

PELLEMODA
SUSTAINABILITY REPORT

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Dear Friends,
I am proud to present you with the first Sustainability Report of Pellemoda.

The document we are disclosing is an important opportunity for our Company to share our values with all our Stakeholders and show the responsible and serious attitude we adopted in supporting the growth of global brands, and their value, by manufacturing high quality garments.

The COVID-19 pandemic and the dramatic international war events are further affecting a scenario that was already marked by deep transformations, such as the energy transition and digital development, the circular economy, energy independence and security, energy efficiency, the protection of natural resources, and decarbonization.

Being able to flexibly interpret the extraordinary events and trends of our time is key to securing long-term success for our Company.

That is why we have set ourselves the goal of drawing up our first Sustainability Report; because we strongly believe that “in the middle of every difficulty lies opportunity” - as Albert Einstein said. Challenges have always been a driver for our Company.

We are also aware that there are primarily people behind the goals we achieve.

And Pellemoda has proven to be strong and resilient, and has continued to innovate by launching new strategic projects and expanding its laboratory and manufacturing areas.

The technological and organizational choices we made have proved to be good, as they allowed us to ensure the continuity of our operations any time of the year.

In addition, the prolonged periods of remote work imposed by the pandemic not only failed to undermine the strong team spirit that binds us together, but rather enhanced the consolidation of the values we share even more directly.

Our commitment to environmental, social and governance themes has always been strong. We are actively focused on these themes both internally and throughout our partner network.

We are also committed to offering our people a friendly and comfortable work environment.

Diversity and inclusion are crucial HR principles that have always been promoted within Pellemoda; knowledge and transparency are among our core values and we concretely implement them in each area of our business.

We are accountable to our people and to the communities in which we operate; achieving ambitious goals makes us even more aware of how sustainable our growth must be.

As a matter of fact, our most important challenge is to grow while simultaneously generating a positive change that can benefit us all, by promoting initiatives and solutions that can bring prosperity to the society in which we live.

For this to become true, we must consider sustainability as a key driver for our everyday decisions, and this translate into the following objectives:

- Minimize our environmental impact;
- Measure and report on our energy consumption and waste generation;
- Neutralize our emissions and become carbon neutral through a number of tangible actions;
- Share the environmental, social and governance performance of our Company and simultaneously disseminate the awareness of our objectives;
- Constantly aim at integrating our financial requirements with social and environmental needs.

Drafting this report demonstrates our openness to discussion and cooperation with our Stakeholders. Our history is built on two pillars representing our foundations, in a combination of tradition and constant research.

From the combination of past and present, we draw inspiration for an increasingly innovative and sustainable future.

A lot has been done and much still needs to be done, but - as we said - challenges are part of our history and every day, together, we face them to build our future.

Enjoy the report!
Azzurra Morelli
CEO of Pellemoda

PELLEMODA: OVER 40 YEARS OF HISTORY

In business for more than four decades, Pellemoda is today a leading player in the clothing industry, with international clients in the luxury sector.

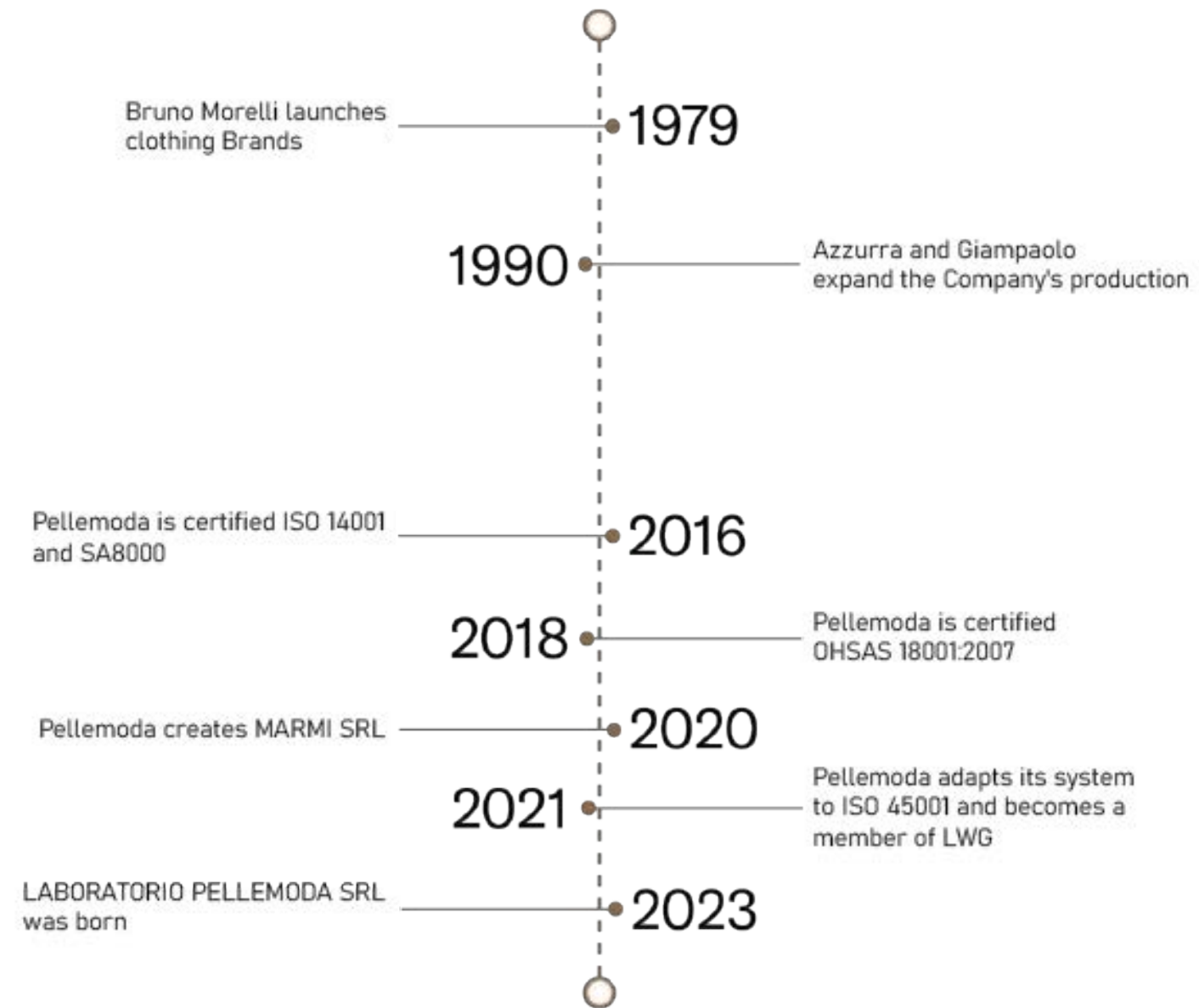
We are a limited liability company founded in 1979, when Bruno Morelli first launched his leather clothing brand.

At the beginning of the 1990s, Azzurra and Giampaolo Morelli, sister and brother, began to expand the family brand with new leather productions for renowned international brands.

This passage between generations established a tradition and ensured continuity to the passion and craft that have always distinguished the Company.

This natural evolution in the tailoring sector brought Pellemoda to the next level of capacity growth and production quality.

Today, thanks to the work done over the years by the Morelli family, together with their (to date) 160 employees, we are one of the most distinguished manufacturing companies for the production of high-quality leather garments in the global market.





PELLEMODA: OUR CORE VALUES

Our business philosophy is hinged on the main pillars of product quality and a high sensitivity to ethical, social and environmental issues.

Our history bears witness to the great results that can be achieved with the passion of a whole family, which proves how the human component makes the difference.

Honesty, transparency and fairness are at the basis of our communication; mutual respect and loyalty are fundamental pillars for achieving goals.

