



SUSTAINABILITY REPORT 2022

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1 PRESIDENT LETTER TO STAKEHOLDERS

Only six months have passed since the publication of the second Sustainability Report and since then we have continued our Sustainability Journey, the journey towards an ever greater sustainability that is not only environmental, but also economic and social, in line with the ESG principles promoted by the European Union and with the objectives of the 2030 Agenda. There are several initiatives that we have carried out in this direction and that lead us today to proudly publish **the third Sustainability Report of Gruppo Mastrotto**.

On this occasion, we decided to have our document certified by a third party, to give a strong signal to the market and our customers not only of transparency, but also of determination in pursuing the ambitious objectives we have set ourselves.

The implementation of our Sustainability Plan has affected all sectors of the company in recent months, from the product to the processes, from human resources to the relationship with the territory. To document our actions in an even more concrete and transparent way, on the occasion of Lineapelle, last February, we presented the **Sustainability Passport**, a document that summarises what the Group has achieved in this area and through which we wanted to extend an invitation to the entire fashion chain and our stakeholders, to join us in this journey towards sustainability, in the belief that only through a serious and shared commitment on the part of the entire supply chain, it is possible to ensure sustainable development for future generations.

We have joined the **United Nations Global Compact**, the largest strategic corporate citizenship initiative in the world in which more than 18,000 companies from 160 countries around the world have taken

part to date and we have confirmed the Carbon Neutrality of scope 1 and 2 of Gruppo Mastrotto Express - the world's largest logistics hub of leathers in ready delivery. Another important step was the patenting activity, which led to the creation of "**Reviva**", the innovative material, GRS (Global Recycle Standard) certified, dedicated to the world of fashion, which arises from the reuse of our waste: scraps of finished leather, and which in this way completes the circularity of the process of using of by-product of our tanning cycle. We have also obtained the new **LEATHER STANDARD environmental certification by OEKO-TEX®**, recognised worldwide for leather and leather goods, which guarantees the purchase of safe products for the health of people and the environment.

These are some of the stages of our commitment to making production processes in **our sector, the tanning sector, increasingly sustainable, which today represents an exemplary case of circular economy** in which a waste of the food industry - the skin - is ennobled and transformed into one of the **products that symbolise excellence and quality of Made in Italy in the world**. This report, however, is also about people and territory. In the first case, we continued to consolidate our welfare system, further increasing training hours and services aimed at the well-being of our employees and their families. In the second one, we continued to support in different forms - from donations to the support of specific initiatives - the places that saw us born and grow as a company.

Finally, we have decided to reserve a part of the document for actions taken also by our **foreign offices, because we want to**

represent the entirety of our Group, which has extended the same principles to the entire organisation.

A heartfelt thank you from the Board of Directors and my staff to all the work team that participated in the drafting of this Budget, which allows us to look to the past by consolidating the goals achieved and to the future with the conviction that we have taken the right path. Our Sustainability Journey is just the beginning.



President of Gruppo Mastrotto



2 GRUPPO MASTROTTO IN NUMBERS

SYNTHETIC HIGHLIGHTS AND KPIS

SYNTHETIC HIGHLIGHTS AND KPIS



"LWG" GOLD MEDAL AND 85% TRACEABILITY



312.3 MILLION EURO THE ECONOMIC VALUE GENERATED

PARTICIPATION IN THE GLOBAL COMPACT OF THE UNITED NATIONS



4,490 HOURS OF TRAINING ON WORKER HEALTH AND SAFETY



91% OF EMPLOYEES USED THE "CORPORATE WELFARE" PORTAL



299.7 MILLION EURO THE ECONOMIC VALUE DISTRIBUTED



66 PART-TIME EMPLOYMENT CONTRACTS, EQUAL TO 7% OF THE TOTAL

WORKERS FROM 34 COUNTRIES



ACCIDENT SEVERITY INDEX REDUCED BY 61%, 0.44 TO 0.17



100% ELECTRICITY FROM CERTIFIED RENEWABLE SOURCES



OBTAINED THE OEKO-TEX CERTIFICATION

"DNA DIFFERENCE IN ADDITION" AWARD FOR THE "INCLUSION" PROJECT AS A NATIONAL BEST PRACTICE



55% OF SPENDING FOCUSED ON ITALIAN SUPPLIERS



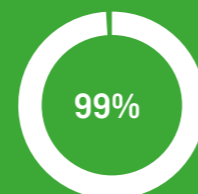
93.7% OF WASTE FOR REUSE, RECOVERY AND RECYCLING

CREATION OF REVIVA, THE PRODUCT THAT ENHANCES THE SCRAPS OF THE FINISHED LEATHER



-9% ENERGY CONSUMPTION INTENSITY IN THE PERIOD 2020-2022

99% OF EMPLOYEES WITH PERMANENT CONTRACTS



3 GRUPPO MASTROTTO

THE CONTEXT

CORPORATE GOVERNANCE

THE ORGANISATION OF THE COMPANY

SYSTEM AND PRODUCT CERTIFICATIONS

PARTICIPATION IN THE GLOBAL COMPACT

THE SUSTAINABILITY PLAN: HOW IT IS
PROGRESSING

3

GRUPPO MASTROTTO



Global positioning and Italian roots:
this is Gruppo Mastrotto today.

Technological innovation, ability to anticipate style trends, focus on customer needs, attention to the environment and the safety and health of workers have allowed Gruppo Mastrotto to become a global reference point.

The company, founded in 1958 by Santo and Bruno Mastrotto together with his father Arciso, is present in Italy with eleven production plants, which are joined by four others in Brazil, Indonesia, Tunisia and Mexico.

More than 2,200 people work in Gruppo Mastrotto; 1,052 in Italy and 1,200 abroad.



2022 revenues amounted to € 301.2 million, the result of a strategy aimed at covering all sectors of merchandise destination of leather thanks to:

- the broad technological, production and supply base
- the extreme capillarity of its commercial network that allows a global distribution of products.

In this evolutionary path, the sustainability report represents the instrument through which Gruppo Mastrotto:

- communicates its vision of the company, as a social institution capable of combining economic, social and environmental objectives
- gives an account of their work and future projects
- opens and articulates a communication channel with stakeholders.

3.1

THE CONTEXT



The Italian tanning industry plays a pivotal role in the international context of the fashion, car interior and home system supply chains.

Its turnover, estimated at just over €4.4 billion for 2022, represents about 66% of European turnover and 23% of global turnover.

The total production for 2022 was about 108 million square metres, a reduction of 2.6% compared to the previous year.

It is a sector characterised by small and medium-sized enterprises.

Almost all of them are located within three specialised industrial districts according to the type of leather processed and merchandise destination:

- Arzignano (Vicenza - Veneto), specialised in the processing of large bovine hides for furniture, car interiors and footwear
- Santa Croce sull'Arno and Ponte in Egola (Pisa - Tuscany), characterised by the processing of calfskin leather for leather goods and footwear
- Solofra (Avellino - Campania), known for processing sheep and goat skins for clothing.

Within the same tanning districts there are also chemical companies, machinery manufacturers, companies for the processing of tanning by-products, companies/service consortia that, together with tanneries, represent a unique offer system in the world.

The most recent 2022 estimates¹ show:

- an increase in production value of 7.3% compared to 2021
- a production of 108 million square metres, down 2.6% on an annual basis
- an increase in exports of 7.7%, which account for more than 70% of the sector's turnover
- a more marked slowdown for the furniture and car interiors sectors.

In 2022, the Italian tannery showed substantial increases during the first five months, and then recorded a production slowdown in the following months; a situation that continues even in the first months of 2023.

The decrease in demand reflects the economic consequences of the Russian-Ukrainian war and the health restrictions implemented in China (increase in the cost of raw materials and energy, inflation and decrease in purchasing power, reduction in consumption, etc.).

The table shows the trend of the main geographic markets of destination of the Italian tanned, comparing it with 2021 and 2019 (year before the COVID pandemic).

Country of destination	Δ 2022/2021	Δ 2022/2019
France	+33%	+19%
Romania	+6%	-7%
USA	+2%	-4%
China / Hong Kong	-11%	-29%
Portugal	+20%	+11%
Spain	+25%	+3%
Vietnam	-25%	-19%
Serbia	+43%	+33%
Germany	+2%	+3%
Tunisia	+38%	+9%

Sustainability is the pivot around which the Italian tanning industry will have to build its future to maintain its current global leadership.

The focus will remain on "historical" environmental matrices: water consumption and purification, waste production and management (in particular, sludge originating from water purification), emissions into the atmosphere from the final ennobling phases.

These issues will be accompanied, with increasing relevance, by the necessary contributions to:

- stopp and reverse the Route of Global Warming
- reduce environmental and social impacts along the supply chain
- guarantee traceability in the supply of raw hides by going further and further up the supply chain
- attract new generations and foster the professional growth of those who already work in this sector.

The Italian tannery must have the ability to look beyond its gates, improving the ability to interact with all the actors upstream and downstream of the sector; also to avoid being subjected to the imposition of rules developed by economic and institutional subjects with high decision-making power, but little knowledge of the peculiarities of this industry.

¹ Data source: UNIC 2023 Preliminary Statement

3.2

CORPORATE GOVERNANCE



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

The share capital is fully paid up and is divided between:

Partner	Number of shares
Gruppo Mastrotto Holding S.p.A.	479,998
Mastrotto Graziano	60,000
Azalea Srl	60,000
Mastrotto Bruno	1
Mastrotto Santo	1

3.2.1. GOVERNING BODIES

The governing bodies are:

the Shareholders' Meeting, which decides on matters reserved to it by law and by the Articles of Association in force, both in ordinary and extraordinary session.



the Board of Directors, endowed with the broadest powers for the ordinary and extraordinary management of the Company for the purpose of achieving the corporate purpose, is the body that approves the Sustainability Report and the sustainability plan, periodically verifying its correct implementation.



The composition of the Board of Directors reflects the composition of the shareholders and pays particular attention to the development of specific business skills, an essential aspect in light of the peculiarities of the tanning sector within different and differentiated global value chains.

As of 31/12/2022, the Board of Directors consists of 6 members and is composed as follows:

Load	Name / Surname	Gender
President and Chief Executive Officer	Chiara Mastrotto	F
Director	Giovanna Mastrotto	F
Chief Executive Officer	Graziano Mastrotto	M
Chief Executive Officer	Santo Mastrotto	M
Chief Executive Officer	Renata Sartori	F
Chief Executive Officer	Fabio Soldà	M

In particular:

- Chiara Mastrotto has power of attorney in the field of "Sustainability" and "Environment"
- Fabio Soldà has powers of attorney in matters of "Safety and Health of Workers", also configuring himself as an Employer pursuant to Legislative Decree no. 81/2008 that regulates this matter in Italy.

Any reports of critical situations are addressed to the Board of Directors or to the individual Delegated Directors through periodic reports by the Supervisory Body pursuant to Legislative Decree 231/01, the Company Official with responsibility for the environment, the Head of the Prevention and Protection Service, the Sustainability Manager.

In 2022, a training course on climate change and possible impacts on business management was activated, with the aim of providing the Board of Directors with coordinates on the possible scenarios in which the company will operate.

Another training activity was then added regarding the evolution of global supply networks, an important aspect given the Gruppo Mastrotto's membership in global value chains in the automotive, fashion and home system sectors.

In addition to developing skills in the field of sustainability, this path will help the Board of Directors to identify and evaluate possible ways to assess its performance in the field of sustainability.

3.2.1 CONTROL BODIES

The main control bodies are:



the Board of Statutory Auditors and the Supervisory Body pursuant to Legislative Decree 231/2001.

As of 31/12/2022, the Board of Statutory Auditors is composed of:

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

The company auditing the economic and financial statements is EY Spa.



The Supervisory Body is within the regulatory framework provided by Legislative Decree 231/2001 which regulates the administrative liability of legal persons. This provision provides, for the purpose of excluding liability for offences against the company:

- adoption and effective application of an "Organisation, Management and Control Model" (MOG), with which Gruppo Mastrotto has been equipped for years
- establishment of a Supervisory Body (SB) with the purpose, among others, of supervising the correct application of the provisions of the aforementioned model.

As of 31/12/2022, the Supervisory Body pursuant to Legislative Decree 231/01 consists of:

Load	Name
President	Nevio Dalla Valle
External Member	Francesco Falavigna
Internal Member	Massimo Lechthaler

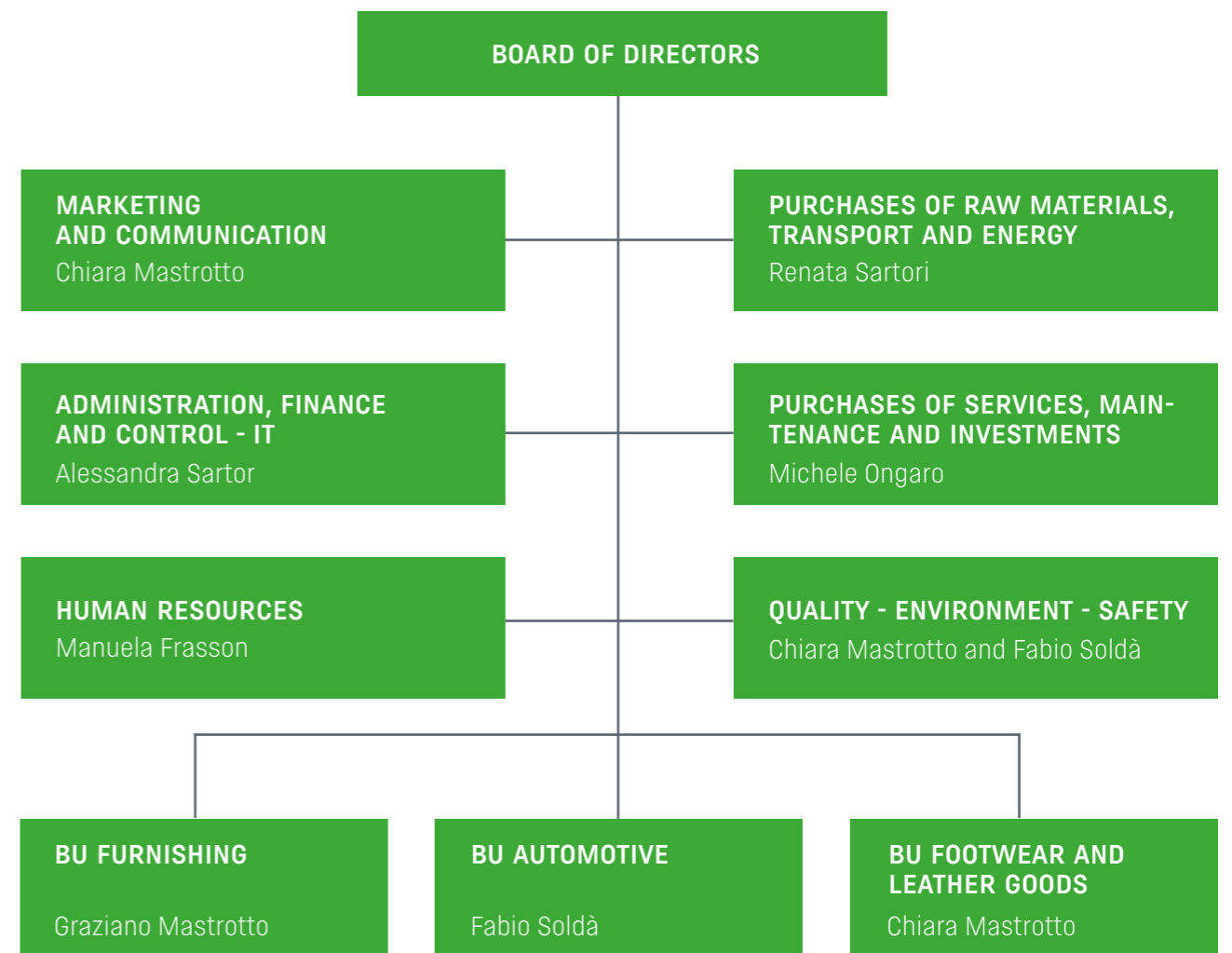
3.3

THE ORGANISATION OF THE COMPANY

The organisational structure of Gruppo Mastrotto has as its main reference the Board of Directors to which the following refer:

- three Business Units specialised by product segment: footwear/leather goods, furniture and automotive
- a range of general support services, at corporate level: administration/finance/control, purchasing, investments and maintenance, human resources, marketing and communication, quality/environment/security.

Below is the organisational structure as of 31/12/2022



3.4

SYSTEM AND PRODUCT CERTIFICATIONS

System and product certifications have a dual value:

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

Certifications are an instrument of cultural and organisational evolution that represent a tangible value both for Gruppo Mastrotto and for customers, employees, territory and 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



CRANE 001
LWG Gold Rated
Environmental Protocol

Product certifications



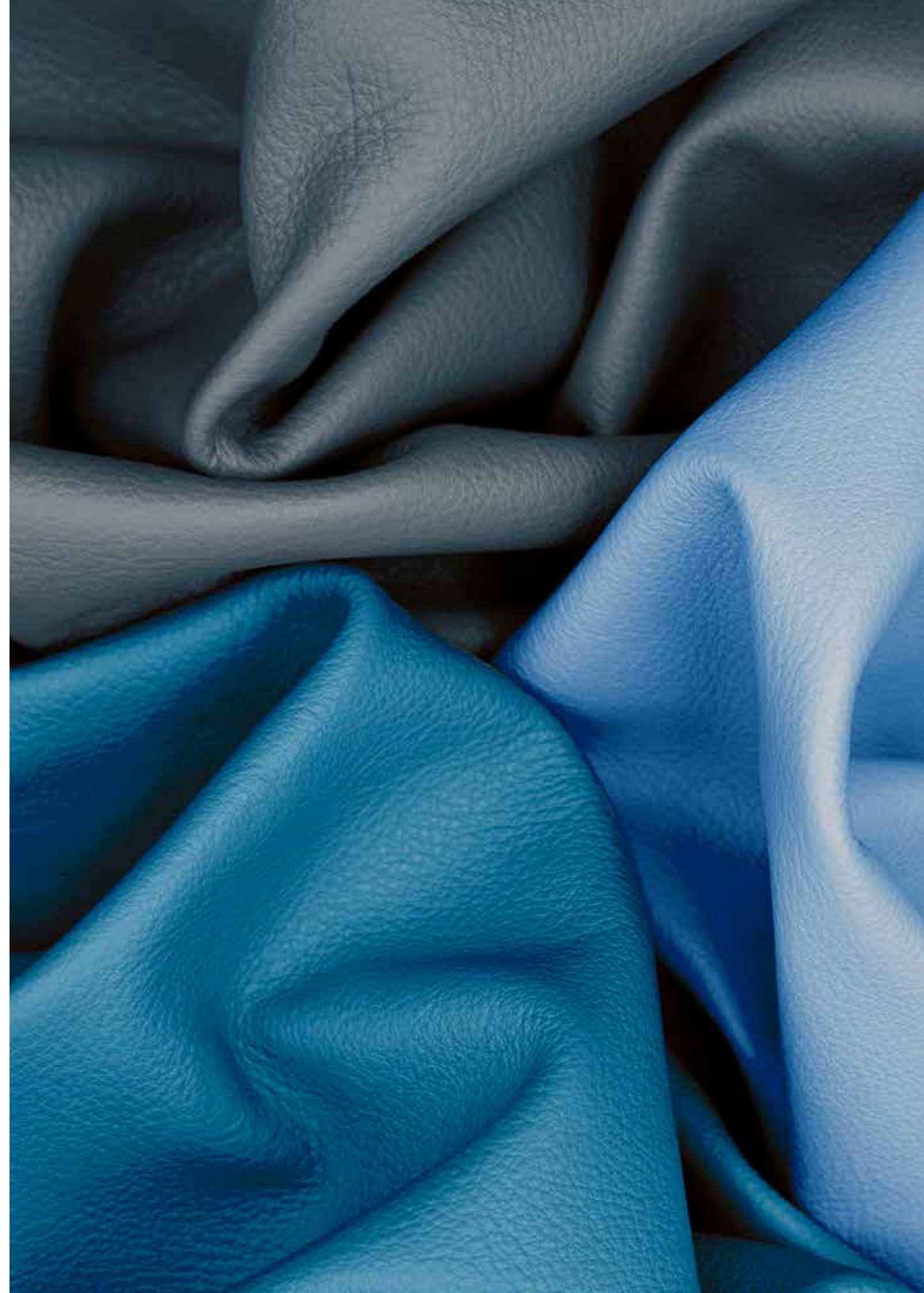
Der Blauer Engel



USDA



OEKO-TEX®



3.5

PARTICIPATION IN THE GLOBAL COMPACT



United Nations Global Compact

The United Nations Global Compact is the world's largest strategic corporate citizenship initiative.

It was proposed by former UN Secretary-General Kofi Annan to promote a global economy that respects human and labour rights, protects the environment and fights corruption. A cooperative approach to address the most critical aspects of globalisation, involving the business world in order to align their objectives with those of the international community. To date, almost 22,000 organisations from more than 160 countries have joined the Global Compact with the aim of creating a new reality of global collaboration.

Gruppo Mastrotto joined the Global Compact in September 2022, convinced that sustainable, balanced and inclusive development requires an economy based on solid ethical foundations, respectful of human dignity and the environment.

This commitment runs along a path that began with the publication:

- of the company's code of ethics, renewed in 2021 to meet the changing expectations of stakeholders in the face of an increasingly complex and difficult-to-decipher global context
- of the code of conduct for suppliers, drawn up in 2021, the first step to involve the supply chain in a path that is increasingly attentive to environmental, social and ethical aspects.

Joining the Global Compact entails a concrete commitment to share, support and apply ten fundamental principles in its action:



HUMAN RIGHTS

1. Promote and respect universally recognised human rights within their respective spheres of influence
2. Ensure that they are not, albeit indirectly, complicit in human rights abuses



WORK

3. Supporting workers' freedom of association and recognising the right to collective bargaining
4. Eliminate all forms of forced and compulsory labour
5. Effectively eliminating child labour
6. Eliminate all forms of discrimination in employment and occupation



ENVIRONMENT

7. Support a preventive approach to environmental challenges
8. Initiatives that promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies



FIGHT AGAINST CORRUPTION

10. Commit to fighting corruption in all its forms

3.6














THE SUSTAINABILITY PLAN: HOW IT IS PROGRESSING

The structured approach to sustainability issues has led to the drafting and approval by the Board of Directors of a Sustainability Plan developed over a multi-year period in order to give broad and coordinated prospective visibility to the business path started.

The plan is reviewed every six months, in order to evaluate its evolution and identify any corrective and supplementary interventions. The review of the plan is also an opportunity to communicate possible

critical situations.

The table below summarises the progress of the various initiatives, while for details see the following chapters in which the progress of individual projects will be discussed in more detail.

