

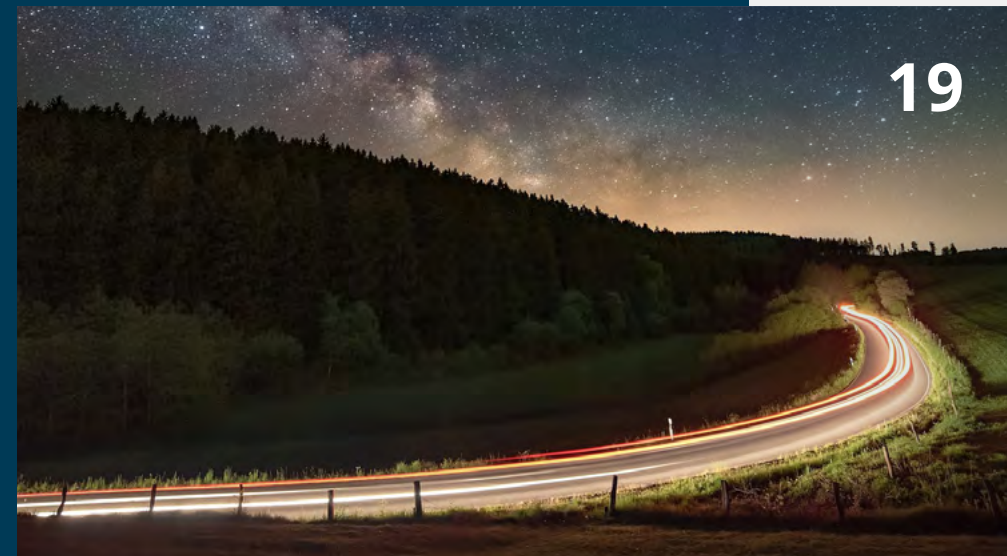


AQUAFIL   
SUSTAINABILITY REPORT 2022





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# Executive Summary

In a world of finite resources, increasing waste, and tightening environmental regulation, the traditional linear approach of **“take-make-dispose”** is no longer viable. Here at Aquafil, sustainability is not a mere slogan. It is embedded into our **business model**: through **cutting-edge technology**, we develop sustainable, **fully-circular products** that forge a **path of sustainability** for the textile and carpet industries.

As of today, our ECONYL® regenerated nylon has supported more than 2,500 brands in their journey towards sustainability, thanks to its unique characteristics: it is made entirely **from waste** (such as old carpets, fishing nets, fabric scraps, industrial waste), it can be recycled an **infinite number of times**, and it maintains the **same quality** but has a way **lower environmental** impact in terms of CO<sub>2</sub> emissions than standard nylon.

In 2022, we also launched our first **demo plant** to produce **bio-based nylon** on a pre-industrial scale. The success of the pilot phase shows that it is possible to break our fossil fuel-driven system and **transform our value chain** to be sustainable, regenerative, bio-based and circular.

Our ESG efforts are not limited to circular economy innovation. Aquafil has always had a **360-degree commitment to sustainability**, considering not only environmental but also social and **governance** aspects. Since 2008, we have formalised our commitments in our **ECO-PLEDGE®**, a set of five principles that inspire all the Group's activities:

1. Rethinking products in a circular perspective
2. Protecting the environment
3. Sharing responsibilities throughout the value chains
4. Caring for the well-being of individuals
5. Supporting the local communities

In the **first chapter** of this report, we delve into **our beliefs, our story, our achievements**; we explain why ECONYL® nylon represents our source of **competitive advantage**; we show how we break the trade-off between profit and purpose.

In the **second chapter**, we take a closer look at our **sustainability plan**. We dive deep into each pillar of our **ECO PLEDGE®**, exploring our **initiatives, past results** and **future goals**.

In the **third chapter**, we explain how we **deliver** on our commitments and conduct business ethically, touching upon our **ESG governance, Code of Conduct** and **whistleblowing procedure**, future-proof **risk management system**, pursuit of **voluntary certifications**, and participation in **international alliances**.





