SUSTAINABILITY REPORT 2021

PATTERN GROUP

INDEX

LETTER TO STAKEHOLDERS

We closed another year in which annual performance registered a significant increase in sales volumes and a more than proportional growth in profitability. These trends affected all business sectors, but the knitwear sector was decidedly more pronounced. S.M.T. revenues indeed accelerated further in the second half of the year compared to the same period of last year.

The generation of cash from operations made it possible to maintain a positive financial position at the end of the financial year, with a high level of cash and cash equivalents, despite important investments made by the Group, particularly in the acquisition of participations.

The pandemic has certainly accelerated certain processes in which Pattern Group has been an actor and forerunner, also leading to positive results. Indeed, we took the opportunity of the slowdown due to the crisis to design a new business model, simplifying specific processes or improving the digital prototyping proposal to the customer.

Over the past two years, Pattern has continued to invest in technological and digital research, which has enabled the company to develop lines of business that proved essential during the lockdown from spring 2020 to early 2021. One example of this is the development of advanced 3D software applied to design; a technology that has enabled the company to carry on business beyond the physical limits imposed by the pandemic and is a valuable tool in the fight against raw material waste.

In 2021, the company inaugurated the Digital Warehouse 4.0 at its Turin headquarters, a state-of-the-art facility for logistics and supply chain management, powered by renewable sources (geothermal and solar), thus confirming its decision to maintain its strategic investments in 2020 and 2021, according to the objective indicated by the 2030 Agenda, dedicated to the efficiency of production processes.

The decision to create an Italian Luxury Engeneering Pole was even more strategic in order to limit the negative effects of the global crisis, which had significant effects on the fashion industry. The project, as announced, continued in late 2021 through the acquisition of a majority stake in Idee Partners Srl and its subsidiary Petri and Lombardi Srl, Tuscan-based companies that are leaders in the design and production of luxury leather accessories.

In addition, this year we will once again fulfil our commitments on environmental and social issues and continue to challenge ourselves by raising expectations of our business model.

In fact, our dedication has enabled us to scientifically measure the impact of our activities on the environment in the year 2021 in accordance with scopes 1, 2 and 3 and the GHG protocol, and thus take responsibility for adopting an appropriate strategy to reduce and offset our environmental footprint.

Tension remains high to achieve the goals of the circular economy, social compliance and to anticipate the demands of the European Union as far as possible, with the certainty that good preparation will give Pattern an unrivalled strategic advantage

Francesco Martorella

THE COMPANY

THE STORY OF PATTERN

Pattern S.p.A. was founded at the end of 2000 by Fulvio Botto and Francesco Martorella, who decided to set up their own business venture in garment design, thanks to previous experience gained with national and international fashion maison. In 2005, the business expanded and diversified with the addition of the design and production of women's collections. In 2009, the new factory in Collegno, in the province of Turin, was inaugurated and in 2011 a "made-to-measure" production chain was taken over, with the aim of responding more effectively to customers' needs, for greater product customisation. In 2013 Pattern was the first Italian packaging company to obtain the SA8000 Social Accountability international certification, awarded thanks to the implementation of internal processes in line with the principles of environmental protection and safety in the management of in-house human resources. In July 2014, Pattern acquired the Esemplare brand, which became the company's sole proprietary brand. Esemplare was born and developed with a strong and clear identity: men's and women's outerwear lines that combine the most advanced technologies and attention to environmental sustainability with an essential style characterised by the iconic construction of the upside down "y" of the yoke. The Esemplare collections, the result of continuous research and experimentation, are designed, engineered and developed exclusively in Italy. In 2015, major investments were also made in new technologies such as 2D/3D design. During 2016, Pattern published its first sustainability report according to GRI principles and in November it was chosen to join Borsa Italiana's Élite programme. During the same year, Pattern acquired a new logistics and product development area in its factory, thus increasing its surface area by 25% for more careful management of logistics flows, product development and quality control of finished products. In 2017, Pattern acquired the Roscini Atelier, giving it new life and simultaneously strengthening its competitiveness in the design and production of women's collections. In 2018, it was awarded the Italian Borsa Italiana's Élite certification and launched the 'From Red to Green Carpet' project, the aim of which is to transform the company by making it sustainable and zero impact on the environment by 2023. The entrepreneurial challenge is based on a business idea linked to the field of fashion, characterised by activities implemented vertically within the company. It starts with the design, engineering and development of garments, moving on to a prototyping service and then to the production of samples, ending with the production of garments for some of the most important international brands. The design of men's fashion lines is the starting point of the business. In 2019, following listing on the Euronext Growth Milan market of the Italian Stock Exchange, Pattern announced the arrival of the knitwear company S.M.T. (Società Manifattura Tessile) into the Group, a historical company from Emilia Romagna specialising in the prototyping and production of luxury knitwear. In 2021, the arrival of Idee Partners, a Tuscan company specialised in Product Development, Design and Production in the luxury leather goods sector, into the Group was also announced, and in the same year Idee Partners finalised the acquisition of Petri&Lombardi, a historic leather goods company in Florence. 2022 was a year of strong growth for the group: first of all, Zanni of Reggio Emilia, a national and European reference point in the whole-garment (seamless) and knitwear accessories, was added, and then the Tuscan Leather Pole was consolidated with the entry of RGB, a specialist in the production of leather accessories. These steps thus enabled Pattern to enter the knitwear and leather goods sectors, confirming the strength of the Italian luxury design pole.

Fulvio Botto and Francesco Martorella

2000
FOUNDATION

2005
WOMEN'S LINE
CREATION

2009
COLLEGNO (TO)
NEW FACILITY

2012
ACQUISITION OF A
CUSTOMIZED
PRODUCTION CHAIN

2014
ESEMPLARE BRAND
ACQUISITION

2015
INVESTMENT IN
TECHNOLOGY AND
CAD 2D/3D

2017
ROSCINI ATELIER
ACQUISITION

2018
BORSA ITALIANA
ELITE CERTIFICATION

2019
LISTED ON BORSA ITALIANA
EURONEXT GROWTH
MILAN MARKET

2019
S.M.T. JOINED
PATTERN GROUP

2021
IDEE PARTNERS AND
PETRI&LOMBARDI JOINED
PATTERN GROUP

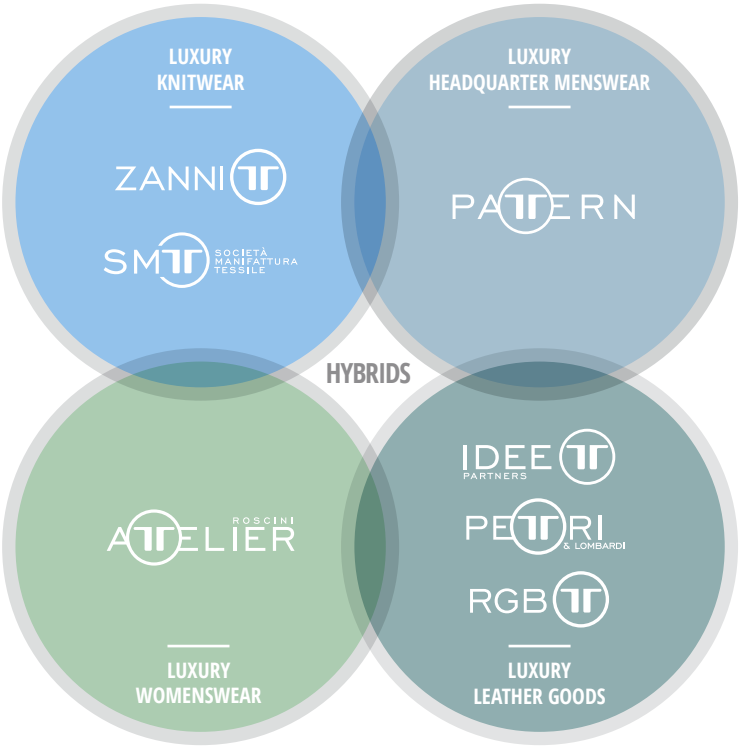
2022
ZANNI JOINED
PATTERN GROUP

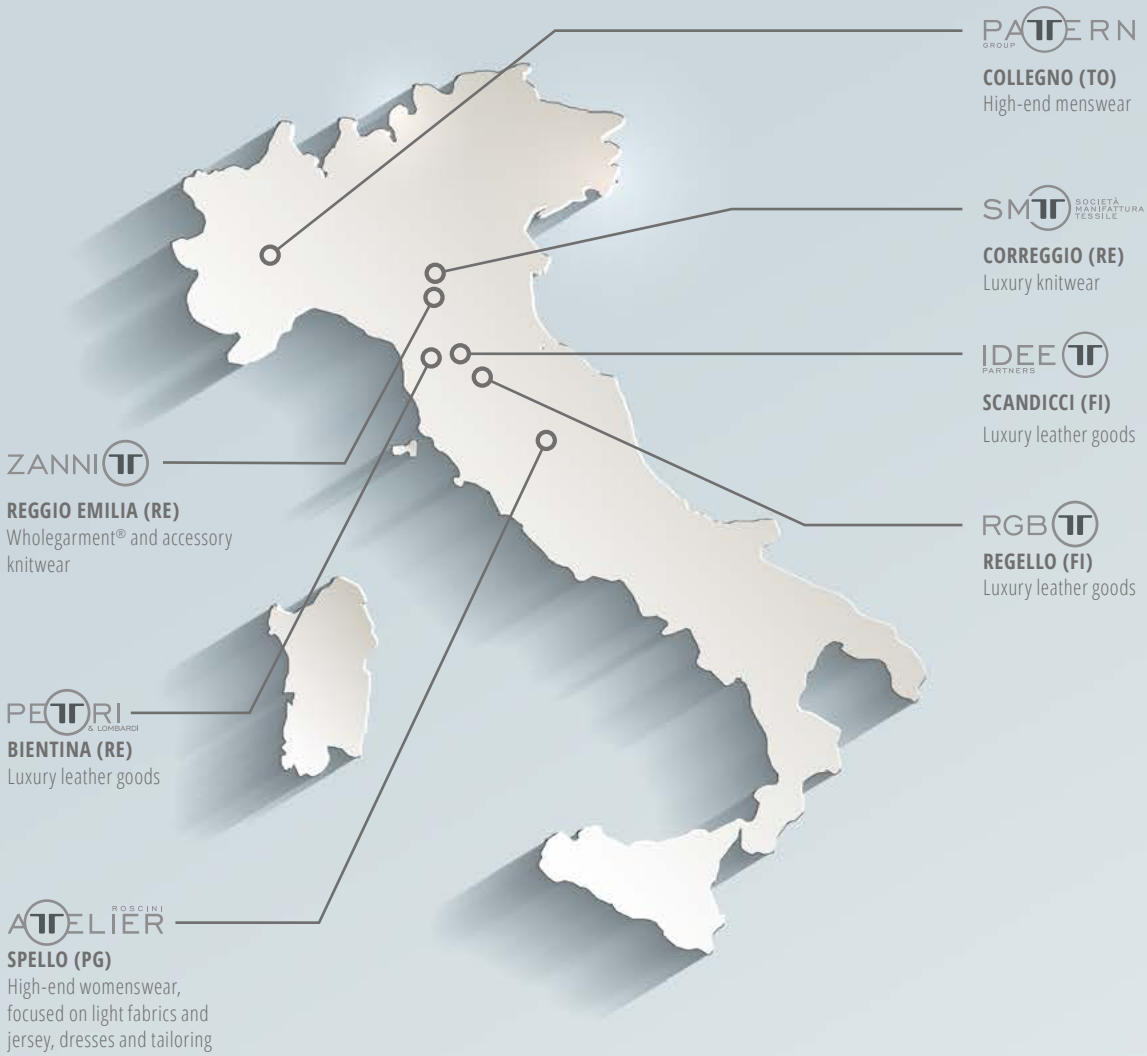
2022
RGB JOINED
PATTERN GROUP

THE GROUP TODAY

Currently, Pattern mission is carrying the entire development and production cycle out in the garment sector: from traditional or digital patterns to the development of the first prototypes via cutting, through to the creation of the finished garments ready for the fashion shows and subsequent production, after final testing by a dedicated quality control team. Pattern strives to find a balanced blend of craftsmanship and technology, thanks to its in-house workforce and continuous investment in research and development at all stages of the design and production process. Examples of this are the search for the most advanced 3D CAD software in the pattern-making phase and the implementation, from 2020, of the digital warehouse with the aim of optimising supply chain processes through the development of blockchain and RFID technology.

The Pattern Group produces turnkey collections on behalf of well-known international haute couture brands, dedicating support teams to the top brands with whom it collaborates during the garment production phase. The group's production focuses mainly on the men's and women's first line collections of the major international brands and their catwalk garments that can be admired on the catwalks of the major haute couture events. The ability to simultaneously follow the design and production of such a large number of lines, in very different categories, from outerwear to lightweight garments, is one of Pattern's fundamental strengths and distinguishing features.





The Pattern Group currently consists of seven companies located throughout Italy, each operating in a specific sector.

The Group headquarter is located in Collegno (TO), in the Pattern SPA headquarters, which is the group's largest factory housing both administrative offices and areas dedicated to production. The Collegno plant specialises in men's first line and fashion show collections, particularly outerwear. The Spello (PG) plant, which has been part of the group since the acquisition of the Roscini Atelier, however concentrates its production on women's collections and in particular on light garments. S.M.T. and Zanni companies dedicate their production to the specific luxury knitwear sector. Finally, Idee Partners, Petri&Lombardi and RGB are specialized in luxury leather goods. The presence in these four segments allows the Group to manage a transversal range of interal processing, including hybrid garments, i.e. those garments that are made from different materials and forms of processing.

(*) As of 31/12/2021 Zanni and RGB are not yet part of the Pattern Group.


PATTERN

Textile Manufacturing company

The SMT knitwear factory is among the youngest in Italy in its category.

It began its activity in **Luxury Knitwear** in 2010, structuring its organisation in response to the growing demand for services from operators in the sector, particularly knitwear designers who could not find an industrial partner capable of supporting their creativity with the right technological innovation and responsiveness.

Company **mission** is to design and develop knitwear products extremely quickly, following quality standards of excellence and concrete and reliable industrialisation criteria. This activity aims to respect the customers' creativity and stylistic freedom.

With these principles in mind, company departments have been structured according to the criteria of **centralising the design phase** and investing heavily in Research & Development..

Idee Partners

Idee Partners, founded in 2008 and based in Scandicci (Florence), is currently a company specialising in engineering, product development and production of bags, accessories and shoes for leading international fashion and luxury brands.

In 2021, Idee Partners joined the Pattern Group and in the same year finalised the acquisition of Petri&Lombardi, a historic Tuscan leather goods company. In 2022, it also finalised the acquisition of RGB, a company specialising in the production of leather accessories.

These acquisitions aim to consolidate one of the largest independent Tuscan leather goods hubs, dedicated to both engineering and production activities.

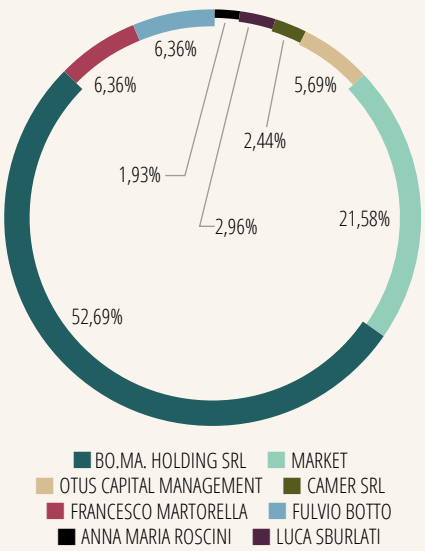
THE ORGANISATION

The Group's structure as of 31.12.2021 is organised according to a model that envisages a holding company - Pattern Spa - operating in the design and production of garments in the men's and women's sectors and four subsidiary companies.

- **Pattern Project,** a wholly owned subsidiary, is the company that owns the Esemplare brand, licensed to Pattern.
- **Società Manifattura Tessile,** an 80% subsidiary, is the company belonging to the knitwear sector.
- **Idee Partners,** a 54% subsidiary, operates in the luxury leather goods sector.
- **Petri&Lombardi,** a 60 ì% subsidiary of Idee Partners, also operates in the leather goods sector.

The breakdown of Pattern Spa, with registered office in Collegno (TO), via Italia 6/A, as of 12 April 2022, is as follows:

52.69% to Bo. Ma.Holding Srl, of which Fulvio Botto and Franco Martorella each hold 50% of the share capital, 21.58% to Market, 5.69% to Otus Capital Management, 2.44% to Camer Srl and finally, 6.36% to Francesco Martorella, 6.36% to Fulvio Botto, 1.93% to Anna Maria Roscini and 2.96% to Luca Sburlati.



This pie graph, with its percentages, is liable to periodic revision. Anytime it is possible to find the update data on the Pattern S.p.a. official website in the Investor-Shareholders section.

PATTERN ORGANISATIONAL MODEL

The Pattern Group's activities are organised according to a model in which the different stages of product design and processing are to a large extent verticalized. Each factory specialises in different products: outerwear, light clothing, knitwear, footwear, bags and leather accessories. The business model envisages the direct or indirect management of the entire production process, from the design phase to the production of the garment, with the aim of creating an efficient and effective structure that can guarantee a high degree of innovation, high growth rates and a continuous focus on sustainability issues.

MODELLING AND CHIEF ENGINEERING

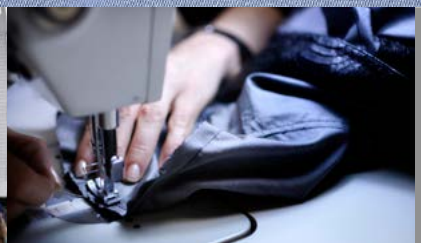
The Modelling office is the heart of Pattern, the place where work is born from a style idea, a sketch, a drawing received from the designer. Pattern, thanks to its know-how and the most advanced 3D design software, finds the perfect combination between the brand's style idea and the best workmanship and solutions: the designers' ideas are in fact developed both in the traditional way (manually) and with the aid of the most advanced technologies.

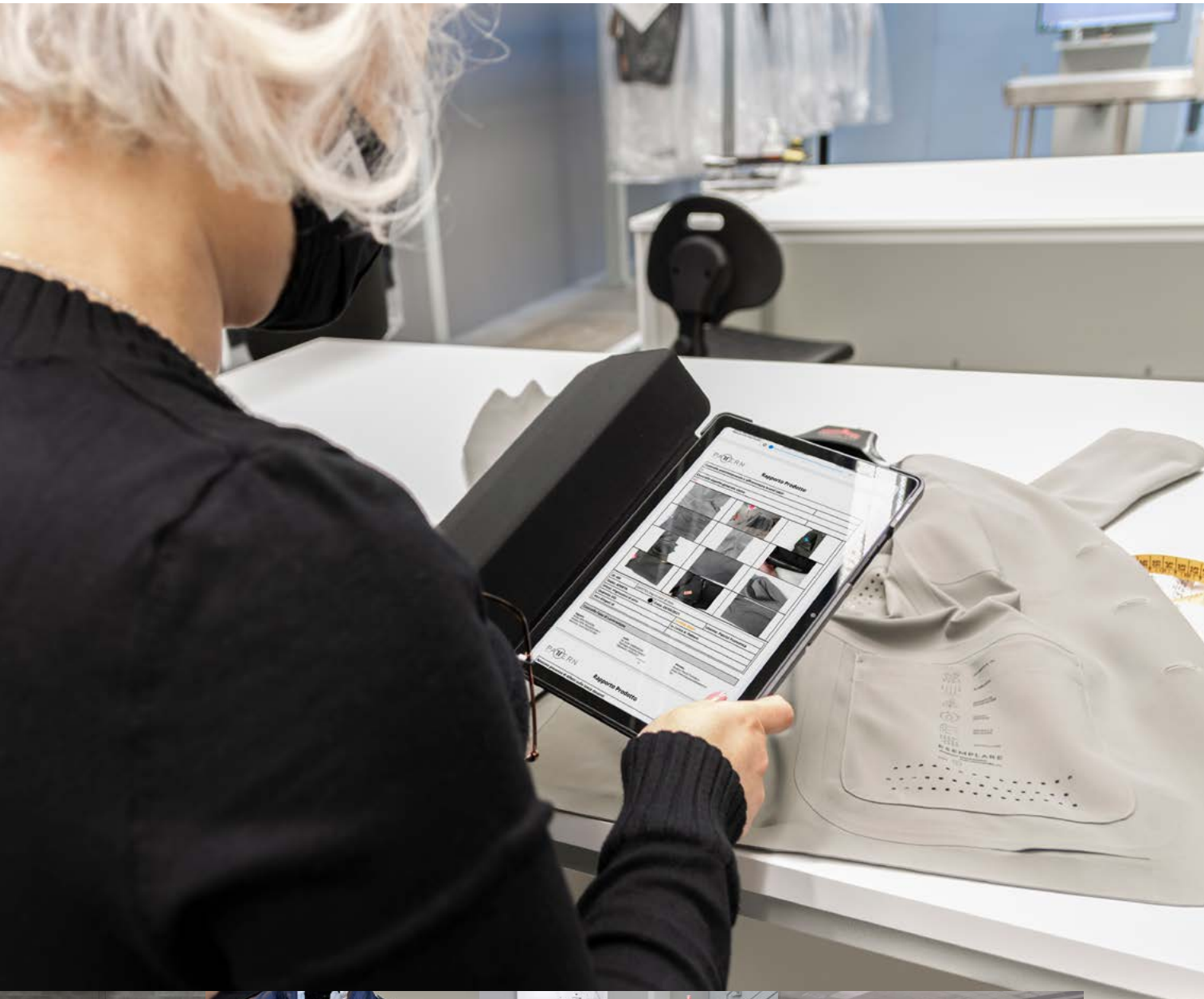
Product Development is in charge of liaising with end customers from the earliest study stages and is responsible for monitoring each stage of the prototype creation process so that everything proceeds on schedule. His responsibilities also include management of the 'order launch' with the specifications of all fabrics and accessories for the garments.

The CAD area carries out the nesting of all materials and compiles the cutting documents. At the same time, the Warehouse prepares the accessory package and materials for the cutting itself. Pattern is equipped with machines for automatic cutting, state-of-the-art laser cutting and a workstation for manual cutting.

PROTOTYPES AND SAMPLES

Once cutting has been completed, the first prototype is made, usually in the in-house workshops. The prototype garments are then corrected and viewed with the customer for the first fitting, during which the final approval of the model takes place. The set of prototypes, with the required variants, result in the creation of the sample collections and subsequently production managed by a dedicated area. The lines and products can then be presented at fashion shows. Even at this stage, Pattern does not fail to support its customers by providing direct assistance to designers through specialised personnel.




PATTERN
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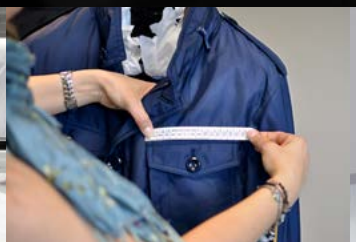

PRODUCTION CYCLE

At the customer's request, Pattern produces the so-called 'garment-staple' in order to check the finished garment one last time before launching production. With constant supervision during the production phase, the 'Product and Production' Team replaces the customer by verifying all the production phases and, in particular, by checking compliance with the timing and quality of each garment and accessory. All stages and suppliers are also monitored through process certifications and, in particular, through the SA8000 standard.

The company also takes care of a large management area. In fact, all packaging is coordinated by Pattern in close collaboration with its façonists, chosen through a certification process. As primary stakeholders in the supply chain, they have to follow the lines of management and social responsibility undertaken by the company, which allows a relationship of trust to be established over time between the façonists and Pattern. The strength of these partnerships has reached such an extent that Pattern requires a letter of intent and common values to be signed in advance.

QUALITY CONTROL AND ASSURANCE

Particular care is dedicated to the final testing process of the garments produced, for which Pattern has a special Quality Team and an internal area with specific equipment and dedicated spaces where customer companies can carry out their own checks before the garments are shipped. Since 2021, the Quality Control process has been entirely digitalised in the planning, execution and recording of audits: thanks to the use of tablets connected to the Audit Manager management system, the execution of audits is guided, individual findings recorded in the system and documented with images, and it is therefore possible to have real-time updated reports and period statistics, guaranteeing better traceability and transparency. One of the last stages before the garments are delivered to the customer is passage through the X-ray machine: each individual garment is checked for the identification and elimination of any possible form of contamination before being bagged and seale..

EXPERIMENTATION AND TECHNOLOGY

Pattern is also committed to experimentation, with the intention of improvement and innovation. This is why there are three machines in the factory: a laser cutting machine, a thermo-welding machine and an ultrasound machine. The presence of these technologies within the company allows considerable freedom of experimentation and at the same time the possibility of responding promptly to customers' needs, so as to have greater control in the phases following the production of prototypes.

SMT ORGANISATIONAL MODE

PROTOTYPING AND SAMPLIN

Under the guidance of the product managers and with the support of the S.M.T. atelier, the requests of the fashion designers are realised in a model that reflects the fit and more generally the stylistic requirements of the brand.

The technical and creative talents of the STOLL and SHIMA SEIKI programming team, supported by state-of-the-art in-house software, are able to study the best technical weaving configuration, interpreting and giving shape to the customers' inspirations, which are then transformed into finished garments by the atelier workers.

This great teamwork enables the company to deliver the samples of each brand within the most stringent deadlines, the highest quality standards and the agreed target pric

PRODUCTION

SMT manufacturing excellence owes its success to the decision to create an in-house tailoring line of the highest standard. The department is divided up into two workshops, samples and production, which are independent of each other and at the same time constantly interacting in the development of the garments.

This approach to work guarantees **consistent quality and traceability of processes.**

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

Thanks to constant and direct dialogue between the production department and the prototyping laboratory, S.M.T. is able to translate even the most complex processes realised in the sample into efficient and high-performance production solutions.

The garment-making process is supported by a team of specialists capable of optimising all the processing stages, guaranteeing constant compliance with the quality requirements of the individual brand. Furthermore, thanks to a certified supply chain of partner laboratories, it is possible to finish the garment with special processes such as needlework, printing, embroidery, gauzing and heat sealing.

Last but not least, in order to ensure impeccable quality standards for customers, S.M.T. has adopted a system that includes strict controls at every stage of the garment processing cycle, from weaving, through to washing and packaging phases and final bagging.

RESEARCH AND DEVELOPMENT

Since 2019, S.M.T. has had its own in-house Research & Development department where qualified consultants support fashion designers in their search for the most suitable yarn, the most innovative processing methods and cutting-edge weaving techniques.

Specifically, the Research and Development department is responsible for designing and implementing product innovation, capsules or special projects not connected with seasonality, studying and promoting the latest technology in knitwear, as well as promoting the use of knitwear technology in product categories such as footwear, accessories, bags, interior design, automotive, etc

IDEE PARTNERS ORGANISATIONAL MODEL

DEVELOPMENT OF LEATHER GOOD

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

Thanks to the presence of an in-house team of Product Managers, consisting of professionals who interpret creative ideas, guidelines and market trends, Idee Partners is able to support the client's Design team in the development of creative solutions starting from the first product ideas and finally transforming them into physical products and product renderings. Alternatively, the company can also offer its clients a full design service.

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

Idee Partners' vast experience, combined with constant research and proximity to the best suppliers of raw materials (leather, fabrics, accessories, etc.), enables the development of innovative and customised materials that meet the most demanding specifications of Italian and international standards.

LEATHER GOODS PRODUCTION

Thanks to **a strong know-how in the industrialisation of collections**, the Production team of Idee Partners is able to manage the entire production process **by guiding projects right through to production delivery**.

Depending on customer requirements, Idee Partners can operate either by directly managing the purchase of raw materials or by providing only the craftsmanship (cutting and assembly). Before packaging and delivery to the customer's distribution hub, Idee Partners carries quality control on finished products out.

FOOTWEAR DEPARTMENT

Idee Partners' footwear department specialises **in helping start-ups and established brands design and realise innovative collections**.

The product development phase is handled by the highly specialised in-house pattern department and sample room. The production of prototypes and showroom samples includes the creation of all shoe components: from the first shapes, heels, soles, insoles, metal accessories and upper models through to the creation of prototypes and evaluation models for the ordered cuts. The last phase of pre-production development includes an overview of industrialisation and engineering of the collection with the in-house pattern-making department.

The entire product development process is **supervised by a dedicated team, led by a Project Manager, who constantly reports on time, costs and possible problems.**

INNOVATION AND TECHNOLOGY

Idee Partners constantly invests in **technological innovation as well as in research and development**, because of the aims to be a leader in the leather goods market, paying particular attention to the **continuous training of its employees**.

For this reason, the design and realisation phases are constantly analysed and improved, integrating the most modern technologies.

