

2020

2021

SUSTAINABILITY REPORT

Candiani
DENIM



*The Fabric of
your favorite jeans
since 1938*

SUSTAINABILITY REPORT 2020-2021

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With the initial report in 2016, this document marks the fourth edition of Candiani S.p.A's Sustainability Report. As in previous years, it has been created according to the guidelines outlined by the Global Reporting Initiative following the G4 Core guidelines. It describes initiatives and activities carried out during the calendar years 2020 and 2021. Performance indicators are gathered and analyzed annually and aggregated for reporting on a biennial basis.

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LETTER FROM THE PRESIDENT

Over the last few years, the pandemic is only one of the harrowing events that have shown us how deeply connected we are to the health of the planet and to one another. We are living through a time of upheaval, one where the very foundation of our society is being challenged at multiple levels—ecologically, culturally, economically, and politically. We have been reminded that we are far from invincible and that if we don't work to right the wrongs of the past and address their root causes, they will surely return to haunt us.

At this moment, we have come to see half measures and in-action are one and the same. We need radical, systemic change, and we need it now. On the countdown to 2030, we know if we don't work to address the real elephants in the room—overproduction, overconsumption, and inequality—all the sustainability targets in the world will do little to abate the issues we are facing. At Candiani, we are working hard to not give up despite relentless and, in some cases, deepening challenges. We still believe that there is hope and that it is our duty to continue to lead the transition towards a fashion industry that is sustainable and just.

One way that we are working toward achieving these objectives is by prioritizing traceability and transparency in our supply chain, particularly as it pertains to cotton—our most important raw material. More people at all levels of the supply chain are asking more questions, and we must be prepared to respond. Having this direct relationship with growers allows us to not only support them in a more meaningful way but to have greater insight into how our cotton is grown. It also means that we can provide a new level of supply chain visibility to our clients and end-consumers.

Explorations in how cotton can be grown in way that has a positive impact on the environment is another topic we are actively investigating at this time. Although, cotton is often demonized, unjustifiably, there are certain impacts that can't be ignored.

As the biggest buyer of cotton in the EU today, it is our responsibility to ensure we support the growth of a cotton industry that restores natural ecosystem functions by improving soil health while addressing biodiversity loss and climate change.

Candiani will also continue to consider the impact of our fabrics at all stages of its life. Circularity is a framework that will transform how we make, use, and dispose of all things including denim. This is generating massive opportunities to rethink the products through a whole new design process for smarter applications, processes, ingredients, and materials. It will also force us to consider impacts at the end of a products life prioritizing their recyclability, biodegradability, and regeneration.

Changes in the legislative landscape means that the industry will be tasked, very soon, with finally taking sustainability seriously. Common problems like waste and overproduction will become regulated changing the game for good. Sustainability claims will be closely scrutinized, which will hopefully level the playing field and make greenwashing a thing of the past.

Alberto Candiani



HIGHLIGHTS

CHANGES OVER THE YEARS – environmental performance comparison

In 2020/21 we:

1000 tons CO2 offset
(more info pg. 47)

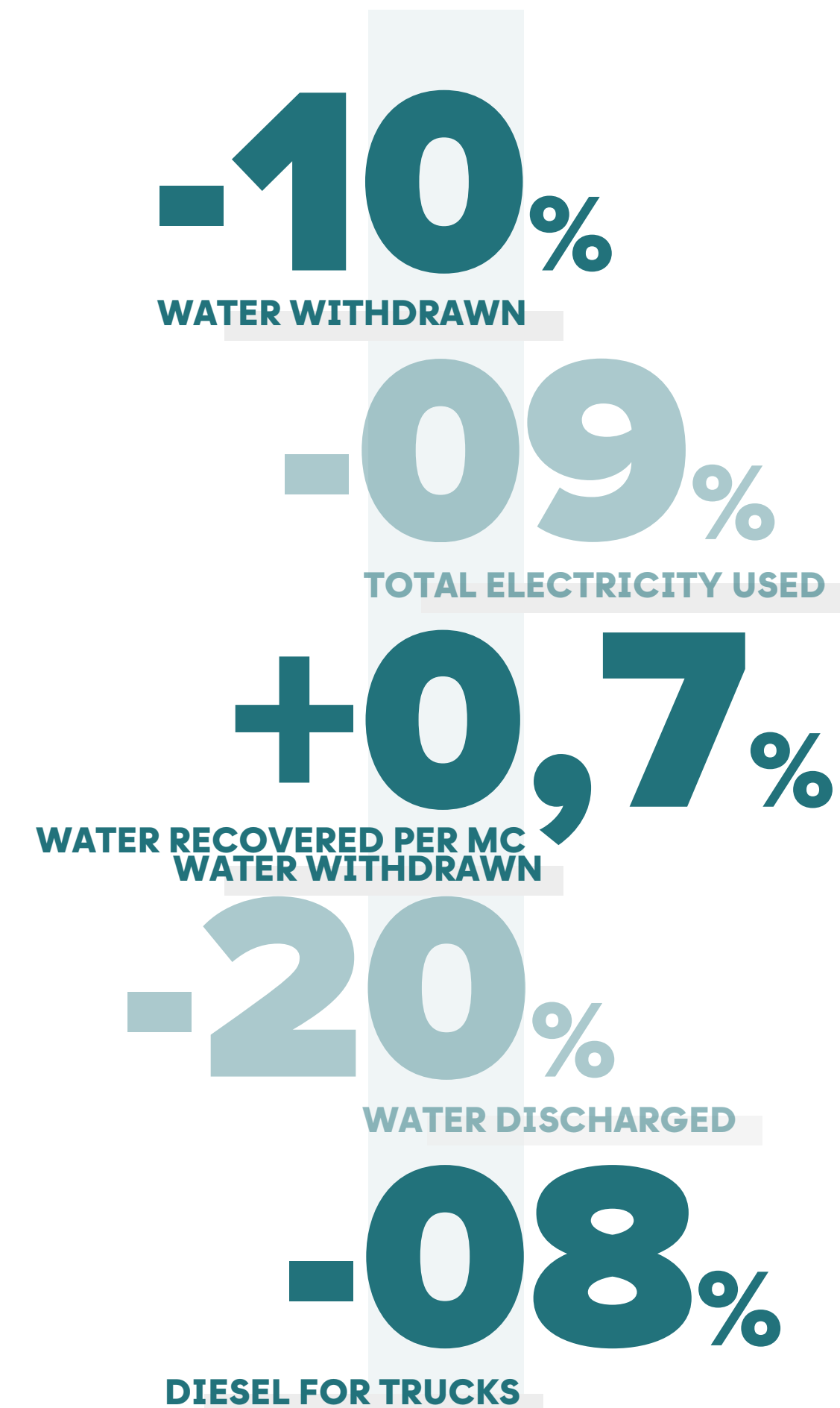
Were added **ISO9001:**
2015 to our roster of
voluntary sustainable
standards
(more info pg. 31)

The **FIRST COMPANY**
to become regenagri®
Chain of Custody certified
(more info pg. 34)

Were participated as Expert
Advisors in the **UNECE** and
UN/CEFACT project to
enhance transparency and
traceability for sustainable
value chains in the garment
and footwear industry
(more info pg. 55)

Were created
the fashion industry's first
Circular KPIs with the
Monitor for Circular Fashion,
a multi-stakeholder
scientific and technical
community organized
by SDA Bocconi's
Sustainability Lab

In 2017/21 we:







CANDIANI PAST & PRESENT

CANDIANI PAST

Candiani Denim 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 Denim remains family-owned and operated. Today, our sole focus is on melding 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

Since our humble beginnings, Candiani Denim has expanded and evolved to become the state-of-the-art denim mill it is today. We are guided by three values that characterize all we do—Made in Italy, Sustainability, and Innovation.

As the largest denim producer in Europe, we are renowned for our distinct aesthetic blended seamlessly with the most advanced sustainable technologies. We are proud to be a world leader in denim production, supplying, and collaborating with some of the most prestigious international fashion companies. We maintain a global presence, with 90% of our output destined for export. Today, our most important market, outside of Europe, is North America, with a growing presence in South and East Asia.

Our commitment to responsible and sustainable manufacturing has been fundamental since the beginning. Candiani Denim is located in the Ticino valley nature reserve, il Parco Naturale Della Valle del Ticino, where we operate under extremely stringent environmental regulations that are certainly the strictest in the denim industry.

However, instead of being limited by this, we consider it an asset. The complex and challenging legislative context has prepared us for today's changing world. There is growing awareness about how human activity impacts the environment, and companies are being asked to recognize the true scope of their social and environmental impacts. More importantly, companies are now being required by governments and civil society to commit to addressing these impacts in a meaningful way.

We are constantly striving to go beyond legislative requirements. For this reason, over the past 23 years, we have developed an **Integrated Management System** guided by voluntary certifications and commitments.

Additionally, our **Code of Ethics** and **Corporate Policy** are official statements of our commitment to ensuring high standards of health and safety for workers and protecting the environment, which are evaluated and updated on a regular basis. They promise to operate with integrity, honesty, and transparency while requiring the same from every employee, consultant, supplier, and customer. Full versions are available at

CANDIANI'S CORE VALUES

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.

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.

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.





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

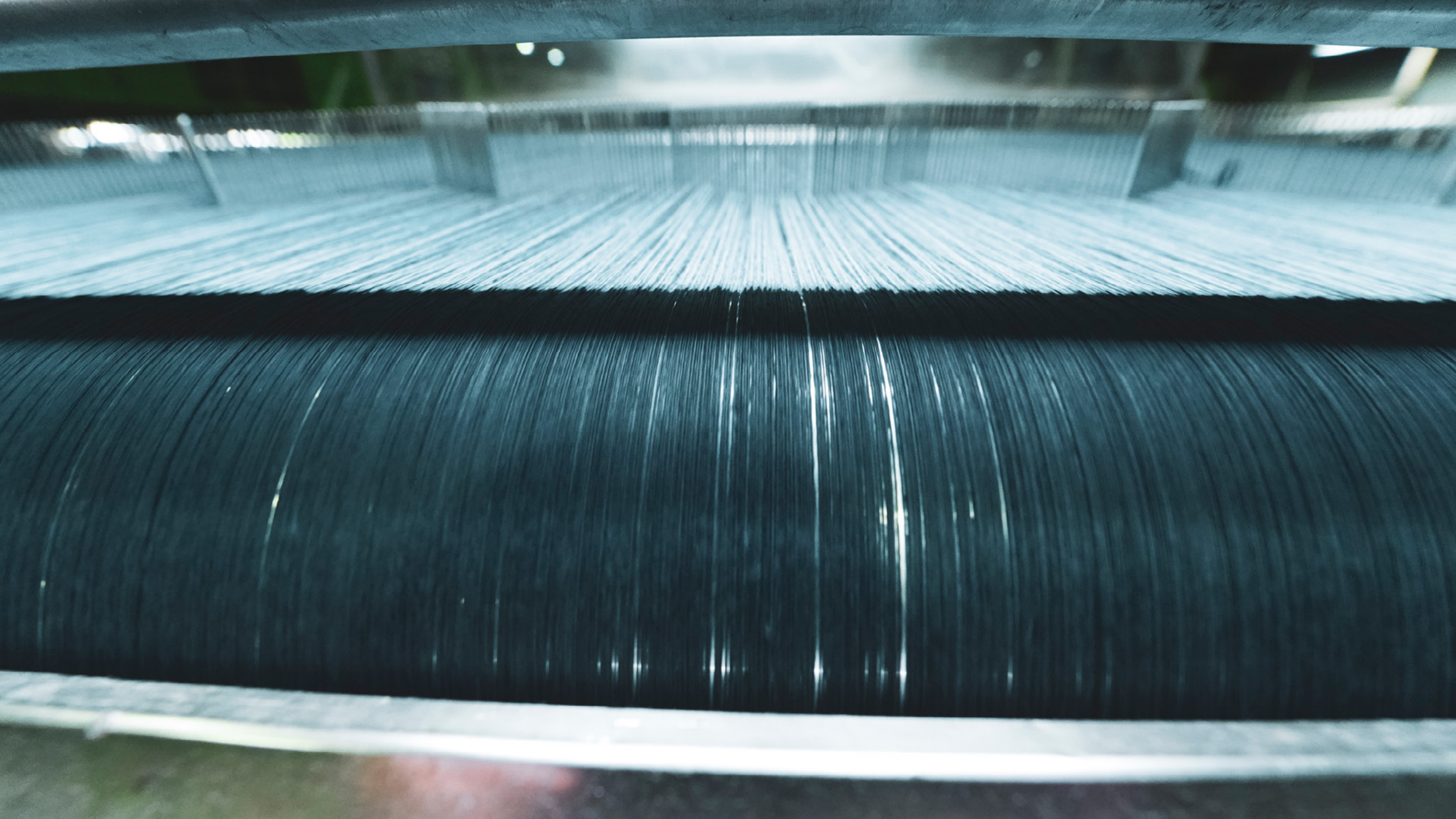
We want to tell the whole story of how denimismade. We have opened our doors for a firsthand look at our production. We are committed to informing and educating brands and end-consumers on what we consider sustainable denim production.



— Pillars

of

— Sustainability



A Blueprint for the Future: Candiani's 2030 Strategy

Candiani SpA supports the Sustainable Development Goals

The UN Sustainable Development Goals provide concrete and actionable guidance on addressing the most critical issues of our time. After a thorough analysis, the following SDGs were selected as important action areas based on Candiani's key activities and impacts. Then utilizing the **Analysis of the Goals and Targets Guide**, we identified the relevant Business Disclosures to help develop our company strategy and the eventual creation of our 2030 targets.

Next year, we will continue following the SDG guidance to define our priorities and integrate them into our reporting as outlined in **Integrating the SDGs in Corporate Reporting: A Practical Guide**.

WHAT WE DID

- We've identified our relevant action areas and corresponding SDG
- Mapped stakeholder priorities
- Understood data gaps

WHAT'S COMING UP

- Identify priorities
- Establish clear plan of action to get us there
- Continue to report on progress



SUSTAINABLE
DEVELOPMENT
GOALS



MATERIALITY 2022

Candiani's approach to stakeholder engagement is aimed at:

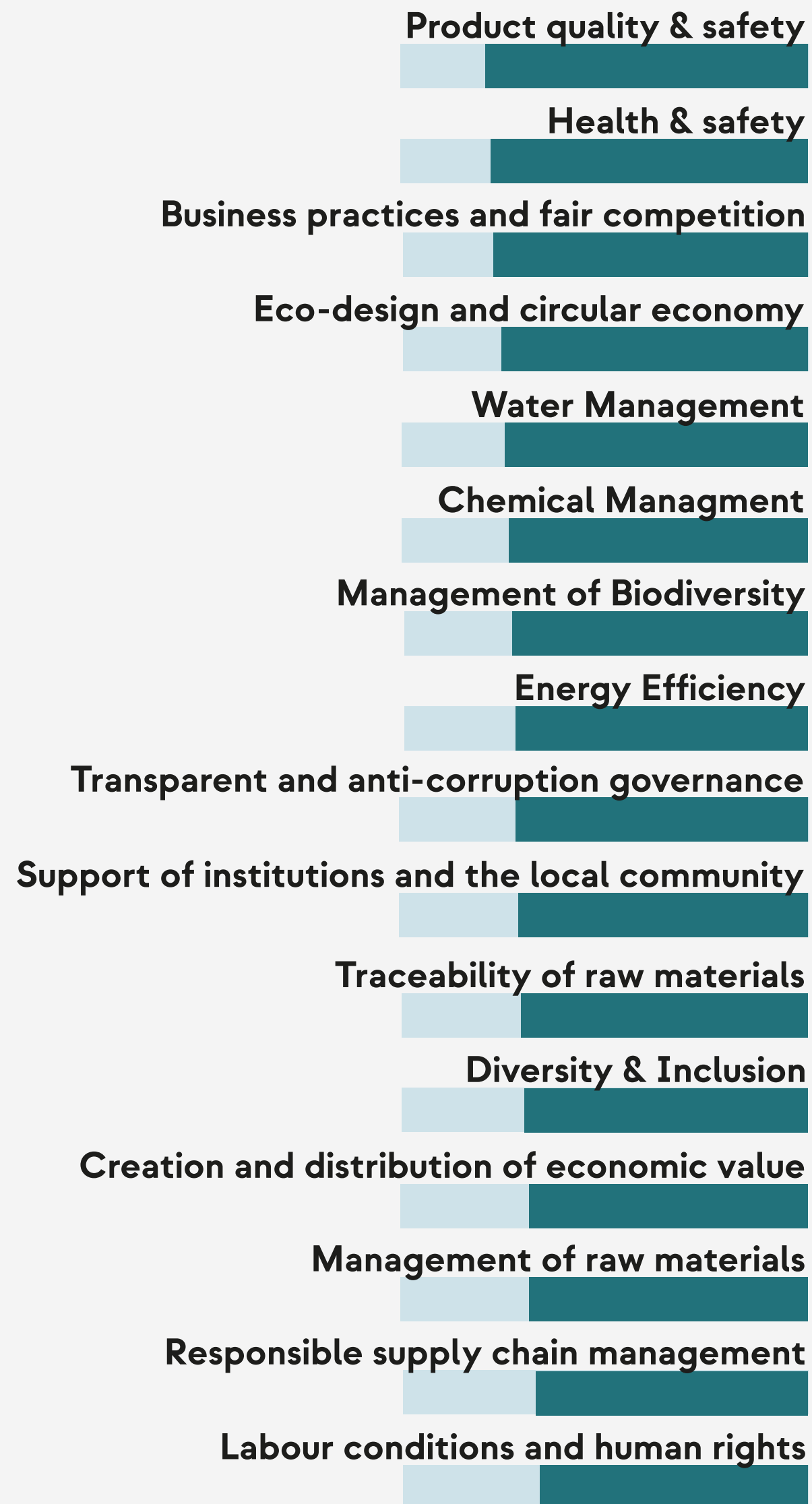
- Identifying different stakeholder categories with which the company interacts, following the evolution of the context and the development of company activities
- Analyze and understand the stakeholder profile and reciprocal relationships with the company
- Deepen the interests and issues relevant to each category of stakeholder through the periodic update of the Materiality Analysis
- Report and communicate to stakeholders the results of operations concerning material issues of mutual interests through the Sustainability Report and all other reporting and communication channels developed by the company.

One of the most pertinent steps in adopting the Global Reporting Initiative following the G4 Core guidelines is to define our "material" topics, or in other words, priority sustainability issues for the company and from the perspective of our key stakeholders. The main stakeholders considered in this materiality analysis are: Administrators and Managers, Suppliers, Employees, Customers, Authorities and Institutions, Sales Agents.

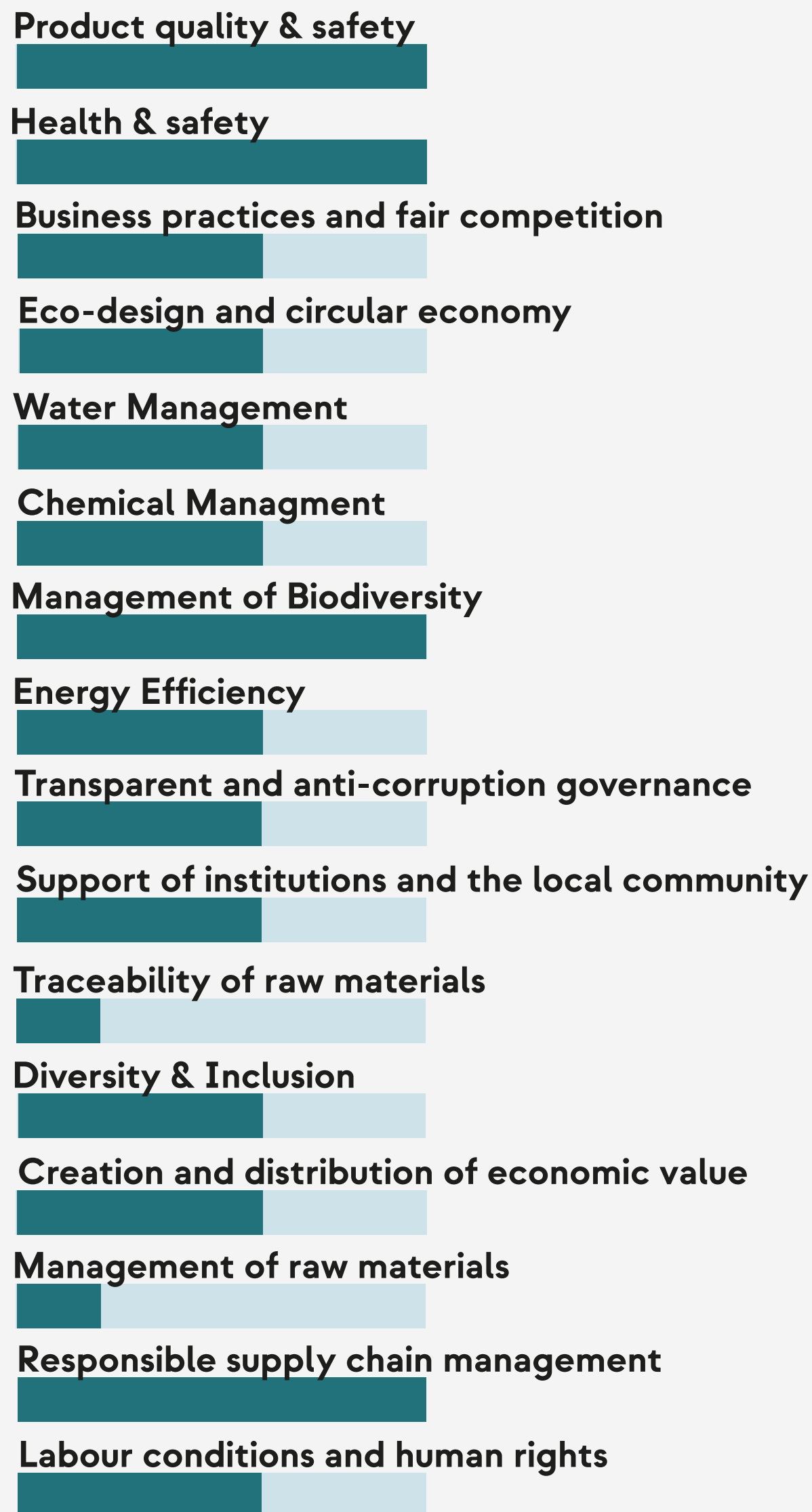
Material topics were identified through an email survey. Stakeholders were asked to rate the relevance of topics, from 1 (low relevance) to 4 (high relevance). Topics were divided into four macro-areas: Environmental Responsibility, Social Responsibility, Responsible Business, and Governance.