# Sustainability in Our DNA

## 1.1 Embracing responsibility.

### RETHINKING BUSINESS FOR A SUSTAINABLE FUTURE

Another year has come and gone. And despite the **escalating warnings from experts**, global greenhouse gas **emissions have continued to rise**, with 2022 ranking among the five **warmest years ever recorded**.<sup>1</sup>

**Irresponsible business practices** – and the prioritisation of profit over the planet – have always been **part of the problem**. But as the effects of climate change become more and more severe – from devastating heatwaves to extreme weather events, from rising sea levels to natural disasters – it is time for companies to **take accountability** and become **part of the solution**.

**Drastic times call for drastic measures**. Planting trees and buying carbon credits is surely not enough to address the magnitude of the emergency. We must radically **rethink the way we do business** and embed sustainability into our business models.

Here at Aquafil, sustainability is not a mere slogan. It is the core of our **company's values**, the engine of our **business growth**, the key to risk mitigation. Driven by the responsibility to change the world one product at a time, we have embarked on a journey towards **full circularity**, which is already generating wealth for people, communities and the planet as a whole.



## 1.2 Letter from our CEO.

### NAVIGATING TURBULENCE WITH SUSTAINABLE ACTION



The **year 2022** was a roller coaster ride, as a series of tumultuous events kept the world on edge. First and foremost, **the tragic outburst of the conflict in Ukraine**, which led to the energy crisis and critical supply chain disruptions. Beyond the immense human suffering, these events dealt a severe **blow to global sustainability efforts**, as natural gas shortages caused a resurgence in coal burning.

Yet the **outlook is not all grim**. In the midst of geopolitical turmoil, our industry reached a significant turning point. In March 2022, the EU Commission launched the **Strategy for Sustainable & Circular Textiles**, which defines the vision and a set of concrete actions to ensure that by 2030:

*“Products are long-lived and recyclable, to a great extent made of recycled fibres, free of hazardous substances and produced in respect of social rights and the environment”.*

This new regulatory framework sets a clear trajectory for the **future of the textile sector**, pointing to a **direction that Aquafil has already been following** for over two decades. In the past year alone, we have launched and completed several new initiatives that tackle key EU strategic priorities, such as **eco-design** and **greenwashing**.

**Eco-design** is based on the idea that **waste is a design flaw**. Through the *Born R2R* project, we have been working hard with our clients to **rethink the way we make things**, projecting products that are **fully-disassemble and fully recyclable** at the end of their usage.

The year 2022 also marked our **adhesion to the UN Global Compact**, the successful opening of our demo **bio-nylon production** plant on a pre-industrial scale, and the beginning of our efforts to estimate **Scope 3 emissions**.

If there is **one lesson** that we can take from this turbulent year, is that current challenges should not slow down our sustainability efforts. If anything, they **urge us to act faster**.

<sup>1</sup>Source: Nasa (2022), *NASA Says 2022 Fifth Warmest Year on Record, Warming Trend Continues*, (link)

