



SUSTAINABILITY REPORT 2021

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1 LETTER FROM THE PRESIDENT TO THE STAKEHOLDERS

Nowadays, being a global company means being aware that our choices in terms of production processes, distribution, sales, the procurement of raw materials and energy as well as the management of human resources, treatment of scraps and waste, all have and will have a social, economic and environmental impact and that the progressive reduction of this impact must be our main goal in order to guarantee a better world for future generations.

For this reason, in this second sustainability report, Gruppo Mastrotto wanted to give a further impulse to our Sustainability Journey, a journey towards sustainability that we have undertaken for many years and that, since last year, we have decided to share with our stakeholders by means of this report that summarizes and organizes all the initiatives designed and implemented to make our business model increasingly sustainable.

If it is true, on the one hand, that leather already possesses intrinsic characteristics of sustainability as it is a completely natural product, a by-product of the food industry that fully fits into the logic of circular economy and upcycling, considered today the leading model of development; on the other hand, we know that this is not enough as it is the task and responsibility of a company to combine growth and sustainability in a virtuous way.

This is why we have decided to update our Code of Ethics, which expresses Gruppo Mastrotto's responsibility towards its stakeholders and gives the general principles and rules of conduct to which all those who work in the name and on behalf of the company must comply. Issued for the first time in 2010, the Code has been revised

in the light of the great changes that have taken place in the last decade, particularly through the adherence to the United Nations Global Compact, which is the main point of reference for a balanced, lasting and inclusive development.

The update also involves the Code of Conduct signed by all our leather, chemical, material and service suppliers that commit to comply with important ethical, social and environmental standards. Our commitment to control our supply chain goes even further; indeed, the corporate sustainability plan developed by Gruppo Mastrotto includes a series of short, medium and long-term objectives in a perspective of increasing transparency: among these targets, there is the traceability certification of purchased hides.

This increasing transparency to our stakeholders is also expressed through moments of networking, discussion and training on sustainability issues that we have discussed in schools and universities because we are certain that exchanging ideas and experiences can add value to work for all of us.

In 2021, Gruppo Mastrotto also passed the two-year audit for the certification of compliance required by the LWG protocol, promoted by the Leather Working Group (LWG), an international multi-stakeholder organization whose institutional purpose is to assess compliance and business practices relevant to environmental sustainability and promote improvements in the leather supply chain. Besides these activities, Gruppo Mastrotto has continued successfully in making its best efforts to make its production increasingly sustainable and, a few months ago, they achieved the Carbon Neutrality of Gruppo Mastrotto

Express, the exclusive ready-to-deliver leather service, currently the largest world logistics hub in the industry.

This great result pushes us to look towards new and even more challenging goals, as we are certain that we can count on a team of gritty people who share the company's same values. There is still a lot to do and the international scenario, extremely difficult to understand at the moment and involving ongoing conflicts, an energy crisis, and difficulties in the procurement of raw materials and growing inflation, forces us, on the one hand, to be cautious; on the other hand, it makes it more important to be more committed to social, economic and environmental sustainability.

The deepest thanks from me and from the Board of Directors to all the work teams who actively participated in the preparation of this second report and to all the customers and stakeholders who have continued to place their trust in us for almost 65 years. We know we are on the right track. Our Sustainability Journey has just begun.

Chiara Mastrotto
Gruppo Mastrotto President





















2 GRUPPO MASTROTTO AT A GLANCE

HIGHLIGHTS AND KPIs

CREATION AND DISTRIBUTION OF ADDED
VALUE

HIGHLIGHTS AND KPIs

People	 952 collaborators	 382 suppliers	 5,973 hours of training	 59.3% distribution of added value to staff	 97% permanent employees
	 -51% total reduction of CO ₂ emissions	 100% electricity supply from renewable sources	 -23% waste production	 -5.5% primary energy consumption (GJ/kg processed material)	
Planet	 -32% greenhouse gas emissions	 -99% abatement of suspended solids by the purifier	 100% recycled materials used for the production of pallets	 -0.74% nylon packaging	
	 € 273,200,000 2021 turnover	 13,750,000 m² production of leather in 2021	 € 43,100,0000 EBITDA for 2021 financial year	 € 138,000,000 value of purchases in the period 2019-2021	 50% value of purchases from local suppliers in the period 2019-2021
Prosperity					

THE ABSOLUTE VALUES AND PERCENTAGES RELATE TO 2021; THE PERCENTAGE CHANGES REFER TO THE PERIOD 2020-2021.

CREATION AND DISTRIBUTION OF ADDED VALUE



3 GRUPPO MASTROTTO

ITALIAN TANNING INDUSTRY

A NEW CODE OF ETHICS

CORPORATE GOVERNANCE

SYSTEM AND PRODUCT CERTIFICATIONS

2021 GOALS: WHAT WAS ACHIEVED

3

GRUPPO MASTROTTO

Gruppo Mastrotto was established in 1958, when Santo and Bruno, with their father Arciso, laid the foundations of what is now one of the most important European tanneries.

Gruppo Mastrotto specializes in the processing of cowhides for furniture, footwear, leather goods, and the interiors for cars, boats and planes. Their products are exported all over the world, thanks to an articulated and comprehensive strategy of product and geographical diversification.

Gruppo Mastrotto has always stood apart for constant technological innovation, the ability to anticipate new style trends, the attention to customer needs and for the concern of worker safety and the environment. These characteristics are confirmed by several quality and environmental certifications issued by the best accrediting agencies.

In this context, the sustainability report represents a further evolutionary stage of the company to enhance its social function and satisfy its stakeholders' expectations.



In Italy, Gruppo Mastrotto includes **18** factories employing almost **1,000** people; **17** factories are located in the tanning district of Arzignano (Vicenza) and 1 factory is in Santa Croce sull'Arno (Pisa).

This sustainability report refers to these 18 plants.

The headquarters are in Arzignano, 7 Via Quarta Strada.



4 other production facilities are located in Brazil, Indonesia, Tunisia and Mexico and they employ over **1,100** people. These facilities are part of the holding company that rules the entire corporate group.

In 2021 the production was about **13,750,000** sqm of leather.

3.1

ITALIAN TANNING INDUSTRY



In **2021**, the Italian tanning industry recorded a growth of **18.7%** in terms of turnover and **10.8%** in terms of production volumes compared to 2020.

EXPORT
+18%

+20%

CHINA

+27%

VIETNAM

+21%

GERMANY

+38%

MEXICO

+49%

CAMBODIA

The values refer to the year 2021 over 2020.

Destination country	Δ 2021 / 2020	Δ 2021 / 2019
France	+30%	-11%
Romania	+11%	-13%
USA	+12%	-6%
Spain	+38%	-18%
Portugal	+12%	-7%
Poland	+21%	-5%
Serbia	+21%	-7%
United Kingdom	+18%	-16%
Tunisia	+6%	-21%

In 2021, the Italian tanning industry recorded a growth of 18.7% in terms of turnover and 10.8% in terms of production volumes compared to 2020.

This trend was deeply affected by the effects linked to the Covid19 pandemic and the consequent containment measures (including the suspension of tanning production in Italy for over a month).

The comparison with the pre-pandemic year, that is 2019, gives a different picture: -9% of revenues and -7% of production.

Exports account for over 70% of the total turnover; in value, they show an increase of 18% over 2020 and a decrease of about 12% over 2019.

Exports to China (including Hong Kong), the first foreign destination of Italian leathers for years, grew by 20% in 2020, but is still far from the pre-Covid19 numbers (-19% on 2019).

The situation is also similar for shipments to the other main destinations of the Italian tanning.

However, there are positive exceptions, such as Vietnam, currently the third most important outlet market, which grows by 27% on 2020 and 2% compared to 2019, Germany (+21% compared to last year and +1% compared to two years ago), Mexico (+ 38% and +19% respectively) and the emerging Cambodia (+ 49%, + 40%).

In terms of sales by target customer sector, it is recorded a good recovery of leathers for leather goods and the prolonged positive moment of the furniture industry.

Some partial slowdowns for the automotive sector and footwear industry, which, although having increased over the past year, is confirmed to be the sector in greatest difficulty at the moment.

Therefore, the tanning industry hasn't yet fully recovered the heavy losses cause by the pandemic's economic effects. The Russian-Ukrainian conflict poses considerable uncertainty about the possibility of completing the recovery path in the course of 2022. There is especially strong concern (which emerged a few months before the conflict) regarding the trend in prices of the main raw materials such as raw hides (which grew on average by 20% in 2021, with peaks even higher than 50%), chemicals and, above all, energy.

These increases are accompanied by increases related to services such as purification and logistics.

3.2

A NEW CODE OF ETHICS

In 2010, Gruppo Mastrotto issued the first Code of Ethics that formally expresses our responsibility to our stakeholders as well as the general principles and rules of conduct adopted by directors, employees, collaborators and all those who work in the name and on behalf of the company.

In the last decade, we have been operating in an articulated and complex global context, increasingly difficult to predict.

Faced with a context that poses new challenges, we wanted to renew our Code of Ethics, reaffirming its fundamental principles and integrating them in the light of experience, the evolution of recent years and the initiatives taken within the "Sustainability, next level" platform.

The Code of Ethics is inspired by the main Italian and international regulations and guidelines relating to social responsibility, corporate governance, human rights and protection of the environment, such as the following:

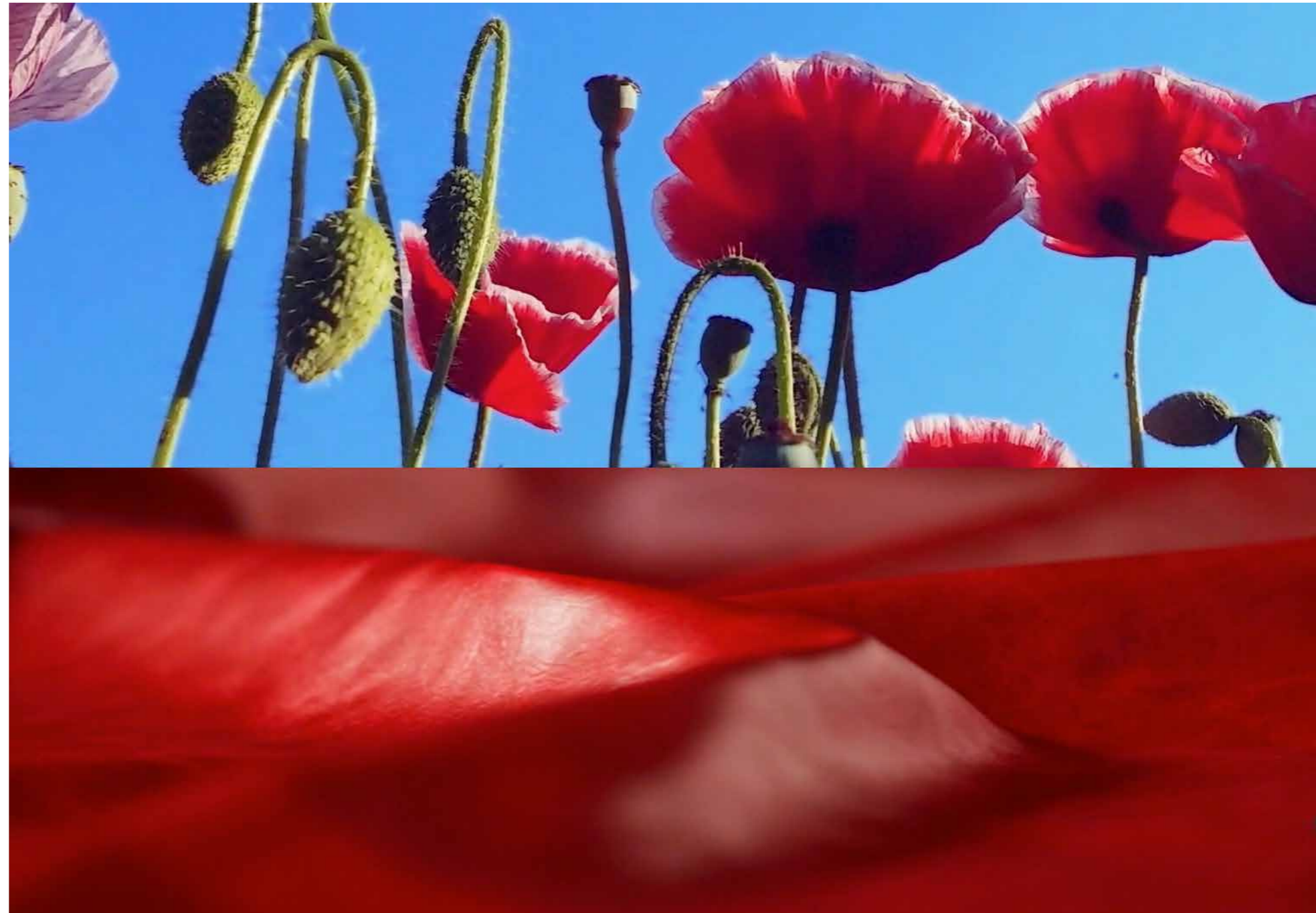
» International Declaration of Human Rights - United Nations

» Charter of Fundamental Rights - European Union

» Declaration on Fundamental Principles and Rights at Work - International Labor Organization (ILO)

» The Ten Principles of the United Nations Global Compact

In particular, we are committed to respecting the "Ten Principles of the United Nations Global Compact", a reference document for our choices and actions in order to make a positive contribution to promoting balanced, lasting and inclusive development.



As regards the conduct of business, the actions must be inspired by the following principles:

 <p>legality</p> <p>we respect the applicable national, European and international laws and regulations</p>	 <p>respect</p> <p>we recognize the integrity and dignity of our interlocutors</p>
 <p>responsibility</p> <p>we act considering the consequences of our actions</p>	 <p>transparency</p> <p>we inform our stakeholders in a transparent and complete way</p>
 <p>confidentiality</p> <p>we protect the confidentiality of the information we have with particular attention to personal data</p>	 <p>sustainability</p> <p>in our business activity, we respect and value human, natural and economic resources</p>

The Code of Ethics is the formal guideline for all companies of the Gruppo Mastrotto, also based in foreign countries, and it is the founding element of the Organizational Model and the control system pursuant to Legislative Decree 231/2001.

Moreover, we also get inspired by the Ten Principles of the United Nations Global Compact:

» Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Make sure that they are not complicit in human rights abuses

» Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labor
5. The effective abolition of child labor
6. The elimination of discrimination in respect of employment and occupation

» Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technology

» Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery

3.3

CORPORATE GOVERNANCE



The Gruppo Mastrotto is a joint stock company with share capital consisting of 600,000 ordinary shares with a value of € 51.65 each, for a total value of € 30,990,000.

The share capital is fully paid up and is divided as follows:

Shareholder	Share number
Gruppo Mastrotto Holding SpA	479,998
Mastrotto Graziano	60,000
Azalea Srl	60,000
Mastrotto Bruno	1
Mastrotto Santo	1

The company is ruled by the Shareholders' Assembly and the Board of Directors.



On 31st December 2021, the Board of Directors included 6 executive Directors as follows:

Title	Name/Surname	Gender
President and managing director	Chiara Mastrotto	F
Director	Giovanna Mastrotto	F
Managing director	Graziano Mastrotto	M
Managing director	Santo Mastrotto	M
Managing director	Renata Sartori	F
Managing director	Fabio Soldà	M

Chiara Mastrotto has powers in the "Sustainability" and "Environment" areas, Fabio Soldà is responsible for "Occupational Safety and Health".

The Board of Directors approves the Sustainability Report and is responsible for the development, approval and implementation of corporate strategies in economic, environmental and social fields.



The main control bodies are the Board of Statutory Auditors and the Supervisory Body pursuant to Legislative Decree 231/2001.

On 31st December 2021, the Board of Statutory Auditors included the following people:

Title	Name
President	Nevio Dalla Valle
Auditor	Primo Ceppellini
Auditor	Antonio Pasquino
Alternate auditor	Davide Lombardi
Alternate auditor	Alessandro Pegoraro

The auditing company of the economic and financial balance is EY Spa.



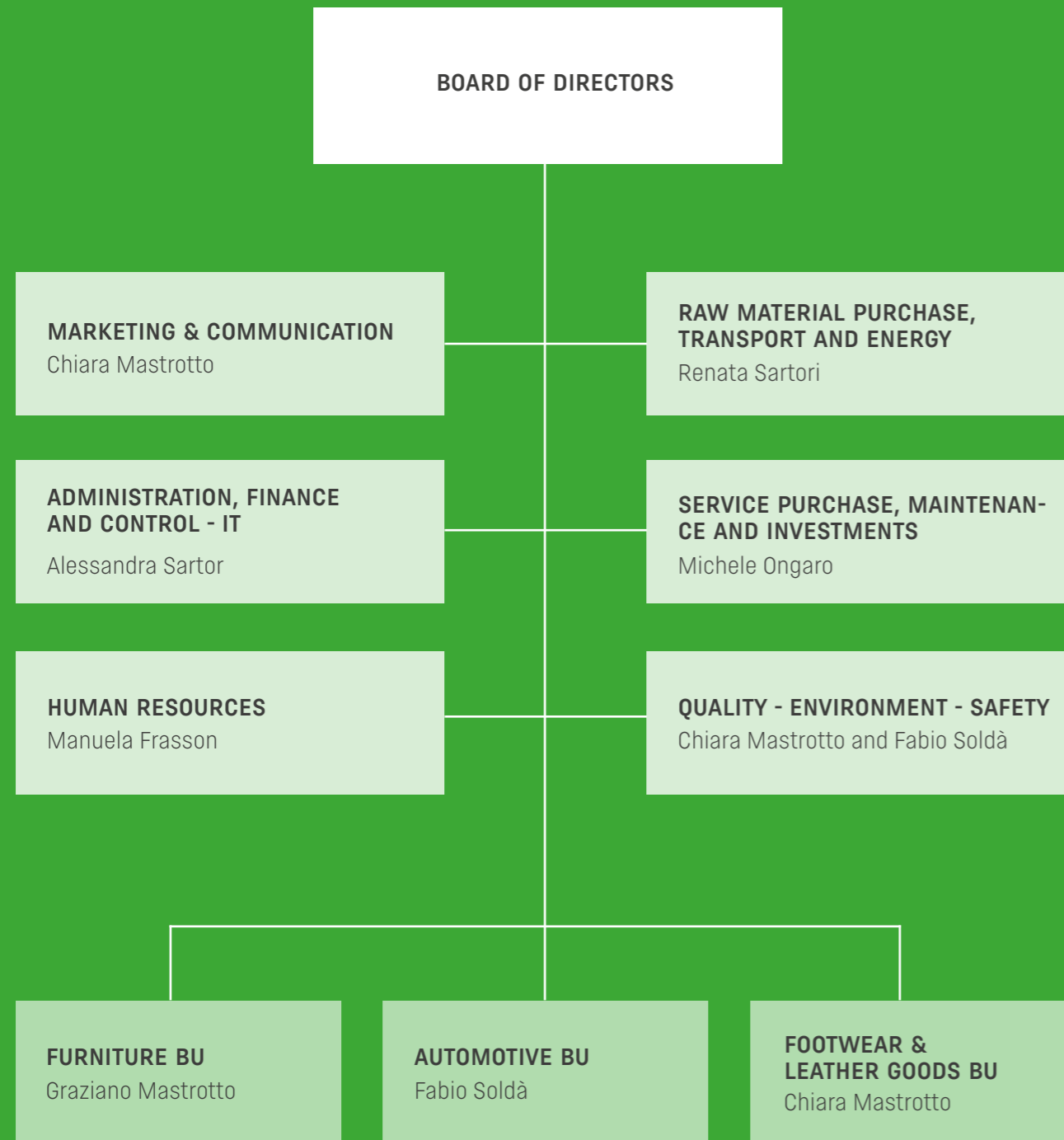
Pursuant to the Law Decree 231/01, on 31st December 2020 the Supervisory Body includes the following people:

Title	Name
President	Nevio Dalla Valle
External member	Francesco Falavigna
Internal member	Massimo Lechthaler

The organizational structure of Gruppo Mastrotto is ruled by the Board of Directors to which the following report to:

- three Business Units specialized in product segments (i.e. they are footwear/leather goods, furniture and automotive)
- general corporate services, such as administration/finance/check, purchases, investments and maintenance, human resources, marketing and communication and quality/environment/safety.

