

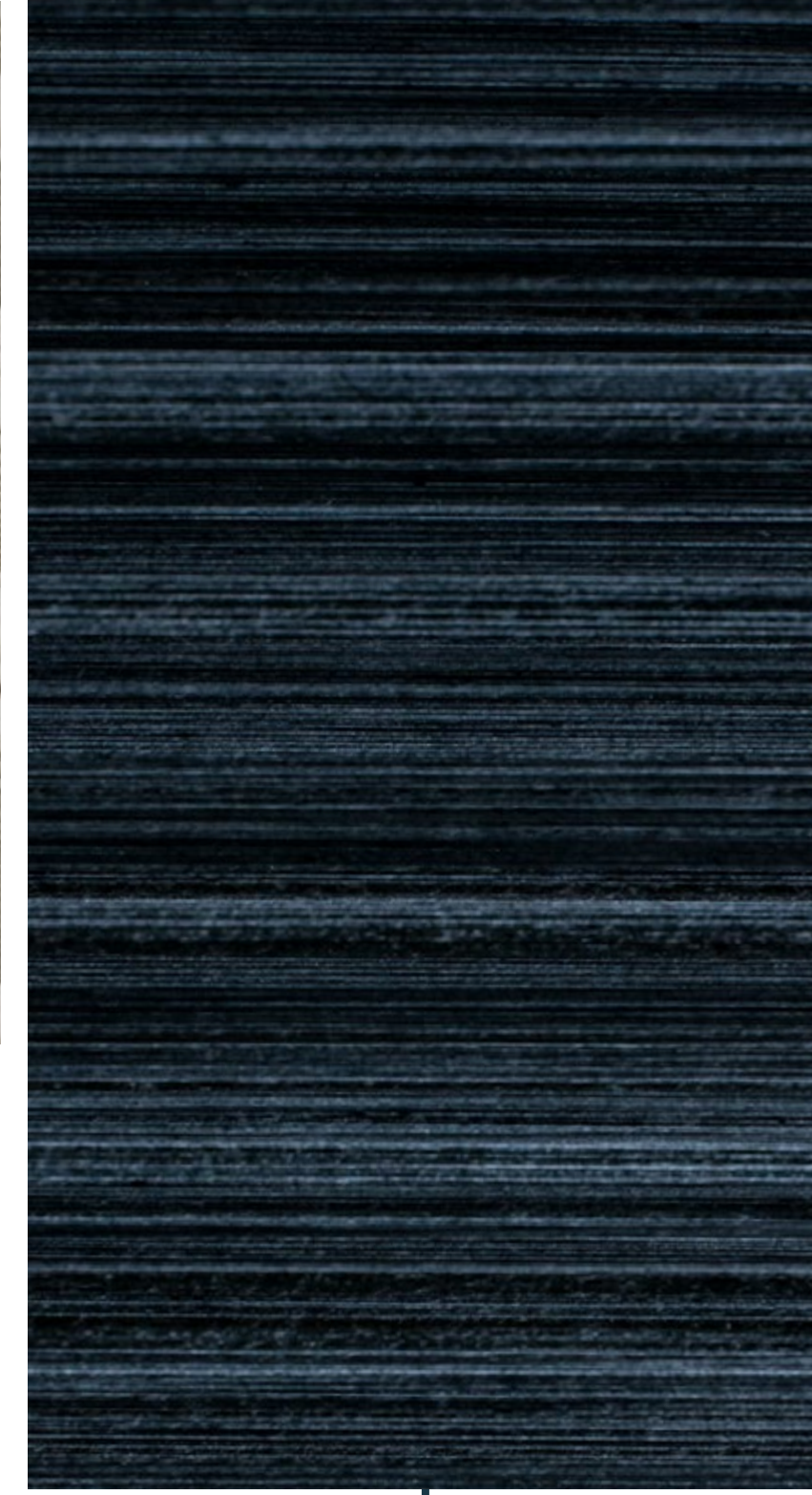
# SUSTAINABILITY REPORT

# 2022

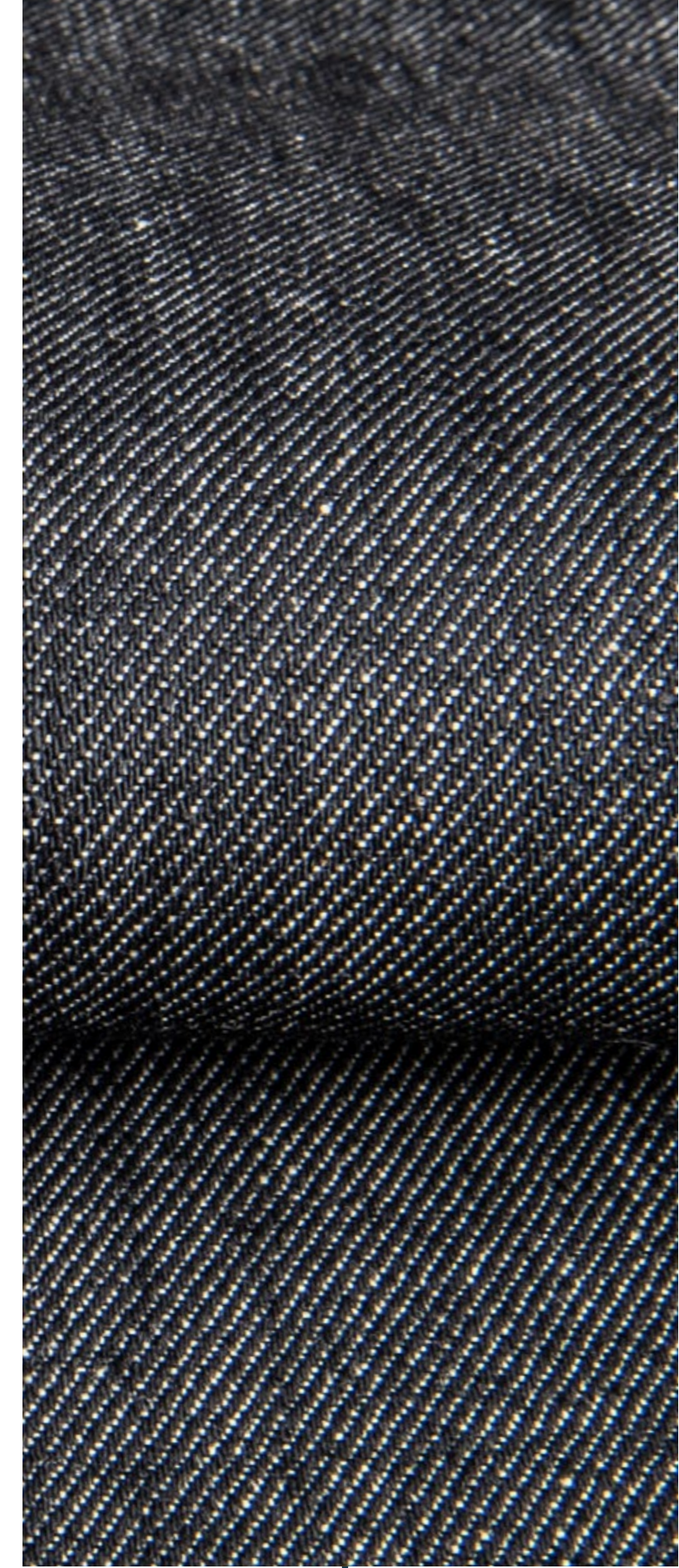
Candiani  
DENIM



Sustainability



Report



2022

A large roll of white fabric is the central focus, set against a background of industrial machinery in a factory. The text is written in a dark blue, elegant cursive font across the fabric.

*The Fabric of  
your favorite jeans  
since 1938*

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## SUSTAINABILITY REPORT 2022

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*As in previous years, Candiani's Sustainability Report was created according to the parameters suggested by the Global Reporting Initiative following the G4 Core guidelines. This document is the fourth edition of Candiani's Sustainability Report. It describes initiatives and activities carried out during the calendar year 2022. Performance indicators continue to be gathered and analyzed on an annual basis.*



# LETTER FROM THE PRESIDENT

**A**s we reflect on the events of 2022, it is impossible to ignore the numerous challenges that impacted our operations and the denim industry at large. The pandemic's far-reaching consequences were exacerbated by a series of complexities, including volatile market conditions, disruptive socio-political events, global inflation, the ongoing conflict in Ukraine, and the escalating effects of climate change.

Furthermore, Europe faced an energy crisis during this period, leading to significant socioeconomic changes within our business landscape. These particular circumstances, combined with a notable surge in raw material costs, which, for the most part (but not entirely), were absorbed through a consequent price increase unprecedented in the history of the company and the contemporary cotton textile industry. In the face of these formidable challenges, our commitment to sustainable innovation and a premium product enabled us to maintain a significant presence in an increasingly competitive market. We take immense pride in our specialization in developing highly innovative and sustainable products. This expertise has been instrumental in navigating the market upheavals and allows us to stand apart from our competitors. Candiani's unwavering belief in the transformative power of sustainability continues to be a driving force. We are dedicated to leading the denim industry toward a future that prioritizes both people and the planet. Our commitment remains steadfast as we strive to redefine the boundaries of what denim manufacturing can achieve for the betterment of society and the environment.

As we move forward, we are resolute in investing heavily in research and development (R&D). Our goal is to create products that not only meet but surpass eco-friendly standards, ensuring they remain competitive while becoming increasingly accessible to all. We are confident that sustainability will remain the cornerstone of progress and positive change in our industry, and we eagerly embrace the opportunities it presents.




Alberto Candiani



# CANDIANI PAST & PRESENT

## CANDIANI PAST

Candiani S.p.A. was established in 1938, when Luigi Candiani founded a small textile weaving company a short distance between Milan – one of the most influential fashion and design capitals in the world – and the Alps, in a scenic nature reserve, Valle del Ticino. Luigi produced Massawa workwear fabric which he would then sell at the markets in Milan. He played a part in the rich textile manufacturing heritage of the region—one of the most dynamic in Italy – and planted the seeds for what would become his family's legacy.

In the 1960s, under Primo Candiani's leadership, Candiani started the transition to becoming the company it is today. Primo recognized the growing market for denim and responded accordingly. During this time, Candiani became vertically integrated and dedicated only to the production of denim fabrics.

During the mid-1980s, faced with a changing industry, Candiani evolved again. This time it looked to expand its sales abroad while also pioneering one of the most significant transformations to denim in the last fifty years. Gianluigi Candiani was among the first to recognize that stretch denim would not be a passing trend but something that would revolutionize the industry. He was able to refine the performance and, at the same time, helped define the concept of the premium denim industry as it is known today. Now in its fourth generation, Candiani remains family-owned and operated. Today, our sole focus is on combining our heritage with best-in-class sustainable innovations. Alberto Candiani, Gianluigi's son, is dedicated to pioneering positive change by making sustainability no longer a choice but the denim industry standard.



## CANDIANI PRESENT

From our humble beginnings, Candiani has grown into a state-of-the-art denim mill, driven by three core values that underpin all our endeavors: Made in Italy, Sustainability, and Innovation. As Europe's largest denim producer, we have earned renown for seamlessly blending a distinct aesthetic with cutting-edge sustainable technologies.

As a world leader in denim production, we proudly supply and collaborate with prestigious international fashion companies. We maintain a robust global presence, with 90% of our output destined for export. Our primary market beyond Europe is North America, while we steadily expand our footprint in South and East Asia.

Our unwavering commitment to responsible and sustainable manufacturing has been intrinsic to our journey from the very start. Nestled in the Ticino Valley nature reserve, il Parco Naturale Della Valle del Ticino, we operate under the most stringent environmental regulations in the denim industry. Rather than viewing this as a limitation, we embrace it as a valuable asset. Navigating this complex and challenging legislative landscape has prepared us to thrive in an ever-changing world.

In today's world, there is a rising awareness of how human activities negatively affect the environment. As a result, companies face greater scrutiny regarding their social and environmental practices. Governments and civil society expect businesses to take real action to mitigate their impact. At Candiani, we go beyond mere compliance with laws and regulations. Over the past two decades, we have diligently worked to establish an **Integrated Management System** guided by voluntary certifications and commitments to ensure sustainable and responsible practices throughout our operations.

Our [Code of Ethics](#) and [Corporate Policy](#) stand as official statements of our unwavering dedication to ensuring high standards of health and safety for workers while protecting the environment. We operate with integrity, honesty, and transparency, expecting the same from every employee, consultant, supplier, and customer.

For more information, visit [www.candianidenim.com](http://www.candianidenim.com).

## CANDIANI'S CORE VALUES

### Made in Italy

The local area has an important textile heritage—skills and knowledge of a time-honored craft are passed down from generation to generation, growing in strength with time. The families of the local artisans, our most valuable assets, continue this legacy and make it possible to achieve the inimitable “Made in Italy” quality.

### Innovation

Always striving to create a better, more sustainable fabric—we are relentless in our quest to explore and develop new techniques for our products and production processes. Like every “Made in Italy” company that strives for excellence, we aim to break boundaries and continually evolve, combining our experience and creativity with the latest technology.

### Sustainability

At Candiani Denim, innovation equals sustainability. We endeavor to develop products and processes that are regenerative and impact positive while continuing to challenge the industry standards. Developing new, sustainably focused technologies is crucial to the prosperity and quality of life for future generations and is central to our long-term business strategy.







# CANDIANI'S PILLARS OF SUSTAINABILITY



## LASTING LEGACY

We are located in a nature reserve park, the Parco del Ticino, which is as rich in biodiversity as it is in textile heritage. The park's stringent regulations have influenced our need to continuously innovate our production practices. We are committed to preserving and respecting both the habitat that makes our home unique and the entire community of people that make what we do possible.



## INTELLIGENT INGREDIENTS

Like e any good recipe, quality denim starts with quality ingredients. We are committed to knowing our suppliers and ensuring traceability by sourcing as close to home as possible. We aim to use only high-quality, innovative materials that are better for people and the planet while constantly promoting the responsible consumption of our natural resources.



## TRAILBLAZING TECHNOLOGIES

Evolution is part of our DNA. We aim to continually push boundaries by continuing to develop and discover state-of-art solutions to minimize the environmental impact of our products and production while driving these changes industry-wide.



## TRUSTED TRANSPARENCY

We want to tell the whole story of how denimismade. We have opened our doors for a firsthand look at our production. We are committed to informing and educating brands and end-consumers on what we consider sustainable denim production.



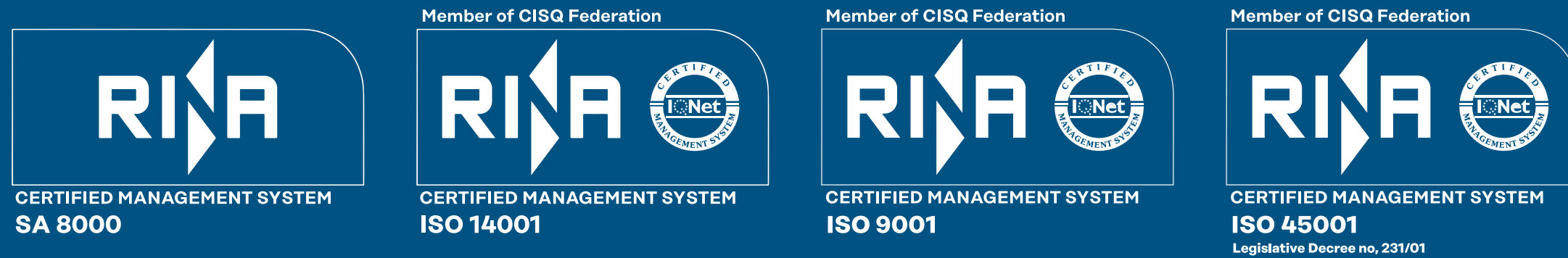
— Pillars

of

— Sustainability

# Candiani Denim Achievements in Innovation & Sustainability

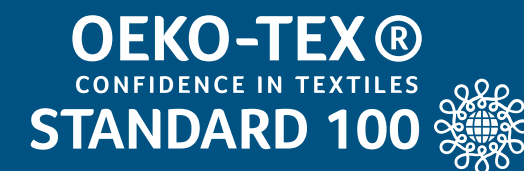
## PROCESS RELATED



## PRIZES



## PRODUCT RELATED







# DENIM MAKERS

## OUR PRODUCTION

Candiani S.p.A specializes in producing both selvedge and full-width denim fabrics, with a weight range spanning from 7oz to 16oz. Our headquarters are located in Robecchetto con Induno, where two production sites cover a total area of 168,420 square meters. With a remarkable capacity to produce 20 million meters per year, our vertical integration and large-scale operations set Candiani apart, not only in Italy but also in Europe.

Our production process encompasses multiple stages, starting with the purchase of raw cotton, which then undergoes spinning, warping, dyeing, weaving, finishing, and quality control. As specialists in ring spinning, we employ state-of-the-art technologies and materials to produce both rigid and stretch yarns. Our dyeing range accommodates both sulfur and indigo dyes. Additionally, our weaving facility is equipped with projectile looms, rapier looms, and vintage shuttle looms dating back to the late 1950s. In the finishing department, we offer a range of stabilizing processes and, if necessary, ennobling techniques to achieve diverse desired performance or aesthetic characteristics in our denim fabrics.

Research and development are at the core of our operations, consuming significant time, energy, and resources while profoundly influencing each production process. We are driven by a self-declared mission to elevate the sustainability standards within the denim industry continually. With every new product release, we strive to push the boundaries further and lead the way in sustainable denim innovation.

## GOVERNANCE STRUCTURE

The management of environmental and social responsibilities are distributed among a team whose primary roles also contain decision-making functions pertinent to the company's sustainability objectives. This team meets periodically, is responsible for implementing the sustainability strategy and policy, and supports with strategic guidance. Furthermore, the Sustainability & Quality Manager and Integrated Management Systems Manger ensure that Candiani's commitments are respected, specific, measurable, achievable, relevant, and time bound. They are also responsible for the continued monitoring and evaluation of progress and communicating the results with relevant stakeholders.

# PRESIDENT & OWNER

Alberto Candiani

## Commercial, Marketing, Style, Research and Product Development

David Austoni  
Simon Giuliani  
Mattia Donadi

## DLgs 231/01 Supervisory Body

Hermes Consonni, Marco Marangoni, Arnaldo Barilli

## Social Security Environmental Management

- RSPP / Emergency Manager** Pierluisa Ceriotti
- Maintenance Manager** Christian Sbergo
- Monitoring Officer** Luca Lamperti
- Maintenance Assistance and Waste Administrator** Barbara Garavaglia
- Integrated Management System Manager** Gabriele Zoia
- Integrated Management System Office Manager** Claudio D'Errico
- RLSA8000 Robecchetto** Sara Mainini
- RLSA8000 Malvaglio** Luigi Zeccola
- Social Performance Team** Sara Mainini, Annalisa Luvie, Luigi Zeccola
- Environmental Manager** Francesco Macchi
- Sustainability Manager** Simon Giuliani, Pierluisa Ceriotti
- Energy Manager** Ernesto Misci

## Privacy Management

Annalisa Luvie

## Department Heads & OHS Sercurity Managers

**Human Resources and Concierge**  
Annalisa Luvie

**Weaving Robecchetto**  
Fabio Ruggeri

**Weaving Malvaglio**  
Fabio Ruggeri

**Finishing Dyeing**  
Filippo Torno

**DC & Laundry**  
Alberto Rigo

**Finished Product Warehouse**  
Francesco Macchi

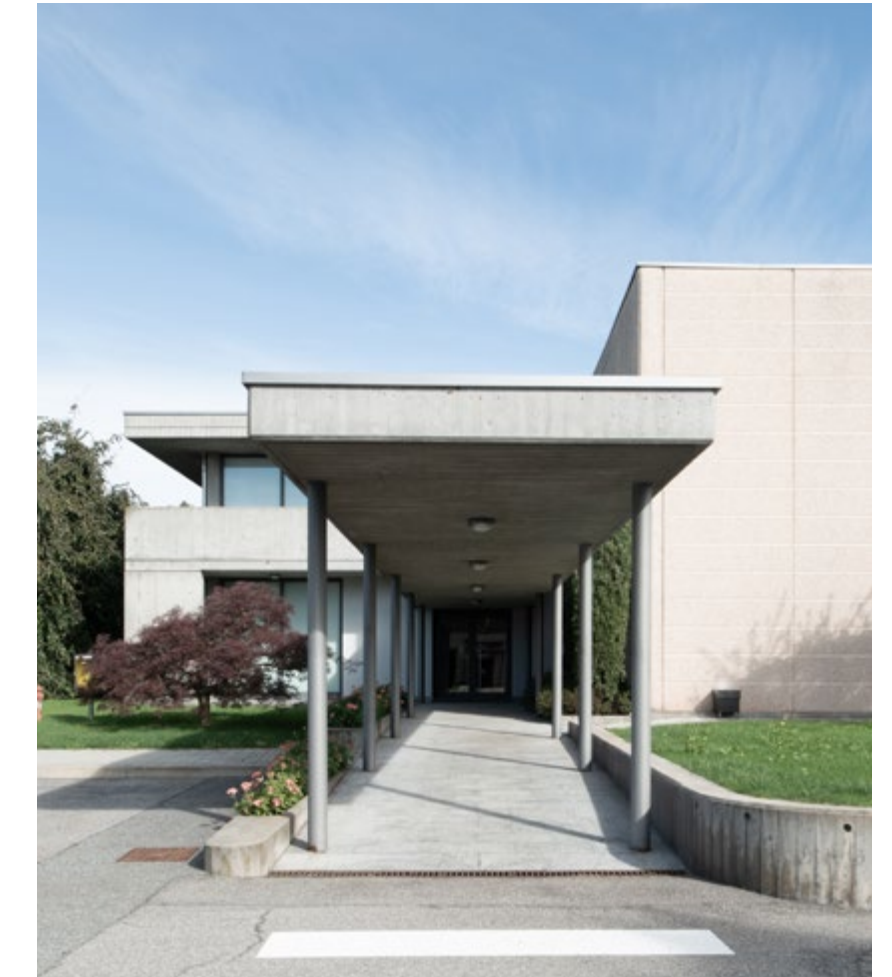
**Facilities & Maintenance**  
Christian Sbergo

**Spinning Robecchetto**  
Ilario Bregolato

**Spinning Malvaglio**  
Angelo Siviero

**Quality Control**  
Fabio Marangoni

**Administration Finance & IT**  
Carmela Castiello





## DEVELOPMENT CENTER

Candiani's hand in the denim design process doesn't end once the fabric is shipped. It also provides specialized garment finishing services in our state-of-the-art denim laundry. Today, we have two dedicated locations—the Development Center at our headquarters in Robecchetto con Induno and the Candiani Denim Design Center in Downtown Los Angeles. The purpose of both sites is to respond to customer needs by providing technical guidance on achieving the desired wash aesthetic, in tandem with a superior sustainable performance reducing the energy, water, and chemicals used.

In 2021, the Development Center expanded to bring our customizable laundry services to our clients at a more significant scale. Outfitted with the most advanced Tonello technologies, the DC at the mill headquarters can now process approximately 500 garments daily. It is also a site of ongoing R&D that allows us to trial some of the latest sustainable innovations for denim laundries today.

### Our DC Service Aims For:

**Exclusivity** – We know our fabrics better than anyone else. This means we are also the best equipped to understand which laundry treatments are best suited to achieve a specific look. For this reason, we work directly with design teams to co-create a customized wash recipe. This recipe will then be passed along to a brand's laundry facility of choice to ensure the look of the finished garment is achieved as intended.