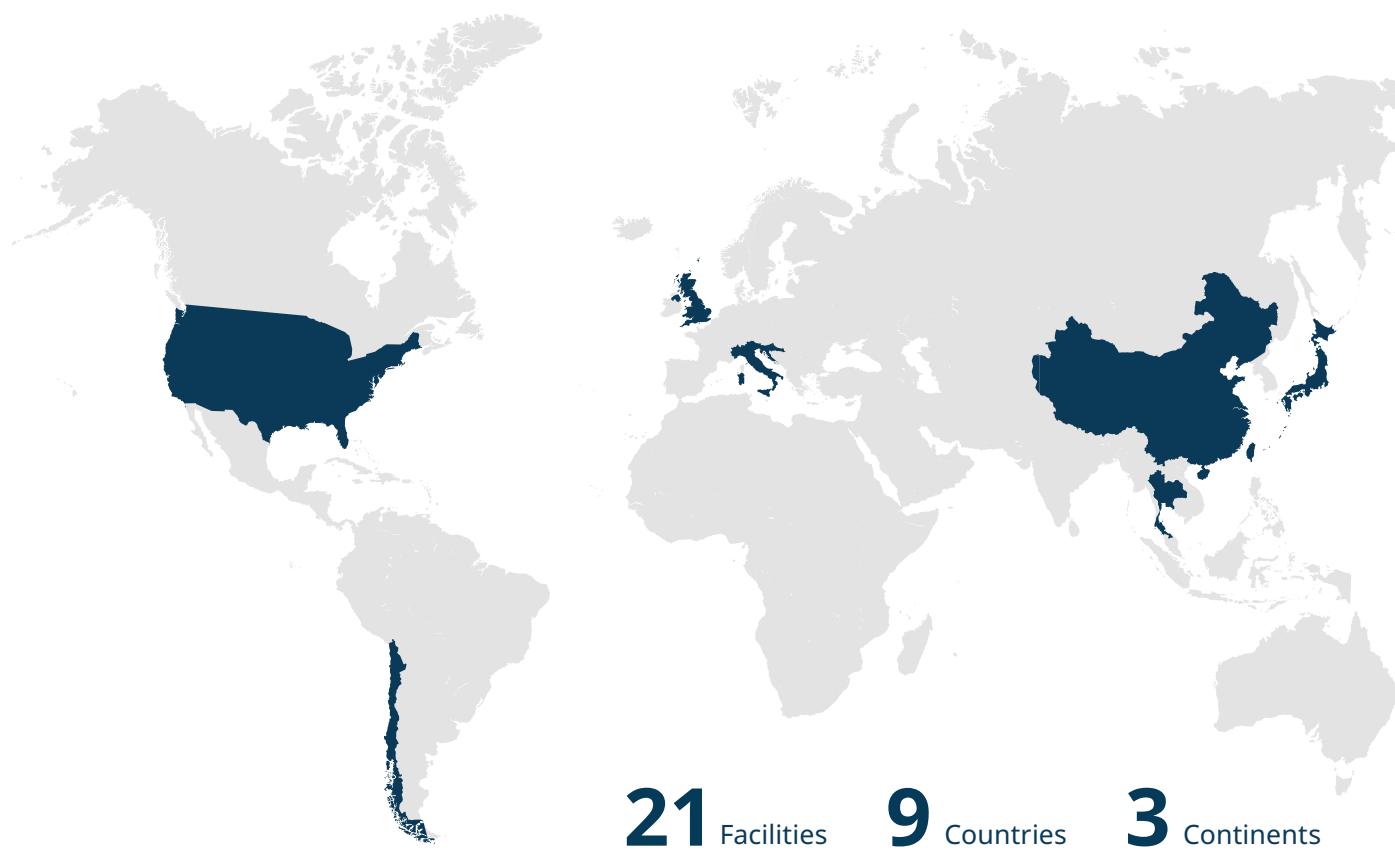


# 1.3 About Aquafil.

## FROM FAMILY BUSINESS TO GLOBAL SUSTAINABILITY CHAMPION

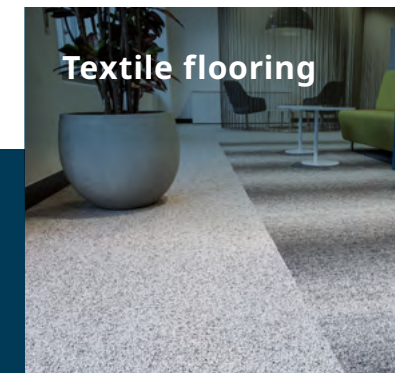
Our Group's history started in **1965**, when the **Bonazzi's family** built the first manufacturing plant in **Arco** (Trentino Alto Adige region, Italy). More than 50 years later, Aquafil has become an **international group** that employs more than **2700 people** across **3 continents and 9 countries** (Italy, Slovenia, Croatia, UK, US, China, Thailand, Japan and Chile). Our shares have been **listed on the Italian Stock Exchange** since 2017, and on the **US OTCQX Best Market** since October 2022.