Thanks to the use of CAD modelling and printing systems and the most advanced simulation programmes, it is in fact possible to improve process efficiency by optimising time and costs right from the prototyping stage and ensuring the best quality of the finished product.

INNOVATIVE CRAFTSMEN: TECHNOLOGICAL DEVELOPMENT

Pattern is characterised by the combination of craftsmanship and technology, which is a success factor and a way of guaranteeing permanence for the company and its customers. Pattern models in 2D and 3D using the most advanced software on the market, and, in complete contrast, in recent years has started a process of in-sourcing of all the design and production phases, which are now 100% completed at its Turin headquarters. From design to cutting, from tailoring to quality control of prototypes and fashion show garments, everything is done in-house. Recently, Pattern has also invested by purchasing state-of-the-art cutting machines, including laser cutting machines. Despite the fact that until a few years ago Pattern was a small company and although it operates in a sector with a strong element of manual work and craftsmanship, it has always invested in technology, favouring the best solutions on the market, which in terms of cost and complexity are designed for medium and large sized companies. Time has shown that this was not an unrealistic choice. Firstly, because Pattern's growth, which in the meantime has become a medium-sized company, has made it possible to remunerate the capital invested; secondly, because Pattern's customers are generally multinationals, with whom it is consequently necessary to share the same language, also from an IT point of view. The objective remains to strengthen itself more and more as a centre of expertise on an international level in its segment of operations. The decision to focus on technology, concentrating on CAD solutions for garment design, is confirmed every year, allocating the largest share of investments to this area. These investments, as will be explained on the following pages, however, cover all aspects of a modern IT infrastructure.

PDM INTRODUCTION

A first step forward with respect to the simple installation and use of CAD machines took place in 2011-2012 with the implementation of PDM (Product Data Management) for the complete management of the finished product, from its conception to the realisation of samples, with all the necessary information, including graphics. The project was enriched through integration with the new management system, which was being implemented in the same years, in order to define a single workflow from the Samples Office, where the design activity begins, to the launch of production with the delivery of finished garments to customers and relative warehouse management

PDM AND 3D EVOLUTION

During 2013, in a project that continued into the following years, a change was made to more advanced versions of CAD and PDM, aimed at enabling the use of more complete and effective industrialisation tools, achieving better productivity, and making it possible to harmonise more extensively with other design systems. These improvements have involved the activities of both the Samples Office and the CAD office dealing with size development and nesting. Finally, this evolution involved the possibility of operating virtual prototyping in 3D using targeted workstations for particularly complex machining.

Already in 2018, when 3D design had just entered the fashion world, Pattern introduced specific skills into the company by organising a training course for the Pattern Office.

In 2019, also taking on board stimuli from customers, the functionalities of a new software, CLO3D, which enables the creation of real virtual prototypes from the 2D CAD model, were deepened.

In 2020, a Digital Team was set up that, working closely with the Modelling Department, is dedicated to 3D design, focusing on 3D simulations of prototypes, placements or positioning of prints.


DIMA POSIZIONE
CINTA DX
EST 38
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Today, Pattern is able to produce 3D prototypes of any garment simulating any type of fabric and knitwear, for men and women, sportswear and formal wear. Furthermore, Pattern can also customise models with ad hoc measurements, colours, details such as finishes, different types of fabric and static or dynamic avatars in different positions.

3D is a key, cross-cutting tool for customers, not only for prototype development but also for virtual showrooms and fashion shows, marketing and merchandising activities; it is also a huge advantage at a time when people and goods cannot travel so freely and it is a new opportunity for sustainability, as digital prototyping allows for a reduction in the number of physical garments produced.

TRAINING AND INTRODUCTION OF NEW AND ULTIMATE PLOTTER MACHINES

The complexity of the updates introduced in the project mentioned in the previous point required many hours of training in 2014/2015 in the offices concerned. At the same time, in order to make the most of the opportunities of the new technologies, the related hardware was upgraded, whereby new plotters were purchased for 1:1 printing of the cutting chart and for cutting model parts into cardboard.

CUTTING AREA

The focus on technology and the consequent adoption of high-performance tools can also be observed in the Cutting Area, where two automatic cutting systems operate, one of which is of the latest generation, and a laser cutting machine, acquired in 2014/2015.

ERP MANAGEMENT IMPLEMENTATION AND CUSTOMISATION NEEDS

When, between the end of 2010 and the beginning of 2011, the company was faced with the problem of choosing an ERP for the integrated management of its activities, in light of an initial major growth in turnover, which entailed increased management complexity, it was realised that almost all the products on the market, even the most tried and tested, had been developed for clothing companies working for their own brands. Pattern's activity, centred on the development of collections for third parties, requires flexibility in the creation of prototypes, production launches and the management of logistics and purchasing for the customer, which required the development of important customisations. The particular aspect worth dwelling on is precisely that related to specific need to be able to identify at any time the situation of stocks of raw materials and accessories in terms of seasons/collections in order to respond quickly to customer requests; for example, for production replacements, cancellations, repetitions, as well as (a no less important factor) to be able to attribute to the individual customer the remaining stock at the end of the production season. To meet these requirements and avoid cumbersome management of raw materials in the warehouse, it became necessary to track all relevant movements, bringing in the season/line information on them in semi-automatic mode. This customisation process required the creation of specific functions for stock analysis, the management of virtual changes between season/line and the re-sampling or sale of stocks at the end of the season.

NEW WAREHOUSE 4.0 PROJECT

The year 2020 saw a major investment for Pattern logistics, installation of the new warehouse for the Collegno site, with a capacity of 13,000 finished garments and equipped with the Schonenberger dynamic structure, the most widely used among the major players in the sector.

A totally digitised state-of-the-art warehouse where, through RFID technology, each individual item and its movements are uniquely identifiable, thus traceable, and managed by a dedicated departmental software, a WMS (Warehouse Management System) fully interfaced with the company's management software.

Several benefits are expected, from increased speed and accuracy of Inbound and Outbound procedures, to the possibility of storage by purchase order, to the environmental benefit of lower emission levels.

In conjunction with the setting up of the new finished garment warehouse, the aim is to compact and automate the entire accessories warehouse as well, through the introduction of two MODULA drawer cabinets which, controlled by a dedicated WMS warehouse software, will guarantee greater picking speed and computerised management of all codes and their relative quantities, always interfaced in real time with the company management system.

DIGITISATION OF AUDITING PROCESS

Continuing along the path of digitisation of key business processes, and in order to manage auditing activities appropriately, quickly and efficiently, Pattern introduced in 2020 a new auditing software, Audit Manager, which allows a comprehensive management of audits, from set-up to planning, from execution to analysis of collected data. The Audit Manager system is currently in use for SA8000 and Sustainable Manufacturing audits and will soon be extended to product audits. It is a modern, flexible and configurable app for any type of audit that allows multiple operations: from the planning and scheduling of audit activities, to the compilation and completion of checklists through to the creation of the audit dossier by reporting any non-conformities found and planning corrective actions.

ADAPTATION OF HW INFRASTRUCTURE AND BASIC SW SYSTEMS.

The smooth operation of this complex system, which includes and connects the management environment and modelling, is guaranteed at the Collegno site by an infrastructure based on innovative hyper-convergent technology consisting of two redundant devices that integrate processing, storage, networking and virtualisation resources, and at the Spello and Correggio sites by an infrastructure based on redundant virtual servers. In both locations, the infrastructure is completed by NAS equipment for data storage (in Spello and Correggio) and backup collection (in all locations) and firewalls for perimeter protection of the corporate network.

S.M.T. TECHNOLOGIES

FULLY-FASHIONED KNITWEAR

The weaving and programming department consists of state-of-the-art straight knitting machines that guarantee the constant use of the most high-performance technology according to the product required.

SMT's technology park today has 120 weaving machines equally divided between STOLL (all gauges from 1.5 to 20) and SHIMA SEIKI (all gauges from 3 to 18) including technologies for textured weaving, inverted vanisé and inlay.

The programming department, consisting of 20 technical programmers, can rely on state-of-the-art software and boasts very fast turnaround times for prototypes and special projects.

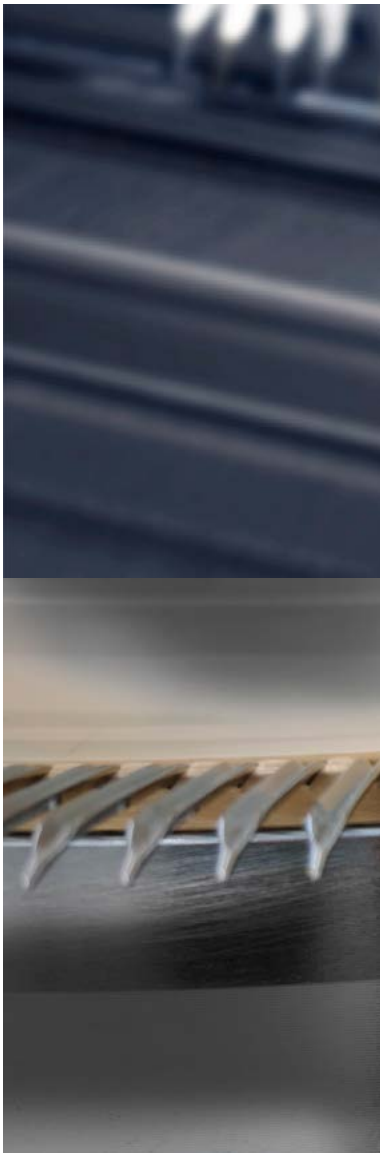
WHOLEGARMENT® KNITWEAR

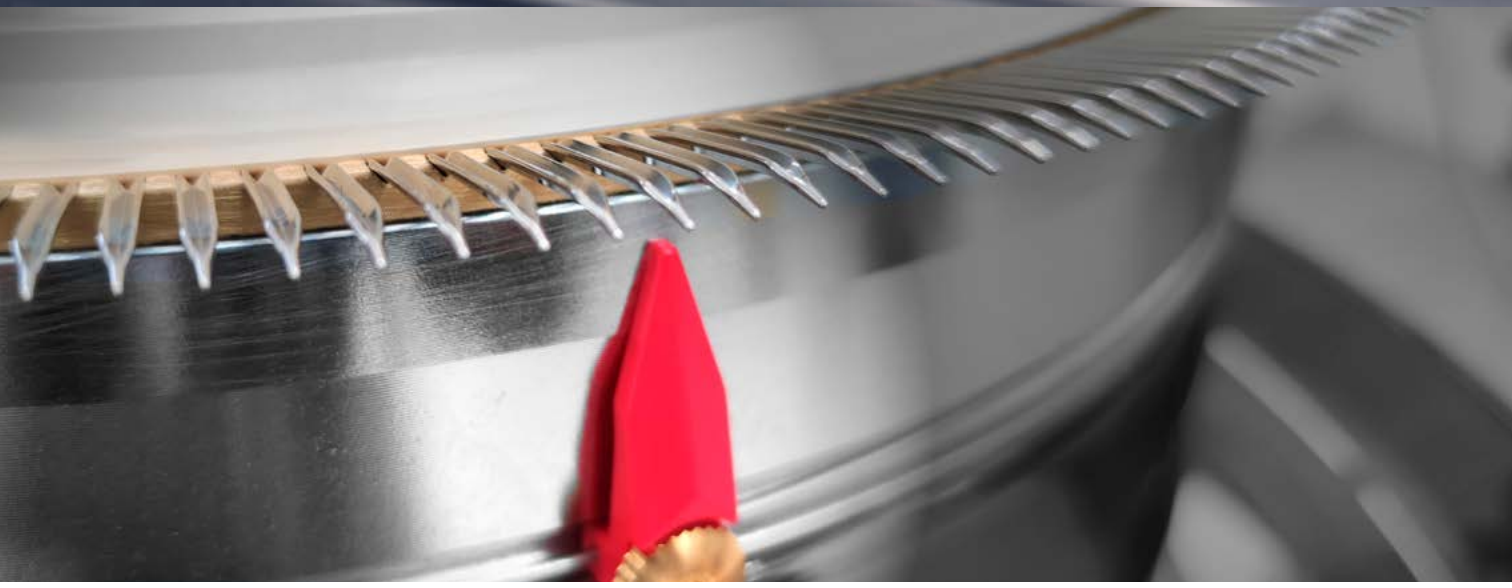
With the acquisition of the historic company Zanni Maglieria, a specialist in the production of seamless garments based on SHIMA SEIKI WHOLEGARMENT® technology, SMT is consolidating its position in the sector by adding new technical skills of excellence to its know-how, specializing this processing on knitted accessories.

The Wholegarment® technology fleet includes 34 machines of all gauges from 18 to 5, and 5 Shima Seiki APEX 4D stations for design and programming.

TREATMENTS AND FINISHES

To complete management of the processing phases, the company has equipped itself with a treatment and finishing department. In particular, an electronic gauzing machine, a treatment that allows for the extraction of hair from fabrics, and a laundry and ironing department comprising 8 washing and tumbler machines and 15 ironing stations, steaming tables and presses.





GOVERNANCE

COMPULSORY BODIES

The corporate governance model adopted by Pattern is a traditional one, company management is therefore entrusted to the Board of Directors.

At the Shareholders' Meeting, each shareholder is entitled to one vote regardless of the number of shares subscribed and decides on::

¬ Approval of the annual accounts

¬ Allocation of the operating result

¬ Appointment of the Board of Directors

¬ Appointment of the Board of Statutory Auditors

The **Board of Directors** as of 31 December 2021 has 7 members, 1 of whom is independent:

Francesco Martorella	President
Fulvio Botto	Vice president
Luca Sburlati	Managing Director
Innocenzo Tamborrini	Councillor
Stefano Casini	Councillor
Anna Maria Roscini	Councillor
Emilio Paolucci	Independent Director

The supervisory body that monitors the activities of the directors and examines that the management and administration of the company are carried out in accordance with the law is the Board of Statutory Auditors and on 31 December 2021 it is composed as follows:

Lucia Maria Starola	President
Alcide Casini	Acting auditor
Lucia Margherita Calista Rota	Acting auditor
Cristiano Casini	Temporary Auditor
Riccardo Cantino	Temporary Auditor
Auditing Company	PricewaterhouseCoopers S.p.A. (PwC)

The company has also implemented in recent years a process of delegation that has led to an organisational structure based on processes, according to a customer/function matrix. The constant presence in the company of the founding partners, with a technical management role, represents a fundamental element for the management of design for client brands, as well as for the operational performance of activities

VOLUNTARY BODIES:

CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

The direction and coordination of ESG activities are entrusted to the Corporate Social Responsibility team and, with the aim of increasingly integrating it into Pattern's business model, a dedicated team was formed in September 2021, which currently has 4 resources. The creation of a team focused on environmental and social issues underlines Pattern's commitment to corporate growth in line with sustainability principles.

The CSR team analyses, proposes and implements solutions to the impacts that production activities have on the environment and society, and suggests the Pattern Group's sustainability strategy, reporting directly to management and requesting approval of targets from the Board of Directors.

In addition, it handles reporting and the drafting of the sustainability report following data collection, increasing awareness of sustainability issues within the Group.

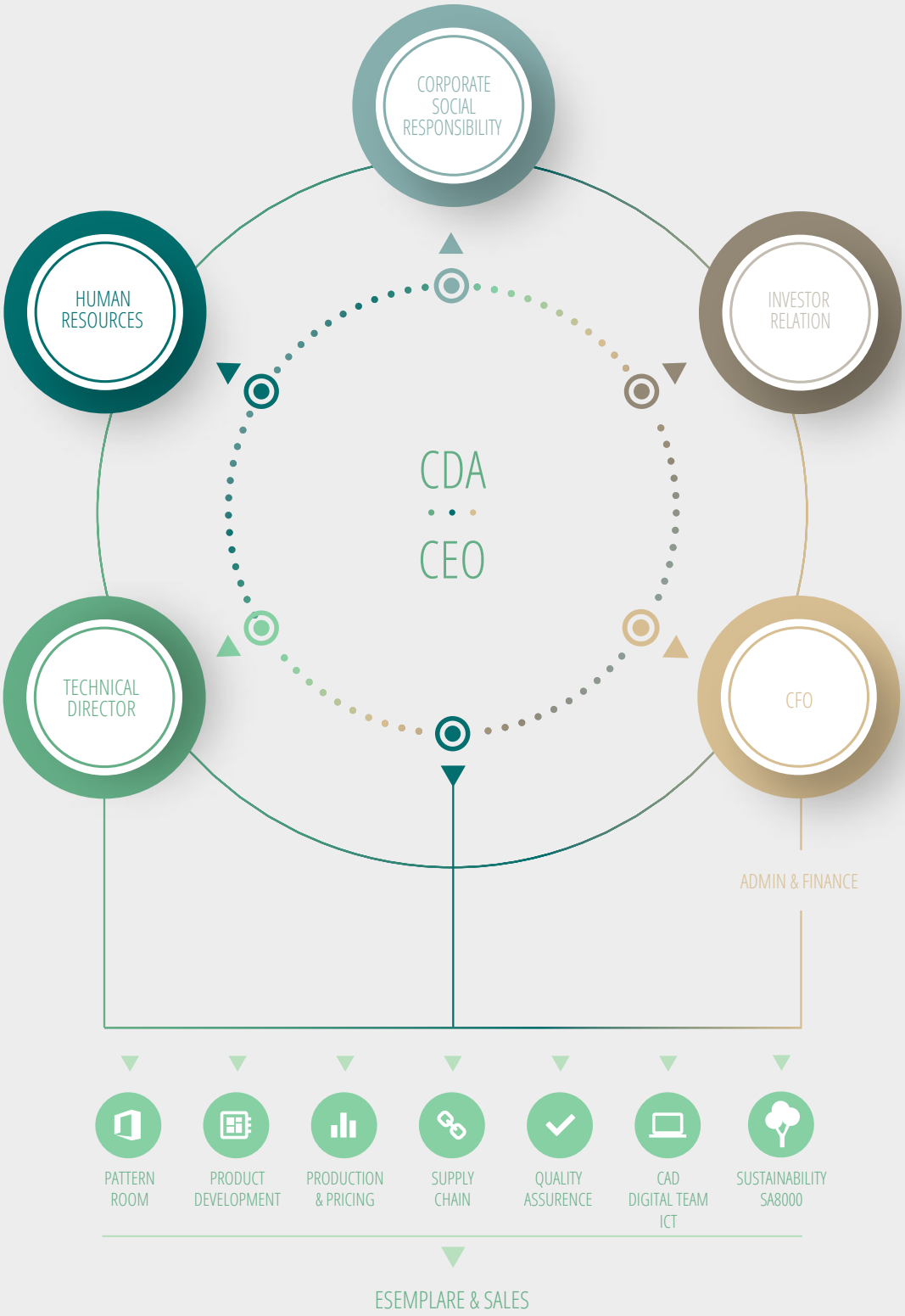
SOCIAL PERFORMANCE TEAM

In accordance with the certified SA8000 management system, a Social Performance Team (SPT) must be established to oversee that the principles of the Standard are effectively integrated into company processes. The team must include a balanced representation of SA8000 worker representatives (possibly RSA and RSU if present in the company) and management.

Each Group site has elected SA8000 representatives and has its own SPT committee that reports to the centralised coordination of the Turin site and reports on its activities during the annual management review.

SUPERVISORY BODY LEG. DEC. 231

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


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

STRATEGIC PLANNING

STAKEHOLDER ENGAGEMENT

The Pattern Group considers the involvement of stakeholders to be of fundamental importance and is committed to an active dialogue with all of them, because it believes that a continuous exchange of information can influence and provide insights for corporate growth. Communication with stakeholders recognises the responsibility that the group has towards the social context in which it operates. There are different types of stakeholders in the Pattern group, each of whom has different interests towards the group (shown in the table below).

To accommodate all the requests and expectations of the various stakeholders, Pattern makes use of various tools, which are constantly being expanded, such as surveys and workshops. It will be of particular importance in the coming years to create a true community, through which long-term shared value can be created. Identifying all stakeholders within the Pattern group is of paramount importance in consideration of the material issues to be included in the materiality matrix.

PATTERN GROUP STAKEHOLDERS:

- ¬ Investors and banks
- ¬ Pattern employees
- ¬ Customers
- ¬ Institutions
- ¬ Suppliers and their employees
- ¬ Subcontractors and their employees
- ¬ Future generations

PATTERN GROUP SUPPLIER MAPPING

Pattern Stakeholders	**Listening and involvement tools**	**Stakeholder Interests in Pattern**
Investors and banks	Shareholders' Meeting Website and dedicated e-mails Dedicated shareholder events' Meetings with shareholders Survey to identify material themes	Pattern Group share value growth Transparency on objectives, long-term strategies and company performance
Pattern Employees	Company climate survey Survey on sustainable mobility SA8000 Report Box Notice board Survey to identify material themes	Opportunities for professional growth Implementation of corporate welfare policies Transparency and involvement in company performance Continuous education opportunities
Customers	Regular comparison meetings Survey to identify material themes Portal Management teams dedicated to brand needs Webinars and roundtables Company performance analysis Audit	Protecting brand reputation Product reliability and safety Quality assurance Transparency along the supply chain Support in the development of innovative products Reducing impacts on the environment and society Respect of delivery times
Institutions	Comparison with institutional bodies Survey to identify material themes	Compliance with regulations Ensuring environmental and social protection Promoting sustainable development Controlling the supply chain to manage environmental and social risks
Suppliers and their employees	Daily reports of the purchasing function Survey to identify material themes Regular comparison meetings Audit	Compliance with contractual conditions Maintaining continuity in the working relationship
Subcontractors and their employees	Control audits Daily relations of the production function Regular meetings, given the proximity of our subcontractors Survey to identify material themes	Compliance with contractual conditions Maintaining continuity in the working relationship
Future generations	Partnerships with Universities Recruitment-oriented recruitment programmes Involvement of vocational schools Social Network	Career opportunities In-house training Mitigating impacts on the environment and society Promoting sustainable development Activities to promote craftsmanship

MATERIALITY MATRIX

In order to plan its sustainability strategy in line with stakeholders' expectations, the Pattern Group decided to conduct a materiality analysis thanks to which it was able to classify material issues, i.e. those issues of greatest relevance to the organisation and its stakeholders. On the basis of these, the corporate strategy was shaped, identifying its environmental, social and economic priorities, in line with the 17 Sustainable Development Goals of the 2030 Agenda

AGENDA 2030 FOR SUSTAINABLE DEVELOPMENT

The 2030 Agenda for Sustainable Development is a programme of action for people, planet and prosperity. It was signed on 25 September 2015 by the governments of the 193 member states of the United Nations, and approved by the UN General Assembly.

The Agenda consists of 17 Sustainable Development Goals (SDGs) framed within a broader action agenda of 169 associated environmental, economic, social and institutional targets or goals to be achieved by 2030. The 17 Goals refer to a set of important development issues that take into account the three dimensions of sustainable development - economic, social and ecological - in a balanced manner, and aim to end poverty, fight inequality, tackle climate change, and build peaceful societies that respect human rights.

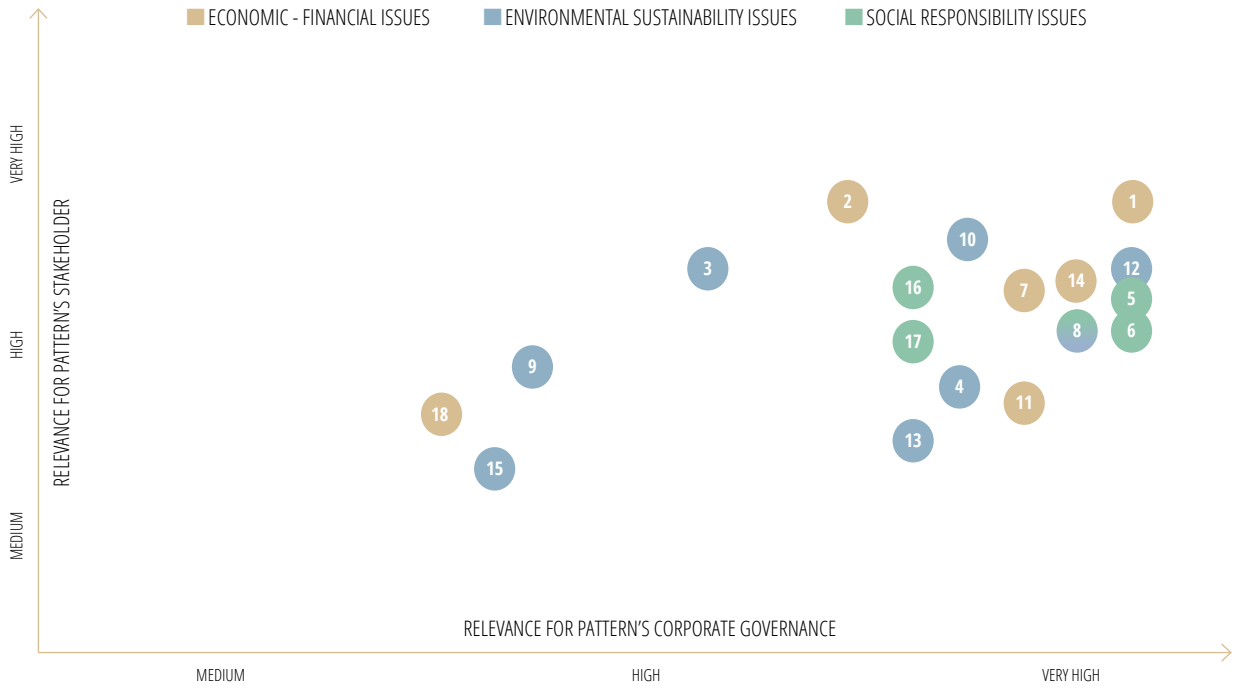
The goals set for sustainable development have global validity, they concern and involve all countries and all components of society, from private companies to the public sector, from civil society to information and cultural actors.

The SDGs therefore call on companies around the world to promote sustainable development through their investments, the solutions they develop and the business practices they adopt. The global goals will in turn push companies to reduce their negative impact and maximise their positive contribution to the 2030 Agenda for Sustainable Development.

DATA COLLECTION AND ANALYSIS METHODOLOGY

The process of defining the materiality matrix took place through a questionnaire aimed at corporate governance, shareholders, employees, suppliers, contractors, customers and other stakeholders (banks, schools, PA). This questionnaire was structured to highlight the main areas of sustainability: economic, social and environmental. Specifically, the Pattern Group has declined the objectives of the 2030 Agenda for Sustainable Development (SDGs) into a series of economic, social and environmental initiatives that it has implemented, or intends to implement, along the entire supply chain, and it is from these that the questions subject to the materiality analysis were defined.

By cross-referencing the scores given to each theme by the recipients of the questionnaire, it was possible to compare the importance placed by the organisation and its stakeholders on the influence that each ESG theme has on business performance and the Pattern Group's ability to create value.



The X-axis indicates the relevance of each sustainability topic for corporate governance, while the y-axis indicates the relevance for stakeholders. The materiality quadrant, in the top right corner, is where the highest expectations for both the company and its stakeholders are placed and, therefore, identifies the most important sustainability related aspects on which one should focus and concentrate action commitments. Having identified the priority themes, in order to create shared value, the Pattern Group identified the related strategic intentions and action plans to implement the intentions.

