processes and for a more precise focus on priority issues, the company has carried out, over the years, specific surveys of stakeholder perceptions on the most significant issues (“material”) for the sustainability of OVS.

Given these moments of direct involvement, for 2021 it was decided to maintain the results of last year’s stakeholder activities as they are still representative of the Group’s priorities.<sup>12</sup>

For the definition of the list of material issues, account was taken of the link with the main topics reported by the Sustainable Development Goals (SDGs) and an online survey, disseminated to a panel of about 61,000 subjects, including more than 1,000 respondents (+66% compared to 2019), consisting of: customers, suppliers, investors, franchisees and employees of OVS S.p.A.<sup>13</sup>

This process led to a redefinition of the issues reviewed by the Group and its stakeholders and the inclusion of two new issues: “Innovation orientation” and “Sustainable stores” deemed increasingly relevant in today’s context.

Based on the above, the following material topics were identified:

**Table 4**  
Material topics

| TOPIC   | DESCRIPTION  |
|---|--|
| <b>ETHICAL AND SUSTAINABLE MANAGEMENT OF THE GROUP</b>                      | Application of the principles of ethics and integrity by the company in the conduct and management of the business, in full compliance with current regulations and ensuring market transparency. Implementation of a risk management model capable of identifying and assessing social and environmental challenges, implementing actions and controls aimed at mitigating these risks. |
| <b>SUSTAINABLE PRODUCTS</b>   | Ability to develop products and processes with low environmental impact along the entire value chain (from supply chain to sale) thanks to the adoption of good practices such as sustainable sourcing, selection of eco-friendly materials, proper management of chemicals, respect for animals, protection of biodiversity, optimisation of end of life cycle.                         |
| <b>SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS</b>                | Minimisation of social footprints throughout the supply chain, thanks to careful control of working conditions and respect for human rights and the guarantee of complete traceability of products.  |
| <b>CIRCULAR DESIGN</b>  | Implementation of product development processes that integrate life cycle logic and responsible use of materials.  |
| <b>ATTENTION TO DIVERSITY AND INCLUSION</b>                                 | Promotion and inclusion of all diversities through, for example, women empowerment initiatives, promoting non-discrimination and equal opportunities.  |
| <b>CARING FOR PEOPLE AND DEVELOPING POTENTIAL</b>                           | Attention to the well-being and development of people, thanks to the implementation of best practices in the areas of health and safety, work life balance, training, career plans, in order to increase the attraction and retention of talent.   |
| <b>COMMUNITY SUPPORT</b>  | Direct and indirect support to communities and territories through specific actions such as, for example, donations and philanthropy, volunteering, cultural development, educational activities.  |
| <b>FIGHTING THE CLIMATE CRISIS AND MANAGING THE ENVIRONMENTAL FOOTPRINT</b> | The company's response and commitment to combating climate change through initiatives to reduce its carbon footprint and overall environmental footprint by controlling the consumption of natural resources, including water, and the production of waste, also related to product packaging.   |

| TOPIC   | DESCRIPTION   |
|---|---|
| <b>LISTENING TO THE CUSTOMER</b>                  | Company ability to respond to customer and market needs and demands through quality product offerings, CRM activities and customer loyalty plans.   |
| <b>TRANSPARENCY AND SUSTAINABLE COMMUNICATION</b> | Creation of a relationship of trust with the customer thanks to a transparent and correct communication of the company's activities as well as the products and services offered.                 |
| <b>INNOVATION ORIENTATION</b>                     | Technological innovation of business organisation and services offered to meet the needs of the market, present and future, in terms of digitalisation and multichannel.                          |
| <b>SUSTAINABLE STORES</b>                         | Design and management of stores and points of sale in full respect of the environment and people, following the logic of green design and energy efficiency and ensuring the safety of customers. |

The following table links the relevant issues identified by the OVS Group to the issues provided for by Legislative Decree no. 254/2016.

**Table 5**  
Reconciliation between the scope of the decree and material topics

| SCOPE OF THE DECREE 254/2016   | MATERIAL TOPICS   |
|--|---|
| <b>TOPICS RELATED TO HUMAN RIGHTS ISSUES</b>                             | <ul style="list-style-type: none"> <li>• Sustainable supply chain and respect for human rights</li> </ul>   |
| <b>TOPICS RELATED TO THE FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION</b> | <ul style="list-style-type: none"> <li>• Ethical and sustainable business management</li> </ul>   |
| <b>STAFF-RELATED TOPICS</b>  | <ul style="list-style-type: none"> <li>• Attention to diversity and inclusion</li> <li>• Caring for people and developing potential</li> </ul>  |
| <b>ENVIRONMENTAL ISSUES</b>  | <ul style="list-style-type: none"> <li>• Sustainable products</li> <li>• Circular design</li> <li>• Fighting the climate crisis and managing the environmental footprint</li> <li>• Sustainable stores</li> </ul> |
| <b>SOCIAL ISSUES</b>   | <ul style="list-style-type: none"> <li>• Community support</li> <li>• Listening to the customer</li> <li>• Transparency and sustainable communication</li> <li>• Innovation orientation</li> </ul>                |

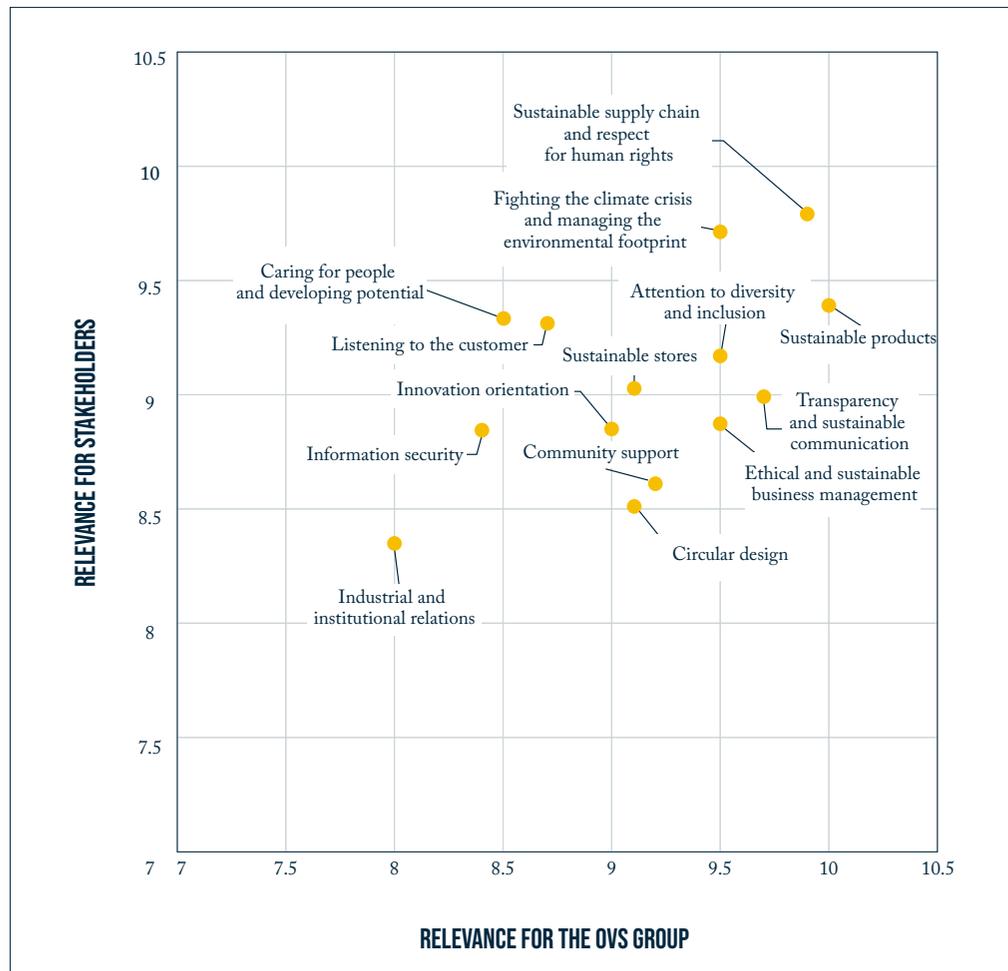
*Materiality Matrix*

From the combination of the assessments of the topics, from the point of view of OVS and from the point of view of its stakeholders, their positioning within a matrix is defined in which the issues are represented that have exceeded the so-called materiality threshold, i.e. that have obtained, on at least

one of the two axes, an average assessment greater than 9, on a scale from 1 (not relevant) to 10 (very relevant).

Below is a graph that illustrates the summary of the assessments made on the responses provided by stakeholders and company management.

**Figure 4**  
Materiality Matrix



As is evident from the graph, a linear correlation has emerged between topics relevant for the OVS Group and those for stakeholders, indicating a substantial coincidence between interests inside and outside the company. The following topics were particularly relevant: “Sustainable supply chain and respect for human rights”, “Fight against climate change and management of environmental footprint”, “Sustainable products” and “Attention to diversity and inclusion”, evaluated by all categories of stakeholders as the most relevant in absolute terms; in particular, it should be noted that the younger generations (loyal customers under 25 years of age) expressed particular attention to the topic “Attention to diversity and inclusion”. With reference to the topic “Industrial and institutional relations”, a description of OVS’s approach is given in the paragraphs “Sector collaborations” and “Stakeholder map”. Lastly, it should be noted that the “Information Security” issue is slightly below the threshold, based on the assessment of both stakeholders and the Group. The priority areas that emerge from the analysis are already covered in the OVS Sustainability Plan with supporting metrics and structured processes.

In the following paragraphs, the activities and related KPIs will be presented in detail, with particular emphasis on material topics.

*The internal control system*

Given the relevance of the “Business Integrity and Ethics” topic and reference regulations, OVS has adopted a system of internal control and risk management, consisting of tools, organisational structures, procedures and company rules which allow the company to be managed in a healthy, correct manner and in line with the strategic and operational objectives. The system complies with the applicable laws and regulations of correct and transparent internal and market reporting, and makes it possible to prevent and limit the consequences of unexpected results. It also integrates the Code of Ethics and the Organisation Model drawn up in accordance with Legislative Decree 231/01 (Model 231).

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

*Code of Ethics*

OVS identifies in the Code of Ethics the corporate values of reference, highlighting the rights, duties and responsibilities of all those who work within OVS or collaborate with it (employees, partners, public administration, shareholders and any other person with whom contact is established). The Code of Ethics also sets out OVS’s commitment to preventing and combating active and passive corruption, sanctioning any corruptive behaviour (including, for example, the pledging or promising money or other benefits, even in the form of gifts, perks of any kind, employment of individuals, etc.), in the relationships with Stakeholders or Partners. In particular, the conduct of those who give or promise money or other benefits to any person belonging to other private entities (e.g. directors, managers, employees, etc.), in order for the latter to violate the obligations inherent to their office or their



loyalty obligations towards the entity to which they belong, is censured, even if such conduct may lend itself to bring a direct or indirect advantage to the Company. In this context, the Company also condemns any corruptive behaviour aimed at obtaining from its Stakeholders or Partners any information relating to third parties or the disclosure of industrial and corporate 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 the provision of specific contractual clauses of an “ethical” nature.

The Code of Ethics was adopted by resolution of the Board of Directors of the Company on 27/10/2014 and subsequently updated by resolution of the Board of Directors on 14 December 2016 and 18 April 2018 and 15 April 2021. The Code of Ethics is available for consultation on the Corporate website.

#### *Organisation, Management, and Control Model*

The main objective of Model 231 is to set up a structured and organic system of prescriptions, including organisational prescriptions, procedures and control activities, in order to make all those who work in the name and/or on behalf of OVS aware of the need to inform their behaviour of the principles of loyalty and correctness, as well as to prevent the risk of committing the offences referred to in the decree. Model 231 is also available on the Corporate website and is communicated and distributed to all employees of OVS and all foreign branches through the signing of intercompany contracts. Similarly, the Model is communicated to all suppliers and business partners of OVS at the time of contract execution.

#### *Whistleblowing*

OVS has for some time now defined reference values and behaviours which must inspire those who work within it or who collaborate with our company. It is in the interest of OVS

to promote and direct its work according to principles of loyalty and fairness and to adopt the necessary countermeasures to prevent crimes from being committed. In this context, OVS has equipped itself with a Whistleblowing System, an on-line platform for whistleblowing that ensures the highest levels of confidentiality and privacy. The management of this system is regulated internally by the “Whistleblowing Procedure”, defined in April 2018, with the aim of regulating the process of managing reports of unlawful conduct relevant pursuant to Legislative Decree 231/2001, or violations of the 231 Model adopted by the Company, based on precise and concordant facts. Breaches of the Code of Ethics, laws and regulations can be reported on the Corporate website. Reports are handled with the utmost confidentiality and guarantee of anonymity for the reporter. During 2021, 3 reports were received, of which 1 were not pertinent

and 2 were subject to in-depth analysis, which did not highlight any offence situations within the scope of Legislative Decree 231/2001.

Likewise, there is an email box ([sustainability@ovs.it](mailto:sustainability@ovs.it)) that all suppliers may use to report any breaches to the Code of Conduct. In 2021, 1 report was received that required further investigation, but was subsequently found to be unfounded.

Confirming OVS's commitment in this sense, during 2021 there were no episodes of corruption, either active or passive, with reference to the company's activities.

#### *Corporate social and environmental policies*

During 2020, in support of the objectives defined in the Sustainability Plan and in order to formalise the Group's social and environmental commitments, OVS adopted two policies, available on the corporate website <https://ovscorporate.it/>:

#### **Environmental and Local Community Policy**

which establishes principles to be followed when conducting business activities, in full respect of the planet and the communities in which OVS operates. These principles, shared and communicated to all internal and external stakeholders, express OVS's commitment to consider its environmental footprints in relation to: biodiversity and conservation of natural resources, climate change, waste production and recycling processes, water consumption and water footprint, use of chemicals and animal welfare. The same principles are also extended to the Group's supply chain: suppliers, in fact, must see and accept what is established in the Policy and are also subject to periodic due diligence by OVS, which verifies compliance and monitors performance.

#### **Labour and Human Rights Policy**

which sets out the guidelines that all the people who work with OVS, both in Italy and abroad, must respect in relation to Labour practices (e.g. contracts, parental leave, welfare),

human rights (e.g. diversity and inclusion, abolition of child and forced Labour) and health and safety (e.g. workplace management, risk assessment, training), in full compliance with current legislation.

*Audit activities*

Internal audit activities are carried out to support the Board of Directors, the Risk and Sustainability Control Committee and the Board of Statutory Auditors, and are aimed at all corporate areas. The 231 compliance audit activities are carried out in support of the Supervisory Board and constitute the main monitoring and control tool together with the whistleblowing system described above. Internal audit activities are carried out to support the Board of Directors, the Risk and Sustainability Control Committee and the Board of Statutory Auditors, and are aimed at all corporate areas. The 231 compliance audit activities are carried out in support of the Supervisory Board and constitute the main monitoring and control tool along with the whistleblowing system

described above. In 2021, audits focused on the corporate area, with five audits of an operational nature and one intervention regarding regulatory compliance issues. Two other interventions focused on the operation of the sales network.

*Enterprise Risk Management and Management of Non-Financial Risks*

Considering the complexity of the management activities and taking into account that the assumption of risk represents a fundamental and unavoidable component of the company's activities, the OVS Board of Directors has evaluated the importance of identifying and mapping the main risks in advance and adopting suitable tools 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", prepared

by the American Committee of Sponsoring Organizations of the Treadway Commission.

In particular, in 2015, with an update in 2019, the Board of Directors, on the proposal of the Director in charge of the internal control and risk management system, having heard the favourable opinion of the Risk Control and Sustainability Committee and the Board of Statutory Auditors, approved the "Guidelines for the internal control and risk management system" to identify, monitor and govern risk areas ensuring the achievement of strategic and operational objectives, the reliability of financial reporting, compliance with laws and regulations and the safeguarding of corporate assets.

Consistent with these goals, the risk management system adopted by the Company has the following objectives:

- spreading the culture of risk prevention and mitigation within the company;
- contribute to the strategic planning process through the definition of risk appetite;
- contribute to the achievement of objectives through the identification of risks, their assessment and prioritisation and the implementation of appropriate responses;
- 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 in the course of business activities are consistent with the approved business strategies and defining the acceptable risk threshold.

The Risk Control and Sustainability Committee has the task of assisting the Board of directors in (i) identifying and assessing the principal risks relating to the Company and its subsidiaries so that they are adequately monitored; (ii) defining and updating the risk mitigation plans and, in general, risk management plans.

The Director in charge of the internal control system is responsible for (i) identifying the main corporate risks, taking into account the characteristics of the business and the operations carried out by the Company

and the Group; (ii) designing, implementing and managing the internal control and risk management system, constantly checking its adequacy and effectiveness.

In this context, having developed and consolidated over the last few years a structured system for the monitoring of financial and non-financial risks, OVS has identified the main events linked to material aspects that could have a direct impact on the business and/or on the environmental and social systems with which the company relates.<sup>14</sup>

These risks have been classified as follows:

- from the standpoint of internal impacts, risks are classified on the basis of the company's ERM and are divided into operational, reputational and economic risks;
- from the point of view of external impacts, risks are classified according to macro risk areas of social and environmental impact divided into more detailed areas as shown in the table below.



**Table 6**  
Impact areas of social and environmental risks

| MACRO-AREA  | AREA                            | DETAIL   |
|-------------|---------------------------------|--|
| ENVIRONMENT | Natural resources               | Animal welfare                                   |
|             |                                 | Biodiversity                                     |
|             |                                 | Deforestation                                    |
|             | Climate change                  | Fossil fuel depletion                            |
|             |                                 | Greenhouse gas (GHG) emissions                   |
|             | Waste                           | Solid waste                                      |
|             |                                 | Hazardous waste                                  |
|             |                                 | Chemical waste                                   |
|             | Water consumption and pollution | Water use and scarcity                           |
|             |                                 | Wastewater, water pollution and eutrophication   |
| SOCIAL      | Working conditions              | Forced labour and human trafficking              |
|             |                                 | Child labour                                     |
|             |                                 | Salaries and benefits                            |
|             |                                 | Working hours                                    |
|             |                                 | Freedom of association and collective bargaining |
|             |                                 | Decent work                                      |
|             | Security                        | Health and safety                                |
|             |                                 | Access to water and sewage network               |
|             | Human rights                    | Discrimination, harassment and abuse             |
|             |                                 | Sexual harassment and gender-based violence      |
|             |                                 | Right to health                                  |
|             |                                 | Right to privacy                                 |
|             | Corruption                      | Right to personal safety                         |
|             |                                 | Misconduct and corruption                        |
|             | Local communities               | Community and minority rights                    |
|             |                                 | Right to the land                                |

For each relevant issue, the risks reported in the following table have been identified and classified, highlighting the main management methods and priorities:<sup>15</sup>