EXHIBIT 1 - AQUAFIL'S GLOBAL PRESENCE<sup>2</sup>

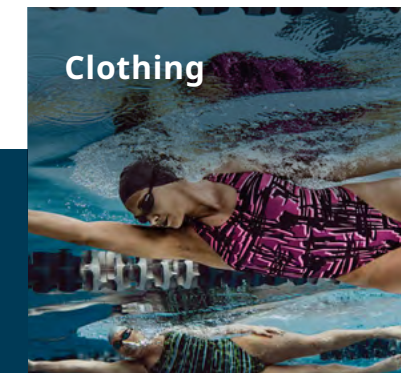


<sup>2</sup>The list includes 21 plants and not 20 as it also incorporates AquafilUSA Fiber Drive in Cartersville, which is not generally counted as a production plant

### Our 3 product areas:



we are the number one producer of carpet yarn for manufacturers globally, catering a wide range of sectors, like automotive, residential and contract (airports, offices etc..).



we are one of the main clothing yarn and synthetic fibres suppliers of leading Italian and European apparel, underwear and sportswear brands.



we produce polymers used in the plastic moulding industry for the production of fashion accessories (e.g., glasses frames) and furniture (chairs, tables, lamps).

Our path to circularity began in **1990**, when the Group started recovering *lactamic waters* produced during the polymerisation process. Since then, we have devoted significant resources and **efforts** to **"closing the loop"**. The biggest turning point was the adoption of a **Life Cycle approach**, that challenged us to rethink our products from **cradle to grave** (or **from cradle to cradle**) and identify their main environmental pain points.

Years of research finally led to the development of our **ECONYL® regeneration System**, a cutting-edge technology that enables the production of a **unique type of nylon** solely from pre- and post-consumer **waste**. This marked the beginning of a **new era** for our company and for the whole industry.

But our efforts have not been limited to rethinking products in a circular perspective. Aquafil has always had a **holistic approach** towards sustainability, which extends beyond circular product design to encompass **social and governance aspects** too. This commitment has been formalised in the **ECO-PLEDGE®**, a set of five principles that guide and inspire all of the Group's work since 2008 (see chapter 2 and 3).

## 1.4 Blazing a trail in the circular economy.

### ECONYL®: WHERE PROFIT MEETS PURPOSE

In a world of finite resources, the traditional linear approach of “take-make-dispose” is no longer sustainable. In a context of mounting waste, tightening environmental regulation and increasing consumer awareness of sustainability topics, **circular business models** not only benefit the planet but also offer a **competitive advantage in the long-run**.

Aquafil is the living testimony that breaking the trade-off between profit and purpose is possible. By focusing on “rescuing, regenerating and remaking”, not only are we able to reduce our carbon footprint, we also manage to achieve significant **cost savings**, mitigate the risk of raw materials shocks, **stay ahead of environmental regulation** and enhance our **brand reputation**.

Our flagship product **ECONYL® nylon** has become our growth engine thanks to its **unique (circular) characteristics**: it is made entirely **from waste** (such as old carpets, fishing nets, fabric scraps, industrial waste), it maintains the **same quality** of traditional nylon, it can be recycled an **infinite number of times**, and it has a way **lower environmental** impact in terms of CO<sub>2</sub> emissions (for further information, see section 2.2) if compared with standard nylon.

The interest shown by key names in the fashion, automotive and carpet sectors confirms the strength of its value proposition. As of today, our ECONYL® regenerated nylon has supported more than 2,500 brands in their journey towards sustainability, forging a **path of sustainability** for the entire industry.

The result is that over the past years, the revenues from the sale of ECONYL® nylon have grown significantly **faster than other fibres** (see Exhibit 2). This year alone, sales increased by more than **50%**.

Today, ECONYL® nylon represents around **43%** (vs 37% in 2021) **of our fibre revenues**. Our objective for 2025 is to generate **60%** of our fibres revenues from ECONYL® nylon and other regenerated fibres. In order to achieve this target, we keep working on three different fronts:

**1. WASTE RECOVERY.** Where others see trash we see treasure. Through the **establishment or acquisition of new companies**, we have intensified our efforts to clean the environment from all the types of nylon waste used in the production of ECONYL® regenerated nylon.

