

2021



CONSOLIDATED NON- FINANCIAL DECLARATION OF THE AEF FE GROUP FOR 2021

Prepared pursuant to Decree 254/2016

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LETTER TO THE STAKEHOLDERS

Dear Stakeholders,

We are pleased to present the new edition of the consolidated non-financial declaration of the AEFEE Group as of 31st December 2021, prepared pursuant to Decree 254/2016, which summarizes the objectives, activities, impacts and results of the Group in the environmental, social and sustainable governance areas.

This declaration is part of an increasingly complex and strategic approach to sustainability, which strives to progressively embed ESG topics in all aspects of the Group's business: from policies in favor of our personnel to the expansion of our activities linked to product and environmental sustainability, with arrival in 2022 at the definition of a true and proper Sustainability Plan that will guide future strategic decisions.

Sustainability is, in fact, an integral and determining factor in our work and we seek to pursue it with respect for and contributing to achievement of the 17 Sustainable Development Goals (SDGs) specified in the UN 2030 Agenda: a commitment to continue working for the responsible and sustainable creation of value, via balanced management of the business that respects all our stakeholders.

We believe that our demonstrable commitment and dedication to sustainable development has always been recognized and supported by the market. Over the years, this has encouraged us to improve our performance, aware that sustainability is an importance challenge, inherent in the fundamental principles of business behavior, that represents the consistent manifestation of a culture rooted in our people and expressed in the corporate Code of Ethics. We are similarly aware of current and future challenges that are increasingly characterized by factors and risks of a non-financial nature, such as the new forms of social inequality and the fight against climate change. The Group is thinking heavily about these and other aspects, not merely to contribute to, but also to become a leader of the sustainable transition promoted by international institutions with the Green Deal.

This past year, 2021, was again severely conditioned by the Covid-19 pandemic, which has had significant effects on, above all, the social sphere of our personal lives and communities. Consequent analysis of where we stand has resulted in courageous decisions about new ways of working.

Concluding, we remain aware of the opportunities that the future, sometimes uncertain, will allow us to grasp by steadfastly working to strengthen our brands - which represent our reputation in the marketplace - and emphasize the growing sustainability of our products.

Kind regards to all,

Massimo Ferretti



METHODOLOGY

The AEFPE Group (hereinafter also referred to as AEFPE or the Group) falls within the scope of application of Decree 254/2016 - issued pursuant to Directive 2014/95/EU of the European Parliament and of the Council of 22nd October 2014 - which requires the directors to prepare a Consolidated Non-Financial Declaration (hereinafter also referred to as the Declaration or NFD), in order to describe to the shareholders and, more generally, all stakeholders, the principal aspects of the Group's social and environmental performance during the year ended 31st December 2021.

In order to comply with the reporting criteria envisaged in Decree 254/2016, the Group has applied the **GRI Sustainability Reporting Standards (GRI Standards)** to prepare this Consolidated Non-Financial Declaration. The related guidelines, issued in 2016 by the Global Reporting Initiative, represent the reference model most widely adopted at an international level for reporting on sustainability. Given the need to keep the indicators used up to date, the versions of GRI 303 (water and effluents) and GRI 403 (occupational health and safety) issued in 2018, and GRI 306 (waste) issued in 2020, have been adopted in order to address those topics in accordance with the latest reporting standards.

This declaration has been prepared in accordance with the fundamental principles for the definition and quality of disclosures established by the GRI standards: stakeholder inclusiveness, sustainability, materiality, completeness, accuracy, balance, clarity, comparability, reliability and timeliness.

The "GRI Content Index" presents, in summary form, a table that correlates the information reported by the Group with the relevant GRI indicators, opting for a **Core level of coverage**.

The data presented relates to 2021 and is compared, where possible, with the results for 2020. The information was collected directly, with the exception of certain estimates - duly reported in the document - that do not affect the accuracy of the data presented.

All principal departments contributed to determining the contents of this Declaration, while data collection and the preparation process were managed by the HR Department of AEFPE S.p.A.

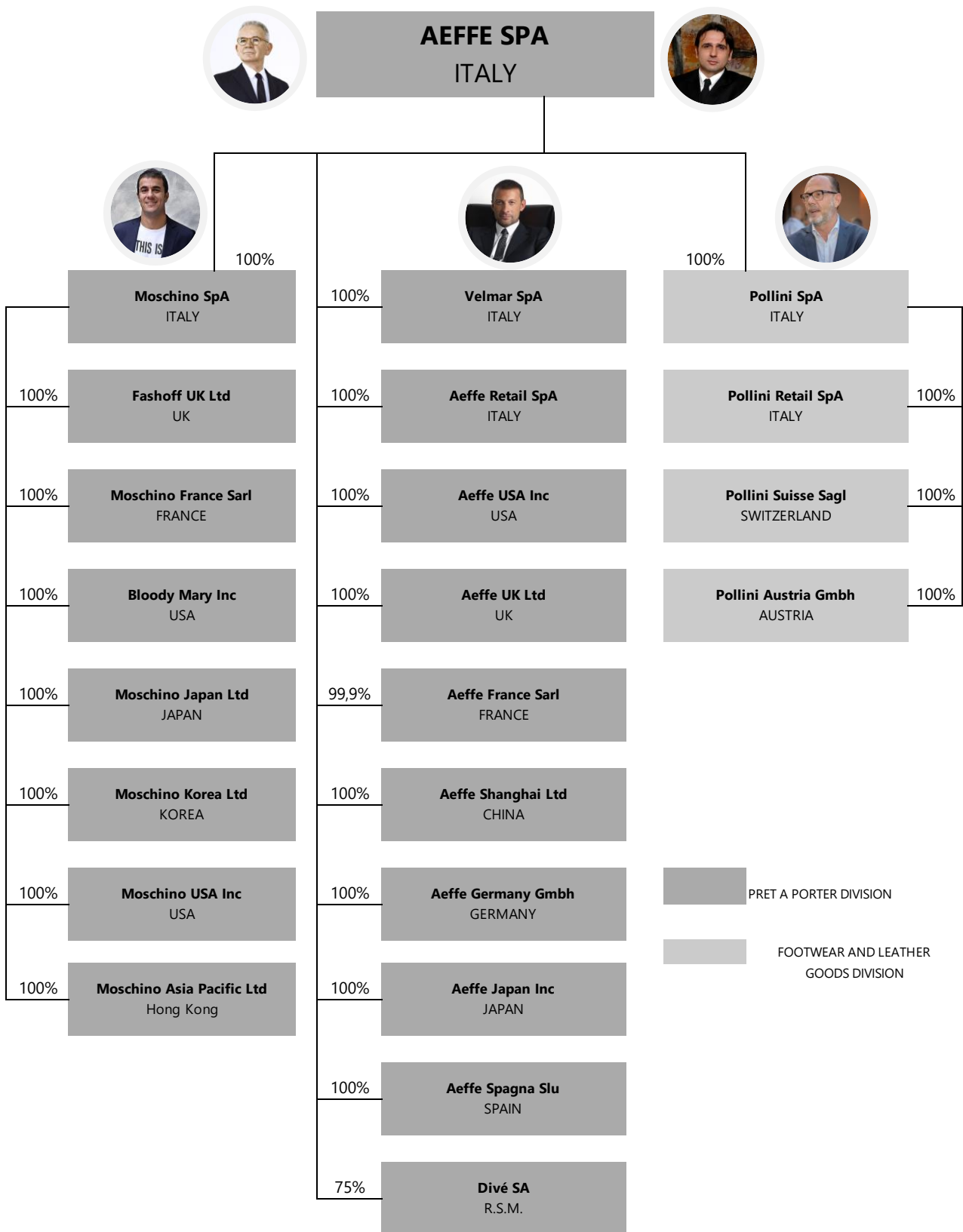
Scope of the Consolidated Non-Financial Declaration

The following Group companies are included within the reporting scope of this Non-Financial Declaration: AEFPE S.p.A., AEFPE Retail S.p.A., AEFPE 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 Japan Ltd; Moschino USA Inc; AEFPE UK Ltd; AEFPE Japan Inc; AEFPE France Sarl; AEFPE Shanghai Ltd; AEFPE Germany GmbH; AEFPE Spagna Slu; Divè SA; 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 Declaration 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.

The following diagram presents the corporate structure of the Group, including its controlling interests at 31st December 2021.



Analysis of materiality associated with risk

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:



AEFFE updated its materiality matrix in 2021 by applying the materiality determination process to identify and prioritize the most significant sustainability topics for its business and stakeholders; in addition, consistent with last year, the Group deemed it appropriate to include material topics within the matrix after considering the related level of perceived risk identified for 2020 deriving from failure to monitor the sustainability factor concerned.

