



2017
SUSTAINABILITY
REPORT

2017

SUSTAINABILITY REPORT

1. LETTER FROM THE PRESIDENT - p.2

2. METHODOLOGY - p.4

3. COMPANY - p.6

- 3.1 History
- 3.2 Mission
- 3.3 Governance and organisation
- 3.4 Stakeholder
- 3.5 Materiality matrix

4. CREATION OF SUSTAINABLE VALUE - p.16 VALUE OF TECHNOLOGY

- 4.1 Stages of the business process
- 4.2 Pattern's investments in technology and skills: innovative craftsmen

5. VALUE OF TALENT AND RELATIONAL CAPITAL - p.26

- 5.1 Building the future thanks to talents
- 5.2 Fully developed Human Resource management: diversity and equal opportunities
- 5.3 Training
- 5.4 Internal communication
- 5.5 The Key to grow

6. ECONOMIC VALUE AND SUSTAINABILITY - p.32 CREATION AND DISTRIBUTION OF THE VALUE ADDED

- 6.1 Pattern in the international market
- 6.2 Creation of sustainable economic value
- 6.3 Distribution of added value
- 6.4 The Esemplare brand
- 6.5 Circular Economy

7. PATTERN: A COMPANY WITH A LOW ENVIRONMENTAL IMPACT - p.40

- 7.1 Sustainability of the Supply Chain
- 7.2 The "Europe 2020" project and its application
- 7.3 Pattern Carbon Footprint
- 7.4 Environmental Report

8. TABLE OF THE GRI INDICATORS - p.43

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

LETTER FROM THE PRESIDENT

If someone asked me to tell what we do here, in Pattern, I would probably answer that we “create ideas”. Ideas that arise from the genius of designers and grow in our strong hands with thin fingers. Delicate hands. Hands of people who want to create something intangible: the sense of beauty. Pattern combines a unique know-how with the most advanced design and production technologies. This is what we consider the most fundamental thing for the creation of a product that goes beyond the common expectations: the best possible choice for our Customers. Over time we have realized that what really gives value to the actions performed is the context in which they operate. This pushed us to go further and move towards what is now our third pillar: sustainability. Intellectual capital, cutting-edge technologies in design and production and sustainability have become the core values of our company.

With the aim of concretizing the idea of corporate social responsibility, we have decided to adhere to the international standards promoted by SA8000 - Social Accountability, becoming a certified company in 2013.

This approach has been transferred as a consequence to all our supply chain, both providing a certification of the companies that work for us in terms of compliance to the social accountability standards and purchasing raw materials that they don't contain toxic substances or agents. Today, Our goal consists in creating

and maintaining a better world for the new generations, becoming eco-sustainable and working seriously on the elimination of our emissions.

Everyone on our Board and in the Executive Committee believe that these efforts, which at the beginning may only appear as a cost, are indeed a huge investment for investment for the future: despite it may still seem abstract, the path that divides the market from who wants to be recalled and who wants to live only in superficial symbols, starts to be evident. We have chosen on which side we want to stay. Therefore, we have been engaged in drawing up this Sustainability Report since 2015, that has an enormous value for all those who are somehow connected to us, for all our stakeholders. We are among the very first able to talk about Circular Economy and also able to create a completely recycled garment made with 10 PET bottles, with the purpose of being able to achieve next level.

I am confident that you will be interested in reading this report, and that it could be challenging for all other small and medium-sized companies. 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 2017 Sustainability Report, written for the third year in a row, is the expression of a business culture based on the real implementation of the Corporate Social Responsibility principles. This Report has been drafted following the Sustainability Reporting Guidelines of the GRI (Global Reporting Initiative). Particularly, we have 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 have also followed the indications of the General Standard Disclosures required by the Framework. After identifying the main stakeholders, we have developed a Materiality Matrix. The sustainable performance analysis (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 aspects, we have considered the principles of accountability written by the Social Statements Study Group (GBS), in an integrative way. The numerical data and information contained in the Sustainability Report refer to the year 2017 and 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 refer to Pattern S.r.l. and derive from the financial Pattern's Report at 31st December 2016. Its contents, focused on the most relevant topics for Pattern stakeholders, testify the accomplished evolution of the company during 2017 in comparison to the previous years, by allowing the assessment of Pattern activities' dynamic growth throughout the year. The Summary Table at the end of the report, illustrates 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".

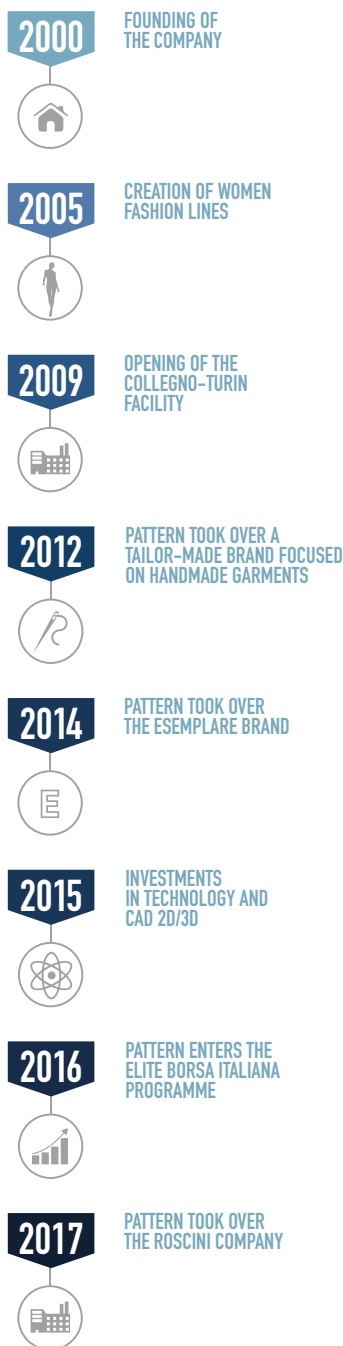
Starting from this Report, Pattern will consider its own Carbon Footprint, that is the amount of carbon dioxide it releases every year during its activities. The amount of emissions has been calculated using kWh, converting the quantity of used Smc natural gas in kWh and then multiplied by certain gCO₂ / kWh conversion factors, which correspond to a national average value. The same procedure applied to the calculation of emissions released by the employees during the working year, based on a coefficient that corresponds to the average of gCO₂/km released by cars.



