



Non Financial Report
(pursuant to Legislative Decree No. 254 of 2016)

2022

AQUAFIL 
synthetic fibres and polymers

Index

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METHODOLOGICAL NOTE

(GRI 2-2:2021; 2-3:2021; 2-4:2021; 2-5:2021; 2-14:2021)

This document contains the “Consolidated Non-Financial Report” (hereinafter also referred to as the “Non-Financial Report” and “Report”) drafted by Aquafil in compliance with Legislative Decree No. 254 of 2016.

The Statement was drafted with reference to the GRI Standards, drawing on the requirements of GRI 3 - Material Topics. As there is no Sector Standard currently applicable to the Aquafil Group, we have independently identified and reported on material topics using the GRI 3 “Material Topics” framework and the Specific Standards applicable to each material topic. A detailed list of indicators is shown in the appended Contents.

In 2022, we updated our materiality analysis to comply with the changes introduced by the GRI and to monitor the response of the Group and its stakeholders to the evolving market landscape. The process confirmed the relevance of previously identified material topics, demonstrating the robustness of our analysis and our ability to identify topics that truly reflect the main impacts of the Group's operations.

The information and data in this document refer to the year 2022. The data are accompanied by figures from the previous four financial years (2018-2021) to offer a more comprehensive overview of trends over time.

As in the previous year, the Report presents the Group's environmental sustainability goals for the coming years, together with an update on their progress in 2022. In addition, it includes a new section on the Taxonomy, which is governed by EU Regulation 2020/852, listing activities that are eligible and aligned with the requirements described in that Regulation.

The reporting scope of this Report (more details of which can be found in paragraph 1.3) includes all Group companies that are fully consolidated and have production plants, with the exception of: i) Aquafil Chile, which was recently acquired and is not yet operational, ii) Aquafil Japan, as it does not have any on-site staff, and iii) Nofir, as it was acquired with a minority holding. In line with previous reports, all consolidated trading and service companies with exclusively administrative and market oversight functions are also excluded from the scope.

Unlike previous years, the company Aquafil Carpet Recycling ACR#2 has been partially excluded from the reporting scope, as it was wound down in 2022. Meanwhile, the company Aquafil Carpet Collection LLC, previously only included for social topics, has been fully included. Environmental information is not yet available for the reporting scope. As a result, the quantities of raw materials used and the waste produced are estimated on the basis of data from the Aquafil SLO Ajdovščina plant, which has similarities in terms of its production processes. In fact, that plant shares the same stages of collecting and sorting waste to be sent to the ECONYL regeneration system with the Aquafil LLC plants®, though the Ajdovščina plant then also has later stages of the process. Estimates were made considering only the process steps that the two plants have in common; for waste quantities, the percentage of waste produced in the Ajdovščina plant was calculated and the same percentage was applied to the Aquafil LLC plants®. For raw materials, the quantity was calculated as the sum of the output quantity and the quantity of waste obtained from the above percentage.

The indicators influenced by these estimates are those relating to raw material consumption included in GRI 301-1 and those regarding waste generation included in GRI 306-3.

We have estimated the water consumption data for two of the four Aquafil LLC plants based on the consumption of the other two plants, as no specific data were available. Consumption data from the facilities where these were available were therefore also used for the facilities where they were missing, since they are comparable in terms of the processes taking place there. For this type of data, the indicators influenced by the estimates are those included in GRI 303-3 and 303-4.

While GRI 306-4 and 306-5 are not reported, information on the destinations to which waste generated by the Group is sent has been included (Table 26 and Table 27). This information was obtained from the documentation that allows waste to be tracked in the various countries where the Group operates (in Italy, see the MUD and the “*Quarta Copia*” of the Waste Form). Given that the current organisation of the waste management system at the national level does not allow for systematic tracking that “follows” the waste through the successive stages of its treatment, it was decided to report the data made available from these documents, ensuring the greatest possible transparency given the availability of information.

Given the availability of new and more updated information about the emission factors for the reported years, in 2022 the Aquafil Group has recalculated its GHG emissions in order to provide a more precise and trend comparable accounting (GRI 305-1 and 305-2). The Consolidated Non-Financial Report is audited internally by the Board of Statutory Auditors and Executive Officer for Financial Reporting and is approved by the Board of Directors of the Group. It is also subject to limited audit by the independent third party PricewaterhouseCoopers S.p.A., according to the principles and indications of the “International Auditing and Assurance Standard Board (IAASB)”.

For additional information on the contents of this report, please contact Aquafil by sending an e-mail to: info@aquafil.com

DATA COLLECTION AND PROCESSING METHODS

Aquafil's annual Non-Financial Report makes reference to the Global Reporting Initiative's international reporting standards (GRI Standards), which ensure that this document contains all of the data and information required for full and transparent communication with readers.

Aquafil has been equipped with a customised software platform since 2012. This "Sustainability web tool" (hereinafter the "tool") seeks to facilitate and standardise data collection at all Group production plants.

Apart from the fact that it is an integral part of the Company's management methods, the tool facilitates the analysis and communication of results, both at individual plant level and Group level; each plant can access it through a link by adding dedicated credentials and can view the questionnaires for data collection and the results expressed through specific indicators (KPIs).

The tool is divided into two distinct sections. The first section covers the collection of data on social topics (e.g. human resources and injuries), while the second section is dedicated to environmental topics (energy consumption, water, and waste production, etc.). The tool is the main source of data for this document.

Data is collected on a monthly and/or six-monthly basis depending on the type of information and its characteristics. For example, each plant inputs data on its consumption of raw materials, energy, and water, etc., into the system once a month, while data on waste generated, air and water emissions, packaging, transport used, and social topics are inputted twice a year.

The reliability of the results obtained from the tool is guaranteed by various control levels both internally, at company level, and externally, through third-party audits.

Specifically:

- data entered in the tool on a monthly and half-yearly basis are subject to two successive controls carried out by persons with defined roles within the management system (Table 1)
- the reliability and accuracy of results and correct processing of entered data is guaranteed by an independent third-party audit conducted by DNV GL¹, which has issued a certificate downloadable from the tool's login page (http://www.aquafilcsrtool.com/social/images/Aquafil_Data_collection_tool_Assurance_Statement_2023_01_13.pdf).

Table 1: Levels of control of data input into the Sustainability Web Tool

Levels of input/control	Company role	Platform role
Platform data input	Environmental management officer/facility controller	PLANT user, responsible for data entry
First level of control	Plant manager	PLANT MANAGER user, responsible for input data control and validation
Second level of control	The Sustainability Steering Committee's Environmental Working Group, based at the Ljubljana plant	ADMINISTRATOR user, responsible for the entire data collection system, data validation and verification and control of Group indicator trends

Several changes were made to the environmental and social sections of the tool in 2022 to align data collection methods with the latest updates to the GRI Standards, and to improve the overall quality of the data collected. As such, some of the indicators in this Non-Financial Report are presented in a different format compared to previous years. Amendments of this kind are made periodically with a view to continuous improvement.

¹ <https://www.dnvgl.it/assurance/index.html>



CHAIRPERSON'S LETTER

(GRI 2-22:2021)

In 2022, a series of tumultuous events shook the world and brought it to the brink. The tragic outbreak of the conflict in Ukraine was the first of these events, leading to an energy crisis and critical and sudden disruptions in supply chains. Aside from the immense human suffering, these events have also had a negative impact on global sustainability efforts, as the shortage of natural gas has resulted in the resurgence of coal burning.

Nevertheless, there is still room for optimism. The industry has reached a critical turning point amid the geopolitical turmoil. In March 2022, the European Commission introduced a dedicated strategy for sustainable and circular textiles. This strategy includes concrete actions that seek to ensure that by 2030, products are "durable, repairable and recyclable, to a great extent made of recycled fibres, free of hazardous substances, produced in respect of social rights and the environment".

The new legislation establishes a clear direction for the future of the textile industry, which aligns with the path pursued by Aquafil over these past two decades. The Group's vision is founded upon the fundamental pillars of eco-design, transparency, and action to counter greenwashing.

The Born R2R project, which involves many of our carpet industry customers, is an example of how we are thinking about future products from an eco-design perspective. The goal is to ensure these products can be fully disassembled and recycled at the end of life.

The Group reached several important milestones in 2022. We joined the United Nations Global Compact, successfully launched our first pre-industrial scale bio-nylon production plant, and committed to estimating Scope 3 emissions, reflecting our ambitious targets.

The takeaway from this tumultuous year is that our sustainability efforts have persevered despite the challenges we have faced. In fact, if anything, we are even more motivated to take prompt action.



1. OPERATIONAL MODEL

In line with the reporting scope, this Non-Financial Report (NFR) presents information on the Aquafil Group's structure, governance, product areas, markets served, and the value chain.

1.1. The Aquafil Group

(GRI 2-1:2021; 2-6:2021)

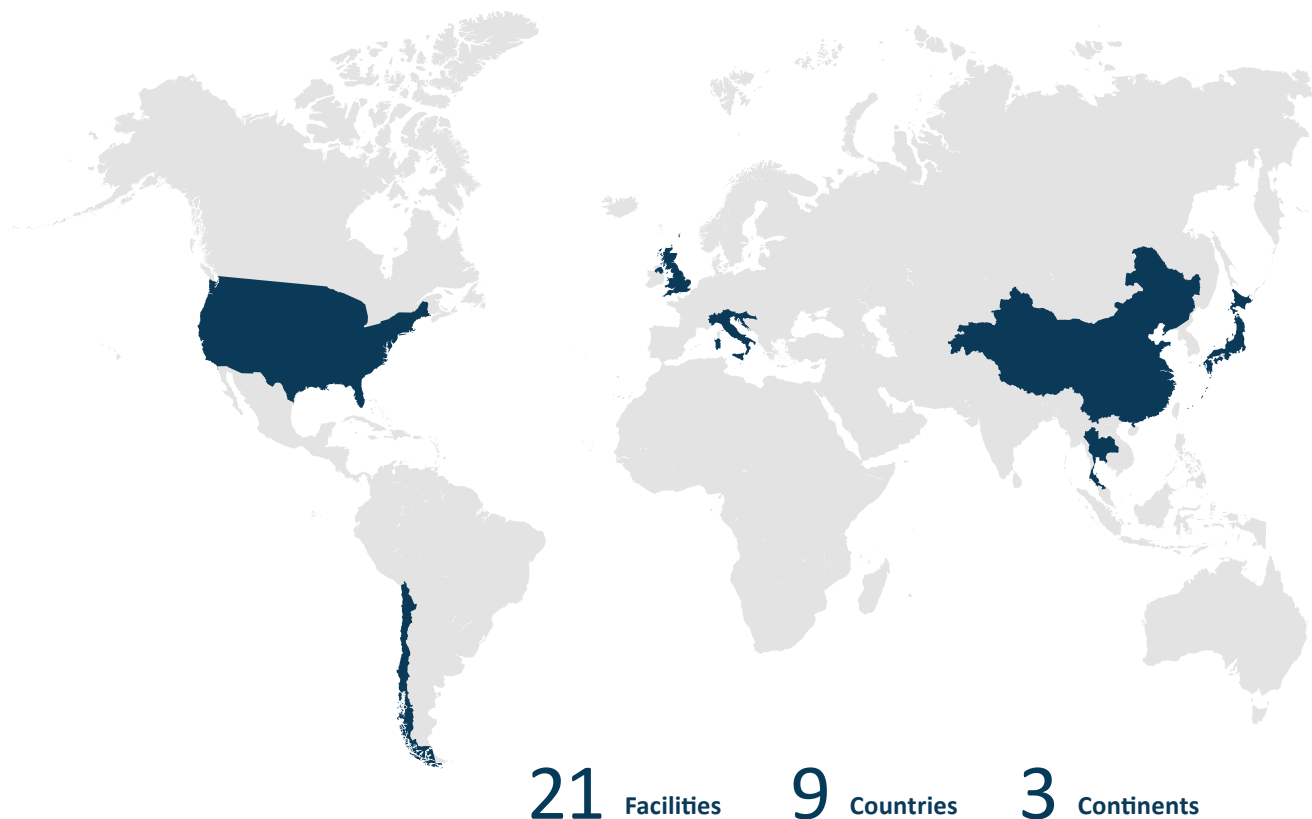
Aquafil S.p.A. was founded in Arco (Italy) in 1965, where its registered office and beating heart are still located to this day. At December 31, 2022, the Group has 20 production plants and one logistics hub in nine countries (Italy, Slovenia, UK, Croatia, USA, China, Thailand, Japan, and Chile) across three continents. (Figure 1)

Aquafil's consolidated position as a manufacturer of synthetic fibres, particularly polyamide 6, has established the Group as an important point of reference, leading to steady growth in production and business expansion.

The characteristic elements of the Group's corporate identity and diverse product range remain distinguishable and identifiable. In addition to high-quality production, the Group is known for the following defining characteristics:

- the use of existing skills and assets such as technology and geographical distribution to collaboratively expand business operations, including in separate product areas;
- our consistent commitment to reducing the environmental impact of our processes and products across our entire production chain to achieve circular economy targets.

Figure 1 – The Group's global presence (data on plants only, updated to 31/12/2022). The list contains 21 facilities, although the AquafilUSA Fiber Drive logistics hub in Catersville is not a production plant, meaning that the Group owns 20 production plants in total.



USA

ARIZONA	CALIFORNIA	GEORGIA	NORTH CAROLINA
<p>ACR #1 / PHOENIX</p> <p>ERS Recovery and separation of carpets after use</p> <p>ACC - PHOENIX</p> <p>ERS Recovery of carpets after use</p>	<p>ACC - ANAHEIM</p> <p>ERS Recovery of carpets after use</p> <p>ACC - CHULA VISTA</p> <p>ERS Recovery of carpets after use</p> <p>ACC - MIRAMAR</p> <p>ERS Recovery of carpets after use</p>	<p>AQUAFIL USA - AQUAFIL DRIVE, CARTERSVILLE</p> <p>BCF Carpet yarn spinning Masterbatch Carpet yarn interlacing Twisting Heat setting</p> <p>AQUAFIL USA - FIBER DRIVE, CARTERSVILLE</p> <p>BCF Logistic</p>	<p>AQUAFIL O'MARA - RUTHERFORD COLLEGE</p> <p>NTF Carpet yarn spinning Texturing Carpet yarn interlacing</p>

EUROPE

ITALY	SLOVENIA	CROATIA	SCOTLAND
<p>AQUAFIL - ARCO</p> <p>BCF Polymerisation Carpet yarn spinning Masterbatch</p> <p>TESSILQUATTRO - CARES</p> <p>BCF Carpet yarn interlacing Twisting</p> <p>TESSILQUATTRO - ROVERETO</p> <p>BCF Dyeing</p> <p>EP Compound</p>	<p>AQUAFIL SLO - LJUBLJANA</p> <p>BCF Polymerisation Carpet yarn spinning Twisting</p> <p>NTF Carpet yarn spinning Masterbatch Warping</p> <p>ERS Waste production for ECONYL®</p> <p>AQUAFIL SLO - AJDOVSCINA</p> <p>ERS Waste preparation for ECONYL®</p> <p>AQUAFIL SLO - SENOZECE</p> <p>NTF Warping</p> <p>AQUAFIL SLO - CELJE</p> <p>BCF Twisting Heat setting</p>	<p>AQUAFIL CRO - OROSLAVJE</p> <p>NTF Carpet yarn spinning Colling/twisting Texturing</p>	<p>AQUAFIL UK - KILBIRNIE</p> <p>BCF Carpet yarn interlacing Retwisting Heat setting</p>

ASIA

CHINA	JAPAN	THAILAND
<p>AQUAFIL JIAXING - JIAXING</p> <p>BCF Carpet yarn spinning Carpet yarn interlacing Twisting Heat setting</p>	<p>AQUAFIL JAPAN - TOKYO</p> <p>BCF Carpet yarn interlacing</p>	<p>AQUAFIL ASIA PACIFIC - RAYONG</p> <p>BCF Carpet yarn interlacing Twisting</p>

SOUTH AMERICA

<p>AQUAFIL CHILE - SANTIAGO DE CHILE</p> <p>ERS Waste preparation for ECONYL®</p>
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1.1.1. Product Areas (GRI 2-6:2021)

The Aquafil Group specialises in the production and sale of three main product categories: yarn for textile flooring, yarn for clothing and furnishings, and polymers for the technopolymer sector and moulding industry, to manufacture accessories and designer products.



Flooring yarns

Carpet yarn is the Group's original production sector and accounts for over 70% of its turnover across three primary market segments: contract services (hotels, offices, and public spaces), automotive (car carpets and coverings), and residential. Over time, Aquafil has established itself as a leading manufacturer of polyamide yarns both in Europe and across the globe, becoming the go-to Group for carpet manufacturers. Through its continuous research and development activities, the Group has been able to progressively improve the technical characteristics and environmental performance of its yarns. Interest is growing in the latter, as witnessed by the progressive use of ECONYL® yarn.

In addition, the Group has opened Carpet Centres in its main production countries (Italy, USA, and China), where Aquafil's wide variety of colour-based technical solutions and customisation options satisfy specific customer needs.



Clothing and furnishing yarns

Aquafil has expanded its operations to the clothing sector with the production of synthetic recycled polyamide 6 and 6.6 fibres under its ECONYL® brand. The Group also manufactures Dryarn®, which is a polypropylene microfibre used to make underwear, hosiery, and sports, fashion, and leisurewear. In the USA, polyester and polypropylene fibres are also manufactured and marketed to the furniture industry.

Aquafil's innovative approach has led to collaborations with customers to achieve technological, aesthetic, and performance improvements for fabrics, solidifying the Group's status as a primary supplier to the most prominent global brands.



Polyamide 6 polymer area

Aquafil manufactures and sells polyamide 6 polymers, including ECONYL® and polyamide 6.6, to fashion and design companies. These polymers are subsequently used to mould plastics for accessories (e.g. glasses frames) and furniture items (e.g. seating), either directly or through a series of processes.

The Group also operates in the plant engineering sector through the Berlin-based engineering company Aquafil Engineering G.M.B.H. The company specialises in industrial chemical plant design and supply.

1.1.2. Target markets and value chain (GRI 2-6:2021)

The Group's growth has been characterised by a precise and forward-thinking strategic plan that aligns with its entry into target markets and the establishment of the necessary logistical and industrial capabilities for worldwide production and sales.

The Group's internationalisation process is focused on the following markets:

- EMEA and North America, where flooring, apparel, and furniture yarns and polymers are developed, manufactured, and sold;
- Asia and Oceania, where mainly textile flooring yarns and polymers are manufactured and sold and clothing yarns are marketed.

Aquafil prioritises its value chain in its global growth, including both upstream and downstream in the supply chain. This involves communicating and collaborating with various stakeholders.

Suppliers of raw materials, plant engineering, and services are crucial upstream in the chain. These suppliers are part of a global network that facilitates the performance of Aquafil's production activities and upholds the Group's sustainability standards. Aquafil has developed initiatives to improve supplier awareness of the importance of environmental protection and the primary parameters to be monitored for this purpose.

In addition, Aquafil has undertaken several measures to recover waste materials and transform them into ECONYL® polymer, including through partnerships with different entities and companies, effectively turning them into suppliers of Aquafil. Moreover, the Company has pursued vertical integration by acquiring a minority holding in Nofir and establishing Aquafil Chile, ACC, and ACR, which collect and pretreat aquaculture fishing nets and end-of-life carpets, respectively.

Suppliers are required to comply with specific evaluation and monitoring measures that the Group adopts internally in the field of social sustainability. These measures are reinforced by the certifications possessed by Aquafil plants and their risk management efforts. More information on supplier initiatives can be found in paragraph 2.4.3.1 *Supplier selection and engagement*.

The Group's involvement downstream from the supply chain primarily comprises global B2B interactions, catering to textile and clothing companies that manufacture finished products, and users of the polymers that Aquafil manufacturers, as explained in detail in paragraph 1.1.1 on *Product areas*. Sales activities are either managed directly by the Group or through single or multi-firm agents, depending on the size of the various markets.

Aquafil has also been working with these players for several years to turn circular supply chains into a reality. The goal is to close the circle thanks to initiatives that recover end-of-life products or production waste and use them to make new products.

For a more comprehensive overview of customer initiatives, see paragraph 2.4.3.2 *Customer Relations* below.

1.2. Corporate Governance

(GRI 2-1:2021; 2-9:2021; 2-10:2021)

Aquafil S.p.A. is a joint-stock company, listed on the Euronext STAR Milan segment of the Italian Stock Exchange's MTA Market since December 2017. It has also been cross-traded on the US OTCQX Best Market since October 13, 2022. The majority shareholder is Aquafil Holding S.p.A.

The Company adopts a traditional administration and control system, whereby the Board of Directors guides company management and comprises members appointed by the Shareholders' Meeting. Control functions are the responsibility of the Board of Statutory Auditors. Since listing, the Company adopted a Self-Governance Code and, by motion of February 7, 2021, adopted the new Corporate Governance Code approved by the Corporate Governance Committee in January 2020.²

The Appointments and Remuneration Committee and Control, Risks and Sustainability Committee support the Board of Directors through investigative duties, respectively concerning the proposal of roles and positions and their relative remuneration, and the system for internal control, risk management, sustainability and approval of the periodic financial reports.

The Supervisory Board also has the duty to monitor the compliance and updating of the Organisation, Management and Control Model.

The audit of accounts has been awarded to an independent audit firm PricewaterhouseCoopers S.p.A.

1.2.1. Shareholders' Meeting

The Shareholders' Meeting is the body that expresses shareholders' wishes. It considers motions, in ordinary and extraordinary session, on the matters reserved to it in accordance with Law or the By-Laws. The Shareholders' Meeting shall be chaired by the Chairperson of the Board of Directors, or in his/her absence or impediment or at the request of the Chairperson him/herself, by another person elected by the Shareholders' Meeting, including the Chief Executive Officer (where appointed).

The Law, By-Laws, and Shareholders' Meeting Regulations set out the functions and rules of Shareholders' Meetings: competencies and majorities, meeting call methods and timings and contribution and voting options.

² The Corporate Governance Committee comprises business associations (ABI, ANIA, Assonime, Confindustria), professional investors (Assogestioni), and Italian Stock Exchange investors. The purpose of the Committee is to promote the best possible corporate governance of Italian listed companies.

1.2.2. Board of Directors

(GRI 2-11:2021; 2-17:2021)

The Board of Directors (hereinafter the “BoD”) is appointed per the By-Laws and is tasked with defining the strategic plans for the Company and Group.

It is responsible for the ordinary and extraordinary management of the Company, undertaking all acts, including disposals, deemed appropriate in order to achieve the Company's corporate purpose, with the sole exception of those expressly reserved for the Shareholders' Meeting by law or the By-Laws.

During the appointment process, the Shareholders' Meeting defines the number of members of the BoD, who are appointed using the slate voting method. All Directors must satisfy the professionalism, eligibility and good standing requirements established by applicable law and other provisions. In addition, a pre-established number of Directors must meet the independence requirements of the Corporate Governance Code and comply with the Regulation of the Board of Directors, taking this connection into account for the segment in which the shares are listed.

The BoD may appoint one or more Senior Executive Directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer (CEO), in line with the terminology used in the new Corporate Governance Code. By virtue of the Company's history, the same person currently holds the office of Chairperson of the Board of Directors and CEO of Aquafil. The Chairperson provides for the appointment by the Board of Directors of an Independent Director as Lead Independent Director, whose role is defined in the Regulation of the Board of Directors.

The Chairperson is elected by the BoD from among its members, coordinates its activities and guides the conduct of Board meetings. In addition, the Chairperson endeavours to organise Board Induction initiatives for Directors through the relevant corporate departments. These programmes seek to provide the Directors with sufficient knowledge of the Company's situation and dynamics, and to keep them updated on legislative and regulatory changes in their sector. In 2022, the members of the Board of Directors and Board of Statutory Auditors received specific training from external consultants on the responsibilities possessed by Directors with regard to risks, their operational management, and reporting. Training also included an in-depth study of the sustainability and sustainable development topics applicable to the Company context.

The Board of Directors may delegate some of its prerogatives to an Executive Committee, determining the limits of such mandate, the number of members of the Committee and its operating procedures, in addition to setting up one or more committees with consultative, proposal or oversight powers in accordance with the applicable statutory and regulatory provisions.

In addition, the BoD has a role in guiding, supervising, and monitoring application of the Investor Communication Policy. The Policy was adopted in 2021 to create, maintain, and define open, transparent and ongoing forms of communication with investors and shareholders. The BoD also approves the Remuneration Policy, which is then submitted to the Shareholders' Meeting. The Policy seeks to increase investors' awareness of the remuneration policies put in place by the Company and the amount and composition of remuneration paid to beneficiaries.

Finally, the BoD carries out a directive role and evaluates the adequacy of the Company's Internal Control and Risk Management System. The Company's By-Laws and the Regulation of the Board of Directors govern Company signature activities and representation in front of third parties and in legal settings, the methods for appointing Directors, and the requirements of good standing, professionalism, and independence. Additionally, operating methods such as call notices, motions, and company representation, and remuneration procedures are included in the Corporate Governance Report.

Table 2 shows the structure and composition of the Board of Directors at 31/12/2022.

Table 2: Composition of the Board at 31/12/2022.

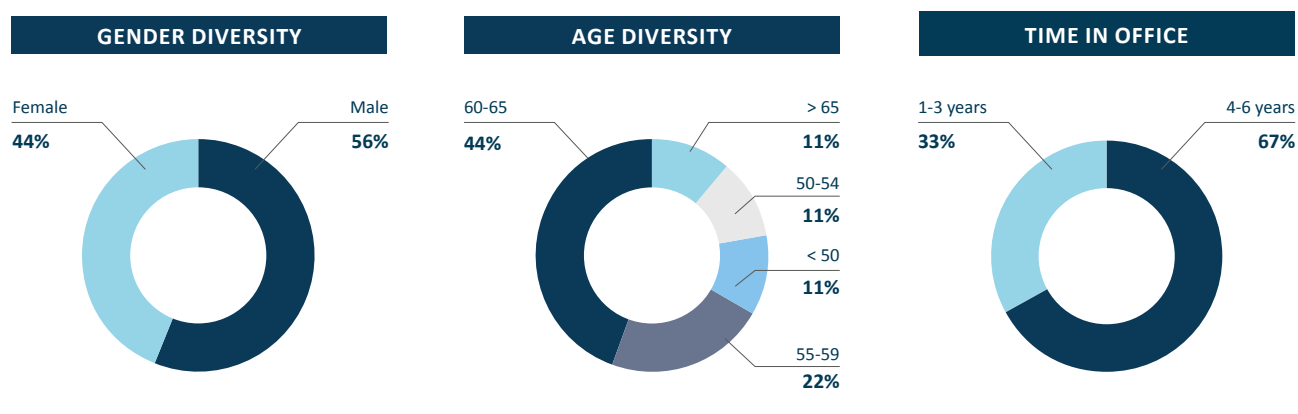
Role	Person assigned
Chairperson and CEO	Giulio Bonazzi
Executive Director	Attilio Annoni
Director	Stefano Giovanni Loro
Director	Franco Rossi
Director	Silvana Bonazzi
Director	Simona Heidempergher (*) (**)
Director	Ilaria Maria Dalla Riva (*)
Director	Margherita Zambon (*)
Director	Francesco Profumo (*)

(*) Director declaring independence in accordance with Article 147-ter, paragraph 4 of the CFA and Article 3 of the Self-Governance Code

(**) Lead Independent Director.

The graph below shows the age, gender, and seniority of office of the Directors:

Figure 2 - Board of Directors by age, gender, and time in office



1.2.3. Board of Statutory Auditors

The Board of Statutory Auditors of the Company comprises three Statutory Auditors and two Alternate Auditors, as decided by the Shareholders' Meeting, which also appoints its Chairperson.

The Board of Statutory Auditors supervises compliance with law and the By-Laws and has:

- operating control functions, in particular verifying:
 - a. compliance with the principles of correct management;
 - b. the adequacy of the Company's organisational structure;
 - c. the methods for successfully implementing the Code;
 - d. the adequacy of the instructions provided to the subsidiaries in terms of the market and inside information communication obligations;
- functions of the Internal Control and Audit Committee, particularly concerning:
 - oversight of:
 - a. the financial disclosure process;
 - b. the efficacy of the internal control and internal audit systems, and if applicable, the risk management system;
 - c. the audit of the statutory annual accounts and of the consolidated annual accounts;
 - d. the independence of the independent audit firm;
 - communicating to the Board of Directors the outcome of the statutory audit;
 - responsibility for the independent audit firm selection policy.

The company By-Laws govern all aspects regarding their appointment, duration and duties (callings, motions). Table 3 presents the current composition of the Board of Statutory Auditors of the Group.

Table 3: Composition of the Board of Statutory Auditors at 31/12/2022.

Role	Person assigned
Chairperson	Stefano Poggi Longostrevi
Statutory Auditor	Beatrice Bompieri
Statutory Auditor	Bettina Solimando
Alternate Auditor	Marina Manna
Alternate Auditor	Davide Barbieri

1.2.4. The Appointments and Remuneration Committee and Remuneration Policy (GRI 2-18:2021; 2-19:2021; 2-20:2021)

The BoD has established an Appointments and Remuneration Committee made up of three Independent Directors, at least one of whom has adequate experience in financial and remuneration policy matters.

