



2022

CONSOLIDATED NON-FINANCIAL STATEMENT OF THE AEFFE GROUP FOR 2022

Prepared pursuant to Decree 254/2016

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LETTER TO THE STAKEHOLDERS

Dear Stakeholders,

Against a macroeconomic background marked by numerous challenges but with, on the bright side, the pandemic fading away, we managed to close 2022 with highly satisfactory results. This enables us to tackle the subject of sustainability in even greater detail, across all functions and in every activity.

As a European player, we recognize the urgent need to approach sustainability in a structured manner now that recently, even in our sector, it has become a strategic objective. This has been made clear at various official European and domestic conferences, including the EFA (European Fashion Alliance) Summit held in Maspalomas in June 2022, in which we participated via our sector representatives, led by the National Chamber of Italian Fashion and Altagamma.

One of the principal topics on the agenda was the EU Green Deal formulated in 2019 by Commission President Ursula von der Leyen, whose objectives include the reduction of greenhouse gas emissions, to which the fashion sector must also contribute. These objectives, which cannot be procrastinated any longer if we want to assure a future for the coming generations, are also confirmed by international research including, for example, that carried out by McKinsey (The State of Fashion 2022), which found that 43% of Gen Z prefers businesses with a sound reputation in terms of sustainability.

At corporate level, we have laid the foundations for the transition towards a more sustainable business model inspired by the 17 Sustainable Development Goals (SDGs) embodied in the UN 2030 Agenda. In practical terms, we began with the introduction of a Code of Ethics back in 2008, which guides business activity at all levels, and we maintain sound relations with the community via our participation in social initiatives. I am pleased to mention "Fashion Deserves the World" in this regard, an initiative promoted by the UN Refugee Agency (UNHCR) with support from the Pura Vida association (ULDB project). Other initiatives pursued in 2022 included an increase in clean energy production, following the installation by Pollini of a new photovoltaic system, and various product-related initiatives.

This said, commencing from 2023 we will introduce objectives for sustainability at a strategic level and then, based on priorities, target more specific goals in each area. We are already holding discussions with Re.Crea, consortium established and coordinated by the National Chamber of Italian Fashion, to identify the steps needed to reduce the production of waste or improve its reuse, analyze areas for improvement in the value chain, determine how best to manage end-of-life textile-clothing products and, of course, increase the use of eco-sustainable or regenerated materials in the production of our collections.

In other words, aware of our responsibilities towards all employees and the various communities with which our business interacts via the purchase of our products, we want to continue building an environment-focused culture and transform the impending challenges into an opportunity to make our processes and our collections even more attractive and environment friendly.

Massimo Ferretti

Executive Chairman

METHODOLOGY

Decree 254/2016 transposed into Italian legislation the requirement for public interest entities and large companies or groups to report to their shareholders and, more generally, all stakeholders, on the principal aspects of their social and environmental performance. This Non-Financial Statement for the year ended 31st December 2022 confirms the commitment of the AEFEE Group (hereinafter also AEFEE or the Group) to report on social and environmental impacts, respect for human rights and the diversity policies implemented and, above all, confirms the desire to follow a strategy that delivers long-term sustainability.

Reporting period

This NFS relates to the period from **1st January 2022 to 31st December 2022**. Where possible or considered appropriate, the data for the past year has been compared with the information for previous financial years, so that all stakeholders can compare the performance achieved over time.

Reporting standards

In order to comply with the reporting criteria envisaged in Decree 254/2016, the Group made technical-methodological reference to the guidelines accompanying the **GRI Sustainability Reporting Standards (GRI Standards)** when preparing this Consolidated Non-Financial Statement. These guidelines, issued in 2016 by the Global Reporting Initiative and amended subsequently, represent the reference model most widely adopted at an international level for reporting on sustainability. In order to comply more closely with the requirements of the reporting standards, from this year the Group has applied the **GRI Universal Standards** published on 5th October 2021 by the Global Reporting Initiative (GRI), using the "with reference" option.

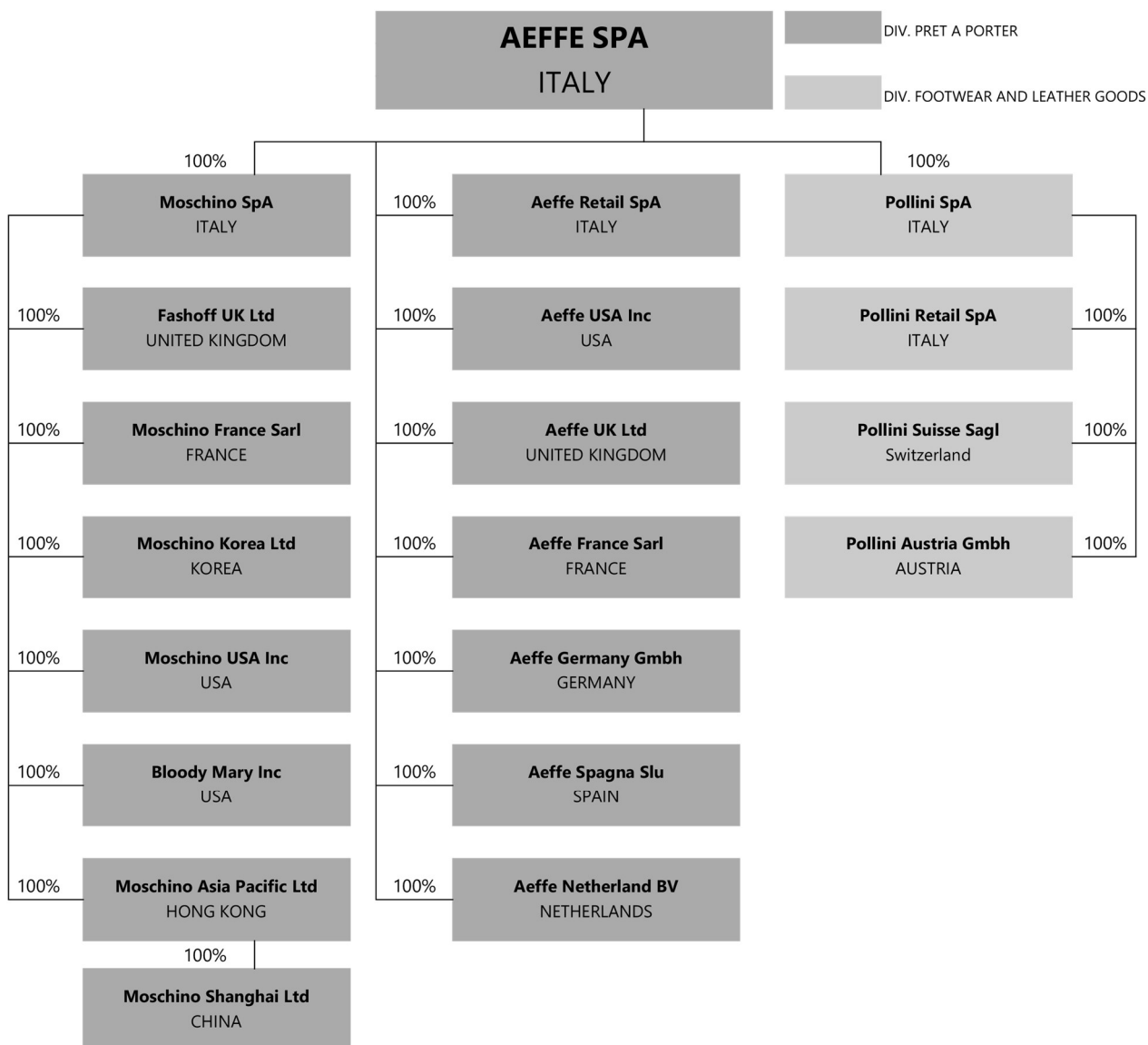
Scope of the Consolidated Non-Financial Statement

The following Group companies are included within the reporting scope of this Non-Financial Statement: AEFEE S.p.A., AEFEE Retail S.p.A., AEFEE USA Inc., Velmar S.p.A., Pollini S.p.A., Pollini Retail S.r.l., Moschino S.p.A., Moschino Korea Ltd.

The following Group companies have been excluded from the reporting scope: Fashoff UK Ltd; Moschino France Sarl; Bloody Mary Inc; Moschino USA Inc; AEFEE UK Ltd; AEFEE France Sarl; AEFEE Shanghai Ltd; AEFEE Germany GmbH; AEFEE Spagna Slu; Pollini Suisse Sagl; Pollini Austria GmbH.

These exclusions are explained by the fact that the socio-economic and environmental impacts of the above companies are not believed significant, considering their incidence in terms of consolidated sales and employment. This possibility is envisaged in Art. 4 of Decree 254/2016, pursuant to which the Consolidated Statement may exclude subsidiaries that, despite inclusion in the consolidated financial statements, are not needed in order to understand the activities of the Group, its performance, its results and the impact of its activities.

Notably, as part of work to simplify the Group structure, AEFEE S.p.A. absorbed Velmar S.p.A., a wholly-owned subsidiary, with effect from 28th December 2022. That company is considered separately when mentioned in sections of this NFS, partly due to the way certain non-financial data is collected, which is currently being simplified and ratified. The chart presents the corporate structure of the Group, including its controlling interests at 31st December 2022.



Reporting process

The content of this NFS was checked and approved in the following manner:

- 1) A small working party reporting to the Group Sustainability Manager and the HR Director of Aeffe S.p.A. was identified:
 - HR Manager - Moschino S.p.A., Pollini S.p.A.
 - HR Business Partners - Aeffe S.p.A.
 - Leather Goods Production Manager - Pollini S.p.A.
 - Production Director - Underwear Division
 - Operations Director - AEFPE S.p.A.
 - Planning & Data Analysis Manager - AEFPE S.p.A.
 - Controller Manager - AEFPE Group
 - C.F.O. - AEFPE Group
 - Consolidated Financial Statements Manager - Aeffe Group
 - Prevention and Protection Manager - AEFPE S.p.A./Retail, Velmar S.p.A., Moschino S.p.A., Pollini S.p.A. and Pollini Retail S.p.A.
 - Head of Legal and General Affairs - AEFPE Group
- 2) Each company within the reporting scope contributed the information requested, identifying a data owner and requiring the content of each data collection form to be validated by the manager of the function concerned. The Sustainability Manager of the AEFPE Group took overall responsibility for data collection and management of the report preparation process.
- 3) The consolidated information and data were collected and aggregated by the managers of the above functions, each to the extent of their own responsibilities.
- 4) Lastly, the final content was approved by Group General Management and, on 15th March 2023, by the Board of Directors of AEFPE S.p.A.
- 5) The content of this Statement was examined and checked by the designated auditing firm, applying the methodologies envisaged in ISAE 3000 (Limited Assurance).

Procedure for the "Reporting process"

In December 2020, AEFPE adopted an internal Procedure entitled "Reporting process for the Consolidated Non-Financial Statement of the AEFPE Group", which describes operationally the internal process of non-financial reporting.

The purpose of the Procedure is to define the process of collecting and approving the non-financial information disclosed in the Consolidated Non-Financial Statement prepared each year by the Group. In particular, the roles and responsibilities of the various functions involved are described in detail, together with the timing of each phase in the reporting process.

The Procedure, currently being revised, was also applied to prepare this NFS.

External assurance

This NFS has been subjected to a limited assurance engagement, conducted by BDO Italia S.p.A., an auditing firm, in accordance with the criteria specified in standard ISAE 3000 Revised. This work was completed with issue of the "Auditors' Report" presented at the end of this document.

This Statement is published, like the Report on the 2022 Financial Statements of the AEFPE Group, in the Investor Relations - Financial Statements and Reports section of the website <http://www.AEFPE.com>.

MATERIALITY ANALYSIS

The operations of the AEFPE Group are founded on dialog, consultation and engagement, in order to understand the needs and expectations of stakeholders. Interactions address such matters as the identification of impacts generated by the Group on the environment and individuals, with a view to creating shared long-term value.

For this reason, the activities of AEFPE involve maintaining relations with numerous stakeholders that, more or less directly, influence the work performed and have an interest in ensuring that the activities of the organization are carried out in a responsible and sustainable manner.

The following principal categories of stakeholder have been identified by the Group, which is conscious of its social role and deep territorial roots:



In the context of ESG reporting, the materiality analysis seeks to identify the environmental, social, economic and governance aspects considered important and significant for the AEFPE business and its stakeholders.

These topics are defined a “material”, since they are associated with the more significant impacts (positive or negative, real or potential, short or long term) that business activities can (or might) have on the economy, the environment and persons, including the impacts on their human rights¹.

In order to identify the principal impacts that the activities of the Group generate or might generate in an ESG context, a structured process was followed to define in detail the internal and external context in which the organization operates. This work involved the following steps:

¹ This approach, defined “impact materiality”, is based on the adoption of an “inside-out” view, focused on the impacts that business activities have on the socio-economic context in which the organization operates.

- benchmarking against a sample of 5 competitors, peers and comparables;
- analysis of public documents, articles, statistics, observatories, sector studies on the impacts generated by companies in the IT sector;
- assessment of the principal international standards and frameworks adopted for sustainability reporting (GRI Standards, SASB, TCFD), including those due to be published soon (ESRS and IFRS Sustainability Standards).

At the end of this first phase, the impacts identified were clustered in terms of their affinity with each other, in order to obtain a more limited list of **18 ESG topics** for quantitative assessment by Line Managers and Area Directors, as well as by a representative sample of the principal categories of Group stakeholders, being Vendors and Trade Unions. In turn, these topics were assigned to the following categories: **Governance, Economics, Products & Infrastructure, Environment, Human Resources, Supply Chain & Clients.**

Subsequently, in order to select those ESG topics and impacts that are truly material for the AEFPE Group, a specific "materiality questionnaire" was disseminated online, enabling internal and external stakeholders to express their opinion on the importance of the non-financial impacts that the business activities of AEFPE and its value chain generate, or might generate, in an economic, environmental and social context.

At the end of the entire process, setting the **materiality threshold at 3.83**, the results obtained made it possible to identify and prioritize **11 material topics for the AEFPE Group**, as detailed below. The following table describes:

- the areas most impacted by the activities of the Group;
- the principal positive and negative impacts generated by business activities on the economy, the environment and individuals, including the impacts on their human rights;
- the principal tools (policies, procedures, management systems, etc.) adopted by AEFPE monitor each topic and prevent or mitigate the negative impacts associated with them.

