



**CONSOLIDATED NON-FINANCIAL
STATEMENT
(LEGISLATIVE DECREE 254/2016)**

FY 2023

Table of contents

VISION	5
INTERVIEW WITH STEFANO BERALDO, CEO OVS SPA	5
OUR BRANDS	7
KEY NUMBERS	8
OUR PATH	9
TOWARDS CARBON NEUTRALITY	9
NEW STRATEGIC SUSTAINABILITY PLAN	10
OVS CIRCULAR OPERATING SYSTEM	12
INTERVIEW WITH SIMONE COLOMBO, HEAD OF CORPORATE SUSTAINABILITY OVS SPA	13
DESIGN FOR CIRCULARITY	16
OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)	16
MORE SUSTAINABLE MATERIALS	17
COTTON: THE MOST IMPORTANT FIBRE	18
POLYESTER: TOWARDS ALTERNATIVES	19
BOX: ALTAVIA BY DEBORAH COMPAGNONI: WITH OVS SPORT IS FOR EVERYONE	19
WOOL: REDUCING THE IMPACT	20
VISCOSES: MORE FOREST-FRIENDLY	20
DENIM: CONTINUOUS INNOVATION	20
INTERVIEW WITH ADRIANO GOLDSCHMIED, DENIM FASHION DESIGNER	22
BEING FAIR AND TRANSPARENT	25
OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)	25
CODE OF CONDUCT	26
WAGES AND WORKER REPRESENTATION SYSTEMS	26
BANGLADESH, A STRONG AND LASTING PARTNERSHIP	28
TOWARDS A LIVING WAGE IN BANGLADESH	28
EIS EMPLOYEE INJURY SCHEME	29
INTERVIEW WITH ANNE MARIE LA ROSA - HEAD OF ILO - INTERNATIONAL LABOUR ORGANISATION FOR EIS	
BANGLADESH	29
ENERGY EFFICIENCY PARTNERSHIPS	30
PARTNERSHIP FOR WORKERS' WELFARE	31
OUR PRESENCE IN MYANMAR	31
CONTINUOUS MONITORING	31
WOVO, THE APP THAT GIVES WORKERS A VOICE	32
SECTOR COLLABORATIONS	33
DESIGN A BETTER WORK	35
OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)	35
LIFE IN OVS	35
NEW SPACES FOR SOCIALITY AND WELL-BEING	35
FROM JOB SEARCH TO PROFESSIONAL GROWTH	36
#WEARYOURCHANCE	36
OVS ON CAMPUS	36

OVS INTERNSHIP PROGRAMME	37
THE FIRST STEPS IN OVS	37
STORE EXPERIENCE	37
TRAINING AND SKILLS DEVELOPMENT	38
ASSISTED SALES	38
LEADERSHIP PROGRAMME	38
PRODUCT TRAINING	39
STORE MANAGEMENT SCHOOL	39
OVS PER ME	40
WELFARE	40
WELL-BEING	40
PARENTING	40
THE VALUE OF REMUNERATION	40
NEW WORK ORGANISATION	41
WHAT CAN OVS DO TO IMPROVE ITS IMPACT ON THE PLANET?	42
 MAKING FASHION A BETTER CHOICE	 44
 OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)	 44
TRANSPARENCY FIRST	44
CUSTOMER AWARENESS	45
ECO VALUE: CLEAR INFORMATION FOR SUSTAINABLE CHOICES	45
IN-STORE COMMUNICATION VIA PANELS	46
SUSTAINABILITY AND CIRCULARITY FOR THE OVS CUSTOMER	46
INTERVIEW WITH FILIPPO PICCIONE - RETAIL DIRECTOR ITALY	47
UNSOLD STOCK MANAGEMENT AND RECONDITIONING MECHANISMS	49
THE NUMBERS OF RECONDITIONING	49
CHOOSING ITEMS FOR RECONDITIONING	49
THE ADVANTAGES	50
RE-UP. THE FUTURE IS NOTHING NEW	50
A SECOND LIFE FOR USED CLOTHES	52
EARTH DAY 2023	52
CHRISTMAS JUMPER	52
 DETAILS	 54
 OVS GROUP PROFILE	 54
GROUP STRUCTURE	54
HISTORY	54
OPERATING MODEL	56
ORGANISATIONAL STRUCTURE	57
MISSION AND VALUES	57
CORPORATE GOVERNANCE	58
SUSTAINABILITY GOVERNANCE	61
REFERENCE FRAMEWORK	62
COLLABORATIONS WITH SECTOR ASSOCIATIONS	64
STAKEHOLDERS AND MATERIALITY	64
STAKEHOLDER MAP	64
METHODOLOGICAL APPROACH	67
INTERNAL ASSESSMENT OF IMPACTS	68
DIALOGUE WITH STAKEHOLDERS	69
VALIDATION OF MATERIAL TOPICS	69

ENTERPRISE RISK MANAGEMENT AND MANAGEMENT OF NON-FINANCIAL RISKS	77
THE INTERNAL CONTROL SYSTEM	81
CODE OF ETHICS	81
ORGANISATION, MANAGEMENT, AND CONTROL MODEL	82
WHISTLEBLOWING	82
CORPORATE SOCIAL AND ENVIRONMENTAL POLICIES	83
AUDIT ACTIVITIES	83
INDICATORS BREAKDOWN	83
ECONOMIC AND FINANCIAL PERFORMANCE	83
APPROACH TO TAXATION	84
SUPPLY CHAIN	85
HUMAN RESOURCES - WORKFORCE	88
HUMAN RESOURCES - TURNOVER	92
HUMAN RESOURCES - PARENTAL LEAVE	96
HUMAN RESOURCES - TRAINING	97
HUMAN RESOURCES - REMUNERATION	99
HUMAN RESOURCES - HEALTH AND SAFETY	101
HUMAN RESOURCES - PERFORMANCE APPRAISAL	104
ENVIRONMENT - ENERGY CONSUMPTION	105
ENVIRONMENT - SCOPE 1 AND 2 CO ₂ EMISSIONS	108
ENVIRONMENT - BASELINE REVIEW 2019 SCOPE 3	110
ENVIRONMENT - CO ₂ EMISSIONS SCOPE 3	110
OVS APPROACH TO CARBON NEUTRALITY	113
ENVIRONMENT - WATER CONSUMPTION	113
ENVIRONMENT - WASTE	115
PRODUCT AND RAW MATERIALS	118
EUROPEAN TAXONOMY	121
INTRODUCTION TO EU REGULATION NO. 2020/852 ON TAXONOMY	121
THE OVS ELIGIBILITY AND ALIGNMENT ANALYSIS	121
SUBSTANTIAL CONTRIBUTION	122
DO NO SIGNIFICANT HARM	122
MINIMUM SAFEGUARDS	125
KPI CALCULATION METHODOLOGY - ACCOUNTING POLICY	126
DISCLOSURE OF ACTIVITIES RELATED TO NUCLEAR AND FOSSIL GAS	134
METHODOLOGICAL NOTE AND READING GUIDE	135
GRI CONTENT INDEX	137
EXTERNAL ASSURANCE	146
SUSTAINABILITY-LINKED BOND	149

VISION

Interview with Stefano Beraldo, CEO OVS Spa

What distinguished the year just ended?

In 2023, our growth continued. We have achieved a market share approaching 10%. For the third year in a row, growth is mainly due to the good performance of existing stores. Despite this, we are in line with our plans to reduce our impact in absolute terms, which leads to an even better result when considered on a like-for-like basis than in previous years.

All this is the result of the changes introduced in recent years. We have improved the quality and stylistic content of the product, and are able to satisfy a wide range of customers with different needs. We dedicate more and more attention to the various lifestyles that characterise the plurality of our customers, to each of which we match a dedicated product type, and often a brand capable of representing it.

Alongside this evolution is the path we started almost ten years ago to limit the negative impacts of our business. Our commitment to decarbonisation, in order to achieve the targets approved by the Science Based Targets initiative, continues and drives the company's strategies on store energy efficiency and material portfolio evolution.

How is the product offering evolving? What role does sustainability play in the design of collections?

We are moving into new product segments. These include the world of sport. An important milestone this year was the launch of Altavia, the ski collection designed in collaboration with Deborah Compagnoni. We want to reach all athletes who are looking for garments that combine quality and surprisingly affordable prices, always with an eye on product sustainability features. The padding of Altavia jackets and trousers are 100% recycled polyester, as are the sweatshirts and thermal underwear, and the next fall-winter collection will see a further increase in the use of recycled materials, also in the fabrics of the jackets and trousers.

The collaboration with Adriano Goldschmied is also a step in the long-term project on product sustainability. The denim strategy includes experiments with low-impact dyes and materials and the introduction of an increasing percentage of recycled fibres.

What role can OVS play in the business transition towards more circularity?

Thanks to the capillarity of the sales network, OVS can address the awareness of millions of people. The path towards transparency is well established. This year for the third time we came first in the Fashion Transparency Index compiled by Fashion Revolution. With the Eco Value indicators, we provide our customers with all the information they need to make informed purchases.

Fashion is, by its very nature, change and the life cycle of products is to a large extent linked to market dynamics. Now the challenge is to continue to improve the durability of the garments we sell. With this objective, and thanks to more efficient purchasing and production processes, we are working to propose an offer characterised by greater quality and style that will last over time, while maintaining affordable prices. It is also necessary to involve the customer in this process by offering in-store services that can help extend the life cycle of garments: recycling, reuse, tools for repairing and customising used products.

What goals does OVS have in the short and medium term?

I am a great believer in experimenting with more sustainable business models that, although limited, are strategic. I am thinking of the financing of cotton cultivation in Sicily, but also of all the potential innovations in the field of textile fibre recycling and the reuse of clothes. During 2023, activities continued to develop the technological innovation and logistics hub in Apulia. It is the place where projects dealing with circular economy issues and potential applications of artificial intelligence will be channelled.

Our brands

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.

The brand has increasingly evolved from a vertical retailer model towards a platform logic, both physical and virtual, with the introduction of a curated selection of iconic brands and innovative propositions, each catering to a specific lifestyle.

With around 1,300 stores, OVS is present in Italy and abroad, in major city centres, shopping centres and residential areas.

OVS KIDS

Brand leader in the Italian children's clothing market, with a double-digit market share.

Its target audience are children, 0 to 15 years old, with a competitive, high-quality offer that pays great attention to the selection of certified raw materials and the creation of garments that are both stylish and practical.

It is present in Italy and abroad with direct and franchise stores.

PIOMBO

Contemporary brand of clothing for men, women and children, designed by Massimo Piombo. The collections express the taste and talent of the well-known Italian designer in the research of fabrics and care for details and combinations of shapes and colours.

It is present in Italy with shop-in-shop in over 500 OVS stores and with a flagship store in Cortina d'Ampezzo. From 2023, it started an international expansion project, opening new stores in New York, Madrid and Paris.

UPIM

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.

It is present in Italy and abroad with more than 300 full-format stores, most of them direct, in city centres, shopping areas and residential areas, and with a shop-in-shop formula inside the hypermarkets of major retail groups.

BLUKIDS

Blukids is a brand specialising in clothing for children aged 0 to 15. It proposes garments that are certified and of high quality, always at a competitive price.

Blukids is present with 350 stores in Italy and abroad and with more than 300 corners in Upim stores.

LES COPAINS

Iconic Italian brand, acquired by OVS S.p.A. in 2022, which stands out for its versatile and refined style, aimed at a contemporary woman who chooses to express herself with elegance at different times of the day.

Les Copains is present on the market with stand-alone stores and corners inside Upim stores.

CROFF

Italian brand for home decoration dedicated to those who love easy, informal contemporary design, to be experienced and lived in every day. Italian design products, with unique style and excellent value for money. The collections, with their unique style and excellent value for money, are the result of a careful selection of European and international manufacturers.

CROFF is present in Italy with stand-alone, shop-in-shop formats in Upim stores, city centres, shopping areas and residential areas.

STEFANEL

Italian contemporary clothing brand dedicated to women, famous for the design and quality of its knitwear. Founded in 1959, it has been part of the OVS Group since 2021.

Acquired by the OVS Group in 2021, it is present with more than 100 stores in Italy and abroad, with direct and franchised stand-alone formats, and with corners inside department stores.

Key Numbers

- Stores worldwide: 2,245
- Employees worldwide: 8,280
- Revenue: Euro 1,535.6 million
- Group Market Share: 9.6%
- OVS brand global awareness: 94%

Our Path

In recent years, we have been witnessing a paradigm shift in the fashion industry driven also by increasing regulatory and media attention to the social and environmental impacts generated by clothing production. At European level, emerging regulations reflect this growing awareness, incentivising companies to review their practices and business models. Concepts such as “carbon footprint”, “circularity” and “biodiversity” have become central to corporate strategies. Regulatory and social pressures have also led companies to review their supply chain management, adopting stricter due diligence practices to ensure product traceability and respect for workers' rights throughout the supply chain. Companies in the fashion industry today face a crucial challenge that requires a strong adaptation to the new context.

In this scenario, consumers also play a key role: although awareness and attention are high, only effective and transparent communication by companies can guide them towards more sustainable, intentional and conscious choices. Consumer confidence depends on the ability of brands to demonstrate a genuine commitment to sustainability and provide clear information on the origin of materials, working conditions and the environmental impact of their products.

One of the founding values of OVS has always been transparency, that distinguishes our way of thinking, acting and telling. We decided to embark on our sustainability journey several years ago: this has allowed us to learn from our mistakes and also to achieve ambitious goals, thus paving the way for a successful current paradigm shift.

In a rapidly changing landscape, we are aware that adapting to new environmental and social requirements is no longer a choice, but a pressing necessity for companies in our industry that aspire to thrive in the market of the future.

Towards carbon neutrality

In 2023, we continued the decarbonisation plan according to scientific parameters approved by the Science Based Targets initiative. We are on track with our plan to reduce emissions (by 46.2% by 2030 compared to the 2019 baseline) and thanks to all the activities we have carried out in recent years, we have thoroughly understood the structure of our carbon footprint and identified more and more precisely the elements that influence it.

In the course of 2024, the year in which the Sustainability-linked bond cycle will end, we will report on the objectives achieved and at the same time define new targets, setting a new baseline to bring it more in line with the changed company organisation, which sees a growth in third-party brands, an increase in the incidence of e-commerce and more space for previously more marginal sectors such as cosmetics and perfumery.

As far as direct impacts are concerned, we will continue with our strategy of investing in the creation of new renewable energy sources, rather than purchasing certified renewable energy produced by third parties. We will continue our programme of installing photovoltaic systems throughout Italy, which has led us to have more than 50 systems by 2023, with the goal of fully covering 40% of our electricity needs through photovoltaics. We will achieve this through the

installation of self-generation plants with on-site exchange and through investment in larger photovoltaic parks and simultaneous activation of PPA.

ESG Risk Rating: OVS in first place in the Fashion segment

The correct identification of the areas of action and the quality of the results achieved have been confirmed by in-depth studies with investment funds that are shareholders in OVS and independent assessments by sector analysts. In January 2024, the OVS ESG Risk Rating is 9.1 in the "Negligible" category, placing the company in 1st place out of 208 (where 1st place is the company with the lowest risk rating) in the "Textile & Apparels" sector assessed by Sustainalytics.

New Strategic Sustainability Plan

The coming years will be crucial to achieving climate neutrality goals and avoiding irreversible consequences on the ecosystems in which we operate. According to scientific evidence (IPCC report), 2025 is the year by which emissions will have to peak and then fall rapidly and steadily. By 2030, in addition to achieving the 17 Sustainable Development Goals, Europe has set itself the target of reducing greenhouse gas emissions by at least 55% compared to 1990, in order to achieve climate neutrality by 2050.

With the awareness that, in order to have tangible results by these dates, it is necessary to set even more challenging targets, in 2023, the Group worked hard and in a structured manner to define a new Strategic Sustainability Plan for the 2024-2026 time horizon. With the new Plan, the Group also intends to consolidate its efforts in all priority impact areas, going beyond commitments on emissions reduction, giving centrality to social impacts along the value chain and defining the basis for a new production and operational paradigm, centred on circularity.

The 4 key pillars of Group sustainability are outlined below:

- Design for circularity

We support the transition to a more sustainable fashion industry by designing and producing garments characterised by low-impact raw material choices and production processes, and by engaging in a constant search for innovative solutions that protect and preserve natural resources.

- Being fair and transparent

We activate our suppliers and the entire business ecosystem in sustainable development programs, accompanying them in their evolution towards innovative practices and leveraging transparency as the key to change.

We promote continuous collaboration with our value chain with the aim of strengthening interdependence and thus amplifying the social and environmental impact of our operations.

- Design a better work

We are committed to making our people protagonists and ambassadors of a sustainable and responsible lifestyle, from a social and environmental point of view, with the aim of making our direct activities an engine of growth for the communities in which we operate.

We promote inclusive practices and spaces, creating favourable conditions for the development of a flexible and inclusive culture.

- Making fashion a better choice

We are committed to being transparent to our customers by providing comprehensive information on the quality and sustainability of our products, stimulating conscious purchasing and usage choices, and accompanying them on a path of evolution towards increasingly virtuous behaviour.

For each of the pillars, macro-objectives have been identified and are summarised in the following table:

Pillar	Macro-objective	Description
Design for circularity	90% of the assortment according to "Better products" criteria by 2030	Implementation of strategies and guidelines to increase the use of materials with a lower environmental impact
Design for circularity	Activation of closed-loop production with post-consumer recycled materials	Launch of a circularity programme and revitalisation of the second-hand collection and sorting process
Design for circularity	Extending product durability	Development of a programme and solutions dedicated to extending the life of garments
Being fair and transparent	New programmes for involving suppliers in decarbonisation projects	Activation of a support plan aimed at suppliers to define a decarbonisation programme involving suppliers representing 80% of production volume
Being fair and transparent	Implementation of employee representation systems towards Living Wage adoption	Supporting the adoption of democratically elected worker representation and collective bargaining systems aimed at progressive alignment with the living wage for the countries where OVS operates
Design a	Strengthening the	Continuous training and creation of moments of

better work	culture of sustainability through internal engagement programmes	involvement and empowerment of employees, reinforced by the achievement of certain certifications
Design a better work	Plan to reduce the environmental impact of headquarters and stores	Identification of the areas of greatest impact in OVS facilities to structure the most significant interventions
Making fashion a better choice	Adaptation of the Green Claim Directive	Integration of information on the production chain (see Digital Product Passport), impact data (with the refinement of Eco-Value), garment durability and end-of-life destination.
Making fashion a better choice	New product traceability available to customers	
Making fashion a better choice	CSRD compliance programme	Review of the reporting process with gap analysis activities against ESRS standards and adoption of integrated reporting tools, with a view to first publication in 2025

More operational targets have also been identified for each macro-objective, broken down by function, which will be progressively defined and communicated.

The document was drawn up thanks to the extensive involvement and commitment of the entire company management, in order to define objectives that are synergic with the company's business strategies and shared by all.

The Plan was subsequently shared first with the Risk and Sustainability Control Committee and then with the Board of Directors, together with the Business Plan of which it is an integral part, demonstrating the relevance recognised by the company to sustainability issues.

OVS Circular Operating System

During 2023, we fine-tuned our circularity strategy by developing the "Circular Operating System" programme. The programme is aimed at integrating circularity into the OVS business, building a model for the management and reuse of waste both pre-consumer (unsold stock) and post-consumer (used garments).

Our ambition is to become a national point of reference for consumers, enabling the activation of various circularity initiatives with positive environmental and economic impacts, and setting ourselves apart from our competitors.

Eco-design: to date, the Eco-design strategy focuses on reducing impact in the production phase. The aim is to extend the design of durable, biodegradable and recyclable garments so as to influence their recyclability and reusability.

Pre-consumption: we have industrialised the process of managing unsold goods, guaranteeing the reconditioning of a 60% share. The aim is to further optimise the criteria and modalities of this process in order to maximise reuse.

Post-consumption: to date, we already have programmes in place on the collection of used garments at stores and we are testing various initiatives to maximise their value by extending their useful life, putting them to new uses or enabling the recycling of fibres into new garments, with the ultimate aim of building a second-life management model for garments on an industrial scale.

BOX: TRENDS AND CRITICAL ISSUES RELATED TO TEXTILE WASTE

High production of textile waste: 11 kg garments per citizen per year (EU)

Limited post-consumer circularity practices: 1% used garments actually recycled into new textile fibres globally

Interview with Simone Colombo, Head of Corporate Sustainability OVS Spa

What are the main new features of the new Strategic Sustainability Plan 2024-2026?

A key element of the new sustainability plan is its integration into the company's business plan, with a direct influence on budgeting. To give an example, when projecting the purchase costs of the product, we have taken into account those cost increases due to sustainability targets that we used to present separately: in order to be able to implement them, therefore, we have already planned a certain evolution of the purchase costs. It is not a foregone conclusion and is a necessary condition to trigger real business change.

The plan takes the four pillars "Design for circularity", "Being fair and transparent", "Design a better work", "Making fashion a better choice" and reworks them with new objectives or revisions of existing objectives in a more challenging key. For example, having almost reached the target of the previous plan in terms of offering more sustainable products (we are at 89% and the target was 90% by 2025), we are going to re-evaluate our guidelines to define even more stringent sustainability criteria, so as to amplify the scope of our impact reduction. In addition, thanks to the OVS Circular System project, we will activate a "close loop" production, making garments by recycling materials that we will recover from our sales network; we will also work on extending the useful life of products, rethinking for example the minimum acceptance standards so as to choose materials that will have higher resistance.

At this point, what new goals do you set yourself on the materials front?

We will continue to focus on product development and material research in order to achieve ever more ambitious goals. By far the predominant fibre in our garments remains cotton: over the years, we have reduced the impacts of producing this material through a sourcing strategy that favours more sustainable alternatives, from organic to recycled or cotton grown according to the Better Cotton standard.

We then took a further step by launching OVS Cotone Italiano: due to the complexities involved, it is obviously still a project still in the testing phase, but our goal is to approach 5% of our cotton requirements from cultivation in Italy within a few years.

As for our second material, polyester, we will continue to reduce the percentage of synthetic fibres by increasing the use of natural or recycled fibres, in continuity with what we have been doing for some years.

We will then define a product durability indicator that takes into account both technical and stylistic characteristics. We are aware that fashion is a means of expressing one's personality and freedom. However, we will try to reconcile the need to express oneself through one's own style with the choice of a garment made with the need to limit resource consumption in mind.

New challenges in view of circularity?

Our goal is to become an increasingly circular company, accelerating the transition to a system that extends the life cycle of raw materials and products as far as possible. That is why we have set up a company, "OVS Innovation and Sustainability", which is carrying out the FASHION RETAIL RELOADED project: it envisages the construction of a logistics plant in Apulia with an investment of around Euro 30 million.

It will not only be a technologically advanced warehouse, but also a centre for innovation and research in digitalisation and circularity. The aim is to try to build an operating system for the circular economy, i.e. to do industrial research to identify enablers for new processes within the company, to build a circular economy in the fashion industry. We have a plan to hire 125 people by 2025 and we are working in collaboration with the Polytechnic University of Bari for research activities.

The idea is that of a sorting centre, analysing the products and redistributing them to the best channels for the recovery of garments or their materials, using artificial intelligence applications.

At the same time, we are studying other initiatives that serve to give a comprehensive view of the topic of circularity, so as to raise awareness of the importance of extending product life.

The OVS sustainability strategy started in 2016 with a high priority: to reduce the impacts generated by garment production and company activities. Is it sufficient to continue to act only on the responsible production front? What can be the new frontier towards which to strive?

Responsible production means, for example, using recycled materials and natural colours, using controlled chains and reducing the waste of resources, water above all. Some more and some less, at different levels of maturity, have identified solutions to be more sustainable on the

production side. The line is drawn, we already know what to do; probably not all the necessary technologies are there yet but they will surely come.

The problem, however, is that using more virtuous materials is not enough to turn the tide and meet our decarbonisation targets: there are various studies that prove this. The only way to achieve this is to rethink a consumption model that created needs and then met them, amplifying them. It is up to companies to try to drive a change towards responsible consumption by making it part of their business objectives: we show a way, accompanying our customers along the way. This is why the Circular Operating System project is central to the sustainability strategy, because it enables innovation fronts that look at what happens after the sale.

What has been achieved in 2023 in the area of protection of workers' rights in the supply chain and what are the next challenges to be overcome?

We have renewed our participation in Accord, which is a central element of the company's supply chain management: from 2024, it will also cover Pakistan. We have also chosen to finance an insurance fund against occupational accidents and injuries in Bangladesh in cooperation with the International Labour Organisation. We reached 100% of our Tier 1 suppliers on the Worldly platform (formerly known as Higg), which was among other things a target of the Sustainability-linked Bond. Of the production volume, 92% comes from suppliers with verified environmental performance (FEM), 70% for social performance (FSLM). Now that we have achieved this level of commitment from Tier 1 suppliers, we will also start to climb the mountain of the higher tiers: we already have over 200 indirect suppliers active on Worldly.

We are also making our periodic supplier evaluation programme more targeted and effective, in a logic of proactive intervention to anticipate critical situations, recording good willingness to cooperate on the part of our suppliers. We partially revised our strategy in Myanmar by streamlining our presence in the country and activating, in addition to what we were already doing, a series of completely unannounced audits on all factories. The first results have already emerged and, where necessary, we have started to address the critical issues with the first suppliers, jointly defining a formally signed repayment plan.

DESIGN FOR CIRCULARITY

- 90% more sustainable products
- -10% raw material-related CO₂ emissions compared to 2019
- new sustainability strategy on denim

We want sustainability to be a feature of all our products. We therefore work to identify solutions that can be applied pervasively to our collections. For this reason, 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. Today, 90% of our collections are more sustainable, because they are made by choosing more virtuous materials and processes, also with a view to circularity, without compromising the style and quality of our products. To achieve this result and to improve our performance in the coming years, we have developed the “Better Products Criteria”, a set of requirements that our garments must have to be considered and declared better.

In 2023, we also have:

- the OVS Cotone Italiano and RE-UP product programmes are fully operational, small productions that embody our vision of the future and that we will strive to ensure become an integral part of future collections;
- increased use of materials from certified low impact supply chain;
- developed programmes for increased use of recycled fibre;
- defined and implemented a new sustainability strategy on denim collections

Our contribution to the Sustainable Development Goals (SDGs)

Responsible consumption and production

We are committed to reducing the impact of our products throughout their life cycle, through constant research into innovative solutions in terms of processes and raw materials, with the aim of protecting and preserving the environment. Where possible, we endorse the use of natural products grown using more sustainable methods, such as organic cotton and Better Cotton, we use recycled materials, such as reclaimed polyester, and we ensure that natural ecosystems are respected in the production of our garments and packaging, such as 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 saving practices in manufacturing processes, innovate in denim production and encourage and support our suppliers in strict wastewater management.

More sustainable materials

We want to reduce our impact on the planet by focusing on fibres of renewable origin, which account for 72% of the total materials used. However, we are aware that this is not enough: we have therefore developed the “Better Products” criteria.

In order to be identified as a “Better Product”, the product must fulfil at least one of the following criteria: be produced with one or more fibres chosen from among the most sustainable alternatives; have a production process with a lower impact; have obtained a social or environmental certification of the finished product; be the result of a special social impact project or upcycling.

In 2023, we reached about 90% Better Products of the total assortment, also ahead of our target for 2025. For the future, we want to maintain this result while defining more stringent criteria, with a view to greater sustainability.

The choice of fibres is decisive for this, increasing the proportion of more sustainable materials compared to conventional ones.

Material	2023		2022	
	% of material on total collection	% better material	% of material on total collection	% better material
Cotton	64.68%	100% (organic, recycled or Better Cotton)	67.15%	100% (organic, recycled or Better Cotton)
Polyester	18.81%	22% (recycled)	15.96%	16% (recycled)
Cellulosic materials	4.23%	63% (FSC or other certification)	4.09%	61% (FSC or other certification)
Polyamide	2.60%	5% (recycled)	3.28%	4% (recycled)
Other materials	9.68%	-	9.52%	-

BOX: EMISSION REDUCTION 2023

Product-related emissions were reduced by around 17% compared to 2019, thanks to an improved material mix that favoured recycled over conventional materials and a procurement process that facilitated the reduction of air travel as a means of transport.

Cotton: the most important fibre

Cotton is the main material in our collections. Aware of the impact of traditional forms of cultivation, we have always taken special care to purchase the most sustainable cotton: as of 2021, 100% of our cotton is organic, recycled or grown according to the Better Cotton Standard, the leading global programme promoting agricultural practices to improve the impact of the cotton industry on the environment and people.

In 2022, we set ourselves a more challenging goal: to produce an entirely Italian organic cotton yarn, to rebuild the link between the agricultural and textile supply chains, two excellences of our region. We thus created the OVS Cotone Italiano collection, which in April 2023, brought to our stores a high quality product entirely Made in Italy, from the field to the shelf: a collection of t-shirts for the spring-summer season.

Managing the production of the raw material was a particularly ambitious project, which allowed us to directly control the impacts along the entire supply chain, both on a social and environmental level, and to be more precise in data collection. We have used the tracer patented by Haelixa applied to the cotton during ginning: a unique identifier that makes it possible to verify the origin of the material at any stage of the product life. Thanks to this tracking process, we can guarantee the origin of the raw material along the entire supply chain up to post-sale.