The results were then aggregated and analyzed, comparing the critical topics for our stakeholders with the company's priorities and strategic objectives.

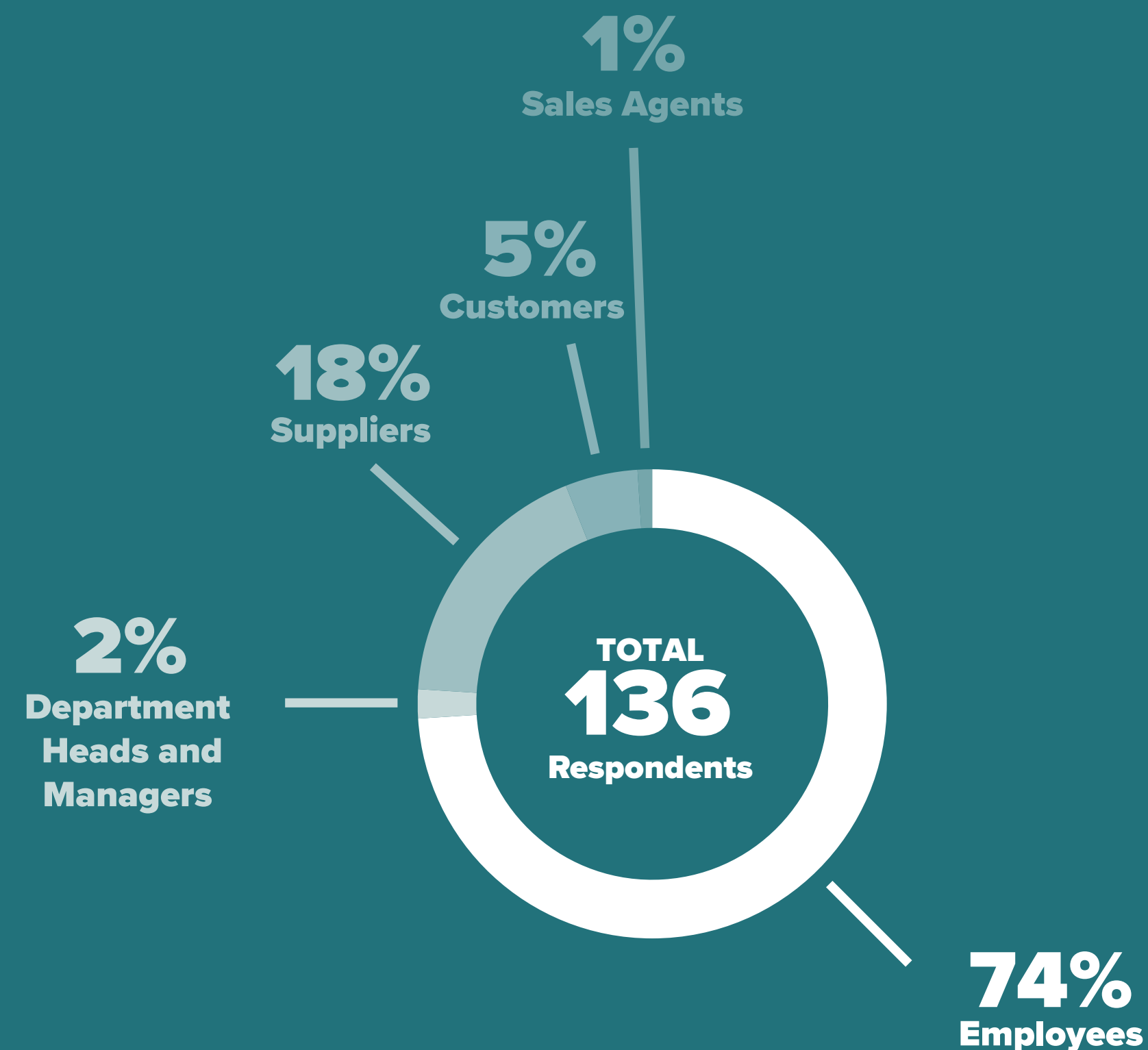
Stakeholders



Company

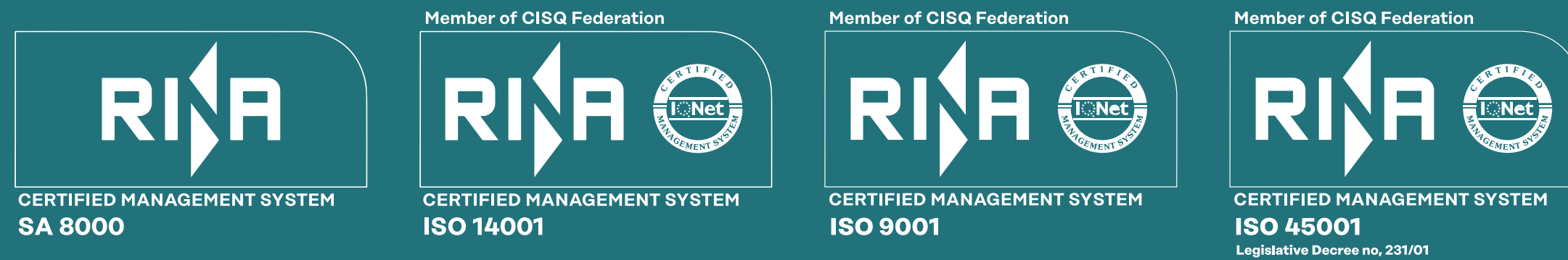


Breakdown



Candiani Denim Achievements in Innovation & Sustainability

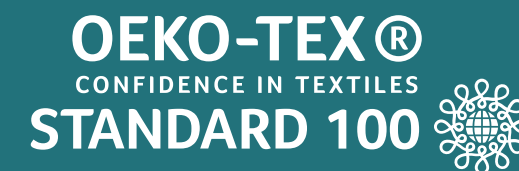
PROCESS RELATED



PRIZES



PRODUCT RELATED



Processing cycle

The company produces Denim fabrics starting from raw cotton through the following stages:

1 Arrival and storage of raw cotton

Manufacturing input:
Raw cotton in bale

Manufacturing site:
Robecchetto / Malvaglio

Manufacturing output:
Cotton blend

2 Spinning

Manufacturing input:
Cotton blend

Manufacturing site:
Robecchetto / Malvaglio

Manufacturing output:
Ring-spun warp
Ring-spun weft

3 Warping

Manufacturing input:
Ring-spun warp

Manufacturing site:
Malvaglio

Manufacturing output:
Fractional beams

4 Dyeing and sizing

Manufacturing input:
Fractional beams

Manufacturing site:
Robecchetto

Manufacturing output:
Dyed or greige beams

5 Weaving

Manufacturing input:
Dyed beams
Greige beams
Ring-spun weft

Manufacturing site:
Robecchetto / Malvaglio

Manufacturing output:
Loomstate fabric:
Denim, Greige

6 Finishing

Manufacturing input:
Loomstate fabric:
Denim, Greige

Manufacturing site:
Robecchetto

Manufacturing output:
Finished fabric

7 Quality Control

Manufacturing input:
Finished fabric

Manufacturing site:
Robecchetto

Manufacturing output:
Technical laboratory,
Fabric control,
Tested fabric roll

8 Fabric storage and shipping

Manufacturing input:
Tested fabric roll

Manufacturing site:
Robecchetto

Manufacturing output:
Tested and packaged
fabric roll





DENIM MAKERS

4.1 THE COMPANY

Candiani Denim specializes in producing both selvedge and full-width denim fabrics, ranging from 7oz to 16oz. We are headquartered in Robecchetto con Induno, with two production sites totaling an area of 168.420 square meters and a capacity to produce 20 million meters a year.

Vertical integration and its large scale make Candiani's production one of a kind in Italy and Europe as a whole. The process starts with purchasing raw cotton, which then makes its way through the spinning, warping, dyeing, weaving, finishing, and quality control departments.

Candiani Denim is a ring spinning specialist, allowing us to produce rigid and stretch yarns using the most modern technologies and materials. We have adapted our dyeing range for both sulfur and indigo dyes. Whereas the weaving facility is equipped with projectile looms, rapier looms, and vintage shuttle looms from the late 1950s. Finally, in the finishing department, a series of stabilizing and, if necessary, ennobling processes are available to achieve a variety of desired performance or aesthetic characteristics. However, research and development are the most important activities that consume most of our time, energy, and resources and influence each production process. Our self-declared company mission is to push the denim industry's sustainability standards and push these boundaries further each year and with every new product release.

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 provides strategic guidance throughout. Furthermore, the Sustainability Manager ensures that Candiani Denim's commitments are upheld, respected, specific, measurable, achievable, relevant, and time bound. They are also responsible for the continued monitoring and evaluation of progress made and for communicating this to all stakeholders.

PRESIDENT & OWNER

Alberto Candiani

Commercial, Marketing, Style, Research and Product Development

David Austoni
Simon Giuliani
Mattia Donadi

Privacy Management

Annalisa Luvie

DLgs 231/01 Supervisory Body

Hermes Consonni, Marco Marangoni, Arnaldo Barilli

Social Security Environmental Management

RSPP / Emergency Manager Laura Siviero

REMAN Christian Sbergo

ADMON Luca Lamperti

ASMAN and AMRIF Barbara Garavaglia

Resp. Integrated Management System Gabriele Zoia

Integrated Management System Manager Claudio D'Errico

RLSA8000 Robecchetto Ronny Trentin

RLSA8000 Malvaglio Luigi Zeccola

Social Performance Team Trentin, Zeccola, D'Errico, Luvie

Head of Integrated Environmental Authorization

Francesco Macchi - with delegation from DL for the environment

Sustainability and Quality Manager Pierluisa Ceriotti

Sustainability Manager (Blue Collars Srl) Danielle Arzaga

Head of Energy Ernesto Misci

Department Heads & OHS Security Managers

Human Resources and Concierge
Annalisa Luvie

Weaving Robecchetto
Luca Grimi

Weaving Malvaglio
Fabio Ruggeri

Finishing Dyeing
Filippo Torno

DC & Laundry
Alberto Rigo

Finished Product Warehouse
Francesco Macchi

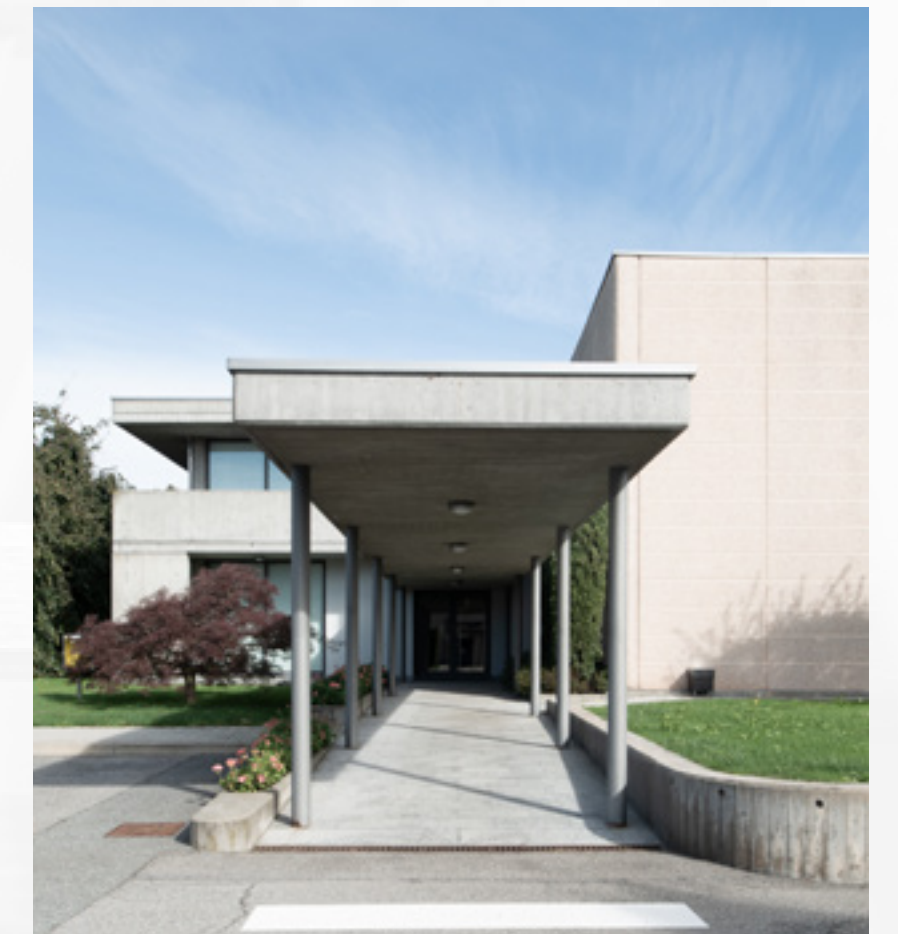
FACILITIES & MAINTENANCE
Christian Sbergo

Spinning Robecchetto
Ilario Bregolato

Spinning Malvaglio
Angelo Siviero

Quality Control
Fabio Marangoni

Administration Finance & IT
Carmela Castiello





4.3 DEVELOPMENT CENTER

Candiani's hand in the denim design process doesn't end once the fabric is shipped. It also continues to be a specialized garment finishing service. 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.



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.







DEVELOPMENT CENTER UPDATES

Candiani's original Development Center (DC) was created in 2013. What kind of updates have been made since then?

The original DC has now evolved into a much bigger operation. It's still small by most laundry standards, but now we have the capacity to wash around 500 garments a day. Our first lab-sized laundry was created to wash Candiani's seasonal collections but using sustainability standards that were hard to find elsewhere. Now, we can offer our customers that same quality and approach to sustainability. We have also installed a software upgrade that can provide full traceability and transparency, in real-time, for every piece we wash. This software is integrated with the equipment and automatic dosing system and can also provide energy, water, and chemical consumption.

What makes the DC at Candiani unique?

What makes our laundry one of a kind, especially in Italy, is that our doors are always open to our customers. In Italy, laundries tend to still be magical secret places where they never show you exactly how things are done and aren't willing to disclose much information. I'm pretty sure that the Candiani DC is one of the only places where you can come in and work with us side by side. Always in the name of transparency and sustainability, we will share everything with everyone.

The other thing that makes the Candiani DC unique is our ongoing search for sustainable alternatives. We are continually searching for ways to eliminate dangerous applications, such as substituting hand sanding and potassium permanganate with laser booster and laser smoother. A lot of our R&D can go on for years until we finally discover something that can be a complete substitute.

What are some exciting developments you are working on now?

We are mainly working on new Candiani developments and how to get the best out of new concepts like COREVA or other elastomers and new colors. More generically, we continue to focus a lot of energy on finding different ways to apply ozone. I believe that ozone is the only oxidant that can truly replace other harmful oxidants such as bleach, potassium permanganate, and peroxide. As it exists now, ozone is limited to what you can do in a washing machine. We are working on ways to develop new equipment and applications that extend its use and for it to be applied in more ways. We also continue to search for replacements for pumice stones. We keep searching and testing new technologies but have yet to find one that works as universally well as the traditional stone. But we'll keep looking, and eventually, we'll find it.

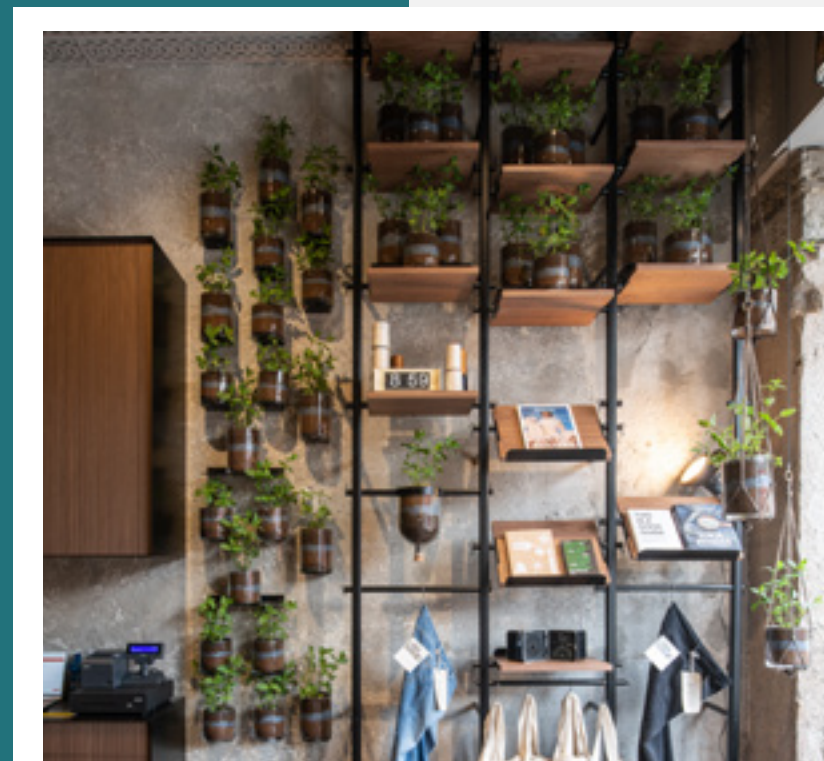
What is the most important thing people should remember while developing their washes?

It's a tricky question, but there is something fundamental that people don't always keep in mind. If you pick the right fabric, you'll save money, time, and energy, in the laundry. It happens every day due to minimums or other bureaucratic reasons. Brands will buy fabrics before knowing how they are going to wash them. Somehow, they think buying the same color will help them save money, but once they hit the laundry, they end up spending 3-4€ more just because a fabric was not meant to be washed in the way they are. By starting to educate designers, buyers, merchandisers, etc., you can fix 50% of the problem. And this is where the real sustainability begins.

Alberto Rigo - Head of DC & Laundry

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.



4.4 BLUE COLLARS SRL

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.

Coreva Design

This hub is dedicated to the culture of sustainability and, particularly, to the international patent COREVA™, the first stretch denim in history that is 100% bio-based and compostable brought to the market by Candiani in late 2019. This unique space, inaugurated in June 2021, is designed for the dissemination of sustainability issues, narrated through awe, learning, and the discovery of the new revolutionary technology. Candiani Denim is introducing the revolutionary technology to enthusiasts for the first time, allowing them to purchase their pair of sustainable and compostable stretch jeans directly from those who created and produced them only a few kilometers from Milan.

CANDIANI DENIM STORE



BEHIND THE SCENES AT CANDIANI CUSTOM

What do you do at Candiani Custom?

I cut and sew tailor-made jeans. I work directly with the customer to understand what they want and then set the whole production process in motion. I follow the entire process, from the initial measurements to making and cutting the pattern to the actual garment construction. But, my real job is to bring the soul of this unique piece to life, translating exactly how the customer envisioned it.

What do you love most about your job?

My background is in knitwear, so when I started this journey three years ago, I didn't know anything about denim. Denim is really different than any other type of fabric. It is unpredictable, which was challenging to deal with at the beginning. Still, this unpredictability is also what gives denim all its character and makes it so beautiful and fun to work with.

I fell in love with working with denim and everything that Candiani Custom represents. I appreciate all the ethics behind it and the sustainability, but I especially value the concept of realizing something based on actual demand. It is not the same as working in clothing wholesale in which we work based on estimated sales but working on a made-to-order basis means that we can work while reducing waste to a minimum, also in terms of our time and energy. There are challenges to working in this way, mainly in terms of planning, but the rewards far outweigh the hassles at the end of the day.

This work is not simply the work of an artisan, where it is enough for a pair of jeans to come out technically well. It is much more personal than that. It's something that you put your heart and soul into it for a customer who you've met and talked to face-to-face. In the fashion industry, the opportunity to have that type of exchange with the person who will wear the garment you made is so rare. It adds a whole new dimension to this work that's incomparable.

What makes Candiani Custom unique?

We are lucky enough to know every supplier personally. All the materials we work with and the equipment we use were selected especially for this space. This familiarity means we understand what we are talking about, that we get to more intimately know the entire production process and understand, in a different way, all the pros and cons of the raw materials we use.

