
2016 SUSTAINABILITY REPORT

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This report contains Standard Disclosures by the GRI (Global Reporting Initiative) G4 Sustainability Reporting Guidelines

LETTER FROM THE PRESIDENT

Much of what I think is summarised in the declarations of principle that we daily try to realise through our products and that you will find on the next pages. Pattern is based on People and Technologies. We have always invested in these two assets, since they are fundamental to our growth. We have always tried to offer our Clients the best services and products on the market. However, some years ago, we realised that this was not enough because the fact of “doing business” cannot be separated from the respect for the context in which we operate. This idea prompted us to question ourselves, and today it is pushing us to work decisively on a third strategic aspect: sustainability. Intellectual capital, design and production of cutting-edge technologies and our business sustainability are and will be Pattern’s three pillars.

Therefore in 2012, we decided to prepare ourselves to obtain in 2013 the international SA8000 Social Accountability certification, which regards corporate social responsibility regarding safety, environment and human resources. From 2015, this approach has begun to be transferred to the entire supply chain; in particular, following two guidelines: the first regards the certification of the companies working for us regarding adherence to the SA8000 Standard. The second concerns the raw materials we purchase, verifying that they are also produced without toxic substances or agents.

We know that all these efforts may appear at the beginning as a cost, but everybody in our Board and our Executive Committee thinks that they are a significant investment for the future. In the market where we operate there is a massive polarisation between those who want to do well and those who just think that relocating means lower costs. We distrust of those who sell cashmere at the same price of synthetic fibres: or they are not paying their workers properly, or it is not cashmere.

We are among the first not only capable of talking about Circular Economy but also to create a man’s and woman’s garment (which also got a great commercial success) made with an entirely recycled fabric obtained from 12 PET bottles. Not a small percentage useful only to communicate the sustainability concept, but a 100 % sustainable garment. This is how we want to work: well.

I hope that reading this document will be interesting for you, and I hope it will become an incentive for other companies to act in the same way. I also wish that this Report will contribute to underline how a Small/Medium Enterprise like ours can work to improve the context in which it operates.

Francesco Martorella



Pattern 2016 Sustainability Report, written for the second year in a row, expresses a business culture based on the real implementation of the Corporate Social Responsibility principles.

The Report is written following the Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative). In particular, we applied the Content Reporting Principles (Stakeholder Inclusiveness, Sustainability context, Materiality, Completeness) and the information quality (Balance, Comparability, Accuracy, Timeliness, Clarity, Reliability) as indicated in the G4 version. We also followed the indications of the General Standard Disclosures demanded by the Framework. After having identified the primary stakeholders, we developed a Materiality Matrix.

The analysis of the sustainable performance (economic, environmental and social) is based on a series of Key Performance Indicators (KPIs), developed according to the GRI-G4 indicators. For the social and economic dimensions, we considered integratively the principles of accountability, collected by the Social Statements Study Group (GBS). The numerical data and information contained in the Sustainability Report refer to the year 2016, and they apply to the activities developed by Pattern S.r.l. and its subsidiary Pattern Project S.r.l. during the year. The economic-financial values apply to Pattern S.r.l. are taken from the financial report of the company on 31 December 2016. The contents of the Report focused on the topics regarded as being the most relevant by Pattern stakeholders, testify the evolution of the Company in 2016 compared to previous years. This allowed to draw up an assessment of the dynamic growth of Pattern's activities throughout the year. The Summary Table found at the end of the report illustrate the topics discussed in the text about the specific GRI -G4 indicators.

You can find the G4 version of the Report both in Italian and English on Pattern's website www.patterntorino.it under the heading "Sustainability".



3.1 HISTORY

Pattern S.r.l. (Ltd.) was founded at the end of 2000 by Fulvio Botto and Francesco Martorella (pattern-makers coming from Gruppo Finanziario Tessile, the biggest Italian garment concern until the end of the nineties). They decided to set up their own company of design & engineering of garments, after experiencing many years working for the most prestigious national and international fashion houses.

The founders' business idea is closely linked to the fashion industry, and it is based on activities implemented on a vertical basis within the company. Everything starts from the garments design, engineering and development; then there are the prototyping and samples manufacturing phases, which end with the clothes production for the most prominent international brands.



Fulvio Botto

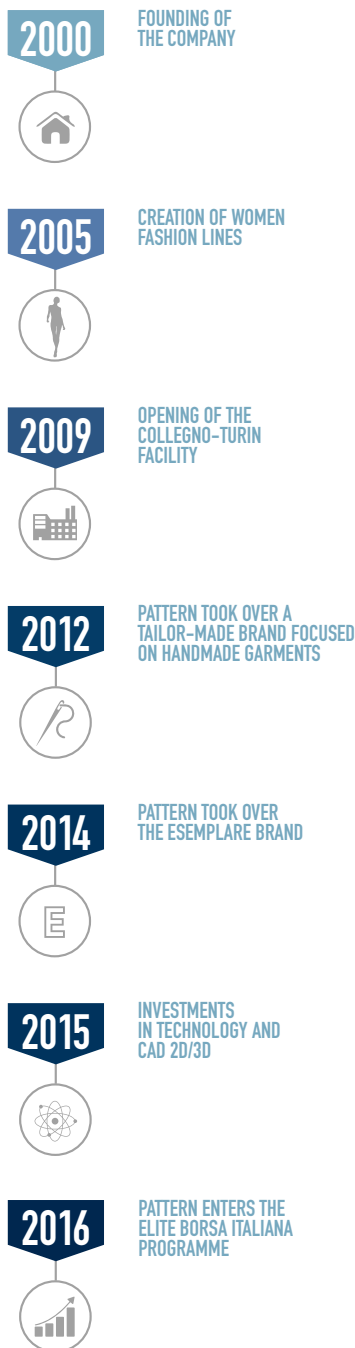


Francesco Martorella

The design of the main fashion lines for men was the starting point of their entrepreneurial activity. In 2005, the business became bigger and more diversified: Pattern started to design and produce women fashion lines. The opening of the Collegno-Turin facility took place in 2009. In 2012, Pattern took over a tailor-made brand focused on handmade garments to respond more efficiently to the Clients' need for a higher product customization. In 2013, thanks to its choices and its internal processes tailored following environmental protection, safety concerning internal Human Resources management and supply chain, Pattern became the first Italian clothing manufacturing company to obtain the SA8000 Social Accountability International certification.

In July 2014, Pattern took over the Esemplare brand, specialised in urban/sportswear. In Spring/Summer 2015, Esemplare launched the woman collection, which was presented at Pitti Firenze and Berlin Premium international fashion trade shows: this was the beginning of the global growth phase of the brand.

During 2016 Pattern published its first sustainability report. It was the only enterprise to do so according to the principles of the GRI among the SMEs in the textile/clothing sector. Furthermore, in November it was chosen to join the Elite program of "Borsa Italiana".



During 2016 Pattern acquired a new area for logistics and product development on its facility area. By doing so, Pattern's surface has grown by 25% allowing a more careful management of logistic flows, of product development flows and the quality checks of finished goods.



PATTERN TODAY

Today Pattern has an organisational structure based on production units; it employs around 100 highly-skilled workers, and it creates further 250 FTE indirect jobs. With around 4000 m² of working departments, during 2016 Pattern has further extended and improved its workspaces for every phase of the design and production processes, paying particular attention to the pattern-making, product development, prototyping phases being this the key for a careful logistics management.

Every year Pattern produces more than 30 men's and women's collections, thanks to a flexible and constantly growing organisational structure, which takes care of every step of the process, guaranteeing the Client the best quality, flexibility and dispatch. Such an excellent service is possible thanks to the verticalization of the production phases. Pattern's strength is the ability to follow many different collections overseeing all the design and production processes in such different categories (from coats and jackets to any other item of clothing).





IN NOVEMBER 2016 PATTERN ENTERED THE ELITE PROJECT BY BORSA ITALIANA.



Borsa Italiana



ELITE is a programme that aims to accelerate the growth of companies through an innovative path of organisational and managerial development designed to making excellent companies even more competitive and more visible to investors. The ELITE program offers to selected companies a platform of tools and services designed to prepare for the acquisition of capital and seize new opportunities for visibility and networking, thus facilitating the growth and the cultural approach of businesses to financial markets.



3.2 MISSION

At first, Pattern aimed at garments design and pattern development, but the growth of the business allowed the company to extend its business activity by producing “turnkey collections” for well-known international high fashion brands: the garments produced by Pattern walk down the London, Milan, Paris and New York catwalks every season.

In the current competitive economic environment, Pattern’s mission is the full accomplishment of the projecting and production cycles in the fashion industry: from paper patterns to prototypes, from the manufacture of garments ready for the fashion shows to the production of the actual line. Pattern has always tried to achieve a balanced mix of craftsmanship and technology, thanks to the internal workforce and the investments in the most advanced CAD systems and ground-breaking productive machines. Starting from 2012, Pattern has adopted an internal Code of Ethics, which helped to define in writing a precise corporate policy regarding social and organisational responsibility and working conditions.

Pattern has always structured its growth path by basing it on two pillars: technology and Human Resources. Recently, another component has been added: business sustainability.

3.3 GOVERNANCE AND ORGANISATION

At the helm of Pattern, some people have a global vision of the processes and activities of the company. This is essential to guarantee a comprehensive and innovative management of a small/medium-sized enterprise.