3.1 HISTORY

Pattern S.r.l (Ltd) was founded at the end of 2000 by Fulvio Botto and Francesco Martorella. Thanks to their previous work experience for the most prestigious and international brands, they decided to set up their own business in the field of clothes design & engineering. In 2006 the business introduced the creation and production of women fashion collections. In 2009 took place the opening of the new facility based in Collegno, Turin. In 2011 Pattern took over a tailor –made production chain with the aim of responding more effectively to Client’s needs and to offer a more customized service. In 2013 Pattern became the first Italian company to obtain the international Certification SA8000 Social Accountability. This certification is awarded thanks to the choices and internal processes adjusted to the principles of environmental protection, the safe and right management of human resources internally and within all the supply chain. In July 2014 Pattern took over Esemplare, a brand specialized in sportswear/urban collections, and in 2015 launched the woman one. Thanks to international fashion trade shows as Pitti Firenze and Premium Berlin, the brand begins its global growth phase. In 2016, Pattern published its first Sustainability Report based on GRI principles, the only one among SMEs in the textile and clothing sector. In November, Pattern was selected as a part of the Elite program of Borsa Italiana (Italy’s main and only stock exchange). During 2016, Pattern acquired a new area for logistics and product development on its facility area. By doing so, Pattern’s surface increases by 25% allowing a more careful management of logistic flows, of product development flows and the quality control of finished goods. In 2017 Pattern acquired Roscini, giving life back to a reality that was going down and reinforcing its activity in the design and production of women’s collections.

The main challenge is based on a business idea linked to the fashion sector, characterized by the implementation of internal activities in a vertical way. Starting with the design, engineering and development of garments, going through the prototyping and the realization of samples, and arriving in the end to the mass production for the most important fashion brands. The design of man’s collections represents the starting point.





Fulvio Botto and Francesco Martorella

PATTERN TODAY

Today, Pattern has an organizational structure based on production units; it employs around 150 highly-skilled employees, also thanks to Roscini's acquisition, and it creates further 250 FTE indirect jobs. With around 8000 m² of working departments, during 2016 Pattern further extended and improved its workspaces for every phase of the design and production processes, with attention to the pattern-making, product development and prototyping phases as well as to a careful logistics management. Every year more than 30 men's and women's collections are produced, thanks to a flexible and constantly growing organizational structure that guarantees a fast service, high quality and flexibility to the customer. 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 different categories, from coats and jackets to light dresses, skirts or trousers.





IN NOVEMBER 2016 PATTERN ENTERED THE ELITE PROJECT BY 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 programme 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: in fact, the garments produced by Pattern walk down London, Milan, Paris and New York’s catwalks every year.

In the current competitive economic environment, Pattern’s mission is the full accomplishment of design and production cycles in the fashion industry: from paper patterns to prototypes, from garment realization for the fashion shows to the final mass production.

Pattern has always tried to achieve a balanced mix of craftsmanship and technology, thanks to internal workforce and investments in the most advanced CAD systems and ground-breaking productive machines.

Since 2012, Pattern has adopted an internal Code of Ethics, defining in a written form a precise corporate policy regarding social and organizational responsibility and working conditions.

Pattern has always structured its growth path on two pillars: technology and Human Resources. Recently, a third pillar has been added: business sustainability. Glancing toward the future and starting from 2018, Pattern has planned to lower its CO₂ emissions with the aim to become zero impact.

3.3 GOVERNANCE AND ORGANISATION

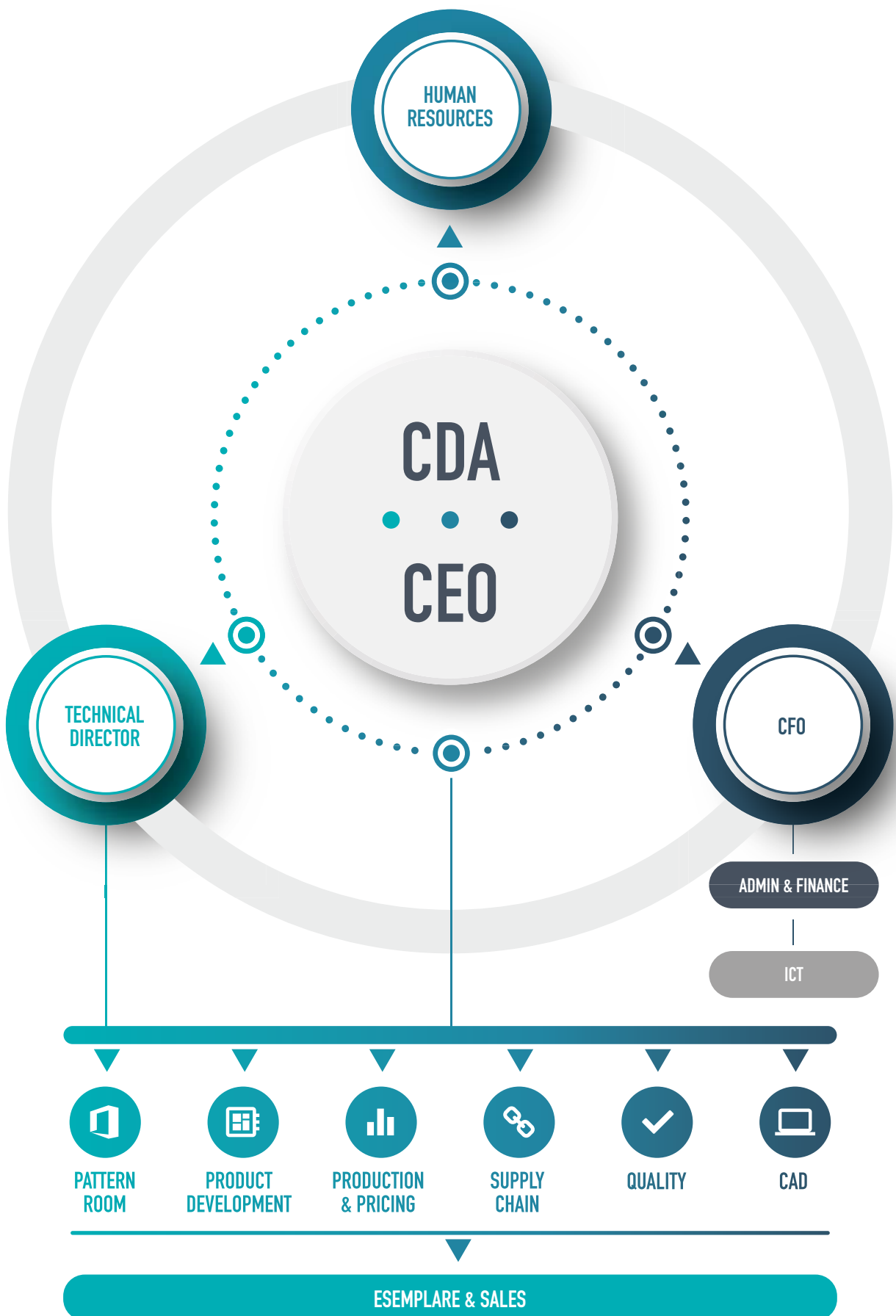
At the helm of Pattern, there are people that have a global vision of the processes and activities of the company. This is an essential factor to guarantee a global and innovative management of a SME.

