



VITALE BARBERIS CANONICO



1663

SUSTAINABILITY REPORT

2018



VITALE BARBERIS CANONICO



**SUSTAINABILITY
REPORT**

2018

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RESPONSIBLE BUSINESS MANAGEMENT**

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LETTER TO STAKEHOLDERS

The profound changes taking place in society have made clear, in the fashion world and also amongst our customers, that there is a new and important sensitivity towards social and environmental topics. Such topics are not new at Vitale Barberis Canonico, where for many years our investments have taken them into consideration both in terms of the processes and the products, although they have never before been formulated in a document.

This, our first Sustainability Report is designed to describe the policies adopted, to measure the results obtained and to provide a useful instrument to define future objectives.

The values from which we take our inspiration are guided by historical factors connected to the Family and the Company. Alongside the fundamental values of ethics, morals and transparency, this document attempts to address in detail:

- valorisation of the professionalism of all the people working in the Company;
- health and safety in the workplace;
- environmental protection;
- respect for the region in which the Company operates.

These have been handed down by preceding generations as a consistent part of the Company culture and today have become the Vitale Barberis Canonico DNA.

The commitment to taking responsibility is tangible and is demonstrated by the investments carried out by the Company during its long history.

In the early 1980s, the water purification plant was installed for the effluents and the recuperation and reuse of the contents of the dyeing tanks. In 1989, the first sound protection system was introduced in the weaving shed and is an ongoing topic of study by our team with the objective of making workplaces at the looms less noisy. The new millennium saw the introduction of the post-combustion capture system for the treatment of the waste gas smells arising from the singeing process and the new gas heating centre in order to protect the local environment. Lastly, we would like to highlight the Company's commitment to the health and safety of our employees as demonstrated by the implementation of the new Company welfare system and the promotion of the SustainaWOOL protocol and the Wool Excellence Award in terms of raw material supplies.

In 2008, within the Company and amongst our customers, we began to disseminate the most important values by distributing the Code of Ethics and adopting an Organisational Model regarding compliance with the regulating norms for occupational health and safety and protection of the environment.

The objectives we have set ourselves for 2019 are the continued commitment to reinforcing the culture of health and safety, new investments for water purification, and to achieving ISO 45001 and ISO 14001 certifications in addition to the already existing ISO 9001 certification, in order to attain the integrated Quality, Safety and Environment certification.

Now the moment has come to circulate our commitment in a more systematic method. With this document, we are taking the first steps which will enable us annually to communicate the Vitale Barberis Canonico strategy regarding sustainability and to measure the results obtained.

We hope that our products, as an expression of Biellese textile traditions and totally Made in Italy, and supplemented by this new statement regarding Social Responsibility, will be seen by our customers as added value and will be further communicated to the end customer.

Alessandro Barberis Canonico
Managing Director Vitale Barberis Canonico S.p.A.



VITALE
BARBERIS
CANONICO:
RESPONSIBLE
BUSINESS
MANAGEMENT

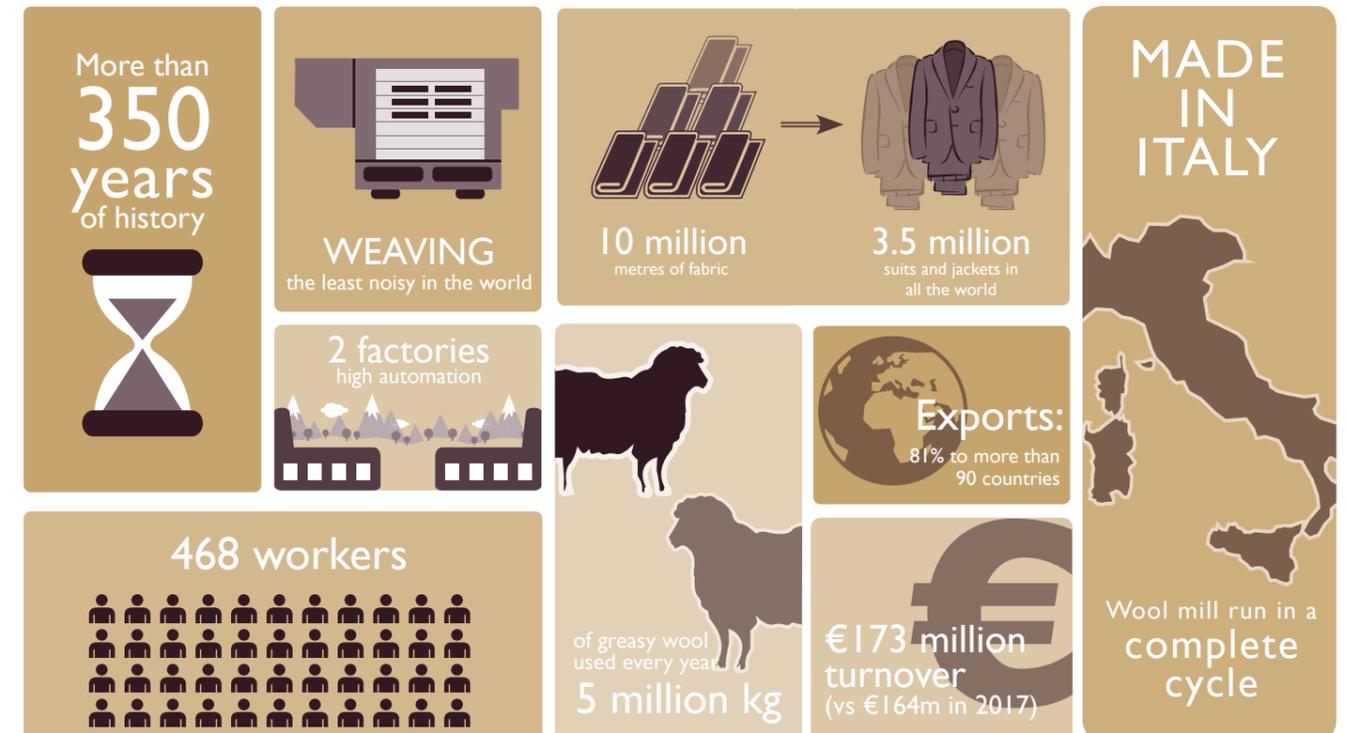
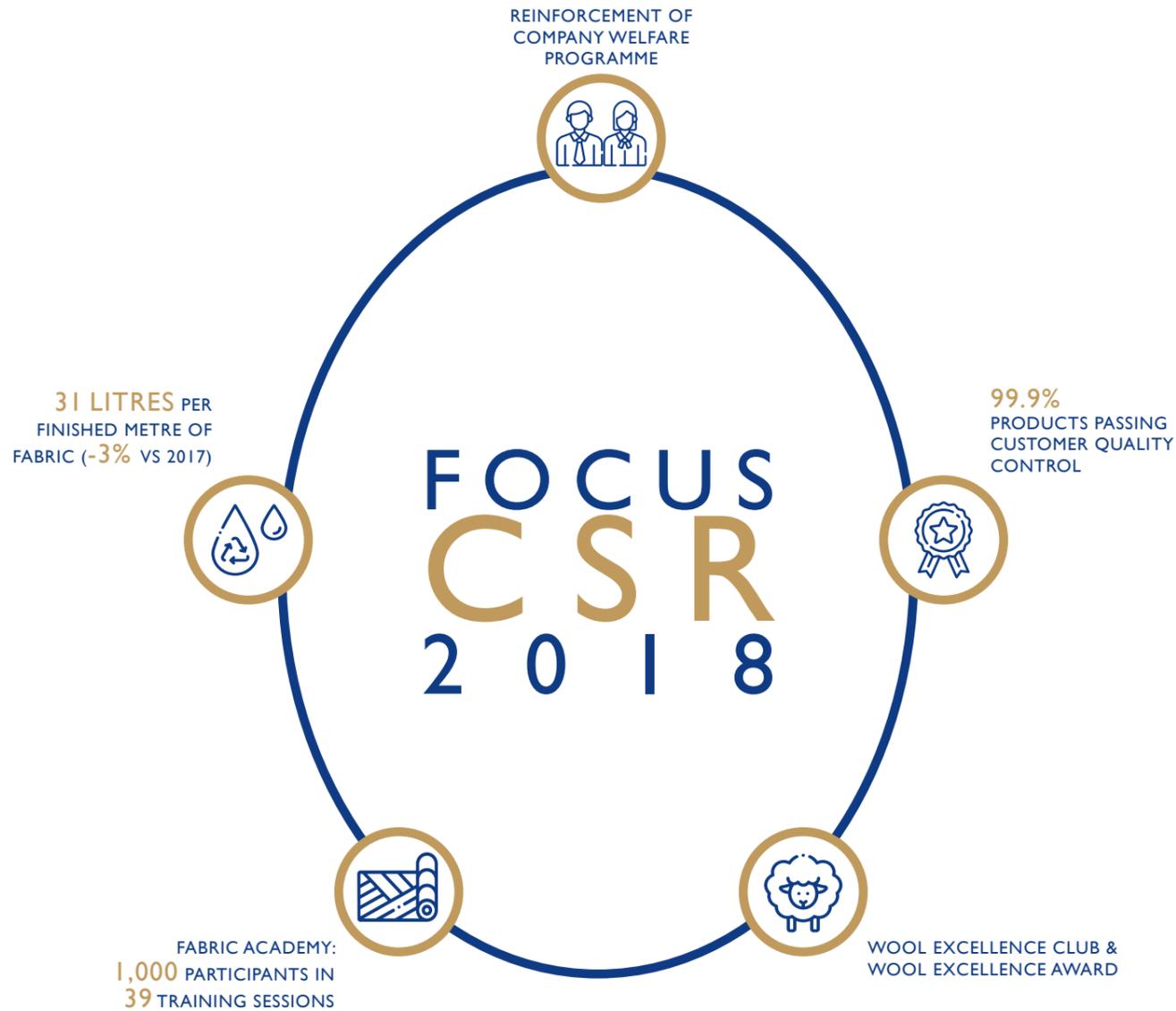
Vitale Barberis Canonico the Company

Who we are

Vitale Barberis Canonico, one of the oldest wool mills in the world with the 13th generation of the same family at the helm, commits itself to the creation of the best Made in Italy textiles for men's fashions.

For more than 350 years, in the historical facilities in Pratihero and Pray in the heart of the Biellese region, where the best waters for textile production flow, all the phases of the creation of woollen fabric are carried out.

More than 200 steps are necessary for this, assisted by state-of-the-art technology, a high level of automation, and rigorous quality control to enable highly-specialised employees to create a product of excellence renowned throughout the world. With more than 5,000 collection variations, every year the Vitale Barberis Canonico team brings out a new interpretation of Italian savoir-faire united with British style. Heritage and innovation come together in the name of elegance which looks to the future by recognising new tastes and trends.



Vitale Barberis Canonico the Company

1868

The Company's history

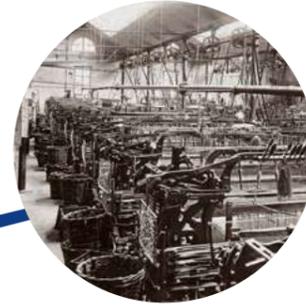
1663

The first document relating to the wool-producing activities of the family of Barberis Canonico is the "quinternetto delle taglie" (community record of sizes) which reports the delivery of a "saia grisa" (grey wool) to the Duke of Savoy by Ajmo Barbero. In addition, it speaks of the skill of dyeing, which in those days was not known to everybody and was jealously guarded and passed down from father to son.



1776

Giovanni Antonio and Giuseppe, Ajmo Antonio's sons, are awarded various contracts and Giovanni Antonio receives from the commercial council the ducal licence as manufacturer of cloth, which permits him to add his initials to his products.



1843

The industrial revolution arrives in the area and Giuseppe Barberis, grandson of Giuseppe, decides to increase production in collaboration with the company Maurizio Sella, which is already mechanised.

1885

Giovanni's son, Giuseppe succeeds his father at the helm and, to solve the problem of the limited potential of the factory, rents a mill at Flecchia, increasing the machinery in use to 800 spindles and 73 looms at the end of the century.



1915

The Company begins to export textiles to the Americas, the East Indies and as far away as China.

1921

Another two factories at Pratrivero are inaugurated and the company Oreste e Vitale Barberis Canonico is created.

1936

The association between Oreste and Vitale is dissolved. The history of the company Vitale Barberis Canonico begins during the difficult period of fascism, which limits the entrepreneurial freedoms of wool mills, and the Second World War, which means the loss of workers and electricity and reduces the availability of dyes and spare parts for machines.

1970

Vitale is succeeded by his sons, Alberto and Luciano who decide to go public. Alberto takes over the technical and technological side of the business, whilst Luciano increases the prestige of the Company and makes export one of the greatest strengths of Vitale Barberis Canonico.

2008

The new generation takes over the management of the Company, guiding it into the 21st century. Alessandro, Francesco and Lucia are still at the helm of the Company today.



2013

The Company celebrates its 350th anniversary in the wool industry and becomes a member of Les Hénokiens, an international association for family-run companies with at least two hundred years' history. Vitale Barberis Canonico continues to refer back to its origins: textiles, family and Pratrivero remain the three supporting columns of its business.



2018

A new space in Italy's fashion capital, consolidating its presence after the success of the showroom in 16 Via Fatebenefratelli, inaugurated in 2015, a new location in 23 Via Solferino, in the centre of the Brera quarter of Milan, becomes a point of reference for designers, tailors and professionals in the clothing industry. Together with the historical premises in Pratrivero, the Milan showroom becomes the heart of the Fabric Academy. The centre is also the place for presenting new collections and hosting trunk shows by Italian and international tailors.

Vitale Barberis Canonico the Company

Market and products

As the principal producer in terms of quantity and the biggest exporter, the Company, which throughout the world is synonymous with excellent quality of wool; fineness and regularity of yarns; sophistication and elegance of designs and colours; and pleasurable and comfortable wearability, is the leader in the field of superfine wools.