Sustainable Development Goal	Project description	Time development				Progress				
		2022	2023	2024	2025	20%	40%	60%	80%	100%
 	Creation of a management and communication system for product climate footprints according to ISO 14067 and EPD Process standards	████████████████████				████████████████████				
	Determination of the organisation's climate footprint according to the ISO 14064-1 standard and emission reduction plan consistent with the Paris 2015 agreements	████████████████████				████████████████████				
	Design, implementation and certification of an energy management system in accordance with ISO 50001		████████████████████			████████████████				
	Design, implementation and certification of a management system for the safety and health of workers in accordance with ISO 45001	██				████████████████				
	Innovation based on people. Training course to introduce 5S methodologies, continuous improvement and lean management	██				████████████████				
	Accession to the United Nations Global Compact	████████████████				██				
 	Implementation of a specific protocol for the selection and assessment of fur suppliers according to "ESG / Traceability / Animal Welfare" criteria	████████████████████				████████████████████				
 	Development of a system for monitoring and periodically rating the environmental and social performance of leather suppliers		████████████████████			████████████████				
 	Research and Development of new tanning technologies through the use of waste from agricultural and/or agro-industrial supply chains		████████████████████			████████████████████				

4 APPROACH TO SUSTAINABILITY

IDENTIFY AND MAP STAKEHOLDERS

MATERIALITY ANALYSIS: UNDERSTANDING THE CONTEXT AND IDENTIFYING IMPACTS

ASSESSMENT OF THE IMPORTANCE OF THE TOPICS IDENTIFIED

4

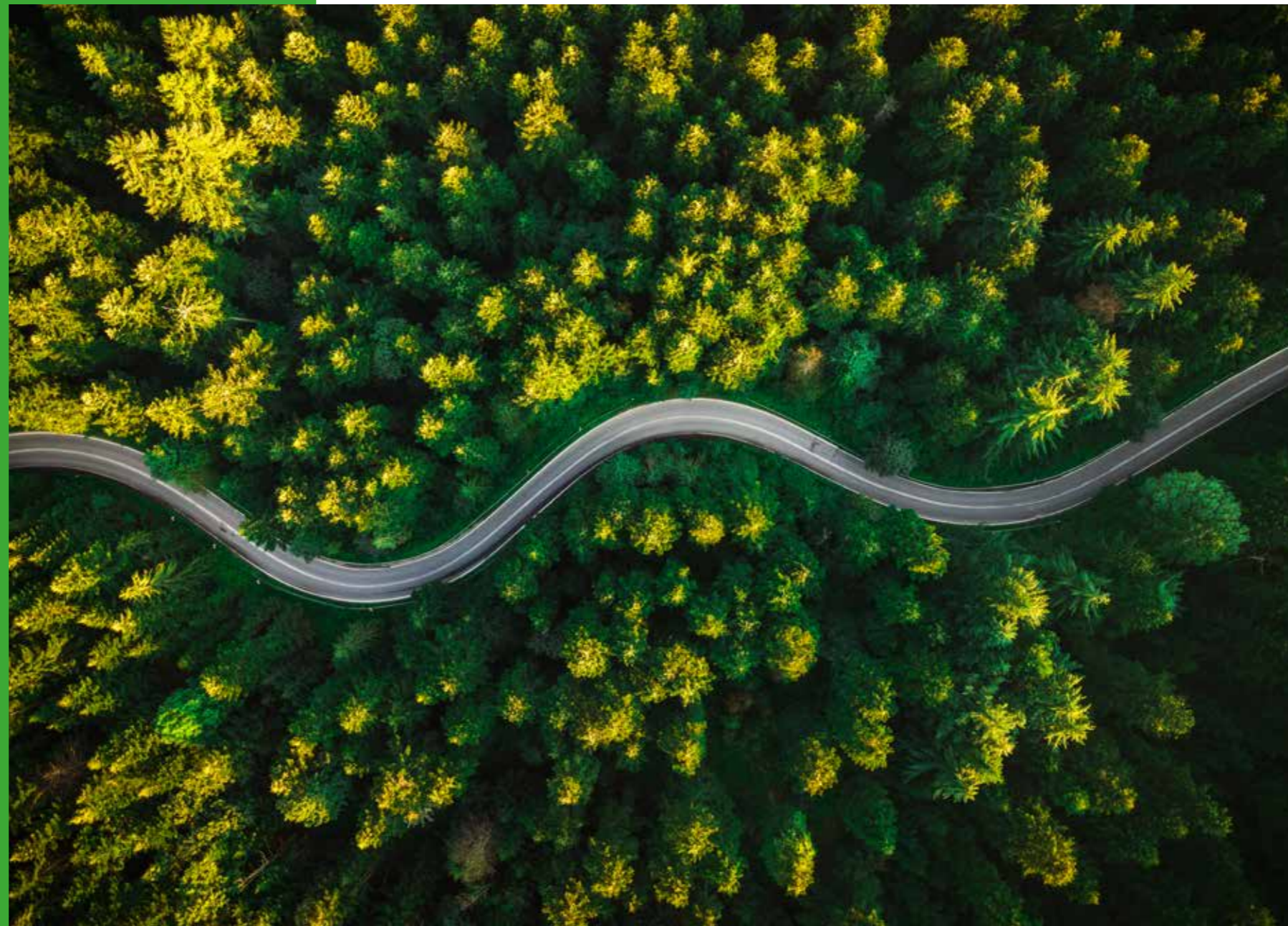
SUSTAINABILITY APPROACH

The path taken in recent years is directing Gruppo Mastrotto towards a more articulated and structured perspective towards the issues related to "Sustainability".

» More comprehensive and effective decision-making, strategic and operational processes that also include environmental, social and governance dimensions.

» Dissemination and more widespread transmission within the organisation of these topics.

This approach guarantees that evolution and organisational maturity fundamental for the effective transition towards a business model increasingly in line with the current context and in the future.



2022 in particular saw an adaptation of the process of identifying relevant issues, in light of the new universal standards of the Global Reporting Initiative (GRI Universal Standard 2021).

In particular, Universal Standard 3 (GRI 3 - Material Topics) asks companies to redefine the materiality analysis process. They are asked to identify the aspects on which they generate the most significant impacts from an economic, environmental and social point of view, including human rights.

The path is illustrated in the following paragraphs.

4.1

IDENTIFY AND MAP STAKEHOLDERS

The materiality analysis was preceded by a reconsideration of stakeholder mapping methods for the purpose of clearer communication.

Stakeholder refers to individuals / groups / institutions that influence or are influenced by an organisation and its activities.

In the last edition of the Sustainability Report, Gruppo Mastrotto had identified and mapped its stakeholders according to a double criterion:



influence

ability of the stakeholder to influence the achievement of the objectives of Gruppo Mastrotto.



dependency

degree of dependence of the stakeholder on Gruppo Mastrotto in achieving its objectives.

A useful map had emerged to direct the attention and strategic choices of Gruppo Mastrotto in order to favour the achievement of company objectives, in compliance with the expectations and rights of significantly influenced stakeholders.

In this edition of the Sustainability Report, in view of greater consistency with the new GRI Universal Standards that focus on the economic, environmental and social impacts of a company, a more immediate representation was preferred that highlights the stakeholders that can be impacted by the company's activity.



The representation is illustrated below:



4.2

MATERIALITY ANALYSIS: UNDERSTANDING THE CONTEXT AND IDENTIFYING IMPACTS

To understand the possible evolution of the context in which Gruppo Mastrotto will operate in the coming years, several tools have been activated:

- » analysis of documents from public sources (EU Commission, Eurostat, OECD, ISTAT, Bank of Italy, ...)

- » analysis of a sample of sustainability reports of the main customers (fashion brands, car manufacturers and multinationals of the home system)

- » meetings with the top management lines of the Gruppo Mastrotto in relation to the following areas: general management, sales, marketing and communication, production, procurement, administration/finance/control, human resources, worker health and safety, environment and quality

- » meetings with NGOs, customers and suppliers

- » examination of the policies adopted by the main customers and suppliers regarding: worker health and safety, environment, ethics and information security

- » monitoring of specific websites of the leather supply chain (La Conceria, Leather Naturally, One4Leather, Unione Nazionale Industria Conciaria, Euroleather, Istituto di Certificazione per l'area pelle, Associazione Italiana Chimici del Cuoio, Stazione Sperimentale Industria Pelli, ...)

- » monitoring of websites of organisations focused on sustainability issues

- » analysis of international / sectoral / professional codes of conduct

List of themes with positive impacts

- Creation and distribution of economic value to the organisation's stakeholders
- Generation and development of a local economic sector
- Systematic management of ESG business risks
- Use of energy from renewable sources
- Product and process innovations to reduce resource consumption and environmental impact
- Improvement of the psycho-physical well-being of workers (well-being)
- Recovery of process waste so that it becomes useful materials for other industrial sectors
- Development of skills / retraining of company personnel
- Development of skills and awareness of workers in the field of safety and health
- Development and cohesion of the local community
- Transparency of information along the supply chain
- Enhancement of the skin as an up-cycling by-product of the food industry

List of themes with negative impacts

- Environmental and social impacts along the supply chain as a function of the necessary inputs
- Impact on global warming
- Use of energy from non-renewable sources
- Depletion of water resources
- Injuries and accidents at work in the company
- Accidents at work along the supply chain
- Air pollution from tanning activities
- Pollution of bodies of water into which tanning water is discharged after purification
- Insufficient awareness of the current evolution of workers' expectations
- Occupational diseases attributable to tannery work
- Waste production
- Lack of attractiveness to new generations

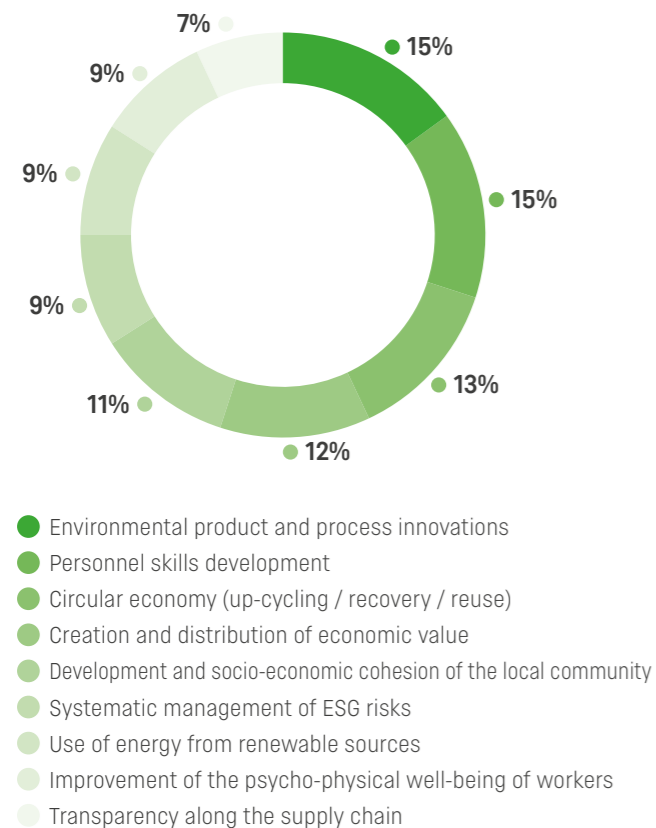
4.3

ASSESSMENT OF THE IMPORTANCE OF THE TOPICS IDENTIFIED

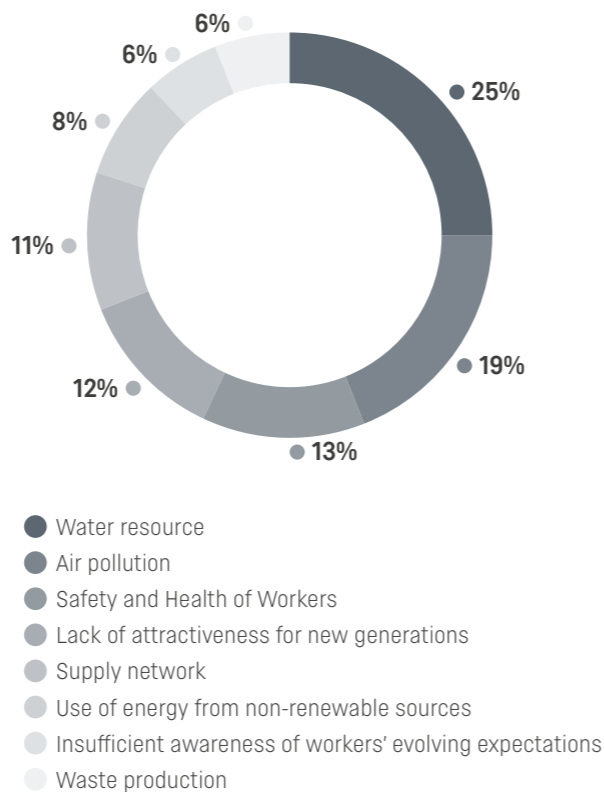
The topics identified were submitted to the evaluation of the members of the Board of Directors and of all the first and second management lines, for a total of about 30 people. Each individual was asked to evaluate the 6 most relevant topics in terms of positive impacts and the 6 most relevant topics in terms of negative impacts. The themes were ordered in terms of the decreasing frequency of reporting; some themes were unified for the purpose of a clearer understanding of the business impacts and management methods implemented by Gruppo Mastrotto. As an example, the themes "Development of skills / Redevelopment of company personnel" and "Development of skills and awareness of workers in the field of safety and health" have been merged into the item "Development of personnel skills".

The first five impacts for each macrocategory were considered "material". The graphs show the main results.

Materiality analysis re-aggregation of positive impacts



Materiality analysis re-aggregation of negative impacts



Among the positive impacts, the analysis highlights:

- the role that Gruppo Mastrotto can play in identifying technological and organisational solutions aimed at reducing the consumption of natural resources, also through possible collaborations with research centres and universities; this assessment is counterbalanced by the awareness of the negative impacts related to the use of water and potential water pollution, which represent the most frequently reported negative impact
- the importance that Gruppo Mastrotto has in the human and professional development of its employees, with particular attention to safety and health in the workplace; the analysis also seems to highlight a "sort of expectation" towards the company also for the purposes of the psycho-physical well-being of workers, which is understandable, taking into account:
 - time spent by people in the workplace
 - expansion of the functions carried out by companies in recent years towards workers, sometimes replacing the services of the Public Administration; evolution that has consolidated specific expectations on the part of workers towards the organisation
- the need to enhance the environmental and social role of the tannery, which recovers and enhances a by-product of the food industry and generates other process by-products that become primary inputs for the production of fertilisers, biostimulants, building materials and much more
- the ability of Gruppo Mastrotto to generate shared value for all its stakeholders, becoming the primary actor for the socio-economic development of the district

In terms of negative impacts, the data indicate, in addition to what has already been indicated for water:

- the need to maximise efforts in organisational, technological and training terms to eliminate accidents at work; the focus on occupational diseases seems to indicate the need to pay attention also to issues that do not immediately manifest their effects, but over the years
- the impact that the company can have on air pollution, both on a local scale in relation to emissions from its own chimneys, and on a wider scale through the potential impact on global warming
- the importance of increasingly developing a supply chain approach, which goes beyond the company gates, both literally and figuratively; adopting a conduct that contributes to the improvement of the socio-environmental conditions of the supply chain and to the reduction of the risks associated with it
- finally, the potential difficulty in finding qualified personnel in the coming years due to the low attractiveness of the tanning sector towards the new generations

5 PEOPLE

ABOUT US

HEALTH AND SAFETY OF WORKERS

TRAINING AND ENHANCING THE VALUE
OF PEOPLE

A RENEWED AND PARTICIPATORY
CORPORATE WELFARE

CONSTRUCTIVE TRADE UNION
RELATIONS

THE "OCCUPATIONAL AND SOCIAL
INCLUSION" PROJECT RECOGNISED AS
A NATIONAL BEST PRACTICE

ART TO REMIND US THAT DIVERSITY IS
WEALTH



People are and make the company.
It is essential to preserve their integrity, promote their personal and professional development in a serene and stimulating environment, and facilitate their access to goods and services for the family.



5.1 ABOUT US

At the end of 2022, there were **948** employees, in line with the figure for the previous year.

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

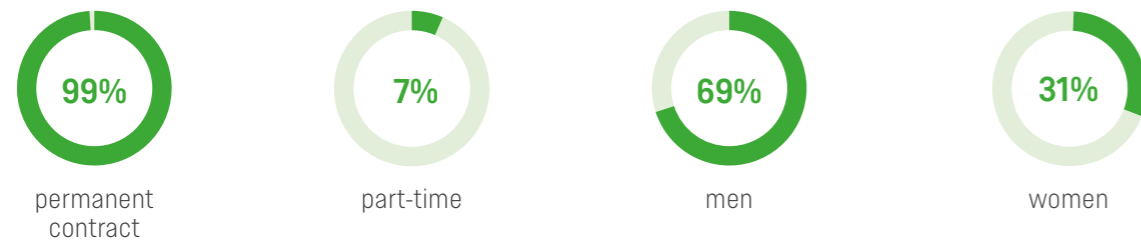
Description	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees permanent contract	661	293	954	637	291	928	651	285	936
- of which part-time	6	56	62	5	57	62	6	60	66
Employees fixed term contract	7	0	7	15	2	17	1	2	3
- of which part-time	0	0	0	1	0	1	0	0	0
Employees - other contractual forms (apprenticeship)	2	0	2	5	2	7	5	4	9
Total workers Gruppo Mastrotto Spa employees	670	293	963	657	295	952	657	291	948
	70%	30%	100%	69%	31%	100%	69%	31%	100%
Workers with a supply contract (FTE calculation)	83	8	91	80	11	91	92	12	104
	91%	9%	100%	88%	12%	100%	88%	12%	100%
Total workers Gruppo Mastrotto Spa	753	301	1,054	737	306	1,043	749	303	1,052
	71%	29%	100%	71%	29%	100%	71%	29%	100%

99% of workers have a permanent contract; this percentage is a good indicator of the attention paid to the need for job security and stability.

Compared with the previous year's data, a slight increase can be noted in the number of workers with the administered employment ratio, which is 104.

There are 66 part-time contracts, of which 60 are for women; there is a slight increase compared to 2021. They represent about 7%, indicating the desire to promote an effective balance between work and family.

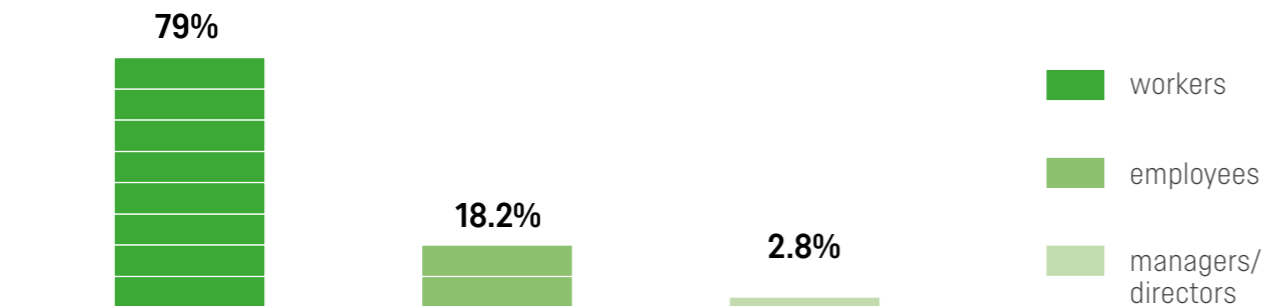
69% of employees are male, 31% female; a percentage that remains constant over the years.



Workers represent 79% of the employees, confirming the typical manufacturing nature of the tanning industry. Employees (18.2%) and managers/executives (2.8%) follow.

Distribution of employees by gender and category (absolute values)

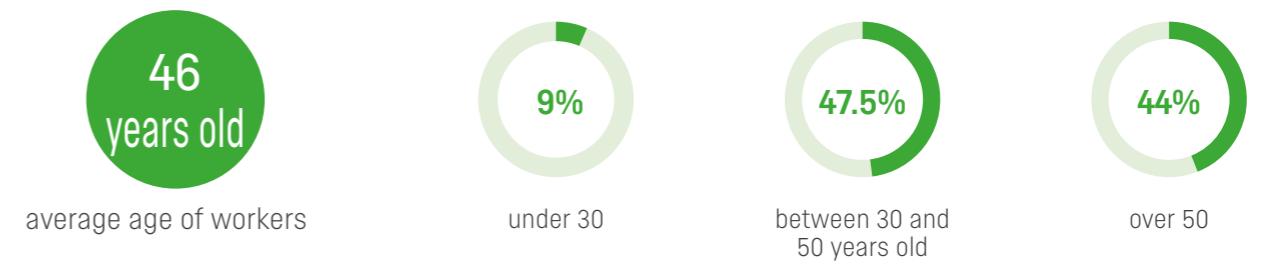
Description	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Number of executives	5	3	8	5	3	8	4	3	7
Number of managers	13	5	18	14	5	19	16	4	20
Number of employees	81	93	174	82	93	175	81	91	172
Number of workers and intermediates	571	192	763	556	194	750	556	193	749
Total workers	670	293	963	657	295	952	657	291	948



The National Collective Labour Agreement (CCNL) for employees of tanning companies applies to all workers, valid from 1 November 2019 to 30 June 2023; the CCNL of managers of industrial companies applies to directors.

The average age of employees is just over 46 years, a value that remains constant during the last reporting periods. There are no significant differences between men and women. Employees under 30 are 82 (9% of the workforce), down slightly compared to 2021; 450 belong to the age group 30-50 years (47.5% of the total) and the remaining 44% are older than 50 years.

There is a slight increase in the weight of the master class higher than the median:



Distribution of workers by gender and age group (% values)

Age group	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	56	22	78	64	24	88	60	22	82
30-50 years old	315	165	480	304	160	464	303	147	450
>50 years old	299	106	405	289	111	400	294	122	416
Total	670	293	963	657	295	952	657	291	948

The average working seniority is over 13 years, substantially equal to 2021. For women, it amounts to over 15 years and for men it is almost 12 years.

The data seems to indicate a sense of belonging to the company and reveals the image of a positive and collaborative working environment.

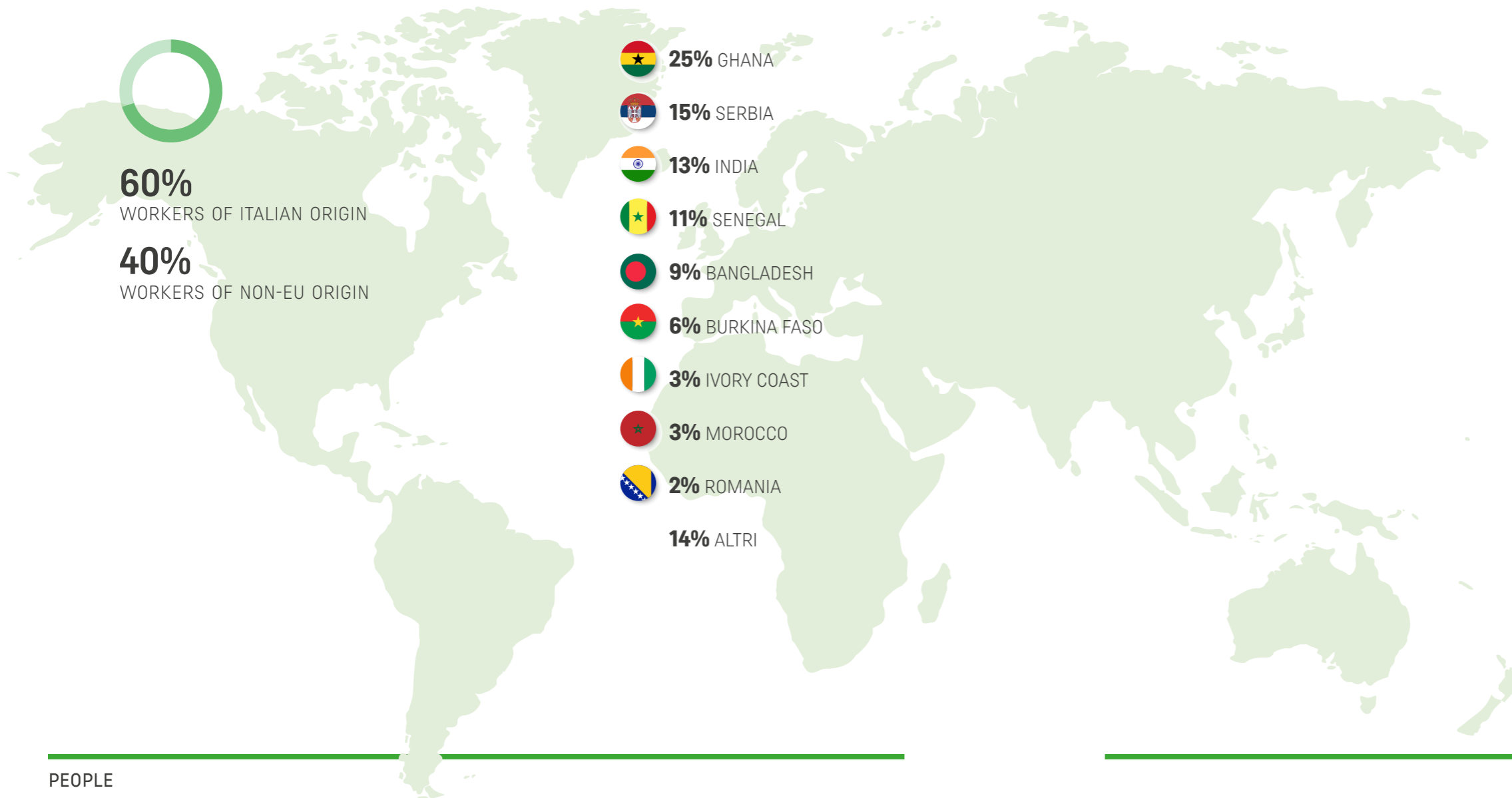


Of the 948 employees of Gruppo Mastrotto, 342 are of foreign origin and come from 34 countries.

The largest communities of foreign-born workers are represented by people from Ghana (25%), Serbia (15%), India (12%), Senegal (11%) and Bangladesh (9%). These workers are mainly employed in the production sector.