**Table 7**  
Non-financial risks management methods

| MATERIAL TOPIC                              | RISKS  | INTERNAL RISK CLASS   | EXTERNAL RISK CLASS   | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073  | GOVERNING TOOL  |
|---|--|---|---|------------|---|---|
| ETHICAL AND SUSTAINABLE BUSINESS MANAGEMENT | Active/passive corruption - identified in the context of activities at risk pursuant to Legislative Decree no. 231/2001. | <ul style="list-style-type: none"> <li>• Reputational</li> <li>• Economic</li> </ul>                        | <ul style="list-style-type: none"> <li>• Misconduct and corruption</li> </ul>                         | Medium     | <ul style="list-style-type: none"> <li>• Specific risk assessment on corruption through the organisation, management and control model pursuant to Legislative Decree no. 231/01</li> <li>• Elaboration of specific protocols relating to the management of activities at risk</li> <li>• Dissemination of risk management policies through Company Regulations and Codes of Conduct</li> </ul> | <ul style="list-style-type: none"> <li>• Model of organisation, management and control pursuant to Legislative Decree no. 231/01</li> <li>• Code of Ethics</li> <li>• Company policies and procedures</li> <li>• Whistleblowing procedure</li> <li>• Code of conduct</li> </ul> |
|   | Failure to identify unethical conduct by staff and contractors due to the widespread model across the territory          | <ul style="list-style-type: none"> <li>• Reputational</li> <li>• Operational</li> <li>• Economic</li> </ul> | <ul style="list-style-type: none"> <li>• Misconduct and corruption</li> <li>• Human rights</li> </ul> | High       | <ul style="list-style-type: none"> <li>• Interception of possible violations through the whistleblowing system</li> <li>• Internal Auditing and supervisory activities through the Supervisory Board (SB)</li> </ul>  |   |

| MATERIAL TOPIC  | RISKS   | INTERNAL RISK CLASS   | EXTERNAL RISK CLASS   | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073  | GOVERNING TOOL   |
|---|---|---|---|------------|---|--|
| SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS | Human rights violations along the supply chain  | <ul style="list-style-type: none"> <li>Reputational</li> <li>Operational</li> <li>Economic</li> </ul> | <ul style="list-style-type: none"> <li>Human rights</li> <li>Working conditions</li> </ul>                | High       | <ul style="list-style-type: none"> <li>Adherence to the Code of Conduct by suppliers, binding on environmental and social performance</li> <li>Development of internal and external audit programs based on the Code of Conduct</li> <li>Participation in “Industry collaboration” initiatives in order to share actions for the monitoring and development of environmental and social performance in the supply chain</li> <li>Definition of a raw materials sourcing strategy that favours sources certified for sustainability performance</li> </ul> | <ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Industry Collaboration Initiatives</li> <li>HIGG Index</li> <li>Responsible sourcing strategy for raw materials</li> <li>Product certifications</li> </ul> |
|   | Relationships with a high-impact supply chain   | <ul style="list-style-type: none"> <li>Operational</li> <li>Economic</li> </ul>                       | <ul style="list-style-type: none"> <li>Waste</li> <li>Water consumption and pollution</li> </ul>          | High       |   |  |
|   | Scarce availability of resources suitable for environmentally friendly processes for garment production <sup>16</sup> | <ul style="list-style-type: none"> <li>Economic</li> </ul>  | <ul style="list-style-type: none"> <li>Climate change</li> <li>Water consumption and pollution</li> </ul> | High       |   |  |

| MATERIAL TOPIC                             | RISKS   | INTERNAL RISK CLASS   | EXTERNAL RISK CLASS  | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073  | GOVERNING TOOL   |
|--|---|---|--|------------|---|--|
| CARING FOR PEOPLE AND DEVELOPING POTENTIAL | Inadequate organisational structure and loss of know-how due to a lack of investment in training and the absence of a performance or career evaluation plan | <ul style="list-style-type: none"> <li>Operational</li> <li>Economic</li> </ul>                       |  | Medium     | <ul style="list-style-type: none"> <li>Definition of a training program focused on achieving objectives and developing technical and soft skills</li> <li>Development of performance appraisal systems</li> <li>Development of channels for dialogue and sharing business objectives</li> <li>Adoption of the Code of Ethics containing principles for the protection of workers and human rights</li> <li>Establishment of employee health and safety protection plans in accordance with regulations</li> <li>Promotion of safe and environmentally friendly processes in accordance with current environmental legislation</li> <li>Supervisory activities for risks of regulatory non-compliance</li> <li>Adaptation of the necessary measures related to the COVID-19 emergency</li> </ul> | <ul style="list-style-type: none"> <li>Training programs</li> <li>Performance evaluation programs</li> <li>Code of Ethics</li> <li>Remote working plan</li> <li>Online stores (e-commerce, click and collect)</li> <li>Health and safety protection plans Mandatory rules for social distancing, sanitising gel dispensers in all enclosed areas, provision of masks, medical assistance and advice on site</li> </ul> |
|  | Loss of key business continuity skills  | <ul style="list-style-type: none"> <li>Operational</li> <li>Economic</li> </ul>                       | <ul style="list-style-type: none"> <li>Water consumption and pollution</li> </ul>                | High       |   |  |
|  | Ineffective management of the health and safety of workers in Italy and abroad at the Group's offices and points of sale                                    | <ul style="list-style-type: none"> <li>Reputational</li> <li>Operational</li> <li>Economic</li> </ul> | <ul style="list-style-type: none"> <li>Climate change Water consumption and pollution</li> </ul> | Medium     |   |  |

| MATERIAL TOPIC                       | RISKS  | INTERNAL RISK CLASS             | EXTERNAL RISK CLASS   | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073   | GOVERNING TOOL  |
|--------------------------------------|--|---------------------------------|---|------------|--|---|
| ATTENTION TO DIVERSITY AND INCLUSION | Discriminatory actions in the Group and the supply chain                                   | • Reputational                  | • Human rights<br>• Working conditions                        | High       | • Developing a person-friendly work environment through specific programs  | Wellbeing and inclusion programs  |
|                                      | Failure to include under-represented categories  | • Reputational<br>• Operational | • Human rights<br>• Working conditions<br>• Local communities | Medium     | • Development of specific training plans for care-givers (Lifeed program for the enhancement of soft-skills related to caregiving)<br>• Development of policies aimed at reducing the Gender Pay-gap<br>• Establishing hiring programs in areas of high unemployment | • Lifeed Program<br>• Periodic Gender Pay-gap Analysis  |
| COMMUNITY SUPPORT                    | Lack of integration and involvement of the local communities in which the company operates | • Reputational<br>• Operational | • Local communities   | Low        | • Defining programs to involve communities in projects that address area needs<br>• Definition of processes for institutional proactive communication and social media strategy  | • Community Development Programs<br>• Social media strategy   |
| CIRCULAR DESIGN                      | Reduced consumer awareness and involvement on circular economy processes                   | • Reputational<br>• Economic    | • Waste<br>• Natural resources                                | Medium     | • Adoption of an action plan for the development of virtuous Circular Economy models and processes   | • Plan for the development of a Circular Economy<br>• ICESP Working Group - Italian Circular Economy Stakeholder Platform |

| MATERIAL TOPIC   | RISKS  | INTERNAL RISK CLASS          | EXTERNAL RISK CLASS | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073   | GOVERNING TOOL  |
|--|--|------------------------------|---------------------|------------|--|---|
| FIGHTING THE CLIMATE CRISIS AND MANAGING THE ENVIRONMENTAL FOOTPRINT | Inadequate contribution to the fight against global warming (not aligned with scientific evidence) <sup>17</sup> | • Economic<br>• Reputational | Climate change      | High       | • Definition of a plan for reduction and efficiency of energy resources<br>• Exclusive use of certified renewable energy and installation of photovoltaic systems      | • Energy Saving Programs<br>• Real-time monitoring systems<br>• Certificates of Guarantee of Origin   |
|  | Consequences of extreme weather events   | • Operational                | Climate change      | High       | • Prevention of pollution generated by air pollutant emissions<br>• Waste-management process<br>• Procurement and sourcing policies aligned with decarbonisation goals | • Photovoltaic systems<br>• ISO 14064 Carbon Footprint Assessment and SBTi Reduction Plan<br>• Management system compliant with ISO 14001:2015.<br>• Sustainability-Linked Bond |
|  | Inability to plan seasonality of collections due to climate change   | • Economic<br>• Operational  | N.A.                | High       |  |   |
| TRANSPARENCY AND SUSTAINABLE COMMUNICATION                           | Loss of credibility with stakeholders  | • Reputational               | N.A.                | High       | • Adoption of Codes of Conduct governing relations with stakeholders<br>• Stakeholder engagement and sustainability information activities                             | • Codes of conduct<br>• Stakeholder Engagement<br>• Website and financial statements<br>• Eco Valore<br>• Higg Transparency   |
|  | Failure to intercept priority issues for different stakeholders  | • Reputational               | N.A.                | Medium     | • Publication of the annual Non-Financial Statement on the company website<br>• Periodic updating of company information on the institutional website                  |   |
|  | Lack of transparency in customer communication (marketing, labelling)  | • Reputational               | Health and safety   | Medium     | • Using Eco Valore for each online product<br>• Integration with third-party platforms (ex: Higg)  |   |

07 Details

| MATERIAL TOPIC       | RISKS   | INTERNAL RISK CLASS                           | EXTERNAL RISK CLASS                          | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073  | GOVERNING TOOL  |
|----------------------|---|---|--|------------|---|---|
| SUSTAINABLE PRODUCTS | Use of raw materials or production processes with high environmental impact | • Economic                                    | • Climate change                             | High       | <ul style="list-style-type: none"> <li>• Implementation of management systems to monitor non-compliance risks</li> <li>• Execution of Life cycle assessment projects</li> <li>• Procedures for obtaining necessary certifications</li> <li>• Adaptation to the regulations for the management of chemical agents in the production of garments</li> </ul> | <ul style="list-style-type: none"> <li>• Management and monitoring systems</li> <li>• Product certifications and labelling</li> <li>• Restricted Substances List and Product Test Program</li> <li>• LCA</li> <li>• Better Cotton Platform</li> <li>• Higg MSI</li> </ul> |
|                      | Realisation of products with negative impact on consumer health             | • Reputational                                | • Health and safety                          | High       |   |   |
|                      | Inadequate management of the disposal of waste generated                    | • Economic                                    | • Waste                                      | Medium     |   |   |
| SUSTAINABLE STORES   | High environmental impact store operations                                  | • Economic<br>• Reputational                  | • Waste<br>• Water consumption and pollution | High       | <ul style="list-style-type: none"> <li>• Adoption of a design protocol for the points of sale</li> <li>• Adoption of in-store security measures</li> <li>• ARC platform analysis of store sustainability performance</li> </ul>   | <ul style="list-style-type: none"> <li>• Standard protocol</li> <li>• Occupational safety management system</li> <li>• Sustainability score per store</li> </ul>  |
|                      | Unsafe sales and work environments for employees and customers              | • Reputational<br>• Operational<br>• Economic | • Health and safety                          | Medium     |   |   |

| MATERIAL TOPIC            | RISKS                                     | INTERNAL RISK CLASS          | EXTERNAL RISK CLASS | PRIORITIES | POLICY/MANAGEMENT METHODS PURSUANT TO LAW 145/2018, ART. 1, PARAGRAPH 1073   | GOVERNING TOOL  |
|---------------------------|---|------------------------------|---------------------|------------|--|---|
| LISTENING TO THE CUSTOMER | Failure to intercept consumer preferences | • Economic<br>• Reputational | N.A.                | Medium     | <ul style="list-style-type: none"> <li>• Definition of customer satisfaction evaluation programs (research and focus groups)</li> <li>• Dedicated customer feedback process</li> <li>• Loyalty programs</li> </ul> | <ul style="list-style-type: none"> <li>• Customer service</li> <li>• Loyalty systems (Digital ID Program)</li> <li>• Periodic surveys</li> <li>• Dedicated newsletters</li> </ul>   |
| INNOVATION ORIENTATION    | Failure to intercept innovation trends    | • Economic<br>• Reputational | N.A.                | High       | <ul style="list-style-type: none"> <li>• Proximity e-commerce program</li> <li>• Digitisation of business processes along the entire value chain</li> </ul>  | <ul style="list-style-type: none"> <li>• Proximity e-commerce</li> <li>• Advanced multichannel services</li> <li>• Evolution of sourcing processes through digital tools</li> </ul> |



**ESG FACTS & FIGURES 2021**

Sustainability guides the strategic orientation of the OVS Group, which on this front has launched initiatives that can be classified in the three key pillars ESG - Environmental, Social and Governance. This section summarises the main results of the OVS Group related to these areas, which are described in greater detail in the following chapters.

The correct identification of the areas of action and the quality of the results achieved so far, have been confirmed by in-depth studies with investment funds that are shareholders in OVS and independent assessments by sector analysts. In March 2021, OVS's ESG Risk Rating is 11.22 in the "Low risk" category and placing the company in 5th place out of 180 (where 1st place is the company with the lowest risk rating) in the "Textile & Apparels" sector assessed by Sustainalytics.

In March 2022, this index is equal to 11.4<sup>18</sup>, placing OVS in 7th place out of 178.<sup>19</sup>

*Environmental*

Respect for the environment is one of the key values for the OVS's strategy. The concrete commitment to reducing the impact of company processes and products on the environment is demonstrated by a series of actions implemented during the year and specific objectives set for the coming years, both of which are shown in the table below.

**Table 8**

Main environmental achievements and objectives

| MATERIAL TOPICS   | MAIN RESULTS 2021   | FUTURE ACTIVITIES   |
|---|---|---|
| <b>SUSTAINABLE PRODUCTS</b>   | <ul style="list-style-type: none"> <li>82% of assortment made with materials from certified low impact supply chain</li> <li>100% cotton sourcing from more sustainable sources starting with the FW collection</li> <li>1,800,000 garments made from recycled synthetic materials</li> <li>Replacement of all current plastic packaging with other more sustainable materials</li> <li>100% of products tested to high quality and safety standards and more than 50% of the total order certified OEKO - TEX 100</li> </ul> | <ul style="list-style-type: none"> <li>Further use of materials from certified low impact supply chain</li> <li>Developing programs for the use of recycled fiber</li> <li>Implementation of short chain cotton procurement programs</li> </ul> |
| <b>SUSTAINABLE STORES</b>   | <ul style="list-style-type: none"> <li>Expanded relamping program to over 100 new stores, bringing savings of approximately 5 Gwh in 2022</li> <li>Replacement of all plastic ornamental plants with real plants functional to better air quality</li> <li>Store concept developed according to circularity criteria</li> </ul>   | <ul style="list-style-type: none"> <li>Integration of ARC (developed by Green Building Council) into the store renovation priority planning process</li> </ul>  |
| <b>FIGHTING THE CLIMATE CRISIS AND MANAGING THE ENVIRONMENTAL FOOTPRINT</b> | <ul style="list-style-type: none"> <li>Scope 1 emissions reduction of 9.95% compared to 2019, in line with SBTi targets</li> <li>Reduced Scope 3 emissions by 9.8% compared to 2019, in line with SBTi targets</li> <li>Reduce energy consumption per square foot by more than 18% compared to 2019 (7% overall)</li> <li>99.5% of electricity purchased directly from OVS certified from renewable sources</li> <li>Confirmation of ISO 14001:2015 certification on the Environmental Management System</li> </ul>           | <ul style="list-style-type: none"> <li>Involvement of the supply chain in actions to reduce CO2 emissions</li> <li>Investments in photovoltaic systems with PPA</li> <li>Development of energy and water saving programs in stores</li> </ul>   |
| <b>CIRCULAR DESIGN</b>  | <ul style="list-style-type: none"> <li>67% of products recyclable fiber to fiber</li> <li>100% of apparel products evaluated through the new circularity index</li> <li>Development of No Label 100% recycled and recyclable collection</li> </ul>  | <ul style="list-style-type: none"> <li>Increased use of recycled material</li> <li>Development of products designed according to sustainability criteria</li> </ul>   |

07 Details

*Social*

People, corporate culture and the community are the key resources of OVS to achieve its strategic objectives and create economic, social and environmental value. OVS promotes the development of human capital through the enhancement of diversity, communication and information about the company's objectives, training at all levels, feedback on the results achieved, teamwork and the development of remuneration policies which are fair and competitive with the market.

For the growth of its business, OVS is committed both to the sustainable supply chain, with particular attention to improving working standards along the entire supply chain, and to the local communities of reference, with which it has set up strong partnerships in order to spread a shared sense of responsibility,

a culture of legality and protection of the common good. The very success of OVS depends on the satisfaction and involvement of its end customer, whose preferences and needs are placed at the centre of the decision-making process and with whom OVS is committed to build a relationship of trust, based on transparency, innovation and product quality.

**Table 9**

Main achievements and objectives in the social arena

| MATERIAL TOPICS  | MAIN RESULTS 2021   | FUTURE ACTIVITIES  |
|--|---|--|
| <b>SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS</b> | <ul style="list-style-type: none"> <li>91% of production volume from suppliers active on the HIGG platform</li> <li>100% of suppliers have signed the Code of Conduct</li> <li>Publication of the list of product suppliers and suppliers of manufacturing processes and raw materials</li> <li>Training provided to over 100 people in product teams on human rights issues</li> </ul> | <ul style="list-style-type: none"> <li>Extension of HIGG to 100% of suppliers</li> <li>Integration of third-party verification on HIGG into supply chain due diligence process</li> <li>Continuing Education Plan on Code of Ethics, Human Rights and Diversity</li> </ul> |
| <b>ATTENTION TO DIVERSITY AND INCLUSION</b>                  | <ul style="list-style-type: none"> <li>Female gender 37% at management level</li> <li>50% women in position of store manager</li> <li>Gender Pay-Gap in stores equal to zero in the last 5 years</li> </ul>   | <ul style="list-style-type: none"> <li>Adoption of policies aimed at reducing the Gender Pay gap in the 2021/2023 three-year period</li> </ul>   |

| MATERIAL TOPICS                                   | MAIN RESULTS 2021  | FUTURE ACTIVITIES  |
|---|--|--|
| <b>CARING FOR PEOPLE AND DEVELOPING POTENTIAL</b> | <ul style="list-style-type: none"> <li>Over 8,000 OVS people worldwide</li> <li>Incoming turnover of 33%, a significant increase over 2020</li> <li>7,825 people in Italy of whom 6,322 with permanent contracts (78.5% women)</li> <li>An average of 10.9 hours of training were provided per person</li> <li>100% of the head office staff was involved in periodic evaluation of work performance to define targeted growth programs</li> </ul> | <ul style="list-style-type: none"> <li>Obtained the SA8000 (Social Accountability) certification</li> <li>Adoption of tools for the systematic measurement of employee involvement/satisfaction</li> </ul> |
| <b>COMMUNITY SUPPORT</b>                          | <ul style="list-style-type: none"> <li>Consolidation of the partnership with Save The Children for support in humanitarian crises and fundraising projects</li> <li>Development of collections with Cooperativa Sociale Quid Project</li> </ul>  | <ul style="list-style-type: none"> <li>Plan of activities with a positive impact on the territory</li> </ul>   |
| <b>LISTENING TO THE CUSTOMER</b>                  | <ul style="list-style-type: none"> <li>Implementation of surveys dedicated to sustainability</li> </ul>  | <ul style="list-style-type: none"> <li>Affiliate Customer Engagement Program</li> <li>Incentive programs for the purchase of sustainable products</li> </ul>   |

*Governance*

Integrity and ethics are two reference values for the OVS business, which is structured based on principles of honesty, professionalism and transparency, in compliance with the laws and regulations on social responsibility. OVS Governance ensures

transparent management of company activities and relations with the market. Thanks to the presence of the Control, Risks and Sustainability Committee, which has the task of evaluating the policies and issues

relating to sustainability, OVS aims to ensure the creation of value over time for shareholders and for all other stakeholders, in a medium/long-term period horizon, in compliance with the principles of sustainable development.

**Table 10**

Main results and objectives in the area of governance

| MATERIAL TOPICS                                    | MAIN RESULTS 2021   | FUTURE ACTIVITIES  |
|--|---|--|
| <b>TRANSPARENCY AND SUSTAINABLE COMMUNICATION</b>  | <ul style="list-style-type: none"> <li>• First place in the Fashion Transparency Index 2021</li> <li>• Assessment of product footprint for 100% of OVS items through Eco Valore</li> </ul>  | Integration of Eco Valore with HIGG Transparency platform                                |
| <b>ETHICAL AND SUSTAINABLE BUSINESS MANAGEMENT</b> | <ul style="list-style-type: none"> <li>• 20% of MBO linked to specific sustainability indicators for product development and supply chain functions</li> <li>• 2,419 hours of training on the Code of Ethics and Model 231 (approximately double compared to 2020)</li> <li>• 55% of the Board of Directors consists of independent members</li> <li>• 44% of the Board of Directors consists of women</li> </ul> | Extension of the MBO Plan linked to sustainability indicators to all corporate functions |

**INDICATORS BREAKDOWN***Economic and financial performance*

The economic value generated and distributed expresses the ability of a company to generate wealth for the benefit of its stakeholders. The consolidated economic value generated by OVS was Euro 1,444,278 thousand and increased by 37% compared to 2020. The economic value distributed was Euro 1,187,047, an increase of 44.8%. 82.2% of the economic value produced in 2021 was, therefore, distributed to the various stakeholders while the remaining 18% was retained within the Group. Of the economic value distributed, more than Euro 791 million was allocated to suppliers of raw materials, products and services, Euro 294.8 million to the people of OVS for the activities carried out during the year and approximately Euro 66 million to the Group's lenders.

A large part of the economic value distributed by the OVS group is intended to remunerate and support the system of companies in the supply chain.

**Table 11**

Income statement for value generated and distributed (in thousands of Euro)

|   | 2021             | 2020             |
|---|------------------|------------------|
| <b>ECONOMIC VALUE GENERATED BY THE GROUP</b>                    | <b>1,444,278</b> | <b>1,053,094</b> |
| Revenue   | 1,358,899        | 1,017,808        |
| Other income  | 71,661           | 50,158           |
| Financial income  | 368              | 672              |
| Value adjustments to financial assets                           | -                | (136)            |
| Bad debts provision   | (1,472)          | (2,614)          |
| Currency exchange rate discrepancies                            | 18,547           | (8,128)          |
| Income/expenses from the sale of tangible and intangible assets | (4,601)          | (4,666)          |
| Tangible and intangible assets value adjustments                | 876              | -                |
| <b>ECONOMIC VALUE RETAINED BY THE GROUP</b>                     | <b>1,187,047</b> | <b>819,786</b>   |
| Operating costs   | 791,406          | 620,769          |
| Employees remuneration  | 294,890          | 234,394          |
| Lenders remuneration  | 66,373           | 69,158           |
| Investors remuneration  | -                | -                |
| Public administration remuneration*                             | 34,325           | (104,610)        |
| External donations  | 53               | 75               |
| <b>ECONOMIC VALUE RETAINED BY THE GROUP</b>                     | <b>257,231</b>   | <b>233,308</b>   |
| Depreciations   | 206,901          | 197,932          |
| Provisions  | 1,690            | 268              |
| Reserves  | 48,640,00        | 35,108           |

\* Public administration remuneration also includes deferred taxes

*Approach to taxation*<sup>20</sup>

The Group recognises its responsibilities to investors, governments, suppliers, employees and the communities in which it operates. This is also reflected in the fiscal approach, which seeks a constant balance between regulatory compliance, business activities, ethical and social expectations. The organisation has defined a tax risk management taking into account the organisation and Management Model, and in particular art. 25 quinquiesdecies, which provides for the Group's liability in the event that certain types of tax crimes are committed.<sup>21</sup>

In particular, the Group has updated the 231 Model - after assessing the specific risk - by evaluating and integrating the protocols already in place for managing taxation. The Group adopts procedures for the detection, measurement, management and control of tax risks, compliance with which is ensured at all company levels. It also undertakes to carry out monitoring aimed at activating the necessary corrective

actions with respect to any deficiencies and/or criticalities detected. In fact, the process of determining taxes derives from a correct and truthful representation of the financial statements, in accordance with the reference accounting standards.