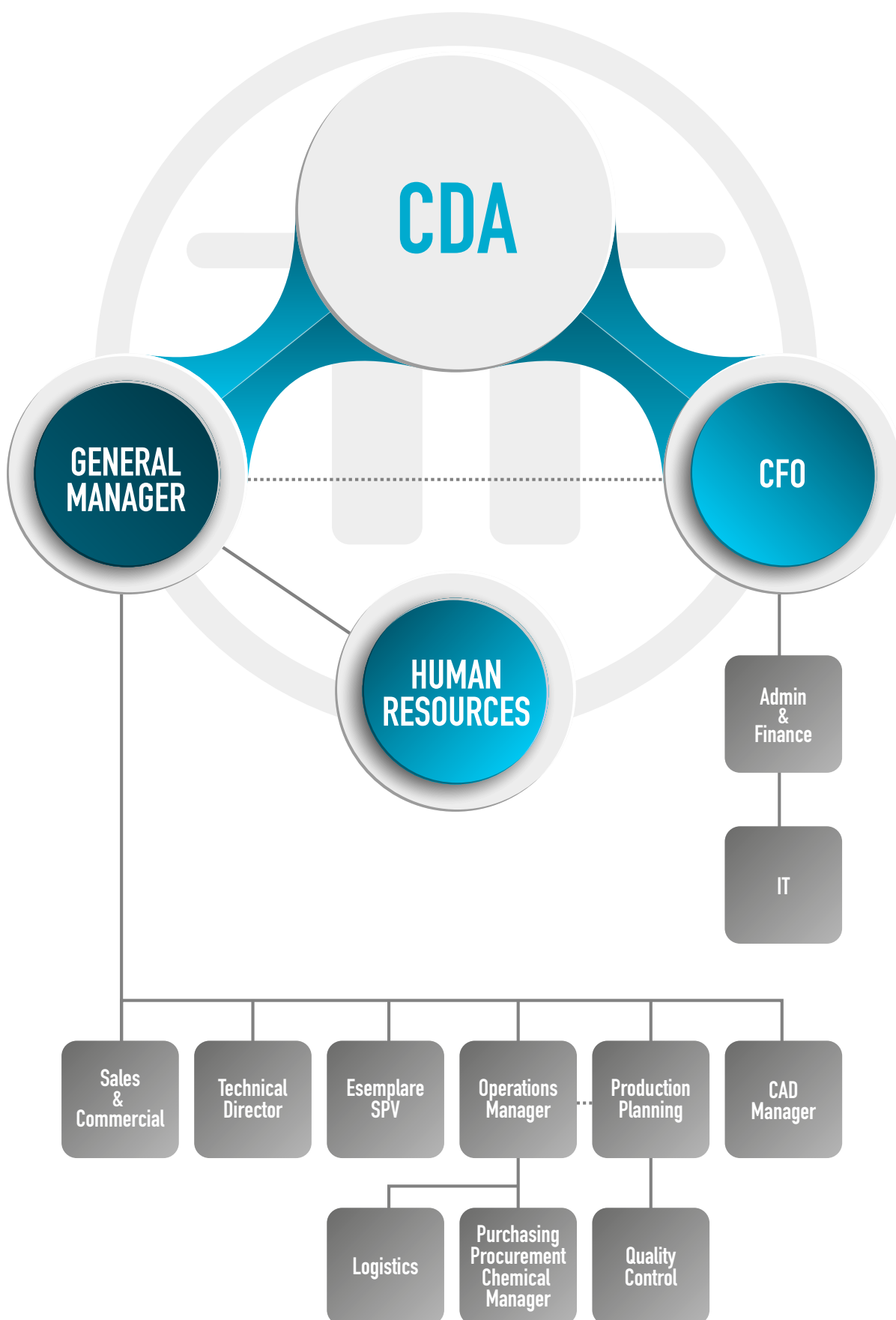
Furthermore, in the last three years, the company has structured itself according to a delegation process, which has led to an organisational structure based on a Client/Function Matrix. This organisation of the company is based on total supervision: from the first contact with the designer to the delivery of the finished garment to the Client. The constant presence in the firm of the two founders, playing the roles of Technical Directors, is another fundamental element in the process of the garments design management and the operational aspects of Pattern’s activities.

The Board of Directors is composed of:

- Francesco Martorella
- Fulvio Botto
- Francesco Mazza

Audit firm: Revi.tor S.r.l.

YOU CAN FIND THE ORGANISATIONAL CHART OF THE COMPANY IN THE NEXT TABLE.



3.4 STAKEHOLDER

Pattern has decided to give voice to its socially responsible nature, by letting it emerge with the aim of reporting its strengths, weaknesses and core values. This choice made necessary the mapping of its stakeholders. This was a fundamental step to identify accurately the people that have economic, social and environmental interests linked to Pattern's activities.

In particular, it was decided to split the stakeholders into three different groups, according to the influence they have on Pattern, following the GRI international classification method.

1. Primary stakeholders are those that have "absolute" expectations about their relationship with Pattern. Without their constant and continuous participation, it would not be possible to achieve the objectives of the company, and it would be difficult for the business to last. Consequently, Pattern's primary stakeholders are Clients, employees and partners, contract manufacturers and their employees, and lastly shareholders.
2. Secondary stakeholders are non-essential for the sustainability of the company, but they have an interest in Pattern's business because its activities influence them. Banks, environment (the physical-natural ecosystem) and suppliers are secondary stakeholders.
3. Finally, tertiary stakeholders are schools and Universities, local authorities and Charities.

The "mapping" of the different types of people or organisations contributing, with various degrees of involvement, to the creation of value for Pattern, is represented in the "Map of Pattern's stakeholders".

STAKEHOLDER

WITHIN AN OPEN BUSINESS ENVIRONMENT, INSIDE WHICH RELATIONS WITH MANY DIFFERENT PARTIES ARE ESTABLISHED, STAKEHOLDERS ARE THOSE WHO, VOLUNTARILY OR INVOLUNTARILY, HAVE AN INTEREST LINKED TO THE ACTIVITY OF THE COMPANY. THESE PARTIES ARE INFLUENCED, DIRECTLY OR INDIRECTLY, BY THE COMPANY AND THEY HAVE OR CAN HAVE AN INFLUENCE ON IT.



3.5 MATERIALITY MATRIX

The Materiality Matrix is a conventional instrument internationally used in Sustainability reports. It is an indicator through which the company plots its most important distinctive features, charting them according to an importance scale. This allows clarifying the framework of the enterprise and the activities that are thought to be fundamental for its sustainability, by highlighting the elements on which it is important to channel the energies on.

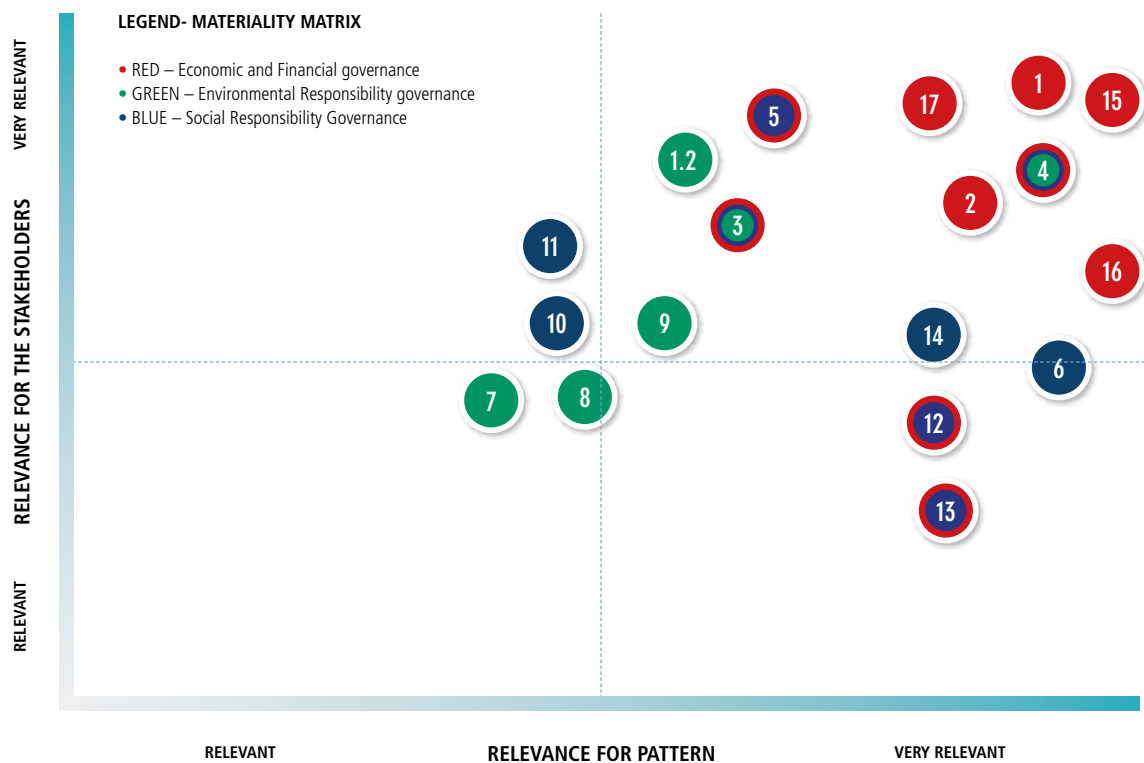
The Materiality analysis allowed the definition of a system based on monitoring and account rendering indicators, reported in the Sustainability Report.

The phases of the Materiality Matrix definition are:

1. Identification: analysis of the leading trends influencing the business model and the relevant aspects of the principal areas of activity, which contribute to the value creation;
2. Priorities definition: individuation of the most relevant aspects for internal and external stakeholders to evaluate their economic, social and environmental importance, understanding the influence they have on the decisions and the expectations of the company.
3. Validation: internal confirmation of the Materiality Matrix result by the directors and by a pool of managers to ensure that the Matrix represents a reasonable indication of the company key elements.

As mentioned, Pattern defines its strategic policies also by internalising the Corporate Social Responsibility principles. The assessment of the business and its stakeholders' relevancy to the main "real" aspects linked to Pattern's activity are shown in the materiality map.





