

Consolidated non- financial statement

pursuant to articles 3 and 4 of Legislative Decree
254/16

Sustainability Report at 31 March 2018



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Letter from the Chairman

What inspires and motivates all of the people who work for the Piquadro Group is a passion for work, for quality and for production, respecting the values of the brands that we manage.

Our Group's main objective is to create unique, functional and iconic products with an intrinsic value in terms of design, quality, comfort and technology that is immediately perceptible. To achieve all this, it is essential for all of us to work with enthusiasm, respect for the environment, people, the community and surrounding area.

The Piquadro Group has always based its way of operating on a solid ethical culture with integrity, fairness and transparency; it has also promoted the value of its people in order to improve and increase their skills. The Piquadro Group has based its operations at subsidiaries and foreign branches on these same values.

Our commitment is to ensure the sustainability of our business by adopting models of behaviour that are respectful for everyone. We are very attentive to trends in products and manufacturing because we recognise in this a very strong bond with the local area and with people worldwide; also because they allow us to guarantee our consumers products that are recognisable, unique, qualitatively impeccable and inherently valuable.

In the Piquadro Group, attention to research, the use of new materials and the creation of new products is a constant and continuous commitment that also depends on attention to sustainability, understood as an essential management model.

We are convinced that social responsibility has entered into our corporate dynamics to become a fundamental and integral part of any function's objectives and decisions. We are also convinced that for the Piquadro Group it can become an incisive lever of our commitments in order to create sustainable value for our current and future consumers.

This is the first time (in 2017/2018) that the Piquadro Group has decided to report non-financial information. Publication of the Sustainability Report helps us to demonstrate our social responsibility activities and yet again shows the path that Piquadro Group intends to pursue towards sustainability.

Marco Palmieri

Methodological note

This document is the consolidated non-financial statement (hereinafter also "NFS" or "Sustainability Report") of the Piquadro Group (hereinafter also "the Group") prepared in accordance with the Italian Legislative Decree 254/16. It provides information, to the extent necessary to ensure an understanding of the business, performance, results and impact in the areas considered relevant and set out in Art. 3 of Legislative Decree 254/16, with reference to the fiscal year ended 31 March 2018 (from 1 April 2017 to 31 March 2018).

As foreseen by Art. 5 of Italian Legislative Decree 254/16, this document constitutes a separate report and it is marked with specific terminology to identify it as the NFS required by law.

This Sustainability Report has been prepared in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by the GRI - Global Reporting Initiative (hereafter "GRI Standards") according to the "core" option. Where appropriate, the EC Guidelines 2017/C215/01 have also been taken into account.

The key aspects for the Group and its stakeholders were chosen on the basis of a structured materiality analysis, which included a comparison of material topics with sector best practices, as explained in the section titled "Materiality analysis". With regard to the information required by art. 3, paragraph 2 of Italian Legislative Decree 254/16, note that, given the type of business, the following issues were not included in the scope of reporting as they were not considered relevant to ensure an understanding of the Company's activities:

- the use of water resources, as these are used exclusively for sanitary purposes;
- polluting air emissions other than greenhouse gas emissions.

The scope of the economic, social and environmental data and information in this document includes the companies consolidated line-by-line in the Group's Consolidated Financial Statements at 31 March 2018, as reported in the "Corporate structure" section of this document. During the year ended 31 March 2018 there were no significant changes as regards the Group's size, organisational structure, ownership structure and supply chain.

To allow comparability of the data and information over time and to assess the Group's performance, we provide comparative figures from the previous year. In this regard, it should be noted that the figures for the year ended 31 March 2017 relating to The Bridge S.p.A., whose acquisition was completed on 20 December 2016, refer to only three months of operations within the Group (from 1 January 2017 to 31 March 2017). To give a fair view of the Group's performance, the use of estimates has been limited as much as possible; where estimates have been used, they are based on the best methodologies currently available and reported in an appropriate way.

The frequency of non-financial reporting and publication of the NFS is annual: this document was approved by the Board of Directors of Piquadro S.p.A. on 11 June 2018.

The Report was also subject to a limited assurance engagement according to the criteria set out by the ISAE 3000 Revised principle) by Deloitte & Touche S.p.A. which, at the end of the work performed, released a specific report on the compliance of the information in the consolidated non-financial report prepared by Piquadro S.p.A. pursuant to Italian Legislative Decree 254/16.

The Piquadro Group has embarked on a path of continuous improvement in the various aspects of sustainability with a view to implementing social and environmental responsibility in the medium to long term.

This will start with an in-depth analysis of the risks generated and incurred, including those inherent to the supply chain. In this regard, the objectives laid down in the various areas of sustainability are summarised below:

Environmental issues

As explained in the Code of Ethics, the Group considers the environment as a primary asset of the community, which deserves to be protected. To this end, the Company's activities are planned by seeking a balance between economic initiatives and environmental requirements, always in compliance with applicable laws and regulations. Moreover, as part of the Organisational and Management Model pursuant to Legislative Decree 231/01, the Parent Company has analysed the activities that are exposed to the risk of environmental crimes and created a special section for them. These areas were also analysed by The Bridge S.p.A., which is currently adopting a special section on environmental crimes.

To strengthen its commitment to responsible management of resources, reduction of energy consumption and better management of emissions into the atmosphere, the Piquadro Group is committed to adopting a Group environmental policy.

Fight against active and passive corruption

The issue is dealt with in the Group Code of Ethics and is governed by the Organisational and Management Model pursuant to Legislative Decree 231/01, adopted by the Parent Company and by The Bridge S.p.A., analysing the areas and business operations most exposed to the risk of corruption and adopting the appropriate anti-corruption measures.

In order to confirm and strengthen its commitment, which is a shared imperative, in the fight against active and passive corruption, the Group has set the goal of adopting an anti-corruption policy at Group level.

Employee-related issues

In its Code of Ethics the Group has formalised its commitment to protect and promote the value of human resources, increase the skills base and ensure safe working conditions that respect individual dignity. At Parent Company level, two personnel management procedures have been drawn up, one for the administrative management of resources, the other developed within the Organisational and Management Model pursuant to Legislative Decree 231/01. The Italian companies in the Group have also adopted a **procedure for the management** of health and safety at work, including a "safety organisation chart". The Group undertakes to adopt a Human Resources Policy for the management and development of personnel and occupational health and safety, with a view to continuous improvement.

Protection of human rights

In the Code of Ethics, the Group confirms its commitment to respect human rights by recalling the ILO (International Labour Organisation) Declaration on fundamental principles and rights at work, including the prohibition of forced labour and child labour, freedom of trade union association and the prohibition of discrimination and harassment. Moreover, the Group aims to apply these principles to all Group companies by disseminating the Code of Ethics. With a view to continuous improvement, the Group **has set the objective to adopt a Suppliers' Code of Conduct** and to implement a process to share the Code with the main categories of business partners, as well as providing training courses for Group employees in the field of human rights.

In addition, regarding the selection process of new suppliers, the Group aims to include new parameters relating to the protection of human rights and other social and environmental criteria.

For the objectives mentioned previously, the Piquadro Group undertakes to give priority to these four areas. These objectives will reasonably require around 24 months of development and implementation time, so they should be achieved by March 2020.

CONTACTS

For information on this document:

Piquadro S.p.A.

Investor relations

Roberto Trotta

Tel +39 0534 409001

investor.relator@piquadro.com

1. The Piquadro Group

The Group at a glance at 31 March 2018:



Sales revenues: € 97.6 mln (+28.6% compared with fiscal year 2016/2017)



Net profit: € 4.8 mln (+40.25% compared with fiscal year 2016/2017)



63 directly operated stores and 51 indirect points of sale



805 employees

The Piquadro Group operates in the leather goods market and designs, manufactures and sells its own brand products (Piquadro and The Bridge) which tend towards design and technical-functional innovation in the creation of bags, suitcases and accessories.

The Bridge (formerly Il Ponte Pelletteria Spa), which owns the brand of the same name, was acquired by Piquadro in December 2016.

Piquadro is an Italian company that manages two brands that represent excellence "Made in Italy": this explains its quality and passion, its creativity, the sense of style that is informal and professional at the same time.

In Piquadro products the three distinctive values that inspire the brand - design, functionality and technology - blend with the good taste typical of Italian craftsmanship, the quality of fine leather and attention to detail.

At the Piquadro headquarters in Silla di Gaggio Montano, in the Apennines between Tuscany and Emilia-Romagna, administrative and management activities are carried out, as well as design, research and design of collections, choice of materials and marketing communication strategies.

The production of part of the small leather goods and some lines of Piquadro brand briefcases is carried out internally through a subsidiary Uni Best Leather Goods Zhongshan Co. Ltd. in a plant located in Zhongshan (People's Republic of China).

1.1 The history and values of the Group



The shared values that the Piquadro Group identifies with and that it pursues include the development, promotion and support of the cultural background, talent and potential of its human resources in order to create a work environment that encourages and gives value to the contribution of every single human resource.



The Piquadro Group aims to gain the trust, respect and loyalty of its customers based on the efficiency and excellence of the work of its employees and collaborators.

✚ Founded in 1987 by Marco Palmieri, then a young engineering student, the Company initially worked as a small firm producing leather goods for third parties.

✚ In 1998, after ten years of producing for the most prestigious Italian luxury leather goods companies, Piquadro launched its own brand.

The name derives from the combination of **P**almieri and **P**elletteria which, in homage to the mathematical language that the founder prefers, becomes P² and, in full, Piquadro.

Design, functionality and technology are the values on which this new brand of leather goods has bet to stand out in the market.



✚ The first Piquadro boutique was inaugurated in 2000 in Via della Spiga, in the heart of Milan's fashion district. Two years later, the first franchise store opened in Via Frattina in Rome.

✚ In 2006, the new headquarters in Silla di Gaggio Montano was inaugurated, a futuristic building immersed in the greenery of the Tuscan-Emilian Apennines, where research, development and logistics are managed.



✚ In 2007 Piquadro was listed on the Italian Stock Exchange (Expandi segment).

✚ The growth of the brand continues with the launch, in 2011, of Sartoria, a line of high quality leather goods handmade in Italy and customizable to order.

✚ In the following years, stores were opened in the most strategic points of branded shopping worldwide: in 2012 a new location was opened, with offices and showroom, in the "quadrilatero d'oro", Milan's top fashion district. 2014 marked the first step towards the British market with the opening of a flagship store in Regent Street in the centre of London. Lastly, in 2015, the first New York boutique was opened at 509 Madison Avenue, in the heart of Manhattan.



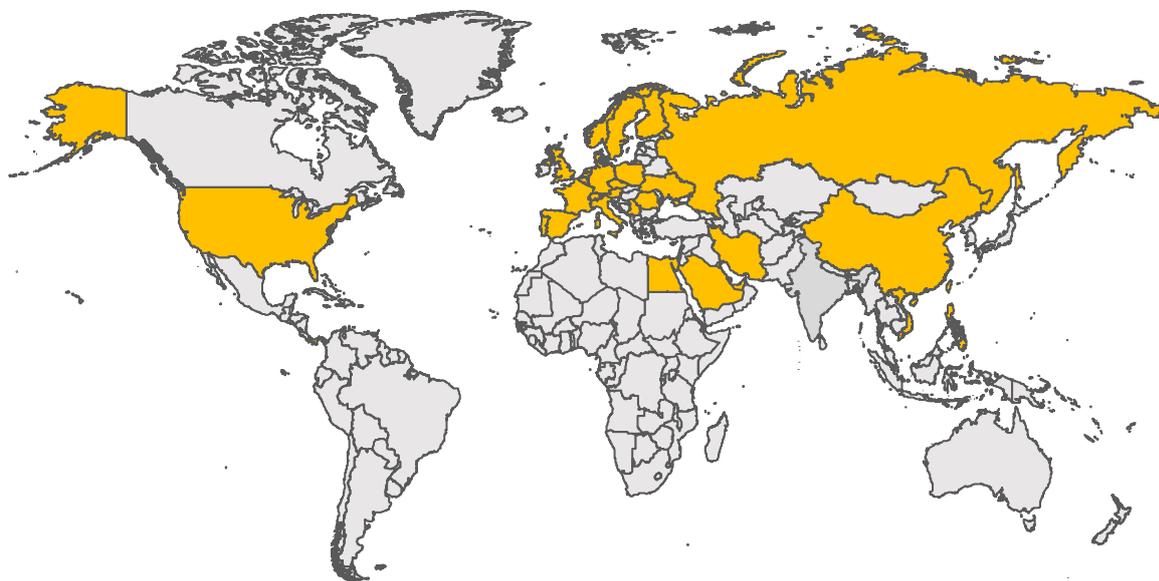
✚ In December 2016, Piquadro acquired The Bridge, a historical Florentine brand operating in the leather processing sector and in the production of bags and accessories.

✚ June 2018 saw completion of the acquisition of Lancel International S.A. ("Lancel International") - a Swiss company, wholly owned by the Richemont Group, owner of the "Lancel" brand, which holds 99.9958% of the French company Lancel Sogedi S.A. and of Spanish and Italian companies that manage Lancel boutiques in these countries (Lancel International and its subsidiaries the "Lancel Group"). Maison Lancel, based in Paris and founded in 1876, creates and distributes high-quality luxury leather goods, elegant gifts and accessories for men and women. The Maison has developed a select network of 60 directly operated and 11 franchised stores. Through its retail and wholesale network, Lancel is present in 39 countries, including China.

