

Consolidated non-financial statement

Drawn up pursuant to articles 3 and 4 of Legislative Decree 254/16

Sustainability report as of 31 March 2020



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Letter from the Chairman

Three years after we began to make our commitment to sustainability know we find ourselves in a totally different world, profoundly marked by the effects of the pandemic known as COVID-19. Therefore today, more than before, sustainability is a crucial paradigm for our strategies.

For us of the Piquadro Group, who ended the fiscal year on 31 March, the effects of the pandemic have almost obscured the results achieved during the year.

During the year 2019-2020, we in any case continued down our uninterrupted path of investment in innovation and development of new eco-friendly materials, we presented the first **green collection** made with recycled materials: **PQ-BIOS**, the result of painstaking research aimed at creating product with a lower environmental impact. Within the scope of this collection, we also developed the *PQ-Recycled Index*, an index that allows us to certify the use of recycled material in every product developed.

Our attention paid to people continued. As we have always claimed, people are the asset of our Group. We increased the number of open-ended contract employees in the Group compared to last year, also by collaborating with local bodies in projects to place insufficiently autonomous people in search of employment in the world of labour.

Lastly, the Group is pursuing its proximity to the local area, the local communities, which at this time have been roughly struck by the pandemic. This is being achieved by giving the young people of the municipalities of Alto Reno Terme and Gaggio Montano electronic equipment and wireless 4G connection so as to make remote learning activities accessible to them, and by making some donations to allow the local and national health services to purchase respirators and specialised healthcare equipment

In spite of the pandemic, we will continue to sustainably invest and grow. In fact, over the next two years we will broach the objectives tied to strengthening our commitment to responsible management of resources, and to reducing energy consumption and air emission by adopting a Group environmental policy.

We will confirm our unavoidable and shared responsibility in the fight against active and passive corruption by preparing a policy in this direction and, as part of the new supplier qualification process, the Group will plan the introduction of new parameters regarding the protection of human rights and other social and environmental criteria.

Our values, our attention paid to our people and to sustainable development will help us get past this period. It is no accident that we are used to stating that we'll get through this together.

Marco Palmieri

Methodological note

This document is the consolidated non-financial statement (hereinafter also "NFS" or "Sustainability Report") of the Piquadro Group (hereinafter also "the Group") prepared in accordance with Legis. Decree 254/16 and relates, as applicable, to understanding the business activity, its performance, results and the impact of the product itself, regarding the issues deemed significant and provided for by Art. 3 of Legis. Decree 254/16, referring to the fiscal year ended 31 March 2020 (from 1 April 2019 to 31 March 2020).

As stipulated by Art. 5 of Legis. Decree 254/16, this document is a separate report marked with special wording in order to bring it back to the NFS provided for by law.

This report was prepared in accordance with the GRI Standards: Core option. In addition, where appropriate, the guidelines of the 2017/C215/01 EC Guidelines were also taken into account.

The definition of the relevant aspects for the Group and its stakeholders took place according to a structured process of materiality analysis, which also included a comparison of material themes with the industry best practices described in the paragraph "Materiality analysis".

With regard to the information provided for by Art 3, paragraph 2 of the Legislative Decree 254/16 it should be noted that, in consideration of the business sector, the following topics have not been included in the reporting period as they are not deemed relevant in order to ensure understanding of the business activity:

- the use of water resources, used exclusively for health purposes;
- other pollutant emissions other than greenhouse gas emissions.

The scope of the economic, social and environmental data and information reported in this document refers to companies consolidated in full within the framework of the Group Consolidated Financial Statements as of 31 March 2020, listed in the "Corporate Structure" section of this document. No further significant variations are reported on changes in the Group's size, organizational structure, ownership structure and supply chain.

In order to allow the comparability of data and information over time and to assess the performance of the Group's activities, a comparison with the previous year is proposed. Restatements to previously published comparative data are clearly indicated as such. Furthermore, to give a correct representation of the performances, the use of estimates was limited as much as possible; where estimates were made, they are based on the best available and appropriately reported methodologies.

The frequency of the reporting of non-financial information and the publication of the NFS is done on an annual basis: this document was approved by the Board of Directors of Piquadro S.p.A. on 23 July 2020.

The Declaration is also subject to a limited assurance engagement (following the criteria stipulated in the Revised ISAE 3000 principle) by Deloitte & Touche S.p.A. The verification was carried out according to the procedures stated in the "Independent Auditor's Report", included in this document.

The Piquadro Group has embarked on a continuous improvement process related to sustainability aspects with a view to implementing social and environmental responsibility in the medium to long term period.

This path will start from an in-depth analysis of the risks generated and incurred, including those related to the supply chain. In this regard, a summary of the objectives planned in the various areas of sustainability is reported:

Environmental issues

As explained in the Code of Ethics, the Group considers the environment as a primary asset of the community to be protected and safeguarded. To this end, company activities are planned by seeking a balance between economic initiatives and environmental needs, always in compliance with the applicable law provisions. In addition, the parent company and the subsidiary The Bridge S.p.A. have analysed, within the framework of the organization and management Model pursuant to Legislative Decree 231/01, the activities exposed to the risk of environmental crimes and adopted a special part relating to environmental crimes.

In order to strengthen its commitment to responsible management of resources, reduction of energy consumption and better management of emissions into the atmosphere, the Piquadro Group confirms its commitment to adopting a Group environmental policy.

Fight against active and passive corruption

The issue is dealt with in the Group's Code of Ethics and is supervised under the organisation and management Model pursuant to Legislative Decree 231/01, adopted by the parent company and by the subsidiary The Bridge SpA, analysing the areas and company operations most closely exposed to the risk of corruption and adopting the necessary anti-corruption measures.

In order to confirm and strengthen its commitment, which is essential and shared, in the fight against active and passive corruption, the Group confirms its objective of adopting an anti-corruption policy at Group level.

Staff issues

In the Code of Ethics, the Group has formalised its commitment to protecting and promoting the value of human resources, increasing its skills and guaranteeing safe working conditions which respect individual dignity. At Parent Company level, two personnel management procedures have been codified, one in view of the administrative management of resources, the other drawn up within the organisation and management Model pursuant to Legislative Decree 231/01. Furthermore, the Italian companies have adopted a procedure for managing health and safety at work, including a "safety organization chart". Despite the recent spread of the pandemic known as COVID-19 and its related consequences, the parent company Piquadro SpA has started planning a management and development policy for personnel initially dedicated to the *Retail* context, to subsequently extend it also to the staff of the headquarters.

Protection of human rights

In the Code of Ethics, the Group affirms its commitment to respecting human rights by referring to the ILO (International Labour Organisation) Declaration on fundamental principles and rights at work, including the prohibition of forced labour and child labour, freedom of trade union association, the prohibition of discrimination and harassment. Moreover, through the dissemination of the Code of Ethics, the Group aims to apply these principles to all Group companies. With a view to continuous improvement, the Group confirms the objective of defining a Supplier Code of Conduct and implementing a sharing process with the main categories of business partners, as well as providing training courses for Group employees in the area of human rights.

In addition, as part of the qualification process for new suppliers, the Group aims to include new parameters relating to the protection of human rights and other social and environmental criteria.

For the objectives mentioned, the Piquadro Group is committed to addressing these four areas as a priority. The aforementioned targets, which were to be implemented by March 2020, have not been accomplished due to the contingencies related to the COVID-19 pandemic that has involved the Group companies as of December 2019. Nonetheless, the Piquadro Group undertakes to formalize the aforementioned policies by the 2021/2022 NSF publication.

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1. The Piquadro Group

A summary of the Group as at 31 March 2020:



Revenue from sales: €152.2 million (+ 3.2% compared to fiscal year 18/19)



Consolidated Net Result: € (7,75) million



134 direct stores and 49 indirect sales outlets



1,108 employees

The Piquadro Group operates in the leather goods market and designs, manufactures and markets its own brands (Piquadro, The Bridge and Lancel) which are characterised by a focus on design and technical-functional innovation, which leads to the creation of handbags, suitcases and accessories.

The main characteristics for the three brands are the attention to detail and quality of the workmanship and leather: the Piquadro product stands apart thanks to its innovative design and technological content. The Bridge enhances the vintage flavour of the Tuscan workmanship and finally the Lancel collections embody the Parisian allure of a Maison founded in 1876.

At the Piquadro headquarters in the Silla area of Gaggio Montano, on the Tuscan-Emiliano Apennine, administrative and management activities, design, research and planning, material choice and marketing communication strategies take place.

The production of part of the small leather goods and some Piquadro briefcases is carried out internally through the subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. at the Zhongshan plant (People's Republic of China).

In addition, part of the production of the Lancel and The Bridge brands takes place at the Tuscan Scandicci plant.



1.1 The Group's background and values



The common values which the Piquadro Group pursues and identifies include the development, promotion and support of cultural background, talent and the potential of its human resources in order to create a working environment which encourages and values the contribution of every single human resource.



The Piquadro Group aims to earn the trust, respect and loyalty of its customers on the basis of the efficiency and excellence of the work of its employees and collaborators.



Founded in 1987 by Marco Palmieri, then a young engineering student, it initially operated as a small leather goods company for third parties.



In 1998, after ten years of production for the most prestigious Italian luxury leather goods companies, Piquadro launched its own brand. The name comes from the combination **Palmieri-Pelletteria** which, in homage to the fact the founder likes mathematical terms, becomes P^2 , (P squared), which in Italian is pronounced Piquadro.

Design, functionality and technology are the values on which the new leather goods brand aims to stand out in the market.



The first Piquadro *boutique* opened in 2000 in Via Spiga, in the heart of Milan's fashion quarter. Two years later, the first franchise store opened in Via Frattina in Rome.



In 2006, the new headquarters in Silla di Gaggio Montano was inaugurated, a futuristic building nestled in the green of the Tuscan-Emiliano Apennine, where the research, development and logistics processes are managed.



In 2007, Piquadro was floated on the Italian Stock market in Milan (Expandi segment).



The growth of the brand continues with the launch, in 2011, of Sartoria, a line of luxury and tailor-made handmade leather goods in Italy.

✚ In the following years, there were openings in the most strategic points of branded shopping worldwide: in 2012 the new headquarters, with offices and showrooms, was opened in the Milan fashion quarter. 2014 marks the first step towards the UK market with the opening of the flagship store in the highly central Regent Street.



✚ In December 2016, Piquadro acquired The Bridge, a historic Florentine brand working in leather manufacturing and the production of handbags and accessories.



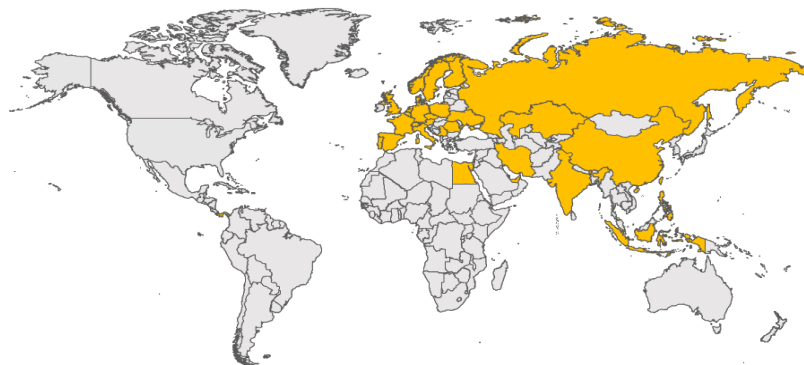
✚ In June 2018, Piquadro acquired Lancel International S.A. ("Lancel International") - a Swiss company, wholly owned by the Richemont Group, which owns the "Lancel" brand, which holds 99.9958 % of the capital of the French law firm Lancel Sogedi S.A. and the Spanish and Italian law firms which manage the Lancel boutiques present in those countries (Lancel International and the companies from this "Lancel Group"). Maison Lancel, based in Paris and founded in 1876, creates and distributes luxury leather goods and elegant accessories for men and women.

Brand diffusion

As of 31 March 2020, the brand is present in more than **50 countries with 183 sales outlets, of which 134 single-brand stores** are directly managed (59 Piquadro stores, 9 The Bridge, and 66 Lancel), **49 indirect sales outlets** represented by multi-brand stores and single-brand franchise stores (39 Piquadro stores, 3 The Bridge and 7 Lancel) and finally a network of distributors reselling the items in specialised multi-brand stores.

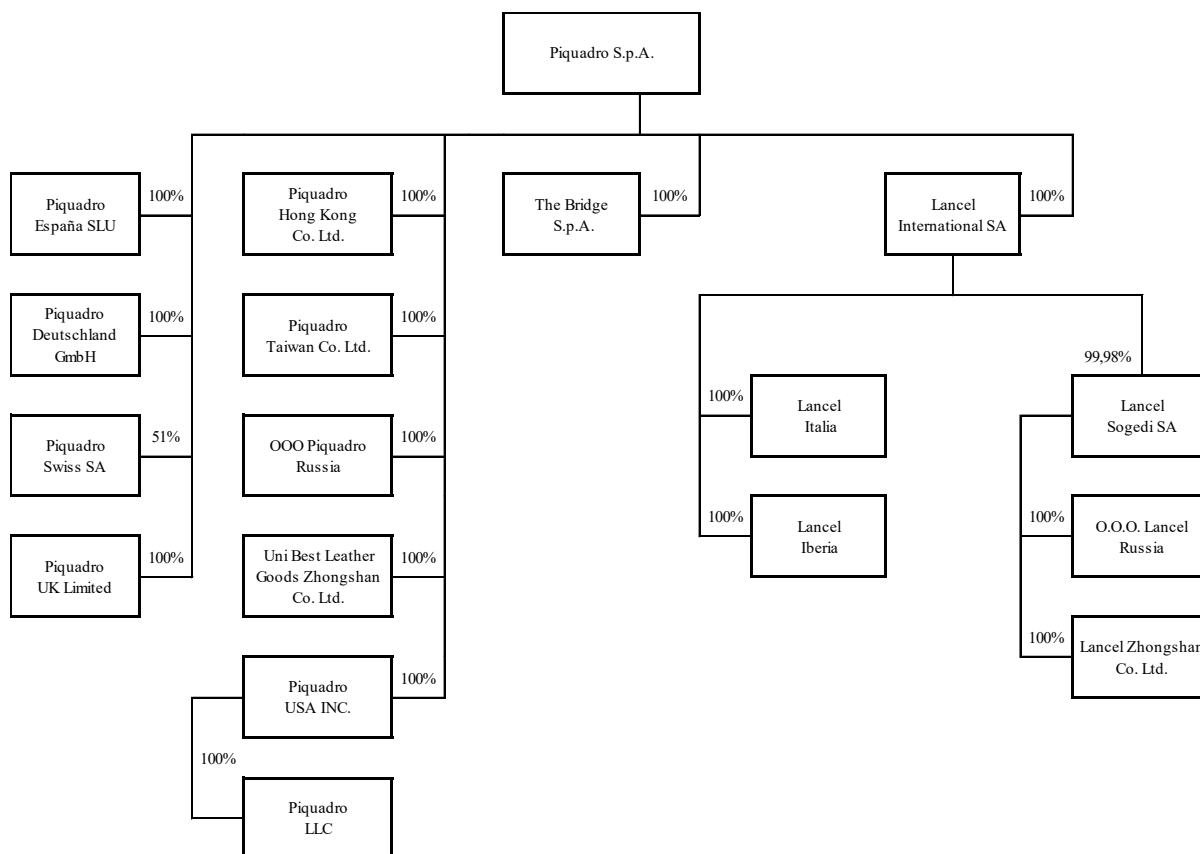
During the financial year ended March 31, 2020 Piquadro opened 5 new boutiques and closed one, while Lancel opened 5 new stores and 2 were closed.

Stores under direct or indirect management of the Piquadro Group in 2019/2020



Corporate structure

As of 31 March 2020, the Piquadro Group is structured as follows:



For more information on the Group's corporate structure, please refer to the Annual Financial Report published in the Investor Relations section of the <http://www.piquadro.com> website.

Corporate Governance



Following the traditional system, the corporate governance provides for the Shareholders' Board, the Board of Directors and the Board of Auditors. The Board of Directors has a strategic and supervisory focus, while the Board of Auditors carries out controls.

The purpose of the Group's corporate structure is to achieve the strategic objectives and, at the same time, ensure the correct and sound management of the activities and protect all stakeholders.

The Board of Directors, in office for three years and until 31 March 2020, is as follows:

| | |
|---------------------------|--|
| Marco Palmieri | Chairman and CEO |
| Marcello Piccioli | Member of the Board |
| Roberto Trotta | Member of the Board |
| Pierpaolo Palmieri | Member of the Board |
| Paola Bonomo | Non-executive director, independent ¹ |
| Catia Cesari | Non-executive director, independent |
| Barbara Falcomer | Non-executive director, independent |

Composition of the Board of Directors, by age group and gender

| Age range | As at 31 March 2020 | | |
|-----------|---------------------|-------|------|
| | Men | Women | % |
| <30 | 0 | 0 | 0% |
| 30-50 | 1 | 0 | 14% |
| >50 | 3 | 3 | 86% |
| % | 57% | 43% | 100% |

The board members, with different professional backgrounds, have all the professional requirements and experience necessary to carry out their mandate.

