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Linificio &
Canapificio
Nazionale

Sustainability Report 2022

Linificio e Canapificio Nazionale S.r.l. Benefit Corporation

27.03.2023

Certified



Corporation



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Letter to Stakeholders

Dear readers,
the changing times we are living through, mainly caused by geopolitical tensions, strong and sudden climate change, largely attributable to increased pollution of our eco-system, must spur each of us to enter the 'time of action' to safeguard the future of our planet.

To do so, it is necessary to pool ideas and knowledge between people, but above all between industries, even from very different sectors, with a common goal: to create innovative and responsible development models towards our planet and future generations.

Linificio e Canapificio Nazionale began structuring a path of continuous improvement in 2021, first by becoming a benefit company and then by embarking on the complex international certification process to become a **B Corp**, a recognition officially obtained in February 2023.

A path that has led the company to carry out an accurate analysis of its strengths and improvements related to these issues and, based on this, to plan and launch responsible initiatives that could bring real added value to the community and the environment, searching for contexts in which it would be possible to operate also by joining forces with other territorial realities.

Project initiatives in which the determination to face climate challenges by working for a continuous technological renovation of the European textile industry and its production plants.

An example of this is the 'Lino d'Italia' yarn project: the foundations have been laid to bring linen cultivation for textile uses back to Italy, starting with collaboration with public, private, cultural, agricultural, artistic and non-profit organisations in the Bergamo area, and which has also seen the company invest in its internal production process, with the aim of recreating an entirely Italian linen supply chain with a lower environmental impact. This project initiative has led the company to cultivate more than 20 hectares of flax in 2022 and plans to double the cultivated areas along the boot in 2023 through partnerships with local farms in Lombardy, Emilia-Romagna and Tuscany.

In the course of 2022, through the mutual exchange of knowledge and skills, Linificio e Canapificio Nazionale has also started collaborating with European partners upstream and downstream in the value chain both to carry out an environmental impact study on the life cycle of European linen fabric (carried out according to the PEF product environmental footprint method) and to build a traceable supply chain model using blockchain technology.

These are just a few of the projects that the company has undertaken during 2022, and will come to fruition in 2023. It is increasingly important to create a relationship synergy and circularity with the territory of which it is part and of which it feels not just a guest but an integral part.

Indeed, there is a deep conviction that the territory is a forge of creativity that springs from the interchanges that are generated every day within the complex network of subjects that make it up and that are constantly searching for their own future based on the memory of their past. Innovation today becomes the key element for business resilience and is also necessary to maintain competitiveness and generate sustainable value over time; an innovation that must, now more than ever, be combined with respect for the environment.

Creating positive innovation for oneself, the community, and the environment, promote culture, enterprise and territory, valuable assets to invest in, are behind the initiatives that Linificio e Canapificio Nazionale has started this year and will continue soon, with the aim of creating a virtuous interaction between business, territory, and market.

This is what drives us, on the one hand, to look for ever more advanced ways to reduce our impact, on the other hand to inspire other companies, starting by our partner network and our customers, spurring them on to do the same.



Pierluigi Fusco Girard
CEO

ESG Highlights 2022

Governance

- ◆ 60 million euro aggregate turnover in 2022
- ◆ 5,000 tons of yarn produced
- ◆ New products for the food packaging and transport sectors

Social

- ◆ +900 employees
- ◆ 78% of the workforce is female
- ◆ 9% drop in turnover compared to 2021
- ◆ +8700 hours of training
- ◆ +€15,400 in monetary contributions to the community

Environment

- ◆ 100% European fibre and certified European Flax® and Masters of Linen
- ◆ 5.3 GWh from certified renewable energy sources
- ◆ +2300 tCO₂ avoided
- ◆ 27% Green packaging
- ◆ Water discharges per kg product decreased by 17% compared to 2021

About us

Linificio e Canapificio Nazionale has been innovatively enhancing one of the world's best fibers in terms of sustainability and performance for 150 years: linen. Thanks to its experience and passion, the Bergamo-based company is the second largest linen spinning mill in the world and the undisputed leader in the production of unique and refined linen and hemp yarns in Europe, with more than 5000 million tons of yarns per year.

Linificio is not content with its achievements, but always looks to the future, with a view to continuous improvement and excellence. Thanks to this approach, the company is at the forefront of research and technological innovation, patenting new yarns and textile machinery.

At the basis of Linificio's activities has always been the choice to operate in a sustainable and ethical supply chain such as that of linen, developing natural products with the awareness of wanting to contribute to the reduction of environmental impacts and preserve its own future and that of future generations.

On the thread of history

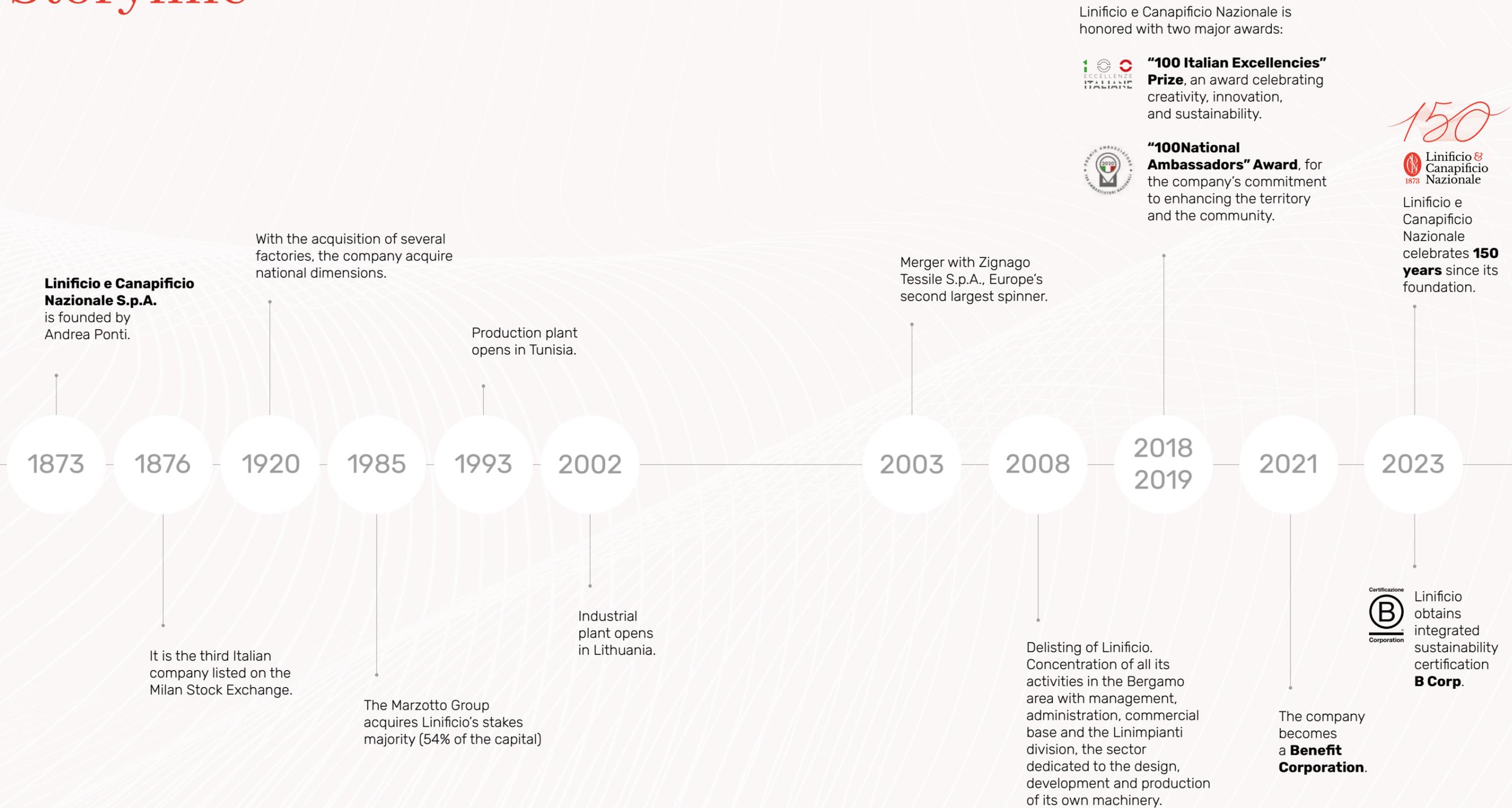
It all began on 14 January 1873, from the intuition of the entrepreneur Andrea Ponti, who united the Fara Gera d'Adda factory with that of Cassano d'Adda and, from 1920, the Villa d'Almè factory, giving rise to what was destined to become the most important company in the world for processing hemp and linen.

After being listed on the Milan Stock Exchange in 1876, Linificio took on national dimensions and prospects in the 20th century, acquiring factories throughout Italy. After the World Wars, the company experienced at first hand the benefits of the economic boom and consolidated its growth on the Italian and European scene.

1985 was a turning point for Linificio, as most of its shares were acquired by the Marzotto Group, a historic Italian textile factory. Expansion continued in the 1990s, with the opening of production facilities in Tunisia and Lithuania.

Today, Linificio is 100% part of the Marzotto Group and aspires to consolidate its *leadership* in the sector. In fact, the company not only boasts 150 years of expertise, but also works to remain constantly innovating in terms of technology and sustainability.

Storyline



Governance

The values of Linificio

1. Sustainability

Enhancing the sustainable and ethical content of the linen and hemp supply chain by developing natural flax and hemp products that can contribute to the reduction of environmental impacts to help preserve their own future and that of the next generations.

2. Collaboration

Working closely with partners, upstream and downstream in the value chain, to build a sustainable, traceable, and transparent supply chain model. Mutual exchange of knowledge and expertise to optimise synergies.

3. Continuous improvement

Develop employee involvement and training paths, aimed at the growth and enhancement of the people who provide experience, passion, and creativity in the company's activities on a daily basis.

4. Innovation

A distinguishing feature of the company is being a pioneer in the production of ever more sustainable, innovative, and extremely beautiful yarns, and in the design of state-of-the-art linen and textile machinery.

5. Tradition

Transmitting the textile culture of linen and hemp proper to the area, enhancing the art of knowing how to choose and mix raw materials in the most correct way to produce unique yarns, the result of a tradition handed down through generations.

6. Excellence

Providing the end customer with a product of the highest quality, high performance, and aesthetic refinement, designed to fit their needs.

Mission

Strengthening industrial *leadership* to be recognised as the master spinners at international level. This is the *mission* of Linificio e Canapificio Nazionale and its *brands*.

Purpose

Support people, the planet, spread more knowledge about natural fibres and the positive impact they have on the environment.



Company structure and organisation

Linificio e Canapificio Nazionale has been part of the Marzotto Group since 1985. The Marzotto *holding* company is a family-owned business, organised into three divisions according to the fibres processed, which ensures a leaner and more *business-like* management. Linificio is part of the Marzotto Lab division, which is the company's sole shareholder.

Responsibility for the management of the Linificio e Canapificio Nazionale from the organisational, production, scheduling, maintenance, commercial, marketing and product points of view rests with the Director Pierluigi Fusco Girard, while the legal representation of the Company before third parties and in court is responsibility of the Director Luca Vignaga.

Director Pierluigi Fusco Girard is also responsible for managing the company in a way that balances the interests of the shareholders and the pursuit of the common benefit.

Corporate bodies

Administrator and legal representative	Luca Vignaga
Managing Director - CEO	Pierluigi Fusco Girard

Our locations

Linificio's historical headquarters, located in Villa d'Almè (Bergamo), has chronicled the industrial development of our country and territory since 1839. Today, it carries out the company's most innovative activities, as a *research and development hub* for Liberian fibres for yarn production. In addition to this, a production site in Tunisia was added in 1993 and an industrial site in Lithuania in 2002.

Filature de Lin is the name of the Tunisian subsidiary with an area of 25,000 m² located in Naassen in the governorate of Ben Arous. With its seven production lines, it specialises in the production of wet and semi-wet yarns.

The Lithuania site is *UAB Lietlinen*, located in Kaunas, European Capital of Culture 2022. This factory, with its five production lines and more than 23,000 m² of floor space, is dedicated to the production of wet-process and speciality yarns, dyed with special effects and blends, combining the linen fibre with other valuable fibres.





Code of Ethics

Linificio e Canapificio Nazionale's commitment to maintaining ethical business conduct and correct relations with its stakeholders is made explicit in the Code of Ethics, a formal document drawn up to guarantee the company's good functioning, reliability, and reputation.

As a wholly owned subsidiary of Marzotto Lab S.r.l., which in turn is a wholly owned subsidiary of Marzotto S.p.A., Linificio e Canapificio Nazionale adopts the Marzotto Group's Code of Ethics, drafted pursuant to Legislative Decree 231/2001. The document defines the principles according to which the Group's employees must conduct themselves to ensure integrity and fairness in their business activities.

In particular, the Code details conduct in business management, external relations, personnel policies, transparency of accounting information and internal controls. It also highlights the importance of environmental protection and the promotion of collaborations with local realities and the supply chain to reduce the impacts of company activities.

The addressees are all company representatives, employees, and collaborators of the Group, who are adequately trained and informed of the contents of the Code of Ethics.