Furthermore, in the last three years, the company has realized a delegation process, which has led to an organizational structure based on a Client/Function Matrix. This organization is developed from the first contact with the designer to the delivery of finished garment to the Customer. The continuous presence of the two founders on the field, having the roles of Technical Directors, is another relevant factor for the management of design and operational aspects of Pattern’s activities.

The Board of Directors is composed by:

- Francesco Martorella
- Fulvio Botto
- Francesco Mazza
- Luca Sburlati (CEO)

THE COMPANY ORGANIGRAM IS SUMMARIZED IN THE FOLLOWING 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.

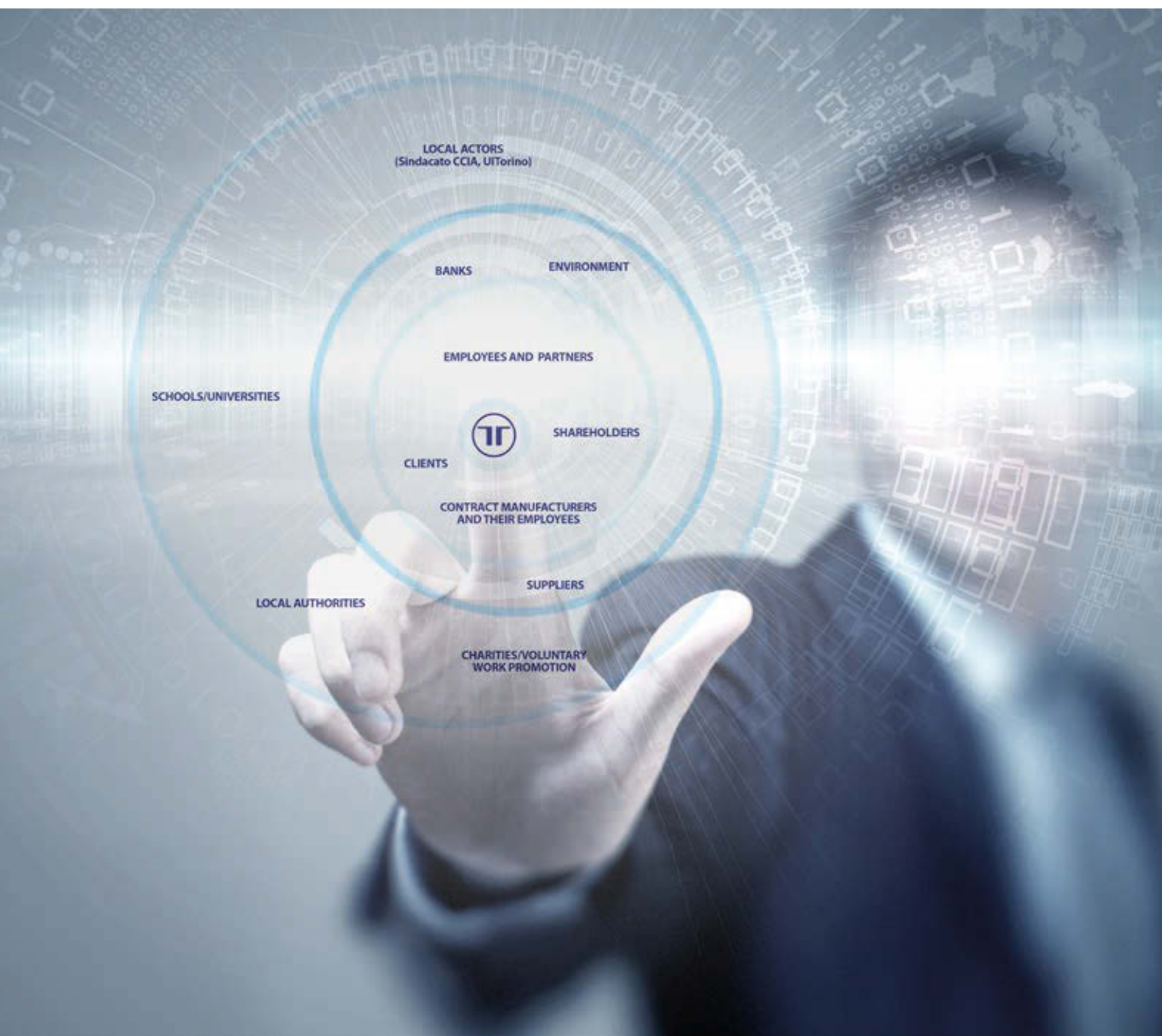
In particular, it has been decided to split the stakeholders into three different groups, according to the influence they have on Pattern, following the GRI international classification method.

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 provides a clarification of the enterprise' framework and activities, that are thought to be fundamental for its sustainability, by highlighting the elements on which it is important to channel the energies on.

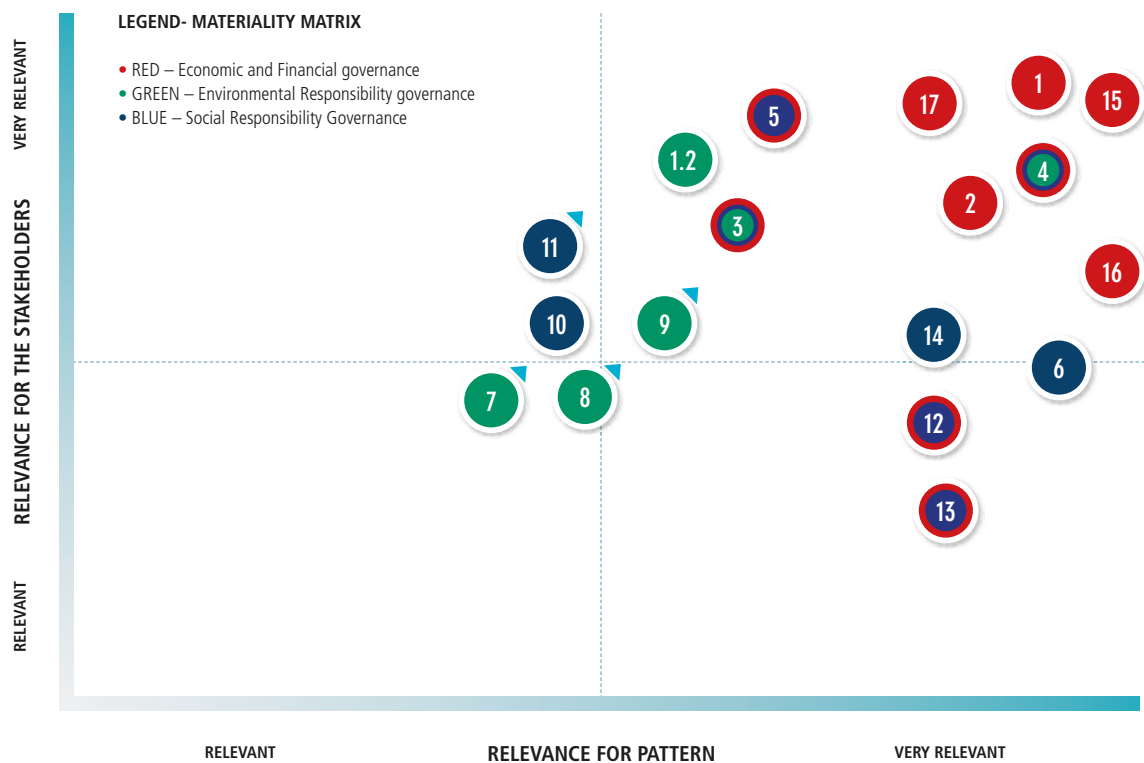
The Materiality analysis allowed the definition of a system based on monitoring and account rendering indicators, reported in the Sustainability Report.