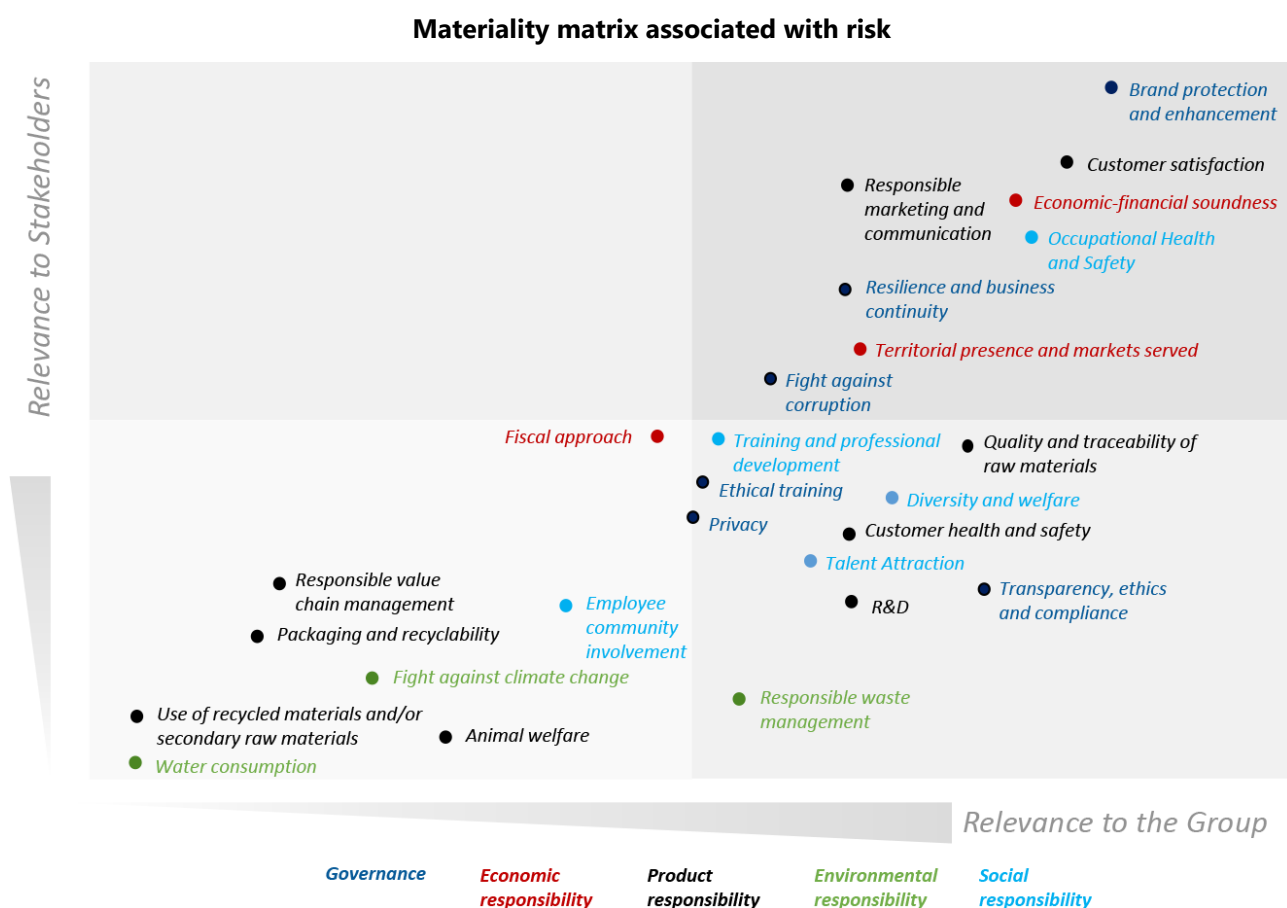
The materiality determination process, which resulted in updating the materiality matrix associated with risk, was implemented by listening to clients directly, by requesting them to complete an on-line survey to identify the significance of each topic from the standpoint of an external stakeholder.

This analysis made it possible to:

- confirm certain material topics and identify others;
- determine the degree of alignment/misalignment between the standpoint of stakeholders and that of the organization on each topic;
- analyze and identify the level of risk associated with each topic.

Material topics were identified within the boundaries envisaged in Decree 254/2016, having regard for the need to ensure that the activities of the Group are understood, together with the impacts generated by them. In particular, these 18 topics encompass the more significant economic, social and environmental impacts of the organization, while also influencing the decisions made by both internal and external stakeholders.

The topics not deemed material are indicated in the bottom-left section of the materiality matrix presented below.



The topics obtaining the highest score principally relate to the «Governance» and «Product responsibility» macroareas, followed by the «Social responsibility» and «Economic responsibility» macroareas. Lastly, the surveys found that the most significant topics for clients are linked to all aspects of sustainability, except for «Economic responsibility», confirming the highest priority of those topics perceived most directly, such as occupational health and safety, client health and safety, waste generation and management, privacy protection, cyber security and anti-corruption.

AREA	MATERIAL TOPIC	DESCRIPTION
Governance	Transparency, ethics and compliance in business operations	Proper implementation of current domestic and international regulations and management of the business in an ethical and transparent manner, with relevant stakeholder reporting
	Privacy protection and cyber security	Protection of the privacy of employees and clients, in compliance with domestic and European legislation, and implementation of specific action to protect against IT attacks
	Brand protection and promotion	Protection of the brand against plagiarism, while also taking specific promotional action, especially online
	Resilience and business continuity in the face of adverse events	Ability to respond rapidly to economic/social/environmental changes, while remaining true to the established business strategy and preserving economic solidity
	Prevention of active and passive corruption	Development of an ever stronger organizational structure, preventing and tackling all forms of corruption, whether active or passive
Economic responsibility	Economic-financial strength of the Group	Monitor and guarantee economic-financial strength, while pursuing the growth and development strategies of the business
	Territorial presence and markets served	Local control and enhanced presence in the markets served
Product responsibility	Quality and traceability of raw materials	Use of quality raw materials, possibly from sustainable and traceable sources, that guarantee environmental protection and working conditions in the places of origin
	Customer satisfaction and customer experience	Monitor and give consideration to customer satisfaction in all phases of the customer experience
	Client health and safety	Monitor the health and safety of clients and end consumers
	Responsible marketing and communications	Transparent and responsible communications, with accessible, complete and detailed information about the commercial activities carried out
	Research and development	Focus on product research, development and innovation
Social responsibility	Worker health and safety	Monitor occupational health and safety, applying a series of preventive and protective measures designed to avoid or minimize the exposure of employees to work-related risks

AREA	MATERIAL TOPIC	DESCRIPTION
	Inclusivity, diversity and the well-being of workers	Promotion of inclusivity and equal opportunities, protection of diversity and support for the proper work-life balance of employees and collaborators
	Attraction and retention of talent	Investment in and recruitment of talents and young people, allowing them to express their potential within the organization
	Professional training and development	Investment in the professional and human development of personnel, with training and refresher courses covering both technical and soft skills
	Ethics training	Investment in training on ethical practices and good conduct
Environmental responsibility	Production and responsible management of waste	Promotion and adoption of waste management policies (collection, recycling and disposal) in the management of business activities

The following analysis identifies, for each material topic, the related risks, the perimeter within which real and potential impacts are generated, and the scope of reporting.

MATERIAL TOPIC	RISKS IDENTIFIED	IMPACT SCOPE		REPORTING SCOPE
		INTERNAL	EXTERNAL	
Transparency, ethics and compliance in business operations	Non-compliance with or violation of regulations, resulting in payment of monetary fines and/or involvement in court cases.	AEFFE Group	External collaborators	NFD perimeter
Prevention of active and passive corruption	Violation of regulations, resulting in payment of monetary fines and/or involvement in court cases. Loss of market share.	AEFFE Group	External collaborators Vendors Business partners	NFD perimeter
Privacy protection and cyber security	Failure to protect the privacy of employees and clients, resulting in complaints, fines and penalties. Loss of confidential data.	AEFFE Group	Clients	NFD perimeter

MATERIAL TOPIC	RISKS IDENTIFIED	IMPACT SCOPE		REPORTING SCOPE
		INTERNAL	EXTERNAL	
Brand protection and promotion	<p>Failure to protect the brand against plagiarism, resulting in loss of reputation and market share.</p> <p>Improper use of the brand in association with sales outlets and websites for commercial activities not envisaged by the brand strategy.</p> <p>Counterfeiting.</p>	AEFFE Group	Clients and business partners	NFD perimeter
Resilience and business continuity in the face of adverse events	Inability to respond rapidly to economic/social/environmental changes, with consequences for the brand and loss of market share and clients.	AEFFE Group	Clients	NFD perimeter
Economic-financial strength of the Group	<p>Contraction of economic results and failure to achieve objectives.</p> <p>Low financial strength of the partners with which the Group maintains commercial relations.</p>	AEFFE Group	Business partners	Financial consolidation
Territorial presence and markets served	Loss of competitiveness and market share.	AEFFE Group		NFD perimeter
Quality and traceability of raw materials	<p>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.</p> <p>Non-conformity of materials with qualitative standards and requirements.</p> <p>Problems associated with trading standards.</p>	AEFFE Group	Vendors	<p>AEFFE S.p.A. Pollini S.p.A. Velmar S.p.A.</p> <p>Limitation justified by the fact that the other companies considered are largely (or exclusively) commercial in nature. Accordingly, the impacts are not considered significant</p>
Customer satisfaction	<p>Loss of image and reputation.</p> <p>Loss of competitiveness and market share.</p> <p>Incorrect perception by clients of the values associated with the brand.</p>	AEFFE Group	Business partners	NFD perimeter
Client health and safety	<p>Loss of image and reputation.</p> <p>Loss of competitiveness and market share.</p>	AEFFE Group	Clients	NFD perimeter

MATERIAL TOPIC	RISKS IDENTIFIED	IMPACT SCOPE		REPORTING SCOPE
		INTERNAL	EXTERNAL	
Responsible Marketing and Communications	<p>Loss of image and reputation.</p> <p>Loss of competitiveness and market share.</p> <p>Incorrect perception by clients of the values associated with the brand.</p> <p>Counterfeiting.</p>	AEFFE Group	Clients	NFD perimeter
Research and development	<p>Loss of image and reputation.</p> <p>Loss of competitiveness and market share.</p> <p>Counterfeiting.</p>	AEFFE Group	Clients and business partners	NFD perimeter
Health, safety and well-being of workers	<p>Increase in the injury rate.</p> <p>Increase in work-related stress.</p> <p>Failure to comply with the instructions for containing Covid-19 contagion.</p>	AEFFE Group	Vendors	<p>Only Italian companies¹ have been included in the reporting scope</p> <p>Compliance with local rules is guaranteed for foreign companies</p>
Ethics training	<p>Non-compliance with the instructions given.</p> <p>Loss of reputation.</p>	AEFFE Group	Employees	NFD perimeter
Professional training and development	<p>Increase in employee turnover and loss of skilled personnel with important roles in key processes.</p> <p>Failure to achieve the established objectives due to bad planning and/or wrong execution of properly planned action.</p> <p>Dissemination of know-how and consequent strengthening of competitors.</p>	AEFFE Group		NFD perimeter
Attraction of talent	<p>Failure to invest in and/or recruit talents and young people, resulting in a high average age of personnel, with insufficient innovation and attention to current trends.</p>	AEFFE Group	External collaborators	NFD perimeter
Inclusivity, diversity and the well-being of workers	<p>Loss of human resources, reputation and profits due to penalties and reasons linked to racism, inequality and the rejection of diversity, resulting in loss of reputation.</p> <p>Risk of court cases linked to failure to safeguard human rights and/or to discrimination, resulting in loss of reputation.</p>	AEFFE Group		NFD perimeter

¹ AEFFE S.p.A.; AEFFE Retail S.p.A.; Velmar S.p.A.; Pollini S.p.A.; Pollini Retail S.r.l.; Moschino S.p.A.