In order to ensure transparency and guarantee that targets are reached and the effectiveness of the Group as well as the reliability of the financial information, pursuant to laws and regulations, the Board has set up two committees within it: **Control and Risks Committee** and the **Remuneration and Appointments Committee**. Both committees have an advisory and proactive role, with the aim of facilitating the Board's functionality and activities.

In addition, the '**lead independent director**' has been established: a reference point and coordination of the applications and contributions of non-executive directors and, in particular, those who are independent, guaranteeing a wider autonomy of judgment than management, this person works with the Chairman of the Board of Directors to ensure that administrators receive comprehensive and timely flows of information.

¹ Independent board members as described by the TUF [Consolidated Law on Finance] and Corporate Governance Code

1.2 The Ethical management of our business



The pre-arranged company values and conduct to achieve **ethical business management** have been codified in the Code of Ethics, implemented and applied by all the companies in the Group: this contains the set of rights, duties and responsibilities of all those who, in any capacity, operate in or for Piquadro. The leadership of the parent company is required to periodically review and update the document on the basis of the internal Supervisory Body's reports. The Piquadro Group operates, in any case, in absolute compliance with Italian and international laws and regulations, as well as, where present, internal procedures set under the organisation and management Model pursuant to Legis. Decree 231/01.

The Piquadro Group has never solely focused on results alone but also on the way in which these results are obtained.

A key component of the Piquadro Group's approach to business has always been its strong ethical culture which has led to a commitment to avoid and eliminate potentially opportunistic behaviour.

Piquadro believes in the **values of integrity, fairness, transparency and innovation**, thanks to its a strong and recognised cultural identity. The Piquadro Group also aims to reconcile competitiveness on the market with compliance to competition regulations and to promote, as regards social and environmental responsibility, the correct and responsible use of resources.

In June 2008, the parent company adopted the **organisation and management Model** (hereinafter also the "Model") pursuant to Legis. Decree 231/2001 and adopted the **Group Code of Ethics**, to set up a structured and organic system of rules to enable the prevention of illegal behaviour by monitoring areas and activities at risk and guarantee the ethical management of the business.

From 2017 the subsidiary The Bridge S.p.A. also instituted the Supervisory Body and adopted the Group Code of Ethics. Following the acquisition of the Lancel Group, the parent company is working to also extend the Code of Ethics to the new subsidiary.



Code of Ethics

The Group, in the context of its activities and within in its business, has always considered its priority objective to **carry out the business activities in respect and protection of all partners** and individuals with whom it relates, as well as compliance with the law and regulations of the relevant subjects.

Each member of the organisation of the Piquadro Group is required to comply with all applicable laws, keeping to the highest standards of **corporate ethics**.

The parent company has codified these business principles in the **Code of Ethics** which it submits to the other companies of the Group so that they, after modifying and / or integrating it in relation to specific needs, they can formally adopt these as a management tool and an effective element of its strategy and organisation.

The Code of Ethics therefore contains the set of **rights, duties and responsibilities of all those who**, for any capacity, **work at or for Piquadro**.

Moral integrity is a constant value and duty for the Piquadro Group, characterising all the organisation's behaviour and in no case does pursuing the Group's interest justify an action which is not coherent with the principles of the Code. Therefore, everyone's duty is to pay attention to circumstances that may be indicative of illegal behaviour and act promptly to avoid an incorrect conduct.

The management of the Piquadro Group, also with reference to the indications received by the supervisory body established pursuant to Legislative Decree 231/2001, is required to periodically review the Code of Ethics and proceed to its continuous updating.

Organization and management Model

The **organization and management Model** of the parent company Piquadro S.p.A. and the subsidiary The Bridge S.p.A. involves every aspect of the company business to correctly manage activities which are at risk of crime and possible conflict of interest situations. In particular, the checks involve, with different roles and at different levels, the Board of Directors, the Board of Auditors, the Internal Control Committee, the Supervisory Board, the Chartered Accountant, the executives and all staff, representing an essential aspect of the company's business. With regard to the aspects of "control", the Model, in addition to providing for the establishment of an autonomous and independent Supervisory Board, ensures the integration and coordination of the latter's activities with the existing system of internal controls, using the experience gained. The Model, however, aims to provide greater assurance about the compliance of business practices and activities with the rules of the Code of Ethics and the company's legislation, which states the principles in the discipline of activities at risk of crime. The Model also provides a system which can provide timely reporting, depending on the case, of the occurrence or existence of abnormal situations.

The companies aim to guarantee that the personnel is aware of the organisation and management model and the Code of Ethics when appointing a specific training course relating to the themes above.

In order to ensure the **effective dissemination of the Model, the Code of Ethics and personnel awareness** with reference to the contents of Legis. Decree 231/2001 and its obligations, a dedicated area of the company's IT network has been arranged for this issue (where, in addition to the documents which make up the information note described above, the reporting tools to the Supervisory Board and any other relevant documentation are provided and available).

In addition, in order to comply with Law 179/17 (the so-called **whistleblowing** system) and to encourage reporting behaviour that could determine or help determine the responsibility

according to ex Legis. Decree 231/2001, the parent company and The Bridge S.p.A. has adopted a system to report to the Supervisory Authority which can guarantee the confidentiality of the whistle-blower's identity.

The organization, management and control model envisaged by Legislative Decree 231/2001 of the Parent Company Piquadro S.p.a. and the Italian subsidiary The Bridge S.p.a., is being updated following the introduction of article 25-quinquiesdecies of Legislative Decree 231/2002, adding fraudulent tax offenses to predicate crimes. This update will be approved in the next Boards of Directors of The Bridge and Piquadro S.p.A. in the months of June and July 2020



The single Italian companies of the Group will also adopt a policy, the purpose of which is to define the guidelines and principles on tax matters, in order to guarantee the uniform application of tax rules within the Piquadro Group as well as to illustrate the operating model for tax management. An external consultant will be appointed, who together with the Parent Company's tax reference person, will arrange for the tax risk management in order to ensure the correct and homogeneous interpretation of the Tax Regulations, as well as the compliance with the same with the definition of general principles and implementation rules for the Group's Italian companies. Subsequently, at Group level, a specific consultant will be identified for each country, who in any case shall have to report to the contact person of the Parent Company, so as to monitor the specific regulations with greater attention.



For more information about the Group's Code of Ethics and the organization and management Model, please refer to the documents published in the "Investor relations" section of the <http://www.piquadro.com> website.

1.3 Compliance and risk management



For **risk assessment and management**, the Group has set up an internal control system to identify, measure, manage and monitor key risks. The risk management system aims to facilitate informed decision-making in line with company strategy and objectives.

The pre-arranged internal function for the identification and management of risks is that of an internal audit which works closely with the Control and Risk Committee and with the administrator in charge of the internal control system. Based on its guidance, the Board of Directors annually assesses the suitability, effectiveness and effective operation of the internal control and risk management system.

The internal control and risk management system is the set of **rules, procedures and organisational structures** of the Group **to enable the identification, measurement, management and monitoring of the main risks**. This system is integrated into the more general organisational and corporate governance structures adopted by Piquadro and takes into account the reference models and best practices existing within the national and international context. The internal control and risk management system also contributes to company management which is consistent with the company objectives defined by the Board, encouraging taking informed decisions. It helps to ensure the preservation of social heritage, the efficiency and effectiveness of business processes, the reliability of financial information, compliance with laws and regulations as well as the statute and internal procedures, with attention to the effective implementation of the Model ex Legis. Decree 231/2001.

The parent company is starting the planning to extend the internal control and risk management system in place to the newly acquired French company. The planning start has slowed down due to the contingencies linked to the COVID-19 pandemic which affected the Group companies.

The Italian companies adopting the organisation and management Model, carried **out a careful analysis of the company processes** related to their activities, in order to **evaluate their exposure** to the **predicate offences** covered by Legis. Decree 231/2001. The mapping therefore took into account a number of areas, including participation in public tenders, the purchase of raw materials, finished products, semi-finished products and products being made, hiring and management of personnel, corruption and environmental offences.

The operational and economic-financial risk assessment is based on a model of identification of the nature and level of risk compatible with the organisation's strategic objectives, called "*Risk Factors Analysis*". This document, drawn up for the parent company and for the subsidiary The Bridge, analysed risks such as:

| Type of risk | Management arrangements |
|--|---|
| <p>Risks related to the production activity and supply of raw materials, linked to significant changes in the macroeconomic, political, fiscal or legislative framework in areas where the Group's products are manufactured, as well as the Group's inability to maintain and renew its business relationships.</p> | <p>The Group has a historical presence in the countries where it operates at the production level and employs its staff in both the production and financial administrative areas. In addition, the Group operates a constant analysis of possible local issues ensuring full updating in terms of local regulations. In addition, the scouting of possible new suppliers in different geographical areas continues.</p> |
| <p>Risks related to the operation on multiple international markets and the distribution network, linked to possible changes in the political and economic situation in different countries, the need to face competition from operators in different markets, difficulty in being able to satisfy the clientele tastes of different countries, the greater difficulty in protecting their products from counterfeiting activities.</p> | <p>For a long time, the Group has diversified its investments and its presence in Europe and Asia. In addition, although the indirect sales channel still accounts for a significant percentage of sales, the Group has been in a policy of retail expansion for several years, leading to the opening of direct-to-manage stores throughout the and thus to increase the sales channel managed directly by the organisation.</p> |
| <p>Risks related to the protection of intellectual property rights and counterfeiting related, therefore, to the protection of rights related to design, processes and production technologies, utility models as well as brands and other trademarks signs all of which are crucial for the success of the products on the market and the Group's competitive positioning.</p> | <p>The Group employs a company that specialises in protecting everything related to intellectual property (brands, trademarks, ornamental models, utility models, patents, etc.).</p> <p>Trademarks are registered in virtually every country in the world; even in those where the Group does not yet operate.</p> <p>With regard to the protection of trademarks, the Group has also been operating for many years a system of monitoring new registration requests, so that, already at the initial stage, it can counter any registration concessions of brands that have relevance to their own.</p> |
| <p>Risks related to the integrity of the information system identified in particular in data integrity, continuity of the IT system and segregation to external and internal access to information (vulnerabilities).</p> | <p>The Group implements updating procedures to ensure that it is defended against external attacks of computer viruses. On the continuity of the information system: Piquadro has a data centre with redundant virtualised servers on three equivalent nodes. The server room, armoured and fireproof, is equipped with: intrusion and smoke detectors, flood and temperature sensors all connected to the alarm control unit that can alert selected personnel in the event of problems detected. The Disaster Recovery site has been relocated to Florence in the server room of The Bridge, it is updated via VPN via a 100 MB connection with fully dedicated bandwidth at night and partially reserved during the day. Almost all servers are replicated (all critical ones) with a maximum RPO of 24 hours. During this exercise, Piquadro replaced the firewall with single sign-on integration with active directory and internet access profiling. The antivirus used on all systems connected to the corporate network is NOD 32 kept up to date with the latest version and monitored through its administration console. With regard to data integrity, this is stored on databases whose access by</p> |

| Type of risk | Management arrangements |
|---|--|
| | <p>developers and administrators is monitored and controlled by the appropriate software and appropriate procedures. The data flow that takes place via e-mail, e-commerce, order entry is protected through regularly updated electronic certificates. A storage upgrade is planned for the new fiscal year on both the production and the DR site that will allow a full replication of production on the DR site.</p> |
| <p>Risks related to changing customer preferences and increased competition The Group attributes its success to the consumer's appreciation for the style and quality of its products, while still contemplating the hypothesis of any changes in consumer tastes which the Piquadro Group cannot anticipate and that they may be able to be satisfied by competitors.</p> | <p>The Group's management considers that the key factors in countering these risks are:</p> <ul style="list-style-type: none"> - the ability to offer products in line with the expectations of reference consumers; - the pursuit of appropriate marketing policies; - maintaining and developing its production model as well as - maintaining and strengthening its single-brand and multi-brand distribution capacity |
| <p>Economic and financial risks related in particular to credit risk from commercial transactions or financing activities, liquidity risk related to the availability of financial resources access to the credit market and market risk, better division into exchange rate risk components (given by operating in non-Euro currency areas) and interest rate risk for exposure to instruments interest-generating financial institutions.</p> | <p>Risk management is carried out at central level in the context of specific organisational directives governing their management and the control of all transactions that have a narrow relevance in the composition of financial and/or commercial assets and liabilities.</p> <p>For example, in relation to exchange rate risk, Management adopted a risk-containment strategy better defined as a "<i>hedge accounting policy</i>" which consists of continuous coverage of the risks of purchases on a six-month time horizon based on the amount of orders issued.</p> |

In relation to the **issues of sustainability**, the following areas of risk are also highlighted:

| Type of risk | Management arrangements |
|--|---|
| <p>Environmental risks linked to the lack of compliance with the environmental regulations in countries where the Group works, inefficient management of materials and energy or incorrect management of waste.</p> | <p>In the Code of Ethics, the Group has expressed its commitment to the protection of the environment and conducting its activities seeking a balance between economic initiatives and environmental needs.</p> <p>In addition, the parent company has adopted a special section on environmental offences, within the framework of the organisation and management Model pursuant to Legislative Decree 231/01, as well as a procedure of waste management. These areas were also analysed in the subsidiary The Bridge S.p.A. that has finalised the adoption of the special section on environmental offences.</p> |

| Type of risk | Management arrangements |
|---|--|
| <p>Social risks related to non-compliance with the specific regulations of the relative products among other things, on the impact of the products themselves on health and safety, the failure to meet customer expectations, the inadequacy of the research and development process.</p> | <p>The products are subject to rigorous controls to ensure their quality and safety: special laboratory tests are carried out on both the finished products and materials to test for resistance, structural integrity, hydro-repellent qualities and non-toxicity. As a benchmark, the Group has the REACH European Regulation which governs the use of hazardous chemicals in production processes with compliance also from its suppliers, where applicable. In addition, the Group has adopted a specific intellectual property management procedure.</p> |
| <p>Risks related to personnel in the unsuitability of the attraction and recruitment process, development plans and staff motivation, as well as the inadequacy of occupational health and safety measures.</p> | <p>In the Code of Ethics, The Group has formalised its commitment to ensure the physical and moral integrity of its employees and internal collaborators, working conditions regarding individual dignity and safe and healthy work environments, in full compliance with the current legislation.</p> <p>The parent company and the Italian subsidiary The Bridge, have carried out workplace risk analysis, formalised in the RAD (Risk Assessment Document). The same was done by the French company Lancel Sogedi S.A.</p> <p>In order to improve staff training in this area, Piquadro is implementing new procedures related to occupational health and safety whereas The Bridge S.p.a. is currently developing the management of these risks.</p> |
| <p>Risks related to the fight against active and passive corruption are linked to the possibility of the Group's management and staff carrying out unethical, unauthorised, violations of rules and regulations, unlawful with particular reference to the crime of active and passive corruption.</p> | <p>The Group has formalised the values of ethics and integrity which inspire its business in the Code of Ethics: through the dissemination of this, it seeks to spread a culture of social responsibility when conducting the business.</p> <p>In addition, the parent company and The Bridge S.p.a. have adopted an organization and management model pursuant to Legis. decree 231/01 according to which areas and operations which are most subject to crime have been identified and analysed, for example, such as requesting authorisations, permits, licenses and certifications, sponsorships and donations, as well as the risks of dealing with external entities both public and private (Revenue Agency, I.N.P.S [National Institute for Social Security], I.N.A.I.L [National Institute for Insurance against Labour Accidents]).</p> |
| <p>Risks related to non-compliance with human rights related to the Group's operations and suppliers in countries where the legislation is less stringent than that of Italy.</p> | <p>In the Code of Ethics, the Group has formalised its commitment to respecting human rights by explicitly recalling the ILO Declaration on fundamental principles and rights at work, including the prohibition of forced labour and child labour, freedom to join a trade union and the prohibition of discrimination and harassment. Through the dissemination of the Code of Ethics, it aims to apply, in all Group companies, an ethical corporate culture which respects human rights.</p> |

The Board of Directors of 23 July 2020, taking into account the information provided by the Control and Risk Committee and the Administrator in charge of the internal control and risk management system, as well as the internal audit manager, **for the year ended 31 March 2020, expressed a positive assessment of the adequacy, efficiency and effective performance of the internal control and risk management system.**



For more information on economic and financial risks and how they are controlled and managed, please refer to the documents published in the "Investor relations" section of the <http://www.piquadro.com> website.