Diffusion of the brand

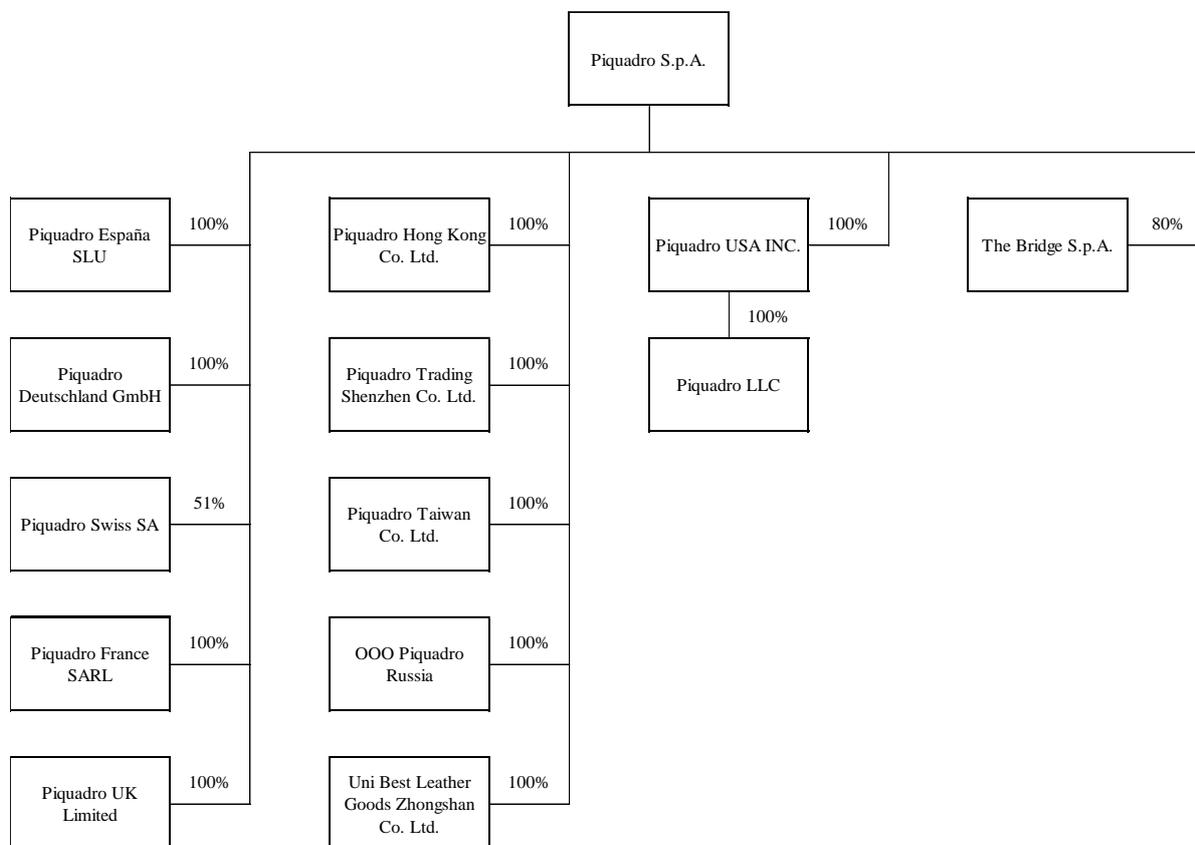
At 31 March 2018, the brand is present in over **50 countries with 63 directly operated single-brand stores** (55 Piquadro and 8 The Bridge), **51 indirect points of sale** represented by multi-brand stores and single-brand franchised stores (44 Piquadro and 7 The Bridge), as well as a network of distributors who resell the articles in specialised multi-brand stores.

Points of sale operated directly or indirectly by the Piquadro Group in 2017/2018



Corporate structure

At 31 March 2018, the Piquadro Group is structured as follows:



The acquisition of the company Il Ponte Pelletteria S.p.A., now The Bridge S.p.A., was completed on 20 December 2016.



For more information on the Group's corporate structure, please refer to the Annual Financial Report published in the "Investor Relations" section of the website <http://www.piquadro.com>.

Corporate Governance



The Company's corporate governance follows the traditional system consisting of the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors. The Board of Directors performs the strategic direction and supervision function, while the Board of Statutory Auditors is responsible for the control function.

The purpose of the Group's corporate structure is to achieve its strategic objectives and, at the same time, to ensure correct and sound management of the business and protect all of its stakeholders.

The Board of Directors, which remains in office for three years (until 31 March 2019), is made up as follows:

Marco Palmieri	Chairman and CEO
Marcello Piccioli	Managing director
Roberto Trotta	Managing director
Pierpaolo Palmieri	Managing director
Paola Bonomo	Independent non-executive director
Catia Cesari	Independent non-executive director
Barbara Falcomer	Independent non-executive director

Composition of the Board of Directors by age and gender

Age	At 31 March 2018		
	Men	Women	%
<30	0	0	0%
30-50	1	2	43%
>50	3	1	57%
%	57%	43%	100%

The directors, with different professional backgrounds, meet all of the requirements of professionalism and experience needed to carry out the mandate.

The Board of Directors has set up two committees to ensure transparency and achieve the Group's objectives of efficiency, reliable financial information and compliance with laws and regulations: the **Audit and Risk Committee** and the **Remuneration Committee**. Both committees have a consultative and proactive role, with the aim of facilitating the Board's activities and helping it to function as well as possible. A **lead independent director** has also been appointed: this position is a point of reference and coordination of the requests and contributions of non-executive directors, particularly, those that are independent. The purpose is to guarantee that they have total autonomy of judgement with respect to management. The lead independent director collaborates with the Chairman of the Board of Directors to ensure that the directors always receive complete and timely information.

1.2 The ethical management of our business



The company's values and the conduct aimed at achieving **ethical management of the business** have been codified in the Code of Ethics, acknowledged and applied by all Group companies: it contains all the rights, duties and responsibilities of all those who, in any capacity, operate in or for Piquadro. The Parent Company's management is required to revise and update the document periodically in cooperation with the information received from the Supervisory Body.

The Piquadro Group operates, in any case, in full compliance with Italian and international laws and regulations, as well as, where applicable, internal procedures established pursuant to the Organisational and Management Model pursuant to Legislative Decree 231/01 .

The Piquadro Group's focus has never been its results on their own, but also the way in which the results are achieved.

A solid ethical culture has always been a fundamental component of the Piquadro Group's approach to business, which translates into a commitment to avoid and eliminate potentially opportunistic behaviour. **Integrity, fairness, transparency and innovation are values** that come from a strong and recognised cultural identity in which Piquadro believes. The Piquadro Group also aims to reconcile market competitiveness with respect for competition regulations and to promote correct and responsible use of resources with a view to social and environmental responsibility.

In June 2008, the Parent Company adopted the **Organisational and Management Model** (the "Model") pursuant to Legislative Decree 231/2001 and the **Group's Code of Ethics**, with the aim of preparing a structured and organic system of rules to prevent illegal behaviour by monitoring the areas and activities at risk and ensuring ethical management of its business activities.

In 2017, after joining the Group, The Bridge S.p.A. first set up a Supervisory Body and adopted the Group's Code of Ethics and then, in November, adopted the Organisational and Management Model pursuant to Legislative Decree 231/01.

Code of Ethics

The Group has always considered as the primary objective to carry on its **business activities with respect and protection for all partners** and the individuals with whom it relates, as well as in compliance with the law and regulations of the countries involved.

Each member of the Piquadro Group organisation is required to comply with all applicable laws, while remaining faithful to the highest standards of **business ethics**.

The Parent Company codified these principles in its **Code of Ethics**, which it submits to other Group companies so that they can formally acknowledge it as a management tool and an effective element of their strategy and organisation, after modifying or supplementing it in relation to their specific requirements.

The Code of Ethics therefore contains a set of **rights, duties and responsibilities** for **all those who work in or for Piquadro**, for whatever reason.

Moral integrity is a value and a constant duty for the Piquadro Group that characterises all of the organisation's behaviour and under no circumstances can the pursuit of the Group's interests justify an act that does not comply with the principles of the Code. Everyone therefore has the duty to pay attention to circumstances that may be indicative of illegal behaviour and act promptly to avoid improper conduct.

The management of the Group is required to review the Code of Ethics periodically and ensure that it is constantly updated, bearing in mind the recommendations of the Supervisory Body set up pursuant to Legislative Decree 231/2001.

Organisational and Management Model

The **Organisational and Management Model** of Piquadro S.p.A. and The Bridge S.p.A. involves every aspect of the Company's activities, with a view to managing any activities at risk of crime and possible situations of conflict of interest correctly. In particular, with different roles and at different levels, controls involve the Board of Directors, the Board of Statutory Auditors, the Internal Audit, the Supervisory Body, the Independent Auditors, the managers and all personnel, representing an essential aspect of the Companies' day-to-day activities. As regards the "control" aspects, in addition to establishing an autonomous and independent Supervisory Body, the Model ensures that its activities are integrated and coordinated with the existing system of internal controls, building on the experience already gained. The Model aims to provide more guarantees on compliance of corporate practices and activities with the Code of Ethics and company regulations, which lay down the principles governing activities at risk of crime. The Model also provides for a system that can provide timely notification of the occurrence or existence of anomalous situations, as appropriate under the circumstances.

The companies make every effort to ensure that their personnel have a knowledge of both the Organisational and Management Model and the Code of Ethics by providing specific training on these issues at the time of recruitment.

In order to ensure **effective dissemination of the Model, the Code of Ethics and adequate information** for personnel on the **contents of Legislative Decree 231/2001** and the obligations deriving from it, **a specific area of the company's intranet** dedicated to the topic has been made available (where, in addition to the documents that make up the information set previously described, there are also tools for reporting to the Supervisory Body and any other relevant documentation).

In addition, in order to comply with the provisions of Law 179/17 ("**whistleblowing**") and to encourage the reporting of behaviour that could lead to or help lead to liability under Legislative Decree 231/2001, the Parent Company has adopted a system of reporting to the Supervisory Body that guarantees that the identity of the whistleblower will remain confidential.

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The adoption of this system has also been planned by The Bridge S.p.A.



For further information on the Group's Code of Ethics and the Organisational and Management Model, please refer to the documents published in the "Investor Relations" section of the website <http://www.piquadro.com>.

1.3 Compliance and risk management



For **risk assessment and management**, the Group has set up an internal control system for the identification, measurement, management and monitoring of the main risks. The risk management system is designed to help take informed decisions that are consistent with the Company's strategy and objectives. The task of identifying and managing risks has been delegated to the internal audit function, which works in close collaboration with the Audit and Risk Committee and with the Director in charge of the internal control system. On the basis of its directions, once a year the Board of Directors assesses the adequacy, effectiveness and effective functioning of the internal control and risk management system.

The **internal control and risk management system** is a set of **rules, procedures and organisational structures** of the Group that is designed to **allow the identification, measurement, management and monitoring of the main risks**. This system is integrated into the more general organisational and corporate governance structures adopted by Piquadro and takes into due consideration the reference models and best practices existing at national and international level. In addition, the internal control and risk management system helps make sure that the Company's conduct is consistent with the corporate objectives defined by the Board, helping it to take informed decisions. It helps to ensure the protection of the company assets, the efficiency and effectiveness of business processes, the reliability of financial information, compliance with laws and regulations, as well as with the Articles of Association and internal procedures, with particular attention to effective implementation of the Model as per Legislative Decree 231/2001.

In relation to the latter, the Group has carried out a **careful analysis of business processes** connected to its activities in order to **evaluate the exposure to predicate offences** contained in Legislative Decree 231/2001. The mapping therefore took into consideration **various areas**, including participation in public tenders, the **purchasing of raw materials**, finished products, semi-finished products and work in progress, **recruitment and management of personnel, corruption and environmental crimes**.

The assessment of operational and economic-financial risks is carried out on the basis of a model of identification of the nature and level of risk compatible with the strategic objectives of the Company, called "Risk Factor Analysis". This document analyses risks such as:

Type of risk	Method of handling
<p>Risks relating to production and the supply of raw materials, linked to significant changes in the macroeconomic, political, fiscal or legislative framework in the areas where the Group's products are made, as well as situations where the Group is unable to maintain and renew its business relations.</p>	<p>The Group has a historical presence in the countries where it operates at production level and uses its own collaborators in both the production and financial/administrative area. The Group constantly analyses any local problems, ensuring that everyone is updated on local regulations. There is also continuous scouting of possible new suppliers in different geographical areas.</p>

Type of risk	Method of handling
<p>Risks relating to international operations involving several foreign markets and the distribution network, linked to possible changes in the political and economic situation in the various countries, the need to cope with the competition of operators from different markets, the difficulty of satisfying customers' needs in different countries, the problems involved in protecting the Company's products from counterfeits.</p>	<p>The Group has long diversified its investments and presence in Europe, Asia and America. Moreover, although the indirect sales channel still represents an important percentage of sales, the Group has for several years been implementing a retail expansion policy, which has led to open directly operated stores all over the world and therefore to increase the sales channel managed directly by the organisation.</p>
<p>Risks relating to the protection of intellectual property rights and to counterfeiting, i.e. linked to the protection of rights of design, production processes and technologies, utility models as well as brands and other distinctive signs, all key elements for the success of the Group's products on the market and of its competitive positioning.</p>	<p>The Group makes use of a company that specialises in the protection of everything linked to intellectual property (trademarks, logos, ornamental models, utility models, patents, etc.).</p> <p>The trademarks are registered in practically all countries around the world; also in those where the Group still does not operate.</p> <p>As regards the protection of trademarks, the Group has for many years also implemented a system for monitoring new requests for patent registrations, so that it can oppose any concessions for the registration of trademarks that have relevance to its own trademarks, even at the initial stage.</p>
<p>Risks related to the integrity of the IT system, identified in particular in data integrity, continuity of the IT system and the segregation of external and internal access to information (vulnerability).</p>	<p>The Group carries out continuous updating procedures aimed at guaranteeing defence against external attacks by computer viruses. The system is protected by appropriate firewalls that provide a log of the intrusion prevention system. Penetration tests that simulate external attacks by unauthorised users have been performed in the past and are scheduled in the future. The IT system is also protected in terms of back-up and business continuity, while a disaster recovery plan (for logical, physical and geographical security) is currently being developed between Group companies. The data flow through e-mail, e-commerce, order entry is protected by regularly updated electronic certificates or IPSec VPN accesses.</p>
<p>Risks associated with changes in customer preferences and increasing competition.</p> <p>The Group attributes its success to consumers' appreciation of the style and quality of its products, while still contemplating the possibility of changes in consumer taste that the Piquadro Group may not be able to anticipate and which could be satisfied by competitors.</p>	<p>Group management considers that the key factors to counter these risks are:</p> <ul style="list-style-type: none"> - the ability to offer products in line with the expectations of reference consumers; - the pursuit of adequate marketing policies; - the maintenance and development of the production model, and - maintaining and strengthening its single-brand and multi-brand distribution capacity
<p>Economic-financial risks linked in particular to credit risk deriving from commercial transactions or financing activities, to liquidity risk related to the availability of financial resources and access to the credit market and to market risk, better divided into the components of exchange rate risk</p>	<p>Risk management is carried out at central level within precise organisational guidelines that regulate risk management and control over all transactions that are closely tied to the composition of financial and/or commercial assets and liabilities.</p> <p>For example, in relation to exchange rate risk, management has adopted a risk containment strategy better defined as a "hedge accounting policy", which</p>

Type of risk	Method of handling
(from operations in currencies other than the Euro) and interest rate risk due to exposure to financial instruments that generate interest.	involves continuous hedging of the risks related to purchases over a period of six months based on the amount of orders issued.