The Appointments and Remuneration Committee has the duty to provide investigative, advisory, and consultative support to the Board of Directors in defining and preparing criteria for the allocation of roles, individuals, and positions on the administration bodies, including for Senior Executives. The committee also assists in evaluating and establishing remuneration policies. The Committee also submits proposals to set performance targets related to variable pay and subsequently verifies their achievement. The Committee has the authority to obtain all necessary company information and access relevant departments to fulfil its duties. Additionally, it may utilise external consultants, ensuring that their involvement does not undermine the Committee's impartiality. The Chairperson of the Committee reports periodically to the BoD with regard to Committee activities.

The specific areas of competence are listed in detail in the Regulation of the Appointments and Remuneration Committee of Aquafil S.p.A., which also governs its functioning (calling, execution of duties and minuting of meetings). Table 4 presents the current composition of the Appointments and Remuneration Committee.

Table 4: Appointments and Remuneration Committee at 31/12/2022.

Role	Person assigned
Chairperson	Francesco Profumo
Member	Margherita Zambon
Member	Ilaria Maria Dalla Riva

The Remuneration Policy is drawn up in line with the Company's governance model and the recommendations of the Self-Governance Code. Its purpose is to attract, retain, and motivate individuals with the professional skills required to successfully manage the Group and bring the interests of Directors and shareholders into line. The Policy also promotes the creation of medium- to long-term value and establishes a direct relationship between remuneration and performance. Remuneration is linked to the achievement of specific objectives, defined by measurable quantitative economic and financial indicators and integrated with corrective actions associated with sustainability goals. The Remuneration Policy takes into account best market practices according to a logic of sound and prudent risk management.

The Remuneration Policy and related incentive system are promoted and approved by the Remuneration Committee, the Board of Directors, and the Shareholders' Meeting. The Board of Directors and the Committee are also responsible for its proper adoption. For further details and anything not expressly stated, please refer to the 2022 Remuneration Policy and Report³. In 2022, efforts were made to ensure greater governance transparency through the adoption of a structured approach comprising five pillars. These pillars relate to the composition and operations of the Board of Directors, the mechanisms for communicating with investors, the remuneration of Directors and Statutory Auditors (by creating a clear policy for management remuneration), and disclosures on governance and remuneration policies.

³Aquafil's Remuneration Policy is contained within the Remuneration Policy and Report for the 2022 financial year, which can be consulted on Aquafil's website: www.aquafil.com/it/investor-relations/assemblee-degli-azionisti/

1.2.5. Control, Risks and Sustainability Committee

(GRI 2-12:2021; 2-13:2021; 2-15:2021; 2-16:2021)

The BoD established a Control, Risks and Sustainability Committee comprising three Independent Directors, at least one of whom has expertise in accounting and finance or risk management.

The Committee has the task of assisting the Board with periodic financial and non-financial report approvals, risk management, Internal Control System supervision, findings assessments and related Board decisions. Specifically, the Committee helps the Board define internal control guidelines, verifying their adequacy and effectiveness, in line with the Company's strategies and the risk profile assumed, including through the appointment of an Internal Audit Manager.

In addition, the Committee advises and supports the Board of Directors by studying and evaluating sustainability processes, initiatives, activities, and policies that seek to create medium- to long-term value for all stakeholders.

Finally, the Committee is also entrusted with the functions of the Related Party Transactions Committee, which provides the Board of Directors with informed opinions on transactions involving the transfer of resources, services, or obligations with related parties. The objective is to prevent, regulate, and mitigate potential emerging conflicts of interest.

The details of the tasks, in addition to aspects relating to its functioning (calling, carrying out of duties and minuting of meetings) are governed by the Rules of Procedure of the Control, Risks and Sustainability Committee and the Procedure for Related Party Transactions. Table 5 presents the current composition of the Control, Risks and Sustainability Committee.

Table 5: Composition of the Control, Risks and Sustainability Committee at 31/12/2022.

Role	Person assigned
Chairperson	Simona Heidempergher
Member	Francesco Profumo
Member	Ilaria Maria Dalla Riva

1.2.6. Supervisory Board as per Legislative Decree No. 231/01

(GRI 2-12:2021; 2-13:2021)

The BoD has appointed a Supervisory Board (hereinafter the "SB"), with independent powers of initiative and control, whose duty is to oversee the adoption and compliance of the Organisation, Management and Control Model, to verify its adequacy and to guarantee its updating. In line with the functions established by the regulation, the SB must meet requirements of independence, professionalism and continuity of operation. In support of its duties, the SB has full and open access to all company documentation and may draw upon - under its direct supervision and responsibility - all of the Company's structures or external consultants.

This body is also responsible for oversight of human rights protection in relation to the Group's operational activities, ensuring compliance and overseeing the application of the initiatives developed in this regard (see paragraph 2.4.1 *Social responsibility for the protection of human rights*).

Table 6 presents the current structure and composition of the Supervisory Board.

Table 6: Composition of the Supervisory Board at 31/12/2022.

Role	Person assigned
Chairperson	Fabio Egidi
Internal member	Karim Tonelli
External member	Michele Pansarella (effective from 8/11/2022)

1.2.7. Sustainability Steering Committee

(GRI 2-12:2021; 2-13:2021)

In 2018 the Sustainability Steering Committee was set up to guide the structured development of corporate sustainability policies consistent with the Sustainability Plan (paragraph 2.1 *Doing business sustainably*) and principles stated in THE ECO PLEDGE® (paragraph 2.1.2) ensuring that progress is monitored. The Committee oversees three main areas of sustainability: environmental, social, and economic aspects, through projects and initiatives that may involve the various parts of the Company. This Committee comprises both executive members dedicated to sustainability within the Group, and Executives or heads of company departments entrusted with directly developing specific activities and updating their relative impacts.

The Committee periodically reports to the Control, Risks and Sustainability Committee and the BoD on the progress of the Sustainability Plan and any ongoing projects, presenting results, critical issues, and any requests to begin new initiatives.

1.3. Reporting scope

(GRI 2-1:2021; 2-2:2021; 2-6:2021)

The Aquafil Group has established several rules to define the reporting scope of its Non-Financial Report (NFR) and thus maintain a consistent approach over time. Doing so ensures that it provides the information required to build a clear picture of its business and the related impacts, as required by Legislative Decree No. 254/2016.

All fully consolidated Group companies are included in the scope, with the exception of the following:

- companies that are consolidated but do not have production sites (including, for example, trading and service companies);
- inactive companies;
- sites or companies that are not fully operational;
- sites whose exclusion is deemed appropriate. Examples include the winding down of a company in the first or second half of the year, its acquisition in the second half of the year, or wherever data are not available. These types of exclusions will nevertheless be highlighted and explained.

At December 31, 2022, the Group comprises 22 direct or indirect subsidiaries of Aquafil S.p.A., with headquarters in Europe, the United States, Chile, Australia, and Asia (Figure 2).

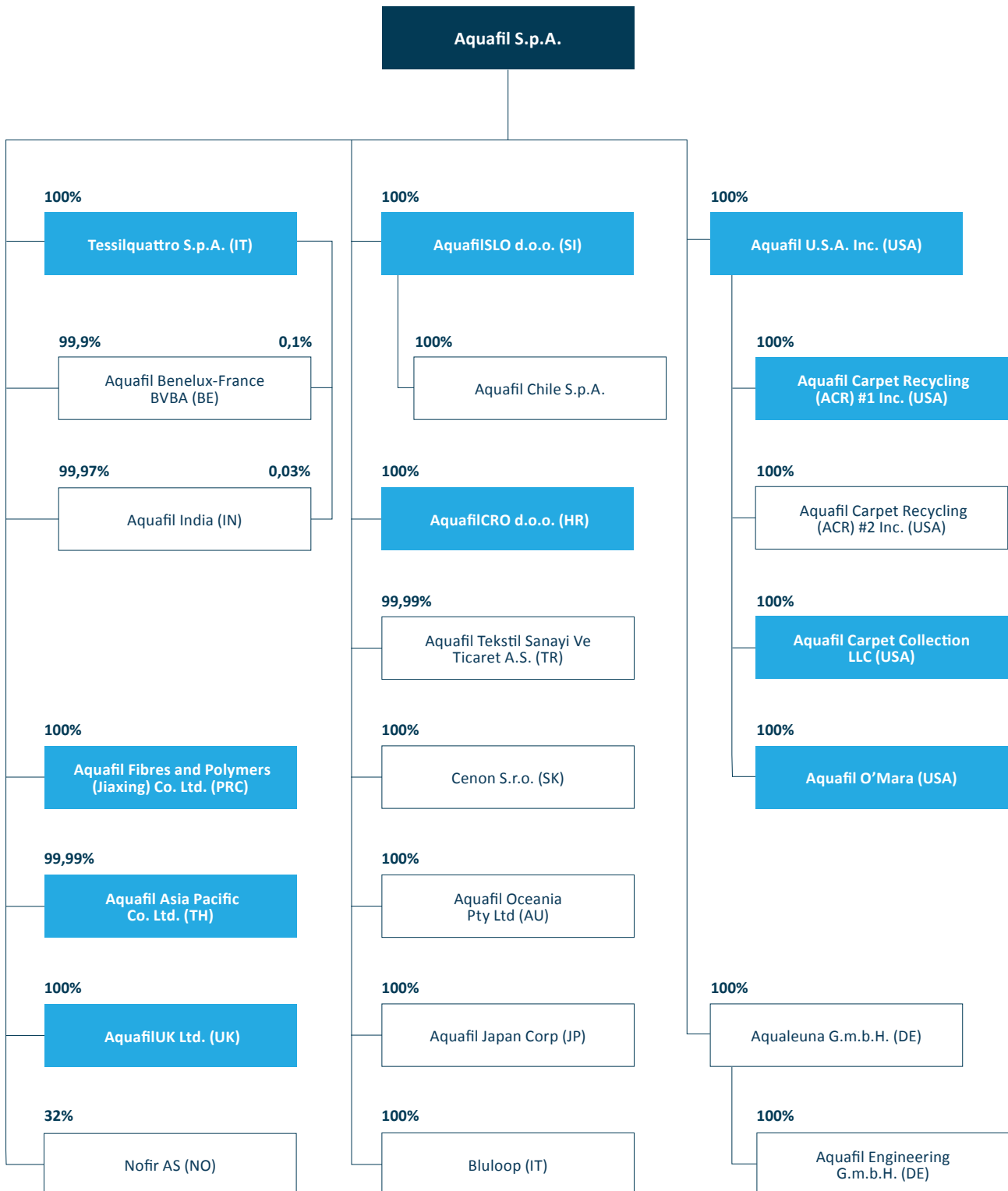
Based on these regulations, the companies excluded from the scope of the 2022 NFR are:

- the company Cenon S.r.o (SK), as non-operative;
- the company Aquafil Carpet Recycling #2, as inactive;
- the company Aquafil India, as non-operative;
- the company Aquafil Tekstil Sanayi Ve Ticaret A.S., which carries out trading activities on the Turkish market;
- the German company Aquafil Engineering G.m.b.H., a services company that independently carries out the design and construction of chemical plant and does not have a production site;
- the Belgian company Aquafil Benelux-France BVBA, which carries out agency and commercial representation activities for the Benelux and French market;
- the Australian company Aquafil Oceania Pty Ltd, which carries out agency and commercial representation activities for the Australian and New Zealand market;
- the company Aqualeuna, which is a consolidated company but no longer has a production site;
- the company Blueloop, which is a service company dedicated to marketing ECONYL® nylon products;
- the company Aquafil Chile S.p.A., as it was acquired in April 2022 but is not yet operational;
- the company Aquafil Japan, established in April 2021, as it does not have any on-site staff and its production activities are outsourced;
- the company Nofir, as it is not considered a consolidated company and is held by Aquafil with a minority interest of 32%.

Compared to 2021, the figures for Aquafil Carpet Recycling (ACR)#2 are limited to the first few months of the year. This is because the relevant production activities were transferred to other Group companies in 2022, while Aquafil Carpet Collection LLC was fully included in the scope. Environmental information concerning the company mentioned above was therefore also included in the scope, in addition to social information on employees, which was already included in the 2021 NFR.

Figure 3 highlights the consolidated companies included in this Report in blue.

Figure 3 - Group structure diagram at 31/12/2022 with relative share capital percentages held by the Parent Company Aquafil S.p.A. (the consolidated companies included in the Non-Financial Report scope are indicated in blue).



2. SUSTAINABILITY POLICIES

2.1. Doing business sustainably

2.1.1. About Aquafil

Our Brand Manifesto encapsulates the Company's vision and mission and defines Aquafil's identity, what it does, and its commitment to and vision for the future.

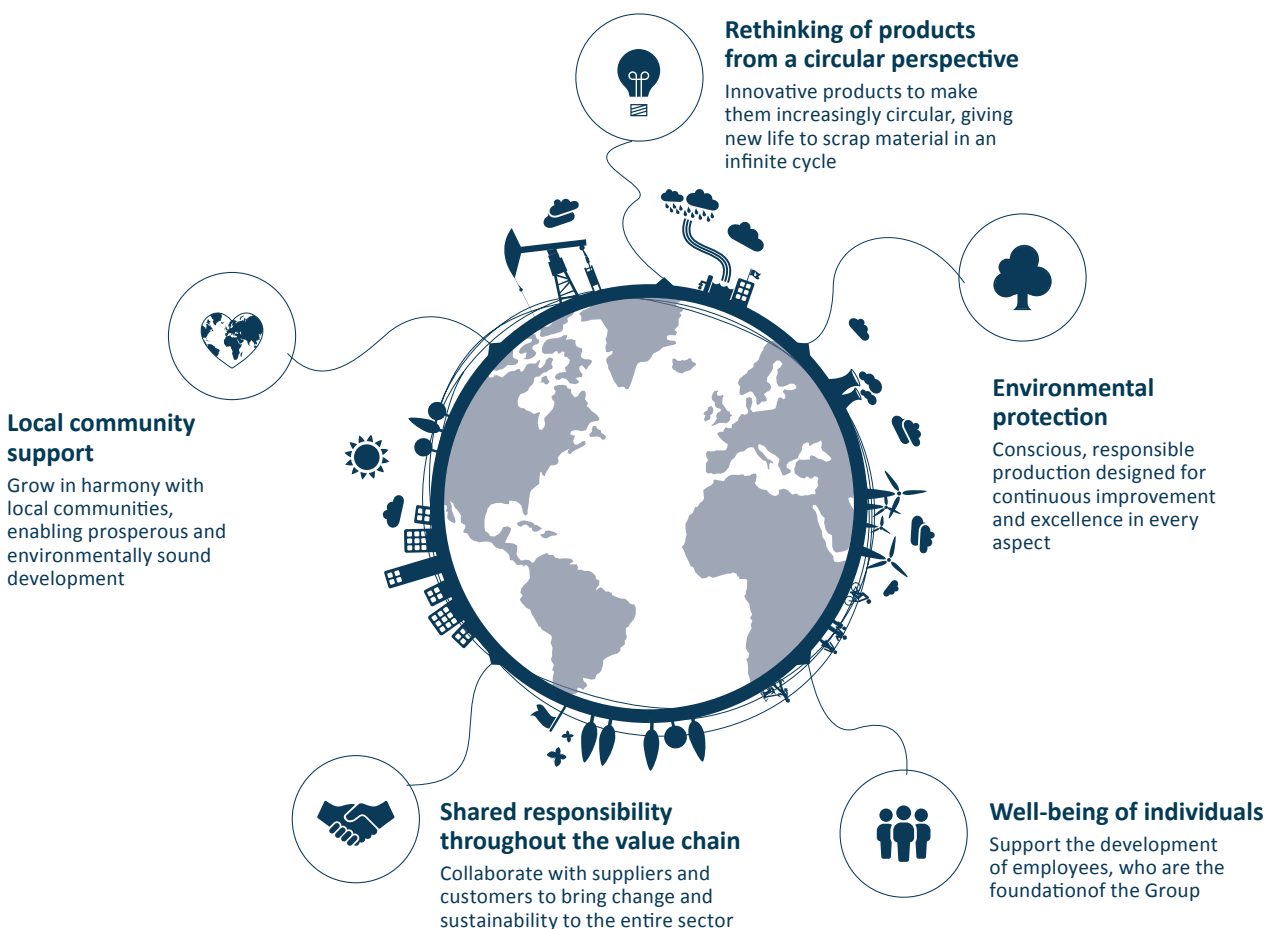
As a pioneer of circularity, sustainability is the primary building block of Aquafil's identity: it influences how its business develops, feeds its innovative drive, and defines its objectives for the future.

Sustainability and specifically circularity are the hallmarks of ECONYL®, a brand that embodies the Aquafil Group's guiding principles. The ECONYL® brand marks the beginning of a circular nylon supply chain, where end-of-life products such as fishing nets and carpets (along with pre-consumer waste) are regenerated through a unique process. This process creates raw materials of the same quality as those sourced from fossil fuels, indefinitely.

2.1.2. Our promise: THE ECO PLEDGE®

Aquafil's Brand Manifesto serves as a statement of the Company's identity, while THE ECO PLEDGE®, entitled "Aquafil's Path Toward Full Sustainability", outlines its commitment to sustainability. The pledge highlights the pillars on which the Group intends to build its activities and shape its vision for the future. Aquafil has devised its own Sustainability Plan based on the commitments stated herein and on five "pillars", according to which future projects and objectives have been categorised.

Figure 4 - Aquafil's sustainability policy





2.1.3. Aquafil and the Sustainable Development Goals (SDGs)

Aquafil has set precise goals to achieve the commitments laid out in its Sustainability Plan and track their progress over time. The time lines for each goal depend on the project characteristics. The path towards achieving the goals is constantly monitored to optimise activity planning.

Aquafil's sustainability policy and goals are also linked to the United Nations' Sustainable Development Goals to ensure consistency with overarching international agendas. The SDGs have been aligned with Aquafil's sustainability policy using the official guidelines published by GRI and UN Global Compact⁴, resulting in the definition of 12 goals (shown in Figure 5) to which Aquafil is able to actively contribute.



The table below summarises the Group's sustainability pillars, the associated SDGs, the targets, their identified time lines, and the results achieved by 2022. The table was updated in 2022 to include several new targets and add previous commitments. The new goals are identified with a special symbol and the evaluation of related results will commence in 2023. These new goals also include cross-cutting initiatives that do not fall under specific sustainability pillars.

Figure 5 - the SDGs supported by Aquafil



⁴ The guidelines used for this integration process are: "Business Reporting on the SDGs", edited by GRI and UN Global Compact, and the document entitled "Linking the SDGs and the GRI Standards", edited by GRI.

Table 7 - Sustainability Plan - improvement areas

Sustainability pillars	Objective	Target
<p>Design products with the circular economy in mind</p> 	<p>E Consolidate existing supply chains</p>	<p>Generate 60% of total turnover from fibres containing ECONYL® brand products (on a like-for-like basis)</p> <p>Involve 60% of EMEA BCF customers (nylon 6 for carpets) in the post-industrial Take-Back scheme</p>
	<p>E Create new sustainable circular supply chains</p>	<p>Collect 35,000 tonnes of post-consumer waste to create new recycled materials</p> <p>Test and validate new technologies to manufacture bio-based nylon on a pre-commercial scale</p>
	<p>E Adopt an eco-design approach</p>	<p>Create 13 projects involving final brands in the eco-design and recycling of end-of-life garments</p> <p>The first step of the Born R2R scheme (Born Regenerated to be Regenerable by Aquafil): sign a MoU (Memorandum of Understanding) with 50% of selected carpet and rug manufacturers to design products that are recyclable at end-of-life and made from recycled materials (ECONYL® nylon)</p>
	<p>E Use energy from renewable sources</p>	<p>Continue to procure 100% electricity from renewable sources for the entire Aquafil group.</p>
<p>Protect the environment</p> 	<p>E Mitigate the impact of production processes</p>	<p>Ensure all Group plants are ISO 14001 certified (environmental management)</p> <p>Ensure all Group plants are ISO 50001 certified (energy management)</p> <p>Commit to the Science Based Targets (SBTs) initiative and adhere to GHG reduction targets</p> <p>Reduce the Group's total water consumption by 30% (compared to 2018)</p> <p>Reduce the Group's total water discharges by 30% (compared to 2018)</p>
	<p>E Reduce waste by reusing packaging</p>	<p>Launch a pilot project to recycle the pallets used to transport products, and achieve 50% pallet reuse for EMEA BCF business</p>



New objective



Objective achieved



Ongoing project
















Environmental



Social



Governance

To be achieved by	Status	Progress at 31/12/2022
2025		43.5%
2025		37% ⁵
2025		16,500 tonnes
2025		When the bio-based nylon production pilot scheme winds down
2025		-
2025		-
-		Maintenance of target achieved
2025		9 out of 15 plants certified
2028		7 of 15 plants certified, with two new certifications for Aquafil China and Aquafil Arco
2025		Start of activities for Scope 3 calculations, to be completed in the first half of 2023
2025		-34.9%
2025		-46.2%
2025		Target achieved for the pilot project (about 90% of pallets now reclaimed ⁶), extension of project to new customers in 2023

⁵The percentage has been calculated based on volumes sold.

⁶The percentage refers to the number of pallets that have been reclaimed at least once, while the amount of reuse cycles that each pallet undergoes and the consequent reduction of waste is still being monitored.

Sustainability pillars

Guarantee the well-being of individuals



Objective

Target

- S** Reduce injuries Ensure all Group plants are ISO 45001 certified (risk management)

- S** Support professional development Create professional development pathways for talented Group employees

- S** Achieve equal gender representation at all company levels Develop a D&I policy that promotes gender equality throughout the entire employment cycle, including hiring, management, professional growth, and career advancement

- S** Guarantee respect for basic Human Rights in the workplace Ensure all Group companies are SA 8000 certified (social responsibility)

Share responsibility along the supply chain



- E S** Monitor supplier ethics

Monitor key suppliers along the supply chain through audits and/or due diligence, in line with the European Supply Chain Act (CSDD, Corporate Sustainability Due Diligence Directive)

Support local communities⁸



- S** Educate individuals on environmental protection by supporting local cultural and sports clubs and helping to educate younger generations School trips to Group plants and/or school educational activities (a minimum of five)
Sponsorship of local sports events/associations (a minimum of ten)

- S** Help vulnerable groups Support a minimum of four organisations

- S** Educate individuals on environmental protection by supporting local cultural and sports clubs and helping to educate younger generations School trips to Group plants and/or school educational activities (a minimum of 25)
Sponsorship of local sports events/associations (a minimum of 40)

- S** Help vulnerable groups Support a minimum of six organisations

Approve a new remuneration policy in line with best market practices, incorporating ESG parameters into the short- and long-term incentive system

- G** Improve Corporate Governance Develop a succession plan for management

Cross-cutting objectives

Appoint an ESG Committee directly appointed by the BoD and draft an ESG policy

- E S G** Participate in international alliances Adhere to the United Nations Global Compact



New objective



Objective achieved



Ongoing project
















Environmental



Social



Governance

To be achieved by	Status	Progress at 31/12/2022
2025		7 of 15 plants certified, with new certification obtained by Aquafil China
2025		-
2023		-
2028		9 of 15 plants certified, with new certification obtained by Aquafil UK ⁷
2026		-
2022		9 15
2022		6
2023		-
2023		-
2023		-
2025		-
2023		-
2025		Membership confirmed ⁹

⁷Aquafil UK attained SA8000 certification and completed the final certification stage with flying colours; the latter will be granted in 2023.

⁸For more details on local community activities, please make reference to paragraph 2.4.3.3 "Local community projects".

⁹Aquafil submitted its membership application and corresponding letter of commitment in December 2022. Confirmation of membership received on January 16, 2023.

2.2. The shared approach

(GRI 2-29:2021; 3-1:2021; 3-2:2021)

Aquafil shares and outlines its sustainability policy, taking into account the regions in which it operates and the people it directly or indirectly involves. During 2022, the Company also updated its materiality analysis to verify that market changes had not resulted in new material topics.

Initially, the analysis process involved identifying Aquafil's business characteristics. Subsequently, the Group assessed the list of sustainability topics that were previously used in analyses, to confirm their comprehensiveness and ensure that they covered all actual and potential Company impacts.

The list was drawn up according to Aquafil's Sustainability Pillars and the sustainability topics included in the 2021 Global Reporting Initiative (GRI) Reporting Standards. This enabled the Group to express the various sustainability topics in the subsequent stage using the indicators recommended by the reference standards.

The subsequent process can be divided into three stages:

- 1) The Sustainability Steering Committee's evaluation of the relevance of Aquafil's impacts for each of the topics;
- 2) Stakeholder engagement, which was required to gain more insight and information than would be possible with a purely internal analysis;
- 3) The combination of the findings of the previous stages and the selection of the resulting material topics.

The details of the three stages are provided below.

1. Evaluation of the relevance of impacts

The various sustainability topics were analysed to determine whether Aquafil's activities could generate impacts in this regard and, if so, to evaluate their relevance.

Each topic was then assessed according to six criteria and assigned a score between one and three, where one indicates a low impact and three a very relevant impact. The table below lists the criteria used.

The final score for each topic was then calculated by taking the average of the scores assigned to each criterion.

Table 8: Criteria used to evaluate the relevance of the Group's impacts

CRITERION	DESCRIPTION
Presence of the analysed topic in Aquafil's policy	The topic is included in documentation on the Group's policies (e.g. Code of Conduct, THE ECO PLEDGE®, and the Use of Chemical Agents Policy).
Existence of certifications or voluntary initiatives relating to the analysed topic	Certifications or activities have already been achieved or planned relating to the topic.
Degree of influence of existing legislation on the analysed topic and Aquafil's business	Presence or absence of regulations affecting Aquafil's freedom to make decisions concerning the topic analysed. This contributes to an evaluation of how relevant a topic is considered to be.
Potential consequences of Aquafil's lack of action with regard to the topic analysed	Evaluation of the severity of the impact generated if Aquafil does not take action to prevent it.
Topic that generates positive or negative impacts on society and local communities	Through Aquafil activities, the topic generates a positive or negative impact on society and local communities.
Reversibility of the impact generated by Aquafil	Evaluation of the extent to which the impact generated by Aquafil on the topic analysed is reversible.

2. Stakeholder engagement

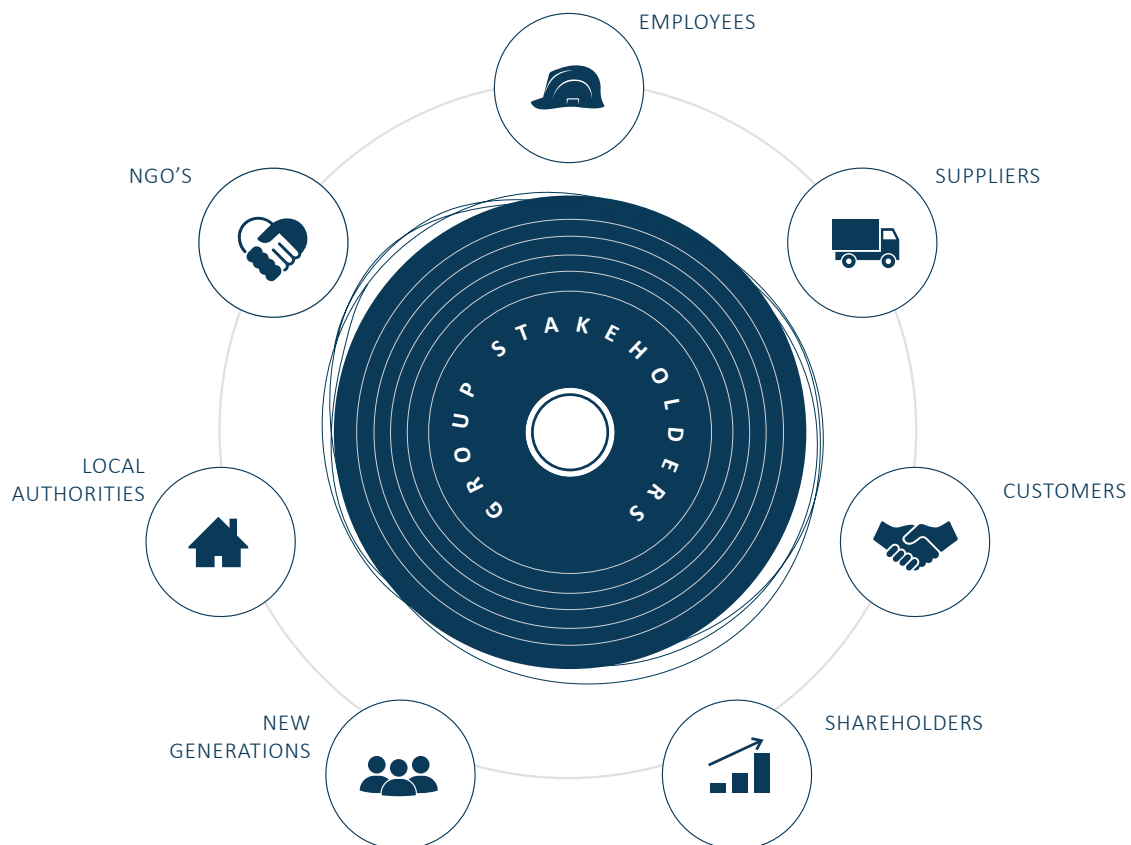
To ensure that all parties that could potentially be affected by the Group's impact evaluation were informed, Aquafil identified several stakeholder categories for the analysis process, which are depicted in the diagram below.