1.4 Our stakeholders and materiality analysis

The Piquadro Group considers it necessary to define and maintain an effective dialogue with its stakeholders, also with the aim of acquiring new stimuli in terms of innovation and product quality. The mapping of stakeholders, shown below, is the result of an analysis carried out by the Group in order to identify the main categories of interlocutors:



With a view to sharing and improving the relationship with its stakeholders, the Piquadro Group has, over the years, started several paths of communication and exchange of information with them. The following are the main reference themes and dialogue channels for each keynote:

| Stakeholder | Issues | Dialogue channels |
|---|---|--|
| Employees | <ul style="list-style-type: none"> Employee wellbeing Protection of occupational health and safety Equal opportunities Organisation and management Model and Code of Ethics | <ul style="list-style-type: none"> Internal climate survey Communication from the company's top management Corporate intranet Materiality assessment |
| Customers | <ul style="list-style-type: none"> Customer satisfaction Innovation Product quality | <ul style="list-style-type: none"> Website Customer satisfaction surveys Customer Service Showroom Materiality assessment |
| Suppliers | <ul style="list-style-type: none"> Quality of the supply products Continuity of supply relationships Development of partnerships | <ul style="list-style-type: none"> Constant and direct contact Related fairs Showrooms Materiality assessment |
| Institutions and regulatory bodies | <ul style="list-style-type: none"> Respect for laws and regulations Adherence to industry recommendations and best practice | <ul style="list-style-type: none"> Reports and Budgets Regular Information flows Meetings Press releases |
| Trade Union organisations | <ul style="list-style-type: none"> Corporate welfare Collective bargaining agreements | <ul style="list-style-type: none"> Meetings and direct dialogue with trade union representation |
| Community and territory | <ul style="list-style-type: none"> Support for social initiatives Employment support | <ul style="list-style-type: none"> Projects in the area Website |
| Shareholders and lenders | <ul style="list-style-type: none"> Transparency towards the market Financial solidity and sustainability Economic performance | <ul style="list-style-type: none"> Participation on the company's Board Shareholders' meetings Reports and Budgets Investor Conference Press release Website |
| Media and opinion leaders | <ul style="list-style-type: none"> Transparency Group's business strategy Product communication Group's economic results | <ul style="list-style-type: none"> Website <i>Marketing</i> campaigns Press releases Showroom |
| Trade associations | <ul style="list-style-type: none"> Representation of industry interests Training and information | <ul style="list-style-type: none"> Institutional website Participation in groups, working tables and technical committees |
| Franchisees and distributors | <ul style="list-style-type: none"> Continuity of the relationship Partnership development | <ul style="list-style-type: none"> Site Direct contact Showrooms |

The Group has also developed a significant **network of relationships and partnerships** with trade associations:

- **Piquadro** is part of **Confindustria Emilia Area Centro** and the **Camera Nazionale della Moda Italiana** [National Chamber of Italian Fashion];
- **Lancel** is part of the **Union Du Grand Commerce de Centre Ville (UCV)**, **Union des Fabricants (UNIFAB)** [Manufacturers' union] and **Aimeth** (an association with the goal of including and retaining employment for people with disabilities).

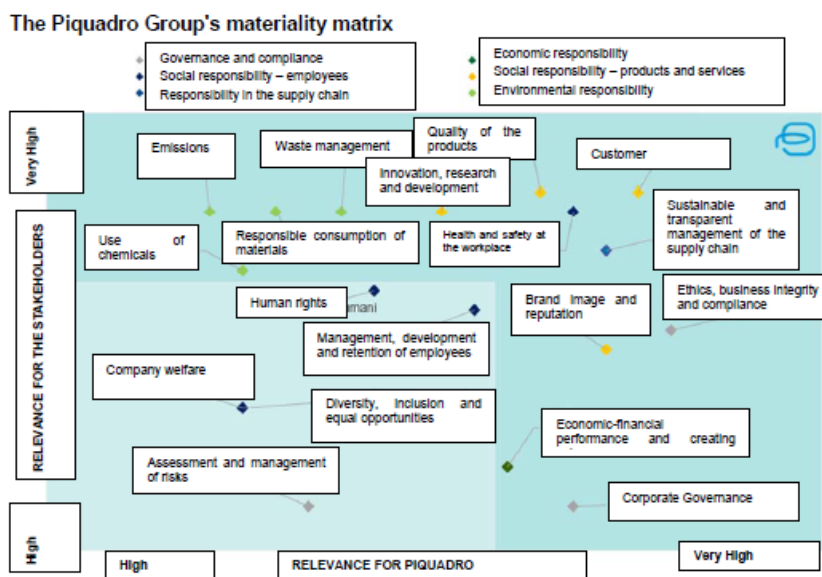
Materiality analysis

The aim of the materiality analysis is to identify significant aspects which have a significant impact on the Groups' business, from an economic, social and environmental point of view, and which could substantially influence the assessments and decisions of its stakeholders. The analysis was carried out in line with the principles defined by the GRI *Sustainability Reporting Standards* and in the previous financial years, involved the top management of the company and some members of the Board of Directors as well as some stakeholders (employees, B2B and B2C customers, suppliers and distributors) by submitting a questionnaire online.

The issues assessed were identified by benchmark analysis and taking into account the specifics of the sector and the Piquadro Group.

The results of this analysis, published in the previous NFS, have also been confirmed for the purposes of 2019/2020 NFS.

Unlike what was stated in the previous NFS, due to the contingencies related to the Covid-19 emergency, the Piquadro Group has re-planned the deepening and expansion of the engagement activities and the stakeholders involved for the 2020/21 financial year.



For each topic identified as material, here below is a brief description of the relevance that the issue has for the Group and the related impact boundaries (where the Group's impact and involvement takes place).

| Material aspect | Relevance for the Group | Impact scope | |
|--|--|------------------------------|---|
| | | Where the impact occurs | Group involvement ² |
| Governance and compliance | | | |
| Ethics, business integrity and compliance | Respecting ethical principles and complying with laws and regulations in business conduct is a fundamental and essential condition for the Piquadro Group. In all relations with its counterparts, the Group is committed to pursuing conduct based on fairness, loyalty and collaboration. | Piquadro Group | Caused by the Group |
| Risk Assessment and Management | The Group pays particular attention to the assessment of the main risks that could have a negative impact on its work and threaten its solidity. In this sense, resources are used for the analysis and correct management. | Piquadro Group | Caused by the Group |
| <i>Corporate Governance</i> | The focus on Group <i>Corporate Governance</i> is geared towards achieving strategic objectives and at the same time ensuring the correct and sound management of business, ensuring the protection of all <i>stakeholders</i> . | Parent company | Caused by the Group |
| Economic responsibility | | | |
| Economic-financial performance - and creating value | The Group aims to generate solid and positive economic and financial performance from a medium to long-term perspective and distribute value to its <i>stakeholders</i> . | Piquadro Group | Caused by the Group |
| Responsibility in the supply chain | | | |
| Sustainable and transparent management of the supply chain | Throughout the value chain, the Group aims to maintain relationships based on fairness with its <i>partners</i> . The Group recognizes the value of the materials and services provided by its suppliers, which are a fundamental element for the high-quality standards of its products. In addition, the Group aims to define a Supplier Code of Conduct and to add, as part of the qualification process, parameters related to the protection of human rights and other social and environmental criteria. | Piquadro Group and Suppliers | Caused by the Group and related to the Group through its business relations |
| Social responsibility – employees | | | |
| Management, development and retention of employees | The Group pays particular attention to the management and development of its employees, aware that they are one of the key elements to achieve its strategic objectives. In this sense, a number of professional growth programs are implemented. The Group is constantly looking for the best talent and is committed to maintaining the best resources within its staff. | Piquadro Group | Caused by the Group |

² Impact due to the Group: the impact is directly ascribable to the Group activities;
Impact related to the Group through its commercial relationships: the impact is directly connected to the Group's activities, products and services through a business relationship (e.g. relationship between the Group and its suppliers);
Impact to which the Group contributes: the impact is connected to the Group's activities, products and services, as they are generated by subjects with which the organization interacts.

Sustainability Report as at 31 March 2020 of the Piquadro Group

| Material aspect | Relevance for the Group | Impact scope | |
|--|---|---|---|
| | | Where the impact occurs | Group involvement ² |
| Diversity, inclusion and equal opportunities | In dealing with employees, the Group maintains a strict adherence to the principles of non-discrimination and equal opportunities, as expressed in its Code of Ethics. | Piquadro Group | Caused by the Group |
| Health and safety at the workplace | Protecting its employees' health and safety is constantly a priority for the Group, which is committed to complying with all the current rules and to increasing the training of its employees in these areas. | Piquadro group's employees ³ | Caused by the Group |
| Humans rights | In all relations, both with its employees and with suppliers, the Group maintains a conduct aimed at the protection of human rights. | Piquadro Group; Suppliers | Caused by and related to the Group through its business relations |
| Corporate welfare | The Group aims to develop policies, benefits (economic and non-economic) and actions aimed at improving the well-being of employees, in order to create a comfortable working environment that will meet the workers' needs and expectations. | Piquadro Group | Caused by the Group |
| Social responsibility – products and services | | | |
| <i>Brand</i> image and reputation | The Group is constantly aiming at extending its brand and at the same time protecting its reputation. The Group's image must convey the values on which its business is based. | Piquadro Group and indirect sales channel | Caused by the Group and related to the Group through its business relations |
| Quality of the products | Maintaining a high standard of quality of your products is a vital condition. For this reason, each item is subjected to stringent tests and controls which aim to ensure that numerous quality parameters are passed. | Piquadro Group and Suppliers | Caused by the Group and related to the Group through its business relations |
| Innovation, research and development | The Group's growth involves the ability to innovate and develop new products that can meet customers' different needs. For this reason, the Group invests extensive resources in research and development | Piquadro Group | Caused by the Group |
| Customer satisfaction | The Group aims to always place innovative and high-quality products on the market to fully meet its customers' expectations Customer satisfaction is a primary goal for the Group. | Piquadro Group and indirect sales channel | Caused by the Group and related to the Group through its business relations |
| Environmental responsibility | | | |
| Responsible consumption of materials | Environmental protection is an area that is increasing its relevance for the Group, which will evaluate the changes to reduce its impacts, in | Piquadro Group | Caused by the Group |

³The Company will conduct further analysis on the significance of other non-employee workers in order to evaluate the possibility of collecting data from the employers of external collaborators and suppliers who work at the Group's premises and/or under the Group's control, evaluating the quality and accuracy of the data over which they exercise direct control.

| Material aspect | Relevance for the Group | Impact scope | |
|-------------------------------------|--|--|---|
| | | Where the impact occurs | Group involvement ² |
| | particular with regard to the use of the resources necessary for production. | | |
| Use of chemicals | The Group pays attention to the responsible use of chemicals by asking its suppliers to comply with REACH's requirements (where applicable). | Group production facilities and raw material product suppliers | Caused by the Group and related to the Group through its business relations |
| Emissions | The Group is committed to taking action to reduce its harmful emissions into the atmosphere. | Piquadro Group and Electricity Suppliers | Caused by the Group and related to the Group through its business relations |
| Managing waste and production waste | During the production phase, the Group is committed to proper waste management and reduction of waste from production materials. | Piquadro Group | Caused by the Group |

1.5 Creating value



The *business* model which drives the Group's **economic and financial performance** aims at **creating** long-term **economic value**, a value that can be shared between all *stakeholders*.

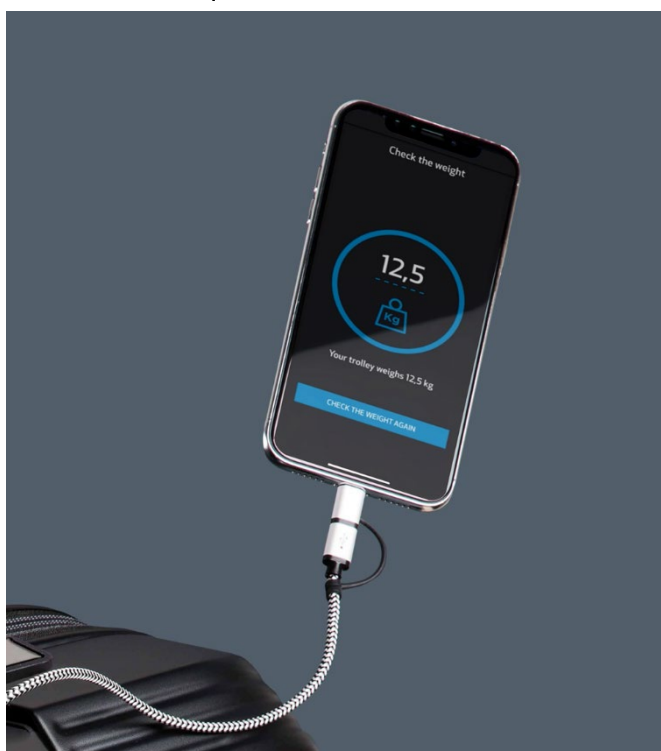
The results achieved in the last financial year were positive and obtained through a high efficiency of the design, processing and distribution processes, the result of a constant and ever-increasing search for optimisation of flows which affect the entire process (from product development to distribution to the end consumer) and through strengthening brand perception in the target consumer.

The economic value created is distributed mainly to suppliers and employees.

The consolidated turnover recorded by the Piquadro Group in the financial year ended 31 March 2020 equals 152.2 million euros, a 3.2% increase compared to the same period of the previous financial year closed with 147.5 million euros. The increase in revenues was mainly due to the full twelve-month consolidation of the sales of the Maison Lancel (compared to ten months relating to the financial statements closed on 31 March 2019) and to a 0.6% increase in The Bridge brand sales.

With regard to the Piquadro brand, revenues recorded in the year ended 31 March 2020 equals 72.0 million euros with a 5.1% decrease compared to the financial year closed on 31 March 2019. Such decrease is due both to the sales decrease in the Wholesale channel, equalling approx. 8.2% and represents 56.3% of the Piquadro brand sales and to the 0.6% decrease of the DOS channel sales (including the Piquadro website e-commerce with a 27.3% increase) representing 43.7% of the Piquadro brand sales.

Following the rapid spread of the pandemic known as COVID-19, which also resulted in the prohibition and locking down of commercial activities, international traffic as well as the closure of most of the direct stores of the Piquadro brand already starting from 11 March 2020, during the last quarter of the year the Piquadro brand turnover reported a 27.8% overall decrease compared to the same period of the previous year, in which the DOS channel (which includes the Piquadro website e-commerce) recorded a 16% decrease and a 35.2% decrease of the Wholesale channel.



With regard to **The Bridge** brand, revenues recorded in the year ended 31 March 2020 equals 26.7 million euros with a 0.6% increase compared to the financial year closed on 31 March 2019. The *Wholesale* channel sales, representing 65.9% of The Bridge brand sales



decreased by 3.7% whereas the DOS channel sales (including The Bridge website e-commerce with a 33.8% increase) representing 34.1% of The Bridge brand sales, increased by 9.9%

Following the rapid spread of the pandemic known as COVID-19, which also resulted in the prohibition and locking down of commercial activities, the international traffic as well as the closure of all direct stores of The Bridge brand

already starting from 11 March 2020, during the last quarter of the year The Bridge brand turnover reported a 28.7% overall decrease compared to the same period of the previous year, in which the DOS channel (which includes The Bridge website e-commerce) and the Wholesale channel reported a decrease by 12 % and 38.2% respectively.

The sales revenues achieved by the **Maison Lancel** in the financial year ended 31 March 2020 amount to 53.6 million euros and contribute to the Group's turnover increase by approximately 13.9% (the revenues recorded in the first ten months of the previous year amounted to 45.1 million euros but referred to the months from June 2018 to March 2019, the period during which the Maison Lancel was included in the consolidation period of the Piquadro Group). The sales of the Maison Lancel made through the DOS channel (which also includes the e-commerce website) account for 84.4% of the Lancel brand revenues.



Following the rapid spread of the pandemic known as COVID-19, which also resulted in the prohibition and locking down of commercial activities, the international traffic as well as the closure of all direct stores of the Maison Lancel already from 14 March 2020, during the last quarter of the year the Maison Lancel turnover reported a 16.5% overall decrease compared to the same period of the previous year, in which the DOS channel (which includes Maison Lancel website e-commerce) and the Wholesale channel reported a decrease by 12 % and 38.2% respectively. By applying the new IFRS 16 accounting standard, in the financial year ended 31 March 2020 the Piquadro Group recorded a positive EBITDA of approximately 13.0 million euros including 12.5 million euros resulting from the application of the new IFRS 16 accounting standard.

The adjusted EBITDA, defined as EBITDA not including the impacts of the IFRS 16 application, equals 0.5 million euros and increases by more than 1.3 million euros compared to the negative results of (0.8) million euros recorded in the financial year as at 31 March 2019.

In order to limit the impact of Covid-19 on the Group's activities, Management has taken actions to contain costs and protect the Group's economic situation. Among these, as of 11 March 2020, the Group has begun to activate layoff procedures for the Groups' Italian companies and as of 15 March the so-called *chômage partielle* for the French company Lancel Sogedi.