In relation to **sustainability issues**, the following risk areas are also worth mentioning:

Type of risk	Method of handling
Environmental risks related to failure to comply with environmental legislation in force in the countries where the Group operates, inefficient management of materials and energy or incorrect waste disposal.	<p>The Group has expressed in its Code of Ethics its commitment to protecting the environment and carrying out its activities by seeking a reasonable balance between economic initiatives and environmental needs.</p> <p>The Parent Company has also adopted a special part on environmental crimes, as part of the Organisational and Management Model pursuant to Legislative Decree 231/01, as well as a waste management procedure. These areas have also been analysed at The Bridge S.p.A., which is currently completing its adoption of the special part on environmental crimes.</p>
Social risks relating to failure to comply with the specific product standards, such as the products' impact on health and safety, failure to meet customers' expectations and inadequacy on the part of the research and development process.	<p>Products are subjected to rigorous controls to guarantee their quality and safety: specific laboratory tests are carried out both on finished products and materials to verify their resistance, structural integrity, water repellency and non-toxicity. The Group makes reference to the European REACH Regulation which governs the use of hazardous chemicals in production processes; compliance with it is also required to suppliers, where applicable. The Group has adopted a specific procedure for the management of intellectual property.</p>
Risks relating to personnel, such as the inadequacy of the staff attraction and recruitment process, of the personnel development and motivation plans, and of the occupational health and safety measures.	<p>The Group has formalised in its Code of Ethics its commitment to guarantee the physical and moral integrity of its employees and internal collaborators, working conditions that are respectful of individual dignity and safe and healthy working environments, in full compliance with current legislation. The Parent Company and the Italian subsidiary carried out a risk analysis that was formalised in the Risk Assessment Document (RAD).</p> <p>In order to better train staff in this area, Piquadro is implementing new procedures on occupational health and safety, while procedures for the management of these risks are currently being developed at The Bridge S.p.A.</p>

Type of risk	Method of handling
<p>Risks relating to the fight against active and passive corruption are linked to the possibility that the Group's management and personnel might carry out unauthorised, unethical behaviour, in violation of laws and regulations, unlawful with particular reference to the crime of active and passive corruption.</p>	<p>The Group has formalised the values of ethics and integrity that inspire its business in the Code of Ethics: by distributing this Code, Piquadro tries to spread a culture of social responsibility in the conduct of business.</p> <p>The Parent Company and the Italian subsidiary have adopted an Organisational and Management Model pursuant to Legislative Decree 231/01, in which the areas and operations most exposed to the risk of crime have been identified and analysed, such as the request for authorisations, concessions, licences and certifications, sponsorships and donations, as well as the risks involved in dealings with external bodies in both the public and private sectors (Tax Authorities, INPS, INAIL).</p>
<p>Risks relating to a lack of respect for human rights in operations and Group suppliers in countries where legislation is less stringent than in Italy.</p>	<p>The Group has formalised in its Code of Ethics its commitment to being respectful of human rights by explicitly referring to the ILO Declaration on fundamental principles and rights at work, including the prohibition of forced labour and child labour, freedom of trade union association, the prohibition of discrimination and harassment.</p> <p>Through dissemination of the Code of Ethics, it aims to apply an ethical and respectful human rights culture to all Group companies.</p>

The Board of Directors' meeting on 11 June 2018, taking into account the recommendations of the Audit and Risk Committee and the Director responsible for internal control and risk management system, as well as the work of the internal audit function, expressed, for **the year ended 31 March 2018, a positive assessment of the adequacy, effectiveness and proper functioning of the internal control and risk management system.**



For further information on the economic-financial risks and the related methods of control and management, please refer to the Annual Financial Report published in the "Investor Relations" section of the website <http://www.piquadro.com>.

1.4 Our stakeholders and the materiality analysis

The Piquadro Group deems it necessary to define and maintain an effective dialogue with its stakeholders, also with a view to acquiring new ideas on innovation and product quality. The mapping of stakeholders, shown below, is the result of an analysis carried out by the Group in order to identify the main categories of interlocutors:



With a view to sharing and improving its relationship with stakeholders, the Piquadro Group has, over the years, launched various routes of communication and exchange of information with them. The main topics of reference and channels of dialogue for each stakeholder are summarised below:

Stakeholder	Issues	Channels of dialogue
Employees	<ul style="list-style-type: none"> - Employee well-being - Protection of occupational health and safety - Equal opportunities - Organisational and Management Model and Code of Ethics 	<ul style="list-style-type: none"> - Internal climate survey - Communications from top management - Corporate Intranet
Customers	<ul style="list-style-type: none"> - Customer satisfaction - Innovation - Product quality 	<ul style="list-style-type: none"> - Web site - Assessment of customer satisfaction - Customer Service - Showroom
Suppliers	<ul style="list-style-type: none"> - Quality of bought-in products - Continuity of the supply relationship - Development of partnerships 	<ul style="list-style-type: none"> - Constant and direct contact - Trade fairs - Showroom
Institutions and regulatory bodies	<ul style="list-style-type: none"> - Compliance with laws and regulations - Compliance with recommendations and sector best practices 	<ul style="list-style-type: none"> - Reports and financial statements - Regular information flows - Meetings - Press releases
Trade unions	<ul style="list-style-type: none"> - Corporate welfare - Collective bargaining agreements 	<ul style="list-style-type: none"> - Meetings and direct dialogue with trade union representatives
Local communities and territory	<ul style="list-style-type: none"> - Support for social initiatives - Employment support 	<ul style="list-style-type: none"> - Projects in the local area - Web site
Shareholders and investors	<ul style="list-style-type: none"> - Transparency towards the market - Solidity and financial sustainability - Economic performance 	<ul style="list-style-type: none"> - Participation at Board meetings - Shareholders' meetings - Reports and Financial statements - Investor Conference - Press releases - Web site
Media and opinion leaders	<ul style="list-style-type: none"> - Transparency - Group's business strategy - Product communication - Group economic results 	<ul style="list-style-type: none"> - Web site - Marketing campaign - Press releases - Showroom
Trade associations	<ul style="list-style-type: none"> - Representation of sector interests - Training and information 	<ul style="list-style-type: none"> - Institutional web site - Participation in work groups, round tables and technical committees
Franchisees and distributors	<ul style="list-style-type: none"> - Continuity of the relationship - Development of partnerships 	<ul style="list-style-type: none"> - Web site - Direct contact - Showroom

The Group has also developed a significant **network of relationships and partnerships** with trade associations:

- **Piquadro** is a member of **Unindustria** and of the **Camera Nazionale della Moda Italiana**;
- **The Bridge**, on the other hand, takes part in the **Confederazione nazionale dell'artigianato e della piccola e media impresa (CNA)**, **Confederazione dell'Industria Manifatturiera Italiana e dell'Impresa Privata (CONFIMI)**, **Associazione delle Industrie dei Beni di Consumo (IBC)**.

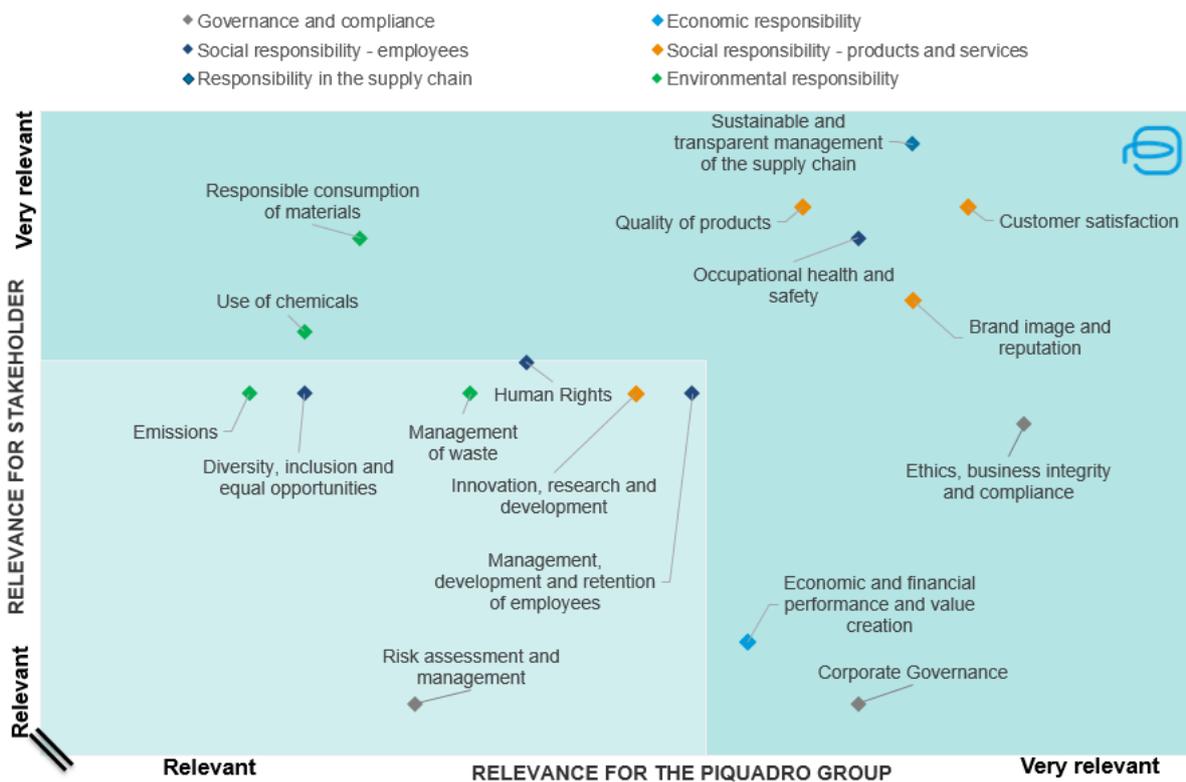
Materiality analysis

In 2017 the Piquadro Group began working on a materiality analysis to identify the key aspects that have a significant impact on the Group's activities from an economic, social and environmental point of view and which could substantially influence the assessments and decisions of its stakeholders. The analysis was carried out in line with the principles defined by the GRI Sustainability Reporting Standards and saw the involvement, through a specific workshop, of the Company's top management and some members of the Board of Directors.

The process was structured as follows:

- Mapping of the stakeholders, i.e. definition of the Group's main stakeholders.
- Identification of a preliminary list of potentially relevant topics through an analysis of benchmark and an analysis of publications.
- Evaluation of key issues by participants at the workshop as regards the impacts and relevance of the issues for the Piquadro Group. The purely quantitative results of this vote were then associated with qualitative considerations and a specific sector analysis of the importance of these issues to stakeholders. The various Group operating functions were also involved in the qualitative assessment.

The materiality matrix of the Piquadro Group



For the purpose of continuous improvement, Piquadro aims to update its materiality analysis in future years with the direct involvement of external stakeholders.

For each issue identified as material, the following is a brief description of the relevance that the issue has for the Group and its boundaries (where the impacts occur and the organization's involvement).

Material topic	Relevance for the Group	Boundaries	
		Where the impacts occur	Involvement of the Group ¹
Governance and compliance			
Ethics, business integrity and compliance	Respect for ethical principles and compliance with laws and regulations in the conduct of business are a fundamental and indispensable condition for the Piquadro Group. In all relationships with counterparties, the Group undertakes to pursue behaviour based on fairness, loyalty and collaboration.	Piquadro Group	Direct
Risk assessment and management	The Group pays particular attention to assessing the main risks that could have a negative impact on its work and threaten its solidity. In this sense, resources are allocated for their analysis and management.	Piquadro Group	Direct
Corporate Governance	The Group's corporate governance focus is on achieving strategic objectives and at the same time ensuring correct and sound management of activities, guaranteeing the protection of all stakeholders.	Parent Company	Direct
Economic responsibility			
Economic and financial performance and value creation	The Group aims to generate solid and positive economic and financial performance in a medium to long-term perspective and to distribute value to its stakeholders.	Piquadro Group	Direct
Responsibility in the supply chain			
Sustainable and transparent management of the supply chain	Throughout the value chain, the Group's intention is to maintain relationships based on fairness with its partners. The Group recognises the value of the materials and services provided by its suppliers, which are a fundamental element for the high standards of their products. The Group's objective is also to define a Suppliers Code of Conduct and to include parameters for the protection of human rights and other social and environmental criteria as part of the qualification process.	Piquadro Group and Suppliers	Direct and indirect
Social responsibility – employees			
Management, development and retention of employees	The Group pays particular attention to the management and development of its employees, being well aware that they are one of the pillars needed to achieve its strategic objectives. In this sense, various professional growth programmes are undertaken. The Group is	Piquadro Group	Direct

¹ Direct involvement of the Group: the impact is caused directly by the Group's activities; Indirect involvement of the Group: the impact is linked directly to the Group's activities, products and services through a business relationship (e.g. relationship between the Group and its suppliers); Contribution by the Group: the impact is connected to the Group's activities, products and services, as they are generated by parties that the organisation interacts with.