ACTIVITIES PROGRESS		2020	2021	2022
KPI 1	Responsible consumption, waste reduction and application of circular economy principles	B	B	A
KPI 2	Technological & Digital Research and Innovation	B	B	A
KPI 3	SA8000 certification for all Group sites	B	A	A
KPI 4	Monitoring social compliance of 100% of the subcontractors	B	B	B
KPI 5	Environmental and chemical management systems for all Group sites	C	C	B
KPI 6	Monitoring the chemical compliance of 100% of RM suppliers and subcontractors	B	A	A
KPI 7	Economic and financial performance	A	A	A
KPI 8	Objective and certified assessment of social, environmental and governance (ESG) performance	C	B	B
KPI 9	Enhancement of resources, talent development, know-how and training	B	B	A
KPI 10	Ensuring CSR principles: human rights, decent working conditions and gender equality	C	B	B
KPI 11	Customer focus: customer satisfaction	A	A	A
KPI 12	Monitoring, auditing and evaluation of supply chain performance (RM suppliers and sub-suppliers)	B	A	A
KPI 13	Transparent and tracked chain at every stage of processing	A	A	A
KPI 14	Process and product quality of all Pattern Group companies	C	B	A
KPI 15	Stakeholder engagement and training on environmental, social and innovation issues	C	B	B
KPI 16	Integration of Climate Change compliant strategies into business processes	B	A	A
KPI 17	Identification of standards with an internationally recognised scientific basis for setting development targets	B	A	A
KPI 18	Enhancing the value and loyalty of the supply chain	B	A	A

(A) IMPLEMENTATION COMPLETED - **(B)** IMPLEMENTATION UNDERGOING COMPLETION - **(C)** IMPLEMENTATION STARTED - **(D)** IMPLEMENTATION NOT STARTED

STRATEGIC MAP

KPI 1 Responsible consumption, waste reduction and circular economy principles application

KPI 2 Technological & digital research and innovation

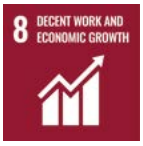
KPI 7 Economic and financial performance

KPI 11 Focus and centrality to the customer: customer satisfaction

KPI 14 Quality of processes and products of all companies in the Pattern Group

KPI 18 Enhancement and loyalty of the supply chain

GOALS	STRATEGY
Promoting energy efficiency projects	Support the comanies in the Pattern Group and the supply chain in the use of renewable energ
Ensure the achievement of financial goals in accordance with the protection of the environmental mission	Change of the company statute integrating the Benefit mission by 2023
Encourage product design and development using tecnology	Increase for the textile sector the use of technology, 3D and awareness of technological innovations through a department of research and development
Zero waste addressed to the dump or incineratio	Lengthening of the life cycle through reuse and recycling also thanks to collaboration with companies dealing with circular economy
Promote development projects to improve environmental performance in the supply chain	Credit facilitation project involvement for the start-up of entrapreneurial activities and/or for the renewal of the enterprises in the supply chain
Ensuring process and products quality for Group's customers	Zero Flaw Project



KPI 3 SA800 certification for all Group sites

KPI 4 Social compliance monitoring for 100% of subcontractors

KPI 9 Talent, know how and training development and resources enhancement

KPI 10 Warranty of CSR principles: human rights, decent working conditions and gender equality

KPI 12 Supervision, auditing and evaluation of supply chain performance (RM suppliers and subcontractors)

KPI 13 Transparent and traced chain at every processing stage

GOALS	STRATEGY
Participate in the implementation of an inclusive and quality training offer	Provide economic and organizational support to training realities in the textile/fashion sector
Management system and social compliance requirements control in all Group Pattern's sites	SA8000 certification integrated with centralized management at the Turin headquarters
Resources enhancement, talents attraction and business know-how increase through training	Defining company policies and procedures for recruitment, wage and professional development using access to funds dedicated to business training
Ensuring decent working conditions throughout all the supply chain	100% coverage of RM suppliers and subcontractors with social and H&S audits
Ensuring the living wage for all workers with a focus on the most vulnerable group	
Certifying gender equality and D&I	Performance assessment through the evaluation tools provided by dedicated UNGC and Weps

KPI 5 Environmental and chemical management systems for all Group sites

KPI 6 100% chemical compliance monitoring of RM suppliers and subcontractors

KPI 16 Integration of Climate Change containment compliant strategies into business processes

GOALS	STRATEGY
Promote responsible use of water resources along the supply chain	Lead the supply chain in implementing best water management practices
Ongoing commitment to the fight against climate change	Identification of the most accredited international standards for the definition of the strategy of measurement, reduction and compensation of emissions (Scope 1 - 2 - 3)
Continuous improvement of the business model towards a zero greenhouse gas emissions organization	Carbon Neutrality by 2023 - Net Zero by 2050
Zero discharges of chemicals hazardous from production processes throughout the supply chain	ZDHC Roadmap To Zero Programme subscription and continuous improvement through tools provided by Supplier To Zero

KPI 8 Objective and certified assessment of social, environmental and governance performance (ESG)

KPI 15 Stakeholder involvement and training on environmental, social and innovation issues

KPI 17 Identification of standards with an internationally recognised scientific basis for setting development objectives

GOALS	STRATEGY
UNFCCC - Fashion Industry for Climate Action	Commitment to SBTi - Science Based Target Initiative - choosing the level of 1.5°, signed on 22/07/2019
UNGC - United Nations Global Compact	Subscription as “Participant” on date 17/09/2021
CDP - Carbon Disclosure Project	Annual measurement of ESG performance
SA8000 certification	Triennial renewal of the management system starting from 2013 and extension to all the companies of the Group

PATTERN COMMITMENTS

One of the main challenges that a company has to face when it decides to implement an ESG strategy in its organisational model is how to reliably measure its performance, identify the most appropriate KPIs and set targets that are consistent with the demands of the climate and social crisis that the world is facing.

In response to the need to identify concrete objectives and to have scientifically based methodologies, Pattern has joined various initiatives aimed at providing authoritative, reliable and internationally recognised guidelines on which to base its strategy.

In recent years, the fashion world has seen an exponential increase in the focus on the creation of more sustainable business models and the need for brands to rely on partners capable of protecting the values of social and environmental compliance that have become increasingly central to consumers.

Following these strong calls, the European Commission has adopted a set of proposals to transform EU climate, energy, transport and taxation policies to reduce net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Similarly, it addresses the production and consumption of textiles, in recognition of the importance of the sector, and in the implementation of the commitments, foresees a series of actions aimed at achieving the targets set.

In fact, the Commission's Vision 2030 for textiles envisages that all textile products placed on the EU market should be durable, repairable and recyclable, made as far as possible from recycled fibres, free of hazardous substances and produced with respect for social and environmental rights.

United Nations Global Compact

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

In September 2021, Pattern became a Participant of the **UN Global Compact**, the world's largest strategic corporate citizenship initiative, and signed a commitment to contribute to a new phase of globalisation characterised by sustainability, international cooperation and partnership in a multi-stakeholder perspective.

With this in mind, membership of the UN Global Compact offers a range of training opportunities aimed at implementing and describing environmental, social and governance policies and practices; sharing best practices to develop strategies and concrete solutions to common challenges; and providing management tools and resources focused on different environmental, social and governance issues compatible with the development goals identified by the United Nations.


"I THINK HAVING LAND AND NOT RUINING IT IS THE MOST BEAUTIFUL ART THAT ANYBODY COULD EVER WANT"
ANDY WARHOL

United Nations Climate Change
Global Climate Action

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CDP
DISCLOSURE INSIGHT ACTION

Fashion Industry Charter for Climate Action

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

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

In addition, it requires them to submit relevant reduction pathway plans for 2030 within 12 months and provide updates every three years.

Commitment SBT Initiative

The targets set in the letter of commitment addressed to textile companies by the UNFCCC echo the ambitions set by the Science Based Target Initiative (SBTi) to which Pattern adhered by choosing the more ambitious level of 1.5°, therefore, to implement reduction strategies to limit the maximum global average temperature rise to 1.5°.

The initiative is a partnership between the **Carbon Disclosure Project**, UN Global Compact, World Resources Institute and **WWF** and was created with the intention of providing companies with ambitious, clearly defined and sector-specific pathways to reduce emissions, ensuring that corporate Climate Action is in line with the goals of the Paris Agreement and stimulating companies to support the transition to a zero-emission economy.

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

In 2020, Pattern has set a scope 1 and 2 emission reduction target, validated by the Science Based Target Initiative, under which it commits to

¬ Reduce absolute GHG emissions for scopes 1 and 2 by 50 per cent by 2030, with 2018 as the baseline

¬ Measuring and reducing its scope 3 emissions

The initiative, which Pattern has decided to join, will lead to carbon neutrality by 2023 through a strategy of measurement, reduction and offsetting.

Carbon Disclosure Project

CDP is a non-profit charity that manages the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Over the past 20 years, it has created a system that has led to unprecedented engagement on environmental issues worldwide.

FROM RED TO GREEN CARPET

MISSION

Until 2017, Pattern's mission was to realise and produce the most beautiful ideas in luxury, using the best skills and technology, in a world, that of fashion, that is increasingly demanding. However, this industry with its traditional way of working has a price: it is the second most polluting industry as well as an industry heavily exposed to exploitative labour dynamics. Pattern has the opportunity as well as the duty to represent the change needed to make this sector environmentally sustainable and socially responsible, by controlling and reducing the environmental and social risks linked to its entire value chain. The greatest environmental risks in this sector stem from the use of uncontrolled and unsustainable raw materials, subjected to treatments involving chemicals that are harmful to humans and the environment. The enormous waste of resources to be attributed to outdated linear economy strategies must also be taken into account. Finally, another aspect with a high environmental and social impact is a long supply chain that involves high CO2 emissions as well as the difficulty of controlling it, exposing it to the logic of labour exploitation.

Ever since Pattern drew up its Sustainability Report, it has always stated that the company's core values are three: intellectual capital, technology and sustainability. And we do not want to steal away from our responsibility. This is why Pattern has set as its new mission the implementation of a plan called 'From Red to Green Carpet', through which it commits to contributing to the creation of a better future for new generations and to produce sustainable luxury for its customers.

'From Red to Green Carpet' is a five-year plan, the name of which derives from the goal Pattern has set itself: to create the same luxury that can be seen on the most famous catwalks today, while drastically reducing its impact on the environment. The ultimate aim of this project is to achieve three objectives:

1. CARBON NEUTRALITY
2. ECONOMIC SUSTAINABILITY AND SOCIAL RESPONSIBILITY
3. CIRCULAR ECONOMY

In practice, Pattern has linked the 3 objectives of the 5-year plan to 4 key actions that translate into a series of practices implemented by the company to bring substantial positive impact, including:

Use of renewable energy and energy efficiency in its plants to achieve carbon neutrality for Pattern by 2023 and all Group locations thereafter;

Responsible production that is able to sustain continuous growth using quality raw materials, environmentally friendly processes assuring guarantees decent work along the entire value chain;

Adoption of Circular Economy principles not only for its own brand ESEMPLARE, which uses recycled and environmentally friendly raw materials, but also in its everyday work, reducing waste and revaluing waste;

Active search for new technologies for production processes that reduce both resource consumption and atmospheric emissions.

In working on this project, Pattern faces an important challenge: to create shared value for all its stakeholders, i.e. to create economic value for the company and its shareholders while producing a benefit for society and the environment. To achieve this ambitious goal, Pattern is aware that it must aim to involve all its stakeholders, first and foremost its suppliers and subcontractors, including them in a shared path to reducing environmental impacts and ensuring social compliance throughout the supply chain.

Integrating an ESG strategy into business strategy is now more imperative than ever. Today, being aware of one's environmental, social and governance impacts and associated risks enables companies to take timely action to mitigate them as well as develop an increasingly sustainable business model. This also translates into generating greater profits for Pattern, which proves to be a company that thinks and believes strongly in what it does.

Carbon neutrality

Pattern, aware of the influence that climate change has on both natural and socio-economic systems, establishing the future approach to the use of resources as well as how human economic activities are conducted, has chosen to play an active part in the fight against climate change. By signing the Science Based Targets initiative (SBTi) commitment in May 2020, Pattern formalised its commitment to the climate issue, thus pursuing greenhouse gas emission reduction targets in line with the level of decarbonisation required to keep the global temperature increase below 1.5°C.

In fact, the milestone of Pattern's five-year plan 'From Red to Green Carpet' is to achieve carbon neutrality by 2023, which translates into zero emissions through the achievement of a balance between carbon emissions and carbon absorption from the atmosphere. To this end, the organisation already started analysing and reporting the CO2 emissions related to its activities in 2017, in order to identify the sources with the greatest impact and outline possible actions for their mitigation and compensation.

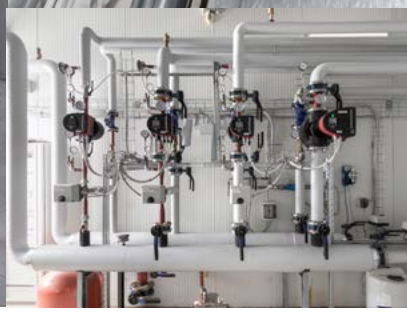
After conducting a study of its consumption and calculating its CO2 emissions, the company began to mobilise to transform its reality into a green reality. Pattern therefore planned and started implementing the first actions to reduce emissions, including:

1. Energy efficiency of its production facilities;
2. Self-production of electricity from renewable sources such as solar and geothermal energy;
3. Purchase of 100% green electricity covered by guarantees of origin.

These actions have brought about benefits not only in terms of reduced operating costs and reduced climate-changing emissions, but also in terms of employee well-being. This was followed by an awareness-raising campaign on the sensitive issue of safeguarding the planet, suggesting environmentally friendly behaviour to employees such as adopting alternative forms of mobility (e.g. car-pooling). To compensate for residual CO2 emissions, Pattern signed a supply contract in 2021 to plant trees that can absorb CO2 from the atmosphere.

In 2021, a Carbon Footprint of Organisation (CFO) of all companies in the Pattern Group was carried out by adopting the GHG protocol. In this way, the Pattern Group was able to define its overall carbon footprint, expressing both the GHG emissions directly associated with the organisation's activities and the indirect emissions, from electricity generation and those produced throughout the value chain upstream and downstream of the company's business.

This analysis did nothing but confirm the need to increasingly involve its supply chain partners, outlining a common roadmap, capable of leading the entire sector to the achievement of increasingly ambitious greenhouse gas emission reduction targets.



Circular economy

It is now well known how much the textile and fashion industry impacts on our ecosystem, not only through its complex production processes, but also and above all through its distribution processes and subsequent disposal.

During 2021, the European Commission started the legislative process for the definition of a shared strategy for sustainable textiles, which aims to build a sector based on the sharing of a circular economy and the reduction of emissions in production and post-production. The 'Sustainable Products Initiative' will also be launched by the end of 2023, which will address the issue of extended producer responsibility on end-of-life materials (EPR). The European directive sets targets to progressively reduce the volumes of waste going to landfill in favour of an integrated reuse and recycling system and urges Member States to define their own strategies and initiatives.

Pattern has always been attentive to the issue of waste. In fact, the 3D technology that allows the company to carry out three-dimensional simulations of prototypes, placements and positioning of prints, was strongly desired with a view to savings in the production phase. This allows the company to reduce the number of physical garments produced and thus makes a significant contribution to the conservation of material and energy resources, reducing greenhouse gas emissions associated with the production of these products. Furthermore, thanks to the design of ad-hoc placements, the company is able to recover faulty pieces during weaving by diverting them from their destination to landfill or incineration. From 2019, Pattern started recovering all fabric leftovers, and in 2021 it outlined operational procedures for the separate collection of textile waste, declining them for the Group's different production realities. This will allow all Group companies, from January 2022, to manage textile waste as well as leftovers by sending them to a well-known Italian collection, sorting and recovery centre. These recovered materials will be recycled into secondary raw materials for the textile industry but also for other supply chains. By 2023, Pattern plans to extend its textile waste management system to the fashionistas it works with, thus confirming its commitment to creating a circular economy system shared with its supply chain. This operation is part of a broader project that Pattern has planned to implement for the entire Group by 2023, namely the implementation of an Integrated Management System capable of standardising company processes for quality, environment and health and safety management. Adopting international tools and standards that allow for an overview of company processes in order to minimise both the waste of resources and the production of waste, guides the company towards a coherent and precise growth plan. In addition, the application of parameters to achieve predefined targets, for example regarding the volumes of waste to be diverted from landfill or incineration, and the maintenance of a constant optimisation approach, represents the starting point for the company to achieve high levels of performance.

IN 2021 PATTERN IT OUTLINED OPERATIONAL PROCEDURES FOR THE SEPARATE COLLECTION OF TEXTILE WASTE, DECLINING THEM FOR THE GROUP'S DIFFERENT PRODUCTION REALITIES.

Social and economic responsibility

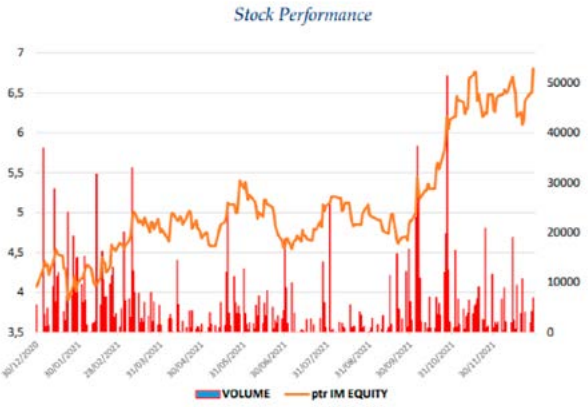
During 2021, through a whole series of extraordinary transactions, the Pattern Group drastically expanded its structure and consequently the perimeter of consolidation, in line with those of the strategic lines communicated to the financial market right from the beginning. First of all, at the beginning of the year, its participation in Società Manifattura Tessile increased from 51 to 80%. During the second half of last year, 54% of Idee Consulting Srl (subsequently transformed into Idee Partners from the start of 2022) was acquired, a company based in Scandicci and working in the field of luxury leather articles (mainly handbags and small accessories) and the same Idee Partners, in June, had in turn concluded a sale for the acquisition of 60% of Petri & Lombardi Srl, historic leather goods company based in Bientina (Pisa), with more than thirty years' experience. The intention, coherent with the requests of luxury brands, was to expand the production chain, with the internal production of an increasing or, in any case, important share of production. Through these operations Pattern achieved the objective of entering the third sector of luxury fashion, therefore luxury leather goods, a choice that allowed the Group to develop thanks to the possibility of handling the three categories of products (fabric, knitwear and leather) and hybrids, complex garments made from different materials and processings, internally.

The annual trend resulted in an important increase in sales volumes and a more than proportional growth in profitability. These trends involved all fields of activity, but the knitwear sector in a much more important manner, as already highlighted in the balance sheet report of the previous year and in the consolidated six-month report as of 30th June of last year. The S.M.T. proceeds accelerated even more during the second semester compared with the same period of the last year.

Profits from sales of 2021 registered an important increase, equivalent to 32.2%, from 52.6 to 69.5 million euro.

Cash flow generation allowed the Group to maintain a positive financial position, with a high level of cash availability despite important investments made by the Group, in particular, in the acquisition of shares. In greater detail, the consolidated balance sheet under examination closed with the following results: - Value of production 72.5 million euro (54.0 million euro in 2020), - Ebitda 7.7 million euro (5.4 last year), - Net profit for the period 3.7 million euro (3.0 million in 202), of which 3.0 million related to the Group – positive net financial position for 3.1 million euro (8.8 million as of 31st December 2020).

Pattern's share price on 30 December 2021, the last trading day of the period, reached a high for the year at EUR 6.8 per share, with a market capitalisation of EUR 95.7 million. The average price during 2021 was EUR 5.089 per share, while the period low of EUR 3.9 per share was recorded on 25 January 2021.

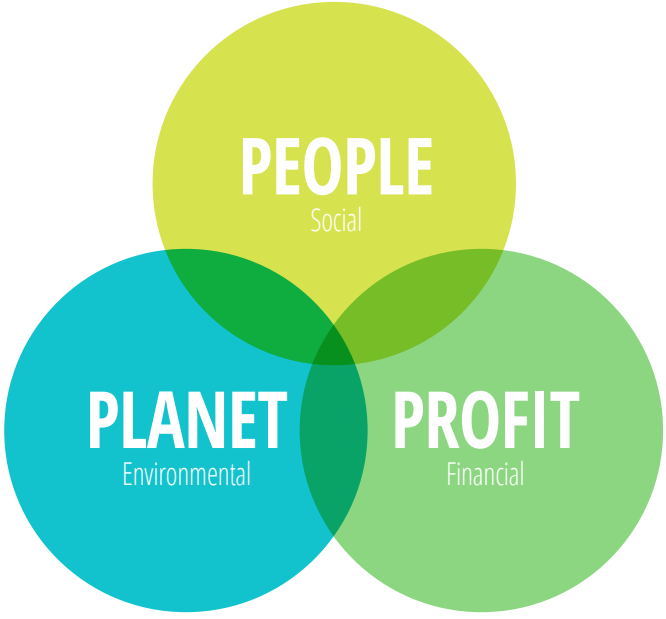


Good financial health and economic performance are the basis for concrete support of implementation of good practices that make up ESG-compliant management.

In other words, sound economic sustainability is the first principle that allows the Pattern Group to meet the environmental and social challenges of this profoundly changing industry with confidence and pro-activity.

Thanks to the organisation's economic stability, ESG Governance has the economic resources necessary to create strategies to achieve corporate social responsibility goals:

- ¬ Centralisation of Governance
- ¬ Protection of the environmental mission
- ¬ Monitoring and improving the supply chain
- ¬ Stakeholder involvement
- ¬ People development (training and wellbeing)
- ¬ Diversity & Inclusion policies
- ¬ Carbon Neutrality
- ¬ Integrated management system: quality, environment, health and safety.
- ¬ Responsible production processes
- ¬ Circular Economy



SHARED VALUE CREATION

PATTERN LEADER IN SUSTAINABILITY 2021

Pattern is one of the 150 'Sustainability Leaders 2021' companies, selected on the basis of a survey conducted by Statista and Il Sole24Ore on more than 1,500 companies operating in Italy. The annual survey aims to identify, on the basis of objective and transparent parameters, the companies that stand out for choices that are truly oriented towards environmental, social and governance sustainability. This is an important achievement considering that the other companies selected have a much larger turnover and business size. This recognition therefore underlines Pattern's commitment, transparency and attention to all aspects of sustainability.

ECONOMIC VALUE

During 2021, there was an increase in sales revenue due to the recovery of the clothing, knitwear and luxury sector in general, which were heavily affected by the Covid-19 pandemic and whose effects continued to be felt throughout 2021.

Sales revenue increased significantly, by 32.2%, from EUR 52.6 million to EUR 69.5 million. Other revenues are significantly lower than last year, from EUR 1.3 to EUR 520,000 (minus 59.4%).

The value of production shows a higher increase than that seen for sales revenue, as it rises from EUR 54 million in 2020 to EUR 72.5 million at the end of 2021 (plus 34.2%).

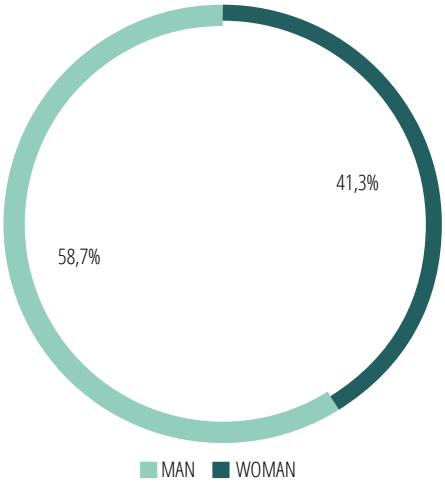
Operating costs increased less overall, resulting in an ebitda increase of 42.8%, (from EUR 5.4 million to EUR 7.7 million). The change is 57.4% if the tax credit for the listing is taken into account. The ratio to revenue increased to 11% from 10% in 2020 (9.2% without the tax credit).

Looking in detail at the trend in operating costs, we can observe a significant increase in the consumption of raw materials, by 43.6% (from EUR 15.5 million to EUR 22.3 million), due to the reduction in margins of contribution recorded in both Pattern and S.M.T. as a result of the greater weight assumed by this cost component; an increase in service costs of 34.4% (from 19 to 25.6 million euro), in line with the increase in the value of production; an increase in labour costs of 22.3%, resulting essentially from the containment measures adopted last year, when savings totalling 2 million euro were achieved, as opposed to 470 thousand euro this year, when moderate use was made of the redundancy fund in the first half of the year

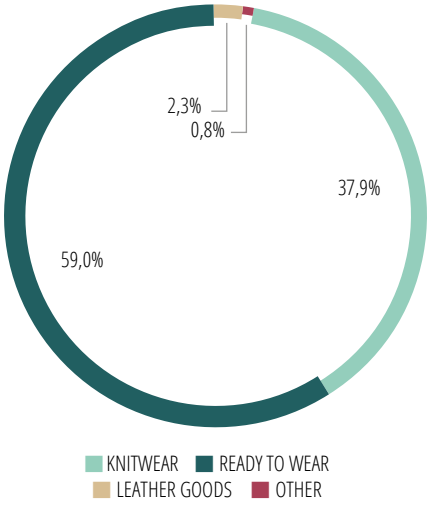
TOTAL SALES REVENUE BROKEN DOWN BY REVENUE AREAS (CONSOLIDATED DATA)

	2019	2020	2021
Production	51.169.860,01	45.979.915,80	61.322.172,00
Sampling	1.892.593,65	4.503.073,70	5.654.878,00
Press	541.602,53	145.043,00	413.127,00
Prototypes	704.202,60	506.509,50	569.701,00
Pattern making	448.014,00	285.570,00	320.896,00
Developments and placings	24.676,60	56.096,00	27.350,00
Fabrics and trims	590.369,22	942.936,00	596.690,00
Tailoring	98.942,62	29.163,00	14.162,00
Other sales revenue	132.819,47	136.063,00	586.819,00
Total sales revenue	55.603.080,70	52.584.370,00	69.505.795,00

MENSWEAR AND WOMANSWEAR REVENUE



REVENUES BY PRODUCT TYPOLOGY



CREATION AND DISTRIBUTION OF ADDED VALUE

Added value is a numerical expression representing the ability of a company to produce wealth and then distribute it to the various stakeholders.

The **added value** of a company is the difference between the wealth produced and the costs incurred for its distribution to the various stakeholders and is, therefore, the point of contact between the Annual Report and the Social Report. The **Statement of Determination and Distribution of Added Value** first shows the total economic value generated by the company's ordinary operations and then the **breakdown** in terms of Economic Value distributed and retained. The share of **distributed economic value** is divided among the main stakeholders: suppliers, employees, shareholders, public administration, banks, the community and the environment.

An examination of the consolidated and annual financial statements shows an increase over the previous year: the value generated rose from EUR 52.6m to EUR 69.5m, an increase of 32.2% over 2020.

The first factor contributing to Pattern Group's value creation is the companies, and their personnel, to which Pattern Group's production capacity is subcontracted, and, as a result, approximately 49% of the value added created is allocated to a select group of **façonists**, who are monitored and managed according to the principles of social and qualitative compliance defined by the Group's high standards.

Secondly, the success of Pattern and the companies that are part of the Group can certainly be attributed to the daily commitment of the people who work to make its growth possible, and it is for this reason that around 34.1% of the added value created is destined to remunerate their work. Because of the specific nature of the activities carried out and the sector in which Pattern operates, **employees** represent one of the key indicators on which the company's success is based.

The added value allocated to costs attributable to corporate social responsibility and environmental compliance projects is growing: in 2021, the Group spent about EUR 124,000 on activities related to:

- ¬ Social Auditing
- ¬ Laboratory testing for chemical compliance with MRSL and PRSL
- ¬ CSR team training
- ¬ Adhesion to and investment in acceleration projects on climate, environmental and social issues

During 2022, it is estimated that the total expenditure will exceed 1% of the expected turnover.

The table below relates to the distribution of added value and shows how wealth, created by the different stakeholder groups who, through their activity and interaction with Pattern, have contributed to generating it, is distributed.

ABILITY TO CREATE LASTING ADDED VALUE IN A COMPETITIVE ENVIRONMENT (VALUES IN THOUSANDS)

	2019		2020		2021	
Profit from typical production	55.203.408,70	99,3%	52.740.520,00	100,3%	72.001.371,00	103,6%
External production costs	22.722.085,50	40,9%	21.009.153,73	40,0%	27.712.521,74	39,9%
Characteristic added value	32.481.323,20	58,4%	31.731.366,27	60,3%	44.288.849,26	63,7%
Global added value (gross of façonists)	32.527.080,50	58,5%	32.475.841,27	61,8%	44.485.131,26	64,0%

In determining the added value, it was decided, in accordance with a widespread practice in the sector in which Pattern operates, not to include the costs incurred in acquiring the production carried out by façonists (external packers) among the company costs of external origin. The latter, in fact, have been considered as a particular category of stakeholder that cannot simply be traced back to the macro-category of external suppliers, representing rather a class of suppliers vertically integrated in Pattern's production activity.

GLOBAL ADDED VALUE DISTRIBUTION

	2019		2020		2021	
Global added valu	32.527.080,50	100,0%	32.475.841,27	100,0%	44.485.131,26	100,0%
Façonists' remuneration	17.308.035,00	53,2%	15.123.863,00	46,6%	21.797.224,00	49,0%
Employees' remuneration	9.238.945,00	28,4%	12.405.697,00	38,2%	15.166.325,00	34,1%
Shareholders	3.792.621,00	11,7%	2.996.144,00	9,2%	3.673.556,00	8,3%
Company	453.687,00	1,4%	1.819.224,00	5,6%	2.423.902,00	5,4%
Public Administration	1.613.637,50	5,0%	-12.509,73	-0,04%	1.175.393,81	2,6%
Bank System	54.579,00	0,2%	113.762,00	0,4%	125.014,00	0,3%
Sustainability	65.576,00	0,2%	29.661,00	0,1%	123.716,45	0,3%

PROTECTING MADE IN ITALY

In recent years, the fashion industry has undergone a strong change in the value chain, also in relation to evolutions in production cycles and methods. At the basis of this evolution lies an end consumer who has specific needs and demands that must be satisfied in the shortest possible time. It may happen that these demands partially clash with the choices of the large fashion houses oriented towards the delocalisation of production, which brings about strong advantages in terms of reduced production costs, although it does lead to a lengthening of the supply chain. Contrary to what happened in the 'pre-pandemic' era, we are now witnessing a rediscovery of values linked to social compliance and environmental sustainability, with demands coming both from below, i.e. from the end consumer, and from institutions, which are questioning themselves on how to respond to the need to protect a market that is undergoing strong change and which has hitherto represented, due to the nature of its business model, one of the sectors with the highest environmental and social impact.

