Climate and Energy Policy

1. Introduction

1.1 Context

In the current context of growing global attention to climate change, the fashion sector plays a crucial role in the transition to a low-carbon economy. According to several studies, the fashion industry is responsible for 10% of global greenhouse gas emissions. Nearly 80% of these emissions typically originate from three stages: fiber production (15%), spinning (28%), and dyeing and finishing (36%). Greenhouse gas emissions in these phases are mainly due to the reliance on energy sources such as fossil coal and natural gas used in Asian production countries.

The Paris Agreement, together with the United Nations Sustainable Development Goals (particularly Goal 13: Climate Action), represents a fundamental framework for guiding collective actions aimed at limiting global warming to 1.5°C.

OVS acknowledges its responsibility and the urgency to act on climate change; therefore, it is committed to actively contributing to its mitigation and to adapting its operations to new climate scenarios.

This Climate and Energy Policy, in line with the Group's Code of Ethics, defines the Group's commitment and strategy to address current and future environmental challenges and to actively contribute to achieving European and global decarbonization goals. In defining this policy, OVS has considered the entire value chain, identifying and prioritizing the main associated impacts, risks, and opportunities.

OVS and its subsidiaries align their operational conduct, both in Italy and abroad, with this policy document, which outlines behavioral guidelines, corporate values, and ethical principles that must then be operationally implemented in accordance with the regulations of the countries in which each entity operates.

1.2 Impacts, Risks and Opportunities

Climate Change represents a topic of extreme importance for OVS's business model and its entire value chain, both from an inside-out perspective (i.e., the impact of OVS's activities on the environment and climate) and an outside-in perspective (i.e., the impacts of climate change on OVS's operations and business model).

For this reason, OVS systematically analyzes the impacts (positive and negative), risks, and opportunities associated with Climate Change, involving internal and external stakeholders, including top management, employees, suppliers, and customers, in order to guarantee an in-depth analysis and an effective response strategy to the priority issues emerging from the analysis.

Impacts

OVS measures its environmental and social impacts using accredited third-party tools to inform its corporate strategy and identify initiatives to mitigate climate impacts, in line with scientific evidence.

The main negative impacts generated by OVS related to climate change are:

- The entire life cycle of products—from the cultivation of raw materials (exacerbated by the impact of fertilizers) to production, distribution, and transportation—generates high levels of greenhouse gas emissions.
- OVS uses raw materials grown in areas increasingly affected by extreme heat and relies on cotton and viscose from monocultures, which make crops more vulnerable to droughts and floods.

Risks

The economic and financial risks associated with climate change are particularly significant for OVS and the entire fashion sector, given the commitments and regulations at both European and global levels that are driving decarbonization.

The main risks identified through analysis are:

- The adaptation of infrastructure and energy sources to decarbonization goals may lead to increased operating costs and higher capital expenditures.
- Climate change can cause unpredictability in business conditions, negatively impacting revenues and profit margins, as well as generating additional expenses required to recover from extreme weather events.

Opportunities

Alongside the risks, significant opportunities emerge to strengthen the company's resilience and competitiveness:

- Proper planning of decarbonization processes can ensure that OVS avoids the costs typically associated with a reactive approach and provides a differentiating factor in the market.

To identify an effective response to the risks and opportunities outlined above, OVS adopts this corporate climate policy, aimed at defining company-wide rules for integrating the corporate strategy with decision-making and continuous monitoring processes, involving the value chain and adopting emission reduction targets aligned with international decarbonization goals.

2. Corporate Policy on Climate Change Mitigation

2.1 Decarbonization Plan

Each environmental impact reduction target must be set in accordance with scientific evidence.

In 2021, OVS defined its greenhouse gas emission reduction targets, approved by the Science Based Targets initiative (SBTi), committing to:

- Reduce absolute CO_2eq emissions for Scope 1, Scope 2, and Scope 3 by 46.2% by 2030, compared to 2019 levels.
- Increase the annual procurement of renewable electricity from 91.4% (in 2019) to 100% by 2030.

Additionally, OVS has committed to defining a climate neutrality goal by 2050, which will involve a 90% reduction in absolute CO_2eq emissions for Scope 1 and Scope 2 compared to 2019.