**Efficiency** – “Less is More” is the central theme of our Development Center. One of the main objectives is to demonstrate how different types of treatment of a single fabric can achieve many unique results. The aim is to increase understanding of the relationship between fabric and laundry treatment applications, thus streamlining purchase and processing.

**Education** – We find that knowledge sharing with our clients about laundry treatments and the final finishing processes helps them better understand the final garment and the entire denim production chain. It is an opportunity to ensure our clients have a better understanding of the technicalities of their fabric choice and to educate them on the best treatments to maximize cost-effectiveness and sustainability.

**Evolution** – The laundry and final finish are typically the processes with the highest environmental and social impacts during the production of a pair of jeans. However, the Development Center helps our clients reduce these negative aspects. The result is a combination of style and sustainability and optimized treatments for garment transformation.

# BLUE COLLARS

Blue Collars Srl is the exclusive branding, marketing, and retail operations at Candiani SpA. Founded in early 2019, Blue Collars was created to support Candiani as they expand beyond their historic role as a leading ingredient brand to also encompass B2C pursuits.



## The Candiani Denim Store

The Candiani Denim Store, Candiani's inaugural retail space, opened in 2019. Located in the heart of Milan, only a few steps from the Duomo, in the old city center, and away from the hustle and bustle of the nearby shopping district. This new venture continues our efforts for transparent storytelling and further elevates Candiani as an iconic ingredient brand. Providing a showcase of our Golden Rivet clients and unique collaborations, this denim "Bottega" provides pieces that stand out as unique, responsibly sourced, and expertly crafted.



## Candiani Custom

In 2021, Candiani Custom micro-factory opened next door to the Candiani Denim Store. This one-of-a-kind experience is based on five pillars: personalization, transparency, sustainability, technology, and Made in Italy. Candiani Custom showcases some of the most sustainable technologies in the denim industry today, producing on-demand, made-to-measure jeans. It is a place where the tangible expression of environmental and social sustainability pillars and the concept of less is more when less is better comes to life.

Candiani Custom is the result of a collaboration with several Italian SMEs (FK Group, Tonello, Sip Italy, MIC, Okinawa, Cadica, Nearchimica, Cervo Tessile, Riri-Cobrax, and Rotondi), all leaders in their respective sectors. Thanks to their advanced technologies, some of which were developed exclusively for Candiani Custom, the project is a reshoring of Italian manufacturing, combining every step in the production of a pair of jeans under one roof. Most importantly, it is also an educational space that can demonstrate to the end consumer all that goes into making one of the most iconic fashion items, a pair of jeans, and how to distinguish between sustainable options and the rest.

Discover more at <https://www.candianidenim.com/en/collabs-and-projects/candiani-custom>



## Coreva Design

Once a hub and educational space dedicated to the culture of sustainability, Coreva Design has now evolved into a jeanswear brand with a clear mission to spread its core message: jeans with a positive impact are possible today. This vision comes to life through Candiani's patented technology, COREVA™, which allows the collection to be made exclusively from 100% bio-based and compostable stretch denim fabrics.

By leveraging the elastic properties of a plant-based material derived from natural rubber, COREVA™ ensures the utmost comfort for denim wearers, all without relying on synthetic yarns. This innovative approach significantly reduces the ecological impact, transforming the entire denim manufacturing landscape. As a result, Candiani, a pioneering Italian company in sustainable innovation, presents a brand that redefines the standards of the whole industry.

**“Now is the time for COREVA™ technology to transform into a brand to demonstrate the real possibility of complete and scalable circularity.” - Alberto Candiani**

Discover more at [corevadesign.com](https://corevadesign.com)







# The Road to Denim at the Rodale Institute

Candiani collaborated with the Rodale Institute to demonstrate the potential of COREVA™. Our patented technology replaces synthetic fibers with natural rubber, creating biodegradable and compostable denim. Blue Seed, a co-engineered hybrid cotton variety, produces strong, silky, longer, high-quality fibers.

In this partnership, we evaluated COREVA™'s impact on plant growth and soil health in a regenerative organic agricultural setting. Our goal is to enhance cotton growth, promote circular denim production, and reduce the fashion industry's environmental footprint. While initial results are being collected, further experiments are required to understand COREVA™'s impact fully.

We partnered with the renowned Rodale Institute California Organic Center in Camarillo to conduct these tests. The center supports farmers transitioning to regenerative and organic practices. Alongside, we're exploring Blue Seed's fertilization using COREVA™, which offers high-quality fibers and higher lint yield compared to similar cotton types.



# STAKEHOLDER ENGAGEMENT

Although the definition of material topics has been revised to give more emphasis to impact, engaging relevant stakeholders continues to be an integral part of identifying and evaluating our business priorities.

Engagement of our stakeholders and listening to their viewpoints, concerns, and expectations enables us to comprehensively understand the context in which we operate and develop shared, sustainable, and practical development strategies. Our stakeholder engagement is structured in two phases:

## IDENTIFICATION OF RELEVANT STAKEHOLDERS

In the first phase, we select which stakeholders are most relevant, meaning they have interests that are or could be influenced by our organization's activities.

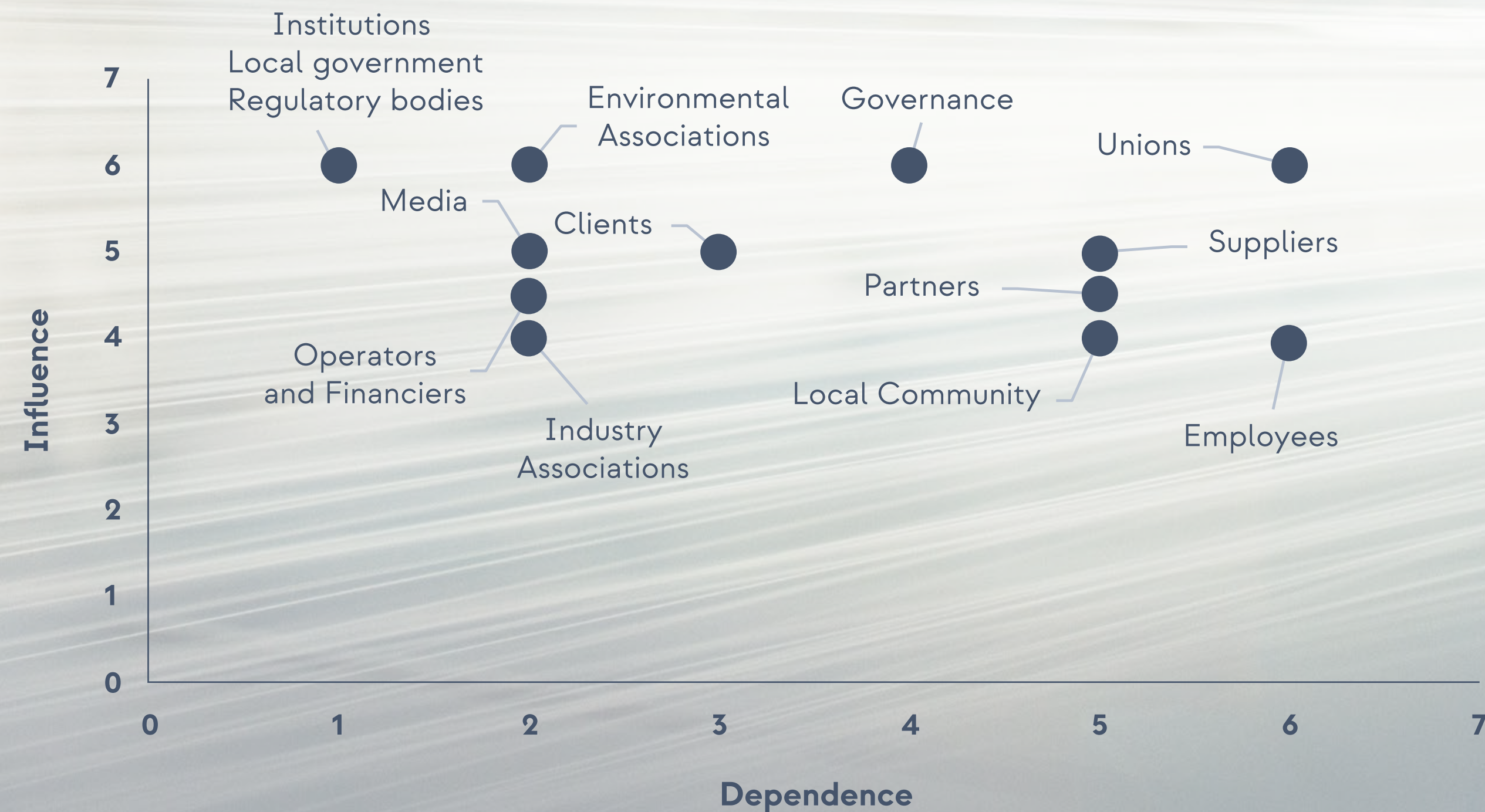
Through the contribution of management, we have identified 12 types of relevant stakeholders:

- **Governance**
- **Employees**
- **Customers**
- **Suppliers**
- **Partners**
- **Operators and financiers**
- **Institutions/Public Bodies/Regulatory Bodies**
- **Unions**
- **Trade associations**
- **Local communities**
- **Media**
- **Environmental associations**

These will be further analyzed in detail in the next chapter.



For a proper interpretation of stakeholders' needs in relation to the company, each category has been assigned a weight based on the analysis of influence and dependence submitted to the management and reported below.



## IDENTIFICATION OF INVOLVEMENT METHODS AND IMPLEMENTATION OF ENGAGEMENT

In the second phase of stakeholder engagement, we define the involvement methods to be adopted for the relevant stakeholder categories.

For the reporting year 2022, we engaged our stakeholders through:

- **Indirect engagement**, involving an analysis of documentary sources aimed at understanding the opinions and concerns of stakeholders regarding the company's priority topics. This approach concerned the categories of Customers, Unions, Operators and Financiers, Associations, Institutions, Media, and Local Communities.
- **Direct engagement**, by administering a materiality questionnaire that investigated the relevance of our material topics in terms of associated impacts. This approach concerned Governance, Employees, Partners, and Suppliers.



# MATERIALITY ANALYSIS 2022

Material topics encompass the aspects pertaining to the management of the company, which directly or indirectly influence its capacity to generate and uphold economic, environmental, and social value for the organization, its stakeholders, and society.

Conducting a thorough materiality analysis, Candiani has discerned the most significant aspects, which are now being disclosed in this fifth edition of this report to its stakeholders. This essential step marks the initiation of sharing the culture of sustainability and corporate social responsibility across the organization and externally.

## RELEVANCE FOR OUR STAKEHOLDERS

### The Company

Canidiani's internal sustainability committee has carefully selected the most significant aspects to be subjected to the materiality analysis, considering not only the indications provided by the GRI Standards but also the combination of cultural and managerial factors within the organization, such as mission, values, strategies, ethical code, and quality management system.

The relevance analysis was conducted by evaluating each aspect based on the following criteria:

- **Probability and severity of the economic, social, and environmental impacts that may arise from them**
- **Influence on the overall performance of the company**
- **Potential to gain a competitive advantage**

## Employees

Candiani's internal sustainability committee has also evaluated each aspect, considering the sensitivity of the employees and the sector to which the company belongs, in which they work.

## External Stakeholders

Candiani's internal sustainability committee has evaluated each aspect, considering the sensitivity of external stakeholders and the sector to which the company belongs, in which they operate."

## SIGNIFICANT TOPICS IDENTIFIED

### Environmental

**Protection of Biodiversity** - This topic focuses on the protection of plant and animal species, genetic diversity, natural ecosystems, and local livelihoods, both within the community and along the supply chain. It aims to address actual or potential impacts resulting from company activities.

**Eco-design & Circular Economy** - This topic emphasizes the importance of environmentally and socially conscious product design throughout all life cycle stages, including waste management, reuse, and recycling, to foster a circular economy. The goal is to minimize potential environmental and societal impacts while promoting sustainable practices.

**Water Management** - This topic emphasizes the effective management of water and effluents, with a recognition of water as a human right. It aims to achieve sustainable water management, provide universal access to safe drinking water, improve water quality, and address water scarcity.

**Chemical Management** - This topic centers on establishing a robust chemical management system to control and mitigate potential risks associated with the sourcing, storage, usage, and disposal of chemical products. The primary goal is to minimize or eliminate the use of hazardous chemicals.

**Energy Efficiency** - This topic focuses Candiani's overall energy consumption, prioritizing efficient usage and a shift to renewable sources to address climate change and minimize environmental impact. It also encompasses upstream and downstream activities.

**Raw Material Management** - This topic focuses on raw material management and sourcing practices to achieve supply chain resilience, foster environmental stewardship, and minimize social and ecological impact while ensuring the sustainable use of natural resources.

**Air Emissions** - This topic focuses on the reduction of GHG air emissions produced, both direct and indirect, resulting from the organization's activities and supply network to mitigate the effects of the climate crisis.

### Social

**Health & Safety At Work** - This topic emphasizes occupational health and safety, ensuring a strong commitment to workers' well-being through activities such as hazard identification, risk assessment, worker training, incident investigation, and health promotion services.

**Ethical Supply Chain Management** - This topic centers on respect to Candiani's Supplier Code of Conduct, aiming to prevent, mitigate, and address negative social and environmental impacts by conducting thorough due diligence and supplier assessment on criteria related to occupational health & safety activities, social responsibility, environmental sustainability, and chemical management.

**Diversity & Inclusion** - This topic focuses on a commitment to diversity and equal opportunity at work, recognizing the significant benefits it can bring, such as access to a larger and more diverse talent pool, promoting social stability, and supporting economic development.

**Protection of Human Rights in the Company** - This topic focuses on safeguarding our employees' fundamental human rights at work, ensuring they are treated with dignity, respect, and fairness. We aim to provide a safe work environment, fair pay, freedom of association, collective bargaining rights, and protection from forced labor, all contributing to a supportive and equitable workplace for our team.

**Employee Well-Being** - This topic focuses on ensuring the overall wellbeing of our employees, encompassing their mental, physical, emotional, and economic health. We achieve this by providing a work environment and engaging in managerial practices that support these aspects of wellbeing.

**Stakeholder Engagement** - This topic emphasizes the significance of identifying and engaging individuals or groups impacted by our activities to understand their needs and concerns. By doing this, we can adjust our strategies and operations, resulting in long-term benefits for all parties involved.

**Employee Training & Development** - This topic centers on employee training and development, which aims to ensure compliance with health and safety protocols while also enhancing skills, performance, and career growth within the company, ensuring long-term employability and advancement opportunities.

## Economic & Governance

**Quality & Safety of Products** - This topic focuses on the organized efforts to prioritize health and safety throughout our product production and lifecycle. We are committed to maintaining a well-defined Quality Management System to ensure safety standards are met and upheld consistently.

**Business Practices & Fair Competition** - This topic focuses on anti-trust and monopoly practices that restrict market competition, including unfair business practices, cartels, and price fixing.

**Transparent Governance & Anti-corruption** - This topic emphasizes the importance of conducting business with integrity, adhering to international norms, and meeting stakeholder expectations to prevent corruption and illegal activities in a transparent manner.

**Support for Local Community & Institutions** - This topic emphasizes the dedication to bolster local institutions and communities, promoting environmental, economic and social resilience while ensuring their continued growth and development.

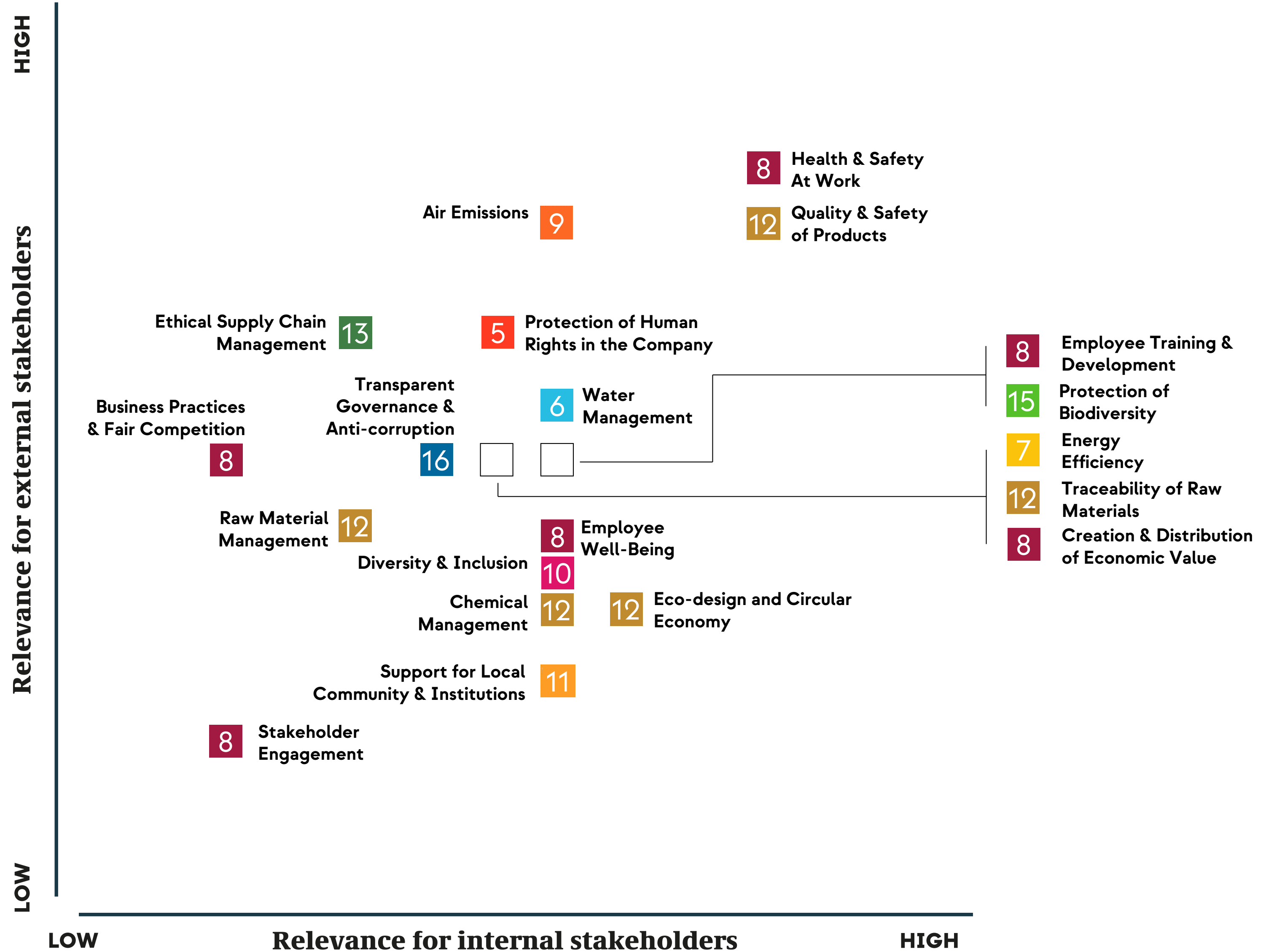
**Creation & Distribution of Economic Value** - This topic focuses on the company's economic performance, encompassing the creation and distribution of economic value for stakeholders.

**Traceability of Raw Materials** - This topic emphasizes tracing the origin and journey of production inputs to better understand and mitigate the risks and impacts associated with sourcing critical ingredients.

**Energy Cost (increase in energy costs)** - This topic centers on the ongoing energy crisis in Europe and its impact on operational and product costs.

# THE MATERIALITY MATRIX

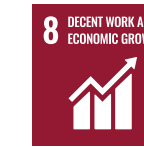
Based on the materiality analysis conducted with our key stakeholders, we have identified the following results for the twenty topics mentioned above. Each topic's importance is assessed by considering its relevance to both our stakeholders and the company.



## ASSESSMENT OF IMPACTS

After conducting a materiality analysis, we identified seven important topics for our stakeholders and the company. These topics were carefully evaluated for their impacts. Below, you'll find the sustainability aspects ranked by importance, along with descriptions of how Candiani can positively and negatively affect the environment, people, and the economy. The focus is on potential impacts, considering the likelihood of specific events occurring.

Candiani's dedication to sound management practices has resulted in noticeable positive effects. We have thoroughly examined the risks associated with our operations, both before implementing mitigation strategies (referred to as "inherent risks") and after adopting good practices (referred to as "residual risks"). **In the table below, we present the themes in order of relevance, along with effective mitigation practices employed.**



### Health & Safety At Work

*Current action: Maintaining and updating the ISO 45001 management system*

#### Positive Impact

Preparation of an emergency plan and a prevention and protection service

#### Negative Impact

Lack of implementation/violation of occupational health and safety regulations, accidents

**Inherent Risk**



**Residual Risk**



### Quality & Safety of Products

*Current action: Maintaining and updating the ISO 9001 management system*

#### Positive Impact

Business plan and related investments for product quality

#### Negative Impact

Reduction in the level of customer satisfaction resulting in a loss

**Inherent Risk**



**Residual Risk**



### Air Emissions

*Current action: Maintaining and updating ISO 14001 management system and annual HIGG FEM assessment*

#### Positive Impact

Opportunities related to the use of new technologies (product/process innovations) and the improvement of environmental performance

#### Negative Impact

Violation of environmental regulations, violation of AIA authorization requirements

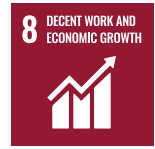
**Inherent Risk**



**Residual Risk**







### Protection of Human Rights in the Company

*Current action: Maintenance and updating of the SA 8000 management system and annual HIGG FSLM assessment*

**Positive Impact**

Definition of the code of ethics and establishment of the Social Performance Team

**Negative Impact**

Violation of code of ethics and international conventions, discriminatory actions against employees

**Inherent Risk**



**Residual Risk**



### Water Management

*Current action: Maintaining and updating ISO 14001 management system, signatories of the Greenpeace Detox Campaign, and supporting ZDHC as contributors*

**Positive Impact**

Continuous monitoring of water, investments in technology to improve efficiency and elimination of non-hazardous substances in production processes

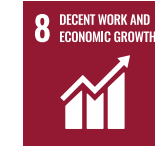
**Negative Impact**

Violation of AIA regulations, public criticism by environmental organizations and the consequent reputational risks

**Inherent Risk**



**Residual Risk**



### Employee Training & Development

*Current action: Maintenance and updating of the SA 8000 management system*

**Positive Impact**

Developing new skills and attracting new employees and customers

**Negative Impact**

Employee dissatisfaction, impact on corporate culture resulting in staff turnover

**Inherent Risk**



**Residual Risk**



### Protection of Biodiversity

*Current action: Maintaining and updating ISO 14001 management system, annual HIGG FEM assessment, and prioritized sourcing of preferred materials*

**Positive Impact**

Identify the significant risks and impacts of sourcing on biodiversity, and develop a sourcing strategy that directly addresses them

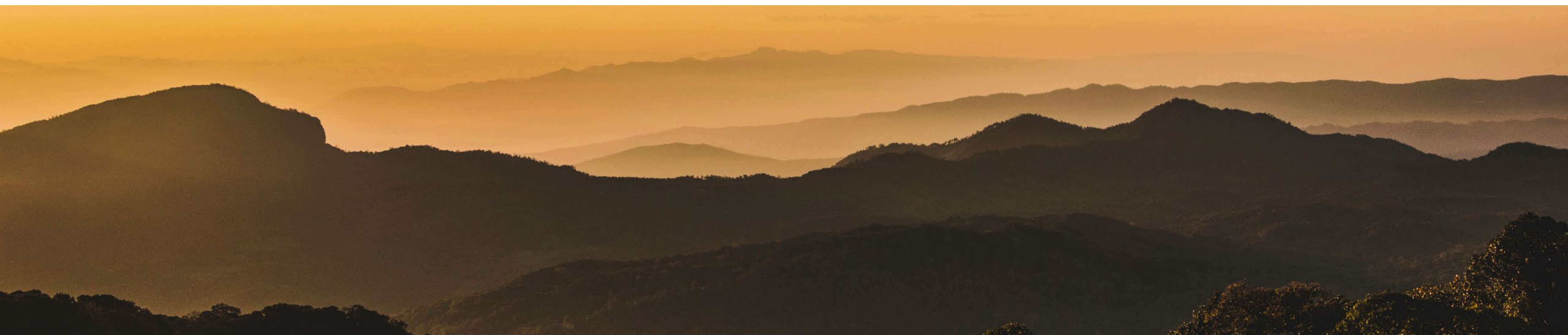
**Negative Impact**

Violation of the Ticino Park requirements and impact on the availability and costs of raw materials

**Inherent Risk**



**Residual Risk**





## SUSTAINABILITY PERFORMANCE

At Candiani, sustainability is deeply ingrained in our values and operations, and it drives every aspect of our business. Guided by our four pillars: Lasting Legacy, Intelligent Ingredients, Trailblazing Technologies, and Trusted Transparency, we are dedicated to achieving a balance between our environmental, social, and economic performance, ensuring a positive impact on the world around us.