Benefit Corporation

Since December 2021, Linificio e Canapificio Nazionale has chosen to make a concrete contribution to the well-being of the planet and society. Therefore, it has changed its articles of association and become a Benefit Company, integrating into its corporate purpose, in addition to profit objectives, the aim of having a positive impact on society and the biosphere. A choice to realise the desired impact: to generate positive and concrete value for the environment and society.

The careful and rigorous approach, combining respect for tradition, commitment to environmental protection and creativity, combined with a vigorous innovative drive, thus becomes a public and official commitment. A true 'social pact' made with the community, the territory, and the natural ecosystem, in which collaboration and reciprocal connection with other realities, even very different ones, sharing knowledge and experience, in a symbiotic manner, becomes fundamental.

Linificio believes that to realise positive sustainability impacts, no company or organisation can any longer afford to act alone, but that the complex environmental and social challenges that will characterise our future must be tackled in an integrated manner and in collaboration with other private, public, and non-profit entities.

Therefore Linificio e Canapificio Nazionale wants to play a leading role in its territory and has chosen to change its articles of association and become a Benefit Corporation.

It goes through the creation of continuous collaborations with various stakeholders with whom to share knowledge and experience to "co-create", for the community and for the company, a strong and lasting bond with the territory itself, and to build a large company integrated in the territory, in a circular perspective of reciprocity.

Our Stakeholders

Historically and now as a benefit company, Linificio believes that the involvement of the company's internal and external Stakeholders is a fundamental added value for improving its environmental, social and governance sustainability profile. Listening to stakeholders, their feedback and needs creates value in the territories and markets in which the company operates.

Linificio's main stakeholders are diversified according to relationships and collaborations:



Stakeholder Involvement

For Linificio, the periodic involvement of stakeholders is a relevant activity. Firstly, receiving constant feedback from the Stakeholders allows us to update requests and needs. Secondly, Linificio aims to create good and lasting relationships with the various categories that are impacted by its activities, to allow the company to continue to create value and respond to their needs.

For this reason, the company is committed to maintaining a constant dialogue between the parties, through different channels and modalities that vary according to the category of Stakeholder involved. The main ones are:

	STAKEHOLDERS	MODALITIES OF INVOLVEMENT
INTERIOR	Employees	<ul style="list-style-type: none"> • Monthly meeting on Linificio's commercial progress (in person or remotely) • Specific calls for in-house teams • Whatsapp group for internal communication • Training calls on various topics (e.g. product traceability, Blockchain system, B Corp certification) • Box of anonymous reports on relations with employees, work, etc.
	Customers	<ul style="list-style-type: none"> • Multistakeholder focus groups for sharing and listening on material issues and ESG improvement objectives • Corporate website • Newsletter • Continuous dialogue through Area Managers • Trade fairs and outreach events
EXTERIORS	Suppliers	<ul style="list-style-type: none"> • Multistakeholder focus groups for sharing and listening on material issues and ESG improvement objectives • Direct relationship and collaborative projects
	Commercial Partners	<ul style="list-style-type: none"> • Corporate website • Newsletter • Implementation of on-site workshops and digital roundtables • Direct relationship and collaborative projects
	Trade Unions	<ul style="list-style-type: none"> • Involvement in regular meetings
	Industry associations	<ul style="list-style-type: none"> • Member of Confindustria, Textile Association SMI, Alliance for European Flax-Linen & Hemp (former CELC) • Multistakeholder focus groups for sharing and listening on material issues and ESG improvement objectives • Involvement in regular meetings
	Public Administrations	<ul style="list-style-type: none"> • Multistakeholder focus groups for sharing and listening on material issues and ESG improvement objectives
	Schools and Universities	<ul style="list-style-type: none"> • Educational visits to companies • Collaboration for internships and dissertation writing • Involvement of local schools in educational projects
	Financial world	<ul style="list-style-type: none"> • Continuous dialogue and regular meetings
	Media	<ul style="list-style-type: none"> • Corporate website • Participation in television programmes and <i>talk shows</i>
	Regulatory bodies	<ul style="list-style-type: none"> • Periodic audits
	Local Community	<ul style="list-style-type: none"> • Multistakeholder focus groups for sharing and listening on material issues and ESG improvement objectives • Corporate website • Sponsorships

Commitment to Sustainability

For Linificio, sustainability commitments have long been a benchmark of corporate culture with numerous actions carried out at a technological and managerial level, recently also formalised in the articles of association as a business purpose in the transformation into a benefit company.

Linificio follows as a strategic sustainability guide the main reference frameworks such as the Sustainable Development Goals (SDGs) of the UN 2030 Agenda and the Green Deal at European level, whose goal is to make Europe the first Climate Neutral continent by 2050.

Linificio's sense of responsibility towards the planet and the generations to come is intrinsic in its basic choice to take part in a highly sustainable supply chain, from the cultivation of the raw materials to the eco-compatibility of the products: the European linen supply chain.

Flax, the cultivation of which does not require artificial irrigation, is a natural fibre with characteristics of durability and circularity. Its manufacturing processes are optimised to reduce the impact on the environment and the land.

Feeling a responsibility to lead the supply chain towards a more sustainable future, the company decided to obtain several voluntary environmental and quality certifications, product, or process, to communicate its commitment to reducing the environmental and social impacts of its activities, while maintaining a very high quality of the final product.

After the amendment of the Articles of Association in 2021, which led to Linificio and Canapificio Nazionale becoming benefit companies, the company decided to strengthen its commitment to sustainability with the path towards the international sustainability certification B Corp, which requires the adoption and implementation of high sustainability standards in the 5 dimensions (Governance, Employees, Community, Environment and Customers).



Certifications

As proof of the company’s commitment to managing processes and products sustainably, Linificio has obtained European and global certifications guaranteeing the quality of its environmental management systems and products.

Green Process Certifications

CERTIFICATION	DESCRIPTION	SCOPE OF APPLICATION
	ISO 9001 standardises the requirements for the implementation within an organisation of a quality management system, in order to conduct business processes, improve effectiveness and efficiency in product manufacture and service delivery, and achieve and increase customer satisfaction.	Global
	ISO 14001 is the international standard for Environmental Management Systems. It is a voluntary international standard, applicable to any type of public or private organisation, which specifies the requirements for an environmental management system.	Global
	Filini has obtained SA 8000 - certificate of good corporate governance with regard to corporate social responsibility, such as, for example, respect for workers' rights, respect for human rights, guarantees of safety and hygiene in the workplace, and non-exploitation of minors.	Global

Green product certifications

Linificio e Canapificio Nazionale uses only 100% European raw material, certified European Flax® and Master of Linen®. It is GOTS certified (it is one of the very few producers of yarn from organic raw material) and OEKO-TEX Standard 100.

CERTIFICATION	DESCRIPTION	CERTIFICATION	DESCRIPTION
	European Flax® Guaranteed traceability of premium flax fibre grown in Western Europe. A naturally sustainable fibre, grown without irrigation and GMO-free. Linificio obtains more than 90 per cent of its raw material from the Terre de Lin Normandy Agricultural Cooperative, which produces the best flax fibre in the world. Scope: European		Masters of Linen® This is the yarn quality guarantee sought by the <i>Alliance for European Flax-Linen & Hemp (formerly CELC)</i> . Valid for products made in Europe and its delocalised spinning mills, it is a label that certifies each fabric, entirely grown and processed in Western Europe, in the areas of strength, colourfastness, dimensional stability and clarity of its chemical composition. Scope: European
	OEKO-TEX Standard 100 Applied to each product, it is the certification that guarantees products free of substances harmful to human health and ensures that any substances produced during the use of the yarn are below the limits set by the standard. Scope: Global		GOTS With this international label, Bioflax yarns are guaranteed in terms of organic quality. Scope: Global
	C2C Certified Material Health Certificate - GOLD level for Yarn 1873 - The Ould Linen, this certification is issued by the <i>Cradle to Cradle Products Innovation Institute</i> and provides consumers with a reliable means of verifying the chemicals used in products and their supply chains. Scope: Global		

Our Path to B Corp Certification

With a view to the pursuit of the common good in the exercise of its economic activities as a benefit company, Linificio began structuring in 2021 a path to lead the company to obtain the international **B Corp** sustainability certification.

A certified **B Corp** is a for-profit company that sees business as a means to create a more inclusive, sustainable and regenerative economy. **B Corporations** are committed to measuring and **considering their environmental and social performance with the same attention traditionally given to economic performance and believe in business as a positive force that strives to produce value for the biosphere and society.**

To undertake this journey, Linificio carried out a self-analysis on five dimensions of sustainability, Governance, Employees, Community, Environment and Customers, using the international *B Impact Assessment (BIA) platform*, which has over 200 dedicated parameters to assess and compare the transversal sustainability impacts of a company. The BIA is an essential step prior to applying for certification, which can only be submitted once the overall score of 80 points has been exceeded.

Together with external technical support, Linificio defined a dedicated Action Plan to improve its social and environmental sustainability impact by engaging in new business practices.

Thanks to these incremental steps, Linificio passed the 80-point threshold and was audited by B Lab Europe, the non-profit organisation that issues the certification.

Although this report reports actions for the two-year period 2021-2022, at the same time as drafting the Report, Linificio officially obtained the B Corp sustainability certification in February 2023.



Source: <https://www.bcorporation.net/en-us/find-a-b-corp/company/linificio-e-canapificio-nazionale-srl>

The ESG material themes of Linificio

Material issues are the relevant topics, in terms of economic, social and environmental impacts, to which the company commits its efforts with the aim of improving its sustainability profile.

To obtain a complete overview of the possible areas on which to direct efforts and resources, Linificio has identified a list of significant issues, to be evaluated by internal and external *stakeholders*, to better orient its choices and strategic objectives in the ESG (Environment, Society, Governance) area.

To identify the material themes, Linificio internally assessed the potential and actual impacts of its activities.

For further support, it compared its universe of themes with those of other companies in the sector. The themes thus identified internally were submitted to a sample of *Stakeholders*, who approved them and suggested two more, which Linificio has added to the list of material themes, described below.

Material Theme	Main Impacts and Opportunities	Management Mode	Perimeter
Using renewable energy and reducing climate-changing emissions	<ul style="list-style-type: none"> • Climate change mitigation • Reducing the use of fossil fuels 	<ul style="list-style-type: none"> • Purchasing Energy from Guaranteed • Renewable Sources • Natural gas purchase with CO2 • Realisation Carbon Footprint of Organisation 	Linen mill, electricity suppliers
Sourcing with environmental and social criteria	<ul style="list-style-type: none"> • Processing a natural and uniquely European fibre • Soil Protection • Protection of operators • Production of emissions, material consumption 	<ul style="list-style-type: none"> • Sourcing of certified European Flax and Master of Linen fibre • Purchasing packaging with ESG criteria 	Linen mill and suppliers
Water management and discharge monitoring	<ul style="list-style-type: none"> • Reduction of waste produced and recycling/recovery • Less pressure on raw materials due to the use of secondary raw materials 	<ul style="list-style-type: none"> • Process water purifier in all plants • AUA for water abstraction 	Linificio
Waste management, disposal and separate collection	<ul style="list-style-type: none"> • Creating a culture of sustainability among employees and suppliers • Dissemination of good practices to customers and the supply chain 	<ul style="list-style-type: none"> • Separate collection in offices and factories in all • Process waste recovery • Plastic elimination in the office 	Linificio
Environmental education and promotion of good practices internally and externally	<ul style="list-style-type: none"> • Health and safety protection • Continuous professional growth 	<ul style="list-style-type: none"> • Training on environmental standards and certifications and their revisions and updates • Updating suppliers and partners 	Linificio
Employee welfare, safety and training	<ul style="list-style-type: none"> • Promoting integrated employee well-being and a collaborative climate in the company • Employee retention 	<ul style="list-style-type: none"> • Legislative Decree 81/2008 • SA8000 • Refresher and skills training courses 	Employees of Linificio
Corporate Welfare and Work-Life Balance	<ul style="list-style-type: none"> • Creating an inclusive and diversity-friendly corporate culture • Protection of workers' rights 	<ul style="list-style-type: none"> • Hourly flexibility • Provision of vouchers, prizes and financial support • Health insurance, prevention, Covid vaccinations, flu vaccine 	Employees of Linificio
Diversity, Equal Opportunities	<ul style="list-style-type: none"> • Creating an inclusive corporate culture that respects diversity • Protection of workers' rights 	<ul style="list-style-type: none"> • Code of Ethics Promotion • Anonymous reporting box 	Employees of Linificio
Involvement and support of local communities	<ul style="list-style-type: none"> • Contributing to the social and cultural development of the local community 	<ul style="list-style-type: none"> • Events, conferences, workshops • Projects with social and environmental aims • Sponsorships 	Linificio, Local Community Stakeholders
Attractiveness towards young people	<ul style="list-style-type: none"> • Attracting talent • Lowering the average age of employees 	<ul style="list-style-type: none"> • Teaching and knowledge transfer with undergraduate and graduate students • Traineeships with thesis development • Open day for graduates 	Linificio
Research partnerships with universities	<ul style="list-style-type: none"> • Development of new products/ technologies • Consolidating relationships with partnerships 	<ul style="list-style-type: none"> • Collaborations with Universities and Research Centres 	Linen mill, universities, schools