MATERIAL TOPIC	RISKS IDENTIFIED	IMPACT SCOPE		REPORTING SCOPE
		INTERNAL	EXTERNAL	
Production and responsible management of waste	Generation of adverse environmental impacts, especially from the poor management of hazardous waste.	AEFFE Group	Vendors	AEFEE S.p.A. Pollini S.p.A. Velmar S.p.A. Limitation justified by the fact that the other companies considered are largely (or exclusively) commercial in nature. Accordingly, the impacts are not considered significant

All changes with respect to the information shown in the “reporting scope” column are evidenced appropriately within the section.

Process of mapping sustainability risks

In 2021, the AEFEE Group continued work on the more detailed **mapping of ESG (Environmental, Social and Governance) risks** that commenced during 2020. 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 AEFEE 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.

Reporting process

The contents of this NFD have been checked and approved in the following manner:

- 1) A small working party was identified within the HR Department of the AEFfe Group, comprising the following roles:
 - HR Manager - AEFfe S.p.A., Moschino S.p.A., Pollini S.p.A.
 - Marketing Director - AEFfe S.p.A.
 - Leather Goods Production Manager - Pollini S.p.A.
 - Production Director - Velmar S.p.A.
 - Research and Development Director - AEFfe S.p.A.
 - Operations Director - AEFfe S.p.A.
 - Group Controller - AEFfe S.p.A.
 - Logistics Manager - AEFfe S.p.A.
 - Investor Relations and AEFfe Group Consolidation Manager
 - Prevention and Protection Manager - AEFfe S.p.A./Retail, Velmar S.p.A., Moschino S.p.A.
 - Head of Legal and General Affairs - AEFfe 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 entity concerned.
- 3) The consolidated information and data were then collected and aggregated by the managers of the above functions, each to the extent of their own responsibilities.
- 4) Lastly, the final contents were approved by the General Management of the Group and, on 17th March 2022, by the Board of Directors of AEFfe S.p.A.
- 5) The content of this Declaration was examined and checked by the designated auditing firm, applying the methodologies envisaged in ISAE 3000 (Limited Assurance).
- 6) This Declaration is published, together with the report on the 2020⁰¹ Financial Statements of the AEFfe Group, in the Investor Relations - Financial Statements and Reports section of the website <http://www.aeffe.com>.

The reporting process

In December 2020, AEFfe adopted an internal Procedure entitled “Reporting process for the Consolidated Non-Financial Declaration of the AEFfe 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 Declaration 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 was also applied to prepare this NFD.

Sustainability for AEFPE

AEFFE intends to prepare a specific **Sustainability Plan** in 2022, 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.

GOVERNANCE

MATERIAL TOPICS
Transparency, ethics and compliance
Brand protection and promotion
Resilience and business continuity

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.

The System of Internal Control and Risk Management adopted by AEFPE represents a process followed by the Board of Directors in order to obtain reasonable assurance about achievement of the objectives concerning the effectiveness and efficiency of operational activities, the reliability of financial reporting, and compliance with current laws and regulations. Analysis of the System of Internal Control and related procedures with respect to the reference models (Co.so Report) included an assessment of inherent risk i.e. the error that might be generated in the absence of controls for each financial line item with respect to each reference assertion. This assessment of inherent risk was facilitated by the use of 10 risk factors taken from the Public Company Accounting Oversight Board (PCAOB), which are considered for each financial line item and each assertion, assigning a score to each risk factor from one (low) to five (high). The model envisages the regular performance of specific tests throughout the year, to check application in practice of the controls associated with each risk factor: The tests are carried out and collected by an independent external company, which certifies the functioning of the model with reference to the results of the checks performed.

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;

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/

- 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.

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.

The system of corporate governance³ 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 series of procedures and 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 comprising a number of executive and non-executive directors, with female directors accounting for at least two-fifths of the total.</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>

³ For more detailed information, see the Report on corporate governance and the ownership structure prepared pursuant to art. 123-bis TUF (Consolidated Finance Law), available on the website of the Parent Company.

GOVERNANCE BODY	No. MEMBERS	FUNCTION
Board of Statutory Auditors	5	The Board of Statutory Auditors checks compliance with the law and with the company statutes and can 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.
Compensation Committee	3	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.
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>

GOVERNING BODIES AND COMMITTEES OF AEFPE 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

AEFFE S.p.A. published the "Report on remuneration policy and compensation paid" in March 2021. The purpose of this document is, in particular, 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 NFD.

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.

AEFFE S.p.A., via Moschino S.p.A., has signed an agreement, effective from June 2022, to takeover management of the Moschino stores currently managed in Mainland China by Scienward Fashion and Luxury (Shanghai) Co. Ltd., a leading group in the distribution of luxury brands in the Chinese market. This direct entry into the Mainland Chinese market by the Moschino brand involves a transition agreed with the long-established local partner, Scienward Fashion and Luxury (Shanghai) Co. Ltd., after more than 10 years of collaboration.

This operation is consistent with the Moschino brand strategy, which seeks integration of the women's clothing collections within the AEFEE Group, in order to leverage their potential via the release of synergies.

This operation has considerable strategic value for the AEFEE Group and represents 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 operation is part of a development strategy leading to 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.

On 26th October 2021, AEFEE S.p.A. Signed an agreement with Sinv S.p.A. to acquire early the production and commercialization license of the "Love Moschino" women's clothing collections, currently held by Sinv, in connection with the acquisition of full control over Moschino S.p.A. last July.

This operation is consistent with the Moschino brand strategy, which seeks integration of the women's clothing collections within the AEFEE Group, in order to leverage their potential via the release of synergies. The operation is part of a development strategy leading to 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 is a crucial moment for both Moschino and for the AEFEE Group too, with massive investment and huge benefits in terms of brand growth, enhanced exploitation of Group synergies and the optimization of brand positioning, communications and distribution, together confirming the will of the Group to invest in its brands, now they are all wholly owned.

HUMAN RESOURCES

MATERIAL TOPICS
Attraction and retention of talent
Inclusivity, diversity and the well-being of workers
Professional training and development
Worker health and safety

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 2021, 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.

Covid-19 Healthcare Emergency

As in 2020, the analysis and report on 2021 cannot ignore the complex Covid-19 situation, which has affected all aspects of corporate life.

The epidemic slowed and delayed the development of various HR projects, which envisaged starting the following projects in 2021:

- **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.
- **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.

In each case, Management confirms the desire to work on the above **projects, commencing in 2022**.

From an organizational standpoint, the HR function - assisted by other staff functions within General Management, such as Safety and IT - played a central role in managing the emergency by coordinating all Business Units within the Group: the instructions given took account of their differing organizational and/or regulatory needs. HR also acted as liaison between the Institutions (Police, Regions, Unions, Hospitals, Employers' Associations) and the internal Union representatives and Top Management, in order to keep the entire employed population informed about the progress of events.

In addition to "day-to-day" activities involving the sanitification of environments and the management of mandatory quarantine periods, the work of the HR and Safety Departments included: preparation of internal anti-Covid protocols and procedures, the purchase and distribution of thermometers and temperature scanners, as well as other PPE (masks and sanitization kits), and verification of the adequacy of working environments.

The activities of the IT and HR Departments included: upgrading the network infrastructure (IT Department only), mapping of internal equipment, definition of rules, procedures and requirements for smart working and home working, implementation of call transfers from fixed to mobile, configuration and installation of VPNs on business and private devices.

A new policy for IT equipment was also approved and digital collaboration tools, such as videoconferencing, were activated.

The **Health and Safety Office** adopted precise protocols for conduct, in order to minimize the possibility of internal contagion within the various offices, operational facilities and sales outlets nationwide. In this regard, all the precautions envisaged by the applicable regulations were adopted, as supplemented - where necessary - by **internal action to increase awareness about the most appropriate conduct** at work and at home, **in order to minimize the contagion risk**, safeguard the health and safety of employees and collaborators and

ensure the continuity of business operations, in full awareness of the responsibilities that AEFPE and Group companies shoulder in relation to their personnel, the community and investors.

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.

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. Another initiative intended to ensure inclusion was added to the supplementary in-house agreement during 2020, so that working mothers can benefit from a "**maternity package**". Given the large female component of the workforce in this sector, AEFPE has introduced 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 plans that limit the turnover of personnel. On return to work after taking the optional parental leave, the new mothers concerned 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.** 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.

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 AEFPE. 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.

On the subject of inclusivity, the Company considered, defined and reached agreement in 2021 for the introduction in 2022 of an accord with Fondazione Libellula, which seeks to unite companies against violence and gender discrimination. The objective on the Foundation and the AEFPE Group is to develop an inclusive working environment that uses language appropriately. In this way, we are convinced 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.