This ongoing commitment to sustainability allows us to proactively manage business risks and build long-term resilience, adapting to evolving challenges and opportunities. We understand the significance of monitoring and reporting our performance, as it enables us to share our successes and areas for improvement with our stakeholders, including customers, employees, investors, and the wider community.

Through this open and transparent approach, we uphold our responsibility as sustainability leaders in the denim industry, fostering trust and credibility with all those who engage with our company. Our aim is to lead by example, inspire positive change, and contribute to a more sustainable future for our planet and society as a whole.



# ENVIRONMENTAL

At Candiani, we are deeply committed to prioritizing the principles of Re-Duce, Re-Use, Re-Cycle, and Re-Generate throughout our entire production and supply chain, from procurement to the creation of finished fabric. These fundamental concepts serve as guiding pillars for our operational approach, ensuring that we address critical environmental aspects such as water consumption, energy efficiency, chemical management, and emissions production. By adhering to these principles, we aim to minimize our environmental impact and actively contribute to a more sustainable and responsible textile industry.

Our dedication to these principles goes beyond mere intentions; it translates into tangible actions aimed at creating a circular economy. We constantly strive to minimize waste, optimize resource usage, and adopt innovative recycling methods to reduce our overall environmental footprint. This steadfast commitment allows us to preserve natural resources, protect ecosystems, and promote a more sustainable future for generations to come. With each step of our production process, we carefully balance our pursuit of crafting premium denim products with our responsibility to safeguard the environment, firmly establishing our position as leaders in responsible and sustainable practices.

In the following section, key topics including Protection of Biodiversity, Eco-design & Circular Economy, Water Management, Chemical Management, Energy Efficiency, Raw Material Management and Air Emissions will be discussed in detail.

## AIR EMISSIONS

### Material topic #3

The connection between emitting greenhouse gases (GHGs) and human-caused climate change is undeniable. As the impacts of climate change become more severe and frequent, it is crucial for our company to take action in reducing our emissions to protect vulnerable ecosystems and communities. That's why we diligently track our GHG emissions, both Scope 1 and 2, with the goal of reducing their overall release and contributing to a more sustainable future.

The table below illustrates the total greenhouse gas (GHG) emissions, measured in CO2 equivalents, resulting from the consumption of significant energy sources, namely methane, electricity, and diesel. These emissions have been categorized into two scopes: Scope 1 represents direct emissions from the utilization of methane and diesel, while Scope 2 accounts for indirect emissions from purchased electricity.

**Table I. GHG emissions produced (CO2 -eq) and production in tons**

	2020	2021	2022
<b>Emissions total</b>	26,663.37	29,847.68	25,716.04
<b>Scope 1 emissions</b>	10,448.50	13,506.42	11,612.37
<b>Scope 2 emissions</b>	16,214.87	16,341.25	14,103.70
<b>Production</b>	6,173.2	8,259.6	8,468.8
<b>Emissions per ton production</b>	4.32	3.61	3.04
<b>Scope 1 emissions per ton production</b>	1.69	1.64	1.37
<b>Scope 2 emissions per production</b>	2.63	1.98	1.66

*\*Note: Scope 1 has been calculated according to DEFRA 2021 guidelines, and Scope 2 has been calculated according to TERNA 2020 guidelines.*

To promptly reduce on-site air emissions, we adopted a practice of redirecting our CO2 emissions to neutralize and oxidize our wastewater. Through this approach, the CO2 generated during production is recovered and directly introduced into wastewater storage tanks via insufflation, effectively lowering the pH of the discharged wastewater. This measure not only brings substantial savings – for instance, the amount of **CO2 recovered in 2022 equals the emissions produced by 827 cars** – but also eliminates the need for harmful chemicals like hydrochloric acid.

**Table II. Diverted CO2 for wastewater treatment**

Year	Total recovered CO2 in tons	Recovered CO2 per ton production
<b>2020</b>	1,111.9	0.18
<b>2021</b>	1,522.7	0.18
<b>2022</b>	1,432.0	0.17

## EU Emissions Trading

Since 2005, Candiani has participated in the CO2 Emissions Trading Market (the EUA) established following the ratification of the Kyoto Protocol and the establishment of the Directive 2003/87/EC. Emissions of greenhouse gases into the atmosphere are thus constantly monitored by the company, which has resulted in a significant reduction in the emissions generated.

Participation in the CO2 Emissions Quote Market involves an economic value attributed to each ton of CO2, referred to as a quota. Candiani Denim must remain within its granted number of annual quotas. The company must purchase additional quotas or pay a fine if this number is exceeded. Of the quota allocated to Candiani, today, the company maintains a credit of 23.677 tons of CO2, equaling emissions not released into the atmosphere.



## Carbon Offsetting

In 2021, Candiani took a significant step by investing in an international project to offset some of its CO<sub>2</sub> emissions for the first time. To achieve this, we directly invested in a renewable energy project in Rio Grande do Sul, Brazil. This investment decision was driven by the fact that Candiani sources a substantial portion of its cotton from Brazil, making it a fitting place to invest in nature.

The project we invested in is the Santa Vitória do Palmar wind farm, which involves the construction of 201 wind turbines. Once fully operational, this project is projected to substantially reduce approximately 640,706 tons of CO<sub>2</sub> eq emissions per year. Beyond its environmental impact, the project promotes sustainable development by enhancing the local economy through job creation. **The United Nations Environmental Agency actively monitors the project's implementation and outcomes.**

In line with our commitment, Candiani purchased certified emission credits, effectively offsetting 1000 tons of CO<sub>2</sub>. As a result, this initiative has led to a remarkable reduction, equivalent to approximately 7.7% of the total atmospheric emissions generated by the Robecchetto site in 2020.



## ENERGY EFFICIENCY

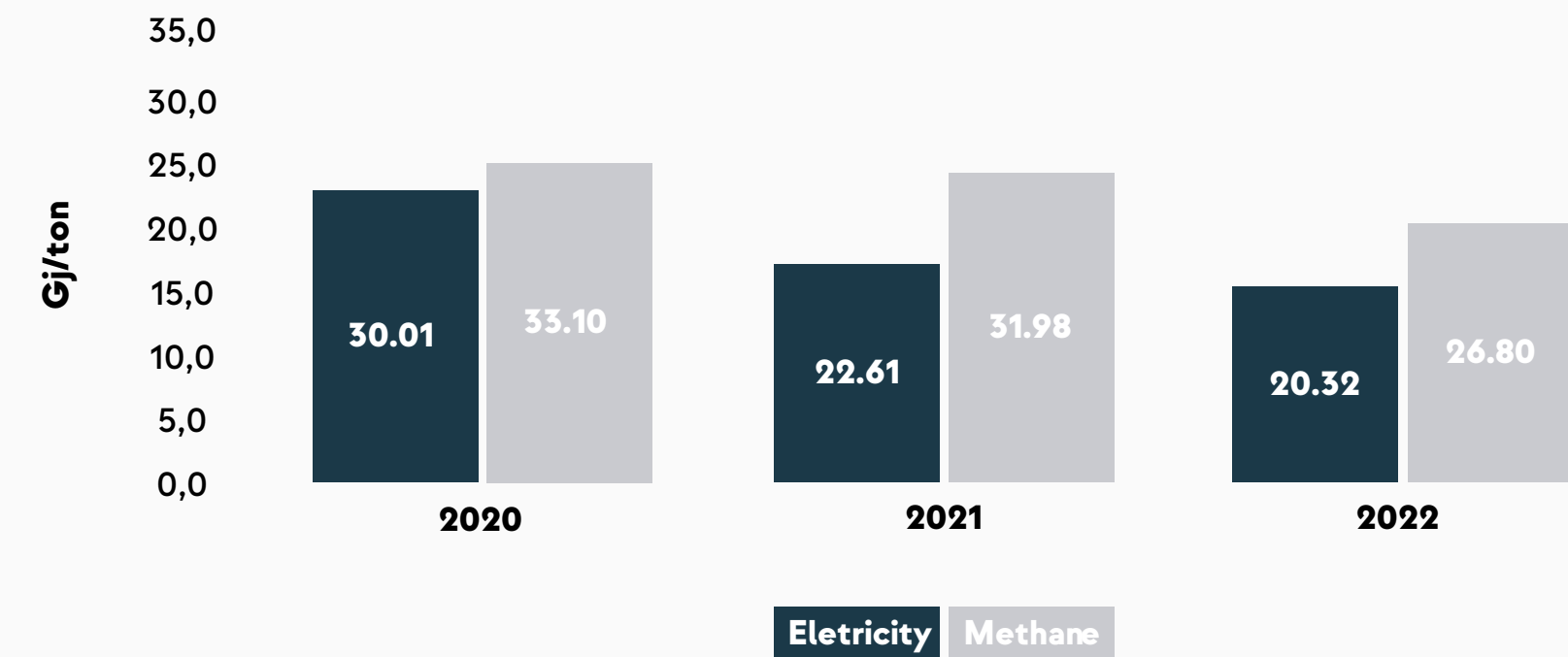
Over the span of nearly a decade, Candiani has made substantial investments in enhancing the energy efficiency of its operations. Methane serves as the primary energy source, primarily utilized to produce functional steam in the dyeing and finishing departments. Electricity procured from the grid plays a crucial role in operating the production plants, compressors, and air conditioning units. As of now, the company does not generate renewable energy on-site.

To optimize energy consumption, the company has implemented automatic consumption control systems that operate in real-time for key applications and particularly energy-intensive machinery. For instance, the finishing line's stenter machines are already equipped with detectors to monitor and identify the energy usage for each unit of fabric exiting the plant. Furthermore, at the Robecchetto site, three boilers continuously undergo monitoring by qualified personnel, with quarterly efficiency checks to ensure optimal steam production.

**Table III. Energy consumed by source per ton of fabric produced**

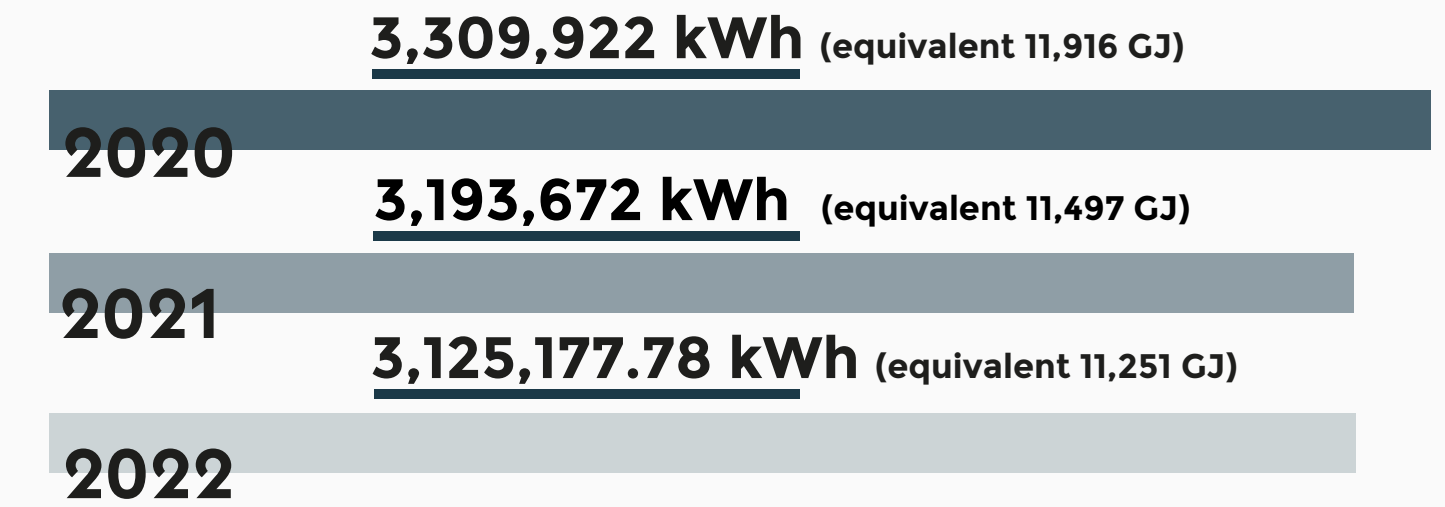
Energy Carrier	Unit of Measure	2020	2021	2022
Electricity	Gj/ton	30.01	22.61	20.32
Methane	Gj/ton	33.10	31.98	26.80
<b>Total consumption</b>	<b>Gj/ton</b>	<b>63.11</b>	<b>54.59</b>	<b>47.12</b>

**Graph I. Energy consumed by source per ton of fabric produced**

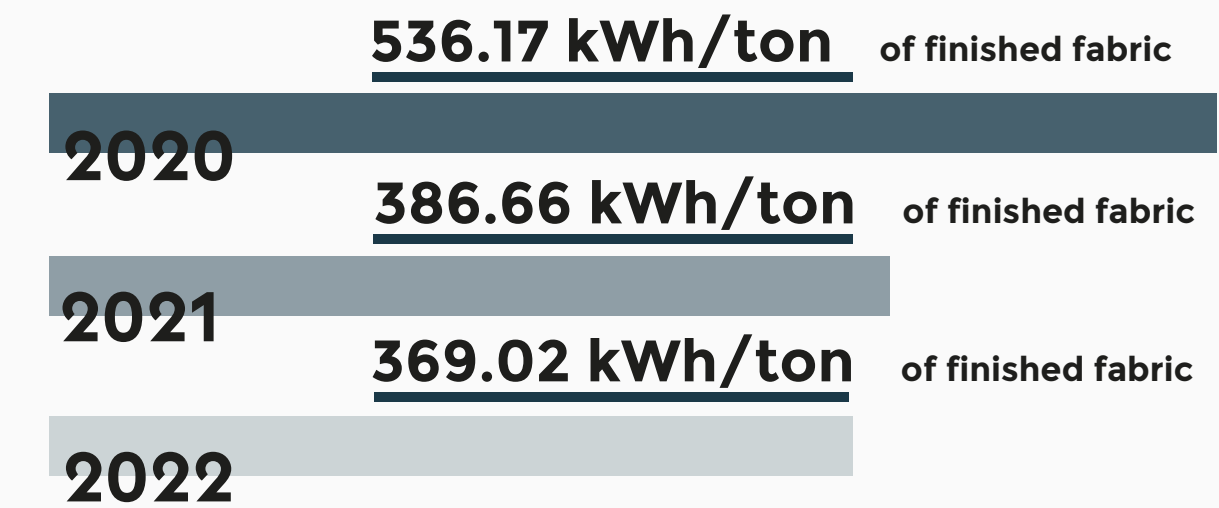


YEAR	UPDATE	SAVINGS
2013	Installed Loomsphere (Robecchetto con Induno)	78,000 kWh per year
2014	Replace outdated motors with more efficient IE3 electric motors in the weaving and finishing departments	102,000 kWh per year
2014	The ongoing replacement of old bulbs with efficient LED lamps	50% of electricity and 30% better illumination
2016	Replaced rapier looms with energy-efficient projectile looms	1,516 Mwh in 2020 and 1,66 Mwh in 2021
2017	Upgrade thermal power plant with new high-efficiency compressors and a lead control unit	1,009.1 MWh and 92,000 Smc of natural gas
2019	Air-heat exchangers and efficient IE3 electric motors applied to the rameuse in the finishing department	90,300 Smc of natural gas
2021	Launch project to replace the fan heaters used for heating the production departments with heat exchange systems using steam recovery from the Bono boilers of the thermal plant	Will replace 6,325 KW of consumption
2022	We initiated the planning process to replace three boilers used for steam production, which have a combined installed thermal capacity of 25.1 MW, with two new boilers for a final total thermal power of 16 MW.	Reduction of steam production capacity by 9.1 MW

Graph II. Comprehensive energy savings from efficiency measures



Graph III. The proportion of energy savings to production



**Comprehensive Energy Diagnosis\***

Candiani Denim must communicate details about its current and future energy management procedures as an energy-intensive company. Since 2015, both production sites have been subject to an Energy Diagnosis, which has deepened the management of internal assets and formalized a series of future improvement interventions. The proposed objectives are to increase the measurement points of the various consumption levels to determine the energy performance of each production process and department.

\* Candiani S.p.A. does not manage the transport of raw materials and finished products. Thus, this is entrusted to external suppliers and couriers. The only logistic activity operated by the company is related to the exchange of materials and products between the two production sites, located approximately 3km from each other in the same municipality. It is required by local legislation that transportation of goods between the two must avoid crossing the most densely inhabited areas. between the two must avoid crossing the most densely inhabited areas.

## WATER MANAGEMENT

(Material topic #5)

Water is one of the most important resources for producing textiles like denim. It is also one of the planet's most valuable resources that is all too often not managed sustainably.

Candiani sources its water from the local aqueduct and wells. Despite [not being located in a water-stressed region](#), according to the Water Risk Atlas, the sustainable management of water resources remains a top priority. We are constantly looking for the best-in-class technological solutions to achieve the most sustainable and efficient use of this invaluable limited resource.

### At Candiani Denim, water is primarily used for:

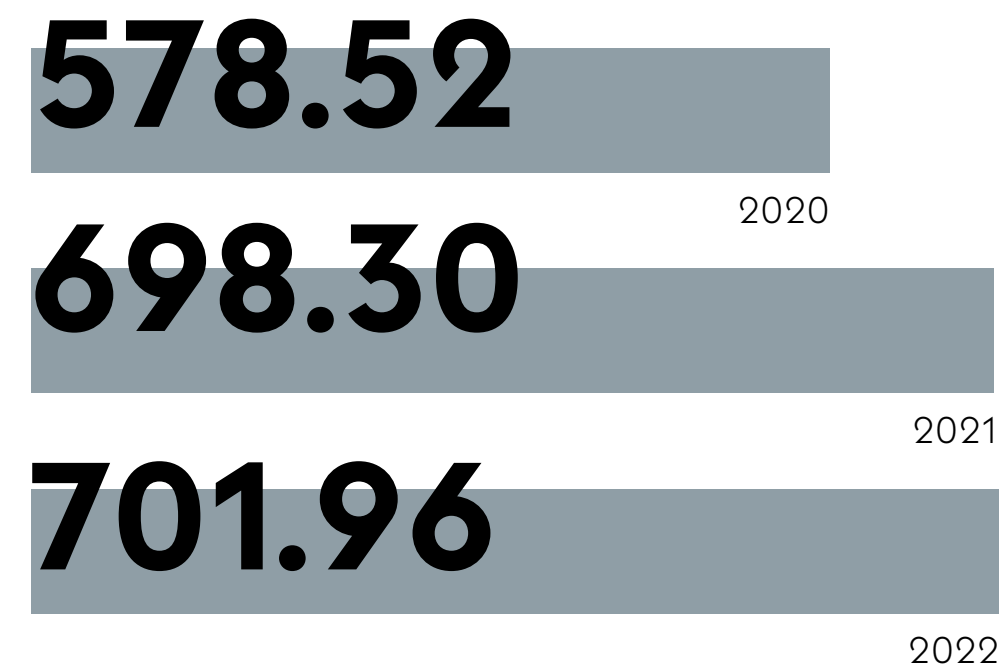
- Processes in the dyeing and finishing departments
- Cleaning of work areas, vehicles, and equipment
- Irrigation of green areas
- Sanitary use
- Fire safety measures

However, the dyeing and finishing processes represent the most water-intensive. As a result, they also generate the most wastewater. With the dyeing and finishing departments located at the headquarters in Robecchetto con Induno, this site accounts for 93% of total water withdrawn and 97% of total wastewater generated. The following table shows the breakdown of water consumed per use type.

Table IV. Water consumption by use

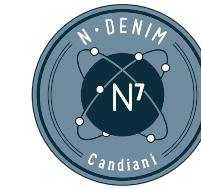
2020	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	119.57	230.66	19.82	169.81
% of total	22%	43%	4%	31%
2021	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	129.86	310.59	25.34	182.03
% of total	20%	48%	4%	28%
2022	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	117.39	229.58	25.34	207.02
% of total	20%	40%	4%	36%

Graph IV. Total water withdrawn



## Water Saving Technologies

Over the past decade, Candiani has developed a series of water-saving technologies aimed at reducing consumption in some of the most water-intensive processes within our production.



**N-Denim** - is a dyeing technology and is considered one of the most important recent innovations developed at Candiani Denim. This dedicated dyeing line was explicitly engineered to achieve denim with highly concentrated shades by increasing the penetration of dyeing agents into the yarn, using a fraction of water and chemicals.

- Make an annual saving of approximately four tons of auxiliaries
- Eliminate the use of salts
- Reduce the use of chemical auxiliaries
- Reduce the number of dyeing baths from seven down to 1-2
- Enable lower dyeing temperatures reducing energy consumption



**Indigo Juice®** - is a dyeing technique engineered to achieve a very superficial dye penetration. This allows dyes to easily be washed away during the laundry processes, creating an easy-to-achieve faded, vintage aesthetic while saving the water and chemicals typically needed. The fabrics dyed with Indigo Juice are engineered specifically to provide exceptional performance with sustainable laundry treatments such as laser, ozone, and ice. As a result, up to 70% fewer chemicals are used compared to typical stonewash processing.



**Shaper** - is a unique finishing technique developed in-house. It is a chemical and waterless process that creates highly elastic, high-performance fabrics achieving exceptional stability, elastic recovery, and Candiani's characteristic hand feel.