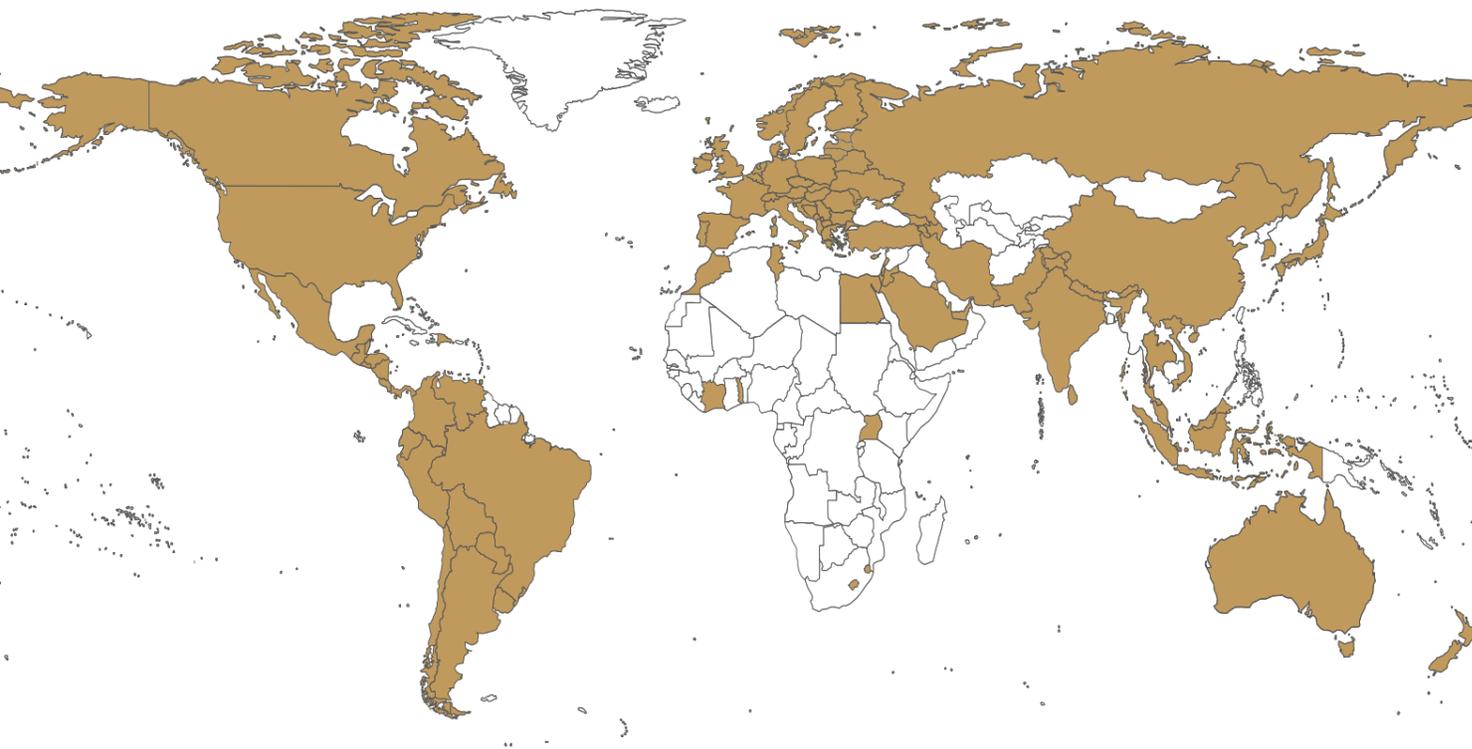
Vitale Barberis Canonico sells its products in practically all the world as they are used by the most important clothing brands, retailers and wholesalers. Today, more than 80% of production is destined for export, primarily to China, followed by France, the UK, Germany, Japan and the USA. Its customers are divided into tailors and retailers, to whom it sells 80% of its products, and wholesalers to whom it sells the remaining 20%.

With the objective of customer satisfaction in terms of repeat requests made by the customers in the market of traditional woollens and other natural blends for men's fashions, the Company taps into the dictates of classic elegance adding a new element of the contemporary.

For Vitale Barberis Canonico creativity, it therefore becomes essential to attentively interpret new generations and their different lifestyles and trends, questioning itself and looking both at the present and to the future in search of a perfect balance between classic style and innovation.

The 2018 product range is sub-divided into 5 main lines:

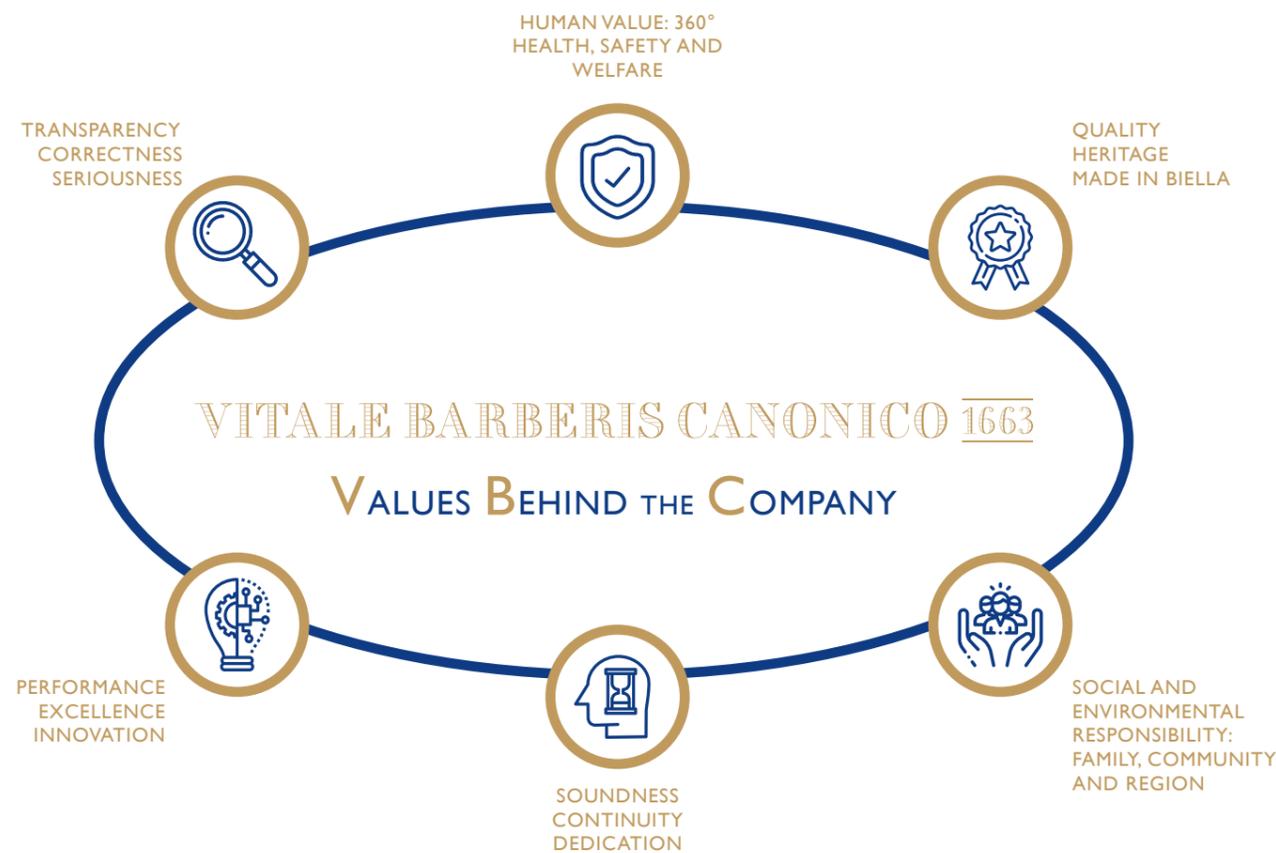
- **CLASSICA**, inspired by the great textile traditions, but nonetheless still a step ahead of fashion. A reference point for fabrics for men.
- **VINTAGE**, takes its inspiration from the past and repropose fabrics in updated versions which are more youthful and informal than they were before, with particular attention paid to colours and the materials used.
- **ORIENT EXPRESS**, designs for more international tastes.
- **EARTH, WIND AND FIRE**, the new functional fabrics where the high-quality prime materials give comfort, performance and innovative technology by means of different treatments and added membranes.
- **SUPERSONIC**, for the impeccable gentleman at any latitude: resilient, high-twist yarns for unequalled crease-resistance, comfort and breathability. Ideal for travellers.



Governance and business integrity

Our values and principles

Vitale Barberis Canonico sees its values as fundamental elements of its Company identity, every day influencing its strategic choices, while placing respect for the individual in the forefront.



Vitale Barberis Canonico has always endeavoured to reach its objectives by means of activities which are carried out according to legal requirements and fundamental human rights, characterised by clear, transparent guidelines in harmony with the external environment and in line with local community objectives. Since 2008, these principles have been formalised in the Company Code of Ethics.

Governance and business integrity

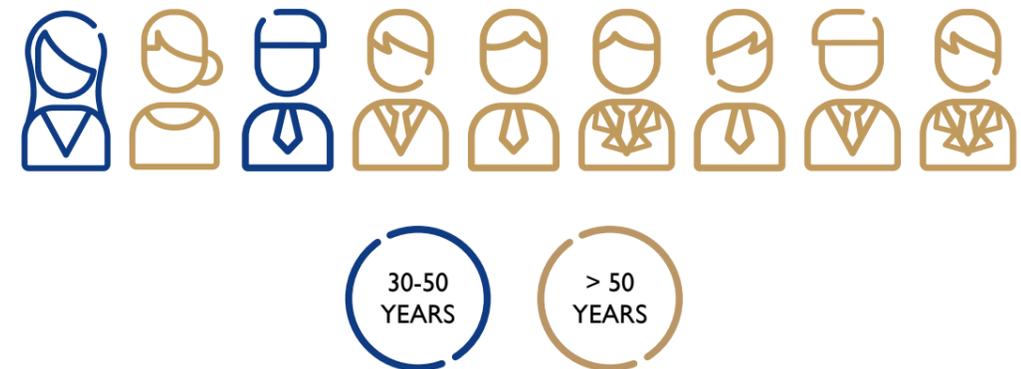
Corporate Governance and risk management

Vitale Barberis Canonico is a limited company and makes up part of the Lanificio Vitale Barberis Canonico wool mill. The Company adopts a typical style of Corporate Governance system with a Board of Directors and a Board of Statutory Auditors.

With the articulation of its company governance system, Vitale Barberis Canonico takes its inspiration from the principles and applicable criteria of the CODIF - Codice di Autodisciplina delle Società Non Quotate a Controllo Familiare (Code of Conduct for non-listed family-owned companies) which specify:

- the ability on the part of the owning family to express a clear vision for the future of the company;
- the opportunity for the Management (whether members of the owning family or not) to realise such vision by means of the best resources available on the market.

The Board of Directors is made up of nine administrators of whom three are independent, including the President. The Board includes 22% women and the same percentage of members between 30 and 50 years of age.



The Board guarantees the correct and well-balanced consideration of decisions as well as the pursuance of Company interests while complying with the decisions of the Shareholders Assembly where agreements reached by the Company owners are adopted. The Board is bound to act in the exclusive interests of the Company and to fully understand the duties and responsibilities inherent in such position. The Board, which is privy to all necessary information, acts and deliberates autonomously, following the paramount objectives of the Company – the creation of economic and social value in a medium- to long-term perspective – and paying particular attention to the areas which could represent conflicts of interest.

The Supervisory Body, and the Board of Statutory Auditors, comprise three members each and execute their functions according to the most up-to-date criteria for the organisation of company entities.

The organisational structure at Vitale Barberis Canonico identifies the different areas of Company management and defines the functions, roles and responsibilities with the figure of Managing Director as head of the Company organogram.

The Company has deemed it necessary to provide the Governance System with the following instruments:

- EXECUTIVE COMMITTEE: consisting of the President, the Managing Director, two members of the Board of Directors with management roles, one non-family-member manager and a secretary. The committee has the duty of preparing the work and submitting it to the Board of Directors, and of taking some operative decisions in the framework of strategic indications received by the Board of Directors.
- SPECIFIC COMMITTEES: such as Technical Committee, Style Committee and Commercial Committee who meet frequently.

With the aim of attaining correct and transparent management of Company processes, the Company has a risk management system appropriate to its activities. The procedures describing the approach to risk management and the relative instructions are documented in the applicable forms and include indications with regard to operational modalities, responsibilities and resources.

Governance and business integrity

Compliance with laws and regulations

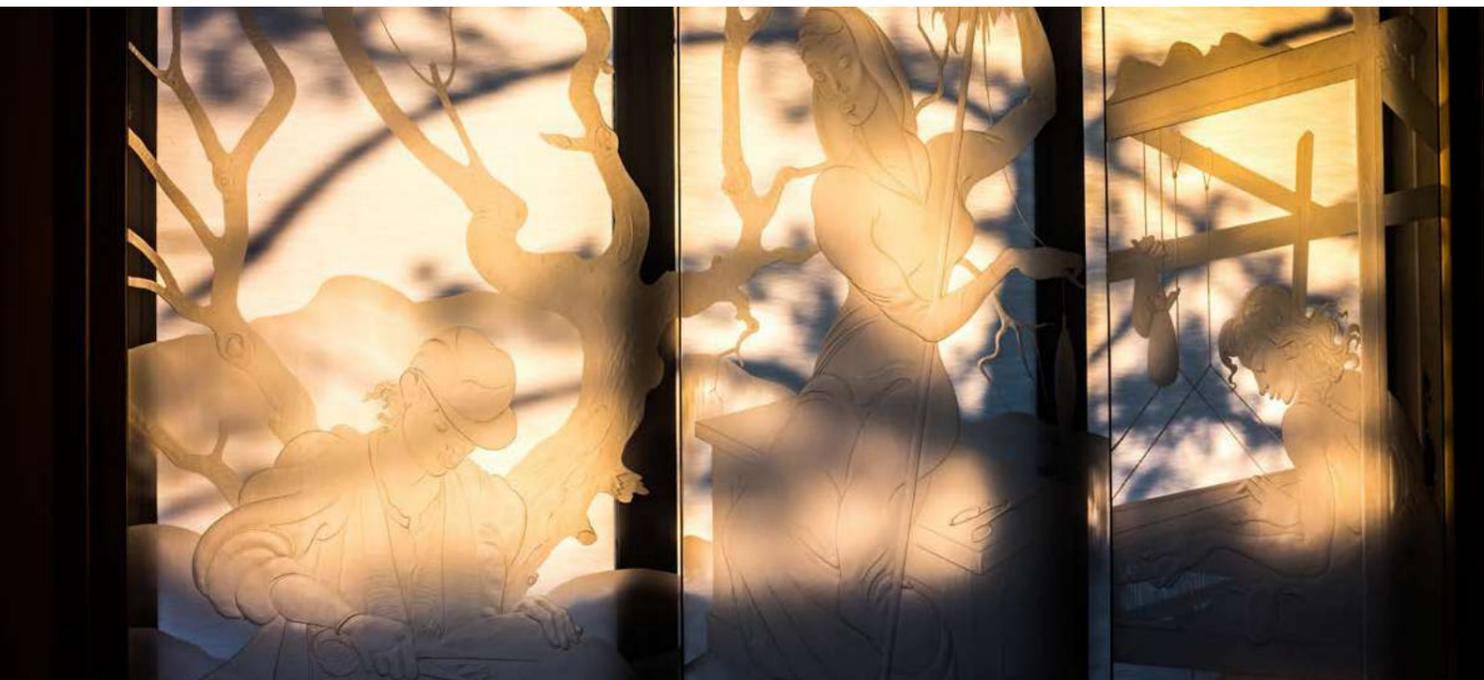
As a measure for the protection of its own position and the work of the employees and collaborators, Vitale Barberis Canonico ensures conditions of correctness and transparency in the conduct of its business and production and has deemed it important to provide itself with an internal checking system suitable for the prevention of conduct which does not comply with legal requirements and the values the Company promotes.

With this objective in mind, in 2008 the Company adopted its Modello di Organizzazione, Gestione e Controllo (Organisational, Management and Control Model) pursuant to the Legislative Decree 231/01 (hereinafter Model 231), a document which was edited in conformance to the Confindustria (Italian Manufacturer's Association) guidelines and approved by the Board of Directors.

The Model 231 includes the Code of Ethics, the current Organisational Model and the Disciplinary System for any person found to have violated the norms and principles therein. Specifically, the Code of Ethics identifies the Company values and highlights the list of rights and duties for all those, in any role, working at Vitale Barberis Canonico, indicating the behavioural norms to be observed in relation to all other stakeholders.

The task of supervising and regularly verifying the efficacy of the Model 231 was entrusted to a Supervisory Board, the members of which are independent of the Company and which has autonomous powers of initiative and control.

With the aim of achieving the correct application of the principles contained in the Code of Ethics, the Company promotes knowledge of said Code and its dissemination by means of its publication in the dedicated section of the Company website www.vitalebarberiscanonico.com and the provision of certain informational activities and training of employees as well as promotion of the Code by sharing it with customers and suppliers.



Vitale Barberis Canonico and sustainability

Approach to sustainability

The Company interprets the idea of sustainability as the coexistence and interrelation of three principal aspects: economic, social and environmental. The connection between these three columns enables the guarantee of sustainability in terms of the business, i.e., its ability to create value over time, a necessity for the survival of the Company.