Distribution of workers by gender and area of origin (absolute values)

Age group	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Italy	410	235	645	396	234	630	375	231	606
European Union	6	8	14	6	11	17	7	9	16
Non-EU	254	50	304	255	50	305	275	51	326
Total	670	293	963	657	295	952	657	291	948



The number of people who left Gruppo Mastrotto in 2022 was 91, 9 more than in 2021. They represent 9.5% of the workforce.

Distribution of workers who have left work, voluntarily or involuntarily, by gender and age group (absolute values)

Age group	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	10	2	12	20	2	22	17	5	22
30-50 years old	21	4	25	27	2	29	34	11	45
>50 years old	26	8	34	27	4	31	18	6	24
Total	57	14	71	74	8	82	69	22	91

People aged 30-50 are almost 50% of those who left the company in 2022 and represent about 10% of the total workers belonging to that age group.

There are 22 workers under the age of 30 who have terminated their employment, or 25% of workers belonging to this age group.



During 2022, 87 workers were hired, 49 of whom are in the 30-50 age group. Following with 28 new hires are workers belonging to the age group under 30 years.



Distribution of workers hired for the first time by gender and age group (absolute values)

Age group	as of 31.12.2020			as of 31.12.2021			as of 31.12.2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
<30 years old	4	1	5	34	5	39	22	6	28
30-50 years old	12	2	14	21	4	25	37	12	49
>50 years old	2	1	3	5	0	6	9	1	10
Total	18	4	22	61	9	70	68	19	87

employees under 30 who joined the company are more than a third of those belonging to that class at the end of 2022

employees aged 30-50 who joined the company are about 11% of workers belonging to this class, double compared to 2021

Looking at the company's management figures, at the end of 2022 there were 27 managers and executives, equal to 2.8% of the workforce. The average age of the middle managers is just over 50 years, that of the managers is 56 years. The distribution by gender of the management personnel highlights that female managers and managers represent just under 30% of the total.

Proceeding with the analysis, it is observed that of the 7 managers, 3 are female and are in the 30-50 range; male managers all belong to the next age group. An atypical situation in the Veneto context, representing an evolutionary trend of Gruppo Mastrotto towards a policy of equal opportunities.

Also confirmed by the composition of the Board of Directors that sees perfect gender equality among the 6 directors.

5.2

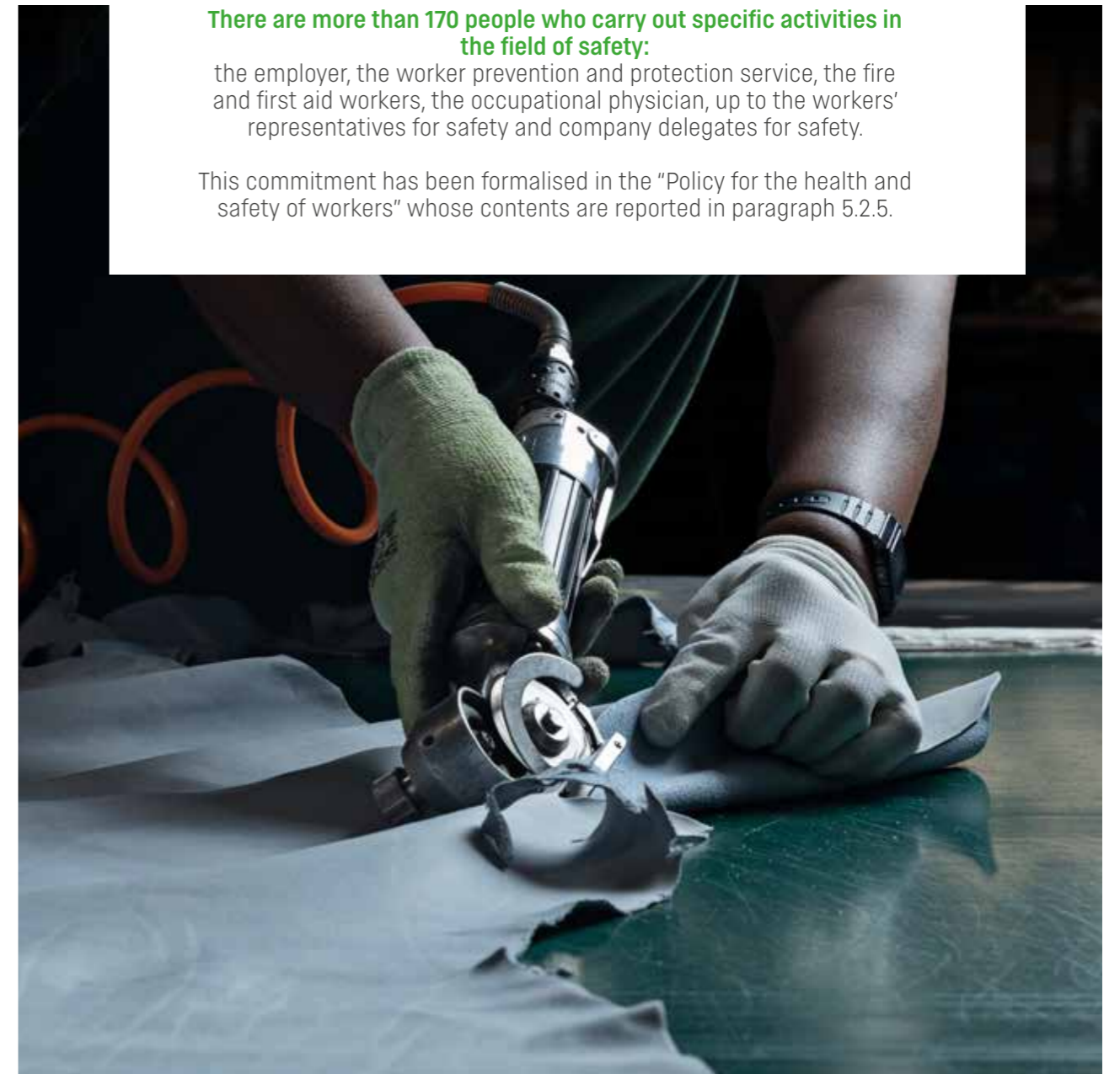
HEALTH AND SAFETY OF WORKERS

Gruppo Mastrotto considers the safety of workers to be a fundamental element of proper business management.

There are more than 170 people who carry out specific activities in the field of safety:

the employer, the worker prevention and protection service, the fire and first aid workers, the occupational physician, up to the workers' representatives for safety and company delegates for safety.

This commitment has been formalised in the "Policy for the health and safety of workers" whose contents are reported in paragraph 5.2.5.



5.2.1 THE SUSTAINABILITY PLAN: THE ISO 45001 PROJECT

The commitments assumed in the Policy for the Safety and Health of Workers are the reference to the project activities provided for in the company's Sustainability Plan.

It provides for the certification of Italian plants according to the international voluntary standard ISO 45001, based on a three-year programme whose essential elements are shown in the graph below.

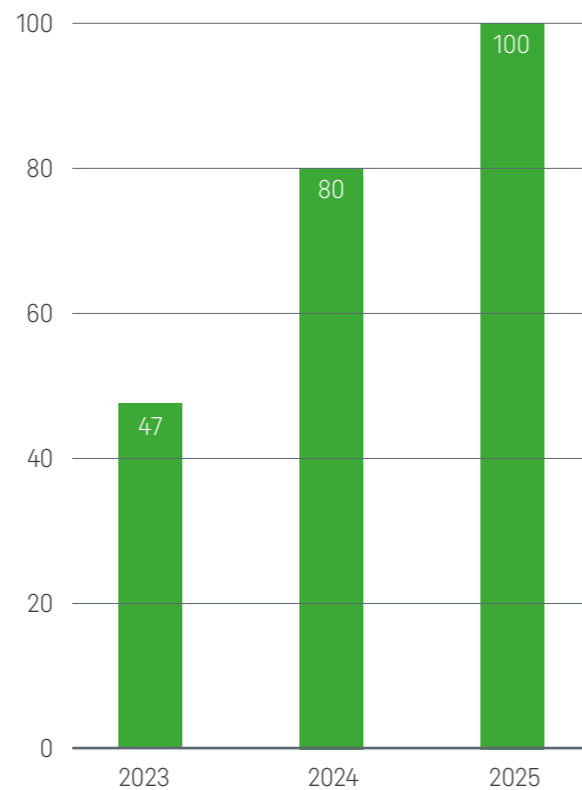
In relation to the project envisaged in the "Corporate Sustainability Plan", the main activities were:

conducting a "gap analysis" that allowed to identify the points on which to work to meet the requirements of the aforementioned standard

the formalisation of the context analysis and stakeholder expectations, conducted with the involvement of various stakeholders

the renewal of the company health protocol, with an extension of the examinations to have a more complete picture of the health conditions of employees

Percentage distribution of workers covered by ISO 45001 Management System

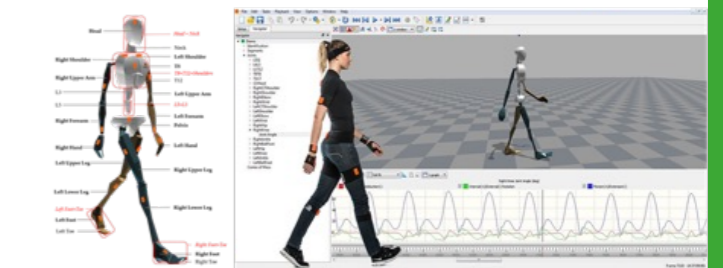


5.2.2 INNOVATIVE TECHNOLOGIES FOR RISK ASSESSMENT

The update of the risk assessment for repeated movements was carried out during 2022, adopting a particularly innovative approach in which recourse was made to:

- detections carried out by means of specific sensors capable of recording the movements of workers by transferring their data to another application
- video recording of significant samples of the activities and collection of further data for subsequent updating of the risk indices
- computerised analysis of movement and posture aimed at calculating indicators relating to the correctness of the postures adopted during work
- calculation of risk indices
- preparation of specific materials for training.

This activity has allowed us to acquire a scientifically robust and articulated cognitive framework, which will make it possible to identify the appropriate organisational, training and technological interventions to minimise the risks to the health of workers.



5.2.3 TRAINING TO WORK CONSCIOUSLY

4,500
hours of safety training

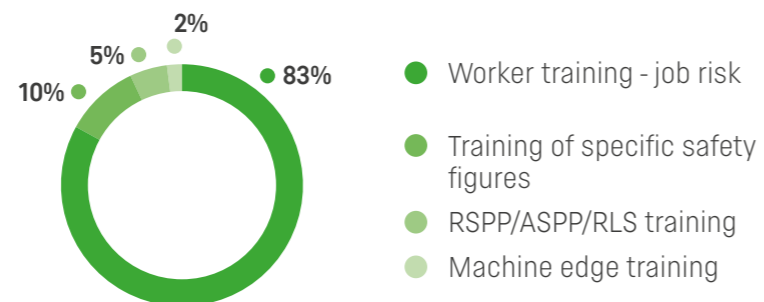
2022 saw a significant commitment to training people in safety. There were almost 4,500 hours to acquire greater competence and awareness on the part of workers in terms of safety and health of workers; in particular those of the production area to which more than 4,100 hours of training were allocated.

Adopting a more participatory and engaging approach: not only lectures, but also group activities and analysis and evaluation activities carried out independently by individuals.

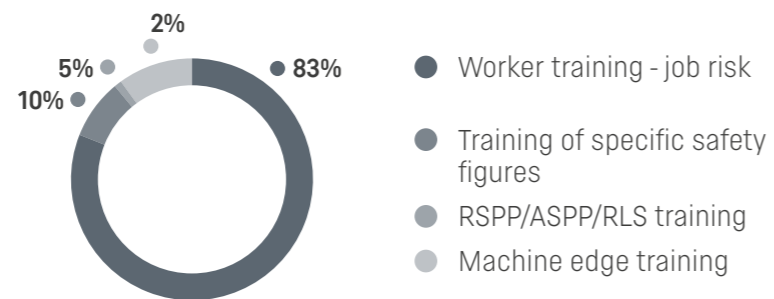
In particular, training on occupational safety and health covered:

- specific job risk,
- first aid and firefighting,
- use of the defibrillator,
- use of industrial trucks and cranes,
- the role of security officers and managers,
- communication on safety issues. We have already mentioned this in the previous pages.

Distribution of training hours by macro-activity



Percentage of people involved by macro-activity

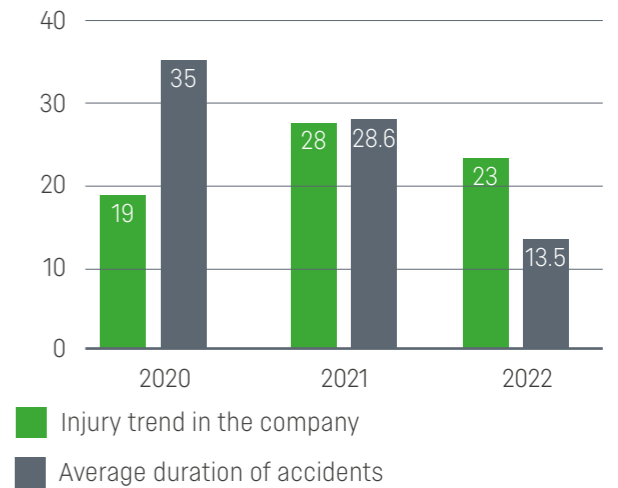


5.2.4 ACCIDENT STATISTICS

The accident statistics summarise all the events included in the company register, according to the regulations in force, including those less than three days away.

In 2022, there were 23 total injuries. There is a reduction compared to 2021 and a greater value in relation to 2020, a year however characterised by the Covid pandemic and the related reduction in work activities.

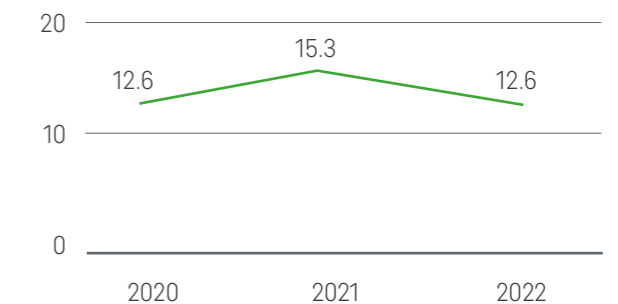
The average duration of accidents is also down to around 13.5 days, a substantial decrease compared to the previous two years.



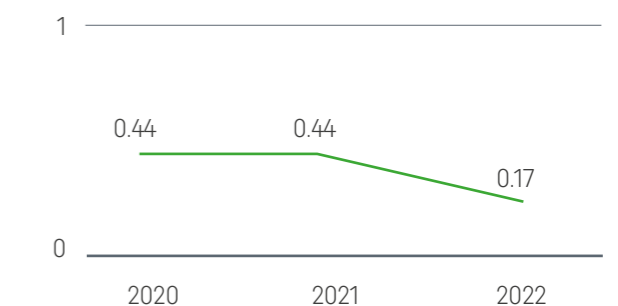
The rate of recordable accidents at work² decreased compared to 2021, from 15.3 to 12.6; it is in line with the 2020 figure.

The severity index³ also fell, settling at a value of 0.17, compared to 0.44 which had characterised the previous two years.

Accident rate at work



Severity index



² The recordable accident rate at work indicates the number of accidents per million hours worked and is calculated by the following formula: (n° accidents / n° hours worked) * 1,000,000

³ The severity index indicates the ratio between the number of days of absence and the number of hours worked, multiplied by 1,000 and is calculated by the following formula: (n° days of absence / n° hours worked) * 1,000

5.2.5 WORKER HEALTH AND SAFETY POLICY



People are the heart and engine of the company

Gruppo Mastrotto considers it essential to preserve its physical and moral integrity, promoting its personal and professional development in a safe, serene and stimulating environment.

Attention to the safety and health of workers is therefore an essential feature of proper business management, which is manifested through the adoption of a systemic approach to management.



In particular, Gruppo Mastrotto undertakes to:

- » scrupulously comply with the applicable laws and regulations, in addition to the voluntary commitments assumed in the field of Health and Safety of Workers;
- » minimize the risks to the safety and health of workers through a systematic risk assessment and the consistent implementation of the most appropriate technical, organisational and personal protection measures
- » promote the improvement of the results related to the safety and health of workers in all company areas by defining objectives, identifying responsibilities and providing the necessary resources
- » research and apply the best available technologies in the field of: plants, machinery and equipment; chemicals management; fire protection, quick response in case of emergencies and accidents
- » design and implement appropriate forms of work organisation both at the departmental and individual workstation levels, in order to balance the psychological and physical needs of workers as well as production needs
- » provide workers with adequate personal protective equipment
- » promote workers' awareness through awareness-raising, information and training programmes
- » activate pathways of gradual and increasing participation and involvement of workers in risk assessment, prevention and protection measures, education and training programmes
- » prevent and correct any dangerous situation, promoting its reporting and systematically implementing the analysis of the causes
- » carry out periodic audits of the system to verify its effectiveness and correct implementation
- » promote and monitor the adoption of correct behaviours by suppliers and contractors, encouraging them to improve their practices and procedures regarding the safety and health of workers
- » develop and maintain active and up-to-date plans to deal with emergency situations, in collaboration with the appropriate services and local authorities
- » communicate this policy to workers and make it available to all stakeholders to create an environment conducive to achieving the goals set
- » periodically review the Policy and Management System for the Safety and Health of Workers, in order to evaluate its appropriateness, correctness and effectiveness in order to obtain continuous improvement

5.3 TRAINING AND ENHANCING THE VALUE OF PEOPLE

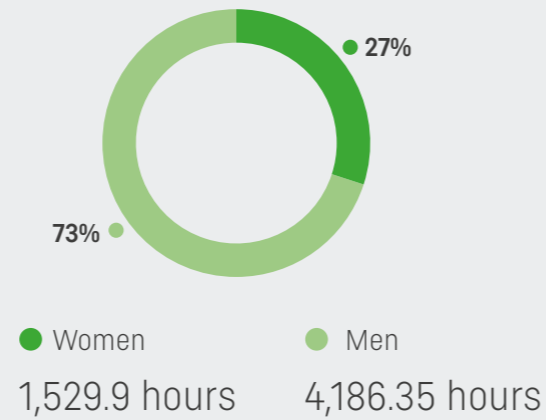
Training and education are essential aspects for the personal and professional development of those who work in Gruppo Mastrotto. The training needs:

- are planned through the involvement of functional managers who, with the support of the human resources area, identify the topics on which to direct training activities
- converge in the annual training plan developed by the personal manager and approved by the company management.

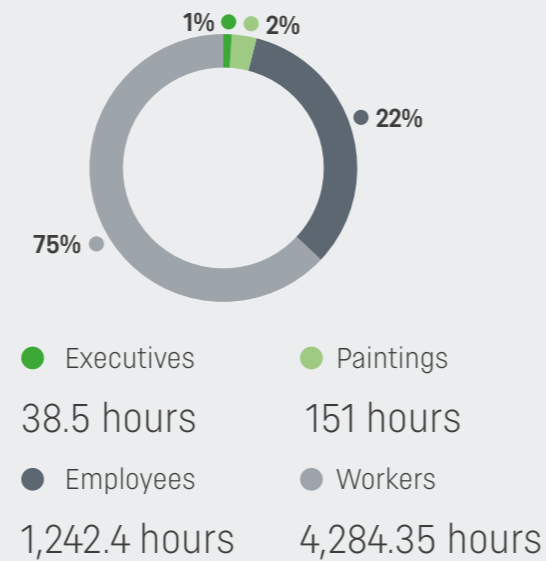
During 2022, the total hours of training recorded were **5,717**, equal to 6 hours/person.

The data underestimates the actual training effort carried out by the company, as the formal registration system of all training activities is not yet fully operational.

The distribution of training by gender is broadly in line with the percentage of workers within the company.

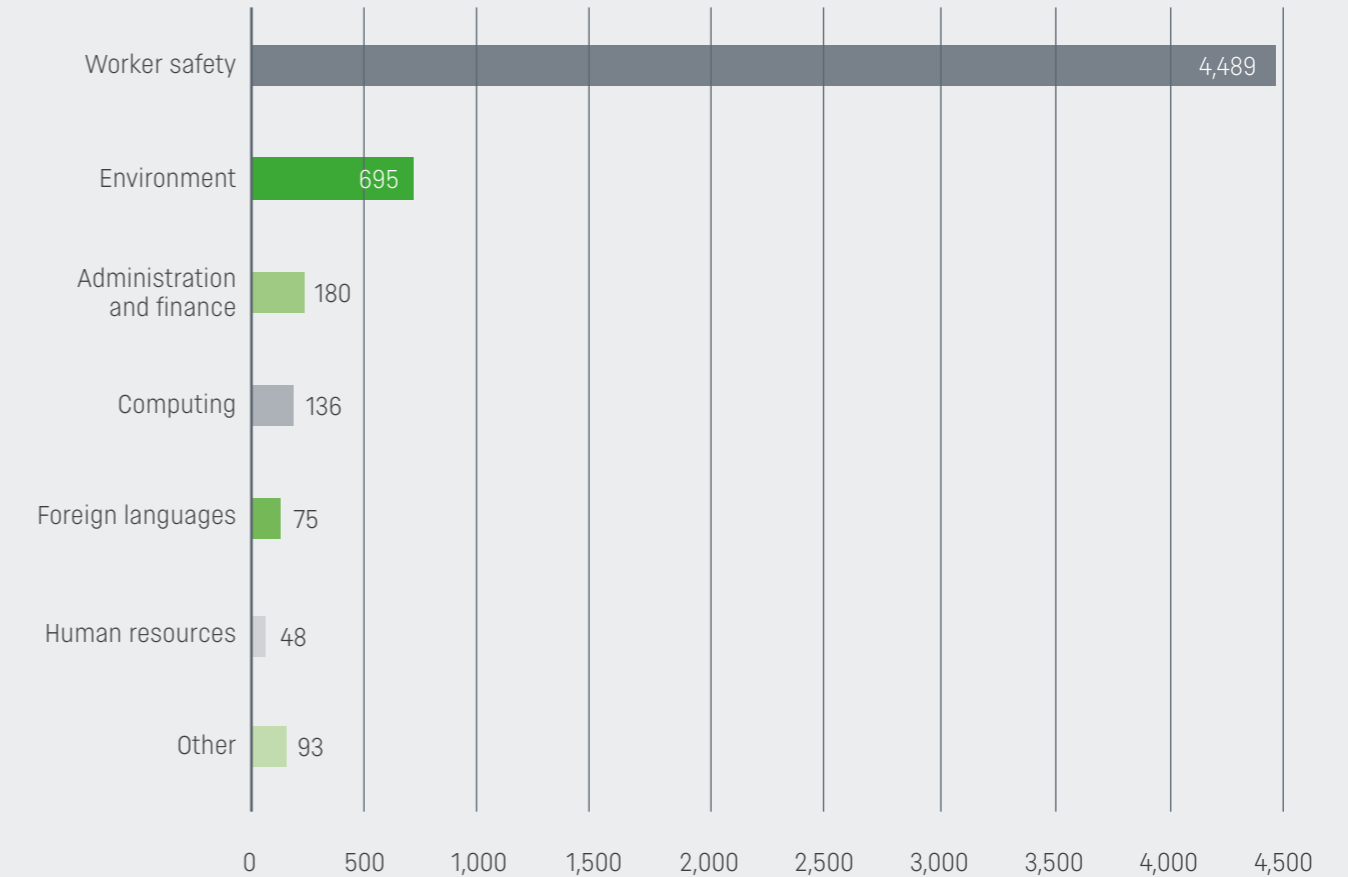


The distribution by category shows that 75% of the training involved workers, 22% employees and the remaining part middle managers and directors.



In 2022, the thematic areas on which the training focused were mainly those concerning worker health and safety, environment, administration and finance, IT.

Distribution of training hours by area (2021)



Finally, with regard to per-capita training hours, a value higher than the average figure for employees and cadres is observed; slightly lower for workers.

Category of workers	Average hours of training
Workers	5.7
Employees	7.2
Paintings	7.6
Executives	5.5

In terms of gender, the average hours of training for men were 6.37 h/year and for women 5.26 h/year.

5.4

A RENEWED AND PARTICIPATORY CORPORATE WELFARE

At the beginning of 2022, the new Gruppo Mastrotto Welfare platform was activated, allowing access to goods and services on particularly advantageous terms.

The vouchers can be used at more than 150 national brands and cover food, fuel, clothing and appliances, electronics products, food & delivery services, gym subscriptions and course registration.

Reimbursements relate to expenses already incurred for education, public transport, school texts, study campuses and holidays, babysitting and family care.