A further added value of the project was that it was possible to reduce the average distance commonly used by cotton to get from the field to the store.

In 2023, we continued the production of OVS Cotone Italiano, collecting 20 tonnes of cotton and producing a collection of around 25,000 men's/women's T-shirts in various colours for spring-summer 2024. The shirts were produced in Greece where there is a ginning plant large enough for the amount of cotton we had to process, a facility that is currently lacking in Italy.

We used a natural dye, NearArt®, made from minerals extracted from European quarries (mainly in Italy, France and Cyprus) by mechanical means only, without using water or chemicals.

A production that we will also continue in autumn-winter 2024 and that we intend to develop further in the coming years, until we cover approximately 5% of our total cotton requirements for all our collections.

BOX: Partnership with the University of Catania for the development of a regenerative protocol

As part of the Cotone Italiano project, OVS signed an agreement with the University of Catania for the co-financing of an innovative PhD scholarship. The study will investigate the effects of the reintroduction of cotton cultivation in Sicily under organic farming, in order to arrive at the definition of a low-input cultivation system through the adoption of conservative agronomic practices that regenerate soil fertility.

The PhD project will investigate various aspects of applied research oriented towards meeting OVS innovation needs and in particular the development of natural fibre production systems. Research activities include:

- identification of the most suitable areas in Sicily for cotton cultivation;
- identification of varieties with a high capacity to adapt to the conditions of the Sicilian territory, but at the same time with a significant production potential and particular quality characteristics of the fibre;
- fine-tuning of cultivation techniques in organic farming with a focus on input reduction and water saving;
- valorisation of by-products with a view to the circular economy to create further added value from residual biomass in the green chemical sector;
- assessment and certification of the environmental, social and economic impact of cotton production through Life Cycle Assessment (LCA).

Polyester: towards alternatives

After cotton, the second most widely used fibre in our collections is polyester, a key material for its characteristics of resistance, water resistance and breathability. However, like all synthetic materials derived from petroleum, polyester is a non-renewable resource. This is why, for several years now, we have been progressively increasing the percentage of recycled polyester in our collections to 22% by 2023. We use it both for winter garments, such as fleece, and for summer garments, such as beachwear.

Modern polyester regeneration techniques allow the fibre to be reconstructed so that it maintains the same quality and performance standards as the virgin material. In its recycled version, polyester allows us to recover plastic waste (mainly PET bottles) that would otherwise end up in landfills and limit our dependence on fossil resources.

GRAPH: Recycled polyester in 2023: 22%

Our goal is to replace 100% of polyester and polyamide with recycled materials or renewable alternatives by 2030.

BOX: Altavia by Deborah Compagnoni: with OVS sport is for everyone

In recent seasons, we have enriched our assortment by launching new collections dedicated to sportswear: in 2023, we debuted in the world of skiing and outdoor with a women's, men's and children's line designed by multiple world and Olympic champion Deborah Compagnoni.

In the design of “Altavia by Deborah Compagnoni”, we have paid special attention to the search for materials and shapes that combine design, quality and innovation at an affordable price, with a focus on sustainability: jackets and trousers are made of 100% recycled polyester, thermo-insulating and equipped with a waterproof membrane, as are the sweatshirts and thermal underwear.

Wool: reducing the impact

Wool is a renewable and biodegradable material. However, animal farming has a high environmental impact in terms of emissions. This is why we try to increase the percentage of recycled wool used in our collections.

GRAPH: Recycled wool in 2022: 11%

Viscose: more forest-friendly

Forests play a crucial role in preserving biodiversity, as well as removing CO₂ from the atmosphere and providing livelihoods, especially in poorer countries. Cellulose fibres extracted from wood are used in the clothing industry to create particularly versatile and popular fabrics: of the total fibres used by OVS, cellulose materials account for more than 4%.

To ensure sustainable management of this natural resource, we favour materials from forests managed according to the FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) standard and materials such as LENZING™ ECOVERO™ Viscose and TENCEL™.

GRAPH: Materials from certified cellulose: 63%

Denim: continuous innovation

For the OVS denim offering, which has always been our strength and specialisation, 2023 was a year of new progress in the direction of ever more pronounced sustainability. After having set ourselves the goal of having 100% of our assortment made with water-saving technologies by 2025 and having elaborated our “Denim Awareness” approach, which defines new production rules by integrating circularity elements, we launched a new project in collaboration with Adriano Goldschmied, a pioneer in blue canvas processing in Italy.

Goldschmied, founder or key player in the founding of companies such as Diesel, Replay and Gap 1969, revolutionised techniques and styles in the world of jeans.

Adriano shared his vision with us and together we set short, medium and long-term goals to limit impacts as much as possible, defining a clear roadmap to achieve them. Our mantra is

recyclability and regeneration of denim, and we are trying to invest in the direction of long-lasting products that are not easily worn out.

Paolo Lezza, Denim Product and Sourcing Developer

The main novelty of the new proposal is Blue Infinity, a type of dye created by the Pakistani company Crescent Bahuman, which we used exclusively for the Italian market for the FW 23 (and S/S 24) season on a selection of men's and women's garments. The Blue Infinity dyeing process saves up to 62% water compared to conventional indigo dyeing methods, as well as significantly reducing energy and CO₂ emissions.

We also launched the Zero Water collection, a capsule collection made from 100% recycled cotton fibres and produced using the innovative Zero Water Dyeing, which reduces water consumption to almost zero without releasing harmful chemicals into the environment.

"Our customers - particularly humans - are not always willing to pay a premium for this kind of sustainable production, so we are making an effort to reduce the selling price. It is up to us to make the customer perceive the pluses in terms of innovation and raise awareness of the sustainability component."

Silvia Bernardi, Assistant Product Manager

However, the OVS commitment in this area is much broader. In fact, our denim reduces its impact on the planet thanks to:

- Fewer chemicals: 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.
- More sustainable materials: By 2021, we have achieved 100% sourcing of cotton from more sustainable sources (organic, recycled or grown according to the Better Cotton Standard). In addition, starting with the AW 23 season, all our denim collections are made with 5% recycled cotton, a percentage that will increase to 10% in 2024.

BOX: PRODUCTION VOLUMES DENIM OVS SPA

- no. of denim garments in 2023: over 6 million
- no. of suppliers involved in major production countries: 7 in Bangladesh and 7 in Pakistan

Recycled fibres

- % recycled cotton throughout the collection: 5%

- % non-recycled polyester: 0%

Interview with Adriano Goldschmied, Denim Fashion Designer

How did the idea of the partnership with OVS come about and how did the collaboration develop?

I have always looked with interest at OVS because of its importance in the world of clothing in Italy, and I have been impressed by the company's skills, strategies and concrete, proactive path in the area of sustainability and circularity. This was the link that led us down a road together, an extremely solid glue. The collaboration developed along two lines. On the one hand, the search for sustainable paths without forgetting that sustainability must be combined with feasibility: OVS is a large company and therefore every choice has a considerable scope, both at industrial and distribution level. On the other, we have embarked on a design path, to get closer to consumers who are more sensitive to fashion trends.

In terms of sustainability, denim represents a challenge: have the strategy and skills acquired over the years by OVS been a brake or, on the contrary, an incentive to experimentation and creativity in designing the new collections?

OVS has decided to proceed in small but continuous steps in the same direction. Thus, each choice involves all initiatives at the level of design of products that are then sold in stores. Sustainability requires yes or no, there are hardly any roads in between that are valid. I deeply admire the determination with which this initiative is being pursued, with concrete results and significant implications, because OVS has the opportunity to influence the industrial choices of its suppliers, leading them to make certain choices that are all in the right direction. At the same time, my contribution in the area of design has been to bring a breath of innovation into the product area: starting from a very marketable approach, we have made great strides in terms of aesthetics.

So to say that sustainability limits the designer's creative freedom is just an alibi, a mental constraint?

Sustainability is certainly a constraint, but it should be seen in a positive light: creativity needs guidance, which very often can be determined by price but also by other factors. There was a symbiosis, in the sense that when I design for OVS I obviously keep in mind the feasibility of certain projects and on the part of OVS, there was a great openness to experimenting with innovative designs, shapes and fabrics.

When did you start approaching sustainability issues during your career?

I think I was the biggest polluter in the denim world: in the 1970s, we experimented with all the worst elements, stone wash, chemicals, a whole series of processes that we are now fortunately cancelling. For us, bleach was a big pot in which we boiled water, threw in indigo and then garments, and the whole backyard was practically a field ravaged by acid. My dog, a black Labrador, also paid the price. He jumped into the cauldron and his paws turned completely white. We were blissfully unaware of the scale of these innovations, which then spread to Asia and

created ecological disasters. When I realised this, I resolved to change course completely, so much so that in 1992, I created the first collection with a clear focus on sustainability by launching Tencel, which was in its infancy at the time.

One of the goals I have set myself is to bring the process of creating clothing products to zero impact. It will probably take a long time, but there are some very positive signs.

To recreate the typical worn-out effect of denim, it is necessary to first make and then remove. Do you see any technologies or stylistic directions that could change this approach, which goes against a logic of sustainability, but without distorting the product?

From a certain point of view, it is very similar to what happens in the creative process: I design something very complicated and elaborate, then I start to dismantle this complexity to try to make something much simpler and more meaningful. Well, it is a process that takes us back to the history of denim. Let us think about laundries: at the turn of the millennium, processes were extremely complex, often very manual and difficult to repeat on an industrial scale. There has been an evolution that, among other things, allows for the same quality of garments even in areas that are apparently not equipped. This has led to a kind of democratisation of both the industrial and the creative product.

What can fashion retail's role in sustainability be in the near future? Is it enough to try to bring the impacts of production to zero as much as possible, or is it necessary to move towards less consumption?

Consumer mania is clearly an obstacle. I am convinced of the need to introduce products into the market that have a longer life and avoid inducing obsessive consumption. I have no solution in my pocket: probably the only one is to find credible compromises. However, above all, it is important to be on the side of consumers, educating them to know how to choose the right products for them, not to throw anything away. In this sense, denim has positive aspects, because when wardrobes are emptied to make room for new products, jeans are the ones that are kept the most. The rest is destined for the scrap heap.

OVS is already working on prolonging the life of garments: what are the technical characteristics of denim to pay attention to in order to increase its durability?

When we talk about recycling fibres, every time we recycle we take a step backwards in terms of strength and durability: to increase durability we should theoretically use virgin fibres, long fibres, and so on. There is another factor to consider: the battle of the century is to move away from fossil fibres.

Given these aspects, in addition to the mechanical recycling process, it is necessary to switch to fibre regeneration, as well as to promote initiatives aimed at separating polyester from other fibres because 70% of the garments in circulation have a polyester component. This makes us realise that apart from the design of new garments, the real problem is the huge amount of garments in circulation that we basically do not know what to do with.

OVS in this area could actively promote innovation in the right direction - which we already do, because our collaborations with many of our suppliers go far beyond "I buy you and I sell you", but are characterised by research into new products, experimentation with new technologies. And OVS deserves credit for that, because experimenting means taking paths that very often lead to

a dead end: but those few that are successful change the game in the industry. Then there is another role of OVS, which I think is very important: it is not an intermediary, it sells the product directly to the public and therefore has daily contact with millions of people. It has an ability to influence and steer consumption in a certain direction, with an important educational function, especially that of also promoting appropriate communication that is not just showing a pretty girl or a pretty boy wearing jeans.

In conclusion, can you tell us a moment from your collaboration with OVS that has particularly impressed you?

Definitely the human component: at OVS I found not only a fertile field to work in terms of creativity, innovation, sustainability, but also - and in the end, this is one of the most important things - a fantastic relationship between everyone involved in this project.

BEING FAIR AND TRANSPARENT

- 91% of production volume covered by internal audit
- 100% of production volume on Worldly
- Adhesion to the Bangladesh work accident insurance fund in cooperation with the ILO
- Adhesion to Accord Pakistan

The production of our garments involves thousands of people in 16 countries and offers stable employment in areas of the world where the textile industry is the largest driver of development. Our long-term presence in the territories in which we operate helps to create a favourable context for improving living and working conditions and, consequently, also the quality of the product. This is a complex ecosystem, made up of very different realities. We are aware that in some countries human rights are not always protected and guaranteed. 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.

We constantly monitor the social and environmental performance of the factories we work with to encourage practices that have a positive impact on people and the environment. We accompany and support them on a path of growth and create alliances with other industry players to drive systemic improvement.

In 2023, we:

- renewed our adhesion to Accord: from 2024, the international agreement created in the wake of the tragic Rana Plaza incident (2013) will also extend to Pakistan;
- co-funded EIS - Employment Injury Scheme, an insurance fund for accidents and injuries at work in Bangladesh;
- continued our regular supplier evaluation programme, which we are making more and more targeted and effective;
- achieved the target set by the Sustainability-Linked Bond for 2024 one year early: 100% of our production volume comes from suppliers registered on the Worldly (Tier 1) platform.

All this will help us to consolidate production volumes towards those suppliers who put people and their rights first and who invest in more innovative and low-emission technologies, identifying reward mechanisms that will lead them to further improvement.

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.

Code of Conduct

We only use suppliers who fully share and apply our Code of Conduct, which they are required to sign, considering it a tool for continuous improvement and not a mere catalogue of directives.

Our Code, 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.

With this tool, we ensure that workers are made aware of the principles described and their rights, and that they are able to report any non-compliance.

A few reports were received during 2023, none of which were relevant.

BOX AUDIT

Number of audits carried out in 2023: 325 out of 506 suppliers, representing 91% of production volume

Wages and worker representation systems

Through our global supply chain, we secure stable employment for thousands of people in countries where the textile industry is a significant driver of development. While we do not pay these workers directly, we are aware that we have a great responsibility to ensure decent living conditions for the people who produce our garments. That is why we regularly analyse the wage conditions in our supply chain, so that we can identify any discrepancies with the labour cost declared by the supplier. The salary levels for each organisational role are compared with benchmarks, such as that of the Global Living Wage Coalition, identifying any opportunities for improvement.

Our analysis shows that:

- no worker is paid below the statutory minimum wage;
- In Bangladesh, the gap between the average wage and the living wage is 42%

Among the main causes of low wage levels in some countries has emerged the low prevalence of collective agreements and insufficient worker representation in wage negotiations, as well as the lack of in-factory troubleshooting tools.

BOX: WORKERS' REPRESENTATIVES

- 22% of suppliers have employee representative bodies (representing 44% of production volume)
- 6.6% of suppliers have trade unions
- 47% of suppliers have dispute resolution tools

MEDIUM/LONG-TERM OBJECTIVES:

- By 2025, 50% of the production volume will be covered by suppliers who have democratically elected workers' representative bodies, in order to facilitate the alignment of wages with the actual cost of living, to reach 100% by 2030;
- By 2025, 50% of the production volume will be covered by suppliers who have implemented tools for resolving disputes within factories, to reach 100% in 2030.

BOX: SOCIAL AND ENVIRONMENTAL MONITORING

- 100% of our production volume comes from clothing suppliers who share their sustainability performance through the Worldly platform. Target achieved one year ahead of Sustainability-Linked Bond target of 2024
- The production volume verified on the Higg FEM (Facility Environmental Module) was 92%
- while for the Higg FSLM (Facility Social and Labour Module) it is at 70%, both figures clearly up on the previous year

BOX: WATER AND ENERGY CONSUMPTION IN THE SUPPLY CHAIN

TOTAL ENERGY CONSUMED BY THE SUPPLY CHAIN FROM RENEWABLE SOURCES: 3%

ENERGY¹ 1,672,959 GJ

WATER² 42 million m³

¹ Data processing from Worldly

² Data processing from Eco Valore

Bangladesh, a strong and lasting partnership

Eleven years after the Rana Plaza tragedy, Bangladesh is a country in profound evolution. Enormous progress has been made in terms of workplace safety and respect for workers' rights, as also confirmed by the results re-elaborated by Worldly or the number of local sector collaborations: over 4,000 clothing factories adhere to the RMG Sustainability Council.

From 2013 to today, there has been a real change in mentality, which puts worker safety first. For example, fire incidents in factories have been greatly reduced and, when they do occur, most are handled by a dedicated in-house fire safety team.

OVS has contributed to several initiatives that have an important impact on workers' rights in Bangladesh. We were among the first signatories of the Accord on Fire and Building safety and in 2023, we joined the EIS pilot programme run by the ILO (International Labour Organisation) to establish an occupational accident insurance system. Furthermore, together with the Circular Fashion Partnership, OVS has long been contributing to the development of a circular economy system.

Towards a living wage in Bangladesh

OVS has had a strong and long-lasting relationship with its suppliers in Bangladesh for more than 20 years: we consider them valuable partners, who share our commitment to sustainability and fully adhere to our Code of Conduct. The business relationships we have established have proven successful over the years: purchasing practices and contractual documentation require that all prices include any costs necessary to maintain responsible business conduct.

The right to a decent wage (living wage) is a fundamental right for workers, which is not regulated in many countries. As a company, we do not have the ability to define the exact level of the decent wage, but we continue to work towards bringing the national minimum wage in Bangladesh in line with the living wage and we are committed to supporting any initiative to progressively guarantee this right to all workers, through a process of negotiation with all parties involved.

In this sense, we believe that allowing effective freedom of trade union association and ensuring access to collective bargaining are two essential factors in achieving a wage that gradually aligns with the cost of living. We therefore condemn in the strongest terms any potential repression or harassment of trade union representatives, as they play a key role in the goal of ensuring a decent wage for all workers.

Furthermore, we agree with as stated by the ILO in its February 2024 report on living wages³: when reflecting on the appropriate level of wages, all social protection mechanisms and infrastructures that enable us to achieve a decent standard of living must be taken into account. The issue of minimum wage is interconnected with the issue of economic coverage in the event of an accident: if the wage is not fair, the accident compensation will also not be adequate. In conclusion, we consider it crucial that we invest in a systemic logic and strengthen all social

³ Report of the Meeting of Experts on wage policies, including living wages, ILO, (Geneva, 19-23 February 2024)

protection institutions in Bangladesh, the right to collective bargaining, dialogue between social partners, and access to solid data.

Coinciding with the protests that preceded the general elections in 2023 and urged candidates to renew their minimum wage proposals, OVS publicly reiterated its position in favour of the parties engaged in the negotiation of new minimum wages in Bangladesh, through a statement published on its website.

EIS Employee Injury Scheme

In 2023, OVS joined the EIS pilot project supported by the ILO (International Labor Organisation) with the approval of the Bangladesh government and the national associations BGMEA and BKMEA, co-funding, together with other clothing brands, a private fund for the payment of workplace injury pensions. The Employee Injury Scheme (EIS) pilot programme, involving all four million workers in the textile and clothing sector, aims to bring compensation levels up to standards compatible with ILO Convention No. 121.

Another objective of the pilot is to bring out the hidden data and to create transparency on the reporting of the number of accidents in the workplace: 150 factories were involved and trained to collect the data. This will allow the feasibility, practicability and financial efficiency of a comprehensive EIS programme in Bangladesh to be assessed on the basis of reliable data.

Interview with Anne Marie La Rosa - Head of ILO - International Labour Organisation for EIS Bangladesh

We discussed with Anne Marie La Rosa (ILO manager for the Bangladesh EIS pilot programme) the role of the International Labour Organisation, but also of clothing brands, in the success of this initiative. The EIS pilot programme tests an insurance approach for occupational accidents in the clothing sector in Bangladesh.

When did the conception of this programme take place?

The ILO has been present in Bangladesh since 1973, and played an active role in the implementation of the Rana Plaza Compensation Scheme after the tragic accident in 2013. From that moment, together with the other players involved, a collective reflection started on the need to ensure effective protection against accidents in textile factories, starting from a situation of lack of adequate protection tools.

What conclusions have you reached in this first phase?

At the international level, an attempt is usually made first to achieve ratification of the relevant convention. In our case it is the convention on benefits in the case of accidents at work and occupational diseases (no. 121). Then work on the national regulatory framework, amending it accordingly. In the case of Bangladesh, due to the complexity of the country, it was decided to act differently, so we proposed to the national authorities and social partners not to change the legal framework right away, but to work together with all the other players involved, including the brands, for a change of mindset and behaviour.

What was the main initial obstacle on this path?

Initially there was great resistance and doubt. In general, there was a lack of trust on the part of all the main players. Today, a year and a half after the launch of the programme in June 2022, the situation is totally different: I see employers who believe in the possibility of changing the way they work, I see workers who believe in effective protection, I see national authorities who believe in their ability to administer this fund while respecting the rules of governance of public funds, and I see brands deeply involved and interested in the success of the programme.

What was the decisive factor in this change of orientation towards the project?

The fact that the cost of protection is clear allows everyone to say that it is a cost that does not have to be negotiated, that will be taken into account from the outset by employers, when a national law is passed on the system of protection against accidents at work, which is the ultimate goal of this path.

Are employees working in a factory that works for a brand not participating in the pilot programme also protected?

For us, the principle of non-discrimination was fundamental: all four million textile workers in Bangladesh are covered by the programme. In fact, we have calculated a voluntary contribution from the brands that is based on the total textile orders. Therefore, if brand X does not participate in the programme, this does not mean that OVS, which does participate, has to pay an additional or higher contribution. The share of each brand is still fixed at 0.019% of its orders in Bangladesh.

What role did brands play in this process?

I have not heard any brand questioning the importance and necessity of the project: today, we have reached 42 participating brands, which is quite a significant number, and when it comes to trust, their contribution is crucial. In fact, the programme includes a data collection component for statistical purposes, which allows us an even more sophisticated and precise assessment of the overall cost of occupational injury protection and brand collaboration gives us easier access at company level.

What challenges remain to be overcome?

The programme does not yet cover “commuting accidents”, accidents occurring on the way to work: this is currently being discussed at political level. It will certainly increase the case count, but we have the funds. The main challenge is to ensure that all accidents are reported: a change of mentality is needed. Unfortunately, accidents do happen. It is not normal not to notify them. Obviously, it is very complicated to conceal a fatal accident case. However, I am quite sure that cases of less serious accidents, which nevertheless result in permanent partial disability, are not always reported, more out of ignorance of rights than anything else. We are, however, very satisfied because we have expanded the sources that can activate the reporting system: not only employers, but also the victim, the family, brands, social partners, NGOs and the press. All this not with the idea of reporting, but in a spirit of developing and strengthening social dialogue based on mutual trust and education.

Energy efficiency partnerships

In February 2023, we started an energy efficiency pilot project with some factories in our supply chain in Bangladesh, using the expertise of a consulting company and with the aim of identifying

energy saving opportunities to improve environmental impact.

This was a fully shared process, in which OVS voluntarily financed the first phase of factory assessment by providing a baseline for the subsequent factory-specific reduction plan. The interventions were identified by prioritising actions with a low economic impact, but with consequent benefits in terms of energy savings and with a payback time of less than two years.

Partnership for workers' welfare

In the Sustainability Report 2022, we told the story of Sirajgonj Fashion Ltd., a garment factory with a workforce of almost a thousand people, mostly women, located in the metropolitan city of Dhaka, with whom we have been working for over ten years. After noting some critical issues, mainly related to workers' rights, we decided to accompany it on an articulated growth path, drawing up an action plan shared with the factory management for the necessary improvements. In 2023, we noted several advances, including:

- change in management's mindset towards a more stringent adherence to standards;
- guarantee of compliance with the minimum wage;
- reduction of the absenteeism rate;
- creation of a culture of worker training;
- improving the health and safety of workers.

In 2024, we will continue to support the supplier for further improvements.

Our presence in Myanmar

As OVS, we feel a responsibility to ensure continuity in the relationship with the people involved in our supply chain. Although the political crisis in recent years has made it more complicated to operate in the country, we have decided to continue production in Myanmar to avoid a further negative impact on workers.

Continuous monitoring

We are aware that direct dialogue with suppliers is a crucial step to make a positive impact. In order to protect workers' rights and ensure better living and working conditions, in collaboration with our long-term production partners, we have:

- facilitated a direct and fluid dialogue between management of factories and workers;
- increased the frequency of evaluation with a third-party audit every six months;
- initiated unannounced audits to establish a baseline of current and potential risks;
- conducted interviews with randomly selected workers inside and outside the facility;
- implemented, through an app (WOVO) installed on workers' smartphones, a mechanism that allows them to submit reports and complaints directly and anonymously;

- monitored real-time data on possible social risks through the WOV0 platform.

In order to better monitor the actual respect for human rights in the workplace, and in a logic of proactive intervention to recover critical situations over the last few years, we have rationalised our presence in the country by limiting the number of factories involved to 12.

The unannounced audit campaign on all factories revealed a number of critical issues, in particular related to overtime work, in relation to which we have defined with two suppliers a shared and signed recovery plan that we will monitor in the coming months.

WOV0, the app that gives workers a voice

This technological platform, developed by a social enterprise founded and run by women, represents an innovative reporting system: through an app installed on smartphones, in agreement with our production partners in Myanmar, it allows workers to communicate, anonymously, to the factory management any critical issues in the workplace and for OVS to monitor any social risks and violation of rights, through the visibility of the reports forwarded and the related corrective actions implemented by the factory.

Out of a population of 4600 people, which is the total workforce of the five factories involved in the pilot project, only 3815 own a smartphone. Of these, 2987 people downloaded the app and registered.

5 Factories involved
2987 Active Users
3815 people owning a smartphone
1576 Total user responses
52% Survey response rate

Survey on the use of WOV0

In September 2023, we launched an anonymous survey on the well-being of workers in Myanmar that reached out to users of the app. The response rate was 52%, a figure that can certainly improve once factories have time to better explain the usefulness of this project by creating a climate of trust among workers. By 2024, we have extended the implementation of WOV0 to all active factories in Myanmar.

Given that no workplace is free of problems or conflicts, the aim of the survey was to identify, prevent and mitigate the impacts of any actual or potential risks. Analysis of the responses revealed the following elements:

BOX: SURVEY RESPONSES

% of respondents who	
- has a written copy of the contract	99.8%
- is paid in accordance with the contract	99.8%
- is paid on time	100%
- is free to refuse to work overtime	98.9%
- receives a higher hourly rate for overtime	99.7%
- feels safe in the factory	99.4%
- believes that European labels can contribute to the improvement of working conditions	99.7%

Sector collaborations

We want to contribute to a profound change in the fashion industry and we are convinced that in order to achieve this, we need to create a shared approach and think in a team logic. This is why we actively participate in several international initiatives for improving sustainability in the fashion industry: a real system change can only be achieved by allying and collaborating with all players involved in the textile supply chain: brands, institutions, trade unions and workers.

"In today's clothing industry, transparency and data sharing are crucial. OVS distinguishes itself as an innovative leader by ensuring that all first tier suppliers fully engage with the Higg FEM Facility through the Worldly platform and actively contribute to the Cascale sector association. This commitment demonstrates a proactive stance in mitigating the effects of climate change, also strengthens industry initiatives and consolidates responsible due diligence".

Scott Raskin, CEO, Worldly

Cascale

Cascale - until 2023 SAC (Sustainable Apparel Coalition) - is a global multi-stakeholder alliance for the fashion industry, created with the goal of spreading sustainability practices and transparency in the sector. By involving more than 300 organisations - clothing brands, service providers, non-governmental organisations, manufacturers and institutions - it works to transform business. Worldly innovative tools (Higg FEM, Higg FSLM, Higg BRM, Higg MSI) facilitate supply chain monitoring and transparency in data sharing. Since 2017, we have been a member of the alliance and adopt all tools to measure and improve the environmental and social performance of our product supply chain.

"OVS has demonstrated amazing commitment in engaging their suppliers with the Higg Index. Last year, the team hit an incredible milestone with comprehensive coverage of Higg FEM and FSLM assessments with their Tier 1 suppliers."
Andrew Martin, EVP, Cascale

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 of the "Accord on Fire and Building Safety" programme, a legally binding agreement between brands, manufacturing companies and the main trade unions active in Bangladesh, promoted internationally by the OECD after the Rana Plaza tragedy, the building collapsed on 24 April 2013, causing the death of over a thousand workers in the textile sector. Accord was created with the aim of improving working conditions by inspecting and securing factories.

At the end of the ten-year term of the agreement, in 2023, OVS decided to continue its support by promoting the renewal of this programme. Another important result was the extension of the validity of Accord to Pakistan: so far, of the 121 international brands operating in the country, about half have adhered.

DESIGN A BETTER WORK

- #Wearyourchance: from job search to professional growth
- Launch of the OVS Per ME welfare programme
- Testing new sales network schedules

OVS is a company certainly made up of products, but also and above all of people: more than 8,000, distributed among headquarters, stores and foreign operating divisions. Everyone, within our Group, has the opportunity to express their talent and potential, also thanks to a rich training offer and engagement policies that allow to enhance skills and professionalism. We promote a culture of sharing and participation that is reflected in all business processes, including sustainability. We guarantee proper working conditions and offer equal opportunities to all, without distinction. Because, we are convinced, inclusion and diversity are a source of wealth.

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.

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, 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

The passion, commitment and care for our customers, which our people put into practice every day both in the stores and at headquarters, are the driving force behind our business. Teams engaged achieve important results with greater satisfaction: that is why at OVS we promote a stimulating working context, with an increasingly integrated approach, putting each person at the centre and building a 360 degree experience around their needs.

