

**SUSTAINABILITY LINKED BOND**

***Progress Report 2022***



## Sustainability Linked Bond – Progress Report 2022

In October 2021, the Board of Directors approved the issuance of a sustainability-linked bond.

The purpose of this operation was to improve the group's financial structure, reduce the cost of debt, and free up resources to implement technological innovation initiatives aimed at energy saving, including the construction of photovoltaic panels, the replacement of lighting systems with others with less heat dispersion, and the digitalisation of control systems and energy management in stores.

The KPIs selected for the Sustainability-linked Bond are aligned with the Group's sustainability path and reflect the main elements included in the OVS Sustainability Plan, including:

**Driving our supply chain toward sustainable goals** with the goal of minimising social impacts throughout the supply chain.

**Increasing the sustainability of the stores** by designing and managing the stores in full respect of the environment and people, following the logic of green design and energy efficiency, and at the same time ensuring the well-being of customers.

**Combating climate change** through carbon footprint and environmental footprint reduction initiatives.

As part of the offer, Bonds were subscribed for a total amount of Euro 160,000,000; the interest rate and gross annual yield on the Bonds is 2.25%, increased by a margin of a maximum of 0.25% per year following the failure of OVS to achieve certain sustainability performance objectives, or in the event of OVS's failure to report on these indicators.

In order to provide investors with public updates on the status of each KPI, related targets, and any other significant events that occurred during the year, OVS will annually publish a Sustainability-linked Bond Progress Report ("SLB Progress Report") included in the Group's annual Sustainability Report (or NFS) no later than 120 days after each fiscal year (ending 31 January).



## Sustainability Performance Targets

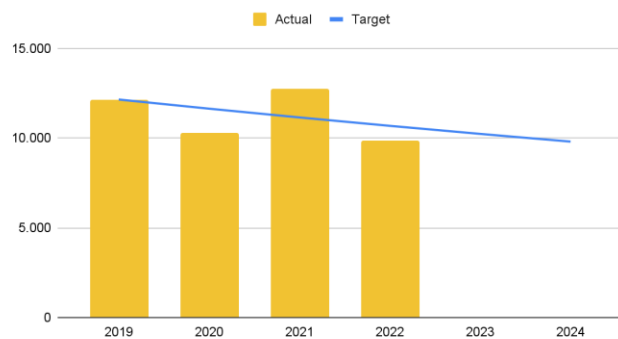
**SPT 1: OVS is committed to reducing its absolute CO<sub>2</sub>eq Scope 1 and 2 emissions by 21% by 2024 compared to baseline fiscal year 2019.**

**KPI 1: Scope 1 and Scope 2 GHG emissions related to the central warehouse, headquarters and directly operated stores located in Italy.**

Table 1 - Performance KPI1 2022 vs Baseline

Emissions (tCO <sub>2</sub> eq)	Baseline 2019	Current year	Delta vs 2019 (%)	Target 2024
Scope 1 + 2	12.147	9.876	-19%	-21 %

Scope 1+2



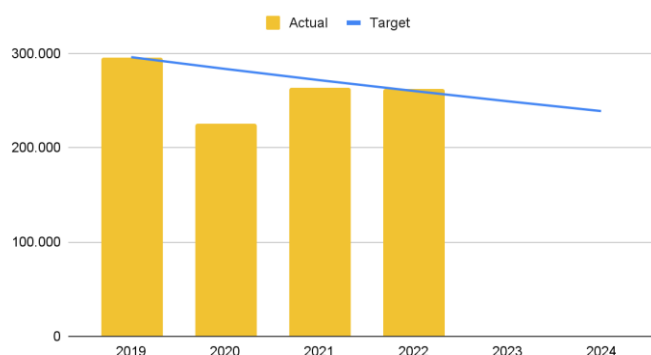
**SPT 2: OVS is committed to reducing its absolute Scope 3 CO<sub>2</sub>eq emissions related to "Purchased goods and services" (raw materials, garment production, packaging production) and "Upstream transportation and distribution" by 21% by 2024 compared to the baseline fiscal year 2019.**

**KPI 2: Scope 3 GHG emissions related to purchased goods and services (raw materials, processing, and packaging) and upstream transportation and distribution (limited to housebrand apparel).**

Tabella 2 - Performance KPI2 2022 vs Baseline

Emissions (tCO <sub>2</sub> eq)	Baseline 2019	Current year	Delta vs 2019 (%)	Target 2024
Scope 3	295.909	261.861	-12%	-21 %