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



A VIDEO TUTORIAL



A LIVE CHAT



A SYSTEM OF FAQs

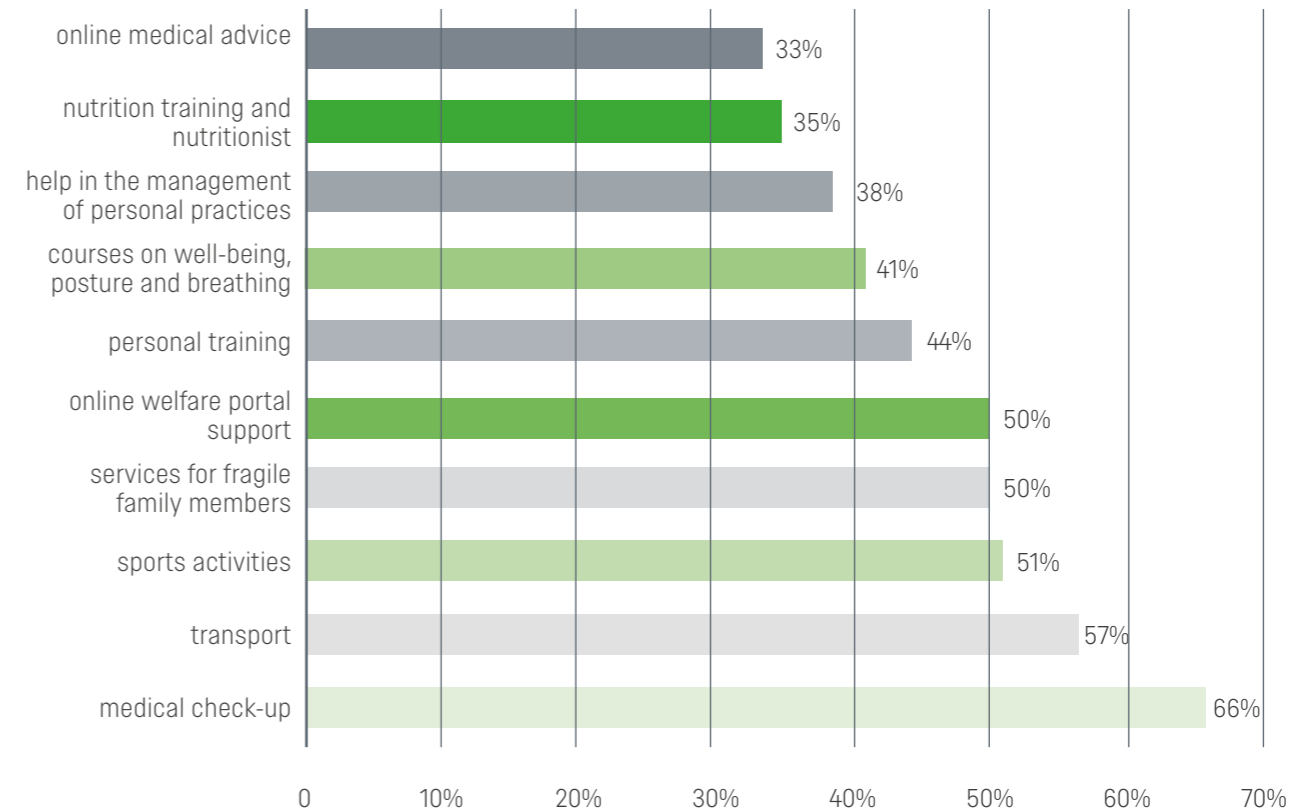
The original aspect of this path is the involvement of the staff who, through a questionnaire, expressed their needs in detail, thus helping to shape the service based on the specific needs of those working at Gruppo Mastrotto.



The questionnaire "We build the welfare around you" was answered by **634** people, corresponding to about **70%** of the company staff.

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

Which service do you think can improve your satisfaction with corporate welfare?



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

The new Welfare portal saw the adherence of 91% of users with 4,629 orders uploaded, of which 71% for the purchasing area, 25% for the refund area and 4% for payment to social security funds. The portal, designed according to the logic of a proximity welfare, is easily accessible, is multilingual and enriched with video tutorials in the various sections, which make it a tool accessible to all users.



5.4.1 DOUBLES THE PRODUCTION PREMIUM



The economic data concerning 2021 allowed Gruppo Mastrotto to double the production premium for its employees, bringing it to a total value of **1.5 million Euro**.

It is a recognition towards the workers of the group for their contribution to the achievement of these results, thanks to their professionalism and dedication and for their spirit of resilience and sacrifice demonstrated in a particularly complex context.

It expresses the company's willingness to make a concrete contribution to the families of workers, in the awareness of the growing difficulties linked to the dear life, which they have to face, from gasoline to bills, from food goods to transport.



5.5

CONSTRUCTIVE TRADE UNION RELATIONS

The basic approach that characterises the relationship with trade union organisations is based on constructive collaboration, in full respect of the autonomy of the role. All employees of Gruppo Mastrotto are covered by the National Collective Labour Agreement for employees of tanning companies. The contract, in force from 1 November 2019 to 30 June 2023, was signed between the trade association of Italian tanneries (UNIC) and the trade unions (Filctem, Femca and Uiltec) and is aimed at recognising the importance of a participatory industrial relations model as a premise for the solution of economic and social issues in the sector.

Alongside the contract signed at national level, Gruppo Mastrotto signed a supplementary company contract with trade unions in 2022, the first of its kind in the tanning sector. The agreement, signed with FILCTEM, FEMCA and UILTEC⁴ provides, between the parties and in compliance with the roles, for dialogue and comparison through periodic meetings on strategic and organisational issues. In this context, training becomes an asset of business development to be promoted through some actions shared between the parties.

It is a contract that outlines important innovations that take into account the evolution of the present and future context of the world of work. In particular, in terms of working hours, the Parties have placed the emphasis on the themes of productive and personal flexibility, increasing the tools to favour the unpredictable production dynamics and the needs of work and personal conciliation of their collaborators.

In the economic part, there is a premium that will affect over 1,100 employees with a value of 600 Euro per year that can be increased depending on the achievement of the objectives that are once again in full consistency with the Group's management guidelines, namely growth through the creation of a quality product in line with the needs of the customer and with a great attention to the issues of sustainability and safety. Enhancing safety marks the desire to raise awareness and involve all employees in a path of continuous improvement that is well integrated into the sustainability path implemented by the Group.

It is an agreement that has included among its themes the establishment of the Solidarity Ethical Hours, that is, the possibility of donating hours of vacation and leave, as a sign of great attention to collaborators who may find themselves in difficult situations.

⁴ FILCTEM: Italian Federation of Chemical, Textile, Energy and Manufacturing Workers; FEMCA: Federation of Energy, Fashion, Chemistry and Related; UILTEC: Italian Union of Textile, Energy, Chemical Workers



5.6

THE "OCCUPATIONAL AND SOCIAL INCLUSION" PROJECT RECOGNISED AS A NATIONAL BEST PRACTICE



Gruppo Mastrotto has devised a path of social and work inclusion dedicated to people with disabilities of working age, with particular attention to Down syndrome. He created a production department for the assembly of leather samples of the Gruppo Mastrotto Express service; to date five employees with disabilities work. The objective of the project is to achieve a level of productivity that makes the department sustainable over time and allows disabled people to succeed at both personal and professional level by interacting constructively with the company and colleagues.

Gruppo Mastrotto was supported by the social cooperative Rinascere di Montecchio Maggiore and Studio Progetto di Valdagno, responsible for the selection and training of candidates.

In this case, inclusion has meant promoting the values of welcoming, comparing and enhancing diversity.

The project has developed through several phases.

- » First, an analysis of the needs of people with disabilities was carried out, selecting them thanks to the collaboration of dedicated public services such as the Labour Integration Service (SIL) and the Arzignano Employment Centres.
- » We then went on to an incubation phase, through which the selected people were able to acquire the skills required through a job placement internship conducted at the Rinascere cooperative. In the premises of the cooperative, a simulated department was created in which the operators trained the trainees in the assembly of leather samples (folders and bundles) with the aim of verifying and enhancing their working skills, reinforcing behaviours functional to a professional context.
- » Subsequently, the interns were placed in the actual assembly department within the company.

The "Inclusion" project received numerous awards including, in 2022, the prestigious "DNA - Difference in Addition" award for job inclusion.

The award is recognised by the National Office against Racial Discrimination of the Presidency of the Council of Ministers - Department for Equal Opportunities and sponsored by the Lazio Region and intends to enhance virtuous projects related to the inclusion of diversity in micro, small, medium and large enterprises.

Gruppo Mastrotto has won ex aequo recognition with Enel, Capgemini and TIM.

5.7

ART TO REMIND US THAT DIVERSITY IS WEALTH



The language of art to strengthen inclusion in the company and enhance diversity.

Therefore, it is possible to interpret the murals made by the guests of the Arcobaleno Psycho-social Rehabilitation Centre in collaboration with the Italian Association for Mental Health Protection (A.I.T.Sa.M.) of Montecchio Maggiore, with the coordination of the painter Francesca Dafne Vignaga.

The main mural represents a multicolored heart, a universal symbol of peace, located in the canteen, a traditional meeting and exchange point between employees, which depicts a series of spices and vegetables originating from different parts of the world, which show not only the multiculturalism of the employees of the Group, but also its global presence.

This is accompanied by another with a cup from which flowers and berries sprout, located in the coffee area and some floral decorations on the columns inside the room to testify to the importance of the values of sharing, multiculturalism and inclusion.



6 ECOLOGICAL TRANSITION AND CIRCULAR ECONOMY

ENVIRONMENTAL ASPECTS OF TANNING
PRODUCTION

THE SUSTAINABILITY PLAN: A
COMMITMENT AGAINST CLIMATE CHANGE

ENVIRONMENTAL POLICY

CONFIRMATION OF THE LWG GOLD MEDAL
AND 85% TRACEABILITY

WATER: RESPONSIBLE COLLECTIVE
MANAGEMENT

CIRCULAR ECONOMY

ENERGY

THE GREEN FACTORY IN TUSCANY

GREENHOUSE GAS EMISSIONS

ZERO-EMISSION ELECTRICITY

6.1

ENVIRONMENTAL ASPECTS OF TANNING PRODUCTION



The tanning process requires inputs such as water, energy and chemicals and produces outputs mainly represented by water discharges, waste and emissions into the atmosphere.

It can be divided into three macro-phases, each with its own specificities in terms of resource consumption and environmental impacts.

1 Raw to tanned leather

The first stages of the tanning process require water, subsequently purified at a consortium plant serving the entire tanning district. The treatments envisaged break down pollutants such as COD, suspended solids, chlorides, sulphates, organic nitrogen and chromium III, reducing them to non-hazardous values for the environment. This treatment leads to the production of sludge currently disposed of in landfills. This step also originates by-products such as scraps, fur and skin trimmings that are sent to recovery, becoming a component of fertilisers and biostimulants thanks to their appreciable protein content.

2 Tanned to crust leather

The wastewater from the dyeing operations is sent to the purification plant, where it is adequately treated. Mechanical drying operations require modest amounts of electrical and thermal energy.

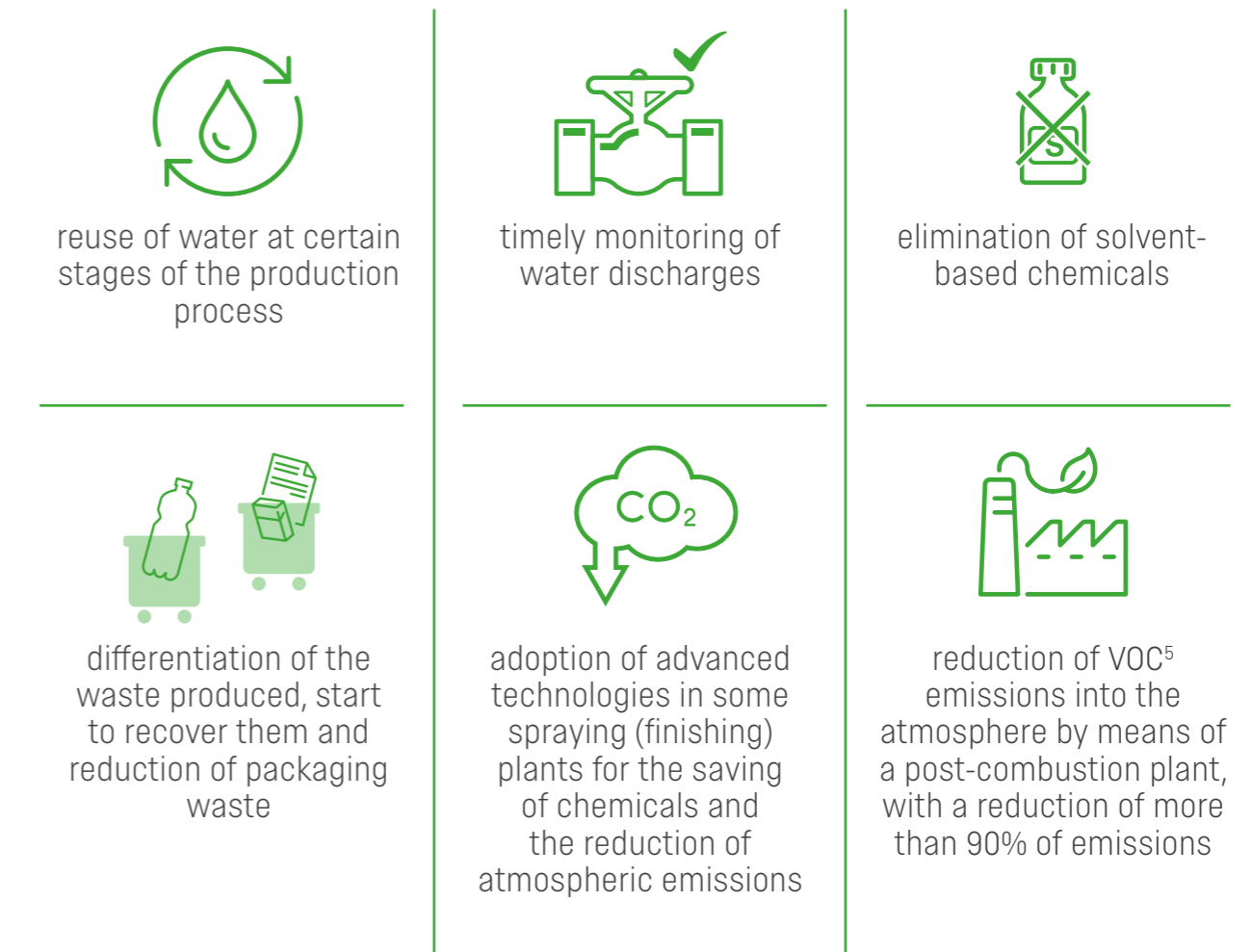
3 From crust leather to finished leather

The intermediate and final ennobling operations give rise to powders and volatile organic substances (SOV), conveyed to filters, blast chillers and post-combustion systems, which guarantee compliance with the legal limits.

The environmental aspects related to tanning are governed by an articulated legislation, which is implemented in specific and articulated environmental authorisations issued by the Public Administration in which the numerous environmental requirements that the company must comply with to exercise its activity are reported.

The regulatory complexity and, above all, the desire to guarantee an effective and structured management of environmental aspects have led Gruppo Mastrotto to equip itself with an Environmental Management System (EMS) that establishes a company policy, precise assignments of responsibilities, both at group level and for each individual plant, an environmental improvement programme and adequate monitoring indicators.

In addition to its EMS, Gruppo Mastrotto implements an even more stringent environmental monitoring plan for the 3 sites that have obtained the Integrated Environmental Authorisation (AIA), namely the sites of Via Quarta Strada, 7 and Via della Concia, 156 in Arzignano and the site of Santa Croce sull'Arno, adopting the best available technologies in the sector:



⁵ Volatile Organic Compounds

6.2

THE SUSTAINABILITY PLAN: A COMMITMENT AGAINST CLIMATE CHANGE

Gruppo Mastrotto has adopted an environmental policy that indicates the principles and objectives through which the commitment to use resources in an increasingly responsible way, counter global warming and promote the circularity of the tannery is materialised, in a perspective of increasing sharing of activities with its stakeholders.

These aspects also emerge from the projects included in the Sustainability Plan relating to the environment which includes, among others, two important initiatives aimed at measuring greenhouse gas emissions and their subsequent reduction:



determination of the organisation's climate footprint according to the international standard ISO 14064-1

creation of a management system to calculate and communicate the climate footprint and other relevant environmental parameters, referable to the articles produced by the company, according to the international standards ISO 14067/Systematic Approach and EPD Process.



During 2022, the following activities were carried out:

- training course on the LCA methodology (Life Cycle Assessment) aimed at company figures belonging to various functions (Environment and Safety, Quality, Research & Development, Marketing and Sales, Energy) with the aim of involving them in the overall company project and making them acquire the methodological bases of the LCA;
- initiation of the inventory analysis to carry out the organisation's LCA, during which data were collected relating to: material consumption (skins, chemicals and packaging), distances travelled from goods bought and sold, distances travelled by employees, energy and water consumption, water discharges, atmospheric emissions and waste;
- start of the inventory analysis to carry out the LCA of the pilot articles chosen for the structuring of the management systems of the calculation of the climate footprint;
- implementation of the main procedures and operating instructions regarding the management system.

Alongside the two projects briefly described, the project for the realisation and certification of an energy management system through the systematic collection of data on consumption related to general services and the main phases of the production process also took off.

5.3

ENVIRONMENTAL POLICY

Responsible use of natural resources, the implementation of effective purification technologies, the willingness to make a positive contribution to the fight against climate change, efforts to increase the circularity and sustainability of our products are the cornerstones of Gruppo Mastrotto's environmental strategy.

An evolutionary vision that requires a systemic approach to environmental management. Consistent with this approach, Gruppo Mastrotto is committed to:

- » scrupulously comply with applicable laws and regulations, in addition to voluntarily undertaken commitments
- » promote "risk-based thinking" as an overall approach to prevent hazards, reduce damage and seize opportunities for the company
- » promote awareness and active participation of workers through awareness, information and training programmes
- » promote the improvement of environmental performance by identifying challenging objectives, defining responsibilities and providing the necessary resources
- » use water efficiently, including through reuse and recycling where permitted by law
- » promote the use of energy from renewable sources, through sustainable sourcing practices and the introduction of specific technologies
- » use energy efficiently within the organisation, including to reduce greenhouse gas emissions
- » minimise emissions into the atmosphere through advanced production technologies and effective purification treatments
- » minimise the production of waste and by-products, while promoting their reuse and recycling within the industrial chain
- » using chemicals responsibly
- » promote the implementation of good environmental practices along the supply chain
- » give impetus to applied research projects and technical-organisational innovation, in collaboration with universities, research centres and companies in the supply chain
- » inform, listen and involve our stakeholders, thus making them aware of our objectives and activities
- » develop and maintain active and up-to-date emergency plans, in collaboration with the appropriate services and local authorities
- » communicate the environmental policy to workers and make it available to all stakeholders to create an environment that helps achieve the goals set
- » periodically review Environmental Policy and Management System to assess its appropriateness, correctness and effectiveness in order to obtain continuous improvement

6.4

CONFIRMATION OF THE LWG GOLD MEDAL AND 85% TRACEABILITY



Ensure high environmental standards and, at the same time, a constant incentive to reduce resource use and environmental impacts.



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 organisation whose institutional purpose is to develop, maintain and improve a protocol that evaluates compliance and business practices regarding environmental sustainability, promoting improvements in the leather supply chain.

In 2022, the two-year audit provided for by the protocol confirmed the gold medal and awarded a score of 85% with regard to the traceability of incoming skins (<https://www.leatherworkinggroup.com/>).

A relevant result that moves in a perspective of transparency towards the stakeholders of the group and of involvement of the suppliers to guarantee an increasing traceability of the raw material.

Over the years, the LWG protocol has stimulated technical and organisational interventions aimed at:

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

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

6.5

WATER: RESPONSIBLE COLLECTIVE MANAGEMENT

Gruppo Mastrotto collects the water necessary for the production activity and the other needs of the aqueduct and well plant. This withdrawal is authorised by the Integrated Water Service Management Body (in the case of the aqueduct) or by the Civil Engineer (in the case of the well).



In 2022, approximately 63% of the water withdrawn was derived from the industrial aqueduct, in line with the figure for previous years.

The remaining part of the water resource is taken from the well. The total withdrawal during 2022 was 1,220 Megalitres, similar to 2021. Almost 99% of the water collected is non-potable.



Unit of measurement in MI

Type of withdrawals and source	2020	2021	2022
Water table (well)	361	451	463
Drinking water	0	0	0
Other water	361	451	463
Third-party water (aqueduct)	702	753	772
Drinking water	11	12	15
Other water	691	741	757
Total water withdrawal	1,063	1,204	1,235
Drinking water	11	12	15
Other water	1,052	1,192	1,220

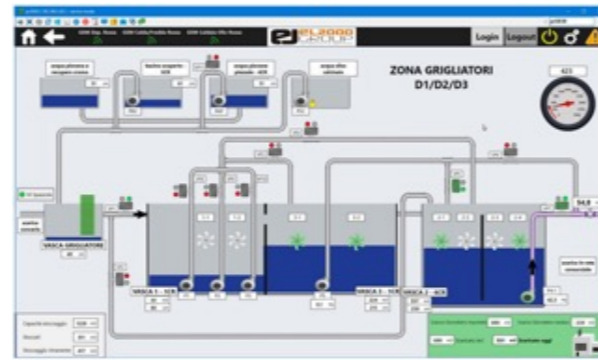
Withdrawals in areas characterised by water stress amounted to just over 200 ML. They are located in Santa Croce sull'Arno, in an area classified as high water stress according to the Aqueduct database.

Unit of measurement in MI

Type of withdrawals and source	2020	2021	2022
Water table (well)	149	186	203
Drinking water	0	0	0
Other water	149	186	203
Third-party water (aqueduct)	1	1	1
Drinking water	1	1	1
Other water	0	0	0
Total water withdrawal	151	187	204
Drinking water	1	1	1
Other water	149	186	203

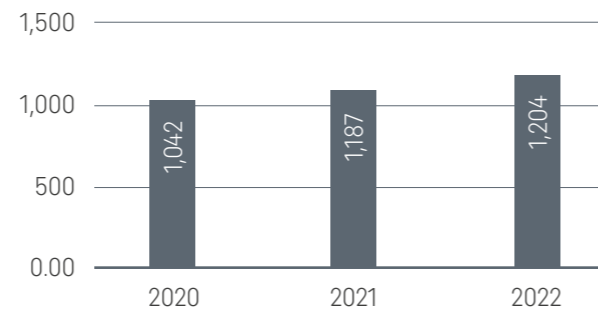
Water is the quintessential resource for the tanning industry.

It is used with extreme thrift as it is configured as the bottleneck for the production of tanneries, both in quantitative and qualitative terms. For these reasons, Gruppo Mastrotto has equipped itself with a real-time monitoring system of consumption and, where possible and authorised, tries to reuse process water, in order to optimise the use of water resources.



The graph on the side indicates the amount of wastewater supplied to the purifiers of Arzignano (Vicenza) and Santa Croce sull'Arno (Pisa). Since the water withdrawn is almost all non-potable, in the same way even the discharged water is non-potable.

Wastewater delivered to sewage treatment plants (megalitres)



The table on the side shows the wastewater supplied to the treatment plants. To the data relating to 2022, 13.7 megalitres relating exclusively to the District of Santa Croce sull'Arno must be added. In that district the tanneries must recover the tanning baths and send them to the Chromium Recovery Consortium, which treats them to recover the chromium contained in them and return it to the tanneries of the district for reuse.

This management method is characteristic of the institutional structure of the District. From a regulatory point of view these baths represent liquid waste, but from a substantial point of view they represent a waste that is treated and therefore it was considered correct to insert it in that paragraph. In the district of Arzignano tanning baths flow directly into the wastewater sent to the purifier for various purification treatments.

Most of the water discharges are destined for the industrial purification system of Acque del Chiampo, the public company that manages the aqueduct, sewage and purification services for all companies in the tanning district of Arzignano.