The following is the organization chart on 31st December 2020



3.4

SYSTEM AND PRODUCT CERTIFICATIONS

The system and product certifications have a dual meaning:

- to encourage continuous innovation and improvement processes in all company areas through the introduction and improvement of advanced organizational models, thanks in particular to the constant involvement of people
- to guarantee transparent and scientifically based communication to all stakeholders by getting the certification from independent third parties.

Certifications are a tool for cultural and organizational evolution that represents a tangible value both for the Gruppo Mastrotto and for customers, employees, the territory and the local community.

System certifications



ISO9001:2015
Quality Management System



ISO14001:2015
Environmental Management System



IATF 16949:2016
Automotive production



Council Directive 2014/90/EU
on Marine Equipment



GRU 001
LWG Gold Rated Environmental Protocol

Product certifications



Der Blauer Engel



USDA

International research projects

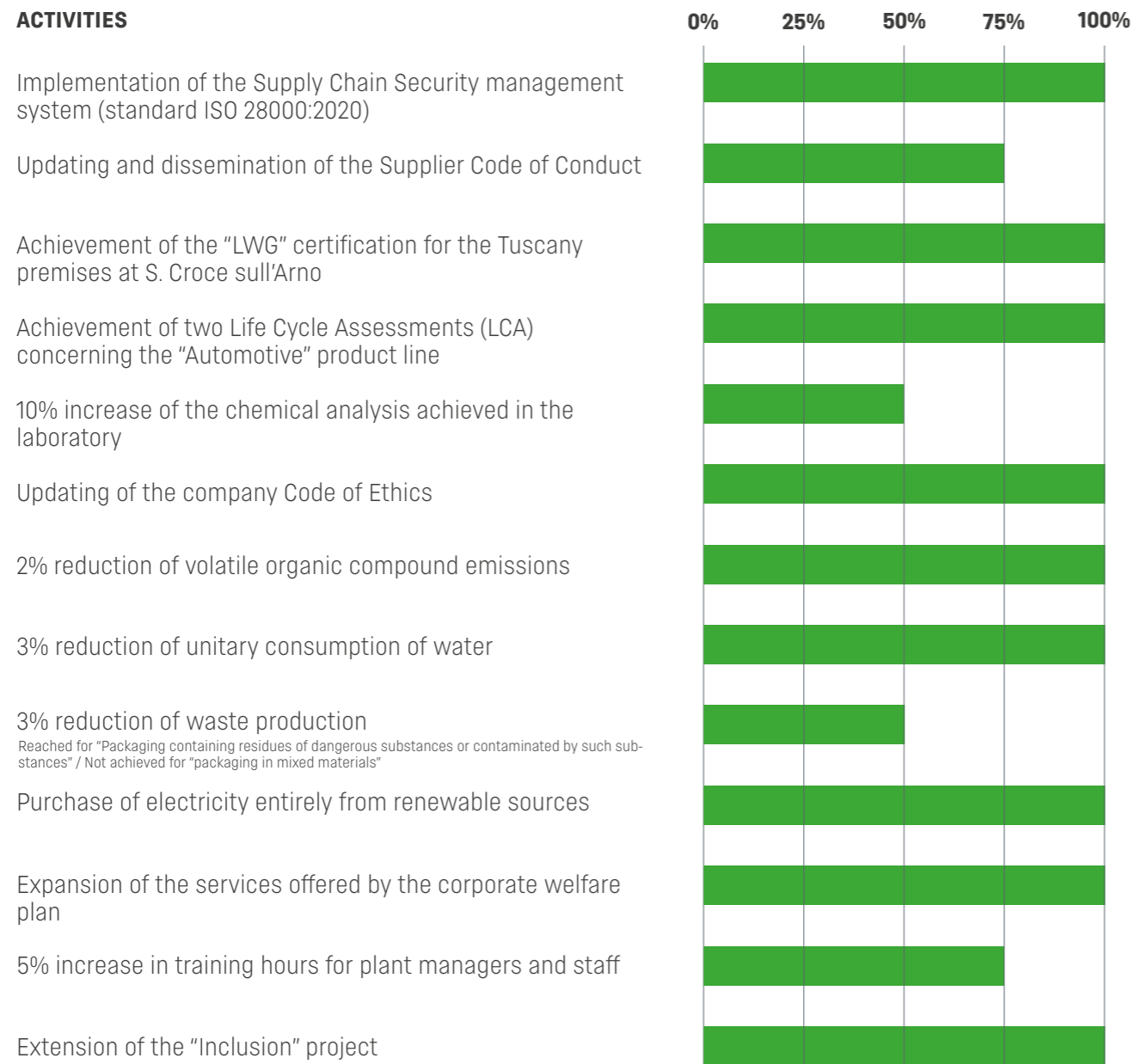


Green Life Project

3.5

2021 GOALS: WHAT WAS ACHIEVED

Below is the list of the targets reported in the previous Sustainability Report, each of which is followed by an assessment of the degree of achievement and, where useful, a comment on the activities carried out.



4 APPROACH TO SUSTAINABILITY

IDENTIFYING THE STAKEHOLDERS

IDENTIFYING THE EXPECTATIONS AND
IMPORTANT ISSUES FOR STAKEHOLDERS

OUR CUSTOMERS' VOICE

MATERIALITY ANALYSIS

THE 2022-2024 SUSTAINABILITY PLAN

4

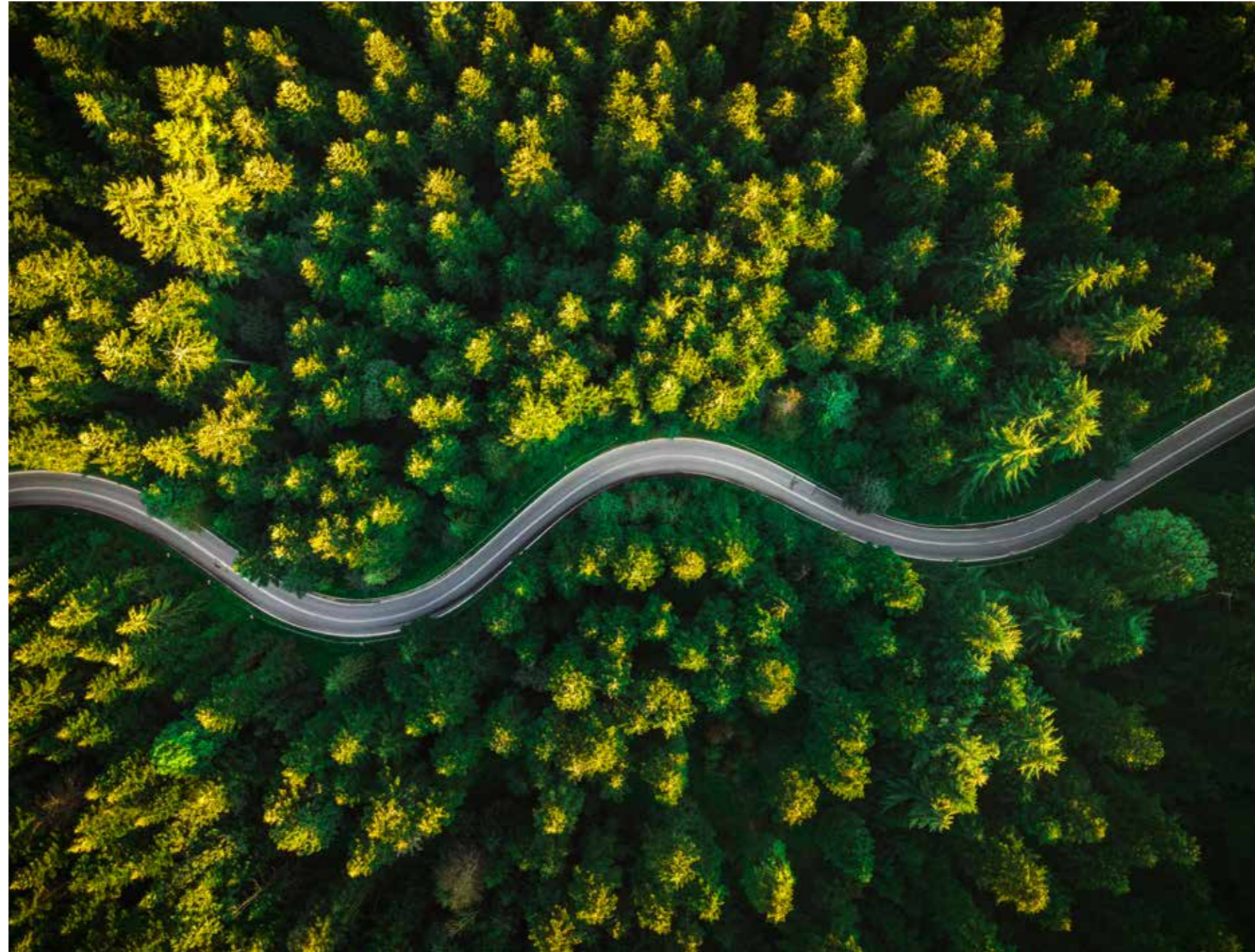
APPROACH TO SUSTAINABILITY

The path undertaken in recent years is directing Gruppo Mastrotto to a more articulated and structured perspective on issues relating to "Sustainability" and these issues are favoring the following:

more complete and effective strategic and operational decision-making processes that also include environmental, social and governance issues

wider dissemination and transmission of these topics in the organization questi argomenti

This approach allows for fundamental evolution and maturation of the company to implement an increasingly sustainable business model.



During 2021, Gruppo Mastrotto worked to do the following:



improve the stakeholder identification and mapping process



improve their ability to identify and understand the issues that are relevant to stakeholders



improve the materiality analysis in order to make its initiatives consistent with the expectations of its stakeholders



organize a sustainability plan over a multi-year period

4.1

IDENTIFYING THE STAKEHOLDERS

The word "stakeholder" includes people/groups/institutions that influence or are influenced by a company and its activities.

The corporate management of Gruppo Mastrotto initially identified a series of subjects that meet this definition. Subsequently, to give operational content to this activity, they mapped the identified stakeholders according to a double criterion:



influence

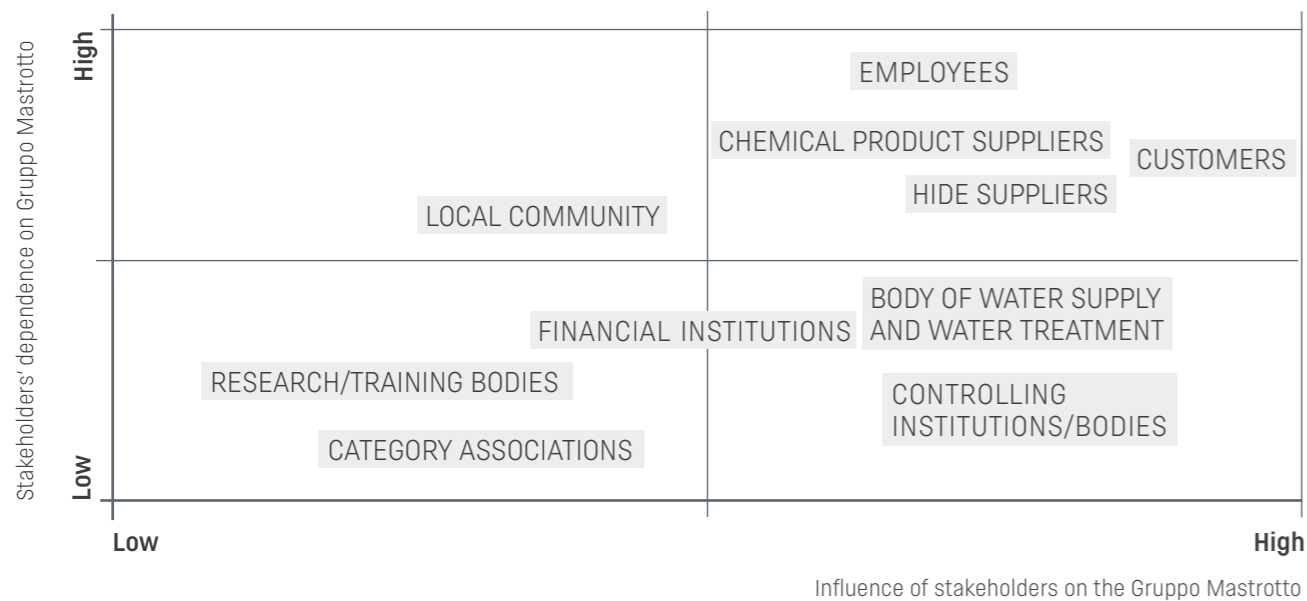
i.e. the ability of a stakeholder to influence the ability of Gruppo Mastrotto to achieve their goals



dependence

i.e. the level of dependence of a stakeholder on the Gruppo Mastrotto in achieving their goals

The map shown below has emerged; it helps to direct Gruppo Mastrotto's attention and strategic choices in order to facilitate the achievement of corporate goals, while respecting the expectations and rights of significantly affected stakeholders.



4.2

IDENTIFYING THE EXPECTATIONS AND IMPORTANT ISSUES FOR STAKEHOLDERS

Numerous tools have been adopted with the aim of better understanding the expectations of stakeholders, including:

- » analysis of some sustainability reports of our main customers
- » examination of the policies adopted by our main customers and suppliers relevant to safety and the health of workers, environment, ethics, information security
- » monitoring the specific websites of the leather supply chain (La Conceria, Leather Naturally, One4Leather, National Union of the Tanning Industry, Euroleather, Certification Institute for the leather area, Italian Leather Chemists Association, Experimental Leather Industry Station, etc.)
- » monitoring the websites of organizations focused on sustainability issues
- » outcome of audits conducted by customers, certification bodies and suppliers
- » monitoring specialized press
- » analysis of international/sectorial/professional codes of conduct
- » analysis of customer satisfaction
- » periodic meetings with the company owners
- » meetings with workers or their representatives (either with unions or for dealing with safety and health issues)
- » meetings with students or the local community during their visits at the company
- » meetings/workshops with customers and suppliers
- » complaints / non-compliance
- » participation in technical working groups
- » joint training activities
- » participation in associations and local organizations that are representative of the tanning sector



In 2021, in particular, Gruppo Mastrotto conducted a survey among a large sample of customers, asking them to indicate:



the main issues on which Gruppo Mastrotto should focus their attention in the next 3 years



the "Sustainability" areas in which they will invest in the next 3 years

The main results are reported in the paragraph 4.3

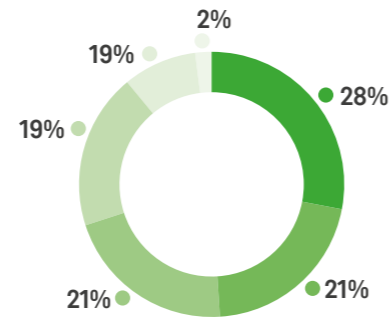
4.3

OUR CUSTOMERS' VOICE

The questionnaire was sent to about 200 customers and got a response rate of around 30%. The following is the composition of the sample by product segment, company size and company function.

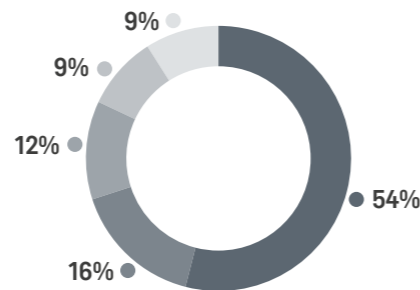
Market sector

- furniture
- brand
- leatherwear
- footwear
- automotive
- other



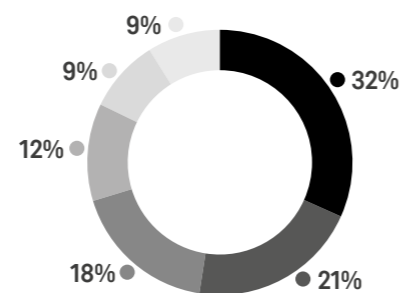
Company size

- more than 500 employees
- less than 50 employees
- between 250 and 500 employees
- between 100 and 250 employees
- between 50 and 100 employees



Corporate functions

- safety, quality and environment
- purchase
- general management
- R&D
- production
- other



The results obtained were grouped into 5 families within which we identified the most interesting topics for customers by order of priority.



Supply network

- Traceability of the raw material
- Environmental and social assessment of suppliers
- Animal welfare



Circular economy

- Reduction/recovery of by-products and waste
- Responsible consumption of water
- Reduction in consumption of chemical products



Climate change

- Measurement/Reduction of greenhouse gas emissions
- Energy efficiency



Workers

- Safety and health of workers
- Professional training



Business strategy

- Strategic approach to sustainability
- Solid and transparent governance
- Product and process innovation

4.4

MATERIALITY ANALYSIS

The materiality analysis is the process that enables the identification and evaluation of the priority sustainability issues for both the organization and its stakeholders. After organizing the priority issues for Gruppo Mastrotto's stakeholders, company management has also expressed their assessment about the importance of those issues for the group's future development.

Comparing the two assessments, the materiality matrix of Gruppo Mastrotto emerged, shown in the graph below; this matrix is the basis of the Sustainability Plan developed for the three-year period 2022-2024. The experience of the previous financial statements and, above all, the launch of an increasingly structured method of listening to stakeholders has made it possible to give greater substance to the issues that interest both Gruppo Mastrotto's stakeholders and company management.

Environmental issues



The analysis highlighted the importance of environmental issues, with particular reference to climate change, the responsible use of water and the evaluation of suppliers also from an environmental and social point of view. The importance assigned to the traceability of the raw materials was also included in the analysis.