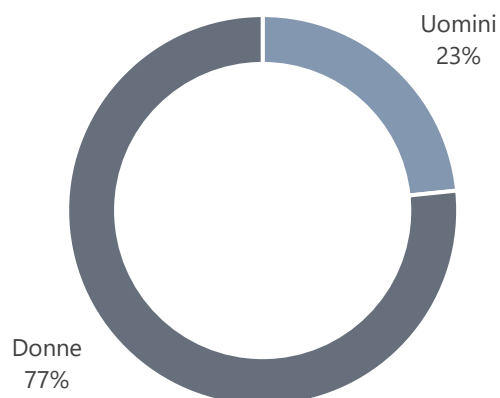
The workforce totals 1,224 persons at the end of 2021, slightly fewer than in 2020, of whom the large majority of the employed population, 77%, are women. Permanent contracts accounted for about 92% (1,160 contracts) of the total at the end of 2021. Just 8% of workers have fixed-term contracts.

As encouraged in the national collective employment contracts and consequent to agreements reached with the social partners on the transformation of working hours, 15% of women now have part-time contracts.

EMPLOYEES, ANALYZED BY CONTRACT, JOB TYPE AND GENDER									
	2021			2020			2019		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Permanent	262	872	1,134	258	894	1,152	260	907	1,167
Fixed term	21	69	90	18	64	82	33	135	168
Total	283	941	1,224	276	958	1,234	293	1,042	1,335
Full-time	262	803	1,065	260	802	1,062	274	856	1,130
Part-time	14	145	159	16	156	172	19	186	205
Total	276	948	1,224	276	958	1,234	293	1,042	1,335

Of all employees (1,224), 1,070 have a permanent contract in Italy and 64 in the rest of the world, while just 90 employees in Italy have a fixed-term contract.

Employees by gender



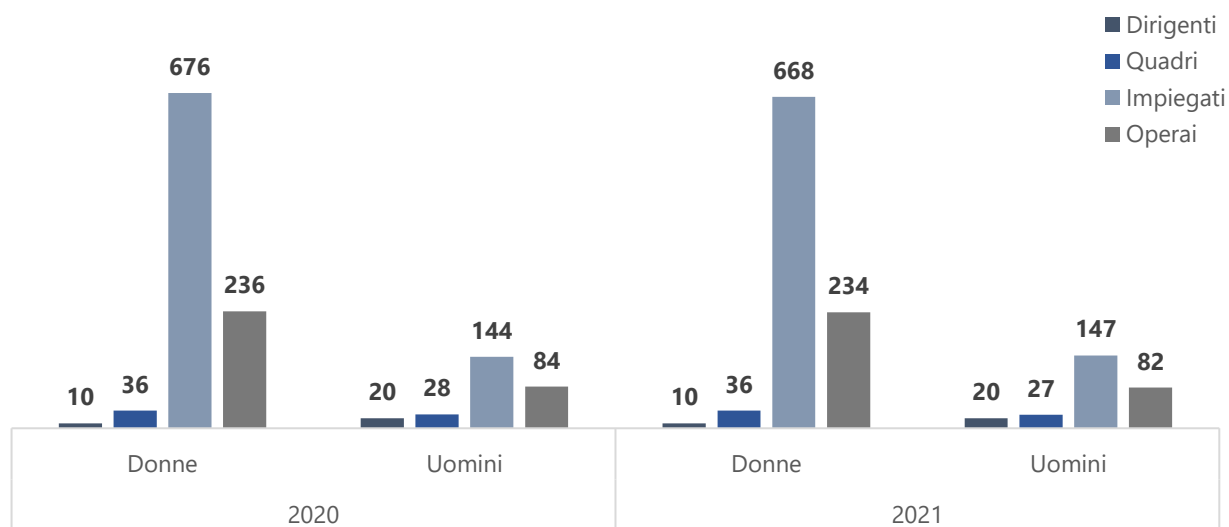
Employees by geographical area



EMPLOYEES, BY LEVEL AND GENDER

	2021			2020			2019		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Executives	20	10	30	20	10	30	17	8	25
Managers	27	36	63	28	36	64	31	37	68
Clerical staff	147	668	815	144	676	820	182	807	989
Factory workers	82	234	316	84	236	320	63	190	253
Total	276	948	1,224	276	958	1,234	293	1,042	1,335
Percentage	23%	77%	100%	22%	78%	100%	21.9%	78.1%	100%

Employees, by level and gender



EMPLOYEES, BY LEVEL AND AGE BAND												
	2021				2020				2019			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
Executives	-	11	19	30	-	14	16	30	-	10	15	25
Managers	-	36	27	63	-	42	22	64	3	44	21	68
Clerical staff	104	515	196	815	122	521	177	820	187	609	193	989
Factory workers	20	144	152	316	25	147	148	320	18	111	124	253
Total	124	706	394	1,224	147	724	363	1,234	208	774	353	1,335
Percentage	10%	58%	32%	100%	12%	59%	29%	100%	15.6%	58.0%	26.4%	100%

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 and budget availability, leads to hiring. Over the five-year period 2016-2020, 265 internships have resulted in a placement percentage of 10%. Although the Covid-19 pandemic limited the number of internships, the placement percentage increased to 20% in 2021 (data for AEF FE S.p.A., Velmar).

Due to the pandemic, in-person promotional activities - via career days held at training centers, schools and universities - were suspended by national decree during 2021. Despite this, the Company maintained relations with the network of schools and participated in a number of **digital events promoted by universities and academies in the clothing sector**, in order to recruit the finest talents via privileged relations with the various university centers, thereby strengthening the workforce with high-profile individuals. Company tours - usually organized to enhance the engagement of local students - were also suspended for the same reason.

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, 119 persons were hired in 2021, including 18 by the foreign companies. Of the latter, 92 were women and 27 were men: 35% were under 30 years old, while 52% were aged between 30 and 50. With regard to leavers, the turnover rate was 14% (due to many persons reaching pensionable age). Among those terminating their working relationship with a Group company within the scope of reporting, 77% were women.

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 AEF FE 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 AEF FE USA Inc (America) and Moschino Korea Ltd (South Korea) are covered by equivalent contracts within those legislations.

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** - AEFEE allows all personnel to purchase Company products at advantageous prices (footwear and leather goods at Pollini, underwear and summer clothes at Velmar, 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. 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 renewing the in-house agreement with the unions, during 2021 management prepared a proposal for defining and regulating the characteristics of the work performed and the nature of the new flows between the various departments.

Despite the adverse impact of the Covid-19 pandemic and its effects on business volume and sales, in November 2021 **AEFFE paid a bonus of € 400.00 per capita to all employees**, regardless of their level, grade or working hours. Also, via a well-known international partner, vouchers were given to personnel for use in any participating business located in Italy.

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 3,711 training hours were delivered in 2021⁴. In particular, 748 hours of health and safety training involved 605 delivered to women and 143 to men.

Health and safety⁵

In order to mitigate occupational health and safety risks, the Group not only complies with all current regulations and ensures a healthy workplace, but also provides employees with training and incentives to ensure that staff acquire new skills, and feel listened to and rewarded.

The occupational health and safety systems of all companies in the Group are organized in accordance with current domestic legislation (Decree 81/08, as amended, and equivalent rules for foreign companies). The safety management system applied, albeit not subjected to certification, follows the general approach and format of the Safety Management System compliant with standard ISO 45001.

The health and safety of employees is organized and managed internally by a specific office that covers the entire working population of all Italian companies. For all matters related to workplace safety, current legislation requires workers to be represented by a Workers' Safety Representative who maintains relations with both the Employer and the Health and Safety Officer.

The occupational health and safety risks faced by the AEFPE Fashion Group are described in the Risk Assessment Documents (DVR) prepared by the various companies. They are monitored by the organization and the responsible office in application of the management model implemented pursuant to Decree 231/01. These risks are assessed regularly, in accordance with the established timetable, to ensure compliance at all levels with the relevant current legislation.

Based on the assessment of corporate risks, there are no professional activities or duties that expose the workers of the Group to a high risk of contracting work-related diseases.

Given continuation of the state of emergency, health and safety training was delivered on an e-learning basis during 2021, as in 2020, limiting classroom sessions as much as possible. In order to safeguard the health of employees as much as possible, non-essential courses were suspended while reactivating those for the assigned emergency personnel (first-aid, firefighting, AED) and those on the use of special equipment/vehicles (forklifts,

⁴ 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.

⁵ 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.

lifting platforms). In-person activities have been deferred and will be rescheduled as soon as possible, based on the course timetables of training bodies and, internally, of the Safety Office.

There were 12 recordable workplace injuries in 2021, all slight, involving 9 women and 3 men.

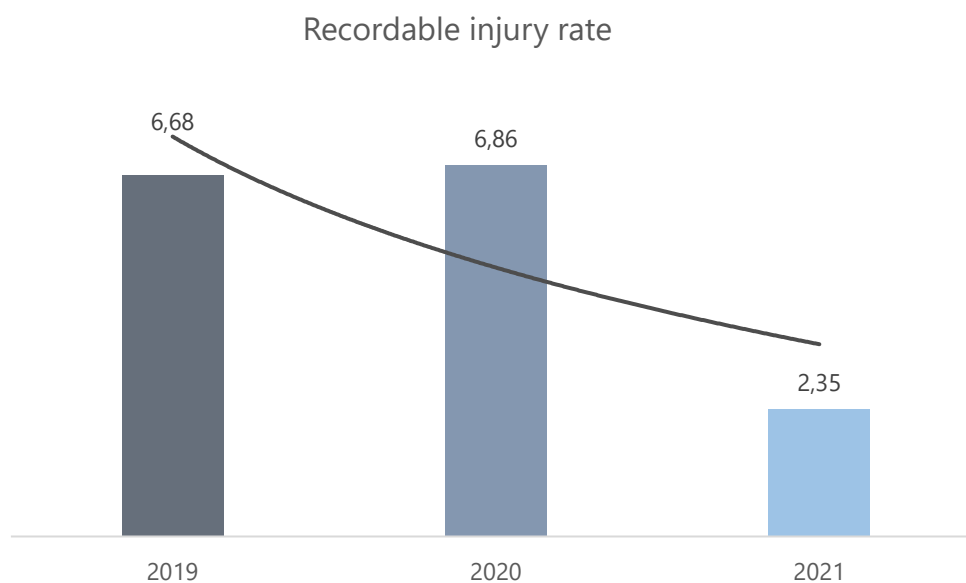
On the other hand, there were no recordable occupational illnesses, fatal injuries or deaths attributable to injuries and/or occupational illnesses.