Tanning wastewater is treated in an industrial line divided into a series of treatment phases such as:

- fine grating and sandblasting
- homogenisation and odour treatment
- primary sedimentation
- biological active sludge treatment of oxidation-nitrification and denitrification
- separation of activated sludge by dissolved air flotation
- clariflocculation

The purifier has high abatement efficiencies:



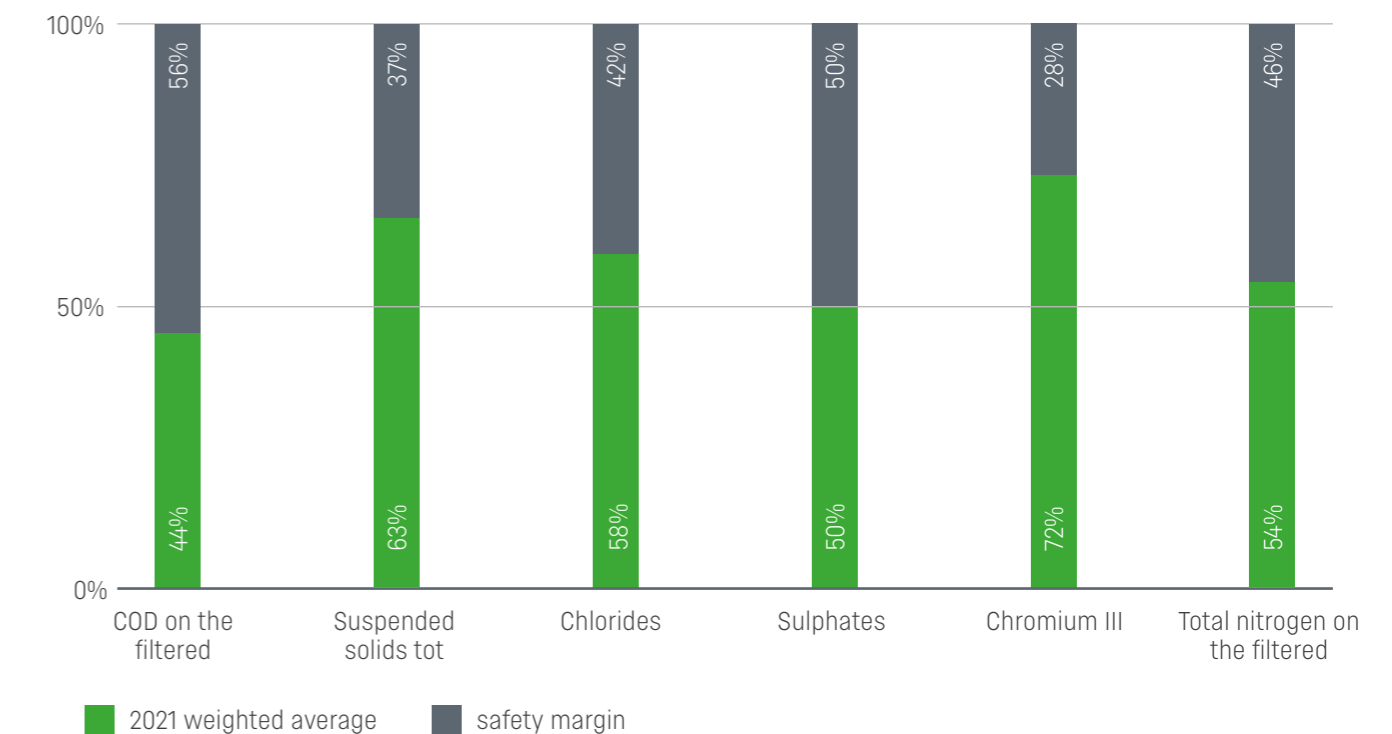
The sludge from the purification process undergoes a series of treatments of accumulation, thickening, mechanical dehydration and thermal drying, before being disposed of in a controlled landfill.

The purified wastewater is finally subjected to a further disinfection treatment with ultraviolet (UV) rays, in order to prevent the reproduction of pathogenic microorganisms. These flow into the surface water body and can be used for various activities, including agricultural irrigation.

Gruppo Mastrotto is subject to specific qualitative and quantitative limits that the wastewater from tanneries must comply with, parameters that are systematically controlled by technicians and analysts of the treatment plant.

The following graph highlights the systematic ability to remain well below the limits set by the purifier, to confirm an adequate management of the production process.

Degree of compliance with the authorised limits



To reduce water consumption and impacts, Gruppo Mastrotto has made significant investments in recent years in systems for hydraulic regulation of drains, monitoring of environmental parameters and sensors in the finishing phases.

6.6 CIRCULAR ECONOMY

» The tanning industry is a good example of a circular economy. The raw material used is a by-product of the food industry; it is worth remembering that animals are raised for the production of milk, cheese and meat.

Hide is an element of results that finds an important enhancement through the tanning process. In addition, tanneries characterise their production process through the recovery of numerous by-products that, appropriately treated, become components of fertilisers and biostimulants, for agriculture, gelatin and collagen for the food industry, raw materials for the cosmetics and nutraceutical sectors, granules for construction.



The value of these by-products is confirmed by the fact that many of them are not subject to the legislative framework of waste, but to that of animal by-products (SOA).

» During 2022, by-products amounted to 13,116 tonnes, an increase of about 2% compared to 2021 and almost 25% compared to 2020.

Total production of animal by-products (2020-2022) - tons

	2020	2021	2022
Total Animal by-products	10,626	12,866	13,116
Fleshings	10,593	12,802	12,874
Rag	23	48	223
Fur	10	15	19

The waste from the production process consists of shavings of tanned products, grinding dusts and packaging waste.

Waste production was stable in 2022 with about 11,040 tons, down by 11% compared to 2021. The decrease is due to non-hazardous waste, while the hazardous waste remains almost constant.

» The percentage of waste not landfilled and sent for reuse, recovery and recycling is 93.7%, a slight increase compared to 2021.



Total waste production (2020-2022) - tons

	2020	2021	2022
Total Waste	11,458	12,414	11,042
Non-hazardous waste	10,954	11,765	10,378
Hazardous waste	504	650	664

Even among the waste landfilled (6.3% of the total), a non-secondary part is then directed to heat treatment leading to energy recovery.

Distribution of waste not landfilled by type/treatment/year - tons

	2020	2021	2022
	total Recovered Quantity	total Recovered Quantity	total Recovered Quantity
Hazardous waste not landfilled	405	499	602
Preparation for re-use	74	84	99
Recycling	197	243	357
Other recovery operations	133	171	146
Non-hazardous waste not landfilled	10,193	11,008	9,740
Preparation for re-use	106	111	131
Recycling	10,042	10,834	9,543
Other recovery operations	45	63	66
Total waste not landfilled	10,598	11,507	10,342

The waste data does not take into account liquid waste consisting of tanning baths recovered in the Tuscan district, considered as waste water as illustrated in the previous paragraph.

Distribution of landfilled waste by type/treatment/year - tons

	2020	2021	2022
	total Recovered Quantity	total Recovered Quantity	total Recovered Quantity
Hazardous waste delivered to landfill	99	151	61
Incineration (with energy recovery)	85	149	60
Incineration (without energy recovery)	0	0	0
Other disposal operations	14	2	1
Non-hazardous waste landfilled	761	757	638
Incineration (with energy recovery)	75	86	49
Incineration (without energy recovery)	0	0	0
Other disposal operations	686	671	589
Total waste landfilled	861	908	700

6.7

ENERGY

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

Electricity consumption depends on multiple factors such as: lighting of work environments, power supply of machinery and production plants, office machinery and finally, operation of heating, air conditioning and air treatment systems.

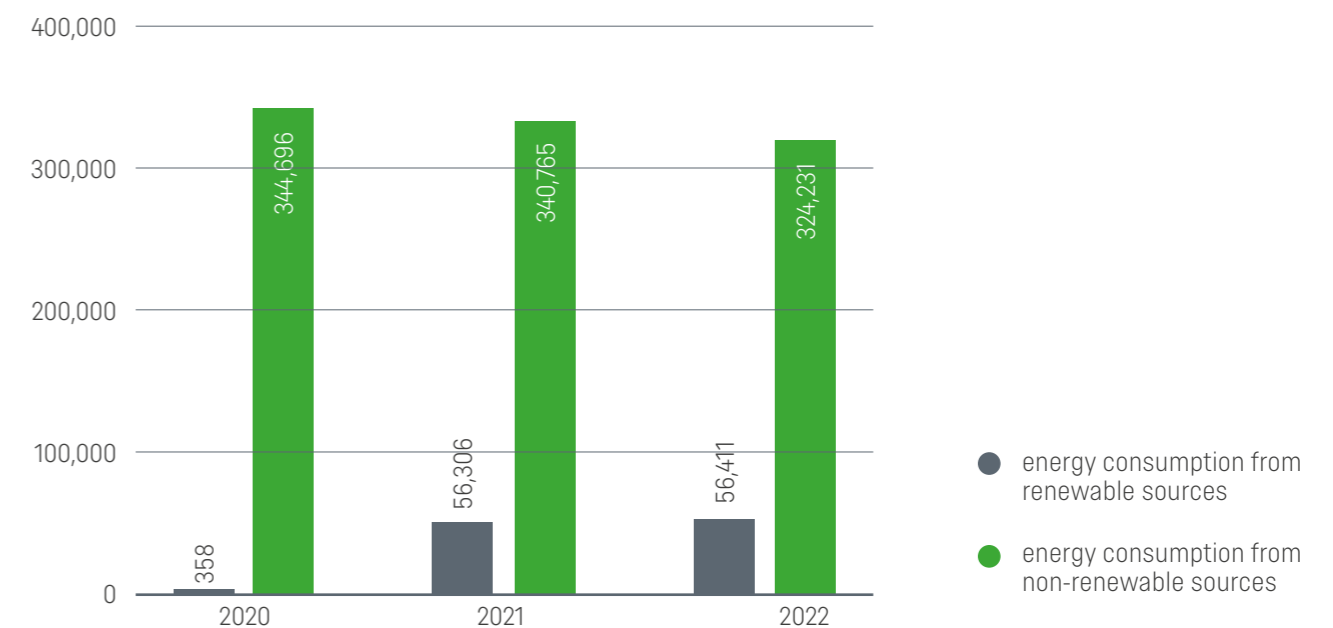
Methane gas is used for other purposes such as: the production of steam for the production process, the heating of workplaces, electricity generation and water heating.



The trend of total energy consumption shows a slight reduction compared to 2021, going from 397,071 GJ to 380,642 GJ.

Also for 2022, the electricity employed comes from renewable sources; this is associated with the operation of the self-production plant with photovoltaic panels located at the headquarters of Santa Croce sull'Arno.

Distribution of energy consumption by nature of source (GJ)



There are several operating actions implemented at the company plants that allow for the efficient use of electricity and gas, in order to save and optimize energy resources:



- » **The replacement of traditional lighting devices** in factories with LED systems
- » **Energy optimisation** and **loss reduction** of compressed air distribution systems
- » **The replacement of some spraying systems** and **electric motors** in the production machinery with more energy-efficient solutions
- » **The construction of four cogeneration plants** that allow the recovery of thermal energy
- » **The construction of the plant in Santa Croce sull'Arno** equipped with state-of-the-art technological systems that minimize energy consumption. A 500 kW photovoltaic system is also installed at the same site.

They have allowed for a reduction consumption both overall and in terms of intensity.



In the three-year period 2020-2022, this indicator rose from 0.230 GJ/worked hour to 0.208 GJ/worked hour.

Intensity indicators	2020	2021	2022
Energy consumption intensity (GJ/h worked)	0.230	0.217	0.208

6.8

THE GREEN FACTORY IN TUSCANY

An investment in the heart of the Tuscan tanning district in Santa Croce sull'Arno. A strategic choice in which digitalization, environmental sustainability, quality and productivity mutually evolve and perfect each other. This is the Tuscan factory of Gruppo Mastrotto. A one-of-a-kind in the industry for the transformation of hides into tanned leathers. The new plant has an area of about 13,000 square meters and is fully automated and monitored. Automation is not limited to the production phases as it also extends to all systems supporting the production function. For example, a single software manages water intake, treatment and storage. To minimise energy consumption, only state-of-the-art machinery using low consumption technologies has been installed, including polypropylene drums. A photovoltaic system featuring double the productivity compared to the minimum required by law is installed at the plant. The plant is, in essence, a Green Factory that self-produces 500 kW of electricity with photovoltaic modules.

Gruppo Mastrotto in S. Croce sull'Arno, in a nutshell, is:

- more than 65 years of work experience combined with the latest technologies
- attention to the safety of workers
- large production capacity (28 drums)
- optimization of the production phases for a lower use of chemicals
- 22% of the required energy deriving from photovoltaic panels
- leather handling automation
- automatic dosing of all liquid products directly into the drum



6.9 GREENHOUSE GAS EMISSIONS

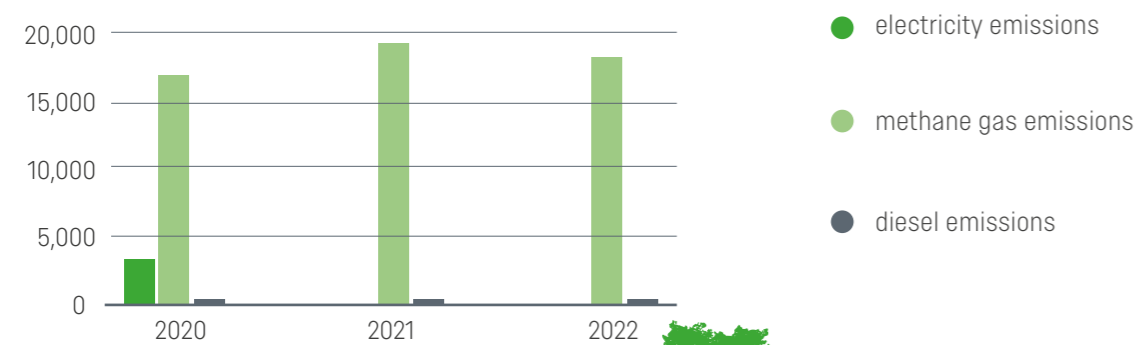
Gruppo Mastrotto calculates direct and indirect greenhouse gas emissions from direct and indirect energy consumption.

The main GHG emissions⁷ derive from direct energy consumption; the direct emissions originate from the activity of energy production plants (cogeneration plants and process boilers). Indirect emissions, on the other hand, depend on the purchase of electricity.

» In 2022, total carbon dioxide emissions, according to the market-based approach, amounted to just over 18,000 tons, down by 10% compared to 2020 and by 5% compared to 2021.

This result is attributable to the purchase of all electricity from renewable sources equipped with a certificate of origin and the full commissioning of the photovoltaic system of the Santa Croce sull'Arno plant. Also the intensity of emissions, that goes from 13.4 kg/CO₂ per hour worked in 2020 to 9.9 kg/CO₂ per hour worked in 2022, has clearly benefit from this set up.

Distribution of greenhouse gas emissions (t CO₂eq)



⁷ Greenhouse gases

6.10 ZERO-EMISSION ELECTRICITY



Starting from 1 January 2021 Gruppo Mastrotto has been purchasing **100%** electricity from renewable sources.

Renewability formally guaranteed by Guarantee of Origin, i.e. an electronic certification that certifies the renewable origin of the sources used by the plants from which the company is supplied.

This initiative is linked to studies carried out to estimate the potential impact of tanning on climate change and is part of a path 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 by more than 5,000 tons per year, equal to 21% of the total; at the same time, the reduction in emissions of Gruppo Mastrotto equals the action of 250,000 trees absorbing CO₂.

7 CUSTOMERS, PRODUCT AND MARKET

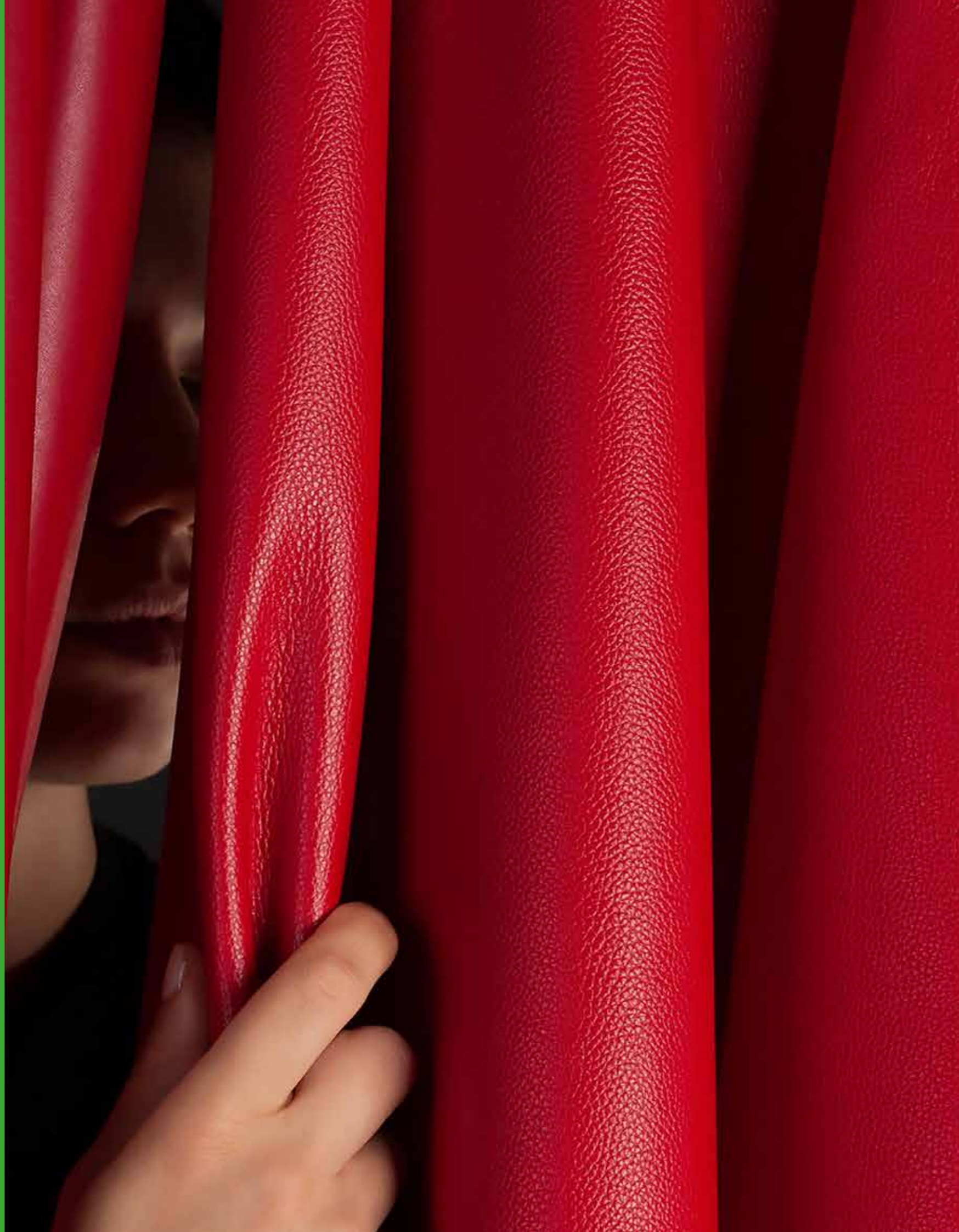
PRODUCT SAFETY

LEATHER: A NATURAL AND BIODEGRADABLE PRODUCT WORTH PROTECTING

TOGETHER WITH CUSTOMERS ON THE WAY FORWARD FOR SUSTAINABILITY

GUARANTEED ENVIRONMENTAL QUALITY OF LEATHER

GRUPPO MASTROTTO EXPRESS TURNS CARBON NEUTRAL



7

CUSTOMERS, PRODUCT AND MARKET



Gruppo Mastrotto regards its customers as crucial stakeholders and is committed to building lasting relationships, creating its own partnerships.

In 2022, the turnover was distributed substantially uniformly among the three Business Units in which the Group is divided.



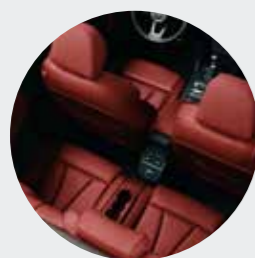
The footwear and leather goods line

produces full-grain aniline leathers, suede leathers with different types of finishes, Innove leathers of the latest technology, with water-based finishes. The most appreciated characteristics of these products are resistance, elegance, softness, as well as their waterproof and breathability properties.



The upholstery line

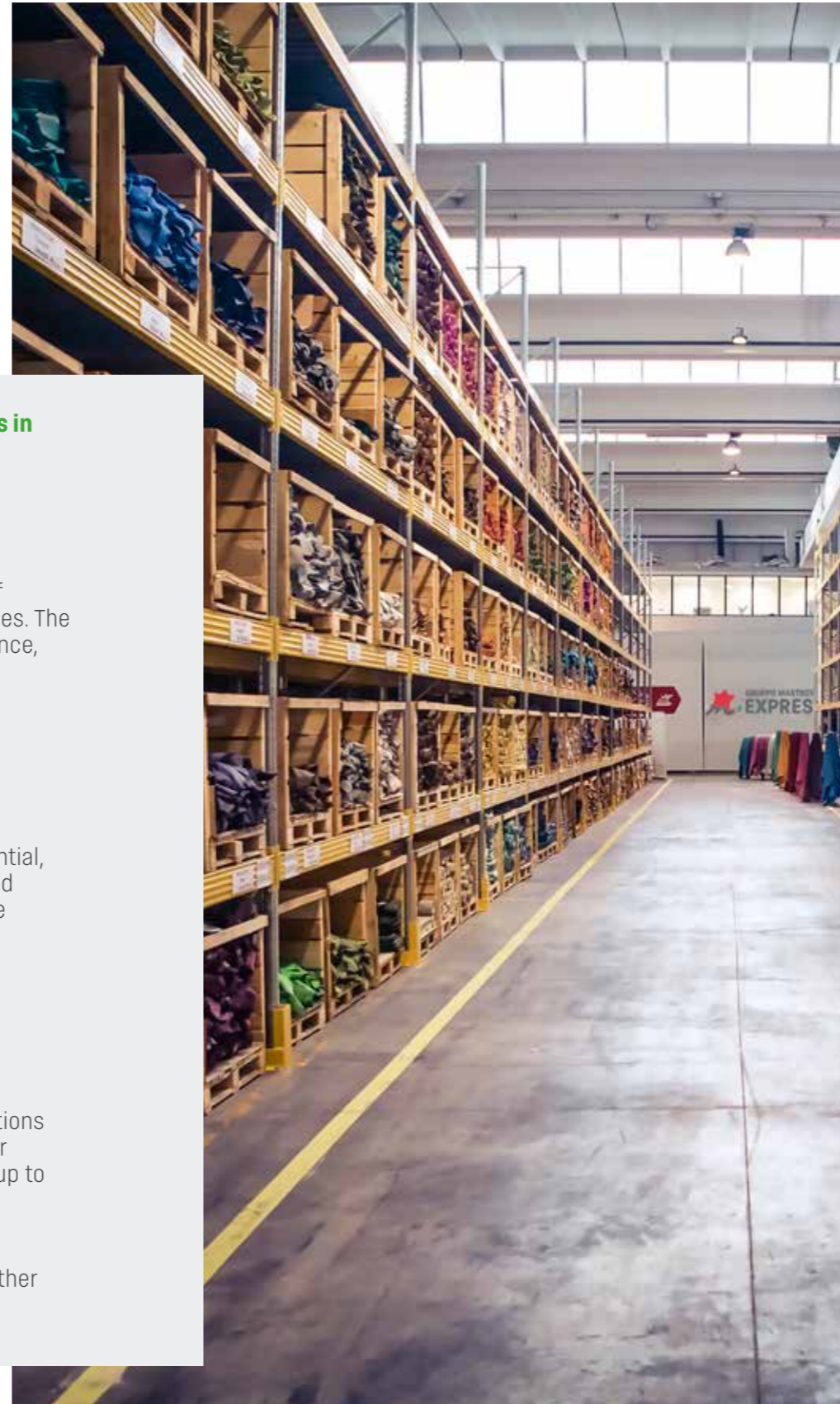
produces full-grain, half-grain and nubuck leather for all purposes: residential, contract, hospitality and nautical. Attention to customer needs, trends and design are mirrored in the characteristics of our products so that they are suitable for different needs and uses.



The automotive Line

produces top-quality leathers for car interiors according to the specifications and standards of the world's leading car manufacturers. A very wide offer ranging from seats to steering wheels, through all parts of car interiors, up to the aviation interior sector.

Alongside the production of leather, Gruppo Mastrotto offers an additional service for cutting leather and special applications, such as skiving, lamination, perforation and printing.



Gruppo Mastrotto Express

Of particular importance is the Gruppo Mastrotto Express service, entirely dedicated to ready-to-delivery leather, which is the largest logistics hub for just-in-time leather.

With more than 1,500 colours always in stock, ready to be shipped within 48 hours of ordering, Gruppo Mastrotto Express is an absolutely unique combination of product and service, which allows you to order and receive just-in-time quantities of leathers for any need.