Material topic	Relevance for the Group	Boundaries	
		Where the impacts occur	Involvement of the Group ¹
	constantly on the look-out for talented candidates and is committed to retaining the best resources.		
Diversity, inclusion and equal opportunities	In personnel relations, the Group maintains strict compliance with the principles of non-discrimination and equal opportunities, as set out in its Code of Ethics.	Piquadro Group	Direct
Occupational health and safety	The protection of health and safety of its employees is a constant priority for the Group, which undertakes to comply with all current regulations and to increase employee training in these areas.	Employees of the Piquadro Group ²	Direct
Human Rights	In all relationships with employees and suppliers, the Group maintains a conduct designed to protect human rights.	Piquadro Group; Suppliers	Direct and indirect
Social responsibility - products and services			
Brand image and reputation	The Group always wants to spread awareness of its brand, while at the same time protecting its reputation. The Group's image must convey the values on which its activities are based.	Piquadro Group and the indirect sales channel	Direct and indirect
Quality of products	Maintaining a high quality standard for its products is a vital condition. For this reason, each item is subjected to stringent tests and checks to make sure that it passes numerous quality parameters.	Piquadro Group and Suppliers	Direct and indirect
Innovation, research and development	The Group's growth depends on its ability to innovate and develop new products that meet the different needs of customers. For this reason the Group invests extensive resources in research and development.	Piquadro Group	Direct
Customer satisfaction	The Group's intention is to offer the market ever-innovative, high-quality products in order to fully satisfy its customers' expectations. In fact, customer satisfaction is a primary objective for the Group.	Piquadro Group and the indirect sales channel	Direct and indirect
Environmental responsibility			
Responsible consumption of materials	Environmental protection is an area that is increasingly relevant for the Group, which will assess how to reduce its impact, particularly with regard to use of the resources needed in production.	Piquadro Group	Direct
Use of chemicals	The Group pays great attention to responsible use of chemicals by asking its suppliers to comply with the REACH regulation, where applicable.	Production plants of the Group and Suppliers of raw materials	Direct and indirect
Emissions	The Group has taken a commitment to reduce harmful emissions into the atmosphere.	Piquadro Group and Electricity suppliers	Direct and indirect

² The organisation assesses the possibility of collecting data from employers of external collaborators and suppliers who work at Group locations in order to report any accidents or occupational diseases.

Sustainability Report at 31 March 2018 of the Piquadro Group

Material topic	Relevance for the Group	Boundaries	
		Where the impacts occur	Involvement of the Group ¹
Management of waste and production's waste	During production, the Group undertakes to manage waste correctly and to reduce the amount of production waste.	Piquadro Group	Direct

1.5 Value creation



The business model that guides the **economic and financial performance** of the Group is geared to long-term **value generation**, a value to be shared by all of the stakeholders.

The results for 2017/2018 are positive and were achieved mainly thanks to the measures introduced to improve process efficiency. The economic value created is distributed mainly to suppliers and employees.

The results achieved over the last year were positive and were pursued by achieving a high level of efficiency in the design, processing and distribution processes. This is the result of constant and ever-increasing research to optimise the flows involved in the entire process (from the development of products to distribution to the end-consumer) and by strengthening brand perception in the reference consumer. In the year ended 31 March 2018, the Piquadro Group posted a 28.6% increase in revenues compared with the previous year. The increase in revenues is partly due to the inclusion of The Bridge S.p.A. into the scope of consolidation and partly to the increase in Piquadro brand sales.

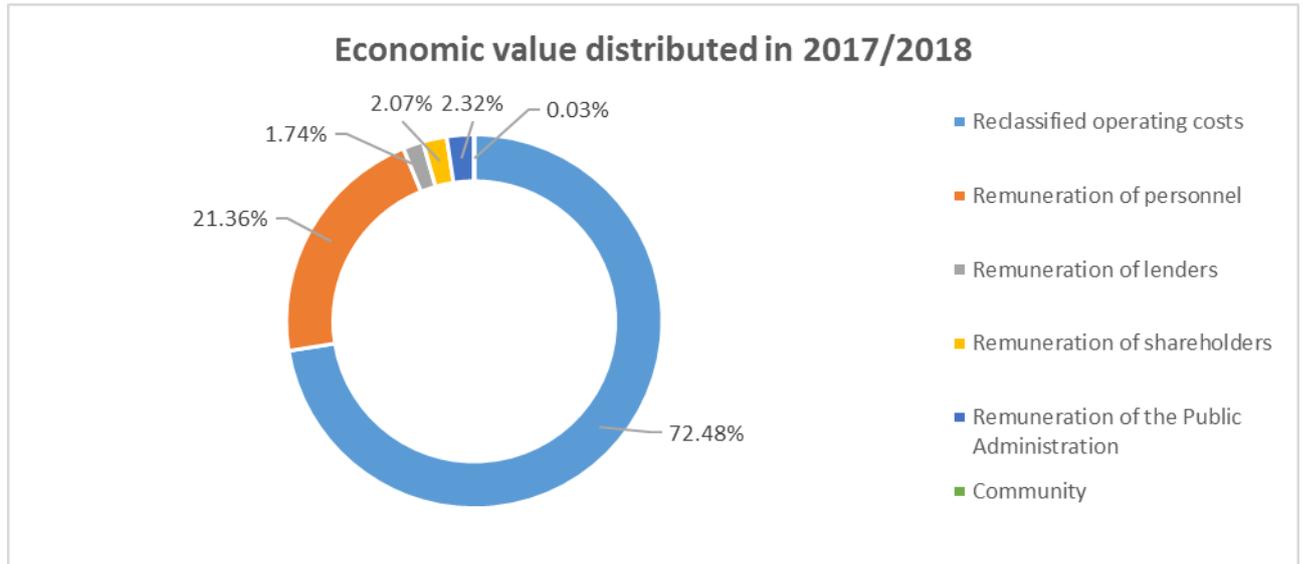
Sales of Piquadro brand products through the direct sales channel grew by 6.7% and represent 31.0% of turnover. The directly operated stores (DOS) also include the turnover of the Group's e-commerce website, which showed an increase of 19.7%. The geographical distribution of revenues shows that Italy accounts for almost 76% of total turnover, the rest of Europe for 21% (34% up on the previous year) and the rest of the world for 3%.

The **EBITDA** of the Piquadro Group came to Euro **10.8 million**, up 22.6% compared with the previous year, while net profit was Euro 4.8 million, up 40.2% compared with the figure for the year ended 31 March 2017. The **creation and distribution of value for the stakeholders is a constant commitment** of the Piquadro Group and is calculated by reclassifying the consolidated income statement. In 2017/2018 the **economic value generated** by the Piquadro Group was **Euro 102.9 million**; this value was then redistributed to the various stakeholders of the Group: suppliers, employees, shareholders, Public Administration, community and lenders.

Statement of the economic value generated and distributed by the Piquadro Group		
<i>(in thousands of euro)</i>	31 March 2018	31 March 2017
Direct economic value generated	102,946 €	76,281 €
Revenues from sales	97,627 €	75,912 €
Other income	1,259 €	2,332 €
Change in inventories	3,248 €	-2,848 €
Financial income	812 €	885 €
Economic value distributed	96,419 €	71,293 €
Reclassified operating costs	69,884 €	49,264 €
Costs for purchases	26,981 €	16,407 €
Reclassified costs for services, leases and rentals	42,394 €	32,307 €
Reclassified other operating costs	509 €	550 €
Remuneration of personnel	20,592 €	16,818 €
Personnel costs	20,592 €	16,818 €
Remuneration of lenders	1,678 €	1,203 €
Financial charges	1,678 €	1,203 €
Remuneration of shareholders	2,000 €	2,000 €
Distribution of profit for the year ³	2,000 €	2,000 €
Remuneration of the Public Administration	2,233 €	1,966 €
Income tax expenses	2,233 €	1,966 €
Community	33 €	42 €
Donations and sponsorships	33 €	42 €
Economic value retained	6,527 €	4,988 €
Profit for the year of the Parent Company allocated to reserves	2,840 €	1,436 €
Profit (Loss) attributable to minority interests	(67) €	(31) €
Amortization, depreciation, and write-downs	3,754 €	3,583 €

The largest part of economic value distributed, around **72.48% of the total**, falls into the category of **reclassified operating costs**, which includes the Group's suppliers. **Employees** come second in terms of the distribution of value, receiving **21.36%** of the total value. The remainder is split between the **Public Administration (2.32%)**, **shareholders (2.07%)**, **lenders (1.74%)** and the **community (0.03%)**.

³ The "distribution of profit for the year" for the year 2017-18 corresponds to the allocation of the result for the year of Piquadro S.p.A. to dividends, which the Board of Directors will propose to the Shareholders' Meeting.



2. Our products



The Piquadro Group is strongly committed to improving the public's awareness and perception of the **image and reputation of its brands**. The image of the Group's brands is taken care of in the smallest details.

Piquadro wants to combine the tradition of Italian leather goods with originality of design and innovation. Elegance and attention to detail are extolled in The Bridge brand products.

The Piquadro Group operates in the leather goods market and is active in the design, development, production and distribution of items such as professional bags and backpacks, women's bags, suitcases and accessories. In addition to the Piquadro brand, the Group has also been managing the The Bridge brand since 2017.

2.1 Piquadro

Piquadro specialises in **innovative bags and accessories for business**, which stand out for their **functionality**, while expressing all **the originality and elegance of Italian style** thanks to a recognisable, high-performance design.

The spirit of Piquadro products lies in the concept that inspires the design of each one: "**tech-inside**". But for Piquadro, functionality touches on all aspects of the product: new materials, new tests to verify reliability, new ways of organising the space inside to make its products more comfortable and practical in everyday use. The materials, construction and functionality are such that Piquadro products really are professional in terms of quality and reliability.

Design and innovation

All **Piquadro products are the result of careful design**. The Company has been awarded several patents in recognition of the numerous technical and functional innovations that it has implemented. Even the smallest detail is studied and designed by a whole team of designers who know and interpret the values of the brand.

The development of ever new solutions and the research for elements in the design and technology that have never been used before is the result of constant study of materials and trends, often in collaboration with the most important design schools in Italy and abroad.

Piquadro's youthful creativity is an important source of inspiration. **Attention to new talents** involves promoting competitions that give young designers a way to work on real-life cases, so that they can demonstrate their potential.

Patents

Piquadro's vocation for the design of every single detail and maximum functionality of the product translates into constant research and the development of specific solutions that are often innovative and worth registering. As of 31 March 2018, **the Company has 28 registered patents**, both for products and for components and accessories.

My Startup Funding Program



"My Startup Funding Program" is the **open innovation** program by which Piquadro intends to promote innovation, creativity and enterprise through a competitive process to **reward original business projects** in the field of technology applied to leather goods and fashion accessories.

The tender is open to all startups wishing to develop business projects in the leather goods and bags sector, providing the products with innovative functions and technologies.

The first edition will award the most deserving business a **financial contribution of € 100,000 and a fast track to Silicon Valley**, with the view to training as well as finance. 82 projects have been received (72% from Italy, 23% from Europe and 5% from the Rest of the World), most of which elaborate on themes relating

to the development of new technologies and functionalities or new systems of customisation that could be combined with Piquadro products.

Bagmotic and Connequ

Also known as IoT, the Internet of Things is the new frontier of technology that wants us to interact with objects through the web. The Internet of Things is the inspiration behind the BAGMOTIC, a sort of bag automation designed so that we can interact with our bags and suitcases.



The bags and trolley suitcases of this line are able to:

- communicate with your smartphone and smartwatch through the Connequ app via bluetooth;
- be traced anywhere in the world;
- warn us in case of removal by activating the ringtone on the mobile phone or by making the smartwatch vibrate;
- recharge smartphones and tablets by contact through a battery built into the bags themselves;
- communicate the weight to the app through a special scale device in the handle;
- warn you when the powerbank built into the bag needs recharging;
- turn on the led lights with a touch of the cellphone or smartwatch in backpacks equipped with a rear light.

The cornerstone of BAGMOTIC is the Connequ app, designed by Piquadro, which is available for both smartphones and smartwatches to manage all the available functions.

Note that Piquadro does not process any type of data on the localisation services provided, which are only stored locally on the customer's smartphone or smartwatch.

2.2 The Bridge

Ponte Pelletteria S.p.A. was founded in 1969 by five craftsmen on the outskirts of Florence. In 1975, The Bridge brand was born, translating the word "*ponte*" into English, with reference to the "Ponte a Greve", the bridge that connected what was then the village of Scandicci to nearby Florence.

In the '80s, a selection of women's bags was added to the men's bags. In the following decade the most iconic models of the brand were realised, such as the newspaper bag and the messenger bag. In 2008, the first single-brand store opened in Turin and in 2017 the brand was acquired by Piquadro, which changed the company's name to The Bridge S.p.A.

There are three **values** enclosed in the brand identity of The Bridge: **style, transversality and durability**.

The combination of a recognisable style that is always in step with the times, the transversal use, which makes the product adaptable to all occasions and the quality inherent in products that last over time, contributed - together with the product's craftsmanship, guaranteed by the work of master craftsmen - to the uniqueness of a brand with a distinctly British look.

The Bridge reflects the "**Tuscany way of life**", recalling a **casual and sophisticated look**, a way of being, a sober, dignified life-style that still looked after the tiniest details that do not go unnoticed, for a *savoir vivre* and an easy confidence.

The care with which the craftsmen's skilled hands create these products makes them unique and unrepeatable. And using them over time merely increases their value.