The workers

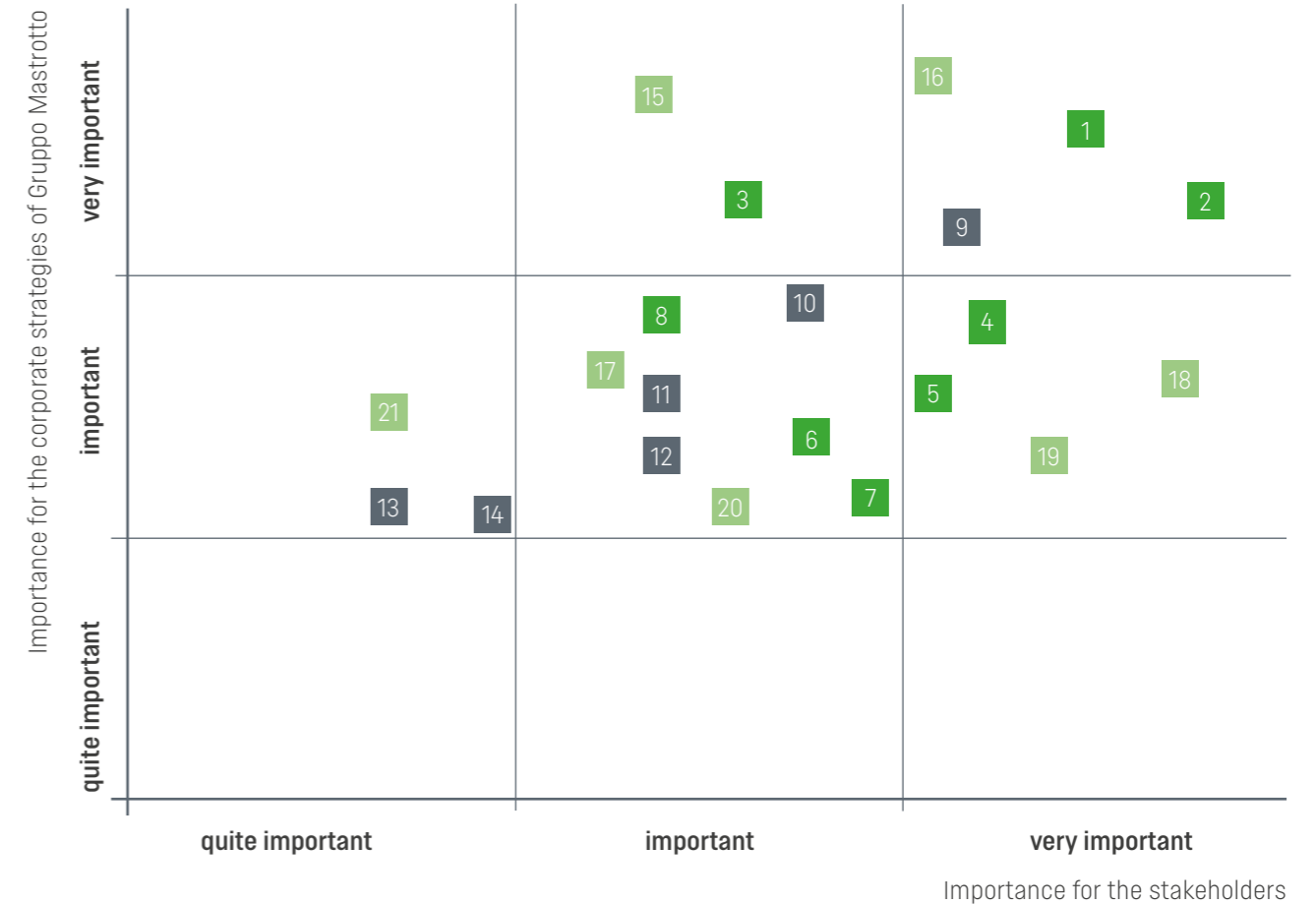


The issues related to the safety and health of workers, their professional growth and support for families were also considered. The difficult current situation and the uncertainty of the near future favor the vision of the company as an institution capable of making a contribution to "welfare".

The strategy



From a strategic point of view, the relevance of a strategic approach to sustainability and effective corporate governance emerges as the guarantee of a long-term and non-contingent vision on these issues. The importance assigned to product and process research and development as tools for the acquisition of a lasting competitive advantage is consistent with this approach.








Environmental sustainability	Social sustainability	Economic sustainability
1 climate change	9 worker safety	15 R & D/innovation
2 water	10 worker training	16 hides traceability
3 waste	11 family support	17 qualitative consistency
4 environmental and social assessment of suppliers	12 support to the local community	18 strategic approach to sustainability
5 product ecolabel	13 dialogue with the local community	19 economic/financial performance
6 chemicals	14 Work/private life balance	20 corporate governance
7 energy efficiency		21 data security/privacy
8 animal welfare		






4.5

THE 2022-2024 SUSTAINABILITY PLAN

The will and awareness of an articulated approach to issues relating to sustainability has favored the drafting and approval of a Sustainability Plan developed over a multi-year period in order to properly organize the planned activities. The Plan is periodically reviewed, at least every six months, in order to evaluate its evolution and identify any corrective actions.

The main contents of the plan are shown on the following pages.

Sustainable development target	Project description	2022		2023		2024	
		1st half-year	2nd half-year	1st half-year	2nd half-year	1st half-year	2nd half-year
 8 DECENT WORK AND ECONOMIC GROWTH	Design, implementation and certification of a management system for the safety and health of workers in compliance with the ISO 45001 standard.	[Green bar spanning 2022 and 2023]					
 13 CLIMATE ACTION	Quantification of the organization's greenhouse gas emissions and identification of a target for the reduction of emissions consistent with the 2015 Paris agreements.	[Green bar spanning 2022 and 2023]					
 13 CLIMATE ACTION	Design, implementation and certification of a product climate footprint management and communication system (Process EDP/ ISO Systematic Approach)	[Green bar spanning 2022 and 2023]					
 7 AFFORDABLE AND CLEAN ENERGY	Design, implementation and certification of an energy management system compliant with ISO 50001	[Green bar spanning 2023 and 2024]					
 13 CLIMATE ACTION							

Sustainable development target	Project description	2022		2023		2024	
		1st half-year	2nd half-year	1st half-year	2nd half-year	1st half-year	2nd half-year
 17 PARTNERSHIPS FOR THE GOALS	Creation of a specific protocol for the selection and evaluation of leather suppliers according to "ESG/ traceability/animal welfare" criteria.	[Green bar spanning 2022 and 2023]					
 17 PARTNERSHIPS FOR THE GOALS	Development of a periodic monitoring and rating system of the environmental and social performance of leather suppliers, with particular attention to animal welfare and traceability.	[Green bar spanning 2023 and 2024]					
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Research and Development of new tanning technologies through the use of waste from agricultural and/or agro-industrial chains.	[Green bar spanning 2022 and 2024]					
 4 QUALITY EDUCATION	People-based innovation: training courses to introduce the 5S methodologies of continuous improvement and lean management.	[Green bar spanning 2022 and 2024]					
 17 PARTNERSHIPS FOR THE GOALS	Accession to the United Nations Global Compact.	[Green bar spanning 2022 and 2023]					

5 HUMAN RESOURCES

WHO WE ARE

WORKERS' HEALTH AND SAFETY

TRAINING AND VALORIZATION OF PEOPLE

RENOVATED CORPORATE WELFARE

WE DOUBLE THE PRODUCTION BONUS

THE "SOCIAL INCLUSION" PROJECT
CONTINUES AND STRENGTHENS





People are the heart and engine of the company. It is essential to preserve their integrity, to promote their personal and professional development in a serene and stimulating environment, and to help them in their daily family life.



5.1

WHO WE ARE

At the end of 2021, **952** people worked for the Gruppo Mastrotto, a slight decrease compared to 2020 when there were 963.

Number of workers by gender and type of contract (absolute values)

Description	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Permanent workers	699	297	996	661	293	954	637	291	928
permanent part-time workers	5	56	61	6	56	62	5	57	62
Temporary workers	10	3	13	7	0	7	15	2	17
temporary part-time workers	2	1	3	0	0	0	1	0	1
Workers employed with other types of contracts (i.e. apprenticeship)	0	3	3	2	0	2	5	2	7
Total of workers of Gruppo Mastrotto Spa	709	303	1,012	670	293	963	657	295	952
	70%	30%	100%	70%	30%	100%	69%	31%	100%
Workers employed with outsourcing contracts (Full Time equivalent calculation)	131	19	150	83	8	91	80	11	91
	87%	13%	100%	91%	9%	100%	88%	12%	100%
Total of workers of Gruppo Mastrotto Spa	840	322	1,162	753	301	1,054	737	306	1,043
	72%	28%	100%	71%	29%	100%	71%	29%	100%

Permanent workers represent over 97% of the workforce and that proves the company attention to security and stability of workers. There are also 91 collaborators employed with outsourcing contracts, similar to the 2020 figure and down to 131 compared to 2019. This reduction compared to 2019 is mainly caused by a decrease in placed orders due to the economic contraction caused by the Covid19 pandemic.

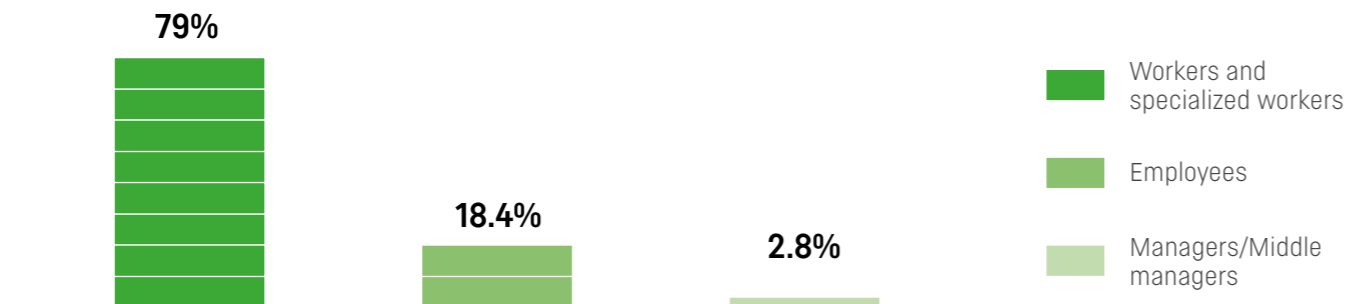
Workers with a voluntary part-time contract are 62, of which 57 are women. They represent 6.5% of the staff, indicating the desire to promote an effective reconciliation between work and family. 69% of the workers are male, 31% female: this percentage has essentially remained constant over the years.



Workers represent 79% of the total employees, confirming the typically manufacturing nature of the tanning industry. Followed by office workers (18.4%) and middle managers/executives (2.8%). 70% of middle managers and executives reside in the Province of Vicenza.

Number of workers by gender and category (absolute values)

Description	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	6	2	8	5	3	8	5	3	8
Middle managers	12	5	17	13	5	18	14	5	19
Employees	87	96	183	81	93	174	82	93	175
Workers and specialized workers	604	200	804	571	192	763	556	194	750
Total	709	303	1,012	670	293	963	657	295	952



The National Collective Labor Agreement for employees of tanning companies applies to all workers, valid from 1st November 2019 to 30th June 2023.

The average age of workers is just under 46, a figure which has remained constant over the past few years. There are no major differences between men and women. There are 88 workers under 30 (9% of the workforce, an increase compared to 2020), 464 are between 30 and 50 (48.7% of the total) and the remaining 42% are over 50 years old. In relative terms, women are mainly present in the 30-50 age group, men in the over 50 age group.

The average length of service is 13.5 years, a figure that seems to indicate a strong sense of belonging by the workers to the company and reveal the image of a serene and constructive working environment.



average age of workers



average length of service

Number of workers by gender and age (percentage values)

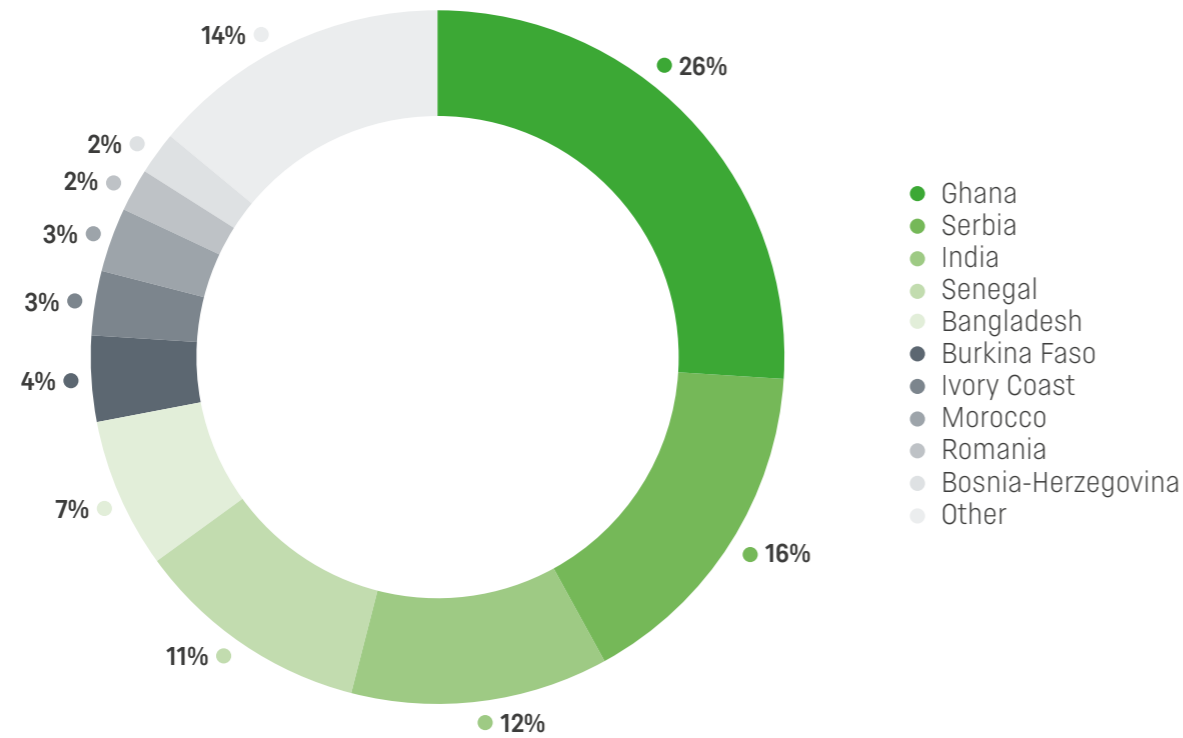
Age	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	6.1%	2.3%	8.4%	5.8%	2.3%	8.1%	6.7%	2.5%	9.2%
30-50 years old	32.0%	16.5%	48.5%	32.7%	1.1%	49.8%	31.9%	16.8%	48.7%
>50 years old	31.9%	11.2%	43.1%	31.0%	11.0%	42.1%	30.4%	11.7%	42.0%
Total	70.1%	29.9%	100.0%	69.6%	30.4%	100.0%	69.0%	31.0%	100.0%

Italian workers make up more than 2/3 of the total; 32% come from extra-communitarian countries. The data are similar in the previous year.

By combining the figures relevant to gender and origin, we can see that 80% of women are Italian while Italians make up 61% of the men. Workers from extra-communitarian countries make up 40%.

Number of workers by gender and origin (absolute values)

Origin	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	442	242	684	410	235	645	396	234	630
EU	6	8	14	6	8	14	6	11	17
Extra EU	261	53	314	254	50	304	255	50	305
Total	709	303	1,012	670	293	963	657	295	952



Of the more than 950 Gruppo Mastrotto employees, 322 are of foreign origin and come from 34 countries. The largest communities of foreign-born workers are represented by people who come from Ghana (26%), Serbia (16%), India (12%), Senegal (11) and Bangladesh (7%).

These workers are mainly employed in the production department.

During 2022, the presence of various and different cultures and the awareness that food can represent a moment of union has stimulated the idea of developing rotating menus offering typical dishes of the various communities in Gruppo Mastrotto.

Distribution of workers who resigned or were dismissed divided by gender and age (absolute values)

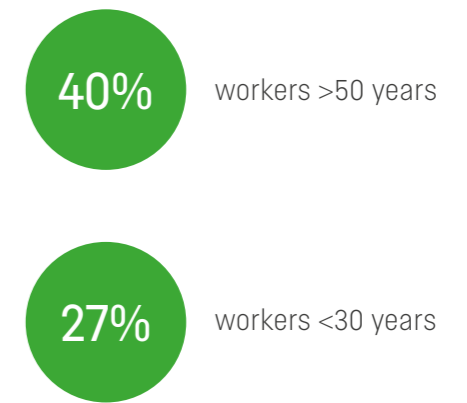
Age	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	12	2	14	10	2	12	20	2	22
30-50 years old	22	5	27	21	4	25	27	2	29
>50 years old	27	9	36	26	8	34	27	4	31
Total	61	16	77	57	14	71	74	8	82

82 people left the Gruppo Mastrotto in 2021; 11 more than in 2020. They represent 8.6% of the workforce.

An analysis by age group indicates that people:

- over 50 years of age represent 40% of those who left the company (48% left the company in 2020)
- under 30 years, they represent 27% of those who left the company (they made up 17% in 2020)

The main reasons for quitting refer to voluntary resignations (39 cases) and retirement due to age limits (16 cases).



In 2021, 70 workers were hired, 39 of which were under 30. Workers belonging to the 30-50 age group follow with 25 new hires.



Distribution of workers hired by the company, divided by gender and age (absolute values)

Age	on 31.12.2019			on 31.12.2020			on 31.12.2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	19	6	25	4	1	5	34	5	39
30-50 years old	54	9	63	12	2	14	21	4	25
>50 years old	7	4	11	2	1	3	5	0	6
Total	80	19	99	18	4	22	61	9	70

Looking at the management positions, at the end of 2021, there were 27 middle managers and executives, equal to over 2.8% of the workforce.

The average age of the middle managers is 52 years; the average age of executives is about 56 years. 70% of these figures are over 50 years old; the remainder fall into the previous range. The percentage of managers residing in the Province of Vicenza is similar. Men make up almost 70% of the managerial staff, while women make up 30%.

A deeper analysis of the figure shows that the 8 managers consist of 3 women between 30 and 50 and 5 men over 50.

It's an unusual situation in the Veneto region and it proves the evolutionary trend of Gruppo Mastrotto to support a policy of equal opportunities; even the Board of Directors, consisting of 6 people, shows a perfect gender equality.



5.2

WORKERS' HEALTH AND SAFETY

Gruppo Mastrotto considers the workers' safety a crucial issue of proper business management.

The company has adopted a systemic approach aimed at enhancing the leadership role of the company managers as well as at promoting the awareness of the workers to encourage their careful and responsible behaviors and ensure compliance with legislation.

In this context, the company systematically carries out risk analyses for the safety and health of workers to use resources and investments as much effectively as possible.

A large number of investments has been made in machines and equipment to get innovative, interconnected and safer machinery.

There are over 170 people who carry out specific activities in the safety field:

the employer, the workers' prevention and protection service, the fire and first aid officers, the corporate doctor, the workers' safety representatives and the personnel in charge of safety.

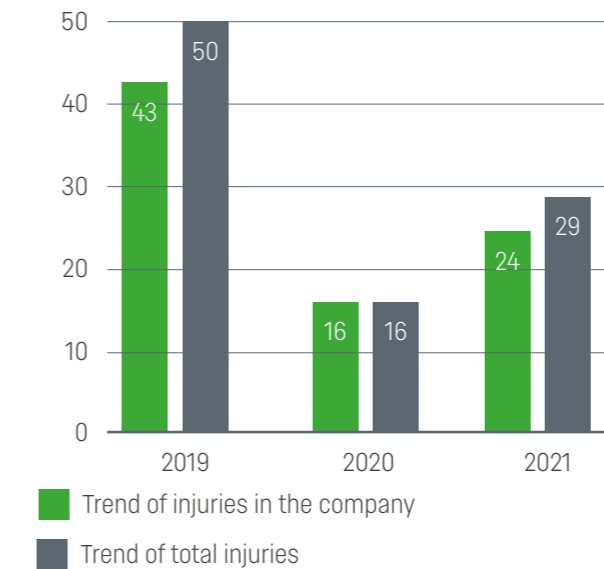
Injury statistics

The injury statistics summarize all the accidents reported in the company register, according to the regulations in force, including the accidents involving less than 3 days of absence. In 2021, there were no accidents involving external personnel.