TANGIBLE ELEMENTS		2015	2016	Goals
1.	Sustainability of the supply chain	CC	B	A
1.2	Environmental Sustainability of the supply chain	C	CC	A
2.	Contract manufacturers loyalty	B	B	B
3.	Application of the circular economy principles	/	C	B
4.	Continuity in the collaboration with suppliers	B	B	A
5.	Contract manufacturers reputation	CC	B	A
6.	"Italianity" of suppliers	CC	CC	B
7.	Energy consumption	CC	B	B
8.	Materials consumption	CC	B	B
9.	Packaging	C	B	B
10.	Human rights and working conditions	CC	A	A
11.	Certifications	CC	B	B
12.	Talents and creativity development	B	B	A
13.	Investment in the know-how (technical ability, non-substitutability)	B	B	A
14.	Training	B	B	A
15.	Clients	B	B	A
16.	Technology	B	A	A
17.	Real time ability to answer to Clients	B	B	A

LEGEND

C = Present Element to improve – CC Very present element with areas of improvement

B = Already consolidated element, to be perfected

A = Completely implemented element

4 CREATION OF SUSTAINABLE VALUE

The unique values of the company originate from the founders' "vision". These values are people and technology. Their mix allows Pattern to combine style and quality with its products. The real Pattern's competitive challenge is to add to these two original values a third pillar: sustainability. People, technology and sustainability represent the investment, which underpins Pattern's development and the resulting creation of future value.

Revising the business process regarding environmental, economic and social sustainability means proceeding with a new approach towards the stakeholders and the business activities. This process started with the implementation of an internal ethical code regarding social and organisational responsibility, together with working conditions. The ethical code was written according to the SA8000 Standard, which includes a six-monthly review of the business policy and the performance results. The ethical code is available at this web address: <http://www.patterntorino.com/wpcontent/uploads/2012/09/SA8000CodiceEticoSept12.pdf>

The adherence to the SA8000 Standard has allowed establishing a precise landmark for the stakeholders, defining the mutual relations among them. The three core values guiding Pattern – people's

talent, new technologies and business sustainability – represent the essential cornerstones for the creation and the distribution of value. Pattern creates its sustainable value starting from these core values and consequently defines how the value added is assigned to stakeholders.

VALUE OF TECHNOLOGY

The international up-market fashion brands of the Luxury segment consider Pattern the ideal partner for the garments design, engineering and production of their main clothing lines. Pattern can quickly, flexibly and precisely meet the needs of the brands that require a fast service of prototypes, runway samples and samples realisation. This is possible thanks to the internal verticalization of the design and production processes implemented in the last few years. Such operational flexibility is feasible thanks to a complete know-how and an internal functional autonomy: this allows Pattern to manage all the phases starting from the design and the patterns creation, until the delivery to the Clients. By doing so, Pattern exploits both innovative and traditional technological techniques, respecting its values and its corporate social responsibility.



4.1 STAGES OF THE BUSINESS PROCESS

PATTERN AND GARMENT ENGINEERING

The heart of the company is the Pattern Room. Everything Pattern does, starts from the sketches of the prominent fashion labels designers. Thanks to talent, technical expertise and know-how of Pattern's employees, the Pattern Room is always able to find the perfect combination between the idea of the designer and the best processes and technical solutions. The designers' ideas are developed both in the traditional way (manually) or thanks to the best and newest software. The Product Development department is constantly in contact with the Clients, and it takes care of every phase of the prototype development, so everything proceeds in due time. The Product Development department also deals with the production launch, by as well giving information about the fabrics and the garments trimmings. The CAD department fulfils the placement of all textiles and fills in the technical documentation refereeing to the cutting process. At the same time, the warehouse prepares the garments trimmings and provides the textiles for the cutting process. Pattern is equipped with automatic cutting machines, ground-breaking laser cutting machines and a manual cutting station if needed on custom requests.

PROTOTYPES AND SAMPLES

After the cutting process, Pattern makes the first prototype in its laboratories. These prototypes are checked for defects and then shown to the Client for fitting, last check and approval. The final prototypes, with all the changes decided with the Client, contribute to the creation of the garment sample and to the whole clothing production, which is managed in a dedicated area. At this point, the collections are ready to be launched at Runways, Show Rooms & Fashion Shows. Subsequently, Pattern handles production orders for the final distribution. Even at this stage, Pattern supports its top brands and designers by assisting them during the Fashion Shows with its highly-skilled staff.









MANUFACTURING & PRODUCTION CHAIN

At the Client's request, before the launch of the collection, Pattern can make a pre-production sample to verify one last time the garment. The "Product and Production" team will take care of all production steps, paying close attention to the quality of every garment and also to the delivery timing. Every production step and all Pattern's suppliers are followed through certification processes, specifically through the SA8000 Standard.

The company also deals with a wide management area. The clothing manufacturing phase is coordinated by Pattern in close cooperation with its contract manufacturers, chosen through a certification process. Being primary stakeholders of the supply chain, they have to follow the management and social responsibility lines undertaken by the company. This has allowed the building of a trust-based relation between the contract manufacturers and Pattern. The solidity of these collaborations has reached such an extent that Pattern initially asks the contract manufacturers to sign a letter of intent and shared values.

QUALITY CONTROL

The final phases of quality control are the most delicate, and for this reason, considerable attention is dedicated to them: Pattern's Quality department works together with the Clients' Quality Team before the final delivery. The collections and the garments are then ready to be presented and distributed by Pattern's Clients worldwide.

4.2 PATTERN'S INVESTMENTS IN TECHNOLOGY AND SKILLS: INNOVATIVE CRAFTSMEN

Pattern's main characteristic is the combination of craftsmanship and technology: this is a factor of success and a way to guarantee perpetuity to the firm and its Clients. Pattern models in 2D and 3D using the most advanced software on the market. Furthermore, bucking the trend, in the last years Pattern has launched an in-sourcing process linked to the design and productive phases, which are today completed at 100% at the Collegno premises. From the design to the cutting phases, from manufacturing to quality control of prototypes and runaway samples, everything is carried out inside the facilities of the company. Recently, in this respect, Pattern has invested by purchasing ultimate cutting machines, like laser cutting machines. Even if Pattern is a small business operating in a sector where the stages of manual and craftsmanship work are crucial, it has always invested in technology, preferring the best solutions on the market, which typically, due to their costs and complexity are created for medium and large companies

Time has shown that this choice was not fond. Firstly, because Pattern has experienced growth, by becoming a medium enterprise and this allowed to generate a return on the capital invested; secondly because Pattern's Clients are multinationals with which, consequently, it is necessary "to speak the same language" also from the IT perspective. The aim was and still is to become an ever-growing international centre of expertise in this operational segment. The choice of placing emphasis on technology, by focusing on CAD solutions for the design of items of clothing, is confirmed every year since Pattern invests mainly in this area. The investments, as it is explained in the last pages of the report, concern all the aspects of a modern IT infrastructure.

Introduction of the PDM

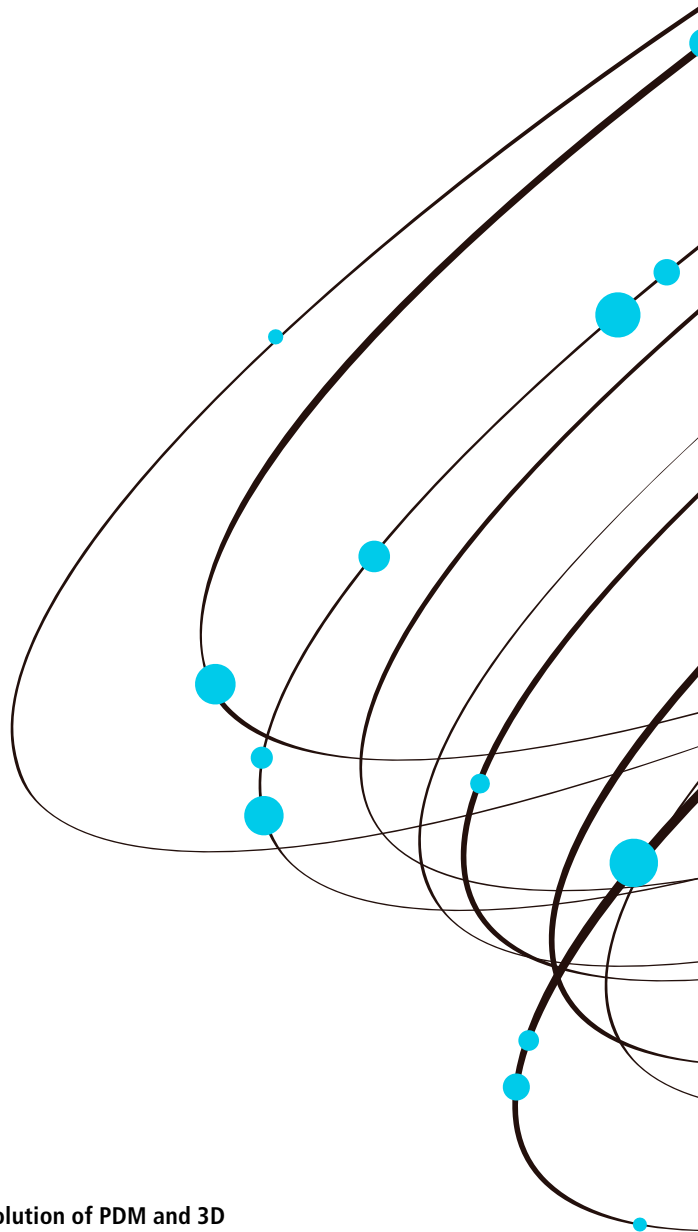
A significant step forward compared to the simple installation and employment of CAD machinery took place in 2011-2012 with the implementation of the PDM (Product Data Management) for the complete management of the finished product, from its ideation to the samples realisation with all the needed information, even graphically.

The project was subsequently improved through the integration of a new management system implemented in the same years, with the aim of creating a single workflow from the Pattern Room. It is here that everything starts: from the design to the productions launches, ending with the delivery of finished garments to the Clients and the corresponding management of the warehouses.