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 activity's main areas, 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		2016	2017	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 distinctive values of the company arise from founders' "vision". These values are: people and technology. The mix of these two aspects allows to combine style and quality through its products. The actual Pattern's competitive challenge is adding to these two original values a third pillar: sustainability. These three principles represent Pattern's main investment and its future value creation. It turns to be a new approach towards all stakeholders and company's main duties. This path has started with the implementation of an internal ethical code regarding social and organizational responsibility, together with working conditions. The ethical code was written according to the SA8000 Standard, and includes a six-monthly review of the business

policy and the performance results. The ethical code is available at this web address:

The adherence to the SA8000 Standard has allowed the establishment of 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 value creation and distribution. Pattern creates its sustainable value starting from these core principles and consequently, from their interrelationship it defines how the value added is assigned to stakeholders.





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 referring 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 takes 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.

EXPERIMENTATION AND TECHNOLOGY

Pattern commits itself to experiment, with the intention to improve and innovate. For this reason, the plant has 3 machineries: a laser cutting machine, a heat-sealing machine and an ultrasound machine. These types of machineries allow considerable freedom of experimentation and at the same time, the possibility to promptly respond to customer's requests, and to have a better control after the production of prototypes

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 to adopt 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 in vain. 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. Everything starts there: 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 has continued even in the following years, 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.





Introduction of a 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.

VALORE DEL TALENTO E CAPITALE RELAZIONALE

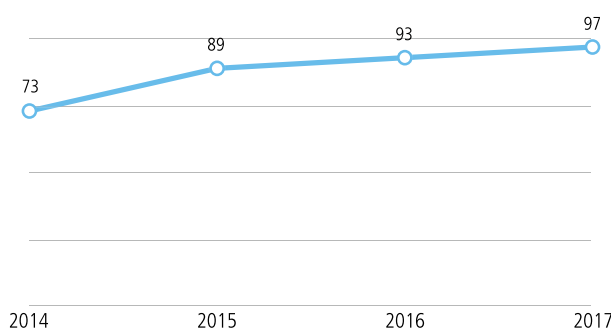
Employees, whose number has steadily been growing in the last years, have a high profile know-how with skills developed to satisfy the most different expectations and needs of both Italian and international designers or brands.

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 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.

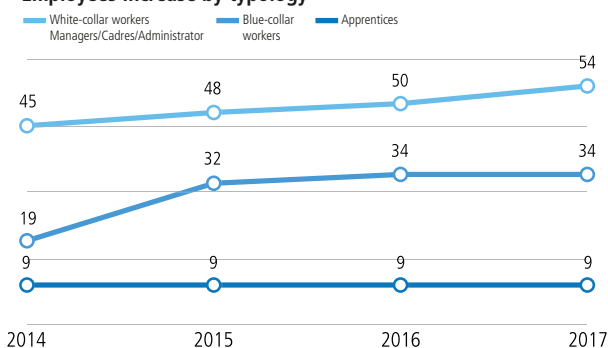


Number of employees	2014	2015	2016	2017
Blue-collar workers	19	32	34	34
White-collar workers Managers/Cadres/Administrator	45	48	50	54
Apprentices	9	9	9	9
Total	73	89	93	97

Total employees increase



Employees Increase by typology



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 pillar 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.

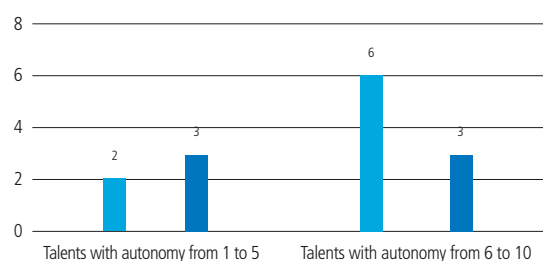
TAB. G - PROFESSIONAL SKILL/SPECIALISATION MATRIX

SPECIALISATION	HIGH	Not easily replaceable employees	Very difficult to replace employees
		10	5
	LOW	Easily replaceable employees	Quite easily replaceable employees
		18	64
		LOW	HIGH
PROFESSIONAL SKILL			

TALENTS AUTONOMY DEGREE

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

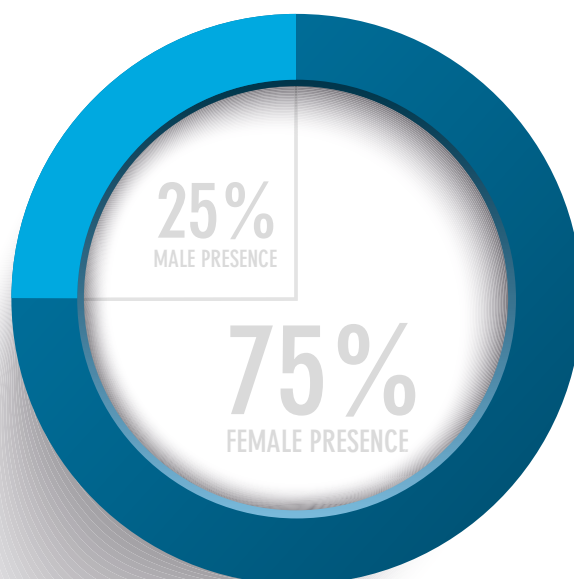
2016 2017





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 if 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 contribute to the growth of internal and external expertises and know-how. 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, although its aim is to organise more specific courses for the company staff in 2017 .



Social Accountability and territory For a new corporate culture

In November 2016 Pattern, together with other Italian companies, was the protagonist of the conference "Shared Value and Territory: Comparative Experiences" organized by the Industrial Union of Turin. During the roadshow, was shown Pattern's social accountability path undertaken through the 2015 Sustainability Report. Thanks to its winning experience, Pattern gave a significant contribution to the event. With the aim of spreading the style culture in the fashion world through its business case, Pattern has organized 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: presence at a conference at the IAAD (the Italian University for Design)
- Supervision of the Management Course at the IED (European Design Institute)
- The CEO spoke at the Fondimpresa conference in Rome on December 5 at the Pontifical University, where he commented on the chapter on Pattern S.r.l. of the book by Massimo Mascini, "The key to growth", which brings together the experience of 11 Italian SMEs.,
- Pattern starts "Get Fit", second phase of the Elite project.