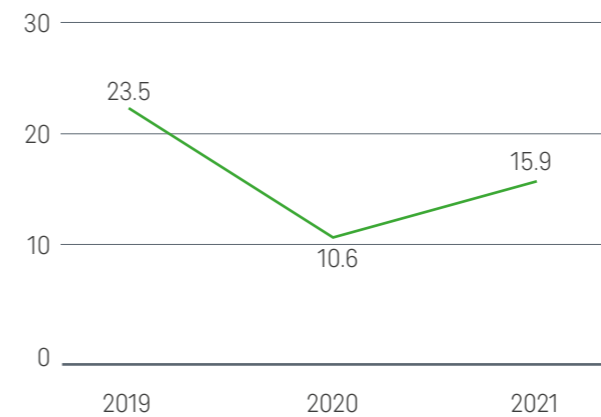
In 2021, there were 29 total injuries, of which 5 occurred during the journey home-work or work-home.

It's noted:

- an increase compared to 2020, a year characterized by the Covid pandemic and the associated reduction of work hours
- a reduction compared to the two-year period 2018 and 2019, when accidents at the company were 35 and 43 respectively.

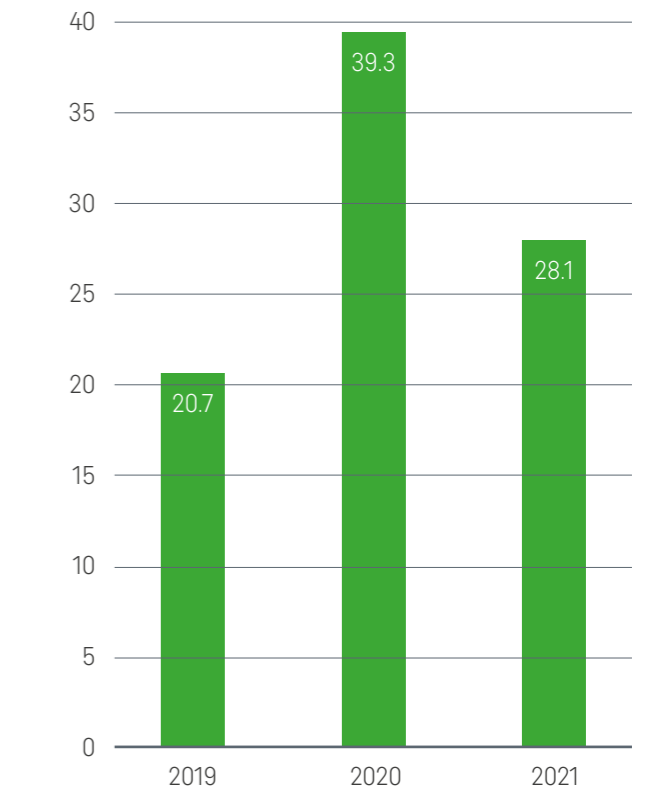


The frequency index¹ is higher than in 2020 and goes from 10.6 to 15.9, but it is much lower than the index in 2019, when it was 23.5.

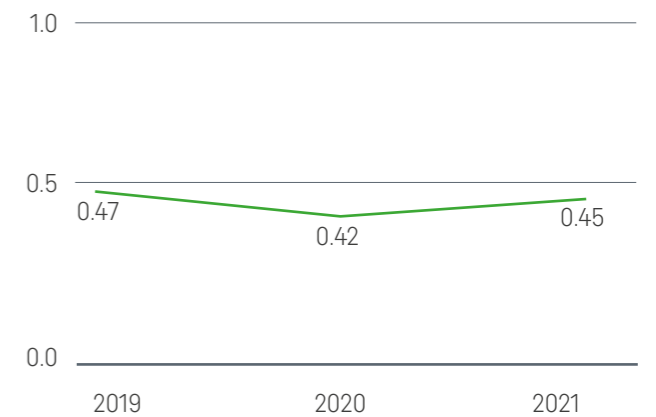


¹ The frequency index indicates the number of accidents occurring per million hours worked and is calculated using the following formula: (Number of accidents/Number of worked hours) * 1,000,000
² The severity index indicates the ratio of the number of days of absence to the number of hours worked, multiplied by 1,000, and is calculated by the following formula: (n someone's days of absence/ n person's hours worked) * 1,000

The average duration of absences is approx. 28 days, 11 days less than in 2020 but higher than in 2019.



The severity index² remains quite constant and is equal to 0.45%; a figure similar to the two previous years.



5.3

TRAINING AND VALORIZATION OF PEOPLE

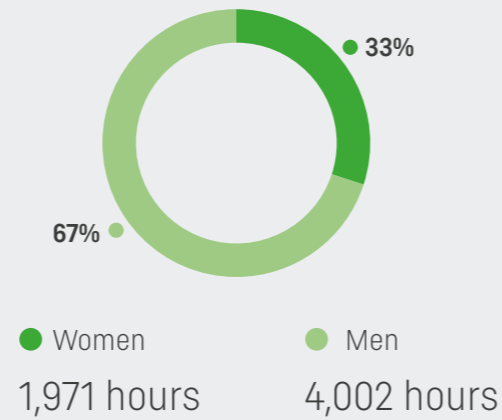
The formation and training are essential aspects for the growth of the people who work at Gruppo Mastrotto. Training needs are planned through the involvement of function managers who are supported by the human resources office, and they identify the training gaps of their collaborators as well as the issues to be treated by the training activities.

The training needs are included in the annual training plan developed by the personnel manager and approved by the company management.

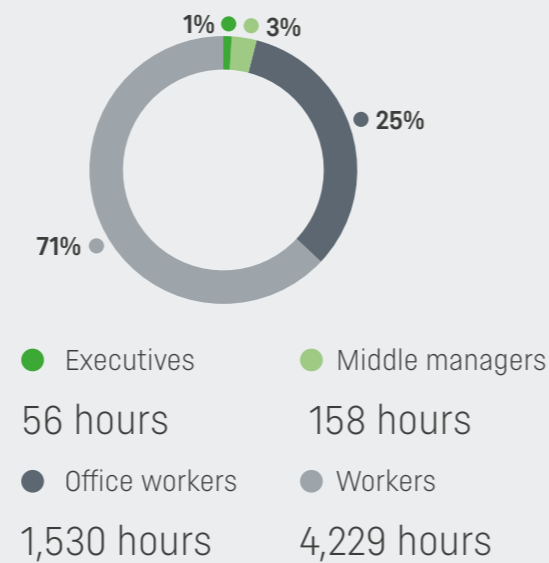


In 2021, the total number of training hours was 5,973, an increase compared to the 4,322 of the previous year.

The distribution of training by gender is in line with the percentage of male and female workers at the Gruppo Mastrotto.

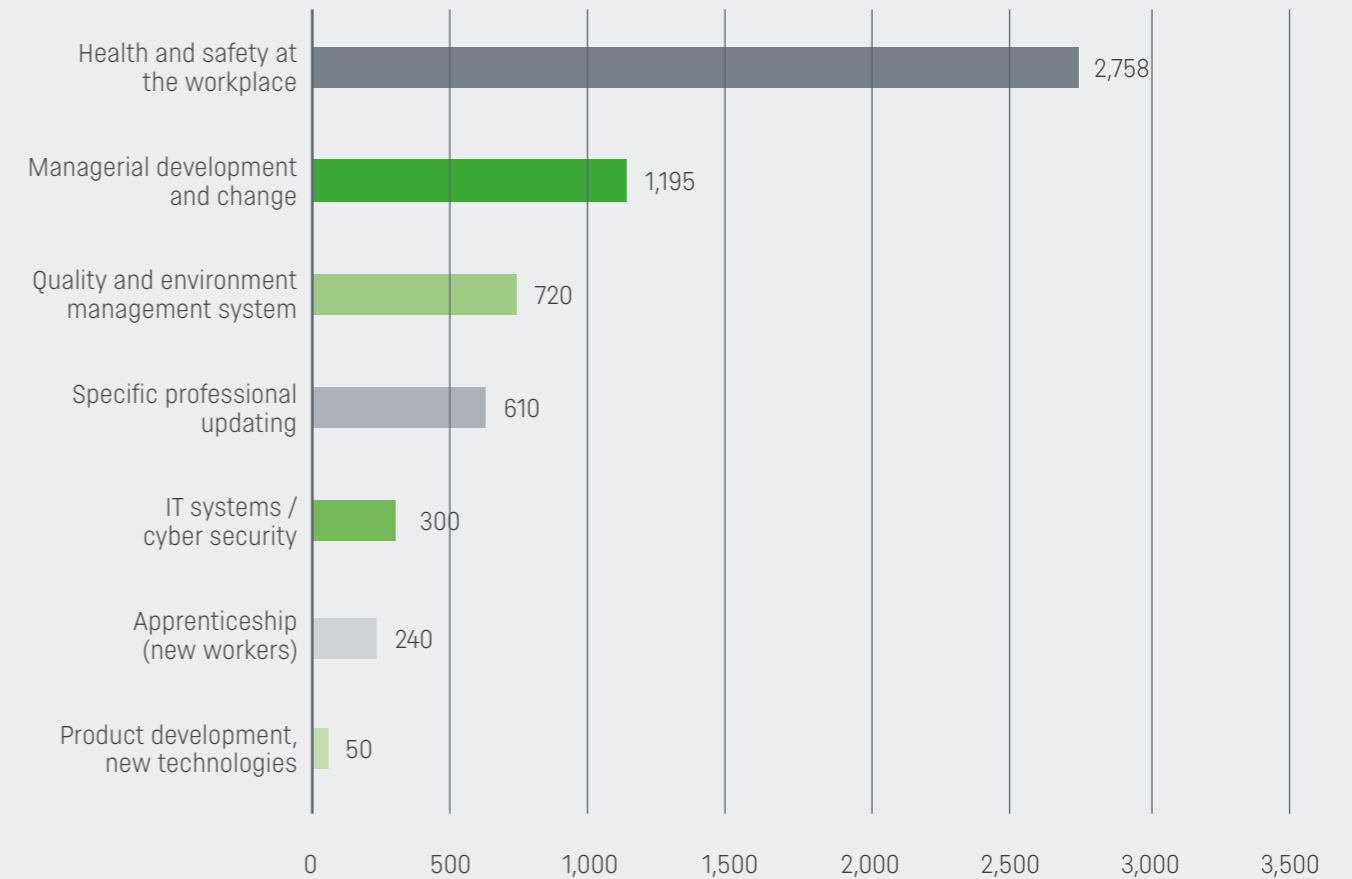


The distribution by categories shows that 71% of training was meant for workers, 25% for office workers and the remaining part for middle managers and executives.



In 2021, training was mainly focused on workers' health and safety as well as quality issues and specific updating.

Distribution of training hours per thematic area (2021)



In particular, training on the safety and health of workers has concerned first aid and fire prevention, the use of defibrillators, job risk, use of industrial trucks and mobile cranes, the role of safety officers and managers, and formation relevant to safety issues.

As concerns the managerial development, the focus was on the methods of evaluating and developing collaborators, while the specific updating concerned issues relating to human resources. Quality and the environment focused on methods of analyzing the causes of non-compliance, metrology, waste management, environmental crimes and organizational model pursuant to Legislative Decree 231/01.

Finally, as regards the hours of training per person, the figure in 2021 is approximately 6.3 h/person, up compared to 2020 when it was 4.5 h/person. The lifting of restrictions associated with the Covid19 pandemic has made it easier to organize training courses, both face-to-face and remotely.

5.4

RENOVATED CORPORATE WELFARE

At the beginning of 2022, the new Gruppo Mastrotto Welfare platform was activated; this allows access to goods and services at particularly advantageous conditions. The vouchers can be used at over 150 Italian brands and include food products, fuel, clothing and household appliances, electronics products, food & delivery services, gym memberships and enrollment in courses. Reimbursements are also available for expenses already incurred for education, public transport, school books, campus and educational holidays, babysitting and family care.

To help use the new platform, the following have been developed:



A VIDEO TUTORIAL



A LIVE CHAT



A FAQ SYSTEM

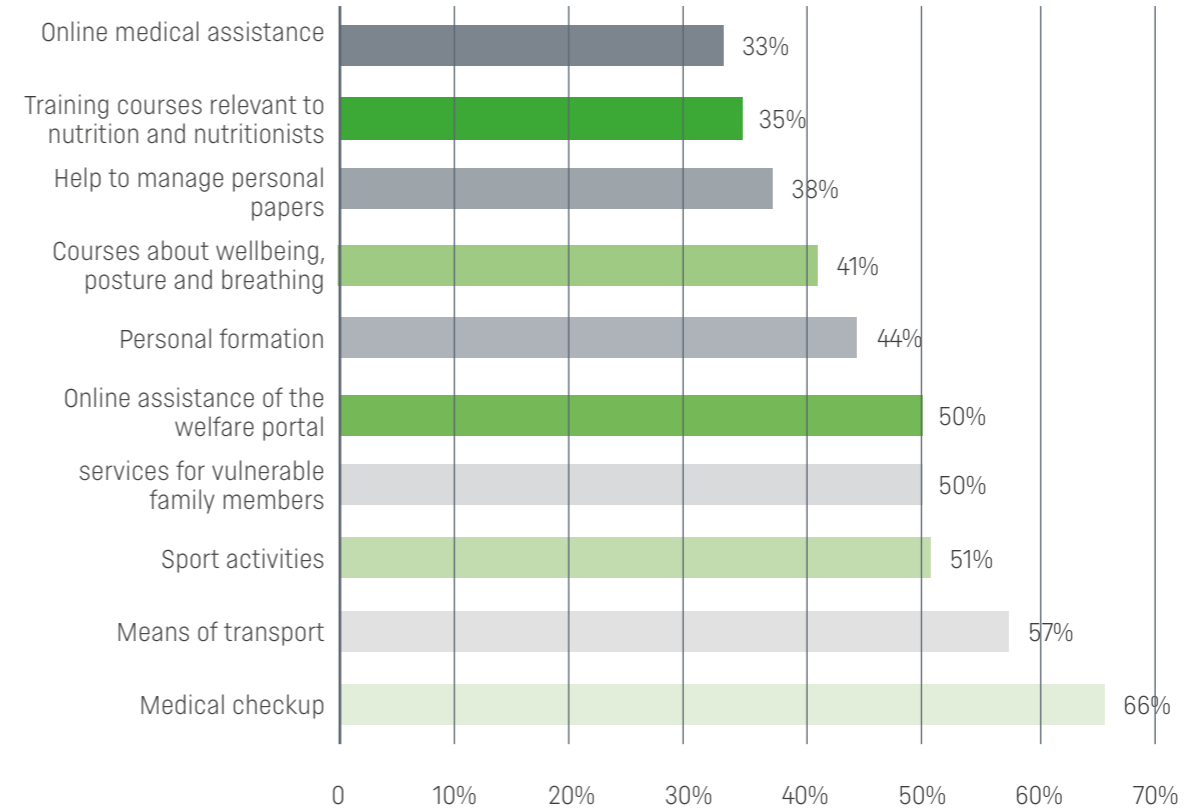
An original aspect of this process is the involvement of the staff who, through a questionnaire, expressed their needs in detail, thus helping to model the service on the basis of the specific needs of those who work at Gruppo Mastrotto.



634 people, i.e. **70%** of the company staff, completed the questionnaire "Let's build welfare around you"

The following table shows the list of the most relevant services capable of increasing people's satisfaction.

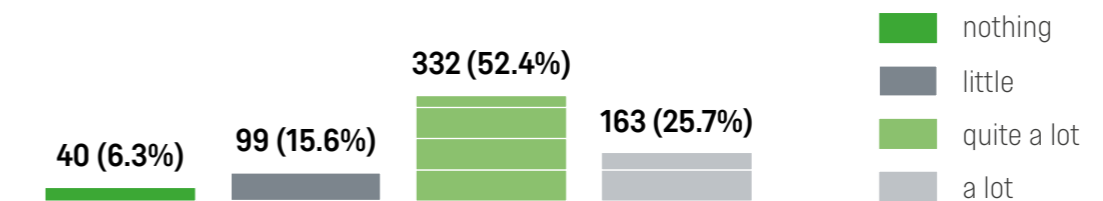
Which services do you think would improve your satisfaction compared to the current welfare system?



The results of the questionnaire also lay the foundations for activating additional services for the people who work in the company.

It is important to highlight the role that fuel costs play within the household budget, also as a stimulus to the design of business interventions capable of combining economic and environmental issues (reduction of carbon dioxide emissions).

From 1 to 5, how much do you think transportation costs affect the family budget?





5.5

WE DOUBLE THE PRODUCTION BONUS



The positive economic results in 2021 allowed Gruppo Mastrotto to double the production bonus for their employees, bringing it to a total value of **1.5 million euros**.

The management acknowledges the workers' contribution to achieving those results, thanks to their professionalism and dedication as well as to the resilience and commitment they demonstrated, even in the challenging context of 2021.

The bonus expresses the company's willingness to give a concrete contribution to the workers' families in the awareness of the growing difficulties linked to the high cost of life that workers have to face, from gasoline to bills, from food to transport.

5.6

THE "SOCIAL INCLUSION" PROJECT CONTINUES AND STRENGTHENS

The Gruppo Mastrotto has devised a path of social and work inclusion dedicated to disabled people of working age, with particular attention to those suffering from the Down syndrome.

The company created a production department, called Gruppo Mastrotto Express, for the assembly of the color charts of leather samples and hired four new permanent workers with disabilities, in 2021 another one was hired.

In 2021, a new colleague was added to confirm the structural validity of the path started, maintaining the goal of achieving a level of productivity that makes the department sustainable over time. The project allows disabled people to fulfill themselves both personally and professionally.

Gruppo Mastrotto was supported by the social cooperative Rinascere based in Montecchio Maggiore and by Studio Progetto based in Valdarno which were responsible for the selection and training of candidates.

The project involved several phases.

- » First, an analysis of the needs of disabled people was carried out; then the selection phase took place in collaboration with public services, such as the Labor Integration Service (SIL) and the Employment Agencies based in Arzignano.
- » Finally, there was the preparation phase in which the selected people acquired the required skills through a job placement internship conducted at the Rinascere cooperative. A simulated department was created in the cooperative's premises in which the operators trained the trainees to assemble leather samples in order to improve their working skills and to keep proper behaviors in the work context.
- » In the last stage of the project, the trainees were included in the actual assembly department at the company. At the same time, Gruppo Mastrotto launched an awareness-raising activity among their employees by promoting training sessions and presenting the initiative in order to facilitate the relationship between employees and newcomers.

The "Inclusion" project received several awards, such as the Agenda 2030 award organized by SHR Italia.



Inclusion promoted the values of hospitality and equality.



6 ENVIRONMENT

CONFIRMATION OF THE LWG GOLD MEDAL
AND 85% OF TRACEABILITY

THE MANAGEMENT OF RESOURCES: RAW
HIDES AND PACKAGING

WATER: A RESPONSIBLE COLLECTIVE
MANAGEMENT

ENERGY

THE GREEN FACTORY IN TUSCANY

GREENHOUSE GAS EMISSIONS

OTHER EMISSIONS INTO THE
ATMOSPHERE

ZERO-EMISSION ELECTRICITY

BY-PRODUCTS AND WASTE

THE TANNING PROCESS

1 From raw leather to tanned leather

The first stages of the tanning process require significant quantities of water which is subsequently purified at a consortium plant serving the entire tanning district. The provided treatments reduce pollutants, such as COD, suspended solids, chlorides, sulphates, organic nitrogen and chromium III, and bring them to values that are not dangerous for the environment. The treatments lead to the production of sludge, which is currently disposed of in landfills. This phase gives rise to by-products, such as leather trimmings, that are sent for recovery and become the components of fertilizers and bio-stimulating agents, thanks to the protein they contain.

2 From tanned leather to crust leather

The wastewater from the dyeing operations is sent to the purification plant, where water is adequately treated. The mechanical drying operations require poor quantities of electrical and thermal energy.

3 From crust leather to finished leather

The intermediate and final finishing operations cause powders and volatile organic substances (VOCs) that are conveyed to filters, blast chillers and post-combustion systems compliant with the limits set by the law.