Pattern is not classified as a subcontractor to fashion houses, but as a true partner to whom it assigns the delicate stages of design, pattern, cutting and packaging, thanks also to its recognised autonomy, the fruit of professionalism, experience and the high level of technology used in production. A horizontal process is therefore outlined in which dialogue and confrontation are continuous throughout the entire production process. In addition, its Governance, which is highly sensitive to environmental and social issues in a measurable and certified manner, is an assurance of brand reputation protection.

To ensure the reliability of the supply chain, Pattern only subcontracts its production to packers who agree to comply and undergo close periodic surveillance to certify their social, environmental and health and safety compliance.

The capillarity of its supply chain covers the entire peninsula and epitomises the regional characterisation of the craft districts that our country holds.

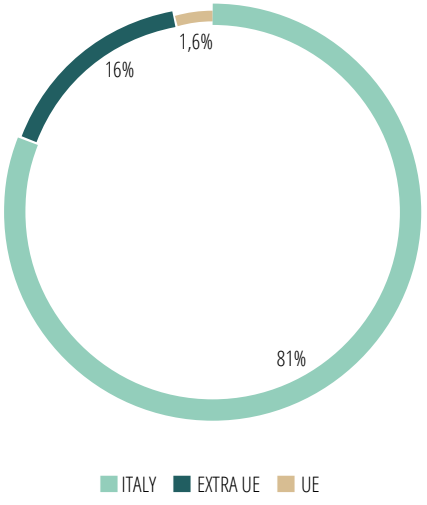
It is therefore essential that the production capacity, represented by the supply chain of packers and subcontractors of processing steps, is protected, retained and nurtured as regularly as possible.

The decision to favour an Italian supply chain is consistent with the philosophy of safeguarding the inestimable heritage of knowledge hidden in every corner of our country.

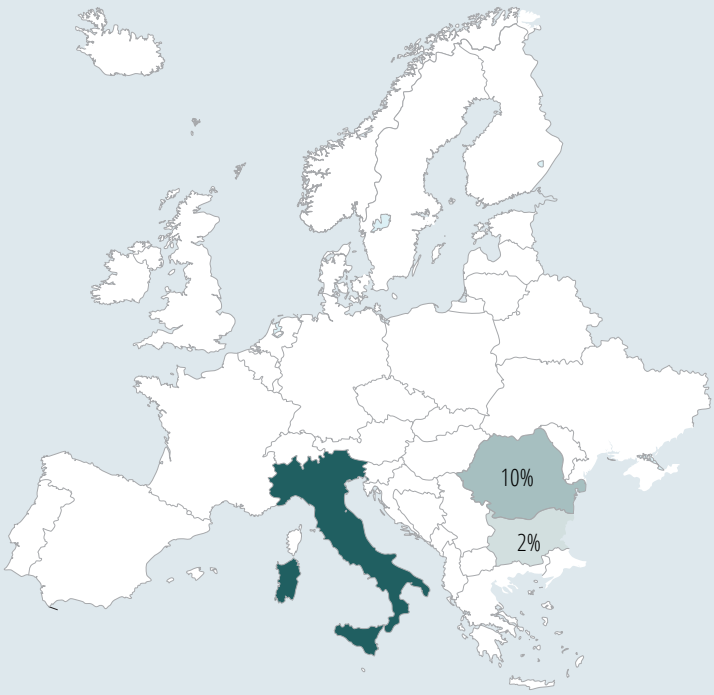
Similarly to processing, 81% of the raw materials used by Pattern are also Italian and, in this case too, the company aims to establish stable and long-lasting relationships, helping to support the growth of suppliers, first and foremost Italian fabric manufacturers, considered an indispensable complementary element of the production process and an expression of the aforementioned know-how that characterises Made in Italy.

NUMBER OF SUB-CONTRACTORS PER REGION

GEOGRAPHICAL BREAKDOWN
OF RAW MATERIAL PURCHASES



PRODUCTIVE CAPACITY

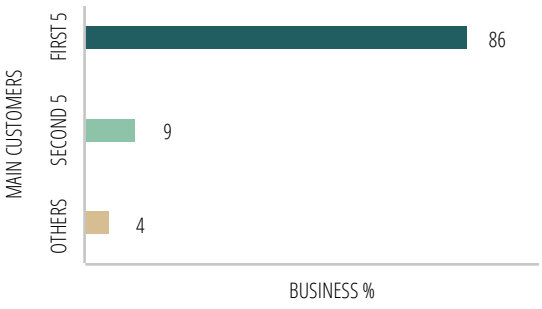


SERIE 1

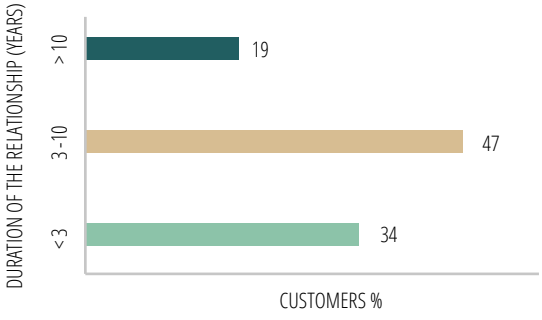
2 %

88%

CUSTOMERS WEIGHT IN THE BUSINESS



CUSTOMER DISTRIBUTION ACCORDING TO DEGREE OF LOYALTY



PATTERN ENTERS CERVED'S RANKING OF FASTEST GROWING COMPANIE

Cerved, one of the largest rating agencies in Europe and the leading information provider in Italy, presents the ranking of companies in the apparel industry that have grown the most and steadily over the period 2014-2019, according to an analysis of filed financial statements.

Of the 49,400 companies operating in the garment sector, only 67 companies, including Pattern, were included in this ranking because they met the following criteria:

- ¬ Capital company operating to date
- ¬ Presence of 2014-2019 balance sheets
- ¬ Revenues of more than EUR 2 million and more than 10 employees (from 2014 financial statements)
- ¬ Revenues increased for each of the years considered.

In fact, the 67 ranked companies were able to increase their turnover by an average of 15% compared to 1% for the entire sector.

Pattern ranks tenth with a 2019/14 CAGR% of 24.7%.

Cerved
MARKETING INTELLIGENCE

Pattern ranks tenthe with a 2019/14 CAGR% of 24,7%

* Compounded Average Growth Rate: compound annual growth rate representing the average growth in turnover over a given period of time as a percentage

SOCIAL VALUE

Corporate Social Responsibility was officially defined in 2001 by the European Community as 'the voluntary integration by companies of social and environmental concerns in their business operations and in their relations with their stakeholders'

THE SA8000 STANDARD

Similar to the need to identify a reliable measurement system for environmental measurements, Pattern also identified an internationally recognised standard for social aspects that could also provide reliable guidelines for measuring its social compliance. Since 2013, Pattern has therefore decided to adopt and certify a management system compliant with SA8000, a voluntary standard, issued by SAI, verifiable through third-party audits, that defines the requirements to be met by organisations, including the recognition or improvement of workers' rights, workplace conditions and an effective management system. Social Accountability International (SAI) is a non-profit, multi-stakeholder organisation active globally since 1997. The goal SAI shares with its stakeholders is decent work everywhere, underpinned by a widespread understanding that decent work can benefit business while ensuring fundamental human rights. The core elements of this standard are based on the Universal Declaration of Human Rights, ILO conventions, international human rights standards and national labour laws. The purpose of SA8000 is to provide a verifiable standard, with a solid foundation, to value and protect all personnel within the sphere of control and influence of an organisation, who produce products or services for it, including personnel employed by the organisation itself and its suppliers, subcontractors, sub-suppliers and home workers. An organisation is expected to achieve compliance with the Standard through an adequate and effective management system. The 8 requirements provided by SA8000 represent the main KPIs on which the Standard focuses and from whose management results the operational map that allows an organisation to achieve, through continuous improvement, full and sustainable compliance with SA8000, also known as "Social Performance".


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

Regulatory Elements

In accordance with the requirements of the Standard, the organisation shall comply with local, national and other applicable laws, prevailing industry standards, other requirements to which the organisation subscribes, as well as this Standard. When such laws, standards or other requirements to which the organisation subscribes and the Standard cover the same subject, the provision that is most favourable to workers shall apply.

The organisation must also comply with the principles of the following international instruments:

- ¬ The organisation must also comply with the principles of the following international instruments:
- ¬ ILO Convention 1 (Working Time - Industry) and Recommendation 116 (Working Time Reduction)
- ¬ ILO Conventions 29 (Forced labour) and 105 (Abolition of forced labour)
- ¬ ILO Convention 87 (Freedom of Association and Protection of the Right to Organise)
- ¬ ILO Convention 98 (Right to Organise and Collective Bargaining)
- ¬ ILO Conventions 100 (Equal Remuneration) and 111 (Discrimination - Employment and Occupation)
- ¬ ILO Convention 102 (Social Security - Minimum Standards)
- ¬ ILO Convention 131 (Definition of Minimum Wage)
- ¬ ILO Convention 135 (Workers' Representatives)
- ¬ ILO Convention 138 and Recommendation 146 (Minimum Age)
- ¬ ILO Convention 155 and Recommendation 164 (Safety and Health at Work)
- ¬ ILO Convention 159 (Vocational Rehabilitation and Employment - Disabled Persons)
- ¬ ILO Convention 169 (Indigenous and Tribal Peoples)
- ¬ ILO Convention 177 (Homework)
- ¬ ILO Convention 181 (Private Employment Agencies)
- ¬ ILO Convention 182 (Worst Forms of Child Labour)
- ¬ ILO Convention 183 (Protection of Maternity)
- ¬ ILO Code of Conduct on HIV/AIDS and the World of Work
- ¬ Universal Declaration of Human Rights
- ¬ International Covenant on Economic, Social and Cultural Rights
- ¬ International Covenant on Civil and Political Rights
- ¬ United Nations Convention on the Rights of the Child
- ¬ United Nations Convention on the Elimination of All Forms of Discrimination against Women
- ¬ United Nations Convention on the Elimination of All Forms of Racial Discrimination
- ¬ United Nations Guiding Principles on Business and Human Rights The Social Performance of the Supply Chain

Social responsibility requirements

1. CHILD LABOUR

1.1 The organisation shall not resort to or support the use of child labour, as defined above.

1.2 The organisation must establish, document, maintain, and effectively communicate to staff and other interested parties, written policies and procedures to remediate child labour situations, and must provide adequate financial and other support to enable affected children to attend school and remain there until they no longer fall within the definition of a child.

1.3 The organisation may employ young workers, but where such young workers are subject to compulsory education, they must only work outside school hours. Under no circumstances shall the total time spent between school, work and travel exceed 10 hours per day, and under no circumstances shall young workers work for more than 8 hours per day. They are not allowed to work at night.

1.4 The organisation shall not expose children or young workers to situations that are hazardous or harmful to their physical and mental health and development, either inside or outside the workplace.

2. FORCED OR COMPULSORY LABOUR

2.1 The organisation shall not resort to or support the use of forced or compulsory labour, including prison labour, as defined by ILO Convention 29, shall not retain original identity documents, and shall not require staff to pay "deposits" at the commencement of employment.

2.2 Neither the organisation nor any other entity supplying labour to the organisation shall withhold any part of the salary, wage allowances, property or documents of personnel in order to oblige them to continue working for the organisation.

2.3 The organisation must ensure that there will be no fees or costs related to the partial or totaly employment of workers.

2.4 Employees shall have the right to leave the workplace at the end of the standard working day, and shall be free to terminate employment by giving reasonable notice to the employer.

2.5 Neither the organisation, nor any other entity providing labour to the organisation, shall resort to or support human trafficking.

3. HEALTH AND SAFETY

3.1 The organisation shall provide a safe and healthy working environment and shall take effective measures to prevent potential accidents, injuries or illnesses that may occur as a result of, in connection with, or in the course of work. It shall reduce or eliminate, as far as reasonably practicable, the causes of all hazards in the working environment, taking into account the prevailing state of knowledge in the field and any specific hazards.

3.2 The organisation must assess all workplace hazards for workers who have recently given birth, are pregnant or are breastfeeding, including those related to their work duties, to ensure that all reasonable measures are taken to eliminate or reduce any risk to their health and safety.

3.3 If the organisation is unable to effectively reduce or eliminate the causes of any hazards in the workplace, it shall provide personnel, as required, with appropriate personal protective equipment at its own expense. In the event of an accident at work, the organisation shall provide first aid and assist the worker to receive subsequent medical treatment.

3.4 The organisation shall appoint a senior management representative responsible for ensuring a safe and healthy working environment for all personnel and for enforcing the health and safety requirements of this Standard.

3.5 A Health and Safety Committee must be established and maintained, composed in a balanced manner of management and workers' representatives. Unless otherwise provided for by law, the members representing the workers shall include at least one member of the recognised trade union(s), if the latter chooses to fill this role. In cases where the trade union(s) does/do not indicate a representative or the organisation is not unionised, the workers must appoint a representative(s) they consider appropriate. The Committee's decisions must be effectively communicated to all personnel. The Committee must be trained and periodically updated in order to be able to competently engage in the continuous improvement of health and safety conditions in the workplace. It must conduct regular, formal risk assessments to identify and address actual and potential health and safety risks. Records must be kept of these assessments and the relevant corrective and preventive actions taken.

3.6 The organisation shall guarantee to all personnel regular and effective health and safety training, including on-the-job instruction and, where necessary, job-specific instruction.

Such training shall be repeated for new personnel or personnel assigned to new tasks, as well as in the event of accidents and when technological changes and/or the introduction of new machinery present new risks to personnel health and safety.

3.7 The organisation shall establish documented procedures to identify, prevent, reduce, eliminate or ultimately address potential health and safety risks to personnel.

The organisation must keep written records of all incidents occurring in the workplace and in all accommodation and facilities provided by the organisation, regardless of whether these premises are owned, rented, contracted out or owned by the service provider.

3.8 The organisation must guarantee all personnel free access to: clean toilets, potable water, suitable places for eating meals, and, where applicable, hygienically suitable premises for food storage.

3.9 The organisation must ensure that any dormitory made available to staff is clean, safe and adequate for essential needs, regardless of whether such premises are owned, rented, contracted or owned by the service provider.

3.10 All personnel must have the right to leave work in the event of imminent and serious danger, without seeking permission from the organisation.

4. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

4.1 All personnel shall have the right to train, join and organise trade unions of their choice, and to bargain collectively with the organisation. The organisation shall respect this right, and shall effectively inform staff that they may freely join any workers' organisation of their choice, without this resulting in any negative consequences or retaliation by the organisation.

The organisation must not interfere in any way in the formation, operation or management of these workers' organisations or in the collective bargaining process.

4.2 In cases where the right to freedom of association and collective bargaining is restricted by law, the organisation must allow workers to freely elect their representatives.

4.3 The organisation shall ensure that union members, workers' representatives and personnel engaged in organising workers are not subject to discrimination, harassment, intimidation or retaliation for being union members, or workers' representatives, or engaged in organising workers, and shall ensure that such representatives can have contact with their members in the workplace.

5. DISCRIMINATION

5.1 The organisation shall not use or support any form of discrimination in hiring, remuneration, access to training, promotion, termination or retirement, on the basis of race, national, territorial or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, union membership, political opinion, age, or any other condition that could give rise to discrimination.

5.2 The organisation shall not interfere with the exercise of the rights of personnel to follow principles or practices, or to meet needs, related to race, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, trade union membership, political opinion or any other condition that could give rise to discrimination.

5.3 The organisation shall not permit any behaviour that is threatening, abusive, exploitative or sexually coercive, including gestures, language and physical contact, in workplaces and all accommodation and other facilities provided by the organisation, regardless of whether such premises are owned, rented, contracted or owned by the service provider.

5.4 The organisation shall under no circumstances subject its personnel to pregnancy or virginity tests.

6. DISCIPLINARY PRACTICES

6.1 The organisation shall treat all personnel with dignity and respect. It shall not use or tolerate the use of corporal punishment,

physical or mental coercion, verbal abuse against personnel. Harsh or inhuman treatment is not permitted

7. WORKING HOURS

7.1 The organisation must comply with applicable laws, collective bargaining (where applicable) and industry standards on working time, rest and public holidays. The normal working week, excluding overtime, shall be that established by law, but shall not exceed 48 hours.

7.2 Staff must receive at least one day off after six consecutive days of work. Exceptions to this rule only apply if both of the following conditions are met:

a) National law permits working hours that exceed this limit; and b) A freely negotiated collective agreement is in force that allows working hours to be calculated on an average basis, including adequate rest periods.

7.3 All overtime work shall be voluntary, except as provided for in 7.4 below, shall not exceed 12 hours per week, and shall not be required on a regular basis.

7.4 In cases where overtime is necessary to meet short-term market demand and the organisation is a party to a collective agreement, freely negotiated by the representation of a significant part of its workforce, it may require overtime work in accordance with that agreement. Any such agreement must comply with the other requirements of the Working Time Element

8. RETRIBUTION

8.1 The organisation must respect the staff's right to a decent wage, and ensure that the remuneration paid for a normal working week, excluding overtime, always corresponds at least to legal or minimum industry standards, or collective agreements (where applicable).

Salaries must be sufficient to meet the basic needs of the staff, in addition to providing some discretionary income.

8.2 The organisation shall not apply salary deductions for disciplinary reasons.

Exceptions to this rule only apply if both of the following conditions are met:

(a) National law allows salary deductions for disciplinary reasons; and

b) A freely negotiated collective agreement allowing this method is in force.

8.3 The organisation shall ensure that the composition of workers' wages and allowances are clearly and regularly detailed in writing for each pay period. The organisation shall also ensure that wages and allowances are paid in accordance with the law and in a manner convenient to workers, but under no circumstances delayed or restricted by methods such as vouchers, coupons or promissory notes.

8.4 All overtime work shall be paid at a premium rate as defined by national law or collective bargaining. In countries where overtime premium pay is not regulated by law or by collective bargaining, the organisation shall compensate workers by applying the higher of the premium defined by the organisation and the premium set by prevailing industry standards.

8.5 The organisation shall not use 'labour-only' contractual arrangements, short-term consecutive contracts and/or false apprenticeship schemes or other schemes, aimed at avoiding the fulfilment of obligations towards personnel under applicable labour and social security legislation and regulations.

SOCIAL PERFORMANCE IN THE SUPPLY CHAIN

The fragmentation of supply chains, the deterioration of the production fabric as a result of brand relocations and the moments of crisis that have followed in the landscape of small, mostly artisanal enterprises have exposed supply chains to difficulties that have not infrequently led small entrepreneurs to management choices potentially risky for the reputation of their customers.

In response to the growing need to protect its own reputational capital and that of the brands it produces, Pattern has implemented an extensive system of periodic surveillance, based on the principles of conformity to the standard and to the requirements of the law, conducted by SA8000:2014 certified auditors, of all the suppliers of processing steps with which it collaborates.

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

The grading policy is based on compliance with the sector's CCNL, labour laws, Legislative Decree 81/2008 and the 8 social responsibility requirements summarised in the SA8000 Standard of Risk provides for the assignment of a grading divided into:

EXCELLENT: the company manages its employees excellently and meets all the requirements of Legislative Decree 81/2008 and no non-compliances were found.

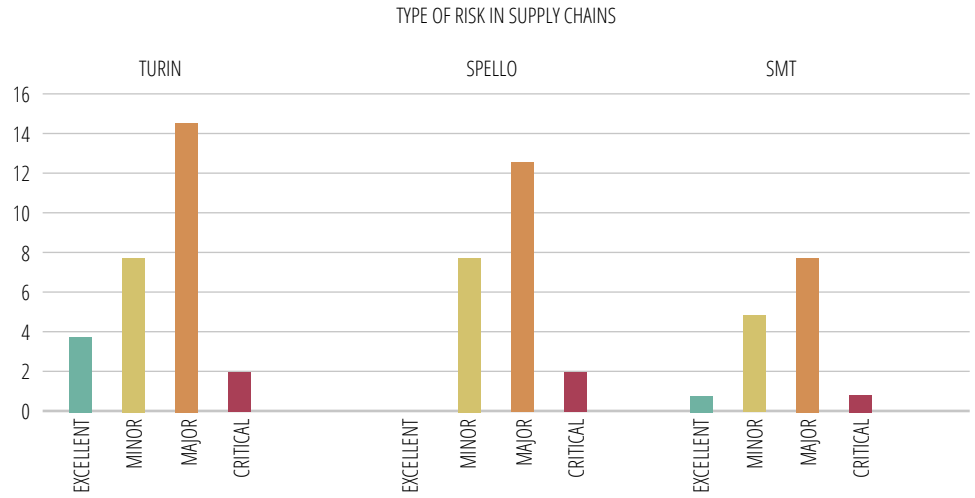
MINOR: the company has good maturity in the management of employees and safety; however, minor shortcomings were noted

MAJOR: the company is deficient in employee and safety management and worrying non-conformities have been detected

CRITICAL: the company does not fully respect the rights of its employees and/or endangers their physical safety

Failure to meet any of the requirements described in the Social Responsibility Requirements section results in a 'Critical' rating.

Pattern decided not to cooperate with companies rated CRITICAL and to make more assiduous monitoring of subcontractors with higher risk in order to monitor companies with the aim of bringing them to the desired level of social compliance.



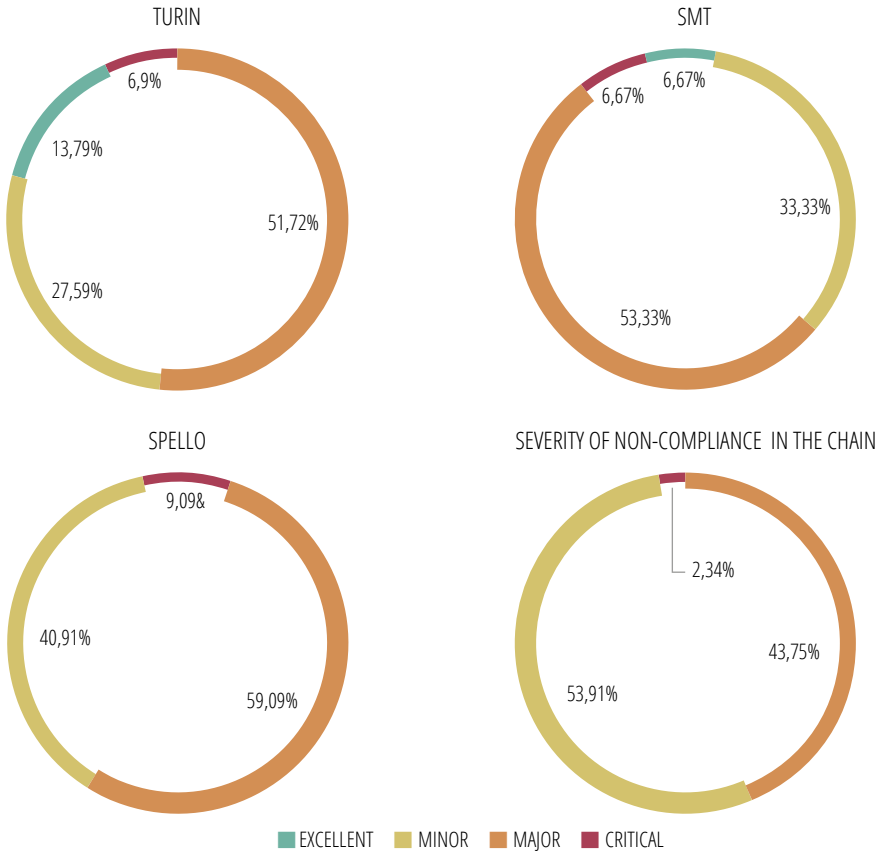
Pattern Group's periodic monitoring capacity in the year 2021 was 41 companies inspected (an average of one per week), including sub-contractors and suppliers of processing steps, and covered approximately 86% of the total number of companies in Pattern's supply chains.

At the end of 2021, 100% of the companies belonging to the supply chains of the Turin, Spello and SMT sites have been inspected and assessed, while the census of the supply chain of the Scandicci site, Idee Partners S.r.l., is not yet complete. which started in 2022 and will be completed within the year.

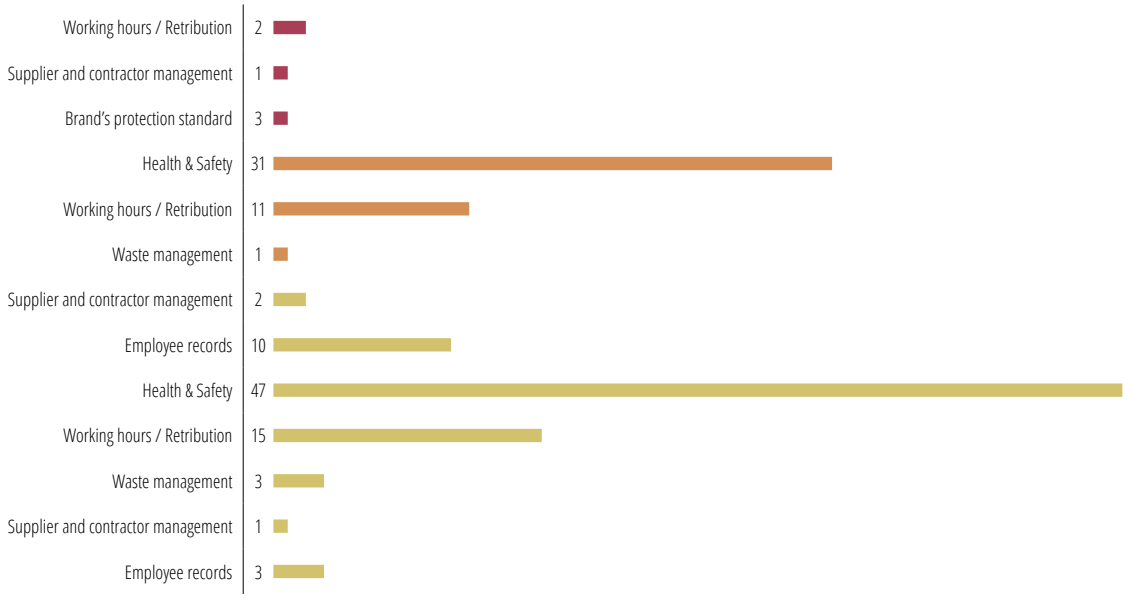
Following each inspection, a corrective action plan is formalised to close the non-conformities found and help companies achieve excellence.

OVERALL EVALUATION OF PATTERN SUPPLY CHAIN LOCATIONS

Targets 2022: 20% reduction in Major risk and 10% increase in Excellent rating.



TYPOLOGY OF NON-COMPLIANCE



Corporate Report

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

The analysis provides qualitative and quantitative information showing compliance of individual requirements with the standard.

In addition to providing the company's management with a useful tool for internal review, it thus facilitates the various stakeholders' knowledge of the company's corporate social responsibility policy and, in particular, of the nature of the actual commitments the company has made by certifying its system in accordance with the SA8000 standard

REQUIREMENT 1 - CHILD LABOUR:

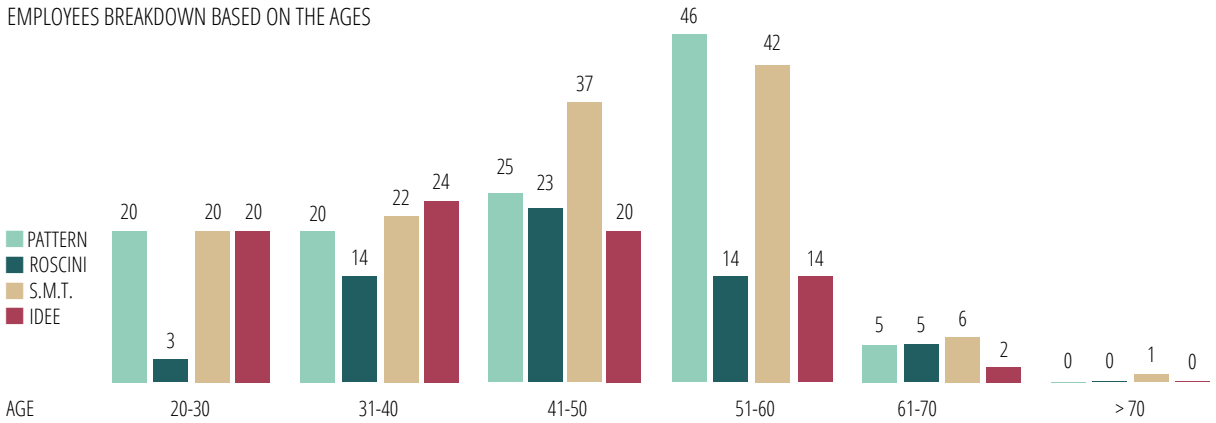
The company does not intend to use or encourage the use of child labour and ensures monitoring procedures to prevent this from occurring. Appropriate management and control plans are adopted to ensure the support of children in situations that fall under the definition of child labour.