Material Theme	Main Impacts and Opportunities	Management Mode	Perimeter
Economic and financial performance	<ul style="list-style-type: none"> • Strengthening reliability in dealing with third parties • Investing in new management and production/technological innovation solutions 	<ul style="list-style-type: none"> • Quarterly budgeting with budget and target setting and all financial instruments to manage the company properly 	Linificio
Stakeholder Dialogue	<ul style="list-style-type: none"> • Anticipating stakeholder expectations • Creating and developing relationships and partnerships with local community stakeholders 	<ul style="list-style-type: none"> • Continuous communication with interest updates • Organisation of Focus Groups • Meetings with industry associations • Drafting the first Sustainability Report 	Linificio, Main Stakeholders
Business ethics	<ul style="list-style-type: none"> • Strengthening transparency, respect and collaboration with customers and suppliers 	<ul style="list-style-type: none"> • Code of Ethics • Partnerships with suppliers • Supporting and finding solutions together with the customer 	Linificio
Business Continuity	<ul style="list-style-type: none"> • Responding to emergencies and vulnerable contexts with resilient business solutions • Protecting the employment of employees 	<ul style="list-style-type: none"> • Covid19 health prevention protocol • Strong agreements with suppliers to ensure priority sourcing of raw materials • Flexibility of the company's activities through research into innovative machinery and products • Autonomy in the production of mechanotextiles 	Linificio
Customer Satisfaction	<ul style="list-style-type: none"> • Improving Reputation • Customer loyalty • Product Innovation 	<ul style="list-style-type: none"> • Complaint handling protocol • Quality Manager support with the customer and back office • Designing new products based on customer requirements and market trends 	Linificio

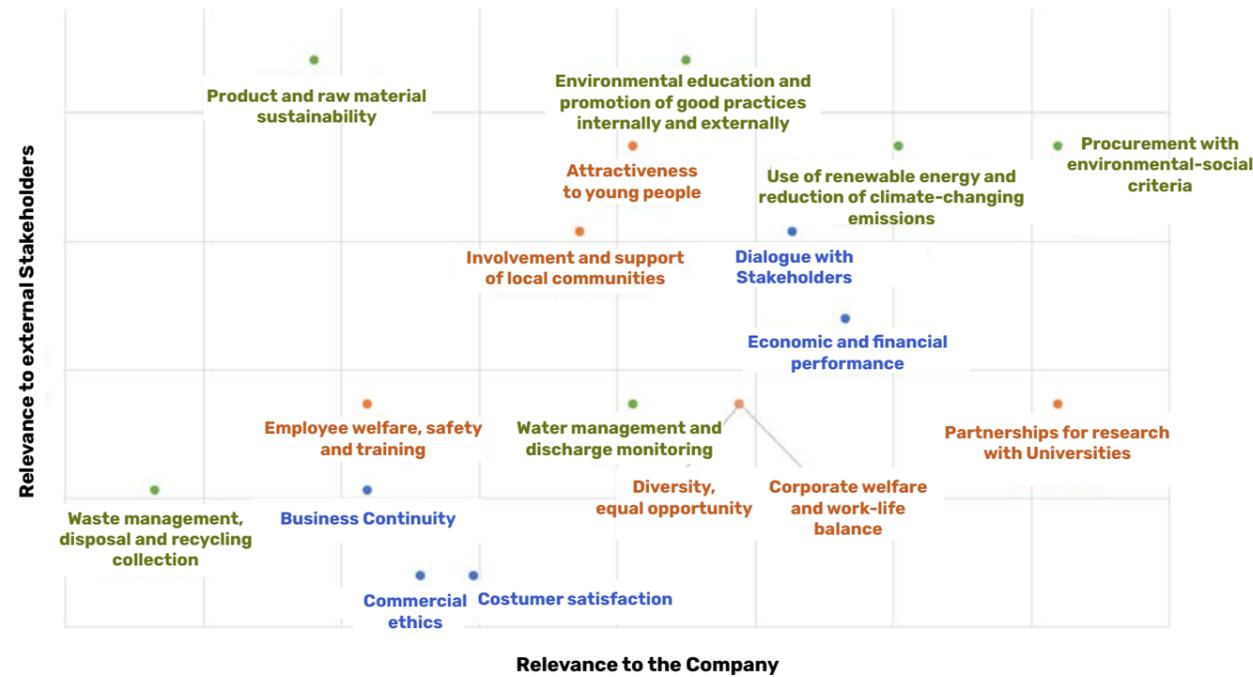
The Materiality Analysis, i.e. the process that identifies the corporate sustainability issues that are most relevant to the company and that also influence the opinions and decisions of key stakeholders, was carried out in three distinct phases:

- 1)** Identification of the universe of issues, aimed at identifying potentially relevant sustainability issues in the company's context, to be submitted to internal and external stakeholders for evaluation;
- 2)** Survey of the topics which, according to the assessment of the internal and external stakeholders, emerge as priorities for Linificio. The survey of external stakeholders was conducted through two *Focus Group*

consultations, one in Italian and one in French, with different categories of stakeholders (customers, suppliers, Public Administration, Trade Associations, Universities). For the internal survey, an on-line questionnaire was prepared for company *management*;

- 3)** Elaboration of the Materiality Matrix, i.e. the *output* of the process that shows in graphic form how material issues are positioned in relation to their relevance to internal and external stakeholders.

Materiality analysis of Linificio



The Materiality Assessment

The result of the materiality analysis conducted by Linificio is the matrix below which shows the 16 sustainability issues considered, immediately highlighting their relevance with respect to internal and external stakeholders. The topics that are prioritised are those in the upper right quadrant, that is, very relevant to both internal and external stakeholders.

Environmental sustainability prevails as a material theme; in fact, procurement with environmental and social criteria, the use of renewable energy and environmental education score very high, themes that are very central to Linificio's business, which develops initiatives in the areas of supply chain traceability, raw material certification and the decarbonisation of its activities, also focusing on involving and informing personnel on these choices.

From a social point of view, attractiveness to young people and involvement and support for local communities are priorities. To increase its attractiveness to young people, Linificio has undertaken various collaborations with universities and technical institutes, while the involvement and support of local communities becomes more important every year for the company, which collaborates with various local organisations such as voluntary associations, cultural associations, the sports world and others detailed in greater detail in the dedicated section of the Report.

Among the *governance issues*, dialogue with stakeholders and the company's economic performance stand out, both of which the company oversees, but which will be given further attention following the results of this analysis.

ESG AREA	LINIFICIO ACTIONS FOR THE SDGS IN 2021-2022	UN SDGS
ENVIRONMENT	• Process water purifiers	6 CLEAN WATER AND SANITATION
	• Electricity with Guarantees of Origin from Renewable Energy Sources	7 AFFORDABLE AND CLEAN ENERGY
	• New LINCREDIBLE yarn for biodegradable packaging • New composite materials of plant origin for the transport sector	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
	• New flax-nylon and flax-lana-nylon yarn from processing by-products	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	• Natural gas supply with offset emissions • Organisation Carbon Footprint	13 CLIMATE ACTION
	• Project <i>Beepathnet Reloaded 2022</i> : Creation of a flower meadow with melliferous species next to the Astino flax field to conserve biodiversity in Bergamo.	15 LIFE ON LAND
SOCIAL	• Spending bonus and transport bonus	1 NO POVERTY
	• Company canteen and food vouchers for the festive season	2 ZERO HUNGER
	• Fundraising linked to the sale of the LenzuoLino for associations supporting children with heart disease and their families • Stress management at work project • Vaccinations (Covid, flu) of staff • Collective insurance for sickness, disability and death • Organisation of free sports activities for staff	3 GOOD HEALTH AND WELL-BEING
	• Participation in a European project for on-the-job training • Language, IT and posture safety courses • Collaborations with schools and universities	4 QUALITY EDUCATION
	• Bonuses for national holidays in the different countries of the Group • Suggestion Box/Anonymous Complaints	10 REDUCED INEQUALITIES
	• Tickets for participation in cultural events	11 SUSTAINABLE CITIES AND COMMUNITIES
GOVERNANCE	• Female employment at 78%. • Pink October' breast cancer prevention programme	5 GENDER EQUALITY
	• 2021 change to Benefit Corporation • Start towards B Corp certification	8 DECENT WORK AND ECONOMIC GROWTH

Our commitments to the Sustainable Development Goals (SDGs)

Consistent with its statute as a benefit company, Linificio is committed to contributing to the 17 SDGs in its activities and production processes. Below is a summary of the interventions made in the last 2 years in relation to some of the 17 SDGs.

Flax: natural excellence



“As soon as we say linen, we think of something natural, candid and pure. We think of the mysterious and immortal authority of the pharaohs, the sacredness of the Shroud, but also of grandmother’s trousseau, father’s handkerchiefs, the tablecloths of great occasions, the fresh towels of stately homes or the robes of newborn babies. Over the centuries we have become accustomed to seeing it for different uses, but in reality, for each of its historical uses linen was the best performing material in the remote times when it was selected and remains so to this day, because its supremacy is technical before being aesthetic and, above all, sustainable.”
G. Rondi - Expert Liberian Fibre Technologist, in Linificio since 1973

Over the millennia, linen fabric has triumphantly accompanied the civilisation of customs and the socio-economic progress of peoples, representing religious symbols and meanings and contributing to the development of artistic concepts.

It is the extraordinary technical, health and aesthetic properties that have always ensured flax such a varied use. Today, however, it is its ecological characteristics that make it outstanding, extremely innovative, and competitive in the textile fibre market and beyond. Its minimal environmental impact in the cultivation and processing phases and its durability and circularity characteristics make it extremely interesting and strategic for the future.

The history of linen between Art, Culture and Sacredness

Already thousands of years before Christ, flax was used for funeral services by the Ancient Egyptians, mythologically created by the fertility goddess Isis. Egyptian religious culture emphasised the extraordinary nature of the flax plant, also attributing to the technique of its spinning the sacred character of a divine gift useful from birth to death.

Its arrival in Europe occurred with the export of the fabric to Ireland by the Phoenicians and it later became important during the Roman Empire. The Romans were in fact the first to use it not only for clothing, but also for the home, developing more advanced processing techniques.

In the Middle Ages, linen reached the peak of its expansion on the continent, particularly in central and northern Europe, and its use was extended to the production of sheets and shirts.

From the sacredness of antiquity, we move on to the fibre linen of kings; in the 16th century, Francis I launched the codes of elegance; shirts and garters were made of fine linen with incredible embroidery.

At the same time, linen became the protagonist of a revolution in the artistic world: from the 16th century onwards, painters abandoned the wooden support for their works and increasingly worked on canvases stretched on a light frame. The colour impregnated much better on the canvas, which also had no size limits and guaranteed excellent transportability.

Processing techniques continued to evolve over the centuries and other countries, such as the Netherlands and France, began to cultivate and process the plant, becoming the world’s leading producers today.

Sustainable innovation in our yarns

The Green fibre of the future

Linen produced in Europe ranks first in the world in terms of quantity and quality of fibres produced and is distinguished by its ecological profile and ethical values.

The cultivation of *Linum usitatissimum*, the plant from which flax fibre is obtained, has a minimal environmental impact. First of all, it is a plant that requires very little, if any, artificial irrigation, since it is cultivated in the territories between Caen (France) and Amsterdam (Netherlands), i.e. in a temperate and humid oceanic climate, where its water needs are met by rainfall and dew.

It uses little fertiliser (five times less than cotton) and no defoliant, helping to safeguard aquifer ecosystems. It also plays an important role in combating climate change by fixing carbon to the tune of about 3.7 tons of CO₂ per hectare of flax (approximate value under study - Alliance for European Flax-Linen & Hemp, formerly CELC). The energy used for fibre production is 4% to 10% of that which would be required to produce synthetic fibres.

Flax fibre is 100% biodegradable and compostable and no waste is produced from its processing, as, in a circularity perspective, everything from the plant is used for a wide range of applications.

Given the exceptional mechanical performance of this fibre, there are numerous textile and technical applications for it. In the textile field, it shows the advantages of being a resistant, breathable, insulating, absorbent fibre, easy to maintain and with high dyeing affinities.

Finally, flax shows excellent therapeutic and healing properties for humans: it is antibacterial, hypoallergenic and has beneficial properties that are hidden in all products of the plant.

The tradition of European flax has developed an integrated system that is socially and environmentally balanced with the land. Not only is agricultural production local and as environmentally friendly as possible, but it also requires skilled local labour, trained through the combination of ancestral tradition and continuous innovation.



All the yarns produced by the Linificio are highly certified, thanks to the careful control of a European supply chain. The suppliers and growers guarantee compliance with environmental and social standards, so that the customer can be reassured on each stage of the production process.

The added value that positions Linificio as a leader in the linen yarn market is given by its propensity for research and innovation of products and processes to guarantee ever higher performance, quality and sustainability and new applications, customised to the customer's needs.

Tradition and innovation are thus intertwined in our linen, to give life to solutions that aspire to revolutionise a craft and a sector, but also to celebrate the past of this product with its remarkable and multiple qualities, within a true value chain that, in addition to industry, embraces much broader concepts such as sustainability, art, culture and community.

Traceability along the supply chain

With a view to sustainable and more circular production, control over the supply chain takes on even greater significance than in the recent past. Aware that the impacts extend far beyond the company's borders, Linificio carefully oversees and monitors its supply chain. For this reason, the company is part of *Masters of Linen*, a French textile community that ensures its members 100% traceability of European linen.