Every day, we are committed to defining a real journey within our Group. Thanks to the capillarity of our presence in Italy, but with an increasingly international perspective, we are able to offer new opportunities and involve our teams in the development of strategic projects, leading to the creation of new career paths that aim to enhance the synergy between direct experience in store and the organisational machine at headquarters.

New spaces for sociality and well-being

For a more engaging company life, as part of the co-design initiatives launched in 2022, we have set up new social and wellness spaces at the headquarters. Thus, in 2023, we opened our "Share your thoughts" bar, as well as a space equipped for exercise and more, OVS WELLNESS.

As of October 2023, yoga, Pilates and breathing techniques courses started in the new company gym for a total of 74 hours in just over 3 months with 176 participants. The aim is to spread the culture of psychophysical well-being and emphasise the importance of self-care for the benefit of personal and team energy. This initiative was highly appreciated and enthusiastically received by the people, as demonstrated by the very high participation in the courses.

BOX: OVS for PlasticFree

With the aim of informing and raising awareness about the dangers of plastic pollution, on Earth Day we support an “environmental clean-up” organised by Plastic Free - a voluntary association established in 2019 - in the Venice area and invite our people all over Italy to participate in environmental volunteering initiatives.

From job search to professional growth

#wearyourchance

In an increasingly sophisticated market like the current one, there are many opportunities available to talent, whether they are already part of a company or whether they aspire to join one.

With #WearYourChance the range of perspectives we offer is broad enough to give everyone the opportunity to wear a “suit” tailored to their aspirations, experimenting with multiple roles and balancing their personal needs. That democratisation and accessibility of products that we tell our customers about in the store we increasingly try to make those who work with us experience it as well, through concrete experiences, opportunities for mobility and participation in internal projects.

OVS on campus

Over the past few years, OVS SpA has strengthened its “On Campus” presence with various modalities and a constantly expanding calendar of events: Workshop, Career Day, OVS Days, post-graduate orientation. And also: OVS Open Doors and OVS Summer Experience.

Indeed, we firmly believe in the continuous contamination of knowledge and experience. A system of communicating vessels to accompany male and female students from universities and schools of fashion and design to discover Fashion Retail.

BOX: OVS for WeSchool

In 2023, we started collaborating with WeSchool, an edutech start-up that helps connect high school juniors with the world of work. Through the engaging FreeStyle formula, 400 male and female students from all over Italy had the opportunity to learn the basics of Visual Design and

put them into practice, just as our colleagues do in store. The classes were accompanied by our Ambassadors: visual merchandisers, store managers, sales assistants and HR specialists who shared their skills acquired in the working world.

OVS Internship Programme

The OVS Internship Programme is a six-month programme aimed at students and recent graduates with a strong passion for fashion and data analysis who are looking for an extracurricular internship opportunity during which they come into contact with the different corporate areas of all our brands: from Digital Business to Product Management, from Visual Merchandising to Human Resources.

The first steps in OVS

An important moment in the path we have designed is the onboarding phase. The first day in the company leaves its mark: for new joiners it is the confirmation of a choice, the first link in an important bond with the company. During this début day, we accompany future Store Managers and new colleagues from the locations to discover our reality, with a special focus on our showrooms, to confront the reality of the product and the store and to understand the key competences and challenges we are experiencing.

Store experience

As a Retail company, a market leader in Italy, the reality of the store remains central for us, which is also useful to experiment with for headquarters teams. That is why, one month after joining us, every new employee in the Corporate areas is asked to have their Store Experience, two days of shadowing the sales teams to understand the processes, the product, the strategies and above all to meet our customers and their expectations.

BOX: Project Welcome (in collaboration with UNHCR and Adecco Foundation)

Thanks to the collaboration with UNHCR and the Adecco Foundation, we launched the Welcome project, which aims to provide vocational training for refugees and beneficiaries of international protection living in our country.

With UNHCR and the Adecco Foundation, we work locally to identify profiles to be involved in our stores. The network is fundamental in the success of an inclusion path: reception facilities often offer support in cultural mediation, as was the case in a path started in the Milan San Gottardo store, or in the management of the bureaucratic part of an inclusion, as was the case in Beinasco.

Each inclusion and vocational path is tailor-made. Depending on the professional history of the beneficiaries and their skills, including language skills, the most suitable path and insertion formula is defined, which may be an internship or a fixed-term contract.

Training and skills development

Having teams ready for the challenges we are experiencing is one of the objectives of our training courses. Our training offer starts with the “Let's tune in” course, which in the first year of employment offers the opportunity to train some key soft skills to be effective in one's role. Sustainability principles are an integral part of this journey for new employees in both headquarter and store functions.

The path continues with the “Target Setting” programme, which supports the young professional to work in a project-oriented way in order to know how to relate with colleagues, ask for information, act following a method that leads to the definition of continuous improvement and/or innovation proposals. An experience that starts in the classroom and is then transformed into everyday life.

Every year, the “People Annual Review” helps managers and teams to build talent development paths, to consolidate critical competencies and to enhance the strengths of each team.

We are convinced that strengthening skills brings value. This is why, in 2023, the total hours of training provided to our people more than doubled, especially thanks to new programmes that involved all store teams.

These included “The customer at the centre in omnichannel mode”, which involved all OVS, Upim and Stefanel colleagues. A very substantial training plan, approximately 6 months of training between e-learning and on-the-job activities, aimed at establishing a more empathetic and proactive relationship with the customer through the sharing of information on quality, sustainability and characteristics of materials and fabrics present in the collections.

Assisted sales

The example in the field is one of the most effective modes of training, which has ensured a chain dissemination of the most relevant skills in customer relations and product presentation. The salespeople with the greatest aptitude for customer relations became coaches for the store they belong to, and the travelling coaching programme, to cover all the stores in the OVS network, continues unabated.

Leadership programme

In 2023, the Leadership Development Programme gave continuity to the work on people management, extending it to our young managers.

In addition, as a function of the Individual Development Meeting, a moment of discussion on the development of managerial and professional skills in order to assign concrete growth objectives, team leaders were involved in refresher and training sessions on how to share feedback with co-workers, also by comparing concrete cases.

Product training

In 2023, we started the “Product DNA” programme, structured as follows:

- *Product Update*. Presentation of collections for sale.
- *Product Details*. Details for assisted selling, supported by videos made by experienced salespeople and with input from some product managers.

OVS Fashion Culture. E-learning programme starring a special interactive wardrobe, in which each garment has the ability to guide you on a virtual journey to discover its role in fashion culture. A light and dynamic “micro learning” formula to uncover all the information on the most iconic garments and accessories, such as the timeless classics that embodied the most significant moments in society and costume of the time, in the name of innovation and good taste.

The chessboard of fabrics. An “easy learning” to spread the language of the industry, enrich the sales relationship and provide the customer with useful pointers.

217,341 training hours provided between headquarters and stores in Italy

Store Management School

The training we offer to colleagues who will take on roles of responsibility in the management of our sales outlets is particularly comprehensive. An 18-month journey will lead them to Graduation Day, a celebratory moment to share the achievements of this first leg of the journey. During the Store Management School, which takes place while Store Manager Trainees and Junior Store Managers experience the reality of the store, the programme includes modules on managing a profit and loss account or on product techniques, alternating with interactive sessions in which they try their hand at recruiting and team management. Milestones in the consolidation of an all-round managerial profile, central to our organisation.

BOX: UPIM

In 2023, we engaged UPIM Area Managers in a programme on how their team works, with the aim of guiding and engaging sales teams to generate a variety of ideas, options and experiments essential for strategic and organisational renewal. An opportunity for involvement, participation and appreciation of diversity. Starting from these topics, we then developed the format of the annual Sales Meeting with all Upim Store Managers, about 200 people.

OVS per Me

At the end of 2023, the “OVS per Me” project was created: a programme to create a working environment that supports not only professional development, but also personal growth, and which is divided into three macro-areas.

Welfare

A complex of services, benefits and payments to support people in their private lives. Various benefits can be used through the “Welfare Credit”, which can be spent on goods and services for necessities, leisure, personal or family care. Aimed at all OVS SpA employees with a permanent full-time or part-time contract, from 15 December 2023.

Well-being

A programme to promote people's well-being:

- in-house medical counselling: an active support service for non-emergency medical advice or concerns, also for family members (e.g. on general well-being, nutritional courses, therapeutic treatments, advice on vaccinations, first or second medical opinion).
- OVS VIRTUOUS: an engagement path to help people improve their lifestyle while having fun, through challenges and prizes.
- Digital Talks: a schedule of meetings with experts on health and prevention through webinars that can be streamed live or on demand, wherever and whenever you want.

Parenting

A support programme for new parents:

- digital guide with useful information and resources for new parents (company benefits and services, parental leave, childcare, regulations and laws, etc.);
- 10 discount vouchers of 30% to spend on all our brands, usable by both mothers and fathers;
- training courses geared towards personal growth, both as a parent and as a carer, which are not compulsory: they can be taken at any time and place and shared with the partner.

The value of remuneration

Recognising fair pay and incentivising inclusive economic growth is key to valuing the work of our people. With this in mind, we have for years been on a path to monitor and limit the pay gap between women and men.

The corporate gender pay-gap is very small and has been reduced over the years, thanks to internal people development policies: for head office roles there is no significant gender pay gap, while for store roles the difference is gradually improving.

We ensure a fair and inclusive selection process, thanks also to dedicated training and awareness-raising for our hiring managers. On this path, we recognised ourselves in the values and efforts of ValoreD, of which we are partners and which we support with a concrete commitment. Some of our managers, for example, mentor young professionals on a path to strengthen managerial skills and professional effectiveness.

% Average gender pay-gap (woman/man) by occupational group

non-executive manager: + 1%

middle management: - 1%

professional: - 4%

store manager: - 5%

other store roles: - 3%

Consistent with the internal growth training paths, from 2021, the individual objectives take into account the group's strategic sustainability plans: 20% of the variable remuneration is linked to the achievement of sustainability objectives such as, for example, the percentage of products with reduced environmental impact compared to the overall assortment or the number of suppliers verified through the Worldly platform. The CEO reports to the Board on the achievement of key plan objectives and part of the variable compensation depends on them.

New work organisation

The New Work Organisation (NOL) is a project conceived starting in 2022 thanks to year-long intra-company round tables involving Sales Management, Human Resources, Area and Store Managers. The aim is to create a new organisational model with voluntary membership, which allows, for the same cost, the improvement of life in the store and thus the increase of people's well-being.

To achieve this goal, it is necessary to map, verify and define the best organisational model for each reality, starting from the needs of each store team and in dialogue with the individual territorial trade unions. A mapping of the entire national network is planned for 2024 in order to define the best model for the various realities.

The trial started in July 2023 and currently concerns 2,328 people in 161 stores, including UPIM and OVS.

The model includes:

- reduced lunch break;
- hourly rotation on two shifts, alternating weekly, either part time or full time;
- Saturday is preferably the day with the fewest working hours;
- for all Store Managers there is a change in working hours from being present at both store openings and closings, with a long break between the two shifts, to choosing between one and the other. For Visual Merchandisers, a more concentrated working day was planned for the first half of the day.

Expected benefits:

- more concentrated working day;
- better work/life balance;

- reduction of travel and trips, especially of full-time workers.

In order to monitor the start-up of the project and collect feedback from the stores, we launched a survey to which 962 people responded: satisfaction, on a scale of 1-7, averaged 5.8. The survey was also useful to gather suggestions and advice for co-designing the next steps.

What can OVS do to improve its impact on the planet?

We conducted a survey among our people directly asking for their input on sustainability efforts. What can OVS do to improve its impact on the planet? The following are some answers:

"To think that we cannot lead our quality of life without respecting the earth in which we live."

"Being able to produce in a sensible, fair and sustainable way, avoiding waste (and overstocking), using 'circular' models and environmentally friendly production processes with the utmost respect for the countries and workers where our goods are produced. I believe that sustainability starts upstream: it makes no sense to talk about sustainability for goods arriving in Italy if you do not take into account the degradation of the producing countries."

"Stimulating a reflection on one's own impact in an everyday purchasing gesture"

"Powerfully communicate to customers how we make our garments."

"Be responsible for our garments even after their life cycle is over. We produce too much and contribute to filling the world with clothes."

"Communicating to the customer that buying a product that costs little, but is not controlled, is counter-productive for themselves and the planet."

"Working in a Blukids, I think it can be interesting to dedicate a corner of each store to used clothing in good condition, so that we can make the most of a garment that is otherwise thrown away almost new."

"As the benchmark in terms of market share in the large-scale retail clothing sector, OVS has a responsibility to set an example when it comes to sustainability. In addition to continuous efforts to become more and more a green and sustainable company throughout the supply chain, it must work to raise awareness of these topical issues. To make people realise that the preservation of the planet and the well-being of those who live on it are in everyone's interest and are actions that can no longer be postponed."

"Educating customers to buy sustainable: although it might be more expensive today, it is an investment in the future of our children and grandchildren."

"I do not think it is possible with the current business model to really have a significant impact on the clothing product level. We should drastically reduce production and dedicate spaces to the recovery of (real) second-hand goods and their resale."

"The only areas where I feel it is possible to have a really effective impact are on our facilities for energy improvements and policies that really incentivise individual employees to reduce their impact."

"The creation of durable garments to counteract disposability and promote reuse."

"Reduce the amount of garments purchased by manufacturers/suppliers."

MAKING FASHION A BETTER CHOICE

- First, for the third year running, in the Fashion Transparency Index
- Second year of the partnership with Humana People to People Italia for in-store used clothing collection
- New RE-UP collection in collaboration with Valemour

We are Italy's largest retailer and the ubiquity of our store network naturally makes us very close to millions of people. In the more than 2,000 OVS Group stores, we tell our customers about the strategic choices we make on materials and production processes with the aim of mitigating our impact on the environment. We are convinced that transparency is a prerequisite for sustainability: it helps our customers make more informed choices and strengthens the relationship of trust that has always bound us. Our efforts in this direction were rewarded for the third consecutive year with first place in the Fashion Transparency Index. From the moment they choose the product until the moment they stop using the garment, customers, by entering the OVS world, have the opportunity to obtain information on its sustainability characteristics, the supplier who produced it, and finally advice on how to take care of it in order to prolong its use.

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.

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.

Transparency first

Our customers choose us because they know what is behind every purchase they make. For us, transparency is a value and a concrete way of acting: we want information on how our garments are made to be accessible to everyone to help in the choice. Information that we strive to acquire

more and more precisely on a daily basis to identify the impacts we generate and the areas for change.

Again in 2023, this commitment led us to the top spot in the Fashion Transparency Index ranking, which analyses 250 of the leading fashion brands and retailers on a global scale, identified on the basis of turnover and notoriety, assessing their degree of transparency in disclosing their policies, practices and actions throughout the supply chain. This ranking is compiled annually by Fashion Revolution, a global movement with the role of sentinel on respect for human rights and the environment at all stages of the production cycle.

The overall ranking for our group rose from 78% in 2022 to 83% in 2023, a score well above the 26% average recorded by the other brands, with improvements in four of the five areas analysed: "Policy and Commitments", "Governance", "Know, show and fix", "Spotlight issues". The first two concern the accessibility of the company's sustainability policies and the description of the supporting business processes, the other two assess the clarity in describing the actions taken in response to environmental and social risk factors.

GRAPH

Policies (95% OVS against an average of 53%)

Governance (91% vs. 36%)

Traceability (93% vs. 23%),

Know, Show, Fix (71% vs. 25%)

Spotlight issues (74% vs. 18%)

Among the "hot topics" for which our commitment was recognised were the publication of data on workers' wages in the supply chain, the amount of annual production, CO₂ emissions and water use of suppliers, the declaration of targets to support worker representation systems, and the sharing of intervention plans with which we addressed some critical issues in the supply chain.

Customer awareness

Eco Value: clear information for sustainable choices

We believe that, in order to make informed and responsible choices, our customers need to know the environmental impact of the clothes they buy. With "Eco Value", we were among the first brands in the world to make public for each garment information on the materials of composition, the supplier who produced it and the impact calculated on three key indicators.

This special label allows customers to understand at a glance the specific environmental impact of each item. With "Eco Value", in fact, three fundamental indicators can be known: (I) water consumption, (II) CO₂ emissions from the product production phase, and (III) the circularity index, a value ranging from 1 (least recyclable) to 10 (most recyclable), calculated on the basis of the number and type of materials and their recyclability.

From 2021, the Eco Value index was extended to 100% of the products on our e-commerce.

In-store communication via panels

OVS group stores are showcases of our commitment to sustainability: designed and built to minimise impact, they are places where customers can learn to make more conscious and responsible choices. Through our products and initiatives, we tell the story of our strategic choices and achievements in improving our environmental and social performance.

In 2023, we started a new store communication strategy, with panels conveniently placed inside the store presenting and describing our sustainability efforts and actions. For example:

TRANSPARENCY: For the third time no. 1 in the Fashion Transparency Index

COTTON: The most important fibre must be more sustainable

DENIM: Our denim reduces its impact on the planet

ECO VALUE: Everything you need to know about the clothes you buy

Sustainability and circularity for the OVS customer

Our vision is centred on customers and their constant listening. To get to know our customers' perceptions of OVS commitment to sustainability and circularity, we conduct customer surveys, focus groups and analytical insights that allow us to act in a manner consistent with our customers' needs and can help us to continuously improve our approach.

Data and insights from research (Sita Observatory and interviews in OVS stores)

In May 2023, we carried out 1,400 personal interviews with our customers leaving selected OVS stores, focusing in particular on the purchasing choices of mothers. When it comes to sustainability, the focus on materials is central: fabrics, especially natural fabrics and organic cotton, are one of the key values guiding mothers' purchases at OVS.

A figure that confirms what emerged from the online survey conducted in September 2022 by the Sita Ricerca Fashion Observatory, which regularly monitors the evolution of consumer attitudes towards clothing by interviewing a sample of 800 nationally representative buyers (including OVS customers): around 50% of those interviewed associate the concept of sustainability in clothing with products made from recycled or organic materials or without the use of chemicals.

Interviews with OVS customers in selected stores also confirm the importance of materials (especially natural materials and cotton) in the purchasing choices of the Kids collection. Mothers are increasingly buying for their children on the basis of tangible values: the price, the fabric, the non-harmful or non-allergenic treatment, the non-toxic colour, the respectful production chain and the positive social impact.

Customer survey on circularity

To better understand OVS customers' perceptions of our commitment to circularity and their propensity to join circular fashion projects and initiatives, we conducted a customer survey with our loyalty customers.

Between July and August 2023, we sent a customised newsletter to 60,000 OVS cardholders, women and men over the age of 18.

Among the various initiatives in the area of circularity, the most commonly carried out activities are the donation of used clothes to charity and the repair of clothes, so much so that the customers interviewed expect OVS to have a donation corner for used clothes (58%), garments made from organic materials (49%) and a garment repair service (45%). In contrast, there is little interest in buying second-hand clothes and renting in OVS.

One in three customers are aware of the "Donate your used clothes to Humana" initiative at OVS stores, which is met with general interest and appreciation, even among customers who did not know about it (53% say they would like to donate their used clothes to Humana).

Interview with Filippo Piccione – Retail Director Italy

From sales person to store manager and then area manager, you have a very long experience in contact with the public behind you: how has the perception of sustainability issues by customers changed over the years?

If I rewind the tape to twenty-five years ago, I see a very different scenario. We were truly on another planet. In fashion, in particular, the focus on sustainability has escalated exponentially over the last 10 years, further accelerated by Covid as well as the use of social media, especially among the very young. My daughter often shows me the comments to videos of OVS and other brands on platforms like Instagram and Tiktok, positive or negative comments, however all related to sustainability. I explain to my daughter the commitment of OVS to transparency and that therefore, not all brands are the same; however, these testimonies make it clear that the imagination of many teenagers goes in that direction.

How can stores contribute to the OVS sustainability strategy?

Stores are the most direct means of communicating our strategies: with visuals, boxes and panels, we share all our sustainability initiatives. At the same time, the sensibility of our employees evolved in step with what we communicated to customers in the stores: at least once a week, each store manager makes a useful report to update strategies, to take stock of a campaign and to share directions for the following week. We have a tool, retail news, which channels all information to the store. If there is a new assortment to be launched, e.g. RE-UP, it is chosen where to place it and there is a brochure describing its salient features. Among the 2023 projects, RE-UP is one that had a lot of visibility in the store and that we initially presented as focal, so very visible at the store entrance. Beyond the sales figures, it is a project that is very close to our hearts, that qualifies us and reinforces our awareness of a company that cares about sustainability. Another project around which we have created a strong sounding board is OVS Cotone Italiano: our ability to produce cotton from certain and controlled production sources is a distinctive message with strong roots in the territory that has aroused a great deal of curiosity,

in particular, the display cases showing the cotton flower, thanks to which many customers have understood how this material is created.

One of the pillars of your strategy is “Design a better work” and, for stores, this translates into making these spaces more welcoming for the people who work there. Can you give us initial feedback on the new working hours experienced in some stores?

We are testing the new model on a trial basis in about ninety stores, roughly 20% of the total, of various sizes and types. The feedback was quite positive. However, we will have to wait until the end of a full year cycle to get a clear idea. Our traditional model is based on a predominantly broken timetable, centred on full-time, four-hour shifts in the morning and then four hours in the afternoon, with the addition of part-time figures for stores that do not close at lunchtime or for those with evening shifts. The new model transforms split hours into quasi-continuous hours, with full-timers taking over between a morning and an afternoon shift, allowing for a better balance of personal life. It is a project that needs to be evaluated well in terms of its impacts: we are trying to understand whether it is sustainable in terms of economics, use of overtime, and minimum coverage per time slot.

Another recycling front is the management of the large quantity of unsold garments.

Old stock, the term by which we identify new, unused stock remaining from the year before, is put up for sale again the following year: not on top of what we need, but as an integral part of the stock we have to buy. Unsold goods are sent back to the store where they are reconditioned in terms of both size scales and ironing, ticketing, or their prices are adjusted, and then returned to the store as new goods.

Then there is another category of items, which we call pure left-over, or 'disposal', that have sold badly. It can happen that a collection is not necessarily flawless! Or they do not have the minimum conditions to be reconditioned. By means of an algorithm, we redistribute all these goods to the various stores based on their potential. They are then put back for sale to accompany the new collections, or in areas called “Street market”, in the peak season, or “Everything at...”, in the periods coinciding with sales, with a particularly favourable price. Whether they are last year's or this year's, a t-shirt or a down jacket still remains so: let us give all these garments two or three chances to live before they end up in the outlets and then at the stockists.

BOX: More sustainable stores

The decarbonisation plan contributes to improving the sustainability performance of stores by replacing all oil boilers with heat pumps or other low-emission systems: 4 boilers per year until 2026.

We have also continued the programme of installing photovoltaic panels in dozens of new stores: in 2023, 52 systems were installed, which in addition to those already installed before achieved a self-production of energy of 859,092 Kwh.

Unsold stock management and reconditioning mechanisms

Like all retail entities, OVS also deals with the management of unsold products. Fortunately, our product offering is based on garments for everyday use, mostly for children: from one season to the next, our garments largely maintain the same marketability. This allows us, after appropriate reconditioning, to reintroduce part of the unsold product in the following season at affordable prices; another part is instead redirected to our local outlet stores or sold to stockists.

Our purchasing annual planning mechanism always takes into account both the unsold stock and the product life cycle. Thanks to this, for several years now, we have in fact solved the problem of eliminating unsold stock: about 36,000 garments are destroyed, a relatively small amount.

The numbers of reconditioning

Out of the total unsold stock, on average 15% of our stock, the reconditioning process concerns about 60% of the garments: for a high-volume company like OVS this is a considerable amount.

The share of reconditioned garments in the total amount of the collection is worth around 28-30% and weighs around 18-20% of sales. It is an average figure: higher in men and lower in women, where it accounts for 20% of the input and 13-14% of the output.

Choosing items for reconditioning

At the end of each season, we have to determine which items to include in the end-of-year sales campaign and with what percentages. At the same time, we start "christening" those items that we imagine will have a second life the following year as reconditioned. In recent years, we have developed an algorithm that supports us in this. Depending on its performance against the overall average, each item is classified into a specific macro-area:

- 1) items definitely to be reconditioned: they have an above-average saleability, or are not strongly influenced by fashion phenomena, or lend themselves to being reconditioned as the size curve can be recomposed;
- 2) items that absolutely must not be reconditioned: on the one hand the "super best sellers", with insignificant unsold quantities, which do not allow us to restore size curves; on the other hand, items that have not been particularly popular with customers, to be sold on sale at the highest percentage discount.
- 3) items for which the assessment of whether or not it is worth reconditioning is left to our specialised team, which, item by item, decides whether or not it is worth reconditioning.

This results in a list of products from the reconditioning campaign that is appropriately supplemented and/or modified in a series of steps between the product managers and the stock management team: logistics, IT, sales network.

*The achievement I am most proud of is the change in the company mindset:
all colleagues are now aware that integrating unsold items
in a new collection is a very valuable operation.*

Massimo Pin, General Merchandising Manager

The advantages

The process of reconditioning unsold items has more than one advantage, both in economic terms and in terms of boosting circularity. The first, of course, is not to disperse goods that still have good saleability. In addition, we are able to repay the costs of reconditioning operations with the sales we achieve in subsequent years.

Before the launch of the new process, in fact, each store was free to decide whether to send unsold items to storage or to keep them and offer them for sale again the following year. By making the process efficient, we reduce the environmental impact right from the start, by reusing the leftover goods from the previous year: a very positive operation from the point of view of product recirculation and reuse.

RE-UP. The future is nothing new

RE-UP is our upcycling project, created from the commitment of OVS to circular and more sustainable fashion and realised thanks to the creative work of young people with intellectual disabilities. The term upcycling refers to the creative recovery of existing products, such as clothes we have used and loved but no longer wear, which are rethought and transformed to create something new and unique while avoiding waste. Unlike recycling - which aims to restore the original properties of materials - upcycling gives garments a higher aesthetic value through creativity.

In less than a year, starting with a creative workshop with our designers held in the spring of 2022, the project led to the creation of a first collection, to mark Earth Day 2023, in line with the principles of sustainable design: durability, recyclability, reparability. All this while maintaining a high product quality.

A winning project with a strong idea behind it: not to produce anything new, but to give uniqueness, beauty and value to what already exists. RE-UP is in fact a collection composed of unsold and reconditioned garments (t-shirts, denim and from SS FW23 also sweatshirts), customised with various colouring or printing techniques. The creative process that makes each garment a unique piece is carried out by people with intellectual disabilities of Valemour, a project of Cooperativa Vale un sogno Onlus, and involves the use of recycled Recycrom™ dyes by Officina+39

Giving value to garments, giving them a second chance, paying more attention to materials and creative processes, valorising the active intervention of people and transforming unsold garments into a new sustainable collection, for us means combining social commitment and reducing environmental impact in the best possible way.

BOX

VALEMOUR is a project of the Cooperativa Sociale Vale un Sogno Onlus that produces co-branded clothing and accessories, created with the aim of promoting the employment of young people with intellectual disabilities.

Officina+39 is a chemical company that develops and manufactures sustainable products for dyeing, washing and finishing. It came up with Recycrom™, an innovative dye made by transforming textile waste into a wide range of pigments.

BOX: Art. 14 Convention

The Art. 14 Convention (Legislative Decree 276/2003) is a regulatory instrument that provides for the assignment of contracts to type B social co-operatives. For the implementation and execution of services, the co-operatives employ people with disabilities by favouring their insertion in the world of work through customised work inclusion projects. Through this instrument, OVS has the possibility of counting workers with disabilities employed by the social co-operative for the purposes of coverage under Law 68/99, for a maximum number of established posts. As part of the REUP project, we signed a one-year contract with the Valemour cooperative in which the subject, value and method of execution of the job order were indicated, as well as the number of people with disabilities to be included. Thanks to this job order, Valemour hired two young people, Giacomo Cricchi and Luca Bergamin, who said they felt very proud to be able to present themselves as workers with a regular contract!

Collaboration with NABA for SS24

For the development of the creative concept of the third season of RE-UP, we activated a collaboration with Nuova Accademia di Belle Arti (NABA). The creative intervention for the spring-summer 2024 collection was conceived by 15 Fashion Design students from the Academy.

The partnership offers the opportunity to use RE-UP to create a sustainable design culture among the designers of the future, while also testing them against the volumes of mass production and the limitations of the people who then have to realise the creative proposal.

BOX: Positive impacts of RE-UP

- Refurbishment of an unsold product by avoiding the production of new garments
- Utilisation of already available resources reducing waste
- Enhancing the creative potential of people and objects
- Uniqueness of each garment, like the people who designed and made them
- Profit-non-profit partnerships
- Short production chain, traceability, social impact.

A second life for used clothes

Also in 2023, we continued the “Donate your used clothes to Humana” programme, the used clothes collection initiative in partnership with Humana People to People Italia: in the more than 800 stores of the OVS sales network, customers can hand in their used clothes, entrusting them to the international cooperation organisation active in Italy since 1998.

Compared to 2022, when the initiative was launched, we have seen a significant increase and improvement in the quality of the material collected. The total amount of garments taken back in 2023 in our network of stores was approximately 96 tonnes (compared to 85 tonnes in 2022), of which 87% was destined for reuse (compared to 72%), 10% for recycling and 3% for disposal.