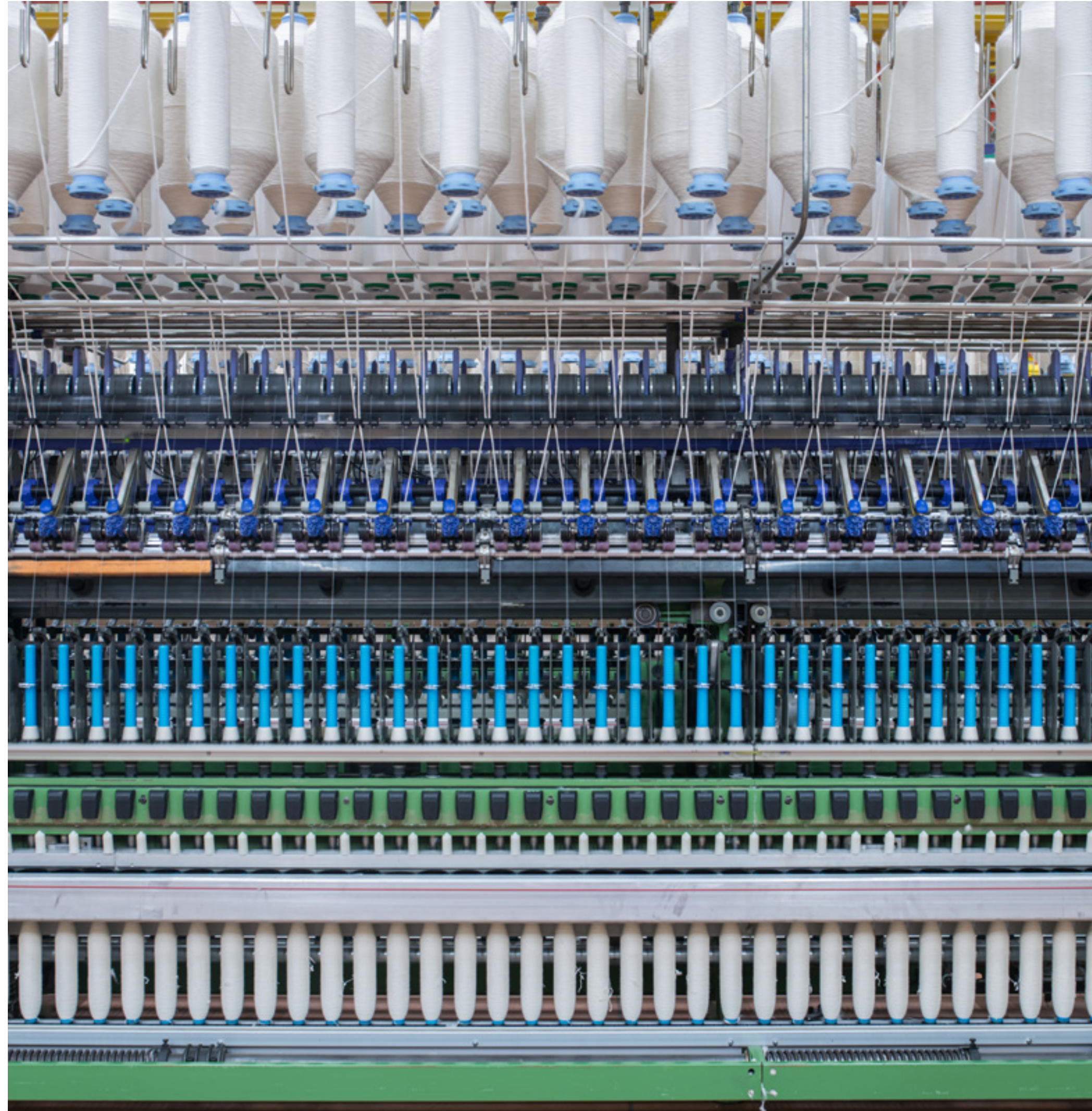
But not only do we know each of our suppliers personally, but we also get to know the customers personally. It is gratifying to create something from an idea all the way through until it becomes a reality. It's even better when you get to meet the person you are making that thing for and essentially create something together.

Why do you think it's important to make jeans in this way?

I have become completely fascinated by jeans. But, even for me, who works in the sector, I'm still amazed by all the work and human effort that goes into making them. It's unimaginable until you see it, and it's something that you begin to appreciate in a deeper way once you do. Making the behind-the-scenes visible to the end consumer makes them value their jeans even more. I think this is extremely important because, in many ways, jeans today are undervalued. Almost everyone in the world has jeans in their closet, and as a result, we take them for granted in some ways. Candiani Custom shows people why their jeans should be something treated as valuable and something that can actually be loved for years.

*Michela Di Dio Muscia -
Candiani Custom Pattern Maker & Tailor*





DENIM DONE DIFFERENTLY

Each season, Candiani aims to release a new collection or family of fabrics highlighting the latest in sustainable innovation, and 2020/21 are no exceptions. They mark the launch of some of our most revolutionary fabrics to date.

In 2020, we premiered COREVA™, the name of the innovative technology developed and patented by Candiani Denim, which allows for the use of an elastomer made from natural rubber, substituting synthetic yarns. This technology is critical in creating an innovative compostable stretch denim fabric—without compromising the elasticity, physical qualities, and durability of jeans. It also allows for a circular model in which raw materials become fabric, then garment, and return to nature at the end of their useful life thanks to their composability. It doesn't mean, however, that they are any less durable or can simply be tossed into the compost bin. But with the proper collection system and conditions in place, jeans made with COREVA™ can now have a positive impact at the end of life.

In 2021, we launched our PCR Program, showcasing denim made with post-consumer recycled cotton. The program came to life through strategic partnerships with two local companies: Humana People to People Italia and Filatura Astro differentiates Candiani's PCR Program from the industry standard. PCR fibers are upgraded with regeneratively grown Blue Seed cotton to accomplish quality fabrics with a high quantity of PCR content (21-26% of the final composition).

COREVA™

A vision for the future

“COREVA™ is just the start of what we hope to achieve through our research and development at Candiani. Our long-term vision is a circular model built on the connection between industrial production and regenerative agriculture. We are fighting landfill and waste in a different way, in our way. Our target is to close the loop, meaning that our fabrics (all the ingredients they are made of, and all the waste made during production) can be returned to nature.”



It all started in 2015, when Alberto Candiani, at his local delicatessen, saw something new. This time the salami hanging behind the counter, that he had seen thousands of times before, became more intriguing. What was that string suspending the salami in place? It seemed to perfectly stretch and bounce. While taking a closer look, Alberto found out the casing was made from natural rubber, and that's when the wheels started turning.

Five years later, and thousands of hours of R&D later, Candiani Denim is able to present the original alternative to petroleum-based elastomers to the denim industry. It is a patented stretch technology that is 100% plant-based, derived from 100% renewable resources, that when core-spun into organic cotton fibers creates the world's first compostable stretch denim.

COREVA™ Stretch Technology

has allowed Candiani to achieve a truly circular, regenerative model in which raw materials become fabric, then garment, and then return to nature thanks to their biodegradability.

Drapers
Sustainable
Fashion
Awards 2020



WINNER OF

INNOVATION
OF THE YEAR

2020



COREVA™

WHAT ARE THE BENEFITS

WHAT IS IT

COREVA™ is an innovative technology developed and patented by Candiani Denim that uses a **plant-based yarn obtained from 100% natural rubber**. When combined with organic cotton this results in a **yarn that is completely natural and plastic-free**.

COREVA™ replaces conventional synthetic and petrol-based elastane often used in stretch denim with Candiani's new, custom-engineered, bio-based component. With this technology Candiani has achieved an innovative compostable stretch denim fabric - without compromising the elasticity, physical qualities, and durability of jeans.

WHY

Did you know that approximately **25 billion unworn garments** end up in landfills every year? The fashion industry has a serious waste problem, and because of Petrol-Based synthetic yarns, discarded jeans take **hundreds of years to decompose, leaving a negative impact on the planet**.

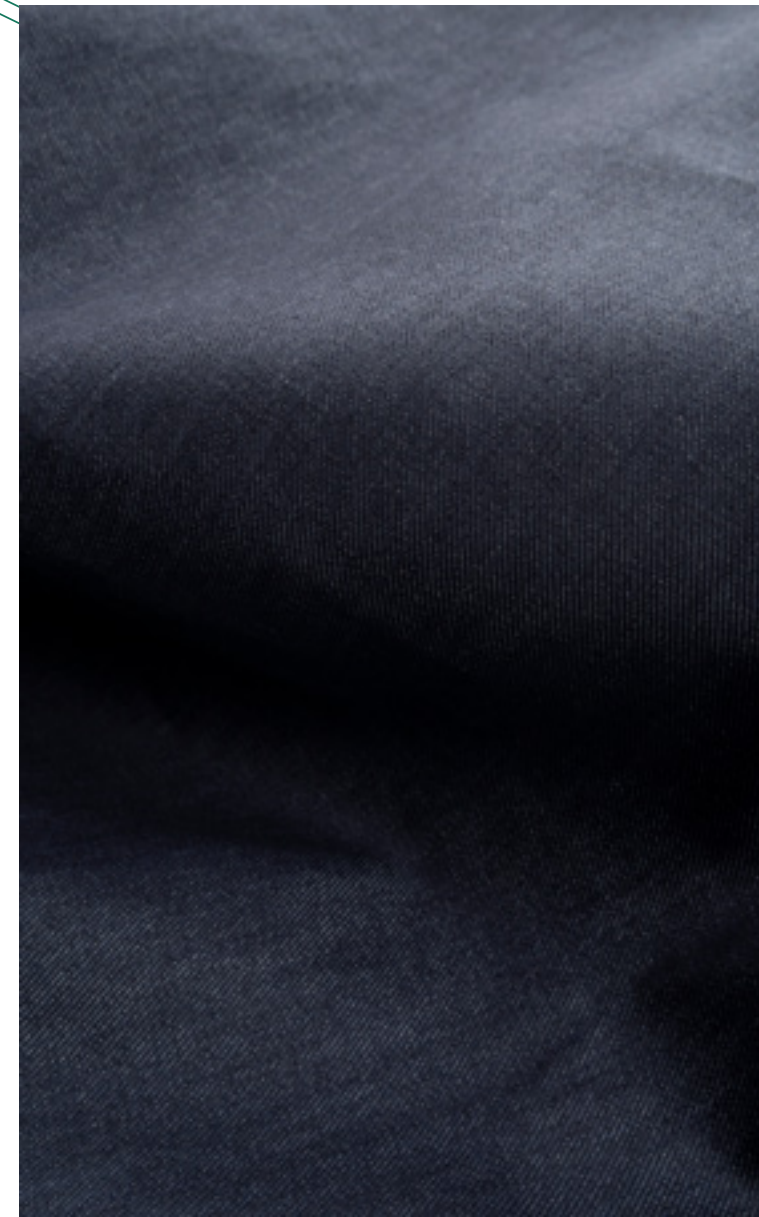
With this problem in mind, Candiani set out to find a solution, COREVA™, the world's first compostable stretch denim.



As this technology is made with natural rubber, it is the **first renewable, plant-based alternative** to synthetic, non-renewable petrol-based elastane. COREVA™ has been tested to prove its compostability, in mature compost in **less than six months**, without releasing the toxic chemicals and microplastics of conventional elastane, in compliance with the **EU Standard EN13432** - offering an **eco-compatible, end-of-life solution** for stretch denim.

CIRCULARITY of the raw materials

Thanks to COREVA™, Candiani has created a truly circular and regenerative model in which natural materials are turned into fabric, then garment, and, instead of being thrown away, **COREVA™ returns to the earth naturally, leaving a positive impact on the environment**.



COREVA™ Stretch

Conventional Stretch



100% BIO-BASED
100% BIODEGRADABLE & COMPOSTABLE

Positive Impact

COMPOSTABILITY TEST

COREVA™ has undergone tests to assess biodegradability, disintegration, and eco-toxicity. These tests, when put together, determine compostability. The tests were conducted at Innovhub* following the requirements of the EU Standard EN 13432.

As there is not yet a dedicated compostability test for fabric such as COREVA™, Innovhub selected the closest material category possible, packaging, to test COREVA™'s biodegradability and compostability status. The following are the EU Standard EN 13432 requirements to pass the compostability test:

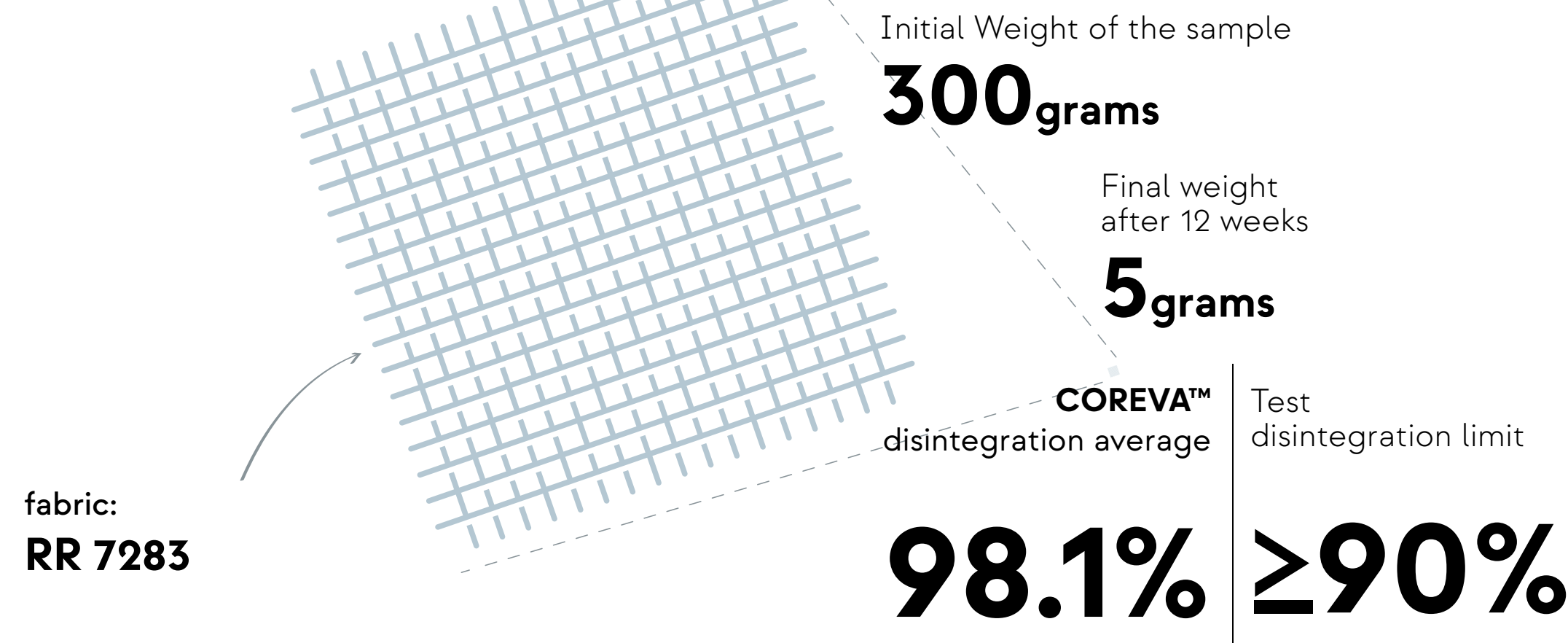
- » After 12 weeks, no more than 10% of material pieces can be larger than 2mm.
- » Within 6 months, the test sample must produce at least 90% of the CO₂ that is generated by the control fabric (in this case, the control material used was a cellulose microcrystalline, Avicel).
- » There must be no evidence of negative environmental effects on the composting process.
- » There must be low levels of heavy metals (such as copper, nickel, lead, chromium etc.).
- » There must be no effect on bulk density, pH, salinity, volatile solids, total nitrogen, total phosphorus, total magnesium, total potassium, and ammonium nitrogen characteristics of the compost.

The requirements for the EN 13432 standard were established using the test method, ISO 14855:2012. This method examines aerobic biodegradability of plastics made of organic compounds, in controlled composting conditions with a constant 58 ± 2 °C and 50% ± 5% humidity.

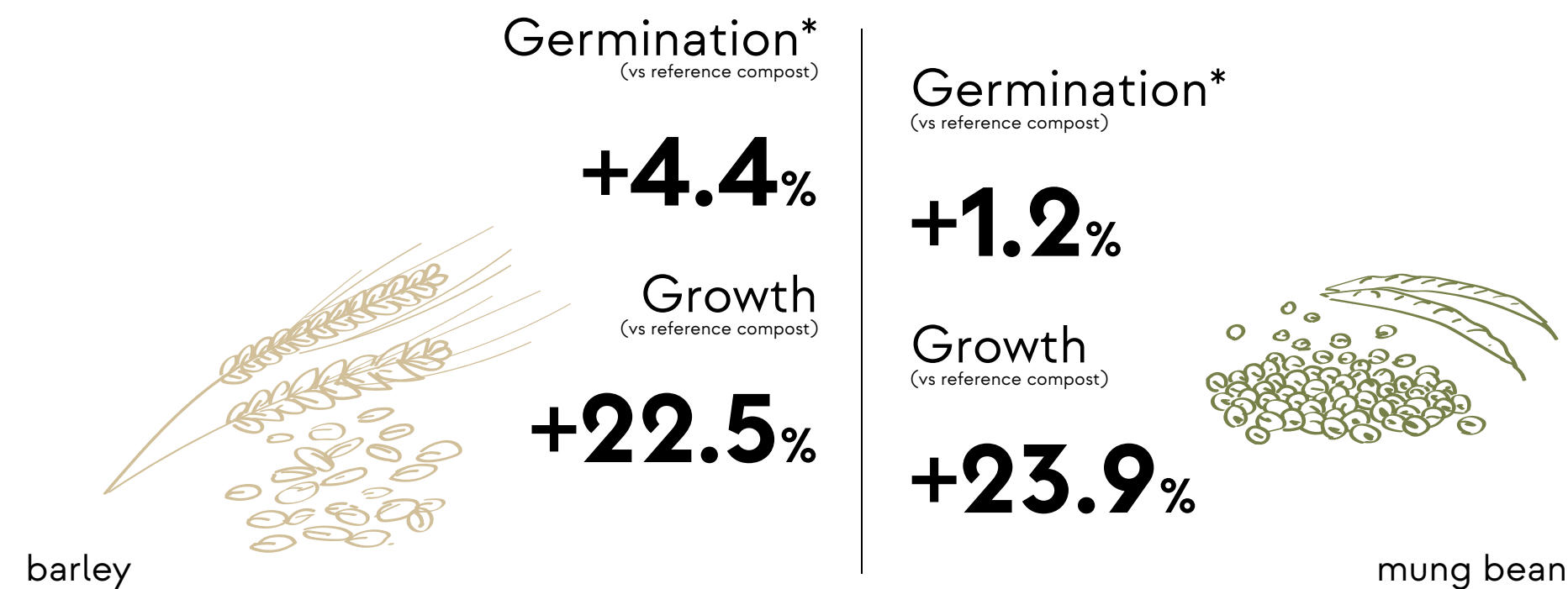
» ***Innovhub - Experiment Station for Industry** is an accredited laboratory certified by ACCREDIA (National Accreditation Body), which guarantees the impartiality of all parties within the laboratory, the technical competence and professionalism of the staff, the adequate use of equipment, and the compliance of the organization with the management and technical requirements prescribed by the UNI CEI EN ISO / IEC 17025 standard.

Disintegration test

At the end of 12 weeks, the sample disintegrated at 98.1% of its original value therefore, it falls within the limits specified.



Once confirming the compostability of COREVA™, it was necessary to test the soil where the fabric composted to determine its ecotoxicity. The pythotoxic effect test* was conducted with two different types of seeds: mung bean (*Vigna radiata*) and barley (*Hordeum vulgare*). The sowing was conducted in pots filled with a mixture containing the compost created by COREVA™ and compost created by control material. The results determined there was significantly more growth from the COREVA™ compost than the sample material.



***Pythotoxic effect:** test for assessing the effects of chemicals on plants.
***Germination:** the growth of a seed into a young plant or a seedling.

PCR

Positive impact



What makes Candiani's PCR Program unique?

PROXIMITY

The entire process takes place within 60km allowing for the reduction of the supply chain's carbon footprint.

TRACEABILITY

Each part of the recycling process is traceable from the collection containers (via the Humana Platform), to the shredding and spinning at Filatura Astro, to the fabric production at Candiani.

CIRCULARITY

A smart solution to the fashion industry's number 1 problem, turning garment waste into premium Denim fabric.

QUALITY

Candiani's PCR Denim gets its superior quality from a perfect blend of our **Blue Seed Cotton** and mechanically recycled cotton offering increased strength, durability, and exceptional hand feel.



Partners



HUMANA
PICCOLI GESTI CHE TRASFORMANO IL MONDO

Founded in 1998, **Humana People to People Italia** is an independent and secular international humanitarian cooperation organization that finds its foundation in the concepts of solidarity and sustainability. For twenty years Humana Italia, member of the Federation Humana People to People present in 45 countries, has been implementing medium-long-term programs to enable people in the communities of the Global South with whom it works to build a better future through training and the acquisition of new skills.