Besides, internships and training have been activated to the students of professional schools with which the company maintain a close partnership. These initiatives allow students to discover, on one hand, the potentialities of local area, and on the other hand to be in contact with a productive reality characterized by a high international, not only commercial but educational perspective as well. From this point of view, it is important to remember the collaboration with foreign educational institutions, such as the Xarxa of Barcelona. The organizations 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, Pattern has provided the contacts of three external people that have been affixed on the company's notice boards, with the aim of collecting any solicitation made 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).

5.5 THE KEY TO GROW

The 5th of December 2017, Pattern's CEO intervened during Fondimpresa conference, held in Rome, to comment the chapter dedicated to Pattern in Massimo Mascini's book "The key to grow" (La chiave per crescere), that collects the experience of 11 Italian SMEs selected for ability to innovate.

Pattern is a little jewel. [...] Its main characteristic is the strong propensity to innovation. In 2001 it had already bought the first informatic systems of advanced CAD to apply them for the production. Today, it has made the leap in the 3D and considers obtaining a strong competitive advantage towards the competitors. [...] Pattern has grown very fast during last years, increasing its revenue, since 2009 to 2016, from 6 to over 26 mln of euros. [...] With the new high computerized system, Pattern can work on many collections at the same time and can show to the Customers not only different prototypes obtained from stylist's ideas, but also the possible diversifications of these prototypes, depending on size, fabric used, modifying extremely fast the model in question. [...] For this reason, Pattern's technological leap is important because it anticipated the time and is ready to respond in a structured way when the market will come with a more substantial demand of advanced technology. [...]

Pattern's collaboration with Polytechnic of Torino has been very important for the quality of training and for the meaning it has had. In fact, the Polytechnic together with its Management and Production Engineering Department are cutting edge and working together with this international excellence has been for Pattern very educational. [...]

(*"La chiave per crescere, Massimo Mascini, [2017] pp. 33-39*)

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		2017
Period		Share
< 3 years		3,41%
3 - 10 years		14,54%
> 10 years		82,03%



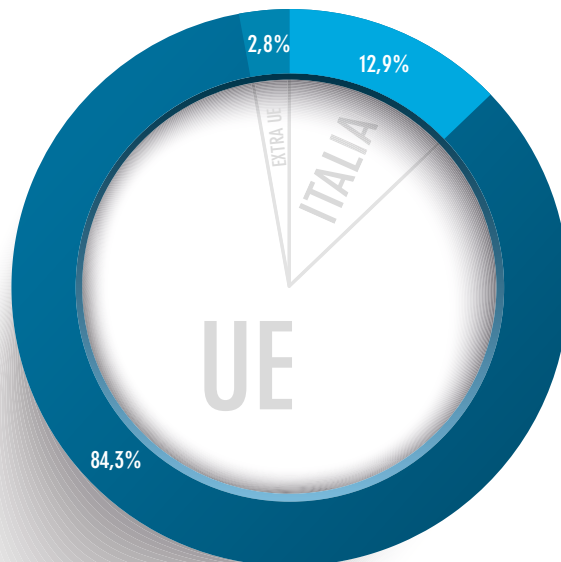
6.2 CREATION OF SUSTAINABLE ECONOMIC VALUE

Pattern's long-term economic sustainability is linked to the ability to attract the best Customers 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 is adequately rewarded. The behaviour followed by Pattern in this area is summarized 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.

To better understand how added value is created and how economic sustainability is evaluated (considered as the stabilized ability to generate revenue), it is highlighted that Pattern produces about 98% of its revenues in Europe (13% in Italy), operating with about 99% of its total Customers, while about 3% of the income is realized outside Europe, a little more than 1% of Customers. Particularly, Pattern has chosen to focus its operations on a limited number of Customers characterized by commercial and organizational 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 Customer.

During last 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 characterized by a multi-annual solid business plan. The stability of these Customers' business activity and, in some cases, the improvement of their performances despite the nega-

tive 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.



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)	2015		2016		2017	
Revenues from ordinary activities	24.389	100,00%	26.427	100,00%	30.829	102,02%
External costs of production (contract manufacturers excluded)	11.922	50,88%	11.860	50,62%	15.381	65,65%
Specific value added	12.467	53,21%	14.567	100,00%	15.448	63,93%
Global value added (gross contract manufacturers ¹)	12.497	51,24%	14.677	55,54%	15.600	66,58

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.

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

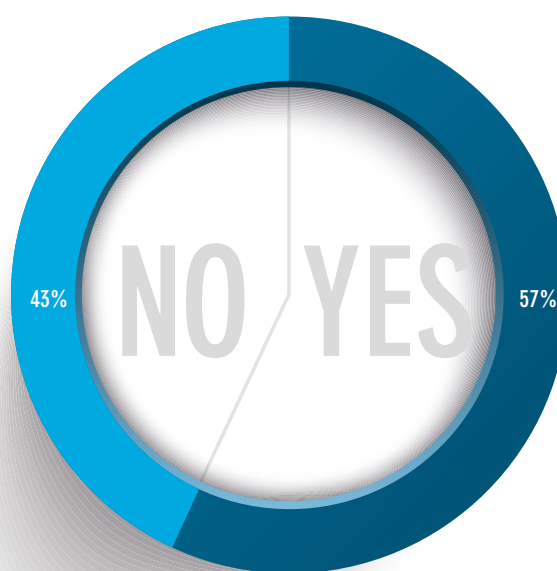
This positive trend is the result of a precise choice made by Pattern since it constantly invests in the improvement of the work cycle phases. This path is a fundamental lever to win the Customers' loyalty in the medium-long term. The complete analysis of the composition and nature of the revenues must highlight how the acquisition and the development of Pattern's own brand represent the improvement of the strategic perspectives 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 economic and financial risks related to higher fixed expenses and wider payment terms granted to Customers. The analysis of the loyalty degree of the main Customers shows that over 80% of them maintain stable and lasting relationship with Pattern, helping it to achieve and maintain economic sustainability over time.