PELLEMODA IN FIGURES

39,805,856

2022 TURNOVER

72,909

OF GARMENTS SOLD IN 2022

+ 13.69%

CHANGE IN TURNOVER COMPARED TO 2021

148

OF EMPLOYEES AS AT 31 DEC. 2022

RELATIONSHIPS WITH STAKEHOLDERS

Pellemoda discloses the results of its social, environmental and governance processes and impacts in compliance with the expectations of its stakeholders.

Through a constant and transparent communication flow regarding all our activities and initiatives, Pellemoda reflects every stage of its commitment and its strong responsibility in pursuing our corporate mission.

Stakeholder	Stakeholder's needs and expectations	Key of organizational statements
Clients	<p>Product quality</p> <p>Compliance with cogent product requirements (particularly as regards hazardous substance content)</p> <p>Reliability and professionalism</p> <p>Innovative solutions</p> <p>Protection of brand names, proprietary information and intellectual property</p> <p>Consistency of the corporate policy on</p>	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adequate resources - Adoption of certified management systems - Implementation of the Privacy Code provisions (Safety Plan, controlled access, protection and monitoring systems, etc.) - Control of information, including when external processing is expected - Product/process quality controls, including for outsourced process steps - Adoption of tools and solutions for Business Continuity - Implementation of provisions regulating occupational safety (Leg. Dec. 81/08) - Procedure for the management of external feedback (returns and complaints) - Implementation of environmental laws and regulations
Suppliers	<p>Financial and business soundness</p> <p>Correct processing of personal information</p> <p>Legal compliance and fairness in business operations</p> <p>Safe environment</p> <p>Professional development</p>	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adequate resources - Adoption of certified management systems - Product/process quality controls, including for outsourced process steps - Adoption of tools and solutions for Business Continuity - Procedure for the management of external feedback (returns and complaints) - Specifications for the main types of supplies - Supplier information about our company's procedures that concern them (i.e., site access criteria, behaviour during maintenance activities, and so on) - Implementation of the Privacy Code provisions (Safety Plan, controlled access, protection and monitoring systems, etc.) - Implementation of environmental laws and regulations

Stakeholder	Stakeholder's needs and expectations	Key of organizational statements
Advisors	Financial and business soundness Correct processing of personal information Legal compliance and fairness in business operations Professional development	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adequate resources - Adoption of certified management systems - Implementation of the Privacy Code provisions (Safety Plan, controlled access, protection and monitoring systems, etc.) - Control of information, including when external processing is expected - Product/process quality controls, including for outsourced process steps - Adoption of tools and solutions for Business Continuity
Competitors	Legal compliance and fairness in business operations	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adoption of certified management systems
Trade associations	Transparency Fair protection of trademarks and intellectual property Implementation and promotion of measures to fight against counterfeiting Legal compliance Professionalism	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adoption of certified management systems

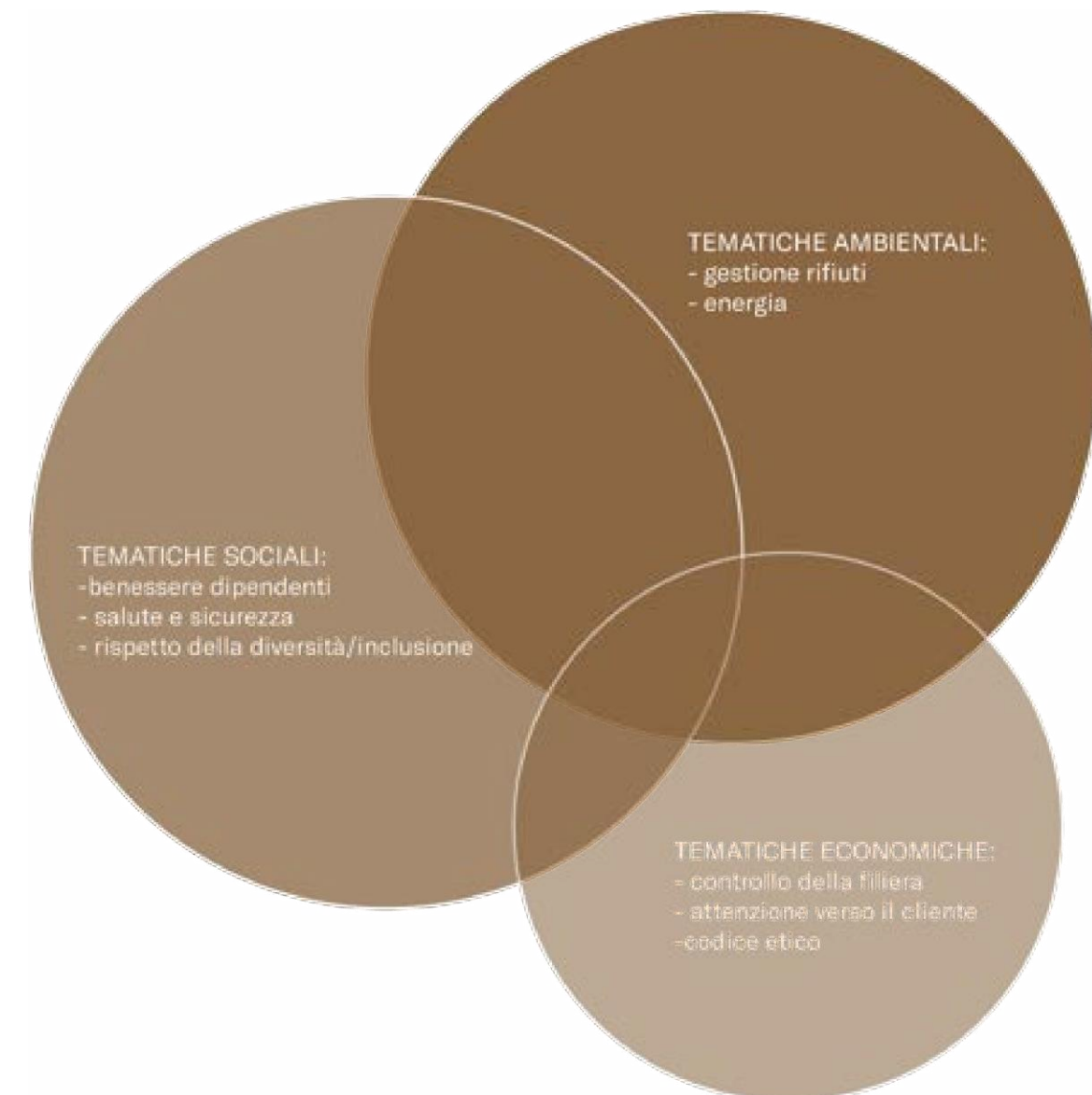
Stakeholder	Stakeholder's needs and expectations	Key of organizational statements
Local authorities and control bodies, including certification bodies	Legal compliance Good system procedures Reliability over time Synergies with the territory / local communities Participation in locally promoted initiatives aimed at reducing the impact on the environment and/or risks for health and safety Correct use of trademarks	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Implementation of provisions regulating occupational safety (Leg. Dec. 81/08) - Adoption of certified management systems - Implementation of environmental laws and regulations - Correct use of trademarks
Local community, schools, associations (i.e., environmentalists and territory protection associations), end-consumers and the general public	Legal compliance Good system procedures Reliability over time Professionalism Synergies with the territory / local communities Participation in locally promoted initiatives aimed at reducing the impact on the environment and/or risks for health and safety	<ul style="list-style-type: none"> - Specific policy on corporate social responsibility and ethics, quality, environment and safety - Adoption of certified management systems - Guided tours in the company site - Training opportunities within the company - Agreements with local schools