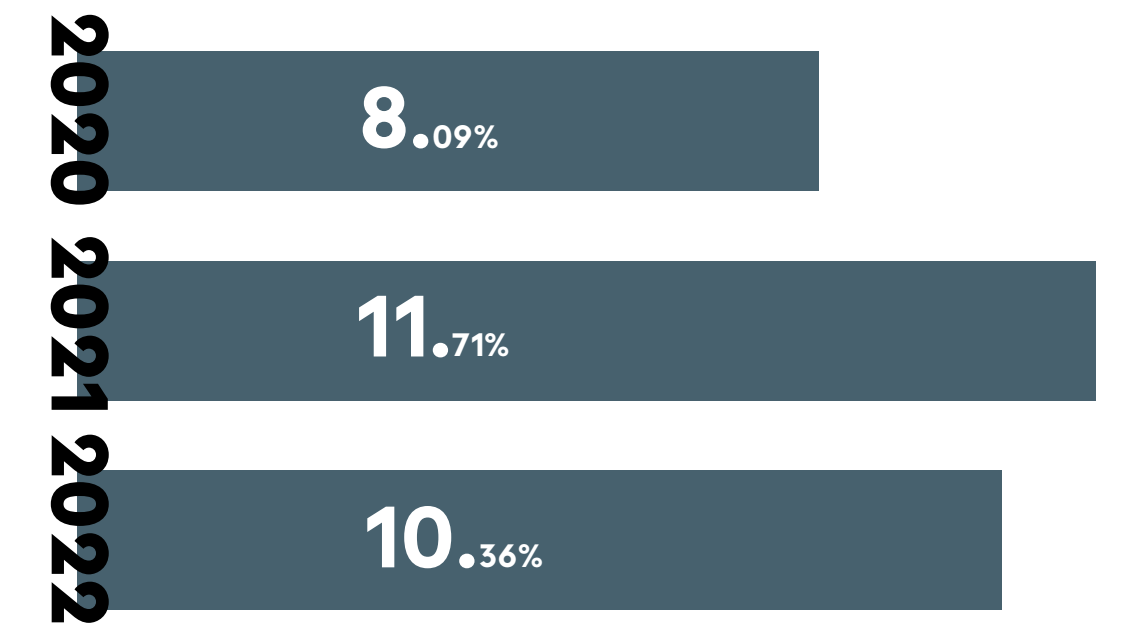
## Water Recycle and Resuse Measures

Water recovery measures applied:

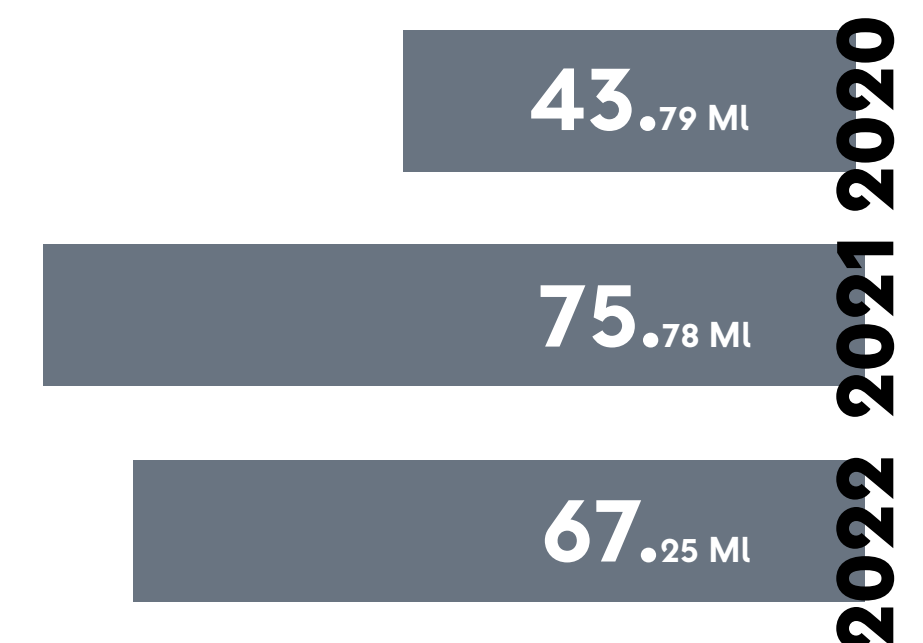
- Closed-loop system of dye baths for continuous regeneration
- Water recovery from Sanfor machines is then re-directed for use in the dyeing department
- Replaced wash tank on mercerizing line to optimize water recovery
- Counter-current system on washing tanks
- A portion of the grey water produced is used to irrigate the permeable green area

With these efforts, the percentage of water recovery compared to the total water withdrawn at the main site in Robecchetto equals:

Graph V. % water recovered



Graph VI. Total water recovered (ML)



## Water Discharged

Situated within the Valle del Ticino nature reserve, encompassing a diverse ecosystem of rivers and wetlands, effective wastewater treatment is of utmost importance. This significance is further emphasized by the fact that our wastewater is directly released back into this intricate network of waterways, from which it originated, following a series of treatments.

In compliance with local regulations, our discharged water undergoes weekly examinations, generating comprehensive reports on a weekly, monthly, and half-yearly basis. These reports are subsequently accessible via an internal web portal, enabling continuous monitoring and historical referencing. Since 2019 the industrial sewage is conveyed exclusively to an authorized external purifier. Therefore, there are no industrial discharges into the public sewer system.

Fluctuations in total volume of discharged water and ratio of discharged water in relation to production are determined by product demand and customer orders, and are not a reflection of changes in water management practices. Nevertheless, it's important to note that despite noticeable year-to-year variations, the overall trend over the long term is a reduction. This observation holds true for the overall volume of discharged water as well.

However, a few notable events contributed to the statistics included in this reporting cycle, as detailed in the table below. In 2020, the discharge of water notably decreased due to the production halt caused by the COVID pandemic. Following this, the substantial increase in discharged water in 2021 can be attributed not only to resuming production but also to the use of water softeners and rain chambers connected to our air conditioning systems. In terms of the ratio between discharged and withdrawn water, the overall proportion remains approximately 50%, focusing solely on the Robecchetto Site, which houses our dyeing and finishing facilities.

**Table V. Water discharge to water withdrawn**

Year	Total water (ML) discharge	Water discharge (ML) per ton of fabric	Withdrawn water (ML) per ton fabric	% withdrawn to discharge
2020	260.62	31.13	93.7	45%
2021	356.53	43.17	84.5	51%
2022	332.86	39.30	82.9	47%





## Ecologica Naviglio SpA

In December 2015, Candiani acquired a majority stake (64%) in the local municipality wastewater treatment plant Ecologica Naviglio SpA (EN). In this way, Candiani helps to support the economic and environmental activities of EN. This chemical-physical-biological wastewater treatment facility treats the effluents of 11 textile and tanning operations from the Municipality of Robecchetto con Induno. Benefits for all those involved include greater environmental control and reduced operating costs.

Yet, before being sent to EN, wastewater is treated in two ways. At the headquarters in Robecchetto con Induno, where all the company's wet processing is located, wastewater must be tested and undergo pre-treatment before leaving the site for further treatment. Whereas wastewater from the Malvaglio site, with fewer contaminants due to the absence of the finishing and dyeing departments, forego any pre-treatment and is discharged directly to EN.

Since March 2019, the main Robecchetto con Induno site has been connected to EN by a dedicated external sewage system. This efficiency measure allows for industrial wastewater to be treated separately from urban sewage and for both to be treated through separate dedicated plants.

Effluent limits for priority substances are established by the managing body of the Integrated Water System, which is aligned with the Robecco sul Naviglio purification plan. This plant receives the discharged water from EN, for final treatment, along with the wastewater of approximately thirty municipalities. This managing body has the right to reduce limits of non-dangerous parameters (such as BODS) and to give more restrictive limits for dangerous ones (such as nickel) than those in the table of Legislative Decree no. 152/2006. This is reflected in the MOD 07.01 Operational management of the plant: guiding values of the wastewater treatment outlet **favaiable upon request**.



## CHEMICAL MANAGEMENT

### Material topic #5

Our chemical management approach is comprehensive and multi-layered, surpassing mere legislative compliance. Initially, we thoroughly analyze all incoming and outgoing water for chemicals. At Candiani, we prioritize eliminating harmful substances at the source rather than managing them at the end. As a testament to this commitment, we ceased using the eleven priority chemical groups identified by Greenpeace's Detox campaign long before officially pledging our commitment to the campaign.

Our dedication to sustainable chemical management is evident through the following milestones:

- In **2015**, we made our commitment official by signing Greenpeace's Detox commitment and becoming part of the Italian Detox Implementation Consortium.
- In **2017**, we took another significant step by joining the Zero Discharge of Hazardous Chemicals (ZDHC) and adhering to its Manufacturing Restricted Substances List (MRSL).
- Building on our commitment, in **2019**, we decided to become ZDHC Contributors, granting us a prominent role in shaping future chemical management protocols, rules, and regulations. This allows us to have a say and a seat at the table in driving positive change within the industry.

**Ø ZDHC**  
CONTRIBUTOR  
since 2019

## Chemical Screening & Inventory

We developed a new internal screening and storage procedure to strengthen our chemical management practices. Before a new chemical product is approved, its safety data sheet is reviewed to confirm compliance with voluntary standards, such as GOTS and ZDHC's MRSL. Furthermore, it is now company policy to only purchase and use chemicals that conform with Levi's RSL.

Upon arrival at the mill, all chemical products are input into our new chemical management portal. The goods are labeled—indicating product, lot, and expiry date—and loaded into our warehouse. Once needed for production, the quantity required is easily subtracted, enabling a real-time ledger of our chemical stock. Likewise, the Safety Data Sheets for each product are easily accessible to workers to ensure their health and safety is always prioritized.

### 11 Priority Chemical Groups Banned for Use at Candiani

1. Alkylphenols & ethoxylates
2. Phthalates
3. Brominated and chlorinated flame retardants
4. Azo dyes releasing carcinogenic amines through reductive cleavage
5. Organotin compounds
6. Poly- and Perfluorinated chemicals
7. Chlorobenzenes
8. Chlorinated solvents
9. Chlorophenols
10. Short-chain chlorinated paraffins
11. Heavy metals: cadmium, lead, mercury and chromium (VI)



Chemical products are also uploaded on ZDHC's CleanChain and an InCheck report created. This inventory is updated every 3 months.

## Alternative Dyestuffs & Chemical Auxiliaries

A constant effort to seek out chemical products with the lowest environmental impact possible has led us to adopt several alternatives to commonly used pigments, dyes, and chemical auxiliaries.



**Pre-reduced Indigo** - Candiani Denim started using only pre-reduced indigo in 1979. Today, this pre-reduced indigo is Oeko-Tex Eco-Passport certified and GOTS and REACH compliant. The choice to only work with pre-reduced indigo allows for the following chemical use reductions\* with consequent improvements for the environmental health and safety of workers:

- 8-12% indigo
- 46-53% hydrosulfites
- 35-38% caustic soda
- 10-15% wastewater sludge
- 42% washing water

\*Calculations for chemical reductions were calculated and provided by the supplier



**Earthcolors®** - Synthesized by Archroma, Earthcolors is a family of dyestuff made from natural elements, many of which are by-products of other industries. These high-performance dyes are extracted from materials such as nutshells, orange peels, rosemary, beetroot, and agricultural cotton waste. Another benefit is that these dyes also pair well with the most advanced reducing agents, which are natural and biodegradable.



**Natural Indigo** - Stony Creek Colors produces natural indigo dyes that replace conventional petroleum-based dyes. This dyestuff is USDA BioPreferred® certified, ZDHC Level 1 compliant. It is produced in Tennessee, USA.



**V-Sizing** - This vegetal sizing compound is 100% biodegradable and non-toxic. It replaces hazardous chemicals, including PVA, thus resulting in a microplastic-free dye process.

**Dextrose** - Dextrose, essentially sugar, is a biodegradable and natural reducing agent. It is used to reduce sulfur dyes used in place of polysulfide, a toxic chemical.

**KITOTEX® technology**  
for the Denim of the Future



**HOW DOES IT WORK?**

Kitotex® is a sizing agent applied in the dyeing department that helps strengthen yarns for the friction and stress of the weaving process. Kitotex® is a patented technology that drastically reduces the consumption of water, chemicals, and energy during the fabric production processes. Thanks to its unique properties, desizing (the removal of the sizing agent post-weaving) is unnecessary.

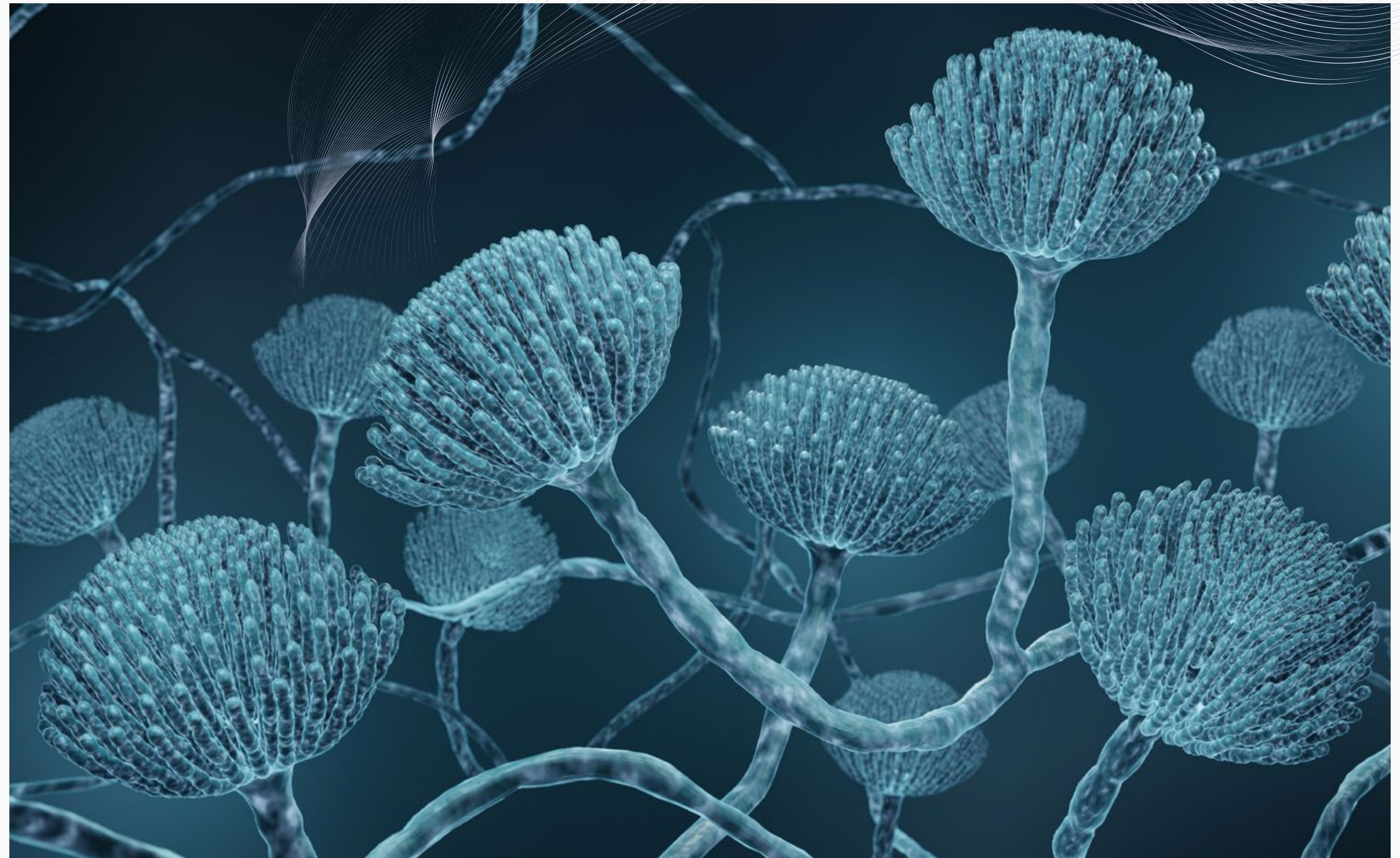
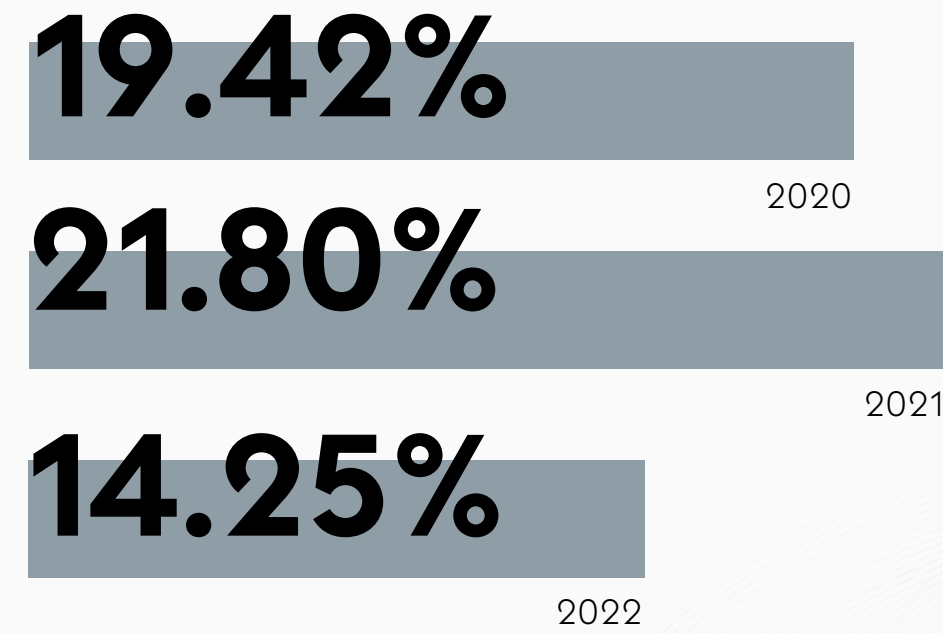
**WHAT IS IT?**

Remember when Kitotex® was made from shrimp shells? Well, now it is made from only plant-based sources. The chitin is now extracted from mushrooms but with the same performance in the dyeing and finishing process as the old formula. In 2016, Candiani obtained the exclusive rights to use Kitotex® in the denim industry, and in 2021 they became the sole patent holder.

**WHAT ARE THE ADVANTAGES?**

Kitotex® allows us to fully replace poly-vinyl alcohol, PVA, a plastic-based sizing agent, a common water pollutant, and a source of microplastics. Other harmful substances and toxins are also reduced, creating a cleaner dyeing process that also helps to purify the discharged water. The result is entirely MICROPLASTIC-FREE denim that also benefits consumers' health thanks to its antibacterial, antistatic, and anti-mite properties. During the extraction process of Chitosan, all allergenic properties are removed, eliminating any threat of allergic reaction.

Graph VII. Linear meters made using KITOTEX®



## PROTECTION OF BIODIVERSITY

### Material topic #7

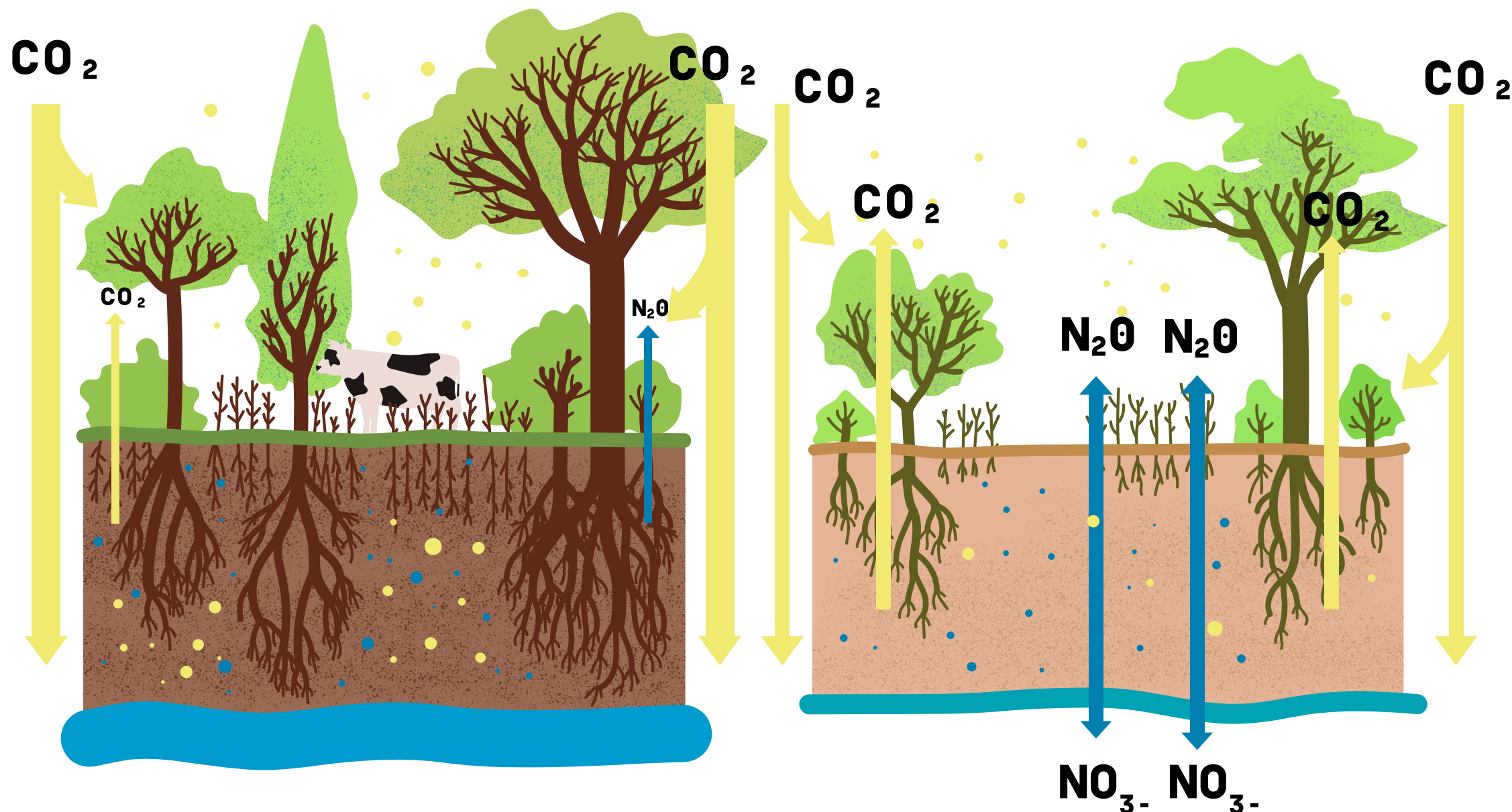
Biodiversity loss is a critical issue now recognized as being on par with the climate crisis. We also understand that biodiversity loss and climate change are inextricably linked. Action on one cannot adequately progress without action on the other.

### Believing In A Regenerative Future

One way Candiani actively addresses the climate crisis and biodiversity loss is by investing in regenerative agriculture. Regenerative agriculture prioritizes soil health which can lead to several identified benefits (listed in the graphic below).

Regenerative agriculture practices and benefits are site- and context-specific, leading many to stress that developing a universal definition could do more harm than good. However, despite the absence of a universal definition, Candiani sought to create its own that could act as a compass for sourcing and company decision-making.

*“Regenerative agriculture aims to restore the natural functions of the land by improving soil health and rebalancing ecosystems. It is an ongoing continual improvement process in which practices differ based on soil properties and biological and climatic conditions. When taken as an aggregate, they have a net positive impact on the social, environmental, and economic needs of the farm/-ers’ and the community at large.”*



### regenagri®



As of November 2021, Candiani became the first company certified according to regenagri®’s Chain of Custody standard. The Chain of Custody proceeds the regenagri®

Content Standard certification and confirms the regenerative fiber content in a finished product. In the case of Candiani, it refers to regeneratively grown cotton content in the finished fabric. Candiani’s regenagri® Content Standard certified fabrics must contain at least 40% regeneratively grown content.