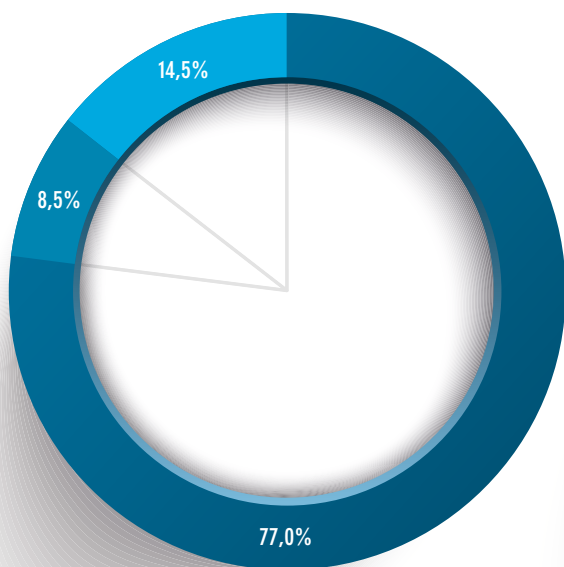
The breakdown of costs analysis has pointed out that Italian suppliers are mainly providing "core" raw materials. Again, Pattern aims to establish stable and lasting business relations, helping to support the growth of suppliers, firstly the Italian textile producers. This category is deemed to be an essential complementary element of the production process, since the Italian textile producers are representative of the already mentioned know-how characterizing "Made in Italy". More than 50% of the "core" raw material suppliers are quality certified with an improvement compared to the previous' year situation. Since Pattern is rooted in the territory, it succeeds in being a reference point and a job opportunity for the companies consolidated in this area. Moreover, Pattern is also able 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 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 macroeconomic point of view: its production is mainly exploiting Italian workforce, while the largest volume of revenues is generated outside the national borders

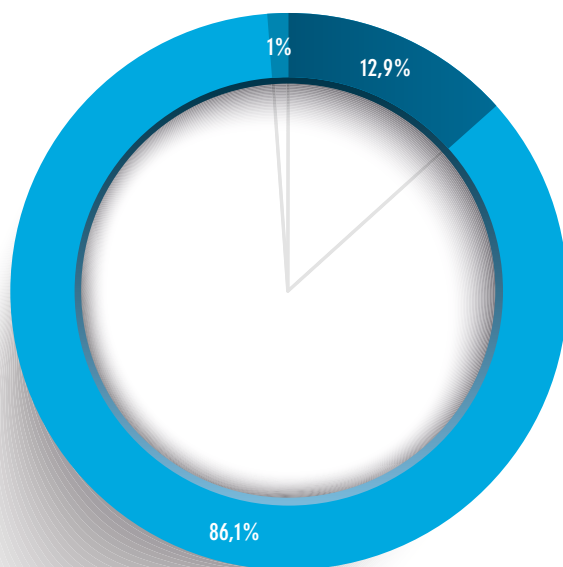
About 30% of the value added is intended to remunerate the productive factor, that is one of the main factors of Pattern's success, because of the precise nature of the related activities and the sector in which Pattern operates. Customer's appreciation and the revenue consolidation, especially towards historical Customers, offered Pattern the opportunity to strengthen the relationship with some key players of the organizational 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.



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

6.3 DISTRIBUTION OF ADDED VALUE

The short-term financial trends tap Pattern into the banking system to fund already sold orders. Given the highlighted features of Pattern's Customers, this will result in regular receipts at the agreed deadlines.

Distribution of value added (values in thousands of euros)	2014		2015		2016		2017	
- Personnel remuneration	3.493	35,83%	4.055	32,45%	4.458	30,37%	4.719	30,25%
- Contract manufacturers remuneration	5.446	55,86%	6.474	51,80%	7.434	50,65%	8.817	56,52%
- Public Administration	202	2,07%	600	4,80%	942	6,42%	526	3,37%
- Banking system	42	0,43%	39	0,31%	27	0,18%	18	0,12%
- Company	280	2,87%	365	2,92%	419	2,85%	480	3,08%
- Shareholders	244	2,50%	907	7,26%	1.343	9,15%	1.015	6,51%
- Donations and sponsorships	42	0,43%	57	0,46%	54	0,37%	25	0,16%
Global value added	9.749	100%	12.497	100%	14.677	100%	15.600	100%

For these reasons, also in 2017, thanks to such dynamics, Pattern increased employment rate, raising the level of professional qualification as a direct result of the increased turnover.

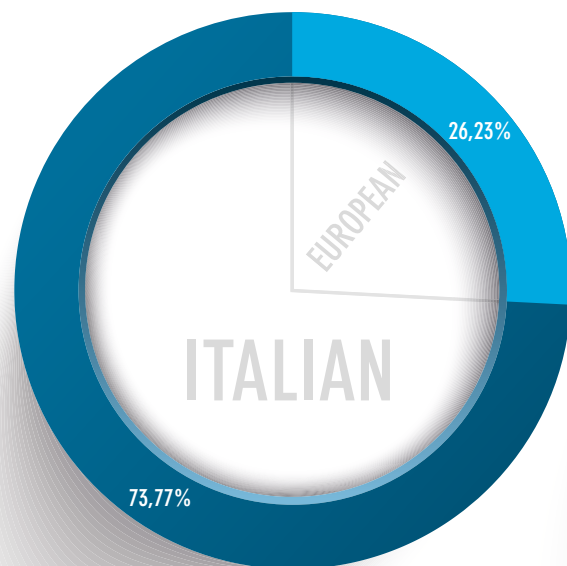
This has also highlighted the need to redefine the organizational structure and the allocation of responsibilities, moving towards more structured and more accurate corporate procedures.

The active involvement of the human factor takes place both directly, considering Pattern's employees and partners, and indirectly, considering the workforce employed by the suppliers-contract manufacturers. This last category has a strategic role for the partnership since it expands the use perimeter of talent and professionalism.

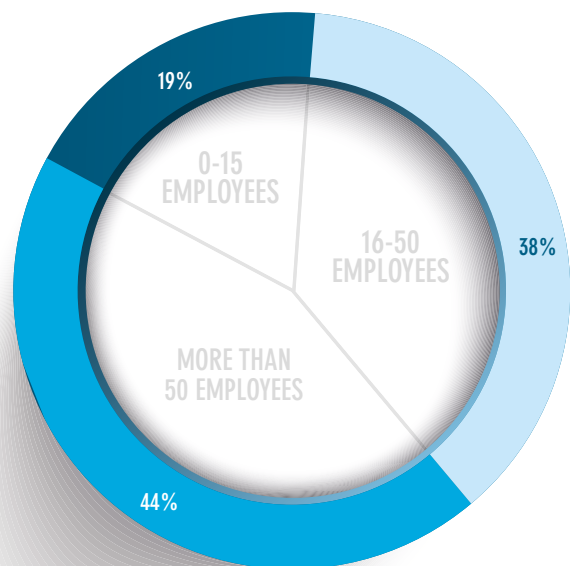
Also, in 2017, more than 50% of value added created is intended for a selected group of contract manufacturers. The business relationship with them is managed in compliance with the rules of the SA8000 certification. The relationship between Pattern and contract manufacturers is significant in a two-way perspective

because, on one hand, clothing manufacturers absorb about half of added value created. On the other hand, on average Pattern absorbs about 29% of their revenue. During the analysis of contract manufacturers characteristics, it appeared clear that these major stakeholders are mainly Italian SMEs, with an average number of 105 employees. The close integration 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. This is to avoid excessive operational, economic and strategic dependence on the clothing manufacturers. Nevertheless, Pattern remains oriented towards collaboration reliability, professional 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 the 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 ESEMPLARE BRAND