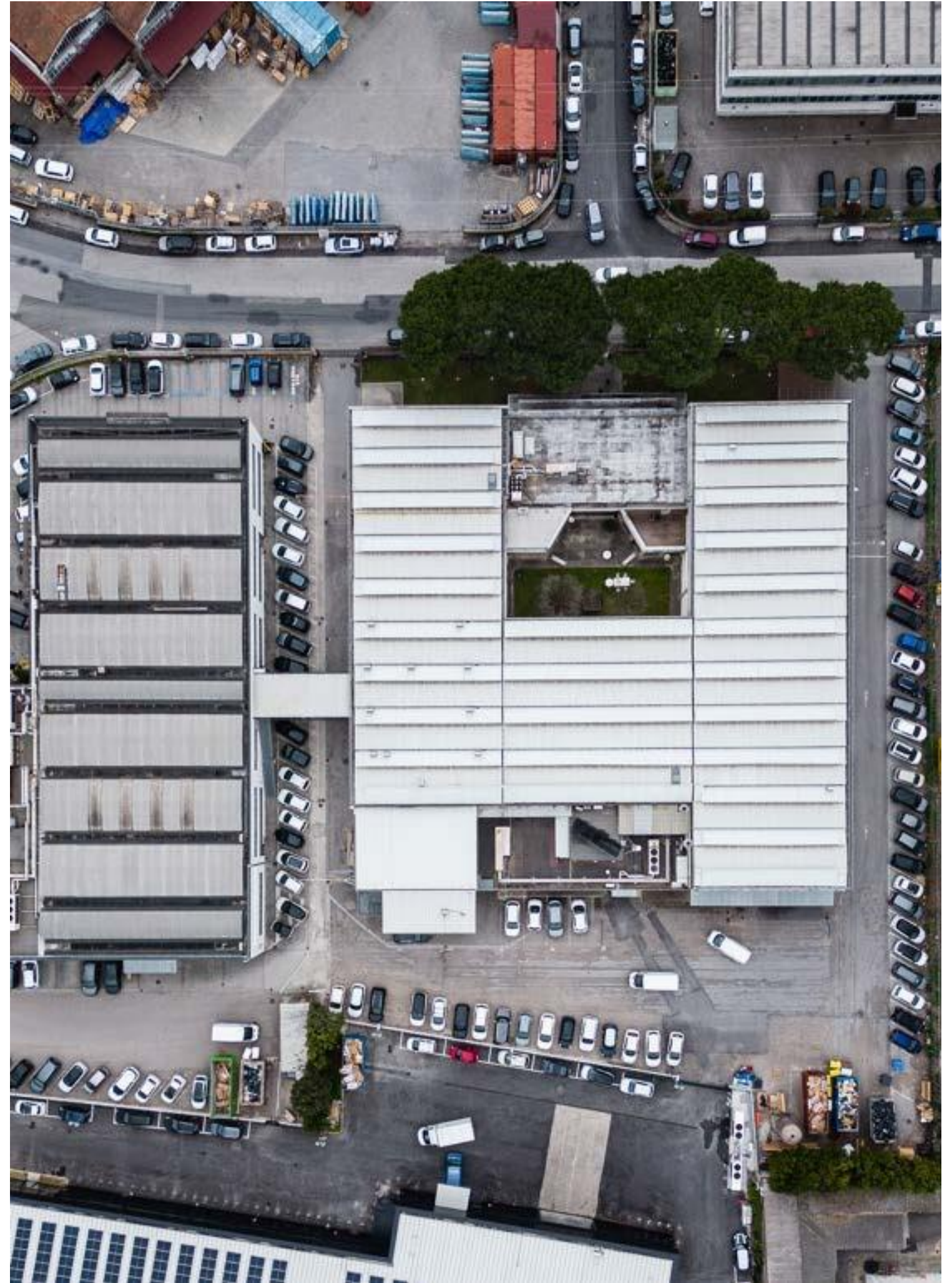
MATERIAL THEMES

Economic sustainability consists in the capacity of an economic system to produce income and labour in the long term; environmental sustainability supports the protection of the ecosystem and the renewal of natural resources; social sustainability is the capacity to ensure that human wellbeing conditions are fairly distributed.

With an internal analysis, we have defined and mapped the material themes of Pellemoda:



GOVERNANCE AND ORGANIZATIONAL STRUCTURE



THE PELLEMODA CODE OF ETHICS

Pellemoda adopted a Code of Ethics to be complied with by all the members of the Board of Directors, Boards of Auditors and other control boards, as well as by our employees, partners, subcontractors and anybody we do business with.

To achieve our objectives, we are inspired by the following principles, which must be complied with by all the recipients of the Code of Ethics:

- Lawfulness
- Integrity
- Equality
- Empowering people
- Health and safety
- Transparency and professionalism
- Confidentiality
- Environment protection

In addition, we accept and subscribe the Codes of Ethics of all our Clients. Pellemoda is also planning to adopt an Organizational, Management and Control Model as required by Legislative Decree 231/01 starting from the current year.





CONTROL FUNCTIONS

DIRECTORS

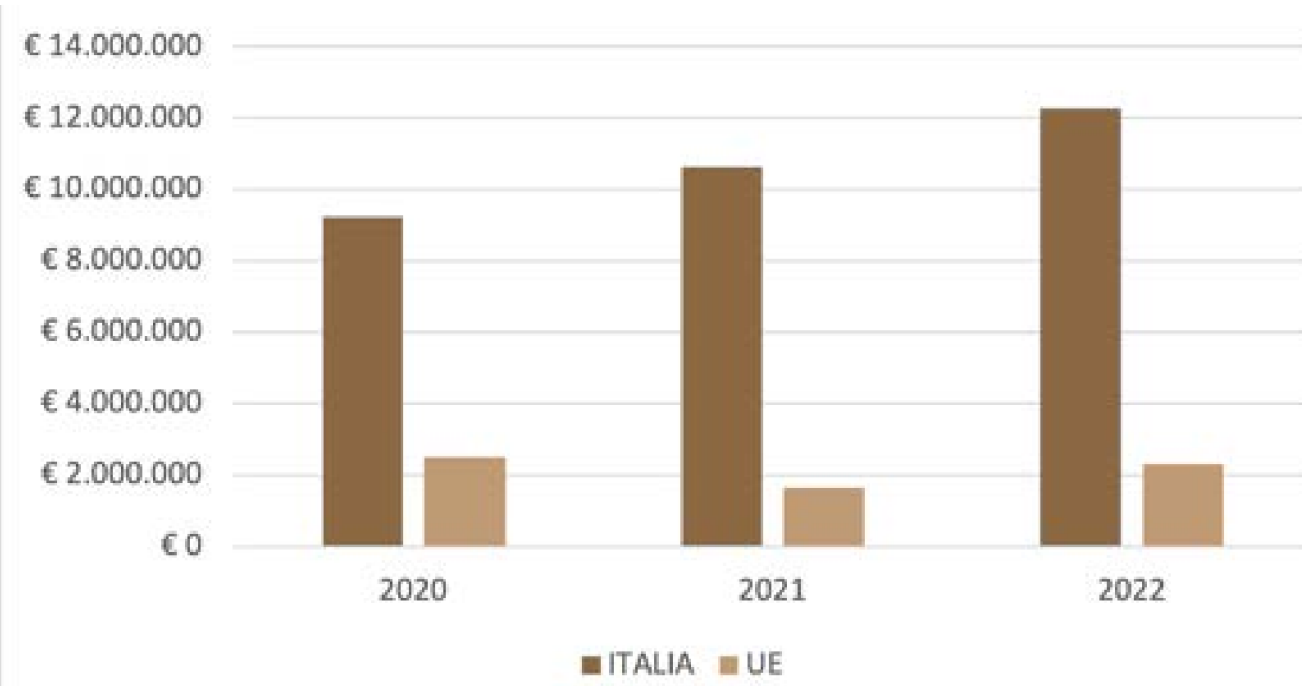
Pellemoda has 2 administration and control bodies: Giampaolo Morelli and Azzurra Morelli.