Humana Italia recovers clothes that are no longer worn, giving them a second life through reuse and recycling and generating environmental and social benefits boasting over 5,600 collection containers in 1,200 Italian municipalities.

Candiani PCR Program: Humana is responsible for the collection, pre-processing, and preparation (removal of zippers/buttons/patches) of garments.

**Candiani and Humana are working in exclusivity for recycling of denim in Italy.*

Filatura Astro

Filatura Astro has been manufacturing over the last sixty years regenerated yarns obtained from pre-dyed cotton and wool scraps sorted by color. Since are already pre-dyed, re-dyeing is not necessary. The environmental benefit due to the saving on water energy and chemical products is significant. Thanks to this valuable process the scraps material that otherwise would be destined to retting with a negative environmental impact can be recycled and reused.

Candiani PCR Project: Filatura Astro is responsible for shredding the pre-processed garments from Humana and spinning these remnants into yarns.





PRODUCT QUALITY AND SAFETY

Material topic #1 -

This topic addresses Candiani's commitment to the realization of high-quality products, guaranteeing the highest safety standards for end-users

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 in 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 re-audited to confirm compliance with ISO9001:2015 in 2024.

Seven Quality Management Principles



There were no non-compliances found in Candiani's first ISO9001:2015 audit.

QMS PRINCIPLES

CUSTOMER FOCUS

THE PROCESS APPROACH

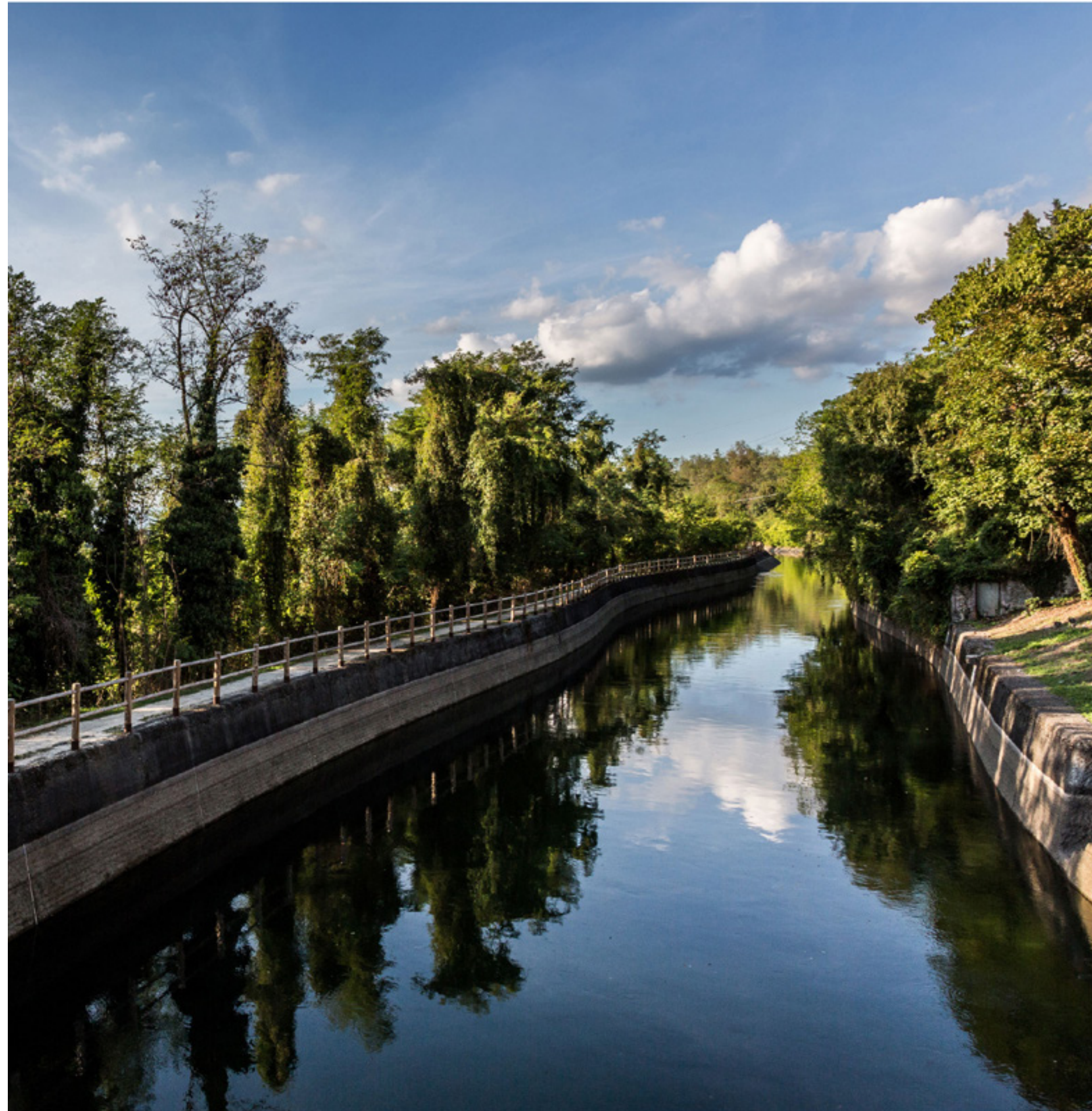
LEADERSHIP IMPORTANCE OF TOP MANAGEMENT

EVIDENCE-BASED DECISION MAKING

RELATIONSHIP MANAGEMENT

ENGAGEMENT OF PEOPLE

IMPROVEMENT



SUSTAINABILITY PERFORMANCE

Founded on our four pillars of sustainability: Lasting Legacy, Intelligent Ingredients, Trailblazing Technologies, and Trusted Transparency, Candiani's commitment to sustainability is integrated company-wide and into all aspects of our daily activities. We aim to strike a balance between our own environmental, social, and economic performance, evolving our initiatives to improve our impact continuously. For the reporting years 2020-21 there were no incidents of non-compliances with environmental and social laws and/or regulations.

7.1 ENVIRONMENTAL

From procurement through the entire production process down to the finished fabric, the concepts of Re-Duce, Re-Use, Re-Cycle, and Re-Generate are fundamental in each phase in the production chain. These principles are therefore applied operationally to various important environmental aspects such as water consumption, energy efficiency, chemical management, and emissions production.

7.1.1. MANAGEMENT OF BIODIVERSITY

Material topic #3 - This topic addresses Candiani's commitment to managing the impacts on the ecosystem from company activities and ability to preserve local flora and fauna.

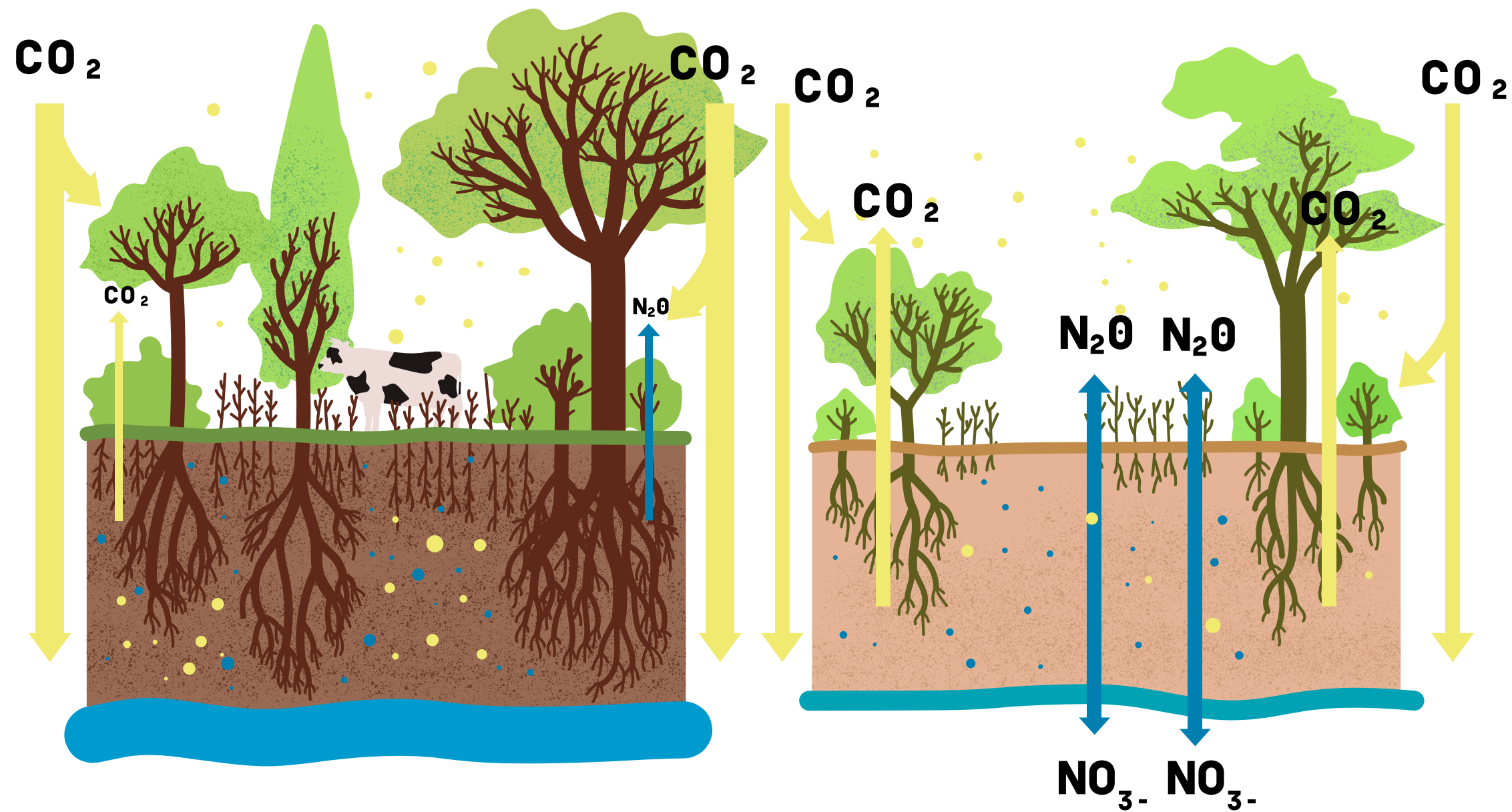
Biodiversity loss is a critical issue now recognized as being on par with the climate crisis. We also understand that biodiversity loss and climate change are inextricably linked. Action on one cannot adequately progress without action on the other.

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 benefits.

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.

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.



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). It 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.”

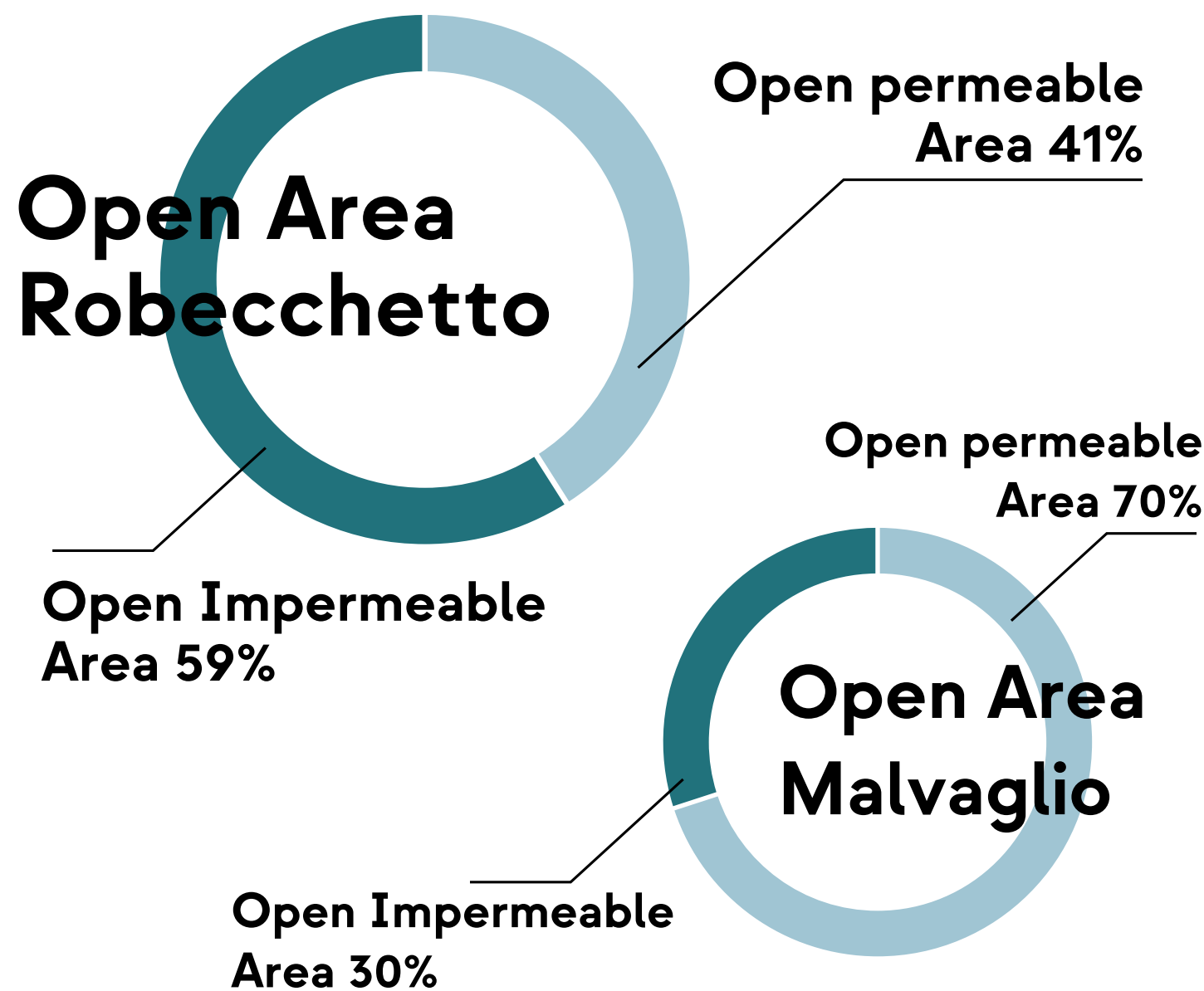
For example, in 2016, a new parking structure was constructed in an area previously zoned for agricultural use. However, in agreement with local authorities, including the Lombard Park Consortium of the Ticino Valley, Candiani was permitted to compensate for any potential negative impacts of the new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

As 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.

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

Table I. Production plant layout

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



COMING UP!!

This year’s materiality highlighted the importance biodiversity management has for our stakeholders. It also highlighted that we’re not doing nearly enough to address this critical issue. Beyond continued R&D and investments in regenerative agriculture, we will explore other ways to address biodiversity loss and ecosystem degradation in our immediate area. That is why we have begun talks with the Parco del Ticino to understand how we might better support their efforts. Stay tuned in 2023.

7.1.2. RESPONSIBLE SUPPLY CHAIN MANAGEMENT

Material topic #4 - This topic addresses Candiani’s commitment to the selection and management of suppliers not only based on quality of the service but also with respect to the company’s ethical codes of conduct.

Evaluating our suppliers

The sourcing of raw materials is arguably the most critical step of our production—yet coincidentally, it is also the one we have the least control over. For this reason, we have begun to evaluate our suppliers on their occupational health & safety activities, social responsibility, environmental sustainability, and chemical management.

New company protocol requires that we:

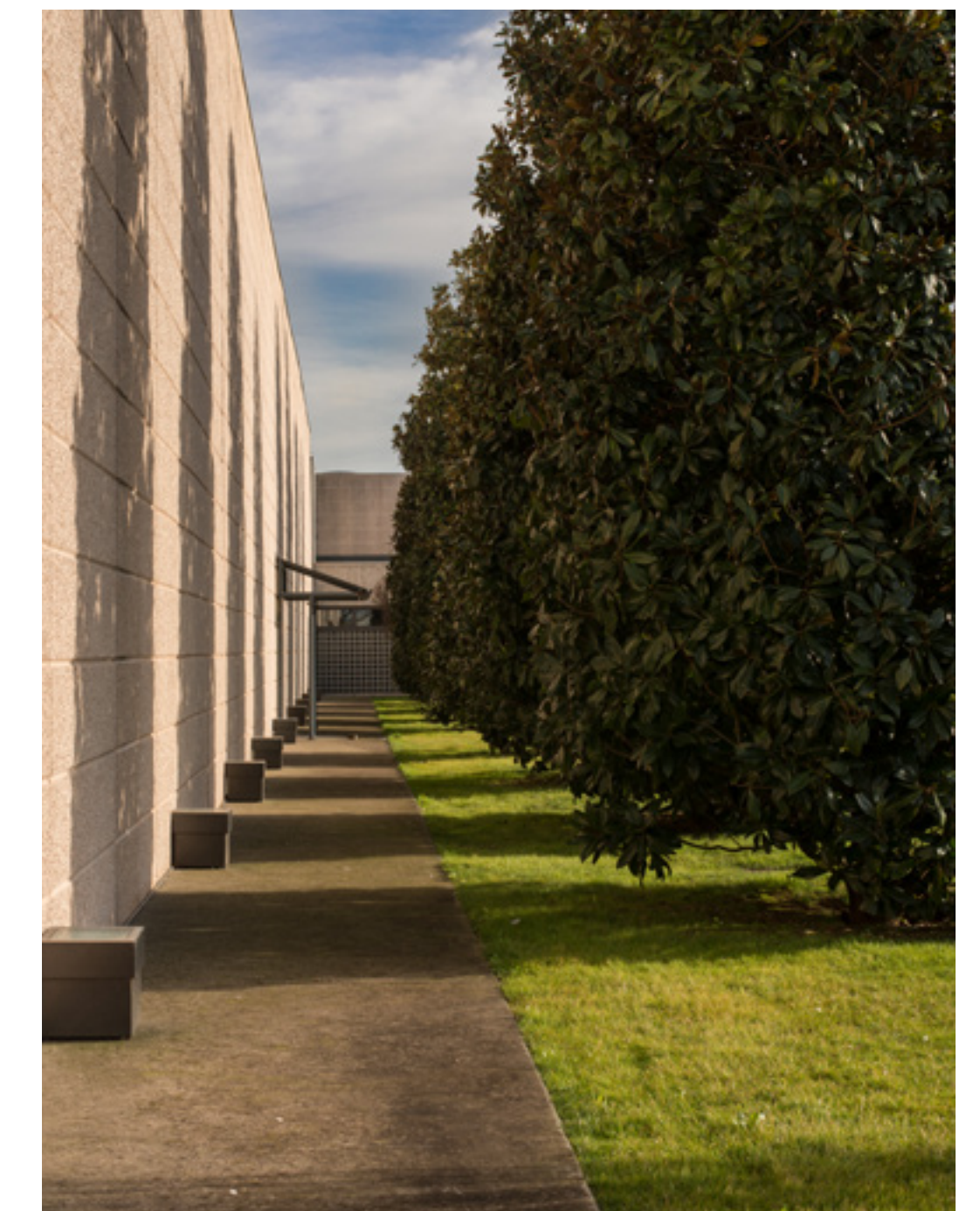
- Ask each new supplier to sign our Code of Conduct.
- Ask each new chemical supplier to complete a questionnaire and confirm their compliance with Levi’s RSL and ZDHC MRSL.
- Request that our strategic suppliers complete a questionnaire on a reoccurring basis.
- Share this procedure on our internal company portal and update it accordingly.

In 2020, out of 191 active strategic suppliers (linked to production and environmental management), nearly 40% responded to the questionnaire, whereas 42% signed and confirmed compliance with our Code of Conduct.

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:

- Sign our Code of Conduct
- Confirm their product adheres to ZDHC’s MRSL and Levi’s RSL
- Evaluate their suppliers on an annual basis



7.1.3. ECO-DESIGN AND CIRCULAR ECONOMY

■ **Material topic #6 - This topic addresses Candiani's commitment to design new products considering the potential impacts on the environment and society at all life cycle stages.**

Circularity initiatives at the Mill

The following circular plant and process measures have been implemented to increase the recovery or recycling of valuable resources for greater overall efficiency:

- Recovery of softened water from Sanfor machines in the finishing department to clean dye baths in the dyeing was respectively equal to 43.701,4 mc in 2020 and 75.878,7 mc in 2021.
- Heat exchange systems in the finishing department generate functional steam, heat ambient air, and recover water.
- Redirecting CO₂ emitted from boiler chimneys to wastewater pre-treatment tank to reduce pH and avoid the use of large quantities of hydrochloric acids, whose estimated savings equal to 1.522,7 tons in 2021
- Continuous regeneration of the various dyeing baths, thus reducing the production of liquid waste.
- Recover and recycle 100% of our cotton waste
- Installation of a new QC assessment system to increase accuracy, rendering a significant reduction (approx. 2.5% overall) in the generation of 2nd choice fabrics leading to efficiency savings throughout our entire production.
- In 2016, the “Selvedge Saver” was installed on projectile weaving looms, significantly reducing overall yarn consumption-loom with the “Selvedge Saver” upgrade use an estimated 62% less raw materials overall.
- The “Loomsphere” was designed to ensure the necessary accurate and localized humidity of the cotton yarns to reduce breakage while at the same time guaranteeing comfortable air conditioning in the room for the staff. This air conditioning system saves 74% energy and 63% water annually.