BOX: A GARMENT DOES NOT END JUST BECAUSE IT IS NO LONGER NEEDED

In the face of high consumption of fashion resources and low recycling rates of textile waste generated, OVS wants to become a point of reference for the recovery and sending of used garments towards different forms of circularity. Because a re-used garment has 70 times less impact than a new product⁴.

Earth Day 2023

Also in 2023, the OVS Group took part in International Earth Day, which is celebrated on 22 April, by presenting the first OVS Cotone Italiano collection: men's and women's T-shirts made with organic cotton grown in Sicily, a product entirely Made in Italy and traced along the entire supply chain, from sowing to the packaged garment.

Through our project, we have brought to light a know-how intimately connected to the land, a forgotten link between agriculture and textiles and a type of cultivation that is more responsible towards the planet and people.

An all-Italian story that we wanted to share with the entire community of people who choose our products, to involve them in the sustainable innovation processes implemented by OVS to highlight the importance of their purchasing choices.

Christmas Jumper

The partnership with Save the Children: Christmas Jumper Day

⁴ LCA-based assessment of the management of European used textiles <https://euric.org/resource-hub/reports-studies/study-lca-based-assessment-of-the-management-of-european-used-textiles>

Also in 2023, we have renewed our strong support for Save The Children, the international organisation fighting to improve the lives of children in many parts of the world. A partnership that started in 2010 and has been enriched over the years with many initiatives, such as the "Emergency earthquake in central Italy", "Illuminiamo il Futuro", "Stop the war on children", "Girls", "Hunger Campaign" and "Conflict in Ukraine".

One of the most eagerly awaited campaigns by our customers is "Christmas Jumper Day", the event that originated many years ago in Anglo-Saxon countries and has now become a tradition in Italy too: to help children living in particularly difficult conditions, part of the proceeds from the sale of decorated Christmas jumpers is donated to Save The Children. In December, we sold the Christmas Jumper in 580 stores and online, donating Euro 202,000 to Save The Children, of which 141,000 was sales and 61,000 fundraising at the checkout.

We have also started a fundraising campaign in OVS stores during the Back to School period (20 August to 30 September 2023) to support Save The Children projects aimed at guaranteeing the right to education for children in financial difficulties in Italy. The total collected and transferred to Save the Children was Euro 15,000.

Start of partnership: 2010

Projects or Campaigns funded over 14 years: Earthquake emergency in central Italy, Illuminiamo il Futuro, Stop the war on children, Girls, Christmas Jumper Day, Hunger Campaign, Conflict in Ukraine.

Overall in 2023, we contributed Euro 217,000 to support Save the Children.

GOLDEN LINKS

Also in 2023, we contributed, with the donation of some OVS garments, to support "Golden Links: Ties are Gold", a project of Intesa Sanpaolo in cooperation with Caritas Italiana, which aims to distribute new clothes and other goods to impoverished families.

DIFFERENZA DONNA

In 2023, we decided to offer our support to Differenza Donna, the association founded in 1989 with the aim of preventing and overcoming gender-based violence, which operates the national anti-violence and stalking number 1522 and welcomes more than 2,200 women each year, often with their children. Thanks to the internal Christmas lottery, we collected and donated Euro 10,000 to Differenza Donna.

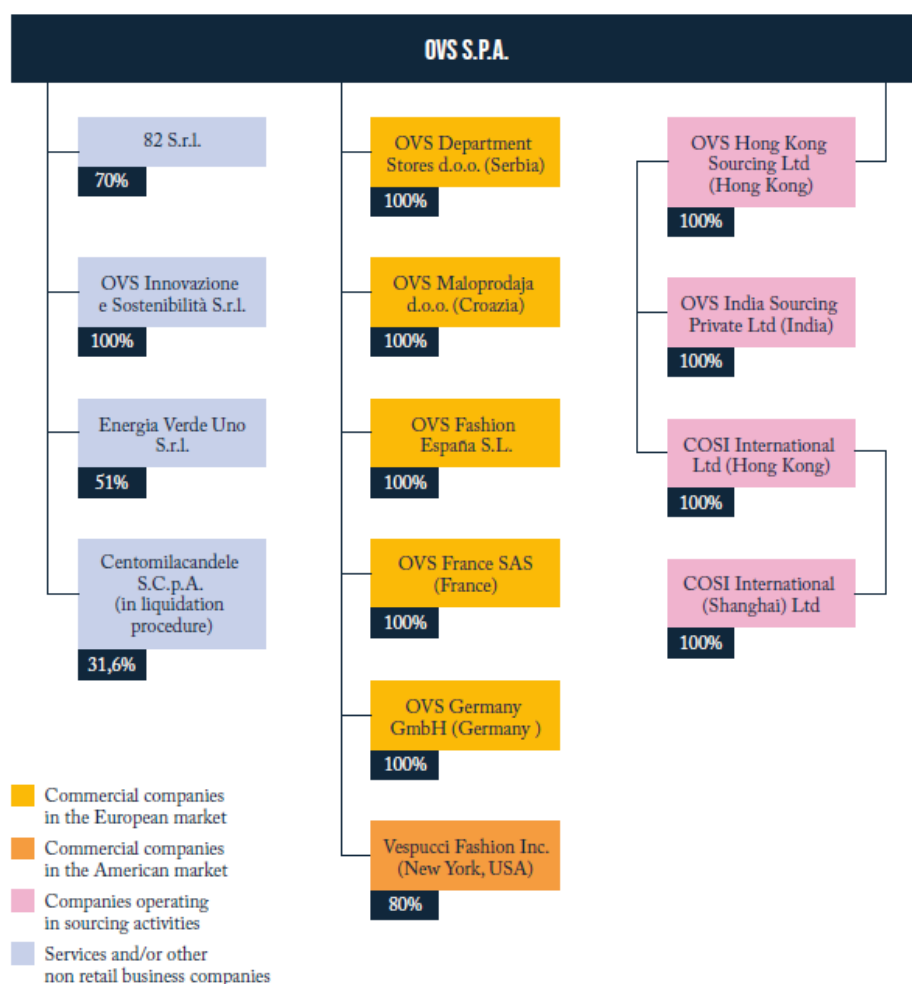
DETAILS

OVS Group Profile

Group structure

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

Figure 1 - Company Organisation Chart



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. The company also operates through representative offices in Bangladesh, Pakistan and Turkey.

Since 2022, OVS Innovazione e Sostenibilità Srl has been dedicated to projects in the fields of digital research and innovation and sustainable development.

History

1972 - OVS IS ESTABLISHED

In 1972, OVS was founded in Venice, initially as “Magazzini Oviessse”, a division of Coin S.p.A., a company active in the management of department stores.

1999 - COIN ACQUIRES LA STANDA

With the aim of further expanding its presence in the country, Gruppo Coin acquired the non-food business unit “La Standa”.

2005 - PAI PARTNERS FUND ACQUIRES CONTROLLING STAKE IN GRUPPO COIN

In May 2005, the mutual funds managed by the French management company PAI Partners S.A.S. acquired, through Financière Tintoretto S.A., the controlling stake in Gruppo Coin from Finanziaria Coin S.r.l., a company owned by the Coin family.

2008 - ACQUISITION OF TRE.BI/MELABLU

Oviessse S.p.A. acquires 100% of the share capital of Tre.bi S.p.A., owner of the Melablu chain of clothing stores, with more than 60 stores.

2010 - ACQUISITION OF UPIM

In 2010, Gruppo Coin acquired 100% of the share capital of Upim S.r.l., one of Italy's leading clothing brands.

2011 - BC PARTNERS, PRIVATE EQUITY FUND, ACQUIRES CONTROLLING INTEREST IN GRUPPO COIN - OVIESSE S.P.A.

Icon S.p.A., a company controlled by the funds advised by BC Partners, acquired the controlling stake held in Gruppo Coin by the reference shareholder Financière Tintoretto S.A. In December 2011, Oviessse S.p.A. acquired the “IANA” brand clothing and children's items business unit from Unitessile S.p.A.

2012 - OVS INDUSTRY BECOMES OVS - GRUPPO COIN ACQUIRES BERNARDI

The OVS industry brand becomes OVS. In August 2012, Gruppo Coin acquired the over 100 stores of the Bernardi chain, a major clothing retailer.

2013 - GRUPPO COIN S.P.A IS ESTABLISHED

The merger by incorporation of the subsidiaries Oviessse S.p.A., Coin S.p.A., Upim S.r.l., Oviessse Franchising S.p.A. and Coin Franchising S.p.A. into Gruppo Coin S.p.A. becomes effective.

2015 - LISTING OF OVS S.P.A.

The company OVS S.p.A. is listed on the Milan Stock Exchange.

2019 - TAMBURI INVESTMENT PARTNERS S.P.A. ACQUIRES 17.8% OF THE CAPITAL OF OVS S.P.A.

Tamburi Investment Partners S.p.A. signs an agreement with Gruppo Coin S.p.A. for the purchase of the entire shareholding held by the latter in OVS S.p.A., equal to 17.835%.

2021 - OVS S.P.A. ACQUIRES STEFANEL

The OVS Group S.p.A. acquires the Stefanel brand.

2022 - OVS S.P.A. SIGNS DEFINITIVE AGREEMENT FOR THE SALE OF GAP STORES IN ITALY AND ACQUIRES LES COPAINS

On 1 February, Gap Inc. and OVS S.p.A. signed the final agreement for the sale of the Gap stores in Italy to OVS. On 27 July, OVS acquired the historical brand Les Copains.

Operating Model

OVS S.p.A. is the largest manufacturer and retailer of women's, men's and children's clothing market with a market share of 9.6%. The group operates according to a business model typical of vertically integrated retailers, offering products created in-house, and as a phygital marketplace through the introduction of iconic brands and innovative propositions.

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.

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

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 where OVS acts as a distributor through its own network of stores.

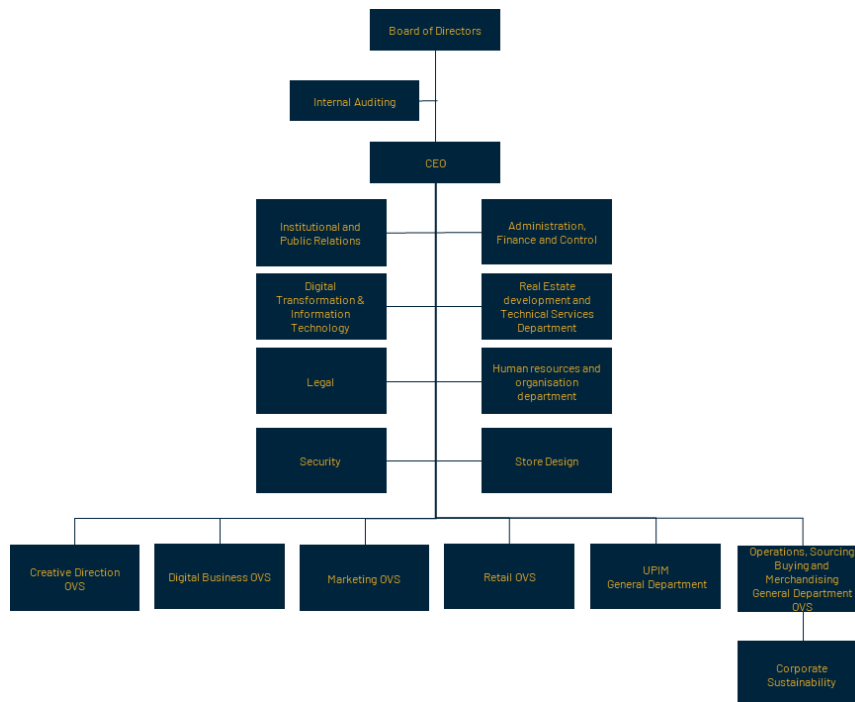
The product areas directly managed are:

- clothing: production and marketing of products of men's, women's and children's garments, designed for different occasions of use;
- 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;
- perfumery and cosmetics.

Through commercial partnerships, OVS complements its offer with clothing, accessories and perfumery from external brands.

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)⁵, is a company listed on the Mercato Telematico Azionario (Screen-based Stock Exchange) organised and managed by Borsa Italiana S.p.A.

The corporate governance system of OVS is based on the “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 Corporate Governance Code for Listed Companies, published on 31 January 2020 by the Corporate Governance Committee promoted by Borsa Italiana S.p.A. (“Corporate Governance Code”), to which OVS adheres.

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 SpA, 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.

⁵ For more information: see our “Report on Corporate Governance and Ownership Structure”, available on the Company website: www.ovscorporate.it, under the Governance section

The Company has also set up an internal Committee for Transactions with Related Parties, pursuant to the Procedure for the Regulation of Transactions with Related Parties adopted by the Company and the Regulation issued by Consob with Resolution No. 17221 of 12 March 2010 (as subsequently amended) on related party transactions.

On 31 May 2023, 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 2026.

The Board of Directors that was elected is composed of Franco Moschetti (Chair), Stefano Beraldo (CEO), Giovanni Tamburi, Chiara Mio, Alessandra Gritti, Carlo Achermann, Flavia Sampietro and Roberto Cappelli, drawn from the Majority 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, 78%, are in the over 50 age group.

Table 1 - BoD Composition

Name	Gender	Age group	Role	Independence	Assignment from date	Nationality	Academic title
Franco Moschetti	M	over 50	Non-executive	Y	31/05/2019	Italian	Master of Science degree in Industrial Science, Major in Business and Economics
Stefano Beraldo	M	over 50	Executive	N	14/05/2014	Italian	Master of Science in Business and Economics
Giovanni Tamburi	M	over 50	Non-executive	N	13/03/2019	Italian	Master of Science in Business and Economics
Alessandra Gritti	F	over 50	Non-executive	N	13/03/2019	Italian	Master of Science in Business Administration and Economics
Carlo Achermann	M	over 50	Non-executive	Y	09/07/2020	Italian	Master of Science in Business and Economics
Chiara Mio	F	over 50	Non-executive	Y	31/05/2017	Italian	Master of Science in Business Administration and Economics
Elena Garavaglia	F	41-50 years	Non-executive	Y	20/06/2020	Italian	Law degree (J.D.)
Flavia Sampietro	F	41-50 years	Non-executive	N	31/05/2023	Italian	School of Management

Name	Gender	Age group	Role	Independence	Assignment from date	Nationality	Academic title
Roberto Cappelli	M	over 50	Non-executive	Y	31/05/2023	Italian	Law degree (J.D.)

Please refer to the “Report on Corporate Governance and Ownership Structure” and the “Report on Remuneration Policy and Remuneration Paid” for further information on the composition (e.g.: term of office, other positions and commitments, skills relevant to the organisation's impacts, etc.), appointment and selection, conflicts of interest and performance evaluation of the Board of Directors. The Procedure for the Regulation of Transactions with Related Parties is also available on the corporate website www.ovscorporate.it.

The Board of Statutory Auditors consists of 3 standing members and 2 alternate members.

On 31 May 2023, the Shareholders' Meeting elected the Board of Statutory Auditors, whose term of office will expire upon the approval of the financial statements at 31 January 2026.

The Board of Statutory Auditors that was elected was made up as follows: Stefano Poggi Longostrevi, (Chair) taken from the Minority List, Statutory Auditors Massimiliano Nova and Federica Menichetti, taken from the List that obtained the highest number of votes; Alternate Auditors Nicelli Marzia, taken from the List that obtained the highest number of votes, and Patrini Donata Paola, taken from the Minority List.

As of 31 January 2024, the Board of Statutory Auditors is made up of 5 members of which 40% are female, as well as 60% over 50 and 40% in the 41-50 age group.

Table 2 - Composition of the Board of Statutory Auditors

Name	Gender	Age group	Role	Independence	Assignment from date	Nationality	Academic title
Stefano Poggi Longostrevi	M	over 50	Chairman of the Board of Statutory Auditors	Y	25/07/2018	Italian	Master of Science in Business and Economics
Federica Menichetti	F	41-50 years	Statutory Auditor	Y	31/05/2022	Italian	Law degree (J.D.)
Massimiliano Nova	M	over 50	Statutory Auditor	Y	31/05/2023	Italian	Master of Science in Business and Economics
Nicelli Marzia	M	41-50 years	Alternate Auditor	Y	31/05/2023	Italian	Master of Science in Business and Economics

Donata Paola Patrini	F	over 50	Alternate Auditor	Y	31/05/2023	Italian	Master of Science in Business and Economics
----------------------	---	---------	-------------------	---	------------	---------	---

Please refer to the “Report on Corporate Governance and Ownership Structure” for further information on the composition (e.g.: term of office, other positions and commitments, skills relevant to the organisation's impacts, etc.), appointment and selection, conflicts of interest and performance evaluation of the Board of Directors.

Sustainability Governance

In the context of the governance of sustainability, a key role is attributed to the Control, Risk and Sustainability Committee (CCRS), 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 31 May 2023, 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:

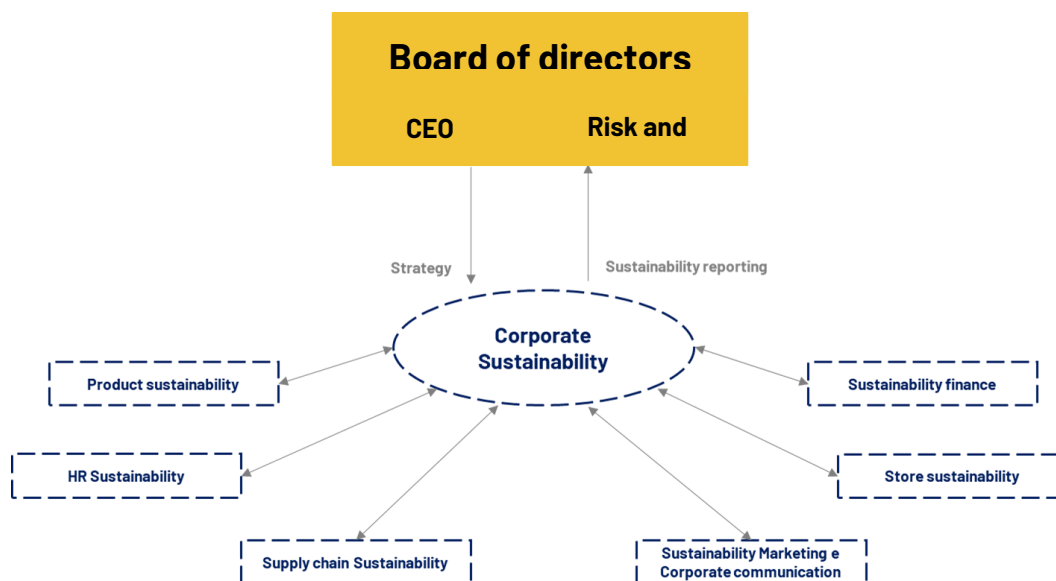
- Chiara Mio (Chair)
- Flavia Sampietro
- Franco Moscetti

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. The CCRS also reviews the materiality analysis process and its results. Finally, it expresses its opinion on the adequacy of the Non-Financial Statement submitted annually to the Board of Directors.

The 2024-2026 Sustainability Plan was evaluated by the Committee in December 2023 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.



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.



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 and Sanitation), 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:

Design for circularity. We support the transition to a more sustainable fashion industry by designing and producing garments characterised by low-impact raw material choices and production processes, and by engaging in a constant search for innovative solutions that protect and preserve natural resources;

Being fair and transparent. We activate our suppliers and the entire business ecosystem in sustainable development programs, accompanying them in their evolution towards innovative practices and leveraging transparency as the key to change. We promote continuous collaboration with our value chain with the aim of strengthening interdependence and thus amplifying the social and environmental impact of our operations;

Design a better work. We are committed to making our people protagonists and ambassadors of a sustainable and responsible lifestyle, from a social and environmental point of view, with the aim of making our direct activities an engine of growth for the communities in which we operate. We promote inclusive practices and spaces, creating favourable conditions for the development of a flexible and inclusive culture;

Making fashion a better choice. We are committed to being transparent to our customers by providing comprehensive information on the quality and sustainability of our products, stimulating conscious purchasing and usage choices, and accompanying them on a path of evolution towards increasingly virtuous behaviour.

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.

Finally, it should be noted that OVS is also a member of **Confindustria** and **Confindustria**.

Policy Hub. Policy Hub fosters and stimulates dialogue between clothing and footwear industry players to build a common voice towards European institutions and propose policies that accelerate circular practices.

OVS regularly participates in multi-stakeholder round tables and webinars organised by Policy Hub to follow the evolution of the regulatory environment and contribute to the discussion with other participants.

Cascale. Until 2023, SAC Sustainable Apparel Coalition, Cascale is a global multi-stakeholder alliance for the fashion industry, created with the goal of spreading sustainability practices and transparency in the sector. With the involvement of more than 300 organisations - clothing brands, service providers, non-governmental organisations, manufacturers and institutions - it works to transform business so that it gives back to the planet and its inhabitants more than it needs. Higg Index innovative tools (FEM, FSLM, BRM, MSI) facilitate supply chain monitoring and transparency in data sharing. Since 2017, we have been a member of the alliance and adopt all tools to measure and improve the environmental and social performance of our product supply chain.

Stakeholders and materiality

Stakeholder Map

One of the fundamental guidelines of the sustainability strategy 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 following table shows the map of the key stakeholders, the related priorities, the main methods of stakeholder involvement by OVS and the relative frequency.

Table 3 – Stakeholder map

Stakeholder	Stakeholder Interest	OVS interest towards the Stakeholder	Methods of involvement	Frequency
CUSTOMERS	<ul style="list-style-type: none"> - Satisfy your shopping needs - Possibility of buying affordable and safe clothes for your family - Express your personality with brands that align appearance with core values - Looking fashionable 	<ul style="list-style-type: none"> - Satisfy the customer - Increase the propensity to buy and the value of the OVS brand - Educate and raise awareness towards more responsible purchases 	Customer Satisfaction Survey and Service Quality Survey	Annual
			Training programs	Continuous
			Survey to identify material impacts	Periodic/ as needed
ON-SITE COLLABORATORS	<ul style="list-style-type: none"> - Become professionally fulfilled - Increase your sense and purpose of your role - Increase your skills - Increase your well-being during the working day (concentration, nutrition) 	<ul style="list-style-type: none"> - Increase employee productivity - Increase the sense of belonging to the company- Reduce the turnover rate - Make the employee an ambassador of OVS values 	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 impacts	Periodic/ as needed
COMPETITORS	<ul style="list-style-type: none"> - Gaining market share through distinctive levers - Common interest of improving the reputation of the apparel market 	<ul style="list-style-type: none"> - Maintaining leadership in the apparel market in Italy - Using distinctive levers to increase brand reputation - Common interest in improving apparel market reputation 	Workbenches	Periodic/ as needed
			Participation in conferences and industry events	Periodic/ as needed
SUPPLIERS	<ul style="list-style-type: none"> - Consolidate the relationship with OVS over time and increase the value of the relationship - Improve practices 	<ul style="list-style-type: none"> - Systematically improve the supplier's environmental and social practices - Promote economic development 	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
LOCAL COMMUNITIES COUNTRIES OF PRODUCTION	<ul style="list-style-type: none"> - Operational support in developing countries - Promoting labour and rights 	<ul style="list-style-type: none"> - Forge profitable relationships to generate shared value - Increase the level of acceptance of the company 	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,	Periodic/ as needed

Stakeholder	Stakeholder Interest	OVS interest towards the Stakeholder	Methods of involvement	Frequency
			collaboration with WWF, etc.).	
LOCAL COMMUNITIES POINTS OF SALE (ITALY)	- Support from the enterprise as well as the institutions for shared benefit	<ul style="list-style-type: none"> - Forge profitable relationships to generate shared value - Increase the level of acceptance of the company 	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
PRESSURE GROUPS	<ul style="list-style-type: none"> - Try to make OVS part of the solution in solving global environmental problems, by reducing the footprints of the Fashion industry - Increase transparency and information to consumers in order to guide them to more conscious choices - Make sustainable brands stand out from "Green washer" brands 	<ul style="list-style-type: none"> - To be recognised as a serious Brand with a clear strategy in terms of environmental and social sustainability 	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"> - Enforce rules - Encourage the virtuous companies to improving access and availability of resources for citizens 	<ul style="list-style-type: none"> - Leveraging institutions to create positive impact 	Workbenches	Periodic/ as needed
			Participation in conferences and industry events	Periodic/ as needed
OPINION LEADER	- Bringing out new trends	<ul style="list-style-type: none"> - 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 	Workbenches	Periodic/ as needed
			Participation in conferences and industry events	Periodic/ as needed
STORE ASSOCIATES	<ul style="list-style-type: none"> - Promote well-being inside the store (temperature, cleanliness, etc.) - Foster interaction with the customer on distinctive topics 	<ul style="list-style-type: none"> - Increase employee productivity - Facilitate customer interaction with distinctive topics - Reduce turnover rate 	Community United We Win	Continuous
			Training and development of human capital	Continuous

Stakeholder	Stakeholder Interest	OVS interest towards the Stakeholder	Methods of involvement	Frequency
INVESTORS	<ul style="list-style-type: none"> - Increase the return on investment - Reduce the risk associated with the investment - Define specific targets on environmental, social and governance due diligence 	<ul style="list-style-type: none"> - Communicating sustainability as a strategy to minimise risk and create long-term value - In general, create value 	Investor Relations Activities	Continuous
			Publication of reports (financial and non-financial)	Annual
			Participation in sustainability surveys (ESG rating)	Annual
FRANCHISEE	<ul style="list-style-type: none"> - Improve your performance - Increase brand attractiveness 	<ul style="list-style-type: none"> - Establish long-term partnerships in line with OVS values 	Meeting	Periodic/ as needed
			Survey	Continuous
INDUSTRY COALITIONS	<ul style="list-style-type: none"> - Acquire new franchisees - Gain active franchisee role in improving working conditions and reducing the use and footprint of harmful substances in the apparel industry supply chain 	<ul style="list-style-type: none"> - Join coalitions strategically in order to increase visibility of OVS and maximise the positive impact, leveraging economies of scale generated by Industry Collaboration 	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"> - Respond to new market demands and needs - Include long-term impacts in defining business strategies - Act with authenticity and transparency 	<ul style="list-style-type: none"> - Anticipate the evolution of market needs - Prepare for new challenges in the sector - Be perceived as a modern brand, dedicated to young people and families 	Social media presence	Continuous
			Survey	Continuous
			Collaborations with universities (e.g. Contamination Lab)	Continuous
			University lectures	Continuous

Methodological Approach

In order to highlight the significant issues for the OVS Group, in economic, environmental and social matters, a materiality analysis was conducted during 2022, the result of which defined the topics subject to reporting within the 2022 Non-Financial Statement. For the financial year 2022, the methodology introduced by the GRI 2021 Standards was applied, which calls for an impact-based analysis, starting from the understanding and analysis of the context in which OVS operates. The objective of the materiality analysis is, in fact, the identification of material topics that represent the most significant impacts generated - or that could be generated - by OVS on the economy, the environment and people, including those on human rights. The impacts the Group generates can be negative or positive and actual or potential (impact that has already occurred/impact that may occur and has not yet occurred).

For the financial year 2023, the results of the analysis conducted in the previous year, presented in table 4, were confirmed. During the year, a process of refining and regrouping the presentation of

results was conducted, with the aim of progressively aligning the analysis with the requirements of the regulations.

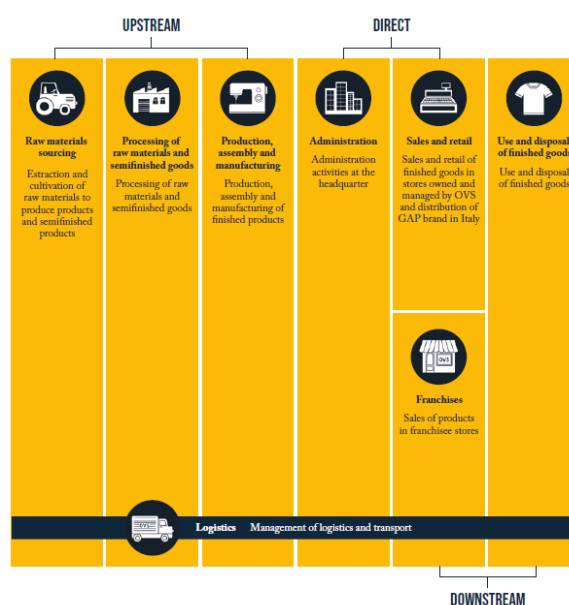
In view of the entry into force of the Corporate Sustainability Reporting Directive (CSRD) and the adoption of the European Sustainability Reporting Standards (ESRS), OVS is defining the process of integrating the so-called “outside-in” or “financial” perspective to its materiality analysis. Priority in 2024, will therefore be to conduct a more comprehensive analysis of the Group's impacts, risks and opportunities, in line with the principle of double relevance: which sustainability issues influence the OVS strategy and performance, and which OVS activities impact society and the environment.

The following is a summary of the different stages of the analysis conducted by the Corporate Sustainability department in 2022, which involved OVS management and more than 3,000 stakeholders from different categories⁶.

Value chain analysis and identification of impacts

In order to identify the impacts generated by OVS, all stages of the Group's value chain were mapped, identifying the activities carried out directly and the activities carried out by upstream or downstream parties.