199 stakeholders were engaged, with an overall response rate of 38%.

Engagement was achieved by sending a questionnaire to stakeholders asking them to judge the relevance of Aquafil's impacts on each sustainability topic. The questionnaire was created in the three primary languages spoken in the countries where Aquafil has the largest presence: Italian, English, and Slovenian. This decision was made to facilitate the understanding and evaluation of the topics addressed in the questionnaire.

Opinions were provided using the same value scale (one to three) as the one used by the Sustainability Steering Committee during its internal analysis.

Figure 6 - The Group's stakeholder categories (2022 analysis)



3. Combining results and selecting material topics

The use of a uniform value scale by both Aquafil and its stakeholders to evaluate various sustainability topics allowed the results obtained in prior phases to be consolidated. This, in turn, simplified the calculation of the average relevance score for each topic. At this point, the Group arranged the various topics in descending order based on their scores and set a minimum relevance threshold to identify material and immaterial topics.

Aquafil set the relevance threshold by dividing the value range obtained for the results (from one to eight) into three, and setting the minimum score at two or three out of five. As the scores for most topics were closer to the top end of the scale, most of them were deemed to be material.

The resulting material topics are shown in the table below.

Table 9: List of material topics identified

Material topics	
1. Anti-corruption	2. Raw materials
3. Biodiversity	4. Non-Discrimination
5. Anti-competitive behaviour	6. Economic performance
7. Local communities	8. Employment policies
9. Energy consumption	10. Customer privacy
11. Water consumption	12. Waste production
13. Diversity and equal opportunity	14. Customer health and safety
15. Labelling and marketing	16. Worker health and safety
17. Staff training	18. Taxation
19. Management of greenhouse gas emissions	20. Supplier environmental assessment
21. Forced labour	22. Supplier social assessment
23. Child labour	

The final results of the process were reviewed by the Sustainability Steering Committee to verify that they adequately reflected the Group's situation.

We note that although changes were made to the method adopted for the materiality analysis in 2022, the final outcomes were consistent with prior analysis. The material topics identified by Aquafil in 2020 were reconfirmed, thereby demonstrating the robustness of the Group's analysis over the years.

2.3. Compliance with regulations

With the intention of preventing potential illicit conduct and ensuring compliance with the principles of integrity that govern its activities, the Group has developed its own Code of Conduct, and applies the Organisational Model, pursuant to Legislative Decree No. 231/2001, drawn up and adopted by the parent company Aquafil S.p.A.

2.3.1. Organisation, Management and Control Model (GRI 2-23:2021; 2-24:2021; 2-26:2021; 2-27:2021; 205-3:2016; 206-1:2016)

The Organisation, Management and Control Model¹⁰ adopted pursuant to Legislative Decree No. 231/2001 describes the set of rules, principles, and control activities that ensure compliance with the laws in force and prevent illicit conduct.

The Model seeks to:

- prevent and limit the risks associated with potential misconduct;
- ensure that people who work for or on behalf of the Company are aware that it adopts a zero-tolerance policy to all offences that fail to comply with the Company's ethical principles, and that people who commit offences are liable to criminal and administrative penalties.

The Model, last updated and approved by the BoD on November 13, 2020, applies to the Italian companies belonging to the Aquafil Group. It is routinely updated following changes to Legislative Decree No. 231/2001, the guidelines, and the most recent legal indications to emerge from case law. It extends to the Group's overseas companies through its Code of Conduct.

The creation of the Model has followed a specific procedure comprising several stages that primarily seek to identify the areas of risk in all company processes and consequently define the measures to be taken to prevent those risks from occurring. The appointment of a Supervisory Board and the drafting of the Company's Code of Conduct are some of the main measures resulting from the adoption of the Model.

This process has also led to the drafting of a series of protocols that govern the management of activities related to specific areas, which involves defining the process phases, accountability, principles of behaviour, and finally, the organisational and management control measures aimed at preventing the criminal offences provided for by Legislative Decree No. 231/2001 for each phase of the process and the general responsibilities for each role.

To date the Group has drawn up protocols for the following areas:

- Employee selection and evaluation;
- Budget and accounting;
- Loans and public grants;
- Internal management of criminal investigations and/or proceedings related to business activities;
- Relations with public administration;
- Management of sponsorships and allocation of contributions;
- Verification and inspection;
- Reporting to Supervisory Boards.

The Model is a tool for raising awareness among all Company employees and persons with which it interacts, to ensure they behave appropriately when carrying out their activities. For this reason, and in line with the provisions of Legislative Decree No. 231/2001, Aquafil undertakes to ensure the Model is adequately circulated among and communicated to its employees through periodic general and specific training.

To ensure the Model is effectively implemented, the BoD is responsible for adopting the operating procedures, with support from the Supervisory Board. In any case, these Company provisions constitute an obligation and duty for recipients. The correct adoption thereof is the primary responsibility of management, department, and service representatives.

Group commitments and initiatives dedicated to the matter in 2022 ensured that none of its subsidiaries received fines, sanctions, or legal summons for violating or non-compliance with the rules and regulations in place concerning the topics covered by the Organisational Model (unfair competition, violation of anti-trust or monopoly laws). In addition, no incidents of corruption were reported.

The online Whistleblowing platform remains active. The platform was set up by the Group to provide employees with round-the-clock free and easy access to a tool to anonymously report violations of laws, regulations, the Code of Conduct principles, and Company rules and procedures that could represent unlawful behaviour or directly or indirectly inflict financial, economic, or reputational damage on the Group. Reports are received and handled by the Chairperson of the Supervisory Board. Employees also have access to a related company procedure translated into their local language, which explains how reports are handled and the measures in place to protect the anonymity of whistleblowers.

¹⁰ The full document is available on the Group's website: <https://www.aquafil.com/it/corporate-governance/documenti-societari/>

2.3.2. Code of Conduct

(GRI 2-23:2021; 2-27:2021; 418-1:2016)

Code of Conduct¹¹ contains a set of ethical and social guidelines, principles, and exemplifying provisions that are based on the values of diligence, integrity, and loyalty. Its purpose is to govern the conduct of all persons who belong to the Group or interact with it in any form and for any reason, including for a limited period of time. The Code is an essential governance tool in the preventive control system.

The Group is committed to promoting the application of the Code among its addressees, guaranteeing its dissemination and the correct interpretation of its contents, and calls on its resources to use it as an operational tool in support of all professional decision-making, believing that the application of the Code's contents is an essential condition for the proper, responsible management and conduct of all business and activities.

At the start of their relationship with the Group, all addressees are required to formally accept the standards of conduct defined in the document. Addressees must sign the "Declaration of Acceptance" attached to the Code and compliance with the provisions of the Code constitutes an integral part of their contractual obligations. Group companies must refrain from initiating or maintaining relations with external parties who do not intend to observe the principles contained in this document.

The main guidelines contained in the Code of Conduct can be summarised in the following areas:

1. *Compliance with the law, particularly concerning money laundering, democratic order, terrorism, criminal association, industry and trade, antitrust, imports and exports, and privacy;*
2. *Loyalty behaviours in relationships with others such as customers, suppliers, collaborators, institutions and public supervisory authorities;*
3. *Occupational well-being, health and safety;*
4. *Internal Control relative to the protection and management of privacy, intellectual property and accounting activities;*
5. *Human resources, including employment policies and the management of conflicts of interest.*

The provisions of the Code of Conduct also govern any direct or indirect transfer or free acceptance of gifts, gratuities and any other form of benefit. Specifically, only "gifts of modest value directly relating to normal commercial activities or courtesy relations, and which do not give the impression of being aimed at acquiring or granting undue advantages" are permitted.

Any amendments to the Code of Conduct are the responsibility of the Board of Directors, while the Supervisory Board is tasked with monitoring its operation and compliance, in relation to the Group's specific activities.

Thanks to the distribution and application of the Code of Conduct and the Organisational Model, in 2022, no Group companies received sanctions relating to the topics dealt with in these documents.

¹¹ The full document is available on the Group's website: <https://www.aquafil.com/it/corporate-governance/documenti-societari/>

2.4. Social topics

2.4.1. Social responsibility for the protection of human rights

(GRI 2-23:2021; 2-24:2021; 2-25:2021; 406-1:2016; 408-1:2016; 409-1:2016; SDGs 5, 8)

Aquafil's commitment to pursuing social policies finds its primary expression in the Company's Code of Conduct. In this document, the Company clarifies its role in the fight against all forms of exploitation and discrimination. Furthermore, to reinforce its dedication in this regard, the Group drafted a specific Human Rights Policy in 2022, taking inspiration from the UN Universal Declaration of Human Rights, the UN Global Compact Human Rights Principles, the ILO Fundamental Conventions, the OECD Guidelines, and the UN Guiding Principles.

In this policy, which will be approved and adopted in 2023, Aquafil defines its commitment to abide by and enforce specific basic principles, including:

- the freedom of association and protection of the right to organise;
- equal pay and the elimination of discrimination regarding job or profession;
- the abolition of child labour and all circumstances that could compromise the health, safety, or morals of children and the promotion of employee health and safety;
- the abolition of forced labour and all forms of corporal punishment or disciplinary practices that do not comply with national legislation and ILO standards
- the creation of a fair and professional working environment that is free from workplace bullying;
- the active support for political measures against corruption and the rejection of all collusive and abusive behaviours to the detriment of third parties;
- the promotion of digital, social, and geographical inclusion, combined with support for the distribution of new technologies;
- the safeguarding of the environment;
- engagement and communication with local communities to facilitate their social growth.

With this policy, the Group seeks to meet the expectations of all of its stakeholders and promote the principles of Social Responsibility along the supply chain. To this end, Aquafil has also developed a supplier selection process that requires compliance with international standards and management criteria for specific topics, including quality, safety, the environment, and social responsibility. For example, potential violations of the Code of Conduct may result in the termination of supplier contracts.

By adopting these strategies – including the SA8000 certification scheme and internal procedures – and conducting monitoring activities, no suppliers have been identified as at risk of non-compliance with ethical or human rights requirements to date (particularly those related to the child labour and forced labour).

Management of Human Rights violation risks

In addition to its specific policy on the topic, the Group endeavours to enforce the effective protection of human rights in business by developing a set of initiatives and procedures to monitor operations most prone to potential human rights violations.

Specifically:

- recruitment and evaluation protocols for personnel selection and management;
- employee training and information activities;
- analysis of risks associated with individual processes;
- a due diligence policy for supplier selection and management, and the introduction of social audits;
- partnerships with organisations dedicated to protecting and developing local communities;
- periodic internal audit activities;
- SA8000 certification process for Group companies.

As a result of these initiatives, no Group company received a fine or sanction in 2022 for non-compliance with human rights laws or regulations. No reports were received through the dedicated channels (in addition to the "whistleblowing" platform) concerning the non-compliance of the Group or its supply chain with ethical requirements.

Through the process of gradually obtaining SA8000 certification for all Group plants, Aquafil is committed to ensuring that its processes comply with the principles defined by the Universal Declaration of Human Rights, the ILO conventions referred to in the SA8000 international standard, and the international human rights standards and national labour laws of the countries in which it operates.

For these reasons, in accordance with the standard's principles, the Group regularly analyses the suppliers deemed most at risk. In addition, there is a risk that non-compliance could be detected in supply lines in countries associated with a high Country Risk Assessment according to SAAS (Social Accountability Accreditation Services).

Voluntary certification processes undertaken in the social accountability area: SA8000

As mentioned above, the Group has consolidated the gradual certification of its production plants according to the SA8000:2014 standard¹², with the end goal of ensuring it achieves compliance with regulatory, ethical, and social principles, including at supply chain level.

The main steps of this journey to date are listed below:

- **2019** - certification of the Italian company Aquafil S.p.A;
- **2020** - extension of certification to the Italian company Tessilquattro S.p.A and the Croatian company AquafilCRO d.o.o;
- **2021** - extension of certification to the Slovenian company AquafilSLO d.o.o.;
- **2022** - start of the certification process for the company AquafilUK, which took the first step towards certification in December 2022 and completed the process in February 2023 (date of formal validation of the certificate).

To promote the principles of the SA8000 voluntary scheme to other Group companies, independent industry professionals carried out analysis and evaluation activities involving key stakeholders of Aquafil USA INC and Aquafil Synthetic Fibres And Polymers (Jiaxing) CO., LTD.

This step was taken because the active participation of stakeholders in the process of adopting, maintaining, and extending the SA8000 management system is fundamental. Employees – the system's main beneficiaries – participate in specific training courses and various company committees, including the ethics and health and safety committees provided for in the certification scheme. On the other hand, supplier engagement is linked to supply chain monitoring activities. These activities can also be conducted by asking suppliers to subscribe to the Group's Code of Conduct, in addition to the requirements of the standard.

Aquafil allows individuals to report potential violations (related to child labour, forced labour, discrimination, working hours and remuneration, health and safety, freedom of association, and the right to collective bargaining) of the ethical values and codes of conduct stipulated in its Management System. This is accomplished through a dedicated reporting tool, known as "SA8000 Reporting", which allows individuals to make anonymous reports to the relevant internal committees to ensure compliance with the standard. While the Whistleblowing platform is available to employees, the SA8000 Whistleblowing tool is accessible to everyone on the Group's website and is accompanied by a related procedure that defines the methods and responsibilities for handling whistleblowing according to the requirements of the SA8000 standard.

In addition, the Aquafil Group has subscribed to other voluntary social initiatives over the years. For example, the Croatian company AquafilCRO signed the "Diversity Charter Croatia" in 2018, which is an international initiative that commits its member entities to actively include respect for diversity and non-discrimination in the workplace, periodically reporting on their progress.

¹² The SA8000 standard is an internationally recognised and third-party verified management system that focuses on working conditions and a respect for human rights in the workplace, in particular. The standard also includes requirements for suppliers and is one of the main ways a company can act with regard to its social responsibility.

2.4.2. Personnel management

Employees are a key stakeholder category for the Group. They constitute its workforce, without which the Group could not realise its mission. As a result, the Group has ramped up its efforts over the years to improve well-being, workplace health and safety standards, and opportunities for professional development.

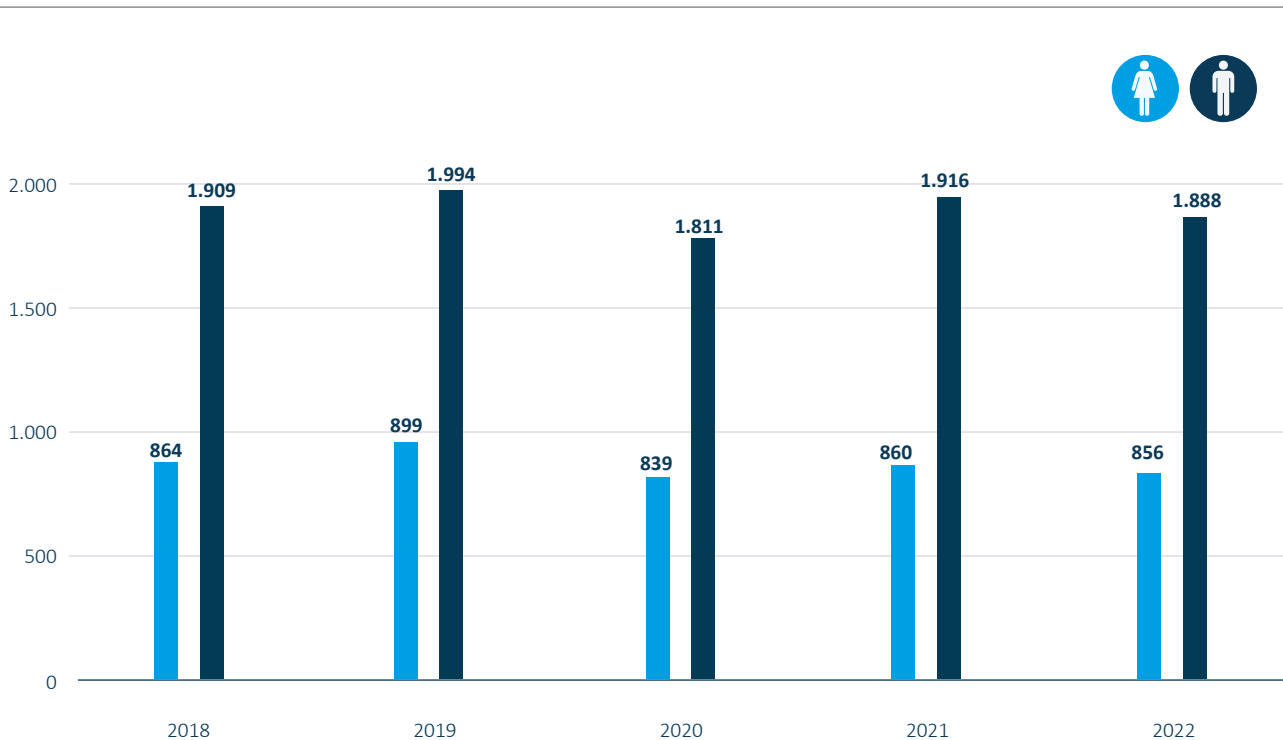
2.4.2.1 Aquafil personnel

(GRI 2-7:2021; 2-8:2021; 405-1; SDGs 5, 8)

At the end of 2022, the Group had 2,744 employees, a 1% decrease on 2021.

Women comprise around 31% of the workforce, on a par with the past five years. The number of women increased by 1% on 2021.

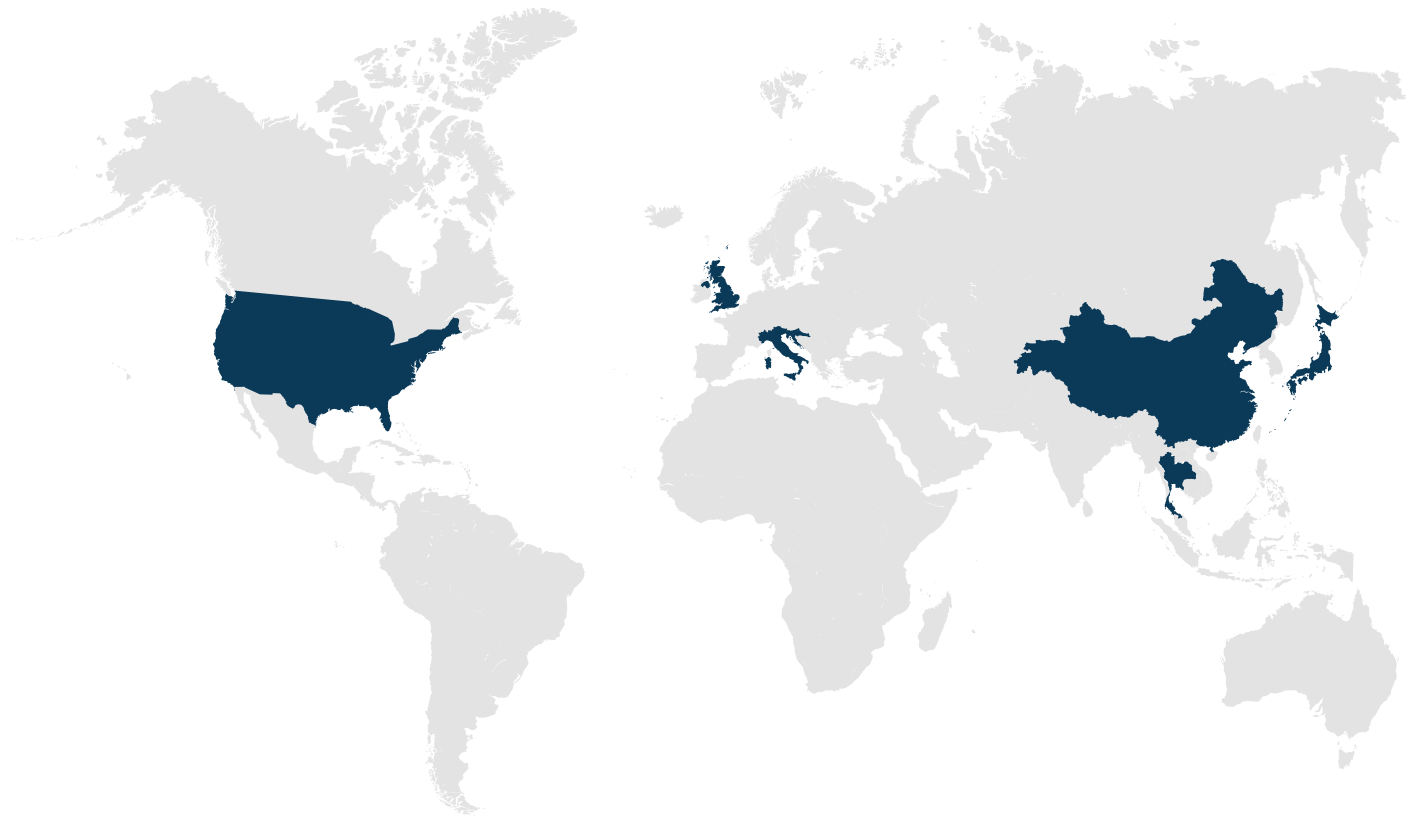
Figure 7– The Group's employees by gender, 2018-2022.



The regional distribution of employees confirms that around 79% of Aquafil employees are located in Italian, Slovenian, and US areas (Figure 8). The Chinese plant employs 11% of the total workforce, making it the fourth largest company.

Plants in Croatia, Thailand, the UK, and China employ predominantly women.

Figure 8 – Geographical distribution of the workforce in 2022 by gender.



EUROPE

739

ITALY

170

569

902

SLOVENIA

183

719

205

CROATIA

166

39

33

UK

21

12

AMERICA

541

USA

136

405

ASIA

303

CHINA

165

138

21

THAILAND

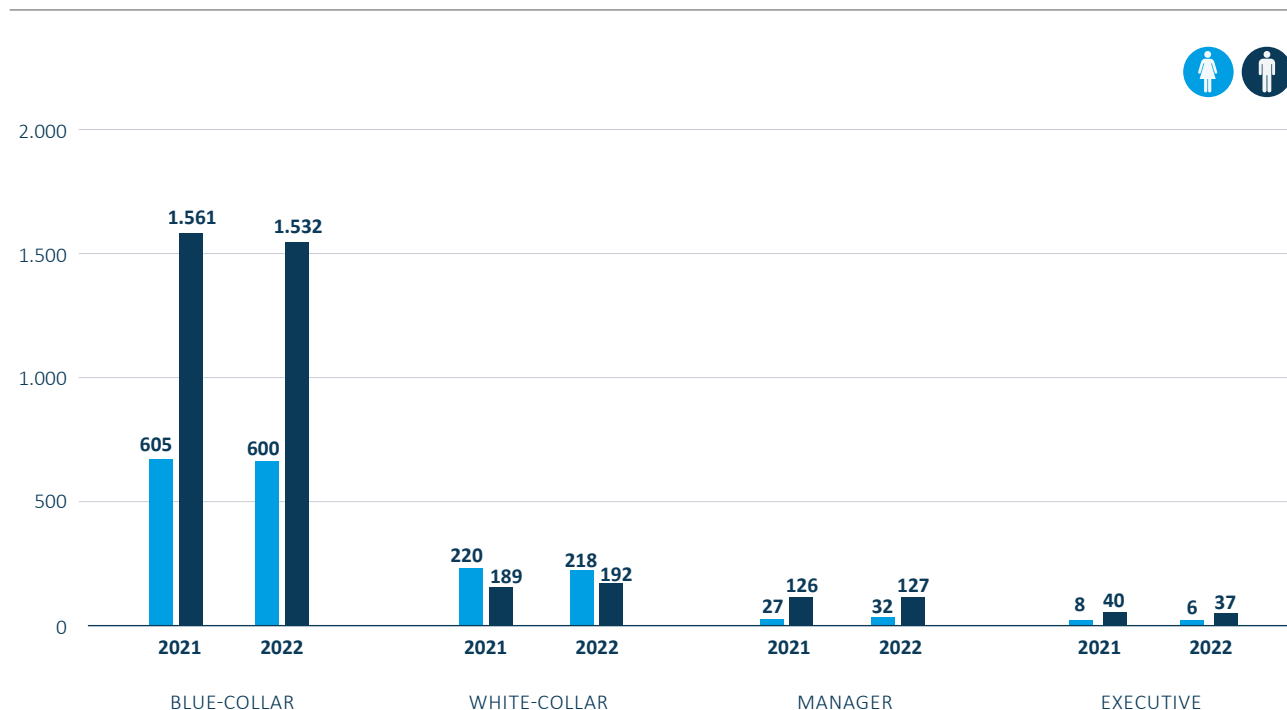
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Figure 9 displays the distribution of employees by their respective roles within the Company. The data reveals that the reduction in personnel has impacted all roles in absolute terms, with the exception of middle management, which has recorded a slight increase.

The gender distribution across company roles reflects the increased presence of women in managerial roles, continuing on from 2021. In 2022, the number of women in the management category rose 18.5% on 2021, despite an minor overall decrease in the number of employees.

Figure 9 - Breakdown of personnel by company role and gender (2021 and 2022).



Information on the distribution of employees by gender, age group, and company role can be found in Table 10. For information on the age of the members of governing bodies, please refer to the Corporate Governance Report published on the website www.aquafil.com

Table 10 – Breakdown of personnel by company role, gender and age (2022).

	<30		Between 30 and 50		>50	
	Female	Male	Female	Male	Female	Male
Blue-collar	57	312	363	865	180	355
White-collar	26	20	145	120	47	52
Manager	0	5	16	59	16	63
Executive	0	0	4	9	2	28

The table below shows the Group's hire and termination rates (referred to as “positive turnover” and “negative turnover” respectively in this paragraph) by region; at Group level, the positive turnover rate is 20.8% and the negative turnover rate is 22%. The turnover rates were calculated by comparing employees who were either hired (578) or terminated (610) in 2022 with the total number of employees on the payroll at the end of 2021.

The US features a high negative turnover rate (58.3%) compared to the other regions where the Group is present. This was mainly caused by the “Great Resignation”, in which the very rapid rise in labour demand following the worst period of the pandemic was not sufficiently balanced by labour supply. This imbalance caused wages to rise and a subsequent increase in the number of people resigning, highlighting the instability of the US labour market. The positive turnover rate is also particularly high, confirming the phenomenon described above. This trend reversed in the second half of 2022, thanks in part to the policies adopted by Aquafil to counteract turnover and the significant overall reduction in labour demand in the area.

In Italy, the negative turnover rate increased from 5.3% in 2021 to 7.8% in 2022. This increase can be partly attributed to the “Great Resignation”, which also affected Europe and Italy, albeit to a lesser extent. The distance between the Group's Italian headquarters and the big cities, where labour market tensions were heightened, helped to cushion the effects. A large number of retirements were also recorded, accounting for 30% of outgoing employees compared to the total in 2022. On the other hand, the negative turnover rate at the Chinese plant decreased by 7.5% compared to 2021, thanks to the “retention” policies adopted by the Company.

Table 11: Group turnover rate for the various geographical areas (2022).

Country	Percentage of new hires	Percentage of employees leaving the Group
Italy	4.3%	7.8%
USA	60.0%	58.3 ¹³ %
China	14.7%	11.3%
Thailand	4.8%	4.8%
Croatia	6.6%	16.7%
Slovenia	17.8%	18.1%
UK	19.4%	12.9%
TOTAL	20.8%	22.0%

Finally, we note that the Group was not affected by strikes at any production plant or in any region in 2022.

2.4.2.2. Contracts and remuneration (GRI 2-8:2021; 2-21:2021; 2-30:2021; 405-2:2016; 401-2:2016; SDGs 5, 8, 10)

The Group complies with the regulations in force in the countries where it employs staff and in the regions where it operates. 68.5% of active employment contracts were concluded under collective agreements in 2022, while 31.5% of employees enter the workforce through individual agreements (US and Asian countries).

Almost 90%¹⁴ of employment relationships were permanent in 2022, as shown in Figures 10 and 11. The exceptions relate to unforeseeable production peaks that are managed by hiring staff on temporary contracts, in full compliance with local regulations.

¹³ The figure includes all terminations due to the winding down of the ACR#2 plant.

¹⁴ The difference in the last four years compared with 2018 is mainly due to a change in the classification of US contracts.