INJURIES			
	31.12.2021		
	WOMEN	MEN	TOTAL
Incidents			
<i>Injuries</i>	9	3	12
<i>Workplace deaths</i>	0	0	0
<i>Deaths following workplace injuries</i>	0	0	0
Types of injury (no.)			
<i>Recordable workplace injuries</i>	3	1	4
<i>Workplace injuries with serious consequences</i>	0	0	0
<i>Injuries during home/work travel*</i>	7	2	9

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

INJURY INDICES	31.12.2021		
	WOMEN	MEN	TOTAL
Total hours worked	1,282,441.00	420,825.50	1,703,266.50
Recordable workplace injury rate (frequency index) <i>(no. injuries/tot. hours worked)*1000000</i>	2.34	2.38	2.35
Lost days rate (seriousness index) <i>(no. days lost due to injuries and occupational illness/tot. workable hours)*1000</i>	0.14	0.06	0.12

Considering the three-year period 2019, 2020 and 2021, the **recordable workplace injuries** of the AEFEE Group have **declined significantly, by 65% between 2019 and 2021**. This downward trend is shown in the following chart.



ENVIRONMENT

MATERIAL TOPICS

Production and management of waste

In order to identify and mitigate the risks, Group companies operate - to the extent compatible with its activities - in compliance with the provisions of the 231/01 Model, making particular reference to the requirements of the Code of Ethics of AEFPE S.p.A., as specified in point 3.12 "Protection of occupational health and safety and the environment"

Group management is sensitive to the potential impact that the conduct of individuals might have on the natural environment in which the Group operates: **in order to help pass on a more sustainable environment to future generations, AEFPE strives to adopt solutions that minimize the adverse effects that its activities might have on the environment.** For example, with regard to the 11 recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) - considering the results achieved and the possible improvements identified - Group companies are working actively to include them in their operations, thus effectively intensifying their fight against climate change using methodologies discussed and approved at senior management level.

With regard to the efficient use of resources, AEFPE and its subsidiaries have sought in recent years to use all necessary resources in an effective manner, translating into practice the desire of management to reduce considerably the environmental impact of the business and highlighting the effort made to fight climate change.

The careful and responsible use of water is important. While usage of this precious resource by Group companies is essentially at a domestic level, efforts are nevertheless made to avoid any waste. Consumption is therefore checked by constantly monitoring actual usage. In addition, efforts have been made to increase personnel awareness, making them responsible for the proper use of water, both at work and in their daily lives. Waste is limited as much as possible at all levels, in the knowledge that good results require collective action.

The productive activities of the Group focus necessarily on environmental matters, as a cornerstone for the economic development of the business. **Maximum attention is paid to managing properly the waste generated** by activities and ensuring, via the use of selected waste managers qualified to process the types of waste concerned, that its final disposal complies with current laws and regulations.

Assessment regarding the 11 TCFD recommendations

With a view to managing the risks and opportunities associated with climate change, during 2020 the AEFPE Group carried out a preliminary assessment (building on the statements made in the 2019 NFD) 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 AEFPE Group used a specific scoring methodology to check the alignment of the 2019 NFD with the 11 TCFD recommendations. This analysis showed that the AEFPE 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.*

AEFFE S.p.A. and Velmar S.p.A., which share the same location at San Giovanni in Marignano (RN), and Pollini S.p.A., which is based in Gatteo (FC), have already taken action to improve energy efficiency and reduce consumption. In substance, replacement LED lighting systems have been installed at the respective locations, and remote control over the heating/air-conditioning (winter/summer) systems has been upgraded to reduced their consumption and real energy needs. This approach has maintained productivity, while better protecting the environment at the same time. The consequent reduction in CO₂ emissions is part of the renewed attention paid to environmental topics and the fight against climate change. Notably, the separation of waste by AEFPE S.p.A. in San Giovanni in Marignano (RN) and Pollini S.p.A. in Gatteo (FC) has been intensified, thus increasing awareness about proper management of the waste generated. Water distribution points and the use of bio-

degradable plastic bottles in vending machines has reduced the use of plastic within the business by all personnel. In addition, the possibility of limiting further the factory use of plastic is being examined, thus helping to reduce the environmental footprint of the AEFPE Group.

Energy Consumption ⁶

Energy consumption was determined using the following calculation and conversion tools obtained from authoritative sources:

> <http://www.snam.it/it/stoccaggio/strumenti/convertitore.html>

> <https://www.eecabusiness.govt.nz/tools/wood-energy-calculators/co2-emission-calculator/>

The companies considered, AEFPE S.p.A., Velmar S.p.A. and Pollini S.p.A., consumed a total of 38,387.23 GJ of energy in 2021.

FOSSIL FUEL CONSUMPTION						
	2021		2020		2019	
	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ
AEFFE S.p.A.						
Natural gas for heating (Sm ³)	150,639	6,026	135,367	5,396	127,802	5,094
Fuel for the company fleet (l)	127,667	5,107	114,293	4,379	138,426	5,624
<i>Diesel (l)</i>	121,834	4,873	111,519	4,282	135,398	5,501
<i>Gasoline (l)</i>	5,833	233	2,774	97	3,028	123
POLLINI S.p.A.						
Natural gas for heating (Sm ³)	204,375	8,175	148,882	5,934	140,220	5,589
Fuel for the company fleet (l)	33,730	1,349	37,711	1,448	42,840	1,500
<i>Diesel (l)</i>	33,730	1,349	37,711	1,448	40,849	1,430
<i>Gasoline (l)</i>					1,991	70

⁶ The data relates to AEFPE S.p.A., Velmar S.p.A. and Pollini S.p.A.

ELECTRICITY CONSUMPTION						
	2021		2020		2019	
	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ	TOTAL	TOTAL GJ
Purchased electricity (inc. 26.18% from renewable sources) (Kwh)					4,234,934	11,255
Purchased electricity (inc. 42% from renewable sources ⁷) (Kwh)			3,817,399	13,743		
Purchased electricity (inc. 45.04% from renewable sources ⁸) (Kwh)	4,446,064	16,006				
Total self-produced electricity consumed (Kwh) ⁹	479,155	1,725	474,799	1,709	503,442	1,812

Water consumption

The consumption, deduced from the metered charges, relates to water drawn from the municipal mains supply at the plant locations (AEFFE S.p.A., Velmar S.p.A. and Pollini S.p.A.) considered most representative of the AEFFE Group.

WATER DRAWN FROM THE MAINS (CUBIC METERS)			
	2021	2020	2019
AEFFE S.p.A. and VELMAR S.p.A. (m ³)	24,020	20,764	22,224
POLLINI S.p.A. (m ³)	6,192	1,600	1,789

A total of 30,212 cubic meters of water were drawn in 2021, entirely from municipal water vendors, compared with 22,364 cubic meters in 2020. This significant increase was due to losses from a burst at the Pollini factory. The water discharged by the various companies in the AEFFE Group does not contain any potentially hazardous dissolved substances and, therefore, can reasonably be compared with normal domestic discharges.

⁷ Data source: HERACOMM

⁸ Estimate 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%.

⁹ The data relates to the headquarters of AEFFE S.p.A. and to Velmar S.p.A. in San Giovanni in Marignano.

Greenhouse gas emissions¹⁰

Emissions were determined using the following calculation and conversion tools obtained from authoritative sources:

- <http://www.snam.it/it/stoccaggio/strumenti/convertitore.html>
- <https://www.eecabusiness.govt.nz/tools/wood-energy-calculators/co2-emission-calculator>

DIRECT EMISSIONS SCOPE 1						
	2021		2020		2019	
	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 (Sm ³)	6,026	363	5,396	325	5,094	307
Fuel for the company fleet (l)	5,107	361	4,379	310	5,624	399
<i>Diesel (l)</i>	4,873	345	4,282	303	5,501	390
<i>Gasoline (l)</i>	233	16	97	7	123	9
POLLINI S.p.A.						
Natural gas for heating (Sm ³)	8,175	492	5,934	357	5,589	337
Fuel for the company fleet (l)	1,349	96	1,448	103	42,840	213
<i>Diesel (l)</i>	1,349	96	1,448	103	2,012	143
<i>Gasoline (l)</i>					1,991	70
TOTAL SCOPE 1 (includes CO₂ only)	20,656	1,312	17,157	1,094	20,310	1,256

With regard to emissions, **the self-generated electricity deriving from PV installations** covered 15.01% of the Group's energy requirements, thereby reducing CO₂ emissions into the atmosphere as part of the focused fight against climate change. Specifically, 2,403 GJ of power were generated by the PV installations.

¹⁰ The data relates to AEFFE S.p.A., Velmar S.p.A. and Pollini S.p.A.

Indirect emissions Scope 2¹¹

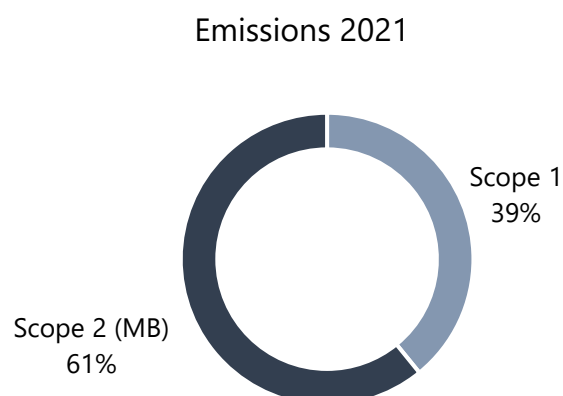
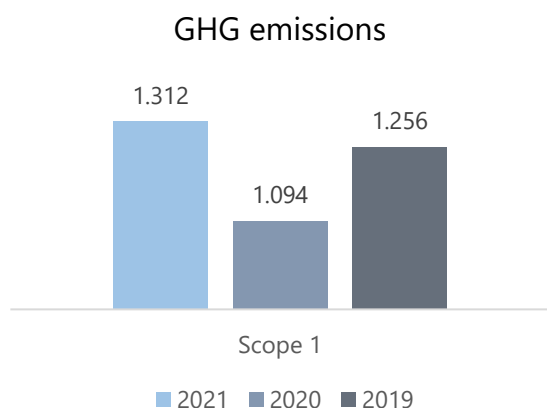
AEFFE calculated the 2021 emissions deriving from the generation of purchased or acquired (Scope 2) electricity using two methodologies:

- the **location-based** method, which considers the average intensity of the emission factors linked to the generation of electricity in specified geographical areas;
- the **market-based** method, which considers the emissions of the generator that an organization has selected intentionally, under contract, for the supply of electricity.