These plans provide support primarily for children's school attendance and ensure that they are not exposed to situations that are dangerous, unsafe or harmful to their health or that impair their harmonious development.

In order to foster the acquisition of specific professional skills and in co-operation with the local industrial technical institute, the company offers several internships each year to young people who are no longer children but are not yet of age.

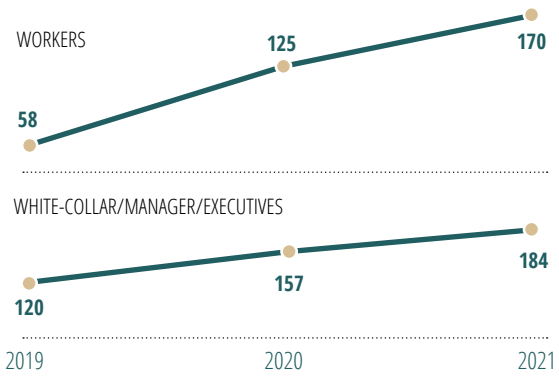
In the work in which they are employed, young workers are not exposed to situations that are dangerous, unsafe or harmful to their health.

EMPLOYEES BREAKDOWN BASED ON THE AGES



CLASSIFICATION LEVEL	PATTERN	ROSCINI	S.M.T.	IDEE
WHITE-COLLAR/MANAGER/EXECUTIVES	68	40	52	24
WORKERS	39	19	66	46
APPRENTICES	9	0	10	10
TOTAL	**116**	**59**	**128**	**80**

EMPLOYEES BREAKDOWN BY CATEGORY



REQUIREMENT 2 - FORCED OR COMPULSORY LABOUR:

All persons employed by the company perform their work voluntarily. The company does not allow work performed by the persons it employs to be obtained under threat of any penalty. To ensure the full voluntariness of any performance, the company is committed to ensuring that all workers are fully aware of the rights and obligations arising from their employment contract.

No worker ever left money or original copies of documents on deposit in the company.

All workers receive, and sign for acceptance, an employment contract describing the terms and conditions of their employment, containing their grade level, the task for which they are hired and the ordinary weekly hours they are required to work.

REQUIREMENT 3 - HEALTH AND SAFETY:

The issue of safety has been placed firmly at the centre of attention in the organisation of work, in order to guarantee a safe and healthy workplace for workers and anyone else who may be involved in company activities.

Various initiatives and measures have been taken to prevent accidents, damage to health and other causes of danger. The main ones include:

- ¬ Workers' trade union representatives were involved in many stages of safety management (risk monitoring, identification of measures, staff training);
- ¬ a worker health and safety officer has been appointed;
- ¬ the operation of plant and machinery is constantly monitored for suitability and safety, as well as emissions of harmful substances and noise;
- ¬ responsibilities, procedures, operating instructions to support and direct individual behaviour have been formalised in an internal procedure manual, shared with workers;
- ¬ an evacuation and fire-fighting plan has been established;
- ¬ a health surveillance plan has been drawn up for each employee, which includes a basic protocol of health checks (instrumental and laboratory tests) for each individual job;
- ¬ training sessions are organised for all workers on health and safety issues.

ACCIDENTS AND ILLNESSES IN THE WORKPLACE.

Thanks to a strategy aimed at safeguarding the health and safety of workers, and everyone involved in company activities, and reducing accident risks, there has been a substantial improvement over time in the accident and illness indices. Both the relative frequency and severity ratios and the number of accidents have decreased, exceeding industry averages*.

Objective 2022: to create a management system compliant with ISO45001 and extended to all group companies aimed at the almost total reduction of hazardous events for the health of workers.

	TURIN	SPELLO	SMT	IDEE PARTNERS
NO. ACCIDENTS	0	0	1	5
SEVERITY INDEX	0	0	0	1,435
DAYS OF ABSENCE DUE TO INJURY	0	0	20	180
NO. OF PENALTIES RECEIVED	0	0	1	0

*Relative Frequency (*1000 employees): compensated injury events / number of exposed individuals;
Severity Ratio (* employee): consequences of compensated injury events (expressed in days lost) / number of exposed.

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

The company respects the right of all personnel to train and join trade unions of their choice and the right of workers to collective bargaining.

There are trade union representatives elected by workers who are not subject to any kind of discrimination and who communicate freely with workers in the workplace. Special company spaces have been set aside for trade union communication and are used to hold trade union meetings, which the workers' representatives call at least once a year.

While respecting their distinct responsibilities, the focus on dialogue with trade unions has fostered the establishment of a problem-solving mentality through the involvement of the parties.

All companies in the Pattern group apply and comply with the requirements of the national collective bargaining agreements signed by the main trade unions and specific to the type of production at the relevant site.

REQUIREMENT 5 - DISCRIMINATION:

The company guarantees equal opportunities for all its employees and does not allow any form of discrimination.

New staff are hired on the basis of objective parameters in terms of training, experience and skills in relation to the functions to be filled.

Work is remunerated according to the indications contained in the National Collective Bargaining Agreements of the relevant sector and in the supplementary agreements agreed at company level with the trade unions. The same regulatory sources govern promotions, dismissals and retirements.

Access to training is guaranteed taking into account the company's needs.

Training courses on health and safety and social responsibility are organised for all workers, irrespective of the tasks assigned to them.

There is no interference with the freedom of each worker to follow his or her own principles.

The integrity of workers is safeguarded and no behaviour offensive to their personal sphere is allowed.

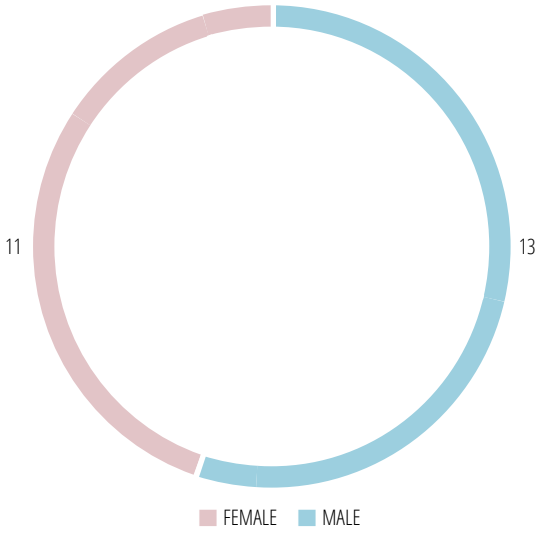
Codes of Ethics and Codes of Conduct formally condemning any behaviour detrimental to the personal dignity of male and female workers are present at all locations.

FEMALE PRESENCE:

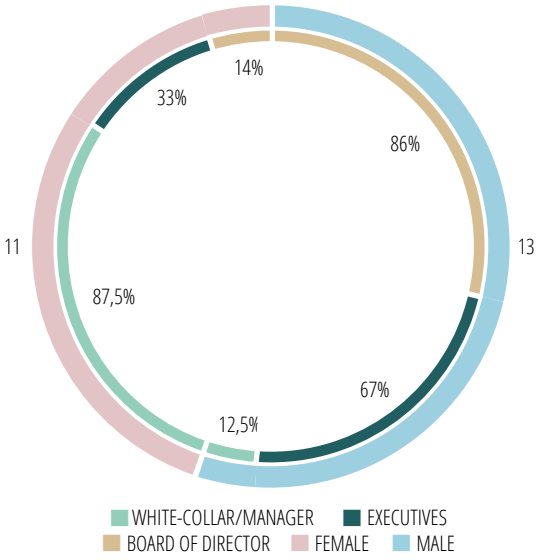
The presence of women in the workforce is concentrated in the middle management, white collar and blue collar categories and represents the majority in both absolute and percentage terms. The composition of the board of directors is characterised by a female majority; nevertheless, participation at management level is still low.

In recent years, sensitivity to the issue of women's discrimination has increased in the company, and to close the gap Pattern has joined the programme offered by the UN Global Compact - Target Gender Equality Accelerator and will measure its performance using the WEPs Gender Gap Analysis Tool provided by the United Nations, and by 2023 the company will take the necessary steps to comply with the certification required by Law No. 162/21 of 5 November 2021.

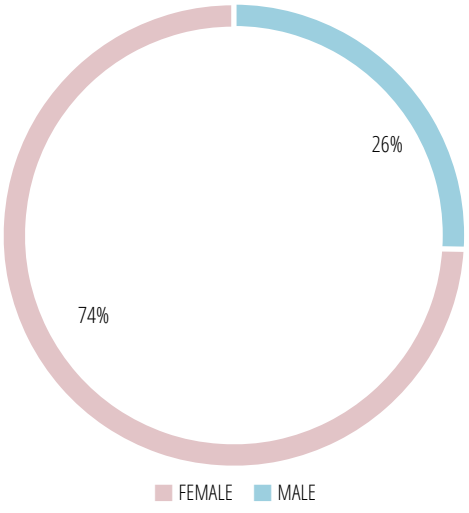
GENDER REPRESENTATION IN THE STEERING COMMITTEE



STEERING COMMITTEE COMPOSITION



MALE AND FEMALE PRESENCE IN PATTERN GROUP



REQUIREMENT 6 - DISCIPLINARY PRACTICES:

The Code of Ethics and the Code of Conduct are signed by employees and are available on the notice boards of the offices and on the company intranet.

No pecuniary disciplinary sanctions were applied.

No complaints of physical, verbal or sexual abuse were collected through the anonymous reporting systems available to employees.

REQUIREMENT 7 - WORKING HOURS:

Ordinary working hours are from Monday to Friday, 8.30 a.m. to 12.30 p.m., 1.30 p.m. to 5.30 p.m.: working time is set at 40 hours per week and is determined by the rules of the national collective agreements for the sector.

Any changes in the distribution of hours within the week are agreed with the workers, as is the scheduling of holidays, leave and absences.

Overtime work is only performed in exceptional, short-term production circumstances that cannot be met by hiring new staff. It is always agreed between the human resources manager and the individual worker

In line with the supplementary agreements agreed with the trade union representatives, overtime work is remunerated 35% more than ordinary work, thus improving on what is stipulated in the national collective agreements.

There are contracts, exclusively for employees at or above level 6, which provide for a flat rate of working hours. These hours are, however, tracked by the electronic time recording system and available for consultation in the human resources operating system.

REQUIREMENT 8 - REMUNERATION:

The average wages paid to employees are in line with what is stipulated in national contracts and are well above, albeit to varying degrees depending on the function performed, the national poverty line and are thus able to meet the basic needs of workers and provide an additional portion of income for discretionary purposes.

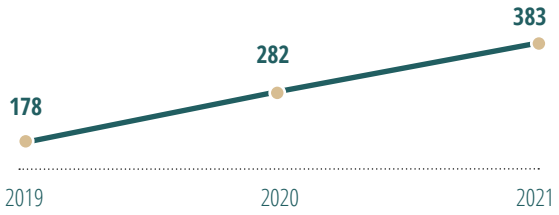
The wages received are thus able to satisfy the basic needs of workers and provide them with a form of additional income for discretional purposes.

The statements accompanying the pay slips indicate the various items that make up the remuneration and no deductions are made for disciplinary purposes.

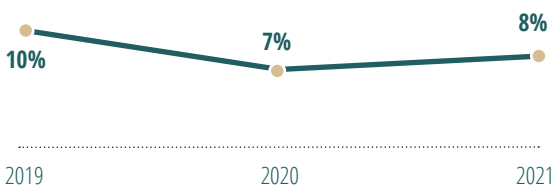
The contractual forms used in 2021 were:

CONTRACT TYPE	PATTERN	ROSCINI	S.M.T.	IDEE PARTNERS
CTI	98	56	103	57
CTD	9	3	15	13
INTERNSHIPS/TRAINEESHIPS	7	0	0	7
SUBMITTED	4	0	0	0
APPRENTICES	9	0	10	10

INCREASE IN EMPLOYEES



WEIGHT OF APPRENTICES IN TOTAL EMPLOYEES



RELATIONS WITH THE TERRITORY AND THE WORLD OF TRAINING

Pattern applies the 'Principle of Precaution' in the planning of company operations, in the development and launch of new products and in general in all actions it implements. For each action, emissions are measured, it checks that workers' rights are respected throughout the supply chain. It makes sure that no resources are wasted; on the contrary, it ensures that recycling measures can be implemented. The development of new products therefore involves reuse wherever possible and the procurement of raw materials that are not harmful. All these are assumptions of responsibility that Pattern takes in order to protect the environment and reduce its impact as much as possible.

Pattern has always focused on the dissemination of its ideas of innovation and sustainability, financing many important external initiatives. Thus, among the various projects promoted by the Piedmont-based company, internships have been set up for professional schools in the area with which they have formed partnerships for internships or training and orientation placements. These initiatives allow students, on the one hand, to get to know the potential of the local area but, on the other, to come into contact with a production reality characterised by a strong international openness, not only commercial but also educational. From this last point of view, mention should be made of the experience, in past years, of collaboration with foreign training institutes.

The institutions and institutes involved in this project for the dissemination of style culture and vocational training, in addition to those already mentioned, are the following:

- EID, European Institute of Design
- Polytechnic High School (Milan/Turin)
- SDA Bocconi
- I.I.S. Sella Aalto Lagrange
- San Carlo Technical Schools Association of Turin
- Lycée Français Jean Giono of Turin
- I.I.S: Alberto Castigliano
- IAAD, Institute of Applied Art and Design
- E.Orfini Institute for Vocational Education
- IIS Cavour Marconi Pascal of Perugia
- Modateca Deanna S.r.l.

DOTTORATO DI RICERCA IN DESIGN

POLITECNICO MILANO 1863

S.M.T. AND THE POLYTECHNIC OF MILAN: RESEARCH IN THE COMPANY'S DNA

In 2020, S.M.T. launched a 4-year Industrial Doctorate in Design with the Polytechnic of Milan, which aims to train designer-researchers capable of making original contributions to knowledge in the field of design, tackling the typical problems of the sector and identifying its potential within contemporary society.

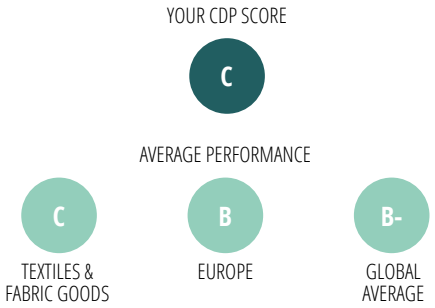
The aim of executive (or industrial) doctoral programmes is to promote the employment of professionals of high scientific value in companies, strengthening the collaboration between the business system, universities and research centres.

S.M.T., which has always been involved in research and development related to knitwear, aims to foster the development of specialised skills and facilitate the transfer of research from the university to companies.

ENVIRONMENTAL VALUE

CDP REPORTING ON CLIMATE CHANGE: ESG RATING

Pattern reconfirms its willingness to measure its actions and report them transparently to its market by renewing its participation in the CDP Reporting on Climate Change for 2021. The Pattern Group has obtained an ESG 2021 rating of level C, in line with the sector average: this score is the result of an analysis conducted on a sample of companies in the 'Textile&Fabric' sector, including well-known luxury brands

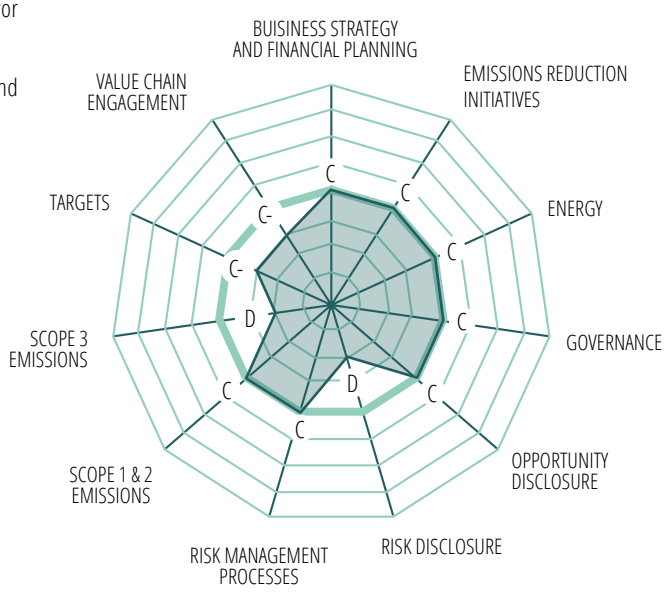


The ESG rating is based on an assessment involving three areas of analysis (Environment, Social Responsibility & Governance), based on transparent parameters and measurability criteria and clear targets for improvement.

Specifically, companies are assessed on the basis of actions taken and performance achieved in each of the following areas:

- ¬ Value chain involvement
- ¬ Objectives
- ¬ Scope 3 emissions
- ¬ Scope 1 and 2 emissions
- ¬ Risk management processes
- ¬ Risk disclosure
- ¬ Dissemination of opportunities
- ¬ Governance
- ¬ Energy
- ¬ Initiatives to reduce emissions
- ¬ Business impact and financial planning

Based on these indicators, Pattern received the following rating:



1. For each of the categories listed above, companies score from D to A:
2. 1. Score A/A-, Leadership (Management): The company is implementing current best practices and is therefore a guide for companies in its sector;
3. 2. Score B/B-, Management: the company is undertaking coordinated action on climate issues;
4. 3. Score C/C-, Awareness: The company is aware of climate issues and is able to assess its impacts;
5. 4. Score D/D-, Disclosure: The company is transparent on climate issues.

Based on the scores obtained in each category, Pattern reached the Awareness level in 2021.

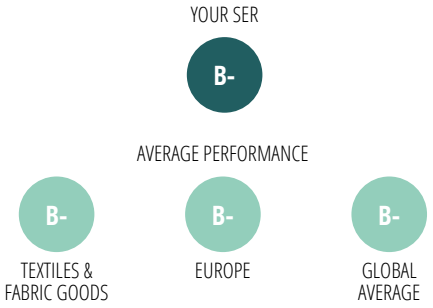
Carbon Disclosure Project "CDP", an NGO recognised worldwide for providing a global standard for environmental reporting, supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities related to three areas of concern: climate change, water security and deforestation. The idea behind CDP Reporting on Climate Change is that helping companies develop business systems based on transparency, measurability and continuous process improvement is essential for effective management of climate change and carbon emissions.

Through its participation in CDP Reporting on Climate Change, Pattern is not only able to measure its impact, manage environmental risk and work on important reduction targets, but above all, it is able to identify and address growing critical issues and find new opportunities, starting with the demands of investors and customers for greater transparency.

Supplier Engagement Rating

In 2021, following the ESG rating received from CDP, Pattern achieved a B- rating at the Supplier Engagement Rating (SER), in line with the European and global average, as well as the average for the 'Texile&Fabric' sector.

The SER rating provides an assessment of how effectively companies engage their suppliers on climate issues and stems from an awareness of the importance of engaging the supply chain to achieve environmental impact reduction targets. Indeed, as the average emissions produced upstream of an organisation are approximately 11.4 times greater than those produced directly, organisations have a much greater potential to reduce global emissions by influencing their supply chains.

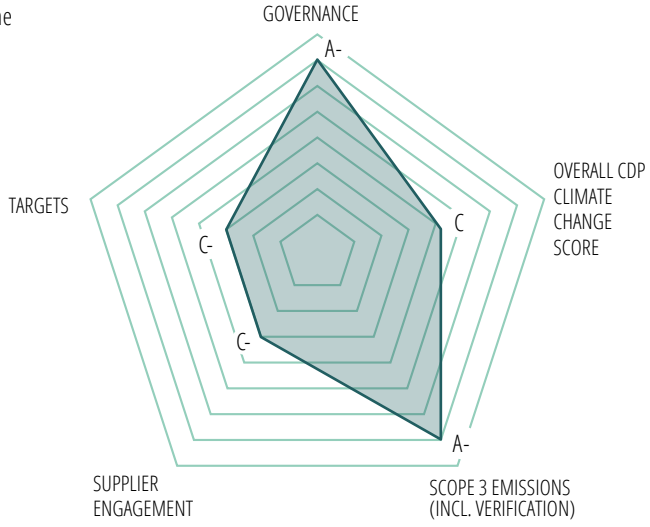


The ESG evaluation focuses on analysing the actions carried out and the performance achieved in each of the following areas:

- ¬ Governance
- ¬ Objectives
- ¬ Involvement of the supply chain
- ¬ Scope 3 emissions

Overall CDP Climate Change score

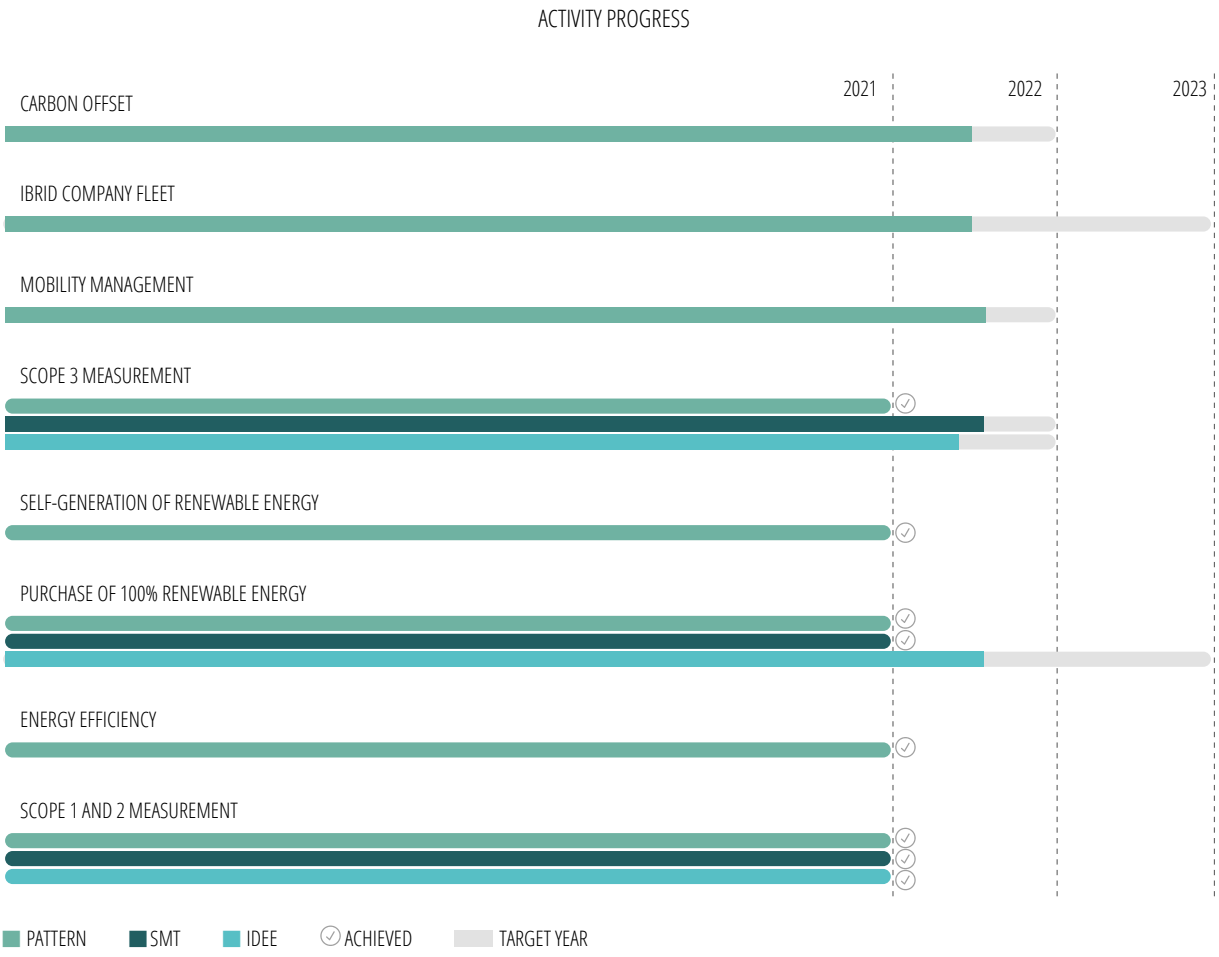
Based on these indicators, Pattern received the following rating:



As a result of this achievement and confirming the importance placed on involving the supply chain in building a truly sustainable business model, Pattern joins the 33% of companies that have reached the Management level.

CARBON NEUTRALITY ROADMAP

Achieving carbon neutrality is the first ambitious goal Pattern has set itself with its five-year 'From Red to Green Carpet' plan. To this end, the organisation has embarked on a process that starts with measuring its impact in terms of atmospheric emissions and ends with the identification of the most appropriate mitigation and compensation strategies for the company. Below is the state of progress of the activities as of 31/12/2021



As early as 2015, Pattern was already reporting on its consumption of electricity and natural gas, and in 2017 it began calculating the CO_2 emissions associated with this.

The results of these analyses provided the company with the necessary tools to outline a methodology to reduce its consumption and thus its emissions.

Pattern then defined the actions to be put in place in order to achieve carbon neutrality and started implementing them already in 2018. First of all, in order to reduce heat loss and energy consumption, the company has invested in the energy efficiency of its factories through a series of measures, including: renovation works, replacement of windows and doors, and modification of the lighting system by installing LED lamps in all rooms.

For this same purpose, a geothermal system serving the heat pump has been installed at the Collegno headquarters, designed to meet the energy requirements for heating and cooling the new warehouse and part of the existing laboratory. This not only leads to significant savings in operating costs, but also a reduction in emissions related to the need for air-conditioning the above-mentioned rooms, which if carried out with a methane boiler would result in the emission of approximately 25,000 kg/year of carbon dioxide into the atmosphere.

In order to reduce emissions related to the production of purchased electricity, the Collegno, Spello and Correggio plants source exclusively from 100% renewable energy sources, certified by guarantees of origin. Furthermore, in order to self-produce zero-emission electricity, photovoltaic systems have been installed at the Collegno and Spello production plants, with installed power of 68 kW and 40 kW respectively, and energy yields in 2021 of 75 MWh and 41 MWh.

In addition to measures aimed at reducing energy consumption within the Group's production facilities, in September 2021 Pattern also launched a company car pooling project that offers employees at the Collegno headquarters the possibility of travelling to work by sharing their private car with one or more colleagues who are compatible in terms of route and timetable. The initiative was obviously preceded by a campaign to raise employee awareness of the possibilities offered by the use of sustainable forms of mobility. Widespread participation in the project could reduce the number of cars used for home-work journeys and consequently achieve fuel savings and lower CO_2 emissions.

In January 2021, Pattern also signed a supply contract for the planting of 610 trees in Guatemala and 390 in Peru, which enabled Pattern to absorb 352,800 kg of CO_2 from the atmosphere.

In 2021, the Pattern Group produced a Carbon Footprint of Organisation (CFO) for all Group companies, i.e. it was able to define its overall carbon footprint, expressing both greenhouse gas emissions directly associated with the organisation's activities (scope 1), indirect emissions from electricity generation (scope 2) and emissions produced throughout the value chain upstream and downstream of the company's business (scope 3). The analysis of GHG emissions and their reporting within this report was carried out by referring to the GHG Protocol Corporate Accounting and Reporting Standard.