The Bridge products are all born with the same care and the same love of simple things, well made and durable.

The Bridge produces a wide range of products ranging from trunks to key holders, including travel bags, suitcases, work bags, pouches, bandoliers, messenger bags, women's bags, belts, wallets, diaries, iPad cases, computer cases and a long list of products for the home and for leisure.

2.3 Research and development



Innovation, research and development of new products represent a constant challenge for the Piquadro Group, to which specific resources are dedicated, to provide customers with increasingly innovative and high-quality products. Innovation concerns both the design of the product and the digital add-ons that increase its functionality.

R&D for the Piquadro brand is carried out internally by a **dedicated team**, mainly working for the Product R&D department and the Design office at the Company's head office, whereas a team dedicated to **prototyping** and the creating of new models work at the Uni Best factory, according to the instructions issued by the central structure.

The internal structure dedicated to product design manages operational activities, also coordinating external consultants that the Group uses. Occasionally, the Group makes use of external designers, but only for the design phase, whereas product development and creation is carried out internally. The design of a new Piquadro product together with external industrial designers takes into account the indications on market trends provided by the Group's internal structures (Product Management and the Commercial Office). In this way, the Group develops its collections, always trying to interpret and intercept market trends. The Group's R&D for the Piquadro brand in recent years has been particularly focused on BAGMOTIC, the Piquadro project that integrates technology into briefcases, backpacks and trolley suitcases.

The Expansion Plate and the Battery Pack have been completed: the Expansion Plate works as an extension to allow devices to be recharged by the Battery Pack. The latter is able to recharge a smartphone even in wireless mode.

Confirming Piquadro's desire to assert its Italian character, continuity has again been given to production Made in Italy with the Bagmotic small leather goods collection. The Group's R&D also involved **expanding the range of small leather goods on offer** with the inclusion of wallets equipped with **RFID shielding**, the creation of new lines of belts, as well as making protective cases for new and more important devices presented on the market.

R&D for The Bridge brand is carried out by a dedicated team at The Bridge S.p.A. The Bridge products are born from a combination of craftsmanship and continuous study of design and new features. The firm has always had a real craftsman's workshop where the prototypes are born. A team of designers deals with building new collections for each season, interpreting the needs of the market and the company's DNA.

Collections are the result of research that begins long before the creation of the products from an analysis of trends, which are then developed in the materials and colours chosen for the season.

Proposals are evaluated together with the sales force, in order to respond to the functionality and modernity that make the product appealing to an attentive and demanding public.

2.4 Quality of our products



The Piquadro Group invests a large part of its resources in trying to raise the **quality of its products**. The tradition of leather processing is combined with innovation to offer customers unique and distinctive products. For making products, top quality materials are used and each product is submitted to a series of tests to check that they comply with the Company's high quality standards.

The Piquadro Group continues the centuries-old Italian tradition of leather processing, interpreting it in a modern and original way.

In Piquadro products, the identifying values of the brand - design, comfort and technology - blend with the flavour of the **craftsmanship**, the **quality of fine leathers** and **care over details**. The leather, carefully treated to enhance its textures and prevent wear and tear, is combined with latest-generation technological fabrics to create products with a recognisable and essential aesthetic.

The **leather** used by **The Bridge** is also carefully selected and its processing, mainly by Italian tanneries, takes place according to the most rigorous artisanal techniques, from tanning to dyeing and finishing. **Vegetable tanning**, which only uses natural tannins, is one of the **characteristics of the collection's classic products**. The attention paid to the materials used, the leather and the accessories with their classic golden colour is such as to make every single The Bridge product a unique and unrepeatable item.

The quality of the materials used, together with the extreme attention paid during the different stages of production, as well as the final inspection and finishing of the products, translates into a guarantee of excellent quality.

Both companies submit their products to **rigorous checks** in order to guarantee excellent quality and avoid health risks caused by using inappropriate materials. In an advanced testing laboratory, with specialised machinery, both products and raw materials are tested to check their resistance, structural integrity, water repellency and non-toxicity.

To ensure compliance with the high quality standards, the **Group has as its point of reference the European REACH regulation**, concerning the registration, evaluation, authorisation and **restrictions on the use of hazardous chemicals** during production processes. In particular, where applicable, the purchase specifications provide for compliance with the requirements laid down in the regulation. In addition, the Group makes use of the support of an external laboratory to perform random chemical tests on raw materials to check compliance with the parameters defined by the regulation on hazardous materials.

During 2017/2018, there were no cases of non-compliance with regulations and/or voluntary codes relating to the impacts of products on health and safety.

2.5 Customer Experience



Customer satisfaction is a key target for the Piquadro Group. All products are designed and created to meet the needs of customers in the best way possible. The aim of the communication policy is to spread and consolidate the image of the **Piquadro and The Bridge brands**.

The Piquadro Group wants to gain the trust, respect and loyalty of its customers based on the excellence of the work done by its employees and business partners.

Everyone's work is based on the principle of quality, which is understood essentially as the way to achieve full customer satisfaction.

The numerous benefits offered to customers registered with the **Piquadro Club**, some of them in proportion to the value of the item being bought, also want to give customers a high-level experience:

- warranty without a receipt;
- warranty extension from 24 to 36 months;
- welcome and birthday gift (15% discount 7 days before and after birthday);
- invitation to pre-sales, special initiatives and promotions held during the year;
- invitation to preview new collections in shops, online or at a press-day;
- home delivery of items purchased at airports;
- at the request of the retail function, exclusive promotion in a boutique communicated via e-mail only for members;
- free customisation before Christmas (or other anniversaries, such as Valentine's Day), by sending a newsletter with the products that the customer can customise in the shop or, depending on the customer's "history" and purchasing habits, a **free customisation** (after the first purchase) and access to "limited edition" products.

Piquadro and The Bridge customers' experience is also strengthened through the new communication channels and social media.

In fact, the Group believes that, in addition to paying constant attention to customers' needs, marketing and communication strategies also play a very important role in consolidating the image of the Group's brands.

As well as using traditional communication channels, the Piquadro Group is expanding its digital communication strategy with the aim of reaching a wider range of people.

Digital strategies include:

- branding campaigns for **new collections** or new products on the websites of the main Italian and foreign online newspapers;
- campaigns to increase website visitors with **sales or discounts**;
- **geolocalised campaigns** through mailings in support of **new openings**.

Lastly, to guarantee a quality service during all phases of the purchasing experience, the Group puts a **strong emphasis on after-sales services** through dedicated offices that answer customers' requests or complaints.

2.6 Sustainable and transparent management of the supply chain



Suppliers are chosen essentially with a view to maintaining the high quality of products. The Group undertakes to **manage the supply chain in a sustainable and transparent way** and for this reason **has set the objective to adopt a Suppliers' Code of Conduct** and to implement a process to share the Code with the main categories of business partners.

The combination of **traditional Italian craftsmanship, quality, design and innovation have always been a distinguishing feature of Piquadro.**

The Group is constantly on the look-out for services and products distributed by Italian and other suppliers, which allow it to maintain high standards of excellence in its end-products.

The selection of suppliers and the setting of purchase conditions are based on objective parameters such as, but not limited to, quality and efficiency.

Following the acquisition of The Bridge, the Parent Company is analysing current supply contracts in order to choose the best suppliers for both Piquadro and The Bridge, thereby creating Group synergies.

The value chain of the Group's products is divided into the usual segments, namely:



Research and development of the product



Purchase of raw materials, semi-finished goods, finished products and services



Production



Distribution



Sale to end-users

Main categories of Group suppliers

The flexibility of the business model adopted by the Group makes it possible to maintain control over all critical phases of the production and distribution chain. In fact, the Group performs all of the design, planning, production, purchasing, quality, marketing, communication and distribution phases in-house and uses outsourcing only for a part of production, while maintaining control over the quality and efficiency of the outsourced phases as well.

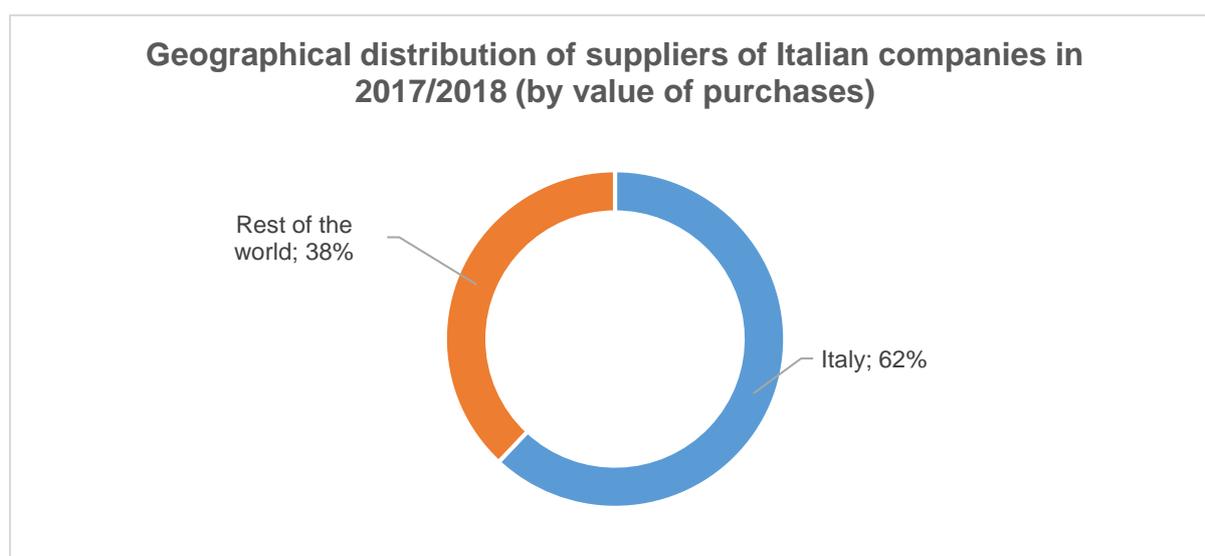
Production activities carried out partially by companies outside the Group for Piquadro and The Bridge branded products are entrusted to external suppliers with proven expertise and quality, mainly located in China, Hong Kong, Italy, India and Czech Republic. These activities are carried out on the basis of prototypes engineered and supplied by the Group, which then performs direct quality control of the resulting products.

The main categories of purchases made by the Group are "**raw materials and finished products**" and "**external production**" which, together, **represent almost 60%** of annual expenditure.

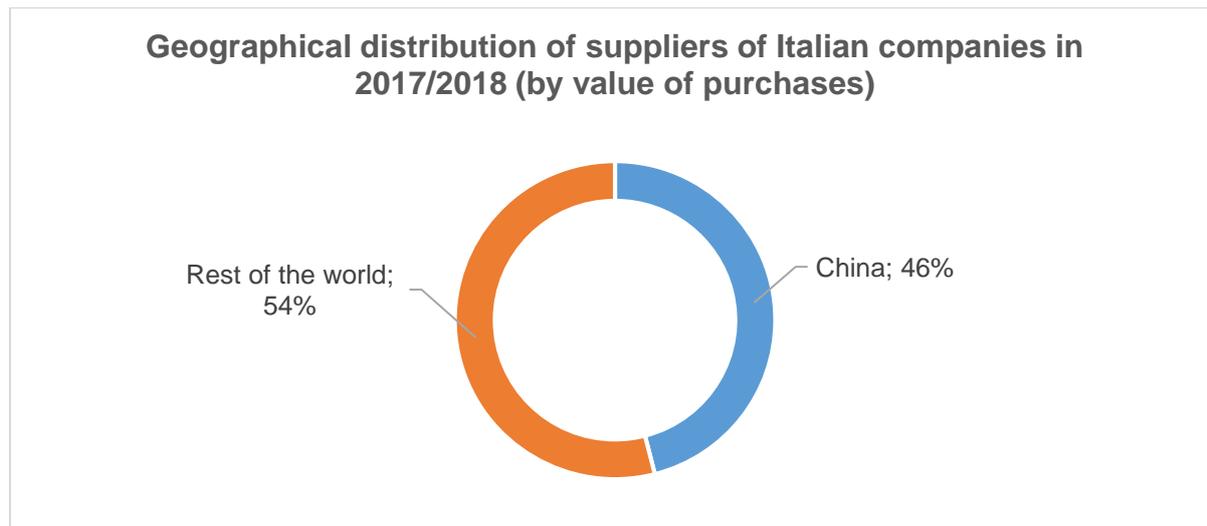
Total Group expenditure by category of purchases in 2017/2018 is shown below.

2017/2018		
Category	Total annual expenditure by type [€]	% of total annual expenditure by type
Raw materials and finished products	26,981	39%
External production	13,926	20%
Advertising and marketing	5,100	7%
Transport services	4,645	7%
Business services	4,091	6%
Administrative services	1,588	2%
General Services	2,106	3%
Production services	2,113	3%
Leases and rentals	8,832	13%
Total	69,382	100%

Local suppliers for the Italian companies are preponderant in terms of both the number of suppliers and turnover and represent **62% of total purchases** made in 2017/2018.



The distribution of suppliers for the purchases made by the Chinese subsidiary Uni Best is as follows.



The percentage of local (i.e. Chinese) suppliers is 46% of the value of purchases in 2017/2018.

The Piquadro Group bases its conduct on integrity and aims to apply fairness and ethical values in external relations as well.

To this end, the Code of Ethics is expressly addressed not only to Directors and employees, but also to external workforce, customers, agents and, of course, suppliers.

The Group has set the objective to **adopt a Suppliers Code of Conduct** and to implement a process to share the Code with the main categories of business partners.

At 31 March 2018, the Group does not apply social or environmental criteria as part of the process of qualifying and selecting new suppliers; however, the Group has the objective to include new parameters on the protection of human rights and other social and environmental criteria within the next 24 months, by March 2020.