Figure 4 - OVS value chain⁷



The mapping of the value chain made it possible to identify the stages of the value chain most affected by the impacts generated by OVS. These impacts were finally assessed through analyses of the sector in which OVS operates, of the sustainability issues explored in the media and through benchmarks of the Group's main competitors.

Internal assessment of impacts

At this stage, the identified impacts were subjected to an assessment of significance, based on their severity, persistence, presence along the value chain, their likelihood (possibility of occurrence) and irretrievability (possibility of restoring the effects of the impact). This analysis was conducted using

⁶ For the identification of the stakeholder categories involved, please refer to the *Stakeholder Map* section.

⁷ The graph is intended to be a representation of the OVS Group's value chain and all the stages analysed to identify impacts.

dedicated tools and the professional judgement of the Corporate Sustainability team and Group Management.

Dialogue with stakeholders

Group Management considered it consistent to compare its assessment of the significance of impacts with the perception of key stakeholders, engaged through a survey. In particular, more than 3,000 stakeholders, including employees, investors, franchisees, suppliers and customers (OVS Card holders) were involved, who rated the identified impacts on a relevance scale from 1 to 4⁸ and indicated which, among the proposed impacts, they considered to be the three most and three least relevant. The results of the stakeholder engagement activity allowed the OVS team to compare the perception of the social and environmental impacts of the different stakeholder categories and, in parallel, to confirm the completeness of the internally developed assessments. The results of the stakeholder engagement activity showed substantial alignment with OVS internal assessments. Specifically, particular attention was paid to: *reducing the exploitation and pollution of water resources; reducing emissions that contribute to climate change; protecting health and safety in the workplace; respecting human rights along the textile supply chain; and protecting the welfare of employees.*

Furthermore, the reworking of the results showed that the impacts of least interest to stakeholders are the *violation of consumer privacy* and the *economic damage resulting from the restriction of market competition*, which are therefore excluded from this reporting. In addition to these, the stakeholder vote assessed other impacts, both positive and negative, as less relevant, which have nevertheless been included in this document given their relevance to the OVS strategy (e.g. *Promoting the freedom to express one's identity through fashion* and *Supporting and developing local communities through collaborations and partnerships*).

Validation of material topics

Impacts found to be of the highest priority have been grouped (where possible) and associated with a material topic with the aim of greater simplification of results as well as for greater comparability with analyses conducted in previous years. These topics therefore define the areas of reporting on sustainability aspects in this document.







The table below provides a list of material topics with their negative and positive impacts, summarising the Group's main environmental and social externalities. In addition, a representation is given of the stages of the value chain where such impacts are most likely to occur, in the case of potentials, or where they are characterised by a higher magnitude⁹.

Each material topic was linked back to the corresponding ESRS topic to facilitate alignment and comparability with the dual materiality analysis to be conducted during the next financial year. Finally, for each potential impact, a probability threshold (High-Medium-Low) was associated according to a qualitative assessment and without taking into account instruments to guard against and/or methods of management by OVS.










⁸ The rating scale is made explicit within the survey as follows: 1=the topic is not of interest, 2=the topic is of limited interest, 3=the topic is of interest, 4=the topic is of primary interest

⁹ It should be noted that the order in which the material topics and their impacts are reported does not coincide with their significance.













Table 4 – Material topics and related impacts










Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
Combating climate change (ESRS E1 Climate Change)	Contribution to climate change due to greenhouse gas emissions (-)	Clothing production, distribution and sales activities generate climate-changing emissions, contributing to climate change. For the direct sector, climate-changing emissions are related to business operations, while in the downstream phase they are related to the operation of franchise stores, the use and end-of-life phases of the product.				All	Effective	N/A	Environmental issues
Water resources (ESRS E3 Water and marine resources)	Over-exploitation and pollution of water resources (-)	The textile supply chain is characterised by high water consumption, mainly due to the upstream activities of animal husbandry and cultivation. Water discharges from the manufacturing industry are characterised by the presence of potentially harmful substances, if not properly managed, and microplastics released				All	Effective	N/A	Environmental issues

¹⁰ The probability thresholds were identified on the basis of the Group Risk Assessment: Low=never happened in the last 3 years; Medium=likely to happen once in the next 3 years; High=likely to happen in the next 3 years; N/A = actual impact and therefore already occurred (100% probability)

Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
		into the environment during washing.							
Biodiversity and animal welfare (ESRS E4 Biodiversity and ecosystems)	Damage to ecosystems and loss of biodiversity (-)	The upstream stages of the OVS value chain could generate negative impacts on biodiversity and ecosystems due to degradation of natural habitats, deforestation and conversion of soils to agricultural land.				Local communities Pressure Groups	Effective	N/A	Environmental issues
Biodiversity and animal welfare (ESRS E4 Biodiversity and ecosystems)	Damage to animal welfare related to breeding required for raw material generation (-)	The sector in which OVS operates sometimes uses raw materials of animal origin that may derive from intensive farming where animal welfare is not protected.				Local communities Pressure Groups	Potential	Low	Environmental issues
Biodiversity and animal welfare (ESRS E4 Biodiversity and ecosystems)	Restoration of agricultural land through regenerative farming practices (+)	Intensive farming practices can generate negative environmental impacts on soils and ecosystems. In order to mitigate these impacts, regenerative agriculture practices can be implemented that enable the production of more sustainable raw materials. Through the Cotone Italiano project, OVS contributes to re-establishing regenerative cotton farming in Italy				Local communities Suppliers	Effective	N/A	Environmental issues

Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
Circular economy and eco-design (ESRS E5 Circular economy)	Promoting innovation in the circular economy and eco-design (+)	The use of recycled raw materials, the transformation of waste to produce new products, the adherence to initiatives that valorise waste as a raw material and the promotion of activities that extend the use of garments are some of the main practices used by OVS to extend the life cycle of its products.				Customers Competitors Pressure Groups Investors New generations (<25)	Effective	N/A	Environmental issues
Waste management and end-of-life (ESRS E5 Circular economy)	Environmental damage due to incorrect end-of-life product disposal (-)	The products marketed by the Group are disposed of and partly recovered, including by incineration, or disposed of. Although this is not hazardous waste, due to its large quantity, the disposal of the product is susceptible to environmental risks.				Customers Local communities Institutions Pressure Groups	Effective	N/A	Environmental issues
Waste management and end-of-life (ESRS E5 Circular economy)	Environmental damage due to incorrect waste disposal (-)	The production phase contributes to the generation of waste that, if not disposed of and recovered properly, can cause negative impacts on both ecosystems and local communities.				Customers Local communities Institutions Pressure Groups	Effective	N/A	Environmental issues
Consumer health and safety	Damage to consumer health/safety due to the presence of	Chemicals are sometimes used in production processes that, if not properly				Customers	Potential	Low	Social issues

Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
(ESRS S4 Consumers and end-users)	harmful substances in products (-)	managed, can leave residues on the finished product to the detriment of the customer's health.							
Workers' health and safety (ESRS S2 Workers in the value chain)	Damage to workers' health and safety (-)	During garment production processes, workers may be exposed to risks of accidents and occupational diseases.				Collaborators Suppliers Pressure Groups	Potential	High	Staff-related topics
Human rights (ESRS S2 Workers in the value chain)	Human rights violations along the value chain (-)	The majority of textile production takes place in non-EU countries where OVS has to make greater efforts to ensure the application of strict standards for workers' human rights.				Collaborators Suppliers Pressure Groups	Potential	High	Topics related to human rights issues
Human rights (ESRS S2 Workers in the value chain)	Economic damages to workers due to non-compliance with minimum standards on workers' rights (-)	Lack of controls along the value chain can lead to a lack of respect along the supply chain for minimum wages and subsistence thresholds, collective bargaining and freedom of association, particularly where there is no robust labour law.				Collaborators Suppliers Pressure Groups	Effective	N/A	Topics related to human rights issues
Diversity and inclusion (ESRS S2 Workers in the value chain)	Discrimination and lack of equal opportunities in the workplace (-)	Failure to protect diversity and equal opportunities can have negative impacts on human capital in terms of equal pay and career opportunities and possible administrative				Collaborators Suppliers Pressure Groups	Potential	High	Social issues

Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
		sanctions according to local legislation.							
Diversity and inclusion (ESRS S4 Consumers and end-users)	Promoting the freedom to express one's identity through fashion (+)	Fashion constitutes one of the main tools individuals have at their disposal to express their identity. OVS is committed to promoting collections that allow people to express their gender identity.				Customers Opinion leader New generations (<25)	Effective	N/A	Social issues
Employee welfare (ESRS S1 Own workforce)	Enhancing employee well-being (+)	Promoting employee well-being creates a healthy working environment and corporate culture. Employee well-being also increases staff retention and talent attraction. Through the RE-UP program, OVS creates virtuous partnerships to use upcycling as a laboratory for inclusion.				Customers Headquarter and store employees Franchisee	Effective	N/A	Staff-related topics
Employee training (ESRS S1 Own workforce)	Contribution to employee training and professional development (+)	The training and development of employees help to create competent professionals and increase their level of satisfaction. It is crucial to implement specific programs for skills development, as well as to enable the preparation of specialised and up-to-				Customers Headquarter and store employees Franchisee	Effective	N/A	Staff-related topics

Material Topic	Impact	Description	Significance along the Value Chain			Stakeholders impacted	Nature of impact	Probability ¹⁰	Legislative Decree 254/2016
			Upstream	Direct	Downstream				
		date figures on the latest regulatory and business trends.							
Relations with local communities (ESRS S3 Affected communities)	Support and development of local communities through collaborations and partnerships (+)	OVS activities can contribute significantly to the development of communities in the territories where the Group operates through dedicated initiatives and projects.				Local communities countries of production Local communities points of sale (Italy) Pressure Groups Institutions New generations (<25)	Effective	N/A	Social issues
Combating corruption (ESRS G1 Business conduct)	Social and economic damage resulting from corruption incidents (-)	In the absence of adequate control and prevention systems, OVS could contribute to or be involved in episodes of corruption with an impact on the economic system.				Institutions Investors	Potential	Low	Topics related to the fight against active and passive corruption
Responsible marketing (ESRS S4 Consumers and end-users)	Distortion of consumer choice due to non-transparent communication and green-washing (-)	Non-transparent communication, particularly with respect to sustainability policies, and with respect to the products and services offered, has a potential negative impact on consumers.				Customers New generations (<25)	Potential	Medium	Social issues

Key

(+) Positive impact

(-) Negative impact

<input type="radio"/>	Non relevant
<input type="radio"/>	Relevant
<input type="radio"/>	High relevant

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 Control, Risk 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 Control, Risk 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 that could have a direct impact on the business and/or on the environmental and social systems with which the company relates. These risks were classified according to the company's ERM: operational risks, reputational risks and economic risks.

For each relevant topic, the risks reported in the following table have been identified and classified, highlighting the main management methods and priorities¹¹:

Table 5 - Non-financial risks management methods

Material Topic	Risks	Internal risk class	Priorities	Policy/Management methods pursuant to Law 145/2018, Art. 1, paragraph 1073	Governing tool
Combating corruption	Cases of active/passive corruption - identified in the context of activities at risk pursuant to Legislative Decree 231/2001.	Reputational Economic	Medium	Specific risk assessment on corruption through the organisation, management and control model pursuant to Legislative Decree No. 231/01 Elaboration of specific protocols relating to the management of activities at risk	Model of organisation, management and control pursuant to Legislative Decree No. 231/01 Code of Ethics Company policies and procedures Whistleblowing procedure Code of conduct
	Failure to identify unethical conduct by staff and contractors due to the widespread model across the territory	Reputational Operational Economic	High	Dissemination of risk management policies through Company Regulations and Codes of Conduct Interception of possible violations through the whistleblowing system Internal Auditing and supervisory activities through the Supervisory Board (SB)	
Human rights	Human rights violations along the supply chain	Reputational Operational Economic	High	Adherence to the Code of Conduct by suppliers, binding on environmental and social performance	Code of Conduct Industry Collaboration Initiatives Higg Index Responsible sourcing strategy for raw materials Product certifications Wovo app
	Relationships with a high-impact supply chain	Operational Economic	High	Development of internal and external audit programs based on the Code of Conduct	
	Scarce availability of resources suitable for environmentally friendly processes for garment production ¹²	Economic	High	Participation in "Industry collaboration" initiatives in order to share actions for the monitoring and development of environmental and social performance in the supply chain Definition of a raw materials sourcing strategy that favours sources certified for sustainability performance	
Employee welfare	Inadequate organisational structure and	Operational Economic	Medium	Definition of a training program focused on achieving objectives and	Training programs

¹¹ The priority level was calculated as the average between internal and external significance

¹² 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.

Material Topic	Risks	Internal risk class	Priorities	Policy/Management methods pursuant to Law 145/2018, Art. 1, paragraph 1073	Governing tool
Employee training	loss of know-how due to a lack of investment in training and the absence of a performance or career evaluation plan			developing technical and soft skills Development of performance appraisal systems Development of channels for dialogue and sharing business objectives	Performance evaluation programs Code of Ethics Remote working plan Online stores (e-commerce, click and collect)
	Loss of key business continuity skills	Operational Economic	High	Adoption of the Code of Ethics containing principles for the protection of workers and human rights	Health and safety protection plans Sanitising gel dispensers in all enclosed areas, provision of masks, medical assistance and advice on site
	Ineffective management of the health and safety of workers in Italy and abroad at the Group's offices and points of sale.	Reputational Operational Economic	Medium	Establishment of employee health and safety protection plans in accordance with regulations Promotion of safe and environmentally friendly processes in accordance with current environmental legislation Supervisory activities for risks of regulatory non-compliance	OVS for Me
Diversity and inclusion	Discriminatory actions in the Group and the supply chain	Reputational	High	Developing a person-friendly work environment through specific programs	Wellbeing and inclusion programs Corporate policies
	Failure to include under-represented categories	Reputational Operational	Medium	Development of specific training plans for caregivers (Lifeed program for the enhancement of soft-skills related to caregiving) Development of policies aimed at reducing the Gender Pay-gap Establishing hiring programs in areas of high unemployment	Lifeed Program Periodic Gender Pay-gap Analysis Corporate policies RE-UP Programme
Relations with local communities	Lack of integration and involvement of the local communities in which the company operates	Reputational Operational	Low	Defining programs to involve communities in projects that address area needs Definition of processes for institutional proactive communication and social media strategy	Community Development Programs Social media strategy
Circular economy and eco-design	Reduced consumer awareness and involvement on circular	Reputational Economic	Medium	Adoption of an action plan for the development of virtuous Circular Economy models and processes	Plan for the development of a Circular Economy

Material Topic	Risks	Internal risk class	Priorities	Policy/Management methods pursuant to Law 145/2018, Art. 1, paragraph 1073	Governing tool
	economy processes				ICESP Working Group - Italian Circular Economy Stakeholder Platform
Combating climate change	Inadequate contribution to the fight against global warming (not aligned with scientific evidence) ¹³	Economic Reputational	High	Definition of a plan for reduction and efficiency of energy resources Exclusive use of certified renewable energy and installation of photovoltaic systems	Energy Saving Programs Real-time monitoring systems Certificates of Guarantee of Origin Photovoltaic systems
	Consequences of extreme weather events	Operational	High	Prevention of pollution generated by air pollutant emissions	ISO 14064 Carbon Footprint Assessment and SBTi Reduction Plan
	Inability to plan seasonality of collections due to climate change	Economic Operational	High	Waste-management process Procurement and sourcing policies aligned with decarbonisation goals	Management system compliant with ISO 14001:2015. Sustainability-Linked Bond
Water resources	Over-exploitation of water basins for productive activities	Economic Operational Reputational	High	Procurement and sourcing policies aligned with the objectives of reducing the environmental impact	ECO Value Higg MSI
Biodiversity and animal welfare	Procurement of raw materials through processes that damage ecosystems and natural habitats	Economic Operational Reputational	Medium	Procurement and sourcing policies that favour certified raw material sources Fur-Free Retailer Policy	Product Certifications and Chain of Custody
Responsible marketing	Loss of credibility with stakeholders	Reputational	High	Adoption of Codes of Conduct governing relations with stakeholders	Codes of conduct
	Failure to intercept priority issues for different stakeholders	Reputational	Medium	Stakeholder engagement and sustainability information activities Publication of the annual Non-Financial Statement on the company website	Stakeholder Engagement Website and financial statements
	Failure to intercept consumer preferences	Economic Reputational	Medium	Periodic updating of company information on the institutional website	Eco Value Customer service
	Lack of transparency in customer communication (marketing, labelling)	Reputational	Medium	Using Eco Value for each online product Integration with third-party platforms (ex: Worldly)	Loyalty systems (Digital ID Program) Periodic surveys Dedicated newsletters

¹³ See previous note.

Material Topic	Risks	Internal risk class	Priorities	Policy/Management methods pursuant to Law 145/2018, Art. 1, paragraph 1073	Governing tool
				Definition of customer satisfaction evaluation programs (research and focus groups) Dedicated customer feedback process Loyalty programs	
Consumer health and safety	Use of raw materials or production processes with high environmental impact	Economic	High	Implementation of management systems to monitor non-compliance risks Execution of Life cycle assessment projects	Management and monitoring systems Product certifications and labelling
Waste and end-of-life management	Realisation of products with negative impact on consumer health	Reputational	High	Procedures for obtaining necessary certifications	Restricted Substances List and Product Test Program
	Inadequate management of the disposal of waste generated	Economic	Medium	Adaptation to the regulations for the management of chemical agents in the production of garments	LCA Better Cotton Platform Higg MSI
Workers' health and safety	Unsafe sales and work environments for employees and customers	Reputational Operational Economic	Medium	Adoption of in-store security measures	Occupational safety management system

In 2023, the Corporate Sustainability Department initiated an internal discussion with the Internal Auditing and Administration, Finance and Control functions to integrate an economic quantification of non-financial risks into the current risk analysis and management system, in line with the "Double Materiality" principles of the Corporate Sustainability Reporting Directive (CSRD). This assessment will be reported on from the next financial year.

The internal control system

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 which 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 ethical and behavioural principles of reference for all Group companies, highlighting the set of rights, duties and responsibilities of all those who, for whatever

reason, operate within them or collaborate with them (directors, statutory auditors, managers, employees, external collaborators, business partners, suppliers and more generally any other subject 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 any person giving or promising money or other benefits to any person belonging to other entities is censured, even where such conduct may lead to conferring a direct or indirect advantage on 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.

Within the Code of Ethics, OVS promotes the value of people and is committed to offering equal employment opportunities without distinctions based on nationality or ethnicity, religion or belief, gender, age, sexual orientation, physical or mental disability, aware of the value of a diverse workforce, capable of representing multiple points of view, also considering the many countries in which it operates. Indeed, the Group intends to proactively enhance and promote a positive environment, centred on mutual respect, in which everyone can express and develop their personal identity through their professional contribution.

The Code of Ethics was adopted by resolution of the Board of Directors of the Company on 27/10/2014 and subsequently updated by resolutions of the Board of Directors, lastly on 31 January and 20 September 2023. 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 and updated in July 2023, with the aim of regulating the process of managing reports of unlawful conduct relevant pursuant to Legislative Decree 231/2001, or violations of the Model 231 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 2023, a report was received, subject to in-depth analysis, which did not highlight situations of offence under Legislative Decree 231/2001.

There is also an email box (sustainability@ovs.it) that all suppliers may use to report any breaches to the Code of Conduct. A few reports were received during 2023, none of which were relevant.

Finally, during 2023, no episodes of corruption, either active or passive, were detected with reference to company 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://wecare.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 Control, Risk and Sustainability 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. In 2023, audits focused on the corporate area, with five audits of an operational nature and one intervention regarding regulatory compliance issues. Two other interventions concerned foreign subsidiaries.

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 1,628,712 thousand and increased by 0.47% compared to 2022. The economic value distributed was Euro 1,350,496, a decrease of 0.81%. Of the economic value produced in 2023, 83% was therefore distributed to the various stakeholders while the remaining 17% was retained within the Group. Of the economic value distributed, more than Euro 943,850 million was allocated to suppliers of raw materials, products and services, Euro 320,452 million to the people of OVS for the activities carried out during the year and approximately Euro 58,352 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 6 - Income statement for value generated and distributed (in thousands of Euro)

	2023	2022
Economic value generated by the Group	1,628,712	1,621,027
<i>Revenue</i>	1,535,166	1,512,719

<i>Other income</i>	92,970	91,062
<i>Financial income</i>	1,081	800
<i>Value adjustments to financial assets</i>	-	-
<i>Bad debts provision</i>	(1,758)	(1,200)
<i>Currency exchange rate differences</i>	4,062	18,331
<i>Income/expenses from the sale of tangible and intangible assets</i>	(3,559)	(165)
<i>Tangible and intangible assets value adjustments</i>	750	(520)
Economic value distributed by the Group	1,350,496	1,361,535
<i>Operating costs</i>	943,850	965,725
<i>Employees remuneration</i>	320,452	314,628
<i>Lenders remuneration</i>	58,352	53,409
<i>Investors remuneration</i>	-	-
<i>Public administration remuneration*</i>	27,842	27,709
<i>External donations</i>	-	64
Economic value retained by the Group	278,218	259,492
<i>Depreciations</i>	224,796	218,811
<i>Provisions</i>	1,046	1,109
<i>Reserves</i>	52,374	39,572

* Public administration remuneration also includes deferred taxes

Approach to taxation

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.

In particular, the Group has updated the Model 231 - 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, technological innovation, design and aesthetic ideation activities in Italy. As the market leader in the clothing industry in Italy, OVS is also very attentive to process and sectoral technological innovations called for at European level with the PNRR and/or through regional/national aid. 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.

The taxes paid by the group are 99% in Italy and 1% in Hong Kong.

Supply chain

The following table shows the percentage of expenditure incurred by OVS with local suppliers¹⁴, divided between purchases of goods and other purchases.

Table 7 - Turnover of local third-party suppliers¹⁵

	2023		2022	
	Goods	Non-goods	Goods	Non-goods
Italy and the EU	27%	98%	23%	97%

Table 8 - Number of new product suppliers evaluated with respect to environmental and social parameters

	2023	2022
Total Number of New Suppliers	57	65
Total Number of New Suppliers evaluated according to Social Criteria	57	65

¹⁴ 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.

¹⁵ The figure does not include non-EU countries. The reporting boundary represents over 95% of the OVS Group's total costs.

	2023	2022
% New Suppliers evaluated according to Social Criteria	100%	100%
Total Number of New Suppliers evaluated according to Environmental Criteria	57	65
% New Suppliers evaluated according to Environmental Criteria	100%	100%

As of 2020, OVS has adopted a policy for the accreditation of new suppliers to only enter into business relations with partners who guarantee maximum transparency in environmental and social matters through the Worldy platform (formerly Higg), used by members of the Cascal association (formerly Sustainable Apparel Coalition). This tool is synergic with the internal supply chain due diligence process and allows for a more effective and efficient assessment of key source indicators.

In 2023, OVS consolidated historical partnerships with major manufacturing groups while also seeking the greatest possible efficiency through a rationalisation of the supplier base.

In fact, the table below shows a substantial stability in the number of suppliers per country.

Table 9 - Ordered goods by Made-in¹⁶

	2023			2022	
Country	Suppliers	Ordered (EUR)	Delta ordered (%)	Suppliers	Ordered (EUR)
Albania	4	647,887	-0.34%	4	650,084
Bangladesh	76	257,255,091	-18.38%	77	315,182,084
Bulgaria	2	37,546	1161.07%	1	2,977
Cambodia	4	3,939,496	-49.62%	6	7,818,852
China	207	152,768,856	-12.63%	217	174,856,214
Greece	1	854.43	851.91%	1	90
India	100	62,245,035	-19.45%	95	77,271,844
Italy	164	37,972,633	-0.30	160	38,088,687
Myanmar	16	33,165,518	75.01%	10	18,950,341
Pakistan	32	22,879,278	-3.47%	28	23,702,240
Poland	5	4,559,252	65.32%	3	2,757,883
Portugal	14	1,272,320	-34.55%	11	1,944,052
Romania	2	1,370,043	-5.17%	2	1,444,764
Serbia	-	-	-	-	-
Spain	9	526,821	65.01%	12	325,186

¹⁶ The data shown refers only to OVS S.p.A.

	2023			2022	
Country	Suppliers	Ordered (EUR)	Delta ordered (%)	Suppliers	Ordered (EUR)
Thailand	1	31226	100%	-	-
Tunisia	5	8,323,662	-5.27%	8	8,786,813
Turkey	37	3,080,165	-29.59%	39	4,374,330
Vietnam	11	13,082,733	-24.57%	12	17,344,226
Other countries	50	17,038,914	22.78%	45	13,877,158
Total		620,197,334			707,377,852

A reading of the table shows a decrease of about 12% in the volume ordered compared to 2022. This change is explained by better planning of purchases based on sales forecasts, which has made it possible to contain unsold goods, and the “Refurbished” programme, which reassembles goods from previous seasons in order to distribute them again when an adequate assortment of sizes can be replenished.

The number of total providers is 690. 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 405 active product suppliers that realise orders equal to Euro 518,184,393 (84% of total orders).

Due diligence in the supply chain is conducted on the basis of each supplier's risk profile and realised through an internal audit process, evaluation of third-party certifications and analysis of ESG performance on Worldly. The use of this platform requires the supplier to publish environmental and social impact data via the independently verified third-party FEM (Facility Environmental Module) and FSLM (Facility Social and Labour Module).

Table 10 – Controls on the production volume of house-brand clothing suppliers

Production volume coverage	2023	2022
Internal Audit	91%	90%
Third-party certifications	75%	69%
Worldly registration	100%	93%
Higg FEM with verification ¹⁷ by third party	92%	70%
Higg FSLM with verification ¹⁸ by third party	70%	51%

Since 2022, OVS has defined the Making Progress program to proactively trigger improvement actions towards specific key suppliers. This program includes an in-depth root-cause analysis in case of repeated criticalities and support, including financial support, to the supplier to implement corrective actions.

The projects conducted allowed for the agreement and implementation of improvement plans in environmental and social performance.

Human resources – Workforce¹⁹

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 572 external collaborators, 40% of whom seasonal, who carry out the activities of handling goods inside the Pontenure warehouse.

Table 11 – Workforce distribution by geographical area

	2023			2022		
Employees	Men	Women	Total	Men	Women	Total
Bangladesh	93	5	98	98	5	103
China	22	78	100	23	78	101
Spain	6	47	53	4	48	52

¹⁷ Verified or in the process of being verified.

¹⁸ See previous footnote.

¹⁹ The disclosure related to the gender of the employees envisaged in GRI 2.7 will be implemented after the company's information systems are updated.

	2023			2022		
France	2	13	15	5	6	11
Croatia	3	31	34	4	33	37
India	36	12	48	39	10	49
Italy	1,597	6,245	7,842	1,580	6,187	7,767
Pakistan	12	0	12	12	0	12
Serbia	14	57	71	13	44	57
Turkey	2	6	8	1	7	8
Total	1,787	6,494	8,281	1,779	6,418	8,197

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. It should be noted that, in addition to the aforementioned geographical areas, in 2023, the Group operated one store in Germany and one in the United States with an average workforce of less than 10 people.

Table 12 – Breakdown of total workforce by contract type in Italy

	2023			2022		
	Men	Women	Total	Men	Women	Total
Permanent	1,380	5,178	6,558	1,385	5,116	6,501
Fixed-term	217	1,067	1,284	195	1,071	1,266
Total	1,597	6,245	7,842	1,580	6,187	7,767

Table 13 – Breakdown of total workforce by contract type in other countries

	2023			2022		
	Men	Women	Total	Men	Women	Total
Permanent	187	210	397	195	207	402
Fixed-term	3	39	42	4	24	28
Total	190	249	439	199	231	430

With reference to the permanent workforce of OVS S.p.A., 908 people carry out their work activities at the company's headquarters or logistics centre. In addition, over 250 people are present at the foreign offices and over 120 at the direct points of sale abroad.

Table 14 – Workforce by gender and professional category in Italy (headquarter roles)²⁰

	2023				2022		
	Men	Women	Total	Delta%	Men	Women	Total
Managers – Executives	62	16	78	4%	57	18	75
Professionals – Managers	103	99	202	8%	102	85	187
Employees – Office workers	150	506	656	-0.2%	148	509	657
Total	315	621	936	1.8%	307	612	919

With reference to fixed-term contracts in Italy, there were 12 men and 16 women in the “office workers” category.

Table 15 – Staff by gender and professional category in other countries (headquarters staff positions)

	2023				2022		
	Men	Women	Total	Delta%	Men	Women	Total
Managers – Executives	19	9	28	8%	19	7	26
Professionals – Managers	3	1	4	0%	3	1	4
Employees – Office workers	154	112	268	-2%	162	112	274
Workers	-	-	0	-100%	-	1	1
Total	176	122	298	-2%	184	121	305

The values include 1 man and 1 woman in the category “office workers” with a fixed-term contract.

With regard to the 5,791 sales outlets, it is evenly distributed throughout Italy thanks to a capillary sales network throughout the country and at stores located abroad.