GHG Protocol

The GHG Protocol Corporate Accounting and Reporting Standard is the international standard that provides technical guidance for assessing an organisation's greenhouse gas emissions according to the principles of:

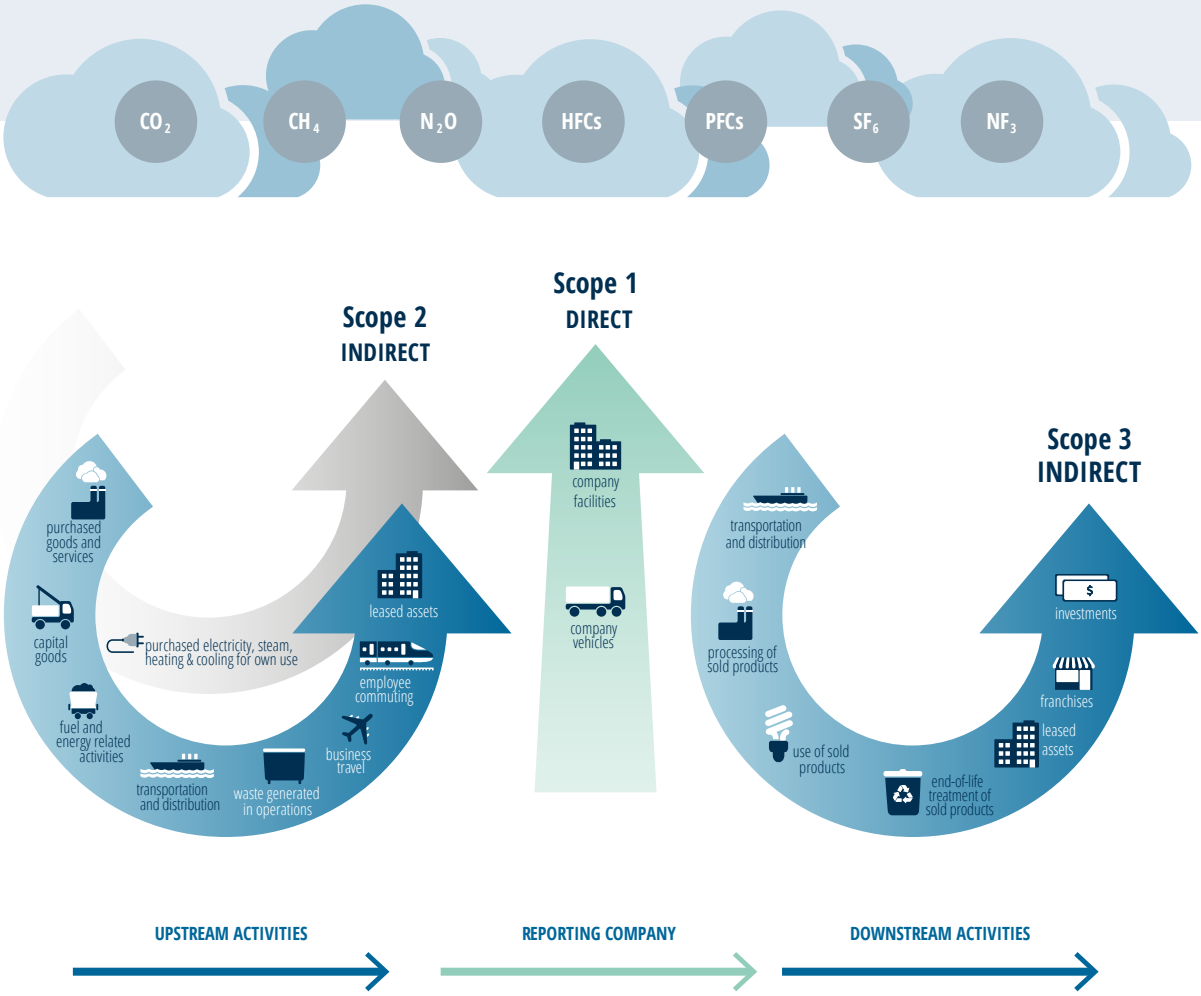
- Relevance
- Completeness
- Consistency
- Transparency
- Accuracy

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

- Scope 1 - Direct emissions from sources within the organisation's boundaries, owned and/or directly controlled by the organisation (e.g. methane gas combustion, fuel in company vehicles, process emissions)
- Scope 2 - Indirect emissions from imported energy (e.g. electricity consumption and heat consumption from district heating)
- Scope 3 - Other indirect emissions divided into 15 categories:
  - Category 1 - Purchased goods and services
  - Category 2 - Capital goods
  - Category 3 - Fuel and energy related activities not included in Scope 1 and 2
  - Category 4 - Upstream transport and distribution
  - Category 5 - Wastes generated in operations
  - Category 6 - Business Trips
  - Category 7 - Employee Displacement
  - Category 8 - Upstream leased assets
  - Category 9 - Downstream transport and distribution
  - Category 10 - Processing of products sold
  - Category 11 - Use of products sold
  - Category 12 - End-of-life treatments of products sold
  - Category 13 - Downstream leased assets
  - Category 14 - Franchising
  - Category 15 - Investments

Greenhouse gases, such as carbon dioxide (CO_2), nitrous oxide (N_2O) and hydrofluorocarbons (HFCs), also known as 'greenhouse gases', are so called because as they are released into the atmosphere, they increase the natural 'greenhouse effect' and thus cause global warming of the planet's climate. Carbon dioxide is among the most important greenhouse gases generated by the combustive oxidation of fossil fuels, such as coal, oil or natural gas. The cumulative emission of these greenhouse gases is expressed in terms of tonnes of CO_2 equivalent (tCO_2e), i.e. the cumulative value of the 'climate-changing capacity' of all greenhouse gases weighted by that of CO_2, conventionally set equal to 1.

EMISSION CATEGORIES BASED ON THE GHG PROTOCOL



Pattern Carbon footprint: Scope 1,2 and 3

BOUNDARY OF ANALYSIS AND REPORTING

The organisational boundaries considered for conducting the analysis were delineated so as to include in the accounting the GHG emissions associated with the activities carried out at the Collegno, Spello, Correggio and Scandicci sites. Specifically, for Pattern (Collegno and Spello sites) scope 1, 2 and 3 emission categories were calculated, while for SMT and Idee Partners only Scope 1 and 2 emissions were considered. From 2022, the Group's other locations will also be included in the analysis and reporting of scope 3 emissions.

To establish the reporting boundaries, significant GHG emissions related to the company's activities were identified. The following table shows all emissions identified for each analysed category that were considered in the analysis of the Pattern Group's GHG emissions.

Table 1 Significant Emissions for the Pattern Group

EMISSION CATEGORY	EMISSION SOURCE	TYPE OF ISSUE
Scope 1	1.1 Combustion fixed plant 1.2 Combustion of mobile plants 1.3 F-Gas	Natural gas for domestic use Fuel for company vehicles Refrigerant gases for heat pumps
Scope 2	2.1 Electricity consumption	Electricity for organisational units
Scope 3		
Category 1	3.1 Products and services purchased by the company	Materials and services purchased by the company
Category 3	3.3 Energy and fuel	Upstream production of energy, natural gas and fuels
Category 4	3.4 Upstream transport of purchased products	Transport of purchased products
Category 5	3.5 Waste	Waste production and disposal
Category 6	3.6 Business Trips	Business trips and overnight stays
Category 7	3.7 Employee Displacement	Moving employees from home to work
Category 8	3.8 Renting buildings	Additional warehouse rental
Category 12	3.12 End of life of products sold	End of life of products created by the company

METHODOLOGY FOR CALCULATING GREENHOUSE GAS EMISSIONS

The methodology used in 2021 for the quantification of the Pattern Group's greenhouse gas emissions is based on the calculation performed through the multiplication of the activity data and the relevant emission factor, resulting in tonnes of CO2 equivalent. All activity data for greenhouse gas emissions in this analysis were modelled using databases such as Ecoinvent, ISPRA, EUROSTAT, ISTAT and US-EPA.

SCOPE 1

Scope 1 emissions include direct climate-changing gas emissions from fixed and mobile installations within Pattern's organisational boundaries (Collegno and Spello sites) of SMT and Idee Partners.

In particular, emissions from the combustion of methane gas for internal use, the combustion of fuels used in company-owned vehicles and the share of F-gas topped up at heat pumps were also accounted for.

The following table shows the activity data for Scope 1 of the 3 Group companies, referring to 2021.

Table 2 Pattern Group GHG activity data 2021 for Scope 1

EMISSION SOURCE	TYPE OF ISSUE	ACTIVITY DATA 2021 PATTERN	ACTIVITY DATA 2021SMT	ACTIVITY DATA 2021 IDEE PARTNERS
1.1 Combustion of fixed installations	Combustion of methane gas for indoor use	34,239 Smc	55.161 Smc	0 Smc
1.2 Combustion of mobile plants	Diesel and petrol combustion for company cars	Diesel fuel: 63.538 l Petrol: 5.728 l	Diesel fuel: 17.770 l Petrol: 1.074 l	Diesel fuel:11.554 l Petrol: 4.741 l
1.3 F-GAS	F-gas topped up at the heat pump	R-410a: 0,94 kg	R32: 19,8 kg	R-410a: 57,71 kg

For the evaluation of combustion-related emissions of all fuels, combustion processes from the Ecoinvent database were considered, while the F-gas value was calculated from the IPCC V report.

SCOPE 2

Scope 2 emissions include indirect greenhouse gas emissions due to the consumption of electricity imported by Pattern (Collegno and Spello sites), SMT and Idee Partners.

The following table details the Scope 2 business figures of the 3 Group companies, referring to 2021.

Table 3 Pattern Group GHG activity data 2021 for Scope 2

EMISSION SOURCE	TYPE OF ISSUE	ACTIVITY DATA 2021 PATTERN	ACTIVITY DATA 2021SMT	ACTIVITY DATA 2021 IDEE PARTNERS
2.1 Electricity consumption by the organisation	Electricity from the national grid	559.299 kWh (100% renewable electricity)	440.096 kWh (100% renewable electricity)	253.703 kWh

The electricity consumed in 2021 is 100% renewable for Pattern and SMT. Specifically, part of the energy consumed by Pattern is self-generated by the photovoltaic plants in Collegno and Spello, whose production in 2021 was 75,199 kWh and 40,971 kWh respectively. SMT, on the other hand, uses 100% renewable hydroelectric energy covered by guarantees of origin. For the calculation of scope 2 emissions from the use of electricity, a market-based approach was adopted based on the actual value of emissions due to the use of electricity as purchased from its supplier, modelling the emission value from Ecoinvent.

SCOPE 3

In the analysis and reporting of scope 3 emissions, 8 of the 15 emission categories in the GHG Protocol deriving from sources outside Pattern's organisational boundaries were included, with only the Collegno and Spello sites included in the scope of analysis for 2021 reporting.

The following table details the Scope 3 activity data for the Collegno and Spello sites, referring to 2021.

Table 4 Pattern's 2021 activity data related to Scope 3 GHGs

EMISSION SOURCE	EMISSION TYPE	ACTIVITY DATA 2021 PATTERN
3.1 Products and services purchased by the organisation	Products purchased Purchased services	231.148 kg 1.204.869 euro
3.3 Fuel, Fuel and Power Upstream	Losses for the production, distribution and transformation of electricity Natural gas upstream for heating Upstream fuels for company cars	559.299 kWh 34.239 Smc Diesel fuel 63.538 l Petrol: 5.728 l
3.4 Transport of products and goods purchased by the company	Truck Van	408.240 tkm 87.153 tkm
3.5 Waste	Recyclable waste Non-recyclable waste	25.768 tkm 176.096 kg
3.6 Business Trips	Cars Plane Train Hotel nights	10.800 km 6.987 km 46.269 km 114 Nights
3.7 Employee Home-Work Commute	Petrol Cars Diesel Cars CNG cars Electric Car Hybrid car LPG cars Bus Bikes	1.756.123 km 2.820.490 km 229.840 km 24.440 km 155.220 km 889.720 km 152.620 km 23.140 km
3.8 Leased warehouse	Occupied area	373.672 kWh
3.12 Waste generated by products sold	Recycling Undifferentiated waste collection	1.126 tkm 4.660 kg

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

Category 3 includes emissions related to the production of fuels and energy purchased and consumed by the organisation, which are not included in Scope 1 and Scope 2. For the modelling of electricity losses related to its distribution, reference was made to the ISPRA report 343/2021 'Indicators of efficiency and decarbonisation of the national energy system and the electricity sector', where it is shown that in the year 2021, grid losses accounted for 5.95% of total consumption. Regarding the emissions of SF6 used as an insulating gas for the transport and distribution of electricity along the grid, the figure comes from Terna. Finally, emissions from self-generation of electricity and infrastructure are taken from the Ecoinvent database. In addition, emissions from upstream methane gas for heating and fuel for company cars are also accounted for in category 3.

Category 4 includes emissions from the transport of products and goods purchased by the company. The emissions were assessed by dividing them into the two types of vehicles used by the company and calculated according to the km's travelled multiplied by the weight of material transported. In this way, it was possible to allocate to the organisation only the emissions resulting from the weight of material transported for the kilometres travelled and not the entire journey.

For category 5, emissions from the disposal and treatment of waste generated by the organisation were considered. With regards to recyclable waste, only its transport was assessed, assuming a notional distance of 50 km from the recovery centre, as emissions from its recycling are considered negligible. For non-recyclable waste, on the other hand, the subdivision between waste going to landfill and incinerated waste was assessed from the ISPRA 2021 report and an emission factor was applied according to the 2 percentages found.

Category 6 includes emissions from business trips, for which the kilometres travelled by each means of transport have been taken into account, as well as emissions from overnight stays, taking into account hotel nights.

As far as category 7 is concerned, it includes the emissions generated by employees' home-work journeys, relative only to the days they are in the office as recorded in the company database. Specifically, the total kilometres travelled for the home-work journeys of employees were calculated, subdivided by the types of means used and excluding the kilometres travelled with company vehicles as they are already reported in scope 1.

Category 8, on the other hand, includes the emissions generated by renting the warehouse used by the company to store materials. In detail, starting from the estimated square metres used by the company, the respective electricity consumption was evaluated, referring to the ENEA 2021 report on energy consumption in Northern Italy per square metre.

Finally, the last emission category examined, **category 12**, includes emissions related to waste generated by the products sold by the company. Starting from data concerning the total number of garments sold by the organisation in 2021, the percentages concerning garments reused, recycled and disposed of as reported in the annual reports on recycling in Italy by the Foundation for Sustainable Development and Fise Unicircular were used. Again, as far as the share of recycled waste is concerned, only the transport was evaluated assuming a notional distance from the disposal centre of 25 km.

GHG Pattern Report

Pattern's GHG emissions were calculated according to the GHG Protocol, which was taken as a technical reference. According to the above calculations, Pattern's total emissions (Collegno and Spello sites) are 3,109 tCO2e, broken down by scope as shown in Table 5.

Table 5 Pattern GHG assessment results by scope

EMISSIONS	GHG SCOPE	tCO_2e 2021
Direct	Scope 1	259
Indirect	Scope 2	0,00001
	Scope 3	2.850

The graph in Figure 2 illustrates the contributions of each scope to Pattern's total greenhouse gas emissions.

Figure 2 Distribution of Pattern impacts in different Scopes

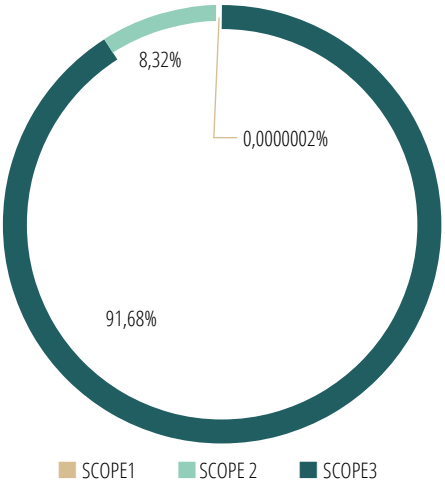


Table 6 details all scope 1,2 and 3 emissions by emission category and the graph in Figure 3 shows the contributions of the various emission categories to the total Pattern emissions.

Table 6 Total Pattern Emissions by Emission Category

GHG SCOPE	EMISSION CATEGORY	tCO_2e 2021
Scope 1	Methane gas	61,73
	Fuel for company cars	195,23
	F-Gas R-410a	1,81
Scope 2	Electricity	0,00001
Scope 3	Products and services purchased	436,98
	Upstream fuels, fuels and electricity	97,28
	Transport of purchased products	131,14
	Waste generated	131,96
	Business trips	8,71
	Home-work commute	1.891
	Warehouse rental	149,1
	End-of-life products sold	4,06

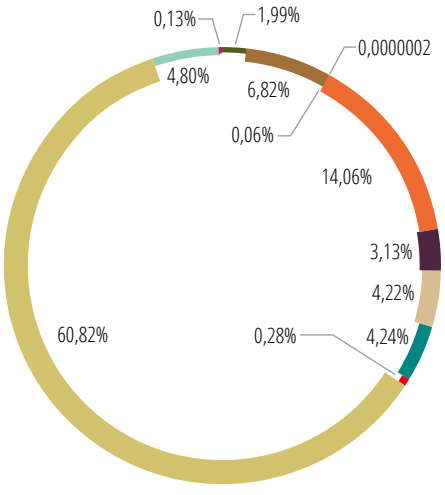


Figure 3 Distribution of Pattern impacts in the different emission categories

METHANE FUELS FOR FLEET VEHICLES
F-GAS R-410A ELECTRICITY
GOODS AND SERVICES PURCHASED
UPSTREAM PRODUCTION OF FUELS, METHANE AND ELECTRICITY
SHIPPING OF PURCHASED GOODSI
WASTE PRODUCED BUSINESS TRAVEL
EMPLOYEES COMMUTING TRIPS

Scope 2 emissions are calculated using a Market based approach based on the actual value of emissions due to the use of renewable electricity. Using a Location based approach, the company's emissions are assessed by considering an average emission factor of CO_2eq based on the national energy mix and were found to be 150.42 tCO_2eq. As can be seen from Figure 3, Pattern's greenhouse gas emissions are almost entirely attributable to Scope 3 categories 7 and 1, which contribute around 75% of all the organisation's emissions. Specifically, the largest share of CO_2eq emissions comes from category 7, which relates to employee commuting. The second largest emission category is category 1, which relates to the purchase of raw materials for the packaging of garments sold.

GHG SMT Report

SMT's GHG emissions have been calculated according to the GHG Protocol, which was taken as a technical reference. According to the above calculations, the total emissions from SMT are 182.37 tCO_2e, divided up into scopes 1 and 2 as shown in Table 7.

Table 7 SMT's GHG assessment results by scope

EMISSIONS	GHG SCOPE	tCO_2e 2021
Direct	Scope 1	166,09
Indirect	Scope 2	16,28

Table 8 details the scope 1.2 emissions broken down by the different emission categories and the graph in Figure 4 shows the contributions of the various categories to the total emissions of SMT.

Table 8 SMT total emissions divided by emission categories

GHG SCOPE	CATEGORY OF EMISSION	tCO_2e 2021
Scope 1	Methane	99,45
	Fuel for company cars	53,24
	F-Gas R-32	13,4
Scope 2	Electricity	16,28

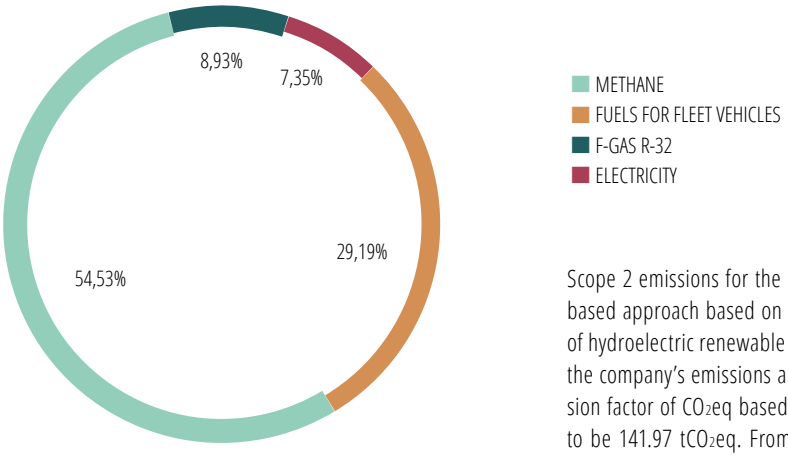


Figure 4 Distribution of the impacts of SMT in the various categories of emissio

Scope 2 emissions for the company SMT are calculated using a Market based approach based on the actual value of emissions due to the use of hydroelectric renewable electricity. Using a Location based approach, the company's emissions are assessed by considering an average emission factor of CO_2eq based on the national energy mix and were found to be 141.97 tCO_2eq. From the calculations provided above, it can be seen that the total emissions of SMT are mainly due to the combustion of methane gas to power the production plants.

GHG Idee Partners Report

Idee Partners' GHG emissions were calculated according to the GHG Protocol, which was taken as a technical reference. According to the above calculations, the total emissions from Idee Partners are 237.98 tCO_2e, divided into scopes 1 and 2 as shown in Table 9.

Table 9 Idee Partners' GHG assessment results by scope

EMISSIONS	GHG SCOPE	tCO_2e 2021
Direct	Scope 1	156,14
Indirect	Scope 2	81,84

Table 10 details the scope 1.2 emissions broken down by the different emission categories and the graph in Figure 5 shows the contributions of the various categories to the total emissions of Idee Partners.

Table 10 Total emissions of Idee Partners by emission category

GHG SCOPE	EMISSION CATEGORY	tCO_2e 2021
Scope 1	Methane gas	0
	Fuel for company cars	45,04
	F-Gas R-32	111,09
Scope 2	Eletricity	81,84

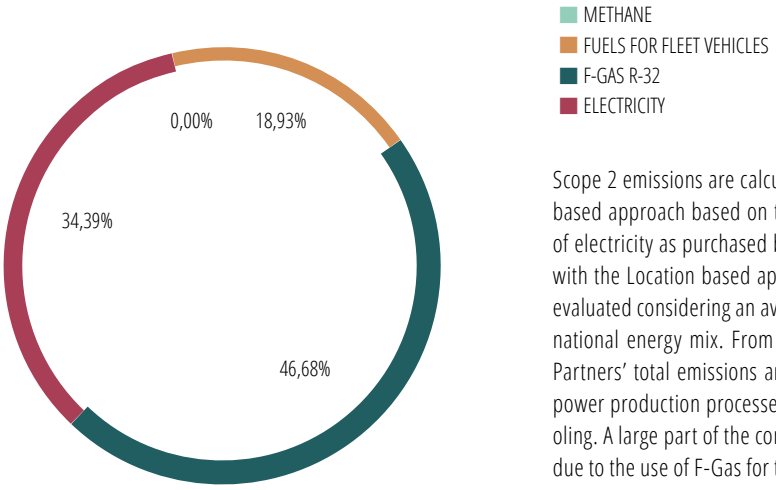


Figure 5 Distribution of Idee Partners' impacts in the different emission categories

Scope 2 emissions are calculated for the company IDEE with the Market based approach based on the actual value of emissions due to the use of electricity as purchased by the company, which in this case coincides with the Location based approach, where the company's emissions are evaluated considering an average emission factor of CO_2eq based on the national energy mix. From the above calculations, it follows that Idee Partners' total emissions are largely related to the use of electricity to power production processes and heat pumps for space heating and cooling. A large part of the company's climate-changing emissions are also due to the use of F-Gas for the operation of air-conditioning systems.

CLIMATE IMPACT MITIGATION STRATEGY

The GHG reports of Pattern Group companies highlights the necessity to act in a diversified way to respond to the different needs and degree of maturity of each production site. Therefore, starting from 2022 the climate strategy Pattern has outlined imposes the pursuit of two roadmaps, one for Pattern (Collegno and Spello offices) and another one for SMT and Idee Partners.

Concerning Pattern, a strategy for the reduction of energy consumption was already outlined in 2018 for the Collegno site and it was subsequently extended to the Spello site as well. In fact, the increase in scope 1 and 2 emissions, recorded by Pattern between 2018 and 2019, is closely related to the acquisition of Roscini Atelier which took place in June 2019.

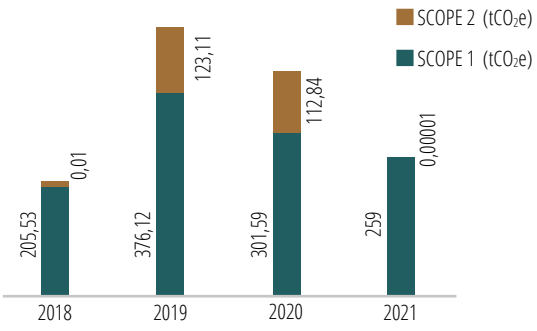
Specifically, Pattern climate impact mitigation strategy saw the realization of works to improve the factories energy efficiency, among which the installation of a geothermal system for the Collegno site, as well as the self-production of zero-emission electricity through the photovoltaic systems installed at the Collegno and Spello manufacturing plants. In addition, scope 2 residual emissions related to the production of the purchased electricity were reduced thanks to 100% renewable energy supplies. The Collegno site purchases green energy, certified by guarantees of origin, starting from 2018 and the Spello site starting from 2021.

The bar chart in Figure 6 shows the trend between 2018 to 2021 of Pattern scope 1 and 2 emissions.

Table 11 Trend over the last four years of Pattern scope 1 and 2 emissions (by emission category)

		tCO_2e			
GHG SCOPE	**EMISSION CATEGORY**	**2018**	**2019**	**2020**	**2021**
Scope 1	Methane gas	88,74	90,09	84,52	61,73
	Fuels for company vehicles	116,79	286,03	217,07	195,23
	F-Gas	ND	ND	ND	1,81
Scope 2	Electricity	0,01	123,11	112,84	0,00001

Figure 6 Trend over the last four year of Pattern scope 1 and 2 emissions



That being said, Pattern will adopt a medium-term strategy that involves offsetting only the emission categories that are difficult to reduce or avoid. At the same time the company will pursue the goal of net zero emissions by 2050 by building a shared decarbonization roadmap together with its supply chain, involving suppliers, subcontractors, customers and even employees. In order to intervene on the most impacting emission categories of scope 1 and scope 3, respectively those connected to the employees commuting and the use of company vehicles, at the end of 2021 the company appointed a Mobility Manager. In charge of outlining strategies to reduce emissions due to employee travel, the Mobility Manager will redirect them towards alternative and eco-friendly mobility forms, working at the same time with local institutions and companies to provide vehicles and services dedicated to sustainable mobility.

Regarding SMT and Idee Partners, firstly it is necessary to adopt a strategy to reduce consumption through the implementation of energy efficiency measures in the production plants, secondly it is required to reduce GHG emissions by purchasing 100% green energy for Idee Partners plant and lastly considering the hypothesis of self-production of renewable energy on site for both facilities. Starting from 2022, also SMT and Idee Partners will take part in the analysis and reporting of Pattern Group scope 3 emissions.

Car Pooling Project

Aware of how the daily use of cars negatively affects both the cost of living and climate-changing emissions, from September 2021 Pattern started a company carpooling project for the Collegno site in order to provide its employees with alternative and more sustainable forms of mobility compared to traditional ones.

The project, realised in partnership with the neighbouring company Prima Industrie spa, was financed by the European Community and sees the participation of the Municipality of Collegno and Jojob, a leading platform for Company Carpooling. Thanks to this project, employees have the opportunity to travel to work by sharing their private car with one or more colleagues who are compatible in terms of route and timetable.

Participation in the project is advantageous both for those who do not have a personal car, who can thus find a flexible and fast means of transport as an alternative to public transport, and for those who do have a car and want to save money on transport. Through the app offered by Jojob, those who actively participate in the project, either as a driver or passenger, receive a cashback fee for each trip, which can be used to contribute to the cost of carpooling trips or to redeem vouchers.

The project is an important part of Pattern's five-year corporate plan - 'From red to green carpet' - to reduce the company's environmental impact. Adhering to this initiative will reduce the number of cars used for work-related travel and consequently achieve savings in terms of fuel and CO_2 emissions.

ZeroCO$_2$ Project

Pattern's climate strategy envisaged the launch in 2021 of a project to plant trees capable of absorbing CO_2 from the atmosphere and thus leading to zero net carbon emissions.

Specifically, on 7 January 2021, Pattern signed the supply contract with zeroCO_2 for the planting of 610 trees in Guatemala and 390 trees in Peru, on land owned by farmers who will in fact be the guarantors of the plant's growth as well as its usufructuaries. The growth process of each plant will also be monitored through the unique tracking and transparency system called Chloe (from the ancient Greek word, sprout). Each planted tree will be photographed and geo-located by means of a QRcode, uniquely associated with each tree.

Project zeroCO_2 has enabled Pattern to absorb 352,800 kg of CO_2 from the atmosphere, thus participating in the global effort to combat climate change.

RIFORESTAZIONE AD ALTO IMPATTO SOCIALE

ZDHC ROADMAP TO ZERO PROGRAMME

Since 2015, Pattern has been engaged in a collaborative process with its customers and suppliers to phase out chemicals considered harmful to humans and the environment by major international standards in its production processes.

With this in mind, Pattern decided to adopt the protocol outlined by the ZDHC (Zero Discharge of Hazardous Chemicals) foundation and the customers, suppliers and subcontractors working with Pattern also refer to the same protocol, adopting the same methodology and tools. ZDHC was established in 2011 with the intention of providing brands and all players in the textile-clothing and footwear industry with a global standard that would unify the already existing but fragmented standards for responsible chemical management. Over time, the foundation developed a common roadmap capable of transforming the entire supply chain in order to achieve the goal of zero discharges of hazardous chemicals into the environment.

To this end, in 2014 the ZDHC foundation published the first list of restricted substances within textile, leather and footwear manufacturing processes, called the MRSL (Manufacturing Restricted Substances List), and developed guidelines and platforms for the implementation of the Roadmap to Zero programme, encouraging the dissemination of best practices for sustainable chemical management throughout the value chain. To date, ZDHC is a multi-stakeholder industry group with over 160 contributors including brands, textile groups, suppliers, laboratories, chemical companies, consulting firms and industry associations.

