

Stefano Canali
Chief Executive Officer
Canali S.P.A.
Via Lombardia, 17/19
20845 Sovico (MB)
Italy

August 18, 2023

RE: Canali's business operations in Russia

Dear Mr. Canali,

We write to you as [B4Ukraine](#), a coalition of Ukrainian and international civil society organizations working to curtail the financial resources enabling the Russian invasion of Ukraine. In the spirit of respect for the fundamental rights of all people, the rules-based international order, and a prosperous global economy, we expect companies to demonstrate public support for the people, democracy, and territorial integrity of Ukraine, opposition to Russia's war of aggression, and alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).

We request an urgent dialogue regarding potential inconsistencies between Canali's obligations under international humanitarian and human rights law and the company's ongoing business operations and relationships in Russia that may contribute to, or be linked with, human rights harms. We are also writing to **enquire about Canali's actions that may be in breach of internationally imposed sanctions.**

We are writing to formally notify Canali on the serious and increasing risks the company faces by continuing its operations with Russia that may amount to complicity in human rights abuses committed by Russia¹ and to urge Canali to:

- Immediately cease all operations and presence in Russia and completely exit the Russian market.
- Refrain from any future business, trade, or investment in Russia until Russia ends its war in Ukraine, territorial integrity of Ukraine is restored, and accountability imposed for war crimes and the destruction of Ukrainian infrastructure and property.
- Establish and implement comprehensive human rights due diligence measures for any responsible exit from or re-engagement with Russia.

It has been over one year since Russia invaded Ukraine and the devastating impacts continue to shock the global conscience and shake the global economy. Russia is violating international humanitarian law (IHL), including war crimes and crimes against humanity, through attacks on civilians and civilian infrastructure (e.g., mass executions, sexual violence, torture, forcible transfer of civilians). More than 25,000 Ukrainians have been killed and injured and millions more have been forced to flee their homes, creating one of the largest humanitarian and refugee crises of modern

¹ Andrew Clapham and Scott Jerbi, "Categories of Corporate Complicity in Human Rights Abuses," March 21-22, 2001, <https://media.business-humanrights.org/media/documents/files/reports-and-materials/Clapham-Jerbi-paper.htm> (accessed May 4, 2023).

times. In recognition of the severity of abuses, in March 2023 the International Criminal Court issued an arrest warrant for Vladimir Putin to answer war crimes charges for an alleged scheme to deport Ukrainian children to Russia.²

Moreover, as outlined below, recent developments in Russia point to an expanding universe of financial, legal, and reputational risks facing remaining companies.

Firms which continue to trade with Russia also face high levels of risk attached to financial transactions. On 24 February 2023, the Financial Action Task Force (FATF) suspended Russia's membership as a result of the war, calling on all actors in the international financial system to exercise extreme caution in all dealings with Russia.³ In practice, the decision means that all international banks will scrutinise all Russian payments, making financial transactions more expensive, lengthy, with no guarantee that the transaction will occur at all.⁴ Although FATF has not yet blacklisted Russia, it highlighted the consensus among its 36 member countries that "the Russian federation's actions represent a gross violation of the commitment to international cooperation upon which FATF Members have agreed to implement and support the FATF Standards."⁵ Previous practice shows that noncooperative behaviour is one of the reasons for FATF blacklisting.

A recent report shows that Russia poses a "real threat to global financial integrity, as well as to national security more broadly."⁶ Additionally, the revelation by the Russian president confirming that the internationally recognized transnational criminal organization known as the "Wagner Group" is funded by the Russian government has brought to light a range of alarming risks related to money laundering, terrorist financing, and other financial crimes for businesses involved in or working with Russia.⁷ It is now a distinct possibility that businesses continuing to trade with Russia may be providing financial support to the Wagner Group, a notorious paramilitary organization.

Additionally, the Ukrainian government's [National Agency on Corruption Prevention](#) (NACP) has created a list of "foreign companies that, despite the international recognition of Russia as the aggressor state and the introduced sanctions restrictions, continue to cooperate with it."⁸ These companies are recognised as "international sponsors of war" by the Ukrainian state. The listed entities will be included into the World-Check database to protect the global financial sector from Russian sponsors of war. Since banks and insurance companies use World-check to assess risks, companies on the list will be limited in freely accessing personal and corporate finances. So far there are 24 companies on the list, but the NACP notes that it will be expanded with "international

² International Criminal Court, "Situation in Ukraine: ICC judges issue arrest warrants against Vladimir Vladimirovich Putin and Maria Alekseyevna Lvova-Belova," March 17, 2023, <https://www.icc-cpi.int/news/situation-ukraine-icc-judges-issue-arrest-warrants-against-vladimir-vladimirovich-putin-and> (accessed March 22, 2023).

³ FATF, "FATF Statement on the Russian Federation," February 24, 2023, <https://www.fatf-gafi.org/en/publications/Fatfgeneral/fatf-statement-russian-federation.html> (accessed March 14, 2023).

⁴ Liudmyla Sliptsova, "Russia's membership in the FATF suspended. What does this mean and how ruinous is this for the aggressor's economy?," *Mind*, February 27, 2023, <https://mind.ua/en/publications/20253993-russias-membership-in-the-fatf-suspended-what-does-this-mean-and-how-ruinous-is-this-for-the-aggre> (accessed March 14, 2023).