CANDIANI VISION

REGENERATIVE CIRCULAR MODEL



Circular raw materials

Candiani is making a point to constantly increase the amount of circular raw materials we source. We consider these raw materials to be those that have a reduced environmental impact and often made of recycled content or recovered from waste. Next year we hope to quantify the number of raw materials we source from recycled compared to virgin origin and how much comes from renewable vs. non-renewable resources.

Raw materials from recycled or upcycled sources:



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.



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.



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. x REFIBRA™ technology and 50% post-industrial recycled cotton.

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



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.



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.



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

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.

Waste management

Reducing waste and finding end-of-life alternatives to landfill are critical components of a circular economy. While the overall aim is to maximize efficiency and limit the creation of waste, to begin with, this is not always possible. For the waste that is produced, Candiani follows all the necessary separation and collection requirements with an overall aim to recover (aka recycle or reuse) 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 II. Mixed waste produced

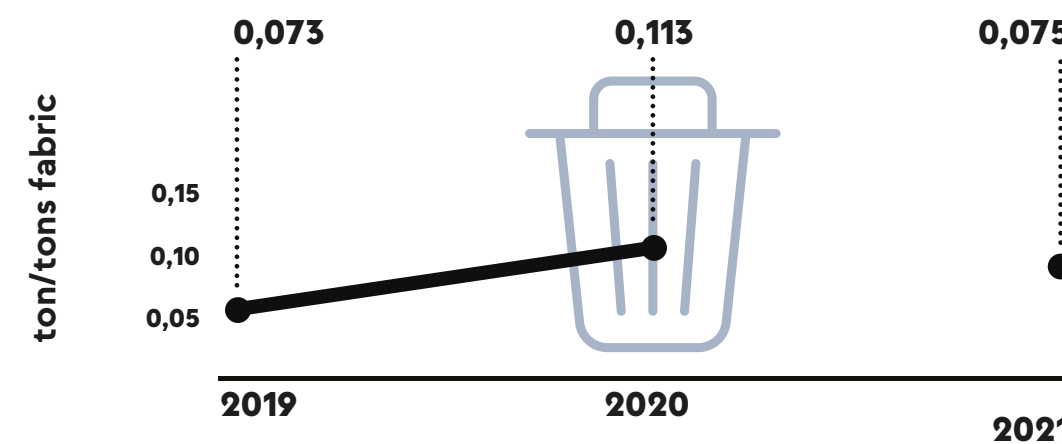
Year	Mixed waste Robecchetto (ton)	Mixed waste Malvaglio (ton)	Mixed waste Total (ton)	Mixed waste Total/production (ton)
2019	49.92	12.08	62.00	10.01%
2020	44.27	7.80	52.07	7.44%
2021	46.72	13.86	60.58	9.66%

Table III. Waste generated per ton of fabric produced

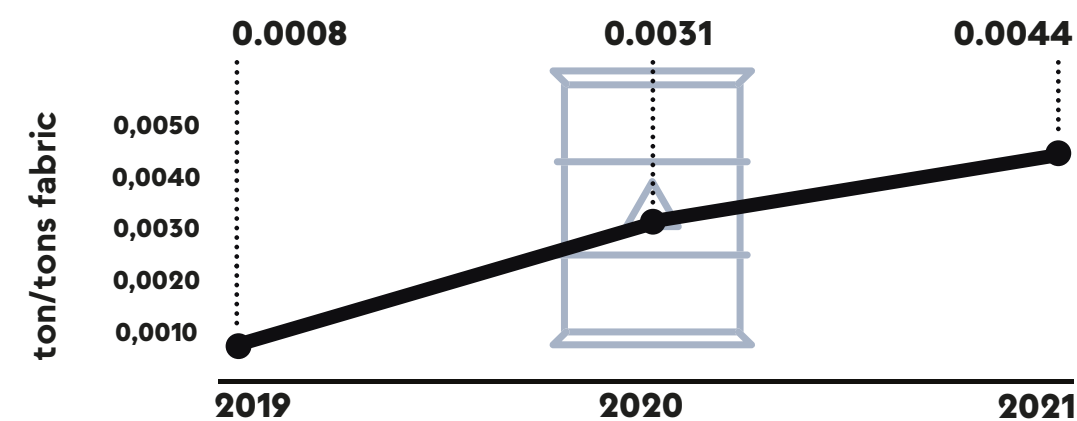
Year	Total ton of waste per ton of fabric produced	Hazardous waste produced per ton of fabric produced
2019	0.073	0.0008
2020	0.113	0.0031
2021	0.075	0.0044



Graph I. Total waste per ton of fabric produced



Graph II. Total hazardous waste per ton of fabric produced



How it's handled

The waste produced at Candiani is separated at the source to maximize the recovery of valuable materials to the fullest. It can be subdivided into the following waste streams. Each waste stream is then collected and treated 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 IV. Non-hazardous and hazardous waste per treatment method

	2019	2020	2021
Non-hazardous waste (ton)	611.99	679.40	590.27
Recovered non-hazardous waste (ton)	447.12	594.56	487.96
Disposed non-hazardous waste (ton)	164.88	84.84	102.33
Hazardous waste (ton)	6.91	19.70	36.67
Recovered hazardous waste (ton)	3.99	9.69	11.05
Disposed hazardous waste (ton)	2.93	10.01	25.62*

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



7.1.4. WATER MANAGEMENT

Material topic #7 - This topic addresses Candiani's commitment to conscious use of water resources and promotion of measures aimed at achieving water efficiency.

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**, 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 natural resource.

At Candiani Denim, water is primarily used for:

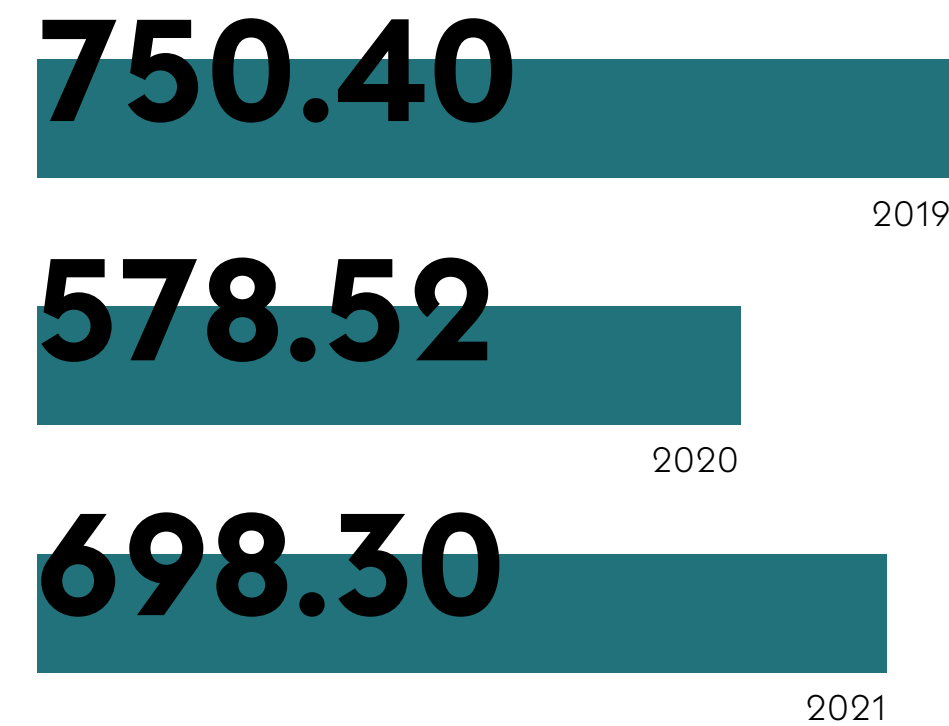
- Processes in the dyeing and finishing departments
- Cleaning of work areas, vehicles, and equipment
- Irrigation of green areas
- Sanitary use
- Fire safety measures

However, the dyeing and finishing processes represent the most water intensive, and they also, as a result, 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 V. Water consumption by use

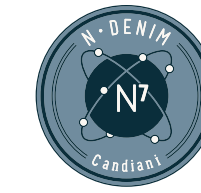
2019	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	150.82	326.16	25.69	196.51
% of total	22%	47%	4%	28%
2020	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	119.57	230.66	19.82	169.81
% of total	22%	43%	4%	31%
2021	Dyeing	Finishing	Steam	Other uses
Megaliter (ML)	129.86	310.59	25.34	182.03
% of total	20%	48%	4%	28%

Table VI. Megaliter H2O withdrawn per ton of fabric produced



Water saving technologies

Candiani has developed the following water-saving technologies to reduce consumption in some of the most water-intensive processes in 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.

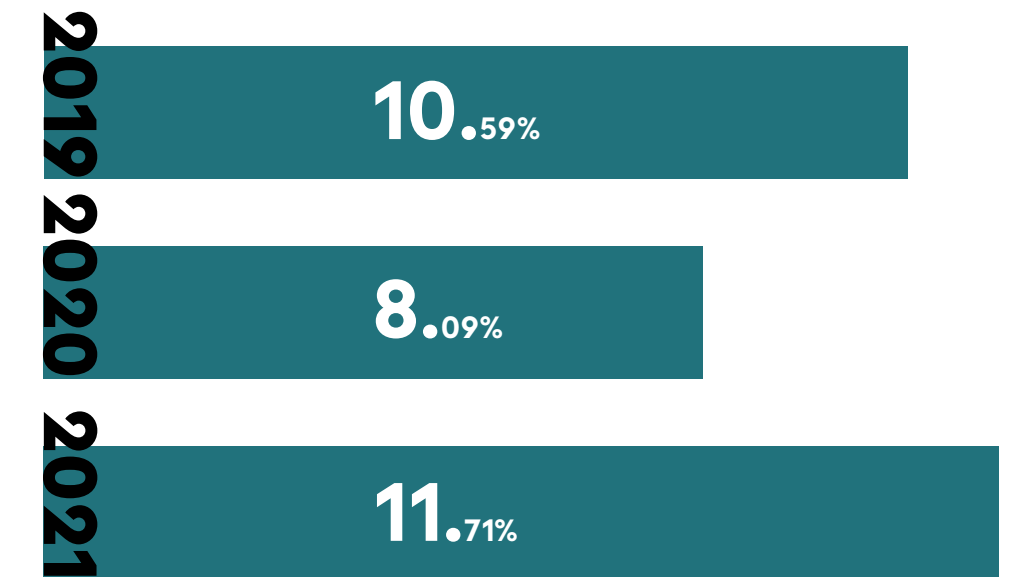
Water recycled and reused

Water recovery measures applied:

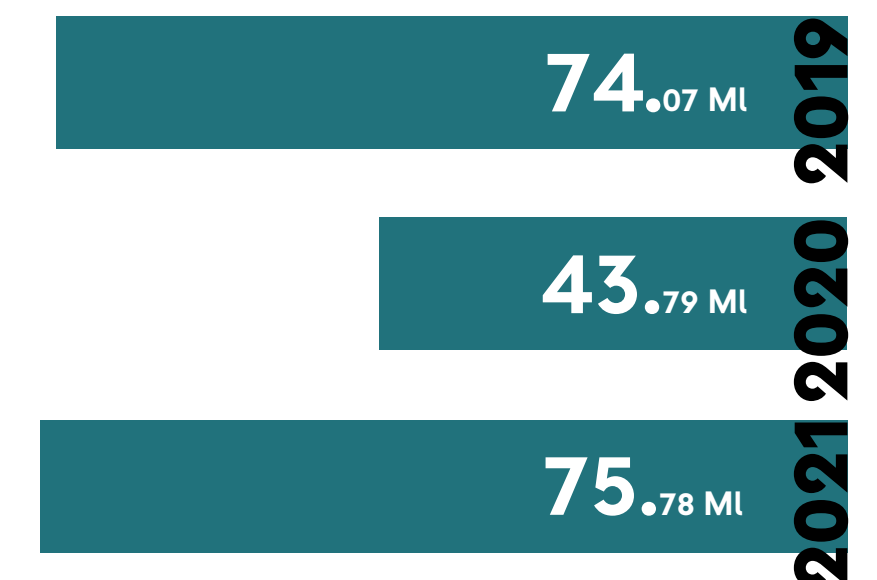
- Closed-loop system of dye baths for continuous regeneration
- Water recovery from Sanfor machines is then re-directed for use in the dyeing department
- Replaced wash tank on mercerizing line to optimize water recovery
- Counter-current system on washing tanks
- A portion of the grey water produced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



Graph IV. Water recovered in megaliters



Water discharged

Located in the Valle del Ticino nature reserve, comprising a rich ecosystem of rivers and wetlands, effective treatment of our wastewater is imperative. This is especially true since our wastewater is released directly into this diverse system of waterways from which it originally came after undergoing a series of treatments.

According to local legislation, the water we discharge must be examined weekly. The results are comprised of weekly, monthly, and half-yearly reports that are subsequently posted on an internal web portal allowing for continuous monitoring and historical reference.

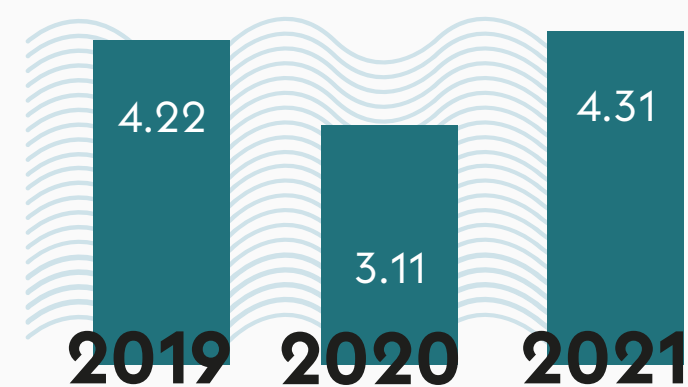
The following data reveal an increase in discharged water between 2020 and 2021, mainly due to the use of water softeners and rain chambers related to the air conditioning systems.

Regarding the ratio of water discharged to water withdrawn, the total value remains around 50%, considering only the Robecchetto Site, where the dyeing and finishing departments are located.

Table VII. Water discharged to water withdrawn

Year	Water discharge In MI	Withdrawn water (MI/ton fabric)	% withdrawn /discharged
2019	353.44	750.39	47%
2020	260.62	578.52	45%
2021	356.53	698.30	51%

The trend in discharged water in relation to production is shown to vary significantly from year to year, yet with a general downward trend. The variability can be attributed to the types of products requested by customers and does not reflect water management improvements. The same can be said for the quantity of water discharged overall.



Graph V. Megaliter wastewater per ton of fabric produced

**Since 2019 the industrial sewerage is conveyed exclusively to an authorized external purifier. Therefore, there are no industrial discharges into the public sewer system.*

COMING UP!!

Our work is never done. We are currently investigating innovative ways to reduce the consumption of our most precious resource—water. In the dyeing department since 2021, we have been testing a new technique using an ultrasonic device to improve washing efficiency and increase water savings significantly. Stay tuned for more details in 2023!



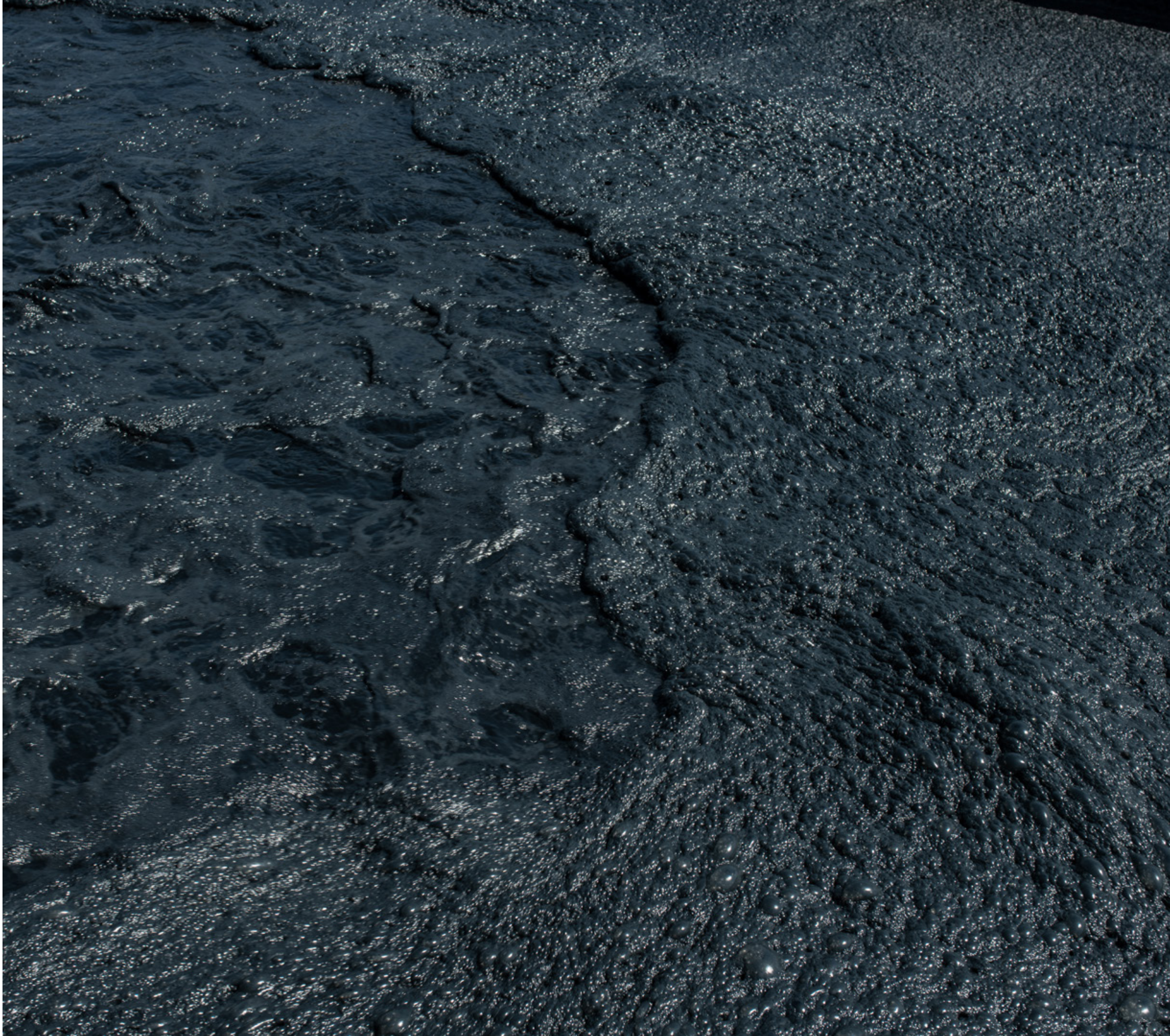
Ecologica Naviglio SpA

In December 2015, Candiani Denim acquired a majority stake (64%) in the local municipality wastewater treatment plant Ecologica Naviglio SpA. In this way, Candiani helps to support the economic and environmental activities of Ecologica Naviglio (EN). This chemical-physical-biological wastewater treatment facility treats the effluents of 11 textile and tanning companies 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 **found in the Annex.**



7.1.5. CHEMICAL MANAGEMENT

Material topic #8 - This topic addresses Candiani's commitment to reducing or eliminating the use of hazardous chemicals.

Our holistic and multi-layered approach to chemical management goes far above and beyond legislative compliance. Firstly, we conduct a chemical analysis of all incoming and outgoing water. Candiani also believes in eliminating harmful substances at the source instead of cleaning them up in the end. For this reason, we stopped using the eleven priority chemical groups identified by Greenpeace's Detox campaign long before committing ourselves to the campaign.

Our commitment to sustainable chemical management has been formalized by the following:

- In 2015 we formally signed Greenpeace's Detox commitment, becoming part of the Italian Detox Implementation Consortium.
- In 2017, we joined the Zero Discharge of Hazardous Chemicals (ZDHC) and committed to its Manufacturing Restricted Substances List (MRSL).
- Then in 2019, we took it a step further by deciding to become ZDHC Contributors. This permits us a seat at the table and a say in future chemical management protocols, rules, and regulations.

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 chemicals that conform with Levi's RSL to be used.

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 health and safety are always prioritized.

11 Priority Chemical Groups banned for use at Candiani Denim:

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.

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.

Low-impact alternatives

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 compliant with GOTS procedures and European REACH regulations. 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

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.

Earthcolors®



Synthesized by Archroma, Earthcolors is a family of dyes 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.

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.

For over 20 years, Candiani has used a unique approach to treating our wastewater by using CO₂ from the boiler chimneys to reduce the pH of our wastewater to substitute the use of hydrochloric acid.

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.

Table VIII. Total denim production made using KITOTEX®

Year	Total linear meters produced	Linear meters made using Kitotex	KITO/TOT
2019	16,742,348	3,399,529	20.30%
2020	15,952,439	3,098,644	19.42%
2021	16,519,347	3,601,354	21.80%

7.1.6. ENERGY EFFICIENCY

Material topic #8 - This topic addresses Candiani's commitment to energy consumption and propensity for the use of renewable sources.

In recent years, Candiani Denim has invested heavily in increasing the energy efficiency of its operations. The primary energy source is methane, used primarily to produce functional steam in the dyeing and finishing departments. Electricity purchased from the grid is used mainly to operate the production plants, compressors, and air conditioning units. To date, renewable energy is not produced on-site.