The Group, which operates in sectors with a high content of style and know-how on sourcing activities from Far-Eastern countries, is also attentive to the tax benefits that may derive from domestic and foreign regulations that stimulate research and innovation, such as, for example, the tax credit on research and development activities in Italy. In view of the Group's international activities (particularly with regard to goods procurement), transfer pricing regulations are one of the most sensitive topics. This aspect is periodically monitored by the Administration, Finance and Control department of the Parent Company OVS, which monitors the intragroup transfer prices. The Group believes that tax practices conducted in a responsible manner support the economic

and social development of markets, which is why it believes in diligently applying tax and fiscal regulations.

In addition, activities are planned to monitor regulatory updates on tax matters, and the compilation and transmission of tax returns within the timeframe and manner required by law.

Specifically, administrative and fiscal management processes include aspects related to:

- identification and periodic updating of the main and significant areas of risk in the tax area;
- mapping and updating of the chart of accounts and its layout in accordance with the tax rules applicable to individual cases;
- periodic recognition of the tax treatment associated with the principal and most significant asset and liability transactions recorded in the accounts by the Administration Office;
- verification of the methods of recording operating events and the related taxation when calculating the taxes to be recorded in the annual financial statements, and when preparing the tax return;
- procedures for managing transactions with foreign Group companies and the Transfer Pricing Manual ("Country File"), which is revised annually.

*Supply chain*

The following table shows the percentage of expenditure incurred by OVS with local suppliers<sup>22</sup>, divided between purchases of goods and other purchases.

**Table 12**

Turnover of local third-party suppliers<sup>23</sup>

|                         | 2021  |           | 2020  |           |
|-------------------------|-------|-----------|-------|-----------|
|                         | Goods | Non-goods | Goods | Non-goods |
| <b>ITALY AND THE EU</b> | 31%   | 97%       | 30%   | 99%       |

**Table 13**

Number of new product suppliers evaluated with respect to environmental and social parameters

|  | 2021    | 2020    |
|--|---------|---------|
| <b>TOTAL NUMBER OF NEW SUPPLIERS</b>   | 74      | 31      |
| <b>TOTAL NUMBER OF NEW SUPPLIERS EVALUATED ACCORDING TO SOCIAL CRITERIA</b>        | 74      | 31      |
| <b>% NEW SUPPLIERS EVALUATED ACCORDING TO SOCIAL CRITERIA</b>                      | 100.00% | 100.00% |
| <b>TOTAL NUMBER OF NEW SUPPLIERS EVALUATED ACCORDING TO ENVIRONMENTAL CRITERIA</b> | 74      | 31      |
| <b>% NEW SUPPLIERS EVALUATED ACCORDING TO ENVIRONMENTAL CRITERIA</b>               | 100.00% | 100.00% |

There has been an important increase in the number of suppliers compared with 2020, with an increase in procurement from suppliers from the European area, seeking greater efficiency in

transport and time to market. In line with the previous year, also in 2021, all new suppliers were assessed and selected on the basis of specific environmental and social parameters; specifically, each supplier is required

to sign the Code of Conduct. In addition, again with a view to monitoring supply chain impacts, from 2020 no new suppliers will be accredited by the Group unless they share their environmental and social performance on the HIGG platform.

**Table 14**  
Ordered goods by Made-in<sup>24</sup>

| 2021                  |           |                    |                   | 2020      |                    |
|-----------------------|-----------|--------------------|-------------------|-----------|--------------------|
| COUNTRY               | SUPPLIERS | ORDERED (EUR)      | DELTA ORDERED [%] | SUPPLIERS | ORDERED (EUR)      |
| Albania               | 6         | 2,426,246          | 248.62%           | 4         | 695,953            |
| Bangladesh            | 77        | 226,947,195        | 8.04%             | 83        | 210,056,652        |
| Bulgaria              | 1         | 10,956             | 0%                | 0         | 0                  |
| Cambodia              | 8         | 6,317,494          | 69.60%            | 7         | 3,724,908          |
| China                 | 232       | 138,973,125        | 13.35%            | 214       | 122,604,028        |
| Greece                | 2         | 110,670            | 0%                | 0         | 0                  |
| India                 | 99        | 58,592,973         | 14.81%            | 89        | 51,036,214         |
| Italy                 | 149       | 33,718,482         | 30.09%            | 105       | 25,919,399         |
| Myanmar <sup>25</sup> | 11        | 6,545,688          | -71.54%           | 15        | 23,001,453         |
| Pakistan              | 29        | 17,837,093         | -10.92%           | 26        | 20,024,602         |
| Poland                | 4         | 1,157,383          | 93.22%            | 5         | 598,996            |
| Portugal              | 10        | 1,909,958          | 49.02%            | 10        | 1,281,643          |
| Romania               | 5         | 1,880,107          | 73.37%            | 5         | 1,084,437          |
| Serbia                | 1         | 22,113             | -79.88%           | 1         | 109,926            |
| Spain                 | 10        | 296,892            | -32.24%           | 6         | 438,143            |
| Thailand              | 1         | 25,673             | 0%                | 0         | 0                  |
| Tunisia               | 10        | 6,741,141          | 45.15%            | 4         | 4,644,379          |
| Turkey                | 32        | 4,694,144          | 22.42%            | 33        | 3,834,586          |
| Vietnam               | 8         | 8,899,755          | 32.16%            | 3         | 6,734,161          |
| Other countries       | 41        | 5,602,818          | 65.93%            | 34        | 3,376,627          |
| <b>Total</b>          |           | <b>522,709,910</b> |                   |           | <b>479,166,107</b> |

Note: It should be noted that the calculation of the order was made considering orders with yield in fiscal year 2021.

The number of total providers is 591. In the table above, suppliers with different Made-In have been counted as many times as the number of countries in which they produce. On the other hand, the grouping "Other Countries" is considered as a single

production area, in which each supplier is counted uniquely according to the grouping (for example, a supplier that produces in Indonesia and South Korea is counted once and not as many as the number of countries in which it produces). The main business area

of OVS is developed in the field of house-brand clothing. In this area there are 391 active product suppliers that realise total orders equal to Euro 463,283,889 (89% of total orders). In 2021, 561 internal audits were conducted and the results of 301 external audits were evaluated to supplement the analyses performed on supplier Higg profiles.

**Table 15**

Controls on the production volume of house-brand clothing suppliers

|                            | INTERNAL AUDIT | %   | EXTERNAL AUDIT | %   | HIGG <sup>26</sup> | %   |
|----------------------------|----------------|-----|----------------|-----|--------------------|-----|
| <b>NUMBER OF SUPPLIERS</b> | 259            | 66% | 191            | 49% | 256                | 65% |
| <b>PRODUCTION VOLUME</b>   | 390,662,589    | 84% | 319,660,373    | 69% | 407,884,067        | 88% |

#### Human resources - Workforce

The success of the OVS Group depends on the work of over 8,000 people worldwide, more than half of whom have been working with the company for over 10 years. In addition to the personnel of the Group companies, also noted is the presence of over 500 external collaborators, who carry out the activities of handling goods inside the Pontenure warehouse.

**Table 16**

Staff distribution by geographical area

|                   | 2021 |       |       | 2020 |       |       |
|-------------------|------|-------|-------|------|-------|-------|
| EMPLOYEES         | Men  | Women | Total | Men  | Women | Total |
| <b>BANGLADESH</b> | 99   | 5     | 104   | 100  | 5     | 105   |
| <b>CHINA</b>      | 20   | 82    | 102   | 21   | 88    | 109   |
| <b>SPAIN</b>      | 6    | 57    | 63    | 8    | 73    | 81    |

| EMPLOYEES    | 2021         |              |              | 2020         |              |              |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|              | Men          | Women        | Total        | Men          | Women        | Total        |
| FRANCE       | 0            | 0            | 0            | 5            | 10           | 15           |
| CROATIA      | 4            | 38           | 42           | 5            | 93           | 98           |
| INDIA        | 39           | 11           | 50           | 38           | 10           | 48           |
| ITALY        | 1,580        | 6,245        | 7,825        | 1,471        | 5,399        | 6,870        |
| CAMBODIA     | 0            | 0            | 0            |              | 1            | 1            |
| PAKISTAN     | 12           | 0            | 12           | 11           |              | 11           |
| SERBIA       | 13           | 40           | 53           | 12           | 41           | 53           |
| TURKEY       | 1            | 7            | 8            | 1            | 7            | 8            |
| <b>TOTAL</b> | <b>1,774</b> | <b>6,484</b> | <b>8,259</b> | <b>1,672</b> | <b>5,727</b> | <b>7,399</b> |

The workforce of companies operating in the clothing sector is 80% female. OVS is in line with industry figures with 78% of

women employed in the Group companies and 22% of men. In 2021, the Group no longer operates direct stores in France and maintains its business

through commercial affiliations. Moreover, the production area in Cambodia is followed directly by the Chinese office, since the direct presence in the country is no longer active.

**Table 17**

Breakdown of total workforce by contract type in Italy

|                  | 2021         |              |              | 2020         |              |              |
|------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                  | Men          | Women        | Total        | Men          | Women        | Total        |
| PERMANENT STAFF  | 1,361        | 4,961        | 6,322        | 1,355        | 4,948        | 6,303        |
| FIXED-TERM STAFF | 219          | 1,284        | 1,503        | 116          | 451          | 567          |
| <b>TOTAL</b>     | <b>1,580</b> | <b>6,245</b> | <b>7,825</b> | <b>1,471</b> | <b>5,399</b> | <b>6,870</b> |

**Table 18**

Breakdown of total staff by contract type in other countries

|                  | 2021       |            |            | 2020       |            |            |
|------------------|------------|------------|------------|------------|------------|------------|
|                  | Men        | Donne      | Total      | Men        | Women      | Total      |
| PERMANENT STAFF  | 190        | 199        | 389        | 198        | 246        | 444        |
| FIXED-TERM STAFF | 4          | 41         | 45         | 3          | 82         | 85         |
| <b>TOTAL</b>     | <b>194</b> | <b>240</b> | <b>434</b> | <b>201</b> | <b>328</b> | <b>529</b> |

During 2020, due to the uncertainty and restrictions generated by the Covid-19 pandemic, there was a sharp decline in the number of staff on fixed-term contracts, due to the lack of use of employment contracts typically triggered during

seasonal peaks. In 2021, returning to a situation of substantial consistency with the pre-pandemic period, it was again necessary to activate fixed-term contracts to cover business needs. With reference to the permanent staff of OVS

S.p.A., 823 people carry out their work activities at the company's headquarters. The remaining part of the staff is distributed evenly throughout Italy thanks to a capillary sales network throughout the country. In addition, over 300 people are present at the foreign offices and over 100 at the direct points of sale abroad.

**Table 19**

Permanent staff by gender and professional category in Italy (head office roles)

|                          | 2021       |            |            |             | 2020       |            |            |
|--------------------------|------------|------------|------------|-------------|------------|------------|------------|
|                          | Men        | Women      | Total      | Delta%      | Men        | Women      | Total      |
| MANAGERS - EXECUTIVES    | 60         | 15         | 75         | 5.6%        | 57         | 14         | 71         |
| PROFESSIONALS - MANAGERS | 87         | 75         | 162        | 9.5%        | 78         | 70         | 148        |
| EMPLOYEES                | 148        | 438        | 586        | 4.6%        | 133        | 427        | 560        |
| WORKERS                  | 0          | 0          | 0          | 0           | 0          | 0          | 0          |
| <b>TOTAL</b>             | <b>295</b> | <b>528</b> | <b>823</b> | <b>5.6%</b> | <b>268</b> | <b>511</b> | <b>779</b> |

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With reference to fixed-term contracts, there were 11 men and 51 women in the “office workers” category.

**Table 20**

Staff by gender and professional category in other countries (headquarters staff positions)

|                                 | 2021 |       |       |        | 2020 |       |       |
|---------------------------------|------|-------|-------|--------|------|-------|-------|
|                                 | Men  | Women | Total | Delta% | Men  | Women | Total |
| <b>MANAGERS - EXECUTIVES</b>    | 16   | 8     | 24    | -4%    | 16   | 9     | 25    |
| <b>PROFESSIONALS - MANAGERS</b> | 2    | 0     | 2     | -50%   | 4    | 0     | 4     |
| <b>EMPLOYEES</b>                | 162  | 115   | 277   | -1.1%  | 160  | 120   | 280   |
| <b>TOTAL</b>                    | 180  | 123   | 303   | -1.90% | 180  | 129   | 309   |

With reference to fixed-term contracts, 1 woman was reported in the “office workers” category.

**Table 21**

Permanent staff by gender and professional category in Italy (point of sale staff positions)

|                       | 2021  |       |       |        | 2020  |       |       |
|-----------------------|-------|-------|-------|--------|-------|-------|-------|
|                       | Men   | Women | Total | Delta% | Men   | Women | Total |
| <b>STORE MANAGERS</b> | 306   | 306   | 612   | -5.1%  | 320   | 325   | 645   |
| <b>OTHER DUTIES</b>   | 760   | 4,127 | 4,887 | 0.2%   | 767   | 4,112 | 4,879 |
| <b>TOTAL</b>          | 1,066 | 4,433 | 5,499 | -0.5%  | 1,087 | 4,437 | 5,524 |

With reference to fixed-term contracts, 208 men and 1,233 women were reported in the “other duties” category.

**Table 22**

Workforce by gender and professional category in other countries (point of sale staff roles)

|                       | 2021 |       |       |        | 2020 |       |       |
|-----------------------|------|-------|-------|--------|------|-------|-------|
|                       | Men  | Women | Total | Delta% | Men  | Women | Total |
| <b>STORE MANAGERS</b> | 4    | 14    | 18    | -21.7% | 5    | 18    | 23    |
| <b>OTHER DUTIES</b>   | 10   | 103   | 113   | -42.6% | 15   | 182   | 197   |
| <b>TOTAL</b>          | 14   | 117   | 131   | -40.5% | 20   | 200   | 220   |

With reference to fixed-term contracts, there were 2 men and 40 in the other duties category. The incidence of female presence is also confirmed both at the headquarters in Italy (almost 64%) and in stores in Italy, over 80, and abroad, 89%.

At points of sale, it is evident that 50% of Store Managers are female, in line with 2020 and the figure for other countries is confirmed at around 80%. As regards “corporate” roles, at managerial level the incidence of female

presence is reduced to 20% in Italy and 33% at foreign offices. If middle management roles are included, the percentage rises to 38% at Group level.

The number of people belonging to the protected categories is 251, of which 56 are men and 195 are women.

**Table 23**

Permanent staff in Italy by gender and age group<sup>27</sup>

|               | 2021  |       |       | 2020  |       |       |
|---------------|-------|-------|-------|-------|-------|-------|
|               | Men   | Women | Total | Men   | Women | Total |
| <b>&lt;24</b> | 8     | 26    | 34    | 13    | 22    | 35    |
| <b>24-37</b>  | 483   | 1,440 | 1,923 | 512   | 1,601 | 2,113 |
| <b>38-50</b>  | 422   | 2,096 | 2,518 | 405   | 2,057 | 2,462 |
| <b>&gt;50</b> | 448   | 1,399 | 1,847 | 425   | 1,268 | 1,693 |
| <b>TOTAL</b>  | 1,361 | 4,961 | 6,322 | 1,355 | 4,948 | 6,303 |

**Table 24**Permanent workforce in other countries by gender and age group<sup>28</sup>

| 2021         |            |            |            |
|--------------|------------|------------|------------|
|              | Men        | Women      | Total      |
| <24          | 0          | 8          | 8          |
| 24-37        | 55         | 94         | 149        |
| 38-50        | 127        | 123        | 250        |
| >50          | 12         | 15         | 27         |
| <b>TOTAL</b> | <b>194</b> | <b>240</b> | <b>434</b> |

The majority of Group personnel with permanent contracts are in the 38 to 50 age group. OVS represents an employment opportunity for older age groups, despite having a business model typically aimed at younger staff.

**Table 25**

Breakdown of permanent staff by Full-Time/Part-Time work status

| TYPE OF CONTRACT           | 2021         |              |              | 2020         |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                            | Men          | Women        | Total        | Men          | Women        | Total        |
| <b>FULL-TIME EMPLOYEES</b> | 1,508        | 3,300        | 4,808        | 1,507        | 3,312        | 4,819        |
| <b>PART-TIME EMPLOYEES</b> | 43           | 1,860        | 1,903        | 46           | 1,882        | 1,928        |
| <b>TOTAL</b>               | <b>1,551</b> | <b>5,160</b> | <b>6,711</b> | <b>1,553</b> | <b>5,194</b> | <b>6,747</b> |

**Table 26**

Breakdown of fixed-term staff by Full-Time/Part-Time work status

| TYPE OF CONTRACT           | 2021       |              |              | 2020       |            |            |
|----------------------------|------------|--------------|--------------|------------|------------|------------|
|                            | Men        | Women        | Total        | Men        | Women      | Total      |
| <b>FULL-TIME EMPLOYEES</b> | 208        | 932          | 1,140        | 114        | 375        | 489        |
| <b>PART-TIME EMPLOYEES</b> | 15         | 393          | 408          | 5          | 158        | 163        |
| <b>TOTAL</b>               | <b>223</b> | <b>1,325</b> | <b>1,548</b> | <b>119</b> | <b>533</b> | <b>652</b> |

The type of activity in the OVS store network requires a flexible operating model with extensive use of part-time work. In fact, in continuity with last year, 28% of our staff work part time (2,311 people).

In 2021, as in previous years, the Group also made use of fixed-term employees and at the end of the year (31 January 2022) had 1,548 employees on fixed-term contracts.

*Human resources - Turnover*

In 2021, the Group hired 2,710 people, with an inbound turnover<sup>29</sup> of 33%, a significant increase compared to 2020.

**Table 27**

Recruitment by gender and incoming turnover

|                   | 2021 |       |       | 2020 |       |       |
|-------------------|------|-------|-------|------|-------|-------|
|                   | Men  | Women | Total | Men  | Women | Total |
| <b>BANGLADESH</b> | 2    | -     | 2     | 1    | -     | 1     |
| <b>CHINA</b>      | 4    | 21    | 25    | -    | 6     | 6     |
| <b>SPAIN</b>      | 5    | 26    | 31    | 3    | 31    | 34    |
| <b>FRANCE</b>     | -    | -     | 0     | 5    | 10    | 15    |
| <b>CROATIA</b>    | -    | 10    | 10    | -    | 23    | 23    |
| <b>INDIA</b>      | 1    | 2     | 3     | -    | 1     | 1     |
| <b>ITALY</b>      | 403  | 2,205 | 2,608 | 191  | 952   | 1,143 |
| <b>PAKISTAN</b>   | 1    | -     | 1     | 1    | -     | 1     |
| <b>SERBIA</b>     | 4    | 26    | 30    | 5    | 15    | 20    |
| <b>TURKEY</b>     | -    | -     | 0     | -    | -     | 0     |
| <b>CAMBODIA</b>   | -    | -     | 0     | -    | -     | 0     |

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|                               | 2021 |       |       | 2020 |       |       |
|-------------------------------|------|-------|-------|------|-------|-------|
|                               | Men  | Women | Total | Men  | Women | Total |
| <b>TOTAL</b>                  | 420  | 2,990 | 2,710 | 206  | 1,038 | 1,244 |
| <b>% ON TOTAL RECRUITMENT</b> | 15%  | 85%   |       | 17%  | 83%   |       |
| <b>INCOMING TURNOVER RATE</b> | 24%  | 35%   | 33%   | 12%  | 18%   | 17%   |

**Table 28**  
Recruitment by age group and inbound turnover

| AGE GROUP         | 2021 |       |       |       |       |       |     |       |       |       |
|-------------------|------|-------|-------|-------|-------|-------|-----|-------|-------|-------|
|                   | <24  |       | 24-37 |       | 38-50 |       | >50 |       | Total |       |
|                   | Men  | Women | Men   | Women | Men   | Women | Men | Women | Men   | Women |
| <b>BANGLADESH</b> |      |       | 2     |       |       |       |     |       | 2     |       |
| <b>CHINA</b>      |      |       | 2     | 12    | 2     | 7     |     | 2     | 4     | 21    |
| <b>SPAIN</b>      | 1    |       | 4     | 22    |       | 4     |     |       | 5     | 26    |
| <b>FRANCE</b>     |      |       |       |       |       |       |     |       | -     | -     |
| <b>CROATIA</b>    |      | 3     |       | 5     |       | 2     |     |       | -     | 10    |
| <b>INDIA</b>      |      |       |       |       |       |       |     |       | -     | -     |
| <b>ITALY</b>      | 76   | 543   | 255   | 1,282 | 54    | 285   | 18  | 95    | 403   | 2,205 |
| <b>PAKISTAN</b>   |      |       |       |       | 1     |       |     |       | 1     | -     |
| <b>SERBIA</b>     |      | 2     | 3     | 19    | 1     | 5     |     |       | 4     | 26    |
| <b>TURKEY</b>     |      |       |       |       |       |       |     |       | -     | -     |

| AGE GROUP                     | 2021 |       |       |       |       |       |     |       |       |       |
|-------------------------------|------|-------|-------|-------|-------|-------|-----|-------|-------|-------|
|                               | <24  |       | 24-37 |       | 38-50 |       | >50 |       | Total |       |
|                               | Men  | Women | Men   | Women | Men   | Women | Men | Women | Men   | Women |
| <b>CAMBODIA</b>               |      |       |       |       |       |       |     |       | -     | -     |
| <b>TOTAL</b>                  | 77   | 548   | 266   | 1,341 | 59    | 304   | 18  | 97    | 420   | 2,710 |
| <b>% ON TOTAL RECRUITMENT</b> | 3%   | 20%   | 10%   | 49%   | 2%    | 11%   | 1%  | 4%    | 15%   | 85%   |
| <b>INCOMING TURNOVER RATE</b> | 4%   | 8%    | 15%   | 21%   | 3%    | 5%    | 1%  | 1%    | 24%   | 35%   |

In 2021, outgoing turnover<sup>30</sup> is 22%, down slightly from 2020, when the starting workforce was reduced due to Covid-19. Although the turnover rate is in line with the reference sector, the Group has launched a process to improve welfare and induction policies with the aim of increasing the retention rate.