During its long history, Vitale Barberis Canonico has always been committed to sustainability: starting with its close ties to the region, from which it takes its principal resources and to which it is devoted to returning economic growth and support to the community, while always keeping an eye on environmental issues.

As a result of the commitment of preceding generations, the sense of responsibility towards the region is an integral part of the Company values which Vitale Barberis Canonico has inherited and which it is proud to continue in its investment strategies. On the following page, the principal steps are highlighted which make up the progress made.

In 2018, the Board of Directors was eager to communicate and valorise the virtuous initiatives which have been introduced over past years and which have become operative practice at Vitale Barberis Canonico ("following words with actions") with a non-financial account as described in this first Sustainability Report.



- Reuse of the contents of the dyeing tanks to recuperate dyes and auxiliary chemicals and the reduction of water consumption.
- Purchase of first Greenhills farm in Australia.

Purification system for effluents with biological, active mud treatment and tertiary active carbon treatment.

Noise level reduction in weaving shops as a result of the study and installation of first generation sound-isolation cabins covering every loom.

New finishing department with a number of system improvements for reduction of water consumption and energy.

1982 1987 1989 1996



2000
2001

New highly-automated dyeing department with a number of system improvements for energy consumption reductions and reuse of contents of dyeing tanks.

2003

New regenerative thermal afterburner for the treatment of waste gas smells caused by singeing.

2009 2008 2005 ..

- New Company welfare system including supplementary health insurance, Long Term Care insurance, tax-free annual shopping voucher, pension hours time bank fostering ad hoc arrangements for serious or long-term sickness.
- Tessile e Salute (Textiles and Health) Certification.

- Life Insurance for all employees pursuant to Company supplementary agreement.
- ISO 9001 Quality certification.
- New gas central heating system with low-emission steam generators and recuperation of energy from fumes and condensation.

Model 231, including Company Code of Ethics.

No Mulesed/Ceased Mulesed declaration system in collaboration with New England Wool.



2012

Wool Excellence Club and Wool Excellence Award dedicated to breeders.

2014

2015 2016 2018 ..

SustainaWOOL Integrity Scheme to promote the supply of sustainable raw materials.

Second line of purification treatment using MBR membrane bioreactor and ozone decolourisation to recycle part of the effluents from finishing department.

- New Company supplementary agreement for maintenance of preceding agreements and improvement of provisions therein, amongst which safeguarding of salaries in events of serious or long-term sickness and implementation of an exclusive network of discounts with local businesses.
- Formalisation of CSR office.

Vitale Barberis Canonico and sustainability

Stakeholder map

Vitale Barberis Canonico pursues the achievement of its objectives in the interests of its stakeholders, internal and external, i.e., those people on whom the Company has a social and economic impact and who at the same time have an influence on the Company. Therefore, in the business strategy, the need to satisfy the demands and expectations of its interlocutors arose, with a vision of reinforcing the continuation of the Company and creating medium- and long-term value with a particular view to the local interests of the community in which the Company has its roots.

Starting with the characteristics, activities and awareness of its role in the context within which it operates, the Company has carried out an internal identification of its stakeholders by means of the definition of a structured process with the involvement of the main Company functions. The specificity of the wool sector is illustrated in the type of stakeholders identified, as shown in the following image:



In order to pursue its objectives in a shared and efficient manner, valorising the roles and potentiality of the stakeholders, Vitale Barberis Canonico actively collaborates with the following organisations and associations from the sector:

- **SMI – Sistema Moda Italia:** represents the entire supply chain in the textile and fashion sector in the Western world, both nationally and internationally, protecting and promoting its interests in relationships with the respective stakeholders.
- **Ideabiella:** an association with the purpose of promoting, organising and managing the presentation, distribution and sale, both in Italy and abroad, of textiles for predominantly men's clothing. Vitale Barberis Canonico S.p.A. is one of the founding members and Alessandro Barberis Canonico, Managing Director of the Company, has been president since 2015.
- **UIB – Unione Industriale Biellese:** a regional association of businesspeople under the umbrella of the Confindustria System, which has the objective of representing, supporting and developing the industrial situation in the Biellese region.
- **Les Hénokiens:** an international association for family-run businesses with at least 200 years' history, whose members have deep roots in the current economic situation and who run their businesses with talent, navigating a route between innovation and tradition.
- **AIDAF – Associazione Italiana delle Aziende Familiari:** point of reference in Italy for family-run companies with 200 businesses as members representing approximately 13% of the Italian GDP committed to the development of a business model for such companies which are healthy and solid, to the study of tangible, modern management topics and to ensure the personal and professional growth of new generations.
- **ASWGA – Australian Superfine Wool Growers Association:** voice of the Australian superfine wool industry which brings together breeders at the departure point and users at the finishing point with the objective of promoting the production and the distribution of so-called Traditional Wool, i.e., wool from sheep of traditional Australian breeds of particularly high quality.
- **Associazione Tessile e Salute:** with over 100 members, this association has the objective of safeguarding the health of end customers in the textile, shoe and accessories sectors, identifying the most efficient solutions to counteract and prevent the distribution of potentially damaging products, as well as protecting and promoting the Made in Italy concept.
- **Accademia Nazionale dei Sartori:** members include all of the principal tailor's businesses.

Vitale Barberis Canonico and sustainability

Materiality analysis

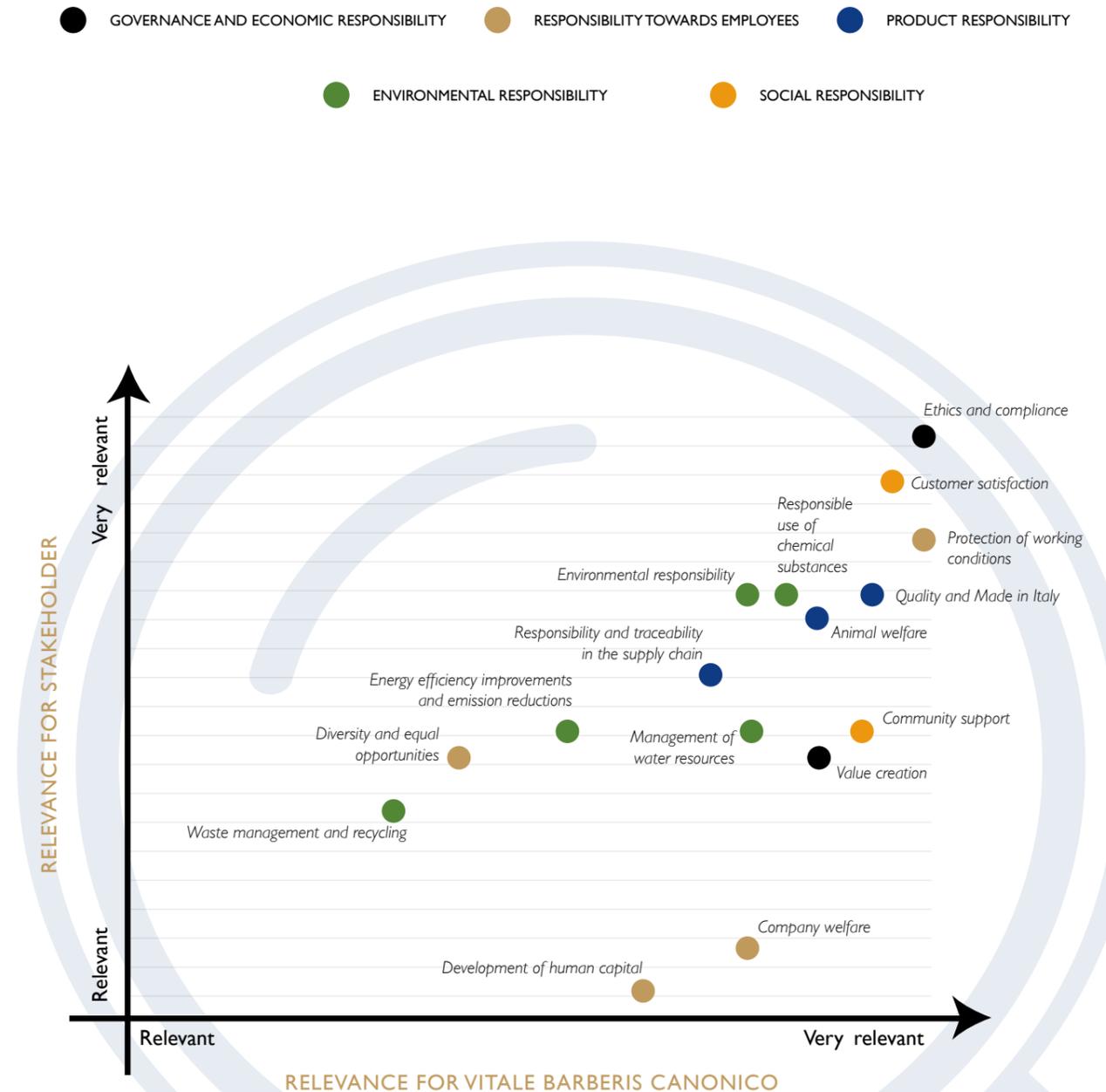
The materiality analysis is the instrument by means of which the most important topics surrounding economic, social and environmental sustainability for the Company and its stakeholders are identified. The definition of “material” is applied to those aspects which are able to influence both the performance and the decisions of the organisation as well as the opinions and evaluations of interested parties. Such analysis was carried out in compliance with the GRI Standards, guidelines which are universally recognised for non-financial reporting.

The mapping of the topics pertaining to sustainability as they are relevant to the Company was based on various sources, the most important of which was a wide-scope internal analysis of customer requests arising from specifications, followed by a survey of benchmarking of the principal topics taken into account in the sector and by a study of internal documentation. This process led to the identification of 16 topics of economic, social, environmental, governance-related and product-related character, which were organised in macro-areas.

With the aim of giving priority to the topics identified, the Company organised a workshop with the involvement of the Management of the principal Company functions in order to evaluate their current and prospective importance according to two points of view: on the one hand for the Company and on the other hand for the stakeholders, with the Company as a spokesperson for their opinions and expectations.

The result of this work is reflected in the materiality matrix shown in the following page which demonstrates the priority within the framework of Company sustainability. The Board of Directors has expressed its evaluation and final approval.

This analysis constitutes the basis for the drafting of the first Sustainability Report by Vitale Barberis Canonico.



Value creation

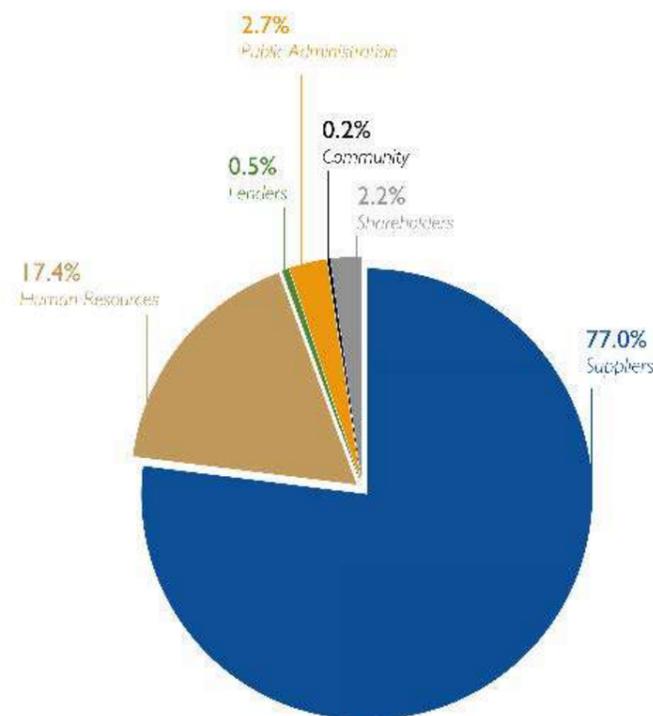
Value generated and distributed

Vitale Barberis Canonico creates prosperity while contributing to the economic growth in the social and environmental context in which it operates.

The Company carries out its activities with the efficient use of production factors in the awareness that the objective of the Company business is to generate added economic value with respect to the external resources used.

In the year 2018, Vitale Barberis Canonico generated an economic value of approximately €180m meaning a 7% increase over 2017. Approximately 9% of this value, including amortisations and reserves, was held by the Company, while the other 91% was then redistributed amongst the main Company stakeholders, as follows:

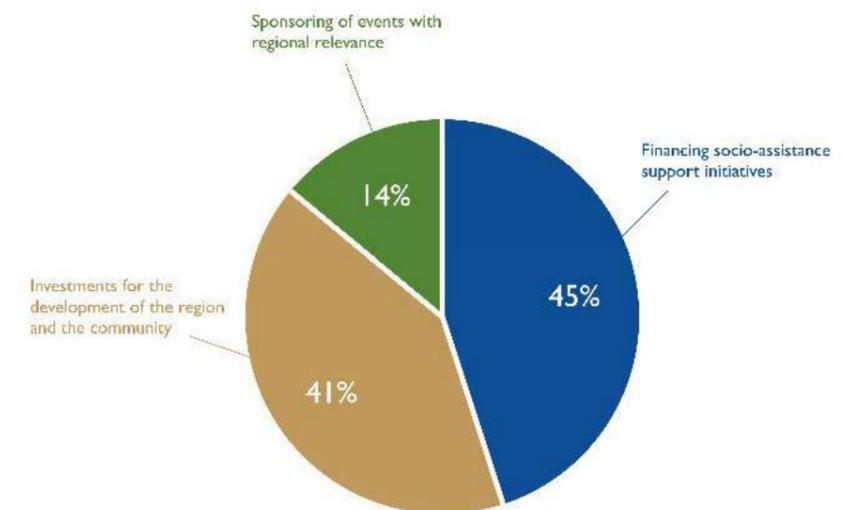
- 77.0% to Suppliers: the cost of supply of materials and services in order to develop its own business represents the largest portion.
- 17.4% to Human Resources: in the form of salaries, expenses and other personnel costs.
- 2.7% to the Public Administration: in compliance with direct and indirect tax regulations.
- 2.2% to Shareholders: this represents the portion allocated to them in the form of dividends.
- 0.5% to Lenders: in the form of financial expenses sustained vis-à-vis all creditors.
- 0.2% to the Community: this represents the sum donated to local communities in the form of participation in local projects and events of a social, cultural and sports nature.



Value creation

Involvement in the local community

Vitale Barberis Canonico has always stayed close to its roots and is committed to supporting the local community to the best of its powers. The Company therefore has the objective of backing a significant number of activities by funding a vital social network for an area which, more recently, has undergone a drastic reduction of services. In 2018, 2% of net profits were spent as follows:



In 2018 the close collaboration with **Lilt Biella** during the **Nastro Rosa** campaign (both associations funding cancer research) took on great significance inasmuch as it enabled female staff at Vitale Barberis Canonico to have voluntary access, free of charge, to oncological screening for the prevention of breast cancer.

Among the numerous projects taking part in 2018, two important projects can be highlighted which were focused on the development of local human capital.

The funding of the **Biella Cresce** (Biella Grows) project which has the aim of supplying innovative instruments to pupils and teachers, mainly from elementary schools, but also nursery and middle schools, such instruments being directed at cognitive development with particular attention paid to supporting the teaching of mathematics through games. The association, which is approved by the research authority Polo Apprendimento, and in collaboration with Città Studi Biella, organises cognitive development opportunities in learning situations in classes and with individuals, training courses and free conferences. The project has met with great success in the region: the courses in 2018 had approximately 450 registrations, while the conferences were host to more than 1,200 participants. The activities of Biella Cresce, which are supervised by the University of Padova, are currently the subject of scientific research in order to evaluate the results obtained.