Figure 10 - Personnel by contract type (2018-2022)

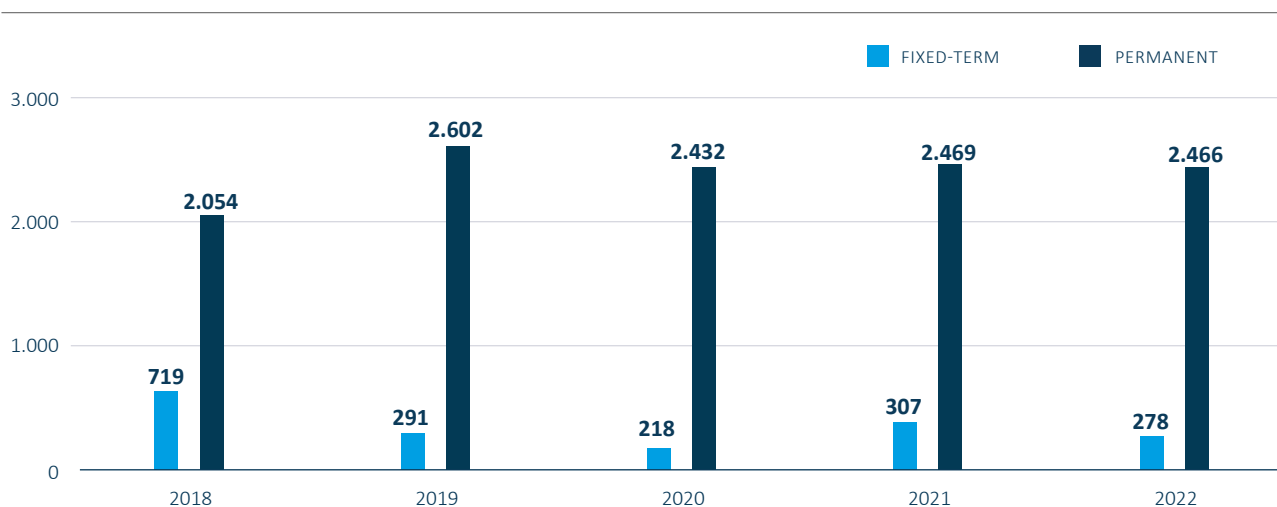


Figure 11 - Group employees in 2022 by contract type and gender.



Table 12 shows the geographical distribution of the two types of existing contracts (temporary and permanent). China reports a 10% increase in permanent contracts. Table 13 shows the distinction between full-time and part-time contracts by gender. Table 14 distinguishes between part-time and full-time contracts in different geographical areas.

Table 12: Contract type by geographical area (2022).

TYPE OF CONTRACT	Italy	Croatia	Slovenia	USA	China	Thailand	UK
Permanent	735	199	819	541	118	21	33
Fixed-term	4	6	83	0	185	0	0

Table 13: Groupings of full-time and part-time contracts by gender (2022).

BREAKDOWN BY CONTRACT	Male	Female
Full-time	1847	796
Part-time	41	60

Table 14: Groupings of full-time and part-time contracts by region (2022).

TYPE OF CONTRACT	Italy	Croatia	Slovenia	USA	China	Thailand	UK
Full-time	669	205	876	541	303	21	28
Part-time	70	0	26	0	0	0	5

In terms of non-employee workers, 180 people were employed in 2022, with 86 performing work in the Group through agency contracts. Almost all of this category of workers were employed in manufacturing. This category was excluded from the employed labour force metrics reported here.

There were no non-guaranteed hourly workers among Group employees.

The Group's pay strategy is established and continuously revised with the objective of fairly linking remuneration to people's worth, rewarding professional development and encouraging goal attainment. Through this strategy, the Group assures pay equity, which is continuously assessed using salary indices pertaining to various types of workers.

In Table 15, for each Group company and within the same job category we emphasise the percentage ratio of the average female pay relative to their male counterparts (equal to 100%). The salary under consideration is the yearly gross, exclusive of any variable components (such as overtime or shift premiums) and benefits. "Not applicable" denotes the presence of only men or only women (specified in parentheses where relevant) in the category, whereas a dash indicates that there are no employees in the category in question (neither men nor women).

Tables 15 and 16 below highlight the average of all salaries in the five categories. Within each category, however, there are a variety of organisational responsibilities and levels.

The ratio of average pay, as provided in the tables, does not compare similar functions and organisational positions of the same level. By categorising positions by levels and responsibilities, the Group is able to uncover gender pay disparities among all employees with more precision. The most recent internal audit confirmed an improvement on the situation portrayed in the tables below, although the Company has not yet disclosed this information.

However, the Group has deemed it necessary to set an additional objective for reducing the gender pay gap by guaranteeing equal opportunities in selection, management, development, and career processes for all types of employment through the introduction of a diversity and inclusion policy in 2023.

Table 15: Ratio of men's to women's pay by company and job category in 2022 - salary net of variable components and benefits.

Group company	Senior Executives	Executive	Manager	White-collar	Blue-collar
AquafilCina	-	Not Applicable (Men Only)	Not Applicable (Women Only)	85.0%	95.0%
AquafilCro	-	-	63.2%	107.3%	86.9%
Tessilquattro Cares	-	-	115.2%	84.3%	99.0%
Tessilquattro Rovereto	-	-	Not Applicable (Men Only)	70.7%	91.4%
Aquafil USA- 1 Aquafil Drive	Not Applicable (Men Only)	Not Applicable (Men Only)	81.1%	63.4%	84.3%
Aquafil USA-101 Fiber Drive	-	-	75.2%	128.2%	Not Applicable (Men Only)
Aquafil Carpet Recycling #1	-	-	62.2%	Not Applicable (Women Only)	72.7%
AquafilSLO Ajdovscina	-	-	Not Applicable (Men Only)	-	Not Applicable (Men Only)
AquafilSLO Celje	-	Not Applicable (Men Only)	Not Applicable (Men Only)	98.9%	93.3%
AquafilSLO Ljubljana	-	61.0%	103.4%	78.0%	99.9%
AquafilSLO Senozece	-	-	Not Applicable (Men Only)	-	99.1%
Aquafil Carpet Recycling LLC	-	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Women Only)	116.2%
AquafilOMara	-	Not Applicable (Men Only)	91.2%	111.4%	93.4%
Aquafil	Not Applicable (Men Only)	72.5%	86.3%	86.7%	97.7%
AquafilUK	-	Not Applicable (Men Only)	Not Applicable (Men Only)	92.2%	93.9%
AquafilAsiaPacific	-	-	69.3%	168.2%	109.4%

As its collective incentive instruments, the Group uses benefits and other variable compensation mechanisms to enhance the basic compensation system. They are instruments tied to quantifiable outcomes that guarantee equity and are distinguished by Group companies and professional categories.

Benefits include pension, insurance, health and welfare plans and systems in which non-monetary items and services are made available to homogenous groups of employees and their families, who may choose what to utilise based on their requirements.

Variable pay, on the other hand, is awarded depending on the attainment of certain performance outcomes, such as productivity, quality and efficiency, and is intended to retain important personnel and ensure employee engagement and participation in corporate results.

Table 16 shows the ratio of average men's to women's pay considering gross annual salary, including variable wage components and benefits.

Table 16: Ratio between men's and women's and pay by company and professional category in 2022 - salary includes variable components and benefits.

Group company	Senior Executives	Executive	Manager	White-collar	Blue-collar
AquafilCina	-	Not Applicable (Men Only)	Not Applicable (Women Only)	84.6%	86.3%
AquafilCro	-	-	87.4%	93.4%	82.1%
Tessilquattro Cares	-	-	93.1%	85.5%	98.4%
Tessilquattro Rovereto	-	-	Not Applicable (Men Only)	67.9%	82.9%
Aquafil USA- 1 Aquafil Drive	Not Applicable (Men Only)	Not Applicable (Men Only)	75.8%	60.3%	77.0%
Aquafil USA-101 Fiber Drive	-	-	71.8%	93.5%	Not Applicable (Men Only)
Aquafil Carpet Recycling #1	-	-	61.9%	Not Applicable (Women Only)	54.5%
AquafilSLO Ajdovscina	-	-	Not Applicable (Men Only)	-	Not Applicable (Men Only)
AquafilSLO Celje	-	Not Applicable (Men Only)	Not Applicable (Men Only)	93.9%	90.8%
AquafilSLO Ljubljana	-	62.0%	89.1%	79.0%	87.4%
AquafilSLO Senozece	-	-	Not Applicable (Men Only)	-	105.7%
Aquafil Carpet Recycling LLC	-	Not Applicable (Men Only)	Not Applicable (Men Only)	Not Applicable (Women Only)	159.0%
AquafilOMara	-	Not Applicable (Men Only)	81.3%	121.4%	83.3%
Aquafil	Not Applicable (Men Only)	72.5%	79.1%	79.6%	84.8%
AquafilUK	-	Not Applicable (Men Only)	Not Applicable (Men Only)	92.2%	93.9%
AquafilAsiaPacific	-	-	70.3%	138.8%	104.1%

Furthermore, the ratio of the highest paid individual's yearly gross salary to the average annual gross salary of Group employees is 49 to 1. The average gross pay of employees climbed by 8% compared to 2021, while the highest gross pay - that of the Chief Executive Officer - increased by 10%.

2.4.2.3. Training

(GRI 2-17:2021; 404-1:2016; SDGs 4, 5, 8, 10)

The Group believes in maximising the value of its human resources, presenting and making available professional growth and specialisation pathways to acquire specific skills through organised and annually scheduled training courses.

The training courses include diverse topics, with the main purpose of ensuring that all personnel have the information they need to accomplish their tasks, and to give regulatory updates that characterise the various areas of operation. When acquiring new voluntary certifications, such as SA8000, necessitates the fulfilment of particular training criteria, specific training sessions can also be arranged. For these reasons, total training hours may vary significantly over the years.

The main training areas identified are:

- technical, in order to develop specialised abilities related to the role, function or categorisation;
- human rights and anti-corruption systems, in order to gain awareness of the value system of the Code of Conduct and the Group's certifications;
- health and safety, to spread a culture of prevention and provide appropriate refresher courses;
- environmental, to extend the Group's culture of sustainability and to educate staff on required and optional environmental matters, such as compliance with environmental rules and certifications, reporting, etc.;
- language, with the goal of enhancing the language abilities of all employees who require assistance.

Newly hired employees are also provided with specialised training in order to expedite the attainment of a sufficient degree of job autonomy, with an emphasis on safety, quality and environmental standards.

In 2022, the Group resumed the revision of the training process, which had begun in 2021, with the intention of reforming its training offerings by also tailoring them to the needs of employees and making them standard in all of its plants throughout the world. The following paragraphs will outline the main aspects of this path and its development.

The “Do ut Des” project and the talent management programme

Aquafil initiated the “Do ut Des” initiative in mid-2020 with the objective of designing a new approach for observing and improving soft skills. In response to some of the evidence uncovered during the skills census phase conducted in 2021, a training programme was launched in 2022, based on the scorecards' most glaring gaps, in which 200 Group employees received in-person effective communication training and all supervisors and managers received leadership training. Members of the Board of Directors participated in training through a course on risk management and major environmental sustainability topics. The “Do ut Des” skills observation approach evolved into a new Talent Management strategy in 2022. This is a more extensive project to create professional development paths for high-potential people within the Group. The above project is expected to be completed by 2025.

The objective of the new programme is to promote internal resource retention, motivation and skills development through a new organisational method of human resources management. The project consists of two phases: a first phase in which, by reworking what has already been initiated by the “Do ut Des” project, not only the skills, but also the potential of the individuals involved are identified and observed, which will then be developed through specific initiatives in phase two.

The curriculum is designed to be shared by the whole Aquafil Group, while at the same time addressing the unique demands of each plant in different countries throughout the world.

The platforms for skills development

During 2022, the new Group-wide strategy for standardising online training was developed. In fact, a digital platform (part of the Company's intranet) accessible to all employees and shared by the entire Group has been created. It contains the set of Aquafil's available training courses, from transversal ones (dedicated to topics such as workplace safety and IT) to those pertaining to specific tasks. This category covers, for instance, video lectures on the operation of specialised machinery for workers in several factories. Hence, the platform is for all members of the Group, regardless of position or global location. The existence of material that is common to everyone makes it feasible to standardise experiences and coordinate methods of work across locations, hence promoting global cooperation and knowledge sharing.

The platform also features a special onboarding section designed to improve the experience of people joining the Group. In fact, the Company's induction process has been better defined and structured, and now includes the presence of three Company functions responsible for following up with new hires in order to provide them with all the resources they need to understand how the Company operates and how to perform the specific tasks.

Specifically, the “mentor” figure will shadow the new recruit for a longer length of time and provide periodic feedback to guarantee that the essential information for acquiring autonomy is progressively acquired. In this process, the online platform plays a crucial role as the location where the new employee may find courses that provide a variety of essential content for his or her position.

Through these activities, Aquafil seeks to establish its global identity by ensuring that all workers enjoy the same experiences and access to resources, fostering mutual acquaintance and connections between individuals from various regions in order to foster a stronger feeling of belonging.

The willingness to involve the Group’s people more closely is also evidenced by the approach taken in defining these interventions. So that the platform can fulfil their actual needs, the views and requirements of employees worldwide were collected throughout the planning phase.

Training statistics

Table 17 displays the training hours offered in the various application areas during the past five years (2018-2022), whereas Table 18 provides a breakdown of training hours by gender and corporate function.

2022 confirmed and expanded the resumption of training activities initiated in 2021, which had been suspended in 2020 due to the COVID-19 pandemic; during the year, total hours provided increased by 22% compared to the previous year, with marked growth in absolute terms of activity in technical and safety areas involving all Company roles.

Table 17: Hours of training broken down according to topic from 2018 to 2022.

Type of training	2018	2019	2020	2021	2022
Technical	22,535	21,041	5,421	15,794	17,622
Human rights and anti-corruption system	-	326	230	60	48
Safety	17,032	10,573	5,608	8,694	12,311
Linguistics	5,172	5,643	2,695	2,610	2,931
Environmental	4	348	226	125	391
Total	44,743	37,932	14,179	27,283	33,303

Table 18: Hours of training by role and gender (2022).

Type of training	Executive		Manager		White-collar		Blue-collar	
	Male	Female	Male	Female	Male	Female	Male	Female
Technical	324	92	1,190.5	361	2,856.8	2,442.5	7,847	2,508
Human rights and anti-corruption system ¹⁵	0	0	1	0	7	1	32	7
Safety	136.5	27.5	508.5	62.5	1,014.9	242.1	8,671.1	1,647.9
Linguistics	0	0	584	120	398	270	1,263	296
Environmental	9.5	36	57.5	1.5	48.5	73.5	146.3	18.5
Total hours/employee	470	155.5	2,341.5	545	4,325.2	3,029.1	17,959.3	4,477.4
Average hours/employee	12.7	25.9	18.4	17	22.5	13.9	11.7	7.5

¹⁵Training hours provided in years prior to 2019 are included in the technical area.

2.4.2.4. Personnel and corporate welfare initiatives **(GRI 2-30:2021)**

Aquafil decides to take care of the Group's employees by adopting a series of actions designed to ensure their well-being in the workplace and beyond. Efforts vary from establishing welfare measures to promoting a healthy work-life balance, to focusing on environmental and social concerns.

In Italy, Aquafil has confirmed its collective welfare plan for the majority of employees, tripling the amount recognised individually compared to 2021, thanks in part to the reduction in tax and social welfare contributions offered for all private sector employees. This sum has been used to provide employees with non-monetary services that can be accessed by enrolling in a special platform. In addition, in response to the continual increase in fuel costs and in an effort to help its employees, Aquafil issued vouchers to the majority of its Italian employees.

In 2022, activities to promote worker preventive and health protection continued. For instance, AquafilCRO introduced supplemental health insurance. In addition, as was previously the case in Thailand and China, monthly preventative screenings for specific illnesses were offered to all employees. At Aquafil USA, the purchase of eyeglasses is reimbursed, and complimentary COVID-19 virus tests were made available to all employees and their family members.

In 2022, Aquafil dedicated a great deal of effort into developing policies and initiatives to meet the growing needs of employees to manage their work-life balance more effectively. In light of this, the Group introduced the Global Parental Leave Policy, which seeks to guarantee that all Group employees get Group-paid parental leave, the duration of which follows ILO guidelines. This policy particularly impacts people employed in countries without nationally defined statutory maternity and paternity leave. The proposal will go into effect in 2023 and will attain its full force in 2026 via a series of gradual increases.

A new agile work agreement for employees was developed for Aquafil's Italian plants and will be effective from 2023. For example, employees may sign an individual agreement with the Company to work two half-days each week away from the typical workplace. The Company's choice to preserve this method of work is intended to promote a good balance between work and personal life. In Aquafil O'Mara, meanwhile, a policy that extends the amount of paid leave by one week has been in force since 2022, and the extension of leave has also affected the Chinese plant for employees who need to care for children and parents.

Throughout its numerous factories, the Company organised a number of social and sharing activities, including picnics, gift-giving for employees' children, and Company buffets. These activities are all significant steps in establishing the Group's principles and corporate identity. These events also include the raffle organised during the Christmas party toast at Aquafil S.p.A., in which a number of products made from ECONYL® nylon and Dryarn® were distributed as prizes, with the goal of raising awareness among employees of the finished products that are made thanks to their daily efforts.

Lastly, among the main initiatives that Aquafil S.p.A. promoted in 2022, to be launched during 2023, was the allocation of 500 paid hours that employees could use for local volunteer work during office hours. In this way, Aquafil intends to increase its contribution to the local communities and at the same time provide its employees with the opportunity to become active players in this endeavour.

Business climate analysis

Aquafil's commitment to the well-being of its employees is also demonstrated by the direct collecting of their thoughts in order to better understand how individuals feel about the Group. In order to get feedback on the current business climate, a thorough questionnaire was created in collaboration with the outside company "Tenet" and distributed to more than 500 employees.

A range of areas were investigated to capture emerging sensitivities related to various aspects: access to professional skills and opportunities, safety at work and the adequacy of available technical tools, Company communication and the relationship with direct managers, a sense of belonging, satisfaction, and participation in the Company, the management of stress and workloads, motivation and pay. The replies gathered indicate a positive overall outcome with opportunity for development in several areas, in particular economic sectors.

2.4.2.5. Protection of worker health and safety

(GRI 403-1:2018; 403-2:2018; 403-3:2018; 403-4:2018; 403-5:2018; 403-6:2018; 403-7:2018; 403-9:2018; SDG 8)

At Aquafil, worker health and safety have always been regarded as fundamentally important components that require regular attention in order to develop. This type of risk analysis combines the assessment of past occurrences with the investigation of potential near misses, enabling more effective preventive measures.

Aquafil developed a system for reporting corporate claims in 2021 to reinforce this analysis. This was done to enhance the reporting of events and facilitate the sharing of information and expertise between plants.

General measures include the actions taken to manage the COVID-19 pandemic, which continued into 2022, following the regulatory developments in the different countries in which the Group operates. This saw a gradual phasing out of all restrictions as the situation returned to normal. A case in point is the Chinese facility, where a change in the government's approach to combating the epidemic from late November 2022 caused infection rates to rise nationwide, briefly causing a high rate of absenteeism.

In order to spread a safety culture among employees, two main strategies are used:

- continued training on the topic to increase awareness and attention to aspects that can generate accidents; in 2022, the number of training hours provided in health and safety was more than 12 thousand, an increase of more than 41% on 2021 (Table 17);
- adoption of structural interventions to guarantee that workers are always given the right tools to perform their jobs in safe and acceptable conditions.

Worker health and safety management system

The Aquafil Group's health and safety management system has been well-established throughout time and seeks to ensure:

- the analysis of risks and subsequent effective prevention;
- widespread, up-to-date and task-specific training of workers;
- the appointment of a Company Doctor;
- health monitoring activities;
- the development of systems for reporting possible dangers;
- the rapid production of emergency plans if needed or where non-compliance has been detected during activities or during checks or inspections;
- awareness of how critical the security issue is.

Health and Safety Committees

Each Group Company has an interdepartmental committee in which employees can participate through designated representatives and actively contribute to the management of health and safety-related matters.

These committees:

- determine workplace risks to employee health and safety and routinely evaluate management of them;
- are devoted to the investigation and management of accidents and occurrences, in addition to the dissemination of the acquired information to the various companies in the Group;
- assess the adequacy and effectiveness of the safety system, with respect to performance indicators, first aid activities, emergency treatments, and so on.

These committees also include those established in plants that have undergone SA8000 certification audits and complied with its requirements. These extra Safety Committees, which are made up of representatives from management and the workforce, operate in coordination with the appropriate Ethics Committee to enhance the management of health and safety issues.

Safety figures

The Group tracks potential work-related ill health and accidents and injuries that have happened at its production plants in an effort to acquire knowledge that can be used to stop them from happening again.

There were fewer reported injuries (-13.8% on 2021) and fewer days missed (-12.4%). There were no fatalities in 2022 (zero % injury mortality rate). However, we note that two serious injuries occurred in 2022. To be precise, these injuries were suffered in 2021 at the factories in Oroslavje, Croatia, and Celje, Slovenia. Nonetheless, the absences continued into 2022, which resulted in the reporting of these incidents in the present year. In both cases, these events were due to human error, which is confirmed as the leading cause of injuries in the Group. Aquafil records each incident to determine whether it is necessary to adopt preventive actions in order to stop the occurrence of others.

Table 19 shows the frequency¹⁶, gravity¹⁷ and risk¹⁸ trends from 2018 to 2022. Both employees and workers hired through agencies were included in the total number of hours worked, number of injuries, and related days lost, which contributes to the computation of the indices. This demonstrates Aquafil's commitment to all employees working on Group properties, regardless of the contract in place.

In 2022, hours worked were slightly lower than the previous year, due to the decline in the number of workers.

Table 19: Injuries and working days lost due to absence from 2018 to 2022, with relative Frequency (IF), Severity (IG) and Risk (IR) index values.

Year	2018	2019	2020	2021	2022
Hours worked	5,126,261	5,330,989	4,518,124	5,074,818	5,053,160
Injuries >3 days	36	15	21	36	31
Of which serious injuries	-	-	1	0	2
Working days lost	1,144	971	645	1,434	1,256
IF	7.02	2.81	4.65	7.09	6.13
Serious injuries IF	-	-	0.22	0	0.40
IG	0.22	0.18	0.14	0.28	0.25
IR	1.57	0.51	0.66	2.00	1.52

2.4.3. Stakeholder relations (GRI 2-6:2021; 2-28:2021; 2-29:2021)

One of the Group's strengths is the establishment and maintenance of tight links with local and international partners. They are continuously and actively engaged in Aquafil's operations, as the Company acknowledges the significance of their contribution to the business model and corporate Sustainability Plan.

¹⁶ The frequency index correlates the number of occupational accidents to the extent of exposure to risk (it is calculated by dividing the number of accidents resulting in over 3-days absence from work multiplied by 1,000,000, compared to the number of hours worked).

¹⁷ The severity index correlates the severity of the accident to the extent of exposure to risk (it is calculated by dividing the number of days lost over 3 days multiplied by 1000, compared to the number of hours worked).

¹⁸ The risk index correlates the frequency and severity indices.

2.4.3.1. Supplier selection and engagement (GRI 308-1:2016; 414-1:2016; SDGs 5, 8)

The Group gives careful consideration to the selection of its suppliers, taking into account not only the relationship between the quality of the products and services provided and the economic benefit, but also the requirements established by Aquafil's Management Systems and its voluntary certifications. Indeed, these necessitate the creation of specific verification procedures to increase the ability to control the supply chain and limit as far as possible the occurrence of negative impacts on the environment and society, in addition to incidents with the potential to have negative consequences for the Company's business.

Each year, the Group acquires new certifications, which requires a steady evolution of supplier selection methods.

This is exemplified by the SA8000 certification process, which is gradually being adopted by all Group plants. This has resulted in the incorporation of ethical and social responsibility aspects pertaining to suppliers, in addition to the previously present aspects of environmental impact management and regulatory compliance.

In order to identify and manage the amount of risk associated with new suppliers, the Group has adopted certain rules controlling the selection of new suppliers.

In certain instances, as was the case in 2022 for the AquafilSLO corporation, numerous procedures are merged into a single certification system comprising the requirements previously expressed by distinct procedures, so as to make the system more efficient and straightforward to implement.

The third-party integrity screening project was initiated in 2022 in order to detect, for a select panel of suppliers, information useful for capturing signals for an assessment of counterparty risk (i.e. detection of corporate composition, anti-fraud indicators, link analysis, reputation, etc.).

An engagement kit is then provided for new suppliers that includes:

- The request for master data form
- The request to comply with the Code of Conduct and SA8000 Requirements;
- A description of the business policies Aquafil has in place;
- The SA8000 standard;
- The questionnaire that must be completed in order to evaluate the provider.

The questionnaire facilitates the gathering of data required to understand how the supplier handles quality, environment, safety and social responsibility. On the basis of this information, a score is assigned, which, if below a minimum level determined by Aquafil, eliminates the option of engaging the new provider.

ECONYL® Qualified

Since 2015, the ECONYL® Qualified initiative has utilised a specialised qualifying approach to identify ECONYL® yarn supply chain suppliers that are capable of exceedingly high environmental performance criteria.

The qualification requirements, created by Aquafil and exhaustively documented for all categories of suppliers in the ECONYL® Qualified Protocol, address the management of the manufacturing process and material and energy resources at the supplier's location. These are sector-specific criteria that are established and updated continuously with the direct participation of a number of suppliers.

Existing ECONYL® Certified supply sectors include logistics and product transportation, manufacture of yarn tubes, supply of end-of-life fishing nets, yarn finishing, and supply of yarn waste derived from both pre- and post-consumer waste.

2022 saw confirmation for the suppliers who had already earned recognition in prior years, and the launch of an the assessment procedure for a new supplier, Balsan (France), which operates in the "supply of pre-consumer waste" sector. Over the coming years, this sector will involve new suppliers, reflecting Aquafil's emphasis on waste recovery, which will enable the nylon supply chain to become increasingly circular.

The ECONYL® Qualified programme not only allows for greater monitoring of the ECONYL® yarn supply chain, but it also encourages suppliers to pay attention to environmental problems that are considered in the certification standards.

2.4.3.2. Customer Relations **(GRI 417-1:2016; SDG 12)**

Aquafil is a great believer in the additional value obtained through collaborations with its customers, which leads to the attainment of significant sustainability targets more quickly and effectively.

On the basis of transparent communication, there are numerous types of collaboration: the support and initiation of projects devoted to the development of circular and innovative products, the creation of new supply chains for the recovery of nylon waste materials, and participation in activities to raise awareness of environmental sustainability issues.

The project with Hyundai is a perfect example of this kind of collaboration. Hyundai, a worldwide automotive industry leader, employs ECONYL® yarn in the mats of some of its electric car models, but its commitment to sustainability does not end there. Since 2021, it has partnered with Healthy Seas (more information on which can be found in the paragraph titled “Environmental Protection Education and Ocean Commitment”), and in 2022, it supported multiple interventions to recover abandoned fishing nets (more than 23 tonnes in the first half of the year alone), which are then combined with other waste to produce ECONYL® regenerated nylon.

The Take Back programme, targeted at NTF and BCF customers, enables Aquafil to recover pre- and post-consumer scrap in ECONYL® nylon and is one of the many initiatives that have been put in place over the years. Several well-known worldwide companies have joined the programme throughout the years, providing a significant boost to the circular transformation of production chains and the accomplishment of the Group’s ambitious objectives.

Born Regenerated to be Regenerable: the carpet of the future

An additional accomplishment in 2022 will be the birth of an innovative project that reflects an advancement of the Group’s traditionally pursued customer engagement efforts and a display of Aquafil’s growing emphasis on sustainable product design.

The Born Regenerated to be Regenerable by Aquafil (Born R2R) initiative seeks to promote ecodesign principles to customers in the BCF sector who use ECONYL® yarn by co-designing carpets with them so that they are planned from birth to be recovered at the end of their life.

Partnership with the customer is essential to bringing the notion of a circular supply chain to life and making it realistic. Aquafil defines collaboration as working on the product’s qualities while taking into account the demands of the firm that will manufacture it and those that will assure that it can be re-manufactured.

To comply with the programme, the planned carpet will contain recyclable elements or will be readily broken into its constituent parts. As such, the component created from nylon ECONYL® may be transferred to the AquafilSLO plant in Ljubljana for regeneration, while the other elements will follow separate recycling streams.

The programme also involves the branding of the product with a distinctive logo, allowing not only manufacturers to use it for communication purposes, but also R2R products to be constantly recognised and recognisable as remanufacturable material along the supply chain. Aquafil has also established particular communication standards for Born R2R goods, based on the worldwide ISO 14021 standard, so that customers participating in the programme are not exposed to the danger of greenwashing and product sustainability information is transparent. The standards are also intended to comply with the European Strategy for Sustainable and Circular Textile Products, which seeks to promote the sustainability of textile goods by a more exact regulation of the standards to be followed in the pertinent communication.

ECONYL® for 3D printing

The Aquafil Group has collaborated with a number of customers to enable the use of ECONYL® polymer as raw material for 3D printing. The market for 3D printer filament has long demanded recyclable materials. Using ECONYL® polymers, these filaments will be entirely regenerable at the AquafilSLO factory. In fact, a pilot project has been launched that involves the eventual prospect of returning both processing waste and end-of-life 3D-printed items. The project thus represents a significant extension of the use of nylon ECONYL® in a widening diversity of goods and the circularisation of new supply chains.

ECONYL® onair

In 2022, the Group launched a second new effort intended to increase communication with its stakeholders. ECONYL®onair was created as a platform for its customers (primarily textile and carpet manufacturers) who, unable to physically travel to see the process of making ECONYL®, can participate in a virtual tour that can convey information about the product and the values that inspire Aquafil, its history, and its vision for the future. The platform is interactive so as to customise the experience and encourage user interaction, but it also contains a presenter to retain a coherent narrative between phases.