The measurement and monitoring of OVS Group's carbon footprint follow internationally recognized standards, including the Greenhouse Gas (GHG) Protocol, ISO 14064-1, and, starting in 2025, the European Sustainability Reporting Standards (ESRS) – E1 Climate Change.

Every entity under the direction and coordination of OVS S.p.A. is required to consider these targets in the planning and execution of its activities. Furthermore, OVS promotes the adoption of these targets among all commercial and production partners with whom it collaborates.

2.2 Emission Reduction and Compensation Strategies

OVS's strategy appropriately acknowledges the need to act both in terms of climate change mitigation and adaptation.

To achieve the established climate and energy goals, OVS adopts a structured approach to decarbonization, primarily focused on the progressive reduction of emissions in line with leading international practices. Only subsequently does it consider offsetting residual emissions through the purchase of certified carbon credits. To this end, it relies exclusively on internationally recognized registries: the Verified Carbon Standard (VCS) and the Gold Standard. These registries ensure that the purchased credits represent actual reductions or removals of greenhouse gases, guaranteeing transparency and environmental integrity.

This section outlines the guiding principles adopted for emission reduction across the entire value chain, categorized into the three reference scopes: Scope 1 (direct emissions), Scope 2 (indirect emissions from energy consumption), and Scope 3 (other indirect emissions along the supply chain).

2.2.1 SCOPE 1

Stationary Emissions

Every new construction of retail stores, warehouses, or other commercial or production buildings must adopt the best available solution for heat generation, minimizing related emissions. In particular, OVS prioritizes the installation of systems that do not use fossil fuels.

The use of fossil fuel-based generators must be limited to cases where no alternative installation is possible. In such cases, OVS commits to neutralizing the related emissions. The use of any energy generator based on coal combustion is strictly prohibited.

Fugitive Emissions

Fugitive emissions (i.e., refrigerant gases) are typically linked to accidental events and are therefore difficult to regulate or predict.
To limit them, every potential source of fugitive emissions must be properly identified and recorded, and all maintenance activities must be carried out by trained personnel and companies certified under ISO 14001.
During infrastructure upgrades, priority must be given to replacing machinery containing gases with particularly high emission factors, favoring low-impact systems.

Mobile Combustion Emissions

OVS is steering its corporate fleet toward alternative-fuel vehicles, favoring hybrid and electric solutions and supporting their use by installing charging stations in company parking areas.
For vehicles equipped with engines capable of using biofuels, such solutions must be preferred over fossil fuels.
In any case, the use of passenger vehicles with an emission factor exceeding 142 g/km is prohibited for business purposes.

2.2.2 SCOPE 2

Energy Consumption (Electricity and District Heating)

OVS is committed to developing renewable energy systems, with particular focus on installing photovoltaic systems to support the energy needs of its retail network.
Renewable energy production projects are implemented through self-generation systems with net metering or through investments in larger photovoltaic parks and the signing of Power Purchase Agreements (PPAs).
All electricity purchased on the market is covered by renewable Guarantees of Origin issued on regulated markets and sourced exclusively from zero-emission sources. For EU-based locations, only certificates issued in countries adhering to the AIB (Association of Issuing Bodies) are accepted.
OVS is also committed to improving heat supply (i.e., district heating), giving priority to suppliers that guarantee the use of renewable energy sources.

2.2.3 SCOPE 3

Scope 3 emissions account for the majority of OVS Group's total emissions. To manage Scope 3 emissions, OVS adopts the classification proposed by the GHG Corporate Standard Protocol. This approach allows the company to assess its overall emission impact and identify key areas to focus reduction efforts. Below are the principles adopted by the Group for each of the 15 categories defined by the standard.

Cat 1 – Purchased Goods and Services

This category accounts for 67% of Scope 3 emissions. For this reason, OVS aims to reduce its environmental impact through a product strategy that favors more responsible materials and processes.

In developing collections, product teams are required to choose solutions that ensure greater energy efficiency and reduced use of fossil resources, based on the following general principles:

- Use of renewable and/or environmentally certified materials;
- Development of products based on eco-design principles;
- Adoption of low-impact production processes and/or those compliant with safety certifications;
- Purchasing from suppliers classified as "Preferred"[1].