The company is equipped with automatic consumption control systems that work in real-time for some main applications and with particularly energy-intensive machines. For example, the stenter machines on the finishing line are already equipped with detectors to monitor and identify the energy weight of each unit of fabric leaving the plant. Whereas the steam produced at the Robecchetto site by three boilers is constantly monitored by qualified personnel and subject to quarterly efficiency checks.

Graph VI. Total linear meters produced to linear meters produced with KITOTEX®

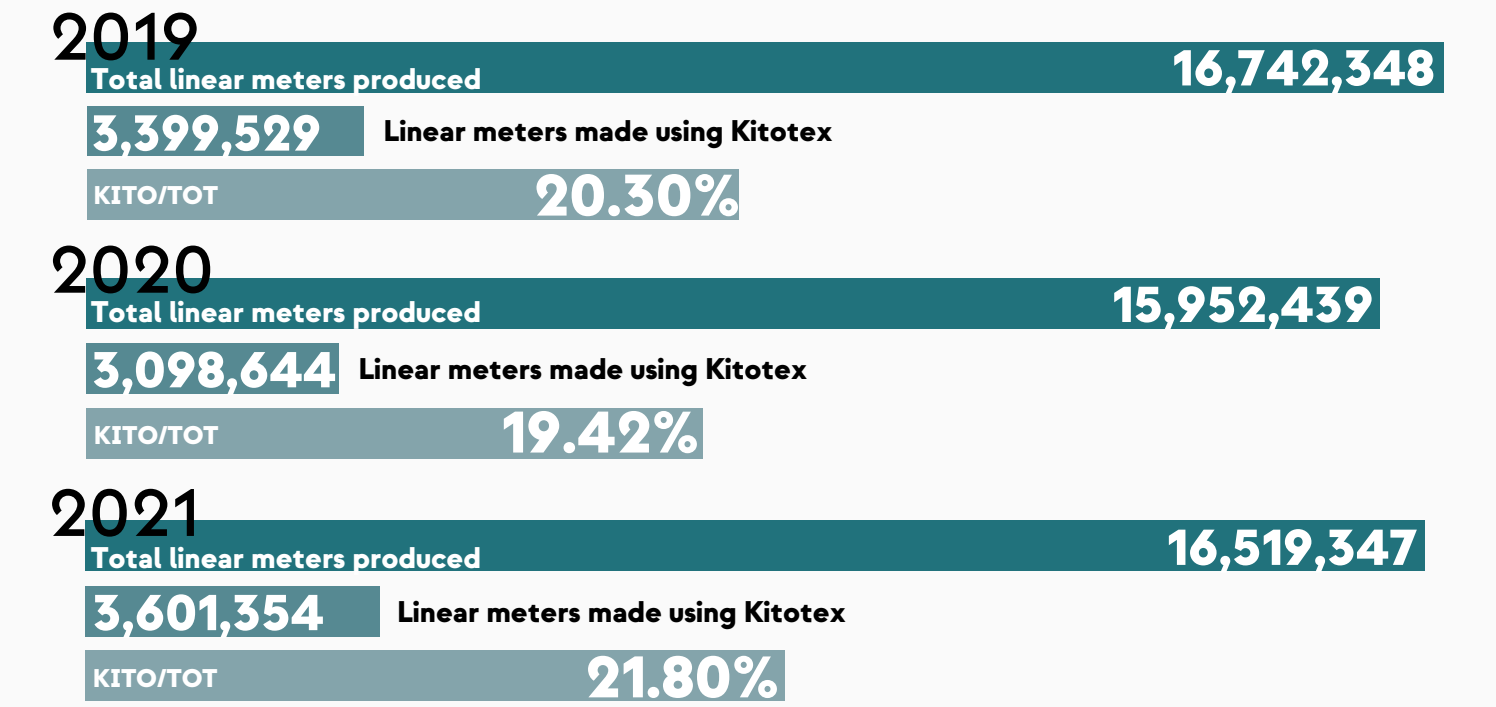
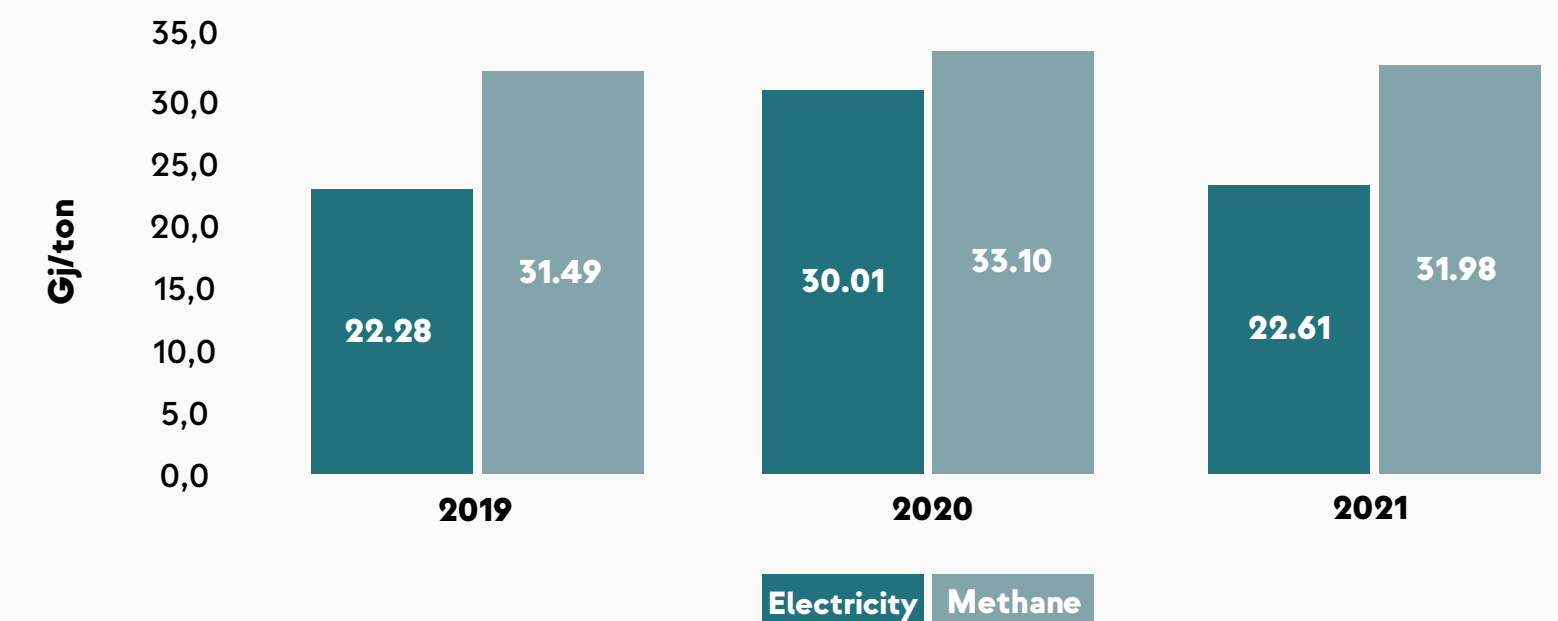


Table IX. GJ of energy consumed per ton of fabric produced

Energy Carrier	Unit of Measure	2019	2020	2021
Electricity	Gj/ton	22.28	30.01	22.61
Methane	Gj/ton	31.49	33.10	31.98
Total consumption	Gj/ton	53.88	63.11	54.59

Graph VII. Energy consumed by source per ton of fabric produced

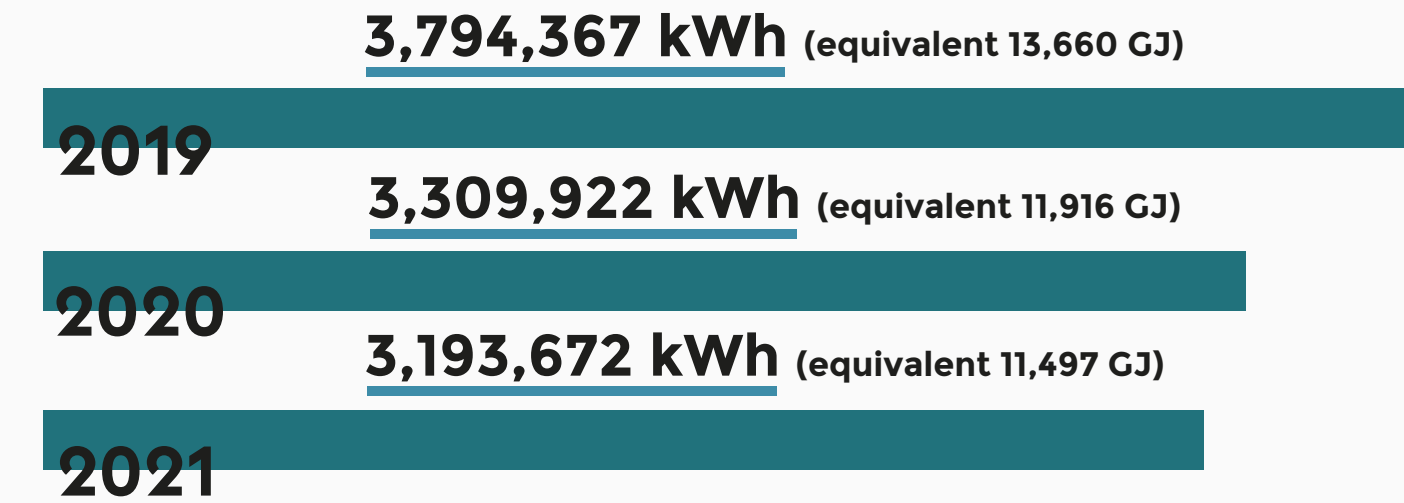


The following energy efficiency measures have been implemented between 2014 - 2021:

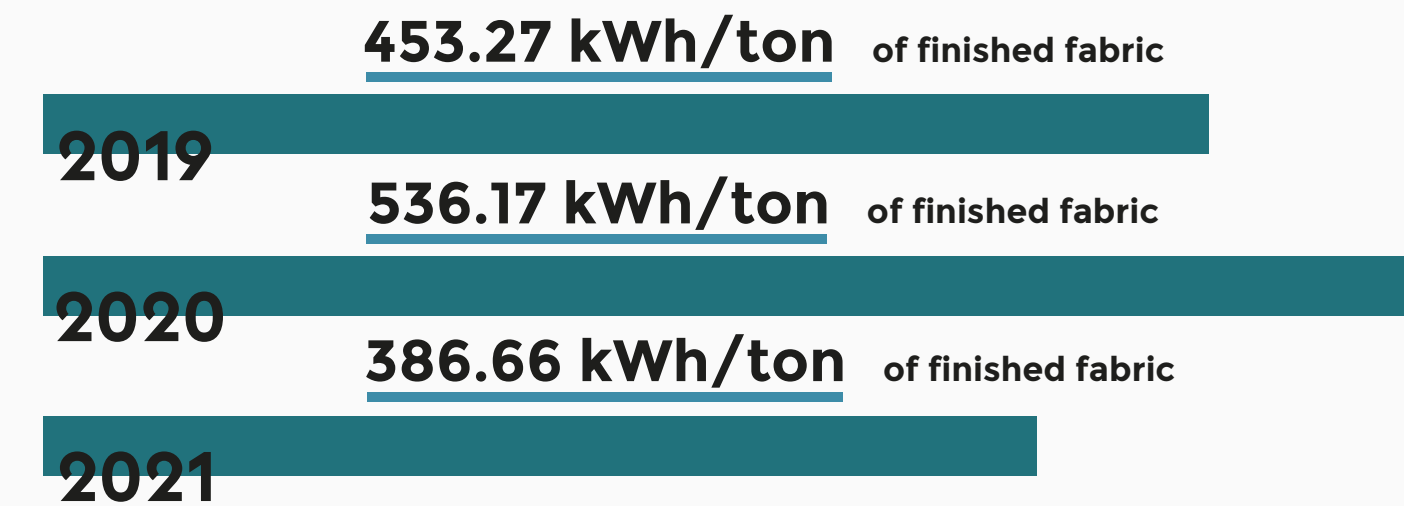
YEAR	UPDATE	SAVINGS
2013	Installed Loomsphere (Robecchetto con Induno)	78,000 kWh per year
2014	Replace outdated motors with more efficient IE3 electric motors in the weaving and finishing departments	102,000 kWh per year
2014	FROM The ongoing replacement of old bulbs with efficient LED lamps	50% of 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

Table X. Energy savings per efficiency measure update

Graph VIII. Total energy savings from efficiency measures



Graph VIII. Energy savings per ton of fabric produced



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.

* Note: Candiani Denim 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.

Emissions

The following table represents the total equivalent CO₂ emissions generated by the consumption of relevant energy carriers (methane, electricity, and diesel). These have been divided into:

Scope 1 (direct = use of methane and diesel) and **Scope 2** (indirect = purchased electricity) emissions.

Table XI. GHG emissions per scope and ton of fabric produced

	2019	2020	2021
Emissions total (tons)	29,214.72	26,663.37	29,847.68
Scope 1 emissions produced (tons)	12,896.74	10,448.50	13,506.42
Scope 2 emissions produced (tons)	16,317.98	16,214.87	16,341.25
Production total (tons)	8,371.2	6,173.2	8,259.6
Emissions /ton fabric	3.49	4.32	3.61
Scope 1 emissions /ton of fabric	1.54	1.69	1.64
Scope 2 emissions /ton of fabric	1.95	2.63	1.98

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

The practice of diverting our CO₂ emissions to neutralize and oxidize our wastewater was a measure to reduce air emissions immediately. The CO₂ produced during production is recovered and introduced directly into wastewater storage tanks via insufflation, lowering the pH of the outgoing wastewater. **For example, and to better understand the extent of the savings obtained, the amount of CO₂ recovered in 2021 is equivalent to the CO₂ emissions produced by 827 cars.** But it also allows us to eliminate the use of harmful chemicals such as hydrochloric acid.

Table XII. Tons CO₂ recovered and per ton of fabric produced

Year	Recovered CO ₂ (tons)	Recovered CO ₂ per ton production
2019	1,500.7	0.18
2020	1,111.9	0.18
2021	1,522.7	0.18

EU Emissions Trading

Since 2005, Candiani Denim 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 Denim, today, the company maintains a credit of 45.421 tons of CO₂, equaling emissions not released into the atmosphere.



Carbon Offsetting

For the first time, Candiani S.p.A. invested in an international project to neutralize some of the CO₂ it produces, in other words, offsetting its emissions. To achieve this, we invested directly in a renewable energy project in Rio Grande do Sul, Brazil. Candiani sources a large portion of their cotton from Brazil, so it made sense that we invest in this nature there.

The Santa Vitória do Palmar wind farm is a project that involves the construction of 201 wind turbines. Once fully operational, this is expected to lead to an estimated reduction of 640,706 tons of CO₂ eq emissions yearly. Overall, the project aims to provide sustainable development by improving the sustainability of the environment while contributing to the local economy by creating jobs. The United Nations Environmental Agency monitors the implementation and outcomes of this project.

Candiani purchased certified emission credits equaling 1000 tons of CO₂. The result is the equivalent reduction of approximately 7.7% of the total atmospheric emissions of the Robecchetto site in 2020.



7.1.7. TRACEABILITY OF RAW MATERIALS

Material topic #13 - This topic addresses Candiani's commitment to practices for guaranteeing the traceability of the supply chain.

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.

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.

Country of origin: Candiani 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

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.



7.1.8. MANAGEMENT OF RAW MATERIALS

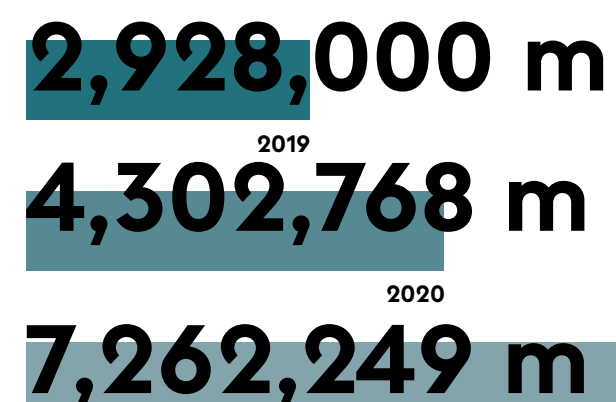
Material topic #14 - This topic addresses Candiani's commitment to business practices aimed at reducing the consumption of raw materials and enhancing the use of materials from preferred sources.

Denim production today requires a mix of raw materials from various origins. Cotton remains the most important raw material in producing denim. While cotton is often recognized as a crop with a significant environmental impact, its impacts vary drastically based on geography and farming practices. It is one of Candiani's key priorities to ensure that we obtain as much of our cotton as possible from sustainably managed sources.

While natural fibers, including cotton, linen, or hemp, still make up the bulk of denim fabric, today, many artificial and synthetic materials may also be used, lending their qualities to enhance denim's performance, durability, and hand feel. Most dyestuffs and chemical auxiliaries are derived from synthetic (fossil fuel-based) origin. However, a lot of work is going into discovering bio-based alternatives with the same or improved performance and colorfastness.

As of 2021, more than 70% of the cotton we source is Better Cotton. At the same time, 24% was certified GOTS.

Graph IX. Annual production of GOTS/OCS certified fabrics



2021

The following is a breakdown of Candiani's current roster of preferred ingredients:

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 CO₂, 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 - Blue Seed is a hybrid, non-GMO 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.



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 CO₂ 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.



LENZING™ Lyocell RB - 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.

Preferred Fibers & Yarns



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.

Dyestuffs & Chemical auxiliaries



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.



Pre-Reduced Indigo - In 1979, Candiani began using only pre-reduced indigo. This decision was made purely for environmental reasons. Despite being more costly than conventional powder indigo, pre-reduced indigo decreases the use of sodium hydroxide by 52% and sodium hydrosulfite by 63% -two chemicals required to fix indigo to cotton fibers. Our pre-reduced indigo is also **Oeko-Tex Eco Passport** certified.



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.



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



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.

Table XIII. Consumption of raw materials

Year	Cotton	Absolute consumption (ton)		
		Chemical auxiliaries	Dyestuff	Yarn
2019	12,952.00	4,068.00	707.00	ND
2020	4,962.00	3,243.20	619.70	492.33
2021	10,992.00	1,315.50	311.30	360.26

Year	Cotton	Specific consumption (ton/ton of fabric)		
		Chemical auxiliaries	Dyestuff	Yarn
2019	1.55	0.49	0.08	ND
2020	0.80	0.53	0.10	0.08
2021	1.33	0.16	0.04	0.04

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 CO2, 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 simple sugar is used to reduce our sulfur dyes. It offers a biodegradable and natural alternative to polysulfide, a commonly used reducing agent.



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.

7.2- SOCIAL

7.2.1 HEALTH & SAFETY

Material topic #2 - This topic addresses Candiani's commitment to the identification of measures to prevent accidents or injuries in the workplace.

Having lived and worked in the same town for the last 80+ years, Candiani is deeply rooted in the local community. A considerable number of workers who live in Robecchetto con Induno and its surroundings have played an active part in contributing to the growth and success of the company., for generations. Candiani is often referred to as a family-owned company run by families.

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.

Candiani is inherently committed to its employees' health, safety, and well-being. To formalize this commitment, in 2010, the company became SA8000® Standard certified. At the end of 2021, Candiani was working on expanding its commitment further by becoming certified 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 through the involvement of the five elected workers' representatives (RLS), two of which are actively involved in the functioning of the SA8000 Social Responsibility System.

Concerning health surveillance, the flu vaccine is provided free of charge to all employees. Furthermore, an on-site doctor carries out medical examinations on request and, free of charge weekly, in a dedicated room.

Health and Safety performance

From 2018 to 2021, no occupational diseases were reported. However, in that same time, there has been a fluctuation, and recent increase, in the injury rate. At the same time, the lost day rate increased slightly. These results are due to a greater number of minor injuries whose causes have been managed and analyzed through specific corrective actions such as training, information, control, and continuous updating of safety procedures.