Following updates to the emission factors used to calculate the Scope 2 emissions and the methodology described above, the data presented for 2021 is not comparable with that reported in 2019 and 2020.

	2020		2019	
	TOTAL GJ	TOTAL tCO2eq	TOTAL GJ	TOTAL tCO2eq
Electricity purchased	13,743	491	11,255	402

	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



¹¹ Source: Terna International comparisons 2020.

Waste disposal¹²

With regard to the management and disposal of waste, the Group has - together with established vendors and specialist firms - activated the **separated collection of waste and increased awareness among employees and collaborators**. This initiative, additional to the efforts made by the municipalities in which production is located, seeks to reduce significantly the impact of the waste generated by productive activities and the employed population.

The vendors that manage and dispose of waste on behalf of the various Group companies are identified and selected with reference to their operational capabilities and authorizations held for the various types of waste. Waste must be collected, managed and disposed of with maximum care and in compliance with current legislation.

The waste generated by Group factories is collected and stored appropriately at each location, in dedicated areas and containers. Subsequently, it is collected by carriers authorized to transport it to disposal centers that, in turn, are authorized to manage the specific types of waste concerned, as identified by appropriate analyses. All storage and disposal activities are managed and recorded in compliance with the relevant current regulations and legislation.

The plants of AEFPE S.p.A. and Velmar S.p.A. do not produce any hazardous waste. Waste is transferred to selected and authorized waste managers that process it, depending on type, in accordance with the relevant current legislation.

The situation at the plant of Pollini S.p.A. is different, given the presence of both types of industrial waste. The disposal of waste, depending on the processes required pursuant to current regulations, is carried out by qualified and selected waste managers having regard for the different characteristics of the CER codes concerned.

WASTE BY TYPE (TONNES)									
	WEIGHT OF HAZARDOUS WASTE (t)			WEIGHT OF NON-HAZARDOUS WASTE (t)			TOTAL		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
AEFFE S.p.A. and VELMAR S.p.A.	0	0	0	14.29	10.94	2.6	14.29	10.94	2.6
POLLINI S.p.A.	0.97	1	0.78	118.60	130.13	110	119.57	131.13	110.78
TOTAL	0.97	1	0.78	132.89	141.07	112.6	133.86	142.06	113.38

56% of the hazardous waste produced is sent for disposal at an external site, while 44% is sent for recycling - also at an external location. On the other hand, the large majority (87%) of non-hazardous waste is not sent for disposal and is recycled instead, while 13% is sent to landfills or for other types of disposal.

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

HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION

MATERIAL TOPICS
Anti-corruption
Privacy protection and cyber security
Ethics training

Prevention of corruption

One of the key factors supporting the reputation of AEFPE 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, AEFPE S.p.A.¹³ 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.

¹³ The other companies in the Group that fall within the reporting scope are subject to management and coordination by the parent company.

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.aeffe@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 works constantly to align internal procedures with the laws and regulations that govern privacy, harmonizing them with the provisions of Regulation (EU) 2018/679 General Data Protection Regulation (GDPR) and art. 4 of Law 300 dated 20th May 1970.

Restricted access to the current IT system ensures the confidentiality of all data held on the corporate systems, in compliance with current regulations and pursuant to the **instructions contained in the Code of Ethics, the Privacy Guidelines/GDPR and the AEFPE Regulation**.

The Company prepares **periodic information** on the subject to ensure that supervisors and collaborators are constantly aware of any developments in privacy-related matters. In compliance with the privacy regulations, personal data is processed in accordance with the principles summarized below. Personal data is:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specific, explicit and legitimate purposes and subsequently processed in a way not incompatible with such purposes.
- adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed.

In general terms, data is held in a form that allows data subjects to be identified for a period no longer than that needed to achieve the purposes for which it was collected and processed. The Group takes all necessary precautions in the management of such data, applying the best IT standards in order to ensure security.

The “Security Posture”¹⁴ was managed constantly throughout 2021, with organizational, procedural and technological actions designed to strengthen the governance of logical security within the entire Group; all software implemented measures to guarantee maximum compliance with the current privacy regulations for the processing of data and the information collected.

¹⁴ State of IT security health within the organization of the Group

During 2021, the companies included within the scope of reporting did not receive any justified complaints about infringements of the privacy of clients or losses of their data, where the term “justified complaints” means written communications from the DP Authority or an equivalent public supervisory body that identify breaches of client privacy, or complaints received by the organization that are recognized to be legitimate.

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
Economic-financial strength of the Group
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 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.

The Group consolidated its presence in mature markets during 2021 and signed an agreement 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.

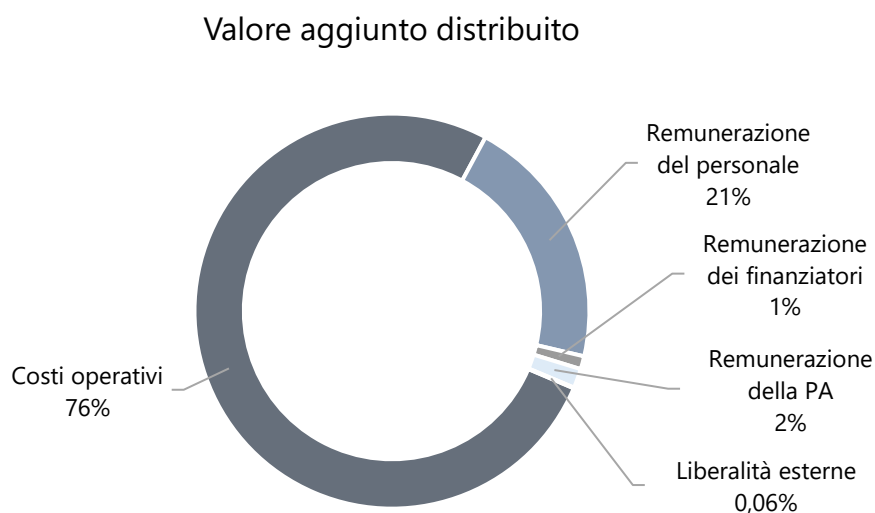
With a view to guaranteeing the economic-financial strength of the Group, the actions taken to control and contain costs - commenced in 2020 and progressed throughout 2021 - have reduced them without penalizing the image and positioning of the various brands. Close attention has also been paid over the past two years to the management of operating capital, with particular reference to the level of prior-season inventories. This has had an important effect on the net financial position (NFP).

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			
	2021	2020	2019
Revenues	324,592,143	269,116,774	351,403,409
Other income	7,495,937	8,916,299	8,548,244
Financial income	218,005	328,127	249,927
Total economic value generated by the Group	332,306,084	278,361,200	360,201,580
Operating costs	(231,858,943)	(209,546,821)	(233,947,158)
Remuneration of personnel	(63,136,252)	(61,752,840)	(72,386,514)
Remuneration of investors and lenders	(3,235,134)	(3,233,739)	(3,513,622)
Remuneration of the Public Administration*	4,800,940	3,269,468	10,895,741
Gifts	(179,350)		
Total economic value distributed by the Group	(293,608,739)	(271,263,932)	(320,743,035)
Economic value retained by the Group	38,697,346	7,097,268	39,458,545

*the remuneration of the Public Administration includes the change in deferred taxation

The value added absorbed by **operating costs**, which represent 79% of the economic value distributed, has increased from 209.5 million euro to 231.8 million euro, up by about 11% with respect to 2020; the portion allocated to **personnel**, in the form of wages, salaries and social security charges, has declined from 61.7 million euro to 63.1 million euro, an increase of 2%; as shown in the chart below, 21.5% of the total value added was absorbed by them; the **providers of own capital and loans** were remunerated with 3.2 million euro, in line with the prior year.



Procurement¹⁵

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 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

¹⁵ The data relates to AEFPE S.p.A., Velmar S.p.A. and Pollini S.p.A.

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.

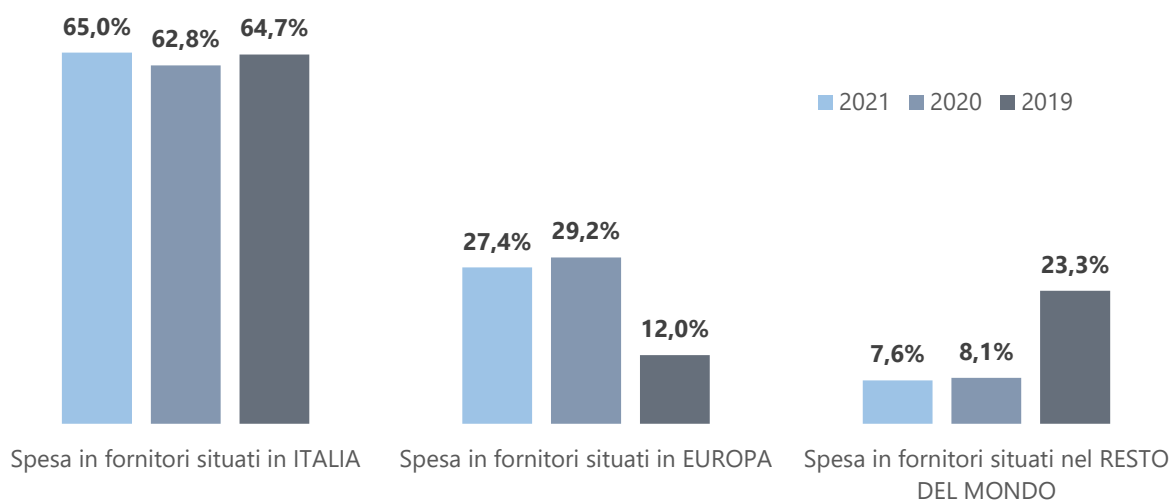
NUMBER OF VENDORS BY GEOGRAPHICAL AREA		
2021	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEFPE S.p.A.)
Number of vendors located in ITALY	719	203
Number of vendors located in EUROPE	38	24
Number of vendors located in the REST OF THE WORLD	54	19
TOTAL VENDORS	811	240

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.