Each season, OVS sets an emission reduction target to be achieved through material selection. This is the main area where OVS can directly intervene, as it does not depend on third parties (e.g., suppliers), and specific emission factors are available for each material.

For any material, OVS is committed to promoting the use of more sustainable alternatives, favoring renewable materials. Synthetic fibers may only be used if they come from recycling processes. Virgin synthetic fibers may be used only if recycled alternatives are unavailable or unsuitable for the product type.

When selecting recycled materials, OVS prioritizes those from fiber-to-fiber recycling processes.

To minimize emissions from raw materials, OVS updates its material sourcing strategy seasonally to guide purchases toward materials with lower emission factors.

OVS collaborates only with suppliers registered on the Worldly platform to enable environmental performance analysis across the supply chain and activate necessary emission reduction actions in production processes.

Production processes are a key component of OVS's sustainability strategy, as they significantly influence Scope 3 emissions.

For at least 80% of its total production volume, OVS works with manufacturers engaged in decarbonization programs.

[1] OVS has implemented a structured supplier evaluation process based on four key drivers: economics performance, quality, service level, and sustainability. The evaluation criteria and methods are defined in the Supplier Evaluation Procedure, which you can refer to for further details.

Cat 2 – Capital Goods

Given the heterogeneous nature of emission sources in this category, reference is made to the general principles for material selection in purchased goods.

Cat 3 – Fuel- and Energy-Related Activities (Not Included in Scope 1 or 2)

Due to the close correlation between this category and Scope 1 and 2 emissions, reference is made to the general principles for managing those scopes.

Cat 4 – Upstream Transportation and Distribution

Cat 9 – Downstream Transportation and Distribution

OVS is committed to reducing the environmental impact of logistics by adopting low-emission transportation and distribution solutions. The use of electric vehicles and alternative fuels is promoted in logistics operations, and lower-impact modes such as shipping or rail are preferred. Air transport is minimized and used only when no alternatives are available.

Cat 5 – Waste Generated in Operations

OVS adopts a circular approach to waste management, reducing environmental impact throughout the production cycle. It promotes reuse and recycling through dedicated initiatives, packaging optimization, and reduction of virgin plastic in packaging.
OVS encourages the collection of used clothing to support textile material recovery and minimizes unsold inventory through donation and reuse strategies, contributing to the transition toward a circular production and consumption model.

Cat 6 – Business Travel

Cat 7 – Employee Commuting

OVS implements a policy to limit travel and integrates smart working into its operating model for eligible roles, recognizing the importance of flexible work arrangements in reducing emissions.
Business travel procedures prioritize transportation methods with lower environmental impact and regulate car usage.
The use of public transportation and carpooling is encouraged through measures that facilitate employee access.

Cat 8 – Upstream Leased Assets
Cat 13 – Downstream Leased Assets
Cat 14 – Franchises

OVS monitors and optimizes energy consumption in leased assets not directly owned, promoting the use of renewable energy and energy efficiency in occupied spaces. It also collaborates with property owners to improve environmental performance through low-impact solutions.

Cat 10 – Processing of Sold Products

At the time of drafting this Policy, this category is considered not applicable.

Cat 11 – Use of Sold Products

Emissions related to product use are not considered by OVS, in line with the GHG Protocol, which classifies them as optional. In the apparel sector, there are no direct emissions attributable to product use, only indirect ones through garment care. However, OVS promotes responsible product use by sharing guidance to increase durability and minimize impact, e.g., through care label instructions.

Cat 12 – End-of-Life Treatment of Sold Products

OVS promotes a circular approach to product end-of-life, encouraging reuse, recycling, and reduction of textile waste. Through used clothing collection programs, partnerships, and the use of recyclable materials, it aims to extend the life cycle of garments.
Each product on the OVS Group e-commerce platform is accompanied by three key indicators—CO_2 emissions, water consumption, and circularity index—to help consumers assess the environmental impact of their purchases and encourage more sustainable choices.
The measures outlined for Cat 1 also positively influence this category.

Cat 15 – Investments

At the time of drafting this Policy, this category is considered not applicable.

3. Corporate Policy on Climate Change Adaptation

OVS recognizes climate change as a global challenge that directly impacts the fashion industry, influencing the availability of raw materials, the stability of the production supply chain, and the predictability of seasonal demand.