MACRO AREA	MATERIAL TOPIC	PRIORITY	POSITIVE IMPACT	NEGATIVE IMPACT	MANAGEMENT AND CONTROL
PRODUCT & INFRASTRUCTURE	Brand protection and promotion	1	<ul style="list-style-type: none"> - Preservation of artisan know-how - Strengthen the relations of the organization with the territories in which it operates, and increase its ability to expand into new markets 	<ul style="list-style-type: none"> - Failure to protect the brand against plagiarism, resulting in loss of reputation and market share - Improper use of the brand in association with sales outlets and websites for commercial activities not envisaged by the brand strategy - Counterfeiting 	<ul style="list-style-type: none"> ▪ In 2021, the Moschino brand became 100% owned ▪ Direct entry into the Chinese market by the Moschino brand ▪ In 2022, decision to absorb Velmar S.p.A., a wholly-owned subsidiary
SUPPLY CHAIN & CLIENTS	Transparent information about products and offers to clients	2	<ul style="list-style-type: none"> - Combat greenwashing in favor of transparent communications about ESG matters - Product reliability and safety to ensure the safety of clients 	<ul style="list-style-type: none"> - Greenwashing risk and consequent loss of image and reputation with clients regarding ESG topics - Loss of competitiveness and market share 	<ul style="list-style-type: none"> ▪ All products carry a label containing information about the composition of the materials used, the place of production and any special characteristics (e.g. Eco Cert, FSC, Organic Textiles), as well as the source of such materials as leather, sheepskins, suede and fur.
	Satisfaction and management of client relations	5	<ul style="list-style-type: none"> - Effective contribution to satisfying the real needs/requirements of clients - Strengthen client relations and create lasting relationships based on respect and trust 	<ul style="list-style-type: none"> - Loss of image and reputation - Loss of competitiveness and market share - Market launch of a product not compliant with qualitative and regulatory standards, inconsistent with the social and environmental expectations of the most aware stakeholders, with consequent potential loss of reputation, market share and clients. 	<ul style="list-style-type: none"> ▪ management of client relations by a dedicated team ▪ continuous market research to understand the requirements of new generations ▪ constant client engagement via the Group's social networks

MACRO AREA	MATERIAL TOPIC	PRIORITY	POSITIVE IMPACT	NEGATIVE IMPACT	MANAGEMENT AND CONTROL
	Responsible management of the supply chain	9	<ul style="list-style-type: none"> - Contribute to achieving the Sustainable Development Goals (SDGs) identified in the UN 2030 Agenda, with positive or negative impacts on the environmental, social and economic areas - Availability on the market of products and services that make an elevated environmental / social contribution - Identification, prevention and management of environmental impacts throughout the value chain (e.g. GHG emission, energy and water consumption, responsible selection of materials, etc.) - Identification, prevention and management of social impacts throughout the value chain (e.g. Occupational health and safety, safeguarding of human rights, adequate remuneration policies, etc.) - Well-being and prosperity of all parties throughout the value chain 	<ul style="list-style-type: none"> - Risk of infringements of workers' rights without efficient systems for monitoring and auditing the supply chain - Risk of environmental pollution without careful control of the chemical substances used in clothes that might disperse into the environment (land, water, air) - Risk of monetary penalties for breaching European regulations on the manufacture of products (e.g. the REACH regulation) 	<ul style="list-style-type: none"> ▪ strict quality control over supply chain products by dedicated internal structures ▪ vendor selection based on the high qualitative performance of their products and raw materials
ENVIRONMENT	Circular economy	3	<ul style="list-style-type: none"> - Safeguarding of ecosystems and biodiversity - Health and wellbeing of local communities due the proper and responsible management of waste that does not pollute the atmosphere, the water or water basins - Awareness and knowledge of personnel and the market about ESG topics - Availability on the market of products and services that make an elevated environmental / social contribution 	<ul style="list-style-type: none"> - Potential loss of competitiveness, business continuity and resilience if the core business remains closely wedded to the current, linear "take, make, dispose" model and does not develop promptly the ability to innovate - Irreversible damage to the surrounding ecosystem by spilling chemical substances onto the land and into water tables, by disposing improperly of hazardous waste, etc. 	<ul style="list-style-type: none"> ▪ reduction of the non-recyclable nature of packaging, in order to enhance its sustainability ▪ selection of sustainable raw materials, such as biological cotton, wool and recycled synthetics

MACRO AREA	MATERIAL TOPIC	PRIORITY	POSITIVE IMPACT	NEGATIVE IMPACT	MANAGEMENT AND CONTROL
	Energy efficiency and sustainable products	8	<ul style="list-style-type: none"> - Contribute to the mitigation of CO2 emissions, in order to contain the increase in global temperature to well below 2°C compared with pre-industrial levels - Availability on the market of products and services that make an elevated environmental / social contribution 	<ul style="list-style-type: none"> - Increase R&D investment in new and alternate technologies - Increased production costs due to changes in input prices and output requirements (e.g. processing of waste) - Re-pricing of asset (e.g. reserves of fossil fuels) 	<ul style="list-style-type: none"> ▪ The AEFPE Group production facilities at San Giovanni in Marignano and Gatteo have launched an energy efficiency project designed to reduce consumption via the remote monitoring and management of air conditioning installations, as well as via the partial replacement of traditional lighting with LEDs in order to reduce consumption significantly and avoid the release of significant quantities of CO2 into the atmosphere ▪ Photovoltaic installation at the Gatteo facility
	Fight against climate change and management of emissions	10	<ul style="list-style-type: none"> - Contribute to the mitigation of CO2 emissions, in order to contain the increase in global temperature to well below 2°C compared with pre-industrial levels - Reduce the exposure of local communities and territories to extreme atmospheric events (e.g. flooding, hurricanes, desertification, etc.) 	<ul style="list-style-type: none"> - Risk of environmental pollution unless measures are taken against the increase in emissions. Consequent reputational risk and possible domestic/international penalties - Difficulties in implementing an ecological transition process consistent with European rules (e.g. increased costs, adaptation of productive processes, etc.) 	<ul style="list-style-type: none"> ▪ with a view to managing the risks and opportunities associated with climate change, the AEFPE Group has carried out a preliminary assessment to identify how well the business is aligned with the TCFD recommendations

MACRO AREA	MATERIAL TOPIC	PRIORITY	POSITIVE IMPACT	NEGATIVE IMPACT	MANAGEMENT AND CONTROL
HUMAN RESOURCES	Occupational health and safety	4	<ul style="list-style-type: none"> - Safeguard the wellbeing, health and safety of employees and all persons whose operational activities are under the direct control of the organization (e.g. Interns, agency workers, contract researchers, apprentices, etc.) - Identification, monitoring and prevent of risks associated with the health and safety of workers, in order to guarantee a safe working environment 	<ul style="list-style-type: none"> - Increase in the injury rate of employees if an efficient health and safety management system could not be implemented ▪ Increase in work-related stress 	<ul style="list-style-type: none"> ▪ Development of Zucchetti Infinity Safety & Security suite ▪ Via the Safety Office, AEFEE S.p.A. coordinates and supervises the activities of Group companies, in order to ensure the control and constant monitoring of situations relating to the health and safety of personnel
	Welfare and work-life balance	11	<ul style="list-style-type: none"> - Safeguard the psycho-physical wellbeing of employees and their families - Ensure flexibility in the workplace, in order to enhance the quality of free time - Right to disconnect - Promote better employee-organization relations in terms of engagement with the business 	<ul style="list-style-type: none"> - Reduction in the commitment and satisfaction of employee due to a poor work-life balance - Unfair distribution of wealth to employees, evidenced by a lack of essential services, inadequate remuneration and/or the absence of ancillary welfare services 	<ul style="list-style-type: none"> ▪ Renewal of in-house contract ▪ Corporate welfare plan
ECONOMICS	Territorial presence and markets served	6	<ul style="list-style-type: none"> - Employment at local level benefiting the community - Availability on the market of products and services that make an elevated environmental / social contribution 	<ul style="list-style-type: none"> - Loss of competitiveness and market share 	<ul style="list-style-type: none"> ▪ Agreement for the direct management of sales outlets in mainland China ▪ Sales outlets under direct management (DOS) in Europe, the USA, China and Korea

MACRO AREA	MATERIAL TOPIC	PRIORITY	POSITIVE IMPACT	NEGATIVE IMPACT	MANAGEMENT AND CONTROL
GOVERNANCE	Anti-corruption and compliance	7	<ul style="list-style-type: none"> - Safeguard legality and prevent unlawful conduct in such areas as the reinvestment of profits from unlawful activities, extortion, anti-competitive behavior, etc. - Respect for laws and regulations (even of a voluntary nature) applicable in economic, environmental and social contexts - Wellbeing and prosperity of the principal stakeholders with which the organization interacts (e.g. employees, local communities, business partners, etc.) 	<ul style="list-style-type: none"> - Infringement of regulations, resulting in payment of monetary fines and/or involvement in court cases - Loss of reputation and consequent loss of market share, investment and capital 	<ul style="list-style-type: none"> ▪ 231 Model ▪ Code of Ethics ▪ Whistleblowing system ▪ Training on anti-corruption matters

Sustainability for AEF FE

AEFFE intends to prepare a specific **Sustainability Plan**, presenting the strategic vision of management and responding to several of the global challenges inherent in the UN SDGs, as reflected in the most significant material topics identified by the Group and its stakeholders.



During October and November 2021 **the various Departments participated in specific training on sustainability matters**. This training, with a duration of 12 hours, sought to involve first-line management in definition of the Plan. The principal modules covered by the course included: introduction to the evolving regulatory focus on sustainability, sustainability strategies and ESG Corporate Governance, climate strategies and circular business models, ESG risk management.

Management will define specific actions addressing the objectives to be identified and, in order to monitor and ensure achievement of the established objectives, the Group will identify targets and timings for implementation of the Sustainability Plan. The Plan objectives will be reviewed periodically with reference to the results achieved, adding new objectives responsive to the new needs that emerge over time.

Process of mapping sustainability risks

In 2022, the AEF FE Group continued work on the more detailed **mapping of ESG (Environmental, Social and Governance) risks**. Starting from an analysis of materiality, as described above, this will lead to the progressive integration of sustainability factors within the risk management model. The objective is to understand and assess the importance of ESG risk in terms of the impacts they might have on the organization and the other, more traditional categories of risk including, in particular, reputational risk.

In this way, the non-financial dimension will contribute to the definition of a resilient strategy, capable of reacting to and tackling the adverse events that characterize the current macroeconomic context. This work is a consequence of the responsible attention paid by the AEF FE Group to key topics, both present and future: sustainable development, inclusion and social integration, and the fight against climate change. On this last

topic, in particular, the mapping activities represent an essential step towards increased alignment with the 11 recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), which the Group has started to adopt via the initial assessment described in the Environment section.

As a first step, the identification of non-financial risks has made it possible to expand and complete the risk map of the organization, including various aspects that may have significant effects (positive and/or negative, direct and/or indirect, real and/or potential) on the business and its ability to create value over time, both for itself and for all key stakeholders.

TRADITIONAL RISK	ADDITION OF ESG FACTORS AND RISKS
Reputational	Losses caused by unethical behavior, adverse publicity, lack of transparency in the disclosures made about sustainability, apparent indifference to social problems (human rights, for example).
Operational	Risks associated with the impact of the organization on the environment and the community, deriving from its production processes (including those of supply chain partners) or the provision of services. Indirect adverse effects caused by physical or transitional risks linked to climate change.
Financial	Negative ROI from sustainability initiatives, inefficient use of resources, savings that do not materialize (tax credits and incentives), investment in SRI funds, financial losses due to the deterioration of tangible assets caused by climate change.
Compliance	Failure to comply with all the various regulations governing the environment, health, safety, employment and work, fraud, privacy, anti-corruption and unfair competition.

GOVERNANCE

**MATERIAL
TOPICS**

Anti-corruption and compliance

Brand protection and promotion

Corporate governance and transparency in business operations

In a mature and highly competitive market such as fashion and luxury goods, constant close attention to quality, creativity and distinctiveness underpins the positioning and development strategy of the major AEFPE Group brands, such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino and Pollini.

AEFFE pursues excellence in serving its customers, with a view to creating value for all stakeholders, in primis the shareholders, maintaining and developing relations based on the principles of integrity, transparency, legality, impartiality and prudence².

To this end, the negotiations and commercial agreements reached with business customers, and the sales techniques adopted in relation to retail customers, focus exclusively on product quality and the real ability to meet customer expectations. With regard to vendors and other service providers, **the Group strives to act in an upright, transparent, legal and impartial manner**. Objective and documentable criteria are applied when selecting and managing freelance workers, vendors and partners, in order to seek the maximum competitive advantage - based on quality and price, as well as warranties and/or support - without any discrimination among the potential alternatives.

In 2022, the Group established an Internal Auditing function supported by advice from an independent firm that is carrying out a specific risk analysis designed to strengthen the effectiveness of controls.

In addition, the Parent Company has adopted an **Organization, management and control model** pursuant to Decree 231/2001 (the 231 Model or Model). Constantly updated and monitored, the Model provides a fundamental tool for the proper, transparent and ethical management of business processes, via:

- **the Code of Ethics** with reference to the offenses considered in the Model;
- an organized system that is sufficiently formalized and clear, especially with regard to the assigned of responsibilities;
- manual and IT procedures (information systems) capable of governing the performance of activities with appropriate control points; in this context, an effective preventive control consists of the segregation of duties among those who carry out activities deemed crucial within a process at risk;
- the assignment of authorization and signature powers in a manner consistent with the organizational and operational responsibilities defined;
- a system of management control that is capable of reporting on a timely basis the existence and development of general and/or specific situations that may be critical;
- communications to personnel and their training.

² For more information, see the Code of Ethics of AEFPE S.p.A., available at the address www.aeffe.com/it/modello-di-organizzazione-gestione-e-controllo/

AEFFE S.p.A. adopts a traditional system of administration and control founded on the Board of Directors (the Board), which guides the strategic direction, and the Board of Statutory Auditors, both of which are appointed at the Shareholders' Meeting. In addition, the Board of Directors has appointed two Board committees in accordance with current regulations and the Corporate Governance Code promoted by Borsa Italiana: the Compensation Committee and the Control, Risks and Sustainability Committee.

Consistent with the commitment made by AEFEE to manage and control ESG matters in a proper manner, the Group has employed a Sustainability Manager from January 2023 with a cross-functional remit. This professional is responsible for managing the impact of the organization in the environmental, economic and social areas.

The system of corporate governance comprises a set of legal and technical rules designed to safeguard the stakeholders and ensure maximum transparency via proper management of the Company in terms of governance and control. This system consists in a set of codes, constantly checked and updated, that respond effectively to changes in the regulatory environment and in domestic and international best practices. The composition and principal functions of each governance body are described below:

GOVERNANCE BODY	No. MEMBERS	FUNCTION
Board of Directors	9	<p>The Company is managed by a Board of Directors composed of both executive and non-executive directors, with women comprising 4 out of 9 members.</p> <p>The ordinary Shareholders' Meeting is responsible for appointing the members of the Board of Directors, from the lists of candidates presented by the shareholders, in compliance with the current legislation on gender balance. The Board of Directors exercises the widest powers of ordinary and extraordinary administration, without any exceptions, and has the right to perform all deeds deemed appropriate for the pursuit and achievement of the Company's objects, with the sole exclusion of those reserved by law for the Shareholders' Meeting.</p> <p>The directors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected.</p>
Board of Statutory Auditors	5	<p>The role of the Board of Statutory Auditors involves checking compliance with the law and the articles of association, with the right challenge any non-compliant resolutions before the courts. The Statutory Auditors also verify the adequacy of the administrative and accounting organization and the proper administration of the Company, reporting any significant facts to the Shareholders' Meeting. They can also report any management irregularities to the courts.</p>
Compensation Committee	3	<p>The role of the Compensation Committee is to make proposals to the Board, in the absence of the directors involved, concerning the remuneration of the executive directors and those with specific responsibilities, as well as - at the request of the executive directors - to establish criteria for the remuneration of the Company's senior managers, including any stock-option plans or allocations of shares, as well as any short and medium/long-term MBO bonuses. The Compensation Committee periodically checks the criteria adopted for the remuneration of executives with strategic responsibilities, monitors their application based on information provided by the executive directors and makes general recommendations to the Board on this subject.</p>

GOVERNANCE BODY	No. MEMBERS	FUNCTION
Control, risks and sustainability committee	3	<p>The Control, Risks and Sustainability Committee has been established to support, with recommendations and advice based on appropriate analytical work, the assessments and decisions of the Board of Directors in relation to the system of internal controls and risk management, to the approval of periodic financial reports and to sustainability meaning, in this last case, the various processes and initiatives that address the environmental and social aspects of the Company's activities. The Committee is appointed by the Board of Directors and comprises 3 non-executive directors, 2 of whom are independent, at least one of which must have adequate knowledge and experience of accounting, financial or risk management matters.</p> <p>The Committee remains in office for the period determined each time by the Board of Directors or, if not determined, for the period in which its members remain directors of the Company.</p>

The composition of the governance bodies is in line with prior years, except that the number of women on the Remuneration Committee and the Control, Risks and Sustainability Committee doubled in 2022.