6 ENVIROMENT



The tanning process requires water, energy and chemicals and creates water discharges, waste and emissions into the atmosphere.

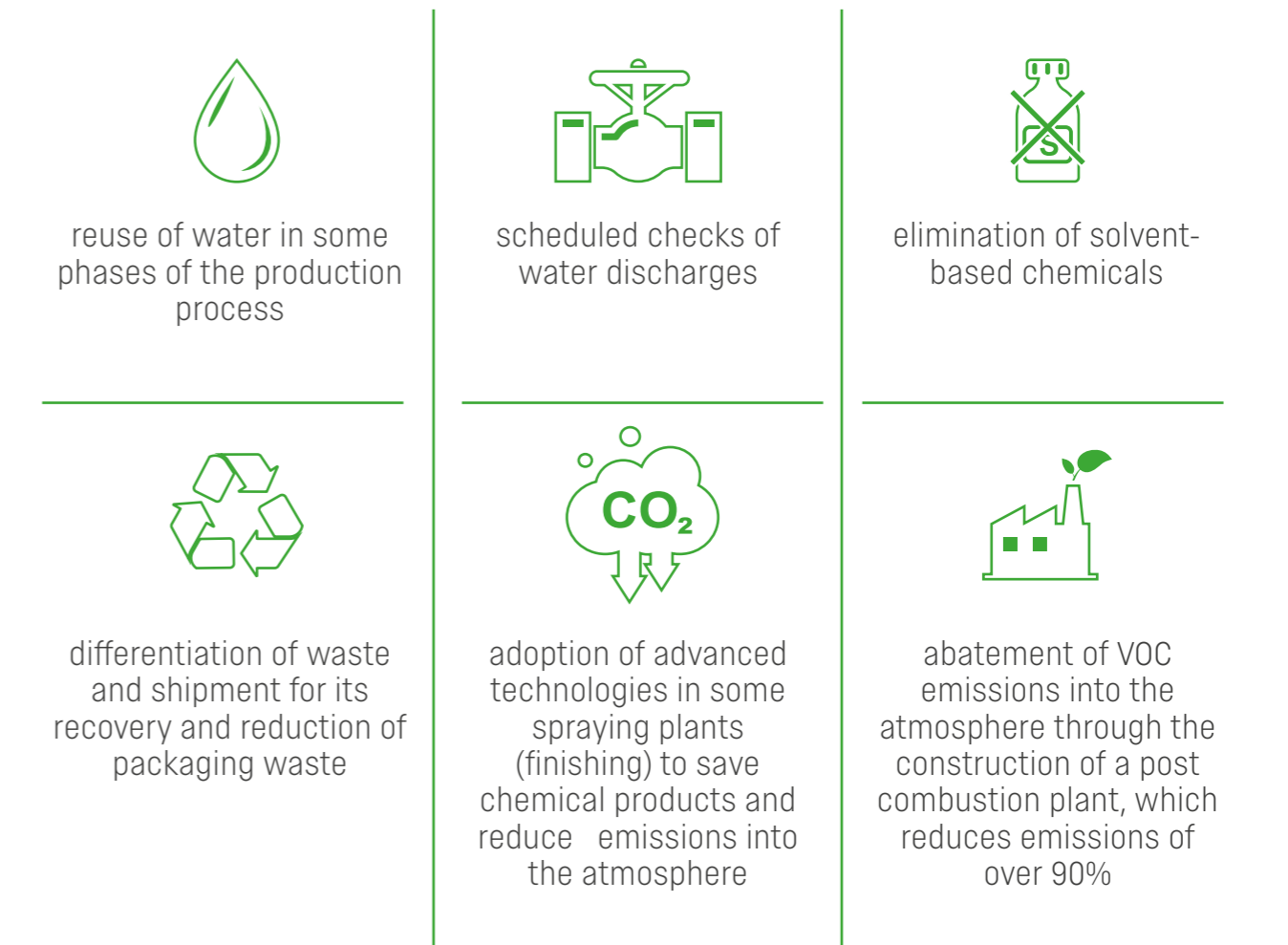
The environmental aspects relating to the tanning activity are governed by a complex legislation, which is implemented by specific environmental authorizations issued by the Public Administration.

The authorizations include several environmental requirements that the company must meet to carry out its business.

During the reporting period, there are no sanctions associated with violations of the environmental regulations.

The complexity of the rules and, above all, the desire to guarantee an effective and organized management of the environmental issues have led Gruppo Mastrotto to adopt the Environmental Management System that establishes the company policy, appoints specific supervisors both in a company and in each plant and provides an environmental improvement program and adequate monitoring indicators.

In addition to its EMS, Gruppo Mastrotto implements an even stricter environmental monitoring plan for the 3 plants that have obtained the Integrated Environmental Authorization located in Via Quarta Strada, 7 and Via della Concia, 156 in Arzignano and in Santa Croce sull'Arno and have adopted the best technologies available in the sector:



6.1

CONFIRMATION OF THE LWG GOLD MEDAL AND 85% OF TRACEABILITY



Ensure high environmental standards and, at the same time, a constant incentive to reduce the use of resources and environmental impact.



This is how Gruppo Mastrotto interprets the certification of compliance with the "LWG" Environmental Protocol, promoted by the Leather Working Group (LWG), a multi-stakeholder organization whose institutional purpose is to develop, maintain and improve a protocol that evaluates compliance and corporate practices regarding environmental sustainability, promoting improvements in the leather supply chain.

In 2022, Gruppo Mastrotto passed the two-year audit required by the protocol, confirming the gold medal and adding a score of 85% for the traceability of incoming hides.

A significant result that moves in a perspective of transparency towards the group's stakeholders and the suppliers' involvement to ensure a growing traceability of the raw material.

Over the years, the LWG protocol has stimulated technical-organizational interventions aimed at:

- » reducing water and energy consumption
- » increasing recovery and recycling activities
- » improving the management of chemicals
- » keeping the premises tidy and clean.

The protocol is appreciated by brands and multinational companies that have identified it as one of the main criteria for choosing suppliers.

6.2

THE MANAGEMENT OF RESOURCES: RAW HIDES AND PACKAGING

As concerns raw materials, Gruppo Mastrotto relies on producers who meet precise standards of quality and reliability.

The main materials are raw hides and semi-finished leather, water (the data will be given in the "Water: a responsible collective management" paragraph), chemicals used in the liming and tanning phases (i.e. acid and alkaline solutions, tanning agents, enzymes, tannins, dyes, etc.) and final finishing (mainly resins, pigments, waxes and oils). The following table gives the details of the weight of materials in the reporting period strictly related to the production trend.

Used materials - tons/year

Material description	2019	2020	2021
Raw hides and semi-finished leather	65,614,681	57,888,019	63,934,981
Chemical products	22,207,071	18,973,628	23,158,531
Total	87,821,752	76,861,647	87,093,512

The packaging used is mainly secondary and tertiary, mainly intended for the packaging of finished leathers once they are ready for shipment.

The policies aimed at reducing the environmental impact from packaging (resulting from the use of non-renewable resources) have been discussed in recent years; they consist either in the purchase of packaging with a less impact (for example, materials with different percentages of recycled fibers and fibers from renewable sources) or in the use of materials that can be recovered and recycled at the end of their life.

Currently, wood and plastic of which the pallets are made are declared, by their suppliers, to be made with 100% fibers and recycled material, while the average content of recycled content in cardboard is approximately 20%.

» All the materials with which the packaging is made are recyclable.

Purchased packaging

Purchased packaging	2019	2020	2021
Nylon - kg	177,274	128,120	175,957
Plastic pallets - n. pieces	2,670	1,893	2,029
Cardboard - n. pieces	639,030	514,722	659,124
Wooden pallets - n. pieces	44,362	28,379	30,831
Adhesive tape - n. rolls	36,036	19,980	29,090

6.3

WATER: A RESPONSIBLE COLLECTIVE MANAGEMENT

Gruppo Mastrotto draws the water necessary for production and other process from different sources.



In 2021, about 63% of the water came from the industrial aqueduct, down compared to 2019 when it was 77% of the total supply.

The remaining water is taken from the well. The change in composition is due to the start-up at the new production site in Santa Croce sull'Arno (Tuscany), whose district is not equipped with an industrial aqueduct system. The total withdrawal in 2021 was equal to 1,204 Megaliters, an increase compared to 2020, due to the resumption of production activities, and to 2019 when the plant in Tuscany was not yet fully operational.

Distribution of water withdrawal (2019-2021 Mm - Source: counters and report of water consumptions (SGA))

Type of withdrawals and source	2019	2020	2021
Withdrawal from the aqueduct	12	11	12
Withdrawal from the industrial aqueduct	830	693	741
Withdrawal from the well	252	361	451
Total of withdrawn water	1,095	1,064	1,204

Unit water consumption remains constant. In the period considered, they are always slightly higher than 0.02 m³/kg of raw or semi-finished leather put into work.

Some processes can reuse process water to optimize the use of the resource.

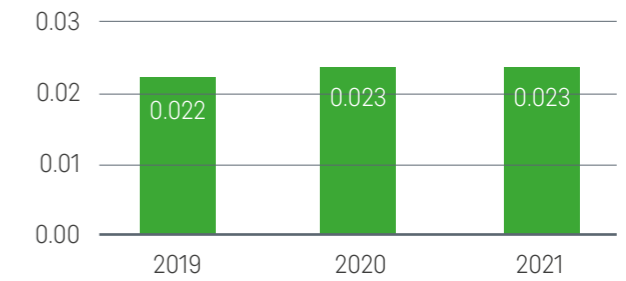
The graph on the side indicates the amount of waste water delivered to the treatment plants of Arzignano (Vicenza) and Santa Croce sull'Arno (Pisa).

The water discharges are destined for the industrial purification system of Acque del Chiampo, the public company that deals with the aqueduct, sewerage and purification services for all companies in the tanning district of Arzignano,

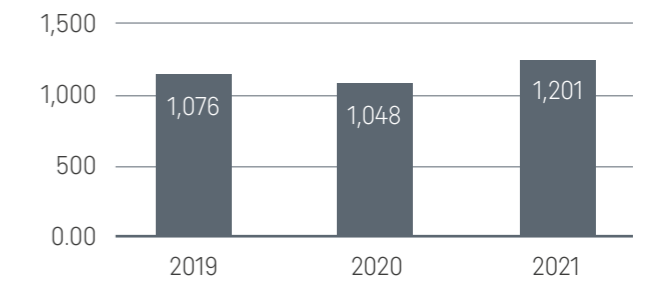
Tanning waste is treated in an industrial line which provides for a series of treatment phases such as:

- fine screening and sand trapping
- homogenization and odor treatment
- primary sedimentation
- oxidation-nitrification and denitrification treatments of activated sludge
- separation of activated sludge by the dissolved air flotation system
- clariflocculation

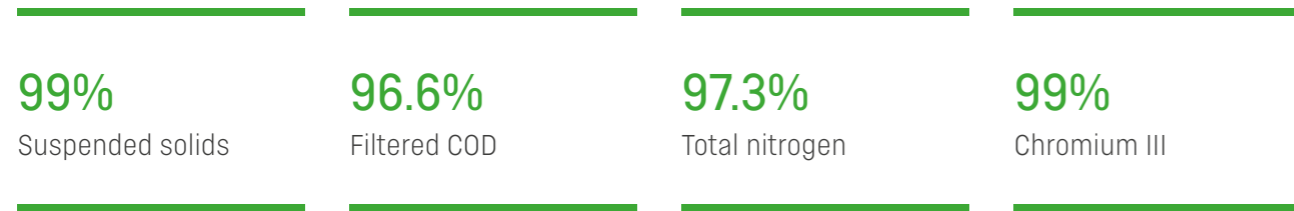
Unit consumption of water (mc/worked unit)



Waste water delivered to sewage treatment plants (megalitres)



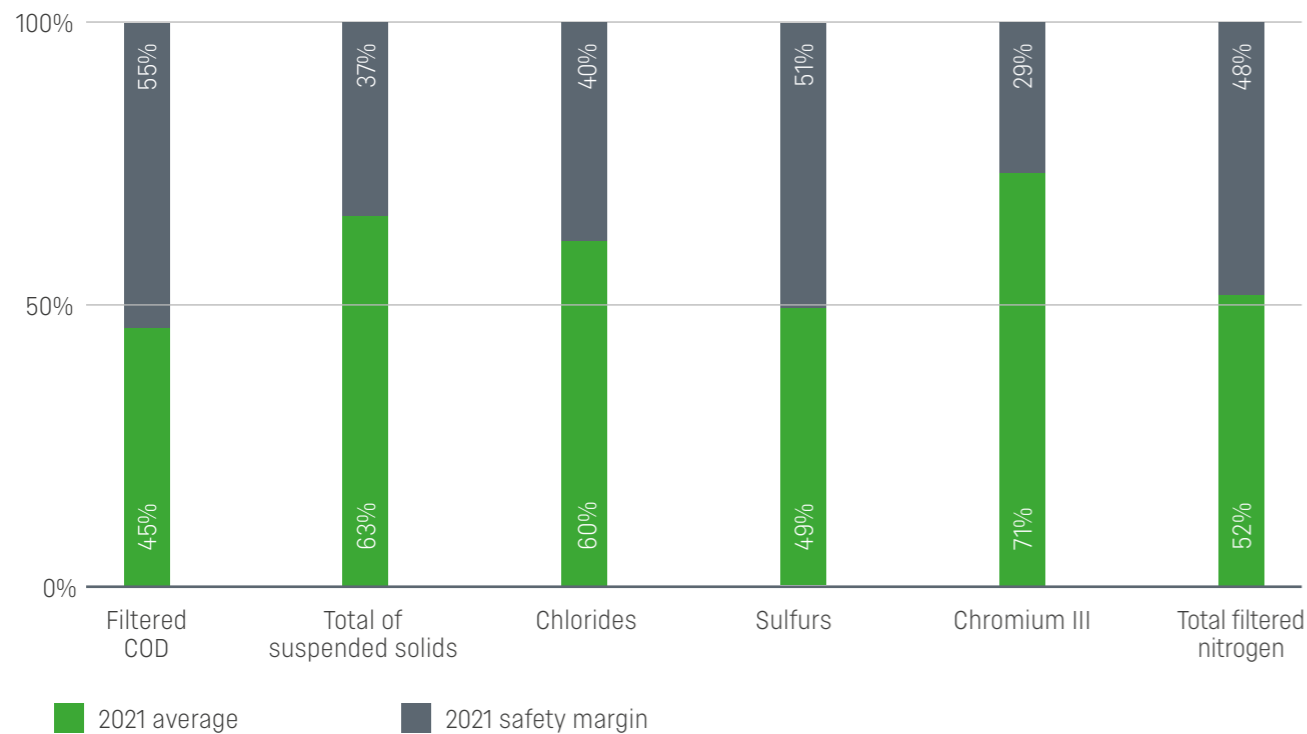
The purifier has high abatement performances:



The sludge from the purification process undergoes a series of accumulation, thickening, mechanical dehydration and thermal drying treatments before being disposed of in a controlled landfill. Purified wastewater is conveyed to a sewage collector. Water undergoes a disinfection treatment of ultraviolet light, and it is later delivered to surface water.

Acque del Chiampo sets precise qualitative and quantitative limits that the wastewater coming from the tanneries must meet; these parameters are systematically checked by the technicians and analysts of the wastewater purification plant. The careful management of the production process is shown by the following table where we can see that wastewater is constantly below the limits set by the purification plant.

Quality of wastewater – comparison with the limits authorized in 2021



To reduce water consumption, Gruppo Mastrotto has made important investments in recent years in systems for the hydraulic regulation of discharges and for monitoring environmental parameters as well as sensor system for the finishing phases.

Water consumption is given by the difference between the amount of water withdrawn from the aqueduct and the amount of water discharged into the industrial sewer.

The consumption is therefore limited to water which, due to the effects of production processes, undergoes phenomena, such as evaporation resulting from contact with heat. The table shows a reduction in consumption over the three-year period.

Distribution of water consumption (2019-2021)

	2019	2020	2021
Consumed water- m ³	18,861	16,510	3,550
Effect of consumption on total withdrawn water - %	1.7%	1.6%	0.3%



6.4

ENERGY

Electricity and methane gas are the main sources of energy for the Gruppo Mastrotto.

Electricity consumption is caused by lighting premises, powering production machines, systems and office machines as well as systems for heating, air conditioning and air treatment.

Methane gas is used for other purposes, such as the production of steam for the production process, the heating of workplaces and the production of hot water.

The trend in total energy consumption shows a recovery in overall consumption compared to 2020, thanks to the recovery of economic activity.

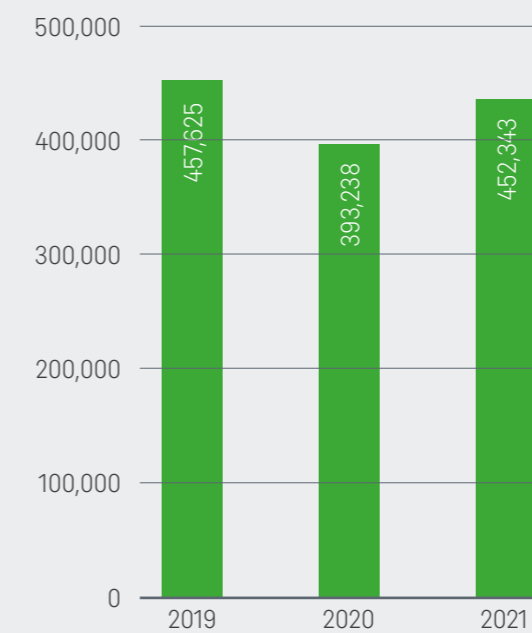
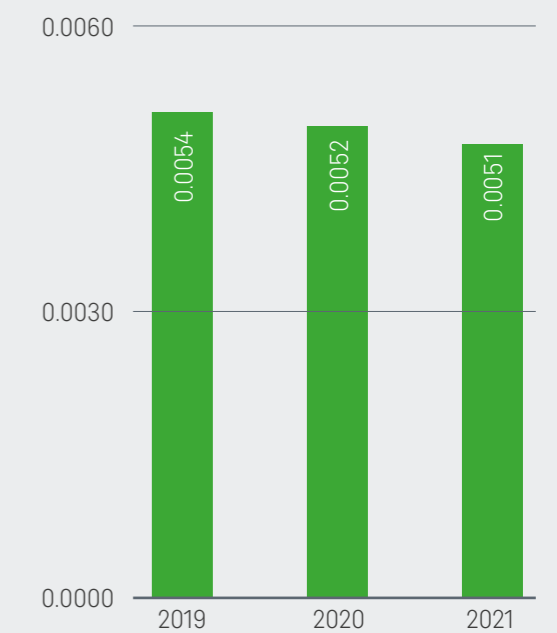
The percentage of energy produced by the cogeneration plants installed in several premises guaranteed just over 15% of the total energy requirement in 2020.

In 2021, Gruppo Mastrotto purchased 100% of electricity from certified renewable sources and they optimized the operation of the self-production system with photovoltaic panels located at the headquarters of Santa Croce sull'Arno.

Several management measures were taken for using electricity and gas more efficiently and saving and optimizing energy resources, such as the following measures:

- » **the replacement of traditional lighting devices** in factories with LED systems
- » **energetic optimization and reduction of losses** in the compressed air distribution systems
- » **a few spraying systems and the electric motors of production machines were replaced** by more performing systems, integrated with optical sensors
- » **4 cogeneration plants**, which recover thermal energy, **were built**
- » **a new plant in Santa Croce sull'Arno**, equipped with the latest generation of technological systems that minimize energy consumption, was built and a 500 kW photovoltaic system was installed

Energy consumption compared with production volumes shows a reduction in the intensity of total energy used per kg of production, going from 0.0054 GJ/kg of product in 2019 to 0.0051 GJ/kg of product in 2021³.