Linificio is the first and only company to be awarded the prestigious *C2C Certified Material Health* certificate at the GOLD level for the yarn *1873-The Ould Linen* in 2021. This certification is issued by the *Cradle to Cradle Products Innovation Institute*, and provides consumers with a reliable means of verifying the chemicals used in products and within their supply chains.

To control the supply chain in more detail, a digital yarn passport *1873 - The Ould Linen* was developed by Linificio in 2022: thus began the process of traceability from field to yarn, and beyond, based on *blockchain* technology. *Blockchain* makes it possible to manage and update, uniquely and

securely, a register containing data and information on all steps including the time and place of operations in the supply chain.

To date, traceability has been applied to identify the supply chain from seed to yarn, but the technological system allows all other processes along the supply chain to the final product to be easily integrated. In the digital passport, it is also possible to include technical and disclosure information of each processing step and information on the companies performing these steps (e.g. certifications, company focus on ESG, company videos). All information is available by photographing the tag that can be displayed on the yarn, fabric or finished garment.

Milestones innovation

Lino Made in Italy: *Lino d'Italia* yarn grown, spun and entirely traced by Blockchain technology.

In 2022, a fully traced 'Made in Italy' flax yarn was produced through partnerships with local farms in Lombardy, Emilia-Romagna and Tuscany, and processed into yarn by the Linificio, Italy's only linen spinning mill.

The project addressed several agricultural-industrial and technological issues, such as the climate in our country and the management of the milling phase on the ground, as well as the inevitable risks associated with the entrepreneurial initiative. The result is the *Lino d'Italia* yarn.

The importance of producing the raw material domestically lies in the fact that it shortens the value chain, allowing almost a zero-kilometre supply chain. Furthermore, this cultivation is based on the principles of regenerative agriculture, which guarantees profitability for the farmer and protection of the environment.

The innovation in the creation of the *Lino d'Italia* supply chain is the complete traceability of the supply chain via blockchain methodology: from the cultivation of the raw material to its transformation into yarn. Thus, *Lino d'Italia* yarn guarantees the consumer a sustainable product of natural origin, cultivated and processed locally and having certified and traced quality visible by selecting the QR Code placed on the product.

To reduce its impacts, it is necessary to work closely together along the entire supply chain to raise awareness and stimulate commitment from its partners towards a progressive reduction of emissions and negative impacts on the environment, territory and society. The Environment section describes the main data on Linificio's suppliers divided into the three locations, including the share of national/local suppliers.

Innovators by tradition

Attention to tradition and a strong propensity for the future have always been in the DNA of Linificio e Canapificio Nazionale. In fact, the ability to know how to choose raw materials and mix them in the most correct way is one of the secrets to produce unique yarns derived from a tradition that has been handed down for generations.

The uniqueness of Linificio e Canapificio Nazionale lies in its ability to value tradition and combine it with innovation.

Its production plant in Villa d'Almè is home to the most important Linen Research and Development Centre, a worldwide excellence thanks to which not only new, innovative and extremely beautiful yarns are designed and manufactured, but also the state-of-the-art linen and hemp textile machinery of its own *Linimpianti* division. With these machines, which are produced in-house and for which the company holds the patents, Linificio e Canapificio Nazionale succeeds in giving its yarns an *Italian* character with a high aesthetic content and customised to the customer's needs.

Thanks to continuous product research and the ability to design and manufacture the machinery used to produce its yarns, Linificio can boast, among many other things, of being:

- The inventor of linen yarn for knitwear;
- The world's only producer of Nm 110 linen yarn, the finest in the world;
- The inventor of the first stretch linen yarn with corespun technology;
- The world's only manufacturer of the trichrome effect yarn and one of the few producers of linen *mélange* and *jaspé* yarns;
- The world's only manufacturer of yarns with a predominance of linen, but in intimate blends with other fibres (silk, wool, cashmere, cotton, etc.);
- The linen yarn manufacturer with the widest product range, from Nm 1.8 to Nm 110;
- The only yarn manufacturer in the world that has developed without chemicals additives a linen yarn as it was produced in the last century: 1873-The Ould Linen, created in cooperation with *Terre de Lin*, a specialised seed partner.

The 'zero km' yarn is born, made in Astino (BG).

2018
2019

The world's finest Nm 110 linen yarn is born.

2020

Two revolutionary fabrics in the world of yarns come to life:

- Leonardo, the exclusive *core-spun* wet-spun stretch linen.

- 1873-The Ould Linen, the only flax processed as once used to be done, without any chemicals in cultivation.

2021

LINCREDIBLE® was created: the revolutionary organic and eco-friendly packaging made of linen yarn for fruit and vegetables in collaboration with *Kuku International Packaging S.r.l.*

1873-The Ould Linen obtains the prestigious *C2C Certified Material Health Certificate* at Gold level.

2022

The Panno-Lino research project is born, a study in *partnership* with a French research centre and two Italian manufacturing companies of a sustainable and compostable non-woven fabric as a replacement for disposable synthetic materials.

Lino d'Italia is born, tracked through *blockchain* rock by rock, the result of a 100% Italian flax cultivation and processing chain.

Linimpianti Division

To obtain a product of excellence from the noblest fibre, we make use of flexible production systems, efficient and advanced processes, and above all, state-of-the-art technology, and constant innovation.

This is why Linimpianti was founded in 1980: the division of Linificio e Canapificio Nazionale specialising in the design, production, innovation and automation of textile machinery for the processing and spinning of hard fibres.

Linimpianti is a fully integrated and in-house structure, a repository of knowledge and expertise in the technology and production processes of Liberian natural fibres. For the development of its machinery, it makes use of the skills of its own technicians and the most qualified experts in the sector; it also has an important relational network that includes machine-textile manufacturers, research companies and international universities.

Three-level search

The culture of Linificio places technological innovation at the centre of its activities as an element of competitiveness and existence. In the company strategy, in fact, technological evolution is realised at three general levels:

Level 1: Calibration - Standardisation

Linen is a heterogeneous natural raw material whose chemical-physical characteristics vary from year to year. In order to obtain a yarn with standard characteristics, constant calibration of the processes and machinery of linen technology is necessary.

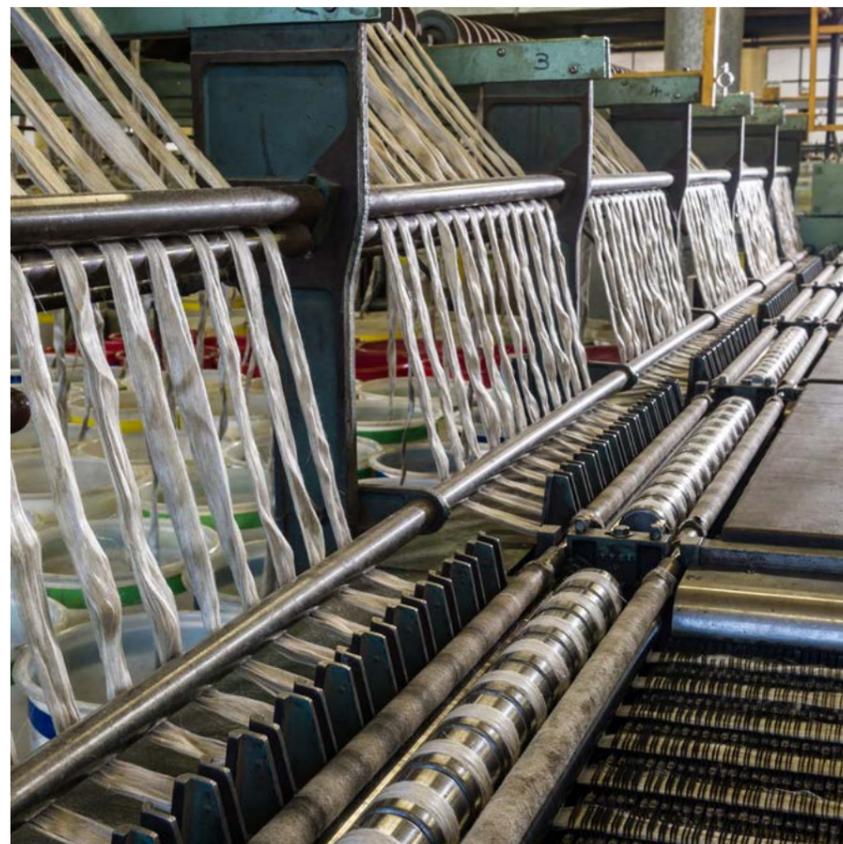
Level 2: Experimentation - Development

Product research, whereby new blends and methodologies are studied according to trends to create products with new qualities. Furthermore, this phase has applications in the innovative design of sustainable products, replacing energy-intensive fibres with natural fibres.

Level 3: Basic Research - Innovation

Attention to the outside world and to innovations in technology, to bring innovations to the process level with the aim of safeguarding the company prospectively.

Linificio wants to maintain production continuity and *know-how*, creating the conditions for innovation to be nurtured: by research, the availability of qualified human capital and the ability to use new knowledge for development.



The new frontiers of Linificio

The Linificio is a leader in the highly sustainable production of unique and refined linen and hemp yarns, which are mainly used in the production of high-quality fabrics used in the clothing and furnishing sectors. Linen has always been used in the textile industry due to its mechanical, sanitary and aesthetic properties, which make it competitive against the competition.

In addition to the historical applications in the textile sector, in the last two years, Linificio has taken advantage of the excellence of its product and the effectiveness of its processes to develop new applications for its yarns. Thus, it has dedicated itself to researching the use of flax and hemp in fields where they are not normally used, positioning them as natural and more sustainable substitutes for the materials used today in various technical sectors.

Food Packaging Sector: LINCREDIBLE®

In the food packaging sector, and more specifically that of fruit and vegetables, there is currently no valid alternative to plastic. The packaging market is by nature dynamic and increasingly sensitive to environmental aspects, which is why Linificio, in collaboration with Kuku International Packaging, has identified the eco-sustainable material of linen yarn as a valid alternative to plastic netting. This is how the idea of **LINCREDIBLE®** was born, a 100% linen yarn that is highly sustainable as it is of natural origin, biodegradable and compostable at the end of its life cycle, to replace the nets currently used in food packaging made of plastic material.

The great novelty of this product lies in its performance: it is identical to that of a similar plastic net, but has tangible environmental advantages, precisely because it is made from natural fibre. Regarding the fruit and vegetable sector, moreover, linen yarn nets allow the product to breathe properly, are light, versatile and provide the consumer with good visibility of the product contained within the packaging.

Because of its versatility, the fabric can also be a viable substitute for plastic in other applications, such as transparent windows in paper bags, internal reinforcements of paper packages or fruit and vegetable box covers.

Innovative composite materials for the transport sector

In recent years, the composite materials sector has renewed its interest in plant fibres: research institutes and companies, including Linificio, have taken part in the European *SSUCHY Project - Developing advanced bio-composites* for applications in the transport, aeronautics, and automotive sectors, and in the loudspeaker and electronics markets.

Linificio has contributed to projects for applications in the field of performance composite materials, where flax and hemp replace artificial fibres such as carbon in car, ship, and aircraft body materials.

The advantages of using natural fibres can be found in mechanical performance such as strength, weight reduction, durability, vibration damping and vibro-acoustic control, as well as in environmental impact, reducing carbon dioxide emissions for vehicle production and reducing impacts from disposal.

In addition, the bodywork of the Giulia ETCR of Romeo Ferraris, which participated in the PURE ETCR championship, was made in 2022. These hemp fibre composite materials were signed by Linificio and Canapificio Nazionale together with *Fibertech Group* (a company specialised in the production of innovative materials), for a project with a high level of technology, sustainability and *Made in Italy* excellence.

Economic Performance

Context

The economic and financial sustainability of the company is a crucial factor of sustainability in the short and long term, and a guiding factor in making decisions, directing investments, and setting time targets for development. Linificio's first responsibility is therefore to ensure the continuity of its business and good emergency and risk management.

2021 was the year in which the COVID-19 pandemic could be managed more effectively than in the previous year, when the health emergency swept Italy, forcing many activities to come to a halt. 2022 was finally supposed to be the year to realise plans for sustainable and inclusive economic growth, but the conflict in Ukraine maintained an emergency context, causing prices to rise across the board.

It is in this complex context that we should read the figures concerning the economic performance of Linificio, which has achieved positive results over the last few years, despite the difficulties imposed by current emergencies, particularly related to procurement and the increase in raw material costs.

Economic Performance Trends

In 2021 and the first half of the year 2022, demand for linen yarn from the furnishing sector was very strong. Since the end of spring 2022, however, there has been a reversal in the trend whereby the apparel sector has shown strong interest in linen yarn, probably also due to the increasing focus of the sector on sustainability, proximity and traceability.

In the same period of the year 2022, there was a reversal of the trend in the furniture sector, which was attributable to the increase in the price of linen fibres, which together with the difficulties in obtaining numerous raw materials, including energy, made the management of prices and sales volumes throughout the year very complex.

Despite these complexities in the management of the business due to adverse aspects, the economic results for 2021 and 2022 are positive and better than the average of recent pre-pandemic years.