Table 16 – Workforce by gender and professional category in Italy (store role)²¹

	2023				2022		
	Men	Women	Total	Delta%	Men	Women	Total
Store managers	358	369	727	3%	342	365	707
Other duties	924	5,255	6,179	1%	931	5,210	6,141
Total	1,282	5,624	6,906	0.85%	1,273	5,563	6,848

With reference to fixed-term contracts, 154 men and 1,017 women were reported in the “other duties” category, while in the “store managers” category 51 men and 34 women were reported.

²⁰ In the 2022 NFS, only permanent personnel were reported. In 2023, we aligned the reporting with the total workforce.

²¹ In the 2022 NFS, only permanent personnel were reported. In 2023, we aligned the reporting with the total workforce.

Table 17 - Workforce by gender and professional category in other countries (point of sale staff roles)

	2023				2022		
	Men	Women	Total	Delta%	Men	Women	Total
Store managers	4	15	19	6%	4	14	18
Other duties	10	112	122	14%	10	97	107
Total	14	127	141	13%	14	111	125

The values include 2 men and 38 women in the category other jobs with fixed-term contracts.

The incidence of female presence remains prevalent: at the headquarters in Italy it represents 67%, in stores in Italy over 80% and in foreign stores 90%.

At stores, it should be noted that over 52% of Store Managers in Italy are female, a slight increase compared to 2022, and the figure for other countries is confirmed at around 75%.

As regards "corporate" roles, at managerial level in Italy, the incidence of female presence is reduced to 21% (24% in 2022) and to 32% at foreign offices. If middle management roles are included, the percentage rises to 41% at Group level.

The number of people belonging to the protected categories is 258, of which 61 are men and 197 are women.

Table 18 - Permanent workforce in Italy by gender and age group

	2023			2022		
	Men	Women	Total	Men	Women	Total
<24	18	63	81	16	52	68
24-37	449	1,437	1,886	474	1,470	1,944
38-50	456	2,073	2,529	443	2,106	2,549
>50	457	1,605	2,062	452	1,488	1,940
Total	1,380	5,178	6,558	1,385	5,116	6,501

Table 19 - Permanent workforce in other countries by gender and age group

	2023			2022		
	Men	Women	Total	Men	Women	Total
<24	-	5	5	-	8	8
24-37	33	63	96	20	66	86
38-50	134	121	255	162	135	297
>50	19	22	41	16	23	39

	2023			2022		
Total	186	211	397	198	232	430

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

Table 20 - Breakdown of permanent workforce by Full-Time/Part-Time work status

	2023			2022		
Type of contract	Men	Women	Total	Men	Women	Total
Full-time employees	1,518	3,555	5,073	1,534	3,461	4,995
Part-time employees	49	1,833	1,882	46	1,862	1,908
Total	1,567	5,388	6,955	1,580	5,323	6,903

Table 21 - Breakdown of fixed-term workforce by Full-Time/Part-Time work status

	2023			2022		
Type of contract	Men	Women	Total	Men	Women	Total
Full-time employees	205	709	914	184	728	912
Part-time employees	15	397	412	15	367	382
Total	220	1,106	1,326	199	1,095	1,294

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 (2,294 people).

In 2023, as in previous years, the Group also made use of fixed-term employees and at the end of the year (31 January 2024) had 1,326 employees on fixed-term contracts.

Human resources - Turnover

In 2023, the Group hired 2,747 people, with an incoming turnover²² of 33%, a slight decrease compared to 2022.

Table 22 - Recruitment by gender and incoming turnover

	2023			2022		
	Men	Women	Total	Men	Women	Total
Bangladesh	2	-	2	2	-	2
China	1	19	20	3	7	10

²² In order to calculate incoming and outgoing turnover, the number of employees hired/terminated is compared to the total number of employees, with relative details by contract type, age group and gender.

	2023			2022		
	Men	Women	Total	Men	Women	Total
Spain	4	29	33	5	41	46
France	2	13	15	5	6	11
Croatia	-	14	14	-	7	7
India	4	2	6	-	-	0
Italy	467	2,151	2,618	466	2,228	2,694
Pakistan	-	-	0	-	-	0
Serbia	2	35	37	7	20	27
Turkey	1	1	2	-	-	0
Total	483	2,264	2,747	488	2,309	2,797
% on total recruitment	18%	82%		17%	83%	
Incoming turnover rate	27%	35%	33%	27%	36%	34%

Table 23 - Recruitment by age group and incoming turnover

	2023									
Age group	<24		24 - 37		38 - 50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Bangladesh	-	-	1	-	1	-	-	-	2	0
China	-	-	-	2	1	11	-	6	1	19
Spain	1	6	2	12	1	10	-	1	4	29
France	-	6	2	4	-	3	-	-	2	13
Croatia	-	5	-	5	-	4	-	-	0	14
India	-	-	1	1	3	1	-	-	4	2
Italy	100	688	296	1,096	52	296	19	71	467	2,151
Pakistan	-	-	-	-	-	-	-	-	0	0
Serbia	-	5	2	14	-	13	-	3	2	35
Turkey	-	-	-	-	-	1	1	-	1	1
Total	101	710	304	1,134	58	339	20	81	483	2264
% on total recruitment	4%	26%	11%	41%	2%	12%	1%	3%	18%	82%

	2023									
Incoming turnover rate	6%	11%	17%	17%	3%	5%	1%	1%	27%	35%

	2022									
Age group	<24		24 - 37		38 - 50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Bangladesh	-	-	-	-	-	-	2	-	2	0
China	-	1	-	1	3	2	-	3	3	7
Spain	-	4	4	23	1	13	-	1	5	41
France	3	1	1	5	1	-	-	-	5	6
Croatia	-	2	-	5	-	-	-	-	0	7
India	-	-	-	-	-	-	-	-	0	0
Italy	104	632	282	1,239	73	299	7	58	466	2,228
Pakistan	-	-	-	-	-	-	-	-	0	0
Serbia	-	4	1	-	5	8	1	8	7	20
Turkey	-	-	-	-	-	-	-	-	0	0
Total	107	644	288	1,273	83	322	10	70	488	2,309
% on total recruitment	4%	23%	10%	46%	3%	12%	0.40%	3%	17%	83%
Incoming turnover rate	6%	10%	16%	20%	5%	5%	1%	1%	27%	36%

In 2023, outbound turnover²³ is 32%, down compared to 2022.

Considering the Group's outgoing turnover for permanent staff, the turnover was 13.6%, up from 8% last year, and can be explained by the phenomenon of "large resignations" trend in recent years.

The Group has launched a process to improve welfare and induction policies with the aim of increasing the retention rate.

Table 24 - Terminations by gender and outgoing turnover

	2023			2022		
	Men	Women	Total	Men	Women	Total
Bangladesh	7	-	7	3	-	3
China	2	19	21	8	3	11

²³ In order to calculate incoming and outgoing turnover, the number of employees hired/terminated is compared to the total number of employees, with relative details by contract type, age group and gender.

	2023			2022		
Spain	2	29	31	6	51	57
France	6	9	15	-	-	0
Croatia	-	17	17	-	12	12
India	6	-	6	-	1	1
Italy	450	2,094	2,544	466	2,286	2,752
Pakistan	-	-	0	-	-	0
Serbia	1	22	23	7	16	23
Turkey	-	2	2	-	-	0
Total	474	2,192	2,666	490	2,369	2,859
% of total terminations	18%	82%		17%	83%	
Outgoing turnover rate	27%	34%	32%	28%	37%	35%

Table 25 – Terminations by age group and outgoing turnover

	2023									
Age group	<24		24 – 37		38 – 50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Bangladesh	-	-	2	-	4	-	1	-	7	0
China	-	-	-	2	2	10	-	7	2	19
Spain	1	5	1	13	-	10	-	1	2	29
France	1	3	5	4	-	2	-	-	6	9
Croatia	-	2	-	7	-	8	-	-	0	17
India	-	-	3	-	3	-	-	-	6	0
Italy	85	564	254	1,085	75	325	36	120	450	2,094
Pakistan	-	-	-	-	-	-	-	-	0	0
Serbia	-	2	1	6	-	10	-	4	1	22
Turkey	-	-	-	-	-	2	-	-	0	2
Total	87	576	266	1117	84	376	37	132	474	2,192

	2023									
Age group	<24		24 - 37		38 - 50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
% of total terminations	3%	22%	10%	42%	3%	14%	1%	5%	27%	34%
Outgoing turnover rate	5%	9%	15%	17%	5%	6%	2%	2%	27%	34%

	2022									
Age group	<24		24 - 37		38 - 50		>50		Total	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Bangladesh	-	-	-	-	3	-	-	-	3	0
China	-	1	6	-	.	1	2	1	8	3
Spain	1	2	5	33	-	14	-	2	6	51
France	-	-	-	-	-	-	-	-	0	0
Croatia	-	2	-	3	-	7	-	-	0	12
India	-	-	-	-	-	1	-	-	0	1
Italy	84	567	285	1,270	67	316	30	133	466	2,286
Pakistan	-	-	-	-	-	-	-	-	0	0
Serbia	-	6	6	8	1	-	-	2	7	16
Turkey	-	-	-	-	-	-	-	-	0	0
Total	85	578	302	1,314	71	339	32	138	490	2,369
% of total terminations	3%	20%	11%	46%	2%	12%	1%	5%	17%	83%
Outgoing turnover rate	5%	9%	17%	20%	4%	5%	2%	2%	28%	37%

Human resources - Parental leave

In 2023, 138 employees took parental leave. Return to service after parental leave was 93%, while the retention rate was 77%.

Table 26 - Return to work and job retention after parental leave in Italy²⁴

	2023			2022		
	Men	Women	Total	Men	Women	Total
Employees entitled to parental leave (no.)	37	148	185	45	180	225
Employees who have taken parental leave (no.)	3	135	138	6	160	166
Employees who returned to work after the end of parental leave (no.)	3	125	128	5	150	155
Employees who returned to work after the end of parental leave and are still employed 12 months after their return (no.)	2	117	119	1	126	127
Total return rate (%)	100%	93%	93%	83%	94%	93%
Total retention rate (%)	40%	78%	77%	50%	87%	86%

The reduction in the retention rate is in line with an increase in negative turnover due to the so-called "large resignation" phenomenon that has been taking place for some time.

The retention rate has suffered from a higher incidence among sales personnel who, in a market context with more remote work on offer, are affected by the structural need for physical presence at points of sale.

Human resources - Training

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 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.

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 27 - Training hours by geographical area

	2023		2022	
	Total hours of training	Average hours per employee	Total hours of training	Average hours per employee
Italy	217,341	27.7	202,159	26
China	638	6.38	591	5.8
Spain	336	6.3	920	17.7

²⁴ This figure does not include foreign companies, this reporting boundary represents approximately 95% of the OVS Group's employees at 31/01/2024.

	2023		2022	
France	-	-	40	3.6
Croatia	-	-	-	-
Bangladesh	243	2.5	285	2.8
India	60	1.3	60	1.2
Pakistan	134	5.3	192	16
Turkey	37	4.6	34	4.3
Total	218,789	26.50	204,281	24.9

During 2023, more than Euro 400,000 was invested in training, broadly in line with the previous year.

During the year, an average of 26.4 hours of training were provided per employee (compared to 24.9 in 2022), for a total of over 218,789 hours of training (compared to 204,281 in 2022). The hours provided per employee increased slightly compared to 2022, as the “customer at the centre of omnichannel” programme was launched aimed at all store teams for the OVS and UPIM brands, with the aim of strengthening customer relationship skills.

Table 28 - Average hours of training by professional category and gender²⁵

	2023					
	Men		Women		Total	
	Hours	Average hours	Hours	Average hours	Hours	Average hours
Managers - Executives	1,257	16	181	7	1,437	14
Professionals - Managers	1,587	15	1,535	16	3,122	15
Employees - Office workers	2,689	9	7,366	12	10,055	11
Store managers	10,442	34	13,500	39	23,942	36
Other duties	17,391	22	162,843	38	180,234	35
Total	33,365		185,424		218,789	

Table 29 - Hours of training by type

	2023			2022		
	Men	Women	Total	Men	Women	Total
Managerial Training	2,903	3,937	6,840	5,174	7,240	12,414

²⁵ In general, 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.

Professional Training	19,574	146,030	165,604	22,480	112,170	144,650
Linguistic Training	73	334	407	60	780	840
Training on Code of Ethics (231 Organisational model, etc.)	409	1,539	1,948	331	1,410	1,741
Health and Safety Training	8,575	30,000	38,575	5,706	20,002	25,708
Operation	115	369	484	4,766	9,270	14,036
Soft Skills	1,716	3,215	4,931	1,669	3,224	4,893
Total	33,365	185,424	218,789	40,186	164,096	204,281

Table 30 - Number of employees involved in training activities by gender and professional category

	2023			2022		
	Men	Women	Total	Men	Women	Total
Managers - Executives	81	25	106	67	31	98
Professionals - Managers	105	99	204	92	91	183
Employees - Office workers	293	603	896	316	774	1,090
Store managers	311	347	658	377	416	793
Other duties	779	4,341	5,120	727	4,911	5,638
Total	1,569	5,415	6,984	1,579	6,223	7,802
% of total workforce	88%	83%	84%	89%	97%	95%

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. The use of this type of training increased in 2023 compared to 2022, and since it is excluded from the data in the table above, in line with the GRI standard, it leads to only a formal reduction in the number of staff involved in training.

Even in some of the foreign locations, only on-the-job training was provided during 2023.

Human resources - Remuneration²⁶

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

²⁶ The remuneration figures do not include foreign companies for which it is not statistically significant. In any case, the reporting boundary represents 95% of the employees of the OVS Group at 31/01/2024.

headquarters and sales managerial roles tied to individual or team performance and with an access threshold linked to overall company results.

The assessment of sustainability performance concerns first and foremost the Chief Executive Officer, in fact, from 2020 his annual variable component is linked not only to economic, financial and operational objectives, but also to non-financial strategic objectives. The latter include the launch of initiatives aimed at valorising new value creation channels including: increasing traffic and conversion rates at points of sale, improving the company's sustainability profile as perceived by end consumers and measured on criteria set by rating agencies, and continuing the Group's growth.

Please refer to the Remuneration Report for details of the CEO's pay mix and the gross remuneration detailed on the basis of the offices of the other Board members.

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 Directors and Product Managers) linked to product development.

As of 2024, with the three-year plan 2024-2026, new targets will be included in the incentive system for Executives with Strategic Responsibilities. Among other things, a Scope 3 emissions reduction target is set consistent with the corporate decarbonisation plan approved by SBTi, which accounts for 30% of the variable component.

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 centres 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 31 - Comparison of minimum entry wage between women and men

	2023		2022	
	Men	Women	Men	Women
Standard salary for new recruits (Euro)	21,534	21,534	21,198	21,198
Minimum wage in Italy as per CCNL (Euro)	21,534	21,534	21,198	21,198
Standard minimum wage ratio by gender to minimum wage in Italy	1	1	1	1

Respect for equal opportunities is ensured not only during initial employment, but throughout career development.

As can be seen from the data below, there is no substantial gender pay gap.

Table 32 - Ratio of women's pay to men's pay by professional category in Italy (office roles)

Professional category	2023	2022
Non-Executive Managers	1.01	0.99
Middle management	0.99	0.99

Professional category	2023	2022
Professional	0.96	0.96
Store managers	0.95	0.90
Other store roles	0.97	0.97

The choice to perform the analysis in Italy is due to the presence of 95% of the group's workforce in the country.

The "Executive" category, not shown in the table, was subject to turnover during the year and being a grouping of a limited number of people, the figure is unrepresentative. For the sake of completeness, however, the salary ratio of this category in 2023 is 0.8.

The "Professional" category includes a wide variety of roles, specialisations and company seniority. Therefore, the analysis of the gender pay-gap is influenced by an uneven distribution of genders and pay across multiple company functions.

For the role of Store Manager there is still a gender pay-gap that suffers from the carry-over of rather outdated pay situations. In fact, over the last 10 years the gap has narrowed to zero for seniority of less than 10 years. There remains a gender pay-gap for seniority over 10 years. However, it is improving from 2022.

Table 33 - Ratio of women's to men's pay in the role of Store Manager by seniority

Length of service in years	2023	2022
<5	1.06	1.02
5-10	0.95	0.94
10+	0.86	0.79

Human resources - Health and safety²⁷

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;

²⁷ The paragraph does not include foreign companies for which risk assessments have been conducted that have determined a low level of risk in health and safety. The reporting boundary represents about 95% of the employees of the OVS Group at 31/01/2024.

- 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 prevention and protection service manager ("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 headquarters and for each Point of Sale (or warehouse, if any) and are kept respectively at the headquarters 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 prevention and protection service manager, of the workers' safety representative 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 Board 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 Body 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 Risk Prevention and Protection Service Manager.

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 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 76 accidents at work (-7% compared to 2022), 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 34 - Employee Accident Index Italy²⁸

	2023	2022
Total hours worked	11,311,189	11,131,090
No. of employees accidents (>1 day of absence)	76	82
Of which serious injuries	1	-
Accident frequency index (no. of accidents x 1,000,000/hours worked)	6.7	7.4
Serious accident frequency index	0.1	-

With reference to the Pontenure warehouse, during 2023, 29 non-serious accidents were recorded against 792,816 hours worked, broadly in line with 2022.

Human resources - Performance appraisal²⁹

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.

²⁸ A "serious" injury, as defined by GRI Standards, is an injury that results in an absence of 180 days or more.

²⁹ The figure does not include foreign companies. This reporting boundary represents approximately 95% of the OVS Group's employees as at 31/01/2024.

Table 35 – Number of people at headquarters receiving performance evaluations

	2023		2022	
	Men	Women	Men	Women
Managers – Executives	61	17	57	18
Professionals – Managers	105	96	98	83
Employees – Office workers	110	310	134	497
Total	276	423	289	598

Table 36 – Number of people in stores receiving performance evaluations

	2023		2022	
	Men	Women	Men	Women
Store Managers	317	352	334	487
Other roles	84	248	47	87
Total	401	600	381	574

Environment – Energy consumption

The total energy consumption of the OVS Group, determined by the consumption of electricity and fossil fuels, amounts to 651,733 GJ. It should be noted that this value derives from direct consumption³⁰ of 586,197 GJ, of which 501,833 GJ came from renewable sources³¹ (**86%**), 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.

It is noteworthy that energy consumption per square metre was reduced by 5% for stores, which are the main source of consumption, thanks to energy saving programs that mainly involved store staff.

The following tables show the electricity consumption generated directly by OVS SpA.

³⁰ Direct consumption means energy consumption arising from supply contracts in the name of Group companies. Indirect consumption arises from contracts with third parties (typically shopping centres) which are subsequently charged back to OVS. OVS does not exercise operational control over this consumption, but it is nevertheless represented for completeness of information.

³¹ OVS considers sunlight, wind, the water cycle, tides, waves, geothermal heat and some biomass to be renewable sources of energy that are not subject to depletion on a human time scale.

Table 37 - Aggregate energy consumption in Italy³²

	2023					2022				
	Direct consumption		Indirect consumption			Direct consumption		Indirect consumption		
GJ	Headquarters	Points of sale	Points of sale	Warehouse	Total	Headquarters	Points of sale	Points of sale	Warehouse	Total
Electricity	10,620	495,673	43,861	19,938	570,092	10,556	513,683	49,951	19,500	593,691
Fossil fuels	1,815	39,058	347	1,390	42,610	2,296	47,191	211	2,050	51,747
District heating	-	15,173	-	-	15,173	-	14,362	-	-	14,362
Total	12,435	549,904	44,208	21,328	627,875	12,852	575,235	50,162	21,550	659,800
Energy/Personnel (GJ/hc)	14	86		-	80.07	14	91		-	84.95
Energy/m ² (GJ/m ²)	0.58	0.80		0.19	0.71	0.61	0.84		0.19	0.76

Table 38 - Aggregate energy consumption in other countries³³

	2023			2022		
GJ	Headquarters	Points of sale	Total	Headquarters	Points of sale	Total
Electricity	1,474	5,579	7,053	1,376	5,297	6,673
Fossil fuels	596	212	808	664	212	876
District heating	-	-	0	-	-	0
Total	2,070	5,791	7,861	2,039	5,509	7,548
Energy/Personnel (GJ/hc)	7	41	18	7	36	16
Energy/m ² (GJ/m ²)	0.42	0.94	0.71	0.37	0.81	0.61

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 2023, OVS produced 5,667 GJ of electricity from photovoltaic panels³⁴, up from the 4,475 produced in 2022. Renewable energy production is expected to increase significantly in the coming years, given the photovoltaic park installation program.

³² In the calculation of per capita consumption, the consumption recorded in the calendar year is compared with the personnel at 31/01/2024. In addition, note that the table excludes consumption of fossil fuels for motor vehicles, which is reported separately below.

³³ In the calculation of per capita consumption, the consumption recorded in the calendar year is compared with the personnel at 31/01/2024. In the foreign perimeter, energy consumption is all from supply contracts in the name of group companies.

³⁴ It includes the plant's share of production at the warehouse.

Since 2017, the requirement for electricity purchased directly by OVS in Italy has been covered by certified green energy by company policy. The total value of electricity from renewable sources is 504,926 GJ out of 506.293GJ, equal to 99.7% of total consumption.

OVS continues on its path of eliminating directly consumed fossil fuels with a 11% reduction (55,452 GJ in 2023 compared to 62,520 GJ in 2022).

Table 39 - Consumption of fossil fuels in Italy (standard m³ for Methane, Lt for Diesel, Petrol and LPG)

	2023					2022				
	Direct consumption		Third-party consumption			Direct consumption		Third-party consumption		
	Headquarters	Points of sale	Points of sale	Warehouse	Total	Headquarters	Points of sale	Points of sale	Warehouse	Total
Natural gas	50,560	684,290	9,662	38,733	783,245	67,762	842,447	5,870	57,112	968,191
Heating oil	-	397,672	-	-	397,672	1,200	465,654	-	-	466,854
LPG	-	8,300	-	-	8,300	-	8,800	-	-	8,800
Automotive petrol	49,770	-	-	-	49,770	28,482	-	-	-	28,482
Automotive diesel	360,810	-	-	-	360,810	337,047	-	-	-	337,047

The consumption of fossil motor fuels is calculated by assuming that 80% of the consumption of company cars allocated on benefits is attributed to business trips. In addition, consumption recorded through the expense report system is considered to be 100% allocated to business travel.

Wanting to drive improvement also at the supply chain level, OVS monitors energy consumption in its supply chain through the Worldly platform.

The table below shows the energy consumption of OVS Tier 1 suppliers, which account for 92% of production volume. The value of energy consumed was obtained from a reprocessing of data from Worldly by weighting the total consumption of each production plant to the percentage of production allocated to OVS.

Table 40 - Energy consumption in the supply chain in GJ

Country	Renewable	Non renewable or unknown	Total
Bangladesh	376.51	1,118,404.26	1,118,780.77
China	8,245.80	299,709.49	307,955.28
Myanmar	1,415.28	110,728.06	112,143.34
Pakistan	32,671.87	60,861.32	93,533.19
India	108.16	33,028.07	33,136.23
Cambodia	2,729.48	1,472.04	4,201.52
Vietnam	1,846.84	1,262.91	3,109.75
Turkey	0.00	78.52	78.52
Tunisia	0.00	19.93	19.93

Country	Renewable	Non renewable or unknown	Total
TOTAL	47,393.94	1,625,564.60	1,672,958.54
	2.83%	97.17%	

As can be seen from the data reported, the use of renewable energy is still limited to about 3% of total consumption and is mainly associated with biomass energy.

Table 41 - Distribution of energy in the supply chain by source in GJ

Country	Non renewable or unknown			Renewable					Total
	Electricity grid	Steam	Fossil fuels	Biodiesel	Biomass	Solar thermal	Third-part renewable electricity	Electricity from photovoltaic	
Bangladesh	62,281	470	1,055,653	0	106	1	0	269	1,118,781
China	23,276	255,925	20,508	27	6,076	0	1,142	1,002	307,955
Myanmar	97,653	0	13,075	0	1,415	0	0	0	112,143
Pakistan	16,122	18,120	26,619	0	31,356	0	0	1,316	93,533
India	11,056	24	21,948	5	99	0	0	4	33,136
Cambodia	1,355	0	117	0	2,729	0	0	0	4,202
Vietnam	1,223	0	40	0	1,847	0	0	0	3,110
Turkey	22	0	57	0	0	0	0	0	79
Tunisia	7	0	13	0	0	0	0	0	20
TOTAL	212,996	274,539	1,138,029	32	43,628	1	1,142	2,591	1,672,959

Environment - Scope 1 and 2 CO₂ emissions

In 2023, OVS's Scope 1 emissions in Italy were 8,455 tCO₂e³⁵ slightly up 5% from 2022 but down 26% from baseline 2019.

The year-on-year increase is due to higher mileage of company cars (+13% compared to 2022) and, above all, to extraordinary maintenance work on air conditioning systems following HFC gas leaks.

Table 42 - Scope 1 emissions in Italy (tCO₂e)

		2023	2022
Stationary combustion	Natural gas	1,498	1,825
	Heating oil	1,096	1,288
	LPG	13	14
Mobile combustion	Automotive petrol	104	62

³⁵ For the calculation of CO₂e emissions, the DEFRA 2023 factor was used.

		2023	2022
	Automotive diesel	906	862
Fugitive emissions	Coolant gases	4,775	4,000
Total		8,393	8,050

Scope 1 emissions for the foreign perimeter amounted to 97 tCO₂e mainly due to consumption of heating oil (compared to 68 tCO₂e in 2022).

As far as Scope 2 Market-Based emissions are concerned, in Italy we record a 45% reduction compared to last year, thanks to the purchase of 99.7% of electricity from renewable sources.

Table 43 - Scope 2 emissions (tCO₂e) - Market based in Italy³⁶

	2023	2022
Non-zero emission renewable electricity	60	293
Non-renewable electricity	174	839
District heating	757	681
Total	990	1,812

Table 44 - Scope 2 emission (tCO₂e) - Market based in other countries³⁷

	2023	2022
Non-renewable electricity	849	764

Scope 2 location-based emissions in 2023 amount to 41,754 tCO₂e in Italy and 677 tCO₂e abroad³⁸.

Scope 2 emissions are down 45% compared to last year and up 51% compared to the 2019 baseline³⁹ due to greater use of district heating to replace some oil boilers. This change is therefore to be read in a positive sense, as it is functional to a structural reduction of emissions from stationary combustion in Scope 1.

Cumulatively, Scope 1 and 2 emissions were reduced by 22.3 % from the 2019 baseline, consistent with SBTi approved decarbonisation targets.

It should also be noted that the difference between location-based and market-based Scope 2 emissions is 40,767 tCO₂e, which represents the share of emissions avoided through decarbonisation strategies based on self-generation and purchase of renewable energy.

³⁶ For the calculation of CO₂ emissions, AIB 2022, DEFRA 2023 and ISPRA 2023 factors have been used.

³⁷ For the calculation of CO₂ emissions, AIB 2022 and TERNA 2019 factors have been used.

³⁸ The 2022 location-based emissions were 37,914 tCO₂e, adjusted from 39,022 tCO₂e for a correction of the calculation.

³⁹ It is specified that, with regard to Scope 1 and Scope 2 emissions, the 2019 baseline emission calculation had to be revised in 2022 to incorporate some corrective actions. More details and specifications on calculation methodologies can be found in the 2022 Non-Financial Statement (section Baseline Review 2019).

Environment – Baseline Review 2019 Scope 3

During 2023, a material error in the baseline value of the category Goods and Services Purchased had to be corrected. This correction was necessary because a reduced emission factor was used in 2019 to value the emissions from the quantity of cotton from Better Cotton certified crops. However, as also pointed out in the Textile Exchange publication “Preferred Fibre & Materials Matrix”, it is not possible to attribute emission-reducing effects to “Better Cotton”. For this reason, while keeping the overall calculation mechanism unchanged, the emission factor referred to conventional cotton was applied to Better Cotton. This change led to an increase in scope 3 Category 1 emissions of 22,861 tCO₂e, bringing the total value of this item to 291,538 tCO₂e (compared to 268,677 tCO₂e). The same correction was made to the calculation of 2022 emissions, which are shown in the following tables with the corrected value.

Environment – CO₂ emissions Scope 3

OVS periodically analyses Scope 3 emissions, in order to better understand the impacts that it induces in its value-chain and to define the most effective strategies to reduce the overall carbon footprint. Periodic analysis makes it possible to make the assessment of the impact more accurate and to be able to choose the best strategies to reduce it.

Table 45 – Scope 3 emissions (tCO₂e)

Category	Description	2023	2022
1. Purchase of goods and services	Raw materials, processing, packaging, point of sale accessory materials	299,776 ⁴⁰	323,620 ⁴¹
2. Capital goods	Increase in Tangible assets	78,105	55,304
3. Fuel and energy related activities	Energy life cycle emissions	1,760	9,667
4. Upstream and downstream transportation	Inbound and outbound transport	21,108	15,134 ⁴²
5. Waste generated in operations	Disposal of point-of-sale, headquarters and warehouse waste	10,029	9,204
8. Leased/rented assets	Energy consumption from non-OVS contracts	5,589	6,347
12. End-of-life treatment of sold products	Consumer disposal of end-of-life products	17,940	17,727
13. Leased/rented assets	Energy consumption from non-OVS contracts	2,285	2,057
14. Franchises	Emissions related to energy consumption of affiliated stores	10,384	9,843

⁴⁰ Category 1 emissions are divided as follows (intCO₂e):

- Raw materials 92,710
- Production processes 140,692
- Packaging 16,077
- Accessory materials 10,403
- Third-party products 39,894

⁴¹ Emissions deriving from the purchase of goods and services in 2022 are equal to 323,620 tCO₂e, a value adjusted compared to 300,992 due to a calculation correction.