The regenagri® standard focuses on the continuous improvement of environmental outcomes rather than maintaining a status quo. Importantly, it is a standard that meets farmers where they are while supporting farms and organizations with a complete solution to facilitate the continued adoption of regenerative farming methods. Candiani believes this approach gets to the heart of regenerative agriculture. It makes the standard farmer-friendly and points to the potential for regenagri® to become a widely adopted standard and genuinely scalable solution to some of the world’s most pressing problems.



## The Parco Naturale Della Valle Del Ticino

Candiani is uniquely located in a nature reserve, the Parco Naturale Della Valle Del Ticino (Parco del Ticino). In 2002, it was also internationally recognized as a Biosphere Reserve under the UNESCO Man and Biosphere (MAB) program. The Parco del Ticino is a protected terrestrial area, considered a Category V by the International Union for Conservation of Nature (IUCN).

### Category V: Protected landscape/seascape

*“A protected area where the interaction of people and nature over time has produced an area of distinct character with significant ecological, biological, cultural and scenic value: and where safeguarding the integrity of this interaction is vital to protecting and sustaining the area and its associated nature conservation and other values.”*

[LINK TO WEBSITE](#)

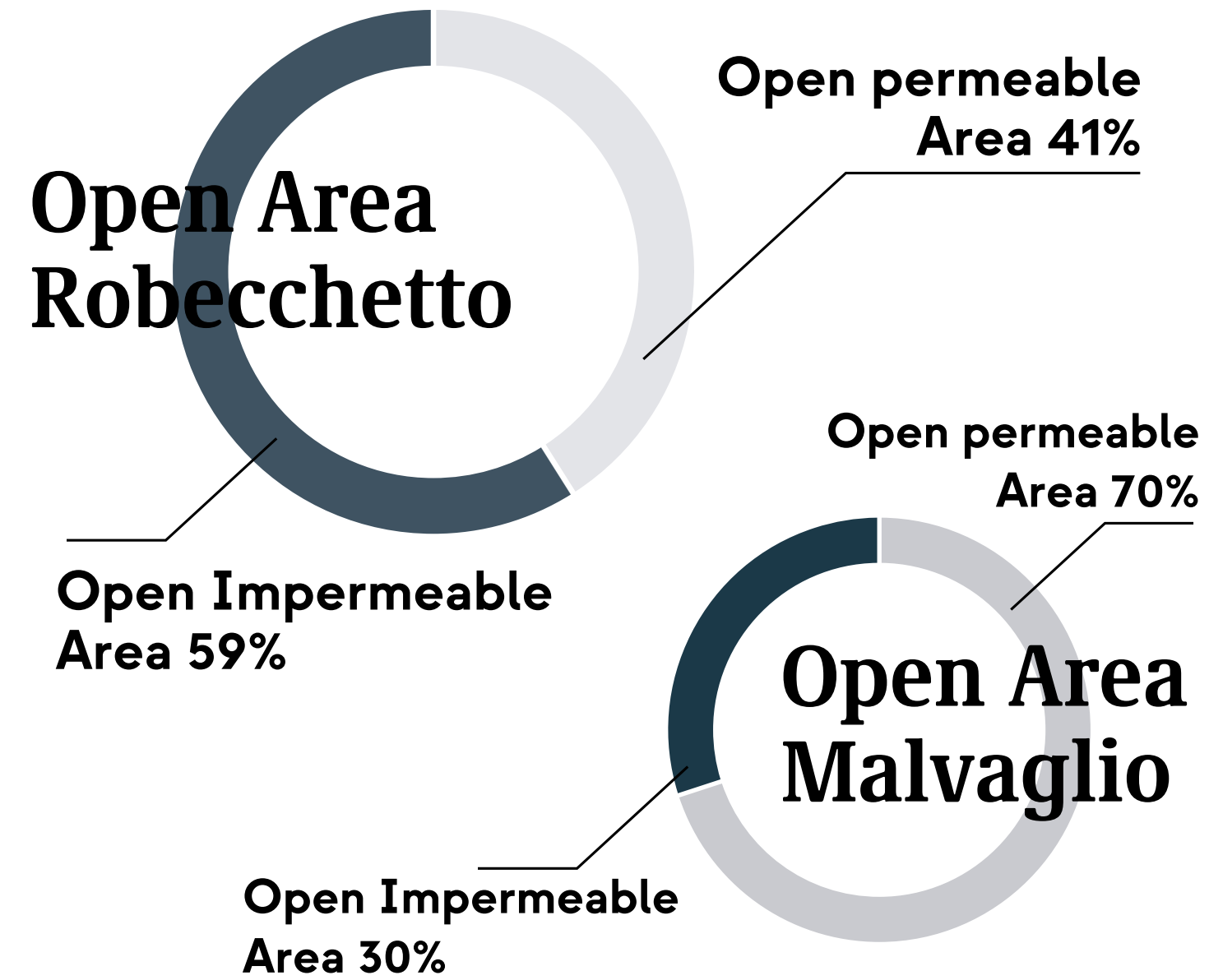
As a manufacturing facility, this area means that Candiani has had to consider its direct impact on the immediate surroundings since the park’s founding in 1974. Unlike others in the denim industry, we must adhere to strict protocols to offset any potential negative impacts on the local environment.

For example, in 2016, a new parking structure was constructed in an area previously zoned for agricultural use. However, in agreement with local authorities, including the Lombardy Park Consortium of the Ticino Valley, Candiani was permitted to compensate for any potential negative impacts of the new construction by agreeing to reforest an area 3Xs larger in size.

As of today, all of Candiani’s operational space, between both the Robecchetto HQ and the Malvaglio plant is distributed into the following:

Table VI. Breakdown of company surface area

Surface in mq	Headquarter Robecchetto	Malvaglio Plant	TOTAL	Headquarter Robecchetto	Malvaglio Plant
<b>Total area</b>	101.420	67.000	168.420	100%	100%
<b>Covered area</b>	58.573	27.000	85.573	58%	40%
<b>Open Area</b>	42.847	40.000	82.847	42%	60%
<b>Open Permeable Area</b>	17.540	28.000	45.540	17%	42%
<b>Open Impermeable Area</b>	25.307	12.000	37.307	25%	18%
<b>Cotton Warehouse</b>	2.185	4.100	6.285	2%	6%
<b>Finished product Warehouse</b>	3.845	0	3.845	4%	0%



# CANDIANI VISION

## REGENERATIVE CIRCULAR MODEL



## ECO-DESIGN & CIRCULAR ECONOMY

At Candiani, circularity is a model that links the industrial production of denim to regenerative agriculture. Raw materials are first transformed into denim fabric, then into garments that, instead of being thrown away when they reach the end of their life, can be turned into a nutrient-rich fertiliser, which can be used in regenerative agriculture in order to grow the next crop of raw materials and thus establish a sustainable recycling cycle for fashion items. This vision starts by looking at the end of the life cycle, prioritising low-impact raw materials, without toxic substances and, preferably, of organic origin, which allows for virtuous solutions when products reach the end of their life.

### Circular Raw Materials

#### Raw materials from recycled or upcycled sources:



**EarthColors®** - Synthesized by Archroma, EarthColors is a family of dyestuff made from natural elements, many of which are by-products of other industries. These high-performance dyes are extracted from materials such as nutshells, orange peels, rosemary, beetroot, and agricultural cotton waste. Another benefit is that these dyes also pair well with the most advanced reducing agents, which are natural and biodegradable.



**PCR cotton** - Recycled fibers recovered from old jeans that have reached the end of life. A partnership between Humana Italia, which recovers unwanted clothes and textiles, and Filatura Astro, a textile recycler and spinner, makes all of this possible. The recycled fibers are blended with Candiani Blue Seed, extra-long staple cotton that renders the fabric stronger with an exceptional hand-feel. The recycling process follows Global Recycled Standard (GRS) certification requirements, which have been granted to Candiani by ICEA.



**Post-industrial cotton** - Cotton waste recovered from Candiani's spinning department is re-introduced into the production cycle. This material is used to make our ReGen fabric, winner of ITMA's 2019 Sustainable Innovation Award. ReGen is made using regenerated fibers in both the warp and weft with a composition of 50% TENCEL™ x REFIBRA™ technology and 50% post-industrial recycled cotton.



**Roica™ EF** - Candiani's Relast family of fabrics owes its premium stretch performance to an exclusive, custom version of ROICA™ EF yarn, developed by Asahi Kasei, especially for Candiani. This is the world's first GRS-certified recycled stretch yarn made from pre-consumer recycled material. Its supreme stretch and high recovery also characterize these fabrics.

#### Raw materials from renewable sources that substitute commonly used synthetic materials:



**COREVA™** - A Candiani patented technology made from a 100% PLANT-BASED raw material from Hevea Brasiliensis, natural rubber trees cultivated in Thailand. Candiani's patented stretch technology COREVA™ is vulcanized in a "smart" and innovative way allowing for 100% compostability at the end of life.



**Kitotex®** - A Candiani patented technology made from mushrooms, used in the dyeing and finishing process. It is a 100% bio-based and biodegradable alternative to PVA, a chemical component commonly used in textile manufacturing that contributes to microplastic pollution. Kitotex® also benefits consumers' health thanks to its antibacterial, antistatic, and anti-mite properties.



**Dextrose** - This simple sugar is used to reduce our sulfur dyes. It offers a biodegradable and natural alternative to polysulfide, a commonly used reducing agent.

**V-Sizing** - This vegetal sizing compound is 100% biodegradable and non-toxic. It replaces hazardous chemicals, including PVA, thus resulting in a microplastic-free dye process.

## WASTE MANAGEMENT

In a circular economy, minimizing waste and exploring alternatives to landfilling are pivotal objectives. Though the ultimate goal is to optimize efficiency and reduce waste generation, achieving this immediately may not always be feasible. Hence, Candiani diligently adheres to essential waste separation and collection protocols, with a primary focus on recovering (recycling or reusing) as many materials as possible.

### How Much Is Produced

As seen in the following table, the total waste production varies from year to year. This is considered attributable to a range of processing requests by customers.

**Table VII. Mixed waste generated**

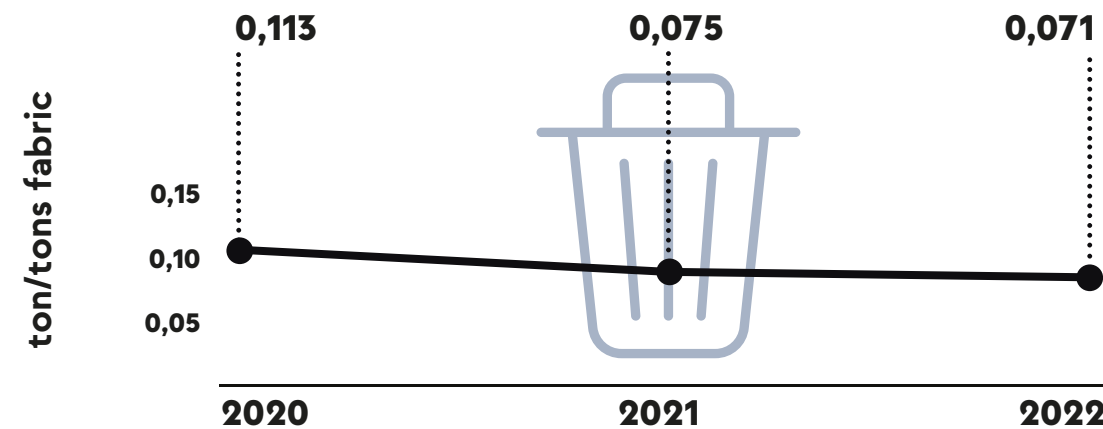
Year	Mixed waste Robecchetto (ton)	Mixed waste Malvaglio (ton)	Mixed waste Total (ton)	Mixed waste Total/production (ton)
2020	44.27	7.80	52.07	7.44%
2021	46.72	13.86	60.58	9.66%
2022	50.08	14.64	64.72	10.73%

**Table VIII. Waste generated per ton of fabric produced**

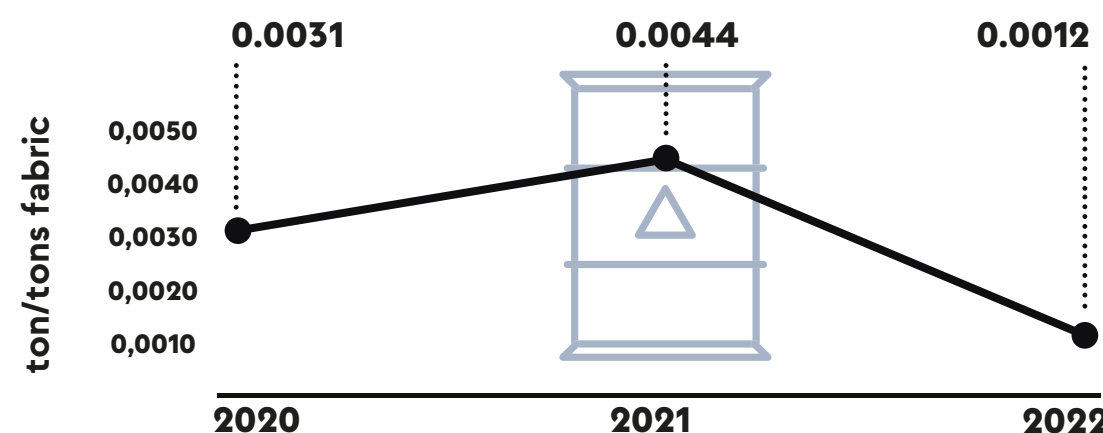
Year	Total ton of waste per ton of fabric produced	Hazardous waste produced per ton of fabric produced
2020	0.113	0.0031
2021	0.075	0.0044
2022	0.071	0.0012



**Graph VIII. Total waste produced**



**Graph IX. Total hazardous waste produced**



## How It's Handled

At Candiani, waste is efficiently separated at its source to ensure the maximum recovery of valuable materials. The waste is categorized into different streams, and each stream undergoes specific collection and treatment procedures according to its respective protocol.

### WASTE STREAM

**Domestic waste** is divided into several waste streams: paper, plastic, aluminum, food waste, and undifferentiated (landfill) waste.

### TREATMENT

Each waste stream is **sent to municipal urban collection** at authorized local centers, where it is recycled or disposed of according to the type of waste. **The Municipal Administration manages the activity in agreement with an official waste manager.**

### Green waste

The green waste from the mill grounds is collected and sent for recovery at a local authorized treatment center that transforms it into compost.

### Non-hazardous industrial waste

These materials are subdivided into various waste streams and then collected for recovery or disposal at authorized waste treatment centers.

### All waste deriving from jute bags, fibers and semi-finished products

These materials are then processed and recycled by specialized external companies that transform them into various products (e.g., insulation material, flooring material, rags, etc.). They may also be used as rags for cleaning mechanical parts and absorption.

### Hazardous waste

Hazardous waste produced in Candiani is evaluated weekly, then tracked and managed with the utmost care. All hazardous waste is stored indoors in a dedicated room accessible only by authorized personnel for a maximum duration of 3 months. Afterward, authorized operators come to collect, transport, and dispose of these materials correctly. **Part of the hazardous waste can be recovered for reuse and is treated at dedicated recovery plants.**



## How Much Is Sent To Landfill Or Recovered

The following shows how much of the overall waste produced at Candiani is recovered or sent to landfill.

Table IX. Non-hazardous and hazardous waste by treatment method in tons

	2020	2021	2022
<b>Non-hazardous waste (ton)</b>	679.40	590.27	593.39
<b>Recovered non-hazardous waste (ton)</b>	594.56	487.96	533.52
<b>Disposed non-hazardous waste (ton)</b>	84.84	102.33	59.87
<b>Hazardous waste (ton)</b>	19.70	36.67	9.92
<b>Recovered hazardous waste (ton)</b>	9.69	11.05	9.50
<b>Disposed hazardous waste (ton)</b>	10.01	25.62*	0,42

\* In 2021, the quantity of disposed hazardous waste showed a sharp increase. This resulted from clearing out expired chemical products from our chemical warehouse.



# The Monitor for Circular Fashion

The Monitor for Circular Fashion is a multi-stakeholder, collaboration that includes leading companies in the Italian fashion industry. It operates under the SDA Bocconi School of Management Sustainability Lab and is powered by Enel X. **Candiani is a founding member and an essential participant as one of the ingredient brands in this on-going, multi-year project.**

**The goal of the Monitor for Circular Fashion is to encourage the fashion industry to adopt circular business models.**

**It accomplishes this by:**

- Analyzing the sector's evolution over the next decade
- Assessing its alignment with the United Nations' Sustainable Development Goals
- Identifying key indicators for circular fashion
- Creating a Circular Fashion Manifesto that represents the voice of the Italian fashion industry

**All the companies participating in the Monitor for Circular Fashion are committed to:**

- Gathering information to reduce their environmental impact and support sustainability.
- Enhancing traceability and transparency to create circular and sustainable value chains.
- Integrating circular business practices into their value chains.
- Measuring and reporting progress towards circularity using common indicators.
- Promoting effective waste management practices.
- Integrating circular business practices into their value chains.
- Raising public awareness and educating stakeholders about the benefits of circular and sustainable business models.
- Sharing experiences and collaborating with other multi-stakeholder circular initiatives.



## RAW MATERIAL MANAGEMENT

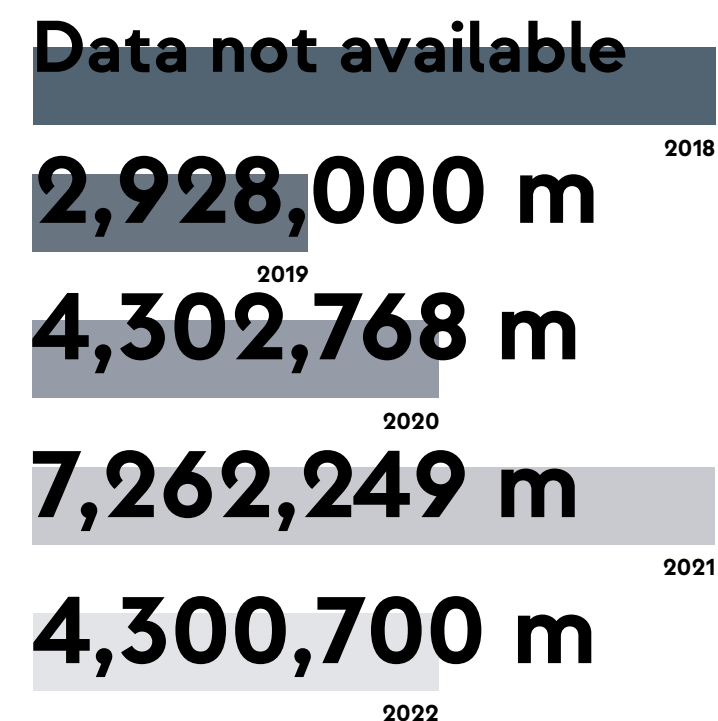
Denim production in the present day relies on a blend of raw materials sourced from various locations. Among these materials, cotton stands out as the foremost element in denim production. However, while cotton is often acknowledged for its significant environmental impact, the extent of its impact varies widely based on geographic factors and farming methods. Ensuring that we source as much of our cotton as possible from sustainably managed origins is a top priority for Candiani.

While traditional natural fibers like cotton, linen, and hemp continue to constitute a substantial portion of denim fabric, the landscape has expanded to include an array of artificial and synthetic materials. These innovative materials contribute unique qualities to enhance denim's overall performance, durability, and texture.

Regarding dyestuffs and chemical auxiliaries, many still stem from synthetic (fossil fuel-based) sources. Nonetheless, substantial efforts are being channeled into exploring bio-based alternatives that offer comparable or even improved performance and colorfastness.

The following pages provide a breakdown of Candiani's complete roster of preferred ingredients. You can also discover more at [www.candianidenim.com](http://www.candianidenim.com)

### Graph X. Annual production of GOTS/OCS certified fabrics



As of 2022, more than 70% of the cotton we source is Better Cotton.  
At the same time, 24% was certified GOTS.

Table X. Consumption of raw materials per year

Year	Absolute Consumption (ton)			
	Cotton	Chemical auxiliaries	Dyestuff	Yarn
2020	4,962.00	3,243.20	619.70	492.33
2021	10,992.00	1,315.50	311.30	360.26
2022	8867	2,320,027	678,840	696.41

Year	Specific consumption (ton/ton of fabric)			
	Cotton	Chemical auxiliaries	Dyestuff	Yarn
2020	0.80	0.53	0.10	0.08
2021	1.33	0.16	0.04	0.04
2022	1.047	0.08	0.36	0.08

## Preferred Cotton



**Regenerative** - Regenerative cotton is grown using regenerative agricultural practices on certified farms. Cultivating regenerative cotton can achieve various advantages for farmers, the general community, and, most importantly, the environment while reducing the harmful effects associated with growing conventional cotton. Some of the many far-reaching benefits are improving soil health, enhancing biodiversity, reducing greenhouse gas emissions, sequestering CO<sub>2</sub>, and increasing profitability. By using regenerative cotton, we can help restore the natural function of the ecosystem.



**Blue Seed** - Blue Seed is a hybrid, non-GMO cotton variety. Blue Seed was designed to be the best of two worlds—the superior fiber quality of ESL cotton with the robustness of Upland cotton. It is also more resistant in the field, requiring less water and chemical inputs. Blue Seed offers outstanding strength and durability when included in denim, making it a perfect blend with short-staple fibers, such as PCR cotton. Co-engineered with GOWAN, Blue Seed Cotton is sourced from B-Farm in California and Algosur in Andalusia, Spain.



**Organic** - Organically grown cotton eliminates the use of hazardous chemicals and ensures human rights along the supply chain. At Candiani, all of our organic cotton is certified according to the **Global Organic Textile Standard (GOTS)**.



**Better Cotton** - Since 2011, Candiani has sourced cotton grown according to the Better Cotton standard, making it the first denim company to do so. Founded on seven principles, Better Cotton promotes continuous improvements for the environment and farming communities.



**Post-consumer Recycled Cotton**  
The recycled content of this fabric is recovered from old jeans that have reached the end of their life. The jeans are shredded and opened back to fibers. This is blended with Candiani Blue Seed cotton and then re-spun into yarn. As a result, a closed loop is created with old jeans used to make a new pair, reducing the need for virgin materials. The recycling process follows **Global Recycled Standard (GRS)** certification requirements, which have been granted to Candiani by ICEA.



**Post-industrial Recycled Cotton**  
- Approximately 50% of the cotton waste recovered from our production processes is spun into **Global Recycling Standard (GRS)** certified yarns. The shredding and spinning processes are carried out at external companies. In contrast, the subsequent weaving and finishing phases are carried out internally at Candiani.

## Preferred Fibers & Yarns



**Hemp & Linen** - Cellulosic bast fibers generally require little water and little to no chemical inputs to grow. They are hearty plants that can be grown in various climates. And even though hemp, in particular, is still not widely cultivated, that is rapidly changing. Both offer an authentic look to denim fabrics and performance on par with cotton, making it a viable alternative. However, some technical limits remain, meaning it is still not a feasible 100% replacement.



**Himalayan Nettle** - Nettle grows wild in the mountain forests of the Himalayas. Sustainable management practices help the nettle plants better absorb CO<sub>2</sub> from the atmosphere while stabilizing the landslide-prone region. It is harvested by local subsistence farmers in their off-season, providing another source of income. The nettle fibers have unique properties and are known for being extremely strong, yet soft to the touch and breathable.



**TENCEL™ x REFIBRA™** - Lenzing's patented Refibra™ technology combines cotton scraps, from garment production operations, with wood scraps to make this unique upcycled fiber. These fibers are produced using a highly efficient, closed-loop system that recycles 99% of the water and solvents.