This has been possible because the company, over the years, has consolidated its global leadership in terms of innovation, environmental and social sustainability, and because over time, it has managed to open up new markets with a strong positive impact on the environment.

The company closes 2022 with sales up 25 per cent year-on-year and 90 per cent higher than in 2020, confirming the growth path started in 2018 and abruptly halted in 2020 following the start of the Covid-19 Sars pandemic period.

The new 2022-2025 business plan envisages a complete return to a balanced financial position as early as 2022 and, in perspective, a pre-pandemic improvement thanks in part to actions aimed at streamlining the internal structure and limiting capital expenditure.

Below are tables showing the main economic and financial indicators and the determination of Value Added Generated divided by the three Group companies.

Basic economic and financial indicators	Units of Measurement	2021			2022		
		Italy	Tunisia	Lithuania	Italy	Tunisia	Lithuania
Net sales revenue	€	70.629.175	24.622.465	16.232.163	89.078.791	33.843.551	22.766.745
Gross operating margin (EBITDA)	€	1.074.191	1.178.659	1.340.993	1.436.098	2.199.688	1.628.562
Net operating margin (EBIT)	€	729.137	557.012	604.664	1.058.542	1.510.625	840.418
Net financial expenses	€	-123.653	80.049	5.995	849.039	2.543	8.814
Profit before tax	€	605.483	576.616	610.659	1.907.581	1.397.357	849.660
Net result	€	411.539	497.504	518.202	1.672.874	1.162.627	712.441
Net financial debt	€	-3.704.000	-1.249.695	0	4.507.000	-1.890.313	0
Net assets	€	29.951.35	9.180.488	11.862.325	31.749.170	10.572.500	11.574.766

Note: the eur/tnd conversion factors of 0.305 for 2021 and 0.313 for 2022 were used for the Tunisian site values.

Schedule for Determination of Value Added Generated	U.m.	2021			2022		
		Italy	Tunisia	Lithuania	Italy	Tunisia	Lithuania
A) Production value	€	70.540.061	24.622.465	17.042.661	93.646.199	33.843.551	23.484.724
1. Revenues from sales and services	€	70.629.175	24.469.141	16.232.163	89.078.791	33.201.400	22.766.745
2. Changes in inventories of work in progress, semi-finished and finished products (and goods)	€	-964.437	-320.038	806.280	3.584.004	199.038	712.633
3. Changes in contract work in progress	€	0	359.912	0	0	407.394	0
4. Other revenues and income	€	875.324	113.451	4.218	983.402	35.719	5.346
B) Intermediate costs of production	€	-69.810.924	-24.125.898	-15.701.667	-92.587.657	-32.448.736	-21.856.161
6. Consumption of raw materials	€	-19.374.802	-15.013.136	-8.359.820	-24.726.742	-21.300.742	-10.884.566
7. Consumption of subsidiary materials	€	0	0	-108.140	0	0	-135.788
8. Consumption of consumables	€	-1.650.415	-2.938.943	-1.087.149	-2.314.379	-3.580.977	-1.357.634
9. Cost of goods purchased (or Cost of goods sold)	€	-38.963.363	-64.763	0	-54.377.826	-95.094	-29.534
10. Costs for services	€	-7.127.154	-2.492.281	-2.472.481	-8.505.522	-3.157.969	-4.887.280
11. Lease and rental costs	€	-58.487	-885	-34.622	-71.999	-526	-46.324
12. Personnel Costs	€	-1.996.100	-2.853.976	-3.604.602	-2.145.778	-3.994	-4.465.594
13. Changes in inventories of raw materials and consumables	€	-56.029	0	0	110.991	-689.169	0
14. Provisions for risks	€	0	0	-4.005	-40.000	0	-7.320
15. Sundry operating expenses	€	-238.676	-139.879	-30.845	-142.847	-131.571	-42.120
GROSS CHARACTERISTIC ADDED VALUE	€	1.075.031	3.669.013	1.340.994	1.432.093	6.668.747	1.628.562
GLOBAL GROSS VALUE ADDED	€	1.075.031	3.669.013	1.340.994	1.432.093	6.668.747	1.628.562
Depreciation	€	-345.893	-2.040.273	-736.329	-373.551	-2.205.340	-788.144
GLOBAL NET ADDED VALUE	€	729.137	1.628.739	604.665	1.058.542	4.463.407	840.418

Note: the eur/tnd conversion factors of 0.305 for 2021 and 0.313 for 2022 were used for the Tunisian site values.

Markets served by Linificio

The Linificio is a world leader in the highly sustainable production of linen and hemp yarns purchased today by weavers all over the world for the creation of high quality fabrics used in the clothing and furnishing sectors.

In the clothing sector, linen brings thermal and hygroscopic advantages, to which it adds natural hypoallergenic and antibacterial properties, invaluable in the specific sector of linen and shirts. In tablecloths, where stains are the order of the day, it leaves the competition behind with its unbeatable ability to withstand washing machines and irons. In furniture, it stands out for its durability, washability, and typical ability to get older as it ages, like carpets.

Fashion has always seen linen as an absolute protagonist. In today's panorama of textile fibres, linen certainly stands out for its refined and elegant appearance. Its properties are highly sought after by *fashion designers* all over the world: there is no creative person who has not wanted to interpret its potential.

In addition to the historical textile sector, over the last two years, Linificio has exploited the

excellence of its product and the effectiveness of its processes to seek new markets and diversify its proposals. Thus, it has dedicated itself to studying the applications of linen in fields where it is not normally used, positioning it as a natural and more sustainable substitute for the materials used today in various technical sectors.

One of these sectors is food *packaging*, where Linificio and Kuku's studies have brought LINCREDIBLE®, the innovative 100% linen net. The presence of flax in this market is already a reality in France, Austria, Germany and Spain, where the need to find alternatives to plastic nets in the food sector is becoming more and more important also due to national policies aimed at reducing environmental impacts.

Another new market for Linificio is *automotive*, for which it has designed products with high-performance composite materials, where flax and hemp replace artificial fibres such as carbon in car body materials. This provides advantages in terms of both mechanical performance and environmental impact.

TEXTILE SECTOR		TECHNICAL SECTOR	
	Clothing		Composite materials: automotive, marine, audio systems
	Home Design		Biodegradable and compostable packaging: LINCREDIBLE®
	Furniture		Painting canvases
			Ship sails

Customers

The importance of the relationship and dialogue with customers lies in the need to create solid relationships based on trust and transparency.

Linificio e Canapificio Nazionale maintains close contacts with customers even before the products are manufactured; in fact, the design is extremely customised to meet specific customer requirements.

Subsequently, the necessary assistance is provided through the Quality Manager and the back office, who have formalised procedures for handling any complaints.

Geographical distribution of customers

Most of the customers of Linificio and Canapificio Nazionale are direct customers of the Italian company, only a few dozen are customers of the Tunisian and Lithuanian branches. The customer base, in numerical terms, is evenly distributed between foreign and Italian customers, but in economic terms, revenues from the foreign market prevail (65% of the Italian branch's revenues come from the foreign market). The table below shows the number and revenues of customers broken down by geographical area.

GEOGRAPHICAL AREA	2021		2022		
	customer number [n]	Revenues [€]	customer number [n]	Revenues [€]	
ITALY	Italy	286	24.794.033	257	33.751.774
	Foreign	277	45.835.142	244	55.327.017
	Totale	563	70.629.175	501	89.078.791
TUNISIA	Italy	2	24.021.569	5	32.173.599
	Foreign	2	178.999	2	149.233
	Local	3	236.709	4	384.349
	Totale	7	24.437.276	11	32.707.181
LITHUANIA	Italy	2	14.905.567	3	21.442.804
	Foreign	17	1.326.596	14	913.469
	Totale	19	16.232.163	17	22.356.273



Our Commitments to Environmental Sustainability

The sustainability of the linen chain, a natural fibre that respects ecosystems, is in line with Linificio e Canapificio Nazionale's commitments to safeguard the environment and reduce its impacts, as also stated in its articles of association as a benefit company.

In addition to complying with current environmental protection regulations, the company implements processes, technologies and materials that allow the reduction of energy consumption and natural resources, avoiding or limiting the impacts of the company's activities in terms of pollution, greenhouse gas emissions, waste production and impact on biodiversity.

Raw materials

Linificio processes a natural and uniquely European fibre with well-known sustainability characteristics. The raw material supply is therefore 100% European and certified European Flax® and Master of Linen®.

These choices demonstrate the company's commitment to reducing its environmental impact, starting with the sustainability guarantees of the raw material.

Furthermore, in-house processes are designed, with a view to circularity, to minimise production waste and reuse it, when possible, as a secondary raw material for the production of other products, not necessarily textiles.

The products of the Linen Mill's processing are mainly yarns, and to a lesser extent unbleached fabric. In 2022, the total production increased by 6% over the previous year, exceeding 5 million kg produced.

RAW MATERIALS	Units of Measurement	2021	2022
Raw fibres	m	5.186.708,70	5.555.976,00
Other raw materials purchased	m	370.535,57	456.704,00
Tot chemicals	kg	1.785.490,00	1.837.480,00

PRODUCTS	Units of Measurement	2021	2022
Tot yarn product	kg	4.339.673,00	4.607.056,00
Tot unbleached fabric produced	kg	394.376,12	401.658,01
Total	kg	4.734.049,12	5.008.714,01

Regarding the purchase of raw materials, the various types of suppliers based in Italy and in the other locations are reported, as well as the order values.



SUPPLIERS AND PURCHASING	U.m.	2021			2022		
		Italy	Tunisia	Lithuania	Italy	Tunisia	Lithuania
Suppliers	n.	355	215	214	358	219	216
Suppliers based in Italy	n.	301	46	25	308	47	26
Local suppliers (max. 100 km away)	n.	0	161	181	0	164	181
Share of national suppliers	%	84,8%	-	-	86,0%	-	-
Share of local suppliers (max. 100 km away)	%	0,0%	74,9%	84,6%	0,0%	74,9%	83,8%
Ordered value	€	68.692.115	23.173.905	13.093.823	90.129.223	29.967.908	18.828.204
Order value of suppliers based in Italy	€	8.866.949	-	-	10.658.416	-	-
Order value of local suppliers (max. 100 km away)	€	0	3.325.715	11.862.325	0	3.873.732	11.574.766
National orderly quota	%	12,9%	-	-	11,8%	-	-
Locally ordered quota (max. 100 km away)	%	0,0%	14,4%	23,1%	0,0%	12,9%	15,8%

Note: data on national suppliers and procurement were only collected for the Italian location in this edition, while local suppliers (within 100 km) are available for all locations.

Even on its own **packaging**, Linificio is focusing on paying more and more attention to recycled materials and sustainability certifications. An increase in the use of environmentally sustainable recycled and recyclable materials with a low environmental impact is underway, which is expected to be 27% of packaging in 2022. This approach further underlines that today, in addition to what is produced, it is increasingly important how it is produced.

PACKAGING	U.m.	2021			2022		
		Total [kg]	of which Green [kg]	Green share [%]	Total [kg]	of which Green [kg]	Green share [%]
Paper and cardboard	kg	161.745	75.000	46%	143.879	62.000	44%
Plastic	kg	407.073	54.000	13%	428.715	43.000	10%
Wood (pallets)	kg	227.788	116.000	51%	202.504	105.000	52%
Other (Specify)	kg	9.000	0	0%	7.000	0	0%
Total	kg	805.605	245.000	30%	782.098	210.000	27%

Energy Management

A focus on energy efficiency and reducing the use of fossil fuels are two key management elements in reducing the company's impact on climate change.

Aware of this importance, Linificio has started to use electricity from renewable sources certified with Guarantees of Origin. Approximately 43% of the electrical energy used in 2021 to produce its yarns came from renewable sources, reaching 100% in Italy, in fact, energy produced solely from renewable sources is used at the Italian headquarters. The trend would be the same the

following year, but due to the bankruptcy of the company supplying certified renewable energy in Lithuania, this supply only covered the first five months of the year, reducing the energy with Guarantees of Origin to 19.4% of the total in 2022.

There is a decrease in the company's energy intensity, the indicator that relates energy consumption to kilograms of product, indicating better process efficiency.

ENERGY CONSUMPTION BY SOURCE	Units of Measurement	2021	2022
Natural Gas	mc	1.526.566,00	1.608.256,00
Diesel per fleet	litres	7.139,87	3.992,60
Petrol per fleet	litres	6.142,20	6.680,74
Electricity from the grid	kWh	26.439.969,00	27.407.404,00
Energy purchased with Guarantees of Origin	kWh	11.290.005,00	5.327.934,00

ENERGY CONSUMPTION BY SOURCE EXPRESSED IN GJ	Units of Measurement	2021	2022
Natural Gas	GJ	53.888	56.771
Diesel per fleet	GJ	255	143
Petrol per fleet	GJ	198	215
Electricity from the grid	GJ	95.184	98.667
Of which purchased with Guarantees of Origin	GJ	40.644	19.181
Total	GJ	149.524	155.796
Energy intensity index	GJ/kg	0,0316	0,0311

Organisation Carbon Footprint

In the context of Linificio's activities, emissions of carbon dioxide and other gases responsible for climate change are generated using the various energy sources, as reported in the previous paragraph. In order to measure and monitor its impact on climate change, Linificio has decided to calculate and report its emissions of CO₂ equivalent, in accordance with the most widely used international standards (*GHG Protocol*, ISO 14064-1).