Graph X. Safety and injury indices

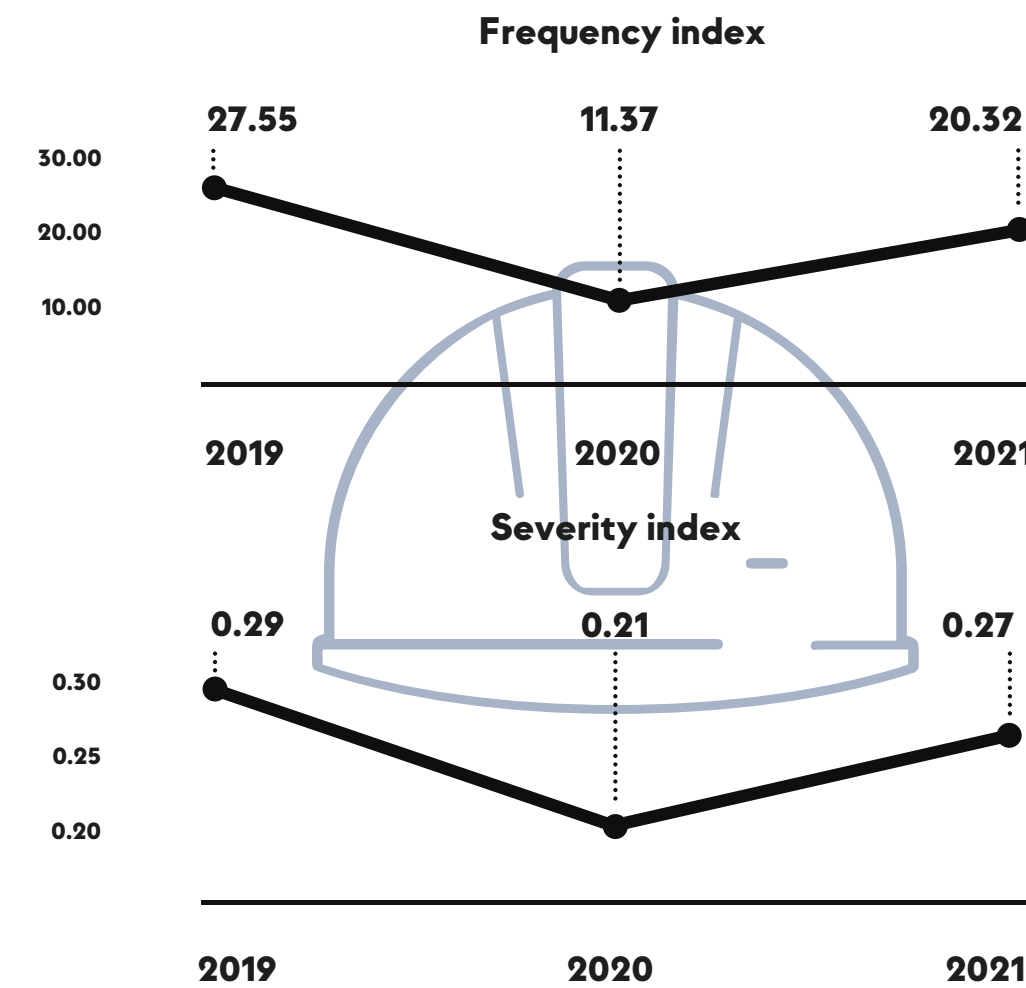


Table XIV. Injury rate

Years	N° Injuries	Injury rate
2019	31	27.55
2020	12	11.37
2021	21	20.32

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

Table XV. Lost day rate

Years	N° accidents	Days lost	Total N° possible workable hours	Lost days rate
2019	31	335	1,125,113	0.29
2020	12	228	1,077,454	0.21
2021	21	284	1,033,443	0.27

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

Table XVI. Absentee rate

	2019	2020	2021
Total N° of possible workable hours	1,125,113	1,077,454	1,033,443
Absence due to illness	58,730 hrs (5.21%)	53,147 hrs (4.93%)	58,179 hrs (5.63%)
Absence for blood donation	402 hrs (0.03%)	314 hrs (0.03%)	260 hrs (0.03%)
Absence with permission	15,788 (1.40%)	14,845 (1.37%)	19,591 (1.89%)
Hours of absence for other reasons	37,408 hrs (3.32%)	30,000 hrs (2.78%)	32,002 hrs (3.09%)

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

Training and Education

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.

Beyond that, formal worker health and safety training must occur every five years. In 2019 the number of hours dedicated to training was indicative of the cyclical nature of compulsory training.

During 2020 the company was forced to stop training activities due to the pandemic emergency, exhibited by the sharp decrease in the number of hours provided for training. In 2021, thanks to a stabilization of the pandemic curve, the company started again to offer training to its workers, exhibited a 57% increase in training hours compared to the previous year.

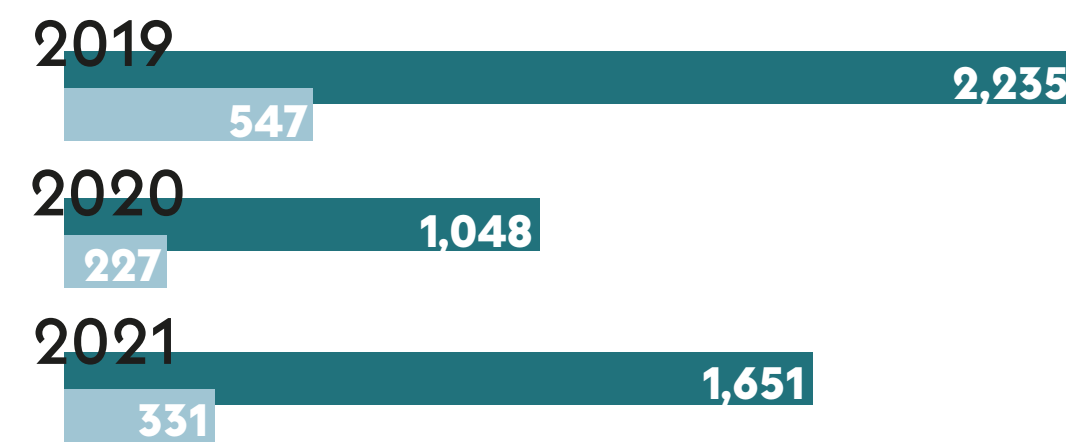


Table XVII. Total training hours

Worker Trainings	2019	2020	2021
Total training hours	2,235	1,048	1,651
Total training hours by gender	1,869 M 366 W	714 M 334 W	1,264 M 387 W
Total number of employees trained	547	227	331
Number of employees trained by gender and worker category	47 M, O 27 W, O	17 M, O 6 W, O	23 M, O 11 W, O
	324 M, P 149 W, P	147 M, P 57 W, P	196 M, P 101 W, P

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

Graph XI. Total hours of training to number of employees trained



7.2.2 TRANSPARENT BUSINESS PRACTICES, FAIR COMPETITION, AND ANTI-CORRUPTION GOVERNANCE

Material topic #5 - This topic addresses Candiani's commitment to business development while respecting competitors and suppliers

Material topic #9 - This topic addresses Candiani's commitment to respect and share values such as integrity, transparency, responsibility, and fairness against all forms of corruption.

Since July 2011, Candiani Denim has adopted an Organizational Management and Control Model adhering to Italian Legislative Decree 231/01, which is aimed at implementing an internal system for the control and prevention of all possible risks of committing offenses for current legislation.

Candiani Denim is consistently committed to maintaining compliance, particularly in the demanding and complex regulatory context it finds itself operating under. Frequent discussions are held with local authorities and control bodies to manage legal and regulatory requirements representing opportunities for discussion and development.

For years, the company has maintained and updated a central regulatory archive. All regulatory requirements regarding the environment, workplace safety, labor law, and other applicable regulatory framework are cataloged, mapped, and monitored. The archive is also subject to periodic inspection by external third parties, including trade and local associations, qualified to provide support even with the continuous evolution of the regulatory framework. The computerized management of the requirements through scanning and cataloging the original documents are evaluated to improve the efficiency of filling methods and traceability. Finally, for 2018-2021 there were no registered cases of active or passive corruption or non-compliance pertaining to laws and regulations regarding our environmental, social, or economic performance.

7.2.3 SUPPORT OF INSTITUTIONS AND THE LOCAL COMMUNITY

Material topic #10 - This topic addresses Candiani's commitment to support institutions and actively interact with local communities

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.

Mill Visits

Each year we open our doors to brands, students, journalists, academics, and industry professionals to share with them how we do things. During these visits, we offer a complete tour of the mill, exploring every department from the raw material to the finished fabric. We explain each step in the denim-making process in-depth and share information on the sustainable innovation applied in every production process and why it's crucial.

40+ mill tours a year

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)

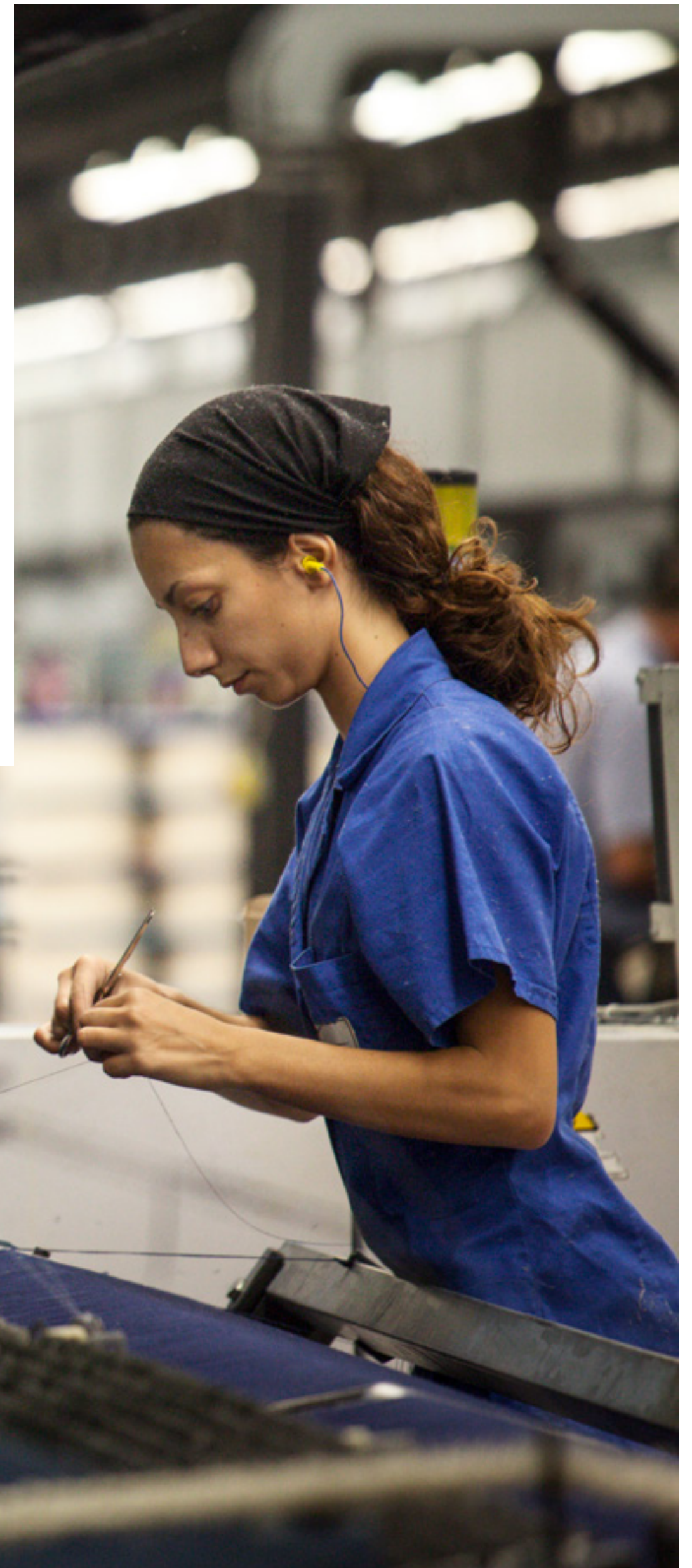
Local Support

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.

Primo Candiani Foundation (a non-profit organization)

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.



7.2.4 DIVERSITY & INCLUSION

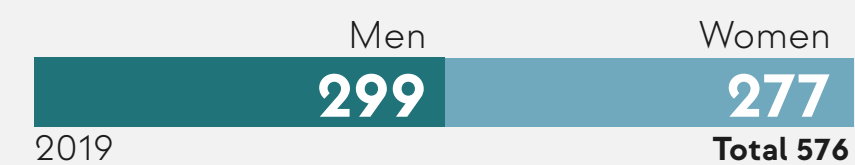
Material topic #11 - This topic addresses Candiani's commitment to diversity enhancement, respect and inclusion of minorities, and gender equality.

Gender equality

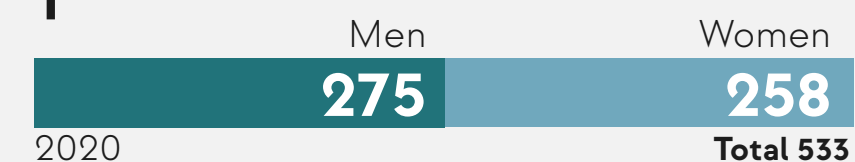
At Candiani, gender equality is particularly important, demonstrated by a nearly 50/50 gender distribution. From next year, we will report more information on the gender breakdown per employment role.

Graph XII.

Employee breakdown



per



gender

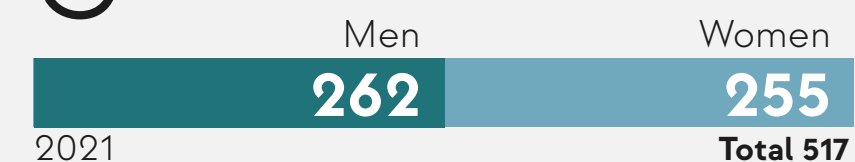


Table XVIII. Employment breakdown per contract type and gender

	2019	2020	2021
Permanent contract	556	528	511
Permanent contract by gender	282 M 274 W	271 M 257 W	259 M 252 W
Fixed term contract	20	5	6
Fixed term contract by gender	17 M 3 W	4 M 1 W	4 M 2 W
Apprenticeship	-	-	-
Job placement	-	-	-
TOTAL	576	533	517

Table XIX. New hires and dismissals per gender

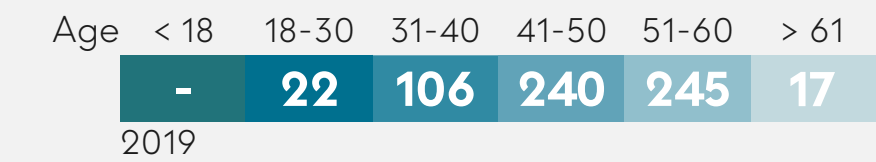
	2019	2020	2021
New hires			
Women permanent contract	1	0	3
Women fixed term contract	14	1	9
Men permanent contract	1	2	3
Men fixed term contract	1	1	10
Dismissals			
Women permanent contract	21	9	18
Women fixed term contract	2	0	0
Men permanent contract	24	23	7
Men fixed term contract	0	0	0

Training the next generation

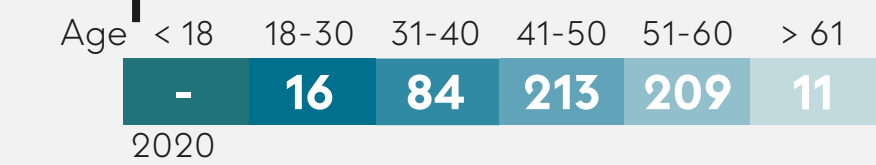
With an aging workforce, Candiani is making a concerted effort to actively recruit, support and train young adults who are looking to build careers in textile manufacturing. To that end, we also offer scholarships at the regional textile and chemical trade schools on an ongoing basis.

Graph XIII.

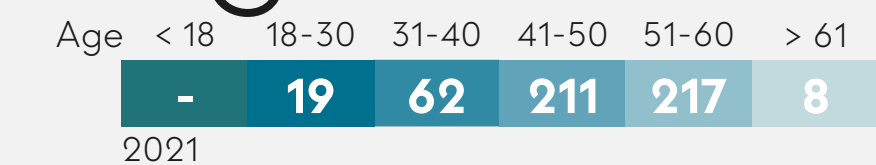
Employee breakdown



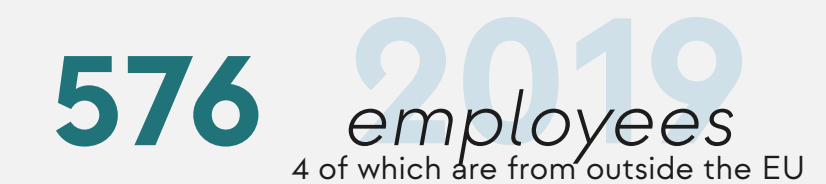
per



age



Graph XIV. Total number of employees



Supporting minorities

We recognize the importance of doing more in terms of integrating and supporting people from minority groups within our company. With this in mind, we are currently putting in place a program to provide work opportunities to fragile, disabled, and disadvantaged individuals.

7.2.5 LABOR CONDITIONS & HUMAN RIGHTS

Material topic #12 - This topic addresses Candiani's commitment to respect human rights and working conditions.

Employment

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, only six people were working part-time, and in 2020 there were only seven part-time employees. Likewise, between 2020 and 2021, the percentage of fixed-term contracts did not change, confirming the stability of the company and its commitment to maintaining secure jobs.

Conversely, in 2021 sixteen employees terminated their employment. In 2020, 39 people terminated their employment, primarily due to retirement.

Graph XV. Employment breakdown per contract type



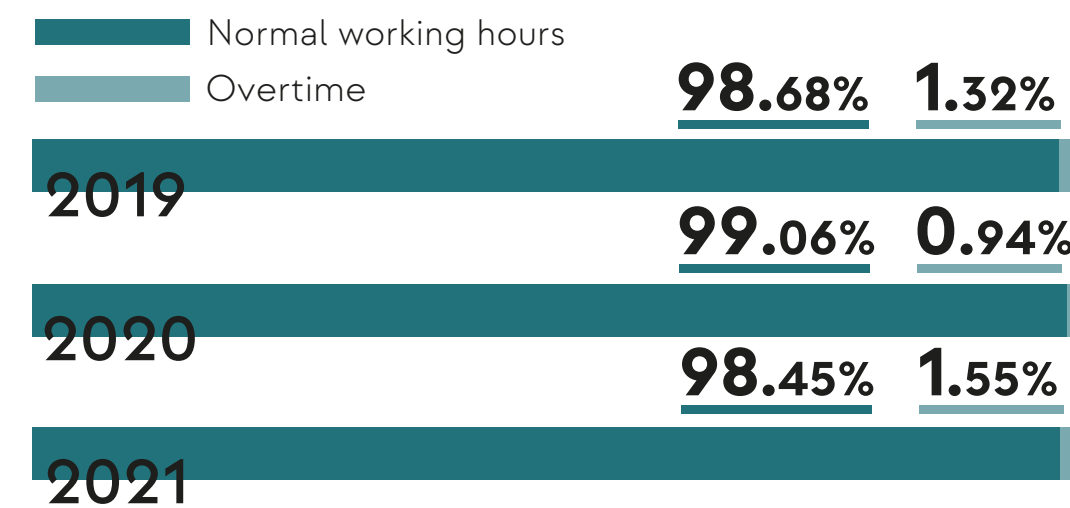
Working hours

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 XX. Total working hours

	2019	2020	2021
% Ordinary	98.68%	99.06%	98.45%
% Overtime	1.32%	0.94%	1.55%

Graph XVI. Percentage normal working hours to overtime hours



COVID Crisis

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



7.3- ECONOMIC

Material topic #12 This topic addresses Candiani's commitment to create and distribute value for its stakeholders.

7.3.1 CREATION AND DISTRIBUTION OF ECONOMIC VALUE

The economic value generated by Candiani SpA is equal to €88.196.094 in 2021, €64.942.756 for 2020, and €86.179.782 for 2019. Most turnover can be attributed to the sale of finished products, semi-finished products (yarns), by-products, and third-party works.

The reporting period, 2019-2021, was punctuated by the COVID pandemic, which can be seen by the sharp decrease in sales in 2020, which forced the temporary break of production activities. However, a quick recovery in 2021 is demonstrated by the generation of an economic on par with 2019.

Table XXI. Economic value generated and distributed

	2019	2020	2021
Production value	85,874,310	64,127,032	87,357,566
Financial Income	305,472	815,724	838,528
Economic Value Generated	86,179,782	64,942,756	88,196,094
Value Distributed to suppliers	62,331,499	42,346,845	67,489,457
Value Distributed to Employees	22,311,189	18,541,010	21,535,832
Value Distributed to Capital Providers	253,534	238,180	251,068
Value Distributed to Investors	-	-	-
Value Distributed to the Public Administration	1,010,083	584,674	1,012,884
Economic Value Distributed	85,906,305	61,710,709	90,253,241
Economic Value Retained	273,477	3,232,047	2,057,147

Value Distribution

To an extent corresponding to the value generated, the economic value distributed by Candiani Denim had a plurality of beneficiaries. The graph below shows how the economic value generated by Candiani for the financial year 2019-2021 was distributed among various stakeholders.

Graph XVII. Distribution of generated economic value

	2019	2020	2021
Suppliers	72,6%	68,6%	74,8%
Employees	26,0%	30,0%	23,9%
Capital provides	0,3%	0,4%	0,3%
Investors	0,0%	0,0%	0,0%
Public Administration	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 €42 million (68,5% of the total) in 2020 and €62 million (72,5% of the total) in 2021; this sum was allocated to the various suppliers of goods and services.

Employees and collaborators

In 2021 and 2020, 24,42% and 28,55% 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. 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 1,75% 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.



7.3.2 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.

The data relating to suppliers were also analyzed based on the type of purchases made, identifying nine main categories. The data shows that local suppliers mainly concern fixed assets, tools, and chemical /auxiliary products; maintenance and consultancy services (technical, economic-financial, environmental, etc.) are primarily commissioned to local trusted companies.