The allocation of five **Borse di Studio** (bursaries) to high school and university students taking technology courses, who are selected on the basis of specific criteria of merit, and who live in the Biellese and Valsessera regions. These bursaries have the ultimate aim of assisting families in the payment of expenses arising from such studies and their completion. With the original idea in 2003 of helping to maintain the children of Company employees, this project is now open to all local students in order to valorise the talent to be found in the area.

Among the other support activities in the community which have been in existence since 2018, another highlight is the recent cultural collaboration with **Premio Biella Letteratura e Industria** (Biella Literature and Industry Award), the only award in Italy dedicated to books with particular focus on the changes taking place from an economic and social viewpoint, and which studies the relationships between two worlds seemingly far apart, but which are in fact intimately connected: the world of art and the world of industrial development.

In the same year, Vitale Barberis Canonico activated a temporary collaboration with **Fatti ad Arte** (Facts to Art) with exhibitions of the works of master artisans, both from Biellese and further afield, which were held at the Palazzo La Marmora in Biella. The Company's presence was boosted by the exhibition of a selection of suits created by some of the tailor's shops presented in the book *Sartoria Italiana* by the Japanese author Yoshimi Hasegawa, which the Company sponsored.

On the occasion of the **giornate FAI di Primavera** (Spring Days of the Italian equivalent of the National Trust), Vitale Barberis Canonico also offered the opportunity to visit its historical archives. Around 700 people had the pleasure of watching the theatre piece acted by the Ars Teatrando Company of Biella and, through accurate references to the history of the wool mill's archives taken from the attentive research carried out by the archivist Danilo Craveia, they were able to understand the importance of the preservation of books and historical documents in the Company headquarters.

The Vitale Barberis Canonico Archives

The Vitale Barberis Canonico Archives were inaugurated on 14th February 2014 as testimony to the affection the Company feels towards textiles in general and the artisanal tradition which leads to their creation. The archives contain over 2,500 volumes: a historical legacy pertaining to textiles which tells the story of men's and women's fashions from 1846 to today.

The cultural capital in the collection includes sample books from different wool mills and collections of research on the trends of a particular epoch, but also diaries and notebooks by tailors which evince the tastes and events of the lives of the most elegant men of their times.

The main characteristic of the collection is the homogeneity of the materials from certain points of view: different epochs, countries of origin, composition, occasions for use and types of fabrics which tell the story of the art of dressing well over a period of two centuries. The oldest books come from the United Kingdom, but there is no lack of Italian, French, German and Spanish volumes.

The entire archive has been digitalised giving easier access to the books and documents via an internal computer system containing approximately 25,000 pages.

This project to recover the historical textile heritage has therefore taken on the value of a cultural laboratory where the passion and sense of responsibility for textile know-how has become a source of inspiration for creativity and innovation today.

The Vitale Barberis Canonico Archives are open to customers and fashion students by appointment.





**OUR PEOPLE
AND
THEIR VALUE**



Human resources management

For Vitale Barberis Canonico, its employees and collaborators represent the foundation on which its business is based. The Company guarantees professionalism and competence, preferring the employment of local skills in the wool industry where the culture and know-how is well rooted. By staying close to the local region, an unbreakable thread is created, a continuous exchange between the Company and the community.

Breakdown of employees by location of residence:



Vitale Barberis Canonico employees and collaborators are expected to carry out their work activities in line with the Company principles, the main characteristics being politeness and transparency, with a sense of responsibility, absolute diligence and team spirit towards their colleagues and other third parties. They should also participate in an active manner in Company life and proactively request constant evaluation of their own talents and contributions.

The Company guarantees stimulating working conditions based on merit and respect for individual dignity, as well as health and safety measures in order to protect physical and emotional safety.

Human resources management

Human capital

In recent years, the Company has experienced constant growth both in terms of production and subsequently of the organisation. In the single year of 2018, the total workforce increased by 23 people which corresponds to an increase of 6%. The number of external collaborators has significantly decreased in comparison to the year before as they have since been hired by the Company.

Workforce by type of contract	2017			2018		
	Men	Women	Total	Men	Women	Total
Number of employees	183	201	384	200	207	407
Number of external collaborators	45	30	75	37	24	61
TOTAL	228	231	459	237	231	468

The Company offers its employees favourable and flexible contracts: at the end of the calendar year 2018 the situation was that 94% had a permanent contract. The number of part-time contracts is 4% of the workforce, this option generally being preferred by women to facilitate the reconciliation of work and family life.

Employees by type of contract	2017			2018		
	Men	Women	Total	Men	Women	Total
Permanent contract	179	196	375	187	195	382
Temporary contract	4	5	9	13	12	25
TOTAL	183	201	384	200	207	407
<i>of whom are full-time</i>	180	188	368	197	193	390
<i>of whom are part-time</i>	3	13	16	3	14	17

The use of external collaborators usually results from two main groups: agency workers and interns.

In particular in the case of internships, the activities are generally directed at the writing of a student's thesis and/or the approach to a profession for which the students have previously completed a course of relevant studies. With the aim of nurturing such virtuous cycles, the Company maintains a continuous collaborative relationship with universities and local high schools, offering a salary which is far higher than foreseen in local legislation, and dedicating resources and the time of expert workers in order to transfer competence and technical skills.

External collaborators by type of collaboration	2017			2018		
	Men	Women	Total	Men	Women	Total
Agency workers	48	37	85	37	22	59
Interns	30	11	41	9	16	25
<i>of whom with the aim of employment in the Company</i>	18	4	22	6	10	16
<i>of whom student interns (to complete their course of studies)</i>	6	2	8	1	2	3
<i>of whom on work experience/school pupils</i>	6	5	11	2	4	6
TOTAL	78	48	126	46	38	84

If in 2018 the decrease in the number of agency workers was due to an increase in numbers of permanent employees, the drop in numbers of interns and apprentices was the result of a Company decision which, in spite of many requests for such placements, prefers to follow a strategy orientated towards higher qualifications amongst the staff employed.



Human resources management

Attraction and development of talent and valorisation of personnel

In its ongoing choices of virtuous and highly innovative technological solutions and its adaptation of its own strategies according to ever faster and reactive market demands, Vitale Barberis Canonico deems the attraction, valorisation and professional growth of talent indispensable.

With the last iteration dating from September 2018, such processes have been formulated in order to be able to periodically update them according to Company needs and the expectation of new generations who come into contact with the Company.

The policy for the attraction and selection of talents takes two distinct paths:

- directly: through interviews solely in order to get to know each other and ad hoc with people with profiles which could be of interest to Company strategies, predominantly selected from candidates who apply to the interactive “Careers” page of the Company website, or through the participation at events such as Fiere del Lavoro (labour fair), university Career Days and Orientation Days.
- indirectly: following the flagging-up of a C.V. by another agency, head hunter or suggestions from staff already employed at the Company, always an interesting and promising source of information.

Pursuant to the Company values and principles, such interviews are carried out according to criteria of non-discrimination and equal opportunity, not forgetting however that some jobs, in terms of their adequate supervision for health reasons and relative protocols, are more suited to a certain category of worker.

The evaluation of the suitable employment of a worker takes place directly between the Head of Human Resources and the Head of the Department concerned at the completion of a trial period. Such evaluation at the completion of a trial period is formalised in the Company system and is linked to the annual salary review.

With reference to the years 2017 and 2018, the turnover rate for employees leaving the Company remained more or less stable, while the recruitment rate was slightly higher: in comparison to the 31 employees recruited in 2017, in 2018, 36 people were recruited, of whom 16 were under 30 years of age.

Recruitment rate	2017				2018			
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Men	5	5	5	15	6	11	4	21
Women	1	8	7	16	10	5	-	15
TOTAL	6	13	12	31	16	16	4	36
Recruitment rate	1.6%	3.4%	3.1%	8.1%	3.9%	3.9%	1.0%	8.8%

Turnover rate	2017				2018			
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Men	-	1	3	4	1	2	1	4
Women	-	4	3	7	-	4	5	9
TOTAL	-	5	6	11	1	6	6	13
Turnover rate	-	1.3%	1.5%	2.8%	0.2%	1.5%	1.5%	3.2%

Regarding the training given after recruitment of a new worker, at the start of an internship or apprenticeship and in cases where a worker changes job within the Company, a specific course is developed which is carried out mainly by shadowing the expert worker. The duration of such training varies according to the complexity of the job in question.



100 DAYS FOR A SPINNER



180 DAYS FOR THE DYEING OFFICER



1 YEAR FOR A JUNIOR CONTROLLER



1 YEAR FOR A HEALTH AND SAFETY OFFICER

Human resources management

Diversity

Career development in order to maintain the high standard of professionalism is identified by two different training policies:

- continuing: based on the strategy periodically revised by Human Resources management, it is designed around internal or external courses for specific roles and/or areas, to constantly foster competence and degree of responsibility, while still being in line with the individual's career plan.
- specific: activated on the basis of the needs of the intended role.

The evaluation of the actual learning and experience gained is carried out by the direct line manager during the day-to-day performance of the relative job.

Vitale Barberis Canonico is also committed to ensuring suitable workplaces for workers and to safeguarding the principles which are indispensable for their health and safety, in conformance to all current legislation and regulations, and the Company also operates specific internal courses.

The most important activity of the period under study is the five-yearly updating of information concerning these topics. As demonstrated in the variation of the number of hours in the table below, the last updating cycle was completed at the end of 2017. In addition to this main activity must be also considered the dissemination of information to new recruits and other persons with specific roles or who carry out jobs of a particular type.

Training hours per capita	2017			2018		
	Men	Women	Total	Men	Women	Total
Executives	20	22	20	1	6.5	2
Middle management	11	7	11	2	1	2
White collar workers	24	16	22	5	7	6
Blue collar workers	10	6	8	7	1	4

Training activities are completed according to professional growth requirements and consolidation of internal skills.

In order to guarantee the primary value of its human resources, Vitale Barberis Canonico bases the management of its employees on the principles of protection of diversity and equal opportunities. The desire to respect such values is repeated in the Code of Ethics in which the Company declares its intention not to permit any form of discrimination or act of intimidation or molestation towards its employees and collaborators who at the same time, when carrying out their work within the limits of their competence and the responsibility entrusted to them, are obliged to base their own behaviour on the principles of mutual correctness and absolute respect for the dignity and integrity of everyone.

Historically and as part of Company policy, the Human Resources office is the point of reference for personnel in terms of internal communications. The adoption of the Model 231 (regarding Legislative Decree 231/2001 pertaining to a direct liability of legal entities, companies and associations for certain crimes committed by their representatives) also led in both production facilities to the introduction of "complaints boxes".

Data related to the Company workforce illustrates the distribution of employees with regard to their gender, their age group and their professional category. At the end of the calendar year 2018, the female workforce of the Company was at 51%. Both in 2017 and 2018, 5% of the employees belonged to protected categories following an ad hoc selection process in collaboration with the regional job centre.

Employees by gender	2017			2018		
	% of total	of whom men	of whom women	% of total	of whom men	of whom women
Executives	4%	87%	13%	4%	87%	13%
Middle management	3%	85%	15%	3%	86%	14%
White collar workers	20%	68%	32%	20%	65%	35%
Blue collar workers	73%	38%	62%	73%	41%	59%
TOTAL	100%	48%	52%	100%	49%	51%

Employees by age group	2017				2018			
	% of total	of whom <30 years	of whom 30-50 years	of whom >50 years	% of total	of whom <30 years	of whom 30-50 years	of whom >50 years
Executives	4%	0%	47%	53%	4%	0%	47%	53%
Middle management	3%	0%	38%	62%	3%	0%	36%	64%
White collar workers	20%	4%	55%	41%	20%	7%	57%	36%
Blue collar workers	73%	4%	54%	42%	73%	6%	55%	39%
TOTAL	100%	3%	54%	43%	100%	6%	54%	40%

Protected categories	2017			2018		
	Men	Women	Total	Men	Women	Total
Executives	-	-	-	-	-	-
Middle management	-	-	-	-	-	-
White collar workers	-	1	1	-	1	1
Blue collar workers	10	8	18	11	8	19
TOTAL	10	9	19	11	9	20

The Company salary policy is based on a virtuous history of constant tracking of the integrated pay bargaining parallel to such bargaining on a national level which, in addition to improving additional forms of reward in comparison to ordinary remuneration, has often modified the conditions of national bargaining itself and of the relevant legislation for the better.

The general aim is to deliver salary levels which are appropriate for the continuing evolution of the needs of the individual while maintaining the Company salary policy which is higher than the market average, also with the idea of creating employee loyalty.



Human resources management

Protection of and respect for working conditions

The Company naturally sees itself within the context of national and international norms and recognises as a priority the fundamental principles and prescriptions therein, these being, amongst others:

- the constitution of the Republic of Italy;
- Labour laws;
- the principles taken from the International Labour Organization;
- the CCNL (National Collective Labour Contract) Tessile-Abbigliamento (Textiles and clothing) and Dirigenti Industria (Industrial Executives).

In addition to this, the Company has adopted the Model 231 which is included in the Company Code of Ethics.

In pursuing the objectives of correctness and transparency, the Company best practice principles aim in particular to fulfil the requirements for protection of human rights and working conditions, with special reference to the respect for legislation referring to the protection of young people, the prohibition of forced labour and the freedom of association.

During the two years covered in this study, Vitale Barberis Canonico did not avail itself of any form of contract with workers under the age of 20. In the event of work experience programmes for school pupils, the Company follows the provisions of national legislation stipulating that the minimum age for employment may not be less than that at which formal education ends (16 years).

In addition to a three-year cycle of supplementary labour renegotiations, the Company guarantees at least two other annual consultations between the trades unions representatives and the Head of Human Resources with the additional intervention of the Managing Director in the event such intervention be deemed expedient or necessary.

Outside the Company context, Vitale Barberis Canonico guarantees the integrity of individual dignity by means of the circulation of the above-mentioned Code of Ethics, the perusal and understanding of which is an integral part of supply contracts and order confirmations vis-à-vis customers.

Company welfare

Employees' wellbeing

The wellbeing and the safeguarding of employees are fundamental values for the Company which has always put bonus strategies in place in recognition of the results and achievements of employees, using an award policy which is more favourable to the employees, and more advantageous in the provision of benefits and supplementary services.

The policy inherent to the management of such strategies is included in the supplementary Company agreement which is a financial agreement over and above the national agreement and an instrument for valorising and maintaining some of the fundamental values by means of a "textile" welfare system. In addition to the traditional, variable awards and financial recognitions, it also consists of assistance and protection with the aim of increasing the involvement of the employees, and with the correlated objective of attracting, securing and retaining employees.

The main benefits are available both to full-time and part-time employees and those with temporary contracts (including agency workers). The benefits are calculated on the basis of the percentage of hours and/or duration of the contract worked. The most important benefits include the following:

- Life Insurance, Supplementary Medical Insurance, Long Term care insurance (life pension in the event of the need of long-term care);
- annual tax-free shopping voucher;
- students' bursaries;
- time banking pension, not obligatory, for possible early retirement programme;
- cover for sickness 100% paid by Company for the period from the end of national insurance sick benefit until the end of the calendar year;
- network of commercial agreements with local businesses completely internally developed and structured.

The efficacy of such initiatives is evaluated on the basis of annual monitoring of the take-up and the number of people involved in the various programmes as well as other possible significant impacts such as a reduction of absenteeism.

The Human Resources department is responsible for the direct collection of possible suggestions or complaints made officially by employees and/or their representatives, and for meetings with the Company directorship with a view to improving relationships, processes and organisation.

Company welfare

Work-life balance initiatives

Vitale Barberis Canonico guarantees working conditions which are aimed at ensuring employees a correct work-life balance by integrating the distribution of Company welfare benefits with part-time contracts which suit both personal and Company needs. Moreover, the Company takes the role of consultant in the orientation and modalities of fulfilling the prerequisites arising from legislation and national bargaining procedures.