⁴² Emissions from upstream and downstream transport in 2022 are equal to 15,134 tCO₂e, a value adjusted compared to 15,095 due to a calculation correction.

Category	Description	2023	2022
Total		446,976	448,903⁴³

The categories "6. Business Travel" and "7. Employee commuting" are insignificant, representing less than 1% of total emissions. The categories "9. Downstream transportation and distribution", "10. Processing of sold products" 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.

Overall, Scope 3 emissions decreased by 0.4%. However, this result takes into account a significant increase in emissions related to item "2. Capital goods" (+41%) mainly due to activities aimed at reducing Scope 1 and 2 emissions and relating to the programme to install photovoltaic systems at stores.

In 2021, OVS defined Scope 3 emission reduction targets on categories that are particularly relevant and where there is significant scope for action.

Table 46 - Scope 3 emissions covered by the reduction plan (in tCO₂e)

Category	2023	2022	Baseline ⁴⁴ 2019
1. Purchased goods and services ⁴⁵	249,479	273,837	291,538
4. Upstream transportation and distribution	21,108	15,476	29,284
Total	270,587	288,971	320,822
<i>Change vs previous year</i>	-6.4%		
<i>Change vs Baseline</i>	-15.7%		
Carbon Intensity on Consolidated Turnover (tCO₂e/million EUR)	173.49	187.14	232.66
<i>Change vs previous year</i>	-7.74%		
<i>Change vs baseline</i>	-25.43%		

As can be seen from the previous table, thanks to an improved raw materials portfolio with a greater selection of low-impact materials, Scope 3 emissions were reduced by 6.4% compared to 2022 and by 15.7% compared to 2019. The result is in line with the decarbonisation plan, despite an increased use of shipments by air due to the extraordinary situation in the Suez Canal at the end of the year.

The reduction performance is even better when analysed with respect to the evolution of the business as a ratio of emissions to consolidated turnover, reaching in 2023 an improvement of -7.74% compared to 2022 and -25.43% compared to the 2019 baseline.

Analysing the emissions for categories 1 and 4 in the table above, we can see how they are distributed consistently with production volumes. In the following representation, we show the Scope 3

⁴³ The total 2022 Scope 3 emissions are equal to 448,903 tCO₂e, a value adjusted from 426,237 due to a calculation correction.

⁴⁴ See section "Environment - Baseline Review 2019 - Scope 3"

⁴⁵ The emission reduction targets of the "Purchased goods and services" category focus on house-brand clothing products, which account for 83% of the category's emissions in 2023. Emissions from products developed by third-party brands or not related to the clothing category (cosmetics, home furnishings, etc.) and store display materials are therefore excluded.

emissions of these categories allocated to each country of production according to a location-based criterion. Transport-related emissions have been allocated to the country of dispatch.

Table 47 – Scope 3 emission breakdown by production country

Made In	tCO2e	%
Bangladesh	155,961.35	57.64 %
China	49,793.64	18.40 %
India	26,872.39	9.93 %
Myanmar	14,509.96	5.36 %
Pakistan	12,157.40	4.49 %
Italy	6,056.74	2.24 %
Vietnam	2,244.23	0.83 %
Tunisia	1,701.79	0.63 %
Cambodia	415.35	0.15 %
Turkey	358.22	0.13 %
Romania, Bulgaria	261.19	0.10 %
Albania	136.81	0.05 %
Morocco	104.33	0.04 %
Portugal	12.78	0.00 %
Greece	0.84	0.00 %
TOTAL	270,587.00	100.00 %

With respect to Table 9 “Ordered goods per made-in”, some countries are not shown because the suppliers operating there manufacture products excluded from the scope of the emission reduction plan.

In line with the company's decarbonisation plan, OVS intends to continue the path of reducing indirect emissions through a few main levers:

- increased use of low-emission materials by up to 90% by 2030
- support of the supply chain in decarbonisation programmes to reach a target of 100% renewable electricity by 2040 (in 2023, it is less than 2%)
- complete elimination of the use of coal-fired boilers, which currently account for 1.2% of our supply chain emissions) by 2030.

OVS approach to Carbon Neutrality

OVS has been committed in recent years to implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)⁴⁶. Below are the actions and progress in relation to the 4 areas of the framework:

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 the main priorities of OVS. 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 2023.

Strategy: during 2023 the Group's new sustainability strategy was defined and approved, thanks also to the extensive involvement of the company functions, for which please refer to the paragraph "Sustainability strategy". The Group's commitment is consolidated in four pillars considered the areas of greatest impact for OVS and for which specific qualitative and quantitative improvement objectives have been identified and defined: "Design for circularity", "Being fair and transparent", "Design a better work", "Making fashion a better choice". In view of its pervasiveness and transversality, we have chosen to articulate our climate change strategy within each pillar, looking at the impacts for all business activities.

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 "Upstream Transportation and 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).

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 2023, over 52% 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 2023, the water consumption of the OVS Group was 539,253 cubic meters, down by 10% compared to 2022.

⁴⁶ The TCFD completed its mandate on 12 October 2023. The monitoring of companies' progress on climate reporting was entrusted to the IFRS Foundation at the request of the Financial Stability Board (FSB). From next year, OVS will adapt its climate reporting in line with the main reporting standards.

99% of direct water consumption is concentrated in Italy, with a consumption of 537,733 cubic meters. The data on water consumption at the warehouse are shown in the table. However, it should be noted that this consumption originates from a contract not in the name of OVS S.p.A.

Table 48 – Fresh water consumption⁴⁷

	2023			2022		
Consumption (m ³)	Groundwater	Third-party waters	Total	Groundwater	Third-party waters	Total
Headquarters	-	31,844	31,844	-	30,397	30,397
Stores	88,140	409,659	497,799	80,693	477,223	557,917
Warehouse	-	9,610	9,610	-	8,320	8,320
Total	88,140	451,102	539,253	80,693	515,940	596,634

Water data were calculated from the readings of the relevant meters, where 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. 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 Institute⁴⁸. 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, 358,453.26 cubic meters of water withdrawn (71% of total consumption) came from water stressed regions.

On the other hand, with regard to the water used in our supply chain, consumption was estimated, applying the ReCipe2016 method to the basis of the Eco Value calculation. The resulting consumption is approximately 42 million m³ (of which about 93% in the production of materials and the remainder in subsequent processing).

Approximately 97% of this consumption takes place in areas subject to (high or very high) water stress and, while consistent with industry data, requires OVS to pay special attention to water conservation initiatives throughout the 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

⁴⁷ Fresh water is defined as water containing ≤1,000 mg/l total dissolved solids.

⁴⁸ 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.

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 - Waste⁴⁹

In recent years, OVS has paid increasing attention to the containment of waste produced throughout the production cycle, and some important actions have been undertaken:

- since 2013, we have been collecting used clothing in store, and up to 2023, over 1,400 tonnes of garments have been collected, giving them a second life through reuse in used clothing markets or, 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; Wooden hangers were introduced in stores to reduce the need to buy new hangers;
- secondary packaging used in distribution process logistics is reused multiple times to reduce paper waste;
- “green purchasing” 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 2023, which is equal to 11,824.66 tonnes.

Table 49 - Total waste production

	2023			2022		
Values in tonnes	Warehouses	Headquarters	Stores	Warehouses	Headquarters	Stores
Total waste	4,013.00	93.54	7,718.12	3,769.22	98.48	7,165.25
Aggregate	11,824.66			11,032.95⁵⁰		

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

⁴⁹ It should be noted that the data relating to waste refer to the Italian perimeter and include the Pontenure warehouse.

⁵⁰ We would like to point out some revisions to the data reported compared to the 2022 NFD. Specifically, the total waste at the headquarters was adjusted to 98.48 compared to 70.87, and the aggregate total waste was adjusted to 11,032.95 compared to 11,005.34. In table 50 the total non-hazardous waste was adjusted to 97.92 compared to 70.31. In table 52, Total waste sent for recycling has been adjusted to 9,820.09 compared to 9,805.36, Total waste sent to landfill to 17.28 compared to 4.40, Total non-hazardous waste disposal and recovery method to 11,027.57 compared to 10,999.96 and Total disposal and recovery method 11,032.95 vs 11,005.34.

Table 50 - Non-hazardous waste production (t)

	2023			2022		
Non-hazardous waste	Warehouses	Headquarters	Stores	Warehouses	Headquarters	Stores
Paper and Cardboard	3,591	32.66	2,652.97	3,312.46	40.36	2,456.86
Mixed Packaging	420	25.75	2,598.90	454	27.18	2,466.44
Plastic	-	-	2,223.20	-	-	1,990.58
Clothing	-	-	2.64	-	-	0.02
Wood	2	-	11.38	3	-	8.51
Toner	-	0.06	3.13	-	-	3.24
Metal-iron and steel	-	-	11.89	-	-	17.36
Non-hazardous batteries	-	0.13	0.27	-	0.11	0.19
Bulky Waste	-	-	150.01	-	-	200.15
Discontinued equipment	-	4.44	13.12	-	2.32	7.28
Glass	-	0.45	2.38	-	0.34	0.67
Undifferentiated ⁵¹	-	13.11	37.91	-	12.88	7.11
Organic ⁵²	-	14.99	-	-	14.73	-
Gases in pressure containers ⁵³	-	-	-	-	-	0.103
Other materials ⁵⁴	-	-	3.70	-	-	1.91
Total	4,013.00	91.59	7,711.50	3,769.22	97.92	7,160.42

Table 51 - Hazardous waste production (t)

	2023			2022		
Hazardous waste	Warehouses	Headquarters	Stores	Warehouses	Headquarters	Stores
Dangerous batteries	-	-	0.19	-	-	0.63
Fluorescent tubes	-	0.21	3.75	-	0.26	2.45

⁵¹ The exact figure was not received from the supplier, so we determined the value by estimating by applying the average per capita generated in 2021 (last available data) to the number of people in 2023 and 2022.

⁵² See previous note.

⁵³ This item includes old fire extinguishers, the collection of which was done on an exceptional basis.

⁵⁴ Construction site waste is reported under this item.

	2023			2022		
CFC-containing equipment	-	-	-	-	-	0.03
Discontinued equipment	-	1.74	2.37	-	0.30	1.44
Paints and varnishes containing organic solvents or other dangerous substances	-	-	-	-	-	0.08
Organic waste containing dangerous substances ⁵⁵	-	-	-	-	-	0.11
Absorbents, filter materials ⁵⁶	-	-	-	-	-	0.05
Packaging containing residues of dangerous substances ⁵⁷	-	-	0.32	-	-	0.04
Total	0	1.95	6.62	0	0.56	4.83

As regards the methods of disposing of the waste generated by the Group, 93% of the waste produced was sent for recycling, whilst approximately 3% was sent for incineration with energy recovery. Approximately 4% goes to thermal disposal and the remaining 0.03% goes to landfill.

Table 52 – Disposal and recovery method

Disposal and recovery methods for waste produced	2023			2022		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Recycling ⁵⁸	7.65	10,958.61	10,966.26	4.80	9,820.09	9,824.89
Incineration (with energy recovery)	0.42	380.97	381.39	0.26	539.00	539.26
Incineration (without energy recovery)	0.51	460.28	460.79	0.31	651.20	651.52
Landfilling ⁵⁹	-	16.22	16.22	0.002	17.28	17.28
Total	8.58	11,816.08	11,824.66	5.38	11,027.57	11,032.95

As regards waste production in the supply chain, OVS has estimated a total production of 6,850 tonnes⁶⁰ from Tier 1 suppliers.

⁵⁵ Perfumery articles, such as enamels and perfumes, that contain flammable substances are reported under this item.

⁵⁶ Filters from air conditioners that have been taken back on an exceptional basis are accounted for under this item.

⁵⁷ Containers with paint residues are reported under this item.

⁵⁸ Waste classified as organic was allocated for recycling.

⁵⁹ Waste classified as undifferentiated, as it was calculated on an estimated basis, was prudently allocated to landfilling

⁶⁰ Reprocessed data from Worldly 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.

Table 53 - Overview of pre-consumer waste re-use in 2023

Quantity	2023	2022
Charity	17,973	164,978
Stock	7,951,850	7,023,367
Waste	9,226	36,443
Refurbished	14,488,801	10,852,548
Total unsold	22,467,850	18,077,336

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 tonnes 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 2023, the REUSE ME Programme, resulted in the reuse of 1,252,031 cartons.

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

From 2021, primary product packaging has not used virgin plastic, having replaced it with cardboard or recycled plastic substrates.

Product and raw materials

OVS, during 2023, manufactured 196,740,204 million items of clothing and accessories, 4,463,314 household items as well as 30,070,085 perfumery items.

In particular, as far as clothing is concerned, more than 72% of the raw materials used come from renewable sources, bucking the industry trend where polyester accounts for around two-thirds of textile fibre consumption worldwide.

Table 54 – Breakdown of materials (tonne)⁶¹

Material	Derived from renewable sources	2023	%	2022	%
Cotton	Yes	21,140	64.68%	23,151	67.15%
Polyester	No	6,149	18.81%	5,502	15.96%
Viscose	Yes	1,383	4.23%	1,409	4.09%
Acrylic	No	1,151	3.52%	1,254	3.64%
Polyamide	No	849	2.60%	1,130	3.28%
Linen	Yes	307	0.94%	408	1.18%
Elastane	No	299	0.91%	343	0.99%
Wool	Yes	99	0.30%	192	0.56%
Polyurethane	No	141	0.43%	150	0.44%
Other Renewables		774	2.37%	695	2.01%
Other Non-Renewables		391	1.20%	244	0.71%
Total		32,683	100.00%	34,478	100.00%

The main material is represented by cotton, which is sourced consistently with a sourcing policy that favours Better Cotton Standard certified crops, cotton from organic farming or recycled cotton.

In 2023, OVS obtained BCCU (Better Cotton Claim Units) credits corresponding to 25,020 tonnes of cotton in bales. A total of 2,785 tonnes of organic cotton garments were produced in addition to 151 tonnes of recycled cotton.

Net of processing waste along the supply chain, these results have made it possible to maintain 100% of the cotton supply from more sustainable sources.

In addition, the OVS decision not to compromise on sourcing areas has long 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.

As for the other materials deriving from renewable sources, 63% of the viscose comes from FSC-certified cellulose sources, an increase compared to 2022.

To improve the sustainability of its products made with non-renewable materials, OVS favours the choice of recycled fibres: 22% of polyester and 5% of polyamide, used in 2023, come from recycling processes.

⁶¹ The data shown are estimated from the weight of each product ordered.

Approximately 53% of 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 79%.

European Taxonomy

Introduction to EU Regulation No. 2020/852 on Taxonomy

This fiscal year coincides with the third year of application of EU Regulation No. 2020/852 on the European Taxonomy (hereinafter referred to as "Taxonomy", "European Taxonomy" or "Regulation"), which came into force on 12 July 2020. The Regulation involves OVS, as a public interest entity that must prepare a Non-Financial Statement pursuant to the requirements of Directive 2014/95/EU, implemented in Italy through Legislative Decree 254/2016.

The objective of the Taxonomy is to establish an unambiguous classification system, at EU level, useful for defining economic activities considered eco-sustainable, avoiding the spread of greenwashing practices and increasing transparency towards external stakeholders.

To this end, six environmental objectives have been identified within the Regulation: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and eco-systems.

The European Taxonomy therefore establishes the requirements that an economic activity must satisfy to be identified as "eco-sustainable", and therefore aligned with specific criteria expressed in the Regulation itself and in the related delegated acts, namely:

- **Meet the substantial contribution criteria** defined in the Regulation for each type of economic activity. Said criteria, specific for each activity and for the respective objectives, and identified on a scientific basis, describe the conditions to be respected in order to contribute substantially to the achievement of the objectives.
- **Do No Significant Harm** (DNSH) to any of the other environmental objectives.
- **Respect minimum safeguards** by recognising the importance of human rights and international standards in relation to labour rights, taxation, fair competition and corruption.

With respect to the above, it should be noted that the set of substantial contribution criteria and DNSH criteria are defined as the technical screening criteria.

In 2021, the European Commission adopted the Climate Delegated Act (EU) 2021/2139 (hereafter referred to as the "Climate Delegated Act"), which regulates the first two climate objectives (mitigation and adaptation), establishing the relevant technical screening criteria. Subsequently, Delegated Regulation (EU) 2023/2486 provided the technical screening criteria for the remaining four environmental objectives.

In relation to the 2023 financial year, the Regulation requires companies to publish information as required by the Disclosure Delegated Act (EU) 2021/2178 and its subsequent additions (hereinafter referred to as the "Disclosure Delegated Act"), indicating not only the eligible economic activities, but also the share of costs and revenues aligned with the Taxonomy, with reference to the six environmental objectives. Companies are required to publish quantitative economic performance indicators (KPIs) - i.e. proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) - that are attributable to the economic activities that are eligible to or aligned with the Taxonomy.

The OVS eligibility and alignment analysis

The business activities carried out by OVS do not fall within those listed in the Climate Delegated Act. Therefore, the Group does not generate eligible turnover (and therefore CapEx and OpEx associated with it) with respect to the climate objectives governed by the Taxonomy.

However, in line with as required by the regulations, the Group assessed the eligible activities with reference to CapEx items (Annex I of the Disclosure Delegated Act, para. 1.1.2.2 point (c)) related to the purchase of output from Taxonomy-eligible economic activities and individual measures, which allow activities to reduce the emission profile of OVS.

In particular, the following activities were identified as eligible:

- *"7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling the energy performance of buildings"*, related to the installation of energy management systems in OVS buildings;
- *"7.6 - Installation, maintenance and repair of renewable energy technologies"* referring to the installation of photovoltaic panels (activity indicated in art. 7.6 point (a)) and the construction of heat pump systems (activity indicated in art. 7.6 point (c)) in buildings owned or managed by OVS.

In addition, the Group is constructing a technological innovation hub and garment recovery centre, potentially falling under activity "7.1 - Construction of new buildings" (Delegated Regulation (EU) 2021/2139). However, the activity has been deemed ineligible for the time being as it is still being carried out in 2023.

Once the eligibility assessment was completed, the alignment was evaluated through the application of technical screening criteria and minimum safeguards.

Substantial contribution

For the purposes of the alignment assessment, eligible activities must comply with the specific substantive contribution criteria for individual activities.

With reference to activity 7.5, the installation of energy management systems in OVS buildings was considered aligned with the substantial contribution criterion under *b) installation, maintenance and repair of building automation and control systems, building energy management systems (BEMS), lighting control systems and energy management systems (EMS)*. The activity contributes substantially to the Taxonomy objective "Climate change mitigation".

With reference to activity 7.6 point a, the installation of photovoltaic panels carried out by third parties was deemed to be aligned with the substantial contribution criterion of *a) installation, maintenance and repair of photovoltaic solar systems and ancillary technical equipment*. The activity contributes substantially to the Taxonomy objective "Climate change mitigation".

In contrast, with reference to activity 7.6 point c, the installation of heat pumps by third parties was deemed to be aligned with the substantial contribution criterion of *(c) installation, maintenance, repair and upgrading of heat pumps that contribute to the renewable energy targets in the heating and cooling sector in accordance with Directive (EU) 2018/2001 and ancillary technical equipment*. The activity contributes substantially to the Taxonomy objective "Climate change mitigation".

Do No Significant Harm

The OVS Group assessed, for each eligible economic activity, its compliance with the "Do No Significant Harm" (DNSH) criteria to ensure that such economic activities do not cause significant harm to the other environmental objectives of the Regulation.

For all activities assessed, the DNSH criterion is only present for the objective of climate change adaptation, with reference to Appendix A of Annex I of the Climate Delegated Act. In particular, Appendix A requires that the entity carrying out the activity conducts an analysis to identify and assess its vulnerability to chronic and acute physical climatic risks, also evaluating adaptation solutions that can reduce these risks.

With regard to the “Do Not Significant Harm” criteria for Energy Management System installation activities, the analysis was conducted assuming a useful life of 10 years. The system consists of sensors installed inside the premises, control panels and management software. Due to its nature, none of the physical climatic hazards listed in the table in Appendix A, Annex I of Delegated Regulation (EU) 2021/2139 has been identified as a material.

With regard to the “Do Not Significant Harm” criteria relating to the installation of 52 photovoltaic generators, an initial analysis was carried out to identify the material risks among those indicated with the assumption of a useful life of 30 years. For each of these risks, the relevant adaptation strategies were indicated.

In detail, the risks considered material and relevant to this activity are set out below:

Table 55 - Material risks and mitigation solutions Energy Management Systems

Physical Risk	Materiality (30 years)	Relevance (High/Medium/Low)	Evaluation and/or implementation of mitigation solutions
Change of temperature (air, fresh water, sea water)	YES	Medium	The risk was assessed and led to the choice of systems operating at temperatures between -40°C and +85°C
Thermal stress	YES		
Temperature variability	YES		
Saline intrusion	YES	Low	Although the materiality in absolute terms of the risk was recognised, in this specific case, it was considered to be of little relevance given the location of the plants far from areas prone to the phenomenon. In any case, part of the installed modules are characterised by a high resistance to salt intrusion
Heat wave	YES	Low	The risk was assessed and led to the choice of systems operating at temperatures between -40°C and +85°C
Cold wave/frost	YES	Low	The risk was assessed and led to the choice of systems operating at temperatures between -40°C and +85°C
Cyclone, hurricane, typhoon	YES	High	The installed modules are IEC 61215-certified, i.e. resistant to a pressure of 2,400 Pa for 1 h, which corresponds to winds of more than 220 km/h.
Storm (including snow, dust or sand)	YES		

Whirlwind	YES		Furthermore, the design of the systems included a study of the winds according to regulations in order to determine the ballast to equip the systems with to minimize risks.
Heavy precipitation (rain, hail, snow/ice)	YES	High	The installed modules are IEC 61215 certified, i.e. resistant to multiple impacts (specifically 11) at different points of 2.5 cm diameter ice balls projected at a speed of 23 m/s.

Finally, with regard to the analysis carried out on the investments relating to the installation of 2 heat pumps, the materiality of the risks is only relevant for one of the two systems, which is the one located outside the building. The assumed useful life of these units is 15 years. Again, relative adaptation strategies were evaluated for each of the risks if the plant was not already inherently resilient to them, as indicated, for example, for risks related to temperature change.

Specifically:

Table 56 - Material risks and heat pump mitigation solutions

Physical Risk	Materiality (15 years)	Relevance (High/Medium/Low)	Evaluation and/or implementation of mitigation solutions
Change of temperature (air, fresh water, sea water)	YES	Low	Cooling operation between -5 C° and 52 C° Heating operation between -20 C° and 15 C°
Temperature variability	YES	Low	Cooling operation between -5 C° and 52 C° Heating operation between -20 C° and 15 C°
Change in the wind regime	YES	Low	Evaluated the application of protective guides for air flow and the installation of the outdoor unit perpendicular to the ordinary flow of winds
Change in precipitation regime and type (rain, hail, snow/ice)	YES	Medium	Evaluated application of protective hoods to the outdoor unit.
Cyclone, hurricane, typhoon	YES	Medium	Minimising this risk involves the installation on foundations of concrete at least 120 mm thick with M10 x 70 mm fasteners.
Storm (including snow, dust or sand)	YES	Low	Also evaluated was the application of protective airflow guides and installation of the east unit

Whirlwind	YES	Medium	in a direction perpendicular to the ordinary flow of the winds.
Heavy precipitation (rain, hail, snow/ice)	YES	Medium	Evaluated the application of protective airflow guides, and an aluminium formwork for hail protection.

Minimum Safeguards

The Group analysed its level of adherence to the principles referred to in Article 18 of the Regulation (EU) 2020/852, which defines the minimum safeguards aimed at ensuring that an economic activity is carried out in line with the principles indicated by:

- the OECD Guidelines for Multinational Enterprises;
- the UN Guiding Principles on Business and Human Rights, including those set out in the eight fundamental conventions of the International Labour Organisation (ILO);
- the International Bill of Human Rights.

OVS has therefore implemented procedures, also based on the indications provided by the Platform on Sustainable Finance⁶², verifying compliance with these safeguards by the Group's suppliers related to the activities identified as eligible, in order to verify compliance with the standards for responsible conduct as governed by international regulations.

The Group has adopted instruments aimed at promoting compliance with minimum safeguards, both internally and externally to the organisation. These include:

- **Group Code of Ethics:** through which OVS undertakes to operate according to the principles of honesty and safety, fairness and respect for people and the environment, as well as compliance with the laws and regulations in force. The Code is shared not only with all the Company's employees, but also with all new suppliers, who are involved in the Company's core business and who are asked to countersign the Code and comply with its provisions.
- **Model 231:** which defines the company's structure, its management methods and commits the company to operating in compliance with the conditions of fairness, transparency and legality in the conduct of its business.
- **Labour and Human Rights Policy:** through which OVS is committed to promoting respect for human rights in the conduct of its business, requiring all those who work with the Group, including suppliers, to fully share the same vision.
- **Due Diligence on suppliers:** the Group continuously monitors the risk level of its suppliers with regard to environmental and social issues, regularly conducting in-depth audits; however, these activities are mainly focused on OVS suppliers with continuous collaboration and related to the core business, where the most significant risks lie.

With reference to the economic activities assessed for the purposes of the Taxonomy, even if marginal with respect to the OVS core-business, the company nevertheless uses the aforementioned instruments. However, due diligence on the protection of human and labour rights by companies

⁶² Final Report on Minimum Safeguards, October 2022

involved in the supply chain of the activities themselves was conducted in a manner consistent with a low risk assessment. OVS has therefore requested and analysed a series of documents produced by suppliers and/or certified by third parties from which to infer the correct management of activities potentially exposed to the risk of violation of human and workers' rights, and has positively assessed the measures implemented by the companies involved as suppliers.

KPI Calculation Methodology – Accounting Policy

The following paragraphs present in detail the methodologies used to collect the information and data needed to calculate the KPI.

TURNOVER

In line with the Disclosure Delegated Act, the Group considered the following components in calculating the proportion of Turnover:

- **denominator:** net turnover from the sale of goods, net of sales discounts and value-added taxes directly related to turnover. In order to avoid double counting, intercompany items have been eliminated and do not contribute to the determination of the KPI. As a result, the denominator (Euro 1,535,800 thousand) of the KPI corresponds to the item “Revenues”, presented in Note 7.23 – Revenues in the Group's Consolidated Financial Statements – and is in line with the provisions of IAS 1, par. 82(a);
- **numerator:** the Group did not earn revenues from products or services associated with eligible economic activities and/or aligned with the objectives of the Taxonomy. Therefore, the numerator of the Turnover KPI was 0.

CAPEX

In calculating the denominator of the CapEx KPI, the Group considered the additions incurred in the reporting period relating to tangible assets (development and restructuring of corporate assets), intangible assets (patents, software and capitalised research and development costs) and Right of Use Assets (RoU). The approach used for the extraction of the above-mentioned figures included a detailed analysis of management reports showing the investments made during the year by all the companies within the scope of consolidation.

The Group considered the following components in calculating its proportion of CapEx:

- **denominator:** for the calculation of the denominator, the Group considered increases in tangible assets accounted for in accordance with IAS 16 – note 6.8 to the annual financial report – , intangible assets accounted for in accordance with IAS 38, net of goodwill, which was instead excluded – note 6.10 to the annual financial report – and leases accounted for in accordance with IFRS 16 – note 6.9 to the annual financial report. This analysis returned a total value for the year 2023 of: Euro 94,400 thousand.
- **numerator:** for the purpose of determining the numerator, increases in the purchase of output from Taxonomy-eligible economic activities and individual measures that enable the target activity to reduce the Group's emission profile were taken into account. In this regard, the Group has included in the numerator of the KPI the increases in tangible assets relating to the following activities:
 - 7.6 – Installation, maintenance and repair of renewable energy technologies (Euro 2,700 thousand)
 - 7.5 – Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings (Euro 1,400 thousand)

OPEX

The Group considered the following components in calculating its proportion of OpEx:

- **denominator:** for the calculation of the denominator, a detailed analysis of the chart of accounts was carried out, identifying the items that could be associated with the cost categories expressly mentioned in the Disclosure Delegated Act.

Specifically:

- non-capitalised R&D costs relating to internal and external projects, from which the cost component relating to the “managing” of R&D projects carried out, as recommended by the European Commission, has been eliminated⁶³. All non-capitalised costs incurred during the year relating to the Project Management of R&D projects have been identified as expenses related to project management activities;
- Short-term leases, whereby all items in the chart of accounts relating to leases accounted for in the Income Statement were considered, as they relate to contracts with a duration of less than 12 months and therefore represent exemptions from accounting under IFRS 16;
- Costs related to maintenance and repairs, incurred during operation, on buildings and IT equipment. For this category, costs related to maintenance and repair activities carried out internally were taken into account, in addition to maintenance commissioned to third-party companies. Within the accounts for maintenance and repairs, renovations to buildings that can be assimilated to the concept of “building renovation measures” mentioned in the Disclosure Delegated Act were also considered.
- The cost category associated with “day-to-day servicing of assets” was identified by reference to cleaning costs.