**TENCEL™** - Lyocell or modal cellulosic fibers are created by Lenzing using a highly sustainable, closed-loop system that recycles 99% of process water and solvents. These fibers, derived from wood pulp that is **FSC or PEFC certified**, are often blended with cotton to improve the technical performance, aesthetics, and hand-feel of finished fabrics.



**COREVA™** - A Candiani patented technology, made from a 100% PLANT-BASED raw material from Hevea Brasiliensis, natural rubber trees cultivated in Thailand. It is utilized to create Candiani's patented stretch technology COREVA™, vulcanized in a smart and innovative way allowing for 100% compostability at the end of life.



**Roica™ V550** - A unique eco-compatible stretch yarn that degrades in the environment without releasing any harmful substances. It has been awarded the "Environmental Compatibility" certificate by Hohenstein Institute and received the "Gold" Health Certification by **Cradle to Cradle**. Thanks to a custom version of the V550, Candiani obtained a Superior Stretch performance of 45%.



**Roica™ EF** - Candiani's Relast family of fabrics owes its premium stretch performance to an exclusive, custom version of ROICA™ EF yarn, developed by Asahi Kasei, especially for Candiani. This is the world's first **GRS-certified** recycled stretch yarn made from pre-consumer recycled material. Its supreme stretch and high recovery also characterize these fabrics.

## INGREDIENT CERTIFICATIONS EXPLAINED

Many of our preferred raw materials are approved according to third-party sustainability certifications. The following provides a brief overview of these certifications.



**Better Cotton** - This international membership aims to make global cotton production better for the people who produce it, better for the environment, and better for the sector's overall future. "Better" is defined on seven principles: crop protection, water, soil health, biodiversity, fiber quality, decent work, and management system. As of 2021, over 2.2 million farmers have received the Better Cotton License globally.



**Cradle to Cradle** - C2C certifies products based on interconnected sustainability topics to develop safe and circular products. The certification aims to ensure that materials are safe for humans and the environment. It also prioritizes design for reuse (e.g., recycling, composting) while considering the impact on clean air & climate protection, water & soil stewardship, and social fairness. A product receives an achievement level in each category-- Bronze, Silver, Gold, and Platinum--with the lowest achievement level representing the product's overall mark.



**ECO PASSPORT by OEKO-TEX®** - This independent certification system allows textile chemical suppliers to demonstrate that their products can be used in sustainable textile production. The ECO PASSPORT by OEKO-TEX® applies to chemical products (colorants and auxiliaries) and their preparation to be used in the textile, clothing, and closely related industries.



**Forest Stewardship Council (FSC)** - FSC Chain of Custody certification traces wood through the supply chain to ensure that the fibers are not coming from ancient and endangered forests. Forests are inspected and certified against strict standards that safeguard biological diversity while protecting local people and workers' economic viability and well-being.



**Global Organic Textile Standard (GOTS)** - This stringent voluntary global standard covers the entire post-harvesting processing (including spinning, knitting, weaving, dyeing, and manufacturing of apparel and home textiles made with certified organic fibers (such as cotton and wool). This standard considers environmental and social criteria with a chain of custody requirements along a product's entire textile supply chain.



**Global Recycled Standard (GRS)** - This standard considers the use of recycled materials in any product. A certified product must contain at least 20% recycled material. Still, only products with at least 50% recycled (pre-consumer or post-consumer recycled material) may use the GRS logo on consumer-facing products.



**Programme for the Endorsement of Forest Certification (PEFC)** - PEFC is an independent, third-party certification that aims to ensure that forest-based products have been sourced from sustainably managed forests. Chain of custody requirement monitors and audits each supply chain step from sustainable sources to the final product.



**regenagri®** - Cotton is grown in a manner that supports farms and organizations to transition to regenerative farming techniques to restore natural ecosystem function. Important factors taken into consideration are increasing soil organic matter, encouraging biodiversity, sequestering CO<sub>2</sub>, and improving the hydrogen, carbon, and nutrient cycle. "The goal of regenagri® is to secure the health of the land and the wealth of those who live on it." regenagri® Content Standard certified fabrics must contain a minimum of 40% regeneratively grown fibers.



**USDA BioPreferred®** - This certification indicates that a product or package is made with bio-based products derived from plants and other renewable agriculture, marine, and forestry materials. The USDA strictly monitors this third-party verified certification. It assures consumers that a product contains a confirmed amount of bio-based ingredients.



**ZDHC MRSL** - The ZDHC MRSL is a list of chemical substances banned from intentional use in textile and footwear production. Conformance with the ZDHC MRSL is essential to a holistic chemical management program that aligns with a company's sustainability objectives and will lead to the discharge of zero hazardous chemicals. The conformance levels range from 0 to 3. Level 0 is provisional and must be verified, with level 3 indicating approval after a rigorous review.



## SOCIAL

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Candiani's dedication to social sustainability encompasses a wide range of activities and initiatives aimed at creating a positive and inclusive work environment. By prioritizing the well-being of our employees, we guarantee fair and ethical treatment, leading to increased productivity, higher job satisfaction, and reduced turnover.

Moreover, our commitment extends beyond our own company walls. We understand the importance of fostering responsible practices throughout our supply chain. To achieve this, we work closely with our supply chain partners to ensure they adhere to ethical standards and uphold human rights. This collaborative effort allows us to build a robust network of suppliers who share our values of social responsibility and sustainability.

Through our integrated approach to social sustainability, we aim to make a meaningful impact not only within our organization but also within the broader community and industry. By continuously improving and expanding our efforts, we contribute to a more equitable and sustainable future for all stakeholders involved.

In the following section key topics including Health & Safety At Work, Ethical Supply Chain Management, Diversity & Inclusion, Protection of Human Rights in the Company, Employee Well-Being, Stakeholder Engagement, and Employee Training & Development will be discussed in detail. Please note that discussion of Stakeholder Engagement was omitted due to the low priority given during the materiality assessment.

# HEALTH & SAFETY AT WORK

## Material topic #1

Candiani places a fundamental focus on the health, safety, and well-being of its employees. In 2010, the company took a significant step by obtaining SA8000® Standard certification to formalize this commitment. By the end of 2021, Candiani worked to enhance its dedication even more, aiming to achieve certification according to the ISO45001:2018 Occupational Health and Safety Management Systems standard.

**SA8000** - The SA8000 is an international standard that defines voluntary requirements employers must meet in the workplace and includes workers' rights, workplace conditions, and management systems. The regulatory elements of the standard are based on national laws, international norms, fundamental human rights, and ILO conventions. It measures eight performance areas and aims to promote continuous improvement—that must be tracked, documented, and verified by an authorized third party.

SA8000 is founded on a two-way communication mechanism that ensures all workers at every level of the company can communicate directly with management. This anonymous system is facilitated by problem-reporting boxes located in every department. Complaints are collected and responded to via the department noticeboard and periodical reports. Candiani Denim then makes a verifiable commitment to take action to resolve any identified issues. Another strength of the SA8000 is that its scope extends to a company's suppliers. Candiani Denim asks all suppliers to provide information about their commitment to social responsibility. Additionally, some suppliers also attend meetings to discuss technical and regulatory issues, verify compliance with current legislation and legal requirements, and share best practices in the field of sustainability.



**ISO45001:2018** - Occupational safety plays a central role in the Integrated Company Management System. Periodic inspections are planned within the company and at its suppliers, and specific procedures and operating safety instructions are developed for each department. Consultation meetings and training activities are organized with a team of qualified personnel to guarantee and share guidelines and rules internally.

Communication initiatives and periodic involvement at various levels are always planned within the company. Employees are represented at regular meetings by times of involvement through five workers' representatives (RLS), two of which are actively involved in the functioning of the SA8000 Social Responsibility System.



## Health and Safety Performance

Between 2018 and 2021, there were no reported cases of occupational diseases. However, during the same period, we observed fluctuations in the injury rate, and recently, there has been a slight increase in the lost day rate. This increase is mainly attributed to a higher number of minor injuries, which we have addressed through targeted corrective actions like training, information dissemination, safety procedure updates, and better monitoring and control measures.

Graph XI. Safety and injury indices

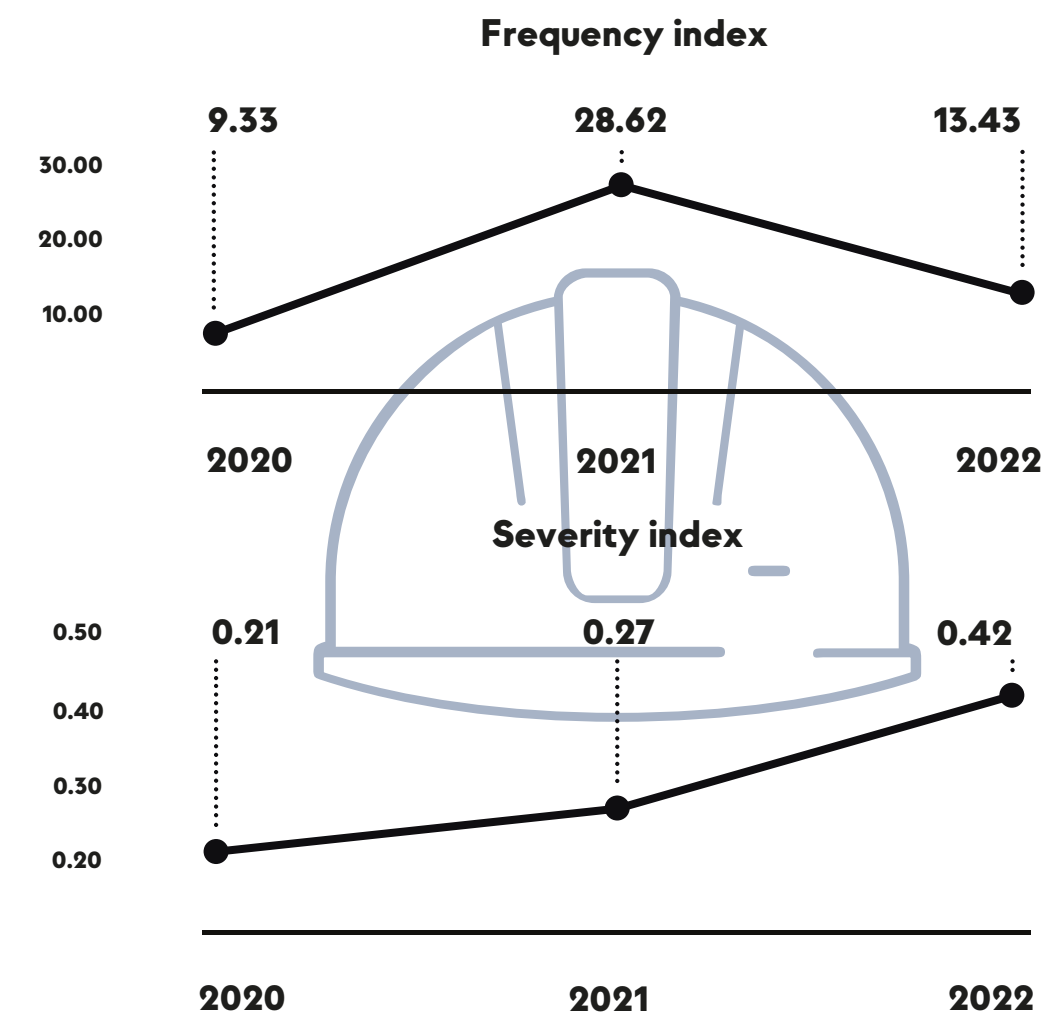


Table XI. Injury rate

Years	N° Injuries	Injury rate
2020	6	9.33
2021	12	28.62
2022	10	13.43

Injury rate = (N° of accidents / total N° of hours worked) \*1,000,000

Table XII. Lost day rate

Years	N° accidents	Days lost	Total N° possible workable hours	Lost days rate
2020	12	228	1,077,454	0.21
2021	21	284	1,033,443	0.27
2022	10	324	767,948	0.42

Lost days rate = N° of days lost due to accidents at work x 1000/ N° of total workable hours

Table XIII. Absentee rate

	2020	2021	2022
<b>Total N° of possible workable hours</b>	1,077,454	1,033,443	767,948
<b>Absence due to illness</b>	53,147 hrs (4.93%)	58,179 hrs (5.63%)	69,058 hrs
<b>Absence for blood donation</b>	314 hrs (0.03%)	260 hrs (0.03%)	298 hrs
<b>Absence with permission</b>	14,845 (1.37%)	19,591 (1.89%)	19,188 hrs
<b>Hours of absence for other reasons</b>	30,000 hrs (2.78%)	32,002 hrs (3.09%)	30,370 hrs

Absentee rate = (N° of days of total absence / N° of total workable hours) in %

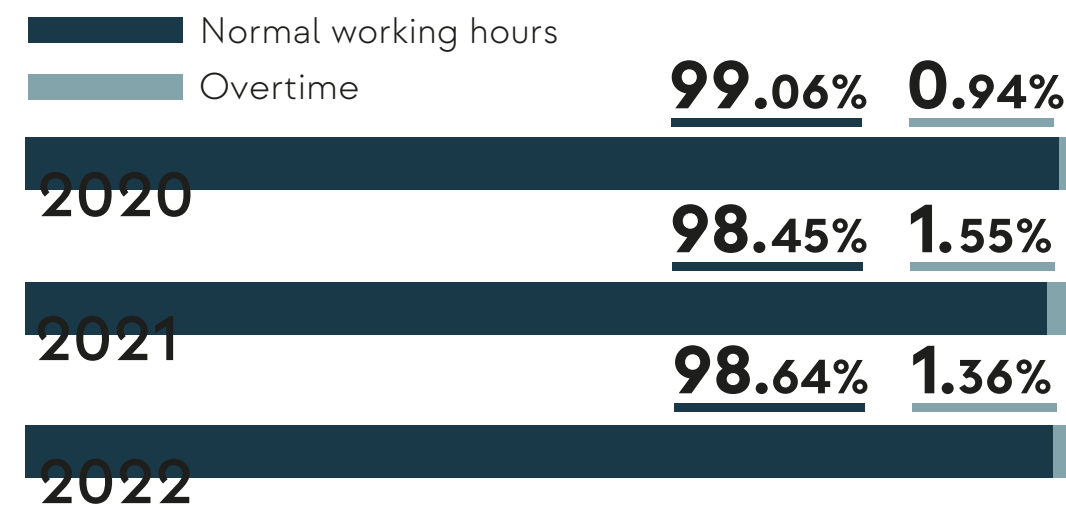
## Working Hours

An accurate oversight of production processes has allowed us to keep overtime hours to a minimum. Over the last three years, the percentage of overtime hours has remained under 2%. In 2021, the average overtime hours per capita was six hours, compared to eleven hours in 2020 and an average of nineteen hours in 2019.

**Table XIV. % Ordinary hours vs. % overtime hours**

	2020	2021	2022
<b>% Ordinary</b>	99.06%	98.45%	98.64%
<b>% Overtime</b>	0.94%	1.55%	1.36%

**Graph XII. % Ordinary hours vs. % overtime hours**



## PROTECTION OF HUMAN RIGHTS IN THE COMPANY

### Material topic #4

At Candiani, we place significant importance on safeguarding the fundamental human rights of all our employees. By continuously monitoring and enhancing our SA8000 and ISO45001 management systems, we uphold ethical practices and social responsibility. Our Code of Conduct is aligned with the Universal Declaration of Human Rights and ILO conventions, ensuring that we strictly prohibit child labor, forced labor, discrimination, and excessive overtime while prioritizing health and safety, freedom of association, collective bargaining rights, and fair remuneration among our workforce.

## EMPLOYEE TRAINING & DEVELOPMENT

### Material topic #6

At Candiani training and development are crucial for our employees' success and the overall growth of the company. It enhances the skills and knowledge of our workforce, leading to increased productivity, job satisfaction, and improved performance. Additionally, it fosters a positive work culture, promotes employee retention, and helps the company stay competitive in a dynamic market.

### Worker Health & Safety Training

Dedicated staff within every department are authorized workplace safety and competence trainers. This ensures the continuous development of internal skills, which always remain in line with certification requirements, not to mention current legislation.

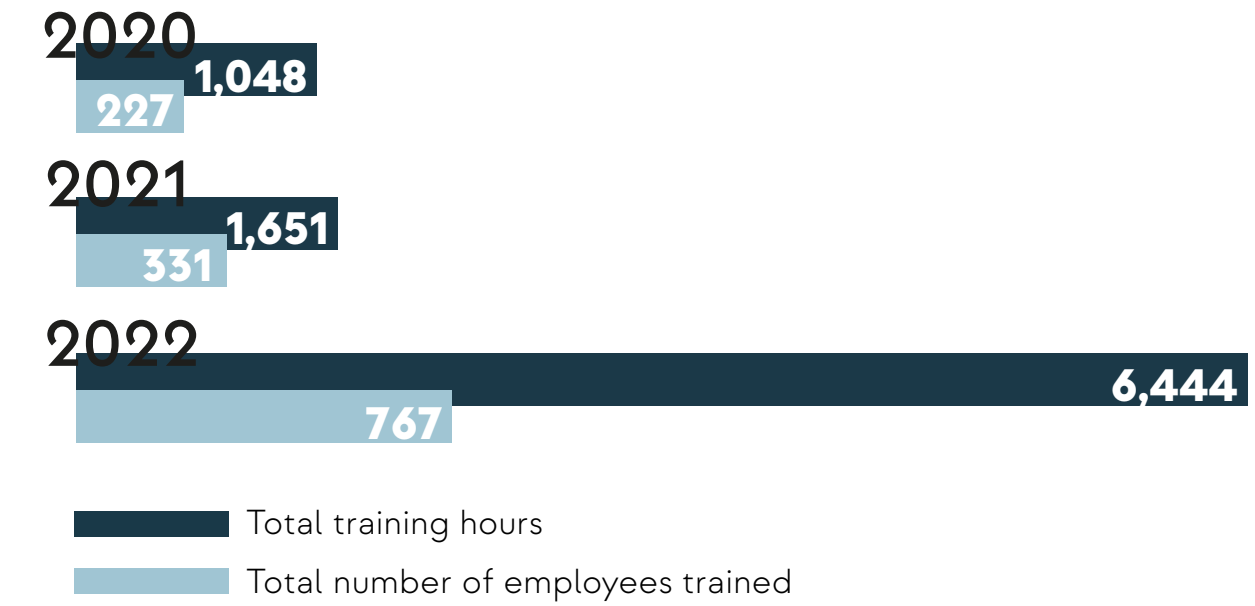
Formal training sessions for worker health and safety are mandated to take place every five years. However, the events of 2020 posed challenges, as the company had to halt training activities due to the emergence of the COVID pandemic. This disruption is evident in the notable decline in the number of training hours delivered during that year. As the pandemic situation began to stabilize in 2021, the company resumed its training efforts, leading to a substantial 57% surge in training hours compared to the prior year. In 2022, a considerable number of employees needed to renew their health and safety training, which is reflected in both the extensive training hours and the increased count of participating employees.

**Table XV. Training breakdown**

Worker Trainings	2020	2021	2022
<b>Total training hours</b>	1,048	1,651	6,444
<b>Total training hours by gender</b>	714 M 334 W	1,264 M 387 W	4,345 M 2,099 W
<b>Total number of employees trained</b>	227	331	767
<b>Number of employees trained by gender and worker category</b>	17 M, O 6 W, O	23 M, O 11 W, O	66 M, O 34 W, O
	147 M, P 57 W, P	196 M, P 101 W, P	362 M, P 305 W, P

Legend: M: Men, W: Women / Worker Category: Exec: Executive, O: Office and P: Production

**Graph XIII. Total hours of training to number of employees trained**





## ETHICAL SUPPLY CHAIN MANAGEMENT

A commitment to ethical supply chain management is crucial for achieving our sustainability goals. It ensures that the materials used in our products are produced in a socially responsible and sustainable manner, avoiding any exploitation or harm to workers, communities, and the environment. By proactively managing risks and building stronger relationships with our supply chain partners, we can contribute to a more sustainable and equitable global economy.

### New Specification for Suppliers

In 2021, as part of updating the Integrated Management System to the 9001 standard, Candiani introduced a new Specification for Suppliers, outlining environmental and social requirements. This specification, provided in both Italian and English, was sent to suppliers and will be **reissued every three years** along with an online evaluation questionnaire. Suppliers aiming for the highest qualification level are required to subscribe to the SA8000 Declaration and Candiani's Code of Conduct, and the use of online self-assessment questionnaires.

A survey was conducted on strategic suppliers to assess safety, environmental, social, and chemical management aspects, following ZDHC and HIGG standards. Based on the level of collaboration and strategic importance for Candiani S.p.A., further exploration of the SA8000 standard included elements related to personnel management of relevant suppliers. In total, 171 questionnaires (64 responses so far) were sent to Italian suppliers, and 40 questionnaires (12 responses so far) were sent to foreign suppliers in 2022, with reminders for those yet to respond.

The Register of Suppliers shows 73 responses to the request for subscribing to the principles of SA8000, with 17 confirmations, 45 requests for clarifications, and 11 denials. Notably, out of the 45 suppliers requesting clarifications, 30 still signed the Supplier Specification, and five additional adhesions were received from the 11 suppliers who initially refused to subscribe.

Supplier management and involvement occur at both operational and strategic levels, with main suppliers periodically engaged during the materiality analysis process, critical for updating Candiani's Sustainability Report. For contractors, the PG 26 PROCUREMENT MANAGEMENT procedure involves department managers with support from the Maintenance Office, integrating the Candiani DUVRI format with references to environmental regulations and Legislative Decree 231/01.

## SUPPLY CHAIN DUE DILIGENCE

New company protocol requires that we:

1. **Ask each new supplier to sign our [Code of Conduct](#).**
2. **Ask each new chemical supplier to complete a questionnaire and confirm their compliance with Levi's RSL and ZDHC MRSL.**
3. **Request that our strategic suppliers complete a questionnaire on a reoccurring basis.**
4. **Share this procedure on our internal company portal and update it accordingly.**

## Chemical Sourcing Assessment

The evolution of our chemical management has also changed our chemical procurement procedure. The first step in allowing a new chemical to be used in our production is to review its safety data sheet. Once approved, we conduct a cross-check to ensure that it is also compliant with Levi's RSL and with voluntary standards GOTS and ZDHC. Each new chemical supplier is also asked to:

1. **Sign our Code of Conduct**
2. **Confirm their product adheres to ZDHC's MRSL and Levi's RSL**
3. **Evaluate their suppliers on an annual basis**

## EMPLOYEE WELLBEING

Candiani's strong connection with the local community is evident through its 80+ years of existence in Robecchetto con Induno. Many workers living in the area have been an integral part of the company's growth and success for generations, giving it a familial atmosphere. This sense of family extends to our commitment to employee well-being, creating a positive work culture where everyone feels safe and valued.

**Currently, 66 workers come from families that have worked at Candiani Denim for at least two generations, and nine families have now reached their third. Furthermore, 104 people – equal to 18,64% of the staff – have only ever worked at Candiani.**

## Employment Contracts

All personnel contractually refer to the National Collective Labor Contract of the textile industry, Section 35 (in Italian, "Contratto Collettivo Nazionale di Lavoro").

In 2021 more than 98% of employees work full-time. While in 2021 like in 2022, only six people were working part-time, and in 2020 there were only seven part-time employees. Likewise, between 2020 and 2022, the percentage of fixed-term contracts did not change, confirming the stability of the company and its commitment to maintaining secure jobs.