In reference to the two-year period 2017-2018, employees have actively availed themselves of the parental leave programme, for fathers and mothers (both mandatory and optional maternity leave, breastfeeding), Italian law no. 104 (employment services to persons with reduced working capacity) and additional special leave (up to 24 months) ex Law no. 104. Mostly female employees made use of these programmes.

Parental leave	2017			2018		
	Men	Women	Total	Men	Women	Total
Employees who have taken parental leave	6	13	19	6	14	20
still on leave	-	-	0	-	2	2
returned and still employed	6	13	19	6	12	18
those who left	-	-	0	-	-	0
Rate of return to work¹	100%	100%	100%	100%	100%	100%

The Company's commitment to creating conditions which are amenable to personal and family needs is demonstrated in the 100% rate of return to work after periods of parental leave. Accurate planning at the start of the period of leave and a long-term strategy which meets the worker's needs enables the Company to "restitute" jobs and professional positions which are appropriate to the experience of the worker in question, and involves them fully in the objectives of the Company.

¹ - Calculated as the ratio of the total number of employees returning to work after leave and those taking leave in total.

Health and safety

Management system

Rigorous respect for norms of the correct behaviour in order to prevent accidents and the implementation of organisational and systemic measures to protect the health, safety and physical and personal integrity of the individual are distinct characteristics of Vitale Barberis Canonico as a company and which were the Company management style even before becoming law: in the 1990s, pioneering mechanical and automation solutions for logistical processes with important benefits for the employees were introduced in the Pratrivero facility, and in the weaving shed, sound-proof “capsules” were introduced at the looms, thereby showing the Company’s sensibility to such issues long in advance of the mandatory regulations which came into force some years later with Italian law no. 277 of 1991.

Still today, production efficiency goes hand in hand with good prevention practices and technological innovations are aimed at constantly improving working conditions and methods.

The entire Vitale Barberis Canonico organisation participates in the management of the prevention and protection processes with scrupulous proactive observance of the articles of the Testo Unico sulla Salute e Sicurezza nei luoghi di lavoro (D.lgs. 81/08 – Italian legislative decree regarding occupational health and safety), and by the inception of the Supervisory Board and the adoption of the code for processes with regard to the discipline of administrative responsibility for juridical people, companies and associations (Italian legislative decree 231/2001).

In 2010, a formal management system was adopted, today still uncertified, which conforms to the UNI-INAIL and OSHAS 18001 standards concerning occupational health and safety as an additional documented proof of the process of constant improvements which are translated into practical and verifiable action plans, annually formulated during the Management Review, and which clarify objectives and operative responsibilities.

In the years which followed, first with a formal inspection and subsequently with the acceptance of the submission of the form OT24 for a reduction of taxes, the Italian national insurance agency INAIL has always applied a tax reduction to Vitale Barberis Canonico for all its insurance programmes.

In 2019, Vitale Barberis Canonico will initiate the process necessary to achieve certification with regard to occupational health and safety management pursuant to the most recent ISO 45001 standard.

Health and safety

Prevention and monitoring systems

Vitale Barberis Canonico manages the risks present in the workplace with a view to the prevention of accidents and occupational sicknesses by means of a structured process starting with the assessment of the residual risks associated with situations and the dangers identified, and puts it into practice with the formulation of intervention plans stipulating priority and action times which become an integral part of the investment and development strategies for the Company as a whole.

Risk assessment is carried out by means of consultation with the employees representatives (RSL) and is updated in the event of significant alterations to the production processes or work organisation with occupational health and safety in mind, or periodically as foreseen by the governing norms.

The Occupational Health and Safety Management System (SGSSL) focuses on the activation of continuous development both of the programming of technical interventions and improvement of equipment and workplaces as well as of the underpinning of the organisation of such activities.

The Company believes that the most important contribution to the prevention of injuries derives from the correct application of behaviour-based safety training, i.e., workers being fully aware of the risks to which they are exposed on a daily basis during their work, their ability to manage such risks punctiliously and professionally using appropriate operative and behavioural methods, and their having a clear idea of priorities and robust criteria as stipulated in the governing standards in relation to taking care of their own health and safety and that of others who may be present in their workplace.

The Company promotes the professional growth of employees in both technical and cultural competence in terms of health and safety by means of general and specific training courses which are extremely carefully designed to be efficacious and practical, pertinent and contextualised, and of which the dissemination is entrusted to consultants with consolidated experience and collaboration when they are not provided by the health and safety officers within the Company itself.

The organisational model for behaviour-based occupational health and safety places particular emphasis on the involvement and co-responsibility of middle management (safety supervisors) to whom the responsibility of the organisation of the department’s work, the responsibility for the workers’ training for their department and the supervision of the correct application of the provisions relating to their department have been delegated. In their supervision activities, the heads of department avail themselves of the valuable and essential support of their assistants (in charge of safety).

With regard to technical interventions, every year, Vitale Barberis Canonico invests considerable sums in the improvement of occupational health and safety conditions in the production plants, and for the improvement of the working environment.

In 2017, the overall expenses for the improvement of the quality of the working environment and working methods totalled approximately €2.60m, these being for the realisation of two plant developments which have had a marked impact:

- machinery for the automatic transport of spools, with a total value of €1.23m, which replaces manual lifting movements and reduces the strain on the workers' joints when working on the racks, with subsequent improvement of the prevention of pathologies in this department, which is operated predominantly by female workers whose average age is progressively rising.
- 38 new sound-proof cabins for the air-jet looms with a total commitment of €1.15m and a decrease in the noise level by a factor of 8. Of these cabins, 14 were for the complete noise level reduction in the weaving shed in Pratrivero, while the other 24 were for the first phase of noise level reduction in the weaving shed in Pray, which is programmed to be completed in the coming years.

During 2018, the total expenses sustained were of approximately €2.64m and were predominantly with reference to the Pratrivero facility. The largest intervention was the expansion of the automatic stores for yarns at a total cost of €1.3m, comprising the installation of two more stacking cranes for the stacking and automatic movement of an additional 2,016 loading units. The results led to a significant improvement in the flow of logistics and the working and safety conditions of the surrounding departments. An important investment of €0.4m was made with regard to fire safety and prevention systems: emergency lighting, fire alarms, smoke detectors and automatic sprinkler systems. With this addition to the plant, the Company has fulfilled all the requirements necessary for the Certificato di Prevenzione Incendi (Fire Prevention Certification). In the spinning shop, an automatic mechanism was installed for the unloading of spools from the finisher for a total cost of €0.26m. With the objective of optimising the environmental conditions in the weaving shed, another 10 sound-proof cabins were substituted at a further cost of €0.3m.

The Company registers and manages any injury and work-related illness occurring in the production facilities in order to fulfil the accounting obligations pursuant to the regulations in force, but most importantly, in order to analyse their cause and dynamics and to identify any possible dysfunction in terms of the organisation or the plant in question and to then take any necessary corrective actions.



Number of injuries involving employees		2017	2018
Pratrivero facility	Injuries <40 days' absence	2	5
	<i>of which from commuting</i>	-	-
	Injuries ≥40 days' absence	2	-
Pray facility	Injuries <40 days' absence	3	1
	<i>of which from commuting</i>	-	-
	Injuries ≥40 days' absence	-	-
TOTAL		7	6

Number of injuries involving external collaborators		2017	2018
Pratrivero facility	Injuries <40 days' absence	4	-
	<i>of which from commuting</i>	1	-
	Injuries ≥40 days' absence	-	-
TOTAL		4	-

The tangible result of the diligence demonstrated by Vitale Barberis Canonico in the management of prevention of injuries and work-related illnesses is represented by the number of negative events registered: in 2018 the number of injuries² in the workplace decreased in comparison to that of 2017 and did not involve any external collaborator. In addition, no case of work-related illness was registered for either employees or external collaborators.

Injury rates ³	2017	2018
Employees		
Injury rate <40 days' absence	1.5	1.7
Injury rate ≥40 days' absence	0.6	0
External collaborators		
Injury rate <40 days' absence	5.2	0
Injury rate ≥40 days' absence	0	0

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² - The classification based on the prognosis of the subject is regulated by the Italian Penal Code. In line with the requirements of the GRI 403-9 disclosure, please note that none of the injuries recorded in the table implicated a period of recuperation of more than or equal to 6 months, and there were no fatalities.

³ - The injury rates are calculated as the ratio between the number of injuries and the hours worked over the period of the reference year, multiplied by 200,000.

Soundproof Cabins

The pride of sustainable textile engineering:
sound insulation systems unequalled in the world

1st GENERATION: 1989-1998

In 1989, two years before Italian Legislative Decree 277 came into force for the protection from noise and vibration, the first integrated covers for projectile and clamp frame looms were introduced: a metal half shell internally covered with sound insulation material, equipped with small windows to allow visual checks, with internal lighting, a robust canvas skirt and tilting opening to give access to the spool winders to feed the weft.

The system had good sound-isolating capacity and the great advantage of automatically rising in the event of the loom stopping as a result of a problem in the production process.

In the decade 1989-1999, 72 looms out of 78 were covered with this protection and the average noise level dropped to below 85 dB(a).



2nd GENERATION: 1998-2004

The second type of cabin stood on the floor with an integrated cover for the loom, with fixed sides and ceiling and two transparent, folding sheets with their own motor.

In the event of the loom stopping or for checks while the loom was running only the sheet on the side in question was raised, limiting the sound-isolation function, but not cancelling it totally. Some operative phases and the command display remained outside the cover so operations could be carried out without raising the sheets.

By May 2000 all of the 88 clamp frame looms were fitted with this sound-isolating equipment.



3rd GENERATION: 2004-2015

In June 2004, the introduction of new air-jet looms made it necessary to study and develop a prototype for a new form of cabin, which was planned by the wool mill's own technical office.

The new cover was semi-shell shaped and consisted of three door sections, one inside the other, which ran on rollers fitted in the ceiling. When all three doors were closed, they provided optimal sound-isolation.

During the period March 2005-September 2006, all of the 50 air-jet looms in the weaving shed were covered by a cabin of this generation.



4th GENERATION: today's cabins

The introduction in 2015 of the new, higher performance airjet looms made a fourth generation of cabins necessary which perfected the concept of the verandah awning. The sides and the ceiling are fixed and a pair of doors rise quickly both automatically (opening because the loom has stopped) or manually (opening to perform a quality check).

The high level of sound-isolation of the materials used and the elimination of all the noise exit points from the cabin meant the best performance in terms of noise containment at a level which had never been obtained before.

In 2017 the installation of sound-isolating cabins began in the Pray facility while the weaving shed at Pratrivero is completely equipped and today in the best condition.





**PRODUCT
RESPONSIBILITY
ALONG THE
SUPPLY CHAIN**



Centrality of the product and customer care

Made in Italy

As a result of its tenacity and maintenance of complete production cycles only in Italy, in the Province of Biella, Vitale Barberis Canonico is probably the oldest wool mill in the world and one of the most prestigious brands of “Made in Italy” throughout the world.

The true concept of Made in Italy, meaning the washing of the greasy wool right through to the finished product all being carried out in Italy, represents one of the main values of the Company, as it is fundamental to the quest for excellence in terms of both products and processes. Vitale Barberis Canonico extends its roots in the local culture, which has sustained its textile-producing history for more than 350 years, and which is expressed in the wisdom of local know-how.

The Company strongly believes in the values of its own region and uses its own resources to continuously invest in Italy, equipping its facilities in Pratrivero and Pray with state-of-the-art technology requiring significant efforts in term of finances, research and development.

The more than 200 operations that take place between the arrival of the raw material and the finished fabric can be grouped into seven production phases – washing, gilling, spinning, dyeing, warping, weaving and finishing – are all carried out exclusively in Italy in its own facilities. It should also be noted that the fact of working in a production cycle which is completely integrated also minimises the environmental impact of transporting semi-finished products.



WASHING



This is the link between the natural fibre and the product, and as such, it requires great respect, delicacy and attention to every detail. The water is the main factor in this process: after washing the freshly sheared fleece, the next step is to remove every impurity.

GILLING



The wool is combed a number of times to achieve parallelity and the short fibres are discarded. The semi-finished product is called top and its quality is extremely important to guarantee the durability of the final fabric.

SPINNING



After a careful re-combing procedure, the sliver becomes increasingly thin to finally reach the status of a roving. By stretching and twisting the roving, the yarn is produced which can then be twisted again with other yarns to obtain a twisted yarn of greater resistance.

DYEING



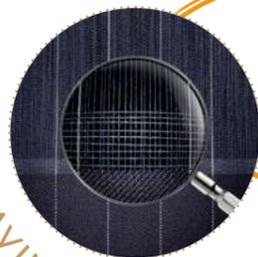
Distinguished between: dyeing in the yarn, in tops or spools, whereby a fabric of more three-dimensionality in terms of colours is created; or dyed in the piece, which will result in a cleaner, more homogenous aspect. It is finished once the colour and intensity planned by the designers is achieved.

WARPING



Warping is a wonderful exercise in geometry, where vertical threads of the fabric will become part of a complex weave. Every single thread and hundreds of spools are simultaneously monitored by sensors until the warp is wound onto a cylinder, called a beam.

WEAVING



The transversal threads that make up the weave have to pass above and below the vertical threads of the warp, according to a precise schema. It is an incredibly precise and extraordinarily swift dance, turning thread into fabric in just a few short seconds.

FINISHING



After meticulous quality control and comprehensive washing and finishing procedures, the finished fabric is created, which can live up to comparisons with any other fabric in the world. These final steps make the difference between a fabric of quality and a fabric of quality and character.

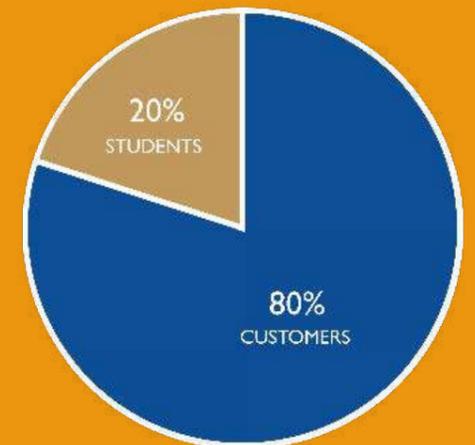
Fusing the deep-founded culture of Italian production with traditional British style, the famous Vitale Barberis Canonico fabrics act as an Italian ambassador for priceless Italian know-how and taste for beauty in all the world.

Fabric Academy

In 2013, the Fabric Academy project was initiated as a result of the legacy of skills which have been collected and the wish to share them, with the objective of promoting and spreading the culture of high-quality fabrics and how to dress well in them. This involves a didactic-experiential path aimed at helping those who sell the end product and at exploring the skills required in many aspects of creating fabrics and men's clothing, from the basic weave, to the processing of the wool, from the history of textiles to the latest trends, with the added aspects of communication and marketing.

Planned in the historical site of Pratrivero and in the new Vitale Barberis Canonico showroom in 23 Via Solferino, the course is proposed throughout the world to both professionals in the clothing sector and those who are passionate about fabrics and men's style. The programme enables the spread of skills by means of which experts and workers in the sector can meet and collaborate, constantly generating new stimuli and creating a real sense of community of ideas and passions.

In the last three years, the training sessions have involved not only customers, associations and journalists, but also, and most importantly, students from Italian and international fashion institutes and business schools. In particular, in only one year, that of 2018, Vitale Barberis Canonico held a total of 39 training sessions including 8 nations and approximately 1,000 participants.