The result of these analyses resulted in a value of Euro 65,800 thousand.

- **Numerator:** Following the Group's analysis of the economic activities identified as eligible, the numerator value of the Opex KPI was found to be Euro 60,000.

⁶³ Clarification provided by Commission Notice 2022/C 385/01 of October 2022 - “Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets”.

Table 57. Turnover KPI

Financial Year 2023				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activities	Code	Turnover	Proportion of Turnover, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Text		€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-eligible but non environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally (A.2)		0	0%														0%		
Turnover of Taxonomy-eligible activities (A.1+A.2)		0	0%														0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		0	100%																
TOTAL		1.535.800.000	100%																

Summary tables - TURNOVER

Table 57.1 Turnover KPI

Share of turnover/total turnover		
Objectives	Aligned to taxonomy by objective	Eligible for taxonomy by objective
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Table 58 CapEx KPI

Financial Year 2023				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activities	Code	CapEx	Portion of CapEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx, year 2022	Category enabling activity	Category transitional activity
<i>Text</i>		€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	<i>E</i>	<i>T</i>
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (CapEx C)	CCM 7.5	1.400.000	1,48%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Installation, maintenance and repair of renewable energy technologies (CapEx C)	CCM 7.6	2.700.000	2,86%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		4.100.000	4,34%	4,34%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%													0%			
CapEx of Taxonomy-eligible activities (A.1+A.2)		4.100.000,00	4,34%													0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		90.300.000	95,66%																
TOTAL		94.400.000	100%																

Summary tables - CapEx

Table 58.1 Turnover KPI

Turnover CapEx/Total CapEx		
Objectives	Aligned to taxonomy by objective	Eligible for taxonomy by objective
CCM	4.34%	4.34%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Table 59 OpEx KPI

Financial Year 2023				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)							Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) OpEx, year 2022	Category enabling activity	Category transitional activity
Economic Activities	Code	OpEx	Portion of OpEx, year 2023	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards			
Text		€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of renewable energy technologies (OpEx C)	CCM 7.6	60,000	0,09%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		60,000	0,09%	0,09%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%		
Of which enabling		0	0%	0%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%													0%			
OpEx of Taxonomy-eligible activities (A.1+A.2)		60,000	0,09%													0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		65.740.000	99,91%																
TOTAL		65.800.000	100%																

Summary tables - OpEx

Table 59.1 Turnover KPI

Share of OpEx/total OpEx		
Objectives	Aligned to taxonomy by objective	Eligible for taxonomy by objective
CCM	0.09%	0.09%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Disclosure of activities related to nuclear and fossil gas

	Activities related to nuclear	
1	The company carries out, finances or has exposures to research, development, demonstration and implementation of innovative electricity generation plants that produce energy from nuclear processes with a minimum amount of fuel cycle waste.	NO
2	It carries out, finances or has exposures to the construction and safe operation of new nuclear plants for the generation of electricity or process heat, including for district heating purposes or for industrial processes such as hydrogen production, and improvements in their safety, with the help of the best available technology.	NO
3	The company carries out, finances or has exposures to the safe operation of existing nuclear plants that generate electricity or process heat, including for district heating or industrial processes such as the production of hydrogen from nuclear energy, and improvements in their safety.	NO
	Activities related to fossil gas	
4	The company carries out, finances or has exposures to the construction or operation of electricity production plants that use gaseous fossil fuels.	NO
5	The company carries out, finances or has exposures to the construction, upgrading and operation of combined heat/cool and power generation plants that use gaseous fossil fuels.	NO
6	The company carries out, finances or has exposures to the construction, upgrading and operation of heat generation plants that produce heat/cooling that use gaseous fossil fuels.	NO

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 2024 is prepared in accordance with the provisions of Legislative Decree No. 254 (hereinafter also referred to as Legislative Decree 254) of 30 December 2016.

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 issues⁶⁴.

This document is published annually. Unless otherwise specified, the data shall be for the period from 1 February 2023, through 31 January 2024, 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 at 31 January 2024. It should also be noted that all direct stores are included in the perimeter, while franchised stores and the Pontenure logistics centre are excluded, unless otherwise indicated. The stores in Germany and the United States, which opened in November 2022, were excluded from the scope as they were considered non-material. 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.

It should be noted that a restatement of the Scope 3 emissions referring to the baseline and the year 2022 was carried out, as described in the paragraph Environment - 2019 Scope 3 baseline review.

Further restatements concern Scope 2 location based emissions and waste as specified in the paragraphs Environment - Scope 1 and 2 CO₂ emissions and Environment - Waste.

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

⁶⁴ For details, see section "Enterprise Risk Management and Non-Financial Risk Management".

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 the new 2021 GRI Standards. The GRI 303 standard: Water and Effluents and 306: Waste has been updated to the 2018 and 2020 version respectively; the GRI 207 indicator relating to Taxes was also reported. 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 17 April 2024 and it is available on the Group's website: www.ovscorporate.it.

Registered office and contacts

<u>Registered Office</u>	<u>Contacts</u>
OVS S.p.A. Via Terraglio, 17 30174 - Venice Mestre	Simone Colombo - Head of Corporate Sustainability (sustainability@ovs.it) Enrico Giacomazzi - Head of Investor Relations (investor.relations@ovs.it)

GRI Content Index

General Information

Declaration of use	The OVS Group reported in accordance with GRI Standards for the period 01.02.2023–31.01.2024
GRI Used	GRI 1: Foundation 2021
Relevant GRI sector standards	Standards for the Textile & Apparel sector are not yet available

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
General Disclosure - The organisation and its reporting practices					
GRI 2 - General Disclosures - version 2021	GRI 2-1 Organisational details	Registered office and contacts			
		Group structure			
		About us			
	GRI 2-2 Entities included in the organisation's sustainability reporting	Methodological note and reading guide			
	GRI 2-3 Reporting period, frequency and contact point	Methodological note and reading guide			
		Registered office and contacts			
GRI 2-4 Restatements of information	Methodological note and reading guide				
	information				
GRI 2-5 External assurance	External assurance				
General Disclosure - Activities and workers					
GRI 2 - General Disclosures - version 2021	GRI 2-6 Activities, value chain and other business relationships	Stakeholders and materiality			
		Supply chain			
	GRI 2-7 Employees	Human resources - Workforce			
	GRI 2-8 Workers who are not employees	Human resources - Workforce			
General Disclosure - Governance					
GRI 2 - General Disclosures - version 2021	GRI 2-9 Governance structure and composition	Corporate Governance			

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
	GRI 2-10 Nomination and selection of the highest governance body	Corporate Governance <i>Please refer to the "Report on Corporate Governance and Ownership Structure" and the "Report on Remuneration Policy and Remuneration Paid" for further information.</i>			
	GRI 2-11 Chair of the highest governance body	Corporate Governance			
	GRI 2-12 Role of the highest governance body in overseeing the management of impacts	Group profile Functional organisation chart of sustainability			
	GRI 2-13 Delegation of responsibility for managing impacts	Group profile Functional organisation chart of sustainability			
	GRI 2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance			
	GRI 2-15 Conflicts of interest	Corporate Governance			
	GRI 2-16 Communication of critical concerns	Audit activities <i>No reports were received during 2023.</i>			
	GRI 2-17 Collective knowledge of the highest governance body	Sustainability Governance			
	GRI 2-18 Evaluation of the performance of the highest governance body	Human resources - Remuneration			
	GRI 2-19 Remuneration policies	Human resources - Remuneration			
	GRI 2-20 Process to determine remuneration	Human resources - Remuneration			
	GRI 2-21 Annual total compensation ratio	<i>The total annual compensation ratio is 207.64. The figure refers to the Italy perimeter, which represents 95% of the group's workforce.</i>	2-21-b Group Perimeter	Information not available/incomplete	The figure refers to the Italy perimeter, which represents 95% of the group's workforce.
	GRI 2-22 Statement on sustainable development strategy	Reference Framework			
	GRI 2-23 Policy commitments	The internal control system			
	GRI 2-24 Embedding policy commitments	The internal control system			
	GRI 2-25 Processes to remediate negative impacts	The internal control system			

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
	GRI 2-26 Mechanisms for seeking advice and raising concerns	The internal control system			
	GRI 2-27 Compliance with laws and regulations	<i>During 2023, there were no significant instances of non-compliance with laws and regulations. However, there were eight non-significant cases of administrative irregularities related to waste disposal. For the above, penalties totalling Euro 1,136.99 were paid.</i>			
	GRI 2-28 Membership associations	Collaborations with sector associations			
General Disclosure - Stakeholder engagement					
GRI 2 - General Disclosures - version 2021	GRI 2-29 Approach to stakeholder engagement	Stakeholders and materiality Table: Stakeholder Map			
	GRI 2-30 Collective bargaining agreements	<i>OVS complies with the requirements of collective bargaining agreements by applying the relevant National Labour Collective Bargaining agreement (CCNL)</i>			
Disclosures on material topics					
GRI 3 - Material topics - version 2021	GRI 3-1 Process to determine material topics	Stakeholders and materiality			
	GRI 3-2 List of material topics	Stakeholders and materiality Table: Material topics and related impacts			
	GRI 3-3 Management of material topics	Stakeholders and materiality Table: Material topics and related impacts			
Economic performance indicators/Relations with local communities/Employee welfare					
GRI 201 - Economic performance - version 2016	GRI 201-1 Direct economic value generated and distributed	Economic and financial performance Table: Income statement for value generated and distributed (in thousands of Euro)			
	GRI 201-3 Defined benefit plan obligations and other retirement plans	Human resources - Remuneration			
	GRI 201-4 Financial assistance received from government	<i>In Italy, OVS obtained funding from public bodies during 2023 for Euro 3,134,005 mainly relating to the energy bonus and design and aesthetic ideation activities.</i> <i>We also note the receipt of the first instalment of a public grant related to the Programme Contract signed with the Region of Apulia (Euro 7,412,040 in 2023).</i>			
Market Presence - Employee welfare/Diversity and inclusion					

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
GRI 202 - Market Presence - version 2016	GRI 202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Human resources - Remuneration Table: Comparison of minimum entry wage between women and men			
Indirect economic impacts - Relations with local communities					
GRI 203 - Indirect Economic Impacts - version 2016	GRI 203-1 Infrastructure investments and services supported				
Procurement Practices - Human rights					
GRI 204 - Procurement Practices - version 2016	GRI 204-1 Proportion of spending on local suppliers in relation to the most significant operating sites	Supply chain Table: Turnover of local third-party suppliers			
Anti-corruption - Combating corruption					
GRI 205 - Anti-corruption - version 2016	GRI 205-3 Confirmed incidents of corruption and actions taken	<i>No cases of corruption were reported during 2023</i>			
Anti-competitive behaviour - Combating corruption					
GRI 206 - Anti-competitive Behaviour - version 2016	GRI 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<i>During 2023, there were no legal actions relating to unfair competition or antitrust</i>			
Taxes - Combating corruption					
GRI 207 - Tax - version 2019	GRI 207-1 Approach to tax	Approach to taxation			
	GRI 207-2 Tax governance, control, and risk management	Approach to taxation			
	GRI 207-3 Stakeholder engagement and management of concerns related to tax	Approach to taxation			
Environmental performance indicators / Materials - Circular economy and eco-design					
GRI 301 - Materials - version 2016	GRI 301-1 Materials used	Product and raw materials Table: Breakdown of materials (tonne)			
	GRI 301-2 Materials used by weight or volume	Product and raw materials Table: Breakdown of materials (tonne)			
	GRI 301-3 Reclaimed products and their packaging materials by product category	Product and raw materials Table: Breakdown of materials (tonne)			
Energy - Combating climate change					

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
GRI 302 - Energy - version 2016	GRI 302-1 Energy consumption within the organisation	Environment - Energy consumption Table: Aggregate energy consumption in Italy Table: Aggregate energy consumption in other countries			
	GRI 302-4 Reduction of energy consumption	Environment - Energy consumption			
Water and effluents - Water resources					
GRI 303 - Water and Effluents - version 2018	GRI 303-1 Interactions with water as a shared resource	Environment - Water consumption			
	GRI 303-2 Management of water discharge-related impacts	Environment - Water consumption			
	GRI 303-3 Water withdrawal	Environment - Water consumption Table: Fresh water consumption			
Biodiversity - Biodiversity and animal welfare					
GRI 304 - Biodiversity - version 2016	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	<i>The OVS Group does not own or manage plants or operating sites that are located near protected areas or include protected areas or areas of high biodiversity outside protected areas. Indicators 304-2, 304-3, 304-4, 306-5 are consequently not applicable.</i>			
	GRI 304-2 Significant impacts of activities, products and services on biodiversity	n/a			
	GRI 304-3 Habitats protected or restored	n/a			
	GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	n/a			
Emissions - Combating climate change					
GRI 305 - Emissions - version 2016	GRI 305-1 Direct (Scope 1) GHG emissions	Environment - Scope 1 and Scope 2 CO2 emissions Table: Scope 1 emissions in Italy			
	GRI 305-2 Energy indirect (Scope 2) GHG emissions	Environment - Scope 1 and Scope 2 CO2 emissions Table: Scope 2 emissions (tCO2e) - Market based in Italy Table: Scope 2 emissions (tCO2e) - Market based in other countries			
	GRI 305-3 Other indirect (Scope 3) GHG emissions	Environment - Scope 3 CO2 emissions Table: Scope 3 emissions (tCO2e)			

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
		Table: Scope 3 emissions covered by the reduction plan (in tCO2e)			
	GRI 305-5 Reduction of GHG emissions	Environment - Scope 1 and Scope 2 CO2 emissions			
	GRI 305-6 Emissions of ozone-depleting substances(ODS)	In 2022, there were no ODS emissions			
Waste - Waste management and end-of-life					
GRI 306 - Waste - version 2020	GRI 306-1 Waste generation and significant waste-related impacts	Environment - Waste			
	GRI 306-2 Management of significant waste-related impacts	Environment - Waste			
	GRI 306-3 Waste generated	Environment - Waste Table: Total waste production Table: Non-hazardous waste production (t) Table: Hazardous waste production (t) Table: Disposal and recovery method			
	GRI 306-4 Waste diverted from disposal	Environment - Waste Table: Disposal and recovery method			
	GRI 306-5 Waste directed to disposal	Environment - Waste Table: Disposal and recovery method			
Environmental assessment of suppliers - Human rights					
GRI 308 - Supplier Environmental Assessment - version 2016	GRI 308-1 New suppliers that were screened using environmental criteria	Supply chain Table: Number of new product suppliers evaluated with respect to environmental and social parameters			
Social performance indicators / Employment - Employee welfare					
GRI 401 - Employment - version 2016	GRI 401-1 New employee hires and employee turnover by age group, gender and geographic area	Human resources - Turnover Table: Recruitment by gender and incoming turnover Table: Recruitment by age group and incoming turnover Table: Terminations by gender and outgoing turnover Table: Terminations by age group and outgoing turnover			
	GRI 401-3 Return to work and rate of return after parental leave	Human resources - Parental leave Table: Return to work and job retention after parental leave in Italy			
Occupational Health and Safety - Workers' Health and Safety					

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
GRI 403 - Occupational Health and Safety - version 2018	GRI 403-1 Occupational health and safety management system	Human Resources - Health and Safety			
	GRI 403-2 Hazard identification, risk assessment, and incident investigation	Human Resources - Health and Safety			
	GRI 403-3 Occupational health services	Human Resources - Health and Safety			
	GRI 403-4 Worker participation, consultation, and communication on occupational health and safety	Human Resources - Health and Safety			
	GRI 403-5 Worker training on occupational health and safety	Human Resources - Health and Safety			
	GRI 403-6 Promotion of worker health	Human Resources - Health and Safety			
	GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Resources - Health and Safety			
	GRI 403-9 Work-related injuries	Human Resources - Health and Safety Table: Employee accident index in Italy			
	GRI 403-10 Work-related ill health	Human Resources - Health and Safety			
Training and Education - Employee training					
GRI 404 - Training and Education - version 2016	GRI 404-1 Personnel training	Human resources - Training			
	GRI 404-2 Training to upgrade employee skills	Human resources - Training			
	GRI 404-3 Percentage of employees evaluated on performance and career development	Human resources - Performance appraisal			
Diversity and Equal Opportunity - Diversity and Inclusion					
GRI 405	GRI 405-1 Composition of governance bodies and employees by gender, age, membership of protected categories and other indicators of diversity	Composition of the Board of Directors and of the Board of Statutory Auditors			
		Human resources - Workforce			
		Table: Permanent workforce by gender and professional category in Italy (headquarter roles)			
		Table: Permanent workforce by gender and professional category in other countries (headquarter roles)			

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
		Table: Permanent workforce by gender and professional category in Italy (point of sale role) Table: Permanent workforce by gender and professional category in other countries (point of sale role) Table: Permanent workforce in Italy by gender and age group Table: Permanent workforce in other countries by gender and age group			
Non-discrimination – Diversity and inclusion					
GRI 406 – Non-discrimination – version 2016	GRI 406-1 Incidents of discrimination and corrective actions taken	OVS did not record any incidents of discriminatory practices during 2022.			
Child labour – Human rights					
GRI 3 – Material topics – version 2021	GRI 3-3 Management of material topics	Supply chain Enterprise Risk Management and Management of Non-Financial Risks Table: Material topics and related impacts Table: Non-financial risks management methods			
GRI 408 – Child Labour – version 2016	GRI 408-1 Operations and suppliers at significant risk for incidents of child labour, and measures taken	OVS operates in India, Bangladesh, Pakistan, Cambodia and Myanmar, where the risk of resorting to child labour, although not high, is still significant. However, thanks to OVS due diligence processes, there are no specific suppliers considered to be at significant risk.			
Forced or Compulsory Labour – Human rights					
GRI 409 – Forced or Compulsory Labour – version 2016	GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour, and measures taken	OVS operates in India, Myanmar, China and Cambodia where the risk of resorting to forced labour, although not high, is still significant. However, thanks to OVS due diligence processes, there are no specific suppliers considered to be at significant risk.			
Rights of Indigenous Peoples – Human rights					
GRI 411 – Rights of Indigenous Peoples – version 2016	GRI 411-1 Incidents of violations involving rights of indigenous people, and actions taken	During 2023, OVS did not record any incidents of human rights violations			
Local Communities – Relations with Local Communities					
GRI 413 – Local Communities – version 2016	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	No activities with negative impacts on the local community were noted in 2023.			
Social assessment of suppliers – Human rights					

GRI Standards	Disclosure	Location	Omission		
			Omitted requirements	Reason	Explanation
GRI 414 - Supplier Social Assessment - version 2016	GRI 414-1 New suppliers that were screened using social criteria	Supply chain Table: Number of new product suppliers evaluated with respect to environmental and social parameters			
Public Policy - Combating corruption					
GRI 415 - Public Policy - version 2016	GRI 415-1 Political contributions	<i>OVS did not grant political contributions during 2023.</i>			
Customer Health and Safety - Consumer Health and Safety					
GRI 416 - Customer Health and Safety - version 2016	GRI 416-1 Assessment of the health and safety impacts of product and service categories	Product and materials			
	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	<i>During 2023, there were no significant instances of non-compliance with product health and safety regulations. Only one minor case was handled in a timely manner by OVS due to the presence of out-of-tolerance REACH-regulated substances.</i>			
Marketing and labelling - Responsible marketing					
GRI 417 - Marketing and Labelling - version 2016	GRI 417-2 Incidents of non-compliance concerning product and service information and labeling	<i>During 2023, no significant cases of non-compliance occurred in relation to product information and labelling.</i>			
	GRI 417-3 Incidents of non-compliance concerning marketing communications	<i>During 2023, OVS did not record any incidents of non-compliance in relation to marketing communications.</i>			

External assurance



KPMG S.p.A.
Revisione e organizzazione contabile
Via Pancaldo, 70
37138 VERONA VR
Telefono +39 045 8115111
Email it-fmauditaly@kpmg.it
PEC kpmgsipa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

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

*To the board of directors of
OVS S.p.A.*

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 paragraph 1, letter g of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the consolidated non-financial statement of the OVS Group (the "group") for the year ended 31 January 2024 prepared in accordance with article 4 of the decree and approved by the board of directors on 17 April 2024 (the "NFS").

Our procedures did not cover the information set out in the section "The European Taxonomy" of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

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

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

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

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

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

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo
Bologna Bolzano Brescia
Cagliari Catania Como Firenze Genova
Lecce Milano Napoli Novara
Padova Palermo Parma Perugia
Pescara Roma Torino Treviso
Trieste Venezia Verona

Società per azioni
Capitale sociale
Euro 10.415.500,00 i.v.
Registro Imprese Milano Monza Brianza Lodi
e Codice Fiscale N. 00709800159
R.E.A. Milano N. 512867
Partita IVA 00709800159
VAT number IT00709800159
Sede legale: Via Vittor Pisani, 25
20124 Milano MI ITALIA



OVS Group
Independent auditors' report
31 January 2024

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we performed the following procedures:

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

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



OVS Group
Independent auditors' report
31 January 2024

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

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

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

- at parent level,
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited Venezia-Mestre site, which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to meet its management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the consolidated non-financial statement of the OVS Group for the year ended 31 January 2024 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in the section "*The European Taxonomy*" of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Other matters

The NFS presents the corresponding figures included in the consolidated non-financial statements for the year ended 31 January 2023 for comparative purposes, on which other auditors performed a limited assurance engagement and expressed their unqualified conclusion on 10 May 2023.

Verona, 9 May 2024

KPMG S.p.A.

(signed on the original)

Gianluca Zaniboni
Director of Audit

Sustainability-linked bond

In October 2021, the Board of Directors approved the issuance of a sustainability-linked bond⁶⁵.

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 construction 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 KPIs 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 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 and environmental 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 status of each KPI, 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") included in the Group's annual Sustainability Report (or NFS) no later than 120 days after each fiscal year (ending 31 January).

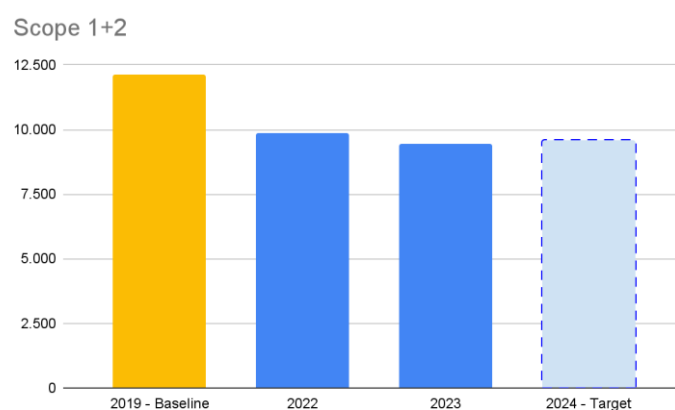
The progress status of the individual KPIs is shown below.

KPI 1: Scope 1 and Scope 2 GHG emissions related to the central warehouse, headquarters and directly operated stores located in Italy.

Table 60 - Performance KPI1 2023 vs Baseline

Emissions (tCO ₂ eq)	Baseline 2019	Current year	Change	Target 2024
Scope 1 + 2	12,147	9,383	-22.8%	-21%

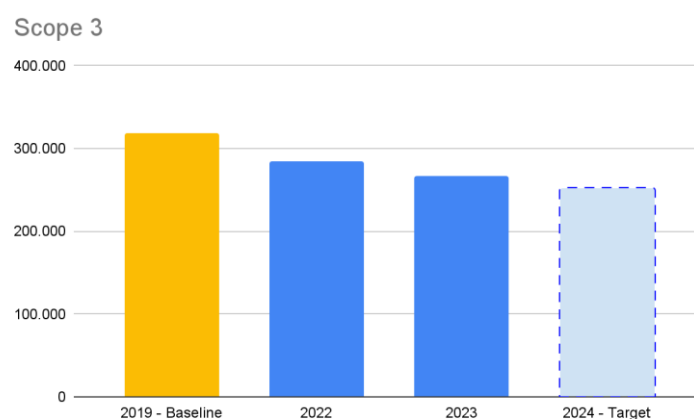
⁶⁵ The Sustainability Linked Bond is aligned with Sustainability Bond Principles established by ICMA - International Capital Markets Association



KPI 2: Scope 3 GHG emissions related to purchased goods and services (raw materials, processing, and packaging) and upstream transportation and distribution (limited to housebrand apparel).

Table 61 – Performance KPI2 2023 vs Baseline

Emissions(tCO2eq)	Baseline 2019	Current year	Delta vs 2019 (%)	Target 2024
Scope 3	318,769	266,309	-16.5%	-21%



KPI 3: Percentage of production volume related to Tier1 housebrand apparel suppliers registered on Worldly and related production volume verified.

Table 62 – Performance KPI3 2023

	Baseline 2019 ⁶⁶	Current year	Target 2024
Production volume related to Tier 1 housebrand apparel suppliers registered on Worldly	44%	100%	100%
Production volume from suppliers verified Higg FEM + FSLM	1%	68%	80%

⁶⁶ See as indicated in the paragraph "Environment - Baseline 2019 Review Scope 3" in the 2023 NFS

Description of Sustainability Performance Targets

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.

KPI1 shows a reduction of 22.8% compared to the baseline, anticipating the expected result for 2024 by one year.

Scope 1 emissions had an increase of 4.3% compared to last year and a reduction of 27% compared to the baseline. The year-on-year increase is due to higher mileage of company cars (+13% compared to 2022) and, above all, to extraordinary maintenance work on air conditioning systems following HFC gas leaks.

Scope 2 emissions are down 45% compared to last year and up 51% compared to the 2019 baseline⁶⁷ due to greater use of district heating to replace some oil boilers. This change is therefore to be read in a positive sense, as it is functional to a structural reduction of emissions from stationary combustion in Scope 1.

Table 63 - Performance detail KPI1 2023

Emissions(tCO ₂ eq)	Baseline 2019	Current year	Delta vs 2019 (%)	Target 2024
Scope 1	11,489	8,393	-27%	
Scope 2	658	990	50.6%	
Total	12,147	9,383	-22.8%	- 21%

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: Scope 3 GHG emissions related to purchased goods and services (raw materials, processing, and packaging) and upstream transportation and distribution (limited to housebrand apparel).

As reported in the paragraph "Environment - Baseline 2019 Review Scope 3 " of the 2023 NFS, a material error in the baseline value of the category Goods and Services Purchased had to be corrected during 2023. This correction was necessary because a reduced emission factor was used in 2019 to value the emissions from the quantity of Cotton from Better Cotton certified crops. However, as also pointed out in the Textile Exchange publication "Preferred Fibre & Materials Matrix", it is not possible to attribute emission-reducing effects to "Better Cotton". For this reason, while keeping the overall calculation mechanism unchanged, the emission factor referred to conventional cotton was applied to Better Cotton. This change led to an increase in scope 3 Category 1 emissions of 22,861 tCO₂e, bringing the total value of this item to 291,538 tCO₂e (compared to 268,677 tCO₂e).

⁶⁷ It is specified that, with regard to Scope 1 and Scope 2 emissions, the 2019 baseline emission calculation had to be revised in 2022 to incorporate some corrective actions. More details and specifications on calculation methodologies can be found in the 2022 Non-Financial Statement (section Baseline Review 2019).

As can be seen from the table below, thanks to an improved raw material portfolio with a greater selection of low-impact materials, KPI2 decreased by 16.5% compared to 2019. The result is in line with the decarbonisation plan, despite an increased use of shipments by air due to the extraordinary situation in the Suez Canal at the end of the year.

Table 64 - Detail Performance KPI2 2023

Emissions(tCO2eq)	Baseline 2019	Current year	Delta vs 2019 (%)	Target 2024
Purchased goods and services	291,538	249,479	-14.4%	
Upstream transportation and distribution ⁶⁸	27,231	16,830	-38.2%	
Total	318,769	266,309	-16.5%	- 21%

SPT 3: OVS is committed to engaging 100% of its suppliers on the Worldly platform⁶⁹ 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 Worldly and related production volume verified.

In 2022, production volume related to housebrand apparel suppliers registered on Worldly is 100%.

Production volume verified through Higg Facility Environmental Module (FEM) is 92% and through Higg Facility Social and Labor Module (FSLM) is 70%. 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.

The percentage of the production volume from suppliers to which both modules have been verified is 68%.

Table 65 - Detailed Performance KPI3 2023

	Baseline 2019	Current year	Target 2024
Production volume related to Tier 1 housebrand apparel suppliers registered on Worldly	44%	100%	100%
Production volume from supplier with verification ⁷⁰ Higg FEM	27%	92%	80%
Production volume from supplier with verification ⁷¹ Higg FSLM	1%	70%	80%

⁶⁸ It should be noted that in the Upstream Transport and Distribution category, unlike what is reported for Category 4 of Scope 3 emissions in the paragraph "Environment - Scope 3 CO2 Emissions" of the 2023 NFS, SPT2 does not include emissions from transport to the point sales equal to 2,053 tCO2e in the baseline year and 4,278 tCO2e in 2023.

⁶⁹ The figure refers to 100% of the production volume.

⁷⁰ Verified or in the process of being verified.

⁷¹ See previous footnote.