The company's Carbon Footprint was calculated by considering two different levels of emissions: those generated directly by the company's activities as stationary combustion and fuel for the vehicle fleet (*Scope 1*) and those categorised as indirect energy as they are associated with the emissions of electricity purchased from the grid (*Scope 2*). The calculation considered the emissions avoided through the purchase of electricity from renewable

sources whose provenance is certified by the Guarantees of Origin and also the share of natural gas from a supplier that offsets the emissions associated with the use of the gas it sells. Thanks to these choices, Linificio has avoided the emission of 2,325 t of CO₂.

From the table below, the main contributor to climate-changing emissions is the consumption of electricity. This increase also affects the carbon intensity index.

A project to plant 1,000 trees in the Sila National Park is planned for 2023 to protect its biodiversity and compensate for approximately 22 tonnes of CO₂.

	Units of Measurement	2021	2022
Direct Emissions - SCOPE 1			
Natural Gas	tCO ₂ eq	3.028,5	3.196,2
Diesel for vehicle fleet	tCO ₂ eq	18,8	10,5
Petrol for vehicle fleet	tCO ₂ eq	14,5	15,7
Compensation by the gas supplier	tCO ₂ eq	-296,8	-216,8
TOTAL SCOPE 1	tCO₂eq	2.764,9	3.005,7
Indirect Emissions - SCOPE 2			
Italy	tCO ₂ eq	459	379
Lithuania	tCO ₂ eq	3.954	3.967
Tunisia	tCO ₂ eq	6.757	7.252
Emissions avoided with GO Italy	tCO ₂ eq	-459	-379
Emissions avoided with GO Lithuania	tCO ₂ eq	-3.954	-1.730
TOTAL SCOPE 2	tCO₂eq	6.757	9.490
TOTAL			
TOTAL	tCO₂eq	9.521,8	12.495,3
Carbon intensity index	tCO ₂ eq/t product	2,01	2,49

Note: for the calculation of Scope 2 emissions, reference was made to the Market Based methodology

Waste management and recovery

The correct management of waste in the company favours the creation of a culture of sustainability in the company and helps to limit the environmental impact of the company's activities. The Linificio's priority is to reduce the amount of waste to be disposed of, and secondly to send as much as possible for recovery.

Circularity, the basis of the company's processing, enables the reduction of production waste and its reuse as a secondary raw material. For this reason, in 2022 Linificio developed a flax-nylon and flax-wool-nylon yarn, starting from the by-products of flax processing mixed with nylon staple. It should be emphasised that the spinning of this *blend* was carried out without the intervention of the costly and

environmentally impactful chemical bleaching process.

Furthermore, it is not only the yarn waste that is reused, but also the dust, which is produced during the spinning process in large quantities. These are destined for button production chains or, when not possible valorised energetically in thermal combustion. Materials that cannot otherwise be recovered are sent to landfill.

In the offices, on the other hand, there is separate collection of the main matrices and to reduce the use of disposable plastic, flasks have been distributed that can be filled at water dispensers.

TYPE	Units of Measurement	2021	2022
Non-hazardous			
Paper	kg	26.370	23.843
Plastic	kg	21.355	14.439
Wood	kg	520	2.958
Iron and steel	kg	4.872	12.978
Mixed Packaging	kg	11.900	7.680
Discarded electronic equipment	kg	63	69
Printer toners	kg	15	14
Construction and Demolition Waste	kg	0	5.420
Waste from textile fibres - sent for recycling	kg	243.001	284.520
Textile Fibre Waste	kg	565.040	567.480
Waste from processed textile fibres	kg	130.950	131.160
Cables	kg	20	0
Discontinued equipment	kg	12.070	0
Dangerous			
Packaging containing residues of or contaminated by hazardous substances	kg	915	874
Absorbents, filter materials (including oil filters not otherwise specified), rags and protective clothing	kg	2.132	1.592
Aqueous liquid wastes containing hazardous substances	kg	2.230	3.183
Fluorescent tubes and other mercury-containing waste	kg	132	85
More	kg	114	97

TOTAL WASTE PRODUCED	Units of Measurement	2021	2022
Hazardous waste	kg	5.523	5.831
Non-hazardous waste	kg	1.016.176	1.050.561
Total	kg	1.021.699	1.056.392
Total waste on total kg of product	kg/kg prod	0,22	0,21
Total hazardous waste on total kg of product	kg/kg prod	0,0011	0,0011
Total non-hazardous waste on total kg of product	kg/kg prod	0,22	0,20

Water saving

The topic of water management is extremely important in the textile production sector, as it is a water-intensive industry that presents risks such as water stress or depletion of local water sources if water use is not managed appropriately.

The flax industry, however, differs greatly from that of other textile fibres precisely because of its water-saving properties. In fact, the cultivation of flax requires no irrigation other than the natural irrigation of rain. In addition, the plant has an innate resistance that allows a minimum use of plant protection products and fertilisers, which also protects the quality of the groundwater in the cultivation areas.

Within the company, water must be used for the preparation and spinning of textile fibres. The water is taken from a company well subject to a Single Environmental Authorisation in the case of the

Italian site, the foreign plants, on the other hand, use water from the aqueduct.

Each production site is equipped with a purification plant and process water treatment and recovery cycles are implemented, thanks to which water discharges will be reduced by 17 per cent in 2022 compared to the total kg of yarn produced.

Important steps were taken at the Lithuanian site to effectively purify water, such as switching from mineral oil to a 100% vegetable and organic oil and eliminating all phosphorous-containing substances in bleaching recipes.

WATER CONSUMPTION	U.m.	2021	2022
Total water withdrawals	mc	576.060	540.063
From well counters	mc	22.075	18.262
From aqueduct	mc	553.985	521.801
Total water withdrawal on total kg of product	mc/kg prod	0,122	0,108
Total water discharges into sewerage networks	mc	392.862	344.624
Total water discharges on total kg of product	mc/kg prod	0,083	0,069

Protecting biodiversity

The protection of biodiversity is a topic close to Linificio, which works voluntarily in the flax industry, the cultivation of which has positive effects on the diversity of agricultural ecosystems.

To actively engage on this front, in 2022 Linificio participated in the international *BeePathNet Reloaded* project, which envisaged the involvement of residents of the Bergamo area and various territorial realities to promote sustainable city management through urban beekeeping.

Linificio offered its support for the creation of a flower meadow with melliferous species next to the Astino flax field to conserve biodiversity in Bergamo, improve the quality of life and preserve food self-sufficiency.

The city thus becomes bee-friendly: if cities manage to preserve the natural environment in urban areas, which allows bees to thrive, then it is on the right track for environmental protection and biodiversity conservation.

Our Social Commitments

The social dimension of the ESG approach to sustainability is a cornerstone for Linificio. Attention to social impacts is a historical characteristic of the company, further consolidated by the decision to become a Benefit Company. The statutory objectives on the pursuit of common benefit, in fact, focus both on the internal dimension of the company and on that of the community.

Convinced of the importance of valuing and protecting the people who every day put their experience and passion into the company's activities, Linificio looks after the safety, psycho-physical wellbeing and professional development of its employees. From corporate welfare and work-life balance tools to continuous training courses, the company invests in worker satisfaction and growth.

Externally, the company has established fruitful and mutually respectful relationships with local institutions, business partners, universities and other organisations in the area to develop initiatives and projects of social and cultural value.

Our People

Human resources represent the heart of the company's activities and this is why Linificio has always recognised the special importance of the value and centrality of people. The protection of rights, continuous training and the development of personnel assume an important role in the organisation of the company, which promotes the careful planning of training and *wellbeing* activities.

The following tables show the main characteristics of Linificio's workers, showing how they are distributed by gender, age group, geographical area, professional classification and type of contract at 31/12 of the respective years.

There is a strong female component in the workforce (78%), largely made up of spinners, experienced workers who give life to Linificio's yarns. The average age is relatively low, in fact, almost 60% of the employees are under 40 years of age. The factory with the most personnel is the one

in Tunisia, which accounts for more than 70% of the company's employees.

About 70 per cent of the contracts are permanent contracts, and 99.5 per cent of the employees are full-time employees.

AGE CLASSES	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
Under 30	n.	29	248	277	27	221	248
From 30 to 39	n.	79	209	288	74	238	312
From 40 to 49	n.	44	156	200	47	170	217
50 and Over 50	n.	60	95	155	62	108	170
Total	n.	212	708	920	210	737	947

GEOGRAPHICAL AREA	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
Italy	n.	16	15	31	17	16	33
Tunisia	n.	152	512	664	153	543	696
Lithuania	n.	44	181	225	40	178	218
Total	n.	212	708	920	210	737	947

FRAMING	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
Managers	n.	5	1	6	3	1	4
Quadri	n.	11	6	17	11	7	18
Employees	n.	36	17	53	32	23	55
Workers	n.	162	684	846	164	706	870
Total	n.	214	708	922	210	737	947

CONTRACTS	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
Unspecified	n.	189	501	690	181	474	655
Determined	n.	23	207	230	29	263	292
Apprenticeship	n.	0	0	0	0	0	0
Atypical*	n.	0	1	1	0	0	0
Total	n.	212	709	921	210	737	947
Full-Time	n.	211	704	915	209	734	943
Part-Time	n.	1	4	5	1	3	4
Total	n.	212	708	920	210	737	947

*Administration, project, internship.

LEVEL OF EDUCATION	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
Master's degree, PhD	n.	0	4	4	0	4	4
Degree	n.	26	20	46	10	30	40
Higher Diploma	n.	44	27	71	47	22	69
Middle school diploma	n.	123	564	687	135	592	727
Total	n.	193	615	808	192	648	840

As non-employee personnel, Linificio outsources some tasks such as concierge, waste collection, canteen service, company cleaning and routine maintenance.

NON-EMPLOYEE STAFF	Units of Measurement	2021			2022		
		Men	Women	Total	Men	Women	Total
External collaborators	n.	0	0	0	0	0	0
Self-employed workers	n.	1	2	3	1	2	3
Interims	n.	0	16	16	0	30	30
Total	n.	1	18	19	1	32	33

Corporate Welfare

The psycho-physical well-being of employees is a priority for Linificio, which invests in corporate welfare tools aimed at facilitating the work-life balance of its employees.



Time flexibility and Smart Working

Smart Working in offices, which was introduced more in the wake of the pandemic, is one of the tools, together with part-time hour flexibility, that Linificio deploys to meet the needs of its employees with the aim of better reconciling personal and working time.



Prizes and Bonuses

Among the many rewards that Linificio makes available to its employees to stimulate them in company activities are various productivity and seniority bonuses. Meal vouchers and transport vouchers are provided when there are no company catering services and free company transport. To support employees who apply, the company is also available to provide microloans. Further bonuses are then distributed on festive occasions, respecting the faiths and traditions of the different countries of the group. In Italy and Lithuania, food vouchers are distributed for Christmas and Easter, while in Tunisia vouchers are distributed on the occasion of the Feast of Sacrifice, *Aid El Idha*, and the feast for the end of Ramadan, *Eid Al-Fitr*.



Health and well-being

Linificio guarantees the health and wellbeing of its workers by protecting them, above and beyond the legal obligations. For this reason, every year the company provides the "Pink October" programme, i.e. a palpation check for the female workers to prevent breast cancer, which also includes a mammogram paid for by the company if the doctor suggests doing so. In addition, campaigns have been organised to raise awareness and prevent cervical cancer and colon cancer. Anti-COVID-19 vaccination campaigns were organised during the pandemic period for employees as well as artisan-supplier personnel, in addition to the still active option of requesting a flu vaccine. There are also initiatives aimed at physical well-being, such as sports activities for staff, or psychological well-being, such as projects on stress management.



Fun and cultural events

Linificio also promotes company outings, dedicated to its employees, and distributes tickets for attending cultural events at the theatre, exhibitions or the cinema.

Employment and turnover

In addition to guaranteeing the well-being of its employees, Linificio, as an innovative and avant-garde company, aspires to be an attractive pole for new talents in the sector. This is why it is committed to many initiatives dedicated to young high school and university graduates, to develop interesting career paths within the company.

On the *turnover side*, there is a clear improvement between 2021 and 2022, with a decrease of 9 percentage points due to the lower rate of employees leaving the company.

	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
Number of new hires	n.	24	246	270	31	230	261
Departed employees	n.	23	168	191	14	99	113
Total number of employees	n.	212	708	920	210	737	947
Rate of hiring new employees	%	11%	35%	29%	15%	31%	28%
Employee turnover rate	%	11%	24%	21%	7%	13%	12%



Diversity and Equal Opportunities

One of Linificio's objectives is to create a corporate culture that is inclusive and respectful of diversity. For this reason, in addition to promoting its code of ethics in the company, it has set up a box for anonymous reports in each of its offices to avoid any form of discrimination.

To protect equal opportunities and the right to parenthood, Linificio has a 100 per cent rate of female workers taking parental leave. Regarding wage inequality, there is still a *gap* in favour of male workers, except for the white-collar category, where wages in 2022 are very close to parity, in the others, work still needs to be done to reduce this gap.