Esemplare was born from the desire of moving down a new path in the clothing field, focusing mainly on coats and jackets. For Pattern, Esemplare 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. Esemplare is an upmarket brand, which combines perfect fit and Italian taste with new technologies devised for materials and the garment-making process. This allows Esemplare 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 Esemplare has completely removed from its collections furs and goose down. Moreover, Esemplare 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. Moreover, Esemplare 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 Esemplare 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. Furthermore, 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 exte-

rior 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 Esemplare’s philosophy is sustainability. The new Esemplare ecologic garments were presented at the White, a prestigious showcase for the latest fashion tendencies. From physics to tailoring, from the environment to catwalks, Esemplare 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 and cleverness. 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 Esemplare 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, Esemplare 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.

Esemplare – 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.

6.5 CIRCULAR ECONOMY

A circular economy is an economy designed to regenerate on its own. A circular economy takes the idea from retroactive mechanisms, not linear, that characterize living systems and assumes that economic systems should function as organisms, where nutrients are processed and used, and then reintroduced in the biological and technical cycle. From this derives the concept of a "closed cycle" or "regenerated" of circular economy.

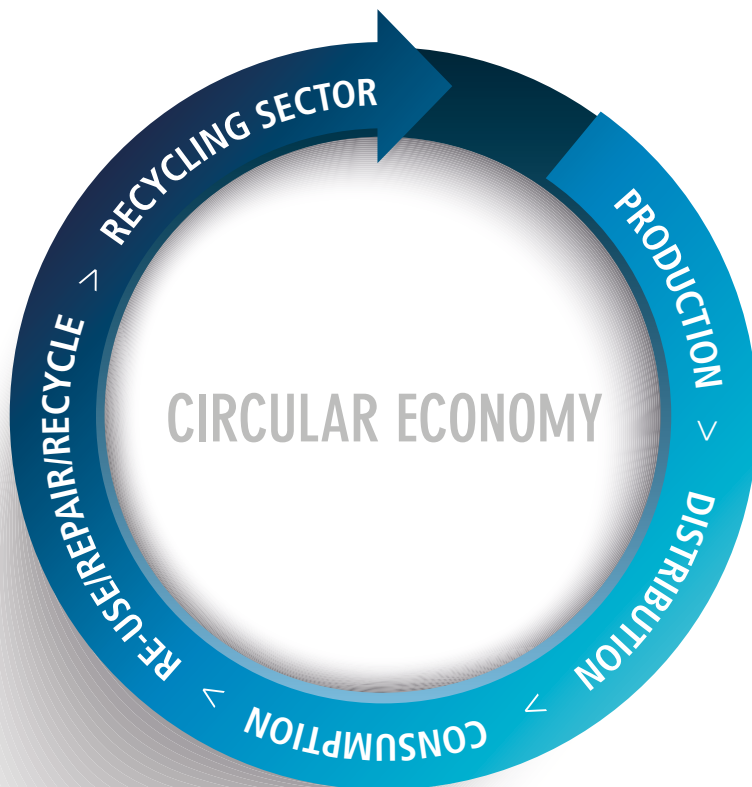
The circular economy is a system in which all activities are organized so that waste can be transformed into resources within the system. In contrast to the linear economy, where, at the end of the production cycle, what remains becomes waste, forcing the economic chain to continuously resume the same pattern: extraction, production, consumption, disposal. A product that can be modular, versatile, and able to adapt is a product that can fully exploit the potentialities offered by Circular Economy. Modularity, versatility and adaptability are to be privileged in a fast evolving and uncertain world. Having as goal circular economy, we should focus on long lasting products, developed for updates, aging and repairs, considering strategies as sustainable design. This is the objective to which Esemplare tends, and that starting with 2017 focused on environmental sustainability and technology.

The brand is engaged in research and studies, engineers and develops in Italy its collections born from continuous experimentations, using Italian and eco-sustainable fabric, in balance with tradition and innovation, generating outerwear that guarantee high performance based on the distinctive traits of the brand.

In 2014 Esemplare has been acquired by Patter. From this solid background and strong desire for liberty that characterizes the brand philosophy, originate personal clothes, for urban travelers who wear their time with modernity and resourcefulness: the inverted Y shape construction on the back allows a unique fit, each time enriched with new performing characteristics.

It is the sense of liberty that inspires the brand: who wears Esemplare, does it with absolute naturalness, considering it as part of identity, to almost forget about it.

Each garment is different from another because it is filled with the personality of the person who owns it, changing each time in something new and bringing a message in a continuous evolution. In 2017 we decided to give voice to the people who work every day for Esemplare brand, people who touch with their own hands a reality that may seem abstract to others.



"The choice to become eco sustainable is born from the willingness to communicate a personal ethical position: we give up on the prestige of those garments containing goose feathers, leather or fur, to reach and obtain a different value, for us more virtuous. Surely, we want to create something exclusive and to communicate it, but a simple fact pushed us toward this direction: if it is possible, it must be done. If we can design an eco-sustainable jacket respecting the environment, under all points of view, starting from the production of chosen raw materials, to our productive processes, then we have the duty to do so. Esemplare wants to join two opposite realities: the metropolitan city on one side, symbol of human development and the environment from the other side, symbol of uncontaminated nature."

Following this thought, the last invention from Esemplare 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 realized 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.

From physics to jacket making, from the environment to catwalks, ESEMPLARE managed to cancel these distances, using recycled fibers. 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.



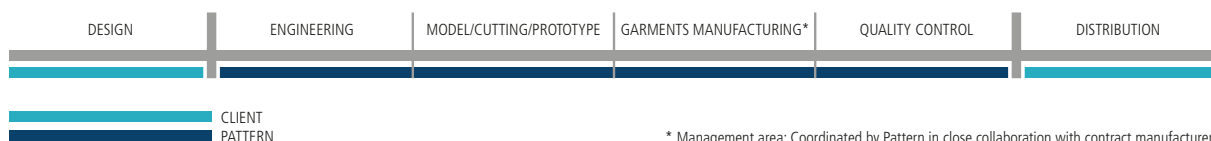
7 A LOW ENVIRONMENT IMPACT COMPANY

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. Starting from 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 process in which

dialogue and support are continuous throughout the entire manufacturing process. Therefore, Pattern's supply chain starts 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 control 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. The aim of these project is to create an added value both for 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.