**Table 29**  
Terminations by gender group and outbound turnover

|                   | 2021 |       |       | 2020 |       |       |
|-------------------|------|-------|-------|------|-------|-------|
|                   | Men  | Women | Total | Men  | Women | Total |
| <b>BANGLADESH</b> | 4    | -     | 4     | 1    | -     | 1     |
| <b>CHINA</b>      | 4    | 30    | 34    | 2    | 8     | 10    |
| <b>SPAIN</b>      | 4    | 32    | 36    | 4    | 39    | 43    |
| <b>FRANCE</b>     | -    | -     | 0     | 3    | 7     | 10    |
| <b>CROATIA</b>    | 2    | 28    | 30    | 3    | 38    | 41    |
| <b>INDIA</b>      | -    | 1     | 1     | 2    | 1     | 3     |
| <b>ITALY</b>      | 294  | 1,360 | 1,654 | 299  | 1,584 | 1,883 |

|                         | 2021 |       |       | 2020 |       |       |
|-------------------------|------|-------|-------|------|-------|-------|
|                         | Men  | Women | Total | Men  | Women | Total |
| PAKISTAN                | -    | -     | 0     | -    | -     | 0     |
| SERBIA                  | 4    | 24    | 28    | 16   | 23    | 39    |
| TURKEY                  | -    | -     | 0     | -    | -     | 0     |
| CAMBODIA                | -    | -     | 0     | -    | -     | 0     |
| TOTAL                   | 312  | 1,475 | 1,777 | 330  | 1,700 | 2,030 |
| % OF TOTAL TERMINATIONS | 17%  | 83%   |       | 16%  | 84%   |       |
| OUTGOING TURNOVER RATE  | 18%  | 23%   | 22%   | 20%  | 30%   | 27%   |

**Table 30**  
Terminations by age group and outbound turnover

| AGE GROUP  | 2021 |       |       |       |       |       |     |       |       |       |
|------------|------|-------|-------|-------|-------|-------|-----|-------|-------|-------|
|            | <24  |       | 24-37 |       | 38-50 |       | >50 |       | Total |       |
|            | Men  | Women | Men   | Women | Men   | Women | Men | Women | Men   | Women |
| BANGLADESH |      |       | 2     |       | 2     |       |     |       | 4     |       |
| CHINA      |      |       | 2     | 9     | 2     | 15    |     | 6     | 4     | 30    |
| SPAIN      | 1    | 16    | 3     | 12    |       | 4     |     |       | 4     | 32    |
| FRANCE     |      |       |       |       |       |       |     |       | -     | -     |
| CROATIA    | 2    | 1     |       | 27    |       |       |     |       | 2     | 28    |
| INDIA      |      |       | 1     |       |       |       |     |       | -     | 1     |

| AGE GROUP               | 2021 |       |       |       |       |       |     |       |       |       |
|-------------------------|------|-------|-------|-------|-------|-------|-----|-------|-------|-------|
|                         | <24  |       | 24-37 |       | 38-50 |       | >50 |       | Total |       |
|                         | Men  | Women | Men   | Women | Men   | Women | Men | Women | Men   | Women |
| ITALY                   | 40   | 296   | 193   | 790   | 37    | 157   | 24  | 117   | 294   | 1,360 |
| PAKISTAN                |      |       |       |       |       |       |     |       | -     | -     |
| SERBIA                  |      | 2     | 4     | 16    |       | 6     |     |       | 4     | 24    |
| TURKEY                  |      |       |       |       |       |       |     |       | -     | -     |
| CAMBODIA                |      |       |       |       |       |       |     |       | -     | -     |
| TOTAL                   | 43   | 315   | 204   | 855   | 41    | 182   | 24  | 123   | 312   | 1,475 |
| % OF TOTAL TERMINATIONS | 2%   | 18%   | 11%   | 48%   | 2%    | 10%   | 1%  | 7%    | 17%   | 83%   |
| OUTGOING TURNOVER RATE  | 2%   | 5%    | 11%   | 13%   | 2%    | 3%    | 1%  | 2%    | 18%   | 23%   |

*Human resources - Parental leave*

In 2021, 161 employees took parental leave. Return to service after parental leave was 91%, while the retention rate decreased by 85%.

**Table 31**  
Return to work and job retention after parental leave in Italy<sup>31</sup>

|  | 2021 |       |       | 2020 |       |       |
|--|------|-------|-------|------|-------|-------|
|  | Men  | Women | Total | Men  | Women | Total |
| EMPLOYEES ENTITLED TO PARENTAL LEAVE (NO.)                           | 44   | 189   | 233   | 29   | 204   | 233   |
| EMPLOYEES WHO HAVE TAKEN PARENTAL LEAVE (NO.)                        | 2    | 159   | 161   | 4    | 184   | 188   |
| EMPLOYEES WHO RETURNED TO WORK AFTER THE END OF PARENTAL LEAVE (NO.) | 2    | 145   | 147   | 4    | 174   | 178   |

|   | 2021 |       |       | 2020 |       |       |
|---|------|-------|-------|------|-------|-------|
|   | Men  | Women | Total | Men  | Women | Total |
| <b>EMPLOYEES WHO RETURNED TO WORK AFTER THE END OF PARENTAL LEAVE AND ARE STILL EMPLOYED 12 MONTHS AFTER THEIR RETURN (NO.)</b> | 3    | 149   | 152   | 4    | 124   | 128   |
| <b>TOTAL RETURN RATE (%)</b>  | 100% | 91%   | 91%   | 100% | 95%   | 95%   |
| <b>TOTAL RETENTION RATE (%)</b>   | 75%  | 86%   | 85%   | 80%  | 88%   | 88%   |

*Human resources - Training* and all areas within the Group. Training includes the so-called “transversal skills”, as well as team working skills and a propensity for change, which are essential for operating within a Group in which competitiveness represents a lever for development.

OVS considers training a strategic resource for professional and personal growth; the Group has always believed that the development of skills is a fundamental element for a successful company. The training areas involve the entire production process

The activities developed are mainly structured in the classroom, on-the-job training, project work and social learning. The main development paths are both inherent to cross-company competencies, such as health and safety, code of ethics, soft skills and language courses, and specific to the role held within the company, i.e. courses dedicated to managers or for professional development.

**Table 32**

Training hours by geographical area

|                | 2021                    |                            | 2020                    |                            |
|----------------|-------------------------|----------------------------|-------------------------|----------------------------|
|                | Total hours of training | Average hours per employee | Total hours of training | Average hours per employee |
| <b>ITALY</b>   | 88,573                  | 11.3                       | 33,187                  | 4.8                        |
| <b>CHINA</b>   | 372                     | 3.6                        | -                       | -                          |
| <b>SPAIN</b>   | 752                     | 11.9                       | 850                     | 10.5                       |
| <b>CROATIA</b> | 6                       | 0.1                        | 5                       | 0.1                        |

|                   | 2021                    |                            | 2020                    |                            |
|-------------------|-------------------------|----------------------------|-------------------------|----------------------------|
|                   | Total hours of training | Average hours per employee | Total hours of training | Average hours per employee |
| <b>BANGLADESH</b> | 240                     | 2,3                        | 399                     | 3.8                        |
| <b>INDIA</b>      | 60                      | 1.2                        | 60                      | 1.3                        |
| <b>TOTAL</b>      | 90,003                  | 10.9                       | 34,705                  | 4.7                        |

During 2021, approximately Euro 460,000 were invested, more than double the amount invested in 2020, which returned to pre-pandemic levels.

During the year, an average of 10.9 hours of training were provided per employee, for a total of over 90,000 hours of training.

**Table 33**Average hours of training in 2021 by professional category and gender<sup>32</sup>

|                                 | MEN    |               | WOMEN  |               | TOTAL  |               |
|---------------------------------|--------|---------------|--------|---------------|--------|---------------|
|                                 | Hours  | Average hours | Hours  | Average hours | Hours  | Average hours |
| <b>MANAGERS - EXECUTIVES</b>    | 3,942  | 52            | 816    | 35            | 4,758  | 48            |
| <b>PROFESSIONALS - MANAGERS</b> | 1,477  | 17            | 1,810  | 24            | 3,287  | 20            |
| <b>EMPLOYEES</b>                | 2,691  | 9             | 10,167 | 18            | 12,858 | 15            |
| <b>STORE MANAGERS</b>           | 15,011 | 48            | 16,424 | 51            | 31,435 | 50            |
| <b>OTHER DUTIES</b>             | 8,583  | 11            | 29,082 | 7             | 37,665 | 8             |
| <b>TOTAL</b>                    | 31,704 |               | 58,299 |               | 90,003 |               |

## 07 Details

The Group places great importance on training according to the training-on-the-job model, especially at points of sale, where there is a clear prevalence of female staff.

This type of training is excluded from the data

shown in the table above, in line with the GRI standard.

Even in some of the overseas locations, only on-the-job training was provided during 2021.<sup>33</sup>

In 2021, in the training area, particular attention

was given to the topic of human rights with particular reference to the countries involved in the production chain of OVS.

In collaboration with an activist organisation on the subject, over 100 colleagues (Product Managers, Sourcing Managers, etc.) were trained on the main elements of risk linked to the geographical area of production.

**Table 34**

Hours of training by type

|   | 2021   |        |        | 2020   |        |        |
|---|--------|--------|--------|--------|--------|--------|
|   | Men    | Women  | Total  | Men    | Women  | Total  |
| <b>MANGIERIAL TRAINING</b>  | 9,062  | 8,512  | 17,574 | 1,246  | 548    | 1,794  |
| <b>PROFESSIONAL TRAINING</b>                                      | 7,563  | 10,972 | 18,535 | 7,364  | 9,136  | 16,501 |
| <b>LINGUISTIC TRAINING</b>  | 531    | 700    | 1,231  | 620    | 2,177  | 2,796  |
| <b>TRAINING ON CODE OF ETHICS (231 ORGANIZATIONAL MODEL, ETC)</b> | 486    | 1,933  | 2,419  | 305    | 1,080  | 1,385  |
| <b>HEALTH AND SAFETY TRAINING</b>                                 | 4,755  | 18,591 | 23,346 | 2,030  | 6,920  | 8,950  |
| <b>OPERATION</b>  | 7,044  | 12,417 | 19,461 | 132    | 95     | 227    |
| <b>SOFT SKILLS</b>  | 2,263  | 5,174  | 7,437  | 855    | 2,199  | 3,053  |
| <b>TOTAL</b>  | 31,704 | 58,299 | 90,003 | 12,551 | 22,154 | 34,705 |

**Table 35**

Number of employees trained by gender and professional category

|                                 | 2021  |       |       | 2020  |       |       |
|---------------------------------|-------|-------|-------|-------|-------|-------|
|                                 | Men   | Women | Total | Men   | Women | Total |
| <b>MANAGERS - EXECUTIVES</b>    | 69    | 21    | 90    | 76    | 26    | 102   |
| <b>PROFESSIONALS - MANAGERS</b> | 86    | 88    | 174   | 43    | 53    | 96    |
| <b>EMPLOYEES</b>                | 252   | 622   | 874   | 207   | 515   | 722   |
| <b>STORE MANAGERS</b>           | 315   | 399   | 714   | 328   | 308   | 636   |
| <b>TOTAL</b>                    | 1,317 | 4,050 | 5,367 | 1,016 | 2,328 | 3,344 |

### Human resources - Remuneration<sup>34</sup>

Over time, great attention has been paid to being an equal opportunity employer, not only in hiring, but also in the periodic salary review process.

Each year, the process of defining the remuneration plans considers different variables such as: individual results, individual paths and the benchmark with other realities through market studies. This process includes, among other

things, establishing variable compensation plans primarily for head office and sales management roles tied to individual or team performance and with an access threshold linked to overall company results.

As of 2021, a specific indicator has been included for a sustainability target that determines 20% of the variable remuneration of specific managerial figures (logistics, import, product managers and PM) linked to product development.

As a complement to the salary, all OVS employees are offered a supplementary pension fund with free membership and a health care program guaranteed to all employees regardless of the type of contract (fixed-term/permanent and part-time/full-time).

All collaborators are offered various agreements with gyms, fitness centers and shopping opportunities made available through a dedicated web portal.

In detail, the OVS remuneration policy ensures that the minimum entry wage is equal for men and women in full compliance with equal opportunities.

**Table 36**  
Comparison of minimum entry wage between women and men

|   | 2021   |        | 2020   |        |
|---|--------|--------|--------|--------|
|   | Men    | Women  | Men    | Women  |
| <b>STANDARD SALARY FOR NEW RECRUITS (EURO)</b>                        | 21,198 | 21,198 | 21,198 | 21,198 |
| <b>MINIMUM WAGE IN ITALY (EURO)</b>                                   | 21,198 | 21,198 | 21,198 | 21,198 |
| <b>STANDARD MINIMUM WAGE RATIO BY GENDER TO MINIMUM WAGE IN ITALY</b> | 1      | 1      | 1      | 1      |

In order to ensure better comparability of average salaries by gender for the same role, the roles used in the previous tables have been partially reclassified to take account of certain peculiarities of the company’s managerial structure.

From reading the table below, the gender-related salary gap at the managerial level (Executives and Middle management) is not significant. At the executive level, the data is not very significant given the small size of the relative population, which does not guarantee statistical representativeness of the data.

**Table 37**  
Gender pay-gap on average gross annual salary by professional category and gender Italy (location roles)

| 2021                    |                    |
|-------------------------|--------------------|
| Professional category   | Women to men ratio |
| Executive               | 90%                |
| Non-Executive Directors | 100%               |
| Middle management       | 100%               |
| Specialist              | 90%                |
| Store managers          | 90%                |
| Other store roles       | 100%               |

The Specialist category includes a wide variety of roles, specialisations and company seniority. Therefore, the 10% gender pay-gap is poorly interpretable with currently available data. During the next year, this occupational

category will be analysed in greater detail. As far as the role of Store Manager is concerned, there is still an aggregate gender pay gap of 10%; however, breaking down the analysis to include the evaluation of seniority in

the company, it can be seen that in the last 10 years, the gap has narrowed to the point where it has been eliminated for seniority of less than 5 years. There remains a significant gender pay-gap for seniority over 10 years due to situations linked to the market context in which OVS operated.

**Table 38**  
Gender pay-gap on average gross annual salary for Store Managers Italy

| 2021                         |                    |
|------------------------------|--------------------|
| Length of service (in years) | Women to men ratio |
| <5                           | 100%               |
| 5-10                         | 90%                |
| 10+                          | 80%                |



**HUMAN RESOURCES - HEALTH AND SAFETY**<sup>35</sup>

OVS has set up a Prevention and Protection Service, as required by law, and in accordance with article 17, letter b, paragraph 4 of the T.U.S. (Consolidated Health and Safety Law), has appointed an external Prevention and Protection Service Manager (RSPP), who has the requirements of professionalism, experience and training.

The specific competences and attributions of the RSPP, designated by the employer to whom he answers and whose service the Employer avails himself of, consist in the coordination of the Risk Prevention and Protection Service, whose tasks in particular consist in

- identifying risk factors, assessing risks and identifying measures for the safety and healthiness of work environments, in compliance with current legislation, based on specific knowledge of the company organisation;
- drawing up, to the extent of its competence, the

preventive and protective measures resulting from the risk assessment (RAD) and the control systems for such measures;

- developing safety procedures for the various company activities;
- offering training and information programs for workers;
- participating in consultations on occupational health and safety protection, as well as regular annual safety protocol meetings;
- providing workers with information:
  - on the occupational health and safety risks associated with the company's activities in general,
  - on first aid, fire-fighting and evacuation procedures,
  - concerning the names of the workers in charge of first aid and fire prevention and of the competent doctor.

The management methods described below are also the subject of specific instructions for subsidiaries, which implement them taking into account the specific local regulatory features.

*Occupational Safety Management System*

It should be noted in particular that, in line with the provisions of the Safety Consolidation Act (Legislative Decree 81/2008), the Risk Prevention and Protection Service (i.e. the set of people, systems and means, external or internal to the company, aimed at preventing and protecting workers from occupational risks) has taken steps, improving its effectiveness over time, to implement a Workplace Safety Management System that provides, in addition to compliance with current regulations, the performance of a series of activities, coordination meetings and checks aimed at ensuring periodic monitoring of the state of worker safety in the workplace. Consistent with the provisions of Legislative Decree 81/2008, OVS has followed the UNI INAIL Guidelines for the drafting of the procedures of its own Occupational Safety Management System.

*Risk assessment and identification of health and safety protection measures*

The employers, in collaboration with the person in charge of the prevention and protection service ("RSPP") and with the competent doctor, after consulting the safety representative (where present), carry out the risk assessment and prepare the Risk Assessment Documents (hereinafter also "RAD") in compliance with the provisions of the law in force and the company safety policy.

These documents are prepared both for the Company's head office and for each Store (or warehouse, if any) and are kept respectively at the registered office or at the POS (or warehouse) concerned. The document contains: a report on the assessment of the risks to health and safety at work, the identification of the prevention and protection measures adopted on the basis of the assessment carried out and the individual protection devices used, the program of measures considered appropriate to guarantee the improvement of safety levels over time, the identification of the procedures for implementing the measures to be implemented as well as the roles within the company organisation that must provide for them, the indication of the name of the person in charge of the prevention and protection service, of the workers' representative for safety or of the territorial representative and of the competent doctor who participated in the risk assessment, and finally

the identification of the tasks that may expose workers to specific risks that require recognised professional skills, specific experience, adequate education and training. The Risk Assessment Documents are updated whenever there is a substantial change in the work activity.

*Emergency management activities and first aid activities*

In consideration of the fact that OVS carries out activities with a low risk of triggering and with a low presence of manual activities, procedures have been adopted for the management of emergencies aimed mainly at prevention, a prompt request for intervention to the bodies in charge (e.g. Fire Brigade, etc.), a definition of tasks and responsibilities in the management of emergencies, as well as a rapid evacuation of the premises in case of need. The emergencies for which the procedures have been implemented are: lack of electricity, start of fire, alarm from smoke detector system, alarm from automatic fire extinguishing system (sprinkler), earth tremor,

failure of the air conditioning system (ventilation). Every year, the Manager in charge of Technical Services checks the state of implementation of the procedures and sends the Supervisory Body a report on the controls carried out. Inside the premises and the Points of Sale, the Company shall ensure that fire safety signs are placed on the emergency exits, fire extinguishers and fire hydrants. In addition, sound diffusion systems have been installed in order to emit messages aimed at the eventual evacuation of the unit and, finally, inside each unit there is a medication pack for first aid cases.



*Periodic safety meetings*

The periodic safety meeting is held annually and is attended by: the Employers, the RSPP, the competent doctor, the workers' safety representative (where present) and the Supervisory Board pursuant to Legislative Decree no. 231/01 which, however, is reported. During this meeting, the Company checks that the risk assessment document is up-to-date, the accident trend, the training and information programs and any measures to be implemented in the field of safety.

*Health surveillance activities*

Health surveillance shall be carried out by a competent doctor. For each worker subjected to health surveillance, the competent doctor shall keep under his responsibility a health record in which the results of the checks carried out shall be reported and the results of the health checks shall be attached. The doctor performs medical examinations prior to admission to work in order to ascertain the absence of contraindications to the task for which the worker is intended and to assess the suitability for the specific task. Medical examinations, by and at the expense of the Company, include clinical and biological examinations and diagnostic investigations aimed at the risk and deemed necessary by the competent doctor. The competent doctor shall visit the workplace at least twice a year, together with the person in charge of the Risk Prevention and Protection Service.

*Training and information activities*

On the basis of the prevention and protection system adopted by the Company and in accordance with the provisions of articles 36 and 37 of the T.U.S. (Consolidated Health and Safety Law), the Company carries out adequate training and information activities, as indicated in the tables above. Training and information activities shall focus in particular on: (i) the importance of the compliance of the Recipients' actions with the company's safety policy; (ii) the consequences of the conduct and activities to be carried out; (iii) the consequences in the event of deviation from safety regulations. Training activities are the responsibility of the Human Resources and Organisation Department, in collaboration with the RSPP and the Sales Department. The implementation of training is delegated to Store Managers, with the exception of courses for the Safety Team, which are coordinated by the Technical Services and also carried out through external consultants.

At the Headquarters level, training is provided at the time of hiring and is handled by the Human Resources and Organisation Department. In addition to the specific training activities on topics related to health and safety at work, OVS offers supplementary training programs, on a voluntary basis, for its employees. These programs cover training in first aid, healthy lifestyle, healthy eating, tobacco dependence reduction, and other topics updated annually. In addition, there is a free medical clinic at the headquarters available to staff.