Scope 3



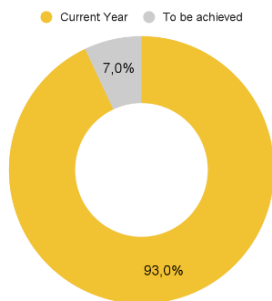
**SPT 3: OVS is committed to engaging 100% of its suppliers on the Higg platform<sup>1</sup> and purchasing at least 80% of its production volume from Tier 1 suppliers with both Higg FEM and FSLM modules verified by a third party by 2024.**

**KPI 3: Percentage of production volume related to Tier1 housebrand apparel suppliers registered on Higg and related production volume verified.**

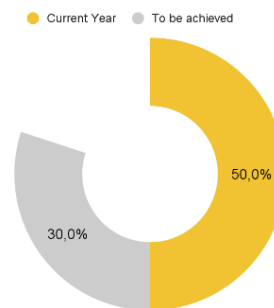
Table 3 - Performance KPI3 2022

	Baseline 2019	Current year	Target 2024
Production volume related to Tier 1 housebrand apparel suppliers registered on Higg	44%	93%	100%
Production volume from suppliers verified Higg FEM + FSLM	1%	50%	80%

%Volume produttivo coperto da fornitori registrati su Higg



%Volume produttivo coperto da fornitori verificati su Higg



<sup>1</sup> Data correspond to 100% of Volume production.

## Details and comments

**SPT 1: OVS is committed to reducing its absolute CO2eq Scope 1 and 2 emissions by 21% by 2024 compared to baseline fiscal year 2019.**

**KPI 1: Scope 1 and Scope 2 GHG emissions related to the central warehouse, headquarters and directly operated stores located in Italy.**

KPI1 shows a 19% reduction from the original baseline due to methodological revision as argued in the section "Baseline 2019 Review" of the NFS. Not considering the revision, the reduction would have been 50% from the original baseline of 19,749 tCO2e.

Scope 1 emissions were 22% lower than last year and 30% lower than the baseline. This is mainly due to energy saving programs implemented in collaboration with store personnel and the gradual elimination of diesel boilers and their replacement with more efficient systems. Moreover, thanks to the plant engineering interventions at the stores, it was possible to monitor consumption and performance in real time and intervene where necessary to eliminate energy waste. A contribution has also come from upgrading the car fleet with lower emissions per kilometre driven.

Scope 2 emissions are down 26% from last year and up 175% from the 2019 baseline, due to a lower share of purchased Guarantee of Origin Certificates. It should be noted that emissions are already almost completely reduced through the purchase of renewable electricity and only account for 5% of KPI1, so even significant changes in this magnitude do not significantly affect the overall performance of SPT1. As an illustration of this, we point out that KPI1 decreased overall by 19% from baseline, performing better than expected.

Table 4 – Performance details KPI 1 2022

Emissions (tCO2eq)	Baseline 2019	Target 2024	Current year	Delta vs 2019 (%)
Scope 1	11.489		8.064	-30%
Scope 2	658		1.812	+175%
<b>Totale</b>	<b>12.147</b>	<b>- 21 %</b>	<b>9.876</b>	<b>-19%</b>

**SPT 2: OVS is committed to reducing its absolute Scope 3 CO2eq emissions related to "Purchased goods and services" (raw materials, garment production, packaging production) and "Upstream transportation and distribution" by 21% by 2024 compared to the baseline fiscal year 2019.**

**KPI 2: Scope 3 GHG emissions related to purchased goods and services (raw materials, processing, and packaging) and upstream transportation and distribution (limited to housebrand apparel).**

Scope 3 emissions were 12% below baseline, in line with the plan despite a procurement schedule in FY2022 that brought forward some product shipments. The reduction in parity was 13%. This was achieved through an improved raw material portfolio with a greater selection of reduced-impact materials and reduced incidence of air shipments.

Table 5 – Performance details KPI 2 2022

Emissions (tCO2eq)	Baseline 2019	Target 2024	Current year	Delta vs 2019 (%)
Purchased goods and services	268,678		251,210	-7%
Upstream transportation and distribution	27,231		10,651	-61%
<b>Total</b>	<b>295,909</b>	<b>-21%</b>	<b>261,861</b>	<b>-12%</b>

**SPT 3: OVS is committed to engaging 100% of its suppliers on the Higg platform<sup>2</sup> and purchasing at least 80% of its production volume from Tier 1 suppliers with both Higg FEM and FSLM modules verified by a third party by 2024.**

**KPI 3: Percentage of production volume related to Tier1 housebrand apparel suppliers registered on Higg and related production volume verified.**

In 2021, production volume related to housebrand apparel suppliers registered on Higg is 93%, up significantly from the baseline year. This increase was possible thanks to the policy of not accrediting new suppliers who were not active users of the platform and to the effective involvement program implemented by the Sourcing Offices located in the production countries.