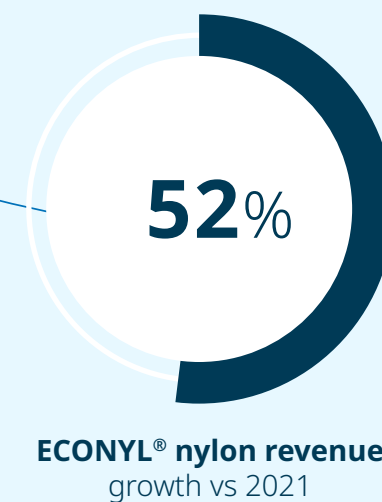
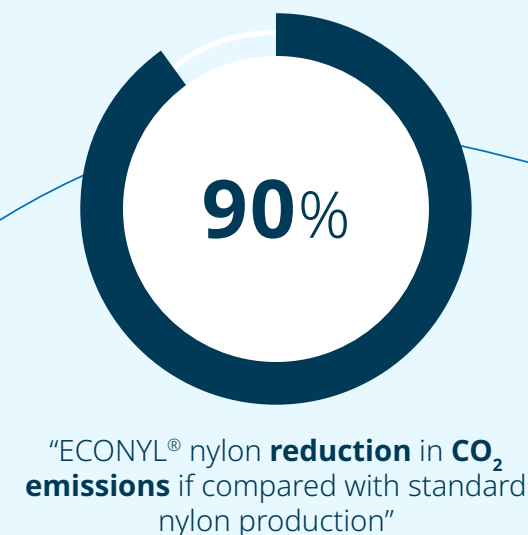
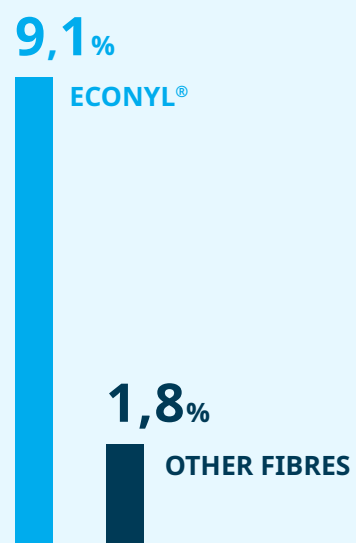
- In **2022**, we founded **Aquafil Chile**, specialised in the collection and pre-treatment of aquaculture nets.
- In **2021**, we invested in **Nofir**, a Norwegian company leader in **fish nets recovery**.
- In **2020**, we acquired **Aquafil Carpet Collection LLC** in the **United States**, dedicated to the retrieval of post-consumer rugs and carpets.

**2. INTERNATIONAL NETWORK.** We believe that sustainability is a collective effort. For this reason, we keep involving as many institutions, companies and NGOs as possible in the collection of nylon waste. We have also been strengthening our **Take Back program**, partnering with an increasing number of **clients** to recover their post-industrial ECONYL® nylon waste.

**3. BRAND AWARENESS.** Educating and communicating our vision to clients, partners and final consumers is fundamental even for a B2B company like Aquafil. With this purpose in mind, we have:

- **Created ECONYL® on air**, a new immersive digital experience to discover the story behind the ECONYL® regeneration system and Aquafil’s commitment to eco-design.
- **Launched the ECONYL® Academy**, to connect our community with industry knowledge, expert advice and business inspiration for a greener tomorrow.
- **Strengthened the ECONYL® E-commerce**, an online platform where customers can browse all products made with our special ingredient. Since 2022, the platform allows for the direct sale of some best-seller products, rather than redirecting to the e-shop of the featured B2C brands.

EXHIBIT 2 - ECONYL® VS OTHER FIBRES GROWTH RATE (2015-2022 CAGR)