3. Our people

Human resources are an indispensable factor for the existence, development and success of any company. For this reason, the Piquadro Group protects and promotes the value of human resources in order to improve and increase the wealth and competitiveness of each employee and co-worker's skills.

The Code of Ethics explicitly refers to the contents of the "Declaration on the fundamental principles and rights at work" adopted by the International Conference of the ILO (International Labour Organisation) in 1998 and by the fundamental conventions to which it refers, in particular:

- **prohibition of forced labour:** prohibition of forced labour, slavery or prison convicts labour;
- **freedom of trade union association and the right to collective bargaining:** the right of workers and employers to organise themselves and the right to set up and/or join a trade union are recognised. Workers and employers can participate in collective bargaining freely and independently from public authorities;
- **prohibition of child labour and exploitation of child labour:** child labour is prohibited. The minimum age for admission to work must not be lower than the age of completion of compulsory education in the countries concerned;
- **prohibition of discrimination in employment:** workers must be employed on the basis of their work capacity and without discrimination based on race, sex, individual characteristics, religious beliefs, political opinions, national or social origin;
- **prohibition of harassment:** with regard to employees and collaborators, any sexual or moral harassment, psychological violence, mobbing and straining behaviour is forbidden.⁴

⁴ By law, "straining" means one or a few hostile actions that produce lasting effects on a person in a subordinate role.

3.1 Group people



In its Code of Ethics the Group has formalised its commitment to protect and promote the value of human resources, increase the skills base and ensure safe working conditions that respect individual dignity. In addition, the Group undertakes to adopt a Human Resources Policy for the management and development of personnel and occupational health and safety, with a view to continuous improvement.

The products offered by the Group are designed, created and distributed according to the guidelines of an organisational model characterised by the supervision of all the most critical phases of the supply chain, from conception, to production and subsequent distribution. This implies a great attention to correct management of human resources, which cannot do without an intense engagement of the people involved, especially in the phases that are considered strategic for the success of the brands, while respecting different local situations in the places where the Group operates. At 31 March 2018, the Group employed **805 people**, up 5.7% from 761 at 31 March 2017. The two main locations are Italy (48%) and China (42%), while the other 10% of employees are spread over the other countries where the Group has a direct presence.

Distribution of Group employees by country

Country	at 31 March 2017	at 31 March 2018
Italy	358	385
China	325	337
Hong Kong	7	5
Germany	1	1
Spain	15	19
Taiwan	18	17
Switzerland	4	4
UK	5	6
Russia	24	27
USA	4	4
Total	761	805

At 31 March 2018, **56%** of employees have a **permanent** contract, while the other **44%** have a **fixed-term contract**.

Group employees by gender, employment contract and region

Employment contract	at 31 March 2017			at 31 March 2018		
	Men	Women	Total	Men	Women	Total
Permanent contract	113	311	424	118	329	447
Fixed-term contract	106	231	337	111	247	358

Total	219	542	761	229	576	805
-------	-----	-----	-----	-----	-----	-----

Region	at 31 March 2017			at 31 March 2018		
	Permanent contract	Fixed-term contract	Total	Permanent contract	Fixed-term contract	Total
Italy	274	84	358	282	103	385
Europe	38	11	49	45	12	57
Rest of the world	112	242	354	120	243	363
Total	424	337	761	447	358	805

92% of the Group's employees at 31 March 2018 have a **full-time** contract, while the other **8%** have a **part time** contract. Of the 738 full-time employees, 216 are men and 522 women, while those on part time contracts are 13 men and 54 women.

As for other types of external workforce or collaborations, the Group makes limited use of atypical forms of work.

At 31 March 2018, Piquadro S.p.A. and The Bridge S.p.A. had agreements with 42 companies, both Italian and foreign, for the marketing of their products through commercial agents.

During 2017/2018, the Group hired **448 new employees**, whereas **registered 402 terminations**.

Number of new hires and turnover of the Group by region, gender and age group

	2017/2018														
	ITALY					REST OF EUROPE ⁵					REST OF THE WORLD				
	<30	30-50	>50	Tot	%	<30	30-50	>50	Tot	%	<30	30-50	>50	Tot	%
Men	10	28	16	54	56%	12	2	-	14	93%	46	56	2	104	88%
Women	51	56	6	113	39%	16	16	-	32	76%	47	83	1	131	53%
Total	61	84	22	167	43%	28	18	-	46	81%	93	139	3	235	65%
% of entry turnover	87%	32%	40%	43%		140%	53%	0%	81%		112%	55%	12%	65%	

	2017/2018				
	GROUP				
	<30	30-50	>50	Tot	%
Men	68	86	18	172	75%
Women	114	155	7	276	48%
Total	182	241	25	448	56%
% of entry turnover	105%	44%	30%	56%	

⁵ The "Rest of Europe" also includes Russia.

Number of terminations and turnover of the Group by region, gender and age group

	2017/2018														
	ITALY					REST OF EUROPE					REST OF THE WORLD				
	<30	30-50	>50	Tot	%	<30	30-50	>50	Tot	%	<30	30-50	>50	Tot	%
Men	10	28	3	41	43%	9	3	-	12	80%	50	44	-	94	80%
Women	40	45	14	99	34%	15	12	-	27	64%	46	81	2	129	53%
Total	50	73	17	140	36%	24	15	-	39	68%	96	125	2	223	61%
% turnover	71%	28%	31%	36%		120%	44%	0%	68%		116%	49%	8%	61%	

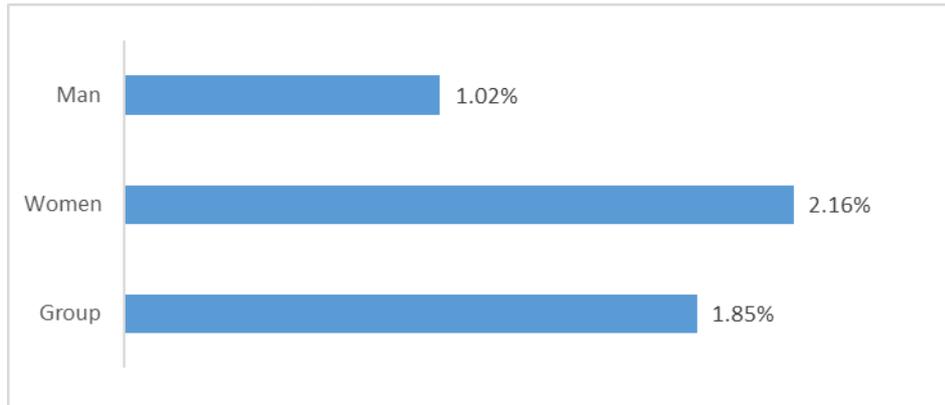
Number of terminations	2017/2018				
	GROUP				
	<30	30-50	>50	Tot	%
Men	69	75	3	147	64%
Women	101	138	16	255	44%
Total	182	241	25	448	50%
% turnover	98%	39%	23%	50%	

The turnover is mainly related to the Group's stores ("Dos") and to the subsidiary Uni Best; this situation is offset by a high entry rate which has led to a higher number of new entries compared with the number of terminations.

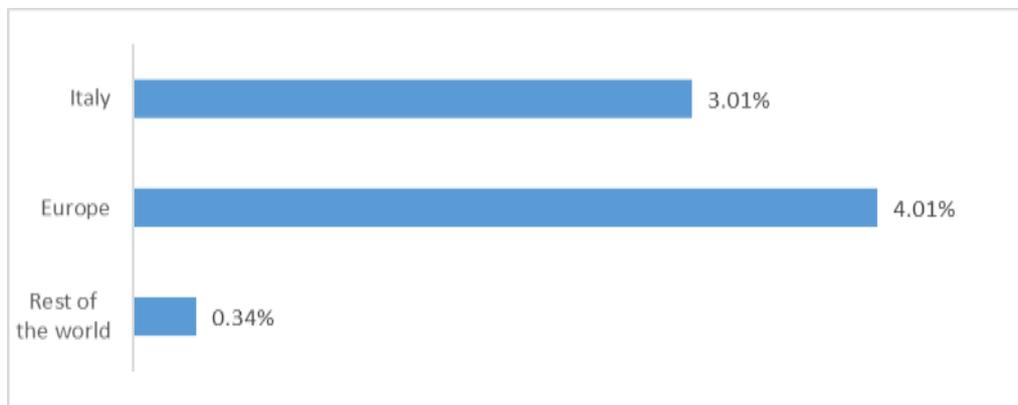
Absenteeism at of 31 March 2018 comes to **2.16%** for women and **1.02%** for men.

The absenteeism rate is calculated as the ratio between the total days of absence by Group employees, excluding permitted leave of absence, and the total days scheduled to be worked in the year.

Absenteeism rate by gender in 2017/2018⁶



Absenteeism rate by geographical area in 2017/2018



⁶ The data do not include Piquadro Taiwan Ltd., Piquadro Swiss SA, Piquadro Deutschland GmbH, Piquadro UK Limited and Piquadro LLC, which represent about 4% of Group employees.

3.2 Management and development of employees



The entire Piquadro Group pursues the **development, promotion** and **support** of the cultural baggage, talent and potential of its human resources in order to create a work environment that encourages and adds value to the contribution of each individual resource.

The Group recognises the importance of developing and training its own resources, as they represent the Group's added value. In 2017/2018, more than 5,900 hours of training were provided to Group employees. In addition to mandatory training on occupational health and safety, training courses were held on the Organisational and Management Model of the Piquadro S.p.A. and The Bridge S.p.A. as well as training for the opening of new points of sale (outlet or boutique) by store managers of existing points of sales identified for their professionalism, knowledge of the product and the undisputed sales skills. The training course explains the characteristics of the product, how it should be displayed and how the brand's characteristics should be presented.

Total hours of training provided to Group employees⁷

Employee category	2017/ 2018		
	Men	Women	Total
Managers	1	0	1
Office workers	400	823	1,223
Manual workers	1,557	3,190	4,747
Total	1,959	4,012	5,971

Average hours of training per capita provided to Group employees

Employee category	2017/2018		
	Men	Women	Total
Managers	0.1	0	0.1
Office workers	4	3	3
Manual workers	12	12	12
Total	9	7	7

The Parent Company recognises the importance of training, awareness and information on the Organisational and Management Model and the Code of Ethics. Information and training are planned at the beginning of the employment relationship and on all occasions the need arises in order to ensure that employees have a good knowledge of Legislative Decree 231/01 and of the Organisational and Management Model.

⁷ The total number of training hours for Uni Best Leather Goods Zhongshan Co. Ltd is based on estimates of the main courses provided to employees during the year.

3.3 Employee welfare and equal opportunities

The Piquadro Group guarantees equal treatment to all its employees. The Group's objectives include the creation and maintenance of a work environment that takes diversity into account, based on respect for the person and correct behaviour in all of the countries and communities in which it operates. All employees are required to follow the procedures and guidelines that promote these corporate values.

The work environment is not only adequate from a health and safety point of view, but also encourages mutual collaboration and team spirit, respecting the moral personality of each person, free from prejudice, intimidation, illicit conditioning or undue inconvenience. Piquadro, through the competent functions, selects, hires, remunerates and organises employees on the basis of merit and skills, in accordance with the Company's reward system, which is based on criteria of objectivity and reasonableness, in compliance with the terms of employment contracts and without discrimination on the basis of age or gender.

Group employees by category and gender

Employee Category	at 31 March 2018		
	Men	Women	Total
Managers	7	0	7
Office workers	92	320	412
Manual workers	130	256	386
Total	229	576	805

At 31 March 2018, the Group had a total of 386 production workers, 412 office workers and 7 managers: of these, about **72% are women**.

Group employees by category and age group

Number of persons	at 31 March 2018			
	<30	30-50	>50	Total
Managers	0	1	6	7
Office workers	98	272	42	412
Manual workers	75	275	36	386
Total	173	548	84	805

As regards age groups, 68% of employees are between 30 and 50 years old. **21%** of employees are **less than 30 years old**, demonstrating a Group's high capacity to attract and employ younger resources as well.

At 31 March 2018, all managers were hired locally, i.e. they are of the same nationality as the country in which they work.

The principles of the centrality of the person and the protection of equal opportunities foreseen in the Group's Code of Ethics translate, from a practical point of view, into the promotion of various initiatives to guarantee **good corporate welfare**:

- Piquadro has a canteen to cater for employees, whereas The Bridge has a relaxation room/kitchen for employees to use, as well as offering meal tickets for those who want to have lunch elsewhere;
- company cars are provided for managers and supervisors both at Piquadro and The Bridge, while the latter also makes a contribution towards transportation subscriptions to encourage employees to travel on public transport;
- The Bridge also gives its employees a voucher worth € 100 to spend as they wish in certain affiliated stores;
- a system of smart working is currently being tested in Piquadro to give its employees a high degree of flexibility and the chance of a better work/life balance;
- in all Group companies, maternity leave is granted as required by local law;
- Uni Best has arranged a dormitory with guaranteed food and lodging for all of its employees;
- corporate welfare in the Group's Chinese company also has the support of the so-called "staff union" activity, a team of employees who act as workers' spokespersons promoting activities and initiatives in favour of employees with the company's top management.

At the Parent Company Piquadro S.p.A., certain benefits (such as a company car, accommodation or insurance) are only given to employees on full-time contracts.

Industrial relations

With regard to employment contracts, **98.5%** of the Group's employees are covered by **collective agreements**. The Bridge also provides for a second-level contract for certain categories of employees.

3.4 Occupational Health and safety



The Group is committed to the pursuit of **high standards in the protection of occupational health and safety** for its employees: in this regard, the Italian companies have adopted a specific **management procedure**, including a "safety organisation chart". The procedure was drawn up following an analysis and assessment of the risks linked to workplaces and the tasks performed by employees. From a Group labour perspective, the risk assessment has to aim for **continuous improvement** in workers' safety and health in the workplace.

The Piquadro Group ensures the physical and moral integrity of its employees and collaborators, working conditions that respect individual dignity and safe and healthy work environments, in full compliance with current legislation on the prevention of accidents at work and the protection of workers.