*Coordination and control activities in case of entrusting of works to third parties*

In compliance with the provisions of Legislative Decree 81/2008, in the event of work being assigned within the company, or the production unit, to contractors or self-employed workers, the Technical Services staff, also in consultation with the Legal and Corporate Affairs Department shall:

- verify, also by means of registration with the chamber of commerce,

industry and handicrafts, the technical-professional suitability of the contractors or self-employed workers in relation to the works to be entrusted under contract or work contract;

- provide the same parties with detailed information on the specific risks existing in the environment in which they are to operate and on the prevention and emergency measures adopted in relation to their activities;
- cooperate in the implementation of the measures of prevention and protection from the risks of occupational accidents that is the subject of the contract;

- coordinate the protection and prevention of risks to which workers are exposed, informing each other also in order to eliminate risks due to interference between the work of the various companies involved in the execution of the overall work.

The integrated Risk Assessment Document (RAD) is attached to all contracts or their implementing documentation. The personnel of the

contractor must be provided with a special identification card with a photograph, the employee's personal details and an indication of the employer. Workers are required to display this identification card. During the fiscal year, there were 70 accidents at work (+27% compared to 2020), of which 1 serious accident and no fatal accidents at work. It should also be noted that as far as OVS is concerned, there was no recognition of occupational diseases.



**Table 39**  
Employee Accident Index Italy<sup>36</sup>

|   | 2021       | 2020      |
|---|------------|-----------|
| <b>TOTAL HOURS WORKED</b>   | 13,446,560 | 8,159,090 |
| <b>NO. OF EMPLOYEES ACCIDENTS (&gt; 1 DAY OF ABSENCE)</b>                       | 70         | 55        |
| <b>OF WHICH SERIOUS INJURIES</b>  | 1          | 0         |
| <b>ACCIDENT FREQUENCY INDEX<br/>(NO. OF ACCIDENTS X 1,000,000/HOURS WORKED)</b> | 5.2        | 6.7       |
| <b>SERIOUS ACCIDENT FREQUENCY INDEX</b>   | 0.1        | 0         |

During 2021, 34 accidents were recorded against 821,971 hours worked<sup>37</sup> by external collaborators working at the Pontenure warehouse.

*Human resources -  
Performance appraisal*<sup>38</sup>  
In order to encourage the development of employees, a structured Performance

Management system has been implemented, aimed at periodically assessing work performance through formal meetings with managers to analyse the level of achievement of expected objectives and career growth.

In general, OVS performance management involves periodic formal meetings with the manager, individual or group evaluations and observations in the field by the direct supervisors or by the staff of the human resources function.

**Table 40**  
Number of people at headquarters receiving performance evaluations

|                                 | 2021 |       | 2020 |       |
|---------------------------------|------|-------|------|-------|
|                                 | Men  | Women | Men  | Women |
| <b>MANAGERS - EXECUTIVES</b>    | 65   | 19    | 65   | 20    |
| <b>PROFESSIONALS - MANAGERS</b> | 91   | 77    | 81   | 72    |
| <b>EMPLOYEES</b>                | 266  | 574   | 299  | 547   |
| <b>TOTAL</b>                    | 422  | 670   | 445  | 639   |

**Table 41**  
Number of people in stores receiving performance evaluations

|                       | 2021 |       | 2020 |       |
|-----------------------|------|-------|------|-------|
|                       | Men  | Women | Men  | Women |
| <b>STORE MANAGERS</b> | 318  | 321   | 320  | 316   |
| <b>OTHER ROLES</b>    | 0    | 0     | 26   | 81    |
| <b>TOTAL</b>          | 318  | 321   | 346  | 397   |

*Environment - Energy consumption and emissions*

The total energy consumption of the OVS Group, determined by the consumption of electricity and fossil fuels, amounts to **701.215 GJ** of which **511.268 GJ** comes from renewable sources (73%), in particular from certified electricity. Renewable energy is currently purchased only in Italy, but the Group is considering extending it to foreign locations and stores.

**Table 42**  
Aggregate energy consumption in Italy<sup>39</sup>

| GJ                               | 2021          |                |                   |                | 2020          |                |                   |                |
|----------------------------------|---------------|----------------|-------------------|----------------|---------------|----------------|-------------------|----------------|
|                                  | Headquarter   | Points of sale | Warehouse         | Total          | Headquarter   | Points of sale | Warehouse         | Total          |
| <b>ELECTRICITY</b>               | 10,684        | 566,400        | 19,529            | 596,613        | 9,668         | 515,109        | 18,333            | 543,111        |
| <b>FOSSIL FUELS</b>              | 2,671         | 55,565         | 5,198             | 63,434         | 2,269         | 44,940         | 4,644             | 51,853         |
| <b>DISTRICT HEATING</b>          | 0             | 10,996         | 0                 | 10,996         | 0             | 12,124         | 0                 | 12,124         |
| <b>TOTAL</b>                     | <b>13,355</b> | <b>632,961</b> | <b>24,727</b>     | <b>671,043</b> | <b>11,937</b> | <b>572,173</b> | <b>22,977</b>     | <b>607,087</b> |
| <b>ENERGY/ PERSONNEL (GJ/HC)</b> | 16            | 95             | n,a <sup>40</sup> | 96             | 15            | 104            | n,a <sup>41</sup> | 93             |
| <b>ENERGY/ M2 (GJ/M2)</b>        | 0.64          | 0.88           | 0.22              | 0.79           | 0.57          | 0.98           | 0.20              | 0.97           |

**Table 43**  
Aggregate energy consumption in other countries<sup>42</sup>

| GJ                              | 2021         |                |              | 2020         |                |              |
|---------------------------------|--------------|----------------|--------------|--------------|----------------|--------------|
|                                 | Locations    | Points of sale | Total        | Locations    | Points of sale | Total        |
| <b>ELECTRICITY</b>              | 1,147        | 6,183          | 7,330        | 1,512        | 7,871          | 9,383        |
| <b>FOSSIL FUELS</b>             | 709          | 252            | 961          | 503          | 0              | 503          |
| <b>DISTRICT HEATING</b>         | 0            | 0              | 0            | 0            | 25             | 25           |
| <b>TOTAL</b>                    | <b>1,857</b> | <b>6,435</b>   | <b>8,291</b> | <b>2,061</b> | <b>7,896</b>   | <b>9,912</b> |
| <b>ENERGY/PERSONNEL (GJ/HC)</b> | 6            | 48             | 19           | 7            | 36             | 19           |
| <b>ENERGY/M2 (GJ/M2)</b>        | 0.37         | 0.72           | 0.59         | 0.37         | 1.04           | 0.76         |

**Table 44**  
Consumption of fossil fuels in Italy (standard m<sup>3</sup> for Methane, Lt for Diesel, Petrol and LPG)

|                          | 2021      |                |           |           | 2020      |                |           |           |
|--------------------------|-----------|----------------|-----------|-----------|-----------|----------------|-----------|-----------|
|                          | Locations | Points of sale | Warehouse | Total     | Locations | Points of sale | Warehouse | Total     |
| <b>NATURAL GAS</b>       | 77,897    | 997,060        | 151,585   | 1,226,542 | 66,169    | 841,798        | 135,433   | 1,043,400 |
| <b>HEATING OIL</b>       | -         | 596,864        | -         | 586,864   | -         | 442,485        | -         | 442,485   |
| <b>LPG</b>               | -         | 9,200          | -         | 9,200     | -         | 5,300          | -         | 5,300     |
| <b>AUTOMOTIVE PETROL</b> | 20,699    | -              | -         | 20,699    | 6,228     | -              | -         | 6,228     |
| <b>AUTOMOTIVE DIESEL</b> | 474,445   | -              | -         | 474,445   | 343,493   | -              | -         | 343,493   |

With regard to electricity consumption, it should be noted that most stores have automatic systems to monitor consumption relating to lighting and air conditioning systems. The constant monitoring of the data relating to the individual points of sale provides for the sending of reports regarding anomalies to the Technical Services Department, which can intervene accordingly.

In 2021, OVS produced 4,271 GJ of electricity from photovoltaic panels, a significant increase over 2020, thanks to the installation of a new system at the Pontenure warehouse.

Since 2017, OVS's electricity needs in Italy have been covered by certified green energy by company policy. The total value of electricity from renewable sources is 511,268 GJ out of 596,613 GJ (or 86%) of total consumption.

The difference between total electricity and that certified from renewable sources mainly refers to the consumption of electricity by users not registered to OVS or consumption that

occurred during the takeover phase in supply contracts for which the Guarantee of Origin has not yet been activated. Of the electricity purchased directly by OVS, 99.5% comes from certified renewable sources. The remainder is due to certain procurement contracts that will be converted at the time of the next renewal.

In 2021, OVS's Scope 1 emissions in Italy are 10,608 tCO<sub>2</sub>e<sup>43</sup> down 9.95% from 2019<sup>44</sup>.

**Table 45**  
Scope 1 emissions in Italy (tCO<sub>2</sub>e)

|                              | 2021              |        | 2020 |                     |
|------------------------------|-------------------|--------|------|---------------------|
|                              |                   |        |      |                     |
| <b>STATIONARY COMBUSTION</b> | Natural gas       | 2,479  |      | 2,110               |
|                              | Heating oil       | 1,619  |      | 1,220               |
|                              | LPG               | 14     |      | 8                   |
| <b>MOBILE COMBUSTION</b>     | Automotive petrol | 45     |      | 14                  |
|                              | Automotive diesel | 1,192  |      | 875                 |
| <b>FUGITIVE EMISSIONS</b>    | Coolant gases     | 5,258  |      | 4,552               |
| <b>TOTAL</b>                 |                   | 10,608 |      | 8,779 <sup>45</sup> |

Scope 1 emissions for the overseas perimeter amounted to 39 tCO<sub>2</sub> due to consumption of heating oil.

**Table 46**  
Scope 2 emissions (tCO<sub>2</sub>e) - Market based in Italy<sup>46</sup>

|  | 2021   | 2020  |
|--|--------|-------|
| <b>NON-ZERO EMISSION RENEWABLE ELECTRICITY</b> | 293    |       |
| <b>NON-RENEWABLE ELECTRICITY</b>               | 9,480  | 9,281 |
| <b>DISTRICT HEATING</b>                        | 521    | 581   |
| <b>TOTAL</b>                                   | 10,294 | 9,862 |

**Table 47**  
Scope 2 emissions (tCO<sub>2</sub>e) - Market based in other countries<sup>47</sup>

|                                  | 2021 | 2020              |
|----------------------------------|------|-------------------|
| <b>NON-RENEWABLE ELECTRICITY</b> | 645  | 769               |
| <b>DISTRICT HEATING</b>          | 0    | 1                 |
| <b>TOTAL</b>                     | 645  | 770 <sup>48</sup> |

It is important to note that OVS attributes in Scope 2 the emissions resulting from electricity consumption at points of sale for which it does not hold a contractual relationship with the energy supplier (the relationship is managed by the property owner). The choice is motivated by issues related to operational control of the store that falls under OVS itself.

However, since despite operational control, OVS cannot intervene in the definition of the origin of the electricity purchased, this methodological choice may be subject to review in the next NFS and said portion of Scope 2 emissions reallocated in Scope 3 to category 8 (Upstream leased assets).

Given the above, the Scope 2 emissions figure is up 28.5% from the 2019 baseline defined for the decarbonisation plan, despite significantly lower overall energy consumption. Therefore, the information on which the calculation is based has been subjected to a more in-depth analysis, which has shown that the emissions avoided in 2019 thanks to certified renewable energy are attributable to the issuance of Guarantee of Origin certificates in excess of the consumption actually achieved by directly contracted users. This circumstance, combined

with the arguments in the previous paragraph, will be the subject of subsequent analysis and a possible new representation of Scope 2 emissions in the next NFS will be evaluated.

Scope 2 location - based emissions in 2021 amount to 51,390 tCO<sub>2</sub>e in Italy and 645 tCO<sub>2</sub>e abroad. Thanks to the purchase of certified renewable energy by OVS, emissions into the atmosphere of 41,096

tCO<sub>2</sub> have therefore been prevented. OVS periodically analyses Scope 3 emissions, in order to better understand the impacts that OVS induces in its value-chain and to define the most effective strategies to reduce the overall carbon footprint. From the table below, it can be seen that almost 80% of Scope 3 emissions are directly linked to the product and about 5% to product logistics.

**Table 48**  
Scope 3 emissions (tCO<sub>2</sub>e)

| CATEGORY  | DESCRIPTION   | 2021    | 2020    | 2019    |
|---|---|---------|---------|---------|
| <b>1. PURCHASE OF GOODS AND SERVICES</b>          | Raw materials, processing, packaging, point of sale accessory materials | 328,760 | 245,926 | 316,182 |
| <b>2. CAPITAL GOODS</b>                           | Increase in Tangible assets   | 53,558  | 24,497  | 29,538  |
| <b>3. FUEL AND ENERGY RELATED ACTIVITIES</b>      | Energy life cycle emissions   | 6,133   | 5,259   | 15,408  |
| <b>4. UPSTREAM AND DOWNSTREAM TRANSPORTATION</b>  | Inbound and outbound transport  | 22,281  | 33,272  | 29,284  |
| <b>5. WASTE GENERATED IN OPERATIONS</b>           | Disposal of point-of-sale, head office and warehouse waste              | 8,752   | 8,939   | 5,985   |
| <b>12. END-OF-LIFE TREATMENT OF SOLD PRODUCTS</b> | Consumer disposal of end-of-life products                               | 17,553  | 16,267  | 19,679  |
| <b>14. FRANCHISES</b>                             | Emissions related to energy consumption of affiliated stores            | 8,190   | 10,588  | 10,200  |
| <b>TOTAL</b>                                      |   | 445,226 | 344,748 | 426,277 |

## 07 Details

The “6 Business Travel” and “7 Employee commuting” categories are insignificant, representing around 0.3% and 1% of total emissions, respectively. Emission in category “8 Upstream leased assets” are prudently allocated to Scope 1 and 2 because they derive from stores under the operational control of OVS Spa. As described above, this approach may be subject to revision in the coming year.

Categories “9 Downstream transportation and distribution”, “10 Processing of sold products”, “13 Downstream leased assets” and “15 Investments” are not applicable.

The category “11 Use of sold products” is excluded as it is optional for the clothing sector, since there are no direct emissions attributable to the use of the product but only indirectly through the care of the garment.

OVS has defined Scope 3 emission reduction targets on categories that are particularly relevant and where there is significant scope for action.

As shown in the table below, due to an improved commodity portfolio with increased selection of reduced impact materials and reduced incidence of air shipments, Scope 3 emissions were reduced by 9.8% compared to 2019, performing better than the plan to meet SBTi approved targets.

**Table 49**  
Scope 3 emissions covered by the reduction plan (in tCO<sub>2</sub>e)<sup>49</sup>

| CATEGORY                                    | 2021    | 2020    | 2019    | EMISSIONS INCLUDED IN THE TARGET |
|---|---------|---------|---------|----------------------------------|
| 1. PURCHASED GOODS AND SERVICES             | 244,767 | 194,147 | 268,678 | 85% <sup>50</sup>                |
| 4. UPSTREAM TRANSPORTATION AND DISTRIBUTION | 22,281  | 33,272  | 27,231  | 100%                             |
| TOTAL                                       | 267,048 | 227,419 | 295,909 |                                  |

### OVS's approach to Carbon Neutrality

OVS is committed to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), publishing within this document and future reporting the actions and progress, in relation to the 4 areas of the framework: Governance, Strategy, Risk Assessment and Metrics & Targets.

**Governance:** as highlighted in the materiality analysis, the Fight against climate change and the management of the Group's environmental footprint was assessed, both internally and by the stakeholders involved, as one of OVS's main priorities. In line

with these results, an Environmental and Local Community Policy has been adopted, which expresses the commitment to make every person who works with OVS, in any capacity, aware of the impact of its activities on the climate and to involve them in activities to reduce their contribution

to climate change. As with all sustainability issues, the decisions and actions to be taken in relation to climate change are supervised and approved by the Control, Risk and Sustainability Committee (see the “Sustainability governance” section), and are formalised in a Sustainability Plan, updated in 2021;

**Strategy:** the Group's new sustainability strategy was defined and approved in 2020, thanks also to the use of ad hoc tools, such as the B Impact Assessment and the SDG Action Manager, for which reference should be made to the “Sustainability Strategy” section. The Group's commitment to fighting climate change is formalised in particular within the two pillars “Products and Supply chain” and “Sustainable stores”, which are considered the major environmental footprint areas for OVS and for which specific qualitative and quantitative improvement objectives have been established;

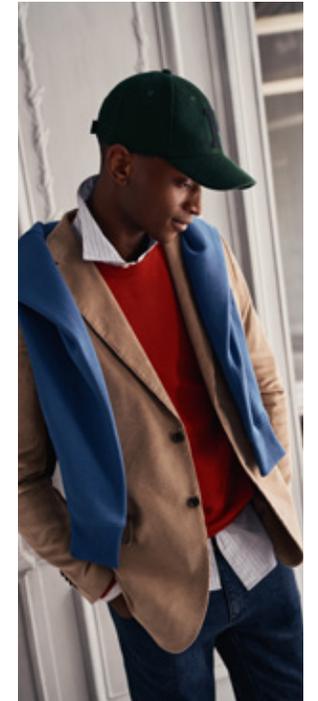
**Risk Assessment:** in 2020, OVS started a risk assessment process according to the recommendations of the TCFD, thus analysing physical risks and transition risks arising from climate change phenomena in relation to the fashion sector and the characteristics of the business. The results of this process, which we intend to improve in the years to come, are integrated into the description of the methods for managing non-financial risks;

**Metrics & Targets:** in October 2021, 2030 emission reduction targets were established and approved by Science Based Targets Initiative. Reduced emissions refer to Scope 1&2 and Scope 3 limited to the “Purchased Goods and Services” and “Transportation and Upstream Distribution” categories, taking 2019 as the base year for the inventory and for future emissions monitoring.

### Environment - Water consumption

The direct use of water by OVS is very limited, as it does not directly manage the production activity. However, a staff awareness program has been initiated that includes communication materials specifically designed and placed in areas where most of the water is consumed (snack areas, bathrooms).

In addition, an awareness program was launched on the conscious use of water resources, dedicated to store managers, concerning a 10% water reduction plan.



With reference to production activities, OVS has always been committed to reducing the impacts associated with its products, through research into virtuous materials and production processes that allow a lower use of natural resources, in particular water. In fact, one of the main risk categories related to product development is water consumption, for which pervasive solutions have been studied and implemented with respect to the OVS collection. A plan has been established to use water-efficient processes for 100% of denim by 2025. In 2021, 47%

of the denim assortment is made with water-efficient systems using technologies such as reverse osmosis systems to recycle wastewater, reduced liquor ratio jet dyes and/or ozone bleaching.

In 2021, the water consumption of the OVS Group was 576,704 cubic meters, down by 21% compared to 2020. This reduction is due to the closure of some outlets with disposable water

evaporative tower air conditioning systems, which resulted in high water consumption. 99.6% of direct water consumption is concentrated in Italy, with a consumption of 574,519 cubic meters, down 29% compared to 2020. It should also be noted that with reference to the Pontenure Logistics Center, the water consumption of third-party water for 2021 is 5,518 cubic meters, 24% less than in 2020.

OVS recharges the aforementioned consumption in a way which is not necessarily related to the actual consumption. It should also be noted that some of the Group's offices and stores are located in areas of the world with a high water risk (water stress indicator). For the determination of consumption in the above areas, OVS uses the Aqueduct Tool developed by the World Resources Institute<sup>52</sup>. Water consumption occurring in geographic areas with a Water Stress factor classified as "extremely high" and "high" scarcity is considered. According to the analysis conducted, 436 cubic meters of water withdrawn for locations abroad and 373,379 cubic meters of water withdrawn for stores (64% of total consumption) came from water stressed regions. On the other hand, with regard to the water used in our supply chain, the consumption generated in the 2021 collections was estimated, applying the ReCipe2016 method to the basis of the Eco Valore calculation. The resulting consumption is approximately 87 million m3 (of which 43% in the production of raw materials and 57% in subsequent processing). Although in line with sector data, these indicators require OVS to pay particular attention to initiatives to reduce water consumption along the entire value chain. In addition to the impacts in terms of water withdrawals, the textile

sector is responsible for much of the production of industrial wastewater that can sometimes be contaminated with hazardous chemicals. For this reason, OVS has included a specific section in the Code of Conduct which requires its suppliers to comply with the limits expressed in the Manufacturing Restricted Substance List of ZDHC (an international program whose acronym stands for Zero Discharge of Hazardous Chemicals) regarding the detection of chemical substances in waste water. Consistently with this commitment, OVS has activated a program to monitor its suppliers by collecting and reviewing the tests carried out on the wastewater and, in the event of critical issues, it initiates a constructive collaboration to research the causes and identify solutions.

*Environment - Waste*<sup>53</sup>  
In recent years, OVS has paid increasing attention to the containment of waste produced throughout the production cycle, and in particular we have undertaken some important actions:

- since 2013, we have been collecting used clothing in store, and up to 2021, we have collected over 1,200 tons of garments, giving them a second life through reuse in used clothing markets or, ultimately, through recycling processes;
- the life cycle of packaging has been optimised through the use of poly bags made of recycled plastic and more efficient management of hangers, also made of recycled plastic;
- secondary packaging used in distribution process logistics is reused multiple times to reduce paper waste;
- green purchasing<sup>7</sup> policies have been adopted that envisage the prevalent use of recycled or FSC-certified paper.

In addition, a program to raise the awareness of headquarters staff on environmental issues and a plan of operational actions affecting all Group operations have been implemented. Below is the amount of waste generated in 2021, equal to 10,794 tons, up 7% from 2020.