Evolution of PDM and 3D

During 2013, with a project that lasted in the years to come, Pattern made a transition to the most advanced versions of CAD and PDM, targeted to enable the use of more complete and more useful industrialisation tools. This evolution aimed at reaching a better productivity and at making possible a wider harmonisation with other design systems.

These improvements involved both the Pattern Room and the CAD department, which deals with grading and marker making. Eventually, this evolution mainly concerned the possibility of prototyping virtually in 3D, exploiting workstations aimed at particularly complex manufacturing processes.





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Introduction of new and more advanced Plotter machinery.

The complexity of the before described updates required several hours of training for the employees of the concerned departments. In the meantime, to make the best of the new technologies, the connected hardware was upgraded, and new Plotters for full-scale printing of the cutting chart and the cardboard cutting of the models' details were bought.

Cutting Area

The attention to technology and the consequent adoption of best-performing tools can also be observed in the Cutting Area, where there are two automated cutting systems: a brand-new one and a laser cutting one bought in 2014/2015.

Implementation of the ERP Business management software and need for customisation

Between the end of 2010 and the beginning of 2011, Pattern had to choose an ERP for the integrated management of its business activities because of a first increase of its turnover. This development led to a more complex business management and in the meantime, it was clear that almost all the products on the market, even the most proven ones, were developed for clothing companies working for their trademarks.

Pattern's activity, which is focused on collections development on behalf of third parties, requires much flexibility during the phases

of prototyping, production logistics and launches, and purchase management for the Clients. This made necessary a customisation development. A different aspect that must be considered regards the particular need of being able to establish the quantity of raw materials and trimmings required for each season/collection to answer rapidly to the Clients' demands. This is crucial, for example, for substitution of productions, cancellations, repetitions and, equally important, to attribute to the single Client the warehouse residues at the end of the production seasonality.

It is necessary to track all the movements, linking them to the information of the season/line in a semi-automatic mode to meet the Clients' needs and avoid a cumbersome management of raw materials in the warehouse. The one just described is a customization process that made necessary the creation of specific functions for inventories analysis, virtual exchanges management of season/line and the re-sampling or sale of the same stocks at the end of the season.

Adaptation of HW infrastructure and SW base system.

The proper functioning of this complex system, which includes and links the management environment and the modelling, is guaranteed by a second redundant server platform with double NAS (Network Attached Storage). The NAS should ensure the data stability and the speed of machinery interfacing. A virtualization system manages everything with VMware technology and a firewall for secure remote connections.

5 VALUE OF TALENT AND RELATIONAL CAPITAL



Employees, whose number has steadily been growing in the last years, have a high profile know-how with skills developed to satisfy the most different expectations and needs of both Italian and international designers or brands.

According to Pattern's philosophy, each employee contributes to improving the quality and the awareness of the value of everyone's work. For this reason, Pattern adheres to the SA8000 Social Accountability International certification, which safeguards the personnel and encourages its participation in achieving the goals of the company. Furthermore, the SA8000 Standard monitors whether Pattern's partners, suppliers and contractors implement these principles. The compliance with the SA8000 requested requirements – universally applied regardless of the size of the company, the geographic location or the industrial sector – allows Pattern to develop, maintain and implement policies and procedures, with the aim of managing situations, which could control or have an influence in terms of management, training and growth of the personnel, working climate, health and safety at work.

Number of employees	2014	2015	2016
Blue-collar workers	19	32	34
White-collar workers Managers/Cadres/Administrator	45	48	50
Apprentices	9	9	9
Total	73	89	93

5.1 BUILDING THE FUTURE THANKS TO TALENTS

In Pattern, the human capital is expressed through its employees' talent and professionalism. Their skills and know-how are fundamental to give continuity to Pattern's business operations. In other words, every job is a major reservoir of competencies exploited in the present and valued for the future.

Over the years, Pattern has collected and enhanced these skills. Thus, its employees are real talents and, as such, represent the fundamental pillars of the company. Pattern has always put in place a regular dialogue in the workplace, paying particular attention to the expectations of employees and primary stakeholders. Pattern has also always worked to ensure that employees can actively participate in the implementation of the Social Responsibility system, involving them through information training and meetings as well as through an anonymous questionnaire regarding the working environment, whose results were published.

With the aim of achieving integration between the people who daily carry out operational tasks and processes of responsible value creation, Pattern involves its employees through the adoption and distribution of information material related to the Internal Code of Ethics, the Code of Conduct and the SA8000 procedures; all shared on the corporate intranet. Pattern's workforce is made up of a stable core of direct employees and staff of its contract manufacturers and partners, with which the company has formed a solid partnership network. Pattern, in a negative economic context, has invested in the labour force, increasing the number of employees about specific company requirements. This was done to ensure greater support to its Clients.

The recent acquisition of a production complex already active in Bricherasio is an expression of this line of action. It is a clear choice concerning extension and maintenance of certain technical and operational expertise in the prototypes and samples area (including the highest level of "tailor-made" know-how). Moreover, this acquisition presents also economic benefits for the local territory, through the sale of tailor-made suits, formal suits and dresses. Promoting key talents in the light of the business structure of the company is one of the cornerstones on which Pattern is based. The company is acutely aware of the talent, and know-how importance as these features are considered Pattern's main strength. The strategic value recognised to the specialised internal employees becomes an expression of ability to develop, for the Clients' benefit, excellent services and productions both from the technical/business point of view and regarding creative partnership development. Pattern's technical and design skills, in particular, allow to create and innovate while remaining faithful to the quality of the service offered.

The autonomy granted to its human resources and talents is fundamental to the company. The availability of internal segments, that, thanks to their high professionalism, can manage and maximise talents and skills with the support of the productive structure, allows a unique dynamism. As seen in the chart, in the 2015-2016 biennium, the percentage of talents with a degree of autonomy between 1 and 5 grew in 2016, reaching 5%, while in the previous year was zero. The abilities with a degree of autonomy between 6 and 10 remained constant and stable.

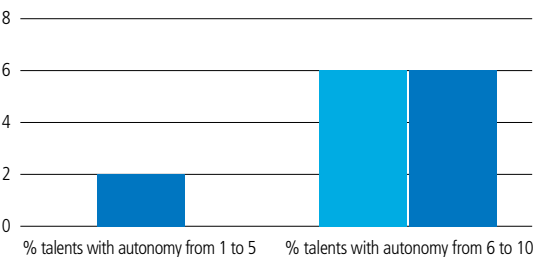
TAB. G - PROFESSIONAL SKILL/SPECIALISATION MATRIX

SPECIALISATION	HIGH	Not easily replaceable employees	Very difficult to replace employees
		10	5
	LOW	Easily replaceable employees	Quite easily replaceable employees
		18	57
		LOW	HIGH
PROFESSIONAL SKILL			

TALENTS AUTONOMY DEGREE

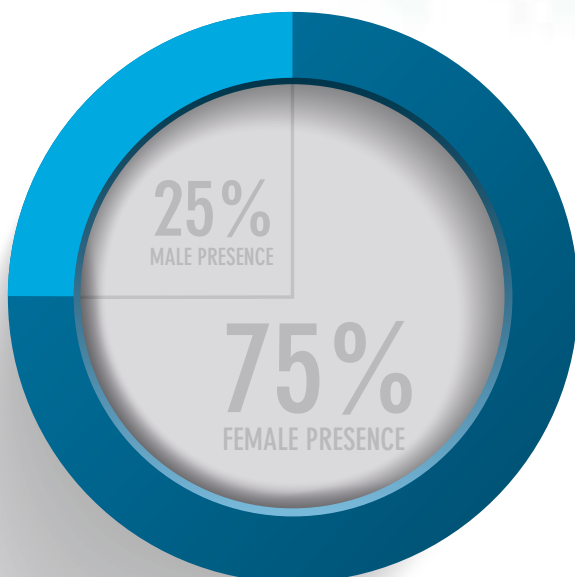
Ability to manage independently and specifically one's own know-how.

2015 2016



5.2 FULLY DEVELOPED HUMAN RESOURCE MANAGEMENT: DIVERSITY AND EQUAL OPPORTUNITIES

Pattern pays particular attention to the management of gender issues, avoiding any discrimination and difference, including subtle forms of women discrimination and attitudes that could be offensive to human dignity. By believing strongly in the value that may arise from diversity, Pattern promotes and encourages the presence of both genders in the working teams, creating an atmosphere of mutual respect among colleagues.





Human Rights– Points and strategies

Pattern is committed on many different fronts, regarding the implementation of a Social Responsibility system compliant with GRI norms.

- The company abstains from exploiting, even indirectly, child labour. The company is engaged to ensure that the Work requirements are applied not only internally but also within the supply chain (supplier, subsuppliers, subcontractors and in particular contract manufacturers. If the company becomes aware during the audits (also through the checklist of the supplier qualification procedures) and/or through any other source that child labour is exploited or that the work of minors that have not completed their education is used or become aware of any other violation of regulations, there is going to be an immediate verbal warning and request for problem solution before a specified date (max 60 days). Subsequently, the company will verify, that the problem has been solved. If a situation is considered severe immediately, the company undertakes to put in place specific corrective actions:
 - Warning letter to the supplier;
 - Letter of explicit request of resolution of the situation with specific dates;
 - Reporting to competent authorities / NGOs of what has been discovered;
 - Direct contact with the social workers in charge of resolution of the situation, until its conclusion
- The attention paid to its employees and, more generally, to all the staff involved in the network of collaborations that gravitate around the company, has motivated Pattern to periodically monitor the activity in the area of its production chain partners so that they will adapt to Pattern's values and lines of action. This aspect, which was already present in previous years, has led Pattern to look for new strategies to work at best on these points. Moreover, Pattern is creating a Social Performance Team that will be operational in 2017.
- The provision of work is carried out on a voluntary basis in compliance with the regulations provided by the CCNL (NCEC - National Collective Employment Contract) Textile Industry to which Pattern adheres. The careful and accurate creation of a pleasant, safe and healthy working environment helps to prevent potential accidents and damage to workers' health. In compliance with the law, an external HPPS (Head of the Prevention and Protection Service) is appointed by the Management to ensure a safe working environment following the provisions of the applicable laws and certification standards;
- The staff, who enjoy community and trade union rights provided by law, can freely establish trade union organisations and freely elect their union representatives with whom they have constant relationships;
- The internal team bans all forms of discrimination in respect of aspects such as recruitment, remuneration, access to training, promotion, dismissal or retirement. The regular working week is 40 hours, in line with the National Collective Employment Contracts. According to these regulations, the extraordinary work is carried out voluntarily, at the request of the Management, to support the Clients' specific requests during the two traditional annual production peaks (winter and summer).