Speed and flexibility and a wide variety of colour and assortment, are achieved thanks to a dedicated facility with more than 2.5 km of shelves, for a total of more than 600,000m² of leather.



1,500 colours



shipments within 48 hours

Customer Relationship

The way in which relations with customers are managed is oriented to loyalty and information transparency and the conditions related to responsibility towards them are regulated by the Organization and Control Model (Legislative Decree 231/01).

During the reporting period, there were no sanctions or legal proceedings taken by customers, litigation regarding violations of market rules related to information and product labels or marketing communications.

7.1

PRODUCT SAFETY

To give maximum guarantee to its customers, Gruppo Mastrotto has developed for over 10 years a framework with rules, operating procedures and management standards that guarantees the safety and quality of its final products.

A first tool to this end is the internal specification called "Finished Leather Chemical Specification" that transposes all the mandatory regulations/laws applicable to leather, on top of the main requests collected from the markets in which the company operates, which are often significantly lower than the legal limits. This specification applies to all items produced and is updated at least every 6 months.

Gruppo Mastrotto also receives from customers an increasing number of chemical-toxicological specifications, systematically analysed to give articulated answers, which are often resulting in training/consulting activities that are sometimes reflected in the approval of evolutionary changes in subsequent revisions of the specifications.

Conformity guarantee with what described above takes place in several phases:



involvement of suppliers

of raw material with the signing of specific supply specifications



analyses in qualified external laboratories

as validation process for new project/item or as a quality control cadenced and agreed with the customer



analyses in in-house laboratories

according to predetermined intervals that allow to have a systematic data collection, representative of the parameters trend



Gruppo Mastrotto guarantees its customers the quality and safety of the products also through a systematic analysis of the leather requirements.

The company is equipped with 3 physical laboratories to support each Business Unit for the verification of performance on leather and a central chemical laboratory to test raw materials and finished products with analysis based on chemical-toxicological parameters

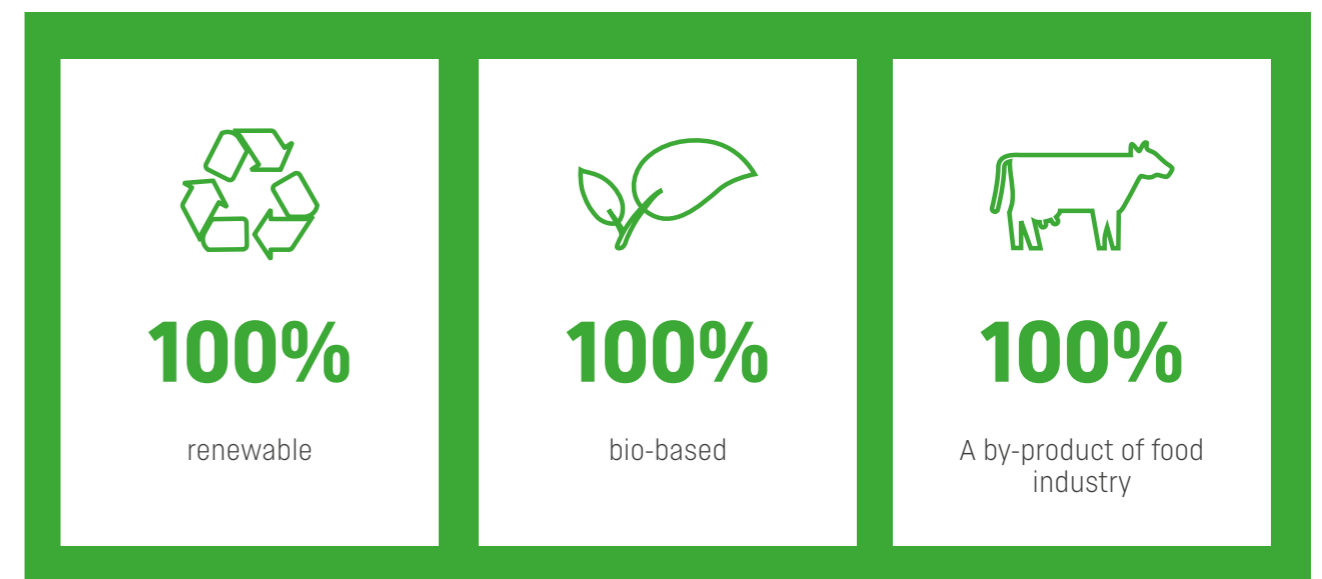


The analytical autonomy of the company is a unique case within the industry.

7.2

LEATHER: A NATURAL AND BIODEGRADABLE PRODUCT WORTH PROTECTING

Leather has unique characteristics, as it is:



These peculiarities make leather a material that fits naturally within the framework of the circular economy. In this context, another typical element of leather should be emphasized, that is its greater durability compared to the other materials with which products are generally made.

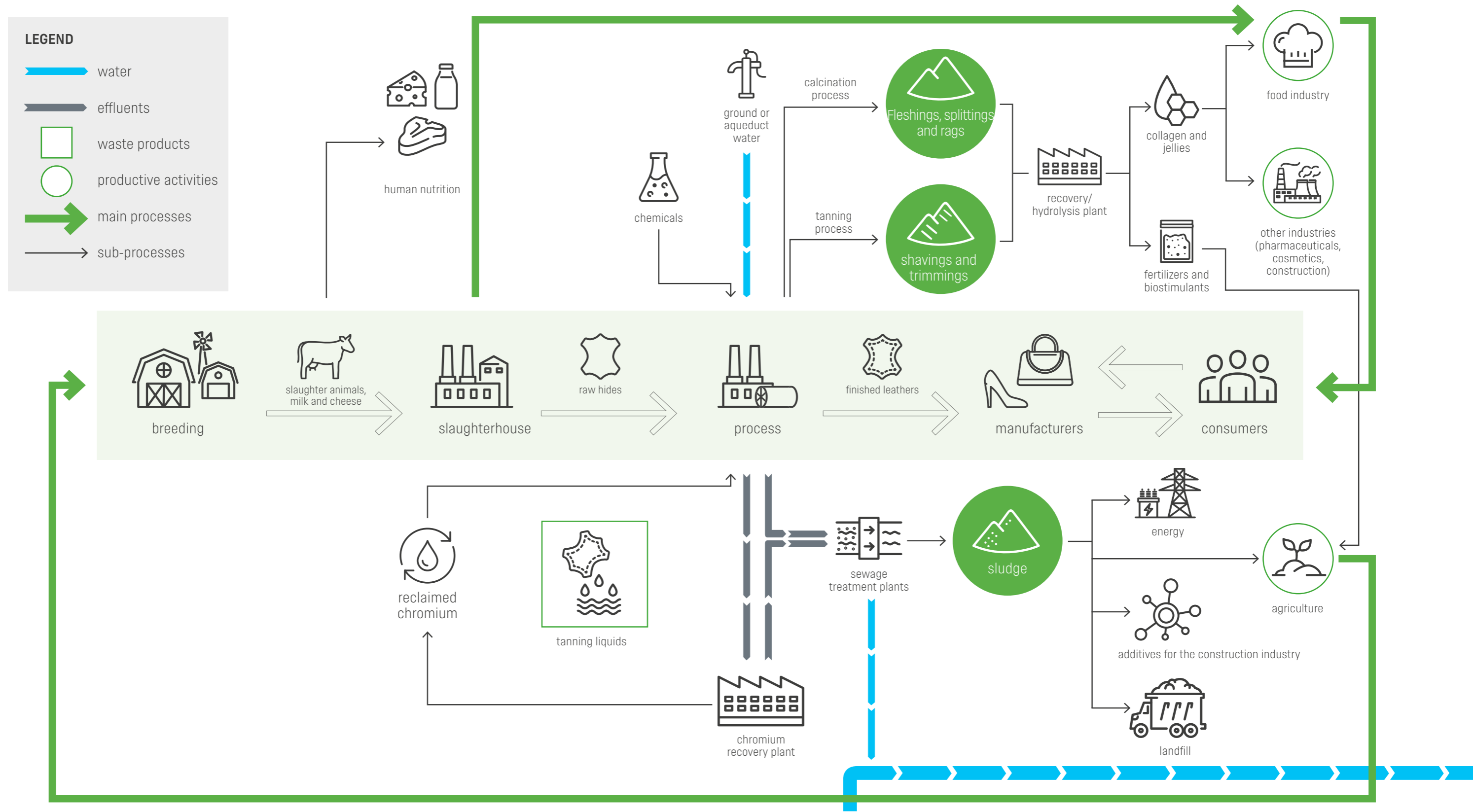
The circularity of leather and its inimitable organoleptic characteristics make it the object of a misappropriation, sometimes fraudulent, of its denomination by alternative materials. Think of the terms eco-leather, vegan leather and many others related to materials that have nothing to do with actual leather.

For this reason, the approval of Legislative Decree no. 68 of 9 June 2020 is a fundamental result for the industry, which, in order to protect the consumer, establishes provisions for the correct use of the term "leather" and a sanction system for those who use it improperly, sometimes fraudulently.

It can only be used refer to an animal skin or hide that has retained its original fibrous structure and has been tanned so that it will be preserved over time.



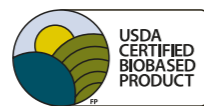
7.2.1 THE CIRCULAR SUPPLY CHAIN OF LEATHER





7.3

GUARANTEED ENVIRONMENTAL QUALITY OF LEATHER



70%-95%
leather renewability
Gruppo Mastrotto

First in the world with certified “Biobased” leather

Leather is a completely renewable material. Renewability means having a renewal cycle between 1 and 5 years, in balance with the natural cycle of the ecosystem. On the contrary, non-renewable resources, such as plastics and synthetic fibres, deplete the ecosystem and use resources that will not be available for future generations.

Gruppo Mastrotto measured the renewable content of its skins, in terms of the percentage of recent organic carbon compared to the amount of total carbon contained. To give further assurance to its customers, it has had this measurement certified by the U.S. Department of Agriculture, through Biobased certification for products deriving from renewable sources.

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



99%
protection against
bacteria and viruses

The antibacterial and antiviral patent

Gruppo Mastrotto has developed a new technology by developing an antibacterial and antiviral treatment that guarantees high safety standards, reducing, almost to zero, the presence of bacteria and viruses on surfaces. Gruppo Mastrotto has filed a patent application for this innovative treatment that allows the non-survival of bacteria and viruses on leather, with an effective level of protection of 99.9%.

A kind of barrier, therefore, able to prevent the replication of pathogens, if any should possibly come into contact with the leather. The surfaces of objects, in fact, especially those that are touched and used by many people, can be contaminated by bacteria and pathogenic viruses, turning the object into a vector of contagion. This new treatment is applicable to all leathers currently produced by Gruppo Mastrotto.



compliance with high
environmental standards

The “Blauer Engel” certification

Environmental product label recognized worldwide, guarantees compliance with high environmental standards, more restrictive than those required by law. The requirements for this certification are established by the German Ministry of the Environment and verified by the 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 substantial absence of harmful chemicals in the skin without compromising aesthetic and comfort for consumers.



7.4

GRUPPO MASTROTTO EXPRESS
TURNS CARBON NEUTRAL



Since June 2022 all Gruppo Mastrotto Express products are "Carbon Neutral", with regards to direct and indirect emissions, without therefore any negative impact on global warming.

With regards to the products offered by its prompt delivery leather service, Gruppo Mastrotto has been able to zero the Scope 1 emissions (those associated with assets owned or under the operational control of the company) and Scope 2 emissions (those attributable to the energies used).

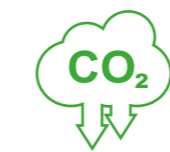
The goods made with the products of the Express service will therefore contain leathers obtained with a production process that does not affect climate change.

The result is the consequence of a three-stage process:



Measurement of greenhouse gas emissions

Gruppo Mastrotto conducted an LCA (Life Cycle Assessment) analysis that allowed to calculate the greenhouse gas emissions of a square meter of finished leather throughout its life cycle. Based on the LCA analysis, it was possible to estimate the potential impact on global warming of the items of the Gruppo Mastrotto Express service.



Reduction of emissions by intervening in processes

The data obtained enabled to launch a number 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 its reuse and optimization of recipes
- energy efficiency of the production process stages and reduced use of chemicals.

These interventions have yielded significant environmental benefits, but have not allowed the potential impacts on global warming to be eliminated.



Offsetting of emissions through recognised and credible instruments

The Gruppo Mastrotto has joined a number 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 member organizations to offset their emissions by supporting sustainable development projects carried out in countries with emerging or developing economies. This reduction is tangibly achieved through the purchase of CERs (Certified Emission Reduction), which are equivalent to one ton of CO₂ not emitted. To date there are three projects chosen for this purpose; they are located in India and Brazil, and consist in the production of electricity from renewable sources (wind and hydroelectric) and biomass cogeneration (recovery of chaff, by-product of rice processing). Alongside environmental benefits, these projects also have significant economic, social, cultural and technological benefits for these areas and their communities.

7.5

TOGETHER WITH CUSTOMERS ON THE
WAY FORWARD FOR SUSTAINABILITY

Interpreting the company as a projecting hub of a system of structured relationships helps look beyond one's borders and encouraging sharing experiences.

It also means sharing your knowledge and learning from others, comparing policies, strategies, actions and results.

Hence the idea of implementing workshops with our customers, as a moment of comparison between initiatives and identification of possible common projects.

The seminar with two important brands of footwear and fashion, Aku and Jimmy Choo and Versace respectively, can be interpreted in this light.

It was possible to learn about and draw inspiration from the initiatives for a responsible management of activities by a reference company in the outdoor footwear industry and from the approach to sustainability by a global fashion company.



8 SUPPLIERS

THE SUSTAINABILITY PLAN: A LOW-RISK
SUPPLY CHAIN

SUPPLIER MANAGEMENT

SUPPLIER CODE OF CONDUCT

THE COMMITMENT TO ENSURE THE
TRACEABILITY OF RAW MATERIALS



8

SUPPLIERS



Supplier policy is oriented towards the development of long-lasting relationships, based on loyalty, transparency and mutual collaboration.

In the economy of the tanning sector, suppliers play a crucial role in supporting those companies that are moving towards a business model that is simultaneously sensitive to both economic, environmental and social aspects at the same time.

These values are embodied in a specific Code of Conduct by virtue of which Gruppo Mastrotto requires its suppliers to adopt compliant behaviour with regards to human rights, health and safety of workers, protection of the environment and fight against corruption.

8.1

THE SUSTAINABILITY PLAN: A LOW-RISK SUPPLY CHAIN

The Corporate Sustainability Plan identifies two activities that involve the leather supply system:

- implementation of a specific protocol for the selection and evaluation of suppliers according to "ESG / Traceability / Animal Welfare" criteria
- development of a system for monitoring and periodically rating the environmental and social performance of suppliers.

During 2022, after the approval of the "Policy on traceability and animal welfare", the following activities were started:

- analysis of suppliers belonging to the three main input categories (hides, chemicals, third party processing) according to ESG criteria through a documentary and website analysis
- structuring of the supplier performance assessment model from a sustainability point of view.

8.2

SUPPLIER MANAGEMENT



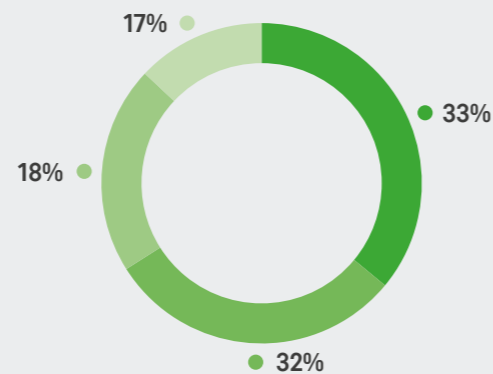
Gruppo Mastrotto relies exclusively on suppliers who operate in accordance with current legislation and the rules set out in its Code of Ethics.

Considering the activities related to the main leather processing processes (supply of leather, chemical products, processing carried out by subcontractors, transport services), Gruppo Mastrotto in 2022 was supplied by 375 suppliers, in line with the values of previous years.

The largest categories are the suppliers of raw and semi-finished leather (33%) and those of chemical products (32%); followed at a distance by subcontractors and transport.

There is an increase in transport service providers, which go from 52 to 64.

Distribution of the number of suppliers by product category



- Raw and semi-finished hides
- Chemicals
- Processing on behalf of third parties
- Transportation service

Category	2020	2021	2022
Raw and semi-finished hides	129	137	126
Chemicals	116	124	119
Processing on behalf of third parties	74	69	66
Transportation service	52	52	64
Total # Suppliers	371	382	375

131 million Euro is the average value of purchases over the three-year period 2020-2022 for the four main categories of suppliers.

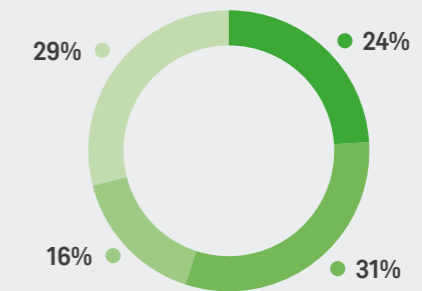
55% of this expenditure is concentrated on Italian suppliers: 24% in the Vicenza tanning district and 31% in the rest of the country.

The share of spending concentrated on Italian suppliers grew steadily over the three-year period 20-22, from 49% to 55%. The figure shows the positive impact on result generated in the territories where Gruppo Mastrotto operates.

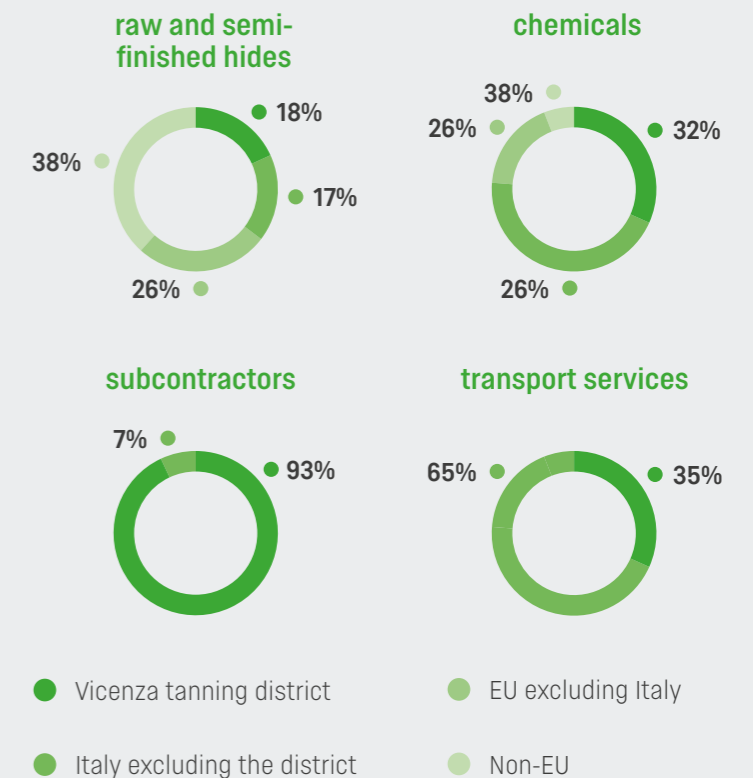
When analysing the different supply categories, it is possible to notice the following:

- expenditure on the purchase of raw and semi-finished hides is fairly evenly distributed among Italian, European and non-European suppliers;
- the purchases of chemical products are concentrated for 76% on Italian suppliers and for 17% on European suppliers
- third party processing and transport services are a total prerogative of Italian suppliers; in the first case 93% of the expenditure is concentrated on suppliers located in the Arzignano district, while in the second case almost all of the expenditure is destined to Italian suppliers.

Distribution of purchases by geographical area - 2022



Distribution of the value of purchases by geographical area (average 2020-2022)



The relationship between Gruppo Mastrotto and its suppliers is defined through specific procedures that allow suppliers to be qualified.

In the case of suppliers of chemical products, Gruppo Mastrotto has established, in order to protect the health of workers, the environment and the users of finished products, restrictions on the use of certain categories of chemical substances, largely based on the legislation in force in the European Union and in the United States.



All suppliers of chemical products are then required to sign a technical specification in which they undertake to guarantee the restrictions indicated, providing for periodic control audits.

From the point of view of reducing environmental impacts, for about 10 years an active collaborative relationship has been developed with chemical suppliers, aimed for example at reducing the presence of sulphates and favouring the purchase of water-based paints.

8.3

SUPPLIER CODE OF CONDUCT

One of the most important activities during 2021 was the updating of the Supplier Code of Conduct, which confirmed that suppliers are required to ensure compliance with:

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

8.4

THE COMMITMENT TO ENSURE THE TRACEABILITY OF RAW MATERIALS

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

These are reported in the policy on traceability and environmental wellness that sets out the basic principles of the company conduct, the results so far achieved and the objectives that the company intends to achieve to express the will to acquire a leadership position also on this matter.



POLICY ON TRACEABILITY and ANIMAL WELFARE

"Our commitment to sustainability, summarized in the Group's "Sustainability, next level" strategy, embraces the issue of supply chain traceability. Leather represents for companies operating in the tanning sector the main raw material and the basis of the transformation processes and, as such, a pivotal point on which to focus the commitment to improve our environmental and social performance and that of our suppliers. In this context, it is essential to guarantee a reliable traceability system for our supply chain.

Our work is based on the recovery of a by-product of the food industry which, through the tanning process, we enoble and transform into a distinguishing element of objects that are at the centre of our everyday life.

By using this material, it can be saved from disposal 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, as a by-product of slaughter activities, becomes a precious asset.

Controlling our supply chain is crucial to ensure the highest standards of quality, safety and sustainability of our products. The Leather Working Group (LWG) assesses

companies in the leather supply chain on the basis of environmental, social, health and safety and governance criteria, including traceability of raw materials. Gruppo Mastrotto has been actively involved in improving leather traceability and supply chain control for years. Our management has been awarded the Gold Rated by LWG, the gold medal that constitutes the highest rating, with a traceability score of 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 embedded into our Code of Conduct: by signing it our suppliers of leather, chemicals, materials and services undertake to comply with ethical, social and environmental standards. As it recognises the critical importance of leather supply to our business, our Code of Conduct also requires leather suppliers to:

- comply with the relevant animal welfare legislation applicable in their country
- where no specific legislation on the subject is in place and applicable, suppliers undertake to ensure respect for the 5 fundamental freedoms of animals (freedom from hunger and thirst; from discomfort; from pain, injury and disease; to express normal behaviour; from fear and anguish)
- guarantee that the skins do not come from animals raised on farms involved in the illegal deforestation of the Amazon and other protected areas of South America.

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

- joining the UN Global Compact, the UN initiative to create a more inclusive and sustainable global economy (within 6 months)
- voluntary disclosure via the "Forest" module of the CDP rating to share and transparently disclose our commitment against deforestation (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 system of monitoring and periodic rating of the environmental and social performance of our leather suppliers, with particular attention to animal welfare and traceability (within 2 years).

We are committed to verifying the status of achievement of these objectives at least annually and updating them based on the results obtained in a perspective of continuous improvement."

9

VALUE
CREATION AND
DISTRIBUTION

9 VALUE CREATION AND DISTRIBUTION

In 2022, the value generated by Gruppo Mastrotto amounted to 312.3 million Euro, 5.8% more than the previous year.

The Economic Value distributed to stakeholders amounted to 299.7 million Euro and is up by 8.1% compared to 2021.

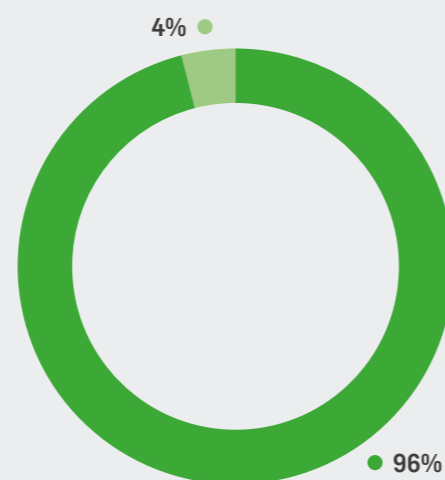
Complementary to it, is the Retained Value, which amounts to 12.6 million Euro.