Since the beginning, the Company has monitored - and will continue to constantly monitor - the evolution of the emergency situation connected to the spread of Covid-19, in view of both the changeable regulatory reference framework and the complex global economic context, in order to assess the possible adoption of additional measures to protect the health and well-being of its employees and collaborators, its customers and to protect its sources of income and its assets. In this context, the Group arranged to define new multi-year plans which it envisaged with a multi-scenario logic.

The uninterrupted spread of Covid-19 and the related restrictions on public life will most likely have a significant impact on Piquadro's business.

At present, it might be assumed that in the year ending 31 March 2021, there will be a significant contraction in sales compared to the year ended 31 March 2020. The extent of this decrease is currently unquantifiable and will depend on the duration of the infection period, on the extent of any further restrictive measures that may be adopted in the country in which the Group operates. Nevertheless, despite this predictably significant drop in revenues, the Group will continue to carry out all possible interventions aimed at containing costs, as previously mentioned, in order to mitigate the reduction in profitability.

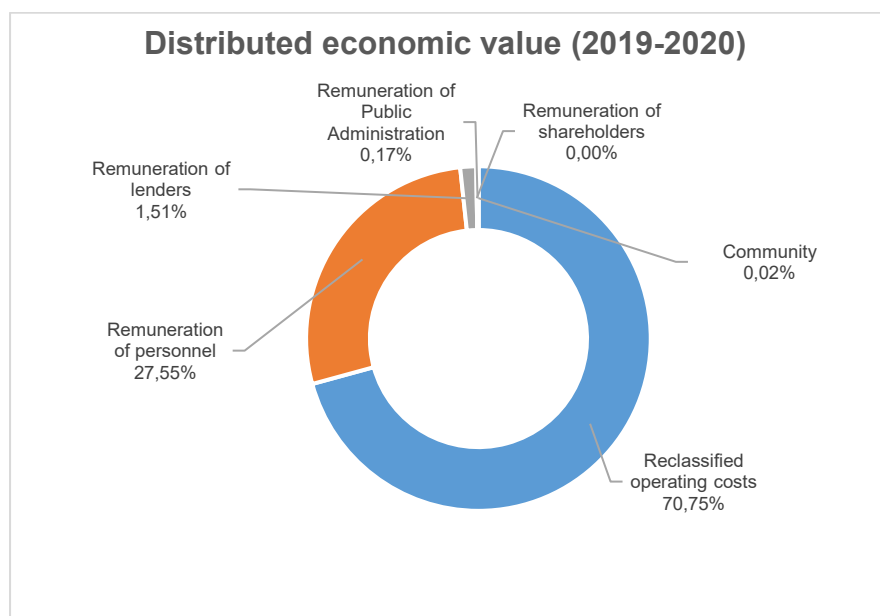
Based on the above, the Company's Management has assessed that, even in the presence of a difficult economic and financial context, there are no uncertainties about the going concern considering the existing capitalization levels and the existence of financial, managerial, operational indicators has not been detected that could evidence critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months.

The **creation and distribution of value for its stakeholders is a constant commitment** of the Piquadro Group and is calculated by reclassifying the consolidated income statement. In the 2019/2020 fiscal year, the **economic value generated** by the Piquadro Group was **159 million euros**; this value has been redistributed to the various stakeholders of the Group: suppliers, employees, shareholders, Public Administration, communities and lenders.

| Outlook of the economic value generated and distributed in the Piquadro Group | | |
|--|----------------------|----------------------|
| <i>(in thousands of Euro)</i> | 31 March 2020 | 31 March 2019 |
| Economic value generated | 159,059 € | 193,095 € |
| Sales revenue | 152,227 € | 147,472 € |
| Other income | 2,993 € | 1,734 € |
| Variation of inventories | 2,386 € | 328 € |
| Financial proceeds | 1,453 € | 43,561 € |
| Distributed economic value | 146,044 € | 158,157 € |
| Reclassified operating costs | 103,332 € | 110,752 € |
| Purchase costs | 36,619 € | 40,107 € |

| | | |
|---|-----------------|-----------------|
| Costs for services and use of reclassified third-party assets | 65,954 € | 70,379 € |
| Other reclassified operating costs | 760 € | 266 € |
| Remuneration of personnel | 40,234 € | 38,590 € |
| Personnel costs | 40,234 € | 38,590 € |
| Remuneration of lenders | 2,204 € | 2,129 € |
| Financial Charges | 2,204 € | 2,129 € |
| Remuneration of shareholders | 0 € | 4,000 € |
| Distribution of profit for the year | 0 € | 4,000 € |
| Remuneration of Public Administration | 251 € | 2,605 € |
| Income tax | 251 € | 2,605 € |
| Community | 24 € | 82 € |
| Donations and sponsorship | 24 € | €82 |
| Economic value withheld | 13,014 € | 34,937 € |
| Parent company's reserve profits | (7,714) € | 30,535 € |
| Profit (Loss) attributable to minority interests | (41) € | (59) € |
| Depreciation and amortisation | 20,769 € | 4,462 € |

Most of the distributed value, amounting to about **70.75 % of the total** (compared to 70.03% of the year ended 31 March 2019), falls into the category of **reclassified operating costs** which includes the Group's suppliers. **Employees** make up the second significant item in the distribution of value, obtaining 27.55% of the total value (compared to 24.40% of the year closing on 31 March 2019). The remainder is divided between **Public Administration (0.17%)**, **lenders (1.51%)** and the **community (0.02%)**.



2. Our products



The Piquadro Group is strongly committed to improving the awareness and perception of **its brands' image and reputation**. There is meticulous detail in the image of all the Group's brands.

Piquadro wants to combine the tradition of Italian leather goods with the originality of design and innovation. Elegance and attention to detail are enhanced in The Bridge products. The Lancel collections embody the Parisian allure of a fashion house founded in 1876.

The Piquadro Group operates in the leather goods market and is active in the design, development, manufacture and distribution of items such as briefcases, women's bags, suitcases and accessories. In addition to the Piquadro brand, the Group also manages the Bridge and Lancel.

2.1 Piquadro

Piquadro specialises in **innovative business handbags and accessories**, which stand out for their great **functionality of use** and express, in the high-performance and recognisable design, **all the originality and elegance of Italian style**.

The spirit of Piquadro's products lies entirely in the concept which inspires the design of each of them: "**tech-inside**". But functionality for Piquadro affects all aspects of the product: new materials, new tests to verify their reliability, new internal organisation solutions to make their items increasingly comfortable and useful on a day-to-day basis. The materials, manufacturing and functionality are such that Piquadro products are of high professional quality and reliability.

Design and innovation

All **Piquadro products are the result of careful design**. There are several patents filed by the Company, evidencing the numerous technical and functional innovations implemented. Even the smallest detail is studied and designed by a whole team of designers who know and interpret the brand's values.

The development of constantly new solutions and the search for what is new in design and technology is the result of constant research on materials and trends, often in collaboration with the most important design schools in Italy and abroad.

Youngsters' creativity is an important source of inspiration for Piquadro. **Attention towards new talent** is seen by promoting competitions which give young designers an opportunity to work on concrete situations by demonstrating their potential.



Patents

Piquadro's focus on planning every single detail and on the products' maximum functionality translates into a constant research activity and the development of *ad hoc* solutions which are often innovative and subject to registration. As of 31 March 2020, **the company has 33 active patents** related to both products and to components and accessories.

Green Things

Piquadro, whose attention to research for the creation of new products is a constant and continuous commitment, pursues and focuses in a determined manner on the safeguard of the environment: after the manufacture of the first products in the last seasons, using eco-friendly materials, Piquadro presents a new collection made with recycled materials, the ***Pq-Bio Green Collection***.

The backpacks, one-shoulder backpacks and fanny packs of the **PQ-BIOS** line are the result of a careful research aimed at creating products with reduced environmental impact as part of the sustainability project, which are manufactured through the use of ECONYL®, a regenerated nylon thread or obtained from the transformation of waste such as fishing nets and textile fibres.

The ECONYL® production is a process that begins with the recovery of waste such as fishing nets, fabric waste, used carpet and industrial plastic from landfills and oceans. The collected waste is regenerated, a phase in which the nylon is cleaned and purified until it returns to its initial characteristics, i.e., that of the nylon coming from a virgin source. Then it is transformed, that is, the ECONYL® regenerated nylon is transformed into a yarn ready for use in industrial production and finally a new product is reinvented that uses regenerated nylon. This is how the process ends but could continue infinitely since, with the help of ECONYL® technology, nylon can be recycled endlessly while maintaining its intrinsic qualities.

In addition to the ECONYL® regenerated nylon, other recycled materials are used in the ***Pq-Bios Green Collection*** both for the internal linings and for the tapes, all 100% RPET as well as recycled plastic, which is *Global Recycled standard* certified.





Each Piquadro product of the PQ-BIOS collection is equipped with a tag bearing the **PQ-Recycled Index**, an index created by Piquadro to attest the relation between the weight of the recycled material used in that product and the total weight of the material used to manufacture it.

The packaging and merchandising of the product are also made of recyclable materials: paper, which has the FSC (Forest Stewardship Council®) certification, certifying that it comes from responsibly managed forests or sources, ecological soy-based inks and finally cotton recycled for the rope of the bag handles.

The PQ-BIOS collection is therefore in all respects a circular Economy project aimed at recovering and reusing waste for the creation of a line of travel accessories that adds a value of environmental sustainability to all the essential characteristics of Piquadro products: an original and recognizable design, smart and current features and a fine manufacture.

For the launch of the PQ- Bios collection Piquadro purchased:

- 9,090 linear meters of ECONYL®, that is, 2,300 kg of nylon waste were regenerated, of which 575 kg comes from fishing nets.

In addition, using 2,300 kg of regenerated nylon compared to a standard nylon the following was saved:

- 13,547 kg⁴ of CO₂eq emissions.
- 281,290 MJ₆ (Megajoule) of energy

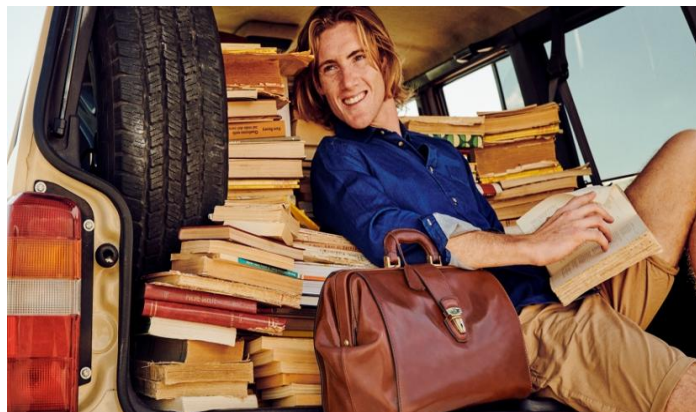
⁴The data were supplied by Aquafil Spa Technical Department.

2.2 The Bridge

Ponte Pelletteria S.p.A. was founded in 1969 on the outskirts of Florence thanks to the idea of five craftsmen.

In 1975, the brand The Bridge was born, which translates the Italian word "*ponte*" referring to the "*Ponte a Greve*" [Bridge to Greve"] when used to connect the village of Scandicci to nearby Florence.

From the 1980s, a selection of women's handbags was added to men's briefcases. In the following decade, the brand's most iconic models such as the *portagiornali* (magazine rack) and *postina* (messenger bag) were made.



Even the famous **doctor-bags**, the doctor's cases with long zipper closures, become iconic.

In 2008, they opened the first flagship label in Turin and in 2017 the brand was acquired by Piquadro and changed its company name to The Bridge S.p.A.

There are three **values** in The Bridge's Brand Identity: **style, transversality and long life.**

Today The Bridge bags continue to fascinate and delight people: the *vintage* but also a little grunge atmosphere of the collections enchant the numerous lovers of the genre. The Bridge accessories - with their retro and at the same time contemporary flavour - represent, therefore, the ideal and aesthetic references of a heterogeneous and extremely attentive public: from young metropolitan bohemians to vintage enthusiasts, from freelancers to those who do not want to renounce to elegance - even while traveling. From those who buy luxury and high-quality products with ease to those who, perhaps on the occasion of a special event, choose an accessory "for life".

The combination of a recognisable style (which is always up to date with the times), the transversality of use, (which makes the product adaptable to all occasions) and the quality associated with long-lasting products have all contributed to the craftsmanship of the product, guaranteed by the workmanship of master craftsmen, to the uniqueness of a brand with a British flavour.

The Bridge recounts the "**Tuscany way of life**", with its **casual and sophisticated look**, a state of being, a sober, composed yet well-maintained lifestyle which blends in beautifully, for a *savoir vivre* and comfortable safety.

The care and detail with which the skilled craftsmen create these products makes them unique and extraordinary. Usage over time increases their value.

The Bridge products are all created with the same care and love for simple things, well-made and lasting over time

The Bridge manufactures a wide range of products ranging from trunks to keyrings, from travel bags, suitcases, work bags, satchels, bandoliers, messenger bags, women's handbags, belts, wallets, diaries, iPad holders, computer cases and a long list of household and leisure products.

Leather: a passion that began 50 years ago

The Bridge tells a 50-year long story. Since 1969, in fact, leather has become the distinctive feature of the Tuscan brand, thanks to the careful and exclusive processing starting from the



first phase of tanning. The latter, in fact, is made according to the ancient tradition of the Florentine workmanship, with vegetable tannins, tinctures and animal fatliquors. The eco-friendly and metal-free colours are patiently and manually spread with wool cloths, to give the leather a transparent and refined patina, enhanced by the final polishing with amber rollers. All handmade, with patience and perseverance, as in the past.

The Bridge collections have a slightly grunge and a retro soul with an eye to refined details and craftsmanship, which is typical of Tuscan saddlery.

The shapes of the backpacks are rounded with visible stitching, the silhouette is thin and marked by clean lines while the leather shoulder straps are adjustable and the zip is in gunmetal colour.

The collections do not only evoke a fashion, but a real lifestyle: free, vital, nomadic and ecological. The appraisers of the Tuscan brand seek in the past what has been lost in the present: originality, uniqueness, attention to detail. Values which The Bridge accessories guarantee and are inspired by.

Earth Day

Earth Day, celebrated on April 22 to promote the safeguard of our planet, is the largest international event on the environment with a billion people involved in 192 countries and this year The Bridge joined all citizens of the world who love and want to protect the Earth. The Florentine artisan leather brand has always been bound to the youth culture of those years, to its slow-life approach, nomadic and in contact with nature, participated in the International Earth Day with an initiative that combines the modern philosophy of Economy Circular, based on the concepts of recycling and reuse.

Inspired by its long-standing values that promote a *bohemian*, *globe-trotter* and *green* lifestyle, the Tuscan company paid honour to the remise en forme of its bags to those who bought them on **Vintag**, the vintage marketplace which the brand of leather goods has become part of, within a start-up financing project. The old scratched leather bag, the duffel bag that has lost its softness over the years, the briefcase with the ruined handle can receive a real beauty treatment that has given freshness to The Bridge products, making them as new.



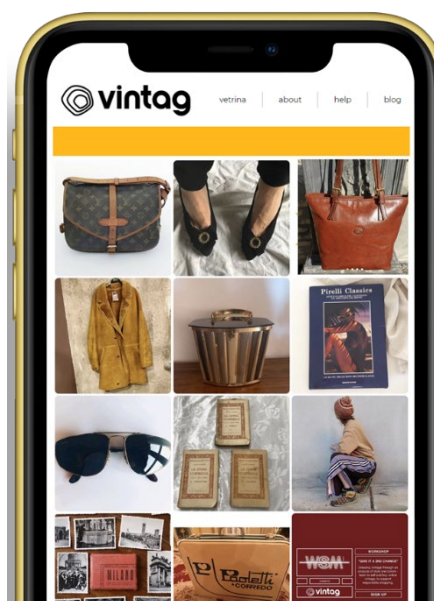
Moreover, even those who sold a vintage The Bridge bag through the Vintag application will receive a discount coupon for the purchase of a new The Bridge product. In this way, the sale of bags kept in wardrobes, never thrown away but no longer used was further encouraged, to which a second life was given.

Therefore, the green soul of The Bridge brand inspired by the *bohemian* culture of the youth of the seventies, combines the concepts of sustainability and ethics at the base of Vintag, the meeting place of collectors, artists, designers, stylists, creatives or simply men and women who, in the search for style and quality of bygone times, extend the duration of use of the objects.

Together, The Bridge and **Vintag** side with the Earth with a Circular Economy project that makes Vintage lovers happy.

Vintag is a full Italian company with *headquarters* in Bologna. Its uniqueness consists in focusing only on authentic Vintage, that is, on objects that in the past represented a generation and an era, becoming an icon of that time.

The app, available on the AppStore and Google Play, was launched in May 2017 and has seventy thousand items for sale, from clothing and accessories to design, modern art and collectibles. There are already 22,000 active users, i.e. people who not only registered but also bought, sold and published at least one article.



2.3 Lancel Group

Lancel is a French leather goods company founded in Paris in 1876 by Angèle and Alphonse Lancel and developed by their son Albert. The company was owned by the founding family until 1997, when it was purchased by the Richemont Group.