GOVERNING BODIES AND COMMITTEES OF AEF FE S.P.A. ANALYZED BY GENDER AND AGE BAND AT 31.12.2022							
	MEN	WOMEN	TOTAL	<30	30-50	>50	TOTAL
Board	5	4	9		1	8	9
Board of Statutory Auditors	3	2	5			5	5
Compensation Committee	1	2	3			3	3
Control, risks and sustainability committee	1	2	3			3	3

GOVERNING BODIES AND COMMITTEES OF AEF FE S.P.A. ANALYZED BY GENDER AND AGE BAND AT 31.12.2021							
	MEN	WOMEN	TOTAL	<30	30-50	>50	TOTAL
Board	5	4	9		1	8	9
Board of Statutory Auditors	3	2	5			5	5
Compensation Committee	2	1	3			3	3
Control, risks and sustainability committee	2	1	3			3	3

GOVERNING BODIES AND COMMITTEES OF AEFEE S.P.A. ANALYZED BY GENDER AND AGE BAND AT 31.12.2020							
	MEN	WOMEN	TOTAL	<30	30-50	>50	TOTAL
Board	5	4	9		1	8	9
Board of Statutory Auditors	3	2	5			5	5
Compensation Committee	2	1	3			3	3
Control, risks and sustainability committee	2	1	3			3	3

AEFFE S.p.A. published the "Report on remuneration policy and compensation paid" in March 2022. The purpose of this document is to show how it contributes to achievement of the Company's strategy, long-term interests and sustainability. The policy also helps to define the various components of remuneration which may be paid and establishes the criteria for determining variable remuneration. In addition, in July 2021, the Board of Directors of AEFEE S.p.A. approved the long-term incentive plan for executive directors and strategic executives of the Group, which includes a sustainability objective linked to preparation of the NFS.

Resilience and business continuity

The adverse impact of the pandemic on the demand for luxury goods has been significant and has influenced the entire industry worldwide; despite this, AEFEE has implemented a series of high-value strategic actions.

On 28th July 2021, AEFEE S.p.A. acquired the 30% non-controlling interest in Moschino S.p.A. from Sinv Holding S.p.A., Sinv Real Estate S.p.A. and Sinv Lab S.r.l., and now owns the entire share capital.

On 28th June 2022, the Board of Directors of AEFEE S.p.A. resolved to absorb Velmar S.p.A., a wholly-owned subsidiary. The merger deed was signed, after the time interval specified in art. 2503 of the Italian Civil Code, and published on the basis and with the timing established by law.

Via Moschino S.p.A., AEFEE S.p.A. has also signed an agreement to takeover management of the Moschino stores from June 2022. This direct entry into the Chinese market by the Moschino brand involved a transition agreed with the long-established local partner, Scienward Fashion and Luxury (Shanghai) Co. Ltd., after more than 10 years of collaboration.

The operation is part of a strategy for the Moschino brand that seeks to pursue the future integration of its women's clothing collections within the AEFEE Group, in order to exploit the potential for the release of synergies, and develop a business model that is entirely independent, with full control over the brand value chain, from product to quality, with positive effects on the brand image, distribution and communications.

This step has considerable strategic value for the AEFEE Group, representing an important opportunity for the growth and development of the business. As a consequence, medium/long-term strategies and activities can

be planned for the Moschino brand, in an agile and flexible manner that strengthens its positioning and recognizes its major growth potential.

The global economic cycle has continued to feel the effects of exceptionally high inflation, deteriorating financial conditions, uncertainties linked to the conflict in Ukraine, the weakness of activities in China and, to a lesser extent compared with the start of the year, procurement difficulties throughout the value chain.

Despite the difficult macroeconomic situation, the Group has increased sales in both the prêt-à-porter segment and the footwear and leather goods segment, with positive trends for all brands in most markets. The Group is taking prompt and determined action, with a series of initiatives ahead of the relaxation of current restrictions that should benefit profitability from 2023 onwards. While monitoring market dynamics carefully, we remain focused on our long-term strategy to make our brands even more distinctive.

EU Environmental Taxonomy pursuant to Reg. (EU) 2020/852: the regulatory context

The AEFEE Group provides the following information in compliance with Regulation (EU) 2020/852 since, pursuant to Decree 254/2016, the business is required to publish a Non-Financial Statement (NFS).

The Taxonomy Regulation identifies uniform criteria at EU level identifying eco-sustainable economic activities, considering six environmental objectives:

1. Mitigation of climate change;
2. Adaptation to climate change;
3. Sustainable use and protection of the waters and marine resources;
4. Transition to a circular economy;
5. Prevention and reduction of pollution;
6. Protection and restoration of biodiversity and eco-systems.

For FY 2022, KPIs must be reported for the **Turnover, CapEx and OpEx**, as defined in Delegated Regulation (EU) 2021/2178, associated with eligible and aligned activities with respect to the mitigation and adaptation climate change objectives.

Eligible activities comprise all activities explicitly included in the list of economic activities identified in annexes I and II of Delegated Regulation (EU) 2021/2139, regardless of whether or not they satisfy one or all of the technical screening criteria specified in that Regulation for alignment with the mitigation or adaptation climate change objectives³.

Aligned activities comprise those activities that, in addition to being eligible, are also eco-sustainable pursuant to art. 3 of Regulation (EU) 2020/852 and therefore satisfy both of the following criteria:

- **Substantive contribution** to the achievement of one or more environmental objectives;
- do no significant harm to any of the other environmental objectives (**DNSH**⁴ principle);
- comply with the established **Minimum Safeguards**.

³ The fact that current legislation does not cover all the sustainability objectives and all economic activities may affect significantly the data collected, which might change considerably in the coming years. By difference, non-eligible activities include any economic activity for which technical screening criteria are not yet available, since the related Delegated Regulation have not yet been published by the European Commission.

⁴ Do No Significant Harm

European Environmental Taxonomy for the AEFEE Group

The AEFEE Group has analyzed all of its economic activities, considering their consistency with both the NACE codes of Group companies and the descriptions provided in Delegated Regulation (EU) 2021/2139, in relation to its business and operations.

Analysis of the NACE codes did not identify any matches, confirming that the sector in which the AEFEE Group operates is not linked closely to the activities mapped in Delegated Regulation (EU) 2021/2139 with regard to the first two objectives of the Taxonomy, namely climate change mitigation and climate change adaptation. For this reason, in order to perform a more detailed assessment, benchmarking was carried out with respect to the principal competitors of the Group and, more in general, to all companies subject to Decree 2016/254 that have NACE codes similar to those of the AEFEE Group. This benchmarking analysis identified a list of activities identified in Delegated Regulation (EU) 2021/2139 that could be associated with the AEFEE Group. The preliminary screening was checked by top management involved in the processes concerned, who selected the activities applicable to the AEFEE Group from among those mapped.

Following this assessment, the Taxonomy-eligible economic activities of the AEFEE Group were identified. The activities mapped in the following table refer to AEFEE S.p.A. and Pollini S.p.A. and are not directly linked to the core business of the Group, but rather to secondary activities linked to the routine operations of its offices and work to enhance the efficiency of its properties and business assets.

#	Activity per Reg. (EU) 2021/2139	Eligible activities for the AEFEE Group
4.1	Electricity generation using solar photovoltaic technology	Presence of photovoltaic installations at business premises
6.5	Transport by motorbikes, passenger cars and light commercial vehicles	Company fleet with leased, rented and owned vehicles
6.6	Freight transport services by road	Presence of Euro VI goods vehicles
7.3	Installation, maintenance and repair of energy efficiency equipment	LED relamping in the raw materials warehouse and improvements to the efficiency of heating systems
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	Presence of a remote temperature control system and updates to the infrastructure for the temperature monitoring and control system
7.6	Installation, maintenance and repair of renewable energy technologies	Presence of heat pumps and related maintenance activities
7.7	Acquisition and ownership of buildings	Construction of a new industrial building for logistics
8.1	Data processing, hosting and related activities	Corporate servers

The following table presents the KPIs specified in the Taxonomy Regulation for eligible activities in the past two financial years. The numerator and denominator of the ratio, determined in order to identify the percentage eligibility, are calculated in a manner consistent with the accounting criteria defined in para. 1.1 of Annex I to Delegated Regulation (EU) 2021/2178.

These percentages are calculated by considering on the numerator the eligible turnover or expenses for the specific activity at Aeffe S.p.A. and Pollini S.p.A. and, on the denominator - in compliance with regulatory requirements, the consolidated totals for the Group.

Eligibility KPIs	2021			2022		
	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
4.1 - Electricity generation using solar photovoltaic technology	0.07%	-	0.03%	0.08%	0.21%	0.02%
6.5 - Transport by motorbikes, passenger cars and light commercial vehicles	-	1.20%	1.49%	-	0.09%	1.20%
6.6 - Freight transport services by road	-	-	0.33%	-	-	0.29%
7.3 - Installation, maintenance and repair of energy efficiency equipment	-	-	-	-	0.01%	0.01%
7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	-	-	0.06%	-	-	0.05%
7.6 - Installation, maintenance and repair of renewable energy technologies	-	-	0.01%	-	0.13%	0.01%
7.7 - Acquisition and ownership of buildings	-	-	-	-	8.37%	-
8.1 - Data processing, hosting and related activities	-	-	0.44%	-	-	0.19%
TOTAL	0.07%	1.20%	2.34%	0.08%	8.81%	1.77%

For each activity considered, a summary of the turnover and costs included in the numerator of the indicators is presented below:

- **4.1 - Electricity generation using solar photovoltaic technology:** the revenues from the photovoltaic panels installed at the facilities deriving from that part of the power generated but not consumed. Investment in 2022 relates to the new photovoltaic panels installed by Pollini S.p.A. The operating expenses, on the other hand, relate to the periodic maintenance contracts and the costs incurred to monitor the GSE data;
- **6.5 - Transport by motorbikes, passenger cars and light commercial vehicles:** the CapEx indicated relates to the purchase of vehicles by AEFPE S.p.A., while the OpEx relates fleet leasing and rental charges and ancillary services;
- **6.6 - Freight transport services by road:** the OpEx reflects the costs incurred on vehicles supplied for the transportation of goods for the Group.

- **7.3 - Installation, maintenance and repair of energy efficiency equipment:** the CapEx in FY 2022 relates to the purchase of LED lights by AEFPE S.p.A., replacing the neon lighting in a warehouse with solutions that are more energy efficient. The OpEx relates to the installation and maintenance of these LED lights by suppliers. Costs of this type were also incurred by Pollini S.p.A. but, as allowed by the materiality exemption envisaged in Regulation (EU) 2021/2178, they have been ignored for this analysis because they were not significant;
- **7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings:** the operating expenses, incurred by both AEFPE S.p.A. and Pollini S.p.A., relate to routine maintenance of the remote temperature monitoring systems, as well as to related infrastructure updates;
- **7.6 - Installation, maintenance and repair of renewable energy technologies:** operating expenses were incurred on the routine maintenance of the heat pumps installed by AEFPE and Pollini. The capital expenditure in FY 2022 reflects the installation of a heat pump and related heat generation unit by Pollini S.p.A.;
- **7.7 - Acquisition and ownership of buildings:** the CapEX incurred on this activity in FY 2022 relates to the construction by Pollini S.p.A. of a new industrial building for logistics use, including the cost of the related installations.
- **8.1 - Data processing, hosting and related activities:** the operating expenses incurred in both years reflect the rental of local and cloud servers for the facilities within scope.

The analysis carried out in compliance with Regulation (EU) 2020/852 was completed by **checking the alignment of the eligible activities identified**. This involved assessment of the technical screening criteria specified in Delegated Regulation (EU) 2021/2139 that, as mentioned, require a **Substantial Contribution** to one of the climate objectives and respect for the **Do No Significant Harm** principle, i.e. that the activity does not negatively impact achievement of the other five environmental objectives specified in the Taxonomy Regulation.

The following made a substantial contribution to the mitigation of climate change:

- **4.1 - Electricity generation using solar photovoltaic technology;**
- **7.3 - Installation, maintenance and repair of energy efficiency equipment;**
- **7.5 - Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings;**
- **7.6 - Installation, maintenance and repair of renewable energy technologies.**

Despite not having completed checking the substantial contribution made by activity **7.7 - Acquisition and ownership of buildings**, we note that the building was completed in 2022 and is very energy efficient, being included in energy class A3.

The **Minimum Safeguards** criterion pursuant to art. 18 of Regulation (EU) 2020/852 was assessed by considering compliance with the principal international guidelines on human rights. In particular, the AEFPE Group carries out its activities in compliance with the:

- OECD Guidelines for multinational enterprises;
- UN Guiding Principles on Business and Human Rights, including the principles and rights established in the eight fundamental conventions identified in the ILO Declaration on fundamental principles and rights at work⁵;
- Principles and rights established in the Universal Declaration of Human Rights⁶.

Lastly, we note that the technical screening criteria specified in Delegated Regulation (EU) 2021/2139, as they relate to the eligible activities identified by the AEFPE Group, require a solid assessment of the climate risk and vulnerabilities in order to examine the importance of the climate and physical risks for the economic activity. For the purposes of this analysis, the AEFPE Group evaluated the classification, split between chronic and acute, of climate-related risks presented in Appendix A of Annexes I and II to Delegated Regulation (EU) 2021/2139. The Group does not consider these risks to be significant, given the extent and geolocation of the eligible activities; however, a related quantitative structured analysis has not yet been carried out, partly in view of the minimal impact of the activities selected in terms of their economic importance and business relevance to the Group.

Given these considerations and adopting a conservative and prudential approach, the activities selected are not deemed to be aligned with the Taxonomy. The AEFPE Group will consider carrying out a solid analysis of the climate risks for the business-related activities of the Group, having regard for the technical screening criteria for the remaining four environmental objectives specified in Regulation (EU) 2020/852, which are not yet available.

In view of the sector in which the Group operates, we believe that some correspondence will be found, in particular, with the “Transition to a circular economy” objective. Here, the AEFPE Group is working on a number of circularity initiatives, including the use of recycled textiles in production and the use of plastics - in part recycled - for packaging purposes.

See the annexes to this Non-Financial Statement for details about the tables prepared in compliance with Annexes II and XII of Delegated Regulation (EU) 2021/2178.

⁵ Forced labour convention, 1930 - (ratified by L. 274/1934); Freedom of association and protection of the right to organise convention, 1948 - (ratified by L. 367/1958); Right to organise and collective bargaining convention, 1949 - (ratified by L. 367/1958); Equal remuneration convention, 1951 - (ratified by L. 741/1956); Abolition of forced labour convention, 1957 - (ratified by L. 447/1967); Discrimination (employment and occupation) convention, 1958 - (ratified by L. 405/1963); Minimum age convention, 1973 - (ratified by L. 157/1981); Worst forms of child labour convention, 1999 - (ratified by L. 148/2000).

⁶ In implementing procedures relating to the three points presented, the Group complies with the principle specified in art. 2, point 17, of Regulation (EU) 2019/2088.

HUMAN RESOURCES

MATERIAL TOPICS	Occupational health and safety
	Welfare and work-life balance

Management of Human Resources

People are the true strategic asset: in order to preserve and enrich this capital, our people are constantly stimulated and led down a personal and professional growth path, within which the potential and creativity of each individual are realized to the full.

The AEFPE Group is committed to guaranteeing equal opportunities for all collaborators. Furthermore, all decisions made by the Group are based on merit, skill and ability.

The Group rejects all forms of direct or indirect discrimination based on age, state of health, gender, religion, race, political and cultural opinions, or personal or social status.