Consumptions of primary energy (GJ)**Energy intensity (GJ/kg of worked material)**

³ The energy intensity indicator was determined by inserting the quantity of material put into work (expressed in kg) as the denominator, instead of the quantity of finished material produced (expressed in m²), which is usually the most used. This choice expresses more realistically the volume of activity carried out by the company, to which energy consumption is linked. In a process of constant improvement of data quality and correct identification of the areas of intervention, we are carrying out an internal study to improve the representation and representativeness of data regarding energy flows in view of the next editions of the report.

6.5

THE GREEN FACTORY IN TUSCANY

An investment of about 25 million euros in the heart of the Tuscan tanning district in Santa Croce sull'Arno.

A strategic choice in which digitization, environmental sustainability, quality and productivity mutually evolve and improve.

This is Gruppo Mastrotto's Tuscan factory. A one-of-a-kind factory for the transformation of raw hides into tanned hides.

The new plant covers about 13,000 square meters and is fully automated and monitored. Automation is not limited to the production phases as it also extends all the systems serving them. For example, a single software manages the entry of water, its treatment and its storage. To minimize energy consumption, only state-of-the-art machinery using low-consumption technologies was installed such as polypropylene drums. A photovoltaic system is installed at the plant with double productivity compared to the minimum required by law. The plant is a Green Factory that self-produces 500 kw of electricity with photovoltaic modules.

In short, the Gruppo Mastrotto in S. Croce sull'Arno is as follows:

- more than 60 years of work experience combined with the latest technologies;
- attention to worker safety;
- large production capacity (28 drums);
- optimization of the production phases for using less chemicals;
- 22% of the energy required, deriving from photovoltaic panels;
- automation of hide handling;
- automatic dosing of all liquid products directly into the drum



6.6

GREENHOUSE GAS EMISSIONS

Gruppo Mastrotto calculates direct and indirect greenhouse gas emissions, starting from direct and indirect energy consumption according to the GHG Scope 1 and 2 methodology.

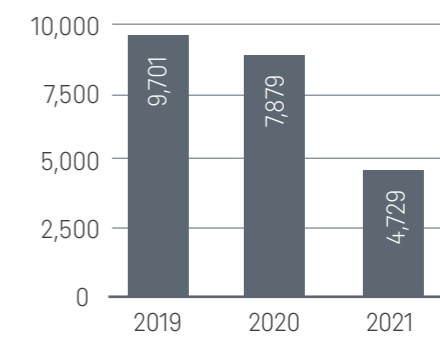
The main greenhouse gas emissions derive from direct energy consumption; direct emissions originate in the activity of energy production plants (cogeneration plants and process boilers). Indirect emissions, on the other hand, depend on the purchase of electricity.

» In 2021, total emissions amounted to 4,729 tons of CO₂eq, down by almost 40% compared to the previous year.

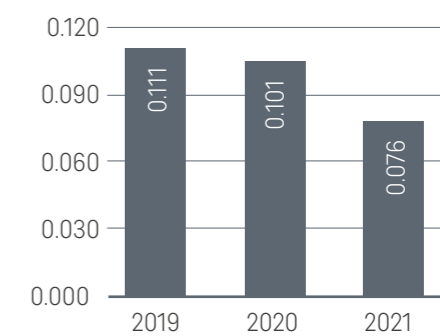
This result is attributable to the purchase of all electricity from renewable sources with a certificate of origin and from the full entry into operation of the photovoltaic system of the Santa Croce sull'Arno plant.



Annual mission of CO₂eq (data in tons)



Intensity of greenhouse gas emissions (kg CO₂eq/kg produced)



6.7

OTHER EMISSIONS INTO THE ATMOSPHERE

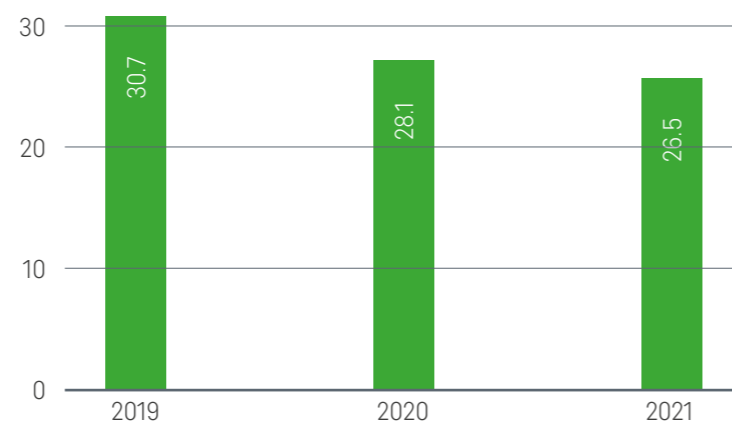
The emissions of dust, hydrogen sulfide, nitrogen oxides and solvents deriving from the production departments are constantly monitored and managed in accordance with the authorizations issued by the supervisory bodies and they always have concentrations below the limits set by the law.

To control dust emissions, air is treated by water scrubbers, bag filters and cyclone separators.

Solvent emissions (VOCs) are managed by post-combustion systems in accordance with the management plan required by law.

The emissions of hydrogen sulfide are controlled by water and soda scrubbers.

Emissions of VOC per m² of finished leather



6.8

ZERO-EMISSION ELECTRICITY



Starting from January 1, 2021, Gruppo Mastrotto purchases **100%** electricity from renewable sources.

Renewability is guaranteed by the Guarantee of Origin that is an electronic certification proving the renewable origin of the sources used by the plants from which the company is supplied.

The initiative is linked to the studies conducted to estimate the potential impact on climate change of the tanning activity and is part of a process aimed at reducing the impact by intervening both on energy flows and sources and on the company's production processes.

Through this project, Gruppo Mastrotto contributes to reducing CO₂ emissions substantially; at the same time, the reduction of emissions by Gruppo Mastrotto is equal to the action of 250,000 trees in the absorption of CO₂.

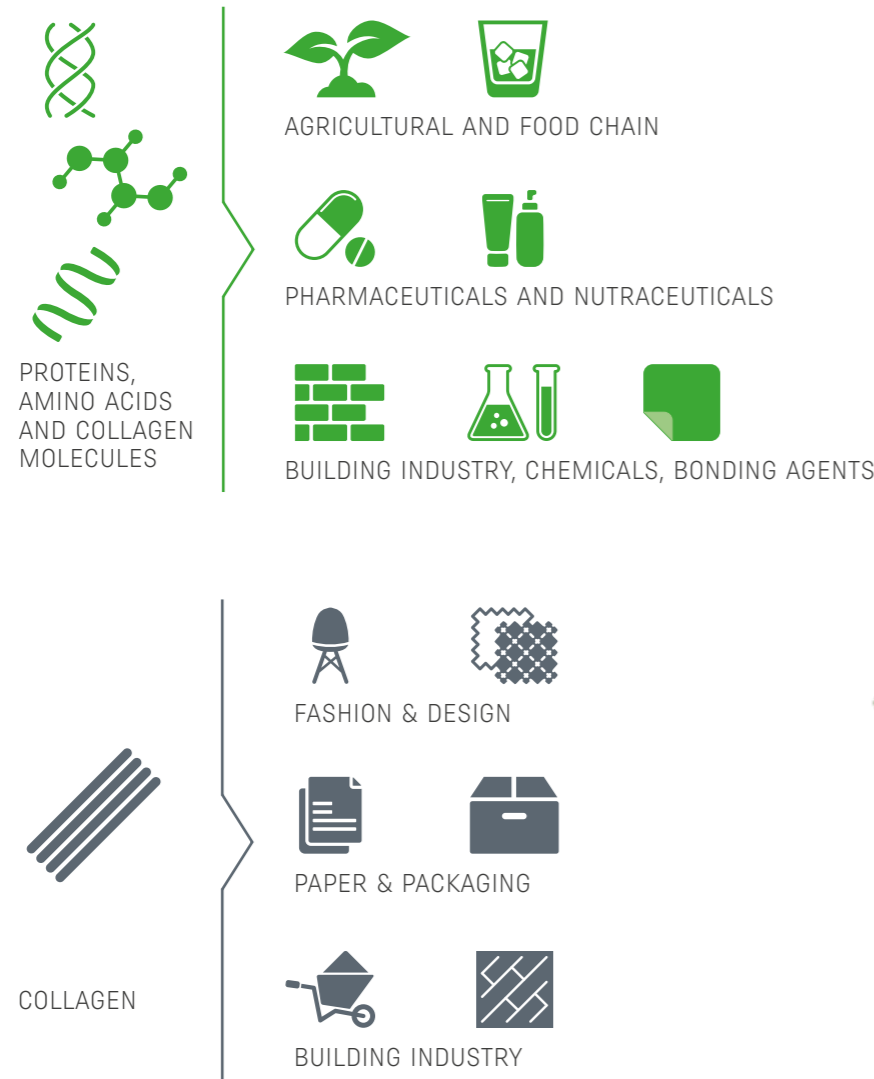


6.9

BY-PRODUCTS AND WASTE

The by-products of the tanning cycle are rich in proteins, amino acids and collagen molecules. Therefore, they can be treated and used as raw materials in other sectors, making an effective contribution to recycling.

In 2021, the by-products were almost 12,800 tons, an increase of 21% compared to 2020.



The waste from the production process consists of tanned hide shaving, polishing powders and packaging waste.

The production of waste was stable in 2021 and it was equal to 12,400 tons, slightly higher than in 2020 (+8%) and much lower than in 2019 (-23%).

» -23% of waste produced compared to 2019

Total production of animal waste and by-products (2019-2021) - tonn

	2019	2020	2021
Non-hazardous waste	15,343	10,959	11,767
Hazardous waste	684	504	650
Total waste	16,027	11,463	12,417

The quantity of hazardous waste is equal to 5% of the total, substantially in line with previous years.



The percentage of waste disposed of for recycling is over 98%; the figure shows an increase compared to the previous years.

7 CUSTOMERS, PRODUCT AND MARKET

PRODUCT SAFETY

THE CHEMICAL LABORATORY

LEATHER: A NATURAL AND BIODEGRADABLE PRODUCT TO PROTECT

GUARANTEED ENVIRONMENTAL QUALITY OF LEATHER

GRUPPO MASTROTTO EXPRESS BECOMES CARBON NEUTRAL

PRODUCTS AND INNOVATIVE PROCESSES: COMMITMENT IN RESEARCH AND DEVELOPMENT

7

CUSTOMERS,
PRODUCT AND
MARKET

Gruppo Mastrotto considers the customer as a crucial stakeholder and they commit to build up long lasting relationships.

In 2021, turnover amounted to € 273.2 million, distributed quite equally among the three Business Units into which the group is divided.



273.2
million of
euros

turnover amounted in 2021

Alongside the production of leather, Gruppo Mastrotto provides additional services, such as leather cutting and special applications, such as skiving, lamination, perforation and printing.



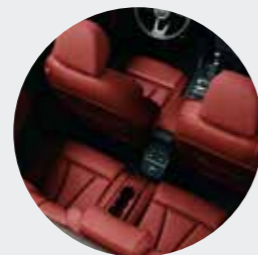
The footwear and leather goods line

The footwear and leather goods line produces cowhides and suede, pigmented and polyurethane splits. The most appreciated characteristics of these products are resistance, elegance and softness, in addition to the properties of water repellency and breathability.



The furniture line

The furniture line produces full-grain, half-grain and nubuck leathers for all applications: residential, turnkey projects, hospitality and maritime industry. The attention to the customer's needs, trends and designs makes the items suitable for different needs and applications.



The automotive line

The automotive line produces high quality leathers for car interiors in accordance with the specifications and standards of world-class manufacturers. The company's wide selection ranges from seats to steering wheels and car interiors as well as aircrafts interiors.



Gruppo Mastrotto Express

Finally, a special service: Gruppo Mastrotto Express service, the biggest logistic hub entirely dedicated to leather ready for delivery.

The Gruppo Mastrotto Express service can provide more than 1,500 colors within 48 hours from the order; the service is one-of-a-kind and allows customers to order and, in a very short time, receive the leather amounts they need in any sector, such as footwear, leather goods, and furniture as well as for the automotive, maritime and aviation industries.

Color, assortment, speed and flexibility are realized, thanks to a dedicated structure in which more than 2.5 km of shelves extend, for a total of over 600,000 m² of leathers, destined for the footwear, leather goods, furnishing sectors, automotive, nautical and aviation.



1,500 colors



delivery within 48 hours

Relationship with customers

Corporate management methods focus on loyalty and the transparency of information to the customers. The conditions relevant to company liability to customers are ruled by the Organization and Control Model (Legislative Decree 231/01).

During the reporting period, there are no sanctions or legal actions from customers as well as no disputes regarding the breach of market rules attributable to misinformation, incorrect product labels or marketing miscommunications.

7.1

PRODUCT SAFETY

To provide their customers with the maximum guarantee on the safety and quality of the final product, Gruppo Mastrotto has been organizing rules, operating procedures and management standards for over 10 years.

One of them is the internal specification called "Finished leather's chemical specification" which includes all the mandatory regulations and laws applicable to leather, in addition to the main requirements of the markets in which the company operates. This specification applies to all articles produced and is updated at least every 6 months.

Gruppo Mastrotto also receives from their customers a growing number of chemical-toxicological specifications, systematically analyzed to give detailed answers, which often take the form of training/consultancy activities that are sometimes included in the following revisions of the specifications.

This procedure is reported in the Customer Declaration Protocols Register, which includes 105 protocols in 2019, 94 in 2020 and 101 in 2021.

The guarantee of conformity with the rules and procedures is carried out as follows:



supplier engagement

the raw material suppliers sign specific supply specifications



qualified external laboratories analyze

a new project/item and perform a validation process or they control quality according to a schedule agreed with the customer



analyses are performed in the company's internal laboratories

according to pre-established frequencies to collect systematic and representative data relevant to the trend of the parameters



Gruppo Mastrotto guarantees its customers both quality and safety by the systematic analysis of the leather requirements.



The company is equipped with 3 laboratories that support each Business Unit for the verification of leather performances, and 1 central chemical laboratory for the analysis of raw materials and the chemical-toxicological parameters of finished products.

The capability of providing independent analyses is a unique case in the tanning sector.



15 people work in the company's laboratories and they carry out all types of analyses required by the various type of industries that the Group serves.

7.2

THE CHEMICAL LABORATORY

Gruppo Mastrotto is equipped with a chemical laboratory capable of performing numerous chemical tests, the main ones being:

- » Leather. Preservatives - Biocides
- » Leather. Aromatic amines derived from azo colorants
- » Leather. Phthalates (plasticizers)
- » Leather. Total and extractable tanning metals
- » Leather. Phenols (chlorinated)
- » Leather. Hexavalent chromium (before and after aging)
- » Leather. Formaldehyde
- » Leather. pH of the aqueous extract
- » Leather. VDA277 emissions

Gruppo Mastrotto annually participates in inter-laboratory circuits organized by the Institute for Interlaboratory Studies (Consumer Products Proficiency Tests) for specific chemical analyses.

For the following analyzes, Gruppo Mastrotto also obtained the certificate of excellence:



- pH
- Cr(VI) in leather
- Formaldehyde in leather
- Heavy Metals by perspiration in leather/footwear
- Azo Dyes in leather

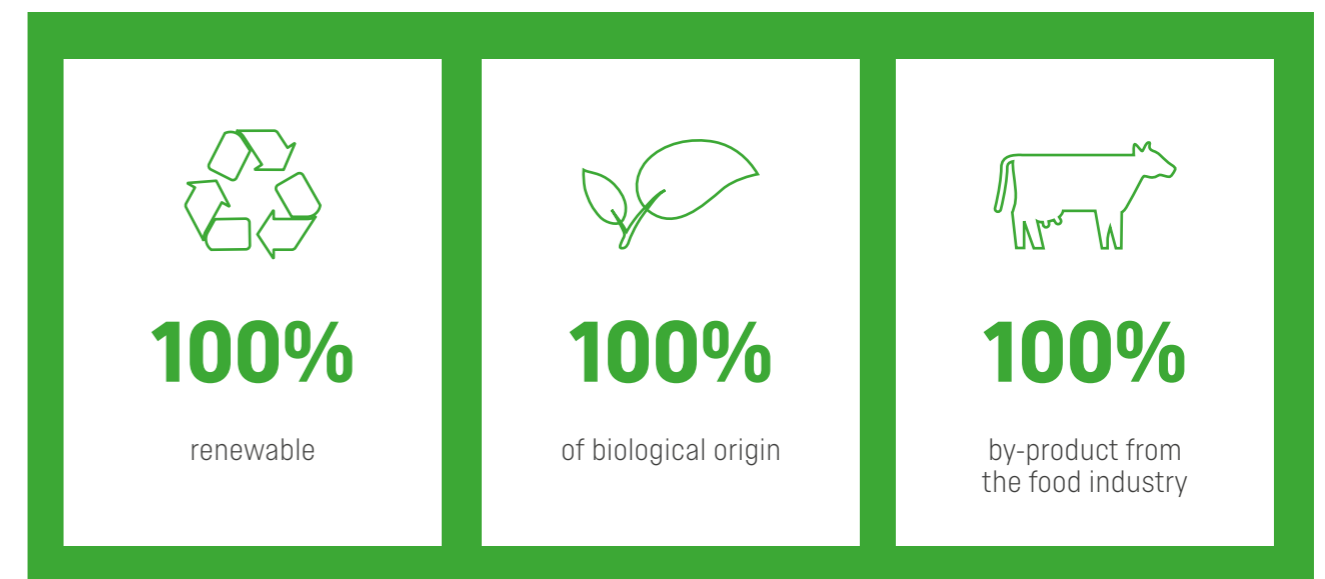
In order to upgrade the laboratory in 2021, an important investment was made by acquiring a new inductively coupled plasma-mass spectrometer (ICP-MS) for the determination of metal (total and extractable metals).

The equipment is integrated with a digester that allows you to pre-treat the object being analyzed before injecting it into the instrument, allowing you to preserve the instrument, to inject a "cleaner" substance and above all to expand the matrices on which to carry out the checks: not only leather, but also chemicals, process baths and waste water.

7.3

LEATHER: A NATURAL AND BIODEGRADABLE PRODUCT TO PROTECT

Leather has unique characteristics, as it is:



These characteristics make the leather an easily recyclable material. Moreover, another typical characteristic of leather should be emphasized: leather lasts much longer than other materials.

The recyclability of the leather and its inimitable organoleptic characteristics make it the object of misappropriation, sometimes fraudulent, of its own name, which is also applied to other materials. Let's think of words like eco-leather, vegan leather and many other words referring to materials that have nothing to do with leather.

For this reason, the approval of Legislative Decree 9th June 2020, No. 68, was fundamental for the leather industry and for protecting consumers. The decree establishes the rules for the correct use of the word "leather" as well as a set of sanctions for those who use "leather" in an inappropriate and sometimes fraudulent, way. The decree states that the word "leather" can only be used to designate the animal's skin or hide that has retained its original fibrous structure and has been tanned so that it is preserved.





7.4

GUARANTEED ENVIRONMENTAL QUALITY OF LEATHER



70% - 95%
renewability value Gruppo Mastrotto leather

Leather is a completely renewable material. Renewability means having a renewal cycle of between 1 and 5 years, in balance with the natural cycle of the ecosystem. Unlike non-renewable resources, such as plastics and synthetic fibers, which impoverish the ecosystem and will not be available for future generations.