⁵ FATF (n 7).

⁶ Themis, "Russia; Country Risk Report," June 2023, <https://themisservices.co.uk/country-risk-report-russia> (accessed June 26, 2023).

⁷ Telegram, "Встреча Путина с военными и его заявления по поводу ЧВК "Вагнер," June 27, 2023, https://t.me/rian_ru/207202 (accessed July 3, 2023).

⁸ NACP, "International Sponsors of War," <https://sanctions.nazk.gov.ua/en/boycott/> (accessed February 6, 2023).

companies that provide the public and private sector with goods and services of critical purpose, as well as [those that] contribute to the Russian budget.”⁹

In response to this unprovoked and unjustified war¹⁰ many companies have already left Russia. According to the Kyiv School of Economics Institute's #LeaveRussia [company tracker](#), Canali has decided to stay and continue its operations in Russia.

The analysis of customs data **raises concerns regarding potential violations of sanctions that prohibit the export of luxury goods to Russia**. As you are aware, Article 3h of Regulation (EU) No 833/2014 as amended by Regulation (EU) 2022/428 prohibits the sale, supply, transfer or export, directly or indirectly, of luxury goods. The regulations determine luxury goods to be items whose individual value exceeds €300 based on the statistical value of the goods in the export declaration. The statistical value is defined as the price actually paid or payable for the exported goods, excluding arbitrary or fictitious values.

Canali suits are sold in the US for approximately \$1600.¹¹ Before the introduction of sanctions and the €300 ceiling, the declared values were clustered around \$600, which is consistent with the suits' retail prices. None of the shipments were valued under \$400. However, after the imposition of the €300 regulation, Canali's suits' declared values in Russia dropped to around \$300.¹² The suits can be purchased in Russia for approximately ₺130,000, equivalent to €1300.¹³

Russian customs data shows that Canali continues direct and indirect exports to Russia, with the quantity of goods in February 2023 exceeding the pre-invasion levels.¹⁴ In the beginning of 2023, the shipments were mostly direct and by dollar value have not quite reached the pre-invasion levels. The data shows that Canali drastically reduced the declared value of its suits. Comparing the declared value of products to those exported to Kazakhstan, where the value remains at the expected \$600 mark, the change in declaration seems to be linked only to Russia.

This information propels us to raise the questions:

What caused the sudden change in the declared value of Canali's products exported to Russia? How does Canali explain the change in declared value that is linked specifically to its exports to Russia?

Can Canali confirm, without a doubt, that it is in compliance with the internationally imposed sanctions regime?

How does Canali comment the increased exports of its products into Russia, an aggressor state waging illegal war, at a time when other companies are exiting the Russian market so as not to be even remotely connected to Russia's violations of international human rights and humanitarian law and the Putin regime's war crimes and crimes against humanity?

⁹ NACP, "Companies from the NACP list of "International Sponsors of War" are now in the World-check database, used worldwide for reviewing counterparties," September 7, 2022, <https://nazk.gov.ua/en/news/companies-from-the-nacp-list-of-international-sponsors-of-war-are-now-in-the-world-check-database-used-worldwide-for-reviewing-counterparties/?hilite=sponsor+of+war> (accessed February 6, 2023).

¹⁰ The UN General Assembly condemned Russia's "aggression against Ukraine" and demanded that Moscow "unconditionally withdraw all of its military forces from the territory of Ukraine within its internationally recognized borders."

¹¹ Canali US, <https://us.canali.com/clothing/suits> (accessed August 18, 2023).

¹² Squeezing Putin, "Man Suits Exports into Russia," <https://squeezingputin.com/support.html#Suits16Jul23> (accessed August 18, 2023). Referred figures expressed in graphs available on the link.

¹³ Tsum.ru, <https://www.tsum.ru/catalog/men-kostyumy-19363/?brand=827994> (accessed August 18, 2023).

¹⁴ Squeezing Putin (n 12).

These activities in Russia risk enabling and financing Russia's violations of IHL and human rights law during the ongoing invasion and occupation of Ukraine.

We seek to understand the status of Canali's exposure to Russia and how Canali has conducted and continues to conduct heightened human rights due diligence, and how the findings of such a process have resulted in these continued business activities and relationships. As noted by the UNGPs:

...the more severe the abuse, the more quickly the enterprise will need to see change before it takes a decision on whether it should end the relationship. In any case, for as long as the abuse continues and the enterprise remains in the relationship, it should be able to demonstrate its own ongoing efforts to mitigate the impact and be prepared to accept any consequences – reputational, financial or legal – of the continuing connection.

In consideration of the above points and B4Ukraine's [Declaration](#), we request an urgent dialogue with Canali's relevant senior management and staff to discuss the company's ongoing activities and relationships in Russia and the associated risks to the people of Ukraine and the company. Please contact the B4Ukraine Coalition at contact@b4ukraine.org to schedule a call. We kindly ask for your response by 5:00pm CET, September 1st, 2023.

Sincerely,

The B4Ukraine Coalition