The primary objective of AEFPE's Human Resources Department is to improve employee performance and plan possible improvements to the related organizational processes, in order to facilitate the growth of the business. Given this, each individual must be considered in a holistic manner, not simply by looking at professional experiences, but also by seeking to understand the person and discover his or her aptitudes, motivations and potential.

Again in 2022, as in prior years, the HR Department of the AEFPE Group has renewed its commitment to ensure that employees have a comfortable, clean and safe working environment. In particular, the risks to which workers and other interested parties are exposed have been identified and evaluated, resulting in suitable preventive actions.

The definition and application of a personnel management model require adoption by the business of a planning process for HR development that, in practical terms, comprises:

- identification of the organizational roles to be covered by internal resources and the related professional profiles;
- search for, selection and hiring of personnel, constant appraisals and recognition of the value contributed to the business, not least in terms of conduct and respect for the corporate culture;
- adoption of appropriate leadership models by the managers of operational teams, and action to develop individuals via training, meritocratic and motivating remuneration policies and/or internal mobility.

In order to implement the above process, AEFPE applies a **personnel appraisal system** under which the contribution made by each member of the organization is compared with that expected over a given period of time. Supporting both the individual and organizational development processes, this tool makes it possible to encourage and motivate collaborators, identifying their strengths and the reasons underlying any weaknesses, so that action can be taken to resolve critical situations, while also highlighting any organizational problems to be addressed by management. This process seeks to involve collaborators in Group actions and

strategies, making the contribution expected from each person more explicit, as well as to identify their development paths and any training needs. This approach also makes it possible to identify current strengths, as a guide to optimal placement in the future, and improve the merit-based compensation system. In particular, the appraisal form contains a specific space for assessing the consistency and alignment of personal conduct with the managerial model adopted by the business, checking compliance with and respect for corporate values and desired organizational behaviors.

The HR function pursued various projects in 2022 that had been greatly slowed by the effects of the pandemic response to the Covid-19 healthcare emergency. In particular, the following projects were implemented:

- **AEFFE Digital Learning** (Altaformazione learning management system - LMS) - purchase of an e-learning catalog comprising 143 courses organized by subject area and delivery/development and dissemination of the suite, with the definition of training paths for various segments of the organization.
- **Fondazione Libellula** (foundation that seeks to act on a cultural level to tackle and prevent violence against women and gender discrimination) - corporate project that strives to implement a Diversity & Inclusion program designed to support a culture based on respect and gender fairness, which was confirmed by membership of the foundation on 25th November 2022 - being the International Day for the Elimination of Violence against Women. The kick-off is scheduled for 24th February 2023.
- **Renewal of the in-house payroll contract** – this new second-level contract would have prioritized aspects of welfare and organizational wellness identified by both workers and management. On 5th April 2022, Management reached a bridging agreement with the Trade Unions for 2022, ahead of renewal of the in-house platform covering the three-year period 2023-2025.
- **Development of the Zucchetti Infinity ZTravel suite** - The new ZTravel software will optimize the entire process for managing travel and expense claims. The objective is to simplify communication processes, facilitating collaboration and increasing the productivity of all sectors involved. From the pre-travel phase, comprising the approval and organization of travel, to the post-travel phase, including administration and the management of expenses, the ZTravel software represents an important step in the digitalization of the business, improving the efficiency of the process and the related tracking of costs.
- **Development of the Zucchetti Infinity Safety & Security suite** - Zucchetti Safety allows 360° management of all aspects of occupational health and safety. The new software makes it possible to plan mandatory training and health monitoring activities in a more integrated and precise manner. This software also has direct access to the HR database, so the HSE team can monitor all organizational changes at any time, enabling checks and monitoring work to be planned, training to be designed and proper PPE to be assigned, based on the roles covered.

Attraction of talent

The Group considers the attraction of new talent to be essential for the success of its brands. Ever more oriented towards the future, the Group gives preference to the recruitment of young people. The process generally begins with an internship that, following a positive appraisal, leads to direct recruitment.

The number of curricula internships decreased in 2022, given that the Company gave preference to non-curricula internships with a more long-term focus. This approach increased the percentage of placements, especially with regard to technical professional roles.

Activation of the internship program has enabled the Group to maintain relations with its network of schools and universities. Indeed, the Group participated in several events during the year including, **for example, recruiting days promoted by Universities and Academies active in the Fashion and Luxury Goods sector**, thus attracting the best talent via its preferential relations with the various University hubs in Italy and Europe. In the same way, the tours usually organized by the Group to enhance the engagement of local students were partially restarted.

The Company runs an **induction program** for all new hires, in order to transmit the brand values right from the start and create an immediate sense of belonging. The day is broken down into three sessions: the first introduces the new people to the history of the Group, presenting the brand portfolio and the corporate values; the second is organizational, explaining the business, the organization charts, the flows and the corporate policies; while the third involves a guided tour of the departments within the plant, so the overall structure can be appreciated and, at the same time, recruits can see directly how collections are organized and produced.

In total, 172 persons were hired in 2022 (+45% compared with 119 in 2021), including 42 by the foreign companies. In Italy, 98 women and 32 men were hired, of whom almost 38% were under 30 years old, while 50% were aged between 30 and 50. The turnover rate for leavers was about 27%⁷: the percentage of persons who terminated their working relationship with one of the Group companies within the scope of reporting was distributed evenly between women and men.

Collective bargaining agreements

The policies and procedures followed by the Group for the management of working relationships are consistent with the various National Employment Contracts applied by the companies concerned. All employees of the Italian companies in the AEFPE Group are covered by National Employment Contracts, as follows:

- Clothing (AEFFE S.p.A., Velmar S.p.A.)
- Leather and shoes (Pollini S.p.A.)
- Retail (AEFFE Retail S.p.A., Pollini Retail S.r.l.)
- Private SMEs (Moschino S.p.A.)
- Industrial executives (Managers of all companies)

Even though local employment rules are different from those applicable in Italy, the employees of AEFPE USA Inc (America) and Moschino Korea Ltd (South Korea) are covered by equivalent contracts within those legislations.

Employment, Diversity and Inclusion

One of the most delicate policies for the management and development of human resources involves disseminating, promoting and defending a culture of gender diversity and guaranteed equal opportunities for all employees.

⁷ The turnover rate is calculated as the ratio of the number of terminations to the number of AEFPE Group employees (within the scope of NFS reporting) at 31st December 2022

In order to build greater awareness among all personnel, the Parent Company published a **Diversity Management** document in 2020. This objective of this initiative is to promote awareness about cultural and organizational change, thus creating an "inclusive" environment in which differences are not the subject of discrimination, but benefit instead from real attention and a listening ear. Again in that year, a "**maternity package**" was included in the in-house agreement, enabling new mothers to benefit from a **system that facilitates the post-maternity return to work**, improves the work-life balance of female workers and, at the same time, enables the Company to make a detailed plan of activities that limits the turnover of personnel. Now, after taking the optional parental leave, new mothers can benefit from shorter hours for a period of 11 months, with a choice of two time bands for their part-time work.

The supplementary in-house agreement also now includes a section on harassment and violence, both in the workplace and outside. In fact, adopting the framework agreement signed by the European social partner organizations on 26th April 2007, information and training activities have been identified to increase awareness about harassment and gender violence in the workplace, together with internal victim support procedures and more favorable provisions for the victims of gender violence. Each year, the Company allows one hour of paid attendance at meetings, in addition to the contractual hours envisaged for awareness campaigns. The corporate fund can also be used for training initiatives. Female employees included in protection programs are entitled to two months of additional remuneration with respect to that envisaged in the related national regulations, and changes to their working hours are facilitated if necessary.

On this topic, in October 2021 the local union organizations published and disseminated a document to inform businesses in the province of Rimini and **promote awareness against violence**. This document included the union agreements reached with several companies in the province of Rimini, among which that signed by AEFEE. The document also disseminated the channels to be contacted in case of workplace discrimination, trouble at home, harassment and violence, enabling the persons involved to obtain greater information about their rights - including access to local anti-violence centers and the Counselor for equal opportunities.

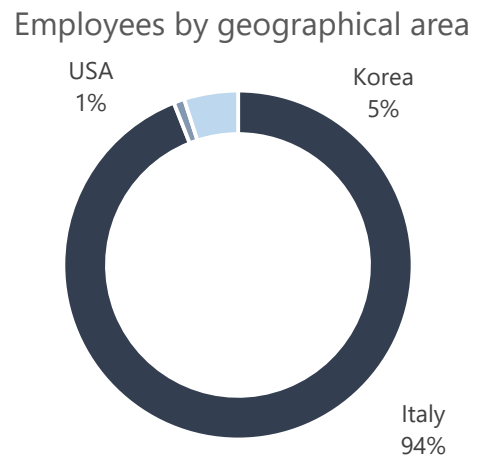
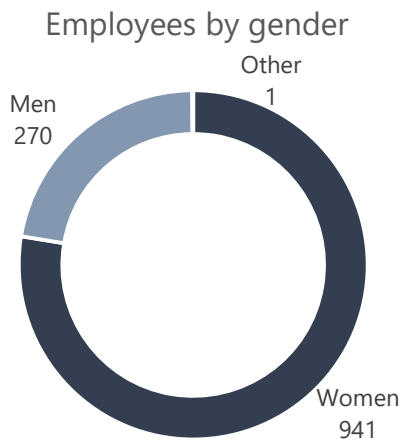
In terms of inclusivity, on 25th November 2022 the Company became a member of Fondazione Libellula, which seeks to unite companies against violence and gender discrimination. The objective on the Foundation and the AEFEE Group is to develop an inclusive working environment that uses language appropriately, so that we can **contribute to building a culture founded on respect, via the deconstruction of stereotypes and the empowerment of women**. More specifically, this project will intensify the training delivered on these topics by introducing an external player that, via surveys, webinars and focus groups, will devise an annual calendar of activities destined to expand over time.

The workforce totals 1,212 persons at the end of 2022, slightly fewer than in 2021, of whom the large majority of the employed population, about 78%, are women. Permanent contracts accounted for about 91% (1,097 contracts) of the total at the end of 2022. Just 9% of workers have fixed-term contracts.

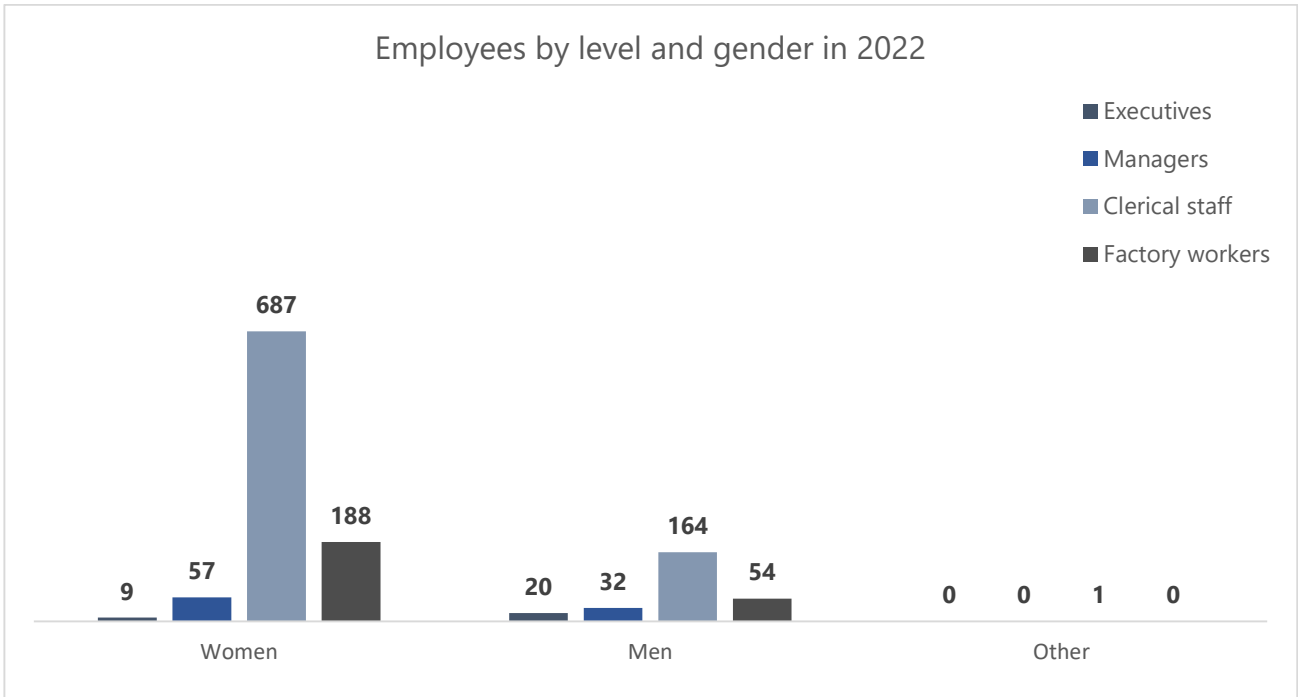
As encouraged in the national collective employment contracts and consequent to the in-house agreement reached with the social partners on the transformation of working hours, 16% of women now have part-time contracts.

EMPLOYEES, ANALYZED BY CONTRACT, JOB TYPE AND GENDER										
	2022				2021			2020		
	MEN	WOMEN	OTHER	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Permanent	251	845	1	1,097	262	872	1,134	258	894	1,152
Fixed term	19	96	0	115	21	69	90	18	64	82
Total	270	941	1	1,212	283	941	1,224	276	958	1,234
Full-time	253	791	1	1,045	262	803	1,065	260	802	1,062
Part-time	17	150	0	167	14	145	159	16	156	172
Total	270	941	1	1,212	276	948	1,224	276	958	1,234

The number of persons employed in Italy totals 1,131, of which 1,028 on permanent contracts and 103 on fixed-term contracts.



EMPLOYEES, BY LEVEL AND GENDER										
	2022				2021			2020		
	MEN	WOMEN	OTHER	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Executives	20	9	0	29	20	10	30	20	10	30
Managers	32	57	0	89	27	36	63	28	36	64
Clerical staff	164	687	1	852	147	668	815	144	676	820
Factory workers	54	188	0	242	82	234	316	84	236	320
Total	270	941	1	1,212	276	948	1,224	276	958	1,234



EMPLOYEES, BY LEVEL AND AGE BAND												
	2022				2021				2020			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
Executives	0	11	18	29	0	11	19	30	0	14	16	30
Managers	1	56	32	89	0	36	27	63	0	42	22	64
Clerical staff	99	528	225	852	104	515	196	815	122	521	177	820
Factory workers	16	100	126	242	20	144	152	316	25	147	148	320
Total	116	695	401	1,212	124	706	394	1,224	147	724	363	1,234
Percentage	10%	57%	33%	100%	10%	58%	32%	100%	12%	59%	29%	100%

Training

In general, the policies adopted by the organization are established and disseminated via programs designed to manage every organizational aspect of personnel training and development, motivation and the comprehensive measurement of performance at all levels.

The principal objectives of this training cover **professional updates, deep dives on certain topics, learning and practical skills**. The sessions are delivered in a variety of ways:

- **external training** at private training bodies;
- **distance learning** using electronic platforms;
- **OTJ training, both in house and at private training bodies.**

The principal training activities and career and skill development plans, as well as the training on such topics as health and safety, the 231 Model and privacy, not to mention the induction of new hires and apprentices, include:

- **technical-professional updates** - Technical skills → these are specific training courses designed to develop the technical skills of individual actors within the organization. Courses include project management, IT training for specialist users of the modeling flow system and tools for the design of clothing/knitwear, IT training, individual and group language courses (English, Chinese), participation in master classes/training seminars and training in sewing techniques;
- **development of managerial skills** - Cross-functional skills → development of inter-personal skills for executives using external providers and training in compliance, depending on the positions held within the organization.