To this end, the Italian companies have prepared a **management procedure** for this area, drawn up following an **analysis of potential risks** linked to the work performed by employees and implemented thanks to the identification of reference persons in charge of the protection from the identified risks (e.g. Supervisor of the prevention and protection service, fire-fighting workers, first-aid workers).

To carry out the risk assessment, the Italian companies performed a careful analysis of all work activities and a study of the relationship between man, equipment, environment, physical, chemical and biological agents in the workplace. In particular, the assessment process took place through: the identification of the various workplaces, hazards and tasks, a risk analysis by task and the study and preparation of measures to be applied based on the results of the assessment.

The risks taken into consideration range from those inherent to the structure and the work environments, to the machines and equipment used, the dangerous substances that employees could come into contact with, the work related stress, the protection of working mothers, etc.

In the same document, the Italian companies undertake to ensure that each employee receives adequate training in health and safety, providing a specific correlation between the tasks that they perform and their training needs.

During the year ended 31 March 2018, Italian companies continued to develop an increasingly refined system of measures aimed at the continuous improvement of safety in the workplace, monitoring, among other things, any near-accidents and urging their employees to report any critical issues with regard to safety.

Injuries, injury rate and lost day rate by region and gender⁸

	2017/2018											
	ITALY			REST OF EUROPE ⁹			REST OF THE WORLD			GROUP		
	M	W	Tot	M	W	Tot	M	W	Tot	M	W	Tot
Injuries	-	1 ¹⁰	1	-	-	-	6	4	10	6	5	11
• of which: in the workplace	-	-	-	-	-	-	5	4	9	5	4	9
• of which: while commuting	-	1	1	-	-	-	1	-	1	1	1	2
Lost days	-	24	24	-	-	-	15	4	19	15	28	43
Injury rate ¹¹	-	2.4	1.8	-	-	-	18.5	5.8	9.8	12.3	4.2	6.6
Lost day rate ¹²	-	0.04	0.03	-	-	-	0.07	0.01	0.03	0.04	0.03	0.03

Injuries taking place outside Europe mainly refer to Uni Best, located in China. The number of injuries recorded there is higher than in other geographical areas because of the diversity of tasks performed: while in Italy and the rest of Europe employees mainly perform office or sales tasks, in China workers are employed almost exclusively in production activities, which are potentially riskier.

No fatal accidents took place in 2017/2018.

Piquadro believes that the desired benefits can only be achieved and increased by creating a shared system and the main way of achieving this is for everyone to participate in the Group's safety policies.

The company is committed to spreading and consolidating a **safety culture** among its employees and internal collaborators, developing risk awareness and promoting responsible behaviour on the part of the all personnel. To this end, both the Italian companies and the subsidiary Uni Best periodically provide specific training on health and safety.

Furthermore, the Group's Code of Ethics reiterates that everyone is responsible for contributing to the risk prevention process and to the protection of health and safety for themselves, their colleagues and third parties, without prejudice to individual liability under applicable laws. To this end, the Code establishes a general prohibition of alcohol abuse or use of drugs at work and a ban on smoking in the workplace, in compliance with the law and, in any case, anywhere smoking could be dangerous for the corporate structures and assets or for the health or safety of colleagues and third parties.

⁸ Only events that led to at least one or more days of absence were considered accidents. Figures do not include Piquadro Taiwan Ltd., Piquadro Swiss SA, Piquadro Deutschland GmbH, Piquadro UK Limited, which represent about 3% of the Group's employees.

⁹ The "Rest of Europe" also includes Russia.

¹⁰ At 31 March 2018, official recognition of the accident is still being assessed by INAIL.

¹¹ The injury rate is the ratio between the total number of injuries and the total number of hours worked, multiplied by 1,000,000.

¹² The lost day rate is the ratio between the total number of days lost due to accidents or occupational disease and the total number of hours scheduled to be worked, multiplied by 1,000.

The system implemented by the Group's Italian companies also takes into consideration the risk of outside interference at points of sale and, in this regard, requests for training in the retail system have been followed up.

4. Environmental responsibility

As mentioned in the Group's Code of Ethics, the environment is considered a primary asset of the community that the Group wants to help safeguard. To this end, it plans its activities by seeking a balance between economic initiatives and environmental requirements, in compliance with applicable laws and regulations, providing maximum cooperation to the public authorities responsible for the verification, surveillance and protection of the environment. The Piquadro Group is committed to finding the most suitable solutions to ensure a responsible use of resources, a reduction in energy consumption and better management of emissions into the atmosphere through the continuous improvement of eco-efficiency levels and the use of energy from renewable sources. The Piquadro Group is also involved in awareness and communication activities regarding energy and environmental issues.

4.1 Responsible consumption of materials

The Piquadro Group, in line with responsible management of its own business, also undertakes to buy high quality materials with a lower environmental impact. The highest portion of raw material purchases is undoubtedly the leather used to make our products. In 2017/2018, the Group bought over **387 tonnes of leather**¹³, mainly from Italian tanneries.



Vegetable tanning

The leather used for some of products made by The Bridge goes through the vegetable tanning process. This technique means that the hides have to be processed using only natural tannins contained in wood, bark, leaves and fruits of trees.

Vegetable tanning has less of an environmental impact than the more widespread process that involves the use of chrome, it does not contain toxic substances harmful to humans and the environment and is usually well tolerated even by people who are allergic to heavy metals. "Vegetable tanning" is the oldest and most recognisable technique, the only one that is able to give leather certain unmistakable properties for a product that is unique.

In addition to leather, the Group also buys textile, nylon and polyester materials, accessories and small metal parts for its products. The other types of material bought by the Group are the paper used by the offices and cardboard and plastic for the packaging of products and transport (cardboard boxes, product tags, cellophane and other plastic packaging materials).

As for chemical agents or other hazardous materials, the work phases that require their use are limited to the repair department where glues, detergents and colours are used, but not continuously. And when they are used, all necessary precautions are taken by the workers, as indicated by the health and safety procedures.

¹³Leather purchases are estimated on the basis of the average weight of the main types of hides bought by the Group.

As part of the Organisational and Management Model pursuant to Legislative Decree 231/01, the Parent Company and The Bridge S.p.A. also analysed any risks potentially related to the use of these substances, noting that the type of work performed in Group companies are not such as to expose workers to safety and health risks.

4.2 Energy management

During 2017/2018, the Piquadro Group's energy consumption amounted to around **18,430 Gigajoule (GJ)**. The main energy sources used were:

- electricity;
- natural gas and LPG (liquid propane gas) for heating;
- diesel and petrol for motor vehicles.

These energy consumption figures concern the Italian companies, the Chinese production plant and, for electricity consumption alone, the 66 directly operated stores of the Piquadro Group. Fuel consumption by company cars relates only to Piquadro S.p.A. and The Bridge.

In July 2017, the subsidiary Uni Best installed an air conditioning system at its premises. Note that this system functions on water, not refrigerant gas.

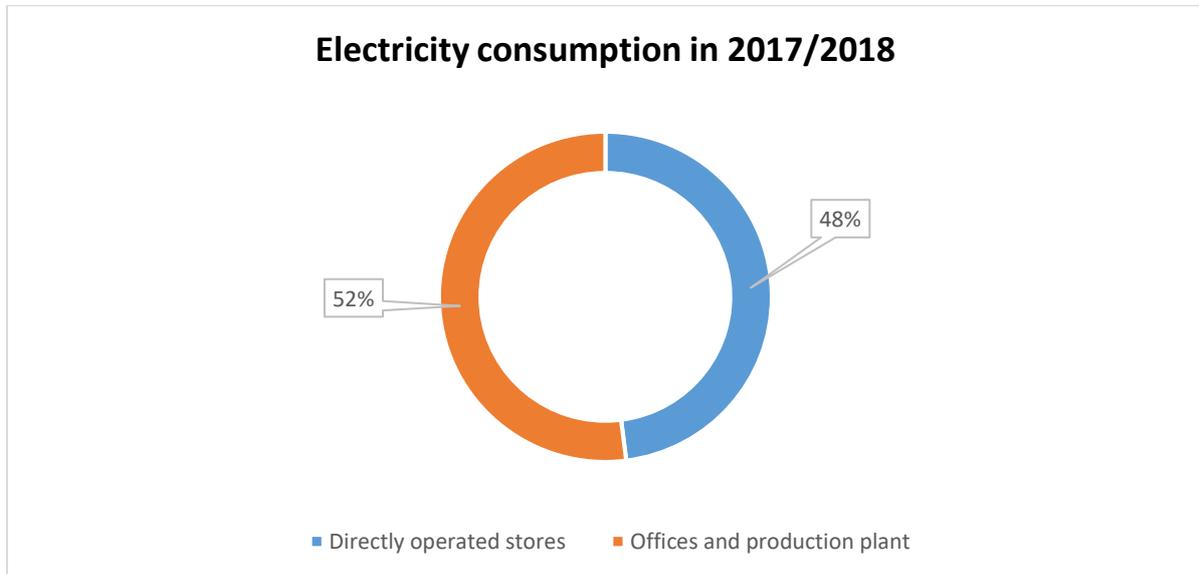
Energy consumption of the Piquadro Group

Type of consumption	2016/2017	2017/2018
	Total (GJ)	Total (GJ)
Electricity purchased ¹⁴	7,874	10,443
Non-renewable sources	6,853	7,986
<i>of which natural gas for heating</i>	1,439	2,663
<i>of which LPG (liquid propane gas) for heating</i>	2,646	2,391
<i>of which petrol for company vehicles</i>	224	181
<i>of which diesel for company vehicles</i>	2,544	2,751
Total energy consumption	14,726	18,429

Note that the increase in energy consumption is mainly due to the consolidation of The Bridge's data for just three months in 2016/2017 (from 1 January 2017 to 31 March 2017) as it was acquired in December 2016.

¹⁴ The electricity consumption of the 9 Piquadro directly operated points of sale was estimated by analogy to other points of sale, based on their size and geographical location. These points of sale correspond to around 4.5% of the total area of the Group's directly operated stores.

As regards the breakdown of electricity consumption, the direct points of sale represent about **48% of the Group's total consumption**.



4.3 Air emissions

With regard to greenhouse gas (GHG) emissions, in 2017/2018 the Group produced **1,665 tCO₂**, according to the location-based calculation method¹⁵, deriving from the consumption of electricity and non-renewable source fuels.

Direct (Scope 1) emissions, i.e. those deriving from consumption of natural gas, LPG, diesel and petrol, amounted to about **485 tCO₂**.

Indirect (Scope 2) emissions, i.e. those deriving from the purchase of electricity from the grid, amounted to about **1,180 tCO₂** on the "location-based" calculation method and about **1,395 tCO₂** on the "market-based" calculation method.

Scope 1 GHG emissions [tCO₂]

Type of source	2016/2017	2017/2018
Scope 1¹⁶		
Use of heating fuel	235	281
<i>of which natural gas</i>	73	134
<i>of which LPG (liquid propane gas)</i>	162	147
Use of petrol for company vehicles	15	12
Use of diesel for company vehicles	177	191
Total Scope 1	427	484
Scope 2¹⁷		
Purchased electricity (location-based)	920	1,181
Scope 2		
Purchased electricity (market-based)	1,087	1,394

¹⁵The GRI Sustainability Reporting Standards give two methodologies for calculating Scope 2 emissions: "location-based" and "market-based". The "location-based" method reflects the average intensity of emissions from total national electricity production, while the "market-based" method reflects the emissions from electricity that the companies have chosen to use and are therefore calculated by means of emission factors that also consider contractual instruments for the sale and purchase of certified electricity.

¹⁶ The emission factors published by ISPRA (*Istituto per la Protezione e la Ricerca Ambientale* - Institute for Environmental Protection and Research) in the "National Inventory Report 2017" were used to calculate Scope 1 emissions.

¹⁷ For the calculation of Scope 2 emissions using the "location-based" method, the emission factors published in the following documents were used:

- Terna, 2015 international comparisons of consumption in Italy, USA, China, Spain, Russia and Switzerland
- Department for Environment, Food & Rural Affairs, UK (DEFRA), Greenhouse Gas Reporting - Conversion Factors 2016 for consumption in Great Britain, Taiwan and Hong Kong for 2016/2017.
- Department for Environment, Food & Rural Affairs, UK (DEFRA), Greenhouse Gas Reporting - Conversion Factors 2017 for consumption in Great Britain, Taiwan and Hong Kong for 2017/2018.

For the calculation of emissions using the "market-based" method, the "residual mix" emission factors published by the Association of Issuing Bodies (AIB) in the document entitled "European Residual Mixes 2016" were used; these factors were applied only for Italy, Great Britain and Spain. In other cases where the factor was not available, the same factors were used as for the calculation using the "location-based" method.