- 39 training sessions
- 1,000 participants
- 8 nations

Centrality of the product and customer care

Quality and safety of the products

Quality and safety of the products represent priorities for Vitale Barberis Canonico which, by making available significant human, technical and financial resources, pursues the goal of guaranteeing and increasing customer satisfaction.

The quality policy and the plan for continuing improvement are defined by the Directors in collaboration with Middle Management and those in charge of the various functional units, so they can then be disseminated to all levels.

Every fabric, exclusively “Made in Italy”, is planned and developed in house with the possible aid of some steps by third parties, all of them with their headquarters in Italy and for the most part, locally. The accurate selection of raw materials and the choice of purchasing dyes and auxiliary chemical supplies only from the best companies in Europe are fundamental, essential factors to guarantee a finished product which is both safe and of excellent quality.

Adapting its production processes to the requirements of the UNI EN ISO 9001:2015 standard has enabled the Company to develop more efficient control instruments, indispensable to the creation of products which satisfy customer demands and fulfil legal requirements

pertaining to the sector. The increase in operational efficiency has facilitated further improvements in the perception of the Company vis-à-vis its stakeholders.

Vitale Barberis Canonico constantly subjects materials used to vigilant checks in terms of physical-mechanical and chemical requirements, with the aim of guaranteeing the satisfaction of customer expectations.

During the prototyping phase, any new product is tested in order to validate its characteristics before including it in the collection. All fabrics are subjected to vigilant final inspections in order to verify both quality and visual aspects before being dispatched.

The data collected over this two-year period demonstrate the excellence in and capacity of supplying fabrics which conform both to the requirements previously established by the customers and those which are legally

applicable. The Company has been able to satisfy customer demands, further improving its good performance already achieved in the year before: in 2017 product quality conformity was at 99.84% and reached the significant result of 99.9% in 2018⁴.

The Company has always placed the health and safety of the consumer in the forefront and operates within legislation governing hazardous materials with particular reference to:

- the European REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals);
- the Chinese GB standard (National Standard of the People’s Republic of China);
- the Guidelines on the eco-toxicological requirements as issued by the Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion).

Chemical products are carefully evaluated before being used in the production cycle both by the Head of the department in question and by the Technician Responsible. Analysis on the fabric samples are carried out by third-party laboratories according to a pre-programmed periodicity in order to achieve a type of screening for all the production cycle. Other analysis may be carried out directly by the customers or by the customs services. As Vitale Barberis Canonico has never been penalised with fines, sanctions or recalls, the chemical conformance of the products is evident.

⁴ - The data relating to product quality conformity are the result of an approximation aimed at homogenising financial and quantitative data.



Associazione Tessile e Salute

Since 2012, Vitale Barberis Canonico has been a member of the Associazione Tessile e Salute (Textile Health and Safety Association), an authority with the activity of valorising and supporting companies which operate within legal boundaries and are committed to offering innovative, sustainable, environmentally-friendly products which also respect health and safety requirements for consumers.

Ongoing relationships with the Health ministry and the Istituto Superiore di Sanità (Upper Institute for Health), the collaboration with the Economic Development and the Environment Ministries, the role of technical arbiter in the Camera Nazionale della Moda Italiana, the ongoing work with Federchimica (Italian Federation of Chemical Industries) and SMI Sistema Moda Italia (Italian Federation for Textiles and Fashion) have led to the Association becoming the “national” partner for dialogue relating to chemical sustainability.

Centrality of the product and customer care

Customer satisfaction

For Vitale Barberis Canonico, customer satisfaction translates into the ability to offer a range of products which are differentiated and attractive, to respond to market demand and operate with efficacy and efficiency, and with maximum transparency. The aim is to build and maintain relationships with its customers which are fluid, consolidated and based on mutual trust.

It is a given within the Company that relationships with customers are pursued honestly and correctly, while honouring any commitments made. From the start of any commercial activity, all the different customer needs, both explicit and implicit, are collated. The requirements regarding products and services are thus translated into technical and functional terms in order to guarantee such products and services. These also include quality, conformance and delivery times.

In the event of problems arising after sale, the complaints management procedure, which follows on from the communication from the commercial office, foresees the acceptance of delivery by the Company quality control department. The complaint may result in goods being returned, substituted, reconditioned or, where these are not possible, in a financial adjustment. The performance data for customer satisfaction – as evidenced in the preceding pages - are calculated on the basis of the relationship between metres sold and payments made.

The Code of Ethics provides for attention and respect towards all customers in equal measure irrespective of the size of their company, nationality and tendency to buy, and disseminates such behavioural rules within the Company by means of appropriate training, information and communication instruments.

Vitale Barberis Canonico guarantees that information and data acquired and processed in the execution of Company work shall be used according to the local and national data protection requirements. In line with the new requirements as stipulated by the GDPR regulation, it is also forbidden to carry out any illicit processing of data or commit any computerised crime. Vitale Barberis Canonico has never been the subject of any complaint with regard to customer data protection.



Centrality of the product and customer care

Traceability and transparency

The concept of transparency is one of the most important Company values which is evidenced in the manufacturing process by the traceability of the products.

In an integrated vertical production system, although it can be very complex, in 2018 Vitale Barberis Canonico invested resources for the commissioning of a computer program which is able to follow and trace the production processes undergone by every single piece, from the bale of wool it is made of, right through to the finished product.

A table is created by means of which it is possible to scrutinise the components of a product, in specific detail with regard to:

- the farm the bale of wool originated from;
- the batches of greasy wool making up a lot of combed wool;
- the lots of combed wool included in the semi-finished materials for dyeing;
- the semi-finished materials for dyeing included in the blends for spinning;
- spun yarns.

To a certain extent, the traceability project responds to requests from some wholesalers, retailers, tailors for the checking of the production processes, but on the other hand and along with these other entities, it aspires to contributing to a culture of products and processes thus leading the end consumer to a type of behaviour which is therefore both aware and responsible.



Responsible supply chain

The complete management of suppliers covers a crucial role in terms of research for qualitative excellence and efficiency of purchasing operations. By means of a Quality System which integrates the regulations in force in the sector, Vitale Barberis Canonico has set up appropriate procedures to guarantee maximum transparency in operations concerning the choice of suppliers, purchasing of goods and services and checking of supplies. The Company guarantees the traceability of such procedures by means of an accurate internal documentation and archiving system.

The choice of suppliers and the purchase of goods and services take place in compliance with the competition principles and conditions of the bidders and on the basis of objective evaluation in relation to their competitiveness, their quality, their use and their price. Supplies checking foresees at least one check per year, a dynamic evaluation and potential audit by the person responsible for verification and management of the supplier.

Relationships with suppliers are regulated by the norms included in the Code of Ethics and are subject to constant and attentive monitoring. The fulfilment of contractual services is associated with conformance to principles of equity, correctness, diligence and good faith which are basic elements. Any non-compliance and/or violation will lead to the termination of the agreement.

Materials used in production (tons)	2017	2018
Wool	5,096	5,200
Chemical products	802.5	875.5
auxiliary products	663.8	730.3
dyes	138.7	145.2
Packaging	243.7	250.6
paper	0.9	0.8
cardboard (cardboard boxes, tubes)	154.0	163.5
plastic (strapping, polystyrene)	40.9	33.5
nylon (spools, packaging, rolls, boxes)	46.0	50.7
packing straps (straps, boxes)	1.9	2.1
Lubricating oils	0.5	3.7

Responsible supply chain

Auxiliary products and services

Vitale Barberis Canonico fosters and promotes buying locally, choosing solid collaborations and long-term relationships of mutual trust with the aim of maintaining an adequate supply in terms of continuity, quality and efficiency, preferring the maintenance and the development of industrial links in the wool industry in the Province of Biella.

On 31st December 2018, the Company was collaborating with approximately 300 suppliers and this number did not undergo any great change during the two-year period 2017-2018. Of the total number of acquisitions, 97% were carried out in collaboration with Italian suppliers, of whom 34% were local, while the remaining 3% were carried out mainly in Germany and Switzerland using suppliers of chemical products who have ISO 9001 certification.

Distribution of purchase per allocated expense (not including wool)	2017	2018
Italy	97%	97%
of which in Province of Biella	34%	34%
Other countries	3%	3%
TOTAL	100%	100%



Responsible supply chain

Raw materials

Wool is the raw material par excellence for the creation of classic clothing, and the origin of everything for Vitale Barberis Canonico. The best recipe for classic elegance derives from the best fibres available in the world. The different types used are selected and purchased while paying attention to their provenance according to the directives for the products as defined at the start of the season, based on the physical and visual characteristics which determine the quality and style, fineness and length, without neglecting financial and environmental aspects.

The supply chain consists mainly of the Company's own Buying Company, New England Wool, with Wool Trader specialists and, less often, Top Makers.

Wool supplies	2017	2018
Purchased (tons)	5,096	5,200
Number of suppliers	15	16

Vitale Barberis Canonico procures the quantities needed from a network of approximately 3,000 farms spread over Australia, New Zealand, South Africa, China, Argentina and Uruguay. In terms of volume, Australia represents the largest share, because of the characteristics of the offer.

SOUTH AMERICA
21 micron wool



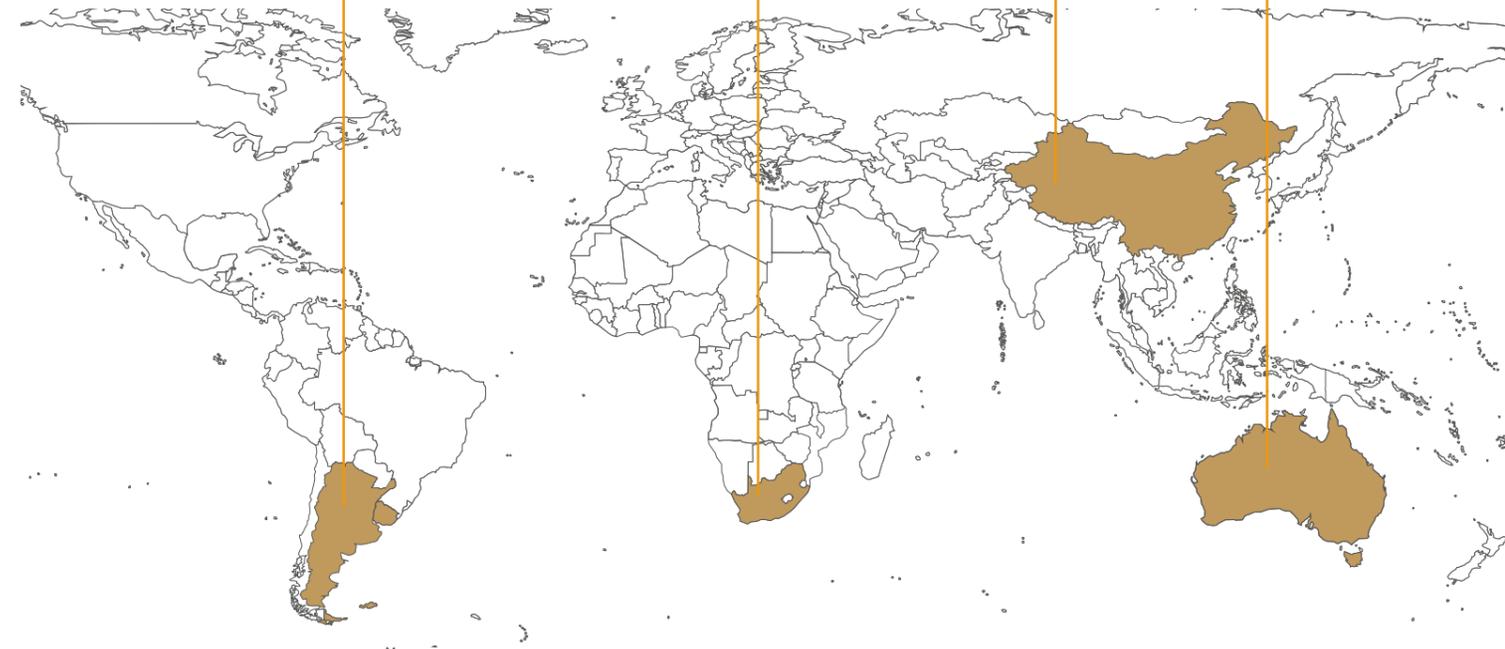
SOUTH AFRICA
Mohair



CHINA
Cashmere



AUSTRALIA
NEW ZEALAND
Merino wool



All raw material suppliers are subjected to at least one evaluation per year carried out by the Chief Wool Trader. Such evaluations are carried out with regard to specific parameters, including:

- quality of the product supplied;
- observance of Vitale Barberis Canonico standards;
- observance of delivery times;
- service (promptitude, reply times, support documentation);
- competitiveness.

The data are registered in internal evaluation software and distributed to suppliers to enable them to compare their performance with that of others.

Wool Excellence Club & Wool Excellence Award

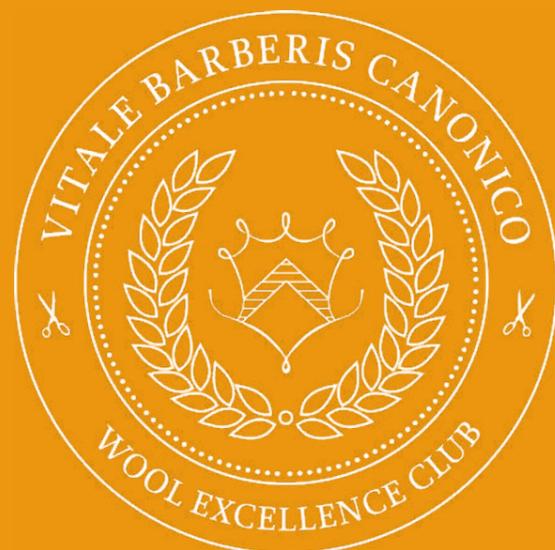
The quest for excellence and quality of the raw material led Vitale Barberis Canonico to create the **Wool Excellence Club**, which is built on four fundamental columns: quality, training, loyalty marketing and sustainability.

The objective is to bring together and remunerate the quality of fibre obtained by sustainable practices aimed at the protection and conservation of specific breeds of sheep producing particularly good quality wool and traceable to the Saxon breed, which goes back to the beginnings of the Australian breeding system since its development in the 18th century.

This objective is complemented by the wish to reinforce the relationship of mutual trust and virtuous cooperation between the wool mill and the Australian producers (currently 30 farms) by establishing direct relationships that are individual and long term and consist of dialogue and exchanges between the parties.

The breeders are supported by particularly favourable purchasing policies: in addition to the price based on the quotation of the international market, the Company supplements it by a margin which not only takes into consideration the production costs, but also recompenses the breeders for their everyday dedication.

Additionally, and still with a view to rewarding excellence and quality, since 2014, the Company has instituted the **Wool Excellence Award** in order to recompense the annual production of a member farm, recognising the breeder who has concentrated his or her efforts on all of the flocks, electing to classify the wool produced according to the highest standards and with the greatest attention possible. The award consists of a financial reward and a prize trip to Italy to visit the Vitale Barberis Canonico premises.



Responsible supply chain

Animal welfare

Vitale Barberis Canonico considers animal welfare to be an essential condition for the procurement of raw materials, which is produced by its suppliers in breeding stations in countries where specific standards pertain.

The international reference is that of the five freedoms of animals as reflected in the “*OIE Terrestrial Animal Health Code*”⁵ of the World Organisation for Animal Health, and, concerning more specifically the wool sector, in the “*Specifications for Wool Sheep Welfare*”⁶ of the IWTO – International Wool Textile Organisation. In Australia, moreover, it is also reflected in the “*Australian Animal Welfare Standards and Guidelines for Sheep*”⁷ of the organisation Animal Health Australia.

The Company is a shareholder in New England Wool (NEW), which has its headquarters in Australia, and which has always promoted and supported the concept of sustainable superfine wool production, and which observes the proactive promotion of best practice relative to animal welfare and environmental protection.