BOARD OF AUDITORS

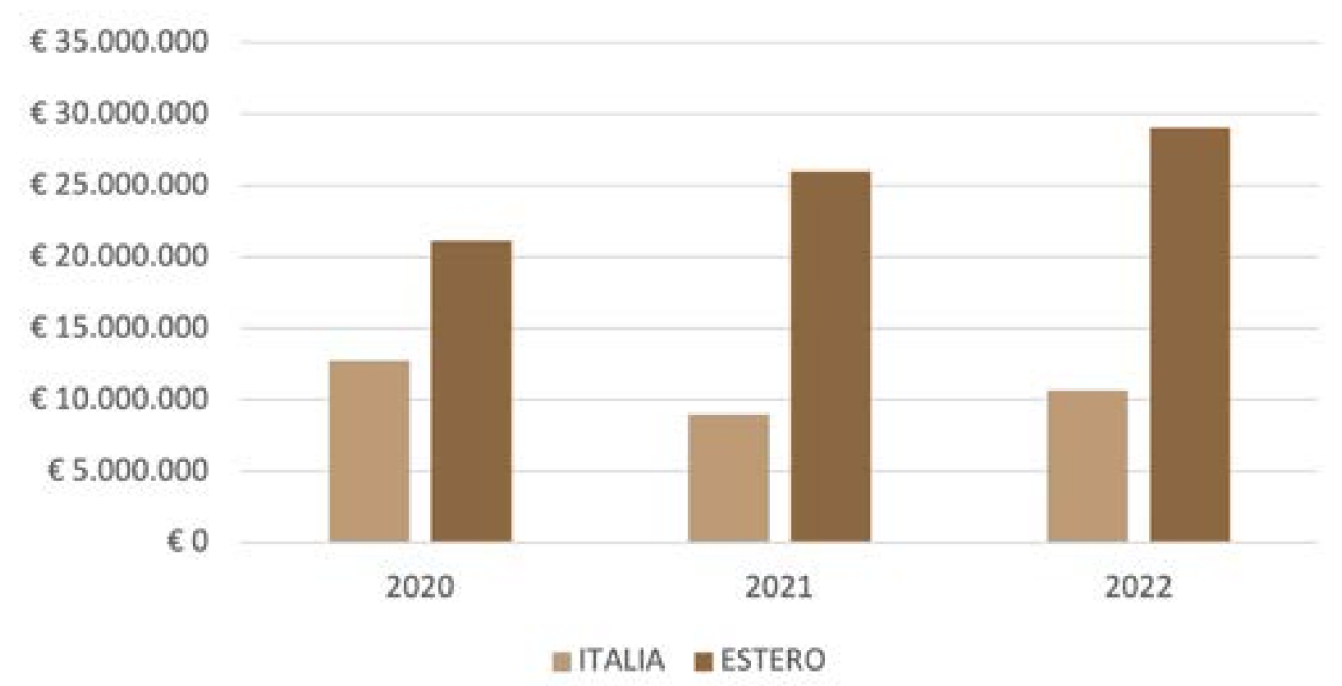
The Board of Auditors consists of one person.

OUR VALUE CHAIN

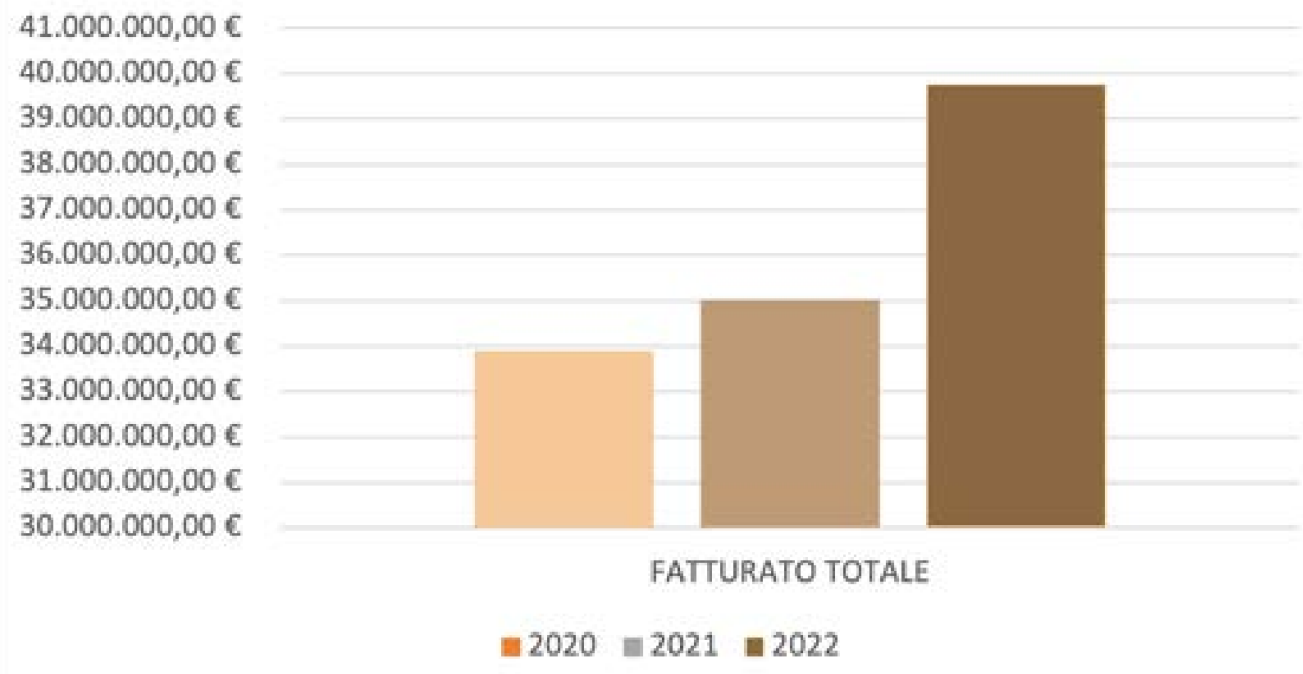
Purchase of raw materials



Sales



Turnover





CUSTOMER FOCUS

Pellemoda collaborates with some of the most renowned global fashion brands. The high quality of our products is guaranteed by the careful monitoring and testing activities that are carried out at every stage of our processes.

We manufacture high-end leather garments for many markets around the world; our main export areas are Europe, America and Asia.

AUDITS AT PELLEMODA

We received the following audits in the years 2020-2022:

Anno	Clienti		Enti di controllo		Organismi di certificazione SA8000 - ISO14001-ISO45001	
	Num. Audit	NC rilevate	Num. Audit	NC rilevate	Num. Audit	NC rilevate
2020	1	0	1	1	4	3
2021	2	0	0	0	4	2
2022	2	0	0	0	4	7



CONTROL OF THE SUPPLY CHAIN

Pellemoda is committed to promote and raise awareness on the requirements of the SA8000 standard and other applicable laws for all the matters pertaining to its supply chain of products and services (including employment agencies). This translates into a significant effort for us, because we have a very high number of suppliers, so we must classify them based on their actual sphere of influence.

Our suppliers are required to sign a formal commitment to:

- Comply with the requirements of the SA8000 standard and ask their own suppliers to do the same;
- Participate in monitoring activities;
- Implement appropriate corrective actions in case of any non-conformance with the SA8000 standard.

We regularly collect information from our suppliers on their organizational system and on the implementation of the requirements of the SA8000 standard with specific monitoring activities (administration of questionnaires, audits, and so on), to ensure that risks are tackled effectively.

All our critical suppliers are monitored through audits, followed by the attribution of a compliance rating that will be the basis for the subsequent follow-up activities.

Regular supplier audits were resumed in 2022 with 15 full audits, during which no critical situation was observed, 8 follow-ups, and the associated pre-audits and focus audits. In addition, specific environmental audits were carried out on 5 sub-suppliers, using the Higg Index suite, with third-party audits.