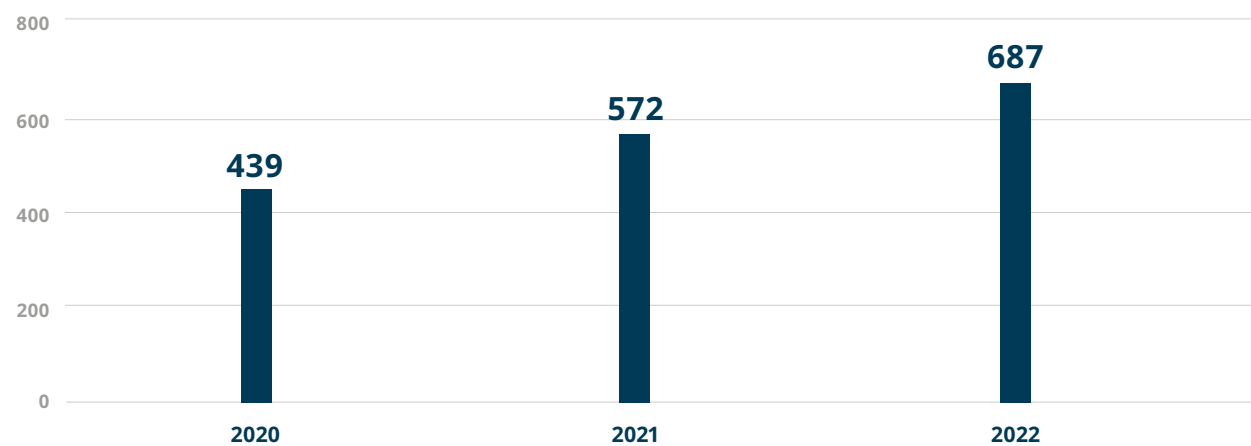


# 1.5 Actions speak louder than words.

## OUR TOP 2022 ACHIEVEMENTS AT A GLANCE

2022 was an outstanding year for our Group, both in terms of **economic performance** and **ESG achievements**. Compared to 2021, our **revenues increased by 20%**. This allowed us to create and distribute greater value to all our stakeholders and generate a higher impact on our communities.

EXHIBIT 3 - AQUAFIL'S REVENUES (IN EURm)



From a sustainability point of view, Aquafil garnered increasing international exposure and recognition. Here are some of the **milestones** we celebrated in 2022:

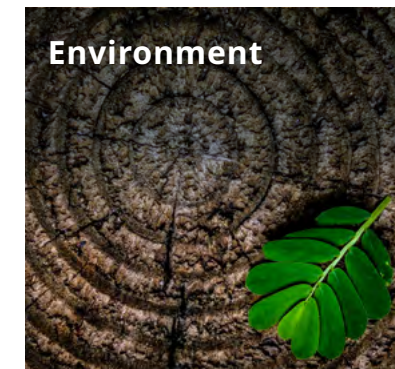
- After being selected among the *Companies to Watch* in **Fortune's Change the World List** in 2019, this year our CEO **Giulio Bonazzi** was named one of the **2022 Meaningful Business 100 Leaders**, an exclusive group of changemakers working to tackle the world's most pressing issues and achieve the UN Global Goals.
- After years of research, Aquafil launched its pre-industrial **bio-nylon production plant** in collaboration with **Genomatica**, bringing plant-based nylon one step closer to commercialisation.
- Aquafil was honoured to participate in the **Museum of Design Atlanta's** exhibition **"Full Circle: Design Without End."** From March to September of 2022, a beautiful selection of design products created with ECONYL® nylon were on display, including the award winning noho move™ chair, Napapijri circular jackets, Delos' Mantra Rug from its Technicolor Collection, Karün sunglasses, swimwear from Botanical Beach Babes, a silk roll bag by Aoife, and WAO low top sneakers.



- At **ArtVerona 2022**, a carpet made with ECONYL® yarn became an artwork. **Stefano Arienti**, one of the most appreciated contemporary Italian artists at an international level, designed a **500 m² carpet** made entirely with our regenerated nylon, entitled "Corso Europa (by G.B. Piranesi)". At the end of the art fair, the carpet was disassembled and repurposed into custom-tailored pieces. The sales revenues from this exclusive **capsule collection** will be donated to Albachiaro APS, an NGO that fights femicide.
- **ECONYL® x Parsons Project** won **Interior Design Magazine's Best Of Year 2022 Student Award**. Through Aquafil's partnership with Parsons School of Design, one of the world's leading design schools, students of the MFA Textiles program were encouraged to create innovative products made of ECONYL® nylon. The joint "Designing for the Future" project was awarded by the Interior Design Magazine, one of the industry-leading design publications.