In 2020, a learning management system was purchased as part of a three-year program, enabling the HR department to provide compliance training to collaborators (code of ethics, privacy and GDPR in this phase) on a distance-learning basis. This system makes it possible to track the training delivered and check participation/frequency of attendance.

A total of 4,512 training hours were delivered in 2022⁸, up by 14.2% compared with 2021. Analyzed by gender in 2022, the training received by women and men averaged, respectively, about 3.8 hours each and 4.8 hours each⁹.

TOTAL TRAINING HOURS DELIVERED			
TOTAL TRAINING HOURS	2022	2021	2020
	4,512	3,711	4,267

Occupational Health and Safety

In addition to the implicit requirement to comply with the laws governing the health and safety of employees and collaborators, the AEFPE Group strives as much as possible to make continuous improvements, in order to mitigate corporate risks pursuant to Decree 81/08 as amended.

Via the Safety Office, AEFPE S.p.A. - in its corporate role - coordinates and supervises the activities of Group companies, in order to ensure the control and constant monitoring of situations relating to the health and safety of personnel, as required and specified in the Code of Ethics of AEFPE S.p.A. - point 3.12 "In safeguarding occupational health and safety and the environment".

In full compliance with the Organizational Model envisaged in Decree 231/01, the precepts governing the health and safety work carried out make reference to the guiding principles for ISO 45001 certification, even though the corporate system has not yet been subjected to the certification process.

The work performed by the roles envisaged in Decree 81/08, as amended, implements the processes designed to safeguard occupational health and safety and steadily reduce the identified corporate risk indicators, which are monitored and managed.

In particular, action was taken in 2022 to improve and update certain equipment used at the production facilities in San Giovanni in Marignano and Gatteo.

The necessary culture and attention to occupational health and safety matters is disseminated via the provision of adequate information and constant training to personnel, with a particular focus on the e-learning courses delivered via dedicated platforms.

In Italy, 3,400 hours of health and safety training were delivered during the NFS reference period.

Following the end of the healthcare emergency linked to the Covid-19 pandemic, a number of periodic external courses have been reactivated: First Aid, Fire Prevention, Use of Defibrillators, Use of Equipment or Special Vehicles (forklifts, elevating work platforms).

During the period considered, **20 injuries were recorded out of 1,763,395.00 total hours worked**, which was more than in the previous two years. On the other hand, there were no recordable occupational illnesses, fatal injuries or deaths attributable to injuries and/or occupational illnesses.

⁸ The data relates to AEFPE S.p.A., AEFPE Retail S.p.A., Pollini S.p.A., Pollini Retail S.r.l, Moschino S.p.A. and Velmar S.p.A.

⁹ The data relates to AEFPE S.p.A., AEFPE Retail S.p.A., Pollini S.p.A., Pollini Retail S.r.l and Velmar S.p.A.

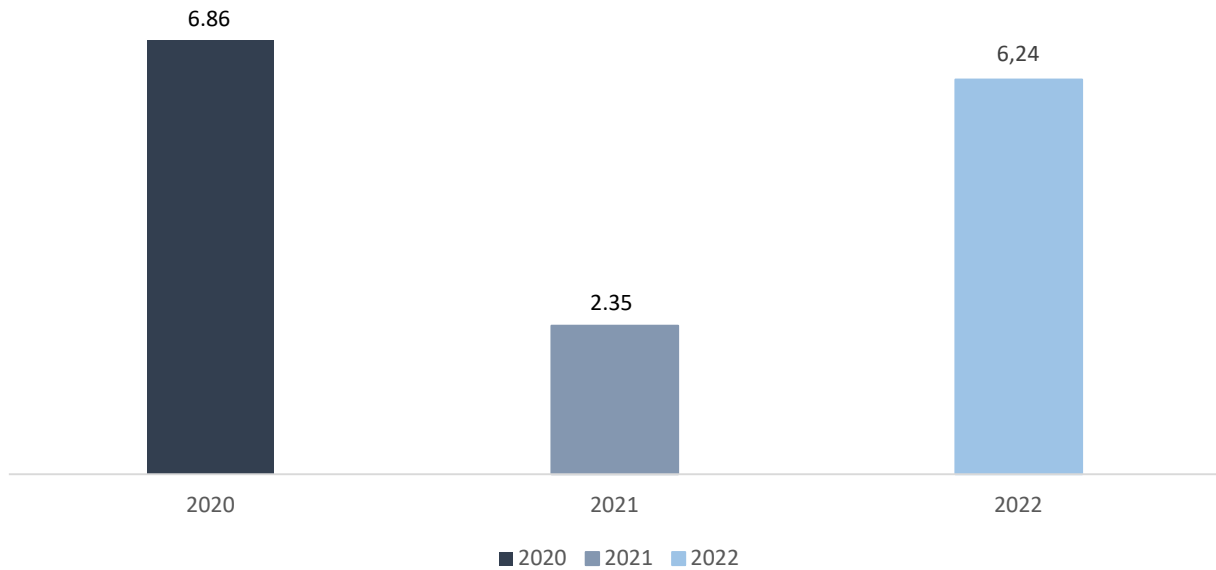
INJURIES			
	31.12.2022	31.12.2021	31.12.2020
	TOTAL	TOTAL	TOTAL
Incidents			
<i>Injuries¹⁰</i>	20	13	14
<i>Workplace fatalities</i>	0	0	0
<i>Fatalities following workplace injuries</i>	0	0	0
Types of injury (no.)			
<i>Recordable workplace injuries</i>	11	4	11
<i>Workplace injuries with serious consequences</i>	0	0	0
<i>Injuries during home/work travel¹¹</i>	9	9	3
INJURY INDICES	31.12.2022	31.12.2021	31.12.2020
	TOTAL	TOTAL	TOTAL
Total hours worked	1,763,395.00	1,703,266.50	1,603,702.50
Recordable workplace injury rate (frequency index) <i>(no. injuries/tot. hours worked)*1000000</i>	6.24	2.35	6.86
Lost days rate (seriousness index) <i>(no. days lost due to injuries and occupational illness/tot. workable hours)*1000</i>	0.25	0.12	0.13

The **recordable workplace injuries** of the AEFPE Group fluctuated considerably during the above three-year period, as shown by the trend indicated in the following chart. Despite this, injuries in the current financial year were 9% lower than in 2020.

¹⁰ The 2020 and 2021 injury data has been adjusted after a recalculation.

¹¹ Incidents during home/work travel are not included in the injury count, as envisaged in the UNI standard on injury statistics.

Recordable workplace injury rate



Covid-19 Healthcare Emergency

With regard to the Covid-19 healthcare emergency that terminated officially on 31st March 2022, close attention was paid subsequently - prior to the summer - to protecting the health of workers and collaborators, thus ensuring the safety of all persons who work or interact with the business. Later, the various measures were gradually abandoned since the reasons for the Covid Protocol have ceased to apply.

Welfare and Well-being

AEFFE has adopted a **corporate welfare plan**, dedicating additional resources with respect to the amounts already allocated to reward the productivity of employees. This plan seeks to create a better working environment, ever more careful to achieve a good work-life balance, the development of human capital and an increased sense of belonging, via a series of initiatives designed to increase the well-being of workers and their families.

The principal welfare initiatives intended to enhance the well-being of employees include:

- **Workers' Recreation Committee (CRAL)** - AEFEE makes funds available to employees for cultural, recreational, training, information and sporting activities, which are managed by a committee of six members designated by the employees and financed by an annual grant from the Company. The corporate intranet contains a list of partner businesses and the discounts applied, together with a calendar of all the activities promoted by the Committee.

- **Purchase of Company products** - AEFPE allows all personnel to purchase Company products at advantageous prices (footwear and leather goods at Pollini, underwear and summer clothes, clothing and accessories) from the related stores. This opportunity is made available twice each year, at specific times notified by the Company, and has also been extended to close family members.
- **Accounting and tax services** - each year, in May, all employees are given an opportunity to obtain tax advice and support (for their Form 730 tax declaration), under an agreement with Cafindustria. The declaration is completed on Company premises, during working hours, with a dual benefit: the first is to free-up personal time, while the second is to obtain reduced rates.
- **Sick pay** - blue-collar workers are entitled to a sick-pay supplement, assuring them of up to 75% of the normal remuneration from the first to the third day of absence; while white-collar workers are entitled to a sick-pay supplement, assuring them of up to 75% of their normal remuneration for the fifth and sixth months away from work.
- **Positive action** - upon request from individual workers (both full and part time) and subsequent presentation of the related documentation, the Company allows up to six hours of paid leave annually for cancer screening medicals and chronic illnesses. In addition, the Company allows an extra hour of meetings, to be held in collaboration with the local health authority on the topic of prevention, if the time envisaged in the national contract has been used in full.
- **Vacation calendar** - working together, management and the union representative establish the vacation calendar by the end of March each year. This regular frequency enables the entire organization to plan vacations and paid leave at both an individual and a collective level.
- **Overtime management** - the Company seeks to minimize overtime by improving the organization of work if possible, or by increasing employment with recourse, for example, to fixed-term contracts. As agreed with the unions some time ago, the supplementary in-house contract has improved on the Time Bank and Flexibility mechanisms envisaged by law.
 - **Time Bank** - this has been improved in two ways:
 - increased from 32 to 40 hours per annum;
 - increased individual uplifts in the month worked.
 - **Flexibility** - designed to tackle fluctuations in the intensity of work. Working together, the Company and the unions establish different attendance hours at certain times of the year. These may exceed the contractual hours up to the annual limit of 70 hours. Once the contractual hours have been exceeded, working hours may be reduced by the same number at other times of the year, when the workload is less intense.
- **Flexitime** - In order to cap the presence in work areas and spread arrivals in the various departments, the introduction of flexitime as a result of the pandemic during the past two years means that shift arrival and departure times can be varied. This innovation has been well received and discussions with the unions about the next update to the in-house contract will consider whether to confirm it and/or make adjustments.
- **Part-time quotas** - The Company has agreed with the unions to consider a temporary increase in the percentage of part-time working, beyond that envisaged in the national contract, for the benefit of employees who may need to change their work-life balance for a while.
- **Sanimoda extension** - The supplementary healthcare fund for workers - compulsory for permanent employees and apprentices - has been extended to fixed-term contracts after completion of the trial period.

- **Termination indemnities, advances and transfers** - persons employed prior to 2007 who have joined supplementary pension schemes are able to request an annual advance against their termination indemnities, for allocation to their pension fund in order to increase the related benefits.
- **Company Fund** – following agreement with the unions, a Company Fund has been established for the benefit of workers, by financing their cultural, recreational, training, information and sporting activities. This fund has made 32 study grants available to deserving children of employees engaged in first- and second-level secondary and university education.
- **Assignment of leave and vacation time** – as agreed with the unions and pursuant to art. 24 of Decree 151/2015, colleagues may assign “solidarity hours” to persons faced with extremely serious events involving their children and/or immediate family.
- **Smartworking** – given the encouragement of smartworking embodied in national legislation, the Company has continued to test this way of working, extending it to departments that usually work in a traditional manner. Ahead of renewal with the social partners of the in-house platform for 2023-2025, management signed a bridging agreement that extended the same conditions for the whole of 2022.

Despite an economic and financial situation conditioned by the effects of the Covid-19 pandemic on business volumes and sales, during 2022 **AEFFE paid a bonus of € 900.00 each to everyone, converting via a union agreement the variable wage bonus envisaged in the in-house agreement, as allowed in the national decrees governing fringe benefits.** This increased the purchasing power of workers and helped to mitigate the effects of higher inflation and utility costs.

Relations with the Community

During 2022, AEFfe decided to allocate the majority of its donations and gifts to charities focused on health and research (Fondazione Mente, Anlaidis Lombardia and Fondazione IEO Monzino), on children (The Children for Peace, Puravida 2.0 APS and il Porto dei Piccoli Onlus) and education (University of Bologna, Scuole Paritarie Maestre Pie and Fondazione Rui). In particular, the UNIBO projects supported by the Group during the year promote exchanges between the worlds of education and work, by supporting the growth of young talents.

The principal trade associations joined by the Group include Confindustria Romagna, Camera Nazionale della Moda and Altagamma.

In addition, AEFfe allowed AUSL Romagna to set up meeting points for molecular swabbing at various locations in San Giovanni in Marignano, thus contributing actively to the fight against Covid-19 and helping to safeguard the health of the population.

In 2022, the Group participated in the “Fashion Deserves the World” project launched by Camera Nazionale della Moda, which offered new opportunities for refugees and migrants to enter into the world of fashion. Specifically, this project involved 15 candidates in a program of on-line mentoring that covered multiple disciplines, from the selection of fabrics and leathers, to design, sustainability, logistics, e-commerce and bricks&mortar retail, as completed by an examination of key aspects of communications and personal branding. As a consequence of this project, one candidate was awarded an internship that concluded with an excellent appraisal, enabling her to obtain an employment contract in the tailoring department of Moschino.

ENVIRONMENT

MATERIAL TOPICS	Circular economy
	Energy efficiency and sustainable products
	Fight against climate change and management of emissions

With regard to environmental matters, application of the organizational model of the AEFEE Group ensures full compliance with the relevant laws and regulations, while also working over the years to improve employee awareness and energy efficiency in order to reduce their personal environmental footprint.

In application of Decree 231/01 with reference to point 3.12 "In safeguarding occupational health and safety and the environment" of the Code of Ethics of AEFEE S.p.A., the organizational model requires activities similar to those envisaged for ISO 14001 certification, even though the system implemented has not yet been subjected to the certification process.

Waste is generated by Group companies in full compliance with sector laws and regulations; however, constant efforts are made to reduce the incidence and quantity of the waste produced.

In recent years, management has implemented a practical program designed to enhance the sustainability of the AEFEE Group. This program directly involves employees and collaborators in various initiatives that build common awareness of the need to reduce the environmental impact of productive activities, thus normalizing the adoption of good practices by all personnel.

Assessment regarding the 11 TCFD recommendations

With a view to managing the risks and opportunities associated with climate change, during 2020 the AEFEE Group carried out a preliminary assessment (building on the statements made in the 2019 NFS) to identify how well the business is aligned with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. This task force was established in 2015 by the Financial Stability Board (FSB) at the request of the G20 Economy Ministers and Central Bank Governors, who called for a review of the way in which the financial sector takes account of climate-related matters. The main purpose of the recommendations is to help organizations in all sectors (financial and non-financial) explain to investors and other stakeholders how they evaluate and disclose their climate-related risks and opportunities. Starting from this premise, the Task Force has developed 11 recommendations covering four subject areas: **Governance, Strategy, Risk & Management, Metrics & Targets** Starting from these recommendations, the AEFEE Group used a specific scoring methodology to check the alignment of the 2019 NFS with the 11 TCFD recommendations. This analysis showed that the AEFEE Group is well aware of both the "critical" physical risks, such as those linked to extreme weather events (flooding, rising sea levels, etc.), and the transition risks associated, for example, with a potential loss of reputation among the various stakeholders. This activity enabled the Group to identify the climate disclosure gaps with respect to the requirements of each TCFD recommendation and, at the same

time, to start thinking about adopting a structured approach to improving the level of its climate disclosures and/or maintaining the high standards attained. In this way, the AEFPE Group will be able to:

- help potential investors and stakeholders to assess the quality of the climate disclosures made;
- deliver tangible and measurable results, not only economically but also from a social and environmental standpoint;
- stimulate innovation internally;
- attract investment and new business partners.

The signatories of the Fashion Pact are committed to achieving the Science-Based Targets (SBTs) for the climate, in order to become net carbon zero by 2050 and:

- implement the principles of the UN Fashion Charter;
- procure 25% of raw materials from sources with a low environmental impact by 2025;
- consume 50% of energy from renewable sources by 2025 and 100% by 2030.