Gruppo Mastrotto measured the renewable content of its leathers, in terms of the percentage of recent organic carbon compared to the amount of total carbon contained in its leathers.

To give its customers a further guarantee, the company had this measurement certified by the United States Department of Agriculture, through the Biobased certification for products from renewable sources.

Gruppo Mastrotto was the first tannery in the world to obtain this certification that shows the portion of the product that comes from renewable sources such as vegetable, animal, marine or forestry raw materials. Gruppo Mastrotto leather has a renewability value ranging from 70% to 95%.



99%
effective protection level against bacteria and viruses

Gruppo Mastrotto has developed a new patented technology capable of responding to the needs of the critical historical period we are experiencing and has created an antibacterial and antiviral treatment that guarantees high safety standards, almost totally reducing the presence of bacteria and viruses on surfaces.

Gruppo Mastrotto filed the patent of this innovative treatment which allows the non-survival of bacteria and viruses on leather, with an effective protection level of 99.9%.

This sort of barrier is capable of preventing the replication of pathogens that may eventually come into contact with the leather. The surfaces of objects, especially those that are touched and used by many people, can be contaminated by pathogenic bacteria and viruses, transforming the object into a vector of contagion. This new treatment is applicable to all leathers currently produced by Gruppo Mastrotto.



certified leathers guarantee compliance with high environmental standards

“Blauer Engel” certification

The “Blauer Engel” is an environmental product label recognized throughout the world. “Blauer Engel” certified leathers guarantee compliance with high environmental standards, stricter than those required by law.

The “Blauer Engel” requirements are established by the German Ministry of the Environment and are checked by RAL (the German Technical Body that manages the certification).

“Blauer Engel” certified leathers guarantee:

- compliance with high environmental standards in the tanning production process
- low consumption of natural resources
- high air quality in residential environments thanks to the absence of harmful chemicals in leather without forgetting the importance of appearance and comfort for consumers.

7.5

GRUPPO MASTROTTO EXPRESS BECOMES CARBON NEUTRAL



All the products of Gruppo Mastrotto Express are "Carbon Neutral" with respect to direct and indirect emissions, therefore without any negative impact on global warming.

For the products offered by its prompt delivery leather service, Gruppo Mastrotto was able to eliminate emissions defined as Scope 1 (associated with assets owned or under the operational control of the company) and Scope 2 (attributable to the energy used).

The Express service's products will use leathers obtained with a production process that does not affect climate change.

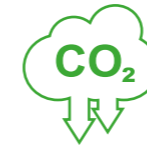
The Carbon Neutrality certification is the result of a process divided into three phases:



Measurement of greenhouse gas emissions

Gruppo Mastrotto conducted an LCA (Life Cycle Assessment) analysis to calculate the greenhouse gas emissions of one square meter of finished leather over its life cycle.

Based on the LCA analysis, it was possible to estimate the potential impact of Gruppo Mastrotto Express service items on global warming.



Reduction of emissions by intervening on processes

The data obtained made it possible to launch a series of initiatives to reduce greenhouse gas emissions:

- use of electricity coming exclusively from certified renewable sources and installation of solar panels
- reduction of water consumption through the optimization of recipes and the reuse of water
- less chemical use

These interventions have given significant environmental benefits, but have not made it possible to eliminate the potential impact on global warming.



Offsetting of emissions through recognized and credible instruments

To eliminate the residual impact originating in the tanning transformation process, we have joined a series of compensation projects supported by the United Nations Framework Convention on Climate Change (UNFCCC), an international environmental treaty that aims to reduce greenhouse gas emissions.

The offsetting of emissions takes place within the Clean Development Mechanism (CDM), a process provided for by the Kyoto Protocol, which allows organizations to offset their emissions by supporting sustainable development projects implemented in emerging or developing economies.

This reduction is concretely achieved through the purchase of CERs (Certified Emission Reduction/Emission Reduction Certificates), which are equivalent to one ton of CO₂ not emitted.

To date, three projects have been chosen for this purpose, located in India and Brazil, and consist of the production of electricity from renewable sources (wind and hydroelectricity) and biomass cogeneration (recovery of husk, a by-product of rice processing). Alongside the environmental benefits, these projects also present significant economic, social, cultural and technological benefits for these areas and their communities.

7.6

PRODUCTS AND INNOVATIVE PROCESSES: COMMITMENT IN RESEARCH AND DEVELOPMENT

The activity of the Research and Development department aims at searching new technologies capable of guaranteeing product safety, improving the environmental impact of treatments and, at the same time, increasing the technical performance of leathers.



The main research activities developed in the last two years have concerned the following:



formulation of finishes with a low environmental impact, in particular as regards atmospheric emissions



project for the creation of a product deriving from the recovery and regeneration of finished leather trimmings



experimentation of new "bio-based" tanning agents coming from waste from other industrial chains

In addition, the research activity is constantly focused on the study of alternative chemicals for the finishing and wet phase, but it also considers the costs and environmental impact.

8 THE MANAGEMENT OF SUPPLIERS

CODE OF CONDUCT FOR SUPPLIERS

THE COMMITMENT TO ENSURE THE
TRACEABILITY OF THE RAW MATERIAL

8

THE MANAGEMENT OF SUPPLIERS

In the economy of a tannery, suppliers play a crucial role. They can provide an essential contribution to those companies that are moving towards a business model that is simultaneously attentive to economic, environmental and social aspects.

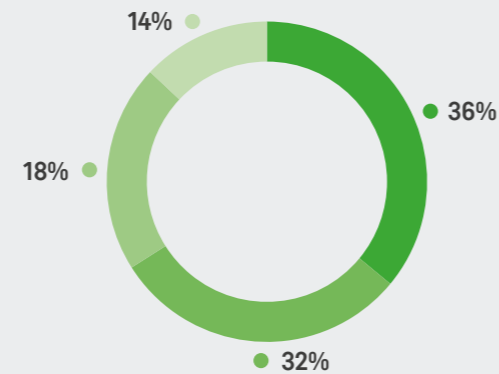
For this reason, Gruppo Mastrotto's supplier policy focuses on the development of long-lasting relationships based on loyalty, transparency and mutual collaboration.

These values are clearly established in a specific Code of Conduct that the Gruppo Mastrotto asks its suppliers to adopt. The Code provides rules relevant to human rights, the health and safety of workers, environmental protection and the fight against corruption.

Gruppo Mastrotto uses only suppliers who operate in compliance with current legislation and the rules set out in its Code of Ethics.

Considering the activities related to the main leather processes (i.e supply of leather, chemical products, processing carried out by subcontractors, transport services), in 2021, Gruppo Mastrotto worked with 382 suppliers, the figure is similar to the previous years.

Number of suppliers of main categories



- Raw hides and semi-finished leather
- Chemicals
- Subcontracts
- Transports

Category	2019	2020	2021
Raw hides and semi-finished leather	126	129	137
Chemicals	121	116	124
Subcontracts	80	74	69
Transports	50	52	52
Total suppliers	377	371	382

The most numerous categories are suppliers of raw and semi-finished hides (34%) and those of chemical products (32%); and, finally, the subcontractors and transport.

The average expense in the 2019-2021 three-year period for these categories of suppliers was approximately **138 million Euros**.

50% of this expense concerns Italian suppliers and about half of it is based in the tanning districts where the Company has its factory headquarters.

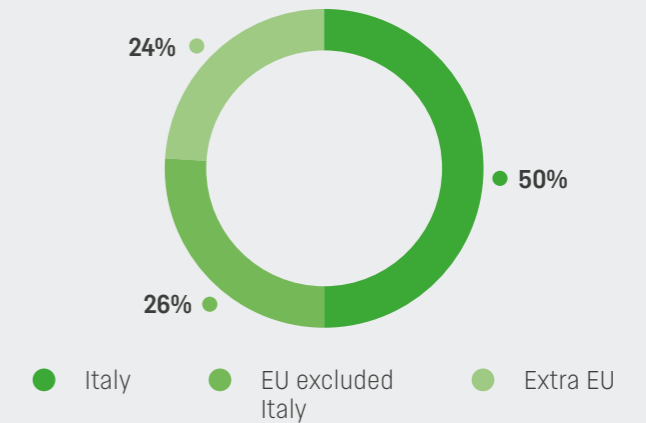
The share of spending concentrated on Italian suppliers grew steadily over the three-year period 19-21, going from 47% to 54%. The data shows the positive impact for the related industries in the territories where Gruppo Mastrotto operates (for example, the tanning district of Arzignano and, in more recent years, the district of Santa Croce sull'Arno, where there is the new factory).

If we analyze the different categories of supply, we can see that:

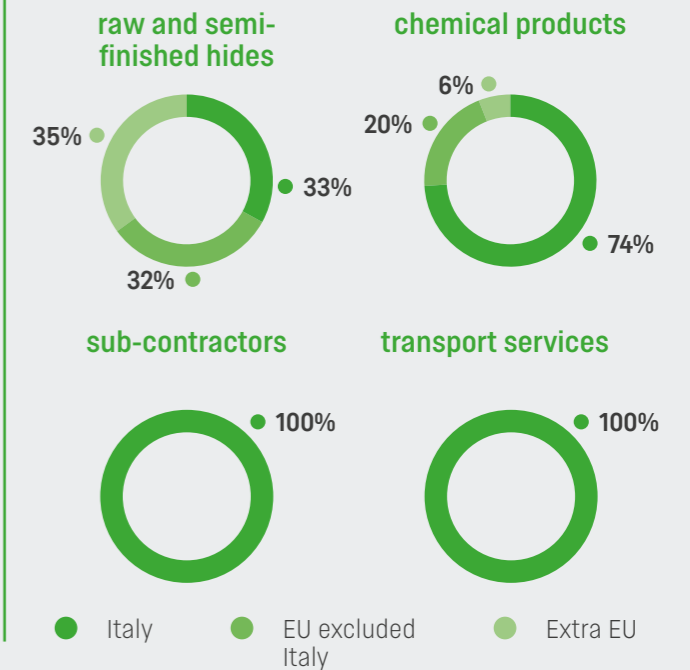
- the cost of purchasing raw and semi-finished hides is distributed evenly among Italian, European and non-European suppliers
- the purchases of chemical products are concentrated 75% on Italian suppliers and 20% on European ones
- the subcontracting and transport services are the total prerogative of Italian suppliers; in the first case, 97% of the expenditure is concentrated on suppliers located in the Arzignano district, while, in the second case, the figure is close to 60%.

50%
VALUE OF PURCHASES FROM ITALIAN SUPPLIERS

Distribution of the value of purchases of raw and semi-finished hides per geographical area (average 2019-2021)



Distribution of purchase value by geographical area (average 2019-2021)



The relationship established between the Gruppo Mastrotto and its suppliers is defined by specific procedures that qualify the suppliers.

In the case of chemicals suppliers, Gruppo Mastrotto has established some restrictions on the use of certain categories of chemicals, the restrictions are mainly based on the law in force in the European Union and the United States, to protect the health of workers, the environment and users of finished products.



All chemical product suppliers are asked to sign a technical specification in which they undertake to follow the restrictions and provide for periodical check audits.

From the point of view of reducing the environmental impact, an active collaboration relationship has been developed for about 10 years with the chemical suppliers who undertake to reduce sulphates. Moreover, Gruppo Mastrotto purchases water-based paints for finishing and suppliers are asked to declare the percentage of VOCs (volatile organic compounds) in their purchased product, the datum is included in the company management system and kept under control.

8.1

CODE OF CONDUCT FOR SUPPLIERS

One of the most important activities in 2021 concerned the updating of the supplier code of conduct, which confirmed the need for suppliers to ensure compliance with the following:

- » labor and human rights (i.e. child labor, forced labor, freedom of trade union association, discrimination, health and safety in the workplace, working hours and pay)
- » ethics (i.e. anti-corruption, competition protection, anti-money laundering, privacy and data protection)
- » environmental protection (i.e. restrictions on chemical substances, responsible use of resources and reduction of atmospheric emissions, proper waste management)
- » supply of hides
- » compliance with the legislation on "animal welfare"
- » the absence of dangerous chemicals.



8.2

THE COMMITMENT TO ENSURE THE TRACEABILITY OF THE RAW MATERIAL

In an evolutionary path that has seen an increasing amount of attention paid to the issue of leather traceability, Gruppo Mastrotto has decided to strengthen its commitment by defining new and ambitious objectives.

The results achieved so far and the objectives that the company intends to achieve to get a leadership role on this issue are reported in the policy on traceability and environmental well-being, which provides for the basic principles of the corporate action.

» ANIMAL WELFARE AND TRACEABILITY

“Our commitment to sustainability, summarized in the Company’s “Sustainability, next level” policy includes the issue of traceability of the supply chain. For companies operating in the tanning sector, leather represents the main raw material and the basis of transformation processes and, as such, a cornerstone on which to focus the commitment to improve both our commitment and the commitment of our suppliers in order to improve the environmental and social performance. In this context, it is essential to ensure a reliable traceability system of our supply chain.

Our work is based on the recovery of a by-product of the food industry which, through the tanning process, we ennoble and transform into a qualifying element of objects at the center of our daily life.

The use of this material allows it to be saved from being disposed as waste. The processing of hides is, in fact, part of a virtuous process of circular economy, aimed at the recovery and enhancement of a product that, from being a by-product of slaughter, becomes a precious good.

To guarantee the highest standards of quality, safety and sustainability of our products, the control of our supply chain is a crucial element. The international organization Leather Working Group (LWG) evaluates companies in the leather

supply chain on the basis of environmental, social, health and safety and governance criteria, including the traceability of raw materials. Gruppo Mastrotto has been active for years in the process of improving the traceability of hides and the control of the supply chain. Our management received the Gold Rated from LWG, the gold medal that constitutes the highest evaluation, with traceability scores up to 85% among the highest in the tanning sector.

Our commitment to improving the environmental and social performance of the supply chain is also integrated into our Code of Conduct, the signing of which commits our suppliers of leathers, chemicals, materials and services to comply with ethical, social and environmental standards. Recognizing the importance of hides supply for our business, our code of conduct also requires our hides suppliers the following:

- compliance with the relevant legislation applied in their country on animal welfare.
- in the event that specific legislation on the subject is not provided and applicable, the suppliers undertake to guarantee respect for the 5 fundamental freedoms of animals (i.e. freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury and disease; freedom to express normal behavior; freedom from fear and distress)
- the guarantee that the hides do not come from animals raised on farms involved in the illegal deforestation of the Amazon Forest and other protected areas of South America.

Our commitment to controlling our supply chain does not stop there. In fact, the corporate sustainability plan envisages a series of short, medium and long-term objectives, in a perspective of increasing transparency:

- joining the United Nations Global Compact, the UN initiative aimed at creating a more inclusive and sustainable global economy (within 6 months)
- voluntary disclosure through the “Forest” module of the CDP rating to share and make our commitment against deforestation transparent (within 1 year)
- the definition of a specific protocol for the selection and evaluation of leather suppliers according to “ESG / traceability/ animal welfare” criteria (within 1 year)
- the development of a periodic monitoring and rating system of the environmental and social performance of our leather suppliers, with particular attention to animal welfare and traceability (within 2 years)

We undertake to check on the achievement status of these objectives at least annually and update them based on the results obtained with a view to continuous improvement”.

9 ECONOMIC RESULTS

CREATION AND DISTRIBUTION OF
ADDED VALUE

9

ECONOMIC RESULTS

The 2021 turnover amounted to 273.2 million euros, up 17% compared to the previous year. Also, for 2021, Gruppo Mastrotto managed to guarantee good profitability with a Gross Operating Margin of 43.1 million euros, equal to a 15.8% turnover.

2021 was characterized by strong management complexity, despite the positive picture of a recovery in orders from the markets. Although the demand was higher, it was subject to continuous fluctuations. Gruppo Mastrotto faced the 2021 year with the aim of stabilizing and bringing production and turnover back to pre-crisis levels: the year was characterized, on the one hand, by an important recovery in volumes and, on the other, by a continuous search for efficiency in production processes and product innovation, in order to improve both the commercial proposals and the level of customer service.

Thanks to careful cost planning and a strong commitment to research for continuous process efficiency, it was possible to close the year with good operating margins. For a detailed analysis, reference can be made to the financial statements of Gruppo Mastrotto SPA, which contains information on the economic and financial situation. After approval by the shareholders' meeting, the financial statements will be available for public viewing at the Business Register Office.

» **273.2 million euros**
2021 turnover

+ 17% compared to 2020

» **43.1 million euros**
Gross Operating Margin

15.8% turnover

9.1

CREATION AND DISTRIBUTION OF ADDED VALUE

The added value represents the increase in value originating from activities of Gruppo Mastrotto and is distributed to the various categories of stakeholders who have contributed in creating this value. The Stakeholders represent the categories of work, investments, loans, public utility services and social utility programs.

In 2021, the gross added value generated for stakeholders amounted to over 116 million euros, with a positive change of 40% compared to 2020.