Production volume verified through Higg Facility Environmental Module (FEM) is 71% and through Higg Facility Social and Labor Module (FSLM) is 52%. Both indicators are significantly up thanks to the constant monitoring guaranteed by the Sourcing Offices and in line with forecasts. The difference in verification program performance between the FEM module and the FSLM module is due to the fact that the latter was initiated later than the former.

Table 6 – Performance details KPI 3 2022

	Baseline 2019	Current year	Target 2024
Production volume related to Tier 1 housebrand apparel suppliers registered on Higg	44%	93%	100%
Production volume from supplier verified Higg FEM	27%	71%	80%
Production volume from supplier verified Higg FSLM	1%	52%	80%

For further details on OVS Group's sustainability commitments, refer to Sustainability Report 2022.

<sup>2</sup> Please refer to previous note.





**OVS S.p.A.**

Independent Auditor's Report on the  
Sustainability Linked-Bond Progress  
Report 2022, prepared in accordance  
with the Sustainability Linked-Bond  
Framework

*This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.*

FSC/FMG/git - RC083542022BD2356





## Independent auditor's report on the SLB Progress Report 2022

To the Board of Directors of OVS S.p.A.

We have been engaged to undertake the limited assurance engagement of the OVS Group's Sustainability-Linked Bond Progress Report 2022 covering the financial year ended 31 January 2023 (the "SLB Progress Report 2022" or "Report") included in the Non-Financial Statement pursuant to Legislative Decree 254/2016 The Sustainability-Linked Bond Progress Report 2022. The Sustainability-Linked Bond Progress Report 2022 was prepared by the Company for the purposes of the Sustainability-Linked Bond Framework ("SLBF") and the Sustainability Linked Bond Principles ("SLBP") issued in June 2020 by the International Capital Market Association (ICMA).

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### Directors' responsibilities

The Directors are responsible for the preparation, content and presentation of the SLB Progress Report 2022, prepared in accordance with the requirements of the Sustainability-Linked Bond Framework ("SLBF"), and of the Sustainability-Linked Bond Principles ("SLBP").

The Directors are also responsible for such internal control which they consider necessary to enable the preparation of a Report that is free from material misstatement, whether due to fraud or error.

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### Auditors' Independence and quality control

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

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

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### Auditors' responsibility

It is our responsibility to express, based on the procedures performed, a conclusion on the conformity of the SLB Progress Report 2022 with the SLBF and with the SLBP. Our work was performed in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereinafter ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. that we plan and perform the engagement to obtain a limited level of assurance whether the Report is free from material misstatements.

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

The procedures performed were based on our professional judgement and included inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the SLB Progress Report 2022, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

In particular, the Company has identified the following KPIs:

- KPI #1: Scope 1 and Scope 2 GHG emissions relating to the central warehouse, head office and directly operated shops located in Italy;
- KPI #2: Scope 3 GHG emissions relative to goods and services purchased (raw materials, processing and packaging) and to upstream transport and distribution (limited to housebrand garments);
- KPI #3: Percentage of production volume relative to Tier-1 suppliers of housebrand apparel registered on Higg and relative verified production volume.

On which we carried out, among others, the following procedures:

- verification of the reporting perimeter of each KPI, with particular reference to the consistency between the latter and the consolidation perimeter of the consolidated non-financial reporting, pursuant to Legislative Decree 254/16;
- understanding and assessment of the KPI definition process;
- verification of the processes implemented for the definition of the baselines, used for the formalization of the KPIs and their monitoring;
- understanding of the data collection process implemented in order to collect and process the annual reporting on the performance of the OVS Group;
- collection and analysis of documentary evidence, in order to verify the correctness of the data reported, also by means of tests and re-performances carried out on a sample basis; - verification of the qualitative information provided with reference to each KPI.

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#### Other aspects

Our conclusions do not relate to the Non-Financial Statement pursuant to Legislative Decree 254/2016 which has been reviewed by another auditor.

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#### Conclusions

Based on the work performed and the evidence obtained, no evidence has come to our attention that would lead us to believe that the SLB Progress Report 2022 of the OVS Group for the year ended 31 January 2023 has not been prepared, in all significant aspects, in accordance with the Sustainability-Linked Bond Principles.

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#### Criteria for preparation, use and distribution

Without modifying our conclusions, we draw attention to the explanatory notes of the SLB Progress Report 2022 that describe the preparation criteria. The SLB Progress Report 2022 was prepared for the purposes outlined in the first paragraph of this document. Consequently, the SLB Progress Report may not be suitable for other purposes. This report is intended solely for the purpose set out in the opening paragraph and, therefore, may not be used for any other purpose or distributed or disclosed to third parties, in whole or in part, without our prior written consent.

Milano, 10<sup>th</sup> May 2023

BDO Italia S.p.A.

*Signed by*  
Francesca Scelsi  
Partner