In 2005, New England Wool introduced its own declaration system for No Mulesed/Ceased Mulesed. At that time, it was the first and only company to create a database for voluntary declarations demonstrating the status of mulesing.

A little later, it also introduced an incentivisation policy which rewarded every No Mulesed bale of wool, to be added to the value determined at auction, with the objective of participating in the increased costs sustained by the breeder. This policy then progressed to the granting of contract awards with direct breeders and with special limited “premiums” during auctions.

The Australian Wool Exchange (AWEX), the semi-government body which manages the public wool auction system, created and introduced its own National Wool Declaration (NDW) in 2010.

New England Wool has continued to actively support the NWD, the Classing Code of Practice for shearing, the requirements for animal welfare and environmental sustainability by means of the development of the SustainaWOOL Integrity Scheme issued in 2015.

⁵ - http://www.oie.int/index.php?id=169&L=0&htmfile=chapitre_aw_introduction.htm

⁶ - <https://www.iwto.org/resources/iwto-specifications-for-wool-sheep-welfare>

⁷ - <http://www.animalwelfarestandards.net.au/files/2011/01/Sheep-Standards-and-Guidelines-for-Endorsed-Jan-2016-061017.pdf>

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SustainaWOOL™

INTEGRITY SCHEME

Participating in SustainaWOOL means adopting best practices in order to guarantee to the community the support of social, financial and cultural well-being, of health and safety, and protection of natural and physical resources with a view to future generations. The scheme includes the management of breeding stations with the highest standards of animal welfare, ethics and product quality.

The protocol looks at different topics such as:

- animal welfare;
- traceability;
- environmental protection and use of chemical substances;
- social responsibility;
- wool classification and shearing;
- care and transport.

In particular, SustainaWOOL has recently introduced the SustainaWOOL GREEN classification for breeding stations characterised by mulesing-free management and SustainaWOOL BLUE for breeding stations which permit mulesing exclusively under the administration of pain relief.

To date, SustainaWOOL can boast of more than 900 accredited farms which are subject to periodic audits and sample-taking, conducted by auditors chosen by AWEX.

<https://www.newenglandwool.com.au/sustainability-animal-welfare/>





**RESPECT FOR
AND
PROTECTION
OF THE
ENVIRONMENT**



Energy efficiency and emission reduction

Energy consumption

In its role as a manufacturer, Vitale Barberis Canonico pays great attention to energy consumption during production cycles, placing importance on energy saving with a view to reducing energy wastage to a minimum. This translates into a reduction of Company costs but also, and most importantly, to an improvement in environmental protection and conservation of resources.

In the course of 2018, a series of energy-saving initiatives were implemented which involved both the Vitale Barberis Canonico production sites, amongst which were the installation of LED emergency lighting for all production units and the technological modernisation of the weaving machinery (replacement of 10 looms and purchase of a 160 kW inverter-controlled compressor). The increase with regard to energy consumption was in line with the increase in production.

Energy consumption ⁸ (GJ) and energy intensity (kJ/finished m)	2017	2018
Natural gas	96,017	94,757
Electricity purchased	128,586	135,882
Fuel from Company's own fleet ⁹	647	647
Total energy consumption	225,250	231,286
Energy intensity	20.6	20.7

⁸ - For the calculation of the energy consumption in GJ the conversion factors were taken from the source *Linee Guida ABI-Lab* version 13/12/2018.

⁹ - The data regarding the fuel consumption from Company's own fleet were based on estimations.

Energy efficiency and emission reduction

Emissions

Particular attention is also paid to the containment of atmospheric pollution.

The production processes and the phases which make up such processes are regulated by the specific environmental authorisations stipulated in the national environmental legislation currently in force (Legislative Decree No. 152 of 3rd April 2006) and the specific provisions of the Region of Piedmont (No. 416 of 7th December 2011).

The qualitative and quantitative characteristics of the chemicals emitted into the atmosphere by the Vitale Barberis Canonico facilities are qualified as *emissions not of high risk*, or even as *emissions of little significance* in relation to atmospheric pollution.

The General Authorisation, reiterated in 2016 and included in the Autorizzazione Unica Ambientale (AUA – Single Environmental Authorisation) allocated the plant code Regione Piemonte 002149/36 to the Pratrivero facility which provides for the implementation of periodic self-monitoring of the more significant emissions.

The new central heating system in Pratrivero was installed in 2009 and during the purchase of four steam generators, each with a potential of 2.1 MW, rigorous contractual requirements were set with regard to the emission limits: in particular for nitrogen oxide NO_x, the limits set were below 100 ppm (mg/Nm³), with an ample margin in comparison with the 150 ppm limit as imposed by law. The result was achieved by the introduction of boilers with an extremely low thermal load. The periodic self-monitoring was carried out annually.

In 2018 it became necessary to carry out a large-scale technological update of the burners of all four of the boilers in order to return to less than 100 ppm for the NO_x values of the emissions, which had progressively increased over the years, in spite of the same technology and rigorous maintenance, because of the continuous drop in quality of the natural gas mixture from the national gas supplier.

Central heating system emissions (mg/Nm ³)	Legal limit	2017	2018
NO _x (nitrogen oxides)	150	from 133 to 148	from 60 to 94
SO _x (sulphur oxides)	-	from 6 to 7	from 5.6 to 5.9
CO (carbon monoxides)	100	from 2.7 to 3.3	from 2.5 to 2.8

A sophisticated machine included in the Vitale Barberis Canonico strategy for the reduction of environmental pollution is used for the treatment of fumes emitted by the machinery for the singeing process, which have a pungent and unpleasant odour due to the presence of volatile organic compounds called mercaptans.

In order to prevent unpleasant smells reaching the inhabitants of the village of Pratrivero, Vitale Barberis Canonico has adopted a sophisticated post-combustion capture machine normally used in the pharmaceutical and petrochemical industries which has enabled the Company to completely eliminate such unpleasant smells. This machine is a regenerative thermal combustor with three ceramic bed towers able to purify 15,600 m³/h of exhaust fumes. The periodic self-monitoring is carried out on a three-yearly basis.

Lastly, well below the legal limits and well managed by three-yearly self-monitoring, there are the emissions from the hot air drying ovens (with chamber temperatures of below 150 °C) in the dyeing department (ribbon lap machine) and in the finishing department (the two stenters).

Volatile, non-methane organic compounds (mg/Nm ³)	Legal limit	2013-2015	2016-2018
from SINGEING	20	6	2
from RIBBON LAP MACHINE	50	from 13 to 19	from 6 to 11
from STENTING	50	14	6
Dust emissions incl. oily mists (mg/Nm ³)	Legal limit	2013-2015	2016-2018
from SINGEING	10	< 0.79	1
from RIBBON LAP MACHINE	10	from 0.31 to 0.88	from 0.47 to 1.49
from STENTING	10	2	< 1.26

Concerning greenhouse gas emissions, in the following table the Vitale Barberis Canonico Scope 1 and 2 emissions are given. In this case, a decrease of emissions deriving from natural gas consumption was achieved, in line with the reduced seasonal heating consumption in the buildings in 2018.

Greenhouse gas emissions ¹⁰	2017	2018
Scope 1 (ton CO₂)	5,571	5,499
Natural gas	5,523	5,451
Diesel	48	48
Scope 2 - location based (ton CO₂)	11,476	12,127
Electricity	11,476	12,127
Scope 2 - market based (ton CO₂ eq)	17,145	18,118
Electricity	17,145	18,118

¹⁰ - The Scope 1 emissions are expressed in tons of CO₂, inasmuch as the source used does not provide emission factors for the other non-CO₂ gases. The Scope 2 location based emissions are expressed in tons of CO₂, although the percentage of methane and nitrous oxide has an insignificant effect on the total greenhouse gas emissions (CO₂eq) factors as indicated in the ISPRA (Superior Institute for the Environmental Protection and Research) report "Fattori di emissione atmosferica di CO₂ e altri gas serra nel settore elettrico" (Atmospheric emission of CO₂ and other greenhouse gases in the electricity sector). For the calculation of the CO₂ and CO₂eq emission factors, the following sources were used: "Ministero dell'Ambiente e della tutela del territorio e del mare, Tabella parametri standard nazionali, 2018" (Ministry for the Environment and the Protection of Land and Sea; standard national parameter table, 2018) (tons of CO₂ from natural gas consumption); ISPRA - National Inventory Report 2018 (tons of CO₂ from diesel and electricity consumption - location based); AIB- European Residual Mixes 2017 (Vers. 1.13), (tons of CO₂eq from electricity consumption - market based).

Use of resources during their life cycle

Water consumption management

In terms of valorising the most precious and essential resource for the processing of textiles, Vitale Barberis Canonico has the advantage of a heritage which is not only cultural (the extremely careful use of water), but also infrastructural: the Pratrivero facility is in fact equipped with a complex and articulated plant for water withdrawal from the surrounding area and its channelling towards collection tanks.

This system consists of hydraulic works which are partly very old, and which bear witness to the careful and arduous search for and use of water courses, either at ground level or underground, from the groundwater or from aquifers.

Within the boundaries of the Company premises there are in fact three systems of drainage channels – with their brick walls built with rare, ancient bricks, which continue for hundreds of metres with ramifications, at a depth of 20-25 metres below ground level – and three artesian wells, of 63, 108 and 122 metres in depth, to be precise.

From the nearby valleys, either by gravity or by pumping, an extensive network of pipelines conveys the water coming from the spring water catchments and from the surface waters of the Rio Serventa and Rio Rivaccia in the municipalities of Valdilana and Portula.

The Pray facility, on the other hand, has three wells of modest depth but good withdrawal capacity as they take their water from the groundwater under the river bed of the nearby Torrente Sessera. Because the water requirements of the Pray facility are only for technological purposes for the humidification of the departments and the filling of the firefighting equipment, in order to be able to make use of this large availability of water, in 1997, Vitale Barberis Canonico built a private aqueduct connecting the two production sites and transferring the water from one of the wells in Pray to the water reserves in Pratrivero. This infrastructure gained in strategic importance in the following years in relation to satisfying the increasing need for water as a consequence of the increased volume of production.

All of these activities concerning water are authorised by specific state concessions pursuant to Regional Regulation D.P.G.R. 29 July 2003, N.10/R, which regulates the use of public water for industrial purposes, prescribing precise places and methods of withdrawal, the maximum quantity to be withdrawn, and the modality of restitution to the public collector (in this case the basin of the Sessera river) subject to the approval of appropriate treatment and purification systems.

In January 2016, Vitale Barberis Canonico applied to the appropriate authority and was granted the consolidation of the various, historical concessions into a single user status for the Pratrivero site and a single user status for the Pray site.

The increase in the total quantity of water withdrawn by Vitale Barberis Canonico in the last two years proves to be in line with the increase in production. In contrast, there is a slight reduction in the Company's specific consumption (referring to the metres of finished fabric) in the course of 2018. This reduction is the consequence of the installation of a new continuous washing machine in the finishing department (which processes the fabrics at a speed of almost twice that of before with a water consumption reduced from 18 litres/metre to 11.4 litres/metre) and the optimisation of the dyeing process for the bumps.

Water withdrawal (m ³)	2017	2018
Pratrivero (production + technology)	296,772	328,713
Pray (technology)	5,800	5,800
Total water withdrawal	302,572	334,513

Water consumption for production (m ³) and water intensity (L/finished m)	2017	2018
Underground water – industrial water (< 1000mg/L of total dissolved solids)	286,926	284,313
Water recuperated by MBR	62,984	62,410
Total water consumption for production	349,910	346,723
Water intensity	32.0	31.0

In 2018, Vitale Barberis Canonico doubled the size of the aqueduct from Pray to Pratrivero, principally with a view to the age of the structure, but also as a prudent measure in light of increasing the channelling of water from Pray during periods of drought which are becoming increasingly frequent and worrying.



Use of resources during their life cycle

Responsible use of chemical substances and purification of effluents

Vitale Barberis Canonico is dedicated to the sparing use of chemical substances and uses the absolute minimum (both in terms of quantity and type), selecting those with the lowest impact both on human health (guaranteeing to the consumer the absence of toxic residues in the finished product) and on the environment (with particular attention paid to water).

In the Pratrivero facility, a purification system is active for the treatment of all mixed effluents deriving from processing (mainly dyeing and finishing) and from technological services (air conditioning waste water, from the use of WCs and from the canteen).

The chemical products used in the production cycle are essentially soaps, dispersants, acid dyes, ammonium sulphate, acetic acid, formic acid, etc. These are organic and inorganic products with good biodegradability and therefore the type of purification implemented is biological using active muds and recycling of the same.

The treatment of effluents was already undertaken by Vitale Barberis in the 1970s before this became mandatory. The treatment system has undergone periodic technological updates and is currently able to purify up to 1,400 m³ a day to a very high standard, using two lines of treatment. The last tank of the system is an artificial lake in which gold fish and koi carp live happily.

All of the parameters which characterise the water quality when it leaves the purification system are well within the limits given in Table 3/A of Appendix 5 of the Testo Unico di tutela dell'Ambiente (Legislative Decree 152/2006), as documented by the analysis reports carried out over the years by the healthcare monitoring authorities and/or laboratories appointed by the Company in the framework of the periodic checks of the correct functioning of the purification system.

The excellent quality of the effluents leaving the first line of the treatment system (biological and then ozone decolourisation) led in 1997 to authorisation from the Province of Biella to discharge Company effluents into surface water courses, more specifically into the Rio delle Mollie in the immediate vicinity of the production facility.

This authorisation has been regularly renewed every four years and since 2016 it has been included in the Autorizzazione Unica Ambientale (AUA-Single Environmental Authorisation).

A second line of effluent treatment was implemented in the years 2015-2016 and makes use of a membrane bioreactor (MBR) for the ultra-filtration of a part of the total flow, with the aim of recuperating it within the production cycle during the finishing processes. Until today,

the proportion of effluents purified by the second treatment line (ultra-filtration and ozone decolourisation) stands at 18% of the total water requirements of the Pratrivero site.

From a greater sense of caution and for better protection of the water courses, Vitale Barberis Canonico still maintains an emergency connection between the water purification system and the main water provider CO.R.D.A.R VALSESIA in Vintebbio, Serravalle Sesia.

During normal functioning of the water purification system at Vitale Barberis Canonico, an automatic monitoring device to monitor the turbidity, located in the drain sump of the last tank, provides for the prevention of effluents entering surface waters at values which are very restrictive and the purified effluents which are channelled into the pipes of the main water supplier are indeed still well within the legal limits. In the event of the effluents being prevented from entering surface waters as a result of any technical or management consideration, the effluents leaving the system are channelled into the collectors of the main water supplier.

Over the period of 2018, no malfunction of the system resulting in exceeding the limits given in the table was registered.

Characterising parameters for effluents ¹¹ (mg/L)	2017			2018			Legal limit
	Entry	Exit biological	Exit MBR	Entry	Exit biological	Exit MBR	
COD	609	51.6	43.1	696	48.1	43.4	160
Ammonia	1.61	n/a ¹²	-	3.91	n/a	-	15
Organic nitrogen	19.1	3.10	-	19.4	3.20	-	-
Total phosphorus	1.83	1.54	-	1.49	0.91	-	10
Total surfactants	33.5	0.84	0.57	31.1	0.72	0.39	2

Moreover, for the year 2019, an additional upgrade of the system is planned.

The attention paid by Vitale Barberis Canonico to chemical substances and the purification of effluents is as important for the Company as it is for its suppliers. The most important suppliers to the Company, who are involved mainly in the gilling, dyeing and finishing processes, are also equipped with effluent treatment systems in conformance to the standards required.

¹¹ - Average annual values.