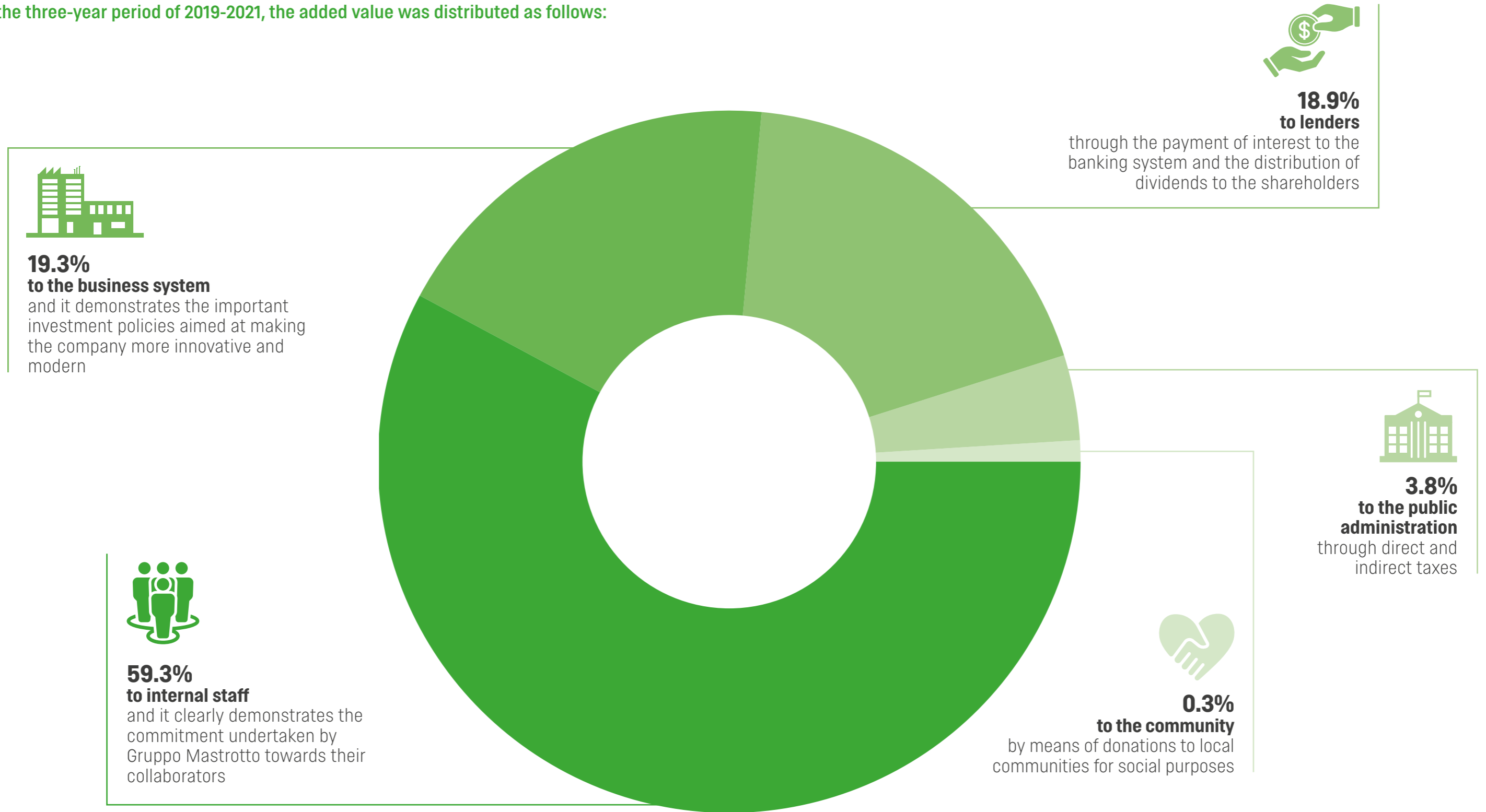
The main stakeholders of Gruppo Mastrotto are:

- personnel, whose contribution is valued through salaries
- shareholders and lenders of credit capital to whom profits and interest on the debt are destined respectively;
- the Public Administration with the payment of taxes and duties
- the community and the territory which receive resources for social and educational projects;
- the business system itself with the provision of the means necessary for the development of the organization

Distribution of the added value (in Euros)

	2019	2020	2021
Direct remuneration of human capital	57,550,210	46,145,367	51,538,318
Benefits distributed to human capital	10,299,068	6,732,547	7,684,584
Remuneration of financial capital	6,662,510	15,376,297	38,275,710
- referred to the credit capital	167,432	179,678	265,710
- referred to risk capital	6,495,078	15,196,618	38,010,000
Remuneration of relational / social capital	7,158,230	2,735,132	2,392,651
- of which remuneration to the Public Administration	7,029,560	2,501,017	2,369,401
- of which remuneration for investments in the community	128,670	234,114	23,249
Remuneration to the business system	31,687,494	12,192,375	16,395,636
Total	113,357,511	83,181,716	116,286,898

In the three-year period of 2019-2021, the added value was distributed as follows:





10

TERRITORY AND
CORPORATE
CITIZENSHIP

SOCIAL COMMITMENT AND
RELATIONSHIP WITH THE COMMUNITY

A FOUNDATION TO SUPPORT THE
COMMUNITY

OUR COMMITMENT TO EDUCATION

DISCUSSION WITH STUDENTS ABOUT
SUSTAINABILITY

SCHOLARSHIPS FOR DISTINCTION
STUDENTS

RELATIONSHIPS WITH PUBLIC
INSTITUTIONS AND/OR OTHER BODIES



10

TERRITORY AND CORPORATE CITIZENSHIP

The territory gathers numerous important stakeholders for Gruppo Mastrotto and for its desire to be a point of reference for the local community and their institutions.

The company establishes relationships with local public administrations, schools and training institutions, hospitals and healthcare institutions, voluntary associations, cultural associations and others. Gruppo Mastrotto considers it essential to have profitable relationships with these stakeholders in order to best perform its role as a positive and proactive social actor in all aspects of sustainability.

10.1

SOCIAL COMMITMENT AND RELATIONSHIP WITH THE COMMUNITY

Being a reference company for a territory means building stable relationships with all stakeholders in order to understand their needs and give a positive contribution. Healthcare, senior citizens and young people are the areas in which Gruppo Mastrotto has historically shown its interest and closeness to the territory, both through financial support and an active contribution to various initiatives.

The main initiatives promoted by Gruppo Mastrotto in the last few years were as follows:



contribution for the construction of the "Arciso Mastrotto" Senior Leisure Center, including a bar, a lounge, a multipurpose room with spaces for reading, outpatient and administrative activities, and an outdoor park



donation for the construction of the bowling alley at the Arciso Mastrotto Senior Center



financial support to the San Bortolo Foundation, a non-profit association active in raising funds for the Vicenza hospital, to help combat the COVID-19 health emergency through the purchase of materials useful for the protection of health personnel and equipment intended for the San Bortolo Hospital in Vicenza

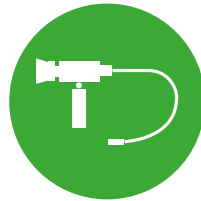


support for the new Red Cross outpatient clinic in Sarnano (Macerata), with a doctor for assistance at night and on holidays and a pediatric outpatient clinic that replaces the clinic damaged by the 2016 earthquake in the Marche region



support for sports activities through the sponsorship of the soccer team in Arzignano and volleyball in Santa Croce sull'Arno

Moreover, Gruppo Mastrotto was also the promoter of social initiatives which involved its suppliers, such as the following:



in collaboration with the Amici del Cuore Ovest Vicentino Onlus Association, the donation of the latest generation equipment to perform minimally invasive laparoscopic oncological surgery; the equipment includes a 30° three-dimensional camera that allows the angled vision, extremely relevant in the case of interventions to remove tumors of the bladder, kidney and prostate; the piece of equipment supports other existing instruments and allows more precise and effective surgery



to support the National Association for Breast Operated Women (ANDOS) and the Hospital of Montecchio Maggiore (VI), they donated the "Mammatome Revolve" instrument that allows both an early diagnosis and the collection of greater, safer, and less invasive tissue sampling which can be used for carrying out biopsies in cases where the mammography examination has raised suspicion of a malignant formation



donation to the Arzignano hospital of innovative software called "Rapid", which drastically reduces the diagnosis time of ischemic stroke; time goes from the current 20 minutes to a maximum of 2 minutes, with a substantial increase in the probability of survival of patients affected by ischemic stroke



donation to the hospital emergency room of a latest generation Monitor-Defibrillator, an essential tool in the management of emergency-urgency patients in an in-hospital setting and which can also be used in an ambulance. The characteristics of handling and versatility make it, in fact, a unique tool in case of cardiac arrest and in monitoring patients who need immediate help



support for the isolation room for the Pediatric Oncohematological Department built at the San Bortolo Hospital in Vicenza in collaboration with the "Vicenza for Children" association aimed at ensuring the care of children with cancer

10.2

A FOUNDATION TO SUPPORT THE COMMUNITY

Being close to and concretely helping the community in which they have their roots and where their lives have been spent: these are the aims of the Silvana and Bruno Foundation, through which the owners of Gruppo Mastrotto support those who face the difficulties of an illness or accompany the growth of a life that is blossoming. With this premise, the Parkinson Cafés were born and dedicated to all those who experience Parkinson's disease and La Tribù del Sole, an after-school activity aimed at children attending the elementary school and lower secondary school.



The Parkinson Café

Parkinson's disease is a neurodegenerative disease characterized by a progressive and chronic disorder, mainly concerning the control of movements and balance.

It is estimated that, in Italy, there are about 230,000 people with Parkinson's. One of the first consequences in the life of a Parkinson's patient is isolation. Precisely to counter it, the first Italian Parkinson Café was founded and designed as a place for meeting, sharing and aggregation for the sick, families and all those who wish to participate in the initiatives that are carried out in the area.

The initiatives also include specific motor activity, recreational activities, information meetings on targeted topics of interest to guests and caregivers. Each activity aims to support and facilitate sharing and socializing, respecting the time and the abilities of the sick who, with the help of volunteers, can react to the disease and rediscover the pleasure of being together.





La Tribù del sole

The goal of the La tribù del Sole project is to welcome children after school and entertain them with a series of multidisciplinary activities that favor their development.

Children are provided with a bright space managed by the Moby Dick cooperative that welcomes up to 30 primary and secondary school children throughout the entire school year and in the summer; special attention is paid to children with disability.



10.3

OUR COMMITMENT TO EDUCATION

Gruppo Mastrotto believes that it is important to strengthen the relationship between the business world and schools, in particular technical training institutes.

For this reason, the company fosters stable collaborations with local schools by sharing its knowledge in several ways such as:

- » High school classes visit the tannery, especially technical schools located in the Arzignano district
- » young students perform internships at the company
- » there are collaborations with design institutes
- » teaching and business testimonials are provided at university and post-diploma courses.
- » the children of Gruppo Mastrotto employees are provided with scholarships





10.4

DISCUSSION WITH STUDENTS ABOUT SUSTAINABILITY

In recent months, Gruppo Mastrotto has hosted students from secondary and post-graduate schools.

We welcomed teachers and students from the Fashion Sustainability Management course at the Technical Institute Cosmo in Valdagno (VI), to introduce them to the Gruppo Mastrotto's processes, characteristics, mission and values.

It was a moment of discussion that allowed us to illustrate the company path aimed at sustainability and the continuous improvement of processes and products with the aim of minimizing more and more the environmental impact of and to carefully use the resources.

On the other hand, ideas have emerged from students regarding possible areas that the tanning companies should consider to improve their image towards the communities. These meetings also included foreign students.

On the occasion of Earth Day, Gruppo Mastrotto intervened by videoconference in the course held by Professor Simone De Colle in Sustainability Management and Reporting

of the Master of the IÉSEG School of Management in Paris to introduce students to the process that led the company to issue its first sustainability report.

IÉSEG School of Management, founded in 1964 in Lille, is one of the most important French Business Schools and its Master ranks among the top 35 in the world in the 2021 ranking drawn up by the Financial Times.

At the meeting, students provided their assessment to the Gruppo Mastrotto sustainability report, considering the issues of inclusiveness, comparability, integration, external verification, according to the AA 1000 standard.

Interesting operational ideas emerged, not only to improve sustainability reporting, but also to improve the approach and effectiveness of the activities in progress.

10.5

SCHOLARSHIPS FOR DISTINCTION STUDENTS

This year, fifteen scholarships have been assigned to students attending the last three years of high school and the first year of university; the students have distinguished themselves for the results achieved during the 2020-2021 school year.

The initiative is part of the "People, Next Level" corporate welfare project, which focus on people and their professionalism. Once again, the initiative proves the social responsibility of the company.

A call for proposals and a selection process led to the identification of the most deserving students. Seven students attending the first year of university in the departments of Law, Dietetics; Urban Planning and Territorial Planning, Medicine and Surgery, Statistics for Economics and Business and Sports Sciences were awarded a scholarship.

Four students attending the fifth year of High school, one attending the fourth year and three students attending the third year were also awarded.

10.6

RELATIONSHIPS WITH PUBLIC INSTITUTIONS AND OTHER BODIES



Gruppo Mastrotto bases their relationships with public institutions and sector bodies on principles of correctness, transparency and respect for roles.

Constant communication inspires the relationships with these stakeholders in order to identify the most suitable forms of development and collaboration.

Gruppo Mastrotto is a member of the National Tanning Industry Union (UNIC), the association that represents the Italian tanning industry. The Italian tannery industry is the most important in Europe with a production value equal to 65% of the European Union production, and in the world, with an incidence equal to 20% of the global production value.

Gruppo Mastrotto, represented by the President Chiara Mastrotto, is a member of the UNIC Board of Director.



In addition, Renata Sartori, also a Director of Gruppo Mastrotto, was appointed a member of the Executive Committee of the Leather Working Group.

It is the first time that an Italian has been appointed to this position.

The committee is made up of 9 members; 4 represent the brands, 4 the tanneries and 1 the suppliers of chemical products.

The committee is responsible for defining the organization's strategies and for monitoring their progress, as well as the economic-financial budget.

Gruppo Mastrotto is also a member of "Leather Naturally" an international non-profit sector organization that focuses on the promotion of leather and its processes.

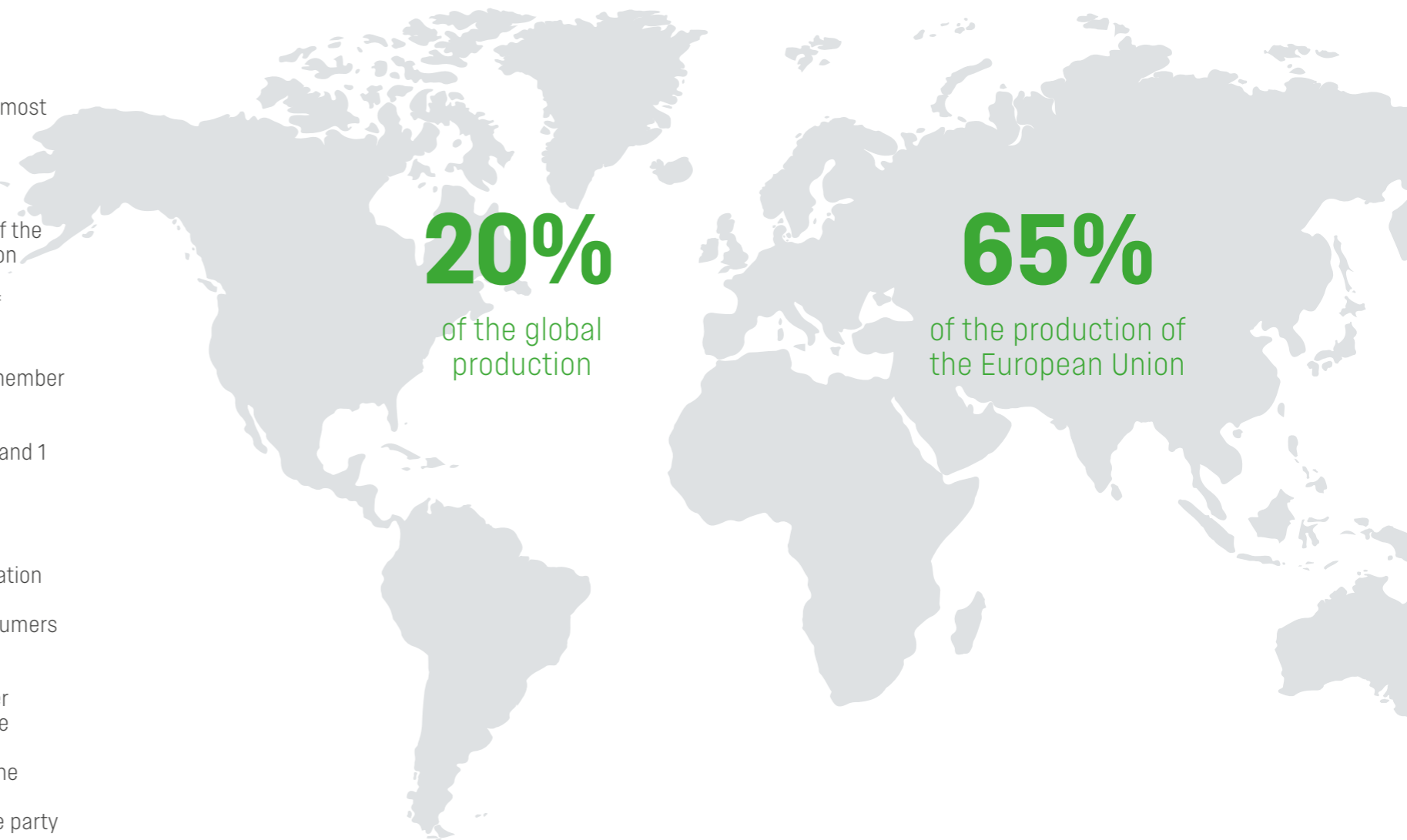
The organization promotes the use of sustainable leather and informs designers, creators and consumers about the beauty, quality and versatility of leather.

Alongside sectoral organizations, Gruppo Mastrotto maintains relationships directly or through other entities, including with public institutions such as the Veneto Region and the European Union for the granting of grants.

The company also deals with institutions that controls and authorizes business activities such as the Province of Vicenza and Acque Del Chiampo.

The relationships are based on mutual respect and loyalty so that the company is felt as a proactive party for the whole community.

The Italian tannery:



11 THE METHODOLOGY OF
THE REPORT



11

THE METHODOLOGY OF THE REPORT

For the preparation of this first report, we have chosen to follow the Standard of the Global Reporting Initiative (GRI) - "CORE" option. This is the most widespread and internationally accredited standard for the sustainability reporting of a company.

This Sustainability Report refers to the 2019-2021 period. In applying the GRI Standard, the reporting scope adopted for the company relates to the Italian-based plants of the Gruppo Mastrotto Spa.

The data collection was carried out through the compilation of databases containing all the information necessary for the development of sustainability indicators according to the Global Reporting Initiative (GRI) Standard. The competent company resources have provided data entry and the mentioning of the sources, ensuring the traceability and reliability of the information they provide.

Each database includes the methodology for the direct calculation of the sustainability indicators. In this way, it was possible to obtain directly the final value referred to each key indicator of the report in the files used for data collection. The following is the description of some specific methodologies for the calculation of some indicators.

Energy consumption

Total energy consumption is expressed in primary energy (GJ). On the one hand, primary energy depends on energy needs while, on the other hand, it depends on the type of fuel or carrier used to produce energy as well as on the production efficiency. The calculated values consider the energy vector, the respective transformation efficiency, the primary energy factor (the source of this figure is the Decree of the Ministry of Economic Development of 26/06/2015). In the case of electricity, this factor is equal to the inverse of the electricity efficiency and varies according to the national electricity mix. As regards the conversion of the Smc of methane to GJ, a PCI of 35.134 MJ was considered, while for diesel, a PCI of 42.877 was considered in accordance with the table of national standard parameters given in the ETS Directive (source ISPRA 2017).

Greenhouse gas emissions

The emission factors (expressed in kgCO₂eq) derive from the following sources: 1) modeling of the cogeneration plant and boiler plant at the Tecno plant carried out for the purposes of the LCA study of two products for the Automotive BU; 2) for the purchase of electricity, the emission factors of the most recent ISPRA Report on greenhouse gas emissions (referred to 2019, not yet validated by IPCC); 3) for the purchase of diesel, the conversion factors as per annex of the Veneto Region Decree No. 90 of 27 January 2020 (financing energy efficiency projects).

Water consumption

The information in this part refers to the GRI 303 methodology: water and waste water. The unit of measurement used is the cubic meter (mc). The information sources are the readings of the water meters, the water consumption register of the environmental management system as well as the analyses on the water content in the waste. The data on total water withdrawal measures the quantity of water withdrawn and its source (GRI 303-3).

Waste water

The data on the water analyzes derive from the checks carried out by the Consorzio Acque del Chiampo and Aquarno. It involves 420 analyses/year on the typical parameters of the tanning sector. The contribution of the S. Croce sull'Arno premises relates only to the Year 2020, as the plant started up in November 2019. The comparison with the legal parameters was carried out, considering the maximum limits and the weight of each category with respect to the overall volume authorized.

Emission to the atmosphere

The sources of information derive from self-control analyses (i.e. field measurements) carried out every six months/yearly/three years (about 90 analyses/year on the parameters prescribed by the respective authorizations); for solvents, the data of the "solvent management plan" and the related calculation method, in addition to the post-burner register with continuous measurements. Where more analyses were available for years, the data with the greatest polluting load was considered.

Staff

For the indicators relating to personnel, the number of employees is presented as the "actual number of workers" on an annual basis. The sources of information are the internal management software of personnel.

Added value

The determination of the added value derives from the reclassification of the items of the statutory financial statements (extraction from the internal management system), dividing the balance sheet items among those that determine the production of the added value and its distribution between personnel, public administration, credit capital, risk capital, company remuneration and external donations. The methodology used was provided by the Scientific Association on the Corporate Report <http://www.gruppobilanciasociale.org/> (GBS 2013).

12

TABLE OF
COMPLIANCE TO THE
GRI STANDARDS



12

TABLE OF COMPLIANCE TO THE GRI STANDARDS

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