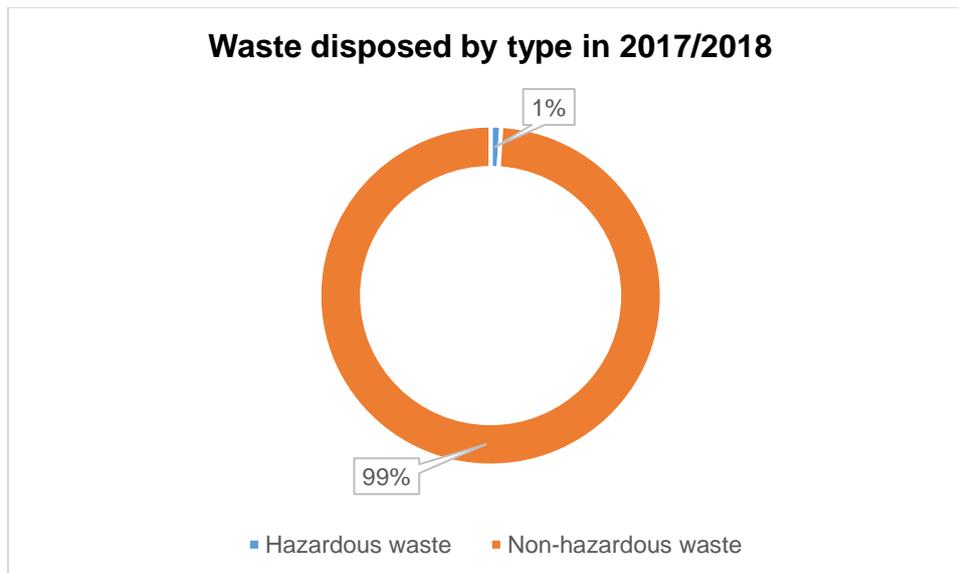
4.4 Waste management



The Parent Company implemented a **waste management procedure** developed as part of the Organisational and Management Model. Its objective is to establish procedures for the management and disposal of urban and urban-assimilated waste (wood, paper, cardboard, plastics, etc.), as well as for the management of special waste such as electrical and electronic equipment, toner and exhausted cartridges, handled through authorised suppliers and in compliance with current legislation. Correct implementation of the procedures is recommended and protected, also by disciplinary measures and sanctions in the event of violations.

The Piquadro Group is attentive to waste management and disposal methods in compliance with the current regulations in this area, well aware of the role that a correct performance of these activities has in respect of public health and the rights of future generations.

During 2017/2018, the Piquadro Group produced a total of **265 tons of waste**, almost all of which was **non-hazardous**.



With regard to the disposal method, the Group sends **56% of its waste for recycling**, **6% to energy recovery** and the remaining 38% is disposed of by landfill.

Waste by disposal method [t] ¹⁸						
Disposal method	2016/2017			2017/2018		
	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Recycled	-	122	122	1	148	149
Energy recovery	-	15	15	-	15	15
Landfill	-	103	103	1	100	101
Total	-	240	240	2	263	265

¹⁸ The figure does not include the Group's directly operated stores and urban-assimilated waste of The Bridge S.p.a. For Uni Best, the weight of waste produced and destined for landfill disposal was estimated on the basis of its volume according to a specific weight of 0.2 t/m³.

5. Our bond with the local area



Among the Group's activities, there are also several **initiatives in favour of the local community**: both Piquadro and The Bridge are **strongly linked to the area** in which they were founded and represent a point of reference for many families and a source of training, income and professionalism for many workers.

During 2017/2018, the Piquadro Group paid over **€ 25,000** in **donations** to charities and local associations for promotion and development purposes and sponsored social and cultural events in the area.

The Bridge, in particular, communicates regularly with educational and training structures in general located in and around Florence: by activating curricular and extracurricular internships and apprenticeship contracts, it has frequent contact with Polimoda and the Italian School of Fine Leather in Scandicci.



The **Fondazione Famiglia Palmieri**, founded in 2009, was born from Marco and Beatrice Palmieri's desire to give continuity to their philanthropic activity and to value diversity through a body that offers not only welfare, but aims to create new business models. The aim is to promote studies, research, training and innovation in the field of job creation and job opportunities for people belonging to disadvantaged categories.

With this aim and an unprecedented entrepreneurial approach, the foundation intends to introduce to the market non-profit organizations that host disabled people and offer them opportunities to enter the job market, so that they can be autonomous.

5.1 Corporate social responsibility and the local area

The Piquadro Group has been committed to corporate social responsibility from 2009, when the Parent Company undertook its first solidarity initiative to support the local area, the "**Happy Box**" project created in collaboration with the Fondazione Famiglia Palmieri. In recognition of its value for the local area, the initiative has obtained the patronage of the Municipality of Bologna. The project aims to enhance the diversity and integration of people with disabilities and the idea of combining their creativity with Piquadro's technical skills. The beautiful tempera and watercolour drawings of the boys from "Il Girasondo" and "Le Cartole", together with the planning of Piquadro designers, created a fun mini series of products: a backpack, a shopping bag and a foldable pouch. Moreover, from 2016, the project has the assistance of a new

partner, Coop Alleanza 3.0, which made its nationwide sales network available to distribute "Happy Box" bags and backpacks all over Italy.

With the proceeds from the sale of "Happy Box 2010" products, it was possible to buy a vehicle for Le Cartole, finance relief-stays for the disabled and repair the roof of "Casa di Pietro", another rehabilitative social structure in the province of Bologna.



The 2016 edition of Happy Box, on the other hand, was used to finance another charity project conceived by the Fondazione Famiglia Palmieri: the "**Less is more**" competition.

The aim of the project is to **reward and support original business models that enhance "hidden" skills in innovative ways**; skills that, being hidden, are often forgotten, of people

who find it hard to fit in because of their physical or mental condition, allowing them to operate in a traditional economic context.

The "**Less is more**" competition was geared to startups of a social nature and to all those who would like to become social entrepreneurs by enhancing the talent of people with mental disabilities through work. The ultimate goal of the initiative is to achieve the creation of a



real social enterprise that, using the skills of disabled people, is able to produce and market goods or services.

On 29 June 2017, the **first candidate to qualify** was assigned a **monetary contribution of Euro 15,000**, while the **second** received **Euro 10,000**. Both will also have the opportunity to attend a training course in Silicon Valley to turn the winning idea underlying the project into something more concrete. The third candidate to qualify received a cash contribution of Euro 10,000. These three startups have a chance to receive another 20 thousand euros from Piquadro if, after 6 months from being awarded the prize, they show tangible possibilities of success; they will also be included in the "Barcamper" startup accelerator thanks to the intervention of Confindustria Emilia and the University of Bologna.

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102-13	19-29	Membership of associations
Strategy		
102-14	2	Statement from senior decision-maker
Ethics and integrity		
102-16	7, 11-13	Values, principles, standards, and norms of behavior
Governance		
102-18	9-10	Governance structure
Stakeholder engagement		
102-40	18-20	List of stakeholder groups
102-41	46	Collective bargaining agreements
102-42	18	Identifying and selecting stakeholders
102-43	18-20	Approach to stakeholder engagement.

UNIVERSAL STANDARDS			
GRI Standard		Page	Description
102-44		18-24	Key topics and concerns raised
Reporting practices			
102-45		3-5	Entities included in the consolidated financial statements
102-46		3-5, 22-24	Defining report content and topic Boundaries
102-47		21-24	A list of the material topics
102-48		This document is the Group's first Consolidated non-financial statement.	Restatements of information
102-49		This document is the Group's first Consolidated non-financial statement.	Changes in reporting
102-50		3	Reporting period
102-51		This document is the Group's first Consolidated non-financial statement.	If applicable, the date of the most recent previous report
102-52		3	Reporting cycle
102-53		5	Contact point for questions regarding the report
102-54		3	Claims of reporting in accordance with the GRI Standards
102-55		60-67	GRI Content Index
102-56		67-69	External assurance
GRI Standard	Page	Omissions	Description
MATERIAL ASPECTS			
ECONOMIC			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	25-27		The management approach and its components
103-3	25-27		Evaluation of the management approach
GRI 201: Economic performance (2016)			
201-1	26-27		Direct economic value generated and distributed.
ECONOMIC PERFORMANCE			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	45		The management approach and its components
103-3	45		Evaluation of the management approach
GRI 202: Market presence (2016)			
202-1	45		Proportion of senior management hired from the local community
PROCUREMENT PRACTICES			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary

103-2	36-38		The management approach and its components
103-3	36-38		Evaluation of the management approach
GRI 204: Procurement practices (2016)			
204-1	37-38		Proportion of spending on local suppliers
ANTI-CORRUPTION			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 14, 17		The management approach and its components
103-3	4, 14, 17		Evaluation of the management approach
GRI 205: Anti-corruption (2016)			
205-3	No cases of corruption were recorded during 2017/2018.		Confirmed cases of corruption and actions taken
ENVIRONMENT			
MATERIALS			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	14, 33, 50-51		The management approach and its components
103-3	14, 33, 50-51		Evaluation of the management approach
GRI 301: Materials (2016)			
301-1	50-51		Materials used by weight or volume
ENERGY			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	52-53		The management approach and its components
103-3	52-53		Evaluation of the management approach
GRI 302: Energy (2016)			
302-1	52-53		Energy consumption within the organisation
EMISSIONS			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	54		The management approach and its components
103-3	54		Evaluation of the management approach
GRI 305: Emissions (2016)			
305-1	54		Direct (Scope 1) GHG emissions
305-2	54		Energy indirect (Scope 2) GHG emissions
WASTE			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	55-56		The management approach and its components
103-3	55-56		Evaluation of the management approach
GRI 306: Effluents and waste (2016)			
306-2	55-56		Waste by type and disposal method

ENVIRONMENT			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	14, 50		The management approach and its components
103-3	14, 50		Evaluation of the management approach
GRI 307: Environmental compliance (2016)			
307-1	No significant fines or non-monetary sanctions due to non-compliance with laws and/or regulations were recorded during 2017/2018.		Non-compliance with environmental laws and regulations
ENVIRONMENTAL ASSESSMENT OF SUPPLIERS			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	38		The management approach and its components
103-3	38		Evaluation of the management approach
GRI 308: Supplier environmental assessment (2016)			
308-1	38		New suppliers that were screened using environmental criteria
SOCIAL			
EMPLOYMENT			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	41-42		The management approach and its components
103-3	41-42		Evaluation of the management approach
GRI 401: Employment (2016)			
401-1	41-42		New employee hires and employee turnover
HEALTH AND SAFETY AT WORK			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	47-49		The management approach and its components
103-3	47-49		Evaluation of the management approach
GRI 403: Occupational health and safety (2016)			
403-2	48		Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
TRAINING			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	44		The management approach and its components

103-3	44		Evaluation of the management approach
GRI 404: Training and education (2016)			
404-1	44		Average hours of training per year per employee
DIVERSITY AND EQUAL OPPORTUNITIES			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	46-47		The management approach and its components
103-3	46-47		Evaluation of the management approach
GRI 405: Diversity and equal opportunities (2016)			
405-1	10, 46-47		Diversity of governance bodies and employees
NON-DISCRIMINATION			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 39		The management approach and its components
103-3	4, 39		Evaluation of the management approach
GRI 406: Non-discrimination (2016)			
406-1	During 2017/2018, there were no incidents of discrimination involving the Group.		Incidents of discrimination and corrective actions taken
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 17, 39		The management approach and its components
103-3	4, 17, 39		Evaluation of the management approach
GRI 407: Freedom of association and collective bargaining (2016)			
407-1	17, 36, 39		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
CHILD LABOUR			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 17, 39		The management approach and its components
103-3	4, 17, 39		Evaluation of the management approach
GRI 408: Child labour (2016)			
408-1	4, 17, 39		Operations and suppliers at significant risk for incidents of child labor
FORCED LABOUR			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 17, 39		The management approach and its components
103-3	4, 17, 39		Evaluation of the management approach
GRI 409: Forced labour (2016)			

409-1	4, 17, 39		Operations and suppliers at significant risk for incidents of forced or compulsory labor
HUMAN RIGHTS			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	4, 17, 39		The management approach and its components
103-3	4, 17, 39		Evaluation of the management approach
GRI 412: Human rights assessment (2016)			
412-2	4, 17, 39		Employee training on human rights policies or procedures
ASSESSMENT OF SUPPLIERS ON THE BASIS OF SOCIAL ISSUES			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	38		The management approach and its components
103-3	38		Evaluation of the management approach
GRI 414: Suppliers Social Assessment (2016)			
414-1	38		New suppliers that were screened using social criteria
CUSTOMER HEALTH AND SAFETY			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	33		The management approach and its components
103-3	33		Evaluation of the management approach
GRI 416: Customer health and safety (2016)			
416-2	33		Incidents of non-compliance concerning the health and safety impacts of products and services
SOCIAL-ECONOMIC COMPLIANCE			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	11-13		The management approach and its components
103-3	11-13		Evaluation of the management approach
GRI 419: Socioeconomic compliance (2016)			
419-1	During 2017/2018 there were no significant fines or non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.		Non-compliance with laws and regulations in the social and economic area
BRAND IMAGE AND REPUTATION			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	28-30		The management approach and its components
103-3	28-30		Evaluation of the management approach

INNOVATION, RESEARCH AND DEVELOPMENT			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	28-29, 32-34		The management approach and its components
103-3	28-29, 32-34		Evaluation of the management approach
CUSTOMER SATISFACTION			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	34-35		The management approach and its components
103-3	34-35		Evaluation of the management approach
USE OF CHEMICALS			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	33, 50-51		The management approach and its components
103-3	33, 50-51		Evaluation of the management approach
CORPORATE GOVERNANCE			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	10		The management approach and its components
103-3	10		Evaluation of the management approach
RISK ASSESSMENT AND MANAGEMENT			
GRI 103: Management Approach (2016)			
103-1	22-24		Explanation of the material topic and its Boundary
103-2	14-17		The management approach and its components
103-3	14-17		Evaluation of the management approach

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267**

**To the Board of Directors of
Piquadro S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of the Piquadro Group (the "Group") as of March 31, 2018 prepared on the basis of article 4 of the Decree, and approved by the Board of Directors on June 11, 2018 (hereinafter the "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

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

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and 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 auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in 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. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do 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 on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree.
3. Comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Piquadro Group.
4. Understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management and the employees of Piquadro S.p.A., The Bridge S.p.A. and Uni Best Leather Goods Zhongshan Co. Ltd. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:

- a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for Piquadro S.p.A. and The Bridge S.p.A., which we selected based on their activities and their contribution to the performance indicators at the consolidated level, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Piquadro Group as of March 31, 2018 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

Other Matter

The data for the year ended March 31, 2017 presented for comparative purposes in the NFS have not been subject to a limited or to a reasonable assurance engagement.

DELOITTE & TOUCHE S.p.A.

Signed by
Domenico Farioli
Partner

Bologna, Italy
June 15, 2018