In its early days, Lancel made accessories for smokers; later the brand diversified and offered decorative items and accessories, such as watches, silverware, glasses, barometers, scissors, lamps, table accessories and products made in their workshops by the craftsmen.

At the beginning of the 20th century, Angèle and Alphonse created the first leather goods offering a diverse range of products, such as clutch bags and the first handbags equipped with a cigarette holder: Lancel, therefore, began to represent the Parisian lifestyle by creating, until the 1920s, precious leather bags (lizard, satin, soft calf skin) with clasps for jewellery or small mirrors, or with a makeup kit and a secret compartment containing a small umbrella. Albert Lancel turns handbags into a fashion accessory.

One of the most iconic historical and iconic articles of the maison is called Daligramme and is a tribute to Salvador Dali: in the seventies, the surrealist painter gave Gala Eluard, his wife and muse, a **Lancel** bag which had a silk-screen "daligramme", a secret love alphabet with which the artist communicated with his beloved. That special model was reinterpreted in the 2000s and became the it-piece of the collection, thus representing a new symbol which goes beyond the classic monogram: the *daligramme* became an emblem of great love, hidden behind fascinating symbolism.



Lancel is regularly in contact with artists to participate in the creative process of its leather goods lines, such as Isabelle Adjani or Brigitte Bardot who actively participated in designing and creating the relative bags. In 2010, Brigitte Bardot designed and created with Lancel "the Bardot bag," which respects nature and animals, not using leather and without any chemical processes, thus creating an accessory which has become a cult.

In 2016, Maison Lancel celebrated 140 years of creation, boldness and French elegance where the keys to success are based, from the outset, on the ingenuity of design, on the authenticity of luxury, thus creating a dialogue between beauty and functionality, style and innovation.

2.4 Research and development



Innovation, research and development of new products represent a constant challenge for the Piquadro Group, to which specific resources are dedicated, to provide customers with increasingly innovative and high-quality products. The innovation affects both product design and digital add-ons to increase functionality

The Group's R&D activity for the Piquadro brand is carried out internally through a dedicated team that, in recent years, has been particularly focused on *BAGMOTIC*, which integrates technology into briefcases, backpacks, trolleys and luggage. During the year ended 31 March 2019, it mainly focused on the three lines: the manufacture of the PQ-BIOS collection in recycled materials, the development and implementation of new solutions in the small leather goods sector and finally the development and implementation of a Travel collection featuring high performance in term of lightness.

As for the PQ-BIOS collection, recycled materials were used for the prevailing fabric, the lining, the webbing and the taping of the zip. To inform the customer about the content of recycled material in a transparent and objective way, Piquadro has defined and registered the PQ-Recycled Index ®, an indicator that quantifies the weight of the recycled material which each item is made up of, in relation to the total weight of the product. In the Small Leather Goods sector, the research carried out by Piquadro has developed a compact credit card holder equipped with a leather-covered metal mechanism, which allows you to quickly and simultaneously extract multiple credit cards. The article, in various leathers and colours, addresses both a target for men and women and is equipped with RFID protection. Furthermore, within the *Urban* collection, Piquadro has studied a modular wallet to allow the end customer to organize their wallet according to their needs: using a specific hook contained within the cover, the end customer can use the functional element of a favourite colour that meets their needs. The covers and functional elements can be purchased separately.

During the year ended March 31, 2020, the development of travel-related products continued with the aim of a constant search for further elegant details and new innovative styles.

The Bridge's Research and Development is carried out in the subsidiary The Bridge S.p.A. by a dedicated team. The Bridge's products originate from a combination of craftsmanship and the continuous study of design and increasingly new features. In the company there has always been a real artisan workshop from which prototypes are born. A team of designers is responsible for building new collections for each season, interpreting the needs of the market and the company's DNA.

The collections are the result of research from analysing trends. This begins long before the actual creation of the products, with the trends influencing the materials and colours chosen for the season. The proposals are assessed with the sales force to respond to the standards of functionality and modernity which make the products attractive to an attentive and demanding public.

As of 31 March 2019, **the company has 143 trademarks and patents filed** for both products and utility/design models

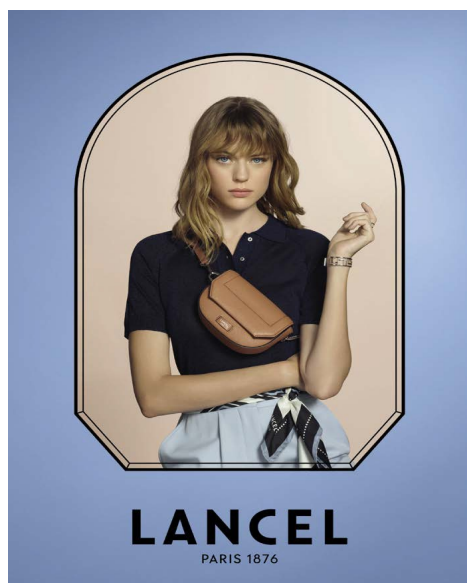
Lancel's research and development is carried out by a dedicated team of specialists at the headquarters of the Parisian company.

Maison Lancel is known for innovation and creativity: the team develops all the components and finished products alongside the design team. All the metal pieces are created and developed by the team starting from 3D design, 3D printing for style until quality control and "master" control.

All the leather is carefully selected by the Design department and with the help of a leather goods specialist. Each leather colour is defined by the Design and developed only for Lancel.



The team of specialists dedicated to product R&D, diligently studies and proposes new materials such as iconic fabrics, fabrics from recycled raw materials, exotic fabrics and injected plastic injected with a glitter effect or marble.



Lancel's products come from the combination of their archives, the continuous study of design and the expertise of leather goods with the help of the Atelier, located at the Lancel headquarters, made up of "*compagnon du devoir*" craftsmen who make the prototypes of the new models.

In size and wealth, Maison Lancel's archives include approximately 3,500 items of leather goods, small leather goods, luggage, 1,200 pieces of art, 300 sketches and paper models and they contribute to the brand's image and influence, embodying, in the "Parisian elegance", the four universes: women, men, travel, the art of gifting.

Lancel was proud to unveil the wealth of its heritage during the "Journées du Patrimoine" on 21 and 22 September 2019, revealing the diversity of the skills and talents of its building at Rue d'Ampère, 17, Paris.

The Atelier also produces specially ordered items or bespoke designs to meet the expectations of Lancel's sophisticated clientele.



The R&D department is involved in an ever-expanding range of products which satisfies market demand: leather goods, small leather goods (with charging wallets), travel or gifts (silk scarves and pocket handkerchiefs, keyrings, high-end jewellery products and office products). As of 31 March 2020, **the company has 232 trademarks and patents filed** for both products and utility/design models

2.5 The quality of our products



The Piquadro Group invests many of its resources in trying to elevate the **quality of its products**. The tradition of leather processing is combined with innovation to offer the customer unique and distinctive products. Top-quality materials are used to produce the products and each product undergoes a series of tests to verify that it respects the company's high-quality standards.

The Piquadro Group continues the century-old Italian tradition of leather processing, interpreting it in a modern and original way.

In Piquadro's products, the brand's identifying values, design, comfort and technology blend with the taste of **craftsmanship, the quality of precious leathers** and the **attention to detail**. The leather, carefully treated to enhance the texture and prevent wear and tear, is combined with technologically state-of-the-art fabrics to produce recognisably aesthetic and essential items.

The **leather** used by **The Bridge** is also carefully selected and the leather work is mainly done by Italian tanneries, following the most rigorous workmanship techniques, from the tanning phase to dyeing and finishing. **Vegetable tanning**, which involves the use of only natural tannins, is one of the **features of the collection's classic products**. The attention to the materials used and the leather and to the accessories with their classic golden colour means that every single product of The Bridge is unique.

The quality of the materials used, alongside the extreme attention paid during the different stages of production, as well as the final checks and finish of the products, ensures and guarantees excellent quality.

All companies in the Group subject their products to **rigorous controls** in order to ensure excellent quality and avoid health risks due to the use of improper materials. In an advanced test lab with specialised machinery, both products and raw materials are tested to check their resistance, structural integrity, hydro repellence and non-toxicity.

In order to ensure compliance with the high-quality standards, the **Group uses the European Regulation, REACH** as a benchmark, for registration, evaluation, authorisation and **restriction of hazardous chemicals** during production processes. In particular, the chapters on acquisition stipulate, where applicable, the need to respect expected fulfilments. In addition, the Group relies on the support of an external laboratory to carry out sample chemical tests on raw materials in order to check the compliance with the parameters defined by the aforementioned regulation for dangerous substances.

During the course of 2019/2020, no cases of non-compliance with regulations and/or voluntary codes relating to the health and safety impacts of products were recorded.

2.6 Customer experience



Customer satisfaction is an extremely important objective for the Piquadro Group. All products are designed and created to best meet the customers' needs.

The communication policy is aimed at spreading and consolidating the image of the **Piquadro, The Bridge and Lancel** brands.

The Piquadro Group aims to earn the trust, respect and loyalty of its customers based on the excellence of the work of its employees and collaborators.

The activity of all workers is based on the criterion of quality, essentially understood as achieving the customer's total satisfaction.

The Lancel Group, recently acquired by the Piquadro Group, has also always striven to satisfy all the customer's needs, from the initial product design to the moment the customer actually holds it in his or her hands. This involves following and anticipating their desires and ensuring a satisfying and rewarding experience.

To ensure a high-quality experience for customers, there are also many benefits for customers registered in **PiquadroClub**, including (depending on the value of the product purchased):

- A warranty without a receipt;
- extension of the warranty from 24 to 36 months;
- welcome gifts and birthday presents (15% discount, seven days before and after your birthday);
- invitation to pre-sales, special initiatives and promotions developed during the year;
- invitation to preview the new collections in store or online or on *press-days*;
- home delivery of items purchased at airports;
- at the request of the *retail* function, exclusive promotions in *boutiques* communicated only *by e-mail*, only for subscribers;
- free personalisation before Christmas (or other occasions, such as Valentine's Day), through a newsletter with products which the client can customise in-store or, depending on the "history" and the customer's purchase behaviour, there may be **free personalisation** (after the first purchase) and access to *limited edition* products.

In addition, the *customer experience* of Piquadro, The Bridge and Lancel customers is also strengthened through the new communication channels and *social media*.

In fact, the Group considers that in addition to the perennial attention to the needs of customers, marketing and communication strategies also play a very important role in consolidating the image of the Group's brands.

The Piquadro brand website, which over the years has been constantly updated, guarantees an innovative user experience through simple and intuitive navigation and allows you to appreciate the quality of Piquadro products. Further innovations on digital platforms are also planned for next year for the Group's other brands.

The use of social media allows further customer engagement and guarantees a complete experience of the brands, thanks to the creation of *ad hoc* digital content.

In addition to traditional communication channels, the Piquadro Group is expanding its digital communication strategy, with the aim of broadening the scope of people reached.

Digital strategies include:

- branding campaigns on the websites of the main Italian and foreign online newspapers; related to **new collections** or new products;
- **campaigns to increase site visitors with** sales or discounts;
- **location-based campaigns** by mailing in support of **new openings**.

Finally, to ensure high-quality service at all stages of the product shopping experience, the Group pays strong **attention to after-sales services** through dedicated offices that provide a response service to requests and/or any possible customer complaints

COVID-19 pandemic impact

The spread of Coronavirus Covid-19 and the adoption of containment and social isolation measures implemented at a national and international level to combat the spread of the virus, led to a necessary reorganization of the working methods and working spaces, as well as to review personal lifestyles.

The Piquadro Group has prepared an internal document in a timely manner which represents an elaboration of operating procedures to be implemented in direct stores in order to minimize the risk of contamination by Coronavirus Covid-19 in compliance with current legislation.

Any access to direct stores of the Piquadro Group has been subject to the detection of body temperature, through detection systems that do not require body contact. The operations have always guaranteed customer's privacy.

Safe entrance has been guaranteed to people by keeping the safety distances of at least 1 meter from the shop's sales staff.

Access to the shops was allowed only to customers with gloves and a mask and if the customers do not have it, the sales staff provides a courtesy mask; each boutique is equipped with sanitizing gel.

The protocol developed by the Piquadro Group also contemplates the sanitization of all points of sale before opening as required by current legislation and ensured the daily sanitization of the environments favouring the cleaning of the most contact surfaces.

When entering the Piquadro Group stores, special signs have been installed which summarize and illustrate to customers the measures to be observed inside the shop (also in English).

Entry and exit routes from the Group's stores have been planned within structures such as shops or malls, in order to manage the movement of people in an orderly manner.



Starting from 18 May 2020, with the reopening of the Piquadro Group's boutiques, a virtual visit service is possible at the desired store via a video call.

The Store Manager is at the customer's complete disposal to show the collection and assist them in their choices: you can either pick up the purchased item at the boutique or request its delivery at home.

In order to avoid queues and gatherings within the Group's stores, it is possible to book an appointment

in the boutique by telephone.

2.7 Sustainable and transparent supply chain management



The choice of suppliers is made, among other criteria, to maintain the high quality of the products.

The Group is committed to carrying out **sustainable and transparent management of the supply chain** and, to this end, **this includes the adoption of a Supplier Code of Conduct** and the implementation of a sharing process with the main business partner categories.

The combination of **traditional Italian leather working, quality, design and innovation has always characterised the Piquadro company.**

The Group is constantly searching for services and products distributed by Italian suppliers and beyond, which will allow them to maintain high standards of excellence of the final products.

The selection of suppliers and the determination of purchasing conditions are based on objective parameters such as, for example, quality and efficiency.

Following the acquisition of Lancel, the parent company is finalising the existing supply contracts in order to select the best suppliers of the Piquadro Group and Lancel, creating Group synergies.

The Group's product value chain is divided into the typical segments of:



Product research and development



Purchase of raw materials, semi-finished products, finished products and services



Production



Distribution



Sales to end customer

The Group's main types of suppliers

The flexibility of the business model adopted by the Group means it can maintain the supervision of all critical phases of the production and distribution chain. The Group, in fact, internally carries out the entire phases of design, planning, production, purchasing, quality, marketing, communication and distribution and uses outsourcing only for part of the production activities, while also maintaining control, in terms of quality and efficiency of the outsourced phases.

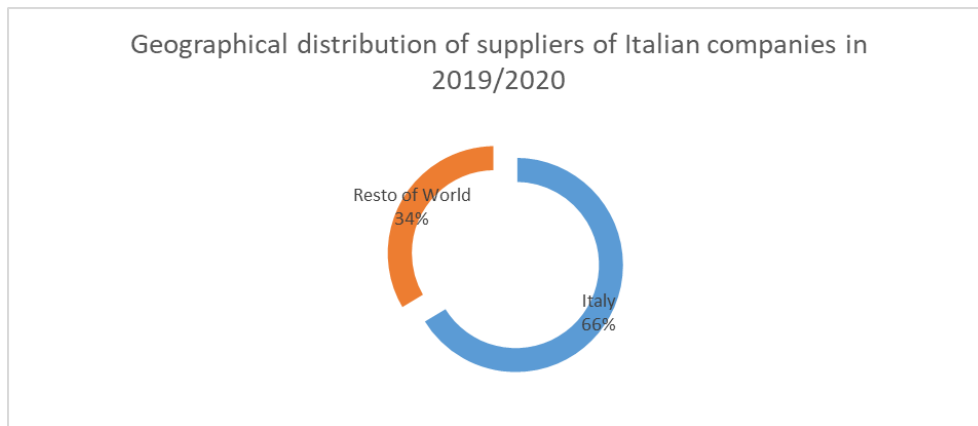
The production activity, which is partially carried out by external operations, is entrusted to external suppliers of proven competence and quality, located mainly in Hong Kong, Italy, China, the Czech Republic and Bulgaria. This activity is carried out on the basis of prototypes, engineered and provided by the Group, which then directly conducts a quality control activity of the products produced.

The Group's main purchasing types are represented by the categories "**raw materials and finished products**" and "**external processing**" which, together, **account for 53%** of annual expenditure.