The AEFPE Group production facilities at San Giovanni in Marignano and Gatteo have launched an energy efficiency project designed to reduce consumption via the remote monitoring and management of air conditioning installations, as well as via the partial replacement of traditional lighting with LEDs in order to reduce consumption significantly and avoid the release of significant quantities of CO₂ into the atmosphere. In addition, a new-generation photovoltaic system has been installed at the Gatteo facility. Given the good results obtained, this is very likely to be expanded in the near future.

Lastly, the continued use of bio-degradable water bottles in vending machines and the water fountains installed at the headquarters in San Giovanni in Marignano together reduce the quantity of plastic that is indirectly attributable to the productive activities of AEFPE S.p.A.

With regard to the improvements in progress and actions to be taken, further initiatives to safeguard the environment will be planned in the near future that address more completely the expectations of future generations.

Energy Consumption and Emissions

The companies considered, Aeffe S.p.A., Velmar S.p.A. and Pollini S.p.A., consumed a total of **18,264 GJ of fossil fuels** in 2022, of which 65% was natural gas used by heating installations. Additionally, during the last financial year Pollini S.p.A. consumed 15,147 liters of gasoline following a change in the way fuel consumption by the company fleet is counted: in addition to commercial vehicles, the consumption by sales representatives has been included from 2022.

During the same period, the AEFPE Group consumed **16,632 GJ of electricity, of which 12% self-generated by the photovoltaic installations** located at the premises of AEFPE S.p.A. and Velmar S.p.A. in San Giovanni in Marignano and, from 2022, at the Gatteo facility of Pollini S.p.A.

FOSSIL FUEL CONSUMPTION						
	2022		2021		2020	
	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ
AEFFE S.p.A.						
Natural gas for heating (Sm ³)	171,570	6,157	150,639	6,026	135,367	5,396
Fuel for the company fleet (l)	136,391	4,902	127,667	5,107	114,293	4,379
<i>Diesel (l)</i>	131,772	4,752	121,834	4,873	111,519	4,282
<i>Gasoline (l)</i>	4,619	150	5,833	233	2,774	97
POLLINI S.p.A.						
Natural gas for heating (Sm ³)	158,375	5,683	204,375	8,175	148,882	5,934
Fuel for the company fleet (l)	43,719	1,522	33,730	1,349	37,711	1,448
<i>Diesel (l)</i>	28,572	1,030	33,730	1,349	37,711	1,448
<i>Gasoline (l)</i>	15,147	492				

ELECTRICITY CONSUMPTION ¹²						
	2022		2021		2020	
	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ
Electricity purchased						
from renewable sources ¹³			4,446,064	16,006	3,817,399	13,743
from non-renewable sources	4,049,458	14,579				
Total self-produced electricity consumed (Kwh)	570,254	2,053	479,155	1,725	474,799	1,709

¹² The data relates to AEFEE S.p.A., Velmar S.p.A. and Pollini S.p.A.

¹³ The source for the 2020 calculation is HERACOMM. The estimated 2021 data is based on GSE recognition, pursuant to Ministry of Economic Development Decree dated 31st July 2009, of the fuel mix of electricity input to the national grid in 2020: renewables 45.04%.

Greenhouse gas emissions¹⁴

The Scope 1 emissions generated by the AEFPE Group totaled **1,144 tCO₂eq** in 2022, down 12.8% compared with 2021.

DIRECT EMISSIONS SCOPE 1						
	2022		2021		2020	
	TOTAL GJ	TOTAL tCO ₂ eq	TOTAL GJ	TOTAL tCO ₂ eq	TOTAL GJ	TOTAL tCO ₂ eq
AEFFE S.p.A.						
Natural gas for heating	6,157	346	6,026	363	5,396	325
Fuel for the company fleet	4,902	367	5,107	361	4,379	310
<i>Diesel</i>	4,752	356	4,873	345	4,282	303
<i>Gasoline</i>	150	11	233	16	97	7
POLLINI S.p.A.						
Natural gas for heating	5,683	319	8,175	492	5,934	357
Fuel for the company fleet	1,522	112	1,349	96	1,448	103
<i>Diesel</i>	1,030	77	1,349	96	1,448	103
<i>Gasoline</i>	492	35				
TOTAL SCOPE 1	18,264	1,144	20,656	1,312	17,157	1,094

For full compliance with the GRI Standards, the Scope 2 emissions - linked to the purchase and consumption of electricity - were calculated using both the location-based and the market-based methods. While the **location-based** method considers the average intensity of the GHG emissions of the grids supplying the electricity consumed, principally determined using their average emission factors, the **market-based** method considers the emissions from the electricity that the organization has intentionally contracted to use¹⁵. Over the past financial year, these values amounted respectively to **995 tCO₂eq and 1,849 tCO₂eq**, representing a decrease in emissions of 56.7% when calculated using the location-based method, and of 9.4% when calculated using the market-based method.

¹⁴ The data relates to AEFPE S.p.A., Velmar S.p.A. and Pollini S.p.A.

¹⁵ The location-based emission factors are calculated using the conversion factors issued by Terna, International comparisons 2020. The market-based emission factors are calculated using the conversion factors indicated in European Residual Mixes "AIB 2021".

	2022	
	TOTAL Kwh	TOTAL tCO2eq
Electricity purchased (Location-based method)	4,049,658	995
Electricity purchased (Market-based method)	4,049,658	1,849
Total direct emissions Scope 1 + indirect emissions Scope 2 (LB method)		1,845
Total direct emissions Scope 1 + indirect emissions Scope 2 (MB method)		2,699

	2021	
	TOTAL Kwh	TOTAL tCO2eq
Electricity purchased (Location-based method)	4,446,064	2,299
Electricity purchased (Market-based method)	4,446,064	2,041
Total direct emissions Scope 1 + indirect emissions Scope 2 (LB method)		3,611
Total direct emissions Scope 1 + indirect emissions Scope 2 (MB method)		3,353

	2020	
	TOTAL Kwh	TOTAL tCO2eq
Electricity from non-renewable sources	3,817,399	491
Total Scope 2	3,817,399	491

Management of water resources

The water consumption reported for the AEFEE Group comprises that of the production facilities at San Giovanni in Marignano and Gatteo, which are considered those most meaningful in relation to the scope of reporting.

WATER DRAWN FROM THE MAINS (MEGALITERS)			
	2022	2021	2020
AEFFE S.p.A. and VELMAR S.p.A.	18.73	24.02	20.76
POLLINI S.p.A.	4.75	6.19	1.60

During period examined, about **23.48 megaliters of water** were drawn, entirely from municipal water service providers. The amount of water drawn was 22% lower than in 2021, when a broken water pipe on corporate premises resulted in losses.

Water discharges are considered urban in nature, given the absence of processing that might involve the release of products or dissolved substances that could be hazardous.

Waste disposal

As required by the relevant laws and regulations, applying good technical rules with the diligence of a good father of a family, the Group not only separates waste properly, but also motivates personnel to reduce the impact of the waste generated.

The providers of waste management services have been qualified to work with the companies in the AEFEE Group, in accordance with current waste disposal regulations.

For the purposes of this consolidated Non-Financial Statement, the most significant waste is produced at the facilities of AEFEE S.p.A. in San Giovanni in Marignano and those of POLLINI S.p.A. in Gatteo.

AEFFE S.p.A. does not generate any hazardous waste, while POLLINI S.p.A. does generate some.

The waste generated by the three facilities totaled **313.65 tonnes**.

WASTE GENERATED ¹⁶(t)	2022	2021	2020
Non-hazardous waste	308.71	132.89	141.07
Sent for disposal	179.09		
of which: incineration with energy recovery			
of which: incineration without energy recovery			
of which: sent to landfills	169.35		
of which: other types of disposal	9.74		
Not sent for disposal	133.78		
of which: preparation for reuse			
of which: recycled			
of which: other types of recovery	133.78		

WASTE GENERATED (t)	2022	2021	2020
Hazardous waste	0.78	0.97	1
Sent for disposal	0.73		
of which: incineration with energy recovery			
of which: incineration without energy recovery			
of which: sent to landfills			
of which: other types of disposal	0.73		
Not sent for disposal	0.052		
of which: preparation for reuse			
of which: recycled			
of which: other types of recovery	0.052		

¹⁶ The data in the tables relates to AEFEE S.p.A., Velmar S.p.A. and Pollini S.p.A.

FIGHT AGAINST CORRUPTION AND HUMAN RIGHTS

MATERIAL TOPICS**Anti-corruption and compliance**

Prevention of corruption

One of the key factors supporting the reputation of AEFEE is the ability of the Group to conduct business with integrity, transparency, legality, impartiality and prudence, in compliance with the law.

AEFFE is committed to tackling, combating and condemning corruption in all its forms, including extortion, bribery and racketeering: pursuit of the interests of or advantages for the Group cannot, under any circumstances, justify unethical, dishonest or illegal conduct. For this reason, the fight against corruption in all its forms, active or passive, is considered to be an unforsakable commitment.

In order to manage the risks linked to human rights and the fight against corruption, AEFEE S.p.A.¹⁷ has adopted an **organization, management and control model** pursuant to Decree 231/2001. All other companies (Italian and foreign) within the reporting scope operate in compliance with the guidelines and **Code of Ethics** of the Parent Company, including those covering the fight against corruption and the safeguarding of human rights.

The Organization, management and control model pursuant to Decree 231/01 (the Model) is updated constantly to reflect regulatory changes. Each semester, an independent external firm performs tests on the established operational procedures to check whether they reduce the risk that management and subordinates might commit offenses for the benefit of or in the interests of the Company.

The Model and the Code of Ethics have a dual purpose as, on the one hand, they describe the system of procedures and controls required by the Board of Directors in order to reduce the risk of committing the identified offenses and, on the other, they provide a series of instructions for conduct, including prohibitions, intended to ensure the ethical management of the business, compliance with all the regulations that govern its functioning and, not least, the effectiveness and efficiency of all activities, in the interests of the stakeholders.

AEFFE has activated training courses, delivered on an e-learning basis, for a wide range of persons in order to increase their knowledge of the 231 Model and how it is applied.

No cases of corruption were identified within the reporting scope during the year. All members of the Board of Directors of the Parent Company and all employees have been informed about the policies and protocols in force regarding the fight against corruption; in addition, all new hires are given a folder on the 231 Model, which includes the Code of Ethics issued by the Parent Company. The training provided is adapted to the needs of the organizational roles concerned.

¹⁷ The other companies in the Group that fall within the reporting scope are subject to management and coordination by the Parent Company.

In addition, no legal actions were brought for anti-competitive conduct in 2022 and there were no infringements of the antitrust rules.

Whistleblowing

In compliance with the provisions of Law 179/2017, AEFPE has identified specific procedures for reporting offenses identified in Decree 231/2001, establishing special safeguards for “whistleblowing” employees and making available a number of alternate channels for the filing of reports e.g. the e-mail address of the Supervisory Body: segnalazioni.AEFPE@gmail.com.

The Supervisory Body of AEFPE S.p.A. guarantees the privacy of the whistleblower and the party reported on, makes suitable assessments, checks and analyses of the reports received, exercises appropriate investigative powers and is authorized to access corporate documents in order to verify, as necessary, the information received.

In all cases, the Supervisory Body informs the whistleblower about the outcome of the reports filed. This communication has been sent to all employees via publication on the Company Portal.

Privacy

AEFFE strives constantly to align and harmonize corporate processes with the personal data protection regulations (Regulation (EU) 2016/679 and Decree 196 dated 30th June 2003), as well as with the guidelines issued by domestic and European authorities, and best practices, by adopting specific policies and internal procedures.

During 2022, the AEFPE Group decided to obtain help with managing the various accountability requirements by entrusting the provision of technical-legal advice on personal data protection matters to Studio Paci, which has accumulated many years of experience in this sector.

Subsequent to this appointment, the preliminary work of Studio Pace was to survey and update the infragroup data processing and qualify the principal roles via specific meetings with the managers of the various business sectors. This work was carried out in preparation for the design of procedures that Group companies will have to implement from 2023, taking pre-planned and timetabled steps.

Given the types of data processed and the various purposes of processing, the principal Group companies have already appointed an external Data Protection Officer pursuant to arts. 37, 38 and 39 of Regulation (EU) 2016/679, in order to guarantee the independence of that role in carrying out the relevant duties.

AEFFE has also sought to identify the technical and organizational measures deemed suitable for guaranteeing a level of security appropriate to the risks deriving from its processing activities, as required by art. 32 of Regulation (EU) 2016/679. This activity took account of the state of the art and related implementation costs, the nature, object, context and purposes of processing, the probability of each risk and its severity in terms of the rights and freedoms of natural persons. With particular reference to the state of the art, the adequacy of the security measures was assessed with reference to the progress made by the technology available on the market and the most significant threats that might affect business processes.

During 2022, the companies within the scope of reporting did not receive any substantiated complaints concerning breaches of client privacy and losses of client data.

Data protection procedures

Data Protection Impact Assessment (DPIA): A specific procedure must be followed whenever a project or initiative is planned that might have an impact on the processing of personal data, in order to assess the data protection impact of the project.

Data Breach Notification: this procedure followed by Group personnel establishes the conduct required when it becomes known, or suspected, that the Company has suffered the theft or loss of personal data. In particular, a specific process must be followed to report infringements of personal data to the Supervisory Authority, as required by the GDPR, the new European Privacy Regulation.

ECONOMIC PERFORMANCE AND PROCUREMENT

MATERIAL TOPICS	Responsible management of the supply chain
	Brand protection and promotion
	Territorial presence and markets served

Territorial presence

The AEFPE Group operates in the fashion and luxury sector, producing and distributing a wide range of products that include prêt-à-porter, footwear and leather goods, lingerie and beachwear.

Group activities include: design, prototyping, sampling, sales campaigns, internal/external production, quality control, logistics, communications, e-commerce and direct retail.

There are **3 main distribution channels** for Group products:

- 1) **Bricks&Mortar Retail** including stores managed directly by Group companies;
- 2) **Direct On-line**, which comprises the sale of goods via on-line stores and the best marketplaces active on the web;
- 3) **Wholesale**, represented by major multi-brand stores operated by franchisees, department stores, direct showrooms and those of agents and importers.

Retail sales are made by the Group via directly-operated stores (DOS) in prestigious and strategic locations, in terms of both image and commercial significance, mainly in Europe, the USA, China and Korea.

Via the Wholesale channel, the AEFPE Group maintains long-term commercial relations with leading international retailers, all with vast experience of the fashion and luxury sector and substantial shares of their reference markets in China, the Far East, the Middle East, Western and Eastern Europe and the USA.

The Group strives constantly to strengthen its presence in the markets already served and to expand further geographically via: consolidating the positions already attained in the reference markets, not least by developing relations with major distributors and importers, as well as by penetrating further and developing markets with high growth potential in the Far East, the Middle East and Eastern Europe. Indeed, the Group consolidated its presence in mature markets during 2022 and implemented an agreement signed in 2021 for the direct management of stores in Mainland China. Following this agreement, the Group now has full control over the entire value chain of the brand, from product to quality, and from distribution to communications. Given this importance of this market, the direct management of distribution in China will allow precise control of the brand image, attentive customer service and, above all, accelerated commercial penetration, based on an expansion plan that envisages new store openings and the strengthening of travel retail.

Economic performance

The mission of the Group is to grow internationally in the prêt-à-porter and the luxury footwear and leather goods segments, developing the multi-brand strategy based on brands that complement each other, with differentiation in terms of positioning and reasons for use, while safeguarding the exclusivity of the product lines presented.