OUR CERTIFICATIONS

Achieving objectives and maintaining them over time is a critical objective for Pellemoda, which is proved by the following certifications:



SA 8000 certification obtained in 2016 as a proof of our respect for the human rights of employees and all the parties involved, in general;



ISO 14001 certification obtained in 2016 as proof of our continuous control of the impact of our company on the environment;



ISO 45001 certification obtained in 2021 as a management system focused on work conditions. This is the internationally accredited standard that responds to the needs of organizations willing to stand out for their commitment to sustainable development and, in particular, for social issues.

CURRENT PROJECTS

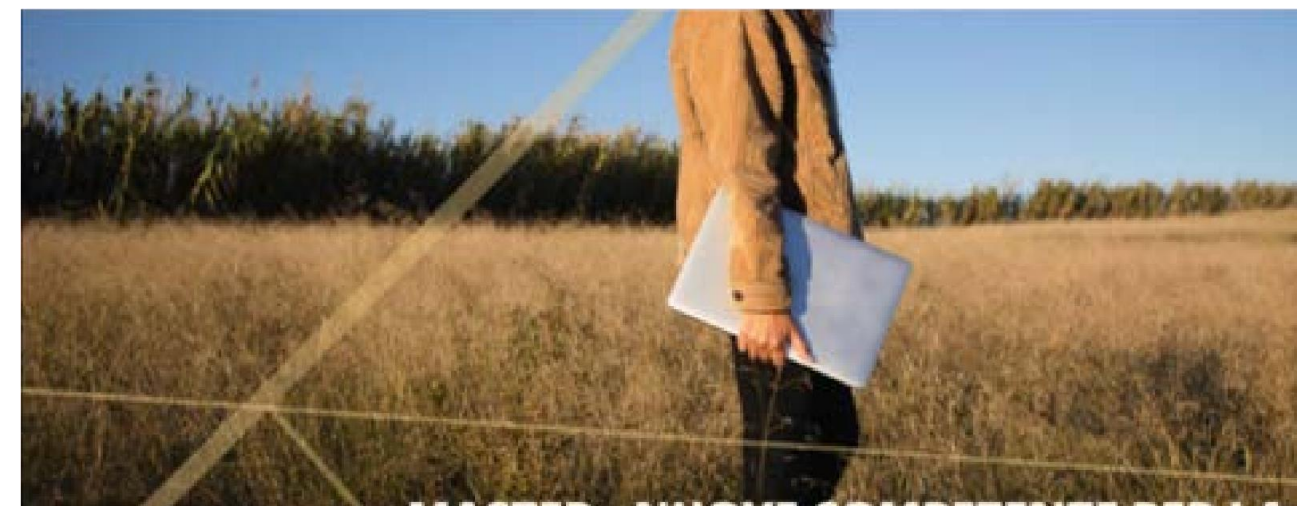
- Pellemoda has long been supporting the centre for the protection of women from violence called Lilith. The Lilith centre was created by the association "Pubbliche Assistenze Riunite" of Empoli in 2002 as a place where women who are experiencing a difficult situation due to psychological, economic, physical, sexual and stalking violence can be listened to, supported and helped with a network of relations. The purposes of the Lilith centre are to promote a culture of equal opportunities, prevent and address gender-based violence, support and protect abused women and children. Psychological support, legal advice and hospitality services are provided to abused persons for free, while ensuring their anonymity and confidentiality. Lilith makes available shelter homes with secret address for first support and homes for the second stage of support.

More specifically, within the framework of the Tata Matilda Project, Casa Matilda (Matilda Home), opened in 2019, offers hospitality to pregnant women, mothers with children or single women who have been victims of violence and need a second-degree support to implement personalised projects to achieve independence.

- We also support the local Misericordia [an association providing ambulance and other charity services] with donations and participation in charity events in Empoli.

- We support ASTRO (an association for therapeutic and rehabilitation support in oncology) and the non-profit social support organization "Porte Aperte".

- In 2022, Pellemoda took part as a supporting partner in the funding of the participation of candidates in the master called "New skills for sustainability in the industry", promoted by a local company for young graduates with the purpose of creating specific skills in the field of sustainability.



**PEOPLE:
OUR MAIN ASSET**





TEAMWORK

Craft work and the accuracy of our employees have allowed Pellemoda to grow and consolidate its position in the area where it operates.

Our people play an essential role in the life and future development of our company.

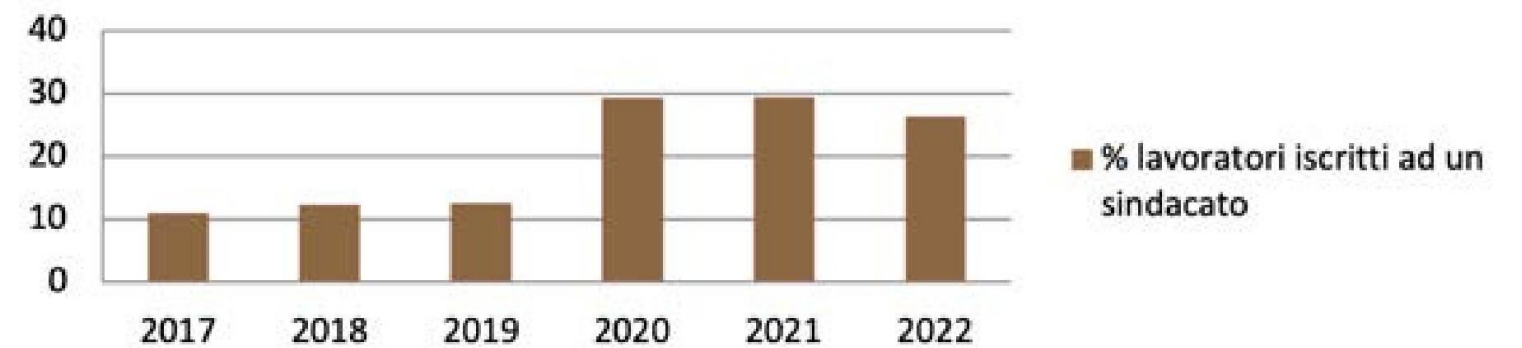
PROTECTION OF RIGHTS

Our employees can meet in the business premises of Pellemoda outside or during their working hours for up to 10 hours per year, being regularly remunerated for those hours.

The company's management works closely with trade union representatives in a spirit of continuous improvement.

In 2022, three trade union meetings have been held to clarify the situation Pellemoda faced in 2020, after which the number of employees who subscribed to become members of the trade union increased considerably.

Trade union membership trends are shown in the table on the right side of this page.