	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
No. parental leave granted	n.	0	32	32	0	40	40
No. leave ended in the period	n.	0	23	23	0	31	31
Workers returning to work at the end of parental leave	n.	0	22	22	0	31	31
Return rate	%	0%	96%	96%	0%	100%	100%

MALE/FEMALE PAY RATIO BY CLASSIFICATION	2021				2022			
	Italy	Lithuania	Tunisia	Group	Italy	Lithuania	Tunisia	Group
RAL ratio - Cadres	-	0,63	-	0,63	-	0,58	-	0,58
RGA Report - Frameworks	-	0,59	-	0,59	-	0,44	-	0,44
RAL ratio - employees	0,85	-	-	0,85	0,92	-	1,05	0,99
RGA Report - Employees	0,82	-	1,01	0,91	0,87	-	0,98	0,92
RAL ratio - Workers	0,74	0,73	0,86	0,78	0,76	0,77	0,85	0,79
RGA Report - Workers	0,74	0,71	0,86	0,77	0,68	0,68	0,85	0,74

Security

The health and safety of employees is a subject that is very dear to Linificio, which, in addition to complying with all regulations in this area, has also equipped itself with additional voluntary instruments. First and foremost, the achievement for the Tunisian factory of the SA8000 voluntary certification, which proves socially correct behaviour towards the workers, including health and safety conditions.

In addition, the Tunisian branch has taken out group insurance to protect all staff, which provides reimbursement for illness (for the whole family) disability and death (for the employee only).

The values for absenteeism rates are physiological, given the type and organisation of work characterised by shifts and the high rate of female labour involving family commitments. The religious-cultural factor also influences this rate, particularly in Tunisia during the Ramadan period.

	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
Total accidents in the year	n.	19	94	113	10	21	31
Lost working days	n.	209	1000	1209	182	546	728
Accidents at work	n.	19	92	111	10	20	30
Accidents en route	n.	0	2	2	0	1	1
Accidents / total employees	%	8,88%	13,28%	12,26%	4,76%	2,85%	3,27%

OCCUPATIONAL HEALTH AND SAFETY TRAINING	U.m.	2021	2022
Hours of health and safety training	hours	235	259
Employees who participated in health and safety courses	n.	75	238
Health and safety training costs	thousands of €	7.998	8.671

OCCUPATIONAL HEALTH AND SAFETY INDICES	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
Number of days lost due to illness, injury (including first aid injuries), public duties, blood donation and other permits, disability, assemblies/strikes	n.	3.714	29.840	33.554	2.251	20.906	23.157
Theoretical working days	n.	58.786	192.865	251.651	45.581	139.835	177.113
Absenteeism rate	%	14,1%	29,7%	13,3%	4,9%	15,0%	13,1%
Accident rate	n.	51,41	96,84	56,13	27,42	18,77	21,88
Rate of lost working days (severity index)	n.	17,66	37,13	16,67	6,17	18,69	16,34
Accident rate at work	n.	51,41	90,74	55,14	27,42	17,88	21,17
Rate of commuting accidents	n.	0,00	1,30	0,99	0,00	0,89	0,71

Training and professional development

The continuous training of Linificio's workers is fundamental to guarantee the company's status of excellence in the sector, which is why every year employees are involved in professional refresher and skills development courses, such as computer courses, foreign language courses, management courses, courses on technical-operational skills, and courses on the environment and safety.

In particular, there is a lot of attention on environmental issues, there is a need to periodically update knowledge on revisions and updates of standards and certifications on environmental issues that characterise the raw materials processed.

A course to become Brand Ambassadors was held at Linificio's Italian headquarters last year, with

lectures and interactive workshops to enhance the company's uniqueness and make employees protagonists of the company's visibility.

As can be seen from the tables below, in 2022, more than 8,700 hours of training were carried out for employees, many of which were related to the European project on on-the-job training that covered the Lithuanian office.

This is continuous and constant training for staff, training that enables the efficient use of human resources and is directly linked to daily work functions. The company is investing in staff training to maximise the efficiency of the production process by improving theoretical and practical knowledge.

TRAINING HOURS BY PROFESSIONAL CLASSIFICATION	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
Managers	Hours	10	0	10	16	0	16
Quadri	Hours	118	92,5	210,5	80	100,5	180,5
Employees	Hours	59	145	204	176	160	336
Workers	Hours	193	2958	3151	262	7913,5	8175,5
Total	Hours	380	3195,5	3575,5	534	8174	8708

NUMBER OF PERSONS INVOLVED IN TRAINING ACTIVITIES BY OCCUPATIONAL CLASSIFICATION	U.m.	2021			2022		
		Men	Women	Total	Men	Women	Total
Managers	n.	1	0	1	2	0	2
Quadri	n.	10	4	14	9	4	13
Employees	n.	8	10	18	13	23	36
Workers	n.	24	22	46	50	50	100
Total	n.	43	36	79	74	77	151

TRAINING HOURS PROVIDED BY SUBJECT AREA	U.m.	2021	2022
Informatics	Hours	84	0
Economic and financial	Hours	16	5
Technical / operational	Hours	55	75
Managerial	Hours	80	96
Foreign Languages	Hours	207	197
Commercial	Hours	90	0
Security	Hours	235	259
Quality / Environment	Hours	0	22
More	Hours	2.808,5	8.110
Total	Hours	3.575,5	8.764

Community commitments

Since 1839, the Villa d'Almè plant has contributed to changing the standard of living of the inhabitants of the area, providing work for thousands of people, and promoting useful social activities to cope with the lack of welfare and social support at the time.

Over the years, the company's focus on generating a positive impact on the community in which it operates has not been lost, as confirmed by its decision to put this commitment into statute by becoming a Benefit Corporation.

Linificio believes that companies play an important role in the social, environmental and territorial fabric of the context in which they are located and that it is necessary to create virtuous circles of sustainable development, both to create value in the community and to be advocates of these values in the eyes of others.

Linificio has always had excellent relations with the players in the territory in which it operates, such as public administrations, trade unions, multi-utilities and control bodies. The company's ties with the territory are also realised through constant support to voluntary, sports and cultural associations, schools and communities.

MONETARY CONTRIBUTIONS BY TYPE OF STAKEHOLDER	U.m.	2021	2022
Voluntary associations	€	0	200
Sports associations	€	0	6.000
Trade Associations	€	860	860
Parishes	€	0	500
Hospital Foundations	€	1.550	850
Cultural Foundations	€	0	7.000
Humanitarian Associations	€	4.100	0
Total	€	6.510	15.410

Support for training and skills development

Linificio collaborates with various realities in the world of education, aware that it is useful for training and attracting new talent to the company, but also for the development of innovative research projects, capable of constantly improving processes and making its yarns more efficient.

There are many collaborations with Technical Institutes, Universities, and Academies of Fine Arts, where Linificio transmits knowledge about the world of linen and its spinning to young students, graduates and diploma holders, such as those accepted in 2022 for the UNIBG Master's degree in "Technologies and Processes of the Textile Production Chain". In-company training placements with the development of dissertations are also structured.

Also in 2022 Linificio shared its history and the sustainability and innovation actions taken at the EUROMA *Summer School* students. The same year, linen and hemp were donated to the Fashion Show Trame Terrestri Assisi for the young talents of the Italian Institute of Design in Perugia.

Lastly, in 2023, a project has been launched to involve the Villa d'Almè schools, which envisages the inclusion in the primary and secondary school curriculum of some moments with the Linificio, to acquaint the pupils with its production reality, its evolution in the area and the development of sustainable linen production and innovative materials. The educational meetings will be held between the Villa d'Almè premises of the Linificio, the Astino field and the students' classrooms.

Supporting Volunteering

Linificio does not fail to support voluntary associations, which pursue the good of the community.

Among these, in 2019, the charity auction '*Linen is art*' organised in collaboration with Il Cavaliere Giallo, Association of Friends of the Arts, in which the proceeds from the sale of copies on linen canvases of paintings from the Carrara Academy were donated to the social integration projects of Italian and foreign citizens of the Cooperativa Ruah of Bergamo. In 2021-2022, donations were made to the Italian Red Cross.

In 2022, on the other hand, the *Beepathnet Reloaded 2022* project was supported, which envisaged the involvement of residents of the Bergamo area and various territorial realities to promote sustainable city management through urban beekeeping. In addition, a donation was made to the voluntary association Anteras, which supports children and adolescents with relational, emotional, personal and educational problems.

One of the projects with social impact that Linificio cares most about is undoubtedly **LenzuLino**. Since 2021, Linificio e Canapificio Nazionale, together with its partners Terre de Lin and Lanerossi, has devised a project in collaboration with The Circle Italia Onlus for a charitable Capsule Collection. **LenzuLino** is a limited edition of sheets and pillowcases made of the highest quality linen, using ancient techniques and respect for the material and the environment. The fundraising linked to the sale of sheets and pillowcases for cots is destined for children with heart disease in the world, through A.I.C.I. Onlus and Fondazione Francesca Rava N.P.H. Italia Onlus, which take care of activities and initiatives aimed at protecting children with heart disease and their families.

Support for Art and Culture

The history of linen shows a strong connection between this fibre and the world of art and culture, Linificio therefore seeks to celebrate this connection by passing on traditions and inspiring artistic innovations.

Two editions of the cultural event 'Il lino si racconta', on the history of linen and its spinning, were held in 2018 and 2019. Linificio also supported several popular events with its linen such as TEDxBergamo, TEDxItalian Gathering Trento and TEDxRomaWeekend. In addition, some Italian and German SMEs from the 'Greening for Good' project were welcomed to the company in 2022 to talk about sustainability and the circular economy.

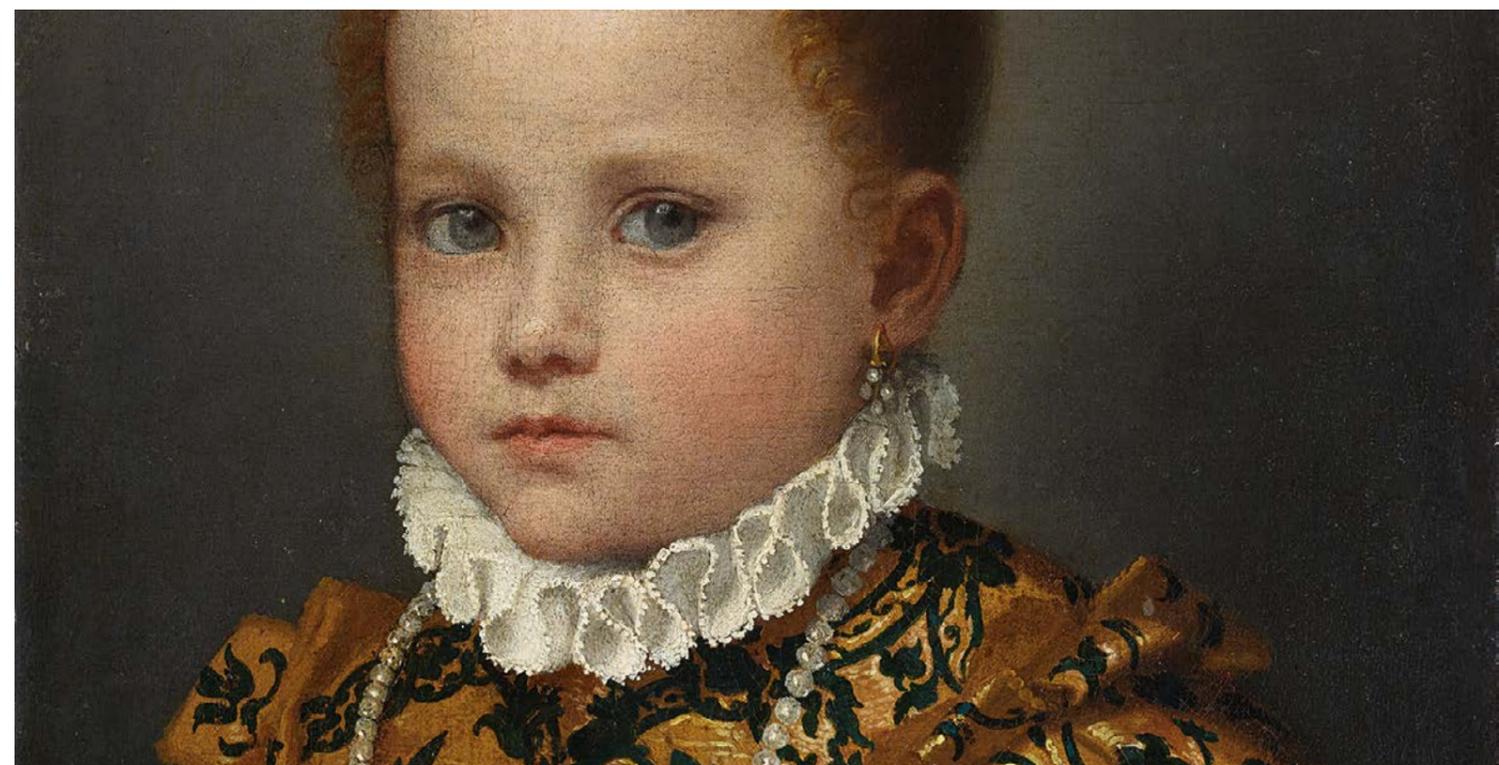
One of the most prestigious projects followed by Linificio is the reproduction of the Holy Shroud, which combines faith, devotion and tradition. The project was realised thanks to a network of Italian textile excellences, in which Linificio took care of the identification of the suitable seed, the EDEN variety, and together with Terre de Lin, of the spinning of linen for warp and weft. In 2020, the cultivation of flax began in Val Gandino, which was then spun in 2021. The result is a scrupulous reproduction of the Holy Shroud, which was exhibited in the Museum of the Holy Bible in Washington in 2022.