As a result of the path undertaken, Pattern and all the companies in its supply chain have created the figure of Chemical Manager within their production sites, with the task of guiding the implementation of a chemical management system in line with the principles of the ZDHC protocol, which allows the monitoring, assessment and management of the chemical risk connected to the use of hazardous chemicals in the production processes of the entire supply chain. This enables all Chemical Managers to apply common and standardised practices, having the same tools for supply chain assessment/audits, thus ensuring the use of uniform criteria for supplier assessment.

There are no competitors in this project, the objectives are common to all and one of the most important steps towards sustainability for the whole sector is transparency and sharing: sharing one's upstream and downstream supply chain (mapping), sharing one's inputs and outputs through the ZDHC tools, sharing one's wet processes (dyeing mills, finishing) and the degree of collaboration of the supply chain. The companies in the supply chain undertake their responsibilities by signing a commitment, expressing their commitment to the customer and their upstream and downstream supply chain (vendors, suppliers, sub-suppliers, chemical producers) to apply the ZDHC protocol throughout the supply chain, cooperating with in-loco visits and training, and monitoring the level of reliability of their supply chain with due diligence tests and audits.

ZDHC

Unified tools adopted in the CMS

Il programma Roadmap to Zero di ZDHC è stato formulato adottando un approccio olistico, ovvero considerando la forte interdipendenza esistente tra le componenti di qualsiasi sistema complesso e dunque la necessità di un metodo multidisciplinare per analizzarlo, comprenderne il funzionamento e gestirlo. Questo programma è articolato in tre macroaree che coinvolgono tutti gli step del processo produttivo: Input, Process e Output. Relativamente a queste sezioni ZDHC ha realizzato e messo a disposizione di tutti gli attori della filiera una serie di strumenti per la condivisione di informazioni in input, in output e per il controllo di processo, al fine di supportare le aziende nella valutazione della propria performance sostenibile e nella riduzione del proprio impatto ambientale.

A. TOOLS FOR SHARING INPUT INFORMATION

Listed below are all the tools provided by ZDHC and adopted by Pattern and its supply chain for sharing information on the input stages of the production process, describing in detail how each tool works.

1. MRSL & PRSL

The MRSL (Manufacturing Restricted Substances List) is the list of chemicals restricted in chemical formulations used in the production processes of textiles, leather, rubber, foam and adhesives.

ZDHC makes its list of harmful substances available to the various players in the supply chain, establishing the limits within which these substances can be used and outlining which ones should be banned from deliberate use in production processes. At the same time, some brands with which Pattern collaborates have defined additional limits to ZDHC's MRSL through PFC addenda.

The MRSL is a tool that, on the one hand, allows chemical formulators to know which substances to avoid or the maximum concentration at which they can be used during the synthesis of their chemicals, and on the other hand, simplifies for suppliers the choice of chemicals to purchase from formulators

PRSL, on the other hand, is the list of restricted chemicals in materials (textiles, leather, feathers, plastics, etc.) and finished products. The PRSL is a brand-specific document that allows companies to verify the compliance of a product with the specific restrictions set by the brand before it is sold to the customer.

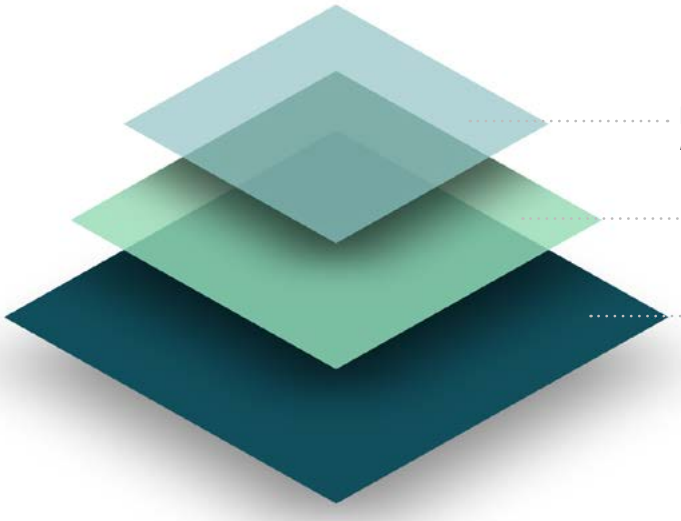
By adhering to these common provisions, it is easier for both Pattern and the other parties involved to prove the absence of elements harmful to humans and the environment in their products. Furthermore, both the MRSL and PRSL can be considered as living documents, as they are constantly being updated with new substances to be removed or restricted throughout the value chain. The following diagram lists the 19 main categories of substances restricted by the MRSL:

Further information on the specific restricted substances and their ppm formulation limits described in the MRSL v2.0 is available at https://mrsl.roadmaptozero.com/MRSL2_0

CLASS OF BANNED SUBSTANCE	TYPICAL USES IN THE TEXILE SECTOR	DANGER FOR PEOPLE AND ENVIRONMENT
ALKYLPHENOL (AP) AND ALKYLPHENOL ETHOXYLATES (APEOs)	They are a group of substances derived from phenols and olefins; their characteristics of surfactants, dispersants, wetting agents and emulsifiers make them usable within detergents, softeners, sanding materials, spinning oils, auxiliary dyeing and printing oils, impregnating, degreasing agents for the production of silk, polyester and down/ feather padding.	They are among the substances subject to restrictions because of their danger to the people, since they cause dermatitis and allergies, and because of their danger to the environment: they are persistent, bioaccumulative and toxic to aquatic organisms.
HALOGENATED FLAME RETARDANTS (HFR)	These are fireproof chemical compounds used to contain flame propagation and reduce the development of smoke in highly flammable materials. They are therefore used for this purpose during functional finishing processes of some materials.	They are included in the list because of the problems associated with their use: adverse effects on human health have been demonstrated such as endocrine alteration, cancer, immunotoxicity, reproductive toxicity and problems in the development of fetal and infant neurological function.
HALOGENATED SOLVENTS	The high volatility and the ability to dissolve a large number of types of organic compounds make these substances ideal solvents, for this reason used as cleaning/ finishing and printing agents, for dissolving/diluting fats, oils and adhesives (e.g. in degreasing or cleaning operations).	Their use has been limited because of their strong toxicity and carcinogenicity; they are also among the major pollutants of the aquifers, their presence in certain concentrations compromises the water resource.
CHLOROBENZENES AND CHLOROTOLUENES	They are chlorinated aromatic hydrocarbons that can be used as carriers in the dyeing process of polyester or wool/polyester fibers and also as solvents, thanks to their properties.	They have proven to be highly toxic to humans, as well as causing irritation to the eyes and skin, some compounds are also carcinogenic. In addition, this group of compounds is also harmful to the environment, especially to aquatic organisms.
CHLOROPHENOLS	It is a class of polychlorinated compounds used as pesticides and preservatives. They are also present in dyeing and bonding processes. Pentachlorophenol (PCP) and tetrachlorophenol (TeCP) have been used in the past to prevent mould when storing/ transporting raw hides and leather. They are now regulated and should not be used.	Like chlorobenzenes and chlortoluenes, they are also dangerous for humans, causing irritation of the eyes and skin, but not only: they are considered toxic to aquatic organisms and with harmful effects for the entire aquatic environment if subjected to chronic exposure.
HEAVY METALS	A series of heavy metals, used in dyes or as catalysts, can be used in the dyeing, printing, tanning and fibre polymerization processes.	These can be very dangerous for humans in varying degrees: effects vary depending on the metal in question, and may include both acute effects, from irritation to poisoning, and chronic effects, such as carcinogenicity.
ORGANOSTANNIC COMPOUNDS	It is a group of alkyl-substituted organic compounds by tin atoms; these compounds can be used as biocides, catalysts in plastic and glue production and heat stabilisers in plastic/rubber. In the textile sector, they are associated with plastics/rubber, inks, paints, metallic glitter, polyurethane products and heat transfer material.	Some of these compounds can be very dangerous, mainly damaging the nervous, hepatic, renal and cutaneous systems.
PERFLUORINATED AND POLYFLUORINATED COMPOUNDS (PFCS)	This class of organic compounds consisting only of fluoride and carbon are used in the production of water, oil and stain repellent finishes, typically used in home textiles, clothing and footwear. The intentional use of long chain PFC for this type of finishing is prohibited.	These substances are dangerous due to their bioaccumulative properties and can therefore accumulate in the environment, in humans or in animals thanks to their stability. Finally, they are also known as powerful greenhouse gases.
PHTHALATES	They are a class of organic compounds commonly added to plastics to increase flexibility and moldability of materials. They can be found in plastic components such as PVC, adhesives, plastic buttons, polymeric coatings, print pastes.	They are included in the list because their danger to the human being has been discovered, in particular they cause damage to the reproductive system.
SHORT-CHAIN AND MEDIUM-CHAIN CHLORINATED PARAFFINS (SCCPs/MCCPs)	It is a group of substances formed by unbranched chlorinated chains that are used as greasing/softening agents for leather during the tanning process and are occasionally used as flame retardants	These molecules have been found to be harmful to the environment as they can volatilise in the atmosphere or disperse and accumulate in aquifers, where they are harmful to aquatic organisms.
DYES (AZOIDS FORMING NARROWS AMINES, CARCINOGENIC, DISPERSED, NAVY BLUE)	Within this group there are also very different substances, all characterized by the common use in the dyeing phase; in particular, disperse dyes are used in the dyeing of synthetic fibers (e.g. polyester, acetate, polyamide). These dyes are regulated and should no longer be used for the dyeing dyeing of textiles.	Azo dyes have been limited because they cause the formation of aromatic amines which have several harmful effects on human health, as carcinogens, mutagens and genotoxic; they are also a threat to the environment, in particular to aquatic systems. A series of dyes with no particular chemical affinity has been shown to be harmful to humans as carcinogens and consequently banned. Then, the dispersed dyes also have been banned because of the allergic skin reactions they cause to humans.
ANTI-MICROBIALS AND BIOCIDES	The substances belonging to this category have neutralization properties of harmful organisms, which makes them useful for multiple applications of preservation; they are used indeed as disinfectants and preservatives during the dyeing and bonding processes.	Some of them are dangerous for humans, causing irritation to the eyes and skin; they are also harmful to the environment with different effects depending on the type.
GLYCOLS AND GLYCOLETERS	In apparel and footwear these two groups of substances have a wide range of uses including as solvents for cleaning/finishing, printing agents and dissolvers/thinners fats, oils and adhesives (e.g. in degreasing or cleaning operations).	These substances have various negative effects on health, in small quantities irritate eyes and mucous membranes, but can also be teratogenic and cause problems with the nervous system, cardiovascular, liver and kidneys.
POLYCYCLIC AROMATICS HYDROCARBONS (PAHS)	Hydrocarbons consisting of two or more aromatic rings are used as additives in different processes and with different functions depending on the type. Some PAHs are added to rubber and plastics as plasticizers, others are added as pigments in paints, printing pastes, dyes such as carbon-black and also for the realization of coatings.	Polycyclic aromatic hydrocarbons have known adverse effects on the environment, human and animal health, such as evident toxicity to certain aquatic organisms and birds, high chronic toxicity to aquatic life, contamination of agricultural crops. Some of them are classified as carcinogens while others are considered possible carcinogens and there are still ongoing studies.
UV STABILIZERS	These substances are known for their anti-aging properties; they absorb UV rays protecting the material from degradation.	They exhibit anti-estrogenic properties for humans and are dangerous for the environment as they are difficult to demolish completely with wastewater treatment, with the possibility of reaching rivers and lakes compromising their integrity.
VOLATILE ORGANIC COMPOUNDS	These compounds are associated with solvent-based processes like solvent-based polyurethane coatings and glues/adhesives.	Some of these compounds are toxic to humans, causing different problems depending on the substance, while others are carcinogenic.

2. MRSL CONFORMANCE GUIDANCE

ZDHC's conformance guidance is a useful tool for companies to understand how well the chemical in use complies with the restrictions of the MRSL. There are three levels of conformity according to which chemicals can be classified, based on the information available about the products and how they are manufactured. Conformity assessments of a supplier's chemical products are always carried out by third parties to confirm what the companies claim.



LEVEL 1
A review of the documentation, carried out by third parties accredited by ZDHC, is necessary to assess compliance with the MRSL.

LEVEL 2
A review of the chemical supplier's product stewardship practices is carried out by a third-party certification body.

LEVEL 3
Requires all elements of the previous compliance level and an on-site visit to the chemical supplier to assess product management.

Until 2019, a zero level was also acceptable, in which companies with only self-certification were framed; given the progress achieved towards sustainable development of the industry, ZDHC decided to raise the bar for suppliers, pushing them to implement best practices. In line with this, Pattern urges its suppliers to achieve a certain level of compliance with MRSL standards, so that only controlled materials are processed.

CLEANCHAIN
AN ADEC INNOVATION

3. GATEWAY – CHEMICAL MODULE

To facilitate the exchange of information between brands, suppliers and chemical formulators, ZDHC has provided an online platform called Gateway. Within the Chemical Module, formulators have the possibility to register their products to be verified and approved by ZDHC-accredited Certification Bodies, at the same time suppliers and Brands have the possibility to search for MRSL-compliant chemicals and to check their chemical inventory against the database of formulations and chemicals uploaded on the Gateway. This builds trust in the relationship between brands, suppliers and formulators through the transparent exchange of chemical information and reduces the administrative burden along the entire value chain.

3. CHEM CHECK & IN CHECK

The ChemCheck report is a certificate of compliance that formulators can generate once ZDHC has verified the MRSL compliance level of one of their chemical products registered in the Chemical Module. The ChemCheck thus makes it possible for suppliers to know which of the products they use have been verified and certified as compliant by ZDHC, thus avoiding retesting of the same products.

Pattern is registered on both the Gateway and Cleanchain portals, so it has access to all registered products and can understand the compliance or non-compliance of products used at all its sites and by its suppliers.

During assesments and supply chain audits Pattern verifies that all of its suppliers and, especially, its wet sub-suppliers that use chemicals are registered on the Gateway and, if possible, have registered with the Gateway by promoting their registration and use throughout the supply chain.

All the ChemChecks together form the In-Check, which is a tool that allows the supplier to check the level of compliance of its entire chemical inventory, and thus ensure the chemical compliance of the incoming stream.

B. TOOLS FOR SHARING OUTPUT INFORMATION

All the tools adopted by Pattern for sharing information during the output stages of the production process are listed below, describing in detail how each tool works.

1. WASTEWATER STANDARDS & GUIDELINES

By collaborating with leading brands, suppliers, universities, laboratories, technology providers and other stakeholders, ZDHC has created comprehensive and unified wastewater standards and guidelines. These provide a harmonised set of wastewater and sludge parameters, limit values and test methods. They help brands and suppliers align to the same set of expectations regarding wastewater quality. These guidelines aim to go beyond compliance with mandatory regulations, ensuring that water discharge does not negatively impact the environment and the community.

WWGs include the evaluation of two sets of parameters:

¬ Conventional parameters

The limit values for substances in waste water are classified according to three levels: foundational, progressive and aspirational;

¬ MRSL ZDHC parameters

The limit values for substances in waste water are unambiguous and include substances classified as hazardous in the MRSL of ZDHC.

Pattern has been involving its own wet supply chain in water management according to the ZDHC protocol since 2018. Pattern has established collaborative relationships with the main dye-works and finishing plants of its suppliers and, over a two-year period, has helped to bring almost all of these entities to perform water sampling twice a year according to the deadlines established by ZDHC (March and October) with ZDHC-accredited testing houses; these samplings test for both conventional legal parameters and the parameters established by ZDHC's MRSL for Wastewater.

2. GATEWAY – WASTEWATER MODULE

Similarly to the Chemical Module, ZDHC has also created a section within the Gateway called the Wastewater Module that allows all players in the supply chain to publish their wastewater test results after they have been verified and uploaded by ZDHC-accredited laboratories. Wastewater tests are conducted and evaluated according to the Wasterwater Guidelines standard. Pattern requires its suppliers to publish and share wastewater test results on the appropriate section of the Gateway.

3. CLEARSTREAM REPORT

Once the results of the wastewater tests have been evaluated by the ZDHC-accredited laboratories, a certificate called the Clearstream Report is issued, which guarantees for suppliers the quality of the outgoing water flow. Pattern, therefore, twice a year (February and September) requests from its suppliers both the date of water sampling and the sharing of the Clearstream Report once it is issued by the Gateway.

To date, Pattern receives the Clearstream Report from 80% of its majority suppliers and follows, in partnership with them, the Root Cause Analysis (RCA), i.e. the analysis of the causes that led to the failure, as well as the implementation of corrective actions leading to the resolution of the problem and, thus, to positive results in the next sampling round.

C. TOOLS FOR PROCESS EVALUATION AND IMPLEMENTATION

1. PARTNER PROGRESS TOOL (PPT)

Consistent with the other tools, the audits also follow the ZDHC protocol. For each assessment, the Partner Progress Tool (PPT), the basic tool for assessing compliance with environmental requirements in the supply chain, is used. In fact, the PPT represents a general guideline for the implementation of a chemical management system that must be adapted to the different types of companies in the supply chain. This tool is organised into 28 KPIs (Key Progress Indicators) divided into 3 sections that include the supplier's internal implementation, the supplier's external implementation towards its supply chain and an area of continuous improvement. Each KPI is given a different weight according to its importance:

- The area of 'INTERNAL IMPLEMENTATION' has 24 benchmark KPIs, assigned a score from 0 to 4, which the examined supplier must have implemented within its production facilities;
- The area of "EXTERNAL IMPLEMENTATION" has 2 reference KPIs that the supplier must have implemented upstream and downstream of its organisation (i.e. with its wet-process partners - dyeing, finishing, printing and all the wet-processing with which it collaborates - and with its dry-process partners, i.e. spinning, weaving and all its raw material suppliers);
- The area of 'CONTINUOUS IMPROVEMENT' has 1 KPI through which one assesses the cyclicality with which the implemented management process is reviewed and improved, i.e. whether gaps are identified and corrective actions implemented, and what the targets are.

At the end of all KPIs there is a section on Due Diligence which is assigned a score from 0 to 30 depending on the due diligence performed by the supplier on its finished product and that performed by its partners (upstream and downstream suppliers and vendors). When this is completed, the PPT returns a numerical result and matches it with a colour (RED, AMBER, GREEN, BRONZE, SILVER, GOLD) indicating how well a supplier has applied the principles described in the various KPIs.

Based on the results obtained for each KPI, an action plan is drawn up and shared with the suppliers and a rating is defined for each supplier.

Prior to the audits, Pattern engaged the upstream supply chain, identifying fabric and lining suppliers as the element of greatest risk to their own and the entire supply chain's environmental sustainability. After making several visits to these suppliers, Pattern mapped the supply chain and processing cycles of all suppliers, identifying those outside the supplier's organisation who performed potentially risky operations for them, such as printing, finishing or washing. Each season, all new suppliers are assessed by means of PPT. Suppliers previously assessed as non-compliant undergo a re-assessment to assess the progress made since the last visit against the action plan issued. Based then on the volume/value of that supplier's business out of the total ordered, as well as the score achieved in the PPT, a priority is given to both the visit plan and the frequency of visits, and the Due Diligence to be developed.

2. DUE-DILIGENCE CALCULATOR

The Due Diligence Calculator is the tool that guides the choice of due diligence tests to be performed on raw materials. In fact, after following certain pre-assessment criteria such as the volume/value of that supplier's business out of the total ordered, the supplier's PPT rating, the type of material, and the processing undergone by the item in question, Pattern's Chemical Manager determines the number of tests to be performed and on which substances by filling out the Due Diligence Calculator.

Pattern performs its due diligence twice a season, four times a year, focusing 80 per cent on the raw materials received, mainly fabrics and linings, and 20 per cent on its finished product, i.e. the garments made.

3. ZDHC ACADEMY

ZDHC and its affiliates respectively provide an online platform and regular webinars for training in the implementation of a sustainable chemical management system and the use and implementation of ZDHC tools in the textile, clothing, leather and footwear sectors. At the end of the training and final examination, certifications are issued that allow the Chemical Manager to conduct internal and external training on Chemical Management topics. In fact, it is the Chemical Manager's job to educate his company's employees through periodically organised training; similarly, it is possible to organise training at his suppliers to involve all members of the supply chain in the sustainable management of his business. The Chemical Managers of the Pattern Group obtained the ZDHC certification for the 'Introduction to Chemical Management' course in 2021.

4. SUPPLIER TO ZERO

The Supplier to Zero is a new platform developed by ZDHC to guide suppliers in the correct implementation of a ZDHC-compliant chemical management system and effective monitoring of its performance. In fact, the Supplier Platform is integrated with the Gateway, thus enabling a connection between input, output and process control tools for chemical management. The Supplier to Zero also represents a roadmap towards supplier leadership, from the Foundational level through the Progressive level to the Aspirational level, offering the following possibilities:

1. First of all, it allows you to carry out an assessment of your chemical management system by understanding your positioning against industry expectations;
2. Answering the questions in the questionnaire also provides access to documents and recommendations that serve as guidance for the implementation of best practices based on the ZDHC Chemical Management System Framework and ZDHC CMS Technical Industry Guide;
3. The platform also offers use cases of the suppliers guiding the implementation, thus enabling a fruitful exchange between the actors in the supply chain to achieve industry leadership.

PATTERN CHEMICAL MANAGEMENT SYSTEM

CMS STRATEGY: Scope and Responsibilities

Four fundamental elements can be identified in the implementation of an effective chemical management system:

1. Define SMART (Specific, Measurable, Achievable, Relevant and Time-Bound) objectives;
2. Adhere to global standards, universally recognised by sustainable development actors;
3. Use unified tools and guidelines provided by the global standard to measure corporate goals and achieve them;
4. Proceed with the drafting of a chemical management system that brings together all the policies, procedures and tools adopted by the company to fulfil its sustainability commitment.

A chemical management system provides for the identification of processes and products that are critical from the point of view of chemical risk and defines the operational methods for identifying, monitoring and reducing risks, eliminating hazardous substances from products and by-products with the aim of achieving a safe supply chain.

The chemical management system implemented by Pattern has as its scope:

¬ The Pattern Group's production plants

¬ Raw material suppliers

¬ Subcontractors of wet processes

The Pattern Group has a Chemical Management Team, consisting of a Chemical Manager for each Group site, whose work is constantly supervised by the Group ESG Manager, who reports to the CEO of the Pattern Group. Each Chemical Manager is responsible for leading the implementation of ZDHC's Roadmap to Zero programme within his or her own production plant and for involving his or her supply chain, monitoring and increasing the degree of maturity of his or her suppliers in terms of chemical management, in order to achieve a high degree of control over the traceability and quality of the fabrics used to make each garment. The Chemical Manager's first task is the collection of data necessary for chemical risk assessment, through the constant and transparent exchange of information with his suppliers and subcontractors. This involves several commitments, including:

¬ Produce and maintain a Chemical Inventory keeping track of all chemicals used

¬ Mapping incoming raw materials and semi-finished products

¬ Mapping and qualifying the supply chain by collecting commitment letters from suppliers to eliminate hazardous chemicals from their production processes

¬ Collect and analyse the results of chemical tests on raw materials, finished products and waste water

¬ Conducting visits to their suppliers to assess their chemical management system in accordance with the requirements of the ZDHC protocol

The analysis of input and output data and the Root Cause Analysis (RCA), to search for the causes of any non-conformities, provide the necessary elements to conduct the chemical risk assessment. To minimise the risks, corrective action plans are defined, identifying the people responsible and the timeframes for achieving the set objectives; this is followed by the implementation of the new operational methods within the set target timeframe. The performance of the implemented CMS is then subject to periodic review and subsequent definition of action plans with a view to continuous improvement. The management system revisited according to the ZDHC paradigm takes up the actions listed above, dividing them into three main macro-areas, which we had anticipated to be Input, Process and Output; to these are added in support some transversal themes, as depicted in the diagram on the following page.

INPUT	PROCESS	OUTPUT
CHEMICAL INVENTORY	MAPPING AND QUALIFICATION OF THE SUPPLY CHAIN	WASTE WATER MANAGEMENT
CHEMICAL RISK ANALYSIS	SUPPLY CHAIN ENGAGEMENT	WASTE WATER CONTROL PLAN
CHEMICAL CONTROL PLAN RAW MATERIAL MAPPING RAW MATERIAL RISK ANALYSIS CONTROL PLAN FOR RAW MATERIALS AND SEMI-FINISHED PRODUCTS	SUPPLY CHAIN MONITORING TRACK AND TRACE PROCEDURE PURCHASING PROCEDURE MONITORING AND DUE-DILIGENCE PROCEDURE	MANAGEMENT OF FINISHED/SEMI-FINISHED PRODUCTS
REPORTING AND KPIS FOR PHASE-OUT AND FOLLOW-UP		
COMMISSIONING AND CORPORATE POLICY FOR SUSTAINABILITY		
ROLES AND RESPONSIBILITIES: CHEMICAL MANAGEMENT TEAM		
CUSTOMER'S STAFF TRAINING AND SUPPLY CHAIN TRAINING		

CMS POLICY: MRSL and PRSL adoption

In the first instance, Pattern has established its own chemical management policy that is signed by management and communicated to all its employees, suppliers, subcontractors and customers.

The Pattern Group manages numerous suppliers on behalf of its customers, both suppliers of fabrics, yarns and linings and suppliers of accessories and semi-finished products. Some suppliers are chosen by the customer while others are selected directly by Pattern. At the beginning of the collaboration with each supplier, Pattern shares the Letter of Appointment of its Chemical Manager and the Chemical Management Policy together with the ZDHC MRSL, the Brand Addenda to the ZDHC MRSL and the PRSLs of the Brands for which the collaboration has been activated.

Suppliers are then invited to view the MRSL and PRSL documents and to sign Pattern's Chemical Management Policy to declare their commitment to meet the requirements outlined therein, i.e:

- ¬ Ensuring compliance with the requirements expressed in the ZDHC MRSL and Brand MRSL Addenda for all processes
- ¬ Providing products compliant with the requirements expressed in the PRSL (Product Restricted Substances list) of the Brands
- ¬ Ensuring full compliance with the regulations contained in the European REACH Regulation
- ¬ Extend the signed commitment to all suppliers of raw materials, semi-finished products, chemicals and finishes involved in its supply chain

Together with the signature of the Letter of Intent, the Letter of Appointment of the Chemical Manager is also requested, i.e. the figure identified by the supplier as responsible for the implementation of the ZDHC-compliant chemical management system within their company and along their supply chain.

Pattern conducts periodic due diligence checks on selected items based on an accurate chemical risk assessment.

SUPPLY CHAIN ASSESSMENT: Due Diligence and Audit

Aware of the central role played by its supply chain in reducing the impacts related to the use of hazardous chemicals in production processes, Pattern is constantly engaged in monitoring and evaluating the chemical management system implemented in its supply chain through remote document review and on-site assessment/audits.

Firstly, for each incoming order from its customers, Pattern maps the supply chain involved in the production of the garment, identifying the suppliers of raw materials entering the company and their process subcontractors, and assigning the relevant chemical risk class to each. Once the supply chain has been mapped, the commitment to eliminate hazardous chemicals is communicated to all actors involved in its production through a formal letter and engagement activities are carried out in order to actively involve them in the project.

To ensure that the supply chain is increasingly transparent and certified, Patten's customers are required to carry out tests to verify the quality and chemical compliance of the materials supplied with the standards indicated, which are considered an essential prerequisite for the sale and use of garments by the end consumer. In addition, to assess the chemical compliance of raw materials purchased and finished products sold, Pattern conducts periodic due diligence checks on selected items based on an accurate chemical risk assessment.