» **312.3 million**
Generated Value 2022

+ 5.8% on 2021



Distribution of economic value generated in 2022



- distributed economic value
- retained economic value

» **299.7 million**
Economic value distributed in 2022

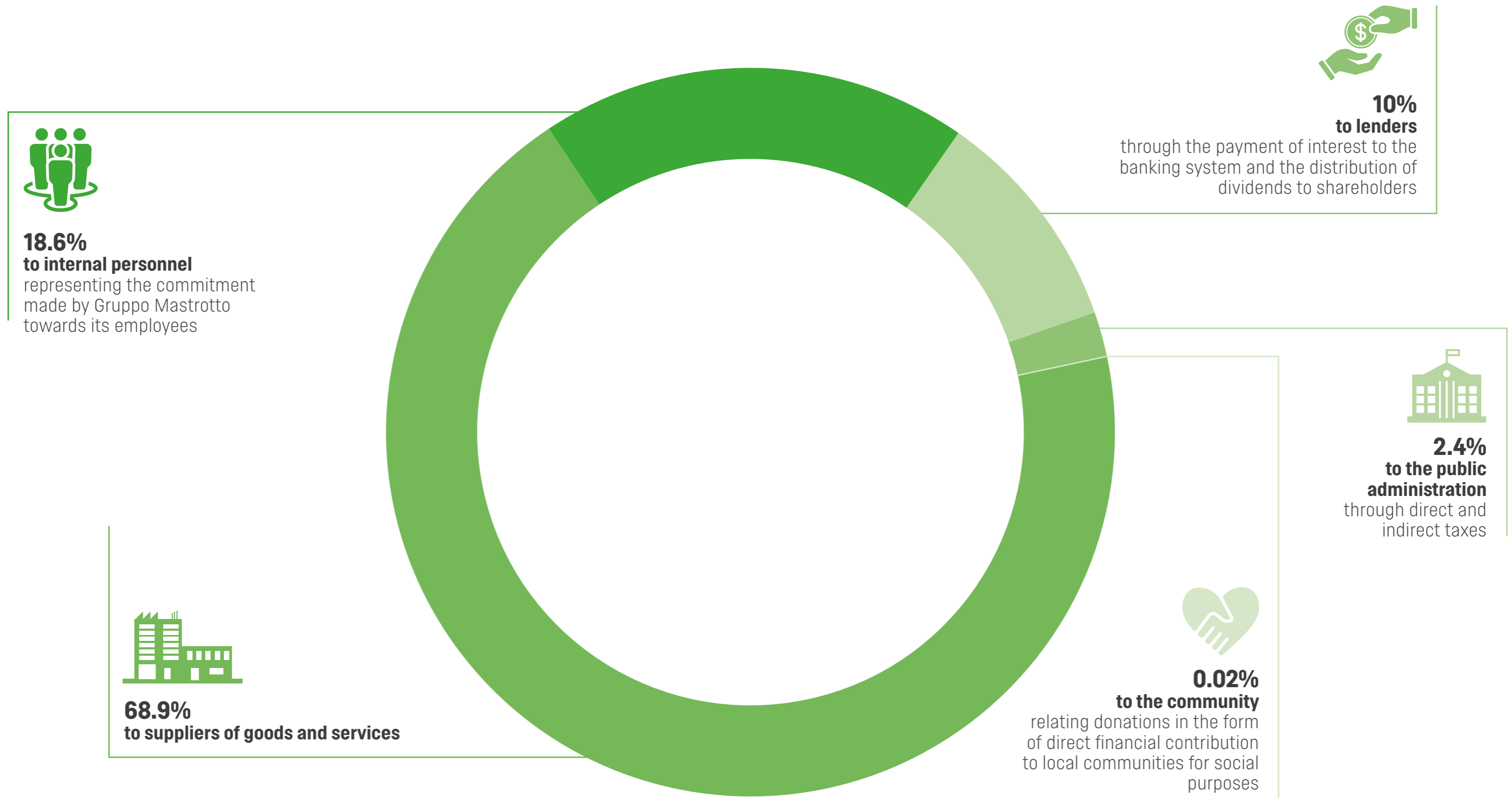
+ 8.1% on 2021

The main stakeholders outside the company are:

- suppliers of goods and services
- the personnel, whose contribution is enhanced through salaries
- shareholders and debt capital lenders to whom profits and interest on debt, respectively, are allocated
- the Public Administration with the payment of taxes and fees
- the community and the territory to which are destined resources for socially and culturally useful projects.

ECONOMIC VALUE €	2021	2022
Revenues	280,486,637	301,173,531
Financial income	14,766,247	11,106,773
Total economic value generated	295,252,884	312,280,304
Operating costs	182,676,956	206,443,460
Remuneration of personnel	53,967,469	55,889,242
Remuneration of lenders	268,327	99,966
Remuneration of investors	38,010,000	30,000,000
Remuneration of the Public Administration	2,351,089	7,192,355
Donations	28,466	66,984
Total economic value distributed	277,302,308	299,692,006
Amortisation, depreciation, write-downs and adjustments	19,498,242	18,073,565
Provisions	350,000	400,034
Profit/Loss for the year allocated to reserves (Profit - Distributed dividends)	1,897,666	5,885,302
Retained economic value	17,950,576	12,588,298

In 2022, the Economic Value distributed to stakeholders was broken down as follows:



10 COMMUNITY AND CORPORATE CITIZENSHIP

SOCIAL INVOLVEMENT AND
COMMUNITY RELATIONS

A FOUNDATION SUPPORTING THE
COMMUNITY

COMMITMENT TO THE WORLD OF
SCHOOL

A DEBATE ON SUSTAINABILITY WITH
STUDENTS

REWARDING DESERVING STUDENTS

RELATIONS WITH PUBLIC
INSTITUTIONS AND/OR INDUSTRY
BODIES



10 COMMUNITY AND CORPORATE CITIZENSHIP

The territory gathers many important stakeholders for Gruppo Mastrotto that has the will to be a point of reference for the local community and its institutions. The company establishes relationships with local Public Administrations, schools and training institutions, hospitals and care institutions, many associations, including voluntary and cultural associations.

Gruppo Mastrotto believes it is essential to collaborate with these stakeholders to better play its role as a positive and proactive social actor in all aspects of sustainability.

10.1 SOCIAL INVOLVEMENT AND COMMUNITY RELATIONS

Being a reference company for a community means establishing stable relationships with its stakeholders, to understand their needs and make a constructive contribution.

Gruppo Mastrotto has always shown its affinity to the community, especially in three areas: healthcare, seniors and youth.

This is demonstrated through financial support and active contributions to various initiatives, including:



contribution for the realization of the Elderly Recreation Centre "Arciso Mastrotto", including a café, a lounge, a multi-purpose room with spaces for reading, outpatient and administrative activities, and an outdoor park



donation for the construction of the bocce court at the "Arciso Mastrotto" Elderly Centre



financial support to the "San Bortolo Foundation", a non-profit association that actively raises funds for the San Bortolo hospital in Vicenza, to contribute to the fight against the COVID-19 health emergency through the purchase of materials for the protection of health personnel and medical equipment

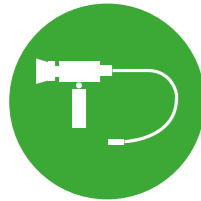


support for sports activities through sponsorship of the Arzignano youth football team and of volleyball in Santa Croce sull'Arno



donation of a vehicle equipped with a platform for wheelchairs to the volunteering association S.O.G.I.T. Onlus Agno-Chiampo section to transport the sick and people with disabilities to medical examinations at the various health facilities

Gruppo Mastrotto involved its stakeholders and was the promoter of social initiatives, including:



donation, in collaboration with the Association Amici del Cuore Ovest Vicentino Onlus, of a state-of-the-art instrumentation to perform oncological surgery in minimally invasive laparoscopy; it is a three-dimensional camera of 30 degrees that allows angled vision, extremely relevant in the case of interventions to remove tumours of the bladder, kidney and prostate, and that goes to implement the instrumentation already existing, allowing to operate even more precisely and effectively



donation, in support of the National Association for Women Who Underwent Breast Surgery (ANDOS, Associazione Nazionale Donne Operate al Seno) and the Hospital of Montecchio Maggiore (VI), of an instrument called "Mammotome Revolve". This instrument allows early diagnosis by guaranteeing greater and safer tissue samples with less invasiveness and can be used for biopsies in cases where the mammographic examination has aroused a suspicion of malignant formation



donation to the Hospital of Arzignano of an innovative software called "Rapid", which drastically reduces the times of diagnosis of ischemic stroke; the times go 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 of a state-of-the-art Monitor-Defibrillator to the Hospital's Emergency Department through the Association Movimento per i Diritti del Malato (Movement for Patients' Rights) of Arzignano. A unique device in the event of cardiac arrest and for monitoring patients who are in immediate need of help in an intra-hospital environment and can also be used in an ambulance



support for the isolation chamber for the Paediatric Oncohaematology Department at the San Bortolo Hospital in Vicenza in collaboration with the association "Vicenza for Children" aimed at ensuring the care of children with cancer

10.2

A FOUNDATION SUPPORTING THE COMMUNITY

Be close and concretely help the community in which your roots sink and where you have spent your life.

These are the goals of the Silvana e Bruno Foundation, through which the owners of Gruppo Mastrotto supports those who face the difficulties of an illness or accompanies the growth of a life that is blossoming.

With this premise the Parkinson Café and La Tribù del Sole were founded.



Parkinson Café

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

In Italy there are about 230,000 people affected by this disease.

The tendency to self-isolate is one of the first consequences in the life of a Parkinson's patient, and the Parkinson Café in Arzignano (VI) was founded precisely to counteract this closure.

It is the first of its kind in Italy and was conceived as an open meeting, sharing and gathering place for people affected by this disease, their families and all those who wish to participate.

Initiatives that stands out are specific motor activity, recreational activities, informative meetings on specific topics of interest to guests and caregivers. The goal is to support and facilitate sharing and sociability, in full respect the new pace and the skills of the participants who in this context, with the help of volunteers, can react to the disease and regain the pleasure of being together.





La Tribù del sole

After-school club managed by the Moby Dick cooperative that accommodates up to thirty children and teenagers of primary and secondary school for the whole school year and summer time, it is a bright and child-friendly space.

It fosters overall development of children by spending afternoons engaged in multidisciplinary activities and paying particular attention to following children with disabilities.



10.3

COMMITMENT TO THE WORLD OF SCHOOL

To Gruppo Mastrotto building a strong and structured relationship between the business world and school education is crucial, for this reason it favours stable collaborations with local schools, sharing its knowledge through various methods:

- » hosting visits of secondary school classes at the tannery, in particular vocational schools and technical institutes within the district of Arzignano
- » hosting students on internships
- » teaching and offering corporate testimonials at undergraduate and postgraduate courses.
- » offering scholarships for the children of employees of the Gruppo Mastrotto





10.4

A DEBATE ON SUSTAINABILITY WITH STUDENTS

The students of the Fashion Sustainability Management course of the higher technical education institute of Cosmo di Valdagno (VI) were hosted for a guided tour of two of the plants and a sustainability lesson to introduce them to the processes, characteristics, mission and values of Gruppo Mastrotto.

The boys were welcomed by the Group's President, Chiara Mastrotto, and met with part of the company's management.

It was a moment of discussion and knowledge sharing with the explanation of the Sustainability Journey, the Group's corporate roadmap towards sustainability and the continuous improvement of processes and products, with the aim of constantly minimizing the environmental impact of production and using resources responsibly.

These encounters also had an international aspect.

On the occasion of Earth Day, Gruppo Mastrotto took part in a video conference held by Professor Simone De Colle about Sustainability Management and Reporting within the Master of the IÉSEG School of Management, in Paris, to present to students the path that led the company to publish 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.

During the meeting the students illustrate their assessment of Gruppo Mastrotto's sustainability balance sheet from the following perspectives: inclusiveness, comparability, integration and external verification according to the AA 1000 standard.

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

10.5

REWARDING DESERVING STUDENTS

Gruppo Mastrotto awards thirteen scholarships to deserving students, selected from the children of its employees, who during the 2021-2022 school year distinguished themselves for the results achieved.

The initiative was born in 2017 and is part of the corporate welfare project "People, Next Level", which focuses on people and their professionalism, demonstrating how corporate social responsibility (CSR) represents a real asset for the Group, which is investing in new generations. The call and the selection process have led to the identification of the most deserving students.

A scholarship for the first year at the University of Bologna: Disciplines of arts, music and entertainment.

Regarding high schools, there were four awardees in the last grade, four in the fourth and four students in the third grade.



10.6

RELATIONS WITH PUBLIC INSTITUTIONS AND/OR INDUSTRY BODIES



Fairness, transparency and respect for roles

Correctness, transparency and respect for roles are the principles on which Gruppo Mastrotto bases its relations with public institutions and industry bodies which, through a continuous dialogue, identify the most suitable forms of development and collaboration.

Gruppo Mastrotto is a member of the Unione Nazionale Industria Tanneria (UNIC), the association representing the Italian tanning industry. Gruppo Mastrotto is a member of UNIC's Board of Directors through its President Chiara Mastrotto.



In addition, Renata Sartori, herself a Director of Gruppo Mastrotto as well, has been appointed as a member of the Executive Committee of the Leather Working Group.

THIS IS the first time that an Italian has been appointed to this position.

The committee consists of 9 members; 4 representing brands, 4 tanneries and 1 chemical supplier.

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

Gruppo Mastrotto is also a member of "Leather Naturally", an international non-profit organization that focuses on leather education and promotion.

It promotes the use of sustainable leather produced globally, inspiring and informing designers, creators and consumers about the beauty, quality and versatility of leather.

Together with industry bodies, Gruppo Mastrotto maintains relations, directly or through other entities, with public institutions as well such as the Veneto Region and the European Union for the granting of contributions. It also deals with institutions with control and authorization functions such as: Province of Vicenza and Acque Del Chiampo.

Structured relationships in respect of each other's roles and of a fair dialogue so that the company is perceived as a credible and proactive interlocutor with whom to establish collaborations useful for both the community and the company itself.

11 INNOVATION

LEATHER STANDARD BY OEKO-TEX®:
PRODUCT INNOVATION FOR
CONSUMERS ASSURANCE

REVIVA: PRODUCT INNOVATION
FOR AN EVEN MORE CIRCULAR
COMPANY

PROCESS INNOVATION TO REDUCE
RESOURCE CONSUMPTION AND
IMPACTS

ORGANIZATIONAL INNOVATION:
5S AND CONTINUOUS IMPROVEMENT

COMMUNICATING INNOVATION:
THE INTERNATIONAL CONGRESS
OF LEATHER CHEMISTS

COMPANY LABORATORIES

11

INNOVATION

Innovation is a crucial factor for the competitiveness of companies. There is a wide range of initiatives implemented by Gruppo Mastrotto to save natural resources during the tanning transformation process, provide increasingly safe products for consumers, reuse finished leather scraps in an original way and stimulate incremental innovation by people.

In the following paragraphs provide a brief description of the activities carried out.

11.1

LEATHER STANDARD BY OEKO-TEX®: PRODUCT INNOVATION FOR CONSUMERS ASSURANCE



OEKO-TEX® is an international research and control association in the field of ecology "Textile and Leather" and develops, among others, product labels according to rigorous analytical models. These include LEATHER STANDARD by OEKO-TEX®, an independent and globally recognized certification system for leather and leather goods at all stages of their processing, from semi-finished leather to finished goods such as bags, gloves, clothing.

The LEATHER STANDARD certification by OEKO-TEX® applies to the leather production process and identifies harmful substances for humans used within production processes. The objective is to transparently document the responsibility of companies in respecting the safety of their items for their customers, along the whole production chain, up to brands, retailers and end consumers. Products with this label guarantee the purchase of products that are safe for the health of people and the environment. OEKO-TEX®, updates the test criteria at least once a year: in this way it takes into account the most recent scientific discoveries and legislative changes.



11.2

REVIVA: PRODUCT INNOVATION FOR AN EVEN MORE CIRCULAR COMPANY



Project that complements the circularity of the tanning process.

It enhances the scraps of finished leather, normally considered waste, ennobling them according to a circular economy and up-cycling concept. This was the challenge that allowed us to develop Reviva, a material that can be used to make bags, shoes and car interiors.

The process involves that the scraps of finished leather undergo specific mechanical and chemical processes to obtain rolls of an intermediate material, which is then ennobled and customized according to the specific product destinations and customer needs. It is intended for all brands that put sustainability at the heart of their industrial development.

Reviva gives added value to the tanning supply chain, bringing it closer to a "Zero Waste Production" situation, as it complements the traditional valorisation of process by-products, which then become components of biostimulants, fertilizers, cosmetics and nutraceuticals.

11.3

PROCESS INNOVATION TO REDUCE
RESOURCE CONSUMPTION AND IMPACTS

The research and development (R&D) activity is aimed at developing new technologies capable of guaranteeing product safety, improving the environmental impact of the treatments and, at the same time, increasing the technical performance of leathers.

The main research activities carried out during 2022 covered:



formulation of low environmental impact refinements, in particular with regard to atmospheric emissions



testing of new "bio-based" tanners derived from waste of other industrial production chains

In addition, the research activity is constantly involved in the study of alternative chemicals for the finishing and wet phase, with particular attention to reducing their environmental impact.

11.4

ORGANIZATIONAL INNOVATION:
5S AND CONTINUOUS IMPROVEMENT

Alongside completely new products and services, continuous improvement of the existing ones is of great importance.

This is the reference to incremental innovation, that innovation resulting from many small advances related to existing processes and products that improve all aspects of business efficiency, increase safety levels and reduce the consumption of natural resources and environmental impacts.



It is an innovation based on people, their skills and motivations.

For this reason Gruppo Mastrotto has embarked on a gradual multi-year programme for the introduction and the development within itself of methodologies that facilitate and stimulate these advances: 5S, methodologies for continuous improvement and lean production / management. The project is slightly behind schedule as the design phase took longer than originally budgeted.

11.5

COMMUNICATING INNOVATION:
THE INTERNATIONAL CONGRESS OF
LEATHER CHEMISTS

In September 2022 Gruppo Mastrotto took part in the third "IULTCS EuroCongress", an international event promoted by the International Union of Leather Technologists and Chemists Societies and the Italian Association of Leather Chemists (AICC) that made a stop in Vicenza with the theme "Renaissance: the Next Leather Generation".

The event, created with the aim of exploring the future of technologies applied to leather processing, is a benchmark to enhance the unique qualities of this material at an international level.

Gruppo Mastrotto presented the results of original research, focused on advanced analytical techniques aimed at product sustainability, as part of the panel "Methods and tests on chemicals and leather: new developments and approaches".



11.6

COMPANY LABORATORIES

The testing activities cannot be conducted without the laboratories in which small-scale tests and analyses that guarantee the compliance of processes and products with legislative standards and customer requests are carried out.

Gruppo Mastrotto is equipped with three physical laboratories and a central chemical laboratory. The analytical autonomy of the company is a unique case within the industry.

15 people work in the company's laboratories, who carry out all kinds of analyses required by the various types of product segments supplied.

Gruppo Mastrotto participates annually in inter-laboratory circuits organized by the Institute for Interlaboratory Studies (Consumer Products Proficiency Tests) for specific chemical analyses. For some analyses it has also obtained the attestation of excellence. Among these pH, formaldehyde in finished leathers, azo dyes in finished leathers.



15 the people who work in the company's laboratories

Chemical tests available:

- aromatic amines derived from azo dyes
- phthalates
- phenols (chlorinated)
- hexavalent chromium (before and after ageing)
- formaldehyde
- VDA277 emissions



12

METHODOLOGICAL
NOTE

12

METHODOLOGICAL NOTE

For the preparation of this Sustainability Report, Gruppo Mastrotto has used the GRI (Global Reporting Initiative) Standards, currently the most internationally widespread and accredited.

In order to provide an exhaustive picture of the most significant impacts on the economy, the environment and people, Gruppo Mastrotto has decided to draw up the Sustainability Report with the application level "In accordance with".

The sustainability report refers to the 2022 financial year (as of 31.12.2022), taking into account the data of the last three years.

In the application of the GRI Standards, the reporting perimeter adopted by Gruppo Mastrotto S.p.A. refers to plants in Italy. The head office is located in Arzignano (VI), in Via Quarta Strada n°7. The data collection was carried out through the compilation of dedicated databases, containing information necessary for the elaboration of the indicators required by the GRI standard and each of them includes the calculation methodology used. The competent company resources have entered the data and quoted the sources, ensuring maximum traceability and reliability of the information provided.

During this reporting period, the reclassification of the income statement was updated to better respond to the requests of the GRI 201-1 standard (Direct Economic Value Generated and Distributed); consequently, to comply with the principle of comparability required by the standard, the values of the two previous years were also reclassified.

The document was reviewed by a third party, in fact the external Assurance was carried out by BDO-International.

The Sustainability Report is published on the web site www.mastrotto.com in the area dedicated to sustainability: <https://www.mastrotto.com/sustainability/>
For more information about the report, the contact point is sostenibilita@mastrotto.com



13 FOREIGN OFFICES: A BRIEF INTRODUCTION

MASTROTTO MEXICO

MASTROTTO BRASIL

MITECH TUNISIE

MASTROTTO INDONESIA

13

FOREIGN OFFICES: A BRIEF INTRODUCTION

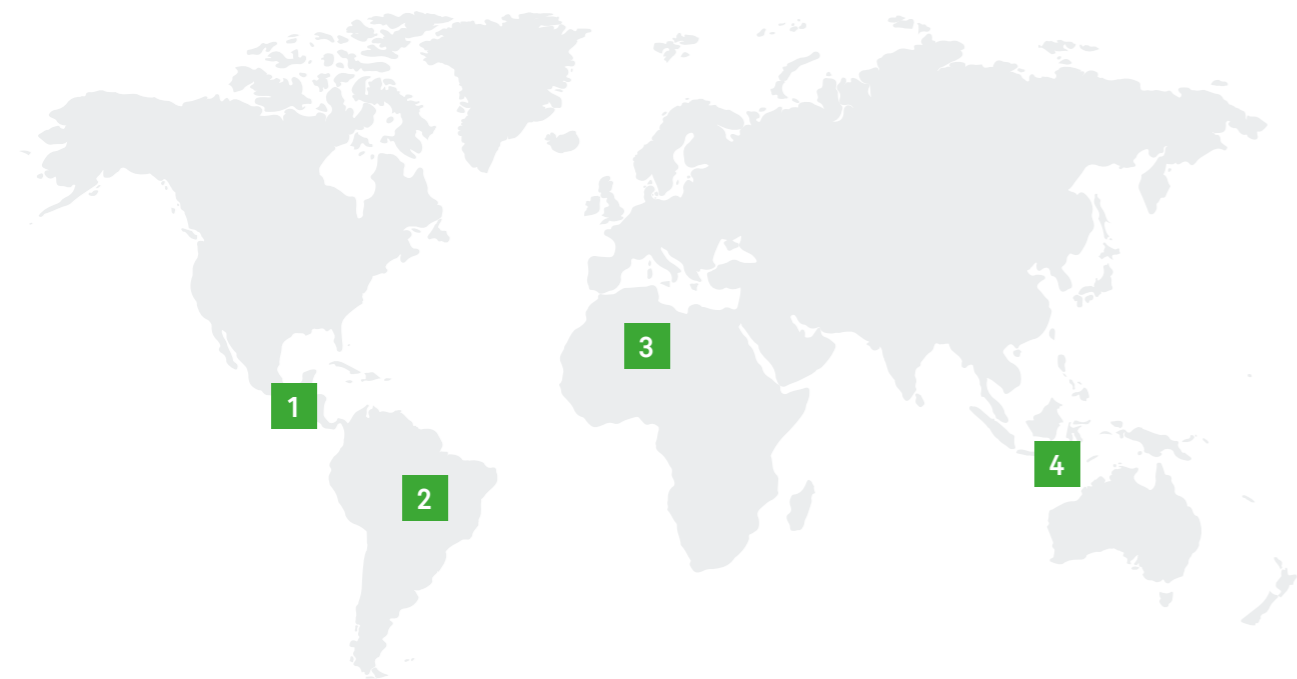
Gruppo Mastrotto, which has an extensive international outreach, has succeeded in transmitting and preserving over the years a strong sense of belongingness and unity of strategic direction, favouring a gradual sharing of environmental, social and economic policies. At the end of this edition of the Sustainability Report of Gruppo Mastrotto, it seemed appropriate to insert a paragraph to introduce the group's foreign offices and their activities. It is also the starting point for:

- their progressive involvement within the reporting perimeter
- improve the process of data collection and processing, being aware of the difficulties arising from differences in legislation and consequent operational implications in the reporting processes.

For the sake of transparency, it should be noted that the reporting scope of these financial statements refers exclusively to Gruppo Mastrotto SPA, i.e. the Italian plants of the group. This paragraph is for basic training purposes only.

Gruppo Mastrotto consists of **15** production plants, **11** in Italy and **4** abroad. The foreign offices are located in Brazil, Indonesia, Tunisia and Mexico.