From antiquity into the future

In 2022 Linificio was the protagonist of artistic projects under the banner of sustainability. The first is the FIAF national photographic project, in which Linificio supported the photographer Irene Vitrano, who participated in the event with *Undress Code*, a photographic journey that recounts the circular alternatives to the unbridled consumerism of fashion and in which linen production has a prominent place.

The second is POSThome. From 30 May until 12 June 2022, the installation *Light as clouds*, designed by *THIRTYONE design + Management*, was placed on the balcony of POSThome, an innovative concept of domestic space in the heart of Milan during Milan Design Week.

POSThome wants to be a living model that puts sustainability first, choosing environmentally friendly products such as the linen used to cover the bed in the area or furnish the rooms with cushions. Realised thanks to the collaboration of Linificio e Canapificio Nazionale and Kuku International Packaging, the cloud symbolises the possibilities that open up by imagining in terms of a drastic reduction of the footprint on the planet and reflecting on the ability of design and creativity to embrace the concept of environmental sustainability.



Sustainable fashion

Linificio is a promoter of a new way of creating fashion, collaborating with designers who elevate the properties of linen into top-class collections that do not fail to highlight the sustainability aspects of this material or highlight social and cultural issues.

In 2021, linen was donated to the designer Zineb Hazim, who participated in Milan Fashion Week with her collection for the Muslim businesswoman. While the following year, yarn was produced for the young designer Marion Lacroix- Desmazes, in the *Feel the Yarn* competition dedicated to sustainable fashion.

Berlin Fashion Week 2022 saw the creation of the yarn for the collection of the young designer Gabriela Lopes. The yarn Art. Ice Nm 39 was used by the designer for her NEO.FASHION project. Inspired by Brazil's indigenous peoples, the development of this collection is a symbiosis of cultural heritage and textile design. All the textile surfaces used are made from selected natural yarns (100% linen and cotton). All knitted fabrics were knitted to the exact size of the pattern so as not to produce any waste (*Fully Fashioned / Zero Waste*).

Supporting sports teams

Linificio deeply believes in the educational value that sport has, which is why it is also present in the area through sponsorship of various sports entities.

In 2022, the company sponsored the Lussana Basket basketball team in Bergamo, a club that is very attentive to the needs of the world of youth, children and their families. Linificio supports the importance of sport in the growth path of young people to make them become more confident, develop self-esteem, learn *fair play* and how to deal with successes and failures.

Also in the same year, the association of *made-in-Italy* excellence with Scuderia Baldini was confirmed through the sponsorship of driver Stefano Gai in the Italian Gran Turismo Sprint Championship. The Ferrari driver has achieved great things, as have Linificio and Canapificio Nazionale, which never sets limits on producing innovative solutions.

New 2023 ESG Sustainability Targets of Linificio e Canapificio Nazionale

ESG AREA	LINIFICIO'S 2023 TARGETS FOR THE SDGS	UN SDGS
GOVERNANCE	• Publication of the first Sustainability Report	
	• Obtaining B Corp Certification	
	• Participation in regional, national and European Commission-sponsored projects financing programmes for innovation, Industry 4.0, biotech, circular economy and applications in the composite materials sector, especially for hemp.	
ENVIRONMENT	• Organisation Water Footprint Analysis	
	• Agrovoltaic project: study to assess whether the ecosystem beneath moving solar panels could be optimal for obtaining quality flax fibre	
	• <i>PannoLino</i> : continuation of the research project on non-woven linen laminates to replace part of the nappy product by making it more sustainable and possibly compostable	
	• Conclusion of the European Linen Life Cycle Strategy Study carried out according to the Product Environmental Footprint (PEF) method.	
	• Adoption of the ZDHC protocol for chemicals management in plants.	
	• Continuation of the Flax of Italy project, increasing the cultivation area to 30-35 hectares in the Italian regions.	
	• Organisation Carbon Footprint Analysis on 2023	
• Support to Marevivo for the 'Reti Fantasma' project for the recovery of fishing gear and nets abandoned or accidentally lost on the seabed in Tuscany 2022-2023		
• Planting of 1000 trees in Sila National Park to protect biodiversity and offset 22 tonnes of CO ₂ per tree 2023		
SOCIAL	• Continue with the educational project with the schools of Villa d'Almè to acquaint the pupils with the reality of the Linen Mill and the development of sustainable flax production	
	• Greater involvement and support for local communities through active participation in cultural, social and environmental promotion initiatives • Donation of textile material to the Estensi Galleries, an autonomous institute of the Ministry of Culture, are to create a permanent exhibition in the Ducal Palace in Sassuolo (Modena)	

Methodological Note and GRI Standards Index

Training support and skills development

The aim of the 1st Linificio Sustainability Report is to inform the company's Stakeholders about the environmental, social, economic and governance sustainability profile of the company through qualitative and quantitative information.

The reporting scope of the data and information contained in the Report refers to Linificio e Canapificio Nazionale S.r.l Benefit and its subsidiaries, unless otherwise specified, and reports information for the year 2022.

The information for the reporting period is the responsibility of the company and is compared with that of the previous year, when available, in order to show information on performance trends over time.

In preparing the Report, reference was made to data and information collected directly from the company, based on indicators and reporting methods consistent with the main international sustainability reporting standards and referring to the GRI Reporting Standards (Approach With Reference To).

For the calculation of Added Value, the reference adopted is that indicated by GBS (Gruppo Bilancio Sociale).

Within the document, reference was made to the United Nations Sustainable Development Goals (SDGs) as an international sustainability framework in relation to the actions carried out and commitments made by Linificio.

The Sustainability Report was approved by the Board of Directors in March. For information on this Report, please contact: info@linificio.it

Technical support for implementation of the Sustainability Report and Stakeholder Engagement:

Focus Lab srl Benefit - B Corp certified

GRI Standard	Information	Title of Information	Page
ORGANISATIONAL AND GOVERNANCE ASPECTS			
GRI 2: General Disclosures 2021	2-1	Organisational details	Pg. 11 (Our Locations)
	2-2	Entities included in the organisation's sustainability reporting	Pg. 62 (Methodological Note)
	2-3	Reporting period, frequency and point of contact	Pg. 62 (Methodological Note)
	2-4	Review of information	Pg. 62 (Methodological Note)
	2-5	External Assurance	Document not subject to external assurance
	2-6	Activities, value chain and other business relationships	Pg. 11, 39 (Our Locations, Raw Materials)
	2-7	Employees	Pg. 47 (Our people)
	2-8	Non-employees	Pg. 47 (Our people)
	2-9	Governance structure and composition	Pg. 11 (Company structure and org.)
	2-10	Appointment and selection of the highest governing body	Pg. 11 (Company structure and org.)
	2-11	President of the highest governing body	Pg. 11 (Company structure and org.)
	2-12	Role of the highest governing body in impact management control	Pg. 11 (Company structure and org.)
	2-13	Delegation of responsibility for impact management	Impact management is delegated to the single technical director for all three plants, who manages the data received from each plant manager at each site and coordinates the activities of other impact managers (division managers).
	2-14	Role of the highest governing body in sustainability reporting	Pg. 62 (Methodological Note)
	2-15	Conflicts of interest	Pg. 11 (Company structure and org.)
	2-16	Communication of criticalities	Pg. 13 (Stakehold involvement)
	2-17	Collective knowledge of the highest governing body	Board members are directly involved in the research and development of projects related to sustainable development, so the increase in awareness and information comes from actions undertaken in the field, and some board members are often present at events and conferences whose main themes are precisely those of environmental respect and sustainable development.
	2-18	Performance evaluation of the highest governing body	Information not available
	2-19	Rules concerning remuneration	Remuneration is regulated by an executive committee.
	2-20	Procedure for determining remuneration	Remuneration is regulated by an executive committee.
	2-21	Annual total remuneration ratio	he ratio of the annual total remuneration of the highest paid person to the average annual total remuneration of all employees is 4.
	2-22	Sustainable Development Strategy Statement	Pg. 4 (Letter to Stakeholders)
	2-23	Policy commitment	Pg. 12, 17 (Code of Ethics, Benefit Corporation, Certifications)
	2-24	Integration of policy commitments	Pg. 12, 17 (Code of Ethics, Benefit Corporation, Certifications)
	2-25	Processes to remedy negative impacts	Pg. 19 (The Material Issues of Sustainability)
	2-26	Mechanisms for requesting clarification and raising concerns	Pg. 19 (The Material Issues of Sustainability)
	2-27	Compliance with laws and regulations	No non-compliance
	2-28	Membership of associations	Pg. 13 (Stakehold involvement)
	2-29	Approach to stakeholder engagement	Pg. 13 (Stakehold involvement)
	2-30	Collective agreements	100% employees under collective agreements
GRI 3: Material Topics 2021	3-1	Process of determining material topics	Pg. 19 (The Material Issues of Sustainability)
	3-2	List of material topics	Pg. 19 (The Material Issues of Sustainability)
	3-3	Management of material themes	Pg. 19 (The Material Issues of Sustainability)
Autonomous information	Non GRI	Sustainability Action List SDGs 2021- 2022	Pg. 23 (Our Commitments to Sustainable Development Goals)
	Non GRI	Defining new sustainability targets for 2023	Pg. 61 (New Sustainability Targets)

GRI Standard	Information	Title of Information	Page
ECONOMIC SUSTAINABILITY			
GRI 201: Economic performance	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	201-1	Directly generated and distributed economic value	Pg. 33 (Trend)
GRI 204: Procurement practices	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	204-1	Proportion of spending on local suppliers	Pg. 39 (Raw materials)
Autonomous information	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	Non-GRI disclosure	Basic economic and financial indicators	Pg. 33 (Trend)
ENVIRONMENTAL SUSTAINABILITY			
GRI 301: Materials	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	301-1	Materials used by weight and volume	Pg. 39 (Raw materials)
	301-2	Materials used that come from recycling	Pg. 39 (Raw materials)
GRI 302: Energy	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	302-1	Energy consumed within the organisation	Pg. 42 (Energy Management)
	302-3	Energy intensity	Pg. 42 (Energy Management)
GRI 303: Water	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	303-2	Management of impacts related to water discharge	Pg. 45 (Water Savings)
	303-3	Water withdrawal	Pg. 45 (Water Savings)
	303-4	Water drainage	Pg. 45 (Water Savings)
GRI 305: Emissions	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	305-1	Direct greenhouse gas emissions (Scope 1)	Pg. 43 (Organisation Carbon Footprint)
	305-2	Greenhouse gas emissions for energy production (Scope 2)	Pg. 43 (Organisation Carbon Footprint)
	305-4	Intensity of GHG emissions	Pg. 43 (Organisation Carbon Footprint)
GRI 306: Discharges and waste	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	306-2	Waste by type and disposal method	Pg. 44 (Waste Management and Recovery)
	306-3	Waste generated	Pg. 44 (Waste Management and Recovery)
	306-5	Waste for Disposal	Pg. 44 (Waste Management and Recovery)
GRI 307: Ethics and compliance	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	307-1	Non-compliance with environmental laws and regulations	No non-compliance

GRI Standard	Information	Title of Information	Page
SOCIAL SUSTAINABILITY			
GRI 401: Employment	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	401-1	Recruitment rate and staff turnover	Pg. 51 (Employment and Turnover)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pg. 50 (Corporate Welfare)
	401-3	Parental leave	Pg. 52 (Diversity and Equal Opportunities)
GRI 403: Occupational Health and Safety	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	403-1	Occupational Health and Safety Management System	Pg. 53 (Security)
	403-9	Accidents at work	Pg. 53 (Security)
GRI 404: Training and education	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	404-1	Average annual training hours per employee	Pg. 54 (Training and Professional Development)
	404-2	Employee skills upgrading and transition assistance programmes	Pg. 54 (Training and Professional Development)
GRI 405: Diversity and equal opportunities	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	405-1	Diversity in governing bodies and among employees	Pg. 47 (Our people)
	405-2	Ratio of basic salary and pay of women to men	Pg. 52 (Diversity and Equal Opportunities)
GRI 413: Local Communities	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	413-1	Areas of operation with implementation of local community engagement, impact assessment and development programmes	Pg. 57 (Commitments to the community)
GRI 417: Marketing and labelling	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	417-1	Information and labelling requirements for products and services	No non-compliance
	417-2	Incidents of non-compliance with regard to information and labelling of products and services	No non-compliance
Autonomous information	3-3	Management of material themes	Pg. 19 (The material themes of Sost.)
	Non-GRI disclosure	Customer Satisfaction Evaluation	Pg. 37 (Customers)

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Linen is one of the world's premium fibres in terms of sustainability and performance.

Linificio e Canapificio Nazionale SB enhances every aspect of linen thanks to its experience, knowledge and passion, turning it into a product of exquisite quality and beauty.

Certified



This company meets high standards of social and environmental impact.

Corporation



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Linificio e Canapificio Nazionale S.r.l. - Società Benefit

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