Group strategy also seeks the continuous improvement of operational efficiency and profitability, via revenue growth and by leveraging the drivers made available due to the efficiency and flexibility of the organizational model adopted. This model, characterized by rigorous control of the value chain, can be subdivided into the following principal phases that correspond to specific functions: i) styling; ii) R&D; iii) procurement; iv) sales campaigns; v) production, quality control and logistics; vi) communications, marketing and public relations; vii) distribution.

Heavy investment in 2022 enabled the Group to establish a direct presence in China and, although Covid badly affected business in that geographical area during 2022, the groundwork was laid for the relaunch of retail and travel retail in 2023.

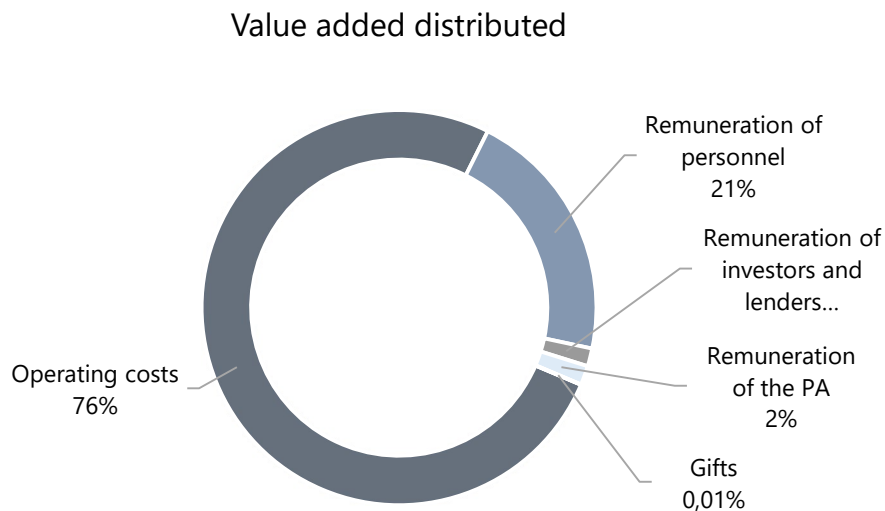
In addition, the investment in communications was increased in 2022, with a significant impact on the recognition of Group brands, which have become stronger.

The **Income Statement** of the entire AEFPE Group is presented below, **classified in terms of value added**. See the information presented elsewhere in the financial statements for further details.

ECONOMIC VALUE GENERATED AND DISTRIBUTED			
	2022	2021	2020
Revenues	352,005,965	324,592,143	269,116,774
Other income	8,260,512	7,495,937	8,916,299
Financial income	381,032	218,005	328,127
Total economic value generated by the Group	360,647,509	332,306,084	278,361,200
Operating costs	(254,256,193)	(231,858,943)	(209,546,821)
Remuneration of personnel	(69,862,250)	(63,136,252)	(61,752,840)
Remuneration of investors and lenders	(4,969,575)	(3,235,134)	(3,233,739)
Remuneration of the Public Administration ¹⁸	(5,256,767)	4,800,940	3,269,468
Gifts	(42,543)	(179,350)	
Total economic value distributed by the Group	(334,387,329)	(293,608,739)	(271,263,932)
Economic value retained by the Group	26,260,180	38,697,346	7,097,268

¹⁸ The remuneration of the Public Administration includes the change in deferred taxation.

The value added absorbed by **operating costs**, which represent 76% of the economic value distributed, has increased from 231.8 million euro to 254.2 million euro, up by about 10% with respect to 2021; the portion allocated to **personnel**, in the form of wages, salaries and social security charges, has declined from 63.1 million euro to 69.8 million euro, an increase of 11%; as shown in the chart below, about 21% of the total value added was absorbed by them; the **providers of own capital and loans** were remunerated with 4.9 million euro, up compared with the prior year.



Transparent fiscal approach

Taxes are the principal source of revenue for public bodies and governments, enabling them to offer priority services such as education, security and health care for their citizens. The payment of taxes is a key element of the corporate social responsibility recognized by AEFPE, which is aware of the social role played by the Group, not only in employment terms, but also with regard to the taxes paid on the wealth generated.

AEFFE strives to apply the fiscal legislation of the countries in which it operates, as well as all other tax rules and regulations, ensuring respect for the related underlying objectives of such legislation and regulations. Should the tax rules give rise to doubts about their interpretation or difficulties in their application, reasonable approaches are adopted after discussions with the tax authorities and professional advisors.

Procurement

As always, AEFPE collaborates with long-standing vendors, maintaining relations marked by mutual trust, common values and a shared vision of the future.

One of the key characteristics of the procurement of raw materials is **rigorous quality control**: raw materials and/or semi-finished goods are always delivered to Group companies by their vendors and checked by dedicated internal functions, before being sent to the external workshops responsible for the different phases of the production process.

Purchases are made on the basis of projections that take account of the progress made by the sales campaigns, the data for which is updated every week. Selection depends on identifying the most suitable vendors for each

type of raw material, with constant monitoring of their performance in terms of meeting delivery and quality specifications.

Vendor selection privileges **quality, flexibility and the highest level of professionalism**, focusing above all on the type of product offered: as a secondary selection criterion, vendors that perform best are rewarded. This approach has made it possible to identify key vendors with which the supply chain can be managed responsibly, not only in terms of the specific raw material supplied, but also - and more generally - with regard to the adoption of ethical behavior consistent with the vision of the Group.

The AEFPE Group worked with **1,740 vendors** during the past financial year, up by 65.5% compared with 2021. The network of vendors is principally established with reference to economic convenience and the high quality of the materials required/supplied. In particular, the production chain mainly comprises Italian vendors located in the main textile districts, including Como, Prato and Biella. A very small amount of production is located abroad, enabling AEFPE to procure such elements as polyester and lace, which are not commonly produced in Italy. **Out of the total of 1,740 vendors recorded in 2022, about 83% are Italian.** The high percentage of Italian vendors enables the Group to reduce transportation costs considerably and, therefore, to mitigate the environmental impact generated by its operations.

NUMBER OF VENDORS BY GEOGRAPHICAL AREA		
2022	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEFPE S.p.A.)
Number of vendors located in ITALY	1,030	422
Number of vendors located in EUROPE	111	103
Number of vendors located in ASIA	26	0
Number of vendors located in the REST OF THE WORLD	30	18
TOTAL VENDORS	1,197	543

NUMBER OF VENDORS BY GEOGRAPHICAL AREA		
2021	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEFPE S.p.A.)
Number of vendors located in ITALY	719	203
Number of vendors located in EUROPE	38	24
Number of vendors located in the REST OF THE WORLD	54	19
TOTAL VENDORS	811	240

NUMBER OF VENDORS BY GEOGRAPHICAL AREA		
2020	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEF FE S.p.A.)
Number of vendors located in ITALY	729	259
Number of vendors located in EUROPE	44	27
Number of vendors located in the REST OF THE WORLD	71	18
TOTAL VENDORS	844	304

In general, Group companies mainly purchase raw materials (fabrics), accessories (custom or to be customized), semi-finished items and finished garments from certified vendors, over which the organization exercises direct control over all the components and processing cycles employed to make clothing, footwear and/or accessories.

Textile workshops comprise a key category of strategic vendors, making garments that satisfy the requirements and styling guidelines of each collection.

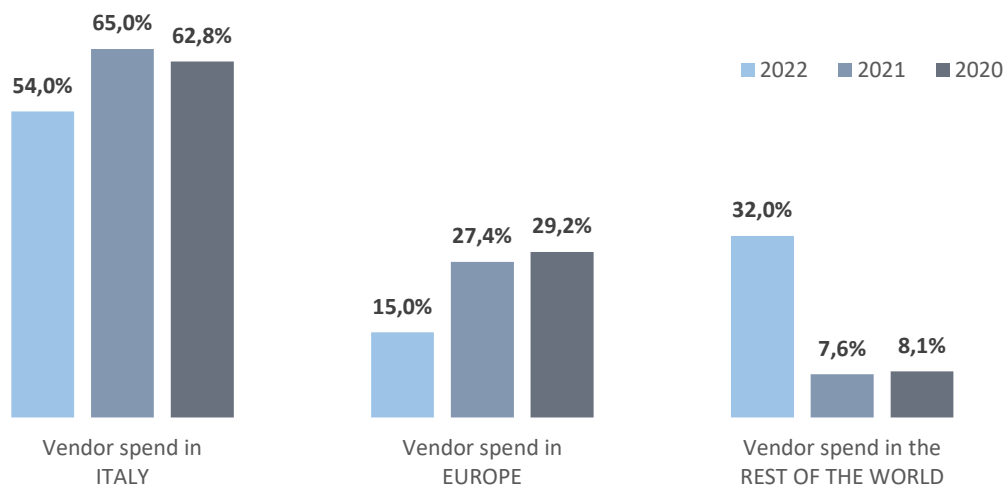
Consistent with the previous two years and the above data, more than half of the spending on vendors was directed to those resident in Italy. Commencing from 2022, a significant portion of this spending is directed towards vendors located in Asia.

PROPORTION OF VENDOR SPEND BY GEOGRAPHICAL AREA		
2022	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEF FE S.p.A.)
Vendor spend in ITALY	54%	53%
Vendor spend in EUROPE	3%	38%
Vendor spend in ASIA	42%	
Vendor spend in the REST OF THE WORLD	1%	9%

PROPORTION OF VENDOR SPEND BY GEOGRAPHICAL AREA		
2021	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEF FE S.p.A.)
Vendor spend in ITALY	68.7%	61.6%
Vendor spend in EUROPE	22.6%	31.8%
Vendor spend in the REST OF THE WORLD	8.7%	6.6%

PROPORTION OF VENDOR SPEND BY GEOGRAPHICAL AREA		
2020	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEF FE S.p.A.)
Vendor spend in ITALY	60%	65%
Vendor spend in EUROPE	31%	28%
Vendor spend in the REST OF THE WORLD	9%	7%

Percentage of spend (total), by geographical area



As mentioned, **vendors are selected with reference to the following criteria:**

- quality and performance of the materials;
- specific technical requirements;
- possession of quality certification;
- financial strength;
- transparency and legality;
- efficiency and thrifty use of resources;
- no use of hazardous substances.

In addition, infringements by the vendor of the conduct specified in the Code of Ethics represent a breach of contract and, on detection by AEF FE, justify immediate termination of the contract. At this time, there are no structured processes for the rating of vendors in accordance with ESG criteria.

PRODUCTS

MATERIAL TOPICS	Brand protection and promotion
	Circular economy
	Energy efficiency and sustainable products

The organizational model of the Group is characterized and distinguished by the independence of each maison in terms of creativity and styling (research and experimentation are the essence of the forma mentis of each stylist), without however foregoing the ability to draw on synergies deriving from the concentration within a single organizational structure of such activities as the management of production and the distribution of multi-brand product lines. This makes it possible to organize seamlessly the management of procurement, production and distribution, thereby containing costs and adopting uniform policies for the organizational aspects.

The objective to recognize the individual nature of each maison is pursued via an “island” organizational model that, for each stylist, envisages a style office dedicated to creating the design, with a supporting R&D division that helps the style office during the creative process through to the production of samples.

In addition, sustainability - in the widest sense - is a principle with deep roots in the history of the Group, which has always used materials and processes that comply with qualitative standards, current regulations and the various aspects of sustainability.

Research and development

The creative development of each product is carried out by the stylist and the styling office, which devise each collection based on their own intuition and experience, supported by the information about market trends identified by internal functions within the Group.

Within AEFEE, the R&D department play a fundamental role in determining business strategies and the paths followed, having a close correlation with the entire production area that make it possible to translate established objectives into reality. By definition, this department is constantly improving: continuous investment in new products, in order to improve them radically or merely make adjustments requested by the market, while maintaining a high level of quality and competitiveness.

Packaging

The approach to the management of packaging materials has changed and improved over time, and AEFEE has acted to find improvements and ways to implement environmental and sustainability policies.

There are many **initiatives dedicated to the sustainable management of packaging**, among which:

- **renewal of certain packaging** in order to optimize its saturation and adaptability to the specific content, thus lowering costs and the quantity of paper used;
- decision to use a plastic consisting 50% of recycled materials as a filler for the packaging used to satisfy e-commerce purchases;

- use of boxes designed to **saturate better the volume of trucks** and their content, avoiding the “waste” of materials on over-sized packaging for small quantities of goods.

During 2022, AEFEE continued the efforts made for the responsible management of packaging. The Company has put a number of solutions into practice that reduce the non-recyclable nature of the packaging, in order to enhance its sustainability. The previous use of many types of over-sized packaging failed to optimize transportation, resulting in inefficiencies. Determination of the optimal combination of primary, secondary and tertiary packaging means that each product can be packaged in a systematic manner, reducing its environmental impact as much as possible while respecting client needs.

Quality of raw materials

The AEFEE Group is committed to using raw materials that comply with ecological standards, striving constantly to ensure the quality of products sold and their safety. This commitment also extends to ensuring compliance with international requirements, even by vendors, adopting a precautionary approach to the various challenges and studying the environmental and social impact of products throughout their life cycles.

In order to mitigate risks, the Group **bases its business strategy on product quality**, ensuring implementation by leveraging the skill and professionalism of its human resources to satisfy the differing requirements of stakeholders. The **safety, reliability and guaranteed high quality of the products offered** are all fundamental factors, based on constant evolution and innovation, in order to ensure maximum customer satisfaction.

The attention paid to the section of raw materials is supported by specific actions, including the requested completion of a technical sheet for each material, evidencing its physical and performance characteristics, as well as compliance with strict protocols, such as GB-18401. Additionally, raw materials are subjected to specific tests to check the information provided.

Once again in 2022, **AEFEE progressively selected sustainable raw materials**, such as biological cotton and wool, recycled synthetics and artificial materials, purchased from sources managed in an aware manner. AEFEE is committed to making unique clothes, produced with the lowest-possible environmental impact while remaining durable.

Research and innovation requires the selection of materials for the garments made that, in addition to the health aspect, have innovative characteristics in terms of the raw materials used and the related finishing: a technical sheet must be completed for each raw material, highlighting its physical and performance characteristics, and specific tests are carried out in order to check the statements made. The Group constantly looks out for innovative materials suitable for the manufacture of unique products.

Lastly, AEFEE treats **the ability to recycle materials as an important point to be developed**; indeed, efforts continue to separate production waste and segregate it from used packaging and wrapping materials in an optimized and effective manner.

With regard to AEFEE S.p.A. and Pollini S.p.A., 58% of the materials used in the production (and packaging) of their products during 2022 consisted of cotton, leather, synthetic fibers and metal. The value of purchased materials totaled Euro 31,855,533, up by 28.5% with respect to 2021.

TOPICS	2022	2021	2020
AEFFE SPA AND POLLINI SPA	VOLUME (€)	VOLUME (€)	VOLUME (€)
Cotton	4,207,491	3,476,287.63	3,652,058.12
Wool	3,202,989	3,111,162.80	2,394,197.80
Synthetic fibers (polyester, polyamide, modacrylic, PVC, polyethylene)	5,737,726	4,001,296.20	3,188,967.21
Acrylic	0	1,855,659.49	84,956.52
Silk	2,756,462	159,570.85	1,347,646.98
Linen	160,632	1,609,215.95	192,098.68
Leather	4,287,956	1,798,562.60	3,418,445.49
Rubber	5,093	486,769.00	227,270.42
Metal	4,195,966	3,005,878.30	3,804,501.08
Plastic	1,848,743	2,570,189.05	
Cardboard	1,428,330	63,950.23	302,226.00
Artificial fibers (viscose, acetate, triacetate and cupro)	3,909,054	2,577,488.34	2,265,564.10
Other (mother of pearl, corozo, abaca, wood, glass, horn, textile paper, other fibers)	115,091	63,950.23	119,207.15
TOTAL	31,855,533	24,779,980.64	20,997,139.55

The data for the consumption of materials and raw materials by Velmar S.p.A., absorbed by AEFfe S.p.A. during 2022, is presented separately from the other Group companies, as its business model envisages different procurement and production processes, characterized by the purchase of finished products.