**Table 50**  
Fresh water consumption<sup>51</sup>

|                         | 2021        |                    |         | 2020        |                    |         |
|-------------------------|-------------|--------------------|---------|-------------|--------------------|---------|
|                         | Groundwater | Third-party waters | Total   | Groundwater | Third-party waters | Total   |
| <b>CONSUMPTION (M3)</b> |             |                    |         |             |                    |         |
| <b>HEADQUARTERS</b>     | 160         | 28,140             | 28.300  | 0           | 23,334             | 23,332  |
| <b>STORES</b>           | 84,552      | 463,853            | 548.405 | 159,894     | 545,711            | 705,605 |
| <b>TOTAL</b>            | 84,712      | 491,992            | 576,704 | 159,894     | 569,044            | 728,938 |

Water data were calculated from the readings of the relevant meters where these were available. For the remainder, consumption has been estimated using an average per square metre which, for Italy, excludes stores with special characteristics (e.g. evaporation towers, condensation systems), for which the precise figure is used instead.

The water used is mainly taken from municipal water networks. As far as water consumption in Italy is concerned, it is necessary to point out that the data recorded at the points of sale consists of the sum of consumption directly attributable to OVS and other consumption, not attributable to it, which cannot be measured at the moment. This circumstance arises in cases where OVS sub-contracts part of the premises to third parties, without the installation of a dedicated meter to measure the consumption of the third party.

**Table 51**

Total waste production

| VALUES IN TONS     | 2021        |             |          | 2020        |             |          |
|--------------------|-------------|-------------|----------|-------------|-------------|----------|
|                    | Wharehouses | Headquarter | Stores   | Wharehouses | Headquarter | Stores   |
| <b>TOTAL WASTE</b> | 4,008.29    | 76.82       | 6,709.71 | 3,637.56    | 67.87       | 6,336.42 |

The information shown in the table above has been determined on the basis of actual data for the head office, warehouses and part of the store network.

**Table 52**

Non-hazardous waste production (t)

| NON-HAZARDOUS WASTE                      | 2021        |             |          | 2020        |             |          |
|--|-------------|-------------|----------|-------------|-------------|----------|
|  | Wharehouses | Headquarter | Stores   | Wharehouses | Headquarter | Stores   |
| <b>PAPER AND CARDBOARD</b>               | 3,479.04    | 39.38       | 2,990.83 | 3,043.79    | 32.4        | 1,337.18 |
| <b>MIXED PACKAGING</b>                   | 522.25      | 6.97        | 2,311.53 | 536.78      | 6.64        | 3,702.63 |
| <b>PLASTIC</b>                           |             |             | 1,183.98 |             | 0           | 758.97   |
| <b>CLOTHING</b>                          |             |             | 0.64     |             |             |          |
| <b>WOOD</b>                              | 7           |             | 1.84     | 56.99       |             | 37.09    |
| <b>TONER</b>                             |             | 0.01        | 4.15     |             | 0.02        | 2.99     |
| <b>METAL-IRON AND STEEL</b>              |             |             | 6.70     |             | 0           | 78.49    |
| <b>NON-HAZARDOUS BATTERIES</b>           |             | 0.13        | 0.15     |             | 0.25        | 0.27     |
| <b>BULKY WASTE</b>                       |             |             | 200.10   |             |             | 357.61   |
| <b>DISCONTINUED EQUIPMENT</b>            |             | 2.30        | 4.89     |             | 1.07        | 36.86    |
| <b>GLASS</b>                             |             | 0.16        |          |             | 0.24        |          |
| <b>UNDIFFERENTIATED (NON-RECYCLABLE)</b> |             | 12.60       | 0.80     |             | 12.48       | 17.74    |
| <b>STAFF</b>                             |             | 14.40       |          |             | 14.40       |          |
| <b>TOTAL NON-HAZARDOUS WASTE</b>         | 4,008.29    | 75.95       | 6,705.62 | 3,637.56    | 67.51       | 6,329.83 |

**Table 53**

Hazardous waste production (t)

| HAZARDOUS WASTE                 | 2021        |             |        | 2020        |             |        |
|---------------------------------|-------------|-------------|--------|-------------|-------------|--------|
|                                 | Wharehouses | Headquarter | Stores | Wharehouses | Headquarter | Stores |
| <b>DANGEROUS BATTERIES</b>      |             |             |        |             | 0.06        |        |
| <b>FLUORESCENT TUBES</b>        |             | 0.07        | 2.63   |             | 0.17        | 1.89   |
| <b>CFC-CONTAINING EQUIPMENT</b> |             |             | 0.07   |             |             |        |
| <b>PAINTS AND VARNISHES</b>     |             |             | 0.09   |             |             |        |
| <b>DISCONTINUED EQUIPMENT</b>   |             | 0.80        | 1.30   |             | 0.12        | 4.69   |
| <b>PPE</b>                      |             |             | 0.01   |             |             |        |
| <b>TOTAL</b>                    | 0           | 0.87        | 4.09   | 0           | 0.36        | 6.59   |

As regards the methods of disposing of the waste generated by the Group, 89.13% of the waste produced was sent for recycling, whilst approximately 5% was sent for incineration with energy recovery. Approximately 6% goes to thermal disposal and the remaining 0.04% goes to landfill.

**Table 54**Disposal and recovery method in 2021 (t)<sup>54</sup>

| DISPOSAL AND RECOVERY METHODS FOR WASTE PRODUCED | HAZARDOUS | NON-HAZARDOUS | TOTAL     |
|--|-----------|---------------|-----------|
| <b>RECYCLING</b>                                 | 4.29      | 9,617.50      | 9,621.79  |
| <b>INCINERATION (WITH ENERGY RECOVERY)</b>       | 0.27      | 528.73        | 529.00    |
| <b>INCINERATION (WITHOUT ENERGY RECOVERY)</b>    | 0.21      | 639.23        | 639.44    |
| <b>LANDFILLING</b>                               | 0.20      | 4.39          | 4.59      |
| <b>TOTAL</b>                                     | 4.96      | 10,789.85     | 10,794.81 |

Regarding the production of waste along the supply chain, OVS has estimated an overall production of over 10,000 tons, thanks to a re-elaboration of data from Higg Analytics.

In general, the challenge for OVS in this area is to follow a new concept of production and consumption, moving from a linear input-output model to a circular one, in which each element has a new life, and can be regenerated. The basic principle is that what is not consumed is assimilated in another process.

Consistently with the objective of not dispersing the value of garments which have reached the end of their life, OVS's strategy of minimising stocks foresees that once the possibility of using commercial channels to sell the stock has been exhausted, OVS will resort to philanthropic channels such as the donation of garments to people in need or the response to international emergencies.

Production samples are also recovered through donations to local charities or through staff-only in-house sales.

In the two-year period 2018-2019, the total amount of goods directed to the pulp was only 138,687 items, while in 2020 and 2021, it was zero.

OVS is also part of the Circular Fashion Partnership in Bangladesh, which has developed a new alliance between brands and manufacturers to make recycled materials from production waste. In this way, the production surpluses will provide the raw material for the creation of new collections, avoiding the dispersion into the environment of thousands of tons of unused fabrics and avoiding the impacts due to the production of new materials.

This program is being developed in collaboration with BGMEA (Bangladesh Garment Manufacturers and Exporters Association) and will later be expanded to other countries.

OVS constantly monitors the use of logistics packaging, reusing as much of it as possible. For many years now, it has been running the RIUTILIZZAMI (REUSE ME) project for the recovery and reuse of packaging used in the logistics centre

and of packages sent to stores. During 2021, the REUSE ME Program resulted in the reuse of 1,501,058 cartons or 51% of the cartons received. This way, it was possible to limit the number of new cartons purchased to 3,058,340 units, saving about 2,326 tons of paper.

At the Pontenure warehouse, the process of reconditioning wooden transport pallets continued, involving the repair of damaged pallets in order to avoid their disposal as waste.

OVS does not give customers hangers so that they can be reused in normal store operations. Hangers that are no longer usable, because they are broken or obsolete, are sent for recycling thanks to a partnership with one of our suppliers who uses them to produce new hangers. In 2021, 100 tons of plastic hangers were recycled.

In 2019, the replacement of 100% plastic display packaging with cardboard or recycled plastic substrates was initiated and completed in 2021.

*Product and raw materials*

More than 70% of the raw materials used in the production of OVS products come from renewable sources.

**Table 55**  
Breakdown of materials (ton)<sup>55</sup>

| MATERIAL             | DERIVED FROM RENEWABLE SOURCES | 2021          | %              | 2020          | %              |
|----------------------|--------------------------------|---------------|----------------|---------------|----------------|
| COTTON               | Y                              | 21,410        | 67.06%         | 19,691        | 64.46%         |
| POLYESTER            | N                              | 4,923         | 15.42%         | 4,913         | 16.08%         |
| POLYAMIDE            | N                              | 1,081         | 3.39%          | 1,026         | 3.36%          |
| VISCOSE              | Y                              | 1,386         | 4.34%          | 1,538         | 5.04%          |
| ACRYLIC              | N                              | 978           | 3.06%          | 981           | 3.21%          |
| ELASTANE             | N                              | 332           | 1.04%          | 320           | 1.05%          |
| POLYURETHANE         | N                              | 173           | 0.54%          | 140           | 0.46%          |
| LINEN                | Y                              | 225           | 0.70%          | 240           | 0.79%          |
| WOOL                 | Y                              | 198           | 0.62%          | 142           | 0.47%          |
| OTHER RENEWABLES     | Y                              | 809           | 2.53%          | 697           | 2.28%          |
| OTHER NON-RENEWABLES | N                              | 400           | 1.25%          | 858           | 2.81%          |
| <b>TOTAL</b>         |                                | <b>31,915</b> | <b>100.00%</b> | <b>30,547</b> | <b>100.00%</b> |

The main material is cotton, which is sourced according to a sourcing policy that favours Better Cotton Initiative (BCI) certified crops, organically grown cotton or recycled fibre. Specifically, in 2021, 5,000 tons of cotton came from organic crops (about 25%). This figure is down significantly from 2020 due to a general lack of availability of this material in the market. In addition, OVS's decision not to compromise on sourcing areas has led the company to exclude the possibility of sourcing from the Xinjiang region, an area that produces about 20% of cotton globally. This area is the subject of an international dispute in relation to the possible exploitation of the Uyghurs ethnic minority.

The reduction in organic cotton has been offset by increased use of supply chains operating within the Better Cotton Initiative system. In 2021, OVS obtained BCI (Better Cotton Claim Units) credits corresponding to 20,338 tons of cotton. Net of processing waste along the supply chain, this achievement has allowed for 100% sourcing of cotton from more sustainable sources beginning with the FW 2021 collection.

As for the other materials deriving from renewable sources, 49% of the viscose comes from FSC-certified cellulose sources, with a significant increase of 15% compared to 2020. In addition, over 40% of the other cellulosic materials (lyocell and modal) come from certified sources.

To improve the sustainability of its products made with non-renewable materials, OVS favours the choice of recycled fibers: 7% of polyester and 8% of polyamide, used in 2021, come from recycling processes.

Over 50% of total orders, relating to house brand clothing, is made by an OEKO - TEX 100 certified supply chain, to guarantee the safety of the garments. This figure is even better if analysed with specific reference to the children's collection, where coverage reaches 73%.

#### **METHODOLOGICAL NOTE AND READING GUIDE**

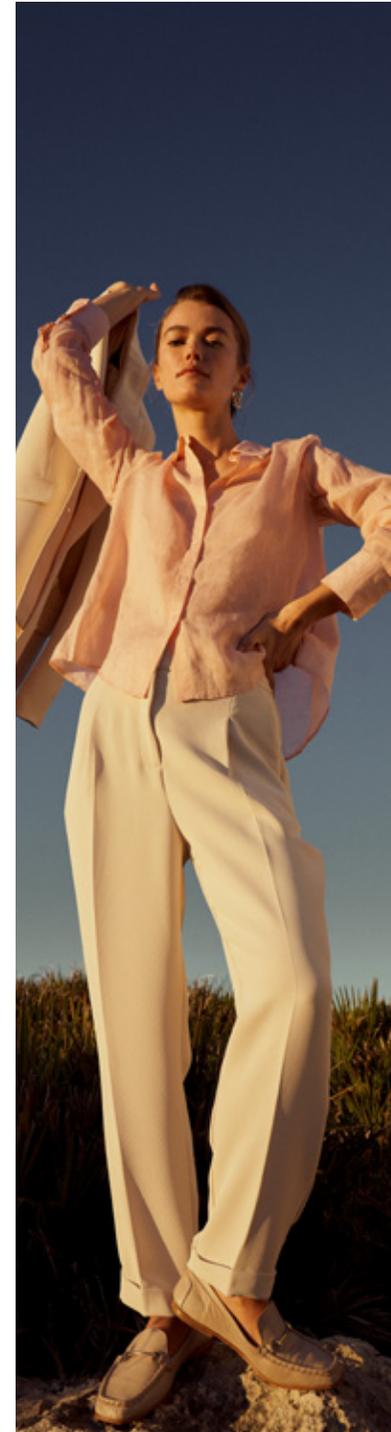
This Consolidated Non-Financial Statement (hereinafter also referred to as 'NFS') of the OVS Group (hereinafter also referred to as "OVS" or "Group") as at 31 January 2022 is prepared in accordance with the provisions of Legislative Decree no. 254 (hereinafter also referred to as Legislative Decree 254) of 30 December 2016, and is an integral part of the 2021 Annual Financial Report documents.

The NFS takes into account the requirements of the 2019 Budget Law, in Article 1, paragraph 1073, which introduces an amendment to Legislative Decree 254/2016, Art. 3, paragraph 1, letter c, prescribing also the illustration of the methods of management of the main risks generated or suffered related to non-financial issues<sup>56</sup>.

In addition, as of July 2020, Regulation 852/2020, which amends Regulation (EU) 2019/2088, and establishes a framework

for the promotion of sustainable investments, came into force. In light of the aforementioned legislation, in 2021, OVS has verified whether the Group's prevailing economic activities can contribute substantially to the objectives of mitigation and adaptation to climate change, as defined by the European Taxonomy of Environmentally Sustainable Activities. In view of the Group's business sector, the economic activity does not fall within the NACE classification provided for in the Regulations, and we therefore believe that no specific disclosures need to be made. During the next few years, this position may be reviewed following an assessment of the significance of OVS's economic activities with respect to the environmental objectives mentioned in art. 9 of the aforementioned Regulation, which will come into force from 2023.

The Non-Financial Statement is to be considered as an integration and completion of the Report



on Operations and the other documentation relating to the Financial Statements.

Reporting boundary and the reporting and measurement process.

This document is published annually. Unless otherwise specified, the data shall be for the period from 1 February 2021, through 31 January 2022, and shall be compared, where possible, to the same period in the preceding fiscal year.

The Non-Financial Statement has been prepared to the extent necessary to ensure an understanding of the Group's activities, performance, results and impact, covering the issues deemed relevant and provided for by Art. 3 of Legislative Decree no. 254/2016.

The scope of economic, environmental and social information and data appears to be the same as in the OVS Consolidated Financial Statements as of 31 January 2022. It should also be noted that the Pontenure logistics centre and all the direct stores are

included in the scope, while the franchised stores are excluded from the scope, as they are not directly managed by the Group. Any differences in the scope of consolidation with respect to what has been reported so far, where present, are expressly indicated in the text, so as to highlight any indicators that are not fully comparable with previous years. Where it was not possible to find quantitative data with the reporting tools available to the Group, recourse was made to estimates which, where they exist, are based on shared methodologies and suitable for ensuring a reliable representation of performance and data, as well as being appropriately reported.

The NFS contains information relating to the fight against active and passive corruption, personnel management, environmental and social aspects and respect for human rights assessed as significant and material by the Group and its stakeholders according to a specific and consolidated process, which takes into



account OVS activities, objectives and strategy, as well as the context and trends at Italian and international level.

Starting with fiscal year 2019, OVS has defined an internal Procedure for the Preparation of the Non-Financial Statement formally approved, in order to define the process for collecting and approving non-financial information subject to reporting, in line with the provisions of Legislative Decree 254/2016. The addressees of the procedure are the persons belonging to the Corporate Bodies/ Departments that are identified for the collection, control and certification of non-financial data and information, as well as the persons/bodies responsible for its drafting, approval and audit.

In order to standardise the reporting of information and facilitate its linkage with the contents indicated by Legislative Decree 254, for each theme, evidence is given of the materiality of the theme with respect to the Group's activities, the method of managing the related risks, the Group's policies and commitments and the results obtained and monitored through ad hoc indicators capable of representing management results.

The data and information in this Statement refer to events that occurred during the year of reference indicated above, deriving from the company's business

activities, relevant on the basis of the materiality analysis carried out in accordance with the Decree. As part of the data collection process, the specific functions responsible for the areas subject to reporting provided the data for which they were responsible, using extractions from corporate information systems, invoicing and internal and external reporting, under the coordination of the Investor Relations and Corporate Sustainability functions.

The data are represented in the final balance, unless otherwise indicated.

This document has been prepared in accordance with GRI Standards, Core option. Compared to previous reporting, the GRI 303 standard: Water and Water Discharge and 306: Waste were updated to the 2018 and 2020 versions respectively; the GRI 207 indicator on Taxes was also introduced for the first year. The appendix to the document contains the "GRI Content Index", detailing the content

reported in accordance with GRI. These indicators focus on the material issues identified and reported by OVS (see the paragraph on the correlation table to the GRI standard).

This document has been audited by an independent audit firm. The audit was carried out in accordance with the procedures indicated in the "Report of the Independent Auditors" at the end of this document.

The Board of Directors of OVS approved the Non-Financial Statement on 21/04/2022 and it is available on the Group's website: [www.ovscorporate.it](http://www.ovscorporate.it).

*Perimeter of the material aspects of OVS*

The table below shows the perimeter of the impact generated by the OVS Group with reference to each issue considered relevant, distinguishing between internal impact within the OVS Group (including the impact on the stakeholder category 'Collaborators') and external impact, i.e. referring to one or more categories of reference stakeholders.



**Table 56**  
Boundary of impact of material topics

| OVS MATERIAL TOPIC                              | GRI TOPIC SPECIFIC DISCLOSURE           | RELEVANCE TO |               |           |           |           |              |
|---|---|--------------|---------------|-----------|-----------|-----------|--------------|
|   |   | OVS          | COLLABORATORS | CUSTOMERS | SUPPLIERS | TERRITORY | ASSOCIATIONS |
| SUSTAINABLE PRODUCTS                            | GRI 417: Marketing and labelling        |              |               |           |           |           |              |
|   | GRI 416: Consumer health and safety     |              |               |           |           |           |              |
|   | GRI 301: Materials                      | X            |               | X         | X         |           |              |
|   | GRI 303: Water and waste water          |              |               |           |           |           |              |
|   | GRI 306: Waste                          |              |               |           |           |           |              |
| TRANSPARENCY AND SUSTAINABLE COMMUNICATION      | GRI 202: Market presence                |              |               |           |           |           |              |
|   | GRI 201: Economic performance           |              |               |           |           |           |              |
|   | GRI 207: Taxes                          | X            |               | X         |           | X         |              |
|   | GRI 415: Public policy                  |              |               |           |           |           |              |
|   | GRI 417: Marketing and labelling        |              |               |           |           |           |              |
| ETHICAL AND SUSTAINABLE MANAGEMENT OF THE GROUP | GRI 205: Anti-corruption                |              |               |           |           |           |              |
|   | GRI 206: Non-competitive behaviour      |              |               |           |           |           |              |
|   | GRI 307: Environmental compliance       | X            | X             |           | X         |           |              |
|   | GRI 419: Socio-economic compliance      |              |               |           |           |           |              |
| CARING FOR PEOPLE AND DEVELOPING POTENTIAL      | GRI 401: Employment                     |              |               |           |           |           |              |
|   | GRI 404: Training and education         | X            | X             |           | X         |           | X            |
|   | GRI 403: Occupational health and safety |              |               |           |           |           |              |

| OVS MATERIAL TOPIC   | GRI TOPIC SPECIFIC DISCLOSURE                   | RELEVANCE TO |               |           |           |           |              |
|--|---|--------------|---------------|-----------|-----------|-----------|--------------|
|  |   | OVS          | COLLABORATORS | CUSTOMERS | SUPPLIERS | TERRITORY | ASSOCIATIONS |
| SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS                | GRI 414: Social evaluation of suppliers         |              |               |           |           |           |              |
|  | GRI 308: Environmental assessment of suppliers  |              |               |           |           |           |              |
|  | GRI 204: Procurement practices                  |              |               |           |           |           |              |
|  | GRI 408: Child labour                           | X            |               |           | X         |           |              |
|  | GRI 409: Hard labour or mandatory labour        |              |               |           |           |           |              |
|  | GRI 411: Rights of indigenous peoples           |              |               |           |           |           |              |
| FIGHTING THE CLIMATE CRISIS AND MANAGING THE ENVIRONMENTAL FOOTPRINT | GRI 412: Assessment of respect for human rights |              |               |           |           |           |              |
|  | GRI 301: Materials                              |              |               |           |           |           |              |
|  | GRI 302: Energy                                 |              |               |           |           |           |              |
|  | GRI 303: Water and waste water                  |              |               |           |           |           |              |
|  | GRI 305: Emissions                              | X            | X             | X         | X         | X         |              |
|  | GRI 306: Waste                                  |              |               |           |           |           |              |
| ATTENTION TO DIVERSITY AND INCLUSION                                 | GRI 307: Environmental compliance               |              |               |           |           |           |              |
|  | GRI 405: Diversity and equal opportunities      | X            | X             |           |           |           | X            |
| SUSTAINABLE STORES   | GRI 406: Non-discrimination                     |              |               |           |           |           |              |
|  | GRI 301: Materials                              |              |               |           |           |           |              |
|  | GRI 302: Energy                                 | X            |               | X         | X         |           |              |
|  | GRI 305: Emissions                              |              |               |           |           |           |              |
| LISTENING TO THE CUSTOMER  | GRI 306: Waste                                  |              |               |           |           |           |              |
|  | GRI 417: Marketing and labelling                |              |               |           |           |           |              |
|  | GRI 419: Socio-economic compliance              | X            | X             | X         | X         |           |              |
| GRI 416: Consumer health and safety                                  | GRI 416: Consumer health and safety             |              |               |           |           |           |              |

## 07 Details

| TEMATICA<br>MATERIALE OVS                    | GRI TOPIC SPECIFIC<br>DISCLOSURE   | RILEVANZA PER |                    |         |           |            |                   |
|--|------------------------------------|---------------|--------------------|---------|-----------|------------|-------------------|
|  |                                    | OVS           | COLLABO-<br>RATORI | CLIENTI | FORNITORI | TERRITORIO | ASSOCIA-<br>ZIONI |
| COMMUNITY<br>SUPPORT                         | GRI 203: Indirect economic impacts |               |                    |         |           |            |                   |
|  | GRI 201: Economic performance      | X             | X                  |         |           | X          | X                 |
|  | GRI 207: Taxes                     |               |                    |         |           |            |                   |
|  | GRI 413: Local communities         |               |                    |         |           |            |                   |
| INNOVATION<br>ORIENTATION                    | N/A                                | X             | X                  | X       | X         |            |                   |
| CIRCULAR DESIGN                              | GRI 301: Materials                 |               |                    |         |           |            |                   |
|  | GRI 306: Waste                     |               |                    |         |           |            |                   |
|  | GRI 201: Economic performance      | X             |                    | X       | X         | X          | X                 |
|  | GRI 419: Socio-economic compliance |               |                    |         |           |            |                   |
| INDUSTRIAL AND<br>INSTITUTIONAL<br>RELATIONS | N/A                                | X             |                    |         |           | X          | X                 |

### Registered office and contacts

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**GRI CONTENT INDEX**

The indicators used refer to the 2016 standard, with the exception of GRI 403 indicator (Occupational Health and Safety) and GRI 303 indicator (Water and Water Discharges), which receive the 2018 standard, and GRI 306 (Waste) indicators, which have been updated to the 2020 version.