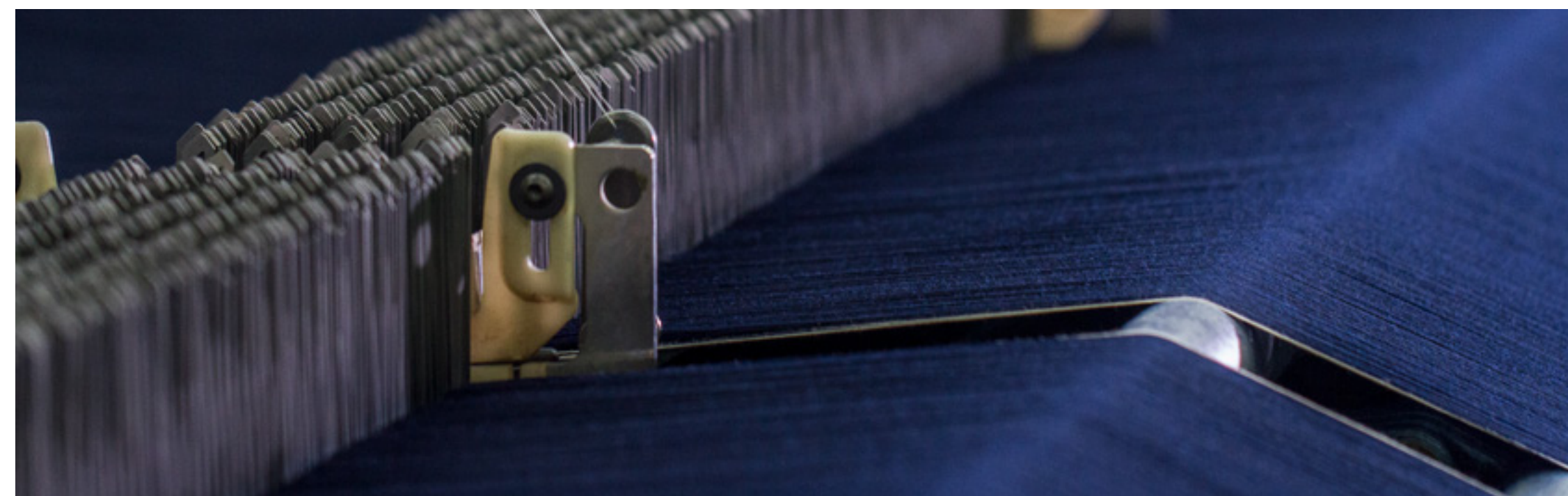


Table XXII. Supplier distribution by region

Residence of Suppliers	2019				2020				2021			
	N.	%	€	%	N.	%	€	%	N.	%	€	%
LOMBARDY	213	56.35%	14,835,365	40.64%	386	59.57%	13,769,679	34.29%	411	57.24%	19,453,174	29.21%
OTHER REGIONS IN ITALY	86	22.75%	9,293,266	25.46%	143	22.07%	8,249,558	20.54%	166	23.12%	17,320,331	26.01%
ABROAD	79	20.90%	12,371,640	33.90%	119	18.36%	18,138,636	45.17%	141	19.64%	29,819,148	44.78%
TOTAL	378	100.00%	36,500,271	100.00%	648	100.00%	40,157,873	100.00%	718	100.00%	66,592,653	100.00%

Table XXIII. Supplier distribution by category

Supply Category	2019						2020						2021					
	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%	N. LOCAL	N. TOT.	% SU TOT.	€	€ TOT.	%
Tangible Fixed Assets	16	34	47.06%	€299,338	€883,363	33.89%	34	59	47.06%	€654,364	€10,314,509	33.89%	29	48	60.42%	€312,711	€624,393	50.08%
Raw Material	4	15	26.67%	€73,753	€1,859,766	3.97%	9	27	26.67%	€825,303	€3,977,924	3.97%	6	25	24.00%	€763,709	€21,510,683	3.55%
Chemical Products/ Auxiliary	8	17	47.06%	€438,867	€7,219,080	6.08%	31	45	47.06%	€2,003,605	€7,758,839	6.08%	24	39	61.54%	€3,609,909	€15,928,888	22.66%
Tools	13	21	61.90%	€253,679	€394,459	64.31%	32	44	61.90%	€313,348	€651,818	64.31%	33	49	67.35%	€437,430	€984,699	44.42%
Maintenance	36	49	73.47%	€489,250	€579,300	64.31%	125	174	73.47%	€2,636,882	€3,478,419	64.31%	83	124	66.94%	€1,167,308	€1,564,912	74.59%
Consulting	63	107	58.88%	€2,220,591	€5,126,241	84.46%	114	184	58.88%	€6,121,809	€8,019,529	84.46%	115	194	59.28%	€3,641,838	€7,723,562	47.15%
Environmental	5	6	83.33%	€226,293	€227,693	43.32%	8	8	83.33%	€162,442	€162,442	43.32%	10	10	100.00%	€247,919	€247,919	100.00%
Transport & Vehicles	18	27	66.67%	€889,909	€2,284,658	99.39%	26	49	66.67%	€753,126	€1,767,038	99.39%	25	39	64.10%	€936,148	€1,783,108	52.50%
Other (vuoto)	50	102	49.02%	€9,873,682	€17,925,709	38.95%	7	58	49.02%	€298,797	€4,027,352	38.95%	86	190	45.26%	€8,336,199	€16,218,107	51.40%
TOTAL	213	378	56.35%	€14,765,362	€36,500,269	40.45%	386	648	59.57%	€13,769,676	€40,157,870	34.29%	411	718	59.57%	€19,453,171	€66,586,271	29.21%

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 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:

NASPI
 Worker's contribution to NASPI
15%

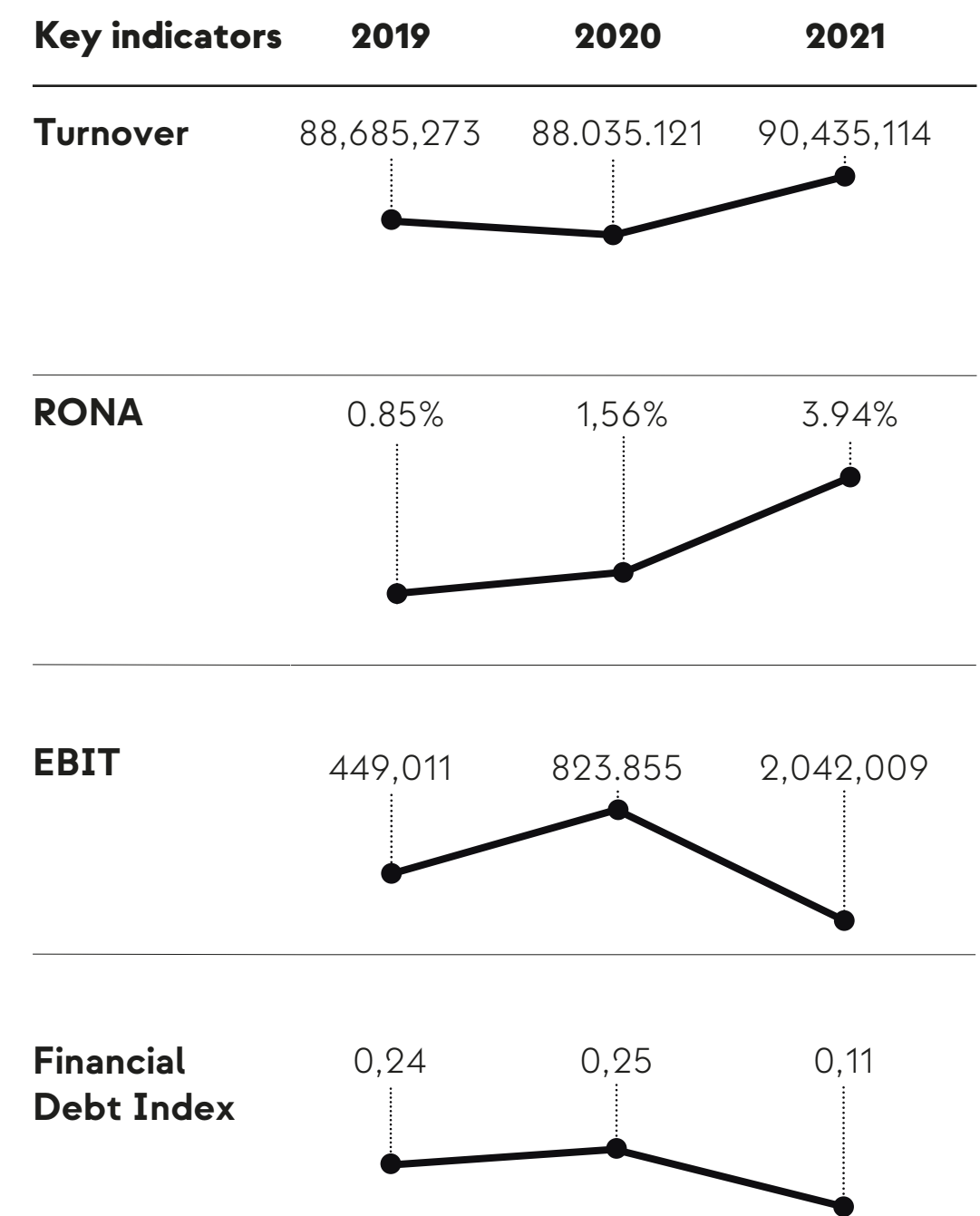
CTB
 CTB exemption L104/2020
48%

CTB
 CTB exemption for under 36
37%

Table XXIV. Financial statement indicators

Key indicators 45	2019	2020	2021
Turnover	88,685,273	88,035,121	90,435,114
EBITD	4,260,005	4,691,668	5,919,569
EBIT	449,011	823,855	2,042,009
ROE	1.00%	1.90%	2.61%
RONA	0.85%	1.56%	3.94%
ROS	0.51%	0.94%	2.26%
Net Working Capital Turnover	1.68	1.67	1.74
Financial Debt Index	0.24	0.25	0.11

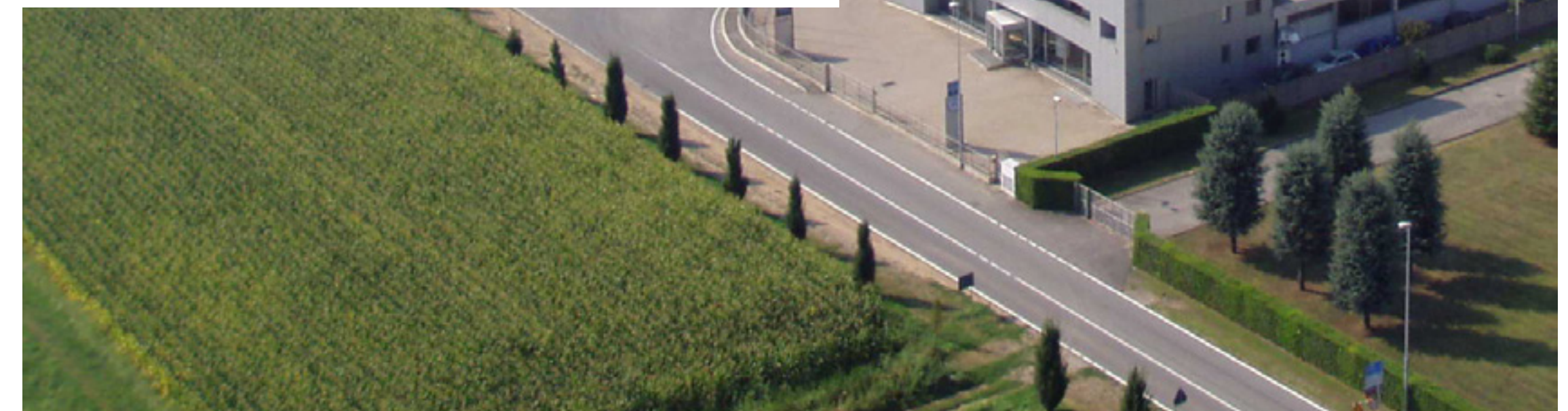
Graph XVIII. Financial statement indicators



In 2021, compared to the previous years, there was an increase in turnover and a marked growth in EBITDA and EBIT. This increase in corporate profitability can also be seen from the performance of the ROE (return on equity), RONA (return on asset) and ROS (return on sales) profitability ratios. There is also an excellent financial indebtedness (expressed as the ration between net financial resources contributed by third parties and equity).

In continuity with previous years, also in the future years Candiani Denim SpA will undertake to pursue its main strategic objectives:

- Consolidation of its technical and qualitative leadership
- Strong attention to research and product development
- Recovery of turnover in order to reduce commercial risk
- Profitability improvement
- Investments aimed at reducing the environmental impact of industrial activity
- Consolidation of the relationship with all stakeholders, with an aim to increase their overall satisfaction.



ANNEX



caniani
denim
made in italy
R9610
DRAKE
CRISPY
100% Cotton
P80000012



MOD 07.01

Gestione operativa dell'impianto: valori guida uscita trattamento reflui

USCITA IMPIANTO	Parametro analitico	Unità di misura	Limite scarico all'impianto CAP Holding di Robecco sul Naviglio	Valore soglia di segnalazione (°)
	pH		5,5 - 9,5	< 7 > 8,7
	Colore		non percettibile con dil. 1:40	non percettibile con dil. 1:20
	Solidi sospesi totali (*)	mg/l	<u>200</u>	<u>60</u>
	COD (*)	mg/l	<u>500</u>	<u>250</u>
	BOD5	mg/l	500	100
	Ammoniaca (**) NH4	mg/l	30	5
	Nitrati (**) N-NO3	mg/l	30	20
	Nitriti (**) N-NO2	mg/l	0,6	0,3
	Azoto totale (**)	mg/l	<u>n.p.</u>	<u>30</u>
	Fosforo totale (*)	mg/l	<u>10</u>	<u>6</u>
	Conducibilità	mS/cm	n.p.	6
	Cloruri	mg/l	<u>1.200</u>	<u>850</u>
	Solfati	mg/l	<u>1.000</u>	<u>650</u>
	Solfiti	mg/l	<u>2</u>	<u>0,1</u>
	Solfuri	mg/l	2	0,1
	Fluoruri	mg/l	12	5
	Tensioattivi totali(*)	mg/l	<u>4</u>	<u>2</u>
	Tensioattivi non ionici (*)	mg/l	n.p.	1,6
	Aldeidi	mg/l	2	0,1
	Alluminio	mg/l	<u>2</u>	<u>0,5</u>
	Boro	mg/l	4	2,5
	Ferro	mg/l	<u>4</u>	<u>1</u>
	Manganese	mg/l	<u>4</u>	<u>1</u>
	Saggio di tossicità acuta	mg/l	80% del totale	40
	Materiali grossolani	mg/l	assenti	assenti
	Cianuri totali	mg/l	1	0,1
	Cloro attivo libero	mg/l	0,3	/
	Grassi e oli animali /vegetali	mg/l	<u>40</u>	<u>10</u>

Parametri
collegati con
sanzioni di natura
AMMINISTRATIVA



MOD 07.01

Gestione operativa dell'impianto: valori guida uscita trattamento reflui

USCITA IMPIANTO	Parametro analitico	Unità di misura	Limite scarico all'impianto CAP Holding di Robecco sul Naviglio	Valore soglia di segnalazione (°)
Parametri collegati con sanzioni di natura PENALE	Arsenico	mg/l	0,5	0,01
	Cadmio	mg/l	0,02	0,01
	Cromo totale (*)	mg/l	4	0,7
	Cromo su filtrato	mg/l	n.p.	/
	<u>Cromo VI</u>	<u>mg/l</u>	<u>0,2</u>	<u>0,01</u>
	Mercurio	mg/l	0,005	0,001
	Nichel (*)	mg/l	2	0,2
	Piombo	mg/l	0,3	0,05
	Rame (*)	mg/l	0,4	0,1
	Selenio	mg/l	0,03	0,01
	Zinco (*)	mg/l	1	0,3
	Fenoli	mg/l	1	0,1
	Idrocarburi totali	mg/l	10	1
	Solventi organici aromatici	mg/l	0,4	0,01
	Solventi organici azotati	mg/l	0,2	0,01
	Solventi clorurati	mg/l	2	0,01
	Pesticidi fosforati	mg/l	0,01	/
Pesticidi totali	mg/l	0,05	/	

Legenda

n.p. = non previsto

(*) parametro correlato con la portata

(**) parametri correlati fra di loro

I parametri sottolineati sono correlati alla tariffa depurazione

Limiti in viola più restrittivi rispetto alla tabella nazionale

Limiti in verde meno restrittivi rispetto alla tabella nazionale

(°) Obbligo di segnalazione su sw Knack

per valori superiori a quelli riportati

Indicator	Description	References (insert page number)	Comments/Omission
GENERAL STANDARD DISCLOSURES			
102-1	Name of the organization	3	
102-2	Activities, brands, products, and services	3-9	
102-3	Location of headquarters	8	
102-4	Location of operations	8	
102-5	Ownership and legal form	3	
102-6	Markets Served	3	
102-7	Scale of the organization	8	
102-8	Information on employees and other workers	37-38	
102-9	Supply chain	3; 46-47	
102-10	Significant changes to the organization and its supply chain	46-47	
102-11	Precautionary Principle or approach	42-43	
102-12	External initiatives	4; 21	
102-13	Membership of associations	50	
102-14	Statement from senior decision- maker	1-2	
102-16	Values, principles, standards and norms of behaviour	4-5	
102-18	Governance structure	10	
102-40	List of stakeholder groups	49-50	
102-41	Collective bargaining agreements	36-40	
102-42	Identifying and selecting stakeholders	49-50	
102-43	Approach to stakeholder engagement	49-50	
102-44	Key topics and concerns raised	50-51;53-56	
102-45	Entities included in the consolidated financial statements	3	
102-46	Defining report content and topic Boundaries	50-51;53-56	
102-47	List of material topics	50-51;53-56	
102-48	Restatements of information	50-51;53-56	
102-49	Changes in reporting	50	
102-50	Reporting period	50	
102-51	Date of the most recent report	50	
102-52	Reporting cycle	50	
102-53	Contact point for questions regarding the report		
102-54	Claims of reporting in accordance with the GRI	50	
102-55	GRI content index	57	
102-56	External assurance		An external assurance is not present

Indicator	Description	References (insert page number)	Comments/Omission
SPECIFIC STANDARD DISCLOSURE			
Economic performance indicators			
GRI 201 – Economic Performance 2016 (Non Material)			
103-1		42; 44-49	
103-2		42; 44-49	
103-3		46	
201-1		48	
201-4			
GRI 204 – Procurement practices 2016 (Material)			
103-1		50-51;53-56	
103-2		46-47	
103-3		46-47	
204-1		46-47	
GRI 205 – Anti-corruption 2016 (Material)			
103-1		50-51;53-56	
103-2		3-4; 43	
103-3		3-4; 43	
205-3		43	
GRI 301 – Materials 2016 (Material)			
103-1		50-51;53-56	
103-2		11-14;31-33	
103-3		11-14;31-33	
301-1		32-33	
GRI 302 – Energy 2016 (Material)			
103-1		50-51;53-56	
103-2		33-35	
103-3		33-35	
302-1			
302-3		33	
302-4		34	
GRI 303 – Water and Effluents 2018 (Material)			
103-1		50-51;53-56	
103-2		22-23	
103-3		22-23	
303-5		23	
GRI 304 – Biodiversity 2016 (Material)			
103-1		50-51;53-56	
103-2		3-4; 10-11; 36	
103-3		3-4; 10-11; 36	
304-1		36	

Indicator	Description	References (insert page number)	Comments/Omission
GRI 305 – Emissions 2016 (Material)			
103-1		50-51;53-56	
103-2		35-36	
103-3		35-36	
305-1		35	
305-2		35	
305-4		35	
305-5		35	
GRI 306 – Effluents and waste 2016 (Material)			
103-1		50-51;53-56	
103-2		23-27	
103-3		23-27	
306-1		24	
306-2		26	<i>At this time the information related to the disposal method of hazardous and non-hazardous waste produced is not available. Candiani is committed to collect such information for the future.</i>
GRI 307 – Environmental compliance 2016 (Material)			
103-1		50-51;53-56	
103-2		43	
103-3		43	
307-1		43	
GRI 308 – Supplier environmental assessment 2016 (Material)			
103-1		50-51;53-56	
103-2		30-32; 46-47	
103-3		30-32; 46-47	
308-1			<i>At this time the information needed to cover the indicator is unavailable. Candiani is committed to collect such information for the future.</i>

Indicator	Description	References (insert page number)	Comments/Omission
GRI 401 – Employment 2016 (Material)			
103-1		50-51;53-56	
103-2		36-40	
103-3		36-40	
401-1		38	
GRI 403 – Occupational health and safety 2016 (Material)			
103-1		50-51;53-56	
103-2		37-40	
103-3		37-40	
403-2		39-40	
GRI 404 – Training and education 2016 (Non Material)			
103-1		50-51;53-56	
103-2		41-42	
103-3		41-42	
404-1		41-42	
GRI 414 – Supplier social assessment 2016 (Material)			
103-1		50-51;53-56	
103-2		30-32; 46-47	
103-3		30-32; 46-47	
414-1			<i>At this time the information needed to cover the indicator is unavailable. Candiani is committed to collect such information for the future.</i>
GRI 416 – Customer health and safety 2016 (Material)			
103-1		50-51;53-56	
103-2		42-43	
103-3		42-43	
416-2		43	
GRI 417 – Marketing and Labelling 2016 (Material)			
103-1		50-51;53-56	
103-2		42-43	
103-3		42-43	
417-1		43	
GRI 419 – Socio-economic compliance 2016 (Material)			
103-1		50-51;53-56	
103-2		43	
103-3		43	
419-1		43	

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