The data provided has been estimated by multiplying the average weight of a garment by the number of items produced.

VELMAR SPA MATERIAL - WEIGHT (t)	2022	2021	2020
Cotton	131.70	188.23	310
Wool			1
Synthetic fibers	16.40	23.49	12
Metal	0.12	0.17	2
Plastic	4.20	6.00	17
Cardboard	4.10	6.00	80
Other (viscose, acetate, triacetate and cupro)		0.25	
TOTAL	156.52	224.14	421.08

2022 VELMAR SPA	WEIGHT (T)	OF WHICH RECYCLED MATERIALS	% RECYCLED MATERIALS
Cotton	131.70		
Synthetic fibers	16.40		
Metal	0.12		
Plastic	4.20	2.3	55%
Cardboard	4.10		
TOTAL	156.52		

CLIENTS AND RESPONSIBLE COMMUNICATIONS

**MATERIAL
TOPICS**

Satisfaction and management of client relations

Transparent information about products and offers to clients

Clients

Today, businesses have to work in ever more unstable and complex environments, characterized by market perturbations and multiple product/client/market combinations.

In this context, the AEFPE Group pays attention to market changes, with a particular focus on the interests of new generations, without neglecting those of existing loyal clients, via the omni-channel management of all points of contact between the business and its clients.

The main clients of the AEFPE Group can be subdivided into 2 macro-families:

- **end customers (B2C)**, who are not only consumers of products, but also persons who enjoy luxury experiences. They are demanding, attentive, digital, social and seekers of quality products;
- **B2B clients**, such as the leading multi-brand stores in the sector.

By presenting an ever more innovative range, the Group confirms its ability to satisfy varying market requirements via a product that reflects client demand more closely, with the special processing of materials, aesthetic details and creative choices.

Lastly, the Group has maintained a constant digital and social media presence on Facebook, Twitter, Instagram and YouTube, among others. The two principal social media channels used by the Group generated the following audiences (total for all brands) in the year to 31st December 2022:

- 15,460,000 followers on Instagram
- 2,066,497 followers on Facebook

The health and well-being of clients is a top-of-mind topic for the Group, which has always focused heavily on the safety of the chemical substances used in the production of its products and in the production processes, requiring vendors to comply with strict qualitative protocols.

During 2022, there were no non-conformities with the regulations and/or codes of self-regulation governing the health and safety impact on clients of the products and services sold.

Responsible marketing and communications

All products carry a label containing information about the composition of the materials used, the related washing instructions, proper maintenance, how to look after the product properly, and so on. In addition, the place of production and other "Made in" information is indicated, together with any special product characteristics (e.g. Eco Cert, FSC, Organic Textile) and the source of such materials as leather, sheepskins, suede and fur.

In the case of leather products, a tag is added to identify the distributor of the product, contact details in case of need and general indications about proper use of the product.

A pictogram is attached to footwear showing the materials used for the uppers, lining and bottom stock. The box contains a booklet describing the artisan nature of the product, its maintenance and the name of the distributor. Only when necessary, a second document provides details about the use of materials with specific, non-standard characteristics. An external label describing the product is applied to the box.

On the other hand, the boxes used to ship finished products to clients contain a symbols sheet explaining how to dispose of them properly.

There were no cases during 2022 of non-conformities regarding the information about and labeling of products that resulted in a fine or a warning; similarly, there were no complaints about alleged non-conformities in relation to the marketing activities carried out, including advertising, promotions and sponsorships.

ANNEXES

TEMPLATES PER ANNEX II TO DELEGATED REGULATION (EU) 2021/2178 TURNOVER

Economic activity (1)	Codes(9) (2)	Total turnover (3)	Portion of turnover (4)	Criteria for substantial contribution						Criteria for do not significant harm						Guaranteed minimum safeguards (17)	Taxonomy-aligned turnover, year N (18)	Taxonomy-aligned turnover, year N-1 (19)	Category (qualifying activity) (20)	Category (transitional activity) (21)
				Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percentage	Percentage	Q	T
A. TAXONOMY-ELIGIBLE ACTIVITIES				%																
A.1. Eco-sustainable activities (taxonomy aligned)																				
Turnover of eco-sustainable activities (taxonomy aligned) (A.1)		- €	0%														0%			
A.2. Taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities)																				
Electricity generation using solar photovoltaic technology	4.1	270,508.93 €	0.08%																	
Turnover of taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities) (A.2)		270,508.93 €	0.08%																	
Total (A.1 + A.2)		270,508.93 €	0.08%																	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Turnover of taxonomy non-eligible activities (B)		351,735,456.07 €	99.92%																	
Total (A+B)		352,005,965.00 €	100%																	

CAPEX

Economic activity (1)	Code(s) (2)	Total capital expenditure (3)	Portion of capital expenditure (4)	Criteria for substantial contribution						Criteria for do not significant harm						Guaranteed minimum safeguards (17)	Portion of taxonomy-aligned capital expenditure, year N (18)	Portion of taxonomy-aligned capital expenditure, year N-1 (19)	Category (qualifying activity) (20)	Category (transitional activity) (21)
				Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
				%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N					
A. TAXONOMY-ELIGIBLE ACTIVITIES				%																
A.1. Eco-sustainable activities (taxonomy aligned)																				
Capital expenditure on eco-sustainable activities (taxonomy aligned) (A.1)		- €	0%														0%			
A.2. Taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities)																				
Electricity generation using solar photovoltaic technology	4.1	120,980.00 €	0.21%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	49,530.00 €	0.09%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	5,807.20 €	0.01%																	
Installation, maintenance and repair of renewable energy technologies	7.6	74,965.00 €	0.13%																	
Acquisition and ownership of buildings	7.7	4,734,010.00 €	8.37%																	
Capital expenditure on taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities) (A.2)		4,985,292.20 €	8.81%																	
Total (A.1 + A.2)		4,985,292.20 €	8.81%																	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																				
Capital expenditure on taxonomy non-eligible activities (B)		51,603,329.80 €	91.19%																	
Total (A+B)		56,588,622.00 €	100.00%																	

OPEX

Economic activity (1)	Code(s) (2)	Criteria for substantial contribution								Criteria for do not significant harm							Guaranteed minimum (17)	Portion of taxonomy-aligned operating expenditure, year N (18)	Portion of taxonomy-aligned operating expenditure, year N-1 (19)	Category (qualifying activity) (20)	Category (transitional activity) (21)
		Total operating expenditure (3)	Portion of operating expenditure (4)	Mitigation of climate change (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						
		Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percentage	Percentage	Q	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES		%																			
A.1. Eco-sustainable activities (taxonomy aligned)																					
Operating expenditure on eco-sustainable activities (taxonomy aligned) (A.1)		-	€	0%													0%				
A.2. Taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities)																					
Electricity generation using solar photovoltaic technology	4.1	9,219.00	€	0.02%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	485,485.00	€	1.20%																	
Freight transport services by road	6.6	117,202.00	€	0.29%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	2,109.20	€	0.01%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	20,625.50	€	0.05%																	
Installation, maintenance and repair of renewable energy technologies	7.6	2,200.00	€	0.01%																	
Data processing, hosting and related activities	8.1	78,336.00	€	0.19%																	
Operating expenditure on taxonomy-eligible activities that are not eco-sustainable (taxonomy non-aligned activities) (A.2)		715,176.70	€	1.77%																	
Total (A.1 + A.2)		715,176.70	€	1.77%																	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																					
Operating expenditure on taxonomy non-eligible activities (B)		39,674,408.33	€	98.23%																	
Total (A+B)		40,389,585.03	€	100.00%																	

TEMPLATES PER ANNEX XII TO DELEGATED REGULATION (EU) 2021/2178

Nuclear energy related activities		
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Since the AEFEE Group does not carry out the economic activities identified in Annexes I and II, sections 4.26, 4.27, 4.28, 4.29, 4.30 and 4.31 of Delegated Regulation (EU) 2021/2139 (namely nuclear energy and fossil gas related activities), templates 2, 3, 4 and 5 in Annex XII to Delegated Regulation (EU) 2021/2139 are not presented.

GRI CONTENT INDEX

STATEMENT OF USE	The AEFEE Group has used the “with reference to GRI Standards” option to report in this Non-Financial Statement the information contained in the GRI Content Index for the period 1.01.2022 - 31.12.2022
GRI 1	GRI 1: Foundation 2021

GRI SUSTAINABILITY REPORTING STANDARD		NOTES	PAGE
GENERAL DISCLOSURES			
GRI 2: General Disclosures 2021	2-1	Organizational details	4-5; 50
	2-2	Entities included in the organization’s sustainability reporting	4-5
	2-3	Reporting period, frequency and contact point	4
	2-4	Restatements of information	35
	2-5	External assurance	7; 72
	2-6	Activities, value chain and other business relationships	50; 52-56; 59
	2-7	Employees	31
	2-9	Governance structure and composition	17-20
	2-10	Nomination and selection of the highest governance body	18

GRI SUSTAINABILITY REPORTING STANDARD		NOTES	PAGE
2-11	Chair of the highest governance body		18
2-14	Role of the highest governance body in sustainability reporting		18
2-19	Remuneration policies		18-20
2-20	Process to determine remuneration		18-20
2-22	Statement on sustainable development strategy		3
2-23	Policy commitments	The Company pursues excellence in serving its customers, with a view to creating value for its shareholders and all other stakeholders, maintaining and developing relations based on the principles of integrity, transparency, legality, impartiality and prudence. These guidelines are included in the Code of Ethics, which is an integral part of the Organization, Management and Control Model pursuant to Decree 231/01, available on the website www.aeffe.com	
2-26	Mechanisms for seeking advice and raising concerns		48
2-27	Compliance with laws and regulations	No cases of non-compliance with laws and regulations were identified during the year	
2-28	Membership associations		38
2-29	Approach to stakeholder engagement		8-9
2-30	Collective bargaining agreements		29

GRI SUSTAINABILITY REPORTING STANDARD		NOTES	PAGE
MATERIAL TOPICS			
GRI 3: Material topics 2021	3-1	Process to determine material topics	9
	3-2	List of material topics	10-14
MATERIAL TOPIC: TERRITORIAL PRESENCE AND MARKETS SERVED			
GRI 3: Material topics 2021	3-3	Management of material topics	50-51
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	51-52
GRI 207: Tax 2019	207-1	Approach to tax	52
MATERIAL TOPIC: RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN			
GRI 3: Material topics 2021	3-3	Management of material topics	52-55
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	54-55
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	55

GRI SUSTAINABILITY REPORTING STANDARD			NOTES	PAGE
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria		55
MATERIAL TOPIC: ANTI-CORRUPTION AND COMPLIANCE				
GRI 3: Material topics 2021	3-3	Management of material topics		47
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures		47
	205-3	Confirmed incidents of corruption and actions taken		47
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		47
MATERIAL TOPIC: ENERGY EFFICIENCY AND SUSTAINABLE PRODUCTS				
GRI 3: Material topics 2021	3-3	Management of material topics		40-41; 57-58
GRI 301: Materials 2016	301-1	Materials used by weight or volume		58
	301-2	Recycled input materials used		58
GRI 302: Energy 2016	302-1	Energy consumption within the organization		42
	302-4	Reduction of energy consumption		41-42

GRI SUSTAINABILITY REPORTING STANDARD			NOTES	PAGE
MATERIAL TOPIC: FIGHT AGAINST CLIMATE CHANGE AND MANAGEMENT OF EMISSIONS				
GRI 3: Material topics 2021	3-3	Management of material topics		40-41; 45
GRI 303: Water and effluents 2018	303-1	Interactions with water as a shared resource		44-45
	303-3	Water withdrawal		45
	303-4	Water discharge		45
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions		43
	305-2	Energy indirect (Scope 2) GHG emissions		44
MATERIAL TOPIC: CIRCULAR ECONOMY				
GRI 3: Material topics 2021	3-3	Management of material topics		45-46
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts		45
	306-3	Waste generated		46
	306-4	Waste diverted from disposal		46
	306-5	Waste directed to disposal		46

GRI SUSTAINABILITY REPORTING STANDARD			NOTES	PAGE
MATERIAL TOPIC: WELFARE AND WORK-LIFE BALANCE				
GRI 3: Material topics 2021	3-3	Management of material topics		27-28; 36-38
GRI 401: Employment 2016	401-1	New employee hires and employee turnover		29
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		36-38
MATERIAL TOPIC: OCCUPATIONAL HEALTH AND SAFETY				
GRI 3: Material topics 2021	3-3	Management of material topics		34-35
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system		34
	403-2	Hazard identification, risk assessment, and incident investigation		27; 34
	403-5	Worker training on occupational health and safety		34
	403-9	Work-related injuries		35
	403-10	Work-related ill health		35

GRI SUSTAINABILITY REPORTING STANDARD			NOTES	PAGE
MATERIAL TOPIC: SATISFACTION AND MANAGEMENT OF CLIENT RELATIONS				
GRI 3: Material topics 2021	3-3	Management of material topics		49; 59
GRI 416: Customer health and safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		59
GRI 418: Customer privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		49
MATERIAL TOPIC: TRANSPARENT INFORMATION ABOUT PRODUCTS AND OFFERS TO CLIENTS				
GRI 3: Material topics 2021	3-3	Management of material topics		59-60
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling		59-60
	417-2	Incidents of non-compliance concerning product and service information and labeling		60
	417-3	Incidents of non-compliance concerning marketing communications		60
MATERIAL TOPIC: BRAND PROTECTION AND PROMOTION				
GRI 3: Material topics 2021	3-3	Management of material topics		20-21; 50; 56-57

GRI SUSTAINABILITY REPORTING STANDARD		NOTES	PAGE
FURTHER INFORMATION REPORTED			
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	34
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	19-20; 32-33
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination during the reference period

Independent Auditors' Report

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and of article 5 of CONSOB Regulation n. 20267 of January 18, 2018

To the Board of Directors of AEFPE S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267 of January 18, 2018, we have been engaged to perform a limited assurance engagement on the Consolidated Non-Financial Statement of AEFPE S.p.A. and its subsidiaries (the "Group") as at December 31, 2022 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on March 15, 2023 (hereinafter the "NFS").

The limited assurance engagement performed by us does not extend to the data contained in paragraph "AEFPE Group EU Taxonomy disclosure" of the NFS, required by article 8 of the European Regulation 2020/852.

Directors' and Board of Statutory Auditors' responsibility for the NFS

The Directors are responsible for the preparation of a NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative, identified as a reporting standard.

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

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group' business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behaviour.

Our audit firm applies the International Standards on Quality Control 1 (ISQC Italia 1) and, consequently, maintains a quality control system that includes documented policies and procedures, regarding compliance with ethical requirements, professional standards and

applicable laws and regulations.

Auditors' responsibility

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

The procedures performed on the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the process in place for the selection process in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree.
3. If applicable: comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
 - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
 - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
 - Main risks generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).

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

Specifically, we carried out interviews and discussions with the management of AEF FE S.p.A. and we also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, with respect to significant information, taking into consideration the Group's business and characteristics:

- at parent company's level:

- a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.
- b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of AEF FE Group as of December 31, 2022 has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the Decree and selected GRI Standards.

Our conclusions on the NFS of AEF FE Group do not extend to the data contained in paragraph “AEF FE Group EU Taxonomy disclosure” thereof, required by article 8 of the European Regulation 2020/852.

Bologna, March 30, 2023

Signed by
BDO Italia S.p.A.

Gianmarco Collico
Partner

*This report has been translated into English language
solely for the convenience of international readers.*