*General Information*

| ORGANISATION PROFILE |  | PARAGRAPH, NOTES   |
|----------------------|--|--|
| GRI 102-1            | Name of the organisation   | <ul style="list-style-type: none"> <li>Registered office and contacts</li> </ul>   |
| GRI 102-2            | Main brands, products and/or services  | <ul style="list-style-type: none"> <li>Our brands</li> </ul>   |
| GRI 102-3            | Headquarters   | <ul style="list-style-type: none"> <li>Registered office and contacts</li> </ul>   |
| GRI 102-4            | Location of operations   | <ul style="list-style-type: none"> <li>OVS Group Profile</li> </ul>  |
| GRI 102-5            | Ownership and legal form   | <ul style="list-style-type: none"> <li>Group structure</li> </ul>  |
| GRI 102-6            | Markets served   | <ul style="list-style-type: none"> <li>About us</li> </ul>   |
| GRI 102-7            | Scale of the organisation  | <ul style="list-style-type: none"> <li>About us</li> <li>Table 11</li> <li>Table 16</li> </ul>   |
| GRI 102-8            | Characteristics of the workforce   | <ul style="list-style-type: none"> <li>Tables 17, 18, 25 and 26</li> </ul>   |
| GRI 102-9            | Description of the organisation's supply chain   | <ul style="list-style-type: none"> <li>Supply chain</li> </ul>   |
| GRI 102-10           | Significant changes in size, structure, ownership, or supply chain of the organisation during the reporting period | <ul style="list-style-type: none"> <li>About us</li> <li>OVS Group Profile</li> <li>Supply chain</li> </ul>  |
| GRI 102-11           | Application of a prudential approach to risk management  | <ul style="list-style-type: none"> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> <li>OVS adopts a prudential approach to reducing the environmental impact of its production processes and products, according to principle no. 15 of the UN Declaration of Rio de Janeiro</li> </ul> |

| ORGANISATION PROFILE |  | PARAGRAPH, NOTES   |
|----------------------|--|--|
| GRI 102-12           | Subscription or adoption of codes of conduct, principles and charters developed by external bodies/associations relating to economic, social and environmental performance | <ul style="list-style-type: none"> <li>The internal control system</li> <li>Code of Ethics</li> <li>Organisation, Management, and Control Model</li> <li>Corporate social and environmental policies</li> <li>Sector collaborations</li> </ul>                     |
| GRI 102-13           | Participation in national and/or international trade associations in which the organisation holds a position in the governing bodies                                       | <ul style="list-style-type: none"> <li>OVS, through the Director of Human Resources and Organisation and the Director of Corporate Responsibility, holds a position within the Executive Committee of Federdistribuzione</li> <li>Sector collaborations</li> </ul> |

| STRATEGY   |  | PARAGRAPH, NOTES   |
|------------|--|--|
| GRI 102-14 | Statement from the highest decision-making authority about the importance of sustainability to the organisation and its strategy | <ul style="list-style-type: none"> <li>Interview with the CEO</li> </ul> |

| ETHICS AND INTEGRITY |  | PARAGRAPH, NOTES   |
|----------------------|--|--|
| GRI 102-16           | Values, principles, standards and rules of conduct of the organisation | <ul style="list-style-type: none"> <li>Mission and values</li> </ul> |

| GOVERNANCE |   | PARAGRAPH, NOTES   |
|------------|---|--|
| GRI 102-18 | Governance structure of the organisation                        | <ul style="list-style-type: none"> <li>Organisation structure (Figure 2)</li> </ul>  |
| GRI 102-21 | Stakeholder consultation  | <ul style="list-style-type: none"> <li>Stakeholders and materiality (Table 3)</li> </ul>   |
| GRI 102-22 | Composition of the highest governing body and its committees    | <ul style="list-style-type: none"> <li>Composition of the Board of Directors and the Board of Statutory Auditors (Tables 1 and 2)</li> </ul> |
| GRI 102-32 | Role of the highest governance body in sustainability reporting | <ul style="list-style-type: none"> <li>Sustainability Governance</li> </ul>  |

| STAKEHOLDER ENGAGEMENT |  | PARAGRAPH, NOTES   |
|------------------------|--|--|
| GRI 102-40             | Categories and stakeholder groups      | • Stakeholders and materiality   |
| GRI 102-41             | Collective bargaining agreements       | • OVS complies with the requirements of collective bargaining agreements by applying the relevant National Labour Collective Bargaining agreement (CCNL) |
| GRI 102-42             | Identifying and selecting stakeholders | • Stakeholders and materiality   |
| GRI 102-43             | Approach to stakeholder engagement     | • Stakeholders and materiality   |
| GRI 102-44             | Key aspects that emerged               | • Materiality Matrix (Figure 4)  |

| REPORTING PRACTICE |  | PARAGRAPH, NOTES                        |
|--------------------|--|---|
| GRI 102-45         | Entities included in the Financial Statements  | • Methodological note and reading guide |
| GRI 102-46         | Definition of the content perimeter  | • Methodological note and reading guide |
| GRI 102-47         | List of material topics  | • Materiality analysis                  |
| GRI 102-48         | Changes in information compared to the previous Sustainability Report                            | • Methodological note and reading guide |
| GRI 102-49         | Significant changes in terms of targets and scope compared to the previous Sustainability Report | • Methodological note and reading guide |
| GRI 102-50         | Reporting period of the Sustainability Report  | • Methodological note and reading guide |
| GRI 102-51         | Date of publication of the previous Sustainability Report  | • Methodological note and reading guide |
| GRI 102-52         | Reporting period   | • Methodological note and reading guide |
| GRI 102-53         | Contacts and addresses   | • Methodological note and reading guide |
| GRI 102-54         | Statement of compliance with GRI Standards   | • Methodological note and reading guide |
| GRI 102-55         | GRI content index  | • GRI Content Index                     |
| GRI 102-56         | External assurance policies and practices  | • External assurance                    |

Specific Information

| MATERIAL ASPECT - COMMUNITY SUPPORT/CARE FOR PEOPLE AND DEVELOPMENT OF POTENTIAL |   | PARAGRAPH, NOTES  |
|--|---|---|
| GRI 103-1; 103-2; 103-3  | General information on management procedures          | • People<br>• On the side of the community<br>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7) |
| GRI 201-1  | Direct economic value generated and distributed       | • Economic and financial performance, Table 11  |
| GRI 201-3  | Coverage of pension plans defined by the organisation | • Human resources - Remuneration  |
| GRI 201-4  | Funding received from public bodies                   | • OVS did not obtain any funding from public bodies during 2021   |

| MATERIAL ASPECT - CARE FOR PEOPLE AND DEVELOPMENT OF POTENTIAL |   | PARAGRAPH, NOTES  |
|--|---|---|
| GRI 103-1; 103-2; 103-3  | General information on management procedures  | • People<br>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7) |
| GRI 202-1  | Ratio of the standard salary of new hires by gender to the local minimum salary in the most significant operating locations | • Human resources - Remuneration  |

| MATERIAL ASPECT - SUPPORT FOR COMMUNITIES |   | PARAGRAPH, NOTES  |
|---|---|---|
| GRI 103-1; 103-2; 103-3                   | General information on management procedures  | • On the side of the community<br>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7) |
| GRI 203-1                                 | Development and impact of infrastructure investments and services supported primarily for “public utility”. | • On the side of the community  |

| MATERIAL ASPECT - SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS |   | PARAGRAPH, NOTES  |
|---|---|---|
| GRI 103-1; 103-2; 103-3   | General information on management procedures  | <ul style="list-style-type: none"> <li>Supply Chain</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 204-1   | Percentage of expenditure concentrated on local suppliers in relation to the most significant operating sites | <ul style="list-style-type: none"> <li>Table 12</li> </ul>  |

| MATERIAL ASPECT - ETHICAL AND SUSTAINABLE BUSINESS MANAGEMENT |   | PARAGRAPH, NOTES  |
|---|---|---|
| GRI 103-1; 103-2; 103-3                                       | General information on management procedures                          | <ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Sustainability Governance</li> <li>The internal control system</li> <li>Code of Ethics</li> <li>Organisation, Management, and Control Model</li> <li>Corporate social and environmental policies</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 205-2   | Communication and training on anti-corruption policies and procedures | <ul style="list-style-type: none"> <li>Organisation, Management, and Control Model</li> <li>Table 34</li> </ul>   |
| GRI 205-3   | Number of corruption cases and measures taken                         | <ul style="list-style-type: none"> <li>No cases of corruption were reported during 2021</li> </ul>  |
| GRI 206-1   | Unfair competition and antitrust lawsuits and their outcomes          | <ul style="list-style-type: none"> <li>During 2021, there were no legal actions relating to unfair competition or antitrust</li> </ul>  |
| GRI 207-1   | Approach to taxation  | <ul style="list-style-type: none"> <li>Approach to taxation</li> </ul>  |
| GRI 207-2   | Tax governance, control and risk management                           | <ul style="list-style-type: none"> <li>Approach to taxation</li> </ul>  |
| GRI 207-3   | Stakeholder engagement and management of tax concerns                 | <ul style="list-style-type: none"> <li>Approach to taxation</li> </ul>  |

| MATERIAL ASPECT - SUSTAINABLE PRODUCTS/CIRCULAR DESIGN |  | PARAGRAPH, NOTES   |
|--|--|--|
| GRI 103-1; 103-2; 103-3                                | General information on management procedures   | <ul style="list-style-type: none"> <li>Product and materials</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 301-1  | Materials used   | <ul style="list-style-type: none"> <li>Product and raw materials, Table 55</li> </ul>  |
| GRI 301-3  | Percentage of reclaimed products and related packaging materials by product category | <ul style="list-style-type: none"> <li>Product and raw materials, Table 55</li> </ul>  |

| MATERIAL ASPECT - COMBATING THE CLIMATE CRISIS AND MANAGING THE ENVIRONMENTAL FOOTPRINT |  | PARAGRAPH, NOTES   |
|---|--|--|
| GRI 103-1; 103-2; 103-3   | General information on management procedures               | <ul style="list-style-type: none"> <li>Product and materials</li> <li>Stores</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 302-1   | Energy consumption within the organisation                 | <ul style="list-style-type: none"> <li>Environment - Energy consumption and emissions, Tables 42 and 43</li> </ul>   |
| GRI 302-4   | Reduction of energy consumption                            | <ul style="list-style-type: none"> <li>Environment - Energy consumption and emissions</li> </ul>   |
| GRI 303-1   | Interaction with water as a shared resource                | <ul style="list-style-type: none"> <li>Environment - Water consumption</li> </ul>  |
| GRI 303-2   | Management of footprints related to water discharge        | <ul style="list-style-type: none"> <li>Environment - Water consumption</li> </ul>  |
| GRI 303-3   | Water withdrawal   | <ul style="list-style-type: none"> <li>Environment - Water consumption, Table 50</li> </ul>  |
| GRI 305-1   | Direct greenhouse gas emissions (scope 1)                  | <ul style="list-style-type: none"> <li>Environment - Energy consumption and emissions, Table 45</li> </ul>   |
| GRI 305-2   | Greenhouse gas emissions from energy consumption (Scope 2) | <ul style="list-style-type: none"> <li>Environment - Energy consumption and emissions, Tables 46 and 47</li> </ul>   |
| GRI 305-5   | Reduction of greenhouse gas emissions                      | <ul style="list-style-type: none"> <li>Environment - Energy consumption and emissions</li> </ul>   |
| GRI 305-6   | ODS (Ozone-depleting substances) emissions                 | <ul style="list-style-type: none"> <li>In 2021, there were no ODS emissions</li> </ul>   |

| MATERIAL ASPECT - SUSTAINABLE PRODUCTS/<br>CIRCULAR DESIGN/CLIMATE CRISIS CONTROL<br>AND ENVIRONMENTAL FOOTPRINT MANAGEMENT |  | PARAGRAPH, NOTES   |
|---|--|--|
| GRI 103-1; 103-2;<br>103-3  | General information on management procedures           | <ul style="list-style-type: none"> <li>Product and materials</li> <li>Stores</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 306-1   | Waste generation and significant waste-related impacts | <ul style="list-style-type: none"> <li>Environment - Waste</li> </ul>  |
| GRI 306-2   | Management of significant waste-related impacts        | <ul style="list-style-type: none"> <li>Environment - Waste</li> </ul>  |
| GRI 306-3   | Waste produced   | <ul style="list-style-type: none"> <li>Environment - Waste, Tables 51, 52, 53 and 54</li> </ul>  |

| MATERIAL ASPECT - ETHICAL AND SUSTAINABLE BUSINESS<br>MANAGEMENT/FIGHTING THE CLIMATE CRISIS<br>AND MANAGING THE ENVIRONMENTAL FOOTPRINT |   | PARAGRAPH, NOTES   |
|--|---|--|
| GRI 103-1; 103-2;<br>103-3   | General information on management procedures  | <ul style="list-style-type: none"> <li>Ethical and sustainable business management</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 307-1  | Monetary value of significant fines and total number of non-monetary penalties for non-compliance with environmental laws and regulations | <ul style="list-style-type: none"> <li>During 2021, OVS received no fines or penalties for non-compliance with environmental laws and regulations</li> </ul>                             |

| MATERIAL ASPECT - SUSTAINABLE SUPPLY CHAIN<br>AND RESPECT FOR HUMAN RIGHTS |  | PARAGRAPH, NOTES  |
|--|--|---|
| GRI 103-1; 103-2;<br>103-3   | General information on management procedures                         | <ul style="list-style-type: none"> <li>Supply chain</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 308-1  | Percentage of new suppliers screened based on environmental criteria | <ul style="list-style-type: none"> <li>Supply chain, Table 13</li> </ul>  |

| MATERIAL ASPECT - CARE FOR PEOPLE<br>AND DEVELOPMENT OF POTENTIAL |   | PARAGRAPH, NOTES  |
|---|---|---|
| GRI 103-1; 103-2;<br>103-3  | General information on management procedures  | <ul style="list-style-type: none"> <li>People</li> <li>Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul>   |
| GRI 401-1   | Total number of new hires and turnover by age group, gender and geographic area   | <ul style="list-style-type: none"> <li>Human Resources - Turnover, Tables 27, 28, 29 and 30</li> </ul>  |
| GRI 401-3   | Return to work and rate of return after parental leave  | <ul style="list-style-type: none"> <li>Human resources - Parental leave, Table 31</li> </ul>  |
| GRI 403-1   | Occupational health and safety management system  | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-2   | Risk identification, risk assessment and incident analysis  | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-3   | Occupational health services  | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-4   | Worker participation and consultation on health and safety at work  | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-5   | Worker training on occupational health and safety   | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-6   | Promoting workers' health   | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-7   | Prevention and mitigation of occupational health and safety impacts directly related to the business  | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 403-9   | Accidents at work   | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety, Table 35</li> </ul>   |
| GRI 403-10  | Occupational diseases   | <ul style="list-style-type: none"> <li>Human Resources - Health and Safety</li> </ul>   |
| GRI 404-1   | Company staff training  | <ul style="list-style-type: none"> <li>Human resources - Training</li> </ul>  |
| GRI 404-2   | Training to improve staff skills  | <ul style="list-style-type: none"> <li>Human resources - Training</li> </ul>  |
| GRI 404-3   | Percentage of employees evaluated on performance and career development   | <ul style="list-style-type: none"> <li>Human resources - Performance appraisal</li> </ul>   |
| GRI 405-1   | Composition of governing bodies and breakdown of staff by gender, age, membership of protected categories and other indicators of diversity | <ul style="list-style-type: none"> <li>Composition of the Board of Directors and of the Board of Statutory Auditors</li> <li>Human Resources - Workforce, Tables 19, 20, 21, 22, 23 and 24</li> </ul> |

| MATERIAL ASPECT - ETHICAL AND SUSTAINABLE BUSINESS MANAGEMENT |   | PARAGRAPH, NOTES  |
|---|---|---|
| GRI 103-1; 103-2; 103-3                                       | General information on management procedures                              | <ul style="list-style-type: none"> <li>• People</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 406-1   | Number of incidents related to discriminatory practices and actions taken | <ul style="list-style-type: none"> <li>• OVS did not record any incidents of discriminatory practices during 2021</li> </ul>                            |

| MATERIAL ASPECT - SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS |  | PARAGRAPH, NOTES  |
|---|--|---|
| GRI 103-1; 103-2; 103-3   | General information on management procedures   | <ul style="list-style-type: none"> <li>• Supply chain</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul>                             |
| GRI 408-1   | Identification of operations and major suppliers with a high risk of child labour and measures taken   | <ul style="list-style-type: none"> <li>• There are no providers considered to be at significant risk for child labour incidents and/or young people exposed to hazardous work.</li> </ul> |
| GRI 409-1   | Identification of operations and major suppliers with a high risk of forced labour, and measures taken | <ul style="list-style-type: none"> <li>• There are no suppliers considered to be at high risk for the use of forced labour.</li> </ul>  |

| MATERIAL ASPECT - SUPPORT TO COMMUNITIES/SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS |  | PARAGRAPH, NOTES  |
|--|--|---|
| GRI 103-1; 103-2; 103-3  | General information on management procedures                                 | <ul style="list-style-type: none"> <li>• Supply chain</li> <li>• On the side of the community</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 411-1  | Number of violations involving rights of indigenous people and actions taken | <ul style="list-style-type: none"> <li>• During 2021, OVS did not record any incidents of human rights violations</li> </ul>  |

| MATERIAL ASPECT - SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS |  | PARAGRAPH, NOTES   |
|---|--|--|
| GRI 103-1; 103-2; 103-3   | General information on management procedures   | <ul style="list-style-type: none"> <li>• Supply chain</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul>  |
| GRI 412-1   | Percentage and total number of activities subject to human rights monitoring and/or impact assessments | <ul style="list-style-type: none"> <li>• 100% of the new suppliers are assessed for human rights impacts. The existing supplier fleet is periodically revalued annually to the extent of over 80% of the production volume generated.</li> </ul> |

| MATERIAL ASPECT - SUPPORT FOR COMMUNITIES |  | PARAGRAPH, NOTES  |
|---|--|---|
| GRI 103-1; 103-2; 103-3                   | General information on management procedures                                 | <ul style="list-style-type: none"> <li>• On the side of the community</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 413-2                                 | Activities with current or potential negative impacts on the local community | <ul style="list-style-type: none"> <li>• No activities with negative impacts on the local community were noted in 2021.</li> </ul>  |

| MATERIAL ASPECT - SUSTAINABLE SUPPLY CHAIN AND RESPECT FOR HUMAN RIGHTS |  | PARAGRAPH, NOTES  |
|---|--|---|
| GRI 103-1; 103-2; 103-3   | General information on management procedures                         | <ul style="list-style-type: none"> <li>• Supply chain</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 414-1   | Percentage of new suppliers that were screened using social criteria | <ul style="list-style-type: none"> <li>• Supply chain, Table 13</li> </ul>  |

| MATERIAL ASPECT - SUPPORT FOR COMMUNITIES |  | PARAGRAPH, NOTES  |
|---|--|---|
| GRI 103-1; 103-2; 103-3                   | General information on management procedures | <ul style="list-style-type: none"> <li>• On the side of the community</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |
| GRI 415-1                                 | Political contributions                      | <ul style="list-style-type: none"> <li>• OVS did not receive any political contributions during 2021</li> </ul>   |

| MATERIAL ASPECT - LISTENING TO THE CUSTOMER/TRANSPARENCY AND SUSTAINABLE COMMUNICATION |  | PARAGRAPH, NOTES  |
|--|--|---|
| GRI 103-1; 103-2; 103-3  | General information on management procedures   | <ul style="list-style-type: none"> <li>• Customers</li> <li>• Product and materials</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul>               |
| GRI 416-1  | Assessing the impacts of products and services on customer health and safety                                   | <ul style="list-style-type: none"> <li>• Product and materials</li> </ul>   |
| GRI 416-2  | Cases of non-compliance with regulations on health and safety of products and services during their life cycle | <ul style="list-style-type: none"> <li>• During 2021, OVS did not record any incidents of non-conformity with regard to the health and safety of products and services during their life cycle</li> </ul> |
| GRI 417-2  | Cases of non-compliance in relation to product information and labelling                                       | <ul style="list-style-type: none"> <li>• During 2021, OVS did not record any incidents of non-compliance in relation to product information and labelling</li> </ul>                                      |
| GRI 417-3  | Cases of non-compliance in relation to marketing communications  | <ul style="list-style-type: none"> <li>• During 2021, OVS did not record any incidents of non-compliance in relation to marketing communications</li> </ul>   |

| MATERIAL ASPECT - INNOVATION ORIENTATION |  | PARAGRAPH, NOTES  |
|--|--|---|
| GRI 103-1; 103-2; 103-3                  | General information on management procedures | <ul style="list-style-type: none"> <li>• Digital experience</li> <li>• Enterprise Risk Management and management of non-financial risks (Tables 6 and 7)</li> </ul> |

| MATERIAL ASPECT - INDUSTRIAL AND INSTITUTIONAL RELATIONS |  | PARAGRAPH, NOTES   |
|--|--|--|
| GRI 103-1; 103-2; 103-3                                  | General information on management procedures | <ul style="list-style-type: none"> <li>• Sector collaborations</li> <li>• Collaborations with sector associations</li> </ul> |

EXTERNAL ASSURANCE



**Independent auditor's report on the consolidated non-financial statement**  
 pursuant to article 3, paragraph 10, of Legislative Decree 30 December 2016, n° 254 and article 5 of CONSOB Regulation n° 20267 of January 2018

To the board of directors of OVS SpA

Pursuant to article 3, paragraph 10, of Legislative Decree 30 December n° 254 (the "Decree") and article 5 of CONSOB Regulation n° 20267 of January 2018, we have undertaken a limited assurance engagement on the consolidated non-financial statement of OVS SpA and its subsidiaries (the "Group") for the year ended 31 January 2022 prepared in accordance with article 4 of the Decree, and approved by the board of directors on 21 April 2022 (the "NFS").