- 1 Mexico**
Huejotzingo - Puebla
- 2 Brazil**
Cachoeira - Bahia
- 3 Tunisia**
Sousse City
- 4 Indonesia**
Sentul City - Bogor



13.1

MASTROTTO MEXICO

The company

The plant specialises in the finishing and cutting of leathers for the automotive sector.

It has the main quality certifications:

- IATF 16949 - Automotive Quality Management System
- ISO 9001 - quality management system.

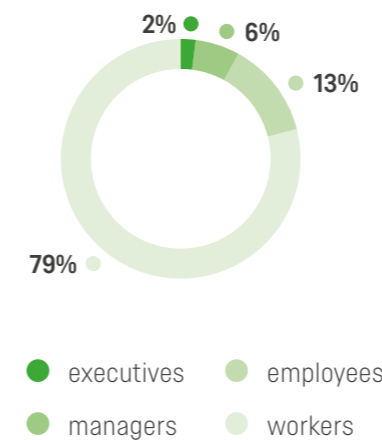
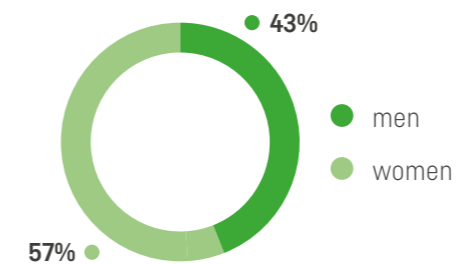


Gruppo Mastrotto has been present in Mexico since 2015 with a plant located in Huejotzingo-Puebla, in Central Mexico, 110 km from Mexico City.

People

Mastrotto Mexico in 2022 had **126** employees, all permanent and divided by gender: 57% women and 43% men.

79% of employees are blue-collar workers, 13% are employees, the rest are managers and executives.



Category Type - 2022

	men	women	total
Executives	3	0	3
Paintings	7	0	7
Employees	10	6	16
Workers	34	66	100
Total	54	72	126

During 2022, only one accident was recorded, which lasted more than forty days. Mastrotto Mexico pays great attention to the training of its personnel.

In 2022, the total hours of training were 5,930: 50% on health and safety in the workplace, 44% on quality and the remaining 6% on the environment.

Environment

In 2022 Mastrotto Mexico used 0.091 ML of water deriving entirely from groundwater.

The waste produced in 2022 amounted to 14 tons and is almost exclusively non-hazardous.

Type of waste - tons

	2022
Hazardous waste	0.004
Non-hazardous waste	14.000
Total	14.004

In 2022, the energy consumed from non-renewable sources amounted to 1,276 GJ.

Community and corporate citizenship



The Mexican Centre for Philanthropy, BC, Cemefi, has awarded Mastrotto Mexico for its social commitment having satisfactorily met the indicators set out for the areas: quality of life in the company, ethics, corporate governance, relations with the community, care and protection of the environment.

Mastrotto Mexico has received the ESR® 2022 Award as a Socially Responsible Company.

13.2

MASTROTTO BRASIL



Gruppo Mastrotto has been present in Brazil since 2001 with a plant in Cachoeira, 110 km from Salvador de Bahia.

The company

Thanks to significant investments in state-of-the-art structures and technologies, Mastrotto Brasil has specialized in the production of bovine leather for upholstery.

The constant commitment to customer satisfaction, combined with advanced production lines, allow us to achieve high levels of industrialization; this also with an eye to environmental efficiency proved by international certifications:

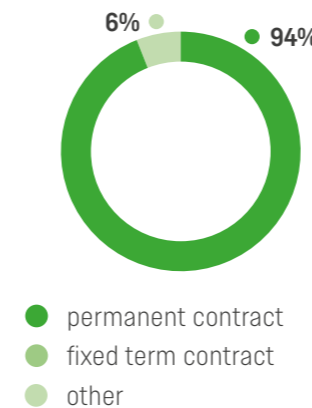
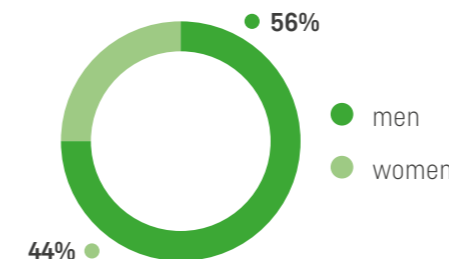
- ISO 9001 - quality management system
- ISO 14001 - environmental management system
- LWG protocol - silver rated.

People

In 2022, Mastrotto Brasil had **468** employees.

The gender distribution indicates that 75% of workers are male.

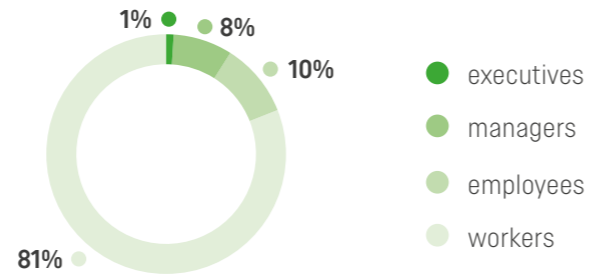
The distribution of workers by contractual form shows that almost 95% of workers have a permanent contract.



Type of contract - as of 31.12.22

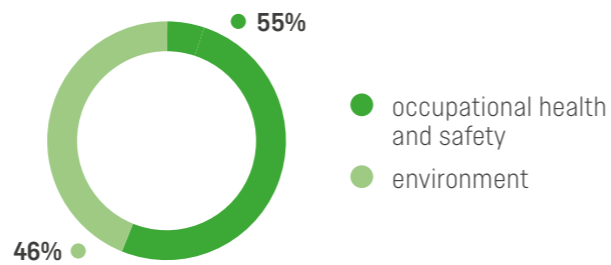
	men	women	total
Permanent employees	340	100	440
Fixed-term employees	1	0	1
Employees- other contractual forms (internship, apprenticeship)	10	17	27
Total	351	117	468

The analysis by contract category highlights the pre-eminence of blue-collar workers who represent 81% of workers; employees and managers with similar absolute values follow.



In 2022, there were four accidents in the workplace, two of which with more than 40 days' absence.

The hours of training on health and safety in the workplace were 1,758, or 55% of the total hours of training offered by the group in 2022, which were 3,188. On average, in 2022, the annual training hours per person were 6.8.



Environment

260.38 ML of water were collected in 2022.

Drawing type - ML

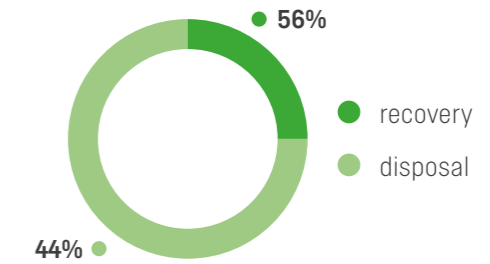
	2022
Groundwater aquifer	6.59
Water from third parties (surface water)	253.79
Total	260.38

The tons of waste produced in 2022 were 13,045. Of these 57% were non-hazardous and the remainder were hazardous.

Type of waste - tons

	2022
Hazardous waste	7,384.62
Non-hazardous waste	5,660.88
Total	13,045.51

About 75% of the waste is recovered, while the remainder is sent for disposal.



Mastrotto Brasil in 2022 used 150,224 GJ of energy of which almost 10% derives from renewable sources.

Energy consumption - Gj

	2022
Electricity	43,470.25
Heating energy	0
Cooling energy	0
Steam energy	106,754.10
Total	150,224.34

13.3

MITECH TUNISIE



Mitech Tunisie is based in Sousse, 150 km from Tunis and 130 km from Sfax.

The company

Named Mitech Tunisie SARL, it specializes in the production of cut leather sets for the Automotive sector.

Demonstrating commonly accepted thinking on sustainability, the Tunisian headquarters also has certifications based on international standards:

- ISO 9001 - quality management system
- ISO 14001 - environmental management system
- ISO 45001 - Occupational health and safety management system.

People

Mitech Tunisie had **372** employees in 2022, 56% male and 44% female.

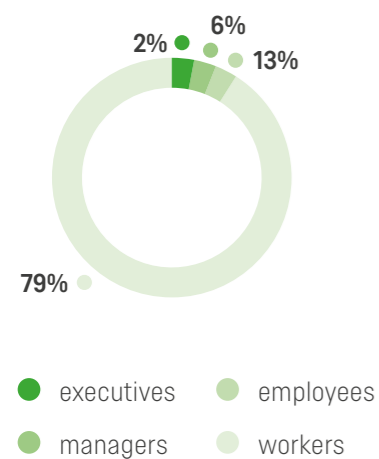
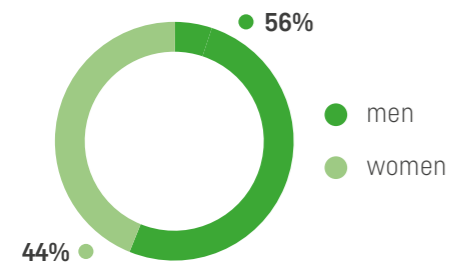
In 2022, permanent contracts accounted for 74% of the total, while fixed-term contracts accounted for 26%.

Type of contract - as of 31.12.22

	men	women	total
Permanent	57	40	97
Fixed-term	151	124	275
Total	208	164	372

Category Type - 2022

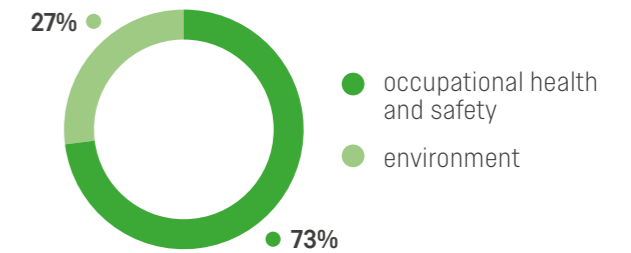
	men	women	total
Executives	3	0	3
Managers	7	0	7
Employees	10	6	16
Workers	34	66	100
Total	54	72	126



In 2022 almost all employees belonged to the blue-collar workers category, more precisely 91%, and the remaining percentage was distributed fairly among employees, managers and executives.

Three non-serious injuries were recorded in 2022. Mitech Tunisie is committed to the training of its employees, with particular attention to the health and safety of workers and the environment.

In fact, the first area represents 73% and the second 27% of the hours delivered, respectively 508 and 186 hours, for a total of 694 hours.



Environment

In 2022, the Tunisian headquarters draw 0.92 ML of surface water for its production process.

The waste produced during 2022 was 15.4 tons; non-hazardous waste represents 98% of the total.

Type of waste - tons

	2022
Hazardous waste	0.36
Non-hazardous waste	15.00
Total	15.36

In the last year Mitech Tunisie has used 4,031 GJ of electricity for production.

Compared to the previous year, there is an increase in the use of water and energy, as well as in the production of waste; this is substantially attributable to the growth in production, more than doubling compared to the previous year.

Community and corporate citizenship

Also at the Tunisian headquarters of the group are multiple initiatives in support of the community

- October Rosa - early diagnosis of cancer organized in the company
- Social assistance for the beginning of the school year
- Social assistance for the beginning of Ramadan for poor families, through food aid
- Social assistance for religious holidays.

13.4

MASTROTTO INDONESIA

The company

The facility is specialized in the processing of bovine leathers for the Upholstery and Automotive industries; for the latter, in addition to finished leathers, it manufactures kits for steering wheels and seats.



Advanced technologies, the high specialization of workers and constant attention to social and environmental issues have made it possible to obtain numerous certifications issued according to the most accredited international standards:

- IATF 16949 - Automotive Quality Management System
- ISO 9001 - quality management system
- ISO 14001 - environmental management system
- ISO 45001 - Occupational health and safety management system
- ISO 28000 - Supply Chain Security
- REC - Renewable Energy Certificate.

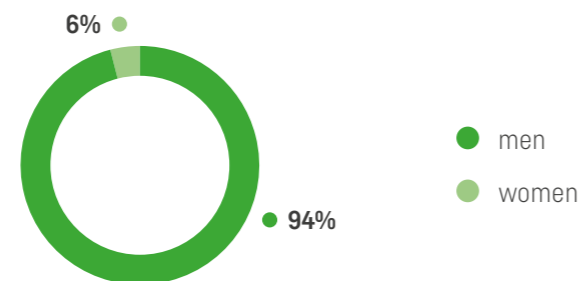
Gruppo Mastrotto has been present in Southeast Asia since 2004; the Indonesian headquarters is located in Sentul, 60 km from Jakarta.

People

At the end of 2022, Mastrotto Indonesia had **279** employees, with permanent workers accounting for 86% of the total.

Type of contract - as of 31.12.22

	men	women	total
Permanent	223	16	239
Fixed-term	39	1	40
Total	262	17	279



In terms of gender, 94% of the workforce was male and the remaining 6% female.

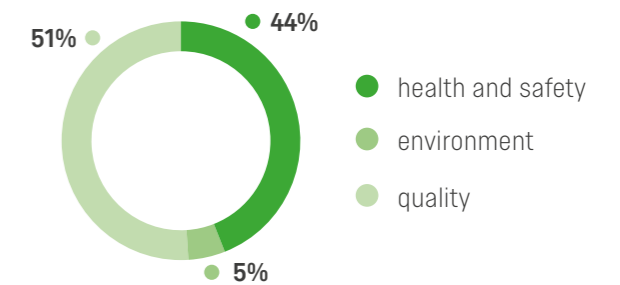
The breakdown by category shows that 71% of employees are blue-collar workers, 26% are employees and the remaining are managers and executives.

Category Type - 2022

	men	women	total
Executives	2	2	4
Paintings	5	0	5
Employees	60	13	73
Workers	195	2	197
Total	262	17	279

In 2022, there were four occupational accidents at the Indonesian headquarters. A positive result, also thanks to the attention paid to the training of personnel.

In 2022 the hours delivered, in fact, were a total of 2,459: 51% on quality, 44% on safety at work and the remaining 5% on the environment. On average, each employee participated in 8.8 hours of training.



Environment

In 2022, 25.4 ML of water were collected, of which almost 90% was used for production purposes. The water consumed by Mastrotto Indonesia comes mainly from groundwater.

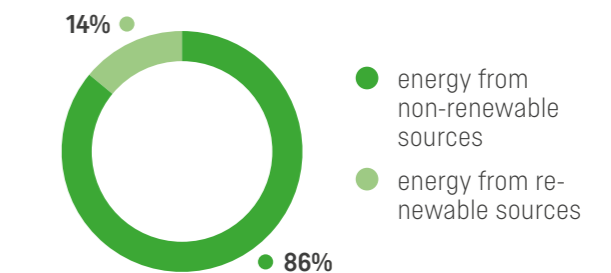
Waste generation in 2022 amounted to 349 tonnes, while energy consumption amounted to 12,865 GJ, with 14% of electricity coming from renewable sources.

Since October 2022, electricity is purchased only from renewable sources and TIGR certified.

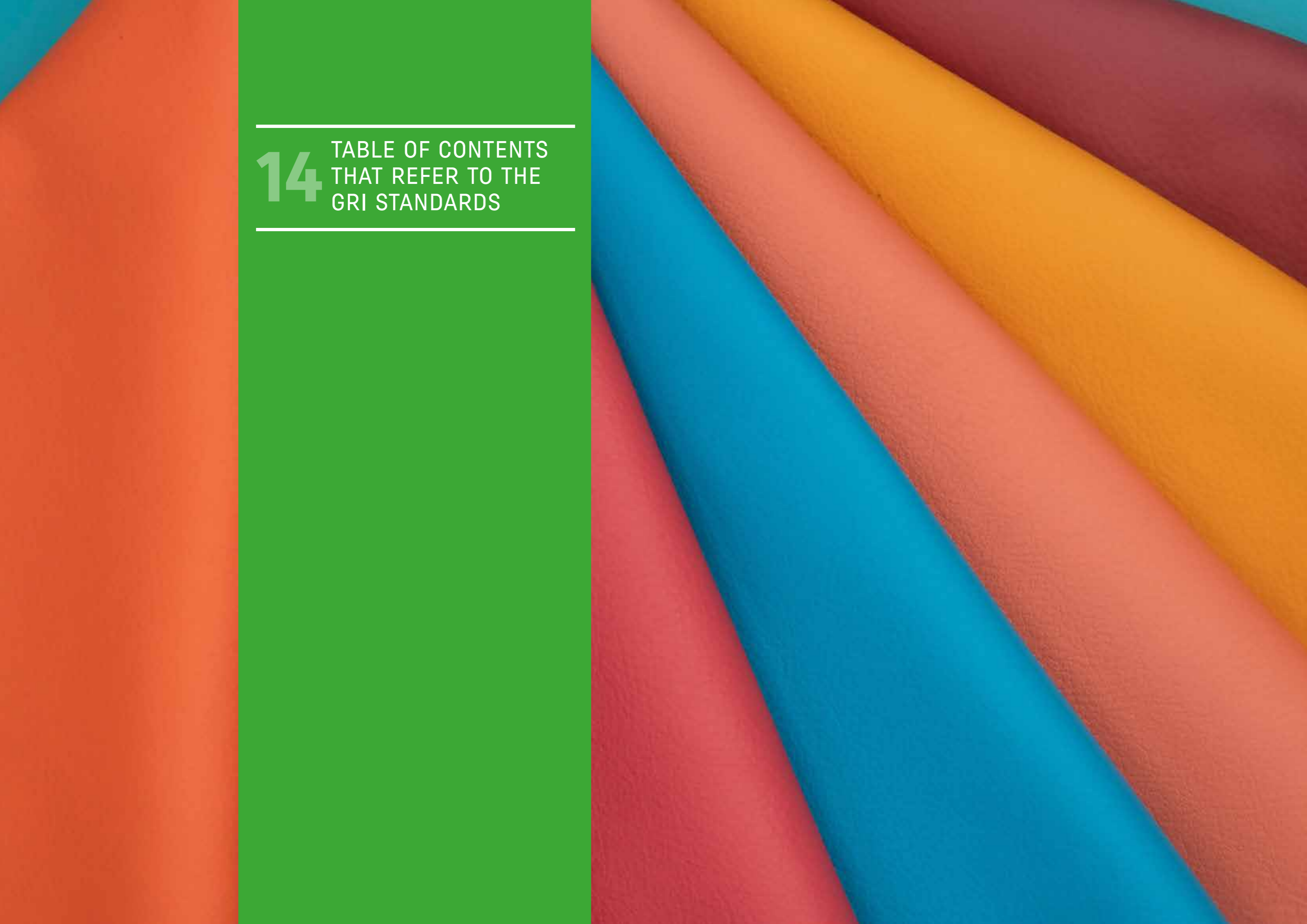


Type of drawing - MI

	2022
Groundwater aquifer	25.32
Third-party water	0.12
Total	25.44



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THAT REFER TO THE
GRI STANDARDS



GRI SUSTAINABILITY REPORTING STANDARD	paragraph no.	paragraph name				
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	2-2	Entities included in the organization's sustainability report	13	Methodological note		
	2-3	Reporting period, frequency and point of contact				
	2-4	Review of information				
	2-5	External Assurance				
	2-6	Activities, value chain and other business relationships			3, 3.1, 3.3	The company, The context, The company organization
	2-7	Employees	5, 5.1	People, About us		
	2-8	Non-employees	5.1	About us		
	2-9	Structure and composition of governance	3.2, 3.2.1, 3.2.2	Corporate Governance, Governing Bodies, Control Bodies		
	2-10	Appointment and selection of the highest governance body	3.2.1	Governing bodies		
	2-11	President of the highest governing body				
	2-12	Role of the highest governance body in controlling impact management				
	2-13	Delegation of responsibility for impact management				
	2-14	Role of the highest governance body in sustainability reporting				
	2-15	Conflicts of interest			3.2.2	Control bodies
	2-16	Communication of critical issues			4.3	Assessment of the importance of the topics identified
	2-17	Collective knowledge of the highest governing body			3.2.1	Governing bodies
	2-18	Evaluation of the performance of the highest governance body				
	2-19	Remuneration rules			5.1	About us
	2-20	Compensation determination procedure	5.1, 5.5	About us, constructive trade union relations		
	2-21	Annual Total Compensation Ratio		The ratio of highest to median pay is 8.1		
	2-22	Declaration on the Sustainable Development Strategy	6.2, 1	the sustainability plan, the letter		

GRI SUSTAINABILITY REPORTING STANDARD	paragraph no.	paragraph name			
GRI 2: General Disclosures 2021	2-23	Policy Commitment	4, 5, 6, 7, 8, 9, 10, 11	Sustainability approach, People, Ecological transition and circular economy, Customers, product and market, Suppliers, Value creation and distribution, community and corporate citizenship, Innovation	
	2-24	Integration of policy commitments			
	2-25	Processes aimed at remedying negative impacts	4.3	Assessment of the importance of the topics identified	
	2-26	Mechanisms for seeking clarification and raising concerns	3		
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	302-1	Energy consumed within the organization	
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	302-3	Energy Intensity	
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	303-1	Interaction with water as a shared resource	
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	305	Emissions	
	305-1	Direct GHG emissions (Scope 1)	
	305-2	Indirect GHG emissions from energy consumption (Scope 2)	
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	403-3	Occupational medicine services	5.2
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	403-5	Training of workers in occupational health and safety	5.2.3
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	403-8	Workers covered by an occupational health and safety management system	5.2.1
	403-9	Accidents at work	5.2.4
403-10	Occupational diseases		
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	404	Training and education	
	404-1	Average annual training hours per employee	5.3
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GRI SUSTAINABILITY REPORTING STANDARD	paragraph no.	paragraph name
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GRI 414: Social assessment of suppliers 2016	3-3	Management of material topics
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GRI 308: Environmental assessment of suppliers 2016	3-3	Management of material topics
	308	Environmental assessment of suppliers
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GRI 204: Procurement Practices 2016	3-3	Management of material topics
	204	Procurement Practices
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GRI 203: Indirect economic impacts 2016	203-1	Infrastructure investments and financial services
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GRI 401: Employment 2016	401-1	Recruitment and turnover
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GRI SUSTAINABILITY REPORTING STANDARD	paragraph no.	paragraph name
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GRI 205: Anti-corruption 2016	205	Anti-corruption
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GRI 410: Safety Practices 2016	410	Safety Practices
CUSTOMER PRIVACY		
GRI 418: Customer Privacy 2016	410	Customer Privacy

15 AUDIT FIRM REPORT



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20131 Milano

Independent Auditors' Report
on the "Sustainability Report 2022"

To the Board of Directors of Gruppo Mastrotto S.p.A.

We have been appointed to carry out a limited assurance engagement of the Sustainability Report of Gruppo Mastrotto S.p.A. for the financial year ending 31 December 2022.

Directors' Responsibility for the Sustainability Report

The Directors of Gruppo Mastrotto S.p.A. are responsible for preparing the Sustainability Report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI - Global Reporting Initiative ("GRI Standards"), as described in the "Methodological Note" section of the Sustainability Report.

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

Directors are also responsible for defining the objectives of Gruppo Mastrotto S.p.A. in relation to sustainability performance, as well as for identifying *stakeholders* and significant aspects to be reported.

Auditors' Independence and quality check

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility


Our responsibility is to express our conclusion based on the procedures performed about the compliance of the Sustainability Report with the requirements of the GRI Standards. We carried out our work in accordance with the criteria established in the *International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance whether the Sustainability Report is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with *ISAE 3000 Revised*, and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

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Iscritta al Registro dei Revisori Legali al n. 167915 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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The procedures performed on the Sustainability Report are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the Sustainability Report, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

- analysis of the process of defining the relevant topics reported in the Sustainability Report, with reference to how they were identified in terms of their priority for the different stakeholder categories and to the internal validation of the findings of the process;
- comparison of the economic-financial data and information reported in the section "Economic-financial performance of Gruppo Mastrotto S.p.A. and consolidated companies" of the Sustainability Report with the data and information included in the consolidated financial statements of Gruppo Mastrotto S.p.A.;
- understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the Sustainability Report.

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

In addition, with respect to significant information, taking into consideration the business and characteristics of Gruppo Mastrotto S.p.A.:

- with regards to qualitative information included in the Sustainability Report, we carried out interviews and gathered supporting documentation to check for consistency with available evidence;
- with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Gruppo Mastrotto S.p.A. as of December 31, 2022 has not been prepared, in all material respects, in accordance with the requirements of the *GRI Standards* as described in the "Methodological Note" chapter of the Sustainability Report.

Milan, June 5, 2023

BDO Italia S.p.A.

Signed by
Francesca Scelsi
Partner

Gruppo Mastrotto S.p.A. | Independent Auditors' Report on the "Sustainability Report 2022"

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