The COVID-19 pandemic provided the motivation for the establishment of the platform, since it severely restricted physical travel possibilities and, despite the lifting of limitations, led to a significant growth in the usage of remote communication technologies. Aquafil quickly understood the potential of ECONYL®onair, thus the platform was also used for efforts involving stakeholders other than consumers, such as staff training exercises and school interventions.

Bluloop SB

Being a spokesman for sustainability and circularity concerns within and beyond the Group is one of Aquafil's priorities. These topics are now quite trendy, despite the prevalence of misinformation and greenwashing. To provide a concrete response to the need to share concrete concepts and actions with a very large audience, we created an online platform in 2021 that seeks to achieve two goals:

1. the creation of a club where brand partners can showcase their products made from ECONYL®;
2. the development of contents that can reach end customers who struggle to decipher the often ambiguous and sometimes complex world of sustainability via the use of simple and engaging language.

In 2022, the platform was expanded and a new feature was introduced: the direct sale of select ECONYL® items promoted by Aquafil's subsidiary Bluloop. The Noho move™ chair, a sought-after patented design item, and a set of carpets formed from the recovery of a monumental piece of art are offered directly on the platform. The latter is a single 500m² carpet created by the Italian artist Stefano Arienti and portraying an ancient map of Europe from the Roman Empire. The artwork decorated the entrance to the Art Verona exhibition event. After the conclusion of the event, the carpet was cut and trimmed into 32 distinct pieces of various sizes and shapes that may be purchased separately. The artworks were made available for online purchase, and the proceeds were donated to Alba Chiara APS, an organisation working in the Arco region to combat violence against women.

This action is totally consistent with the guiding principles of Bluloop's By-Laws, which, in the course of its economic activity, seeks to maximise its positive impact on the environment, the community, the local area and all other stakeholders concerned.

2.4.3.3. Local community projects (GRI 413-1:2016; 304-1:2016; SDGs 11,14)

Local communities are an important stakeholder segment for the Group worldwide. In addition to the past projects, new ones have been introduced over the years, expanding the Group's extensive and consistent presence on the territories where it operates.

Social inclusion projects

In the ACC plants in Phoenix and Anaheim, Arizona, USA, there are active programmes with two local organisations, "Rescued not Arrested" and "The Salvation Army" to provide in-house employment opportunities to inmates of correctional institutions and people undergoing recovery from addiction.

Through these experiences, participants can acquire professional skills in a commercial context, laying the groundwork for overcoming adversity and reintegrating as contributing members of society.

In 2022, a total of 16 individuals participated in these programmes.

In collaboration with the Foothills Correctional Institution Association, Aquafil O'Mara has also launched the same programmes. In 2022, the programme's effectiveness was confirmed by the fact that participants comprised around 10% of the plant's personnel.

Investing in the generations of tomorrow

The Aquafil Group is a staunch believer in the importance of innovation applied to its goods, and its activities reflect this. Also confirmed for 2022 is the collaboration with New York's renowned Parsons School of Design through its prestigious Master of Fine Arts Textiles Program; more than 25 students were able to try their hand at ecodesign and the use of regenerated and regenerable materials when designing and creating installations.

In 2022, five scholarships were also granted to students at the ITET Floriani Institute in Riva del Garda, Tennessee, in an effort to support the development of new talent. Adriano Vivaldi, who has served as Aquafil's CFO for almost three decades, is intimately involved in this initiative. The objective of the "ADRIANO VIVALDI CAREER STUDY GRANTS" project is to convey the knowledge and experience of a success story to high school graduates who must choose their educational route. Aquafil also conducts numerous interventions and educational activities of various types in schools and universities in Italy, in which, in addition to providing information about the Company's activities and production process, it explains what circularity is and how it can be put into practice, engaging young people in the culture of sustainability and responsible consumption.

AquafilSLO has also implemented activities to support the younger generation in Slovenia. In 2022, the Company participated in the Slovenian Chemical Society's committee to award prizes for the best dissertations in sustainable chemistry, offering the winning researchers the opportunity to visit Slovenian plants.

In October 2022, AquafilSLO and the Healthy Seas Foundation joined with Ekošola¹⁹, a well-established international programme providing environmental education, in an effort to increase students' and teachers' knowledge of sustainable development challenges. AquafilSLO and Healthy Seas engaged in the creation of the educational module and workshops dedicated to circularity, which will be implemented in more than 32 schools during 2022-2023, with the prospect of reaching more than 500 students.

Weaving New Opportunities

Weaving New Possibilities is a cooperation between Aquafil Thailand and Eco Lady Community, a group of Sriracha-based indigenous artisans.

The effort involves the recovery of ECONYL® carpets, which, owing to the artistic abilities of the women engaged, are cut up and repurposed as, for example, notebook and diary covers. The earnings from the sale of the artefacts are then used to help the local community via a programme that promotes circularity and social sustainability.

Alba Chiara APS: responding to the needs of the area

Aquafil embarked on a significant new cooperation with Alba Chiara APS in 2022, an organisation whose mission is to increase awareness of gender-based violence in the communities of Alto Garda and Ledro.

The initiative will be developed in phases and will involve actions targeted at disseminating the message to various audiences through various channels, with a particular emphasis on the youth.

The project's initiatives may be grouped into three broad categories:

1. The use of culture to convey the message:

The objective is to employ the different forms of art to provide spaces for contemplation on the role of the female and male figure throughout history and in contemporary society.

A first activity will be the construction of a play inspired by journalist Chiara Todesco's book, in which she chronicles and honours the most prominent female mountaineers. The exhibition intends to challenge the culture that consigned women to secondary roles in climbing by highlighting the accomplishments of several women to national and international mountaineering.

¹⁹<https://ekosola.si/>

A second activity is associated with the “Eutropia: festival of exchanges, synergies, and tales” event, which seeks to foster a culture founded on the acknowledgment and appreciation of difference. Young artists will be involved in the creation of works that give visual form to the concept of interchange and synergy. Some of these pieces will be shown in Riva del Garda in the future, and the best three will get book vouchers on the subject of equal opportunity culture.

2. The response to concrete needs in the area:

Currently, the region of the Alto Garda and Ledro Community lacks support services for female victims of abuse beyond those offered by the government. Due to this, Aquafil and Alba Chiara wished to utilise their partnership to answer to this need by establishing a safe space where women in difficulty may be listened to and supported, with the assistance of trained figures. Also, a partnership will be formed with the Trento Women’s Coordination Anti-Violence Centre in order to provide more organised help when necessary.

The project is intended for all distressed women who require assistance in locating the appropriate tools to deal with violent circumstances.

3. Education and dialogue activities for young people:

Two distinct courses have been established for schools in Alto Garda, both of which are overseen by professionals capable of leading thoughts on gender stereotypes and the cultural origins of gender inequity. The goals involve acquiring a stronger understanding of the gender stereotypes and prejudices that underpin the occurrences of violence and discrimination, so that they may be better identified and averted. Children will participate interactively in the events to encourage dialogue about their experiences and thoughts. The courses will be structured in accordance with training modules that schools may adjust to their requirements.

Diversity, inclusion, and assistance for disadvantaged groups

Aquafil actively contributes to the needs of disadvantaged populations through partnerships with several organisations and participation in numerous projects. Only the most significant ones are shown here as examples of the contributions that each of the Group companies has made to other organisations:

AquafilCRO

With the organisation of cultural and educational events and the distribution of funds to socially needy people, AquafilCRO is highly engaged in the community. The Company has donated gifts to children in need and launched projects targeted at other people in need.

AquafilSLO

The Volunteer Fire Brigade Association stands out among the many local organisations that AquafilSLO has supported over the years through donations and other initiatives. This organisation is well-known throughout Slovenia and is highly regarded for its humanitarian work, serving as a focal point for the neighbourhood. Almost 200 children and young people attended the association’s summer youth camp, which was partially financed by Aquafil, in addition to other activities in the Ljubljana and Celje region.

It also made a donation in 2022 to the Association of Youth Ljubljana Moste-Polje, a multigenerational centre that runs programmes for underprivileged children, families, and other vulnerable groups.

AquafilUSA

There are programmes like those run by AquafilUSA, which donates money to Cartersville High School each year to help kids in need have access to higher education so they can have better opportunities in the future. The initiative to gather food to be distributed to the community’s needs is also noteworthy. Last but not least, through “Adopt a Road”, Aquafil USA personnel help maintain public roadways by performing recurring clean-ups.

Aquafil SPA

Again in 2022, the Aquafil facility in Arco has once more provided assistance to two regional organisations with which it has long-standing relations. The first is assistance for ABIO, an organisation that works to lessen the stress of hospitalisation for children and their families via a variety of initiatives. Support was provided by both the Company and individual employees. Together with the Basso Sarca Amateur Fishermen’s Sports Association, Aquafil’s involvement in the Sarca River restocking project was also confirmed. The project involves actions to enhance the biodiversity of the Sarca River, which in one stretch flows next to the production plants.

Support of local cultural and sports centres

Many sponsorship programmes are offered by Aquafil for community events, cultural events, and volunteer activities, some of which were listed in the preceding paragraphs. They are supplemented by the sponsorships of different sports teams, such as those supplied by AquafilSLO and AquafilCRO, whose financial assistance allowed for the planning of competitions, the development of infrastructure, and the upkeep of regional teams in a variety of sports.

Healthy Seas, a Journey from Waste to Wear

In 2013, Aquafil participated in the establishment of the Healthy Seas association and has since supported its initiatives across the board.

The association's role is to raise awareness of marine pollution caused by plastic debris that has settled on the ocean floor and to take proactive steps to reduce it.

As a result, various educational initiatives have been launched, including the partnership with Ekošola in Slovenia in 2022, described in the paragraph on AquafilSLO activities above. With the training sessions offered to teachers at the participating schools, this effort has made it possible to increase the ability to transmit the Healthy Seas message, which will enable them to do so in future school years to students and ultimately reach a larger audience.

Together with the undersea waste recovery operations on the seabed, educational activities are also carried out, engaging local people to raise awareness of the issue and encourage its future prevention.

228 days of activity were carried out in 2022, with 40 of those days devoted to educational activities and 188 to clean-up efforts that recovered 132.5 tonnes of rubbish, including disused fishing nets and other debris dumped into the sea.

350 volunteer divers made recovery efforts possible, together with 1250 fishermen and aquaculture company owners and 3400 children who participated in training sessions in schools.

In addition to having a presence in 20 different nations, in 2022 Healthy Seas successfully extended its business into two new areas: The United States and Asia.

Among the most significant operations is the clean-up of the maritime environment surrounding the Greek island of Ithaca. This effort began in 2021 with the purpose of reversing severe marine degradation caused by abandoned aquaculture nets and cages in the ocean, following the bankruptcy of the firm that owned them. The clean-up lasted until 2022 and resulted in the removal of 18.5 tonnes of nets.

The actions of Healthy Seas are not confined to enhancing maritime habitats. Indeed, all of the recovered materials are sifted to extract the nylon from the nets, which is then transferred to the AquafilSLO plant to be processed alongside other trash into ECONYL® regenerated nylon.

Participation in associations

The Group has established a large number of collaborations with worldwide organisations and projects that support the circular economy and environmental sustainability.

UN Global Compact²⁰:

an agreement to subscribe voluntarily to a set of long-term sustainability values, agreed with the United Nations. In order to build sustainable policies, practices, and economies, and to promote the culture of corporate citizenship on a global scale, the Group has joined a transnational network comprising several types of civil society stakeholders and 17,000 enterprises from 160 countries.

²⁰Application for membership and commitment letter received in December 2022; membership confirmed on January 16, 2023.

Alliance for the Circular Economy:

a joint initiative of 12 leading Italian companies in different industrial sectors, the Alliance aims to guide an overall evolution of the production context from a circular perspective that enhances Made in Italy, focusing on innovation, fostering the exchange of experiences and best practices, and promoting a constant comparison with the entire ecosystem of stakeholders. The Alliance will produce two guide texts in 2022 to promote the consistent use of the circular economy idea in the Italian corporate environment. The first is a compendium of definitions and rules for making accurate statements and circular communications. The second document is a compilation of criteria and methods for incorporating circular economy considerations into the supplier selection process.

The Ellen MacArthur Foundation:

one of the most significant international organisations for promoting and implementing the circular economy. Specifically, the Group is a partner in the Circular Economy 100 Network, a programme that aims to create new opportunities in circularity through collaborations amongst industries.

Plastics Recyclers Europe:

an organisation that promotes the use of high-quality recovered plastics by bringing together Europe's major plastics recycling enterprises. In addition to representing this industry at the European level in order to unify standards and practices in Europe, the organisation assists its members in the development of recycled-material-based goods.

SPRING National Circular Bioeconomy Technology Cluster:

the organisation intends to build a community of players and supply chains from the green chemical industry to promote the development and systemic expansion of the Bioeconomy in Italy.

Textile Exchange:

a multinational organisation that promotes the development of ethical and sustainable textile industry practices. The association comprises brands, retailers, natural and synthetic textile fibre manufacturers, raw material suppliers, farmers, and other key stakeholders. Textile Exchange provides the whole supply chain with the tools, resources, and knowledge necessary to implement responsible and sustainable practices, and promotes the standardisation of these practices via the development of a number of widely recognised and utilised fashion industry standards.

European Man-Made Fibres Association (CIRFS):

this association represents and promotes the interests of the European man-made fibres industry.

2.5. Environment and circularity

In the following sections, environmental statistics and quantitative indicators characterising performance, their developments over the years, and the Group's launched and ongoing programmes are presented.

2.5.1. Voluntary certifications (GRI 2-27:2021)

2.5.1.1. Group certifications

The Group continues along the route begun in prior years to gradually extend quality, environmental, energy, and safety certifications to all of its global sites. In particular, 2022 saw a considerable increase in certifications obtained.

The certifications held by each plant are listed in the table below, with those gained in 2022 highlighted in red.

Table 20 - List of certifications obtained by facility (2022).

Production plant	ISO 9001	ISO 14001	ISO 45001	ISO 50001	SA 8000
Aquafil Arco	X	X	X	X	X
Aquafil China	X	X	X	X	-
Aquafil USA-Cartersville	X	-	-	-	-
Aquafil Carpet Recycling#1	-	-	-	-	-
Aquafil Carpet Collection - Phoenix	-	-	-	-	-
Aquafil Carpet Collection - Anaheim	-	-	-	-	-
Aquafil Carpet Collection – Chula Vista	-	-	-	-	-
Aquafil Carpet Collection - Miramar	-	-	-	-	-
AquafilCRO	X	X	X	X	X
AquafilSLO - Ljubljana	X	X	X	X	X
AquafilSLO - Ajdovščina	X	X	X	X	X
AquafilSLO - Senožeče	X	X	X	X	X
AquafilSLO - Celje	X	X	X	X	X
Asia Pacific	X	-	-	-	-
Tessilquattro	X	X	-	-	X
Tessilquattro - Rovereto	X	X	-	-	X
Aquafil UK	-	-	-	-	- ²¹
Aquafil O'Mara	-	-	-	-	-

²¹Aquafil UK attained SA8000 certification and completed the final certification stage with flying colours; the latter will be granted in 2023.

The following certifications were also retained in 2022:

- Responsible Care, a certification held by AquafilSLO. This is a voluntary programme sponsored by the global chemical industry that attests to excellent measures in the areas of health, safety, and the environment;
- Full Authorised Economic Operator (AEO), obtained by Aquafil S.p.A. and AquafilSLO, in relation to the European Union Customs Code, formally certifying and authorising the Company as an 'Authorised Economic Operator'.

Thanks to the commitment and investment dedicated to monitoring environmental issues, compliance with relevant regulations, and ongoing training provided to Group employees at all levels, the absence of penalties for non-compliance with environmental laws and/or regulations was again discovered in 2022.

2.5.1.2. Product certifications

In addition to the certificates earned at the Group level, there are certifications acquired for specific goods that seek to guarantee that the highest environmental, quality and safety requirements are maintained.

Management of chemical substances

(GRI 416-1:2016)

For the Group, the appropriate management of all elements relating to the use of chemicals is of the utmost significance, particularly in terms of the safety of the actors in its value chain and environmental preservation.

For this reason, Aquafil has adopted specific guidelines defining the correct control and communication²² on these aspects, in addition to the presence of an internal working group (sustainability compliance team) specifically dedicated to:

- supporting the Group's plants in aspects of chemical management.
- including its stakeholders in the evaluation and management of chemicals, and providing them with support.

The desire to ensure the safety of the chemicals used has also led to:

- certifying compliance with the REACH regulation for Aquafil S.p.A. and AquafilSLO;
- obtaining for Aquafil S.p.A. the OEKO-TEX certification, which ensures the absence of harmful substances in the product;²³
- obtaining Cradle to Cradle Material Health Gold and Silver certification for ECONYL® products;
- certifying three products made by AquafilSLO under the ECO Passport scheme,²⁴ recognised within the Zero Discharge of Hazardous Chemicals (ZDHC) initiative.²⁵

In the area of health and safety, the findings of previous years were reaffirmed in 2022: the Group's products' conformity with the principal requirements did not justify the launch of assessment activities to enhance performance in this area.

Recycled content

Aquafil's ECONYL® polymers and yarns are verified for the presence of second-generation raw materials via specialised certifications. Certifications obtained or retained in 2022 are shown below:

- ECONYL® product certificate: PA6 100% recycled yarn;
- ECONYL® caprolactam certification - 100% recycled raw material, with post-consumption content greater than 50%;
- Certification issued by UL for ECONYL® Altochroma yarn, confirming the presence of at least 97% recycled material.

²²www.aquafil.com/it/ambiente/

²³the following link lists the certifications achieved by Aquafil, including the OEKO-TEX and Material Health Certificates, in addition to the products included: www.aquafil.com/it/certificazioni/

²⁴<https://www.oeko-tex.com/en/our-standards/eco-passport-by-oeko-tex>

²⁵www.roadmaptozero.com/

Environmental Product Declaration (EPD)

In addition to the previously indicated certifications, Aquafil confirms that the EPD declarations on ECONYL® polymer and clothing yarn are valid in 2022.²⁶

These environmental statements adhere to the internationally known ISO 14025 standard, which is based on the life cycle analysis (LCA) methodology. Aquafil has already begun the process of updating its EPDs for Bulk Continuous Filaments yarn, which will be finished in early 2023 in accordance with the International EPD System's revised regulations.

2.5.2. Environmental performance of production processes

Materials

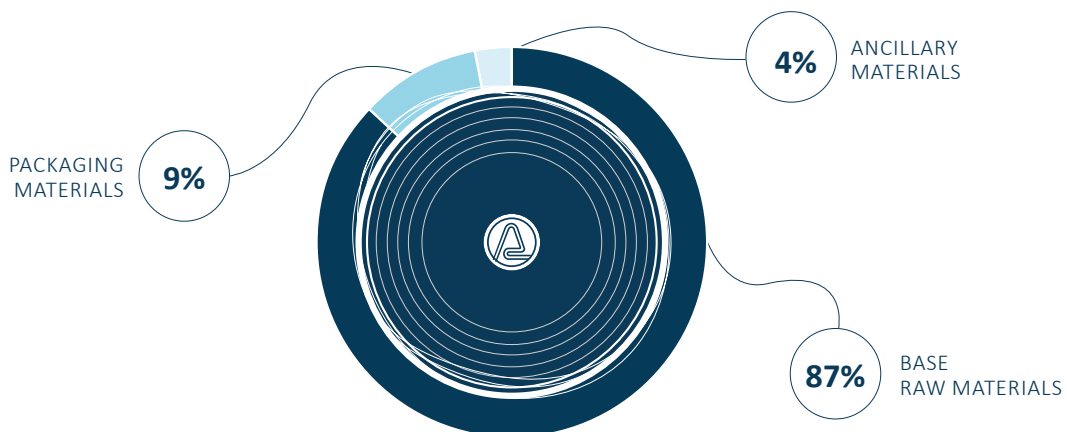
(GRI 301-1:2016; SDGs 8, 12)

The Group's raw materials may be categorised into three macro-categories (Figure 12):

1. Raw materials, which constitute 87% of the total and consist of virgin raw materials (such as caprolactam and polymers) and secondary raw materials derived from processing waste (pre-consumer) and end-of-life products such as carpet fluff or fishing nets (post-consumer);
2. Packaging materials;
3. Auxiliary materials, such as additives and other substances used in the production process.

Approximately 156,000 tonnes of materials were used in 2022, 8% of which came from renewable raw materials, such as paper and wood.

Figure 12 - Percentage breakdown of raw materials used by the Group in 2022



Energy

(GRI 302-1:2016; SDGs 7, 8, 12, 13)

The Group's efforts to limit the effects associated with its energy consumption are centred on two major themes: the commitment to enhance the usage of energy from renewable sources and the investment to achieve the best possible manufacturing process efficiency. As evidence of this, in 2022 the Tessilquattro facility in Rovereto had a substantial overhaul of its plant layout and the alteration of several production lines, resulting in the replacement of some outdated equipment, such as boilers, with new, more efficient equipment. In 2022, 77% of the total electrical and thermal energy used by the Group came from certified renewable sources, such as hydroelectric, wind, photovoltaic and biomass. Specifically, in 2022, 100% of the power used by the Group was generated from renewable sources.

²⁶The Group's EPD declarations are available at the following URL: www.aquafil.com/certifications/.

Aquafil also invests in self-generated power systems: the Aquafil plants have installed photovoltaic panels in the United States and in Italy, in Slovenia and Croatia, which, while only providing a small percentage of the total energy requirements, can meet the energy needs of certain facilities such as administrative offices.

Table 21 shows the total amount of energy managed and consumed by the Group from 2018 to 2022. Consumption is expressed in absolute terms and divided by energy carrier and destination (used internally or sold). Total energy consumption relative to EBITDA is also reported to provide an overview of trends over the years.

Table 21 - Energy produced and consumed by the Group in the 2018 - 2022 period²⁷

Energy carrier	Unit	2018	2019	2020	2021	2022	
Fuels purchased	Natural gas, diesel and technical gas	GJ	855,680	824,684	774,294	890,482	771,106
Energy purchased	Electricity	GJ	1,126,326	1,159,558	1,001,572	1,208,587	1,201,573
	Steam	GJ	545,675	523,790	440,527	552,386	577,127
Energy internally produced	Photovoltaic	GJ	2,742	3,266	8,875	10,301	15,213
Energy sold	Electricity	GJ	1,111	1,502	2,872	634	1,439
	Thermal energy	GJ	35,156	28,546	16,797	17,029	26,824
Energy managed by the Group		GJ	2,566,690	2,541,346	2,244,937	2,679,419	2,593,281
Total Group energy consumption²⁸		GJ	2,494,156	2,481,249	2,205,600	2,644,094	2,536,756
Energy consumption in relation to the margin (EBITDA)		TJ/Mio€ (MJ/€)	32.0	35.7	37.8	36.7	27.5

²⁷Consumption is measured using the tool in the unit of measure kWh and then converted into GJ by multiplying by a factor of 0.0036.

²⁸The total energy consumption of the Group is calculated as: fuels + energy purchased + energy produced internally - energy sold.

Greenhouse gas emissions

(GRI 305-1:2016; GRI 305-2:2016; SDGs 9, 12, 13, 14, 15)

Monthly GHG emissions are calculated by converting the amounts of energy consumed into carbon dioxide equivalent (CO₂eq), taking into account the inherent characteristics; for this purpose, within a GHG Risk Management process, the Aquafil Group utilises a specially developed calculation tool, the sustainability web tool, to which all plants have access and which employs specific²⁹ conversion factors per energy carrier.

Programmes whose purpose is the monitoring and mitigation of greenhouse gas emissions necessitate the identification of particular Group responsibilities. These initiatives are a component of a larger plan of action pertaining to climate risk management and the reduction of physical and transitional risks.

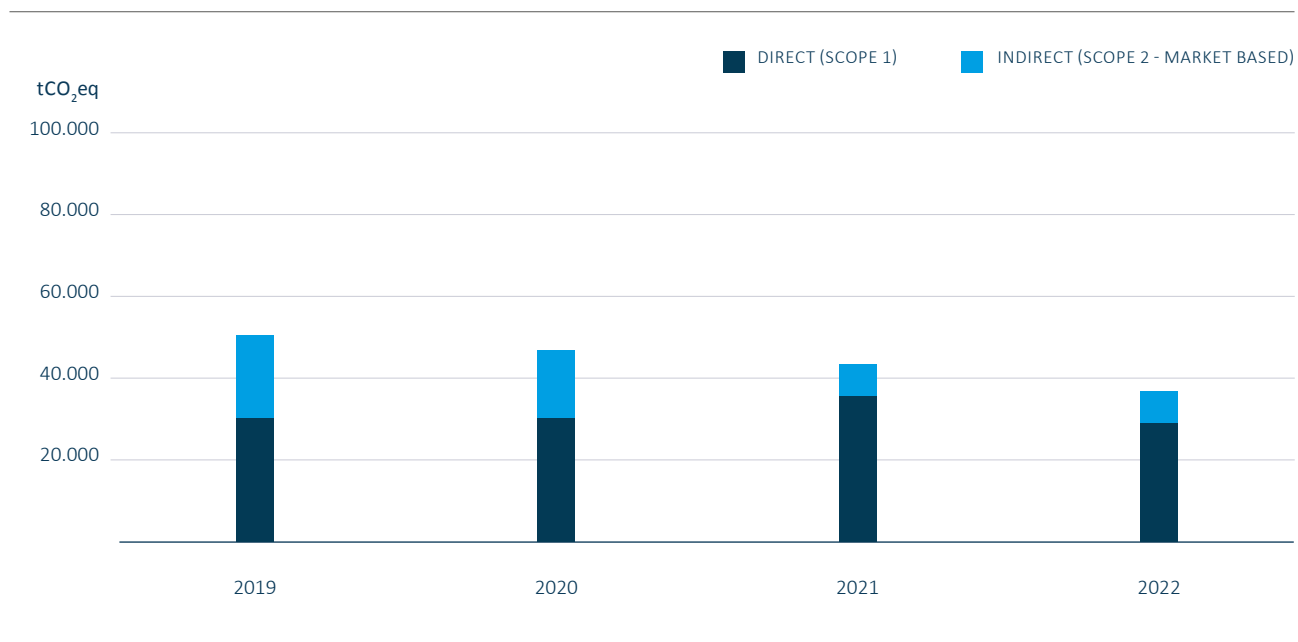
Emissions of greenhouse gases (Figure 13) are typically categorised according to the system given by the GHG Protocol and then separated into Scope 1 and Scope 2 emissions.

Scope 1 emissions are direct emissions that come from processes over which the firm has direct control, and are mostly connected with combustion processes occurring in the Group's production plants and the specific fuels used.

Scope 2 emissions include indirect emissions, associated with the production of electricity and heat purchased from external suppliers.³⁰ These emissions can also be calculated using the location-based or market-based method. For the location-based method, the conversion factor used reflects the electricity production mix in the country in which the plant is located, while the market-based method takes into account the production mix of the market in which the plant operates, using the residual mix as the conversion factor.³¹

The following graph only shows direct and indirect market-based emissions, while Table 22 also shows indirect location-based emissions. These are only reported from 2021, as they were not published in previous years and introduced later to paint a more complete picture.

Figure 13 - Trends in total greenhouse gas emissions (market-based Scope 1 and Scope 2 emissions) from 2019 to 2022



²⁹The conversion factors used come from the GaBi Software Database Pack 42, released by Sphera.

³⁰We note that indirect emissions commonly included in the Scope 3 category are not reported here..

³¹A nation's residual mix is essentially its electricity production mix, excluding contributions made by GO-certified renewable sources, to avoid double counting.

As a result of Aquafil's interventions throughout the years, greenhouse gas emissions appear to be dropping gradually.

Table 22: Greenhouse gas emissions, 2019-2022, following the classification required by the GHG Protocol and by the GRI Standards.

	Unità di misura	2019	2020	2021	2022
Emissions - Scope 1	tCO ₂ eq	52,796	50,501	57,609	48,097
Emissions - Scope 2 (market-based)	tCO ₂ eq	19,311	18,106	7,946	6,915
Emissions - Scope 2 (location-based)	tCO ₂ eq	-	-	192,724	193,857
Total emissions (Scope 1 and Scope 2 market-based)	tCO ₂ eq	72,106	68,607	65,555	55,011
Greenhouse gas emissions with respect to margin (EBITDA)	tCO ₂ eq / Mio€ (gCO ₂ eq/€)	1,039	1,176	909	596

For further information about this table please refer to the Methodological Note.

With the formulation of multi-year objectives, the Aquafil Group's Sustainability Plan includes a method for measuring, monitoring, and lowering greenhouse gas emissions. In light of this, the Group intends to comply with TCFD reporting.

Water withdrawals

(GRI 303-1; 303-3:2018;³²SDG 6)

Aquafil and its Board of Directors are well aware of the significance of water conservation. For this reason, the Group monitors water consumption both at production sites with an ISO 14001-certified environmental management system and at those not yet certified to ensure compliance with all relevant national regulations and a consistent company-wide approach.

Lowering its water usage is one of the Group's primary improvement objectives, and this has led to a large rise in expenditures in water efficiency improvements over the years. New internal recirculation systems, for instance, have been implemented to guarantee that water is used for as many uses as possible and so minimise withdrawals.