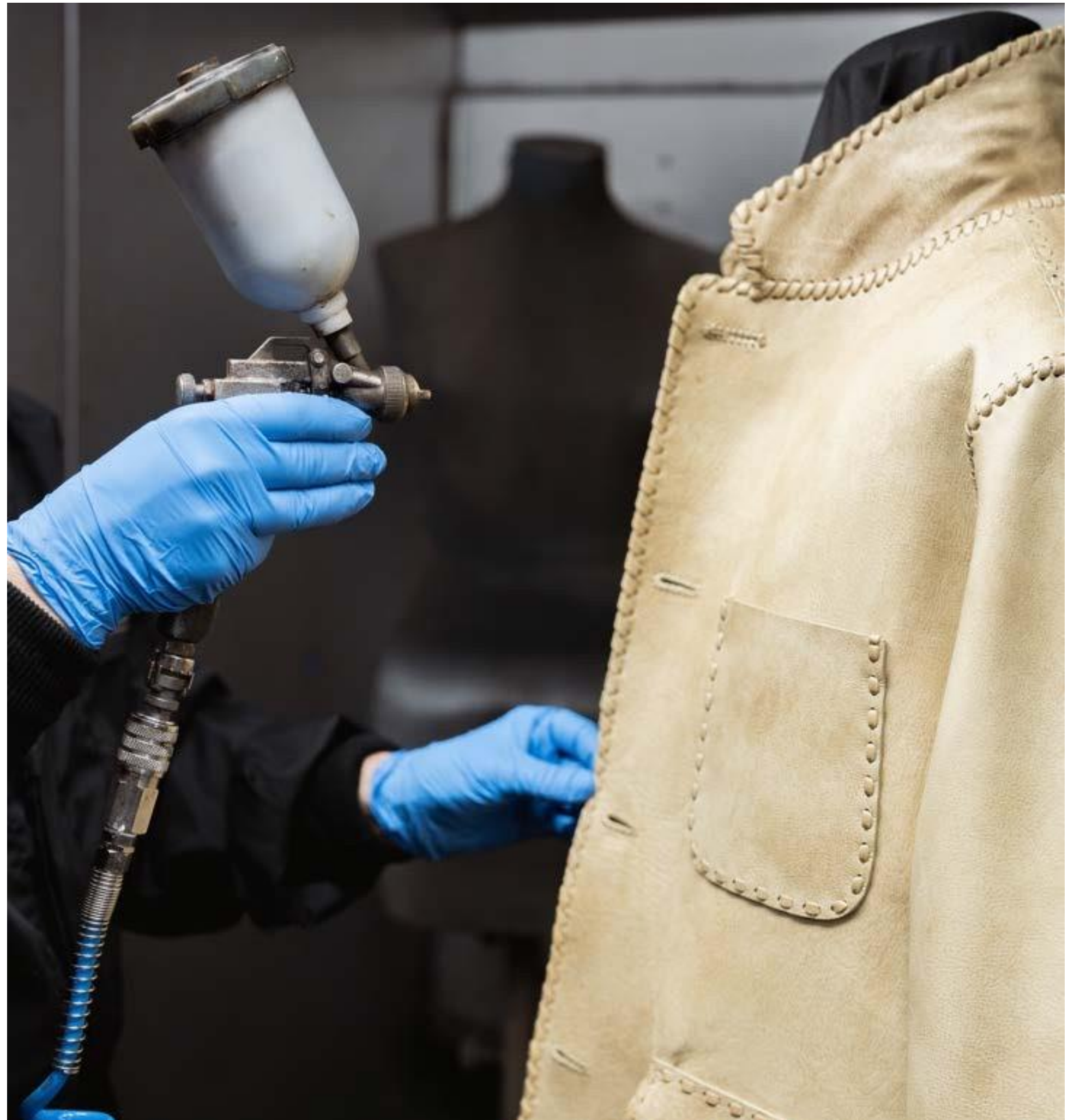


REMUNERATION AND INCENTIVES

Pellemoda is committed to maintaining a good level of economic satisfaction among its employees.

Since 2022, newly-hired employees have been receiving a personalised extra bonus in addition to the gross salary established in the national collective bargaining agreement.

Furthermore, in 2023 the Company will agree a second-level agreement with Trade Unions for the allocation of a performance bonus.



OCCUPATIONAL HEALTH AND SAFETY

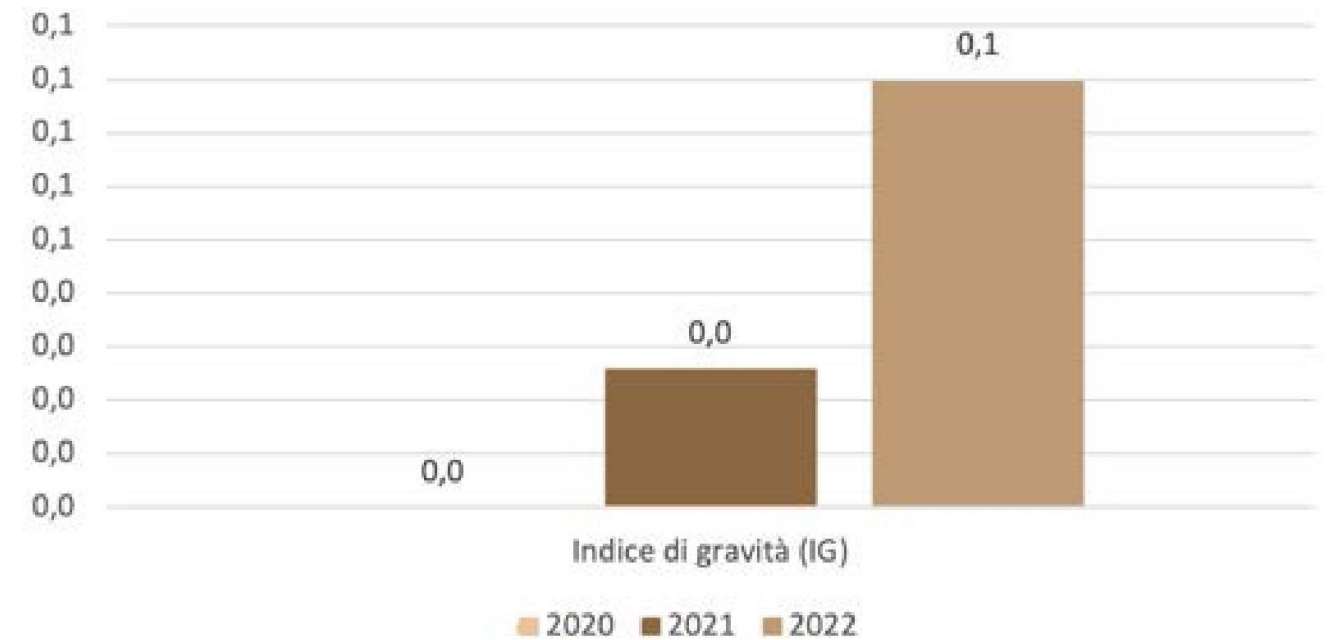
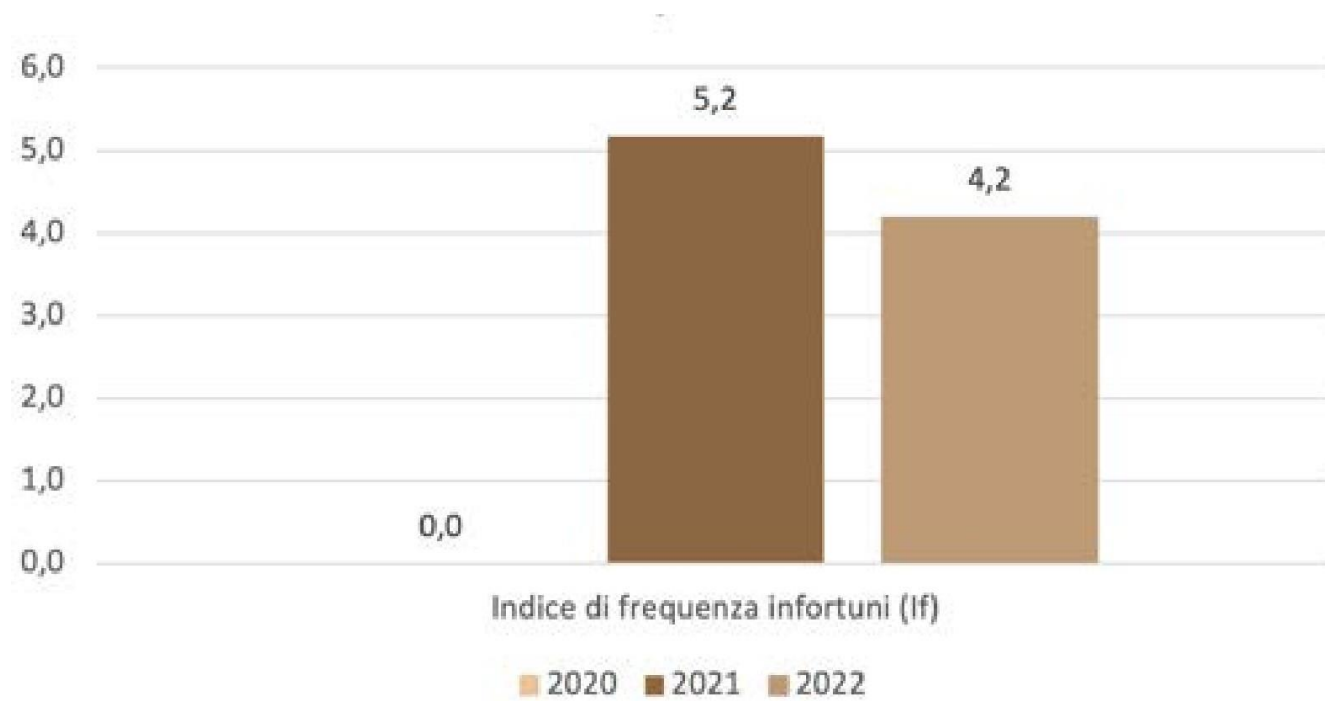
Pellemoda takes occupational health and safety very seriously. To prove our care for these themes and our commitment to continuous improvement, we have set up a management system certified under the ISO 45001:2018 standard.