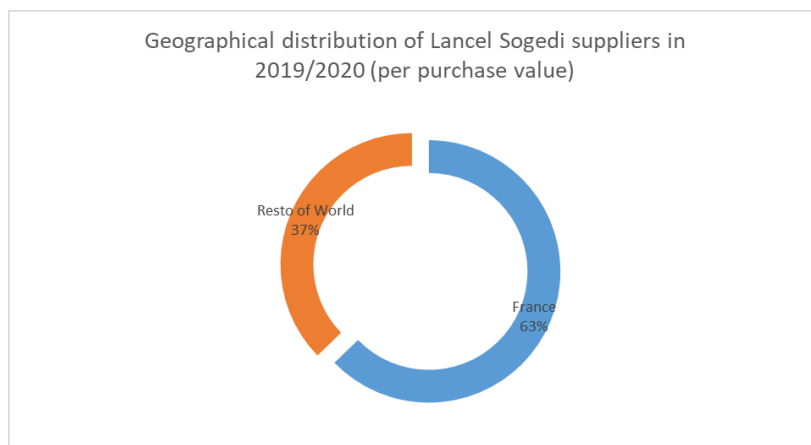
The following is the Group's total expenditure by purchase category in the 2019/2020 FY.

| 2019/2020 | | |
|-------------------------------------|---|--|
| Category | Value of total annual expenditure by type [€] | Percentage of total annual expenditure by type |
| Raw materials and finished products | 36,619 | 35.7% |
| External production | 18,335 | Publicity and marketing |
| Publicity and marketing | 12,257 | 11.9% |
| Transport services | 7,121 | 6.9% |
| Commercial services | 6,424 | 6.3% |
| Administrative services | 2,925 | 2.9% |
| General services | 4,248 | 4.1% |
| Services for production | 4,901 | 4.8% |
| Costs for use of third-party goods | 9,748 | 9.5% |
| Total | 102,578 | 3% |

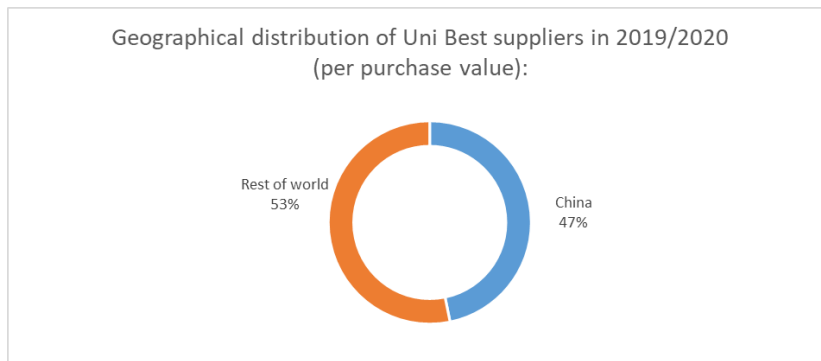
Local suppliers for Italian companies are dominant in terms of business volume and account for **66% of the total value of purchases** made in 2019/2020 (a slight increase compared to the same data of the 2018/2019 FY, equalling 63%)



As regards **local suppliers for the French company**, these represent, in turns of turnover, **63% of the total value of purchases** (compared to 41% of the previous year).



With regard to purchases made by the Chinese subsidiary Uni Best, the distribution of suppliers is as follows:



The percentage of local suppliers, understood as Chinese suppliers, is **47%** of the value of purchases in 2019/2020.

The Piquadro Group is inspired by integrity and aims to bring fairness and ethical values also into external relations.

For this purpose, the Code of Ethics is expressly addressed not only to administrators and internal workers, but also to external employees, customers, agents and, of course, suppliers. In addition, the Group plans **to adopt a supplier Code of Conduct** and implement a sharing process with the main categories of *business partners*.

In the qualification process and selection of new suppliers, the Group does not consider social and/or environmental criteria; the Group aims to add new parameters relating to the protection of human rights and other social and environmental criteria before the issue of the 2012-2022 NFS.

3. Our people

Human resources are an indispensable factor for a company's existence, development and success. For this reason, the Piquadro Group protects and promotes the value of human resources in order to improve and increase the heritage and competitiveness of the skills owned by each employee and collaborator in the corporate organisational context.

In this context, the Code of Ethics explicitly refers to what is contained in the "Declaration on the fundamental principles and rights at work" adopted by the International Conference of the ILO (International Labour Organisation) in 1998 and the fundamental conventions to which it relates, in particular as regards:

- **prohibition of forced labour:** forced labour, slave labour or provided by prisoners is prohibited;
- **freedom to join a trade union and the right to collective bargaining:** the right of workers and employers to organise themselves and the right to form and/or join a trade union of their choice is recognised. Workers and employers can participate in collective bargaining freely and independently from public authorities;
- **prohibition of child labour and the exploitation of the employment of children:** child labour is prohibited. The minimum age for admission to work must be no less than the age of finishing compulsory schooling in the countries concerned;
- **prohibition of discrimination in employment:** workers must be employed on the basis of their own ability to work and without discrimination based on race, gender, individual characteristics, religious belief, political views, national or social origin;
- **prohibition of harassment:** employees and collaborators are prohibited from any behaviour, from any position, subjected to sexual or moral harassment, psychological violence, bullying and straining⁵.

COVID-19 pandemic impact

Starting from January 2020, the spread in China of the new coronavirus called COVID-19 has had a significant impact on the production and commercial activities of the Piquadro Group. Until early March, the effects were mainly located in China, progressively and rapidly spreading globally, leading the World Health Organization (WHO) to consider COVID-19 infection as a pandemic.

To face the spread of COVID-19 and protect its own people, the Group has implemented mitigation actions to protect employees which have involved the implementation of stringent health and safety measures in factories, shops and offices, also through the implementation of smart-working.

In addition to the actions and measures already adopted by the Group to comply with government and regional directives issued before 10 March 2020, i.e., among others, (i) notice to employees that they have to inform the personnel management and their manager if they, in the last 15 days, have been to Municipalities which were most affected by the Covid-19 virus, attending public places or local people, or have come into contact with individuals at risk and that they have to follow the indications given by the regions and by the Ministry of Health;

⁵ *Straining*, in the eyes of the law, consists of a single action or several hostile actions which have lasting effects on a person who is in a position of inferiority.

(ii) information to employees containing the standard guidelines received by government authorities according to the DPCM (Council of Ministers Presidential Decree) dated 11 March 2020 and the new and strict limitations envisaged by the latter, the Company has endeavoured and is making all the necessary efforts in order to comply also to these guidelines and to what is provided for by the Protocol. Gradually, the Company has endeavoured to transmit information, guidelines, procedures, instructions, useful numbers via email to all the Staff and through billboards in visible places of the Headquarters (canteen, attendance detector, changing rooms).

In particular, the Piquadro Group has taken steps to widely disseminate the guidelines set out in the Protocol among employees, including:

- the obligation to stay at home in the presence of fever (over 37.5°C) or other flu symptoms and to call the family doctor and the health authority;
- the awareness and acceptance of the prohibition to enter or to stay in the company premises and to have to declare it promptly if, even after entry, there are hazardous conditions (flu symptoms, temperature, origin from areas at risk or contact with people positive for the virus in the previous 14 days, etc.)
- the commitment to respect all the provisions of the Authorities and of the employer in accessing the company's premises (in particular, keeping the safety distance, observing the rules of hand hygiene and maintaining correct hygiene behaviours)

The staff of the Gaggio Montano headquarters and of the Show Room in Milan has been instructed not to access the company in groups and to keep always the interpersonal distance of one meter. At the Gaggio Montano headquarters, the use of changing rooms was temporally staggered and the staff was informed that the access was allowed one at a time.

The shifts for the use of the canteen have become three and spaces were created to eat and to guarantee the distances of at least 1 meter between the guests.

The Group endeavoured to find masks and gloves which have been distributed to its employees on a weekly basis, by means of a kit consisting of 5 surgical masks as well as disposable gloves.

In accordance with the provisions of the Protocol, access, transit and exit procedures have been identified for the access of external suppliers, using predefined methods, routes and timelines, in order to reduce the contacts with the staff in force in the departments / offices involved. In particular, at the headquarters of the Piquadro Group:

- a) shippers are banned to leave the vehicle without wearing the mask;
- b) the Company's staff in charge of cleaning works with gloves and a mask;
- c) a room has been identified to be used preferentially for meetings with outsiders;
- d) masks and gloves were delivered to the Reception for visitors who are to access the company's premises.

In compliance with the provisions of the Prime Minister Decree dated 11 March 2020, the Piquadro Group has arranged remote working ('smart working') for those employees whose job permits it, and encourages and will encourage the use of remote communication tools offering the employees involved suitable IT tools, within the financial resources affordable by the Group. During this period, employees who carry out activities in smart working mode will

continue to receive the same remuneration as colleagues who perform the same job from inside the company's premises.

As described above, also in accordance with the procedures set out in the Protocol, all employees have been advised that, if there is a contagion or a well-founded suspicion of contagion among Group's employees, infected employees and employees who work or have worked closely, or who have had contacts, even outside the working context with them, will have to promptly notify the situation, refrain from going to the workplace and stay at their home for a period of at least 15 days in order to allow the Group to promptly inform the competent health authorities and to carry out the necessary checks and controls. In accordance with the government regulations, the Group has informed and will have to inform its employees that, in the event of contagion or suspicion of potential contagion, the employees concerned, in order to limit the contagion, must promptly notify their family doctor, contact the toll-free numbers indicated by the competent area authorities and then inform the Group instead of spontaneously and directly going to medical structures.

In accordance with the provisions of the Protocol, daily procedures have been implemented to clean and sanitize the company and to periodically sanitize the premises, environments, workstations and common and leisure areas. Moreover, people inside the company shall have to adopt all the hygienic precautions: to this purpose, the company shall provide suitable hand cleansing solutions and, where procurement is possible, personal protective equipment (such as masks and disposable gloves). With regard to the personal protective equipment, pursuant to the Protocol:

- The face masks must be used in accordance with the provisions issued by the World Health Organisation;
- given the emergency situation, in the event of supply difficulties and for the sole purpose of avoiding the spread of the virus, masks may be used whose type corresponds to the indications from the health authority, and
- if the job involves work at a distance of less than one meter from each other and no other organizational measures can be adopted, it is essential to use masks and other protective equipment (gloves, safety glasses, coveralls, earmuffs, gowns, etc.) in compliance with the provisions of the scientific and health authorities.

At the Group premises, work activities have been organized (both in the offices and in the warehouse) in order to guarantee a distance of at least one meter between the workstations. Masks have been distributed to the staff to be used as an extra precaution in interpersonal relationships, always maintaining the distance of one meter, moreover disposable gloves have been distributed to all the staff to reduce contact with the surfaces.

Indications were given to limit travel as much as possible and transfers are permitted only if authorized by the respective manager. The Personnel was recommended to prefer videoconferencing meetings instead of traveling.

In this regard, a software has been installed on numerous portable PCs to carry out videoconferencing meetings and to train the staff to use it: at the moment, all the meetings between the Show Room staff and employees at the head office take place only by videoconference.

Those who, for their job, visit external companies, have been given indications to do so with a mask. Finally, employees were instructed to avoid public transport; when unavoidable, to use a mask and gloves.

In compliance with the provisions of the Protocol, the normal health surveillance is guaranteed to continue in compliance with the hygiene measures contained in the indications of the Ministry of Health (so-called Decalogue). In integrating and proposing all the regulatory measures related to COVID-19, the competent doctor collaborates with the Group and the RS / RLST and reports to the same any situations of particular fragility and current or previous pathologies of the employees and the Group will take the necessary steps for their protection, in compliance with the data protection rules.

With regard to the management of the common spaces inside the buildings and in compliance with the government directives and the Protocol, the Piquadro Group has adopted and is adopting the following measures:

- Access to common spaces, including company canteens, and changing rooms is limited with a reduced stay time within these spaces and keeping the safety distance of 1 meter among the people who occupy them;
- The organization of the spaces and the sanitation of the changing rooms must be ensured in order to leave the places for the storage of work clothes available to the workers and guarantee suitable sanitary conditions to them;
- Periodic sanitization and daily cleaning must be guaranteed, with special cleaners in the canteen, on the keyboards of the beverage and snack vending machines.

3.1 The Group's people



In the Code of Ethics, the Group has formalised its commitment to protecting and promoting the value of human resources, increasing its skills and guaranteeing safe working conditions which respect individual dignity. The Group is committed to adopting a policy of management and development of personnel and health and safety in the workplace, with a view to continuous improvement.

The products offered by the Group are designed, created and distributed according to the guidelines of an organisational model characterised by the supervision of all the most critical phases of the supply chain, from the design, to production and subsequent distribution. This entails a great deal of attention to the correct management of human resources, which, respecting the individual local situations in which the Group operates, has to consider an intense involvement of people, especially in the phases that are considered strategic for the success of the brands.

As of 31 March 2020, there were **1,108 employees** in the Group, a slight decrease by 5.14% compared to 1,168 employees as at 31 March 2019.

The three largest poles are Italy (39%), France (29%), and China (23%) while the remaining 9% of employees are distributed in the other countries where the Group is directly present.

Distribution of Group employees per country

| Country | as at 31 March 2020 | as at 31 March 2019 |
|--------------|---------------------|---------------------|
| Italy | 430 | 400 |
| China | 256 | 343 |
| Hong Kong | 4 | 6 |
| Germany | 1 | 1 |
| Spain | 28 | 23 |
| Taiwan | 22 | 22 |
| Switzerland | 4 | 4 |
| France | 324 | 327 |
| UK | 3 | 4 |
| Russia | 36 | 38 |
| Total | 1,108 | 1,168 |

Of all employees, 73% are employed on a permanent contract as of 31 March 2019 (increasing trend, compared to 66% of last year), while the remaining **27% have a fixed-term contract**.

Group headcount per gender, type of contract, geographical area and age and gender band

Table 1 – type of contract ⁶

| Type of contract | as at 31 March 2020 | | | as at 31 March 2019 | | |
|-------------------|---------------------|------------|--------------|---------------------|------------|--------------|
| | Men | Women | Total | Men | Women | Total |
| Permanent | 201 | 610 | 811 | 189 | 577 | 766 |
| Fixed term | 80 | 217 | 297 | 133 | 269 | 402 |
| Total | 281 | 827 | 1,108 | 322 | 846 | 1,168 |

Table 2 – Geographical area

| Geographical area | as at 31 March 2020 | | | as at 31 March 2019 | | |
|--------------------------|---------------------|------------|--------------|---------------------|------------|--------------|
| | Permanent | Fixed term | Total | Permanent | Fixed term | Total |
| Italy | 364 | 66 | 400 | 328 | 72 | 400 |
| Europe | 347 | 49 | 396 | 357 | 40 | 397 |
| Rest of the world | 100 | 182 | 282 | 81 | 290 | 371 |
| Total | 811 | 297 | 1,108 | 766 | 402 | 1,168 |

Table 3 – Age and gender band

| | as at 31 March 2020 | | | | | | | | | | | |
|--------------|---------------------|------------|-----------|------------|-----------------------------|------------|-----------|------------|-------------------|------------|-----------|------------|
| | ITALY | | | | REST OF EUROPE ⁷ | | | | REST OF THE WORLD | | | |
| | <30 | 30-50 | >50 | Tot | <30 30-50 | 30-50 | >50 | Tot | <30 30-50 | 30-50 | >50 | Tot |
| Men | 17 | 69 | 30 | 116 | 22 | 33 | 11 | 66 | 21 | 65 | 13 | 99 |
| Women | 56 | 212 | 46 | 314 | 113 | 156 | 61 | 330 | 18 | 123 | 42 | 183 |
| Total | 73 | 281 | 76 | 430 | 135 | 189 | 72 | 396 | 39 | 188 | 55 | 282 |

| | as at 31 March 2020 | | | | |
|--------------|---------------------|------------|------------|--------------|------------|
| | GROUP | | | | |
| | <30 | 30-50 | >50 | Tot | % |
| Men | 60 | 167 | 54 | 281 | 25% |
| Women | 187 | 491 | 149 | 827 | 75% |
| Total | 247 | 658 | 203 | 1,108 | 3% |

86% of Group employees as at 31 March 2020 have a full-time contract, while the remaining **14%** are employed on a **part-time** contract. Of the total 948 employees on a full-time contract,

⁶Following a process of improving the reporting system of the human resources data, the data as at 31 March 2019 relating to the sub-division of employees depending on their professional category and gender, has been restated as compared to that published in the previous NFS. For previously published data, please refer to the NFS as of 31 March 2019, available on the website www.piquadro.it in the Investor Relations/Sustainability Report section.

⁷ The geographical area "Rest of Europe" also includes Russia.

there are 257 men and 691 women, whereas in part-time contracts, there are 24 men and 136 women.

With regard to other types of workforce or external collaborations, the Group makes limited use of unusual types of work.

As at 31 March 2020, Piquadro S.p.A. and The Bridge S.p.A. have agreements with 55 companies, both Italian and overseas, for the marketing of their products through commercial agents.

During the 2019/2020 financial year, **444 new employees** were hired, and **504 workers left**.