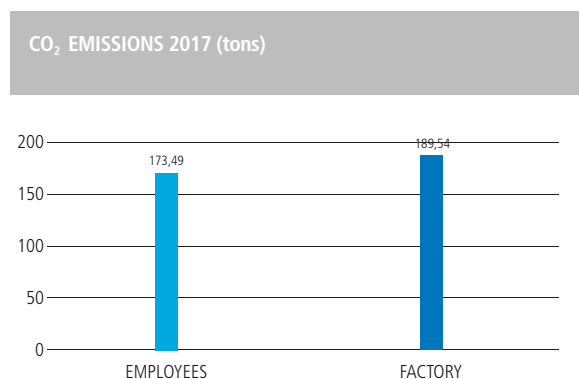
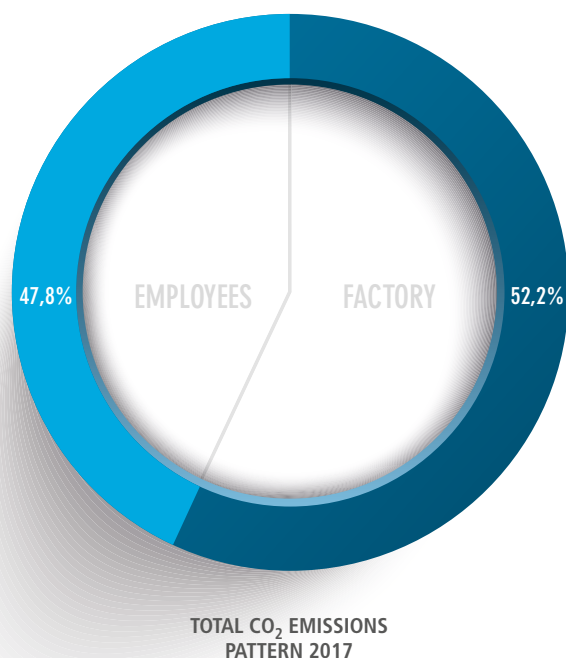
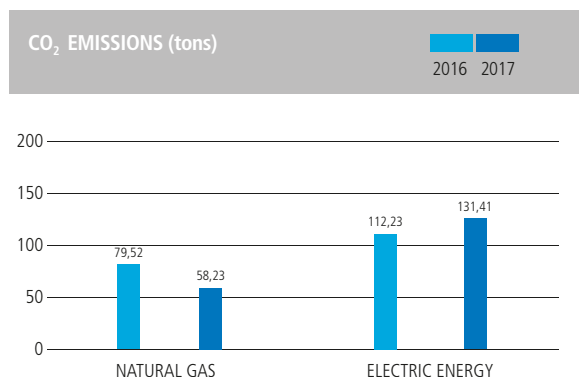
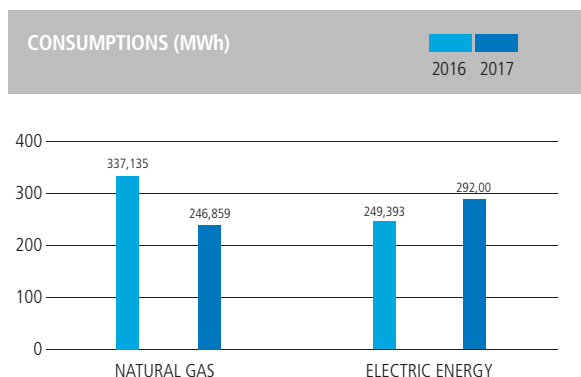
Classes of chemicals NOT ALLOWED	Typical use in the textile industry or leather industry (indicative)	Specific process of use of the substances (indicative)
APEO (Alkylphenol Ethoxylates/Alkylphenols)	Stain removers, cleansers, products for washing or dyeing preparation etc.	Preparation for washing or 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

PATTERN "FROM RED TO GREEN CARPET"

Since 2018 Pattern has had the intention to mobilize for the transformation of its own reality in a green one. Starting from this point, Pattern intends to bring changes to become zero impact on environment. After conducting a study based on its consumptions and then knowing its own CO₂ emissions, the company has planned to adopt its first changes: for example, all the lightbulbs has been changed and substituted with the LED ones, that other than lower drastically consumptions and emissions, with a longer durability they also contribute to lower the intervals of their substitution and maintenance. Moreover, Pattern will consider switching to clean energy, exploiting renewable energy from the sun through photovoltaic system for self-consumption, further reducing CO₂ emissions.

7.3 PATTERN CARBON FOOTPRINT

Willing to obtain the first records and consequently choosing the best ways to pursue the goal of a zero-impact company, Pattern has calculated its emissions to understand its own weight and impact on environment, starting from electric and natural gas consumption, to the annual consumption produced by employees' cars during their working days, considering the kilometers they travel each day to work and back home.



*La stima dei km percorsi è stata fatta utilizzando Google Maps, ipotizzando che i dipendenti scelgano il miglior percorso possibile e non tenendo conto della variabilità del traffico. La stima dei gCO₂/km emessa da un'automobile utilitaria è stata trovata facendo una media delle emissioni delle utilitarie più utilizzate.



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	2016	2017
Electricity Collegno	215.570	259.200
Electricity Bricherasio	33.823	32.820
Totale Electricity	249.393	292.020
Gas Collegno	28.465	26.847
Gas Bricherasio	3.491	3.772
Total of Gas	31.956	30.619

CONSUMPTION 2016 - 2017

	2016	U.M.
meters of fabric	269.221,24	MT
cutting materials (fabrics, linings, adhesives)	549.688,45	MT
Virax paper purchases	1.044,80	KG
Virax paper purchases	18,00	ROLLS
Lectra paper purchases	483,00	ROLLS
purchase SGI cases	3.233,00	PC
purchase Abaco packaging	2.181,00	PC
purchase Abaco trunks	2.998,00	PC
purchase Emmedue Studio packaging	153,00	PC
	2017	U.M.
meters of fabric	414.853,47	MT
cutting materials (fabrics, linings, adhesives)	812.145,27	MT
Virax paper purchases	0,00	KG
Virax paper purchases	110,00	ROLLS
Lectra paper purchases	553,00	ROLLS
purchase SGI packaging	5.255,00	PC
purchase Abaco packaging	1.797,00	PC

EACH PIECE PRESENTS THE FOLLOWING PACKAGING FEATURES

Garments withdrawn from contract manufacturers	Hanging garments packaging: • hanger • plastic wrapping
Garments sent to Clients	Packaging: • 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 THIS REPORT!

Contacts: 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@patterntorino.it

FROM 2013
PATTERN IS A
SA8000
CERTIFIED COMPANY



Printed on CYCLUS OFFSET
100% RECYCLED PAPER