5.3 TRAINING

Training is crucial for Pattern because culture can contribute to the creation of value. According to Pattern, cultural and technical knowledge is fundamental for personal and business growth. The employees' know-how is essential: for these reasons, every year Pattern organises internal training courses concerning different business areas (technical area, CAD, product development, administrative area, etc.). Pattern's training sessions for the know-how growth employ both internal and external expertise. Pattern also organises training programs funded in collaboration with Fondimpresa and Fondirigenti.

The 2015-2016 training courses were:

1. Start of the 2016/2017 training course for the transition from 2D (2 dimensions) pattern and design system to 3D (3 dimensions) system. The course took 150 hours per capita for all the technical staff.
2. Training activities related to the implementation of the Sustainability report.
3. Participation of the management team to the first training activities organised by the Elite programme by Borsa Italiana. These courses were attended by 50 working units altogether, which received approximately 3500 of training. The entire workforce has also taken part in the courses required by law regarding environment and workplace safety.



5.3.1 FOCUS ON THE GEOGRAPHICAL AREA AND ON TRAINING

A Cardio Protected company - Lifesaving Blue Point

Pattern devotes particular attention to educational institutions and organisations linked to their reference production sector. Pattern has always been sensitive and functional regarding health matters, so it has decided to make its premises available in a concrete way for the territory by installing a Lifesaving Blue Point, a defibrillator installed within the company.

This defibrillator is registered at the **118-emergency number**, and it can be requested, if necessary, by authorised personnel also externally, and is therefore also available to anyone who would need it outside the company: Pattern is now a reference point for the area. Patterns have already trained some staff that deal specifically with this new life-saving tool, but Pattern's goal is to organise more specific courses for the company staff in 2017.



Social Accountability and territoryFor a new corporate culture

In November 2016 Pattern, together with other Italian companies, was the protagonist of the conference titled Shared Value and Territory: Comparative Experiences organised by the Industrial Union of Turin. During the roadshow, Pattern put a particular focus on the social reporting path undertaken through the 2015 Sustainability Report. Thanks to this winning experience, Pattern was able to make a significant contribution to the event.

With the aim of spreading the style culture in the fashion world through its business case, Pattern put in place the following initiatives:

- Esemplare contest, second edition: various Italian design schools took part in this competition for young designers.
- Lectio Magistralis: The General Manager was the guest lecturer of a lesson of the Management Engineering course at the Polytechnic University of Turin.
- Corporate testimony at the National convention of young accountants - Arezzo 2016.
- Corporate testimony: presence at a conference at the IAAD (the Italian University for Design).
- Supervision of the Management Course at the IED (European Design Institute)

Besides, Pattern organised work experiences for vocational schools' students, with which the company maintain a close partnership for internships or training. On the one hand, these initiatives allow students to get to know the potentialities of the local area but on the contrary to come in contact with a production characterised by a high international commercial and training perspective. From this point of view, it is important to remember the collaboration with

foreign educational institutions, such as the Xarxa of Barcelona. The organisations and the educational institutions involved in these projects (in addition to those already mentioned above) are the following:

- Nuova Accademia di Belle Arti (NABA) (New Art School) in Milan; -
- I.I.S. (Higher education institution) N. Bobbio in Carignano (TO);
- Association of technical schools San Carlo in Turin;
- Consortium for Training and Innovation in Pinerolo (TO);
- ITS – College for new "Made in Italy" technologies in Biella.
- Crafts Consortium SCS - Walfareitalia "Individual Project for support and socio-professional integration of people with disabilities

5.4 INTERNAL COMMUNICATION

The internal communication and the one among Clients, contract manufacturers and suppliers are fundamental for Pattern.

Following the social accountability report path undertaken by the company in 2015, Pattern presented the Sustainability Report to the whole staff. The goal for 2017 is to implement internal communication also in the SA social accountability area through the creation of an SPT (joint social performance team) consisting of representatives of the company, management and employees.

In addition to the internal institutional communications and the two annual conventions with the employees, Pattern has taken steps so that everyone could have a channel to express any request, concern or solicitation, even anonymously. The creation of a physically present in the company mailbox has been Pattern's response to this matter.



Furthermore, in line with what is required by the SA8000 Standard, the names and the contacts of three outside people have been put up on the company notice boards. Their task is to collect any solicitations by the employees. In recent years, Pattern has carried out a survey on how the employees perceive the internal working climate: the results of the analysis on all the aspects of the employees/ company relation were released through internal channels (posting up on the company notice boards and sharing on the intranet of the enterprise).

ECONOMIC VALUE AND SUSTAINABILITY CREATION AND DISTRIBUTION OF THE VALUE ADDED

6.1 PATTERN IN THE INTERNATIONAL MARKET

The company enters the international market of design and clothing production with dynamism, both from the production profile and regarding being always on the lookout for new partnerships. These new opportunities complement the regular and loyal Clients, which are some of the largest players in the fashion industry. The well-established business relations with these companies are an expression of the way of Pattern works: oriented to establish close and lasting partnerships, supported by integration and productive collaboration.

Know-how

As evidence of this dynamism and appreciation at a global level, there is also a high level of exports, amounting to about 80% of production. The production concerning design - developed entirely in Italy - makes Pattern an important key player for the Made in Italy and its know-how. Pattern's expertise and its technical, operational skills, together with the acquired reputation, are aspects and values widely appreciated by Clients such as large Italian, English, French and American companies, working in the fashion and luxury sector. These businesses turn to Pattern since they do not have such specific skills on their territory, although it would be the easiest and most obvious solution and, in some cases, even the logistically and economically more convenient one. The result of this trend was the creation of fashion collections, which are the expression of the Made in Italy quality in the design and pattern engineering. These fashion lines were produced in collaboration with the major global

clothing businesses, thus, taking Pattern to a higher level of internationalisation. During this process of growth, development and internationalisation, Pattern felt the need to involve also its suppliers to improve the business performances and to increase awareness towards the company. Therefore, Pattern requires its suppliers to sign a letter of intent, which asks "to ensure the chemical legislative compliance of all their products".

The goal is to create a healthy and responsible supply chain, which starts with raw materials and ends with the delivery of the product to the final Client. This process follows a pioneering philosophy of "Social Responsibility chain", which tries to avoid the risk of a non-uniform Social Responsibility. According to this idea, stability and constancy of business relations with Clients are the key points, since the aim is to create stable and long-lasting relationships with them. Starting from such cooperation, it is possible to develop a Social Responsibility chain process able to contribute to the creation of more and more pieces of work in line with market expectations.

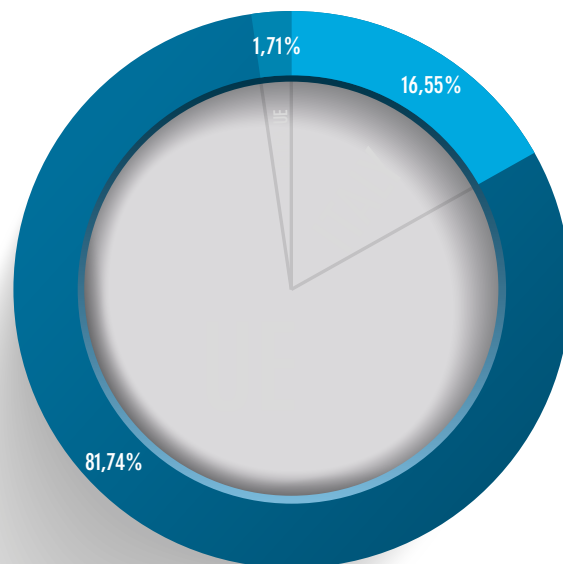
CLIENTS' LOYALTY	2016
Period	Share
< 3 years	3,41%
3 - 10 years	14,54%
> 10 years	82,03%



6.2 CREATION OF SUSTAINABLE ECONOMIC VALUE

Pattern's long-term economic sustainability is linked to the ability to attract the best Clients and provide them with an adequate product/service. To do this, it is necessary that the plurality of people participating actively in the value formation processes are adequately remunerated. The behaviour followed by Pattern in this area is summarised in the tables below that illustrate the value-added training and how the generated economic value is distributed among stakeholders.

The ability to create lasting value in a competitive context is highlighted in the table below.



CLIENTS DIVIDED BY INVOICING AREAS

The ability to create enduring value in the competitive environment is highlighted in the table below. (values are expressed in thousands of euros)	2014		2015		2016	
Revenues from ordinary activities	18.623	100,00%	24.389	100,00%	26.427	100,00%
External costs of production (contract manufacturers excluded)	8.879		11.922		11.860	
Specific value added	9.744		12.467		14.567	100,00%
Global value added (gross contract manufacturers ¹)	9.749	52,35%	12.497	51,24%	14.677	55,54%

1. In determining the value, Pattern has chosen not to insert among the external business costs the one met to acquire the productions made by contract manufacturers (external clothing manufacturers). This exclusion is ordinary as it is common practice in the sector in which Pattern operates. In fact, contract manufacturers have been considered as a special category of stakeholders that cannot simply be part of the macro category of external suppliers. They actually represent a class of suppliers vertically integrated in Pattern's productive activity.

To better understand how value added is created and how the economic sustainability (considered as the stabilised ability to generate revenue) is evaluated, please note that Pattern produces about 96% of its revenues in Europe (17% in Italy), operating with about 98% of its total Clients, while about 4% of the income is realised outside Europe, from about 2% of Clients.