Our review does not extend to the information set out in the "Methodological note and reading guide" paragraph of the NFS, required by article 8 of European Regulation 2020/852 of 18 June 2020.

**Responsibilities of the directors and the board of statutory auditors for the NFS**

The directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the GRI - Global Reporting Initiative (hereafter the "GRI Standards"), identified by them as the reporting standard.

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

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 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**

Sede legale Milano 20143 Piazza Tre Torri 2 Tel. 02 77831 Fax 02 7783240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12779880135 Iscritta al n° 129644 del Registro dei Revisori Legali - Altri Uffici: Ancona 60131 Via Sandro Toti 1 Tel. 071 2132311 - Bari 70122 Via Abate Ginna 72 Tel. 080 5640211 - Bergamo 24121 Largo Belotti 5 Tel. 035 220591 - Bologna 40126 Via Angelo Finelli 8 Tel. 051 6186211 - Brescia 25121 Viale Duca d'Aosta 28 Tel. 030 3607501 - Catania 95129 Corso Italia 302 Tel. 095 7532311 - Firenze 50121 Viale Gramsci 13 Tel. 055 2482811 - Genova 16121 Piazza Foccapetra 9 Tel. 010 290041 - Napoli 80121 Via dei Mille 16 Tel. 081 56311 - Padova 35138 Via Vicenza 4 Tel. 049 872481 - Palermo 90141 Via Marchese Ugo 60 Tel. 091 349777 - Parma 43121 Viale Tanara 20/A Tel. 0521 275911 - Pescara 66127 Piazza Ettore Trillo 9 Tel. 085 4545711 - Roma 00154 Largo Focchetti 29 Tel. 06 570021 - Torino 10122 Corso Falesio 10 Tel. 011 550771 - Trento 38122 Viale della Costituzione 13 Tel. 0461 227004 - Treviso 31100 Viale Felliniani 99 Tel. 0422 969011 - Trieste 34125 Via Cesare Battisti 18 Tel. 040 3480781 - Udine 33100 Via Foscolo 43 Tel. 0432 25789 - Varese 21100 Via Albuzzi 43 Tel. 0332 285039 - Verona 37135 Via Francia 21/C Tel. 045 8263001 - Vicenza 36100 Piazza Fontelandolfo 9 Tel. 0444 393311

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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 Italia 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 GRI Standards. We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (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, 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 of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, 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 standard 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 the information reported in the 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;
  - key 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.

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In detail, we held meetings and interviews with the management of OVS SpA and we performed limited analyses 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 a 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 its 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 OVS SpA, at its headquarter office in Mestre (VE), 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 met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

#### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of OVS Group for the year ended as of 31 January 2022 is not prepared, in all material respects, in accordance with articles 3 and 4 of the Decree and with the GRI Standards.

Our conclusions on the NFS of OVS Group do not extend to the information set out in the "Methodological note and reading guide" paragraph of the NSF, required by article 8 of European Regulation 2020/852 of 18 June 2020.

Treviso, 10 May 2022

PricewaterhouseCoopers SpA

Signed by

Alessandro Mazzetti  
(Partner)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the translation of NFS for the year ended 31 January 2022.*

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**SUSTAINABILITY-LINKED BOND**

In October 2021, the Board of Directors approved the issuance of a sustainability-linked bond.

The purpose of this operation was to improve the group's financial structure, reduce the cost of debt, and free up resources to implement technological innovation initiatives aimed at energy saving, including the installation of photovoltaic panels, the replacement of lighting systems with others with less heat dispersion, and the digitalisation of control systems and energy management in stores.

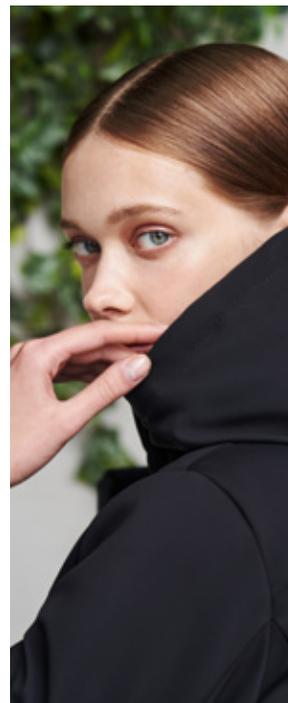
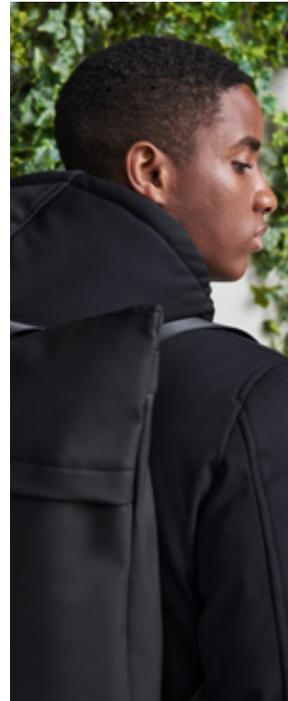
The Sustainability Performance Targets (SPT) selected for the Sustainability-linked Bond are aligned with the Group's sustainability path and reflect the main elements included in the OVS Sustainability Plan, including:

- Driving our supply chain toward sustainable goals with the goal of minimising environmental and social impacts throughout the supply chain.
- Increasing the sustainability of the stores by designing and managing the stores in full respect of the environment and people, following the logic of green design and energy efficiency, and at the same time ensuring the well-being of customers.
- Combating climate change through carbon footprint reduction initiatives.

As part of the offer, Bonds were subscribed for a total amount of Euro 160,000,000; the interest rate and gross annual yield on the Bonds is 2.25%, increased by a margin of a maximum of 0.25% per year following the failure of OVS to achieve certain sustainability performance objectives, or in the event of OVS's failure to report on these indicators.

In order to provide investors with public updates on the performance of each SPT, related targets, and any other significant events that occurred during the year, OVS will annually publish a Sustainability-linked Bond Progress Report ("SLB Progress Report") no later than 120 days after each fiscal year (ending 31 January).

The progress status of the individual SPTs is shown below.



**SPT 1: OVS is committed to reducing its absolute CO2eq Scope 1 and 2 emissions by 21% by 2024 compared to baseline fiscal year 2019.**

*KPI 1: Scope 1 and Scope 2 GHG emissions related to the central warehouse, headquarters and directly operated stores located in Italy.* Scope 1 emissions had a 9.95% reduction from the baseline. This is mainly due to energy saving programs implemented in collaboration with store personnel and the gradual elimination of diesel boilers and their replacement with more efficient systems. Moreover, thanks to the plant engineering interventions at the stores, it was possible to monitor consumption and performance in real time and intervene where necessary to eliminate energy waste.

Scope 2 emissions are up 28.5% from the 2019 baseline defined for the decarbonisation plan, despite significantly lower overall energy consumption. The information underlying the calculation was subject to an analysis that showed a different way of handling Certificates of Guarantee of Origin for 2019 than in subsequent years.

This change is therefore not caused by a failure to implement the planned actions, but by a mere technicality for which it is

being considered to redetermine the baseline, while maintaining the same reduction targets. It is believed that the actions already planned for the next few years are still sufficient to achieve the expected targets even with a non-recalculated baseline.

These actions will focus, among other things, on the gradual elimination of diesel boilers, the migration to renewable energy of energy supply contracts for the Pontenure depot and the improvement of the car fleet.

| EMISSIONS (TCO <sub>2</sub> EQ) | BASELINE 2019 | TARGET 2024 | CURRENT YEAR | DELTA VS 2019 (%)   |
|---------------------------------|---------------|-------------|--------------|---------------------|
| SCOPE 1                         | 11,780        |             | 10,608       | -9.95%              |
| SCOPE 2                         | 8,009         |             | 10,294       | +28.5%              |
| TOTAL                           | 19,789        | -21%        | 20,902       | +5.6% <sup>57</sup> |

07 Details

**SPT 2: OVS is committed to reducing its absolute Scope 3 CO2eq emissions related to “Purchased goods and services” (raw materials, garment production, packaging production) and “Upstream transportation and distribution” by 21% by 2024 compared to the baseline fiscal year 2019.**

*KPI 2: emissioni di gas serra Scope 3 relative a beni e servizi acquistati (materie prime, lavorazioni e imballaggi) e al trasporto e alla distribuzione upstream (limitatamente ai capi d’abbigliamento housebrand).*

Scope 3 emissions were down 9.8% from the baseline, with better performance than planned confirming the effectiveness of actions taken. This was achieved through an improved raw material portfolio with a greater selection of reduced-impact materials and reduced incidence of air shipments. In addition, better planning of purchases

made it possible to reduce overbuying, while consolidated revenues were substantially in line with the baseline year.

| EMISSIONS (TCO <sub>2</sub> EQ)     | BASELINE 2019 | TARGET 2024 | CURRENT YEAR | DELTA VS 2019 (%) |
|-------------------------------------|---------------|-------------|--------------|-------------------|
| PURCHASED GOODS AND SERVICES        | 268,678       |             | 244,767      | -8.9%             |
| UPSTREAM TRANSPORT AND DISTRIBUTION | 27,231        |             | 22,281       | -18.2%            |
| TOTAL                               | 295,909       | -21%        | 267,048      | -9.8%             |

**SPT 3: OVS is committed to engaging 100% of its suppliers on the Higg platform and purchasing at least 80% of its production volume from Tier 1 suppliers with both Higg FEM and FSLM modules verified by a third party by 2024.**

*KPI 3: Percentage of production volume related to Tier1 housebrand apparel suppliers registered on Higg and related production volume verified.*

In 2021, production volume related to housebrand apparel suppliers registered on Higg is 91%, up

significantly from both the baseline year and the prior year. This increase was possible thanks to the policy of not accrediting new suppliers who were not active users of the platform and to the effective involvement by the Sourcing Offices located in the production countries.

Production volume verified through Higg Facility Environmental

Module (FEM) is 56% and through Higg Facility Social and Labor Module (FSLM) is 27%. Both indicators are significantly up thanks to the constant monitoring guaranteed by the Sourcing Offices and in line with forecasts. The difference in verification program performance between the FEM module and the FSLM module is due to the fact that the latter was initiated later than the former.

|   | BASELINE 2019 | TARGET 2024 | CURRENT YEAR |
|---|---------------|-------------|--------------|
| PRODUCTION VOLUME RELATED TO TIER 1 HOUSEBRAND APPAREL SUPPLIERS REGISTERED ON HIGG | 44%           | 100%        | 91%          |
| PRODUCTION VOLUME FROM SUPPLIER VERIFIED HIGG FEM                                   | 27%           | 80%         | 56%          |
| PRODUCTION VOLUME FROM SUPPLIER VERIFIED HIGG FSLM                                  | 1%            | 80%         | 27%          |

## NOTES

- 1 Textile Exchange – Organic Cotton Round Table 2016.
- 2 Source: <https://bettercotton.org/wp-content/uploads/2021/09/BCI-2020AnnualReport.pdf>
- 3 No reports were received during 2021.
- 4 Fashion Sita observatory research of September 2021.
- 5 <https://www.fashionrevolution.org/about/transparency/>
- 6 Thesis in Industrial Engineering, Development and testing of a new Life Cycle based Circularity Index: the case of OVS SpA, Giovanna Paladin, University of Padua
- 7 For more information: see our “Report on Corporate Governance and Ownership Structure”, available on the Company website: [www.ovscorporate.it](http://www.ovscorporate.it), under the Governance section.
- 8 Chiara Mio, professor at Ca’ Foscari University of Venice, with consolidated experience in sustainability and corporate social responsibility.
- 9 Internal corporate documentation is defined as: Code of Ethics, Strategic Plan, Annual Financial Report, and other sources while.
- 10 External scenario trend documents include: Sustainable Apparel Coalition (Higg Index), World Economic Forum Report, Sustainability Manifesto for Italian Fashion.
- 11 Mapping was conducted following the guidance of the International AA1000-Stakeholder Engagement Standard (SES) developed by Accountability [vers. 2015].
- 12 In view of the regulatory update foreseen by the Corporate Sustainability Reporting Directive (CSRD), OVS will assess the need to integrate, for the next reporting year, the analysis of impacts and risks within the materiality matrix through a new involvement of the stakeholders concerned.
- 13 The last survey was for the February/March 2021 period
- 14 The approach implemented by OVS is in line with the provisions of the principles of “Double Materiality” provided for by the proposed Corporate Sustainability Reporting Directive (CSRD), following the revision process of the Non-Financial Reporting Directive (NFRD).
- 15 The priority level was calculated as the average between internal and external significance.
- 16 The current macro-economic and geopolitical scenario was also assessed, influenced by the Ukraine-Russia war, which could affect internal impacts linked to uncertainty in the supply of raw materials and external impacts linked to a potential worsening of CO2 emissions due to the energy crisis caused by the conflict.
- 17 See note 16.
- 18 The slight deterioration in the risk index was due to some news stories related to sourcing in Myanmar that affected OVS. Given OVS’s substantial extraneousness to the events mentioned, this circumstance was classified by Sustainalytics as having a “low impact”, although it led to a slight revision of the rating.
- 19 Copyright ©2021 Sustainalytics. All rights reserved. This [publication/article/ section] contains information developed by Sustainalytics ([www.sustainalytics.com](http://www.sustainalytics.com)). Such information and data are proprietary to Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for information purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at: <https://www.sustainalytics.com/legal-disclaimers>.
- 20 The Group has begun the process of analysing and collecting data and information relating to GRI 207-4 indicator “Country-by-country reporting”, which will be disclosed in future reports.
- 21 Tax offences include: fraudulent declaration by means of other artifices, untrue declaration or omitted declaration; issue of invoices or other documents for non-existent transactions, as well as concealment or destruction of accounting documents, undue compensation or fraudulent evasion of tax payments.
- 22 Local suppliers are companies based in Italy or in the European Union. Expenses for goods and ancillary services not related to the product (e.g. consultancy, leases, furniture, etc.) are categorised as “non-goods” purchases.
- 23 The figure does not include non-EU countries, which account for over 95% of the OVS Group’s total costs.
- 24 The data shown refers only to OVS S.p.A.
- 25 Following the coup d’état, which took place in February 2021, the stability of the country was significantly compromised, making the system of control of suppliers complex. For this reason, OVS chose to rationalise its presence in the country, keeping active only those partnerships that guaranteed good environmental and social performance.
- 26 Compared to other sections of the NFS in which reference is made to the production volume covered by suppliers active on Higg using the retail selling price, in this table this data is valued on the basis of the purchase cost of goods for greater consistency with other tables in the section.
- 27 With the goal of providing a better view of the distribution of the corporate population, new, more representative age groups were introduced.
- 28 With the aim of providing a better view of the distribution of the company’s population, new, more representative age brackets have been introduced, which are currently not yet reportable by foreign companies. With the next NFS, the data will be integrated.
- 29 In order to calculate inbound and outbound turnover, the number of employees hired/leased is compared to the total number of employees, with relative details by contract type, age group and gender.
- 30 In order to calculate inbound and outbound turnover, the number of employees hired/leased is compared to the total number of employees, with relative details by contract type, age group and gender.
- 31 This figure does not include foreign companies, this reporting perimeter represents approximately 95% of the OVS Group’s employees at 31.12.2022.
- 32 In general, for 2021, training focused on permanent staff; for this reason, the calculation of average hours broken down by professional category does not include fixed-term contract staff in Italy.
- 33 In 2021, only on-the-job training was provided in Pakistan, Turkey, Serbia, China, and HK.
- 34 The figure does not include foreign companies for which it is not statistically significant. In any case, the reporting perimeter represents 93% of the employees of the OVS Group at 31/01/2022.

35 This figure does not include foreign companies for which risk assessments have been conducted that have determined a low level of health and safety risk. This reporting boundary represents approximately 95% of the OVS Group's employees as at 31/12/2022.

36 A 'serious' injury, as defined by GRI Standards, is an injury that results in an absence of 180 days or more.

37 In 2020, 19 accidents occurred, the figure has been revised following the change of the partner company responsible for managing Health and Safety issues at the Pontenure warehouse.

38 The figure does not include foreign companies. This reporting boundary represents approximately 93% of the OVS Group's employees as at 31/12/2021.

39 In the calculation of per capita consumption, the consumption recorded in the calendar year is compared with the staff as at 31/01/2022. In addition, note that the table excludes consumption of fossil fuels for motor vehicles, which is reported separately below.

40 The Pontenure warehouse is a highly automated plant, so the energy intensity compared to the number of people on site is not very significant. We report instead the one related to square meters.

41 See previous note.

42 In the calculation of per capita consumption, the consumption recorded in the calendar year is compared with the staff as at 31/01/2022.

43 For the calculation of CO<sub>2</sub>e emissions, the DEFRA 2021 factor was used.

44 The figure is compared to 2019 because 2020 was impacted by significant effects due to the Covid-19 pandemic.

45 Compared to the NFS published last year, the emissions value has been adjusted as the calculation methodology has been standardised using DEFRA emission factors for fuels and EPA for refrigerant gases. In addition, the Pontenure warehouse has been included in the perimeter. Although the latter is managed by a third-party company, it falls entirely under the operational control of OVS.

46 For the calculation of CO<sub>2</sub> emissions, TERNA 2019 and DEFRA 2021 factors have been used.

47 See previous note.

48 The figure is adjusted from the previous NFS (775 tCO<sub>2</sub>e) for the use of a different emission factor consistent with the new methodology adopted during 2021.

49 Due to a significant increase in the business related to the category home, a possible change in the perimeter considered will be considered during the year.

50 Scope 3 emissions category 1 reduction targets are limited to raw materials, processing and packaging related to house-brand apparel products, which account for 85% of Scope 3 emissions.

51 Fresh water is defined as water containing ≤1,000 mg/l total dissolved solids.

52 The WRI tool, available on the WRI website, was used for the analysis of water stress areas: <https://www.wri.org/our-work/project/aqueduct> and the results in the "baseline water stress" column were taken into account.

53 It should be noted that the data relating to waste refer to the Italian perimeter and include the Pontenure warehouse.

54 During 2021, a new way to collect disposal and recovery data was introduced.

55 The data shown are estimated from the weight of each product ordered.

56 For details see p.116 par 'Risk monitoring and management'.

57 The Scope 2 emissions figure is up 28.5% from the 2019 baseline defined for the decarbonisation plan, despite significantly lower overall energy consumption. The information on which the calculation is based has been subjected to an analysis, which has shown that the emissions avoided in 2019 thanks to certified renewable energy are attributable to the issuance of Guarantee of Origin certificates in excess of the consumption actually achieved by directly contracted users. Refer to "Environment - Energy Consumption and Emissions" under the Annual report section in the 2021 Non-Financial Statement for a supporting argument for 2021 performance.



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