Pattern performs its due diligence twice a season, four times a year, focusing 80 per cent on the raw materials received, especially fabrics and linings, where the chemical risk is highest, and 20 per cent on its finished product, i.e. the garments made

The following criteria are used to select the raw materials to be subjected to due diligence testing and the types of chemical tests to be performed:

1. All tests that the supplier carries out both in order to be able to ship (mandatory test) and to perform its own risk analysis (due diligence test) according to the ZDHC protocol are evaluated and entered into a grid
2. Supplier mapping is considered and the most important items are selected in terms of purchase volume/value and supplier rating in terms of chemical management
3. Tests from the previous season or year are reviewed if they are continuous items to assess whether the test had already been performed and whether the result was pass or fail. Normally, tests of continuous items are not carried out the following year if the previous year's tests were pass.
4. The technical data sheets of articles are analysed, noting the composition of the raw material, the processes involved in its manufacture and any product certifications in order to attribute the chemical risk associated with its manufacture
5. 20 cm of each fabric is taken from the production stock to inspect the fabric, note its physical characteristics and assign a chemical test protocol using the appropriate PRSL to qualify each type of material

For the due diligence of the finished product, models already in the industrialisation phase are analysed and models are selected for due diligence testing according to the following selection criteria:

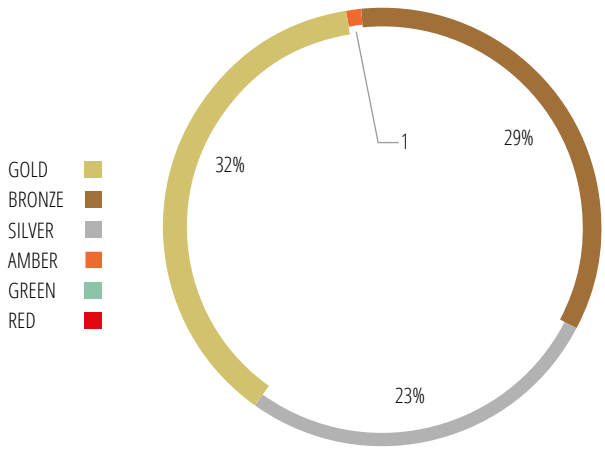
¬ Models which, following receipt of raw materials, have undergone sub-processing beyond simple assembly and sewing (e.g. washing or garment dyeing, embroidery, prints, etc.)

¬ Models that include a variety of materials considered hazardous (metal accessories, rubber or leather patches, fabric mixes with nylon, polyurethane, leather, dyed or printed fabrics).

The evaluation of the supply chain through auditing and due diligence testing also aims to support the Chemical Manager in identifying the causes of any product/process non-conformities and to develop corrective action plans to improve the chemical management system internally and at its suppliers and subcontractors. As a last resort, only in the case of repeated non-conformities and/or lack of cooperation and willingness on the part of the supplier to improve its chemical management system will Pattern consider a phase-out of the supplier.

Pattern was able to assess 85% of its suppliers in 2021 through audits with PPT (Partner Progress Tool), many of whom improved their 2020 rating from Red to Bronze or Silver. 84% of its suppliers, in terms of purchasing volume, achieved a high level of implementation of the chemical management system from Bronze to Gold, while only 1% were unsatisfactory, staying at the Amber level.essere non soddisfacente, attestandosi al livello Amber.

SUPPLY CHAIN PERFORMANCE



TRAINING: Indoor and Outdoor

A key element in ensuring the proper implementation of the chemical management system and its continuous improvement is the focus on training, to be carried out both internally and externally to its upstream and downstream supply chain.

To this end, the Chemical Manager of each Pattern Group site keeps up-to-date on Chemical Management topics by attending specific courses offered by ZDHC and ZDHC-accredited training providers (Process Factory, UL and others). Once the Chemical Manager has been trained and certified, he or she must in turn plan training activities for internal company resources using the materials provided by ZDHC and tailor the content of the training to the different teams involved in the purchasing, production, product development, logistics and management processes. Pattern organises its own trainings for each of its locations at least once a year and whenever it is necessary to instruct internal staff on any changes to the MRSL, PRSL and operating methods; these are always documented by means of a register showing the subject of the training, the date of the meeting, the attendance list with the signatures of the participants and the materials used for the training. Pattern also carries out on-boarding activities to involve suppliers and subcontractors included in the scope of its chemical management system and verifies, during assessments/audits of its suppliers, that Chemical Management training has actually been carried out by its suppliers for internal personnel.

The purpose of training activities is to create trained personnel capable of recognising the risks and dangers associated with the use of chemicals in production processes and to consequently reduce the rate of accidents and product/process non-conformities. Furthermore, training is necessary to inform and raise the awareness of supply chain partners about the possibilities offered by responsible chemical management.

TRANSPARENCY AND COLLABORATION

The realisation of an effective chemical management system within the textile-clothing-fashion supply chain cannot disregard two key elements: transparency in data sharing and collaboration in the achievement of common goals to reduce hazardous chemicals within the supply chain's production processes.

Transparent information sharing on the platforms provided by ZDHC simplifies and streamlines several control procedures on input chemicals and output wastewater, respectively, through sharing on the Gateway of InCheck and ClearStream, and on the chemical management process through evaluation via the Supplier to Zero platform.

As we have seen, the use of a common protocol, guidelines and unified tools within the supply chain is of paramount importance to achieve shared and measurable environmental impact reduction goals. A broad collaboration allows a greater positive impact: a constant dialogue between the different actors in the supply chain allows the implementation of best practices in chemical management. This point is all the more important downstream in the supply chain, where collaboration between brands and vendors is reflected with some weight on upstream supply chain actors, such as suppliers, sub-suppliers and chemical manufacturers, bringing a considerable impact on the entire sector. Therefore, a concrete commitment is needed from all supply chain members, whose involvement is achieved by providing opportunities for discussion, training and organising working groups to involve the different companies.

One of the results of the collaboration of the supply chain was the creation of a Chemical Management Community that brings together all vendors with common goals from a chemical point of view in order to pursue the following goals:

- Facilitating the sharing of common tools, ideas and issues;
- Organise meetings and round tables between all vendors to stimulate the development of new projects, agree on a calendar of joint visits and participate in forums and trainings organised by the customer or external bodies (such as ZDHC or its certified training providers like Process Factory or UL);
- Identify specific skills or topics in which a Chemical Manager can become the 'Champion' and thus be a point of reference for the community with regard to that particular content;
- Operating with the same methodologies on many suppliers and subcontractors in common, teaming up to support the upstream supply chain;
- Produce a common action plan at the end of each meeting outlining the problems encountered to be presented to the brands, and presenting a set of corrective actions to be implemented or areas to be improved within set deadlines.

CONTINUOUS IMPROVEMENT

The chemical management system, like any business process management system, adopts the PDCA cycle of continuous improvement (plan, do, check, act).

Thus, once the internal and outsourced business processes have been mapped and the risks and opportunities for improvement identified, the Chemical Management Team plans the actions to be carried out and all the necessary interventions to achieve the set objectives. In order to implement the planned actions, roles and responsibilities are defined through the establishment of standard operating procedures and staff are trained on the new operating methods.

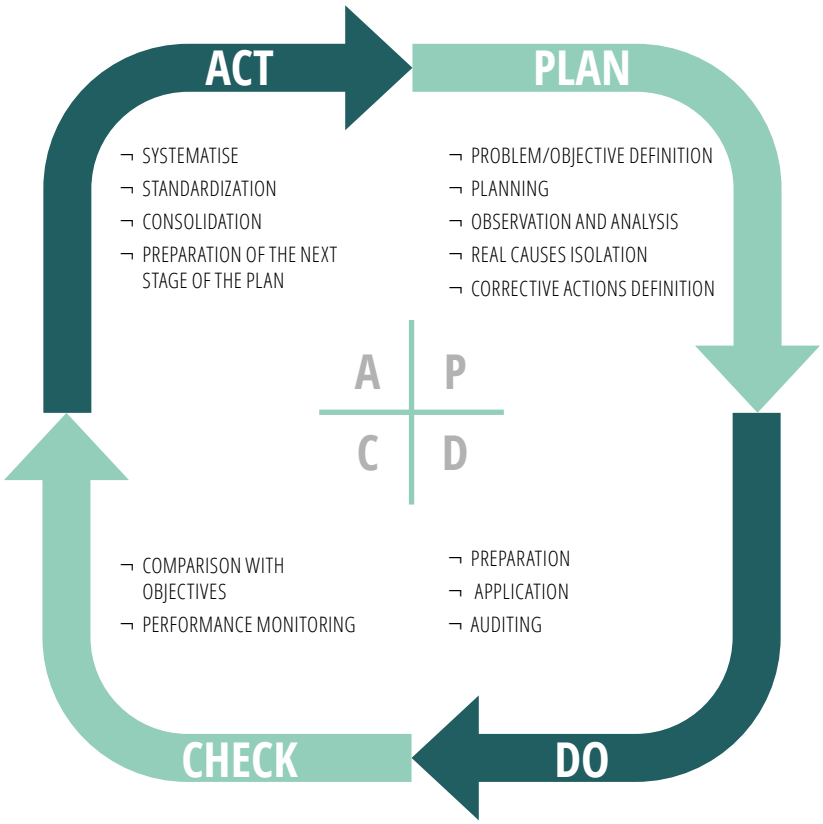
When the management system is up and running, it is necessary to check that the implemented activities have led to the achievement of the set targets within the set deadlines. To this end, Pattern has scheduled an annual review of its chemical management system, conducted through self-assessment by the Chemical Management Team as well as customer audits. In this way, it is possible to identify outstanding activities, operating methods that are inconsistent with the most recent changes in regulations, brand requirements and within the supply chain, and above all, to identify critical points in the management system and areas for improvement and to define the corrective action plan accordingly.

The results of internal and external auditing activities are then examined together with the Management, with whom the corrective actions to be implemented and the human and economic resources to be allocated to achieve the set objectives are decided.

This leads to a re-planning of the chemical management system and its new, more high-performance application. The cyclical nature of this process makes the CMS a living document in continuous development to meet the latest sustainable development needs.

Below are the targets Pattern has set itself to achieve by 2023:

- Implementation of an integrated Group management system: quality, environment, health and safety.
- Improving chemical management practices by adopting the tools and guidelines offered by the ZDHC Supplier to Zero platform
- Achievement of Progressive Level at ZDHC Supplier to Zero through self-assessment of its chemical management system and document review by ZDHC
- Appointment of a Water Manager to raise awareness among suppliers and subcontractors of the risks and opportunities associated with water availability and quality, guiding them in the implementation of best water management practices.



TOWARDS A CIRCULAR ECONOMY: GREEN LINE PROJECT

The European Green Deal, an action plan to facilitate the EU's transition to a circular and climate-neutral economy by 2050, has set 1 January 2025 as the deadline to reach the textile waste recycling target in all member states. Italy brought forward the achievement of this target by three years, setting 1 January 2022 as the starting date for separate collection of textile waste.

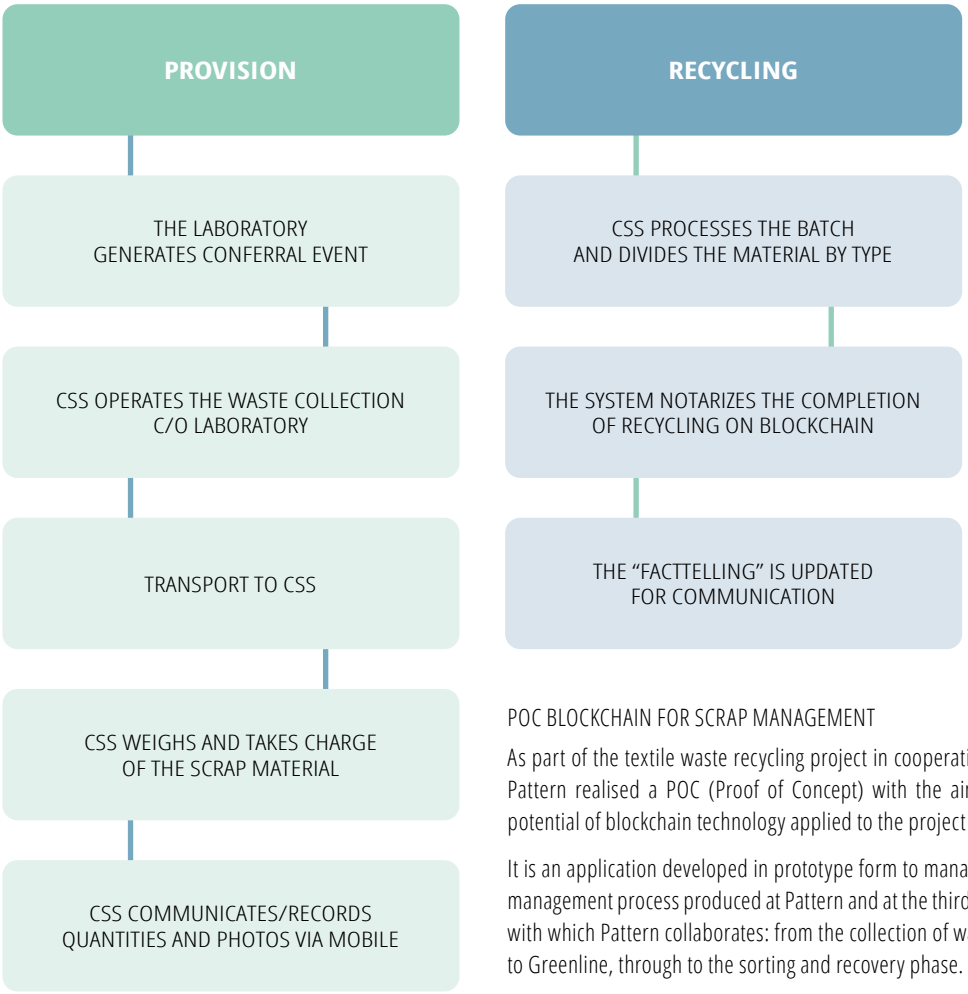
Pattern has always been attentive to the issue of waste, an example of which is the investment made in 3D technology, seen first and foremost as an opportunity for sustainability. In fact, thanks to the 3D simulation of prototypes, placements or positioning of prints, it allows the number of physical garments produced to be reduced to a minimum. Moreover, already from 2019, Pattern will allocate all its fabric leftovers to the company Greenline, an exceptional Italian partner for collecting, sorting and sending pre-consumer textile waste/waste for recovery. Thanks to its consolidated experience since the 1970s, Greenline is able to accurately select the materials to be sent for recovery, which will be destined for companies that deal with their recycling into secondary raw materials for the textile industry but also for other supply chains, for example for the automotive industry or to make padding and soundproofing materials. In 2021, Pattern diverted as much as 14517.643 mt of remnant textiles from landfill and incineration.

As of December 2021, Pattern has also started to implement a system for the separate collection of textile waste, adapting the process of its management to the needs of the Group's different production realities. Specifically, as from January 2022, Pattern will manage textile waste in the same way as it has done up to now with leftovers, conferring to the company Greenline srl the waste from the internal cutting of Turin and Spello and the leftover yarns and pickled cloth from Correggio.

Greenline will carefully select the materials to be sent for recovery, distinguishing them by type and quality and classifying them by colour, fineness and composition. In particular, wool fibres and cashmere will be destined to the Reverso™ Spinning Mill, which will reconvert them into regenerated yarns, fabrics and fashion accessories, while cotton fibres will be used in the automotive sector to create soundproofing felts. The take-back request by Greenline will be followed by the issuance of a QRCODE, via a Blockchain POC, which will allow the materials to be tracked through all collection, sorting and recovery operations so as to ensure complete traceability, as well as transparency and verifiability of data.

By 2022, Pattern will extend the same textile waste management system to the third-party workshops with which it collaborates, thus committing itself to the creation of a circular economy system that allows, through the regeneration of textile waste, the extension of its life cycle from waste to added value.

GREEN LINE
RE FABRIC ACTION



POC BLOCKCHAIN FOR SCRAP MANAGEMENT

As part of the textile waste recycling project in cooperation with Greenline, Pattern realised a POC (Proof of Concept) with the aim of assessing the potential of blockchain technology applied to the project context.

It is an application developed in prototype form to manage the entire waste management process produced at Pattern and at the third-party laboratories with which Pattern collaborates: from the collection of waste, to its dispatch to Greenline, through to the sorting and recovery phase.

This is a supply chain project, as it will allow Pattern, the external laboratories and Greenline to collaborate in the management of the entire process, registering their own information in blockchain. This system enables the certification of all declared information, which is thus unchangeable and traceable, and provides the possibility of disseminating it thanks to a 'story telling' accessible via a QR-code or a link.

ESEMPLARE

MISSION, VISION & VALUES

ESEMPLARE was born and developed with a strong and clear identity: outerwear lines for men and women that combine the most advanced technologies and attention to the theme of environmental sustainability with an essential style, characterised by the iconic inverted Y construction of the yoke. The ESEMPLARE collections, the result of continuous research and experimentation, are designed, engineered and developed exclusively in Italy.

The values of sustainability characterise not only the finished product, but also animate all our employees and are applied in our daily work. The entire brand policy and its propensity for a concrete revolution of current strategies in the fashion world, in favour of environmentally sustainable practices, can be described by the following principles applied by ESEMPLARE.

- Sustainable design: we are inspired by the concepts of modularity, versatility and adaptability and develop garments that can be continuously updated, are durable and repairable.
- Research and development: 'Innovation for re-generation' is the direction that guides us into the ESEMPLARE future. We study, develop and engineer new technologies, materials and fabrics that guarantee high performance, without drawing on virgin raw materials.
- Production: we use a certified supply chain of partners who respectfully share our approach and ethics.
- Sourcing: we use only Italian and eco-friendly fabrics, combining tradition and innovation.
- Recycling and regeneration: our aim is to 'do more and better with less'. We control and reduce waste. We utilise, regenerate and recycle materials used in the production process, giving value back to waste.
- Energy efficiency: we employ renewable and certified energy sources, taking care to use them efficiently and minimise waste.
- Water efficiency: our waste water treatment plants are carefully designed. In addition, we carry out thorough process controls and chemical management, following standards that go beyond legal requirements, to minimise chemical, physical and biological pollutants.
- Employee training: we want to raise the level of awareness of our employees to ensure that the available resources are always used with care and awareness.

The objectives and ways in which ESEMPLARE aims to be sustainable are in line with those of Pattern, from which it inherits SA8000 Social Accountability certification and adaptation to the international ZDHC protocol; it also shares with Pattern the same Chemical Management System for the company's chemical management.

Responsible decisions are made on every aspect, starting with the design of company facilities and infrastructure.

However, the commitment to sustainability is not only focused on infrastructure, but also on the search for new ecological materials: since 2015, ESEMPLARE has abandoned the use of fur and goose down from its new collections, and in order to make up for the technological needs of these materials, it has recently developed a new padding called Thermore Ecodown; this material composed of 100% recycled fibre allows the reuse of 10 plastic bottles for the production of each garment. Naturally, the material of the garment exposed to the weather is also made of environmentally friendly material, a nylon re- pet also obtained by recycling common PET bottles.

Finally, ESEMPLARE continued its commitment from previous years in the third macro-area identifiable in the context of sustainability: the circular economy.

In the graphs below, Esemplare collected data on the collections designed and produced in 2021. In order to measure the sustainability of the garments produced, more attention was paid to the fabric, dividing the collections between garments made from synthetic fabrics (polyester, polyamide, etc.) and garments made from fabrics of natural origin (viscose, cotton, wool, etc.).

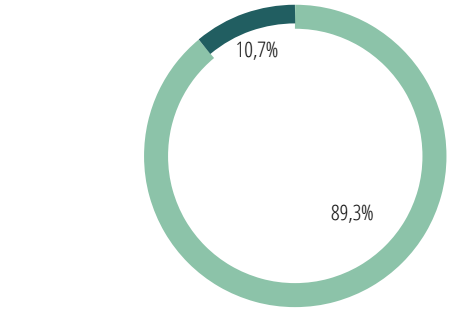
The main focus was then on the characteristics of the fabrics used, as well as the certifications awarded.

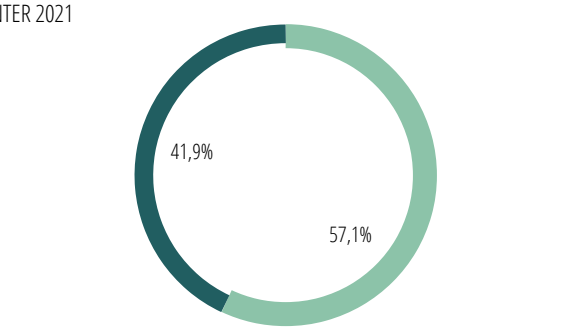
As far as synthetic fabrics are concerned, therefore, it was decided to delve into this category by dividing them into GRS (Global Recycle Standard) certified recycled fabrics and synthetic fabrics that are not recycled but have other product or process certifications, such as Sensitive® fabric, made of polyamide, which is OEKO-TEX Standard certified.

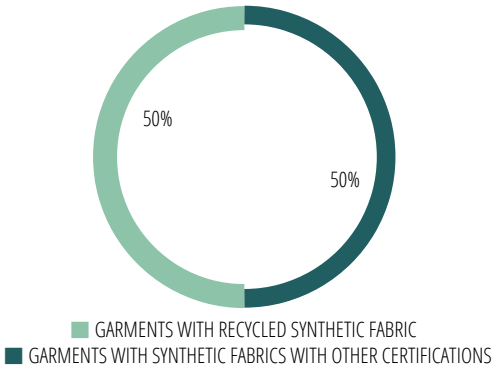
As far as fabrics of natural origin are concerned, it was decided to research further by dividing between natural fabrics with certifications, as is the case with Scuba, an FSC-certified viscose jersey, or GOTS (Global Organic Textile Standard) certified cottons, and between fabrics that do not have specific material certifications.

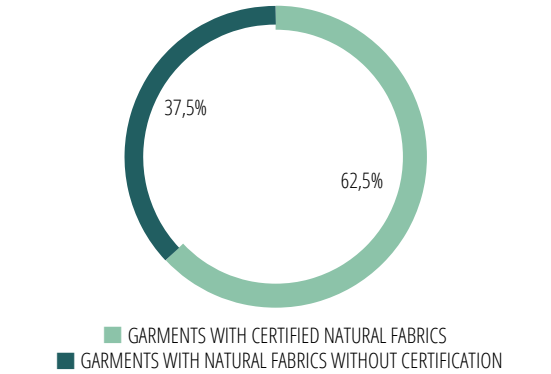
If there are no particular certifications related to the fabrics used, Esemplare always endeavours to work with suppliers who are Italian and have certifications at least on their processes. This is a minimum requirement for the selection of suppliers and fabrics to be used in the collection.

AUTUMN/WINTER 2021

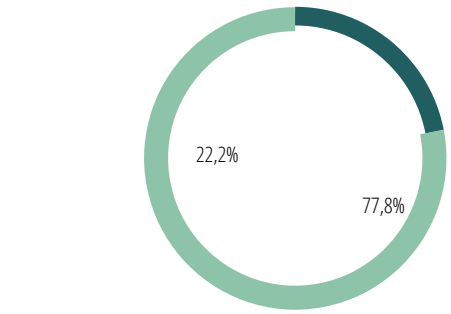


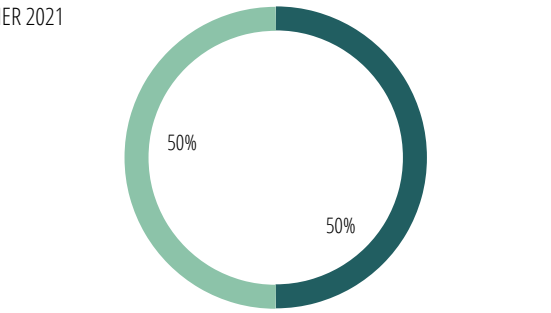


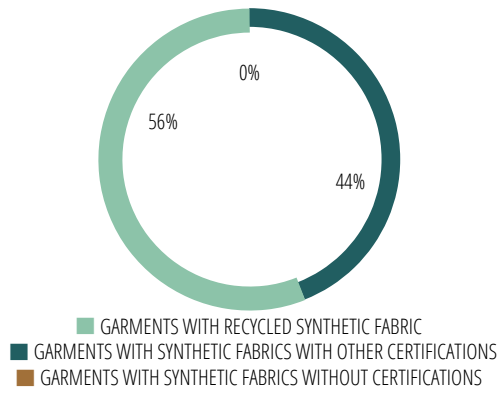


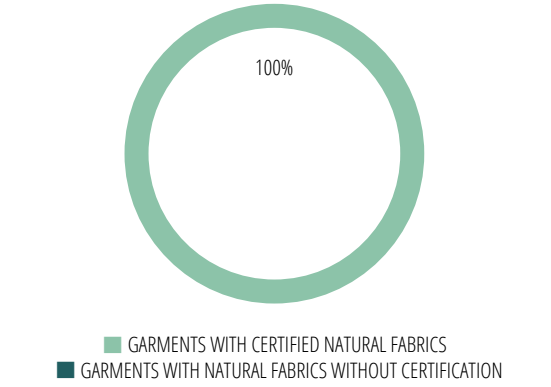


SPRING/SUMMER 2021









ESEMPLARE INAUGURATES THE FIRST SINGLE-BRAND WITHIN GREEN PEA

In December 2020, ESEMPLARE will inaugurate its first single-brand store within Green Pea, a Green Retail Park dedicated to the theme of Sustainability.

ESEMPLARE, a unique brand for its combination of a truly sustainable approach and thinking and a high-performance urban product, fits perfectly into the founding concept of Green Pea: consuming in harmony with Nature and, at the same time, producing according to the principles of beauty and originality of Made in Italy.

Perfectly integrated into Green Pea's architecture, modern and sustainable in every detail, the ESEMPLARE store, 54m² located on the second floor, is designed as an open space that breathes and allows people to breathe.

Inside the store, in fact, ESEMPLARE presents Stefano Mancuso and PNAT's project 'The Air Factory', an indoor greenhouse with an innovative air purification system through plants. Thanks to its technology, the Air Factory utilises and enhances the ability of plants to effectively absorb and degrade air pollutants.

"*We believe that the opening of Green Pea, at this time of great change, is an example of courage for all entrepreneurs in Turin and Italy. As an Italian and Turin-based brand, we are proud to be part of it and to inaugurate our first single-brand store in this very context.*"

Fulvio Botto and Francesco Martorella


PNAT
INSPIRED
BY PLANTS
FABBRICA
DELL'ARIA
Powered by STOMATA

GLOSSARY

SUSTAINABLE MANUFACTURING	*Sustainable Manufacturing*	TRACK & TRACE PROCEDURE	*Procedure for researching the risk and tracing its causes*
ZDHC (Zero Discharge Hazardous Chemicals)	*Protocol to reduce the release of hazardous chemicals into the environment to zero*	RCA (Root Cause Analysis)	*Analysis of possible causes of chemical risks*
MRSL (Material Restricted Sustances List)	*List of chemicals subject to restrictions in chemical formulations*	CHEMICAL INVENTORY	*Chemical Inventory*
PRSL (Product Restricted Sustances List)	*List of chemicals subject to restrictions in the finished product*	CHEMICAL MODULE	*Chemical Module*
PPT (Partner Progress Tool)	*Partner (supplier, sub-supplier) progress evaluation tool*	ZDHC GATEWAY	*ZDHC's 'Gateway' platform ensuring clean input and output flow*
KPIs (Key Performance Indicators)	*Key Performance Indicators (27 KPIs in the PPT)*	CHEM CHECK	*Guarantee of controlled and clean product*
LETTER OF COMMITMENT	*Letter of Commitment*	IN CHECK	*Guaranteed controlled and clean inlet flow*
CMS (Chemical Management System)	*Chemical Management System*	WASTEWATER GUIDELINES	*Wastewater Guidelines*
DD RM (Due Diligence Raw Materials)	*Structured testing programme to be carried out on raw materials*	WASTEWATER MODULE	*Waste water module*
DD FG (Due Diligence Finished Goods)	*Structured test programme to be carried out on finished garments*	CLEARSTREAM	*Ensuring controlled and clean wastewater*
INPUT	*Input flow*	TRAINING ACADEMY	*Training Academy*
PROCESS	*Production process*	HR MANAGER (Human Resources)	*Human Resources Manager*
OUTPUT	*Output flow*	CRS MANAGER (Corporate Social Responsibility)	*Company Social Responsibility Manager*

METHODOLOGY

Pattern has been drawing up a Sustainability Report annually since 2015 to communicate to its stakeholders the path it has taken on sustainability issues.

Pattern has been drawing up a Sustainability Report annually since 2015 to communicate to its stakeholders the path it has taken on sustainability issues. The new Sustainability Report 2021 is addressed to Pattern Group stakeholders with the aim of providing evidence of the actions taken towards the Group's sustainability objectives. This document is a non-financial statement and has been prepared pursuant to Legislative Decree 254/16, in accordance with the Sustainability Reporting Standards - in accordance Core - published by the Global Reporting Initiative (GRI). The GRI Standards are also flanked by the GRI G4 Guidelines. The GRI Guidelines represent the most widely used and internationally recognised standard for non-financial reporting to date. The document has been prepared taking into consideration sustainability issues deemed significant for the Group and its stakeholders. The Report discloses the information that best describes the Group's activities relating to the financial year 31 December 2021, in relation to environmental, social, personnel-related, respect for human rights, and the fight against active and passive corruption indicated by Legislative Decree 254/2016. The information given concerning previous years is included for comparative purposes in order to allow an assessment of the Group's dynamic performance. Pattern has also been applying Legislative Decree 231 since October 2021 and has a supervisory body appointed accordingly.

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Thanks for
having spent your time
reading this report.

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To ask for any clarification with regard
to the Social Responsibility policies of Pattern S.p.A.
and to the information contained in the Sustainability Report
please write to the following e-mail address: pattern@pattern.it

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