Approximately 83% of the volume of water withdrawn in 2022 also came from groundwater (wells), with the remainder from aqueduct and surface water (rivers).

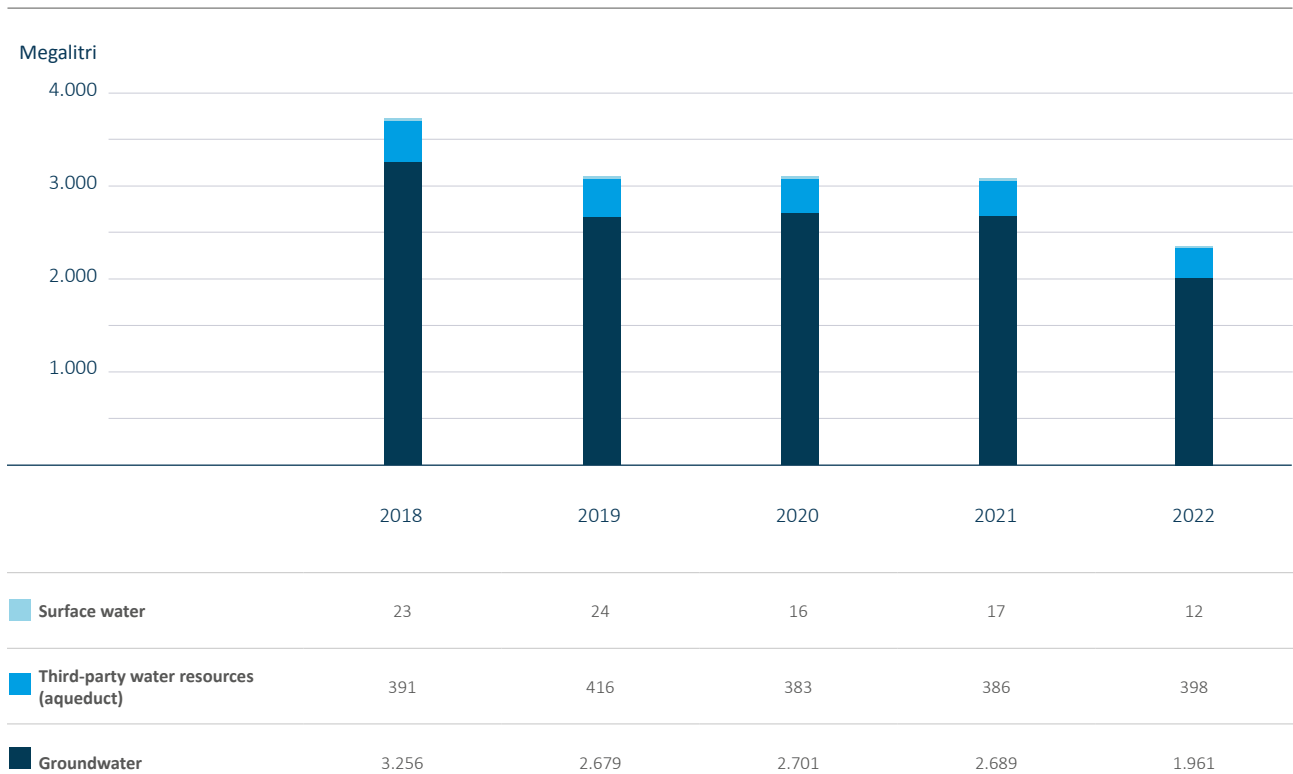
Figure 14 shows the trend for water withdrawals from 2018 to 2022, broken down by type (groundwater, third-party water resources and surface water) measured in megalitres.³³

In 2022, water withdrawals declined dramatically (approximately 25%) compared to the previous year, allowing the 2025 consumption reduction objective of 30% compared to 2018 to be achieved and exceeded.

³²The GRI 303-3 standard stipulates that the quantity of freshwater utilised relative to the total must be specified. Given the location of the Aquafil Group's plants and the resultant lack of necessity for seawater desalination operations, it was presumed that the whole amount of water utilised was fresh water.

³³A megalitre is one million litres.

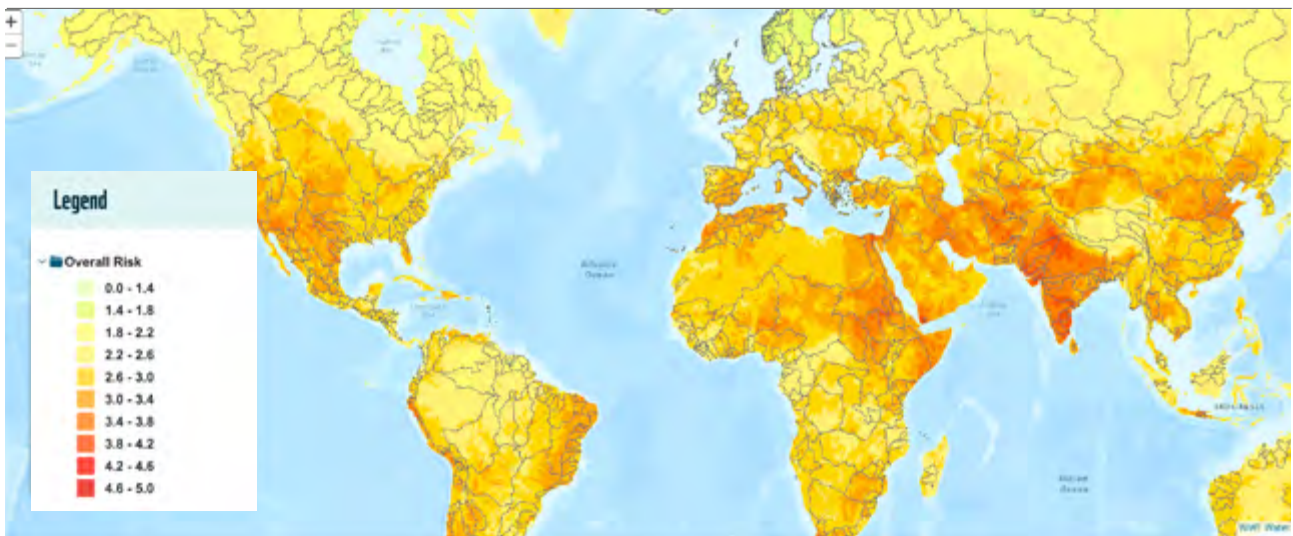
Figure 14 - Water withdrawals by source in the 2018-2022 period



In line with the requirements of GRI Standard 303-3, a qualitative assessment was made of the water stress in the areas where withdrawals are made. Each area was categorised using the Water Scarcity indicator provided by the WWF's Water Risk Filter,³⁴ which returns a risk scale ranging from 0 (no risk) to 5 (high risk) (Figure 15).

Table 23 shows the volume of water withdrawal broken down by source, plant and water stress area for the year 2022; it can be seen that withdrawals occur on average in areas of medium to low water stress.

Figure 15 - Water stress risk scale (WWF Water Risk Filter)



³⁴riskfilter.org/water/explore/map

Table 23 - Water withdrawal by water stress area (2022).

Source of withdrawal	Plants involved	Water stress risk	Amount taken [megalitres]
Surface water	Tessilquattro	1.8 – 2.2	12.4
	AquafilSLO Ajdovscina / AquafilSLO Celje / AquafilSLO Ljubljana	1.4 -1.8	277.5
Groundwater	Aquafil Tessilquattro Rovereto	1.8 – 2.2	1,684
	AquafilUK	0.0 – 1.4	1.8
	AquafilCRO / AquafilSLO Ljubljana / AquafilSLO Celje / AquafilUSA / AquafilSLO Senozece	1.4 – 1.8	227.8
	Aquafil Tessilquattro / Tessilquattro Rovereto / O'Mara	1.8 – 2.2	84.7
	Aquafil China	2.2 – 2.6	59.1
Third-party water resources (aqueduct)	Asia Pacific / Aquafil Carpet Recycling #2	3.0 – 3.4	2.2
	Anaheim / Miramar / Chula Vista	3.8 – 4.2	0.2
	Aquafil Carpet Recycling #1 Phoenix	4.2 – 4.6	22.4

Water discharges

(GRI 303-2; 303-4:2018; SDG 6)

Most of the wastewater from the production process is discharged to surface waters (69% of the Group's total water discharge volume).

Discharges to surface water are implemented after specific water quality assessments have been carried out, which is a standard procedure of the Group's environmental management system aimed at enduring full compliance with current regulations.³⁵

The checks are carried out periodically through laboratory analysis in order to monitor some parameters, the most relevant being the COD (chemical oxygen demand) which measures the oxygen demand of organic substances. In fact, both the quantity of the water discharged as well as its quality in terms of COD are monitored every six months using the sustainability web tool.

Table 24 shows the total water discharge by destination and its quality in terms of COD.

Table 24: Volume and quality of the water discharged over the 2018-2022 period

	Unit	2018	2019	2020	2021	2022
Discharge to surface water	megaliters	2,943.0	2,334.4	2,441.2	2,459.3	1,401.5
Discharged water quality (COD)	kg O ₂	77,045	68,821	99,963	44,170	28,274
Discharge to third-party water resources (treatment plants)	megaliters	880.1	841.2	700.6	855.6	637.9
Discharged water quality (COD)	kg O ₂	432,833	578,552	262,234	644,001	543,611

³⁵Information is not currently available regarding freshwater discharged as a percentage of the total. Under GRI Standard 303-3:2018, freshwater is water that contains total dissolved solids less than or equal to 1,000 mg/L.

Water discharges also saw a significant reduction (around 38%) in 2022 compared to the previous year, thus enabling the 30% reduction target for discharges set for the year 2025 compared to 2018 to be met and exceeded.

A qualitative assessment of the water stress in the areas where the discharge occurs was also carried out for water discharges, as required by GRI 303-4, with the same risk scale used for water withdrawals.

Table 25 shows the volume of water discharge broken down by destination, plants involved and water stress area for 2022.

Table 25 - Characterisation of water discharge by water stress area (2022).

Discharge destination	Plants involved	Water stress risk	Amount discharged [megalitres]
Surface water	AquafilSLO - Celje	1.4 – 1.8	0
	Aquafil / Tessilquattro Rovereto	1.8 – 2.2	1,401.5
	AquafilUK	0.0 – 1.4	1.8
Third-party water resources (treatment plants for industrial waste water)	AquafilCRO / AquafilSLO Ljubljana / AquafilSLO Celje / AquafilUSA	1.4 – 1.8	428.7
	Aquafil Tessilquattro / Tessilquattro Rovereto / O'Mara	1.8 – 2.2	85.5
	Aquafil China	2.2 – 2.6	13.2
	Aquafil Carpet Recycling #2	3.0 – 3.4	0
	Aquafil Carpet Recycling #1	4.2 – 4.6	19.9
	AquafilUK	0.0 – 1.4	0
	AquafilCRO / AquafilSLO Ljubljana / AquafilSLO Celje / AquafilUSA / AquafilSLO Ajdovscina / AquafilSLO Senozece	1.4 – 1.8	44.9
Third-party water resources (treatment plants for civil waste water)	Aquafil Tessilquattro / Tessilquattro Rovereto / O'Mara	1.8 – 2.2	36.85
	Aquafil China	2.2 – 2.6	3.2
	Asia Pacific / Aquafil Carpet Recycling #2	3.0 – 3.4	1.2
	Anaheim / Miramar / Chula Vista	3.8 – 4.2	0.2
	Aquafil Carpet Recycling #1 Phoenix	4.2 – 4.6	2.4

Waste

(GRI 306-1:2020; 306-2:2020; 306-3:2020; SDGs 11, 12)

Waste is a material topic for the Group as it is used as a raw material to produce ECONYL® nylon (<https://www.econyl.com/en/>). It is also a product of internal production processes, which must be properly managed to comply with the regulations in force in the various countries in which the Group operates. This management is entrusted to third parties whose work is regulated by specific contracts that reflect the requirements of existing legislative obligations. Compliance with these contracts is monitored by the Group's internal bodies responsible for ensuring contractual and regulatory compliance in the various areas.

Data on the amount of waste generated by production processes are also collected using the sustainability web tool, and are reported here in Table 26 and Table 27.

Table 26 shows the quantities and types of waste generated by the Group in the period 2018-2022. In 2022, the level of detail of the information provided regarding the type of treatment in the end-of-life undergone by both hazardous and non-hazardous waste was further increased. As described in the Methodological Note, the data referring to the different end-of-life destinations of waste were sourced from the relevant documentation made available to Aquafil. This information corresponds to that indicated in the MUD (*Modello Unico di Dichiarazione Ambientale - Consolidated Environmental Declaration*) and the *Quarta Copia* (Fourth Copy) of the Waste Form, and it was therefore assumed that the indications contained therein correspond to the actual end-of-life, as we do not have first-hand information on the stages of the waste treatment chain following those that can be traced with this documentation.

Tabella 26: Quantità e tipo di rifiuti prodotti nel periodo 2018-2022

	Unit	2018	2019	2020	2021	2022
Hazardous	t	2,037	2,549	1,747	1,600	1,746
Recycling	t	-	-	-	100	175
Preparation for reuse - off-site	t	-	-	-	-	0
Other collection operations - on-site	t	-	-	-	-	0
Other recovery operations - off-site	t	-	-	-	-	8
Landfill	t	-	-	-	143	20
Incineration with energy recovery	t	-	-	-	1,329	1,536
Incineration without energy recovery	t	-	-	-	28	6
Non-hazardous	t	10,416	11,083	8,112	11,559	13,012
Recycling	t	-	-	-	5,725	6,805
Preparation for reuse - off-site	t	-	-	-	-	68
Other collection operations - on-site	t	-	-	-	-	0
Other recovery operations - off-site	t	-	-	-	-	4
Landfill	t	-	-	-	914	1,288
Incineration with energy recovery	t	-	-	-	4,919	4,848
Incineration without energy recovery	t	-	-	-	0	0
Total	t	12,453	13,631	9,859	13,159	14,758

Table 27 shows the composition of waste produced by the Group and its end-of-life destination, broken down into recovery (recycling or energy recovery) and disposal.

Table 27 - Waste composition (2022).

Waste composition	Waste generated [t]	Waste diverted from disposal [t]	Waste directed to disposal [t]
Chemical process waste	5,503.22	5,503.22	0.00
Paper	3,399.01	3,399.01	0.00
Wood	1,300.29	1,300.29	0.00
Plastic	1,187.07	1,187.07	0.00
Municipal waste	1,358.82	71.25	1287.57
Aqueous liquid waste	367.55	367.55	0.00
Metals	570.62	570.62	0.00
Other waste	708.25	708.25	0.00
Electrical devices	154.05	154.05	0.00
Miscellaneous hazardous waste	59.01	39.87	19.14
Waste oils	38.63	38.33	0.30
Slurry	16.08	16.08	0.00
Waste chemicals	18.53	18.53	0.00
Inert material	23.68	23.68	0.00
Oils	34.19	33.30	0.90
Sludge from wastewater treatment	9.52	9.52	0.00
Glass	2.54	2.54	0.00
Lead batteries	6.32	6.32	0.00
Used filters	0.70	0.70	0.00
Total	14,758.10	13,450.19	1,307.91

2.5.3. Product chain environmental performance

Life cycle assessment

The Life Cycle Thinking approach takes into account the complete life cycle of goods in order to generate a thorough assessment of their environmental consequences using life cycle analysis (LCA) methods. This methodology makes it feasible not only to evaluate the environmental effect of numerous goods, but also to identify the stages of the manufacturing process that are most responsible for that impact and determine where it is most suitable to take action to decrease it.

Aquafil has based its strategic development decisions on this strategy, investing in technology that can enhance its environmental performance and establishing new supply networks.

The willingness to place environmental sustainability at the centre of its business strategy and the constant search for innovative solutions that can reduce environmental impacts led to the 2011 development of ECONYL® regenerated nylon³⁶, which was produced by recovering various types of nylon waste instead of fossil-based raw materials.

This decision was also supported by assessments of environmental impacts: the LCA analysis conducted on the standard nylon 6 yarn manufactured by Aquafil revealed that the extraction of fossil raw materials had the greatest impact on the entire product’s life cycle, so improvement efforts were concentrated on this phase.

The ECONYL® Regeneration System and the circularity of nylon 6

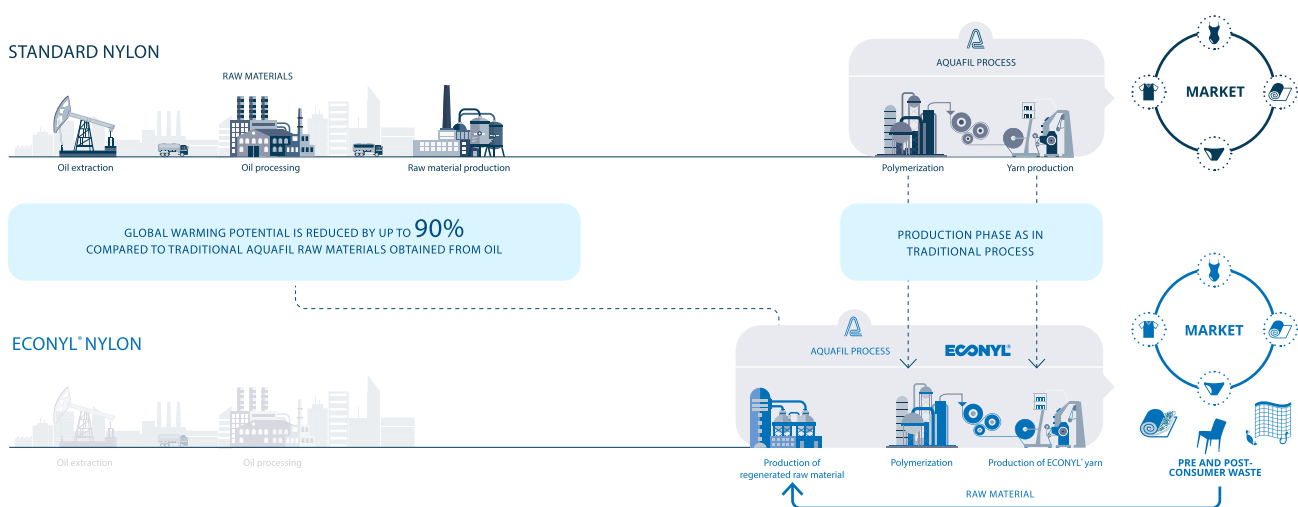
With the launch of the ECONYL® Regeneration System, Aquafil has developed a circular economy model that demonstrates the possibility of producing high-quality goods from secondary raw materials, such as post-consumer waste, i.e. products that have reached the end of their useful life, and pre-consumer waste, such as fabric production waste or plastic scraps.

At the heart of the ECONYL® Regeneration System is the use of a chemical recycling technology (called depolymerisation) which allows nylon 6 content in waste to be regenerated an infinite number of times, overcoming the limitations of traditional mechanical recycling, in which the material can only be recycled a limited number of times.

Regenerated ECONYL® nylon has two main advantages in terms of its environmental impact: it reduces GHG emissions linked to the production of raw materials by up to 90% and contributes to the recycling of materials that would otherwise be sent to landfill or, in the worst case scenario, dispersed into the environment (Figure 16).

The introduction of the ECONYL® Regeneration System has been complemented by a rising number of efforts designed to intercept manufacturing or post-consumer nylon 6 waste for regeneration. This has allowed Aquafil to contribute to the reduction of waste directed to landfills.

Figure 16 - The “Life Cycle Thinking” approach applied to the production of virgin yarn and ECONYL® yarn. The greenhouse gas emissions generated during raw material production are up to 90% less than those generated using traditional methods



³⁶ www.econyl.com

The continuous investment in innovation

Aquafil's permanent R&D structure is responsible for product and process innovation in all areas of operation, including yarns, polymers, ECONYL® nylon, process efficiency and development, ecodesign of products with a focus on circularity, and the continuation of fine-tuning and pre-industrialisation activities of the bio-caprolactam production process.

In 2022, research, development, and technical innovation efforts encompassed a variety of facets, some of which were addressed in partnership with competent research partners.

This section discusses some of the most significant R&D endeavours. For a full list of additional activities and a list of the Group's patent deposit and registration activities, please refer to the Directors' Report available on Aquafil's website.

Ecodesign of products

This line of research focuses on the investigation, design, and implementation of industrial prototype carpet tiles intended to recover the residual value of end-of-use materials, namely the polyamide 6 portion, using the ECONYL® regeneration system. This work is conducted in collaboration with industry customers and material suppliers in order to design products that are readily recyclable by "disassembling" all components.. In this context, the European project CISUFLO (Circular Sustainable Floor covering), an initiative funded by the European Commission under the European Horizon 2020 research programme and involving 23 partners, has been launched with the objective of identifying innovative Ecodesign flooring solutions and recycling technologies. Aquafil invested in the development of novel technology capable of isolating polyamide from several types of textile flooring in this project.

New applications for ECONYL® nylon

To broaden the variety of goods that may be manufactured from ECONYL® nylon, two additional application areas were investigated: the creation of polymers suited for 3D printing and the production of cast nylon.

In the first instance, the difficulty included identifying additives that would not compromise the remanufacturing of items created from these materials once they had reached the end of their useful life. The actions taken confirmed not only that this was feasible, but also that no component separation was required beforehand.

In the second scenario, ECONYL® caprolactam is utilised to create Cast Nylon in conjunction with the University of Trento. In 2022, in addition to testing at the University's laboratories, various sizes, geometries, and kinds of polyamide 6 fibre matrix samples were made. ECONYL® nylon rods and plates may be produced with anionic technology by establishing a versatile micro pilot plant.

Bio-caprolactam and bio-nylon 6

Through the company AquafilSLO, the Group coordinated the EFFECTIVE project, an initiative financed by Circular Bio-based Europe (CBE, a public-private partnership between the European Union and a consortium of industries and research centres operating in the circular bio-economy sector) within the European Horizon research programme. The project intends to generate threads and films for consumer items from bio-polyamides and bio-polyesters with the circular economy in mind. It is the result of a strategic cooperation between the Group and Genomatica, a leader in bio-engineering. The objective of the partnership was to create an innovative method that would permit the synthesis of caprolactam (the monomer for Nylon 6) using renewable plant-based raw resources rather than petroleum.

In the AquafilSLO factory in Ljubljana, Slovenia, a demonstration plant (representing the industrial scale) dedicated to the synthesis of bio-caprolactam was inaugurated in 2022, and two production campaigns were undertaken (each batch in the order of several tonnes). The acquired bio-caprolactam was transformed to bio-Nylon 6 at the Arco facility and then utilised to produce prototype carpets, textiles, and athletic apparel.

Innovative polymer recycling processes

This field of study entails the investigation and development of methods for the chemical recovery of polymers from polycondensation (polyamides and polyesters). This activity, carried out in collaboration with the University of Padua, is structured into three lines of activity:

- a) fine-tuning of the PET treatment stage, in which polyester present in various types of waste is returned to monomer with the identification of catalysts with almost no environmental impact but high efficiency, in order to optimise the process and productivity of the dedicated plant;
- b) identification of process conditions that allow the separation of polyamide 6 from glass fibre for the recycling of the polymer through the ECONYL® regeneration system and the reuse of glass fibre; and
- c) identification of process conditions that allow separation of the elastomer present in fabrics made from polyamide 6 for recycling the polymer through the ECONYL® regeneration system.

2.6. Economic performance and value creation

(GRI 201-1:2016; SDGs 8; 9)

The economic value created by the Group enables the fair recompense of all the players that contributed in its production through talents, investments, and other services, but does not stop there. It is also essential in allowing Aquafil's efforts in environmental sustainability and the development of new circular supply chains to continue and grow over time.

Compared to last year's revenue of 572.2 million Euro, revenue in 2022 was 687.2 million Euro; this rise is mostly attributable to an increase in the average selling price as a result of its adjustment to the increase in the value of raw materials.

Figure 17 - Group turnover in the three-year period 2020-2022, in Euro millions

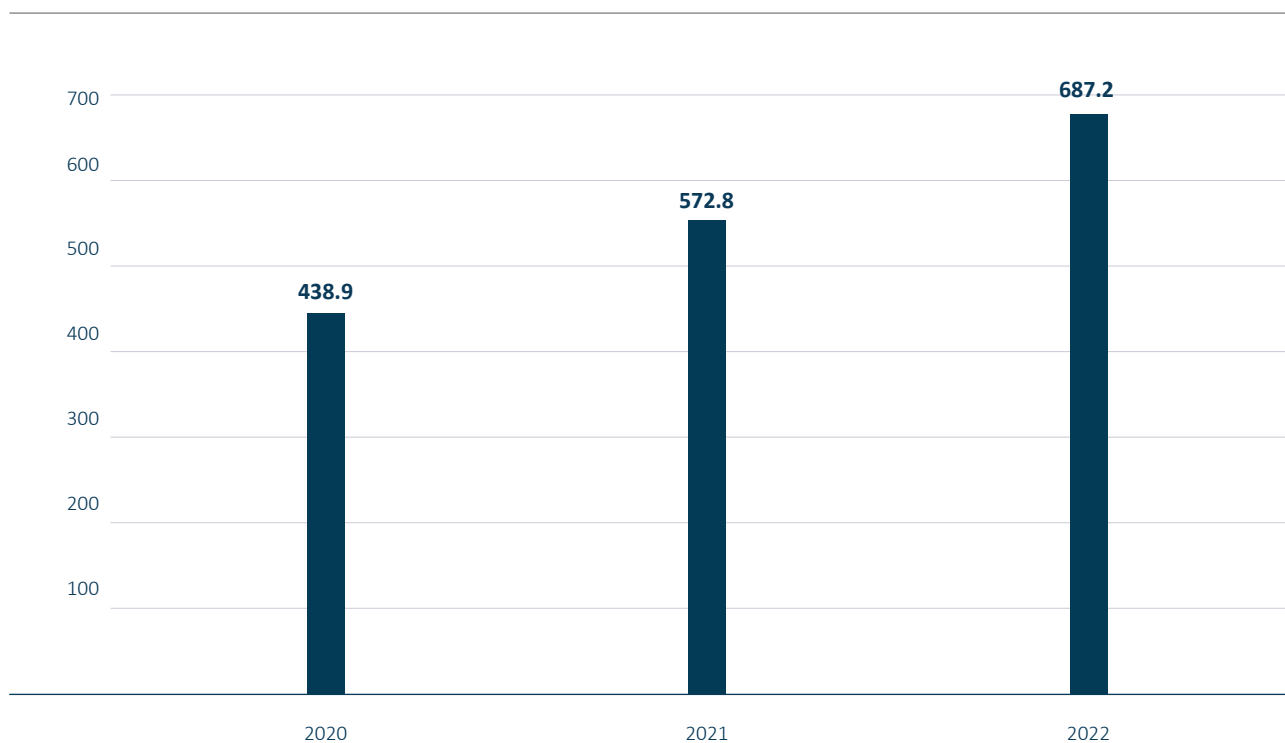


Table 28 shows the economic value generated and distributed by the Group in 2022 and a comparison with previous years; for detailed information and comments on the Group's economic performance, please refer to the dedicated sections of the Directors' Report and the explanatory notes to the consolidated financial statements.

In 2022, economic value retained was negative due to the considerable rise in the value of the change in inventories, which is mostly the result of a price and quantity effect.

Table 28: Economic value generated and distributed by the Group in the three-year period 2020-2022, in Euro thousands.

		2022	2021	2020
Directly generated economic value	Net sales	685,743	571,030	437,308
	Revenues from financial investments	1,135	901	1,098
	Sales of goods	350	312	536
	Total revenue³⁷	687,229	572,243	438,942
Economic value distributed	Suppliers	490,062	398,735	298,107
	Change in inventories	83,565	26,323	-34,011
	Employees	124,779	113,161	102,049
	Providers of capital	7,697	6,877	7,338
	Public administration	9,334	4,474	2,331
	The community	111	51	81
	Total value	715,547	549,622	375,894
Economic value retained	Economic value generated - distributed	-28,319	22,621	63,048

³⁷ Total revenue was defined based on the guidelines set forth in GRI 201-1.

2.6.1. Tax compliance

(GRI 207-1:2019; 207-2:2019; 207-3:2019; 207-4:2019; SDG 10)

The Aquafil Group's objective is to ensure the appropriate assessment and settlement of taxes due by law, in addition to the fulfilment of related obligations. This derives from the fact that management of tax affairs is an integral part of the broader economic and social role played by the Group in the countries where it operates. The Group thus duly contributes to public finances, in full compliance with all applicable tax and contribution regulations.

The Aquafil S.p.A. Board of Directors defines the tax strategy for the entire Group, with the aim of ensuring uniformity of taxation management for all companies involved, in addition to the proper minimisation of tax risk, understood as the risk of incurring the violation of tax regulations or the abuse of the principles and purposes of the tax system, as also defined in Article 3 of Legislative Decree No. 128 of 2015.

Some countries where the Group operates offer a range of incentives: Aquafil avails itself of the latter in compliance with all specific regulations, consistent with the economic bases of its investments.