To ensure the protection of the health of all our employees, we implement and constantly update our risk assessment process.

We created emergency management teams made up of 5% of employees who are members of the fire-fighting team or of the first-aid team.

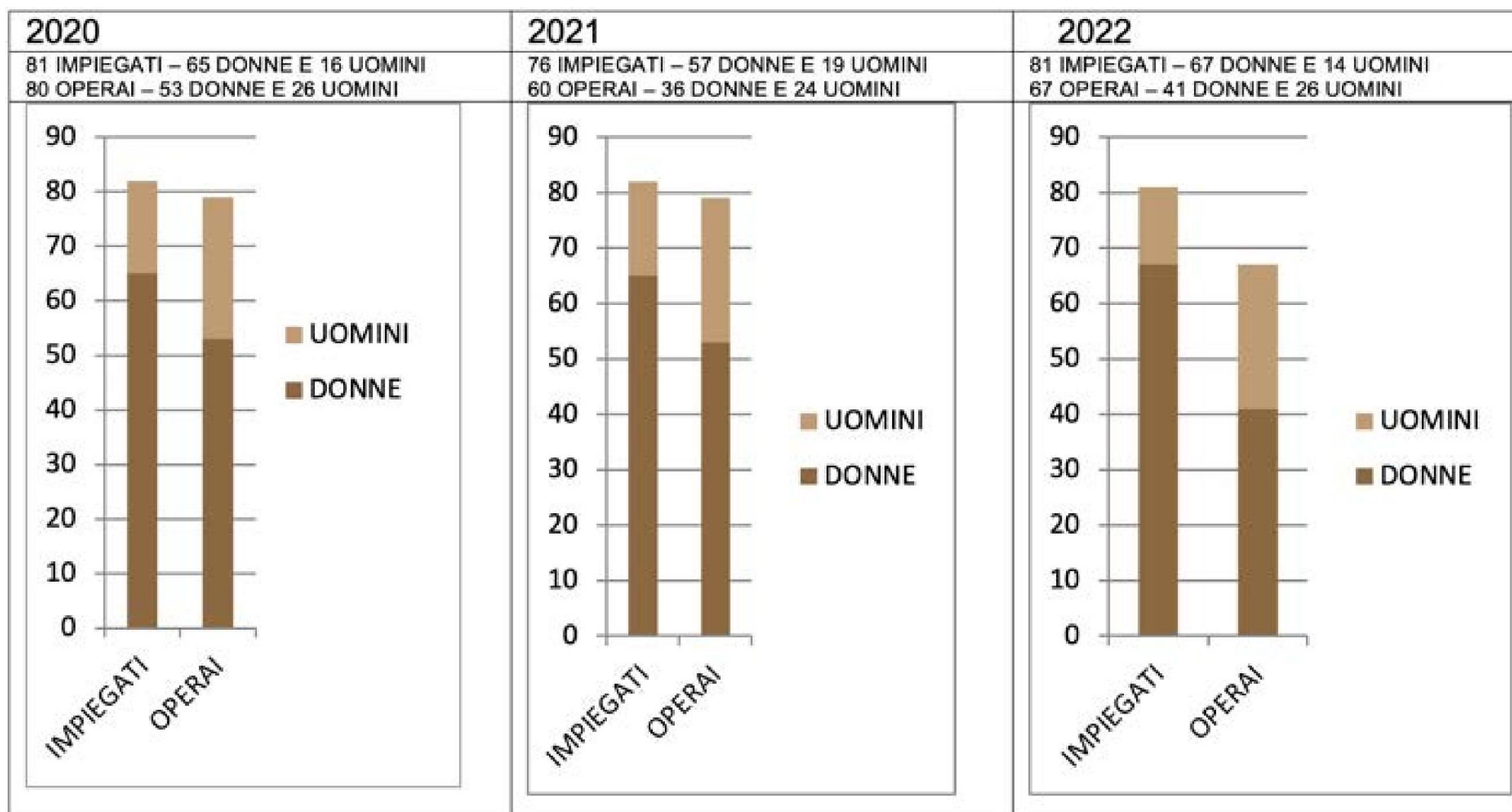
Nine persons have been appointed to take an active part in the operation of this management system.

Our labour accident and injury trends over the years are shown below:



DIVERSITY & INCLUSION

Contract types - Men/Women - Age:



TYPES OF CONTRACTS	2020	2021	2022
FULL-TIME	151	124	132
PART TIME	4	3	4
FULL-TIME APPRENTICES	5	5	9
CONTRACTORS	1	1	1
TRAINEES	0	1	2
Total	161	136	148

CONTRACT TYPES	2020	2021	2022
PERMANENT EMPL.	145	121	127
FIXED TERM	10	6	9
APPRENTICES	5	7	9
CONTRACTORS	1	1	1
TRAINEES	0	1	2
Total	161	136	148

CONTRACT TYPES

TIPO	DONNE	UOMINI
Lavoratori Dipendenti FULLTIME	98	34
Lavoratori Dipendenti PARTTIME	2	2
Apprendisti	6	3
Collaboratori	0	1
Tirocinanti	2	0
TOT	108	40

EMPLOYMENT LEVEL (COLLECTIVE BARGAINING)

TIPO	DONNE	UOMINI
8 (quadri)	0	2
7	10	5
6	21	4
5	27	8
4	33	12
3S	4	5
3	9	2
2	2	1
1	0	0
Collaboratori	0	1
Tirocinanti	2	0
TOT.	108	40



PROFESSIONAL DEVELOPMENT

Pellemoda helps each employee develop their skills with dedicated training courses. We had increasing numbers of training hours in 2022:

- 2020: 259 training hours
- 2021: 187 training hours
- 2022: 336 training hours

THE ENVIRONMENT AROUND US

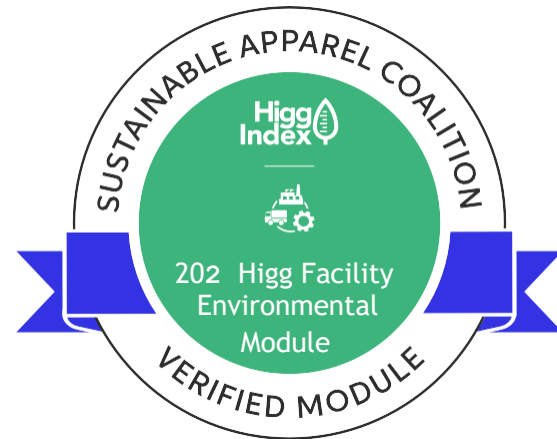


ENVIRONMENTAL MANAGEMENT

Pellemoda is committed to protecting the environment, as proved by our ISO 14001 certification.