In particular, Pattern has chosen to focus its operations on a limited number of Clients characterised by commercial and organisational reliability. In this way, the risks and the problems related to the management of a vast number of active commercial relations are reduced. However, there is a downside: a higher risk of drastic revenue reductions due to the loss of even a single Client.

During these years, Pattern has sought to ensure and strengthen the collaboration with some of the greater Italian and foreign fashion labels. These businesses are famous for their tradition and prestige, being characterised by a multiannual solid business plan. The stability of these Clients' business activity and, in some cases, the improvement of their performances despite the negative economic period, are expression and guarantee of solidity and growth for Pattern. This underlines how the revenues trend has a strong influence on the business economic sustainability.

For these reasons, Pattern is well aware of the traditional risks associated with the possibility of Clients and revenue loss. However, by the process of collaboration and stability of relations, Pattern believes that the risks are more manageable than it might appear to external stakeholders.

This positive trend is the result of a precise choice made by Pattern, since it constantly invests in the improvement of the work cycle phases. This path is a fundamental lever to win the Clients' loyalty in the medium-long term.

The complete analysis of the composition and nature of the revenues must highlight how the acquisition and the development of Pattern's own brand represent the improvement of the strategic perspectives of the company through a diversification of revenue sources and a profit margins improvement.

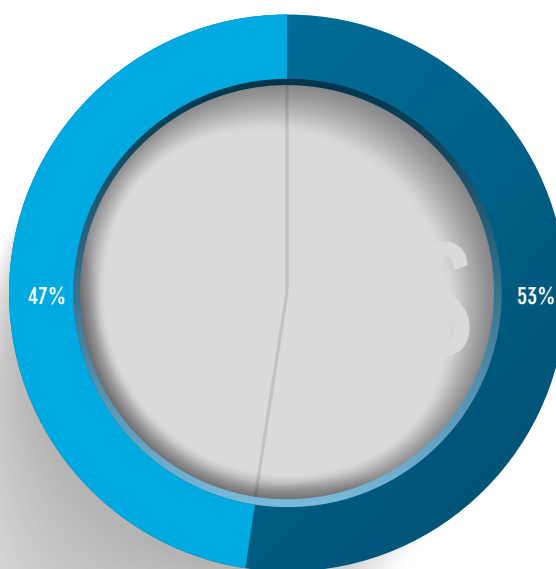
The Esemplare project – being Pattern's own brand - should allow better planning and better monitoring of sales volumes, although this benefit appears to be counterbalanced by higher economical

and financial risks related to higher fixed expenses and wider payment terms granted to Clients.

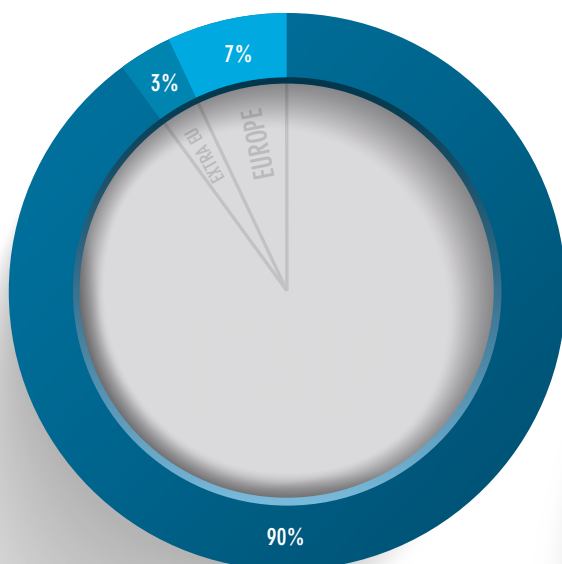
The analysis of the loyalty degree of the main Clients shows that over 80% of them entertain stable and lasting relations with Pattern, helping it to achieve and maintain economic sustainability over time.

The breakdown of costs analysis has pointed out that Italian suppliers are mainly providing "core" raw materials. Again, Pattern aims to establish stable and lasting business relations, helping to support the growth of suppliers, first of all the Italian textile producers. This category is deemed to be an essential complementary element of the production process, since the Italian textile producers are representative of the already mentioned know-how characterizing the "Made in Italy".

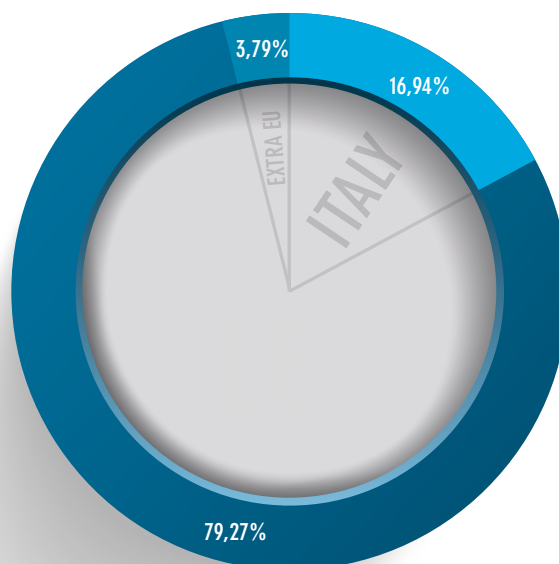
More than 50% of the "core" raw material supplier is quality certified with an improvement compared to the previous' year situation.



PRESENCE OF QUALITY CERTIFICATIONS AND/OR QUALITY CHECK PROCESSES BY "CORE" RAW MATERIALS SUPPLIERS.



GEOGRAPHICAL BREAKDOWN
OF THE "CORE" RAW MATERIALS PURCHASE



GEOGRAPHICAL REVENUE BREAKDOWN

Since Pattern is rooted in the territory, it is a reference point and a job opportunity for the companies, which managed to consolidate their business activity in this area. Moreover, Pattern has managed to create benefits that affect the national economy through its network of suppliers and contract manufacturers: 98% of the raw materials used by Patterns are Italian. The clothing manufacturing and

the production confirm this trend, since they occur predominantly in Italy, and, more generally, in Europe. These choices motivate the reason why Pattern is a remarkable Italian company from a macro-economic point of view: its production is mainly exploiting Italian workforce, while the largest volume of sales is generated outside the national borders.

6.3 DISTRIBUTION OF VALUE ADDED

The distribution of value added table shows how the wealth is distributed among the different groups of stakeholders who, through their activities and their interaction with Pattern, have helped to generate it.

Distribution of value added (values in thousands of euros)	2014		2015		2016	
- Personnel remuneration	3.493	35,83%	4.055	32,45%	4.458	30,37%
- Contract manufacturers remuneration	5.446	55,86%	6.474	51,80%	7.434	50,65%
- Public Administration	202	2,07%	600	4,80%	942	6,42%
- Banking system	42	0,43%	39	0,31%	27	0,18%
- Company	280	2,87%	365	2,92%	419	2,85%
- Shareholders	244	2,50%	907	7,26%	1.343	9,15%
- Donations and sponsorships	42	0,43%	57	0,46%	54	0,37%
Global value added	9.749	100%	12.497	100%	14.677	100%

About 30% of the value added is intended to remunerate the production of labour, which, because of the precise nature of the related activities and the sector in which Pattern operates, is one of the critical factors of Pattern's success.

The appreciation of the Clients and the turnover consolidation, especially towards historical Clients, offered Pattern the opportunity to strengthen the relationship with some key players of the organisational structure. These two factors also helped to attract new key figures to be shaped up, to make them grow internally in a stimulating and rich in learning opportunities environment. The already highlighted turnover trends are also an expression of collaboration with financially structured companies, which have high levels of liquidity. This factor has helped over the years to prevent Pattern from facing short-term financial tensions on the invested working capital, achieving more than satisfactory bank credit ratings, which resulted in a lower percentage of the cost of money. The short-term financial trends saw Pattern tap into the banking system to fund already sold orders. This, given the highlighted features of Pattern's Clients, will result in regular receipts at the agreed deadlines.

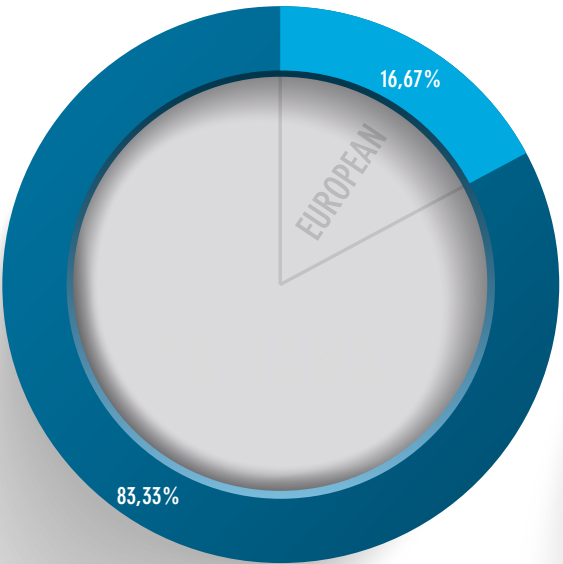
For these reasons, also in 2016, thanks to such dynamics, Pattern increased employment rate, raising the level of professional qualification as a direct result of the increased turnover. This has also highlighted the need to redefine the organisational structure and the allocation of responsibilities, moving towards more structured and more accurate corporate procedures.