Number of people hired and incoming employees in the Group per geographical area, gender and age band

Table 4 – New hiring rates in the Group

| 2019/2020 | | | | | | | | | | | | | | | |
|---------------------|-------|-------|-----|-----|-----|-----------------------------|-------|-----|-----|-----|-------------------|-------|-----|-----|-----|
| | ITALY | | | | | REST OF EUROPE ⁸ | | | | | REST OF THE WORLD | | | | |
| | <30 | 30-50 | >50 | Tot | % | <30 | 30-50 | >50 | Tot | % | <30 | 30-50 | >50 | Tot | % |
| Men | 18 | 31 | 4 | 53 | 46% | 15 | 7 | 1 | 23 | 35% | 19 | 26 | 1 | 46 | 46% |
| Women | 50 | 63 | 8 | 121 | 39% | 105 | 37 | 5 | 147 | 45% | 19 | 34 | 1 | 54 | 30% |
| Total | 68 | 94 | 12 | 174 | 40% | 120 | 44 | 6 | 170 | 43% | 38 | 60 | 2 | 100 | 35% |
| New hirings% | 93% | 33% | 16% | 40% | | 89% | 23% | 8% | 43% | | 97% | 32% | 4% | 35% | |

| 2019/2020 | | | | | |
|---------------------|-------|-------|-----|-----|-----|
| | GROUP | | | | |
| | <30 | 30-50 | >50 | Tot | % |
| Men | 52 | 64 | 6 | 122 | 43% |
| Women | 174 | 134 | 14 | 322 | 39% |
| Total | 226 | 198 | 20 | 444 | 40% |
| New hirings% | 91% | 30% | 10% | 40% | |

The new hiring turnover is calculated as the relationship between the total number of people hired in 2019/2020 (Table 4) and the total number of employees as at 31 March 2020 for the relative age and gender band (Table 3).

⁸⁸ The geographical area "Rest of Europe" also includes Russia.

Number of personnel leaving and Group exit turnover per geographical area, gender and age range

Table 5 – Turnover of people leaving the Group

| | 2019/2020 | | | | | | | | | | | | | | |
|----------------------|------------|------------|------------|------------|------------|----------------|------------|------------|------------|------------|-------------------|------------|------------|------------|------------|
| | ITALY | | | | | REST OF EUROPE | | | | | REST OF THE WORLD | | | | |
| | <30 | 30-50 | >50 | Tot | % | <30 | 30-50 | >50 | Tot | % | <30 | 30-50 | >50 | Tot | % |
| Men | 17 | 24 | 4 | 45 | 39% | 15 | 15 | 3 | 33 | 50% | 35 | 48 | 2 | 85 | 86% |
| Women | 42 | 48 | 47 | 9 | 32% | 73 | 56 | 47 | 138 | 42% | 29 | 67 | 8 | 104 | 57% |
| Total | 59 | 72 | 13 | 144 | 33% | 88 | 71 | 12 | 171 | 43% | 64 | 115 | 10 | 189 | 67% |
| Leaving rate% | 81% | 26% | 17% | 33% | | 65% | 38% | 17% | 43% | | 164% | 61% | 18% | 67% | |

| Number of personnel leaving | 2019/2020 | | | | |
|-----------------------------|------------|------------|------------|------------|------------|
| | GROUP | | | | |
| | <30 | 30-50 | >50 | Tot | % |
| Men | 67 | 87 | 47 | 163 | 58% |
| Women | 144 | 171 | 26 | 341 | 41% |
| Total | 211 | 258 | 35 | 504 | 45% |
| Leaving rate % | 85% | 39% | 17% | 45% | |

The leaving rate is calculated as the relationship between the total number of people who left the Group in 2019/2020 (Table 5) and the total number of employees as at 31 March 2020 for the relative age and gender band (Table 3).

The leaving rate is mainly attributable to the Group's stores and to the Chinese subsidiary Uni Best, also following the circumstances due to COVID-19.

3.2 Employee management and development



The activity of the entire Piquadro Group pursues the values of the **development, promotion** and **support** of cultural baggage, talent and the potential of its human resources to create a work environment which encourages and values the contribution of each individual resource.

The Group recognises the importance of the development and training of its resources, as they represent the Group's added value.

In the 2019/2020 financial year, more than **4,268** hours of training were given to the Group's employees. In addition to mandatory health and safety training in the workplace, specific courses and training on Sales Strategy issues, not just when opening new points of sale (outlets or boutiques) by store managers of historical outlets identified for their professionalism, product knowledge and undisputed sales capabilities. During these sessions, the product's characteristics, the way they are displayed, and the presentation of the brand's characteristics are illustrated.

The Lancel Group also stipulates professional training by department in order to identify and increase the individual growth prospects of all employees as well as identifying any *ad hoc* training courses.

Total hours of training given to Group employees

| Professional category | 2019/ 2020 | | | 2018/19 | | |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Men | Women | Total | Men | Women | Total |
| Directors | 2 | 1 | 3 | Directors | 32 | 33 |
| Employees | 287 | 721 | 1,007 | 311 | 732 | 1,043 |
| Workers | 1,252 | 2,006 | 3,258 | 1,856 | 3,204 | 5,060 |
| Total | 1,541 | 2,278 | 4,268 | 2,199 | 3,938 | 6,137 |

Average hours per-capita of training given to Group employees

| Professional category | 2019/2020 | | | 2018/2019 | | |
|-----------------------|------------|------------|-------------|------------|------------|-------------|
| | Men | Women | Total | Men | Women | Total |
| Directors | 0.2 | 1.0 | 0.3 | 4.0 | - | 4.2 |
| Employees | 1.8 | 1.1 | 1.3 | 1.9 | 1.2 | 1.3 |
| Workers | 10.7 | 10.4 | 10.5 | 12.5 | 13.9 | 13.4 |
| Total | 5.5 | 3.3 | 3.9 | 6.9 | 4.6 | 5.3 |

Starting from January 2020, the spread in China of the new coronavirus called COVID-19 has had a significant impact on the production and commercial activities of the Piquadro Group. Until early March, the effects were mainly located in China, progressively and rapidly extending globally, leading the World Health Organization (WHO) to consider COVID-19 infection as a pandemic. To face the spread of COVID-19 and protect its people, the Group has implemented mitigation actions to protect employees which involved the implementation of stringent health and safety measures in factories and in shops.

This involved a slowdown in the continuous training process, the importance of which is recognized by the parent company, in particular, as far as the topics of the organization and management Model and Code of Ethics are concerned⁹. The relevant information and training activities are planned at the beginning of the employment relationship, both at the headquarters and at each point of sale and whenever required, in order to ensure the proper knowledge of Legis. Decree 231/01 and the provisions of the organisation and management Model. During the year, Piquadro S.p.a. and The Bridge S.p.a. provided a total of **95** hours of classroom training on these topics.

3.3 Employee well-being and equal opportunities

The Piquadro Group guarantees totally equal treatment. As part of its objectives, the Group commits to creating and maintaining a working environment which considers diversity, based on respect for individuals and correct behaviour in all countries and communities in which it operates. All employees are required to follow the procedures and guidance policies that promote these company values.

The working environment, as well as being adequate as regards employees' personal health and safety, promotes mutual collaboration and team spirit, respecting everyone's moral personality and is free of prejudice, intimidation, unlawful conditioning or undue inconvenience. Piquadro, through the relevant functions, selects, hires, pays and organises employees based on the criteria of merit and skill, in accordance with the reward system adopted, based on criteria of objectivity and reasonableness and respecting what is written in employment contracts, without age or gender discrimination.

⁹ Currently the Group does not carry out specific training in the field of human rights but confirms its objective to start up training courses in that area.

Group headcount per professional category and gender

| Professional category | as at 31 March 2020 | | | | | as at 31 March 2019 | | | | |
|-----------------------|---------------------|------------|------------|------------|--------------|---------------------|------------|------------|------------|--------------|
| | Men | % | Women | % | Total | Men | % | Women | % | Total |
| Directors | 47 | 90% | 1 | 10% | 10 | 8 | 100% | - | - | 8 |
| Employees | 155 | 20% | 634 | 80% | 789 | 166 | 21% | 615 | 79% | 781 |
| Workers | 117 | 38% | 192 | 62% | 309 | 148 | 39% | 231 | 61% | 379 |
| Total | 281 | 25% | 827 | 75% | 1,108 | 322 | 28% | 846 | 72% | 1,168 |

At Group level, as of 31 March 2020, there were a total of 309 workers, 789 employees and 10 directors: of these **75% are women**.

Group headcount per professional category and age range

| Number of people | as at 31 March 2020 | | | | | | | as at 31 March 2019 | | | | | | |
|------------------|---------------------|------------|------------|------------|------------|------------|--------------|---------------------|------------|------------|------------|------------|------------|--------------|
| | <30 | % | 30-50 | % | >50 | % | Tot | <30 | % | 30-50 | % | >50 | % | Tot |
| Directors | - | 0% | 2 | 20% | 8 | 80% | 10 | - | - | 1 | 13% | 7 | 88% | 8 |
| Employees | 213 | 27% | 453 | 57% | 123 | 16% | 789 | 200 | 26% | 459 | 59% | 122 | 16% | 781 |
| Workers | 34 | 11% | 203 | 66% | 72 | 23% | 309 | 65 | 17% | 255 | 67% | 59 | 16% | 379 |
| Total | 247 | 22% | 658 | 59% | 203 | 18% | 1,108 | 265 | 23% | 715 | 61% | 188 | 16% | 1,168 |

As regards the age range, employees aged between 30 and 50 account for 59% of the total. **22% of employees are under 30**, demonstrating the Group's high ability to also attract and employ younger resources.

As of 31 March 2020, 90% of directors are employed at local level, i.e. they are of the same nationality as the country in which they work.

The principles of the individual's centrality and the protection of equal opportunities provided in the Group's Code of Ethics mean, from a practical point of view, the promotion of several initiatives to ensure good **company welfare**:

- to cater for employees, Piquadro has an internal canteen service, while both The Bridge and Lancel offer a relaxation - kitchen room for workers in addition to the "Ticket Restaurant" vouchers to eat meals elsewhere;
- directors and most of the Group's managers are given a company car
- both Lancel and The Bridge, in order to facilitate the movement of employees, also offer a contribution for public transport subscriptions;
- Furthermore, The Bridge gives its employees a 100-euro voucher to be freely spent at certain affiliated businesses;
- to guarantee its employees a high degree of flexibility and a good work/life balance, a smart working system is being piloted in some targeted situations in Piquadro;

- Uni Best has set up a dormitory facility for all workers with guaranteed board and lodging;
- the company's welfare in the Group's Chinese company is also supported by the activity of the so-called "staff union", a team of employees who act as spokesmen of the workers and, with top management, promote activities and initiatives for workers.

As for the parent company Piquadro S.p.A. and the subsidiary Uni Best, some benefits are provided only for employees hired on full-time contracts (e.g. company car, accommodation, insurance).

Trade union relations

In the case of employment contracts, **95.6%** of the Group's employees are covered by **collective agreements**. In addition, The Bridge has also a second-level contract for certain categories of employees.

Together for employment

"Together for employment" is a project for the insertion into the world of work of people with disabilities looking for employment, which enhances motivation, supports basic and specific training, and guarantees ad hoc tutoring within companies

The project originates from the collaboration between the Municipality, the Metropolitan City and the Archdiocese of Bologna: the network includes associations, unions and the non-profit sector, so as to become an effective tool for a dialogue between labour supply and demand in Bologna.

Piquadro S.p.A., together with other local companies, has decided to join the Board.



"Together for employment" implements new horizontal cooperation practices, with the aim of maximizing the reintegration of people in need: avoiding duplication of interventions, sharing methods of action, defining good practices, actively involving the business system are the modalities that allow to grasp the needs of people and to grant all individuals in situations of fragility dedicated support and planning to become autonomous.

As part of this project, during this fiscal year ended March 31, 2020 Piquadro S.p.a. hired 6 people on fixed-term contracts for the position of warehouse workers.

On 9/4/2020 Piquadro S.p.a. also participated in the Appenino Labor Fair, organized by the Metropolitan City and by "Together for Employment" where it was able to collect further candidates to integrate other people in need into the employment world.

3.4 Health and safety at work



The Group commits to maintaining **high standards in safeguarding** its employees' **health and safety**: for this purpose, the Italian companies Piquadro S.p.a. and The Bridge S.p.a. have adopted an *ad hoc* **management process**, including a "safety chart". The procedure has been drawn up following a risk assessment analysis connected to the employees' workplace and duties. Within the context of the Group's work, the risk assessment must strive towards the **continuous improvement** of the workers' health and safety at work.

The Piquadro Group guarantees the physical and moral integrity of its employees and internal collaborators, work conditions which respect individual dignity and safe and salubrious working environments, in full respect of the current regulations of preventing accidents at work and worker protection.

To this end, the Italian companies Piquadro S.p.a. and The Bridge S.p.a. have set up a **management procedure** of safety at work, done following an **analysis of potential risks** connected to the activities done by the employees and also implemented thanks to identifying people responsible for protection (e.g. Head of the prevention and protection service, fire service personnel, first aid workers). The process also involves monitoring and recording of the so-called near misses, if any.

In order to obtain the risk assessment, careful analysis of the work activities and the study of the relationship between people, equipment, the environment, physical, chemical and biological factors of each workplace and the place where it develops had to be carried out. In particular, the assessment process has been developed through identification of each particular workplace, identification of hazards present and tasks, a risk analysis for each task, and the study and preparation of the measures to be applied based on the results of the assessment.

The risks taken into account range from those relating to the structure and work environments, to the machinery and equipment used, the hazardous substances with which employees could come into contact, work related stress, the protection of pregnant personnel in the workplace, etc.

In the same document, companies are committed to ensuring that each worker receives sufficient and adequate health and safety training, anticipating a specific relationship between roles performed and training requirements.

In the financial year closed as at 31 March 2020, the Italian companies Piquadro S.p.A. and the Bridge S.p.A. and the production subsidiary Uni Best continued their implementation of an increasingly refined management system striving for the continuous improvement of safety in the workplace, monitoring and urging its employees to report any critical issues regarding safety. Uni Best also provides all new employees with a manual listing the company's general guidelines and standards including safety in the workplace, thus pursuing its objective to provide information which can make it easier to create a complete prevention system at its headquarters.

The French subsidiary Lancel Sogedi S.A. is equipped with an employee representative body (formerly CHSCT and now CSE – a health and safety committee) which contributes to protecting its workers' wellbeing, health and safety. This body actively takes part in improving working conditions and guarantees that all the elements relating to occupational safety are respected. The CSE is responsible for analysing all the risks to which employees could be exposed in the workplace and establishes any corrective and preventative actions necessary. To carry out this analysis, the CSE regularly conducts studies, surveys and inspections.

In order to prevent and improve safety in the workplace, CSE consultations take place every month (at least four meetings a year are mandatory). These meetings analyse the structure of the business organisation (e.g. workloads, work rhythms and increased work duties), the environment (e.g. temperature, lighting, ventilation or workplace noise) and working hours. It should be pointed out that the CSE has decision-making authorities, so it can initiate an alert procedure in the event of serious and imminent risk or serious risk to public health or the environment. These actions are summarised in the "Unique Document" drawn up for both the headquarters and the stores.

Employee health and safety indicator¹⁰

| PIQUADRO GROUP – Accidents of employees | | |
|--|-----------|-----------|
| Number of Accidents | 2019/2020 | 2018/2019 |
| Total number of recorded accidents at work | 24 | 28 |
| Total number of serious accidents at work (excluding deaths) | 0 | 1 |
| Total number of deaths due to accidents at work | 0 | 0 |
| Health and safety indicators | 2019/2020 | 2018/2019 |
| Rate of recorded accidents at work | 10.82 | 12.65 |
| Rate of serious accidents at work (excluding deaths) | 0.00 | 0.45 |
| Rate of deaths due to accidents at work | 0.00 | 0.00 |

In the period under review, the data on accidents has decreased by 14% compared to 2018/2019.

The accidents which occurred outside Europe were mainly at the Uni Best company located in China. The number of accidents recorded there, which is higher than in other geographical areas, is due to the diversity of tasks carried out. Whereas in Italy and in the rest of Europe the employees mainly do office or sales tasks, in China, workers are employed almost exclusively in production and therefore in potentially riskier activities. The main types of injuries detected were wounds and bruises, crush injuries and cuts. During the 2019/2020 financial year, no fatal injuries were recorded.

In order to monitor this data relating to recorded workplace accidents, Piquadro believes that it is only through creating a shared system that benefits can be multiplied and, therefore, the main way of achieving such objectives lies in everyone's commitment to the safety policies.

For this reason, the Group continues its commitment to disseminating and consolidating a **safety culture** to all its employees and collaborators, developing awareness of risks and promoting responsible behaviour on the part of the personnel. To this purpose, the Italian

¹⁰ The accident rates have been calculated as the ratio between the total number of accidents and the number of total hours worked, using a multiplication factor of 1,000,000. It should also be noted that only events which led to at least one or more days of absence were considered as accidents. The 2018/2019 data does not include the companies Piquadro Deutschland GmbH and Piquadro UK Limited, representing approximately 0.4% of Group employees

companies Piquadro S.p.a. and The Bridge S.p.a., the Chinese production subsidiary Uni Best and Lancel Sogedi S.A. periodically give general and specific training on health and safety. During the financial year, more than 3,534 hours of training on health and safety were arranged.

The Group's Code of Ethics also reminds all employees and workers of their responsibility to contribute to the process of risk prevention and health and safety protection for themselves, colleagues and third parties, without prejudice to individual responsibility under applicable legal provisions. To this end, it sanctions, within the framework of company activities, a total general prohibition of alcohol abuse or drug use and stipulates a ban on smoking in the workplace, in accordance with legal regulations and nevertheless where smoking may cause danger to company structures and company property or to the health or safety of colleagues and third parties.