All Group companies operate primarily in the country and market where they are located. They pay taxes on profits generated in those markets, in addition to taxes on the income of employees directly employed in those activities, along with consumption taxes and other local taxes, as required by the various regulations in force. In addition, the Group bases its economic decisions on the principles of prudence, rigour and integrity, and thus rejects the use of so-called "tax planning" schemes, which involve the creation of artificial corporate structures with the aim of evading tax obligations and obtaining undue tax advantages.

In order to ensure tax compliance, Aquafil has adopted a Group transfer pricing policy, designed to guarantee the correct economic valuation of transnational intercompany transactions, and has therefore adopted the specific documentation required by Italian national regulations.

In line with its sustainability strategy, the Group acts according to the values of integrity and honesty in the management of its fiscal activities.

In addition, the Group is committed to transparency and integrity in dealing with tax authorities, in the event of audits related to Group companies.

As regards the taxation procedure adopted by the Group is provided the "Group IRES (Corporate Income Tax) taxation procedure" section of the Directors' Report, and detailed information is provided in the notes to the financial statements (section 8.13 "Income taxes and section 11.1 "Commitments and risks).

Table 29 presents some information broken down by individual tax jurisdiction in which the Group operates, where 'tax jurisdiction' means the place where the various Group companies are resident for tax purposes.

The following are therefore reported:

- profits and losses before taxation, which varies from country to country, making a comparison between different jurisdictions difficult;
- income taxes, referring to the taxable income of each company;
- income taxes calculated on the basis of profits or losses;
- income taxes paid;
- the tax rates in effect in different jurisdictions where a pre-tax profit is reported³⁸

³⁸ Certain information required by GRI 207-4 is provided elsewhere in this Report and in the consolidated financial statements. Specifically:

- The names of resident entities, the Group's activity in each tax jurisdiction at paragraph 1.1;
- The number of employees at paragraph 2.4.2;
- Revenues from third-party sales parties (consolidated revenue) in the consolidated financial statements;
- Revenues from inter-company transactions are nil;
- Tangible assets other than cash and cash equivalents (total assets less cash and cash equivalents) in the consolidated financial statements.

Table 29: Information on tax compliance, values in Euro thousands converted at the average exchange rate, for 2022.

Tax jurisdictions	Pre-tax profit/loss	Current corporate income taxes	Corporate income tax accrued on profit/loss	Income taxes paid	Rate	Reasons for the difference between tax on company income due on profits/losses and tax due, if the tax rate specified in the law is applied to pre-tax profits/losses.
Italy	14,963	1,286	3,593	1,132	24%	The difference between theoretical rate and effective rate in the year is mainly due to government grants received by the parent company Aquafil S.p.A. and its subsidiary Tessilquattro S.p.A. that are not taxable.
China	15,086	3,212	3,771	2,018	25%	
Thailand	1,879	411	376	359	20%	
Slovenia	4,121	295	783	159	19%	The difference between the annual theoretical and effective rates is mainly due to the detaxation of investment costs
USA	6,236	734	1,683	-	27% ³⁹	
UK	-1,166	-	-	-	0%	
Germany	-71	0	-	-	0%	
Slovakia	-193	-	-	-	0%	
Croatia	3,830	1,120	689	15	18%	
Turkey	472	110	109	103	23%	
Belgium	160	50	40	50	25%	
Japan	-869	8	-	-	0%	
Australia	41	32	32	-	25%	
Chile	-41	0	0	0	0%	

³⁹The reported rate is an average that takes into account the federal rate and the rates in the states where U.S. companies are headquartered.

2.6.2. European Taxonomy

Aquafil recognises the Taxonomy as a crucial classification and transparency tool, which is designed to achieve European sustainable development goals.

In 2021, Aquafil began a gradual process of alignment with Regulation (EU) 2020/852, by establishing which economic activities were to be considered eligible and thus associated with one or more of the macro-sectors under the Taxonomy.

In 2022, the company established its position concerning its alignment with the European Taxonomy and sustainable finance goals.

The approach was to assess the congruence of NACE codes and economic activities for each Group Company, with respect to the sectors defined in the Taxonomy.

This analysis showed that some of the Group Companies are classified under NACE code 20.16, and thus fall under the "plastics in primary form" Taxonomy sector. The remaining Companies, however, although without an equivalent NACE code, still correspond to an activity that can be classified in the same sector.

Accordingly, the eligibility assessment scope will include all Group companies.

The assessment subsequently focused on activities that generate revenue by product line: BCF fibres (synthetic yarns for the carpet industry); NTF fibres (synthetic yarns for the clothing industry); and polymers.

Fibres and Polymers are "plastic materials" and thus fall under the description "manufacture of plastics in primary forms," associated with NACE code 20.16, as referenced in the "Manufacturing" sector.

Assessment of economic activities' compliance with environmental sustainability requirements

The Taxonomy identifies six environmental and climate goals: climate change mitigation and adaptation, sustainable use of water and marine resources, pollution prevention and control, biodiversity protection, and transition to a circular economy.

To be considered aligned, and therefore compliant with, the sustainability requirements of the European Taxonomy, an activity must: contribute substantially to at least one of the environmental objectives; not cause significant harm to other goals; be carried out in accordance with a set of minimum safeguards; and comply with the technical screening criteria defined within the system.

Economic activities aligned with the Taxonomy

The Aquafil Group conducted an analysis to determine which economic activity, among all of those eligible, was likely to meet Taxonomy requirements.

"The ECONYL® Regeneration System and other environmentally compatible activities" was thus assessed as the Aquafil Group economic activity aligned with the Taxonomy.

The ECONYL® Regeneration System makes it possible to process waste which mainly consists of polyamide 6 from both the industrial sector (materials defined as pre-consumer materials), and discarded products at the end of their useful life (post-consumer materials), and obtain prime quality caprolactam.

The ECONYL® Regeneration System supplies all three product lines (BCF, NTF and polymers) as an alternative feedstock to fossil source feedstock, while presenting the exact same quality and performance characteristics.

In declaring the alignment of the ECONYL® Regeneration System with the environmental goal of "climate change mitigation"⁴⁰ the following details are provided.

⁴⁰The criteria developed for the first two environmental objectives (Climate Change Mitigation and Adaptation) are contained in the Climate Delegated Act published in the Official Journal of the EU on December 9, 2021, through EU Delegated Regulation No. 2139/2021.

Substantial contribution - Article 3 of EU Regulation 2020/852

An activity is considered aligned with the environmental goal of "climate change mitigation" if it contributes substantially to the achievement thereof.

As set forth in paragraph 2.5.3 (to which the reader should make reference for a more complete description of the process), ECONYL® products are the result of a chemical recycling activity (called depolymerisation), which produces monomers of the same quality as those from fossil feedstock; this result is not achievable by any other mechanical recycling technology.

Life Cycle Assessment (LCA)-type analyses have demonstrated the advantage of this technology over conventional ones with regard to greenhouse gas emissions, enabling Aquafil to publish and periodically update the Environmental Product Declarations (EPDs) of major ECONYL® raw material products.

The caprolactam monomer obtained from the Regeneration® process is thus presented as a viable alternative to fossil source feedstock, thereby contributing substantially to the climate change mitigation goal.

Do no significant harm (DNSH) - Article 17 of EU Regulation 2020/852

"Do No Significant Harm" (DNSH) is the requirement that an economic activity, in order to be considered aligned with the European Taxonomy, must not cause significant harm to the remaining five environmental objectives therein, in addition to making a substantial contribution to one of the six objectives.

- CLIMATE CHANGE ADAPTATION

Risks associated with extreme weather events and other impacts caused by climate change may affect Aquafil Group's supply chains and financial performance. To safeguard against this scenario, in 2022 Aquafil began a process of analysing its vulnerability through a preliminary study to identify which physical risks may affect the Group's business performance. This study also provides guidelines for individual Group companies to adapt climate risk analysis to the local situation.

- SUSTAINABLE USE AND PROTECTION OF WATER AND MARINE RESOURCES

As noted in paragraph 2.5.1.1 Group certifications, the Aquafil Group has embarked on a certification process designed to documenting the application of sustainable management of water, chemicals and biodiversity. Regarding the DNSH principle regarding "sustainable use and protection of water and marine resources", in 2022 Aquafil reduced its water consumption by approximately 24%. The Group also monitors water consumption both at production sites with an ISO 14001-certified environmental management system and at those not yet certified to ensure compliance with all relevant national regulations and a consistent company-wide approach.

- POLLUTION PREVENTION AND CONTROL

Regarding DNSH "Pollution Prevention and Control," Aquafil has equipped some of its facilities with its own Integrated Environmental Authorisation (IEA) and Single Territorial Authorisation (STA) processes. These authorisation processes impose emission limits that the plant must meet to preserve water and air quality. In addition, Group companies have promoted awareness of REACH regulation along the supply chain, and ensured that suppliers, in turn, have fulfilled their obligations by pre-registering/registering manufactured/imported substances, and providing timely information with respect to the possible presence of pollutants or restricted substances.

- PROTECTION AND RESTORATION OF BIODIVERSITY

At the Group's production sites, Aquafil deploys an ISO 14001 Environmental Management System, which, as part of Context Analysis and Environmental Risk Assessment, provides for the identification and management of any critical issues related to Biodiversity. The plant with the most significant level of interactions with respect to restricted and protected areas is the Arco plant, for which Biodiversity protection aspects have been considered as part of the site's Integrated Environmental Authorisation (IEA) issuance procedure and related Reference Prescriptions, with which the Organisation is required to comply for management of environmental impacts generated.

- TRANSITION TO A CIRCULAR ECONOMY

Although DNSH "transition to a circular economy" is not applicable for activities associated with NACE code 20.16, over the years Aquafil has nevertheless distinguished itself by developing an approach to creating circular systems that minimise waste generation.

Minimum safeguards - Article 18 of EU Regulation 2020/852

Minimum Safeguards are a set of criteria designed to ensure that any business deemed "sustainable" concurrently meets certain minimum governance standards, including human and labour rights, in addition to taxation, anti-corruption and legitimate competition criteria.

The Code of Ethics, Code of Conduct, and SA 8000 certification demonstrate Aquafil's commitment to complying with the European Taxonomy's Minimum Safeguards, thus taking responsibility for identifying, preventing, and reporting violations in its value chain. In implementing the procedures to align with the Minimum Safeguards, the Aquafil Group is committed to the principle of Do No Significant Harm (DNSH), pursuant to Article 2, Item 17 of Regulation No. 2088/2019 (also known as SFDR).

Aquafil Group S.p.A. complies with OECD Guidelines and upholds human rights in relation to the four areas of minimum safeguards, and has embarked on a path to ensure uniformity of policies across all Group companies.

Human Rights

In addition to publishing an official Code of Conduct, the Group has equipped itself with a further set of tools for monitoring the risk of human rights abuses.

These tools have been discussed extensively in different sections of this document; therefore, the reader is invited to refer thereto for more information. Specifically:

- Paragraph 2.4.1 focuses on actions taken with respect to the Group's social responsibility and human rights protection activities;
- Paragraph 2.4.3.1 contains information on procedures for selecting and evaluating suppliers on the basis of certain criteria, including social criteria;
- Paragraphs 2.4.2.3 and 2.4.2.4 set out various extant initiatives regarding employee welfare and training;
- Paragraph 2.4.3 discusses initiatives launched for the benefit of various Group stakeholders, including local communities;
- The paragraph Participation in associations presents the international initiatives and associations the Group has joined, some of which involve specific commitments in terms of respecting human rights;
- Chapter 3 is dedicated to non-financial risks affecting the Group, and how it addresses them. In particular, paragraph 3.5 is specifically devoted to the risk of human rights violations;

In addition, upcoming goals include enacting the "Human Rights Policy" and extending the supplier reputation procedure to all Group Companies.

Through these initiatives, Aquafil Group ensures minimum safeguards with regard to human rights. In particular:

- The Aquafil Group has not been convicted in court cases involving labour and/or human rights
- There has been no established lack of cooperation with any National Contact Point (NCP) or assessment of non-compliance with OECD guidelines by an OECD NCP
- There has been no failure by Aquafil to respond to any allegation brought forward by the Business and Human Rights Resource Centre (BHRRC)

Corruption

As regards this matter, the Aquafil Group has established anti-corruption processes, including training courses for employees and senior managers on anti-corruption systems and the application, in some Group Companies, of the Organisation, Management and Control Model adopted pursuant to Legislative Decree No. 231/2001, and has introduced a global customer reputational verification procedure in order to rule out possible involvement in criminal acts. The same procedure will be applied to suppliers in Italy in 2023, with the goal of extending it to the remaining Group companies.

The Company has provided an online "whistleblower" platform that gives employees the opportunity to freely and anonymously report possible violations of laws and principles enshrined in the Code of Conduct, and other acts that may represent illegal behaviour with regards to the Company.

More information on this matter can be found in the following paragraphs:

- 2.3.1 and 2.3.2 regarding the Organisation, Management and Control Model, and the Code of Conduct adopted by the Group;
- 3.6 and 3.10 with regard to evaluation, including through the use of ethical and reputational criteria, respectively, of the Group's suppliers and customers
- 3.14, regarding measures taken to address corruption-related risks

Taxation

In accordance with minimum safeguards regarding taxation, the Aquafil Group has not been convicted of any tax law violations. The Company treats tax governance as an important supervisory element, and applies task risk management strategies and processes. For more information on the decisions made by the Group in relation to taxation, see paragraph 2.6.1 of this document, the section "Group IRES (Corporate Income Tax) taxation procedure" of the Directors' Report, and - for detailed information - the notes to the financial statements (section 8.13 "Income taxes and section 11.1 "Commitments and risks).

Fair Competition

The Aquafil Group promotes employee awareness of the importance of complying with all laws and regulations regarding fair competition. Moreover, the Company has never been convicted of violating any laws in this area.

Please refer to paragraph 3.14 for a discussion of how the risk of anticompetitive behaviour is managed, and to sections 2.3.1 and 2.3.2 for more information regarding the Code of Conduct and the Organisation, Management and Control Model, which seek to prevent this type of behaviour.

Had the Aquafil Group adopted the definitions of the EU Taxonomy strictly, limiting the scope of production to polyamide polymers only, the alignment to Taxonomy percentages would have been as follows: 0.11% Turnover, 22% CapEx, 10% OpEx.

Data collection process⁴¹

The EU Taxonomy requires the Group's eligible and aligned activities to be represented through three key performance indicators ("KPIs") structured according to the specifications outlined in Article 8 of the Delegated Regulation. These relate to revenues, capital expenditures ("Capex") and operating expenditures ("Opex"). As this is the first year of alignment reporting, comparative data with regards to the previous period will not be presented, as they are not available.

Revenues

The KPI numerator corresponds to the revenues defined as eligible and aligned according to the criteria provided by the EU Taxonomy. The KPI denominator, however, corresponds to the total net revenues earned by the Group, as defined within the Consolidated Income Statement 2022 and in accordance with IAS 1.82(a).

Taxonomy-aligned revenues are determined on the basis of gross revenues from textile and apparel flooring fibres sold under the ECONYL[®] brand and/or regenerated.

⁴¹Should the Aquafil Group have strictly applied the UE Taxonomy definitions, therefore limiting the perimeter only to the polyamide polymer production, the alignment percentages to the Taxonomy would have been the following: 0.11% of Turnover; 22% of CapEx; 10% of OpEx.

Capex

The data regarding **total capex** (including capex accounted for in accordance with IFRS 16 "Leases," are taken from the consolidated financial statements as at December 31, 2022.

The share of eligible and aligned capital expenditures related to economic activity 3.17 "Manufacture of plastics in primary form" was determined in two principal ways:

- for expenditures attributable where relevant to the plastics in primary form activity (with reference to eligibility) and the ECONYL® plastics in primary form activity (with reference to alignment), these were valued on the basis of the primary figure recorded;
- for expenditures not solely attributable to the primary-form plastics manufacturing activity and/or not solely attributable to the ECONYL® process, a proxy based on the percentage of eligible and aligned revenues was applied in order to consider, with regards to these amounts, only a portion reasonably attributable to the object of analysis.

In line with the provisions of point 1.1.2.1. of Annex I to the Delegated Regulation (EU) 2021/2178, CapEx also included expenses incurred on leased assets, accounted for in accordance with IFRS 16, and expenses incurred for sample development, accounted for in accordance with IAS 38; these were also allocated using the methodologies outlined above.

Maintenance Opex

Total maintenance data are derived from the consolidated financial statements as at December 31, 2022. The Aquafil Group presents an income statement by nature and not by purpose, so the maintenance item is included partly in Service costs and partly in Material purchase costs (i.e. spare parts).

Taxonomy-aligned maintenance data refer to all maintenance costs included in the bill of materials (BOM) related to ECONYL® thread sold in 2022 (as indicated above).

R&D Opex

Research

Data on **total research costs** are derived from reporting within the Group ERP related to personnel costs and consumables used in individual research projects, as defined by specific internal orders intended to collect these costs data for each project.

Taxonomy-aligned research costs data refer to all project-related costs:

- (i) related to the development/optimisation of ECONYL® products
- (ii) related to the development of new environmentally sustainable products/processes (e.g. use of natural pigments)

Development

Total development costs data are derived from reporting within Group ERP of all samples processed and created in order to develop new yarns, in terms of both composition and processing.

Taxonomy-aligned development cost data are derived from reporting of all processed samples traceable to ECONYL® yarn.

Table 30: Turnover

Economic activities (1)	Code (2)	Absolute Turnover (3)	Proportion of Turnover (4)	CRITERIA FOR SUBSTANTIAL CONTRIBUTION						
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	
		Currency	%	%	%	%	%	%	%	
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		684 ml	100%	100%	-					
A.1 Environmentally sustainable activities (aligned with Taxonomy)										
ECONYL® Regeneration System and other environmentally compatible activities	3.17	271 ml	40%	40%	-	-	-	-	-	
Overall Turnover related to environmentally sustainable activities (aligned with Taxonomy) (A.1)		271 ml	40%	40%						
A.2 activities eligible for the Taxonomy but not environmentally sustainable (not aligned with Taxonomy)										
Activities without environmental migration effect	3.17	413 ml	60%							
Total Turnover related to eligible but not environmentally sustainable activities (not aligned with Taxonomy) (A.2)		413 ml	60%							
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY										
Turnover related to activities not eligible for Taxonomy	0	0	0%							
TOTAL A+B		684 ml	100%							

Table 31: CapEx

Economic activities (1)	Code (2)	Absolute CapEx (3)	Proportion of CapEx (4)	CRITERIA FOR SUBSTANTIAL CONTRIBUTION						
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	
		Currency	%	%	%	%	%	%	%	
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		49.3 ml	100%	100%	-					
A.1 Environmentally sustainable activities (aligned with Taxonomy)										
ECONYL® Regeneration System and other environmentally compatible activities	3.17	26 ml	53%	53%	-	-	-	-	-	
Overall CapEx related to environmentally sustainable activities (aligned with Taxonomy) (A.1)		26 ml	53%	53%						
A.2 activities eligible for the Taxonomy but not environmentally sustainable (not aligned with Taxonomy)										
Activities without environmental migration effect	3.17	23.3 ml	47%							
Total CapEx related to eligible but not environmentally sustainable activities (not aligned with Taxonomy) (A.2)		23.3 ml	47%							
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY										
CapEx related to activities not eligible for Taxonomy	0	0	0%							
TOTAL A+B		49.3 ml	100%							

Category (transitional activity) (21)	T	Category enabling activity (20)	E	Share of CapEx aligned with Taxonomy, year 2021 (19)	%	Share of CapEx aligned with Taxonomy, year 2022 (18)	%	Minimum Safeguards (17)	N/Y	CRITERIA FOR "DO NO SIGNIFICANTLY HARM": does the activity satisfy the DNHS criteria?				Biodiversity and ecosystems (16)	N/Y	Circular Economy (15)	N/Y	Pollution (14)	N/Y	Water and marine resources (13)	N/Y	Climate Change Adaptation (12)	N/Y	Climate Change Mitigation (11)	N/Y
	T		-	-		53%		Y		Y		Y		Y		Y		Y		Y		Y		Y	

Table 30: OpEx

Economic activities (1)	Code (2)	Absolute OpEx (3)	Proportion of OpEx (4)	CRITERIA FOR SUBSTANTIAL CONTRIBUTION					
				Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water and marine resources (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)
		Currency	%	%	%	%	%	%	%
A. TAXONOMY-ELIGIBLE ACTIVITIES (A.1 + A.2)		29.5 ml	100%	100%					
A.1 Environmentally sustainable activities (aligned with Taxonomy)									
ECONYL® Regeneration System and other environmentally compatible activities	3.17	14.7 ml	50%	50%	-	-	-	-	-
Overall OpEx related to environmentally sustainable activities (aligned with Taxonomy) (A.1)		14.7 ml	50%	50%	-	-	-	-	-
A.2 activities eligible for the Taxonomy but not environmentally sustainable (not aligned with Taxonomy)									
Activities without environmental migration effect	3.17	14.7 ml	50%						
Total OpEx related to eligible but not environmentally sustainable activities (not aligned with Taxonomy) (A.2)		14.7 ml	50%						
B. ACTIVITIES NOT ELIGIBLE FOR TAXONOMY									
OpEx related to activities not eligible for Taxonomy	0	0	0%						
TOTAL A+B		29.5 ml	100%						

Category (transitional activity) (21)	T	Category enabling activity (20)	E	Share of OpEx aligned with Taxonomy, year 2021 (19)	%	Share of OpEx aligned with Taxonomy, year 2022 (18)	%	Minimum Safeguards (17)	N/Y	CRITERIA FOR "DO NO SIGNIFICANTLY HARM": does the activity satisfy the DNHS criteria?							
										Biodiversity and ecosystems (16)	N/Y	Circular Economy (15)	N/Y	Pollution (14)	N/Y	Water and marine resources (13)	N/Y
	T			-		50%		Y		Y		Y		Y		Y	

3. RISKS RELATED TO NON-FINANCIAL ISSUES

(GRI 2-23:2021; 2-24:2021; 2-25:2021; 2-26:2021)

Risks not strictly related to financial matters but to the broader dimension of sustainability were classified according to thematic areas in Legislative Decree No. 254/2016 (Table 33), taking into account Aquafil Group's sustainability pillars. The following paragraph presents actions taken by Aquafil to respond to the various risks identified, and initiatives carried out in 2022.

Table 33: Risks related to non-financial issues and connection the Group's sustainability pillars.

LEGISLATIVE DECREE NO. 254/2016 TOPIC AREAS	AQUAFIL SUSTAINABILITY PILLARS	AQUAFIL MATERIAL TOPICS	RISKS RELATING TO THE MATERIAL TOPIC & REFERENCE WITHIN THE DOCUMENT	REFERENCE PARAGRAPH	
Personnel	Well-being of individuals	Employment policies	Loss of key figures	3.1	
			Lack of appeal to potential new talent		
			High staff turnover rate		
			Personnel who do not meet the reputational, ethical or legal requirements for the job		
			Failure to respect labour rights		
			Insufficient workforce availability		
		Worker health and safety	Failure to comply with worker health and safety regulations	3.2	
		Staff training	Inadequate training programmes	3.3	
		Diversity and equal opportunity	Failure to comply with relevant regulations	3.4	
		Human rights	Collaboration with the Group's supply chains; Attention to people's well-being	Non-Discrimination	Non-compliance with human rights legislation
Child labour					
Forced labour					
Human Rights					
Social	Collaboration with the Group's supply chains	Supplier social assessment	Illicit conduct and violations of the Group's ethical and environmental requirements	3.6	
		Customer health and safety	Non-compliance with chemicals legislation	3.7	
		Labelling and marketing	Failure to provide mandatory information to customers	3.8	
		Customer privacy	Inadequate management of IT resources and data security	3.9	
		Customer assessment	Customers not meeting reputational, ethical and financial/equity requirements	3.10	
		Socio-economic compliance	Legislative non-compliance on economic and social aspects	3.11	
		Local community support	Local communities	Possible misconduct but no real risks are identified	3.12

Ambiti tematici D.LGS 254/2016	Pilastrì sostenibilità Aquafil	Temì materiali Aquafil	Rischi relativi alla tematica materiale e riferimento all'interno del documento	Paragrafo di riferimento
Economic	Multiple	Economic performance	Losses caused by market conditions	3.13
			Liquidity risk: difficulty in obtaining the necessary financial resources	
Economic	Multiple	Economic performance	Commercial credit risk	3.13
			Use of financial operators that do not meet transparency, reputational, ethical, quality/competence requirements	
Corruption	Multiple	Anti-corruption policies	Violation of competition regulations (antitrust, insider trading, aggressive sales strategies, etc.) and anti-corruption regulations	3.14
		Anti-competitive behaviour		
Environmental topics	Collaboration with the Group's supply chains	Supplier environmental assessment	Illicit conduct and violations of the Group's ethical and environmental requirements	3.6
		Raw materials		
Environmental topics	Environmental protection	Energy consumption	<ul style="list-style-type: none"> Legislative non-compliance on environmental aspects Inadequate business strategies Inadequate skills of those responsible for managing environmental issues or monitoring compliance with requirements Climate change 	3.15
		Water consumption		
		Biodiversity		
		Management of greenhouse gas emissions		
		Waste production		
	Rethinking of products from a circular perspective	Environmental compliance		

3.1. Employment policies

Loss of key figures

The loss of key employees in both managerial and operational roles, along with their wealth of skills and experience, if not properly managed, can have negative and even significant consequences, chief among them the disruption of daily organisational practices.

To limit the occurrence of these negative effects, the Group acts mainly on two fronts: on the one hand, by structuring itself in a way that ensures the continuity of business management through knowledge sharing and a collective approach to decision making, both strategic and operational; and, on the other hand, by introducing measures that incentivise key employees to remain with Aquafil, and in any case, in the event of their departure from the company, to ensure a proper handover. Among these measures, a review of the current Top Management Remuneration Policy was initiated in 2022, which is scheduled to end in 2023.

Indeed, this new Policy aims to create the conditions to motivate those with the required professional skills in managing the organisation with a sense of satisfaction and success, in addition to promoting sustainable value creation in the medium to long term, and establishing a direct relationship between compensation and performance.

Reduced appeal to potential new talent

Lack of attractiveness to new skilled collaborators can also entail risks, due to the limited input of fresh impetus and knowledge, thus potentially reducing the ability to respond to emerging challenges, and holding back the Company's evolution.

Partly for this reason, in 2022 Aquafil launched an initiative to identify and develop talent, starting with the identification of the specific elements that characterise talent in the different geographic areas where Aquafil operates. The aim of this initiative is to develop global talent profiles that present aspects applicable to the Group as a whole.

This initiative therefore aims to develop a new advanced organisational process of human resource management that will enable the Group to increase the attractiveness, retention, motivation and skill development of high-potential employees.

High staff turnover rate

It is long-established that an excessive turnover rate can hinder a company's efficiency and organisational stability.

Having to reorganise tasks and roles, and duplicate onboarding processes, increases the risk of negative effects on output quality standards and responsiveness to customer needs.

In line with that discussed in the previous two paragraphs, Aquafil invests in strengthening the bond with its employees globally, and in making the Group a point of reference where people can find answers to their needs in both the professional and the relational spheres. In particular, the organic overhaul of employee engagement, onboarding, and training initiatives since 2022 has been progressing along two tracks: on the one hand, actively listening to employees and their needs by introducing a new corporate climate survey process, and on the other hand, providing internal communication and training, whilst launching a major project to integrate the corporate intranet with Aquapedia, a multifunctional platform.

Indeed, the corporate intranet is a digital medium for information exchange, but is also set to become the repository for onboarding trajectories (in the dedicated Whello section) and training courses and tests to measure knowledge development arising from the e-learning activities that employees may access. By doing this, Aquafil intends to strengthen the creation of a common, Group-wide identity, by increasing staff satisfaction, thus reducing the likelihood of a high turnover rate

Personnel who do not meet the reputational, ethical or legal requirements for the job

The Group monitors the risk related to the failure of personnel at any level to fulfil the reputational, ethical and legal requirements imposed by the set of internal regulations under which the Group operates, in addition to those set out in the laws in force in the various countries where the Group is active.

If incidents of violation of laws or ethical principles were to occur, the Group could be negatively affected from a legal, financial, and reputational perspective.

To counter this risk, Aquafil periodically provides Code of Conduct training courses to its employees.

In addition, a new operational procedure was introduced in 2022 with the specific purpose of verifying, on a periodic basis, the presence of any pending criminal charges which may be faced by Senior Executives.

This was complemented by a training initiative for Directors and members of the Board of Statutory Auditors on the topics of Directors' responsibility for risk and the risk management process, the content of which included aspects concerning the management of this specific risk and its implications.

Failure to respect labour rights

This is a generic risk category that encompasses different situations where workers' rights may be violated, including the right to fair compensation, freedom of expression and association, privacy, and transparency in working conditions.

Aquafil takes the necessary measures to obviate this risk, including complying with the requirements of national regulations, its own corporate Code of Conduct and, with regards to its Italian offices, the Organisation and Management Model. Among the tools the Company has to identify situations where violations of rights may occur is the whistleblowing system, which was extended to two additional Group companies in 2022: Aquafil UK and Aquafil China, thus fostering an increasing level of transparency.

Insufficient workforce availability

Aquafil identified this risk during 2021 in its U.S. plants, as a result of socioeconomic policies enacted at state and federal levels, which generated widespread professional turnover.