The Group's adaptation policy is based on three fundamental elements:

- Climate Risk Assessment

  The impacts of climate change along the value chain must be periodically assessed using methodologies and scenario analysis tools to identify the most vulnerable areas and adopt appropriate risk responses.

- Resilient Design

  OVS's investments in retail stores and other infrastructure must be designed with due consideration for climate change adaptation needs, selecting technologies that reduce dependence on scarce resources or those that may be negatively affected by extreme weather events.

  OVS products must be developed using materials that are less dependent on climate-sensitive resources and by diversifying the countries from which raw materials and key manufacturing processes are sourced.

- Supply Chain Support

  OVS actively collaborates with its suppliers to enhance their ability to respond to extreme weather events and ensure the operational continuity of production. It is committed to investing in training, monitoring tools, and mitigation strategies to increase the resilience of the production communities with which it operates.

4. Roles and Responsibilities

Achieving the sustainability and decarbonization goals of the OVS Group, as outlined in this document, requires a collaborative approach and a clear definition of roles and responsibilities within the organization.

Functions work together to make decarbonization goals concrete and generate a positive global impact, following the principle of shared responsibility.

The Chief Executive Officer is responsible for approving the corporate decarbonization policy and the related action plans.

The Corporate Sustainability function is specifically tasked with:

- Planning and control: Defining decarbonization plans, setting targets, and periodically evaluating progress through data analysis and key performance indicators;
- Activating internal functions: Engaging and coordinating the various business functions to ensure strategic alignment and implementation of necessary actions;
- Promoting awareness: Encouraging the spread of a sustainability culture within the company by supporting training and awareness among all employees.

All business departments involved in the decarbonization plan (e.g., Product, Sourcing, Logistics) are responsible for translating the goals into concrete actions, integrating sustainability principles into daily operations:

- Operational responsibility: Operational functions are responsible for identifying and implementing solutions to reduce environmental impact in terms of CO_2 emissions.
- Innovation and development: Operational functions must seek innovative solutions in every area to support the transition to a low-carbon model, coordinating with the Corporate Sustainability function to define their adoption.
- Performance management: Each function, whether directly or indirectly involved, contributes to achieving the targets by measuring its results and ensuring transparency and accuracy of the data reported.

The achievement of the targets set out in this policy is also linked to a long-term incentive system for top management and annual MBO (Management by Objectives) goals for the most involved functions.

The identified targets follow the recommendations and principles established by scientifically and internationally recognized standards, in particular: ESRS, SBTi, and Textile Exchange Preferred Fibers.

5. Monitoring

Effective management of decarbonization initiatives requires continuous monitoring and a concrete commitment to transparency. Through a systematic approach, OVS is committed to ensuring internal performance control and clearly communicating the results achieved to all stakeholders.

The Corporate Sustainability function is responsible for maintaining the measurement and monitoring of climate- and energy-related performance through:

- Data collection and analysis: Continuous monitoring of key indicators, such as greenhouse gas emissions and energy consumption across the entire value chain, using European and international standards (GHG Protocol, ESRS).
- Target review: Updating progress against decarbonization targets, identifying any deviations, and defining corrective action plans.
- Support platforms: Use of advanced tools (e.g., Worldly, Workiva) to obtain reliable data on suppliers' environmental performance and ensure a comprehensive view across the entire value chain.
- Internal reporting: Preparation of periodic reports for Management and business functions, ensuring constant updates on the progress of strategic initiatives.

Operational actions and KPIs are the exclusive responsibility of individual functions. In the event of significant changes in metrics or other relevant issues, these must be discussed within the CCRS (Control, Risk, and Sustainability Committee) and in the specific sections of the Board of Directors dedicated to sustainability topics.

6. Policy Approval and Update

This policy is communicated to all OVS People as identified in the Code of Ethics, by making it available both on the company intranet and on the Corporate website.
The topics covered must be the subject of specific training offerings, particularly for those who hold managerial and leadership roles within the company.
This Policy is drafted by the Corporate Sustainability function and approved by the Chief Executive Officer of OVS S.p.A. on March 31, 2025. Any subsequent amendments to this Policy will be submitted to the Chief Executive Officer for approval.