The active involvement of the human factor takes place both directly, considering Pattern's employees and partners, and indirect-

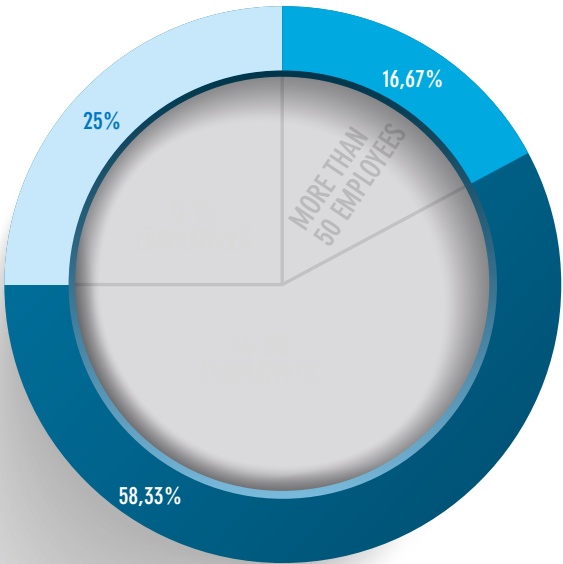
ly, considering the workforce employed by the suppliers-contract manufacturers. This last category has a strategic role of the partnership since it expands the scope of talent and professionalism. Also in 2016, more than 50% of the created value added is intended for a selected group of contract manufacturers. The business relationship with them is managed in compliance with the rules of the SA8000 certification. The Pattern-contract manufacturers' relation is significant in a two-way perspective because, on the one hand, clothing manufacturers absorb about half of the created value added. On the contrary, on average Pattern consumes about 29% of their turnover.

During the analysis of the contract manufacturers characteristics, it appeared clear that these major stakeholders are mainly Italian small/medium enterprises, with an average number of 105 employees. The close collaboration with the clothing manufacturers' business - linked to the precise nature of Pattern's business structure - does not exclude the research of new and additional forms of collaboration and cooperation, to avoid excessive operational, economic and strategic dependence on the clothing manufacturers. Nevertheless, Pattern remains oriented towards collaboration reliability, professional qualification and cooperation relation strengthening over time. In the hypothesis of business relationships with external clothing manufacturers or other forms of collaboration variously articulated, the (professional) connections are always oriented towards continuous monitoring, results control, compliance with deadlines in terms of production delivery and quality control, and finally, compliance with the legislation in the field of personnel management and environment protection.

2. By relating the contract manufacturers turnover value absorbed by Pattern and its number of employees, you can ideally determine the contract manufacturers workforce dedicated to the realisation of the production absorbed by Pattern. In numerical terms, this hypothesis translates into approximately 250 employees of the related companies dedicated to Pattern.



CONTRACT MANUFACTURERS NATIONALITY



CONTRACT MANUFACTURERS DIVIDED BY EMPLOYEES' CLASSES

6.4 THE ESEMPLE BRAND

Esempare was born from the desire of moving down a new path in the clothing field, focusing mainly on coats and jackets. For Pattern, Esempare represents a new useful experience to expand its business. In this way, Pattern completed a growth path by remaining always focused on two pillars: innovative technologies for garments design and production, and people with their unique-on-the-market skills, in particular regarding the pattern making area. Esempare is an upmarket brand, which combines perfect fit and Italian taste with new technologies devised for materials and the garment-making process. This allows Esempare to create an innovative sportswear collection for both men and women, combining elegance, technology and comfort.

On the strength of these strategic choices and by sustainability principles, starting from 2015 Esempare has completely removed from its collections furs and goose down. Moreover, Esempare has become deeply engaged in the sustainability area: a part of the collection of the brand is made with zero-kilometre or “green” certified fabrics. Also, Esempare bases its production in Italy, exploiting the “Made in Italy” benefits, or in Europe, avoiding the delocalisation of any production form in the Far-East

The last ESEMPLE invention is dedicated to the environment, with the recognisable signature of eco-sustainability: the focus is on the innovative concept of “Circular Economy”. Two items of outerwear, for men and women, embody perfectly the values of the brand, proving how style and care for details are a perfect combo: these models are realised with THERMORE ECODOWN, a 100% recycled alternative which can save up to 10 bottles per garment. Also, using PET bottles will help protect energy reserves for future generations. This is a concrete example of circular economy, where a thoughtful design reuses already existing resources by just transforming them and not producing new ones. The exterior of the garment is made of re-pet recycled nylon obtained by reusing plastic bottles. The internal part of the garment is covered by soft fake fur. The base of Esempare’s philosophy is sustainability, so it has removed from its collections goose down, leather and real fur. The new Esempare ecologic garments were presented at the White, a prestigious showcase for the latest fashion tendencies. From physics to tailoring, from the environment to catwalks, ESEMPLE managed to overcome the distances of faraway lands by using PET bottles’ recycled fibres. No special maintenance is required for the material, and it can be washed in water and dry-cleaned, guaranteeing high resistance without losing its thermal characteristics. A new way to see things, to live your time, with attention, cleverness and critical thinking. This is a new smart fashion that proves how the bond between talent and aesthetic sensitivity is the truest of all beauties. The jackets and coats Esempare are realised according to the principles of eco-sustainability, following also the circular economy principles: the raw materials used for the fabrics are partially made with recycled materials: in this way, the environmental impact is minimal.



From physics to jacket making, from the environment to catwalks, ESEMPLE managed to cancel these distances, through the use of recycled fibres.

A new way to see things, to live one’s own time, with care, intelligence and critical thought. A smart fashion, which proves how the combination of talent and aesthetic sensitivity is the most truthful of all beauties.

ESEMPLE – being a brand owned by Pattern – allows a better monitoring of sales volumes, but let’s not forget that this benefit also brings high financial risks typical of the corporate scope such as the cover of fixed costs, warehouse management, management of the credit to clients.

A circular economy is an economy designed to regenerate on its own. In a circular economy, there are two types of material flow: the first materials are the biological ones, which can be reintegrated into the biosphere, the second are the technical ones, destined to be reused without entering the biosphere. The circular economy is a system in which all activities are organised so that waste can be transformed into resources within the system. In contrast to the linear economy, where, at the end of the production cycle, what remains becomes waste, forcing the economic chain to continuously resume the same pattern: extraction, production, consumption, disposal.

6.5 CHARITY

Pattern, through the brand Esemplare, is the technical sponsor of the "Nazionale Italiana Cantanti" (Italian National Singers Team). Esemplare sponsored the twenty-fifth edition of the "Partita del Cuore" (Match of the Heart), by clothing the Singers team. This activity was carried out exclusively for support and charity.

The "Partita del Cuore" (Match of the Heart) is a match between the "Nazionale Italiana Cantanti" (Italian National Singers Team) and other Teams. Nowadays, this Match is one of the largest charity events organised in Italy. In 2016, the opponent of the Singers Team was the Cinema Stars team. Every euro donated by those who bought the ticket or made a donation via SMS contributed to the activities of the Telethon Foundation and the Bambino Gesù Onlus Foundation, which both have the same goal: research and cure. The Paediatric Hospital Bambino Gesù is an important Italian and European paediatric centre. The Bambino Gesù is a reference centre for research on children's and genetic diseases.





A COMPANY WITH A LOW ENVIRONMENTAL IMPACT

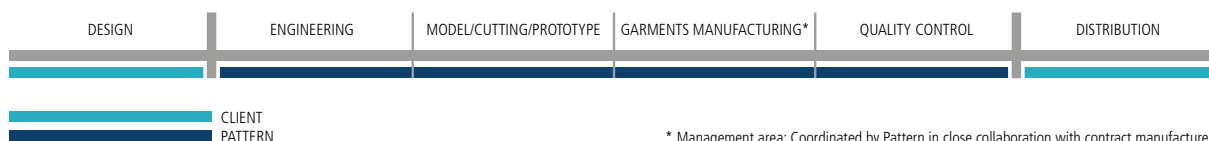
7.1 SUSTAINABILITY OF THE SUPPLY CHAIN

In recent years, the fashion industry has experienced a substantial evolution of the value chain concerning production cycles and methods developments. Significant improvements have also been recorded in the relationships among design, manufacturing and distribution. By this development, there is a final consumer with specific demands, who needs these requirements to be met in the shortest possible time. It may happen that such requests collide partially with the choices of the high fashion houses since they are focused on the relocation of the production. This trend provides substantial advantages regarding production costs reduction, although there is a lengthening of the supply chain.

Pattern is not a subcontractor of the fashion houses, but a real partner for them. The big fashion firms entrust the delicate phases of design, prototyping, cutting and manufacturing to Pattern, thanks to its recognised autonomy, which is the result of professionalism, experience and high-level technology exploited in the production phases. Pattern develops, therefore, a horizontal pro-

cess in which dialogue and support are continuous throughout the entire manufacturing process. Pattern's supply chain starts, therefore, by supporting the Client during the concept and design phases; it continues with the distribution phase, during which Clients are supported in choosing the best delivery methods, and it finishes with the control quality step. It was already highlighted that the relations stemming from the supply chain have risk factors that can be mitigated through regular checks. These procedures are often extended to indirect suppliers, who are required to present certifications and to carry out checks on their internal systems. Thanks to its design skills, Pattern obtains significant orders. This allows Pattern to be considered a real strategic partner, with which the companies realise joint improvement and sustainable innovation initiatives. These projects are aimed at creating value-added both for the Clients and for Pattern. Consequently, Pattern transfers this philosophy also to its suppliers, creating a direct supply chain integration.

FASHION INDUSTRY SUPPLY CHAIN: PATTERN'S WORLD



SA8000

The standard SA (Social Accountability) 8000 is an international standard developed in 1997 by the American Organisation SAI (Social Accountability International). It contains nine performance criteria oriented towards the increase of competitiveness of those organisations that voluntarily guarantee the ethical suitability of their production chain and cycle.

SA8000® is based on different international conventions such as the ones by the ILO (International Labour Organisation), the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. This standard consists in the conformity assessment of the social responsibility system implemented by an organisation with the requirements of the SA8000 standard. This conformity is checked through a certification released by an independent third party with a mechanism similar to the one used for the quality management systems according to UNI EN ISO series 9000, or environment management according to UNI EN ISO norms of the series 14000.

- It is the first international standard that MEASURES the ethical degree and the social responsibility of a company
- It is applicable internationally to ANY market sector
- Compliance with the standard rules is guaranteed by a certification of AN INDEPENDENT THIRD PARTY, issued by ACCREDITED BODIES.
- It requires, in addition to behaviour, to highlight publicly the MANAGEMENT SYSTEM.