The system implemented by the Group's Italian companies also takes into account third party interference risks which may occur within the stores and, in this regard has also been followed up with reports of training requirements in the retail system.

4. Environmental responsibility

As invoked by the Group's Code of Ethics, the environment is considered a primary asset of the community that the Group itself wants to help safeguard. To this end, it plans its activities by seeking a balance between economic initiatives and environmental needs, in accordance with the legal and regulatory provisions applicable, giving maximum cooperation to the public authorities responsible for monitoring, surveillance and environmental protection. Therefore, the Piquadro Group is committed to a constant search for the most suitable solutions to ensure responsible use of resources, a reduction in energy consumption and better management of emissions into the atmosphere through the constant improvement of eco-efficiency levels and the use of energy from renewable sources. The Piquadro Group is also committed to raising awareness and communication activities on energy and environmental issues.

4.1 Responsible material consumption

The Piquadro Group, in line with the management responsible for its business, is committed to purchasing high-quality materials with a lower environmental impact.

Raw material and consumables purchased by type¹¹

| Type | Unit of measure | Total as at 31.03.2020 |
|--|-----------------|---------------------------|
| LEATHER | M ² | 546,158 |
| SHOPPING BAG | KG | 58,316 |
| of which FSC (<i>Forest Stewardship Council</i>) | KG | 35,746 |
| of which Non FSC (<i>Forest Stewardship Council</i>) | KG | 22,570 |
| METALLIC ACCESSORIES | UNITS | 9,923,382 |
| COTTON/CLOTH BAGS | UNITS | 387,535 |
| FELT AND FABRICS | ML | 160,750 |

The most common raw material in terms of purchases is leather, used to make the Group's three brands. In the 2019/2020 financial year, the Group purchased over **546 thousand square meters of leather**, mainly from Italian tanneries.

As well as leather, to make its products, the Group also purchased fabrics, nylon and polyester, accessories and metallic accessories. The other categories of materials used by the Group were paper for office activities and cardboard and plastic for product packaging and transport (cardboard boxes, product tags, cellophane and other plastic packaging material). Starting from this financial year, greater attention has been paid to the choice of FSC paper shopping bags the quantities of which have recorded a considerable increase.

¹¹ The types listed include the main materials and consumables purchased using the most representative units of measurement.



Vegetable Tanning

The leather used for some of The Bridge products is made from vegetable tanning. This technique requires the leather to be worked only using natural tannins contained in wood, bark, leaves and tree fruit.

Vegetable tanning means working with a lower environmental impact than more widespread methods which involve the use of chromium, it does not contain toxic substances which are harmful to humans and the environment and is also usually well tolerated by people who are allergic to heavy metals.

"Vegetable tanning" is the oldest and most recognisable technique, the only one capable of giving leather unmistakable properties and making the end product unique.

With regard to chemical agents or other hazardous materials, this is limited to the repair department where glue, detergents and colours are used in a non-continuous manner. On such sporadic occasions, all necessary precautions are taken by workers, under the indication of health and safety procedures.

In addition, the parent company and subsidiary The Bridge S.p.A., within the framework of the organisation and management Model under Legis. Decree 231/01, analysed any possible risks potentially related to the use of these substances, revealing that the type of activities carried out within the Group's companies do not appear to be such as to expose workers to risks to their health and safety.

4.2 Energy management

During the 2019/2020 financial year, the Piquadro Group's energy consumption stood at about **26,568 GJ (a 2% decrease compared to 2018/2019)**. The main types of energy sources used were:

- electricity;
- natural gas, diesel and LPG for heating;
- diesel and petrol for transport.

The reported energy consumption relates to the Italian offices, the Chinese production establishment and, for electricity consumption only, the 134 direct outlets of the Piquadro Group (127 as at 31 March 2019). Consumption fuel by company cars is related to the company Piquadro S.p.A., The Bridge, Uni Best and Lancel Sogedi.

Since July 2017, Uni Best has installed an air conditioning system at its headquarters which does not use cooling gas but just water to operate.

Energy consumption of the Piquadro Group ¹²

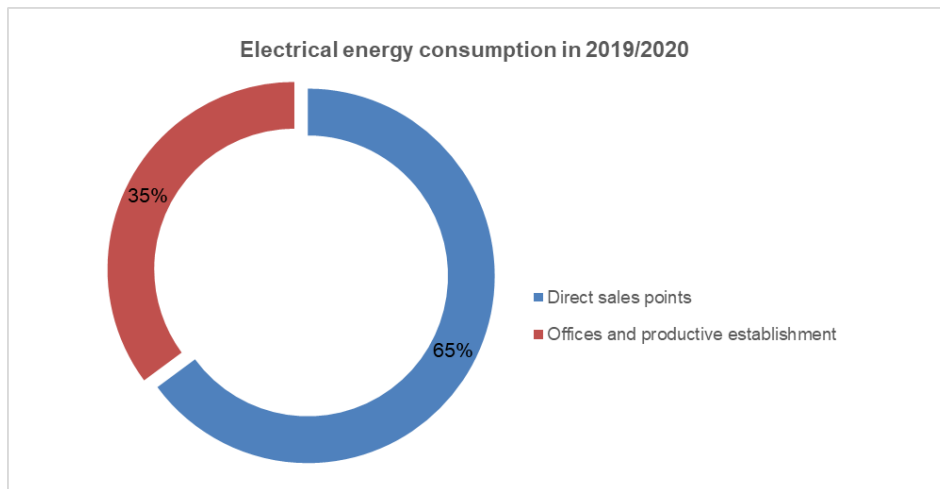
| Type of consumption | 2019/2020 | 2018/2019 |
|---|---------------|---------------|
| | Total (GJ) | Total (GJ) |
| Purchased electricity¹³ | 17,978 | 17,527 |
| <i>of which renewable</i> | 4,416 | 4,078 |
| Non-renewable fuel | 8,590 | 9,705 |
| <i>of which: natural gas for heating</i> | 3,846 | 3,788 |
| <i>of which: diesel for heating</i> | 218 | 306 |
| <i>of which: LPG for heating</i> | 1,717 | 2,677 |
| <i>of which: petrol for company fleet</i> | 192 | 243 |
| <i>of which: diesel for company fleet</i> | 2,616 | 2,690 |
| Total energy consumption | 26,568 | 27,232 |
| <i>of which renewable</i> | 4,416 | 4,078 |

As far as the distribution of electricity consumption is concerned, direct outlets account for about 65% of the Group's **total consumption**.

¹² For the calculation of energy consumption in GJ, the conversion factors of the Department for Environmental Food & Rural Affairs (DEFRA), UK, of 2018 and 2019 respectively, were used

¹³ The 2018/2019 data relating to the electricity consumption of 10 direct Piquadro stores has been estimated by analogy to other outlets, based on their size and geographical location. For FY 2019/2020 the number of points of sale for which it was necessary to estimate consumption decreased to 9.

The electricity consumption of 40 stores of the Lancel brand is estimated annually at 300kWh/m². Most of these outlets are placed in airports or shopping centres whose contractual conditions do not allow timely reporting of the data.



4.3 Emissions into the atmosphere

With regard to emissions into the atmosphere, in the 2019/2020 financial year, the Group produced **1,612 t CO₂eq** using the location-based¹⁴ calculation method, deriving from the consumption of electricity and non-renewable fuels.

In particular, direct emissions (Scope 1), i.e. from consumption of natural gas, LPG, diesel and petrol amounted to around **547 t CO₂eq**.

Indirect emissions (Scope 2) on the other hand, resulting from the purchase of electricity from the grid, amounted to a total of around **1,066 t CO₂** based on the location-based calculation method and around **1,151 t CO₂** with reference to the "market-based" calculation method.

Emissions of Scope 1 [tCO₂eq]¹⁵

| Type of source | 2019/2020 | 2018/19 |
|--|--------------|--------------|
| Scope 1¹⁶ | | |
| Use of fuel for heating | 345 | 398 |
| <i>of which: natural gas</i> | 218 | 215 |
| <i>of which: LPG</i> | 110 | 159 |
| <i>of which: diesel</i> | 17 | 24 |
| Use of petrol for company fleet | 13 | 16 |
| Use of diesel for company fleet | 189 | 185 |
| Total Scope 1 | 547 | 599 |
| Scope 2 | | |
| Purchased electrical energy (location-based) | 1,066 | 1,400 |
| Scope 2¹⁷ | | |
| Purchased electrical energy (market-based) | 1,151 | 1,647 |

¹⁴ GRI Sustainability Reporting Standards provide two methodologies for calculating the emissions of Scope 2: "Location-based" and "Market-based". The "Location-based" reflects the average intensity of emissions from the total national electricity production, while the "Market-based" method reflects the emissions from electricity that companies have chosen to use and is therefore calculated by emission factors that also consider contractual instruments for the sale and purchase of certified electricity

¹⁵ It should be noted that for better alignment with what is required of the GRI 305-1 standard to calculate Scope 1 emissions, an updated source of emission factors was used that restores emissions into CO₂eq. Emissions from Scope 2 are instead expressed in tonnes of CO₂, however, the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂eq), as inferred from the related technical literature.

¹⁶ To calculate Scope 1 emissions, the emission factors published by the Department for Environment, Food & Rural Affairs, UK (DEFRA), in Greenhouse gas reporting - 2018 and 2019 Conversion factors were used.

¹⁷ To calculate Scope 1 emissions, the emission factors published by the Department for Environment, Food & Rural Affairs, UK (DEFRA), in Greenhouse gas reporting - 2018 and 2019 Conversion factors were used. With regard to the calculation of emissions using the "market-based" method, Residual mix emission factors were used published by the Association of Issuing Bodies (AIB) in the document European Residual Mixes 2017 and 2018; these factors have only been applied for the following countries:

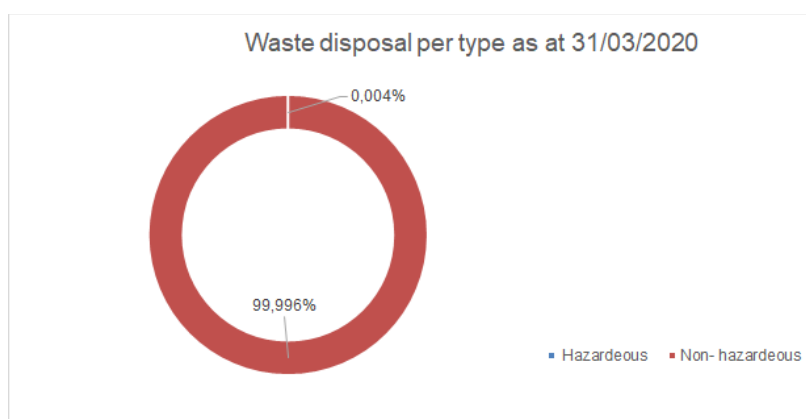
4.4 Waste management



The parent company has implemented a **waste management procedure** developed as part of the organisation and management Model. It aims at establishing ways of managing and disposing of urban and assimilated waste (wood, paper, cardboard, plastic, etc.), as well as the management of special waste such as electrical and electronic appliances, used toners and cartridges, managed through authorised suppliers and in compliance with current regulations. The correct implementation of the procedures is also requested and protected by disciplinary and sanctioning measures in the event of violations.

The Piquadro Group has always been conscious of and attentive to the way in which waste is managed and disposed of, in accordance with current regulations. It is fully aware of the correctly managed duty towards public health and when considering the rights of future generations.

During the 2019/2020 financial year, the Piquadro Group produced a total of approximately **331 tonnes of waste**, almost all of which were **non-hazardous**.



As regards the disposal method, the Group sends about **48% of its waste to recycling**, **3% to energy recovery** and **48% to landfill**, however, there are non-hazardous materials.

| Waste per disposal method [t] ¹⁸ | | | | | | |
|---|-------------|---------------|---------------|-------------|---------------|---------------|
| Disposal method | 2019/2020 | | | 2018/2019 | | |
| | Hazardous | Non hazardous | Total | Hazardous | Non hazardous | Total |
| Recycling | 0.01 | 160.34 | 160.35 | 0.02 | 164.73 | 164.75 |
| Energy recovery | - | 10.76 | 10.76 | - | 12.96 | 12.96 |
| Landfill | 0.01 | 159.85 | 159.86 | 0.01 | 124.96 | 124.97 |
| Total | 0.01 | 330.95 | 330.97 | 0.03 | 302.66 | 302.68 |

¹⁸ The data entered does not include the Group's outlets and the similar urban waste of the company The Bridge S.p.a. For the company Uni Best, the weight of waste produced and destined for landfill disposal was estimated based on the volume of waste according to a specific weight of 0.2 t/m³.

5. The link with the territory



Among the Group's activities there are also several **community initiatives**: Piquadro, The Bridge and Lancel are **strongly linked to the territory** in which they were born and they are a reference point for many families and a source of training, income and professionalism for many workers.

During the 2019/2020 financial year, the Piquadro Group made multiple **donations** to non-profit organisations and local associations for development and promotion purposes and sponsored social and cultural events in the area.

Piquadro contributed and donated two echographs for internal, radiological and surgical use by the Hospital of Porretta Terme.

The Bridge, in particular, has regular contact with schools and training facilities in general that are located in the Florentine basin: through the activation of curricular, extracurricular and apprenticeship contracts, it has frequent contact with Polimoda and with MI.TA (Made in Italy Tuscany Academy) the first Higher Technical Institute in the field of technical professions for fashion with offices in Scandicci (Florence).

Our contribution against Covid

The Piquadro Group, which has always based its way of operating on a solid ethical culture and on values such as integrity, fairness and transparency, has committed itself in various ways in order to be able to give its contribution against the effects of the pandemic.

The thing that makes us most proud of, is the help given to the children of the municipalities of Alto Reno Terme and Gaggio Montano to whom Piquadro has donated 70 laptops and relative 4G wireless connection to allow them to take advantage of remote educational activities. Further funding has also been allocated to encourage and implement remote recovery summer training courses. Our Group strongly wanted to provide this contribution to the territory, aware of the fact that the closure of schools has limited access to education for many students, generating an immediate and future inequality and social injustice that is no longer acceptable in a civil society. Piquadro has worked to assert the right to education of students in our area.

Piquadro's support for teaching activities in the area is accompanied by the support offered to local and national health during the most dramatic phases of the emergency.

This support materialized through the donation of respirators and specialist healthcare equipment to the Porretta Terme hospital and the Buzzi hospital in Milan.

Maison Lancel also wanted to support French healthcare with a donation to AH-PH, the public institution that coordinates the hospitals in Paris.



The **Palmieri Family Foundation**, founded in 2009, came from Marco and Beatrice Palmieri's desire to continue their philanthropic activity and enhance diversity through a situation which was not just based on welfare but focused on creating new business models. The aim is to promote activities aimed at study, research, training, innovation in the field of job creation and employment opportunities for people in straitened circumstances.

With this purpose and an unprecedented entrepreneurial approach, the Foundation aims to introduce the non-profit sector realities onto the market, which host people with disabilities and offer them opportunities to enter the labour world, so that they can stand on their own. In this regard, starting from 2009, reference is made to the "**Happy Box**" initiatives on solidarity and support projects to enhance the diversity and integration of differently abled people and the competition "**Less is more**" aimed at rewarding social start-ups.

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| 205-3 | Confirmed corruption incidents and actions taken | During the FY 2019/2020, no cases of corruption were recorded. | |
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| 307-1 | Non-compliance with environmental laws and regulations | During the 2019/2020 FY, no significant fines or non-monetary sanctions due to violation of laws or regulations regarding environmental issues were recorded. | |
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| 103-3 | Assessment on management approach | 11-12; 48 | |
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| 406-1 | Cases of discrimination and corrective actions taken | During the 2019/2020 FY, no episodes linked to discriminatory practices or other relevant forms of discrimination which had involved the Group were recorded. | |
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| 103-3 | Assessment on management approach | 11-13 | |
| GRI 419: Social-economic compliance (2016) | | | |
| 419-1 | Cases of non-compliance with laws and regulations related to social and economic issues | During the 2019/2020 FY, no significant fines or non-monetary sanctions due to violation of laws or regulations regarding social and economic issues were recorded. | |
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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018**

**To the Board of Directors of
Piquadro S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of the Piquadro Group (hereinafter "Group") as of March 31, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on July 23, 2020 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

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 NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do 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 NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included 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 selection process in place in light of the provisions of art. 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 with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Piquadro Group.
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

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

In particular, we carried out interviews and discussions with the management and the employees of Piquadro S.p.A., Lancel Sogedi S.A. and Uni Best Leather Goods Zhongshan Co. Ltd., and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for Piquadro S.p.A. and Uni Best Leather Goods Zhongshan Co. Ltd., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out visits on site or remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Piquadro Group as of March 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Bologna, Italy
July 29, 2020

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