PROPORTION OF VENDOR SPEND BY GEOGRAPHICAL AREA		
2021	VENDORS OF RM, SF-FP, ACCESSORIES	WORKSHOPS (for AEFPE 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%

Percentage of spend (total), by geographical area



As mentioned, **vendors are selected with reference to the following criteria**, which include social and/or environmental aspects:

- quality and performance of the materials;
- specific technical requirements;
- possession of quality certification;
- financial strength;
- transparent and lawful operations, including with regard to employees (no child or undocumented labor);
- efficient and thrifty use of resources, especially energy and water;
- reduced use of hazardous substances;
- use of sustainable raw materials.

In addition, infringements by the vendor of the conduct specified in the Code of Ethics represent a breach of contract and, on detection by AEFPE, justify immediate termination of the contract.

During 2021, 80% of new vendors were selected having regard for environmental criteria, while 24% were selected with reference to social criteria.

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. In 2020 and 2021, marked by the Covid-19 pandemic, taxes were of fundamental importance to the various governments, in order to implement income-support policies for the most affected categories and guarantee the provision of healthcare services. 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. AEFPE 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.

Analysis of Taxonomy-eligible economic activities

AEFFE S.p.A. presents below a brief qualitative description of the direction taken with regard to art. 8 of Regulation (EU) 2020/852, on the establishment of a framework to facilitate sustainable investment.

The Taxonomy Regulation identifies **the criteria for determining whether an economic activity is eco-sustainable**, considering six environmental objectives:

- mitigation of climate change;
- adaptation to climate change;
- sustainable use and protection of the waters and marine resources;
- transition to a circular economy;
- prevention and reduction of pollution;
- protection and restoration of biodiversity and eco-systems.

An economic activity is considered “eco-sustainable” when it satisfies fully a series of conditions, namely:

- makes a substantive contribution to the achievement of one or more environmental objectives;
- does no significant harm to any other environmental objectives;
- complies with the established minimum safeguards;
- complies with the technical screening criteria established by the European Commission.

In order to satisfy the regulatory requirements, AEFEE S.p.A. has commenced an analysis of all its economic activities, both by mapping them completely and by evaluating their consistency with the NACE codes indicated in the delegated regulations addressing the technical screening criteria; following this initial screening, targeted interviews will be carried out with a number of internal experts in order to assess the eligibility of the economic activities, in terms of:

- compliance with the regulation
- substantive contribution to the objectives

With regard to non-eligible activities, AEFEE S.p.A. will evaluate, where possible, the reasons for such ineligibility and identify the best practices to be adopted in order to allow reporting on them in the future.

PRODUCTS

MATERIAL TOPICS

Research and development

Quality and traceability of raw materials

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.

In addition to the constant search for improvement and innovation when it comes to processes, products and styles, all aspects intrinsic to the activities of the R&D department, AEFEE is moving steady towards the **concept of "green" products**: this is evidenced, for example, by the creation of ad hoc capsules (Love Me - Alberta Ferretti) or by projects for the replacement of continuous fabrics with others that have been regenerated, or are 100% organic.

In addition, for Spring-Summer 2022, Pollini plans to work with ACBC to create a **capsule collection of eco-sustainable sneakers**. ACBC (Anything Can Be Changed) is the first Italian footwear company certified B Corp (the highest certification of environmental standards). The collection will be designed to be **cruelty free and animal free** and to use circular technologies, being those drawn from renewable or recycled resources. The upper will be made from a sustainable alternative to animal skin, with recycled content derived from plastic

bottles and textile fibers and bio-based content derived from starch. The lining will be in seacell, a fiber derived from algae, while the sole will be made using rice-rubber, which is obtained by mixing rice husks (normally discarded during processing) into the rubber. These innovative materials will sustain the creation of two models for both men and women: "Onda", a low-top sneaker with a wave design on the side, and "Borchie", developed in both low-top and high-top versions.

Packaging

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

Many **initiatives**, already carried out during 2020, were **dedicated to the sustainable management of packaging**, among which:

- **renewal of certain packaging** in order to improve saturation and its adaptability to the specific content, thus lowering costs and the quantity of paper used;
- decision to use a plastic **composed 50% of recycled materials** in order to fill the packaging used to satisfy e-commerce purchases;
- renewal of the packaging codes available in inventory, with the arrival 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;
- **for some clients**, AEFPE has adopted **entirely plastic-free packaging**, even changing the sticky tape for a paper version.

During 2021, AEFPE 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 materials¹⁶

The AEFPE 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

¹⁶ The data relates to AEFPE S.p.A., Velmar S.p.A. and Pollini S.p.A.

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 2021, **AEFFE progressively selected “sustainable” raw materials**, such as biological cotton and wool, recycled synthetics and artificial materials, purchased from sources managed in an aware manner. The clients most aware of sustainability and related matters encourage the Group to continue in the direction taken. 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**. A significant improvement to the differentiated collection of waste was introduced during 2020, covering the dedicated collection of production scraps (e.g. fabrics), as well as the principal materials (paper and plastic) contained in packaging and/or packing materials.

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 2021 consisted of cotton, leather, synthetic fibers and metal. In addition, 31% of the materials used were sourced from certified sources: mainly OEKO TEX, Global Organic Cotton Standard (GOTS), Recycled Claim Standard (RCS) and Global Recycled Standard (GRS).

2021 AEFFE SPA AND POLLINI SPA	VOLUME (€)	OF WHICH MATERIALS FROM CERTIFIED SOURCES	CERTIFICATION
Cotton	3,476,287.63	1,727,819.33	OEKO TEX, GOTS
Wool	3,111,162.80	1,239,789.60	OEKO TEX, GRS, ISO 9001
Synthetic fibers (polyester, polyamide, modacrylic, PVC, polyethylene)	4,001,296.20	969,654.72	OEKO TEX, GRS, ISO 9001
Acrylic	1,855,659.49	-	
Silk	159,570.85	1,388,527.59	OEKO TEX, GRS
Linen	1,609,215.95	-	
Leather	1,798,562.60	-	
Rubber	486,769.00	228.37	OEKO TEX, GRS
Metal	3,005,878.30	-	
Plastic	2,570,189.05	-	
Cardboard	63,950.23	-	
Artificial fibers (viscose, acetate, triacetate and cupro)	2,577,488.34	1,407,674.98	OEKO TEX, FSC, RCS, ISO 9001
Other (mother of pearl, corozo, abaca, wood, glass, horn, textile paper, other fibers)	63,950.23	-	
TOTAL	24,779,980.64	6,733,694.58	

The data for the consumption of materials and raw materials by Velmar S.p.A. 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 (e.g. made from cotton) by the number of items produced.

2021 VELMAR SPA	WEIGHT (t)	OF WHICH MATERIALS FROM CERTIFIED SOURCES	CERTIFICATION
Cotton	188.23	188.23	OEKO-TEX, GOTS
Synthetic fibers	23.49	23.49	OEKO-TEX
Metal	0.17	-	
Plastic	6.00	-	
Cardboard	6.00	-	
Other (viscose, acetate, triacetate and cupro)	0.25	-	
TOTAL	224.14	211.72	

CLIENTS AND RESPONSIBLE COMMUNICATIONS

MATERIAL TOPICS
Customer satisfaction
Client health and safety
Responsible Marketing and Communications

Clients

Against an ever more dynamic and complex background, understanding demographic trends and the attitudes of consumers is fundamental for a successful growth strategy, especially in the commercial area. AEFfe watches carefully the development of markets with significant potential, focusing on the interests of millennials who, in an ever more globalized world, will become an increasingly important customer target. In addition, in order to consolidate the dialog with consumers and attract new clients, the Group believes strongly and is investing in a multi-channel approach, being the integration of the retail, wholesale and on-line channels, not least with a view to personalizing the customer experience.

The main **clients of the AEFfe 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.

AEFFE is engaged in a program of growth intended to support the commercial organization. The mix of business skills made available to clients has provided a competitive advantage, enabling the Group not only to respond to differing market needs, but also to propose innovative solutions to clients in terms of technical functionality and product customization, special processes for materials, aesthetic finishes 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 2021¹⁰:

- 14,418,794 followers on Instagram
- 1,897,214 followers on Facebook

With regard to the health and well-being of clients, AEFPE 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**. The use of sustainable materials and, more generally, "healthy" materials, requires strict testing so that the information given to clients can be documented at any time.

In order to minimize health and safety risks, specific tests and checks are carried out on the raw materials received by AEFPE, in order to ensure that they are not toxic and **guarantee the health of collaborators and clients alike**.

During 2021, 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 country of production and other "Made in" information is provided, together with any special product characteristics (e.g. Eco Cert, FSC, Organic Textile).

With regard to **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; in the case of footwear, a pictogram is attached, showing the materials used for the uppers, lining and bottom stock. The box containing the product, on the other hand, contains a general leaflet covering its artisan nature, maintenance and the name of the distributor. In special cases, a second document is inserted to describe any special materials and/or non-standard characteristics. Lastly, a label describing the product is stuck on the box. The boxes used to ship finished products to clients contain a symbols sheet explaining how to dispose of them properly.