Conversely, nel 2022 sono avvenute 54 cessazioni del rapporto di lavoro, in 2021 sixteen employees terminated their employment. In 2020, 39 people terminated their employment, primarily due to retirement.

## Health Surveillance

Regarding health surveillance, we offer free flu vaccines to all employees, and an on-site doctor conducts medical examinations upon request. These services are provided weekly in a dedicated room at no cost to the employees.



# The COVID Crisis

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The COVID19 pandemic challenged our business and operations in unprecedented ways. It required that we adopt occupational health and safety measures to help mitigate the spread of the virus, all of which were communicated via the company's online portal to reach employees quickly.

As for the measures taken by the company to deal with the Covid emergency we:

- made the use of masks within the company perimeter (both outdoors and indoors) mandatory
- provided sanitizing gel for hands and sanitizing spray for surfaces in different points of the work environments, especially in the canteen or in the break areas (where there are machines)
- made sanitizing shared work tools obligatory
- required social distancing and prohibited gatherings
- measured temperatures of all employees, suppliers, and guests before entering the company premises
- increased in the cleaning and sanitation of workplaces at each shift change
- created two distinct shift cycles to avoid gatherings during the shift change
- sanitized the workplace weekly
- limited entry into the company by external personnel
- suspended all face-to-face meetings

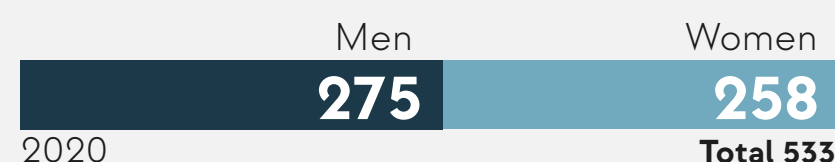
## DIVERSITY & INCLUSION

### Material topic #4

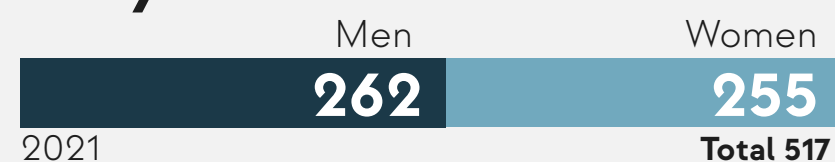
Having a diverse and inclusive work environment brings numerous benefits, which we value highly at Candiani. By embracing diversity, we create a more innovative and creative atmosphere, where every employee's unique perspectives contribute to our success. Moreover, inclusivity enhances employee engagement and morale, as everyone feels valued and respected for their individual contributions. We are committed to ensuring equal opportunities for professional growth and success for all individuals within our company, fostering an inclusive and empowering work environment that nurtures our employees' potential and drives our collective achievements.

Graph XIV

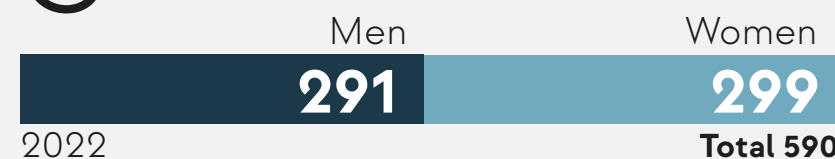
# Employee breakdown



by



gender



### Gender equality

Gender equality is a significant priority for our company, as evident from our almost equal gender distribution of employees. In 2022, we achieved a milestone where the number of women employed at Candiani surpassed that of men, marking a momentous step towards creating a more inclusive and diverse workforce. This achievement highlights our dedication to fostering an environment that empowers all individuals, regardless of gender, to thrive and succeed within the organization.

Table XVI. Employment breakdown by contract type and gender

	2020	2021	2022
<b>Permanent contract</b>	528	511	490
<b>Permanent contract by gender</b>	271 M 257 W	259 M 252 W	246 M 244 W
<b>Fixed term contract</b>	5	6	95
<b>Fixed term contract by gender</b>	4 M 1 W	4 M 2 W	47 M 48 W
<b>Apprenticeship</b>	-	-	-
<b>Job placement</b>	-	-	-
<b>TOTAL</b>	533	517	585

Table XVII. New hires and dismissals per gender

<u>New hires</u>	2020	2021	2022
<b>Women permanent contract</b>	0	3	245
<b>Women fixed term contract</b>	1	9	54
<b>Men permanent contract</b>	2	3	243
<b>Men fixed term contract</b>	1	10	48

<u>Dismissals</u>	2019	2020	2021
<b>Women permanent contract</b>	9	18	23
<b>Women fixed term contract</b>	0	0	0
<b>Men permanent contract</b>	23	7	31
<b>Men fixed term contract</b>	0	0	0

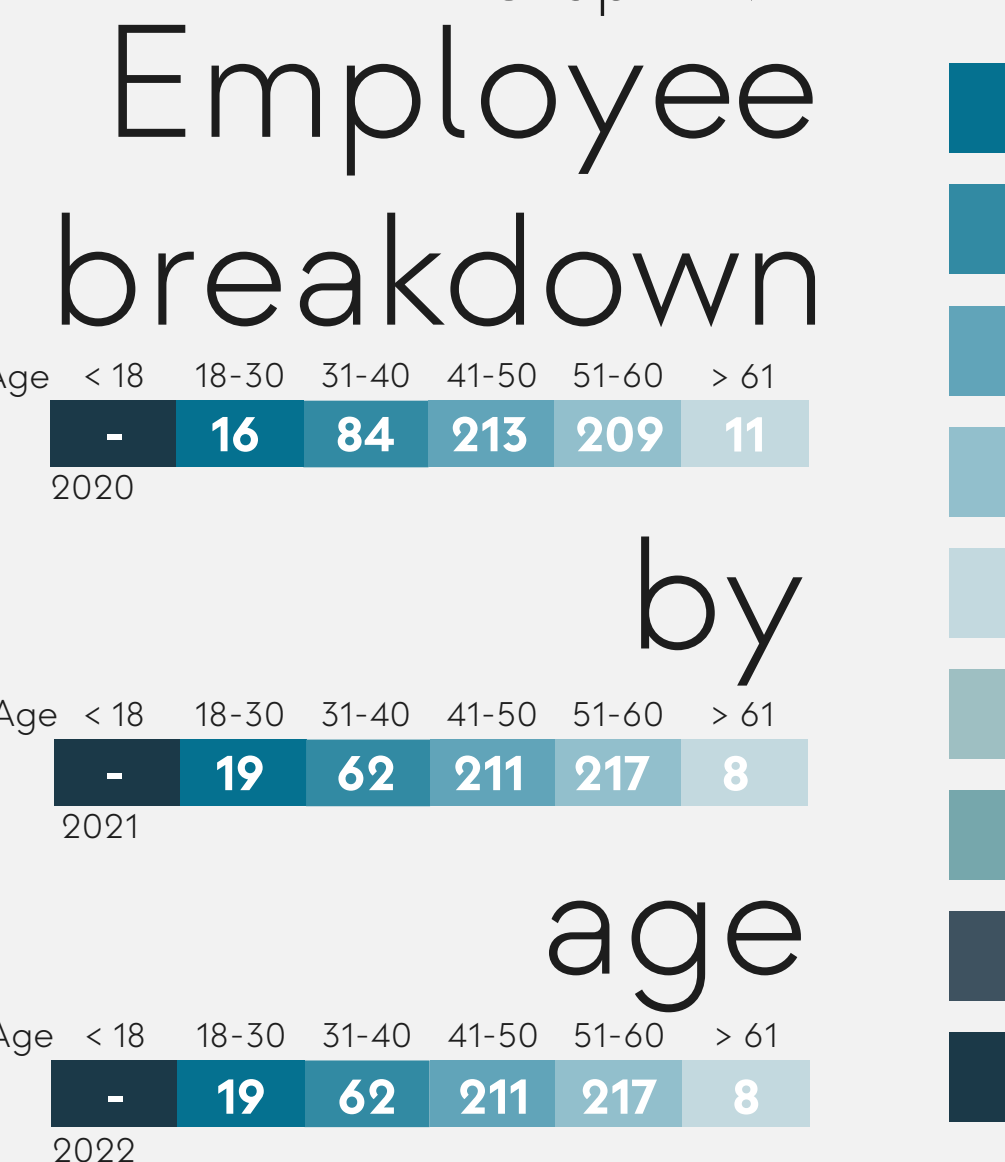
Graph XV. Employees extra-EU



## Training the next generation

As our workforce ages, Candiani recognizes the importance of cultivating a new generation of skilled workers in the textile manufacturing industry. We are committed to actively recruiting, supporting, and providing training opportunities for young adults who seek to pursue careers in this field. To further support their education and development, we offer scholarships to students enrolled in regional textile and chemical trade schools. By investing in the next generation of talent, we aim to ensure the continuity of expertise and innovation in our industry while creating opportunities for young individuals to build rewarding and sustainable careers in textile manufacturing.

Graph XVI



### Improved Work Opportunities for Vulnerable People

We understand the significance of fostering a more inclusive and supportive workplace for individuals from vulnerable groups. To achieve this, we are implementing a program designed to offer employment opportunities to individuals who may be vulnerable, disabled, or disadvantaged. By actively promoting diversity and providing meaningful work opportunities, we aim to create a more inclusive and equitable work environment that empowers and uplifts individuals from all backgrounds.



# ECONOMIC & GOVERNANCE

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In this section key topics including Quality & Safety of Products, Business Practices & Fair Competition, Transparent Governance & Anti-corruption, Support for Local Community & Institutions, Creation & Distribution of Economic Value, and Traceability of Raw Materials will be discussed in greater detail. Please note that discussion of and Energy Cost was omitted due to the low priority given during the materiality assessment.



## PRODUCT QUALITY & SAFETY

### Material topic #2

Product quality and safety are critically important for the company and our key stakeholders. Throughout our operations we strive to invest in the highest quality and safety standards. We can drive positive change by placing customer care at the center of our work and utilizing technologies and techniques that respond to our client's specific needs.

Having established a Quality Management System (QMS) long ago, we decided to better document and formalize this work in our company processes thru the adoption of the ISO9001:2015 standard. With this, we hope to continue to provide products and services that improve customer satisfaction.

A robust QMS is built on seven principles that have also been included as part of the scope of the ISO9001:2015 certification: customer focus, leadership importance of top management, engagement of people, the process approach, improvement, evidence-based decision making, and relationship management. These principles form the backbone of Candiani's QMS and are the factors that will be continually evaluated and improved upon regularly.

In the first ISO9001:2015 certification audit, the auditors did not find any non-compliances. However, several observations were made as areas for improvement, which we are working to put into place now. Candiani will be audited to confirm compliance with ISO9001:2015 in 2024.

### QMS Principles

**CUSTOMER FOCUS**

**THE PROCESS APPROACH**

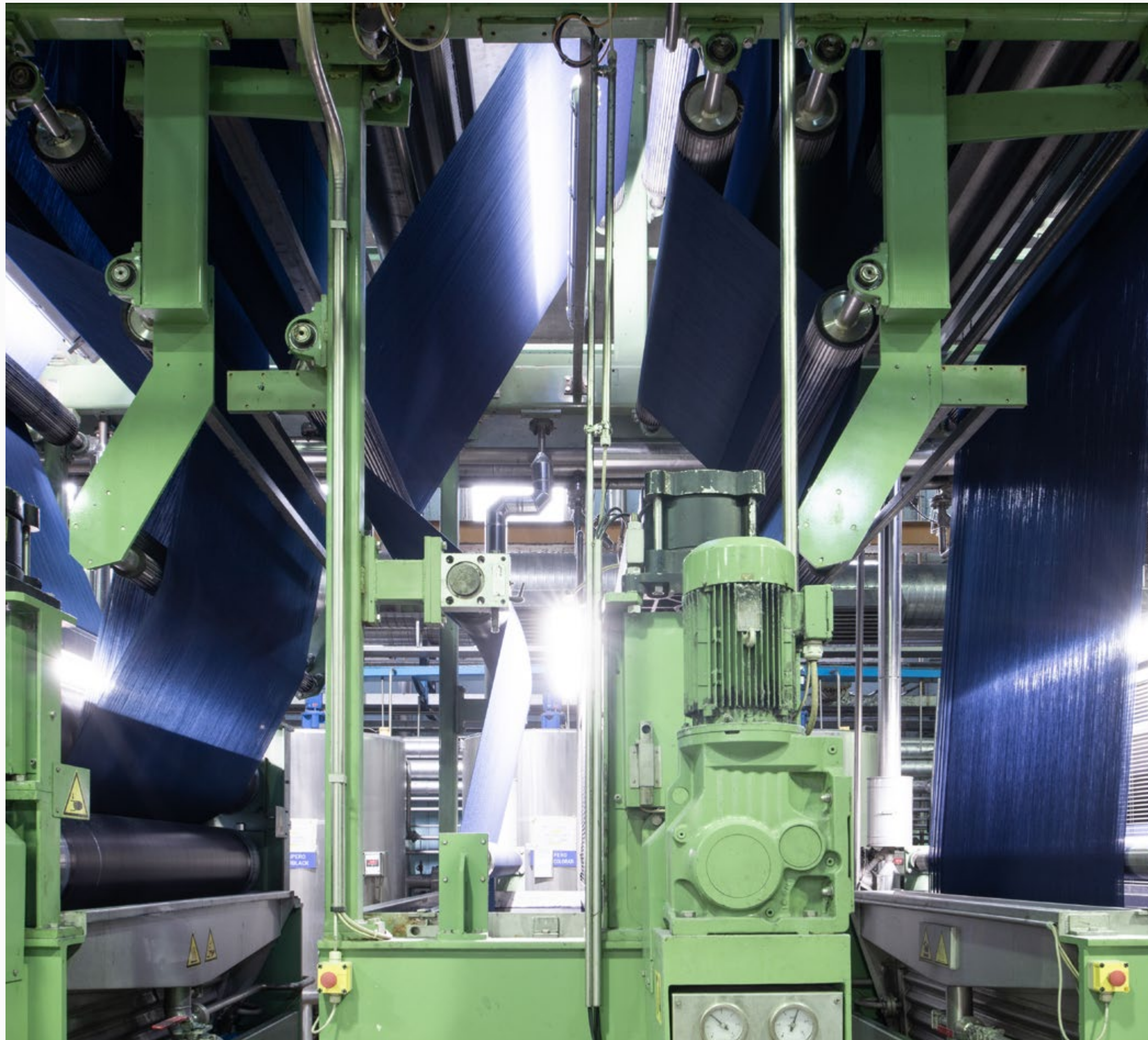
**LEADERSHIP IMPORTANCE OF TOP MANAGEMENT**

**EVIDENCE-BASED DECISION MAKING**

**RELATIONSHIP MANAGEMENT**

**ENGAGEMENT OF PEOPLE**

**IMPROVEMENT**



## TRACEABILITY OF RAW MATERIALS

Having greater visibility into our supply chain allows us to make better-informed sourcing decisions based on real data. Understanding the origin of our raw materials is a crucial first step in identifying and addressing environmental and social risks within the supply chain, promoting responsible sourcing practices. By mitigating these risks, we can avoid negative impacts on the environment and society. Moreover, we believe that this transparency helps build trust with our clients, their customers, and other stakeholders, reinforcing our commitment to sustainability and ethical business practices.

## We Commit to Advancing Traceability and Transparency in the Denim Industry

*At Candiani Denim, we commit to creating a network of suppliers aligned with our sustainable and responsible production aims while allowing us to maintain oversight of our supply chain. We select supply partners aware of our industry's social and environmental issues and who are committed to operating on a path of continual improvement. We establish long-lasting and mutually beneficial relationships with the growers and producers we work with to ensure we know exactly where our critical raw materials come from.*

Learn more at

<https://www.candianidenim.com/en/sustainability/traceability>

### Product DNA

Product DNA specializes in supply chain mapping and blockchain-based product traceability. We want to offer our clients an easy way to verify the quality and origin of their products. Those interested in knowing where materials come from can access a virtual map that traces the entire supply chain. Understanding sourcing locations helps to reduce the risk of, or even prevent, environmental pollution and human rights violations.

### The Country of Origin for Key Ingredients

#### Natural fibers

The breakdown of our cotton sourcing by type and by country is as follows:

- BCI Cotton: Brazil
- GOTS certified cotton: India, Uganda, Tanzania
- regenagri® certified: Brazil
- Blue Seed: California, Spain
- Post-industrial Recycled Cotton: Our production
- PCR Cotton: Italy
- Linen: Belgium & France
- Hemp: Belgium & France

#### Artificial fibers

- TENCEL™: Austria
- TENCEL™ x REFIBRA™: Austria
- COREVA™: Malaysia

#### Synthetic fibers

- Virgin synthetic Elastane: Turkey, China, South Korea, Germany
- GRS certified Recycled Elastane, Roica™ Eco Smart: Taiwan or Japan
- C2C Gold Certified Degradable Elastane, Roica™ V550: Taiwan or Japan
- Polyester: China
- Lycra T400: Taiwan, China

#### Chemical auxiliaries & dyes

We have a total of twenty-one chemical suppliers:

- Nineteen based in Italy
- Four based in other EU countries
- One based in Singapore

## Back To The Farm

Candiani's recent cotton sourcing strategy has centered on expanding the capacity to trace a portion of our cotton supply back to the farm. This ongoing effort has meant that we've had to reconsider how cotton is typically bought and sold and instead develop direct relationships with the growers themselves. This level of visibility, a guarantee of provenance, and overall commitment is an added value for all parties involved, which is then passed along to our customers.

The growers we work with are each unique and innovative in their own right. They are particularly inclined to use regenerative practices and balance their commercial activities with the overall health of the ecosystems they've been entrusted to care for.



Bowles Farming Company is the first grower we ventured to collaborate with directly. The reputation of B-Farm and its owner Cannon Michael likely precedes them. Now in their 6th generation, the Bowles and Laurence families have managed this prime piece of the Central Valley, California, since 1854. They are recognized for their holistic approach to agriculture that prioritizes ecosystem balance and stewardship. Located in a nature reserve and protected wetland area means, these topics are not new but something deeply entrenched in their farming philosophy.

B-Farm specializes in producing extra-long staple cotton, including Candiani's Blue Seed Cotton using both organic and regenerative agricultural practices. B-Farm is also a key R&D partner helping us to investigate and discover new and innovative ways to grow cotton in a way that protects people and the planet.

## SCHEFFER

Scheffer is Candiani's regenagri® regenerative cotton partner. Based in Brazil, they started adopting regenerative agricultural practices in 2015 and aim to be 100% regenerative in all their farms by 2030. Scheffer runs a highly efficient, state-of-the-art operation that includes a bio-factory producing specific microorganisms that act as bio-based controls for pests and diseases while creating healthy soils and reducing the need for chemical inputs. For example, in 2021 the use of these bio-based alternatives led to a 41% reduction in chemical use. Additionally, all the wastes from the bio-factory production process are used as sustainable fertilizers and soil additives.



## CREATION AND DISTRIBUTION OF ECONOMIC VALUE

### Material topic #4

In this section, we will assess how Candiani creates and distributes wealth among its stakeholders during the years 2020-2022. This analysis provides a clear overview of the company's financial impact on its employees, investors, suppliers, and the broader community. It offers valuable insights and reinforces our commitment to transparency and accountability, building trust with these valuable stakeholders.

During the reporting period of 2020-2022, we faced challenges posed by the COVID-19 pandemic, which caused a significant drop in sales and a temporary halt in production activities in 2020. However, we quickly recovered, leading to an increase in the economic value generated in 2021 and sustained growth in 2022. This resilience and recovery demonstrate our adaptability and dedication to creating sustainable value for all stakeholders.

**Table XVIII. Economic value generated and distributed**

	2020	2021	2022
<b>Production value</b>	64,127,032	90,217,103	120,124,718
<b>Financial Income</b>	815,724	838,528	962,829
<b>Economic Value Generated</b>	<b>64,942,756</b>	<b>91,055,631</b>	<b>121,087,547</b>
<b>Value Distributed to suppliers</b>	42,346,845	67,489,457	97,606,198
<b>Value Distributed to Employees</b>	18,541,010	21,535,832	23,381,534
<b>Value Distributed to Capital Providers</b>	238,180	251,068	388,231
<b>Value Distributed to Investors</b>	-	-	-
<b>Value Distributed to the Public Administration</b>	114,821	90,688	60,876
<b>Economic Value Distributed</b>	<b>61,240,856</b>	<b>89,367,045</b>	<b>121,436,839</b>
<b>Economic Value Retained</b>	<b>3,701,900</b>	<b>1,688,586</b>	<b>-349,292</b>

**Graph XVII. Distribution of generated economic value per stakeholder group**

	2020	2021	2022
<b>Suppliers</b>	<b>72.6%</b>	<b>68.6%</b>	<b>74.8%</b>
<b>Employees</b>	<b>26.0%</b>	<b>30.0%</b>	<b>23.9%</b>
<b>Capital provides</b>	0.3%	0.4%	0.3%
<b>Investors</b>	0.0%	0.0%	0.0%
<b>Public Administration</b>	1.2%	0.9%	1.1%

The following list shows the primary details regarding the distribution of value among the various beneficiaries:

#### Suppliers

These stakeholders received the largest portion of the economic value generated, amounting to around €67,4 million (75% of the total) in 2021 and €81 million (81% of the total) in 2022 ; this sum was allocated to the various suppliers of goods and services.

#### Employees and collaborators

In 2022 and 2021, 19% and 24% of the economic value generated was distributed to employees through wages and salaries, fiscal charges, social contributions, and benefits. These values are slightly up compared to previous years.

#### Capital providers

Banks, leasing companies, other financial institutions, and shareholders represent this category of beneficiaries. A small portion of the value generated (0.3% of the total) was allocated to these subjects in 2021 and 2022. Compared to the previous year, the value distributed to banks and other financial operators is relatively the same. No dividends were distributed to shareholders throughout the three years observed as a choice to support the corporate self-financing policy.

#### Public administration

The value distributed to the Public Administration is approximately 0,05 % of the economic value generated. Based on the application of the current tax legislation, the amount allocated to PA concerns the IRES and IRAP taxable income.

#### Economic Analysis of Key Stakeholders

As described above, the largest portion of the economic value generated was allocated to suppliers. Candiani Denim is committed to selecting suppliers that meet established standards in terms of quality, price, supply and payment conditions, and environmental and social sustainability criteria. Sourcing from suppliers as local as possible is also a key priority.





## FINANCIAL DISTRIBUTION AMONG SUPPLIERS

With our suppliers being the stakeholder group receiving the largest portion of value generated at Candiani, the following provides a more detailed look at how and where that value is distributed, broken down by region and product or service into nine main categories.

The data shows that local suppliers mainly focus on fixed assets, tools, and chemical/auxiliary products, while maintenance and consultancy services (technical, economic-financial, environmental, etc.) are also primarily sourced from trusted local companies.