To address this situation, in 2022, Aquafil took action to improve employee well-being, offering new compensation arrangements to increase employee loyalty and business attractiveness.

These include, in particular, the introduction of a parental leave policy, gradually rolled out on plants globally. This will guarantee all employees a minimum period of maternity and paternity leave, paid 100% of base salary. This is especially relevant in the United States, where there is still no statutory paid maternity or paternity leave.

An additional benefit introduced to promote work-life balance was paid leave. This new Paid Time Off arrangement complements already existing vacation entitlements, and allows employees greater flexibility in managing their time off and working hours. The possibility of requesting pay in lieu of leave, when not availed of on an annual basis, has also been considered.

3.2. Worker health and safety

Failure to comply with health and safety regulations

Group occupational health and safety has seen a range of specific initiatives to reduce and manage associated risks.

As an organisation, Aquafil leverages both internal and external bodies to monitor both regulatory compliance and amendments. Furthermore, specific health and safety and emergency management committees allow, on the one hand, to keep communication channels open with Group employees, in order to incorporate suggestions for improving the management of this type of risk, and, on the other hand, to quickly implement planned measures should an emergency occur. In 2022, the Business Continuity Plan defined a strategy for restoring business continuity in the face of potential disruptions.

These measures have included continuous risk assessment to identify emerging risks, together with a set of employee training initiatives specific to the different tasks performed.

The Group has also invested in its plants' ISO 45001 certification process for a number of years. Thanks to this commitment, Aquafil China achieved certification in 2022; it is expected that, in the near future, and ahead of schedule, the global certification of the entire Group will have been completed.

More information concerning this matter can be found in paragraph 2.4.2.5 *Protection of worker health and safety* and, with regard to Group plant certifications, in paragraph 2.5.1.1 *Group certifications*.

3.3. Staff training

Inadequate training programmes

La formazione rappresenta un aspetto fondamentale per l'operatività di un'azienda, essendo lo strumento che permette in primo luogo Training is a key aspect of a company's operations, first and foremost to ensure that employees possess the skills required by their roles, but also to reduce health and safety risks and regulatory violations. An appropriate training plan also allows for increased employee satisfaction, with the opportunity to express their full potential and increase their prospects for professional growth.

For a number of years, Aquafil has been running a programme known as "Do ut Des," to identify the key skills required in fulfilling the company's activities, whilst assessing company employees' perceived needs in relation to possible gaps in training opportunities.

Based on information from the early stages of the programme, dedicated development paths for different roles were implemented in 2022, involving hundreds of staff among both employees and managers.

In 2022, the Group invested further to improve training at every level, thus strengthening initiatives in all locations. Indeed, the company intranet was further enhanced with an e-learning platform containing all training courses available to employees. Consequently, training opportunities were streamlined, improving management of the information provided, and employees availing of the courses; updating of the materials offered was also optimised, which reduces the risk of fragmented communication between different plants. For more information on training initiatives launched in 2022, please refer to the specific paragraph (paragraph 2.4.2.3 Training).

3.4. Diversity and equal opportunity

Failure to comply with relevant regulations

The Group's focus on avoiding regulatory violations also extends to protecting employees from all possible forms of discrimination, whether religious, racial, gender-related, or others as provided by law.

The main tools utilised by the company to prevent and counteract possible violations are its Code of Conduct and, in Italy, the Organisation, Management and Control Model, which govern the behaviours pertaining to the proper management of equal opportunities in the corporate environment. Additional initiatives to reduce this risk are to enable employees to report situations of rights violations and ensure respect for their personal dignity, such as measures to protect human rights. See paragraph 2.4.1 Social responsibility for the protection of human rights.

3.5. Protection of human rights

Legislative non-compliance

Human rights protection focuses mainly on preventing incidents of discrimination, and child and forced labour.

Over the years, Aquafil has enhanced the tools at its disposal, to ensure that all people affected by the Group's activities benefit from these rights and comply with relevant regulations.

Furthermore, in order to align the levels of protection afforded in the Group's plants with the highest international standards, Aquafil has gradually worked towards SA8000 certification of the entire Group over the past few years. In 2022, Aquafil UK pursued this certification process, to be completed in early 2023, which will thus see this company join those already certified (for a complete overview of certifications obtained by the Group's plants, see paragraph 2.5.1.1 Group Certifications).

In addition, in 2022, a special procedure for the protection of human rights was drafted, to be approved in March 2023; it states Aquafil's commitment to adhere to the United Nations' Guiding Principles on Human Rights⁴² as a reference in carrying out its activities. The adoption of this procedure was accompanied by an amendment to the Code of Conduct, with the goal of aligning and harmonising all the reference standards that form the Group's principles of conduct.

Additional instruments for the protection of human rights include:

- the presence of specific company bodies, such as the Supervisory Board in Italy, responsible for monitoring regulatory compliance, in addition to monitoring for amendments and their implementation;
- the establishment of appropriate employee training programmes on issues relating to discrimination and respect for human rights;
- the creation of anonymous tools for reporting incidents of rights violations. These tools include both the whistleblowing mechanism, available to all personnel in the companies where implemented, and the reporting procedures offered on Aquafil's website, which allow anyone, should it be required, the opportunity to report a potential violation of SA8000 standard requirements.

3.6. Social and environmental assessment of suppliers

Illicit conduct and violations of the Group's ethical and environmental requirements

Aquafil ha intrapreso da diversi anni progetti di coinvolgimento e di valutazione dei fornitori, estendendo il raggio d'azione delle proprie Aquafil has been undertaking supplier engagement and evaluation projects for several years, thus extending the reach of its sustainability policies to the supply chain. These processes have helped to reduce the risk of establishing relationships with actors who are not aligned with Group values, and demonstrate a high probability of violating the laws or principles the Group upholds in conducting its activities; both of these factors may generate significant economic and reputational damage to the Group.

Key initiatives include the ECONYL®-qualified programme, involving a number of suppliers around ECONYL® production committed to monitoring environmental parameters related to their production processes or the services they provide, in order to encourage engagement with these matters and the adoption of improvement measures. The protocol governing ECONYL® Qualified was developed in collaboration with the suppliers themselves, and as a result, is a shared, not an imposed tool.

⁴²For more information on the Guiding Principles on Business and Human Rights published in 2011 by the UN, see: www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

When certifying suppliers and monitoring their compliance with environmental legislation, Aquafil has leveraged dedicated processes for a number of years, including a certified Environmental Management System, which enable the Group to obtain appropriate data for adequate monitoring. This applies especially, and most importantly, to ECONYL®, which involves international waste transportation, and is therefore subject to specific regulations.

In 2022, AquafilSLO company, which utilises the ECONYL® Regeneration System, therefore introduced a new integrated approach for both supplier certification and verification of regulatory compliance, thus making the evaluation process more efficient and comprehensive.

Concerning social matters, the main initiative launched was the SA8000 certification of Group plants worldwide, which includes the requirement to monitor the supply chain, in relation to the social issues embodied in the standard. Supplier audits were carried out in 2022, including in the social sphere, thus complementing the existing environmental audit.

In 2022, the *Third Parties integrity screening project*, focused on a select panel of suppliers, was launched to acquire information relevant to capturing risk indicators when assessing counterparties (e.g., assessment of corporate structure, anti-fraud indicators, link analysis, reputation, etc.).

Lastly, Italian companies' suppliers are required to endorse the Code of Conduct adopted by Aquafil.

3.7. Customer health and safety

Non-compliance with chemicals legislation

A specific area of sustainability is the control of chemicals used in production processes. This topic has become increasingly important over the years, partly in the interests of reducing to the greatest extent any form of risk related to the presence of chemicals in final products.

Aquafil operates in compliance with the REACH regulation, which governs the registration and evaluation of chemical substances. Aquafil has thus created an internal working group (the sustainability compliance group) dedicated to supporting Group plants and stakeholders on matters related to this regulation. A specific collaborative relationship has also been established with suppliers to improve the management of these matters.

Specific guidelines for control and communication in the use of chemicals are therefore available, complemented by specific certificates for those products regulated under some of the major internationally-recognised voluntary schemes in the field, such as OEKO-TEX, Cradle to Cradle Material Health and ECO Passport.

To improve consumer information, the company has developed a number of specific statements and policies, which reaffirm its commitments to legal compliance and the adoption of current best practices, in order to ensure the safety of, and the absence of hazardous chemicals in its products.

3.8. Labelling and marketing

Failure to communicate with customers

Aquafil constantly monitors legal requirements, and their amendments, with regards to labelling and information disclosure for the products it markets.

A dedicated organisation team member is on hand to support the Group's own customers, in addition to the fashion & design brands that use ECONYL® reclaimed nylon in their collections. Their job is to verify that communication about the ECONYL® component is always performed as clearly and transparently as possible, whilst avoiding any forms of greenwashing or misleading, untruthful communication that could confuse the end consumer.

3.9. Customer privacy

Inadequate management of IT resources and data security

Starting in 2019, Aquafil Group has committed to increasing cybersecurity in all aspects, by introducing technologies and methods in its operational structure to prevent, and ensure an effective response to cyber attacks, or other events that may affect data security. Specifically, in 2022:

- The Group's cyber security vulnerability assessment was completed;
- Segregation of Duties was effected within the enterprise management software, to prevent unauthorised personnel from accessing and using data;
- A Mobile Secure Browsing system was introduced, to allow enforcement of corporate browsing policies, regardless of the user's physical location, thus ensuring the same levels of security when working from home or elsewhere;
- An Incident Communication Plan was defined, namely a document that indicates the recipients of a given communication (customers, suppliers or other stakeholders), and the communications to perform in the event of a cyber attack, thus ensuring that useful information is shared as quickly as possible to contain the damage generated by the attack;
- Encryption of all Group portable devices' disks was pursued, meaning that in case of theft or loss, the data contained in the device is inaccessible to outside users;
- Next-generation firewalls were introduced to increase the operational capabilities of the system managed by the Security Operation Centre, itself introduced back in 2019. This external monitoring service is constantly active, and analyses data collected by antivirus, firewall or other systems in order to establish any correlations useful in identifying anomalous data flows. Should such a situation occur, the matter is analysed by an operator and then brought to the attention of Aquafil's ICT team; in the event of a confirmed, ongoing cyber attack, the team employs all the necessary measures to address the matter;
- OSINT analysis was effected to assess the presence, in the dark and deep web, of any Aquafil Group proprietary information, or any information foreshadowing a potential cyber attack.

These initiatives, mainly effected to deter cyber attacks, are complemented by a disaster recovery system, which comes into play if an attack has effectively occurred, to ensure rapid recovery of enterprise management software resources.

Lastly, we must mention the continuous monitoring efforts to ensure compliance, in all aspects of the Group's activities, with the General Data Protection Regulation (GDPR).

In particular, with regard to customer data privacy, Aquafil has established a Processing Register to track the type of data originating from Group/Customer interactions, which data are the object of the protection measures mentioned above. The document is dynamic, and therefore constantly updated; it is revised annually to reflect any changes in business activity.

Information security initiatives involve collaborations between different company departments, particularly the ICT team and the marketing and communications departments. Activities are carried out after receiving approval from the Control, Risks and Sustainability Committee.

3.10. Customer assessment

Customers not meeting reputational, ethical and financial/equity requirements

Aquafil's focus on its value chain also means assessing the presence, or indeed absence, of certain requirements deemed necessary to enter into relationships with the Group. This verification is also applied to customers, so that activities are performed in accordance with certain principles, considered fundamental.

Consequently, a procedure for assessing Group customers' reputation was approved in 2021; it defines the methods for conducting this audit, and the roles and responsibilities of the parties involved, in addition to the measures required depending on the outcome.

3.11. Socio-economic compliance

Legislative non-compliance with regards to economic and social aspects

The Company observes all regulations on the social and economic aspects of production, such as workers' rights, discrimination matters, any kinds of exploitation, competition matters, and those pertaining to infringements, such as corruption or accounting and tax fraud.

These aspects are discussed jointly with other risks identified by the Group. The reader is thus invited to consult the following paragraphs for further information:

- Paragraphs 3.1, 3.2, 3.3, 3.4 for matters related to workers' protections, diversity and equal opportunity in the workplace;
- Paragraph 3.5 for human rights and exploitation issues;
- Paragraph 3.13 for compliance on economic and financial matters;
- Paragraph 3.14 for matters relating to corruption and anti-competitive behaviour.

3.12. Local communities

Many of the risks analysed elsewhere in this chapter may cause adverse effects on local communities where Aquafil operates, such as risks related to worker health and safety, violation of people's rights, and human rights in general. To obviate these situations to the greatest extent, the Group enacts the measures described in the previous paragraphs discussing these specific risks (paragraphs 3.2; 3.4; 3.5).

Please also refer to paragraphs 2.4.3.3 Local community projects and 2.6 Economic performance and value creation for more information on the initiatives supported by Aquafil for the benefit of local communities and the distribution of value created by the company throughout its territory of operation.

3.13. Economic performance

Losses caused by market conditions, liquidity risk, and trade receivables risk

The macroeconomic environment and its evolution, the liquidity availability to meet the needs of various activities, and possible customer credit insolvency, are all factors that may affect the Group's activities, and are therefore subject to appropriate, constant monitoring.

Since these are solely financial issues, the reader is referred to Chapter 3, "Financial Risk Management", of the Notes to the Consolidated Financial Statements for an extensive, exhaustive discussion.

Use of financial operators that do not meet transparency, reputational, ethical, quality/competence requirements

The Code of Conduct, and, in general, the set of regulations to ensure compliance with the Group's core values, are also used as tools for evaluating financial operators' actions. The latter are thus monitored by the corporate bodies in charge of compliance, which conduct specific audits of financial matters to prevent illegal activities that may implicate the Group.

Misappropriation or diversion of resources to obtain illicit benefits

The Group requires its employees to endorse the Code of Conduct and uses other tools to regulate behaviour, including the Organisation, Management and Control Model, partly to prevent the Group's resources from being misappropriated and diverted to purposes other than those for which they are intended.

Other measures to control the company's assets and their use include inventory tools and information technology resources to constantly monitor employees' financial transactions, ensuring that they are effected only by responsible, authorised personnel. The appropriateness of transactions is then periodically audited by third-party, independent bodies.

3.14. Anti-corruption policies and anti-competitive behaviour

Violation of competition rules

Risks associated with corruption and anti-competitive behaviour are managed through relevant national regulations tools, including the Organisation, Management and Control Model.

Additionally, the Group has adopted ethics principles to structure its operations, namely the Code of Conduct.

A partial revision and updating of the Code of Conduct was initiated in 2022, with, among the changes introduced, the addition of a specific section expressly prohibiting all types of corruption, thus emphasising the importance accorded to this matter.

The Code also requires all parties interfacing with the Group to abide by the contents of the document, thereby extending the prohibition of corrupt practices or anti-competitive behaviour beyond the Group's corporate boundaries.

3.15. Environmental aspects

Legislative non-compliance on environmental aspects

To ensure full, ongoing compliance with environmental legislation, the Group leverages the same resources employed to ensure compliance in the aforementioned areas. In particular, the Code of Conduct includes a section specifically on environmental protection and sustainability, emphasised as a key part of the Group's mission, and therefore subject to especial attention.

Additionally, the adoption of an ISO 14001-certified Environmental Management System, covering half of the Group's plants, renders the company's operations more structured and efficient in monitoring and reducing environmental impact, thus also facilitating regulatory compliance.

Inadequate business strategies

The Group's changing external environment requires continuous adaptation of corporate strategies to meet emerging needs, for the Group to succeed while maintaining commitments to environmental sustainability.

Environmental regulatory changes are key drivers of business strategy adaptation, all the more so with environmental sustainability being fundamental to the company's mission; therefore, any changes in regulations governing these matters require a consequent fine-tuning of activities. As a result, the Group constantly monitors legislative developments in the countries where it operates, and adopts the most appropriate approaches to its activities, which take into account local market realities.

In addition, maintaining voluntary certifications and adopting a certified Environmental Management System ensure that the Group operates at the highest standards of environmental management; it is thus easier to react to any regulatory changes, whilst limiting the risk these may lead to significant disruptions in business operations.

Another corporate environmental strategies risk factor stems from changing market conditions in the energy and commodity sectors. Events such as those of 2022, where a situation of geopolitical crisis led to sudden shortages and rapid price increases in the aforementioned markets, can engender great difficulties in maintaining a company's habitual productivity. Aquafil managed to mitigate these challenges by entering into multi-year contracts, including for energy provision, thereby ensuring the necessary supply and avoiding the effects of sudden cost increases. This in turn made it possible to maintain energy supply parameters, thus avoiding the use of higher environmental impact options.

Changes in the external environment can both hinder and foster the Group's adoption of more sustainable environmental options. These measures are also useful for adapting to macroeconomic conditions that may incentivise the use of more polluting options, thus contravening the Group's principles.

However, the situation is also constantly monitored for changes likely to encourage the adoption of measures that could improve the Group's environmental performance; this includes all potential business opportunities with regard to energy or raw material supply markets, or new strategic collaborations with players likely to increase Aquafil's supply chain added value.

Inadequate skillsets

(GRI 2-17:2021)

Making environmental sustainability a key element of the corporate mission demands specific skills. This requires a thorough understanding of environmental issues, existing regulations and their transformations, and of available technologies, in order to achieve the intentions as stated by the Company, while eschewing any greenwashing.

To this end, Aquafil has launched several initiatives to maintain a dialogue, and foster innovation, with its surrounding environment; this includes participation in European Union-funded research projects and staff training initiatives offered by external specialists on specific topics.

Training provided is intended for all Group staff, at every level. In 2022, for example, one initiative was a training programme for members of the Board of Directors and Board of Statutory Auditors, concerning risks and relevant regulatory, operational, and management aspects. The course included a section on the management of issues related to environmental sustainability, demonstrating how fundamental this now is for all companies, and all the more so Aquafil, where sustainability is a priority issue.

Climate change

Aquafil Group is passionate about its role in the community, and is highly cognisant of the effects of its environmental, social and governance policies.

The Group's organisational structure has evinced a long-standing interest in the environmental impact of processes and products, and continuously assesses possible avenues for improvement, with an approach firmly focused on sustainability and circularity. In particular, this structure considers the consequences of climate change for its activities, processes and local organisations, the risk of which is consistently monitored and assessed. It can thus be stated that no significant impacts are currently expected on operating activities in the regions where the Group operates.

4. ANNEXES: GRI CONTENT INDEX

Declaration of use	Aquafil S.p.A. has reported the information mentioned in this GRI content index for the period from January 1, 2022 to December 31, 2022 with reference to GRI standards.
GRI 1 was used	GRI 1 - Core Principles - 2021 version
Relevant GRI industry standards	Industry Standards for sectors where Aquafil operates are not currently available.

GRI Standard	Disclosure	Location	Notes
General Disclosures			
<i>GRI 2: General Disclosures - 2021 version</i>	2-1 Organizational details	Paragraph 1.1 The Aquafil Group Paragraph 1.2 Corporate Governance Paragraph 1.3 Reporting scope	-
	2-2 Entities included in the organization's sustainability reporting	Paragraph 1.3 Reporting scope Methodological note	-
	2-3 Reporting period, frequency and contact point	Methodological note	-
	2-4 estatements of information	Methodological note	-
	2-5 External assurance	Methodological note	-
	2-6 Activities, value chain and other business relationships	Paragraph 1.1 The Aquafil Group Paragraph 1.1.1 Product areas Paragraph 1.1.2 Target markets and value chain Paragraph 1.3 Reporting scope Paragraph 2.4.3 Stakeholder relations	-
	2-7 Employees	Paragraph 2.4.2.1 Aquafil personnel	-
	2-8 Workers who are not employees	Paragraph 2.4.2.1 Aquafil personnel Paragraph 2.4.2.2 Contracts and remuneration	The variation in personnel not employed by Aquafil compared to previous years has not been specified
	2-9 Governance structure and composition	Paragraph 1.2 Corporate Governance	-
	2-10 Nomination and selection of the highest governance body	Paragraph 1.2 Corporate Governance	-
	2-11 Chair of the highest governance body	Paragraph 1.2.2 Board of Directors	-
	2-12 Role of the highest governance body in overseeing the management of impacts	Paragraph 1.2.2 Board of Directors Paragraph 1.2.5 Control, Risks and Sustainability Committee Paragraph 1.2.6 Supervisory Board pursuant to Legislative Decree No. 231/01 Paragraph 1.2.7 Sustainability Steering Committee	-
	2-13 Delegation of responsibility for managing impacts	Paragraph 1.2.5 Control, Risks and Sustainability Committee Paragraph 1.2.6 Supervisory Board pursuant to Legislative Decree No. 231/01 Paragraph 1.2.7 Sustainability Steering Committee	-
	2-14 Role of the highest governance body in sustainability reporting	Methodological note	-

GRI Standard	Informativa	Ubicazione	Note
	2-15 Conflicts of interest	Paragraph 1.2.5 Control, Risks and Sustainability Committee	The process of disclosing conflicts of interest to stakeholders has not been included
	2-16 Communication of critical concerns	Paragraph 1.2.5 Control, Risks and Sustainability Committee	The number and nature of critical issues reported to highest governing body has not been reported
	2-17 Collective knowledge of the highest governance body	Paragraph 1.2.2 Board of Directors Paragraph 2.4.2.3 Training Paragraph 3 Risks related to non-financial issues	-
	2-18 Evaluation of the performance of the highest governance body	Paragraph 1.2.4 Appointments and Remuneration Committee and Remuneration Policy	-
	2-19 Remuneration policies	Paragraph 1.2.4 Appointments and Remuneration Committee and Remuneration Policy	-
	2-20 Process to determine remuneration	Paragraph 1.2.4 Appointments and Remuneration Committee and Remuneration Policy	-
	2-21 Annual total compensation ratio	Paragraph 2.4.2.2 Contracts and remuneration	-
	2-22 Statement on sustainable development strategy	Chairperson's letter	-
<i>GRI 2: General Disclosures - 2021 version</i>	2-23 Policy commitments	Paragraph 2.3.1 Organisation, Management and Control Model Paragraph 2.3.2 Code of Conduct Paragraph 2.4.1 Social Responsibility for the protection of human rights Paragraph 3 Risks related to non-financial issues	-
	2-24 Embedding policy commitments	Paragraph 2.3.1 Organisation, Management and Control Model Paragraph 2.4.1 Social Responsibility for the protection of human rights Paragraph 3 Risks related to non-financial issues	-
	2-25 Processes to remediate negative impacts	Paragraph 2.4.1 Social Responsibility for the protection of human rights Paragraph 3 Risks related to non-financial issues	-
	2-26 Mechanisms for seeking advice and raising concerns	Paragraph 2.3.1 Organisation, Management and Control Model Paragraph 3 Risks related to non-financial issues	-
	2-27 Compliance with laws and regulations	Paragraph 2.3.1 Organisation, Management and Control Model Paragraph 2.3.2 Code of Conduct Paragraph 2.5.1 Voluntary certifications	-
	2-28 Membership associations	Paragraph 2.4.3 Stakeholder relations	-
	2-29 Approach to stakeholder engagement	Paragraph 2.2 The shared approach Paragraph 2.4.3 Stakeholder relations	-
	2-30 Collective bargaining agreements	Paragraph 2.4.2.2 Contracts and remuneration Paragraph 2.4.2.4 Staff and corporate welfare initiatives	-

GRI Standard	Disclosure	Location	Notes
MATERIAL TOPICS			
<i>GRI 3 - Material topics - 2021 version</i>	3-1 Process to determine material topics	Paragraph 2.2 The shared approach	-
	3-2 List of material topics	Paragraph 2.2 The shared approach	-
Economic performance			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.6 Economic performance and value creation	-
<i>GRI 201: Economic Performance 2016</i>	201-1 Direct economic value generated and distributed	Paragraph 2.6 Economic performance and value creation	-
Taxation			
<i>GRI 207: Tax 2019</i>	207-1 Approach to tax	Paragraph 2.6 Economic performance and value creation	-
	207-2 Tax governance, control and risk management		
	207-3 Stakeholder engagement and management of concerns related to tax	Paragraph 2.6.1 Tax compliance	
	207-4 Country-by-country reporting		
Anti-corruption			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.3.1 Organisation, Management and Control Model	-
<i>GRI 205: Anti-corruption 2016</i>	205-3 Confirmed incidents of corruption and actions taken	Paragraph 2.3.1 Organisation, Management and Control Model	-
Anti-competitive behaviour			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.3.1 Organisation, Management and Control Model	-
<i>GRI 206: Anti-competitive behavior 2016</i>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Paragraph 2.3.1 Organisation, Management and Control Model	-
Raw materials			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.2 Environmental performance of production processes	-
<i>GRI 301: Materials 2016</i>	301-1 Materials used by weight or volume	Paragraph 2.5.2 Environmental performance of production processes	Concerning Aquafil LLC plants, the quantity of raw materials used has been obtained through estimations, as indicated in the Methodological Note
Energy consumption			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.2 Environmental performance of production processes	-
<i>GRI 302: Energy 2016</i>	302-1 Energy consumption within the organization	Paragraph 2.5.2 Environmental performance of production processes	-

GRI Standard	Disclosure	Location	Notes
Water consumption			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.2 Environmental performance of production processes	-
<i>GRI 303: Water and effluents 2018</i>	303-1 Interactions with water as a shared resource 303-2 Management of water discharge-related impacts 303-3 Water withdrawal 303-4 Water discharge	Paragraph 2.5.2 Environmental performance of production processes	In relation to water discharges, the distinction between freshwater and other water sources is not included. Some data on the quantities of water consumed and discharged were estimated, as described in the Methodological Note
Biodiversity			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.3.3 Local community projects	-
<i>GRI 304: Biodiversity 2016</i>	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Paragraph 2.4.3.3 Local community projects	-
Management of greenhouse gas emissions			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.2 Environmental performance of production processes	-
<i>GRI 305: Emissions 2016</i>	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions	Paragraph 2.5.2 Environmental performance of production processes	For further information on the emissions table please refer to the Methodological Note
Waste production			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.2 Environmental performance of production processes	-
<i>GRI 306: Waste 2020</i>	306-1 Waste generation and significant waste-related impacts 306-2 Management of significant waste-related impacts 306-3 Waste generated	Paragraph 2.5.2 Environmental performance of production processes	Concerning Aquafil LLC plants, the waste produced quantity has been obtained through estimations, as indicated in the Methodological Note
Supplier environmental assessment			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.3.1 Supplier selection and engagement	-
<i>GRI 308: Supplier environmental assessment 2016</i>	308-1 New suppliers that were screened using environmental criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Employment policies			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.2.2 Contracts and remuneration	-
<i>GRI 401: Employment 2016</i>	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Paragraph 2.4.2.2 Contracts and remuneration	-

GRI Standard	Disclosure	Location	Notes
Worker health and safety			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.2.5 Protection of worker health and safety	-
<i>GRI 403: Occupational Health and Safety 2018</i>	Information from 403-1 to 403-7 403-9 Work-related injuries	Paragraph 2.4.2.5 Protection of worker health and safety	-
Staff training			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.2.3 Training	-
<i>GRI 404: Training and education 2016</i>	404-1 Average hours of training per year per employee	Paragraph 2.4.2.3 Training	-
Diversity and equal opportunity			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.2.1 Aquafil personnel Paragraph 2.4.2.2 Contracts and remuneration	-
<i>GRI 405: Diversity and equal opportunity 2016</i>	405-1 Diversity of governance bodies and employees	Paragraph 2.4.2.1 Aquafil personnel	-
	405-2 Ratio of basic salary and remuneration of women to men	Paragraph 2.4.2.2 Contracts and remuneration	-
Non-Discrimination			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
<i>GRI 406: Non-Discrimination 2016</i>	406-1 Incidents of discrimination and corrective actions taken	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Child labour			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
<i>GRI 408: Child labor 2016</i>	408-1 Operations and suppliers at significant risk for incidents of child labour	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Forced labour			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
<i>GRI 409: Forced or compulsory labor 2016</i>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Paragraph 2.4.1 Social responsibility for the protection of human rights	-
Local communities			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.3.3 Local community projects	-
<i>GRI 413: Local communities 2016</i>	413-1 Operations with local community engagement, impact assessments, and development programmes	Paragraph 2.4.3.3 Local community projects	-

GRI Standard	Disclosure	Location	Notes
Supplier social assessment			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.3.1 Supplier selection and engagement	-
<i>GRI 414: Supplier social assessment 2016</i>	414-1 New suppliers that were screened using social criteria	Paragraph 2.4.3.1 Supplier selection and engagement	-
Customer health and safety			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.5.1.2 Product certifications	-
<i>GRI 416: Customer health and safety 2016</i>	416-1 Assessment of the health and safety impacts of product and service categories	Paragraph 2.5.1.2 Product certifications	-
Labelling and marketing			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.4.3.2 Customer relations	-
<i>GRI 417: Marketing and Labeling 2016</i>	417-1 Requirements for product and service information and labeling	Paragraph 2.4.3.2 Customer relations	-
Customer privacy			
<i>GRI 3 - Material topics - 2021 version</i>	3-3 Management of material topics	Paragraph 2.3.2 Code of Conduct	-
<i>GRI 418: Customer privacy 2016</i>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Paragraph 2.3.2 Code of Conduct	-