The standard addresses a broad range of issues including child labour and forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems for the control of the supply chain, management of external communication and other company.



7.2 THE “EUROPE 2020” PROJECT AND ITS APPLICATION

In 2016 Pattern evolved, by giving more importance to the environmental sustainability of its supply chain, by recognising it as a key element of its corporate governance. Pattern started to work on the “Europe 2020” strategy, which aims at relaunching Europe’s economy. In a constantly changing world, the European Union aims to develop a smart, sustainable and inclusive economy. These three development lines are intended to help the EU and its Member States to achieve high levels of employment, productivity and social cohesion. Specifically, the Union has set five ambitious objectives - regarding employment, innovation, education, social integration and climate/energy - to be reached by 2020. Each Member State has adopted for each of these areas its specific national targets. The aim is to develop targeted interventions, both at European and national levels, to strengthen the overall European strategy. Starting from 2015, Pattern has engaged in a process aimed at eliminating the substances deemed to be toxic or harmful by the main international standards. This procedure has been followed in conformity with the “Europe 2020” community project and in some cases, even in a more restrictive manner than required in the protocols. In 2016 this process became operational, and the substances considered harmful were completely removed from the products.

The toxic substances will have to be eliminated from products, and all suppliers are required to follow these guidelines for all the textiles orders. Regarding this choice, suppliers are asked to sign a letter of intent and to enclose the documentation certifying the compliance of the materials to the protocol. Moreover, to make the supply chain more transparent and certified, Pattern’s Clients have set out some tests to check the quality of materials and the compliance with the standards of the products chemical composition, which is considered essential for sale and use of the items of clothing.

INSTITUTION OF THE CHEMICAL MANAGER

Trying to grow by identifying specific intervention areas in the environmental and other fields is one of Pattern’s mission focal points. For this reason, after starting the project “Europe 2020”, Pattern has decided to take a step forward, introducing a chemical manager, which will focus specifically on the project “Europe 2020”.

The table below presents the substances to which the Pattern suppliers have agreed to give up for their fabrics/materials starting from the 2016 productions, in accordance with the “Europe 2020” project.

Classes of chemicals NOT ALLOWED	Typical use in the textile industry or leather industry (indicative)	Specific process of use of the substances (indicative)
APEO (Alkylphenol Ethoxylates/Alkylphenols)	Stain removers, cleansers, products for washing or dyeing preparation etc.	Preparation for washing or dyeing/washing, dyeing, fabric softening, degreasing
PFC (Per-and-poly-fluorinated chemicals) Compounds C6 - C7 - C8	Water repellent products and their derivatives	Functional finishing (Water repellent and stain-resistant products)
PHthalATES (Ortho-phthalates)	Plasticisers	Dyeing, printing, rubberizing, plastic coating, fabric softeners

7.3 ENVIRONMENTAL REPORT

Given the internal production structure, Pattern's energy consumption and its environmental impact are reduced and not relevant. Nonetheless, Pattern is committed, within its areas of activity, to reduce energy waste and to raise awareness of the main categories of stakeholders.

An example of this inner "green" effort is identifiable in the efficiency of energy consumption between 2014 and 2015. Pattern's environmental performance is calculated by relating the value added to the total consumption of electricity and gas in the two considered years. Despite Pattern's growth and the consequent increase in energy use, the total consumption of energy compared to the value added of each year has decreased.

The aim for 2017 is to perform an internal audit to decide if to opt for LED lighting at the Collegno productive site.

CONSUMPTION	2015	2016
Electricity Bricherasio	32,490	33,823
Electricity Collegno	//	215,570
Total Electricity	238,183	249,393
VALUE ADDED	9,749	12,497
SPECIFIC INDICATOR OF ENERGY CONSUMPTION – ENVIRONMENTAL RENDERING INDEX	23,791	19,059
Gas Bricherasio	4,991	3,491
Gas Collegno	//	28,465
Total of Gas	31,580	31,956
VALUE ADDED	9,749	12,497
SPECIFIC INDICATOR OF ENERGY CONSUMPTION – ENVIRONMENTAL RENDERING INDEX	3,276	2,527

CONSUMPTION 2015 - 2016		
	2015	U.M.
Meters of fabric	166,954.81	MT
Cutting materials (fabrics, lining, stickers)	657,187.67	MT
Purchase of pattern paper	11,851.00	KG
Purchase of paper for "under mattress" cutting	25.00	ROLLS
Packaging purchase for shipments	4,454.00	PC
Adhesive tape purchase	4,151.00	PC
	2016	U.M.
Meters of fabric	184,345.93	MT
Cutting materials (fabrics, lining, stickers),	725,644.71	MT
Purchase of pattern paper	13,085.47	KG
Purchase of paper for "under mattress" cutting	517.00	ROLLS
Packaging purchase for shipments	6,384.00	PC
Adhesive tape purchase	2,181.00	PC

EACH PIECE PRESENTS THE FOLLOWING PACKAGING FEATURES	
Garments withdrawn from contract manufacturers	Hanging garments packaging: <ul style="list-style-type: none"> • hanger • plastic wrapping
Garments sent to Clients	Packaging: <ul style="list-style-type: none"> • travelling case one every 12 garments

8. TABLE OF THE GRI INDICATORS

This report contains Standard Disclosures by the GRI (Global Reporting Initiative) G4 Sustainability Reporting Guidelines

Indicators		Internal reference to the Report
	STRATEGY AND ANALYSIS	
G4 1	Statement by the most senior decision-maker of the organisation	1. Letter from the President
G4 2	Description of key impacts, risks, and opportunities	6. Economic value and sustainability – creation and distribution of the value added
G4 3	ORGANISATIONAL FRAMEWORK Name of the organisation	3.1 History
G4 4	Primary brands, products, and/or services.	3.3 Governance and organisation 6. Economic value and sustainability – creation and distribution of the value added
G4 5	Location of organisation's headquarters	3.1 Storia
G4 6	Number of countries where the organisation operates	6. Economic value and sustainability – creation and distribution of the value added
G4 7	Nature of ownership and legal form	3.1 History 3.3 Governance and organisation

G4 8	Markets served	6. Economic value and sustainability – creation and distribution of the value added
G4 9	Scale of the reporting organisation	4. Creation of sustainable value
G4 10	Characteristics of the workforce	5. Value of talent and relational capital
G4 11	Percentage of employees covered by collective bargaining agreements	5. Value of talent and relational capital
G4 12	Description of the organisation's supply chain	4. Creazione di valore sostenibile
G4 13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	3.1 History
G4 14	Application of the precautionary approach to the risks management	4. Creation of sustainable value
G4 15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	4. Creation of sustainable value Stakeholders Map
G4 16	Memberships of associations (such as industry associations) and national or international advocacy organisations IDENTIFIED CONDITIONS E MATERIAL ASPECTS	Stakeholders Map
G4 17	Entities included in the Consolidated Financial Statements and list of the firms not shown in the financial statements	3.3 Governance and organisation
G4 18	Process for defining report content	2. Methodology, 4. Creation of sustainable value
G4 19	Material Aspects identified	3.5 Materiality Matrix
G4 20	Material Aspects within the organisation	3.5 Materiality Matrix
G4 21	Material Aspects outside the organisation	3.5 Materiality Matrix
G4 22	Restatements compared to the previous Report	3.5 Materiality Matrix and Index
G4 23	Changes compared to the previous Report STAKEHOLDER ENGAGEMENT	3.5 Materiality Matrix and Index
G4 24	Categories and groups of stakeholders engaged by the organisation.	Stakeholders Map
G4 25	Process of stakeholders' identification	Stakeholders Map
G4 26	Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	7. Pattern: a company with a low environmental impact
G4 27	Key topics and concerns that have been raised through stakeholder engagement REPORT PROFILE	Stakeholders Map
G4 28	Reporting period of the Sustainability Report	2. Methodology
G4 29	Date of most recent previous report (if any)	Pattern Srl redige il Bilancio di Sostenibilità dal luglio 2015
G4 30	Reporting cycle	2. Methodology
G4 31	Contacts and addresses	2. Methodology
G4 32	GRI content index	8. Table of the GRI indicators
G4 33	Organisation's policy and current practice with regard to seeking external assurance for the report.	SA8000
G4 34	Governance structure of the organisation	Organisational chart
G4 56	Organisation's values, principles, standards and norms of behaviour	4. Creation of sustainable value 5. Value of talent and relational capital
G4 EC1	Direct economic value generated and distributed	6.3 Distribution of value added
G4 EN6	Reduction of energy consumption	7. Pattern: a company with a low environmental impact
G4 EN24	Total number and volume of significant spills.	7. Pattern: a company with a low environmental impact
G4 LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	5. Value of talent and relational capital
G4 DMA	Disclosures on Management Approach	3.3 Governance and organisation
G4 EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	7. Pattern: a company with a low environmental impact
G4 LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	5.2 Fully developed human resource management: diversity and equal opportunities
G4 HR3	Total number of incidents of discrimination and corrective actions taken	5.2 Fully developed human resource management: diversity and equal opportunities
G4 SO2	Operations with significant actual and potential negative impacts on local communities	5.3.1 Focus on the geographical area and on training

GRI - GLOBAL REPORTING INITIATIVE - The Global Reporting Initiative (GRI) is a non-profit organisation born as useful support to the reporting of sustainable performance of organisations of all sizes, from all sectors. The GRI Reporting Framework is a universally accepted model for the reporting of economic, environmental and social performances of an organisation. The model also includes practical-applicative considerations common to a wide range of organisations - from smaller companies to bigger and structured ones, regardless of their geographical location.

To ask for clarification on the Social Responsibility policies of Pattern SRL and the information contained in the Sustainability Report, you can write to the following address: pattern@pattern torino.it



**THANKS FOR READING
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FROM 2013
PATTERN IS A
SA8000
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