¹² - Not shown, as below the detection threshold.

Use of resources during their life cycle

Waste management

The production sites at Vitale Barberis Canonico physically generate a certain quantity of waste materials during processing and decommissioning components of machinery or systems as well as of auxiliary materials used in processing (mainly consisting of various types of packaging), which, from the moment of their unpacking or decommissioning count as waste materials in the sense of the environmental legislation currently in force (specifically: Legislative Decree 3 April 2006 no. 152).

As a producer and holder of waste materials on its premises, Vitale Barberis Canonico therefore has the responsibility of managing the interim storage of such waste materials and their subsequent delivery to authorised entities for transport, recycling or disposal.

On both the production sites, in Pratrivero and Pray, appropriate areas have been designated for the interim storage which are equipped with containers of suitable dimensions and different structures according to the type and quantity of waste materials.

The type of waste materials produced both by employees and production processes on the Vitale Barberis Canonico premises practically all qualify as being non-hazardous (i.e., do not present any hazardous characteristics according to Appendix III of the Directive 91/689/CEE), while those which qualify as being hazardous are decommissioned machinery parts or systems containing hazardous substances.

In the year 2017, Vitale Barberis Canonico carried out an extraordinary amount of decommissioning of equipment already in storage on the Pray premises with the subsequent anomalous production of a high number of tons of waste materials. The production of waste materials in 2018 was significantly reduced and represents the physical quantity of waste material from processing and decommissioning as a result of breakdowns or machinery fatigue.

Disposal method (tons)	2017			2018		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Already selected for recycling	-	95.4	95.4	-	92.9	92.9
For successive selection for partial recycling	4.7	429.4	434.1	3.1	258.8	261.9
Disposal	10.4	-	10.4	1.4	-	1.4
TOTAL	15.1	524.8	539.9	4.5	351.7	356.2





NOTE ON METHODOLOGY

This document represents the first Sustainability Report by Vitale Barberis Canonico S.p.A. describing the initiatives and most important results in economic, social and environmental terms as achieved by the Company during the year 2018. The Sustainability Report has the aim of illustrating the sustainability strategies at Vitale Barberis Canonico and the performance in this connection relative to the two production sites, in Pratrivero and Pray, both of which are in the Province of Biella.

This document has been drafted voluntarily and responds to the Company's wish to share the most significant data relating to social responsibility with a view to creating transparency vis-à-vis its stakeholders.

In this document, Vitale Barberis Canonico S.p.A. is referred to as "the Company". The Sustainability Report 2018 has been prepared in accordance with the "Global Reporting Initiative Sustainability Reporting Standards", defined in 2016 by the Global Reporting Initiative (GRI), Core option. The contents and the indicators given in the tables were defined starting with the results of the materiality analysis carried out at the end of 2018, which involved the Management using a participatory process to identify the environmental, economic and social aspects relevant for the Company. In the appendix to the document, the GRI Content Index is provided wherein the GRI indicators pertaining to all of the material topics are given.

The scope of the financial data is the same as that in the Financial Statement of Vitale Barberis Canonico S.p.A. as of 31st December 2018. The scope of the data and of the social and environmental information includes both of the Company's production sites (Pratrivero and Pray). The data and the information included in this document, unless otherwise indicated, are in relation to the operational year of 2018 (from 1st January 2018 to 31st December 2018). However, with the objective of facilitating an evaluation of the dynamics of the Company's activities, the data and information for the preceding year, where available, have also been included in order to have a comparison. In addition, to provide a more accurate representation, information has been included which is relative to actions undertaken in previous years that still have an effect on the Company's activities in the present.

With the aim of providing an accurate representation of the performance and to guarantee reliability of the data, the inclusion of estimations has been limited as far as possible and, if included, they are based on the best methodology available and are accordingly flagged up.

In line with the new adaptations in relation to the GDPR regulations, the data protection principles applied in the writing of this Report refer to an anonymous aggregation in order to prevent the identification of the persons whose data are being processed.

REFERENCE PERIOD Financial year from 1st January 2018 to 31st December 2018

FREQUENCY Annual

LAST DOCUMENT First document

REFERENCE PERSONS Lucia Bianchi Maiocchi - Francesca Pilati

ACCESS www.vitalebarberiscanonical.com

EMAIL csr@vitalebarberiscanonical.it



SCOPE OF IMPACT

In the following table, please find the GRI Standards corresponding to the topics identified for Vitale Barberis Canonico by means of a materiality analysis and the relative scope, with the indication of the type of impact connected to these topics.

Material topics	GRI Standards Topics	Boundary	Type of impact
Ethics and compliance	<ul style="list-style-type: none"> • Anti-corruption • Anti-competitive behaviour • Socioeconomic compliance 	The Company; public administration and local authorities	Generated by the Company
Protection of working conditions	<ul style="list-style-type: none"> • Occupational health and safety • Human rights assessment 	The Company; people; suppliers; industry associations	Generated by the Company and directly connected to its activities
Customer satisfaction	<ul style="list-style-type: none"> • Customer health and safety • Customer privacy 	The Company; customers; end consumers	Generated by the Company
Quality and Made in Italy	<ul style="list-style-type: none"> • Materials 	The Company; customers; end consumers; suppliers; media	Generated by the Company and directly connected to its activities
Community support	<ul style="list-style-type: none"> • Local communities 	The Company; local community	Generated by the Company and directly connected to its activities
Value creation	<ul style="list-style-type: none"> • Economic performance 	The Company; public administration and local authorities; suppliers; customers; local community; end consumers; people; shareholders and financial community	Generated by the Company
Animal welfare	n/a	The Company; suppliers	Generated by the Company and directly connected to its activities
Responsible use of chemical substances	<ul style="list-style-type: none"> • Effluents and waste 	The Company; customers; end consumers; suppliers	Generated by the Company and directly connected to its activities
Company welfare	<ul style="list-style-type: none"> • Employment 	The Company; people	Generated by the Company
Environmental responsibility	<ul style="list-style-type: none"> • Environmental compliance 	The Company; public administration and local authorities; local community	Generated by the Company
Management of water resources	<ul style="list-style-type: none"> • Water and effluents 	The Company; local community	Generated by the Company
Responsibility and traceability in the supply chain	<ul style="list-style-type: none"> • Procurement practices • Supplier social assessment 	The Company; suppliers	Generated by the Company and directly connected to its activities
Development of human capital	<ul style="list-style-type: none"> • Employment • Training and education 	The Company; people; universities and research centres	Generated by the Company
Energy efficiency improvements and emission reductions	<ul style="list-style-type: none"> • Energy • Emissions 	The Company; local community	Generated by the Company and directly connected to its activities
Diversity and equal opportunity	<ul style="list-style-type: none"> • Diversity and equal opportunity • Non-discrimination 	The Company; people	Generated by the Company
Waste management and recycling	<ul style="list-style-type: none"> • Effluents and waste 	The Company; local community	Generated by the Company and directly connected to its activities

GRI CONTENT INDEX

General information

GRI 102: General Disclosures (2016)		Page	Notes/Reason for omission
Organisational profile			
102-1	Name of the organisation	11	
102-2	Activities, brands, products and services	14 - 15	
102-3	Location of headquarters	90	
102-4	Location of operations	11	
102-5	Ownership and legal form	17 - 81	
102-6	Markets served	14	
102-7	Scale of the organisation	11	
102-8	Information on employees and other workers	34 - 35	
102-9	Supply chain	60 - 64	
102-10	Significant changes to the organization and its supply chain	61, 81	
102-11	Precautionary Principle or approach	17 - 19	
102-12	External initiatives	57, 64, 66	
102-13	Membership of associations	23	
Strategy			
102-14	Statement from senior decision-maker	7	
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	16	
Governance			
102-18	Governance structure	17 - 18	
Stakeholder engagement			
102-40	List of stakeholder groups	22	
102-41	Collective bargaining agreements	-	100% of employees are covered by national collective bargaining agreements.
102-42	Identifying and selecting stakeholders	22 - 23	
102-43	Approach to stakeholder engagement	22 - 23	
102-44	Key topics and concerns raised	22, 24-25	
Reporting practice			
102-45	Entities included in the consolidated financial statements	81	
102-46	Defining report content and topic Boundaries	22, 24-25, 83	
102-47	List of material topics	25	
102-48	Restatements of information	81	
102-49	Changes in reporting	81	
102-50	Reporting period	81	
102-51	Date of most recent report	81	
102-52	Reporting cycle	81	
102-53	Contact point for questions regarding the report	81	
102-54	Claims of reporting in accordance with the GRI Standards	81	
102-55	GRI content index	84 - 89	
102-56	External assurance	-	This Report has not undergone external assurance by an independent third party organization.

GRI CONTENT INDEX

Specific information

GRI 200: Economic series Disclosure		Page	Notes/Reasons for omission
Economic performance			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	26, 83	
103-2	The management approach and its components	26	
103-3	Evaluation of the management approach	26	
GRI-201: Economic performance (2016)			
201-1	Direct economic value generated and distributed	26	
Procurement practices			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	61, 83	
103-2	The management approach and its components	59 - 64	
103-3	Evaluation of the management approach	59 - 64	
GRI-204: Procurement practices (2016)			
204-1	Proportion of spending on local suppliers	61 - 62	
Anti-corruption			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	19, 83	
103-2	The management approach and its components	19	
103-3	Evaluation of the management approach	19	
GRI-205: Anti-corruption (2016)			
205-3	Confirmed incidents of corruption and actions taken	-	In the course of 2018, there were no such cases.
Anti-competitive behaviour			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	19, 83	
103-2	The management approach and its components	19	
103-3	Evaluation of the management approach	19	
GRI-206: Anti-competitive behaviour (2016)			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-	In the course of 2018, there were no such cases.

GRI 300: Environmental series Disclosure		Page	Notes/Reasons for omission
Materials			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	60, 83	
103-2	The management approach and its components	60	
103-3	Evaluation of the management approach	60	
GRI-301: Materials (2016)			
301-1	Materials used by weight or volume	60	
Energy			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	71, 83	
103-2	The management approach and its components	71	
103-3	Evaluation of the management approach	71	
GRI-302: Energy (2016)			
302-1	Energy consumption within the organisation	71	
302-3	Energy intensity	71	
Water and effluents			
GRI-103: Management approach (2018)			
103-1	Explanation of the material topic and its boundary	74, 83	
103-2	The management approach and its components	74 - 77	
103-3	Evaluation of the management approach	74 - 77	
303-1	Interactions with water as a shared resource	74 - 75	
303-2	Management of water discharge-related impacts	76 - 77	
GRI-303: Water and effluents (2018)			
303-3	Water withdrawal	75	
303-5	Water consumption	75	
Emissions			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	72, 83	
103-2	The management approach and its components	72 - 73	
103-3	Evaluation of the management approach	72 - 73	
GRI-305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	73	
305-2	Energy indirect (Scope 2) GHG emissions	73	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	72	
Effluents and waste			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	76, 78, 83	
103-2	The management approach and its components	76 - 78	
103-3	Evaluation of the management approach	76 - 78	
GRI-306: Effluents and waste (2016)			
306-1	Water discharge by quality and destination	76 - 77	

306-2	Waste by type and disposal method	78	
306-3	Significant spills	-	In the course of 2018 there were no spills.
306-4	Transport of hazardous waste	-	100% of the hazardous waste produced by VITALE BARBERIS CANONICO is transported by the Company itself.
Environmental compliance			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	19, 83	
103-2	The management approach and its components	19, 72-74, 76-78	
103-3	Evaluation of the management approach	19, 72-74, 76-78	
GRI-307: Environmental compliance (2016)			
307-1	Non-compliance with environmental laws and regulations	-	In the course of 2018 there were no events of non-compliance which resulted in significant fines for VITALE BARBERIS CANONICO.

GRI 400: Employment Disclosure		Page	Notes/Reasons for omission
Employment			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	33, 83	
103-2	The management approach and its components	33-36, 42-43	
103-3	Evaluation of the management approach	33-37, 42-43	
GRI-401: Employment (2016)			
401-1	New employee hires and employee turnover	37	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	42	
401-3	Parental leave	43	Pursuant to Italian law, all employees have the right to request parental leave. As of 31.12.2018 the retention rate was 100% ¹³ .
Occupational health and safety			
GRI-103: Management approach (2018)			
103-1	Explanation of the material topic and its boundary	44, 83	
103-2	The management approach and its components	44 - 46	
103-3	Evaluation of the management approach	44 - 47	
403-1	Occupational health and safety management system	44	
403-2	Hazard identification, risk assessment, and incident investigation	45 - 46	
403-3	Occupational health services	45 - 46	
403-4	Worker participation, consultation, and communication on occupational health and safety	45	
403-5	Worker training on occupational health and safety	45	

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¹³ - Calculated on the basis of the ratio between the total number of employees still employed 12 months after the end of parental leave and the total number of employees who returned to work in the preceding report periods.

403-6	Promotion of worker health	45 - 46	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	45 - 46	
GRI-403: Occupational health and safety (2018)			
403-9	Work-related injuries	47	
403-10	Work-related ill health	47	
Training and education			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	38, 83	
103-2	The management approach and its components	37 - 38	
103-3	Evaluation of the management approach	37 - 38	
GRI-404: Training and education (2016)			
404-1	Average hours of training per year per employee	38	
Diversity and equal opportunity			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	39, 83	
103-2	The management approach and its components	39 - 40	
103-3	Evaluation of the management approach	39 - 40	
GRI-405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	39 - 40	
Non-discrimination			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	41, 83	
103-2	The management approach and its components	41	
103-3	Evaluation of the management approach	41	
GRI-406: Non-discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	-	In the course of 2018 there were no incidents of discrimination.
Human rights assessment			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	60, 83	
103-2	The management approach and its components	19, 59-60, 63	
103-3	Evaluation of the management approach	19, 59-60, 63	
GRI-412: Human rights assessment (2016)			
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	60	
Local communities			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	27, 83	
103-2	The management approach and its components	27 - 28	
103-3	Evaluation of the management approach	27 - 28	

GRI-413: Comunità locali (2016)			
413-1	Operations with local community engagement, impact assessments, and development programmes	27 - 28	
Supplier social assessment			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	60, 83	
103-2	The management approach and its components	19, 60	
103-3	Evaluation of the management approach	19, 60	
GRI-414: Supplier social assessment (2016)			
414-1	New suppliers that were screened using social criteria	-	All of the Company's suppliers are obliged to read the VITALE BARBERIS CANONICO Code of Ethics.
Customer health and safety			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	56, 83	
103-2	The management approach and its components	56 - 57	
103-3	Evaluation of the management approach	56 - 57	
GRI-416: Customer health and safety (2016)			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	In the course of 2018 there were no cases of non-compliance concerning customer health and safety.
Customer privacy			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	58, 83	
103-2	The management approach and its components	58	
103-3	Evaluation of the management approach	58	
GRI-418: Customer privacy (2016)			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	58	
Socioeconomic compliance			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	19, 83	
103-2	The management approach and its components	19	
103-3	Evaluation of the management approach	19	
GRI-419: Socioeconomic compliance (2016)			
419-1	Non-compliance with laws and regulations in the social and economic area	-	In the course of 2018 there were no cases of non-compliance which resulted in significant fines for VITALE BARBERIS CANONICO.
Animal welfare			
GRI-103: Management approach (2016)			
103-1	Explanation of the material topic and its boundary	65 - 83	
103-2	The management approach and its components	65 - 66	
103-3	Evaluation of the management approach	65 - 66	



Vitale Barberis Canonico S.p.A.

Via Diagonale, 296

13835 - Fraz. Pratrivero, Valdilana (BI) - ITALY

+39 015 7388855

www.vitalebarberiscanonico.com

csr@vitalebarberiscanonico.it



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