**Table XIX. Value distributed among suppliers per region**

Residence of Suppliers	2020				2021				2022			
	N.	%	€	%	N.	%	€	%	N.	%	€	%
<b>LOMBARDY</b>	386	59.57%	13,769,679	34.29%	411	57.24%	19,453,174	29.21%	480	69.67%	28,020,539	27.84%
<b>OTHER REGIONS IN ITALY</b>	143	22.07%	8,249,558	20.54%	166	23.12%	17,320,331	26.01%	145	21.04%	48,073,643	26.01%
<b>ABROAD</b>	119	18.36%	18,138,636	45.17%	141	19.64%	29,819,148	44.78%	64	9.29%	24,550,369	47.77%
<b>TOTAL</b>	<b>648</b>	<b>100.00%</b>	<b>40,157,873</b>	<b>100.00%</b>	<b>718</b>	<b>100.00%</b>	<b>66,592,653</b>	<b>100.00%</b>	<b>689</b>	<b>100.00%</b>	<b>100,644,551</b>	<b>100.00%</b>

**Table XX. Value distributed among suppliers per category**

Supply Category	2020						2021						2022					
	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%
<b>Tangible Fixed Assets</b>	34	59	47.06%	€654,364	€10,314,509	33.89%	29	48	60.42%	€312,711	€624,393	50.08%	36	48	75.00%	1,340,029.23	1,441,228.76	92.98%
<b>Raw Material</b>	9	27	26.67%	€825,303	€3,977,924	3.97%	6	25	24.00%	€763,709	€21,510,683	3.55%	10	27	37.04%	4,692,690.27	30,355,690.91	15.46%
<b>Chemical Products/ Auxiliary</b>	31	45	47.06%	€2,003,605	€7,758,839	6.08%	24	39	61.54%	€3,609,909	€15,928,888	22.66%	30	37	81.08%	4,524,742.15	31,795,625.85	14.23%
<b>Tools</b>	32	44	61.90%	€313,348	€651,818	64.31%	33	49	67.35%	€437,430	€984,699	44.42%	42	53	79.25%	963,124.35	1,304,431.53	73.83%
<b>Maintenance</b>	125	174	73.47%	€2,636,882	€3,478,419	64.31%	83	124	66.94%	€1,167,308	€1,564,912	74.59%	92	115	80.00%	17,40,453.4	2,249,622.9	77.37%
<b>Consulting</b>	114	184	58.88%	€6,121,809	€8,019,529	84.46%	115	194	59.28%	€3,641,838	€7,723,562	47.15%	143	211	67.77%	3,271,003.74	6,463,122.73	50.61%
<b>Environmental Services</b>	8	8	83.33%	€162,442	€162,442	43.32%	10	10	100.00%	€247,919	€247,919	100.00%	9	9	100.00%	250,646.55	250,646.55	100.00%
<b>Transport &amp; Vehicles</b>	26	49	66.67%	€753,126	€1,767,038	99.39%	25	39	64.10%	€936,148	€1,783,108	52.50%	27	36	75.00%	2,207,234.01	3,222,819.94	68.49%
<b>Other (vuoto)</b>	7	58	49.02%	€298,797	€4,027,352	38.95%	86	190	45.26%	€8,336,199	€16,218,107	51.40%	41	153	59.48%	9,030,615.3	24,293,824.2	37.17%
<b>TOTAL</b>	<b>386</b>	<b>648</b>	<b>59.57%</b>	<b>€13,769,676</b>	<b>€40,157,870</b>	<b>34.29%</b>	<b>411</b>	<b>718</b>	<b>59.57%</b>	<b>€ 19,453,171</b>	<b>€ 66,586,271</b>	<b>29.21%</b>	<b>480</b>	<b>598</b>	<b>69.67%</b>	<b>28,020,539</b>	<b>101,377,013.4</b>	<b>27.64%</b>

## Employee Remuneration & Severance Pay

The remuneration of newly hired employees, as for all Candiani Denim employees, complies with the provisions of current legislation, without any distinction between gender and origin: based on the tasks performed, the classification and corresponding remuneration are outlined. In particular, the provisions of the CCNL (in Italian “Contratto Collettivo Nazionale di Lavoro”) of the Textile Industry are observed.

In compliance with the law and current labor contracts, Candiani Denim also sets aside the portion of accrued severance indemnity annually. This year we can observe a constant growth in the number of workers who allocate their TFR (Trattamento di Fine Rapporto) to a pension fund compared to those who choose to keep it in the company:

*Amount of TFR retained by the company*  
**€679.363**

*Amount of TFR allocated to pension fund*  
**€292.485**

It should also be noted that during 2021, a total of €10.151 was received from the Public Administration by way of:

*Worker’s contribution to NASPI*  
**15%**

*CTB exemption L104/2020*  
**48%**

*CTB exemption for under 36*  
**37%**

## TRANSPARENT GOVERNANCE & ANTI-CORRUPTION

At Candiani, we prioritize establishing a transparent and accountable decision-making framework to manage risks, comply with laws, and promote a culture of integrity and responsibility. Additionally, we are dedicated to combating corruption by implementing strong anti-corruption measures, ensuring ethical business practices, and upholding human rights. Our commitment to these goals was formalized in 2011 when we adopted an Organizational Management and Control Model aligned with Italian Legislative Decree 231/01, which will be further explained in the following section.

## BUSINESS PRACTICES & FAIR COMPETITION

Candiani believes that responsible business practices are crucial for creating a sustainable business and building trust among customers, employees, investors, and the community. We also advocate for fair competition to encourage innovation, efficiency, and overall industry growth. To reinforce our commitment, we have adopted an Organizational Management and Control Model in adherence to Italian Legislative Decree 231/01, ensuring internal systems for risk control and prevention of offenses.

Maintaining compliance in a demanding and complex regulatory context is a top priority for Candiani. We engage in regular discussions with local authorities and control bodies to address legal requirements and seek opportunities for improvement. Our central regulatory archive keeps track of environmental, workplace safety, labor law, and other applicable regulations, subject to periodic inspection by external third parties to ensure accuracy, efficiency and transparency.

Fortunately, from 2020 to 2022, no cases of active or passive corruption or non-compliance related to our environmental, social, or economic performance were recorded, reflecting our continuous efforts to uphold responsible and ethical practices.

## SUPPORT OF INSTITUTIONS AND THE LOCAL COMMUNITY

Investing in and supporting local communities and institutions is vital for achieving greater sustainability, as it fosters positive and mutually beneficial relationships between Candiani and its surroundings. By doing so, we actively contribute to the economic and social development of the local area, creating a more resilient and thriving environment. Collaborating with local institutions also allows us to tailor our practices to meet the specific needs of the community, ensuring a sustainable and inclusive approach that benefits everyone involved.



## Partnerships to Inspire Change

Transparency matters to the end consumer, but it's also crucial for the industry at large. To this end, we actively participate in several multi-stakeholder initiatives and pre-competitive partnerships to share our knowledge and experience to accelerate change industry-wide.

- **Associazione Industriali di Legnano (ALI):** Candiani has been a member of the General Assembly of the Associazione Industriali di Legnano since 2015. In 2016, Candiani Denim and ALI promoted and developed a synergetic association of companies and skills to research and develop more sustainable processes and products, coined the Denim Project 2.0.
- **Confindustria Alto Milanese:** In 2015, Candiani hosted the Confindustria Alto Milanese annual meeting. Thanks to this meeting, a change to the association's top management was ratified, and a signed agreement with the Regione Lombardia to finance a new industrial sewage system was finalized to improve waste management in the Robecchetto con Induno area.
- **Sistema Moda Italia (SMI ATI):** Candiani Denim has supported SMI ATI's agenda by providing information to manage various problems across the sector and supporting the manufacturing expertise of one of Italy's key industries. The relationship with SMI ATI was bolstered by Mr. Gianluigi Candiani's presence on the Board of Directors until 2018.
- **Alberto Candiani** joined the Transformers Foundation as part of the Founding Board. From farmers and chemical suppliers to denim mills and jeans factories, the Transformers Foundation is establishing itself as a primary point of reference for those who want to learn more about sustainable and socially responsible innovation to advance positive change in the denim industry.

- Since the end of 2019, we have acted as expert advisors to an ongoing multi-stakeholder initiative organized by the UNECE and UN/CEFACT, with support from the ITC and EU Commission, working to drive traceability and transparency for sustainable footwear and garment supply chains. In a second phase, we are taking what we've learned and applying it in a UNECE cotton blockchain pilot.
- In late 2020, we joined the Monitor for Circular Fashion, a joint initiative between SDA Bocconi's Sustainability Lab and Enel X. This ambitious, first-of-its-kind project aims to outline the state of the circularity in the Italian Fashion Industry by bringing together.

## Education: Candiani Denim Bluniversity

Through Candiani's Denim Bluniversity, we are always looking for new ways to transmit knowledge and understanding of denim fabric production, and not least the environmental impact related to this process.

We believe that if we can increase awareness of the fabric production processes, this will make the entire supply chain more efficient. A designer, buyer, or producer with a complete understanding of the product, from the cotton to the finishing technologies, is enabled to make decisive and responsible decisions in later production steps.

Continuous support for training has led Candiani Denim to work with Italian and international textile and design schools and universities. The goal is to create an understanding of the production process through demonstrations that draw directly on industrial experience and everyday life. In this way, even people outside the sector can gain significant experience in textile production and make an essential contribution to the denim industry through increased awareness, efficiency, and waste reduction.

**We work with students and educators from universities all over the world to share our knowledge and exchange opinions and new ideas:**

- **Amsterdam Fashion Institute (NL)**
- **Central St. Martins (UK)**
- **Fashion Institute of Design & Merchandising (USA)**
- **Fashion Institute of Technology (USA)**
- **Istituto Europeo di Design (ITA)**
- **Jean School (NL)**
- **Kingston University (UK)**
- **Milano Fashion Institute (ITA)**
- **Polimoda (ITA)**
- **Politecnico di Milano (ITA)**
- **Ravensbourne University (UK)**
- **SDA Bocconi (ITA)**
- **Shih Chien University (TWN)**
- **Sustainability Management School (ITA)**
- **Università Cattolica del Sacro Cuore (ITA)**

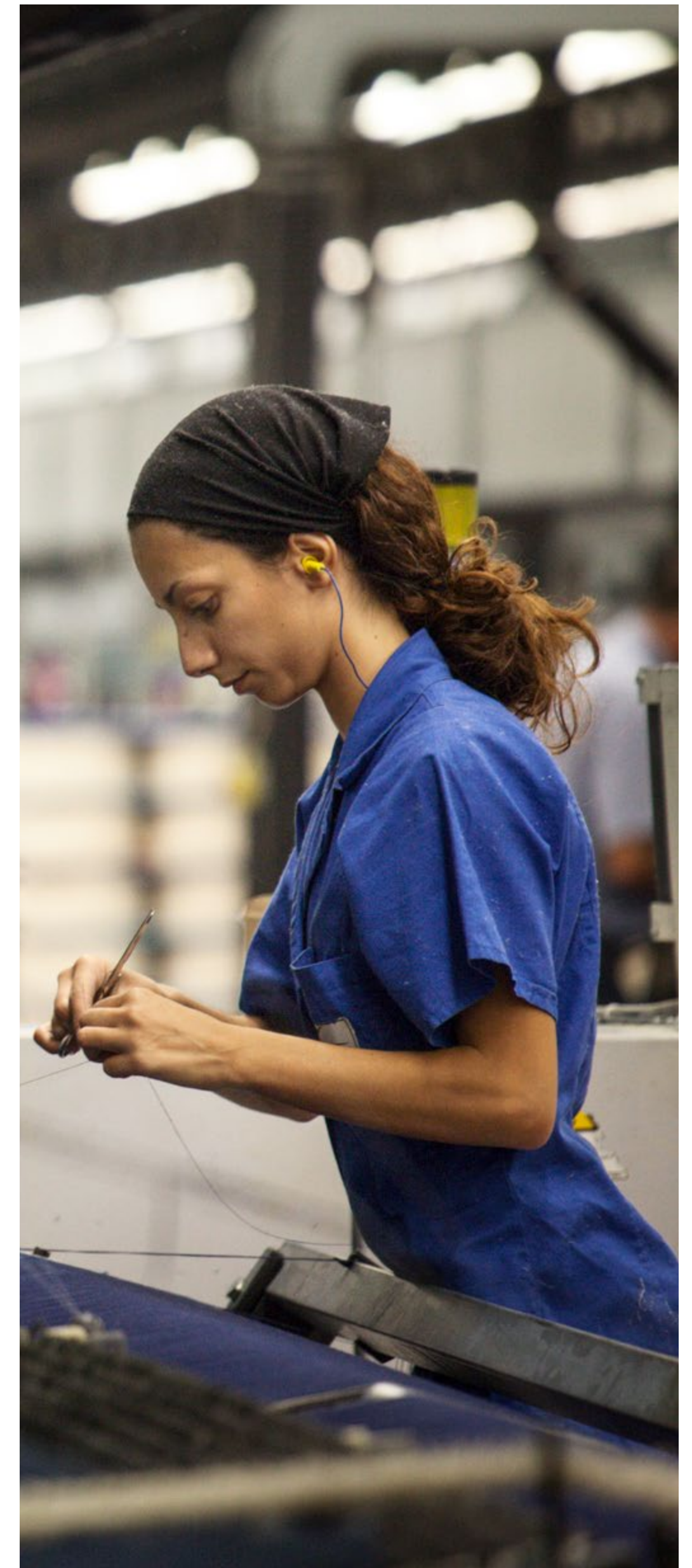
## Local Support

### Sports Clubs

Candiani Denim is committed to developing the local community by sponsoring six sports clubs, including football clubs, athletics companies, and rally racing teams.

### PrimoCandianiFoundation(anon-profitorganization)

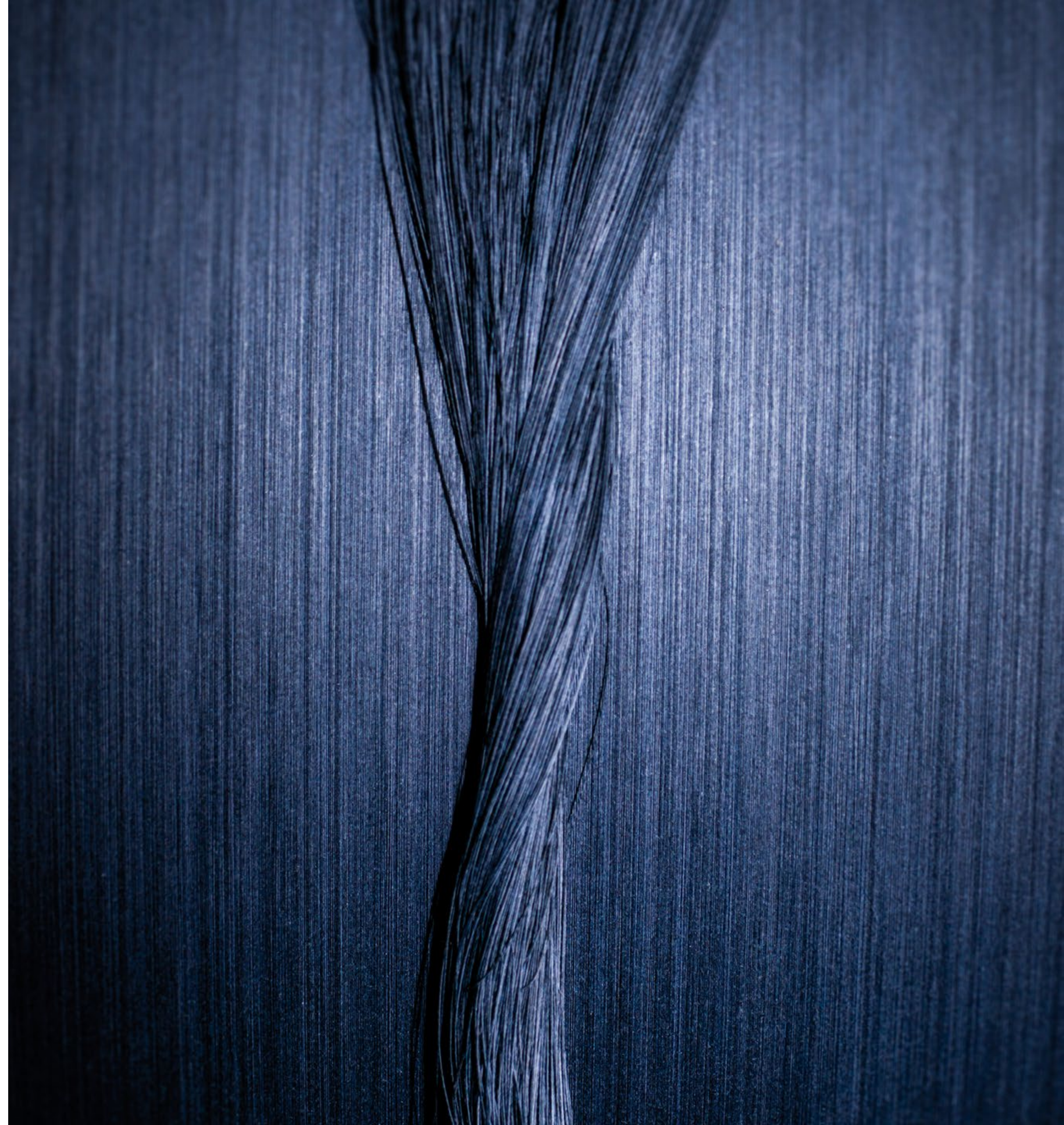
Ties with the local region are deeply engrained at Candiani. The Primo Candiani Foundation is an excellent example of this, whose activities are focused at a regional and local level. The foundation promotes cultural and social events dedicated to the territory and its history every year.



## CONTINUING OUR STRATEGIC OBJECTIVES

Continuing from its past practices, Candiani S.p.A. will continue to prioritize its main strategic sustainability goals in the upcoming years, which include:

- Strengthening its position as a technical and qualitative leader in the industry.
- Focusing on extensive research and development to enhance product innovation.
- Working towards restoring turnover to minimize commercial risks.
- Pursuing improved profitability.
- Making investments aimed at reducing the environmental impact of its industrial operations.
- Strengthening relationships with all stakeholders to enhance their overall satisfaction.
- Sustained efforts to enhance the traceability of raw materials.
- Advancing the circularity of production processes and products.



# ANNEX

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candiani  
denim  
made in italy  
R9610  
DRIVE  
CRISPY  
100% Cotton  
P00000010

Indicator	Description	References (insert page number)	Comments/Omission
<b>GENERAL STANDARD DISCLOSURES 2021</b>			
2-1	Organizational details	3, 5	
2-2	Entities included in the consolidated financial statements	55-56	
2-3	Reporting period, frequency and contact point	3	
2-4	Restatements of information		
2-5	External assurance		<i>An external assurance is not present</i>
2-6	Activities, value chain and other business relationships	5-6, 11-15, 53-54, 56	
2-7	Information on employees and other workers	50	
2-9	Governance structure and composition	12	
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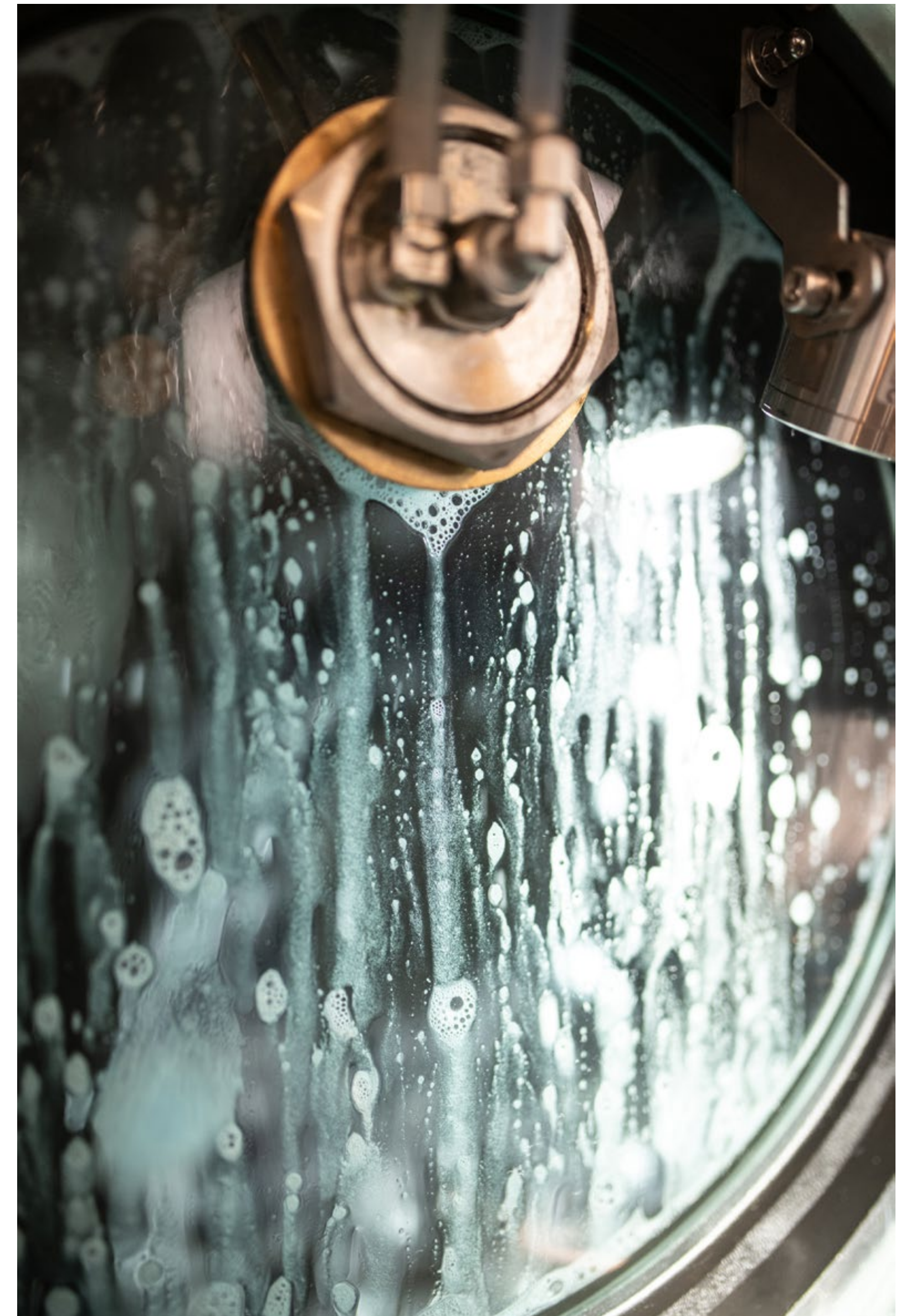
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<b>SPECIFIC STANDARD DISCLOSURE</b>			
<b>Economic performance indicators</b>			
<b>GRI 201 – Economic Performance 2016 (Non Material)</b>			
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3-3	Management of material topics	35-36	
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Indicator	Description	References (insert page number)	Comments/Omission
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<b>GRI 308 – Supplier environmental assessment 2016 (Non Material)</b>			
308-1	New suppliers that were screened using environmental criteria	48	<i>Candiani is committed to expanding its screening of suppliers and the range of topics covered in that screening.</i>

Indicator	Description	References (insert page number)	Comments/Omission
<b>GRI 401 – Employment 2016 (Non Material)</b>			
401-1	New employee hires and employee turnover	50	
<b>GRI 403 – Occupational health and safety 2016 (Material Topic #1)</b>			
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3-3	Management of material topics	47	
404-1	Average hours of training per year per employee	47	
<b>GRI 405 – Diversity and Equal Opportunity (Material topic #4)</b>			
3-3	Management of material topics	50	
405-1	Diversity of governance bodies and employees	50	
<b>GRI 406 – Non-discrimination (Material topic #4)</b>			
3-3	Management of material topics	46-47	
406-1	Incidents of discrimination and corrective actions taken	46-47	<i>Candiani is committed to better tracking and reporting on this indicator in the future.</i>
<b>GRI 414 – Supplier social assessment 2016 (Non Material)</b>			
3-3	Management of material topics	48	
414-1	New suppliers that were screened using social criteria	48	<i>Candiani is committed to expanding its screening of suppliers and the range of topics covered in that screening.</i>
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