Our objective is to monitor and continuously improve our environmental performance and cooperate with our clients in projects like:

- **WORLDLY PLATFORM:** a website where Pellemoda obtains an environmental assessment ("FEM" section of the website) and shares its results directly with registered brands. The website also provides a specific assessment for each company that is part of our supply chain. To obtain the certificate, we have been audited by ELEVATE



We are also planning to obtain the social certification by 2023 (see the "FLSM" section of the website).

- **SEDEX PLATFORM:** here we obtain a score for our environmental, social and safety performance, again through an independent body that is directly sent by the client who requests specific information.

ENERGY

100% of the electricity used by Pellemoda originates from renewable sources.

The monitoring activity that we perform proves that, in 2022, our consumption of electricity has decreased by almost 30%. We achieved this goal by replacing all our lamps with lower power consumption LED lights and using a timer for automatic switch-off.

PERIODO	ENERGIA ATTIVA CONSUMATA kWh
2020	379.032
2021	387.293
2022	279.829

Our unit consumption, kWh/garment, is also decreasing:

PERIODO	COSTO UNITARIO kWh/capo
2020	7,306
2021	6,399
2022	3,838

EMISSIONS IN THE ATMOSPHERE

The emissions produced by our operations and sent into the atmosphere consist in both dust and volatile organic compounds originating from:

- Painting booths
- Hide cutting
- Packaging latex application booths

After the positive results obtained throughout the years with several monitoring cycles, we have been exempted from the obligation to analyse our emissions.

WASTE MANAGEMENT

Our processes produce special hazardous and non-hazardous waste.

We classify, identify, store and transport our waste to authorized disposal facilities based on the procedures of our environmental management system, which complies with the applicable legislation.

RIFIUTI	2020	2021	2022
KG PRODOTTI	107.431	107.285	90.165
% RIFIUTI PERICOLOSI	0,36%	0,28%	0,39%
% RIFIUTI INVIATI A RECUPERO	58%	62%	40%

Our waste generation trend is decreasing, as is the percentage of waste sent for recovery.

The percentage of waste sent for recovery is decreasing because the most frequently produced waste is identified by the EWC code 16.10.02 "Aqueous liquid waste from silo emptying", to be disposed of as D9 "Physico-chemical treatment not specified elsewhere in this Annex which results in final compounds or mixtures which are discarded by means of any of the operations numbered D1 to D12 (e.g. evaporation, drying, calcination, etc.).





USE OF WATER

We use water exclusively for civil purposes in our premises.

The amount of water drawn from the aqueduct operated by ACQUE SPA is accounted for through the invoices sent by the operator.

PERIODO	PRELIEVO (mc)	PRELIEVO UNITARIO mc/operatore
2020	1.411	8,44
2021	1.053	7,97
2022	2.245	18,70

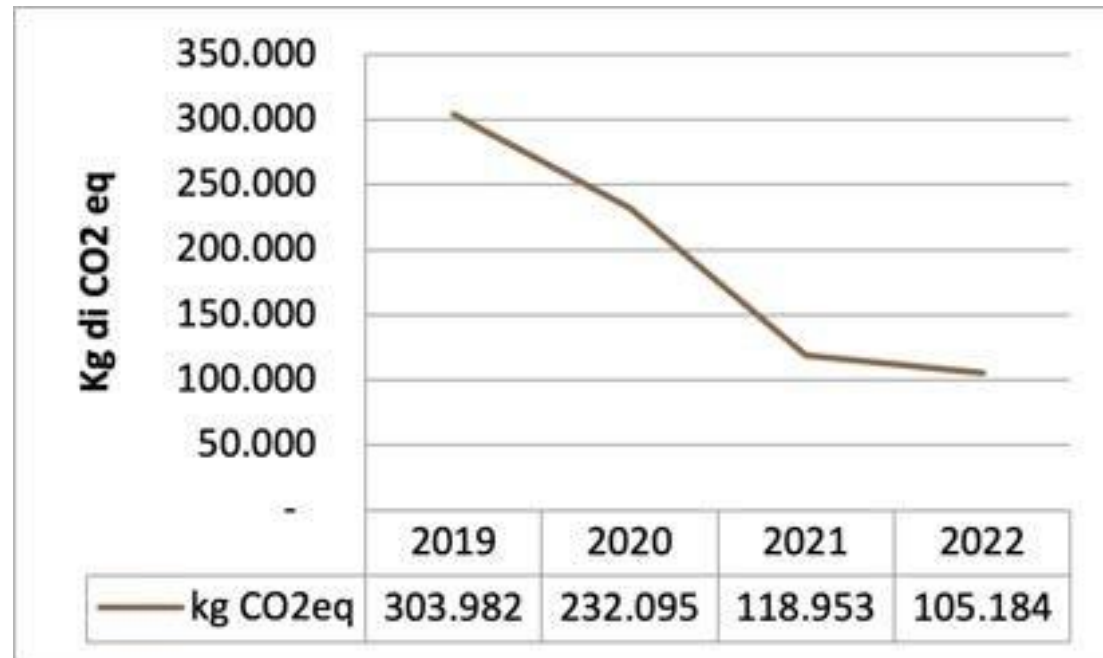
We had a significant increase in water consumption in 2022 due to the resumption of full-scale operations compared to the years 2020-2021. This figure is now in line with pre-Covid periods.

We are planning to install steam aerators in our taps to reduce water consumption.

CO₂ EMISSIONS

As a self-assessment practice, Pellemoda has analysed its CO₂ emissions from 2019 to 2022.

The final assessment shows that the actions implemented over the years, such as purchasing green energy certificates, have led to a 65% reduction. Here are details:



CHEMICAL MANAGEMENT

Pellemoda has a Chemical Manager, who has been trained at the ZDHC Academy in the management and cataloguing of the chemicals used by the company, as well as in wastewater analysis. A chemical inventory has been drawn up to track the various products used and an InCheck report has been created (through the BHive platform) to measure the number of products used that meet the ZDHC requirements. Under the ZDHC Supplier to Zero programme, we obtained the Foundational level certification and we expect to reach the Progressive level by the end of 2023. As regards raw materials and finished products, our Chemical Manager is responsible for the testing of the hides and (when required) of the finished garments in the various accredited laboratories, following our clients' PRSL (Product Restricted Substances Lists) indications or, if these are not provided, according to our Corporate Chemical Specifications. Our previous Chemical Managers worked closely with Burberry at the creation of Project2020, a precursor of the current Supplier to Zero programme, for which they audited many suppliers and supported in developing their own internal Chemical Management programme.



OUR FUTURE COMMITMENTS

Identify a Corporate Mobility Manager for the purpose of reducing our emissions of pollutants.

by 31 December 2023

HEALTH AND WELL-BEING
SUSTAINABLE CITIES AND COMMUNITIES
RESPONSIBLE CONSUMPTION AND PRODUCTION
COMBATING CLIMATE CHANGE

Apparel Impact Institute Programme Carbon Target Setting for compliance with the common CO₂ emission and water consumption reduction objective of a -45% reduction by 2030

Since January 2024

SUSTAINABILITY

Be certified for Gender Equality based on the UNI PdR 125:2022 reference practice

First semester 2024

GENDER EQUALITY

Presentation of our Sustainability Report with data for 2023

30 June 2024

PARTNERSHIP FOR OBJECTIVES

B Impact Assessment to obtain the B Corp certification

within the end of
September 2024

CORPORATE CERTIFICATION

METHODOLOGICAL NOTE

The contents of this report have been selected to describe the organization, governance and values of Pellemoda in the perspective of the 17 Sustainable Development Goals (SDGs) defined in the UN Agenda 3030:



The contents of the report are based on the guidelines defined by the non-financial reporting standard Global Reporting Initiative (GRI).

GRI standards represent the world's best practice for sustainability reporting, consistently with the Agenda 2030's SDGs.