With regard to monetary and/or non-monetary penalties, there were no cases during 2021 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.

GRI CONTENT INDEX

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
Organizational profile			
GRI 102: General Disclosures 2016 - Organizational Profile	102-1	Name of the organization	Cover
	102-2	Activities, brands, products and services	Page 3-4
	102-3	Location of headquarters	<p>Page 3-4</p> <p>The principal Group locations from which the organization carries out its activities are indicated below:</p> <p>AEFFE spa: via delle Querce 51 – 47842 – San Giovanni in Marignano (RN) – Italy</p> <p>Moschino spa: via San Gregorio 28 – 20124 – Milan (MI) – Italy</p> <p>Pollini spa: via Erbosa 92 – 47030 – Gatteo (FC) – Italy</p> <p>Velmar spa: via delle Querce 51– 47842 – San Giovanni in Marignano (RN) – Italy</p> <p>AEFFE Usa: 30 West 56th Street – 10019 – New York - USA</p> <p>Milan showroom (Ferretti – Philosophy-Pollini): via Donizetti 48 – 20122 – Milan</p>
	102-4	Locations of operations	Considering the entire distribution structure, the AEFEE Group is present in nearly 80 countries throughout the world.
	102-5	Ownership and legal form	Legal form of the Parent Company: Joint stock company (S.p.A.)
	102-6	Markets served	Group companies are grouped into 3 geographical areas: Europe, North America, Far East
	102-7	Scale of the organization	Page 3; 21-22
	102-8	Information on employees and other workers	Page 21-22
	102-9	Supply chain	Page 43-45

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
	102-10	Significant changes to the organization and its supply chain	Two important changes occurred in 2021, especially with regard to strengthening control over the Moschino brand, with acquisition of the 30% interest not previously held by the Group and strategic control over the China area for Moschino as a result of direct access to the reference market from June 2022.
	102-11	Precautionary principle or approach	Page 8-12; 49-50
	102-12	External initiatives	During 2021, the Group decided to allocate the majority of its charitable donations in favor of the health of children (il Porto dei Piccoli, a charity) and University education (University of Bologna). The latter move is intended to promote exchanges between the worlds of education and work by supporting young talents.
	102-13	Membership of associations	The principal associations that the Group has joined include Confindustria Romagna and Camera della moda.
GRI 102: General Disclosures 2016 - Strategy	102-14	Statement from senior decision-maker	Page 2
	102-15	Key impacts, risks and opportunities	Page 8-11
GRI 102: General Disclosures 2016 - Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	<p>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.</p> <p>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</p>
GRI 102: General Disclosures 2016 - Governance	102-18	Governance structure	Page 15-17
GRI 102: General Disclosures 2016 -	102-40	List of stakeholder groups	Page 5
	102-41	Collective bargaining agreements	Page 25

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
Stakeholder engagement	102-42	Identifying and selecting stakeholders	Page 5-6
	102-43	Approach to stakeholder engagement	Page 5-6
	102-44	Key topic and concerns raised	Page 8-11
GRI 102: General Disclosures 2016 - Reporting practice	102-45	Entities included in the consolidated financial statements	Page 3-4
	102-46	Defining report content and topic boundaries	Page 3
	102-47	List of material topics	Page 7-8
	102-48	Restatements of information	N.a.
	102-49	Changes in reporting	N.a.
	102-50	Reporting period	01.01.2021 - 31.12.2021
	102-51	Date of most recent report	2020
	102-52	Reporting cycle	Annual
	102-54	Claims of reporting in accordance with the GRI Standards	Page 3
	102-55	GRI content index	Page 52-60
102-56	External assurance	Page 61	
Material topic: Economic-financial strength			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 41-42
	103-2	Management approach and its components	Page 41-42
	103-3	Evaluation of the management approach	Page 41-42
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	Page 42-43
Responsible management of the value chain			
	103-1	Explanation of the material topic and its boundary	Page 43-44

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
GRI 103: Management approach 2016	103-2	Management approach and its components	Page 43-44
	103-3	Evaluation of the management approach	Page 43-44
GRI 204: Procurement practices 2016	204-1	Proportion of spending on local suppliers	Page 44-45
Material topic: Fight against corruption			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 38
	103-2	Management approach and its components	Page 38
	103-3	Evaluation of the management approach	Page 38
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Page 38
Material topic: Quality and traceability of raw materials			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 47-48
	103-2	Management approach and its components	Page 47-48
	103-3	Evaluation of the management approach	Page 47-48
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Page 49-50
Fight against climate change			
Water consumption			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 31-34
	103-2	Management approach and its components	Page 31-34
	103-3	Evaluation of the management approach	Page 31-34

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
GRI 302: Energy consumption in 2016	302-1	Energy consumption within the organization	Page 33-34
GRI 302: Reduction in energy consumption in 2018	302-4	Reduction in energy consumption	Page 34
GRI 303: Water and effluents 2018	303-3	Water withdrawal	Page 34
	303-5	Water consumption	Page 34
	303-4	Water discharge	Page 34
GRI 305: Emissions 2016	305-1	Direct greenhouse gas emissions (Scope 1)	Page 35-36
	305-2	Indirect GHG emissions from energy consumption (Scope 2)	Page 35-36
Material topic: Responsible management of waste			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 37
	103-2	Management approach and its components	Page 37
	103-3	Evaluation of the management approach	Page 37
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts	Page 37
	306-3	Waste generated	Page 37
	306-4	Waste diverted from disposal	Page 37
	306-5	Waste directed to disposal	Page 37
GRI 307: Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	No penalties were received during the year for non-compliance with environmental laws and/or regulations.
Material topic: Attraction of talent			
	103-1	Explanation of the material topic and its boundary	Page 25

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
GRI 103: Management approach 2016	103-2	Management approach and its components	Page 25
	103-3	Evaluation of the management approach	Page 25
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Page 25
Material topic: Worker health and safety			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 28-29
	103-2	Management approach and its components	Page 28-29
	103-3	Evaluation of the management approach	Page 28-29
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	Page 29-30
	403-2	Hazard identification, risk assessment and incident investigation	Page 29-30
	403-5	Worker training on occupational health and safety	Page 28
	403-9	Work-related injuries	Page 29-30
	403-10	Work-related ill health	Page 29-30
Material topic: Professional training and development			
Material topic: Ethics training			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 27-28
	103-2	Management approach and its components	Page 27-28
	103-3	Evaluation of the management approach	Page 27-28
GRI 404: Training and education 2016	404-1	Average hours of training per year per employee	Page 28

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
Material topic: Diversity and welfare			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 21-22
	103-2	Management approach and its components	Page 21-22
	103-3	Evaluation of the management approach	Page 21-22
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of employees and governance bodies	Page 17; 23
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	There were no episodes of discrimination during the reference period
GRI 412: Human rights assessment 2016	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	All contracts with vendors (workshops etc.) for processing on behalf of AEFEE and Velmar contain clauses that refer to the Code of Ethics of AEFEE and the related obligations
GRI 414: Social assessment of vendors 2016	414-1	New vendors assessed using social criteria	Page 45
Material topic: Client health and safety			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 50-51
	103-2	Management approach and its components	Page 50-51
	103-3	Evaluation of the management approach	Page 50-51
GRI 416: Customer health and safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No non-conformities were found regarding the impact on health and safety of the products offered by the AEFEE Group within the reference time period.
Material topic: Responsible Marketing and Communications			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 51
	103-2	Management approach and its components	Page 51

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
	103-3	Evaluation of the management approach	Page 51
GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling	Page 51
	417-2	Incidents of non-compliance concerning product and service information and labeling	Page 51
	417-3	Incidents of non-compliance concerning marketing communications	Page 51
Material topic: Privacy			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 39-40
	103-2	Management approach and its components	Page 39-40
	103-3	Evaluation of the management approach	Page 39-40
GRI 418: Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 40
Material topic: Transparency, ethics and compliance			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 15-16
	103-2	Management approach and its components	Page 15-16
	103-3	Evaluation of the management approach	Page 15-16
GRI 419: Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	With regard to compliance in the socio-economic area, the competent authorities did not levy any related monetary and/or non-monetary penalties during 2021.
Material topic: Brand protection and promotion			
	103-1	Explanation of the material topic and its boundary	Page 15; 18

GRI Standard Title	GRI Disclosure Number	GRI Disclosure Title	No. of pages/notes
GRI 103: Management approach 2016	103-2	Management approach and its components	Page 15; 18
	103-3	Evaluation of the management approach	Page 15; 18
Material topic: Resilience and business continuity			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 18-19
	103-2	Management approach and its components	Page 18-19
	103-3	Evaluation of the management approach	Page 18-19
Material topic: Territorial presence and markets served			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 41
	103-2	Management approach and its components	Page 41
	103-3	Evaluation of the management approach	Page 41
Material topic: Research and development			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 47-48
	103-2	Management approach and its components	Page 47-48
	103-3	Evaluation of the management approach	Page 47-48
Material topic: Customer satisfaction			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	Page 50
	103-2	Management approach and its components	Page 50
	103-3	Evaluation of the management approach	Page 50

In accordance with the *Core* level of application

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, 2021 prepared in accordance with article 4 of the Decree, and approved by the Board of Directors on March 17, 2022 (hereinafter the "NFS").

The limited assurance engagement performed by us does not extend to the data contained in paragraph "*Process of analysis of the economic activities eligible for the Taxonomy*" 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, "core" option (hereinafter "GRI Standards"), 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' 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 AEFEE 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, 2021 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 “*Process of analysis of the economic activities eligible for the Taxonomy*” thereof, required by article 8 of the European Regulation 2020/852.

Bologna, March 30, 2022

Signed by
BDO Italia S.p.A.
Gianmarco Collico
Socio

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