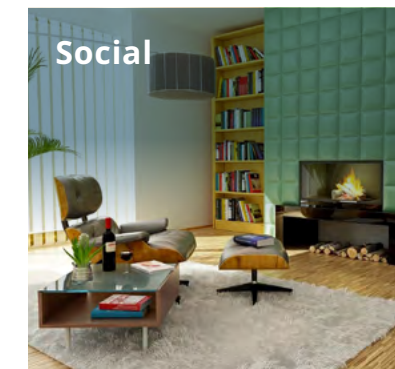


EXHIBIT 4 - OUR ESG ACHIEVEMENTS IN 2022



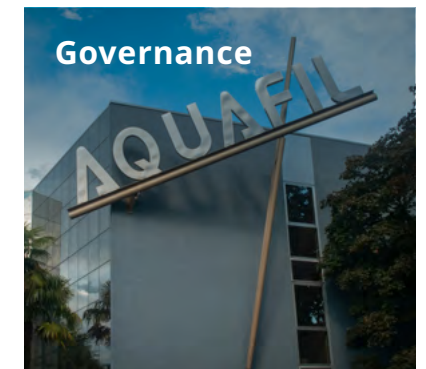
### Environment

- **16%** reduction in Scope 1 + Scope 2 emissions vs 2021
- **100%** of electricity coming from renewable resources
- **23%** reduction in water consumption vs 2021
- **90%** of waste recovered (through recycling and energy recovery)
- **1st plant-based nylon demo plant**



### Social

- **18.5%** increase in the number of female managers vs 2021
- **2.2x** increase in hours of environmental training delivered vs 2021
- **2x** welfare budget vs 2021
- Approval of **Global Parental Leave Policy**
- Drafting of **Human Rights Policy**



### Governance

- Adhesion to **UN Global Compact**
- Certification **SA8000** (Social Responsibility) – Aquafil UK<sup>3</sup>
- Certification **ISO 50001** (Energy) – Aquafil Arco
- Certifications **ISO 45001** (Health & Safety) and **ISO 50001** (Energy) certifications – Aquafil China

But this is **only the beginning**. Looking forward, we have set ambitious Environmental, Social and Governance **targets** to raise the bar even higher. Find out more in chapters 2 and 3.

<sup>3</sup> Aquafil UK has successfully passed the final certification stage in 2022, however the certification will be issued during 2023.





# The ECO PLEDGE®:

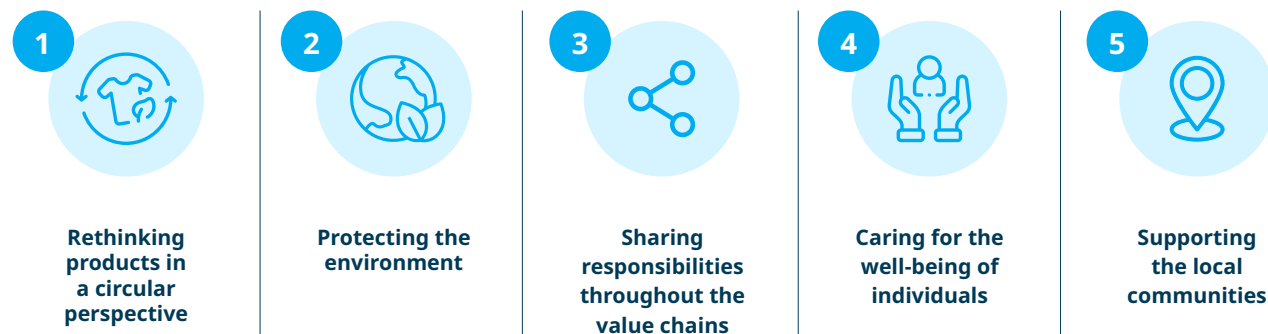
Aquafil's Path Toward  
Full Sustainability



## 2.1 Our ECO PLEDGE® for a better future.

### AQUAFIL'S FIVE SUSTAINABILITY PILLARS

Sustainability principles are encoded in Aquafil's mission through **THE ECO PLEDGE®**, which formalises the **sustainability policy** guiding our Group's operations. This commitment is based on five pillars:



Our five pillars are aligned with the **UN Sustainable Development Goals** to ensure consistency with the UN Global Compact and overarching international agendas. In particular, Aquafil is able to actively contribute to 12 SDGs (see Exhibit 5).

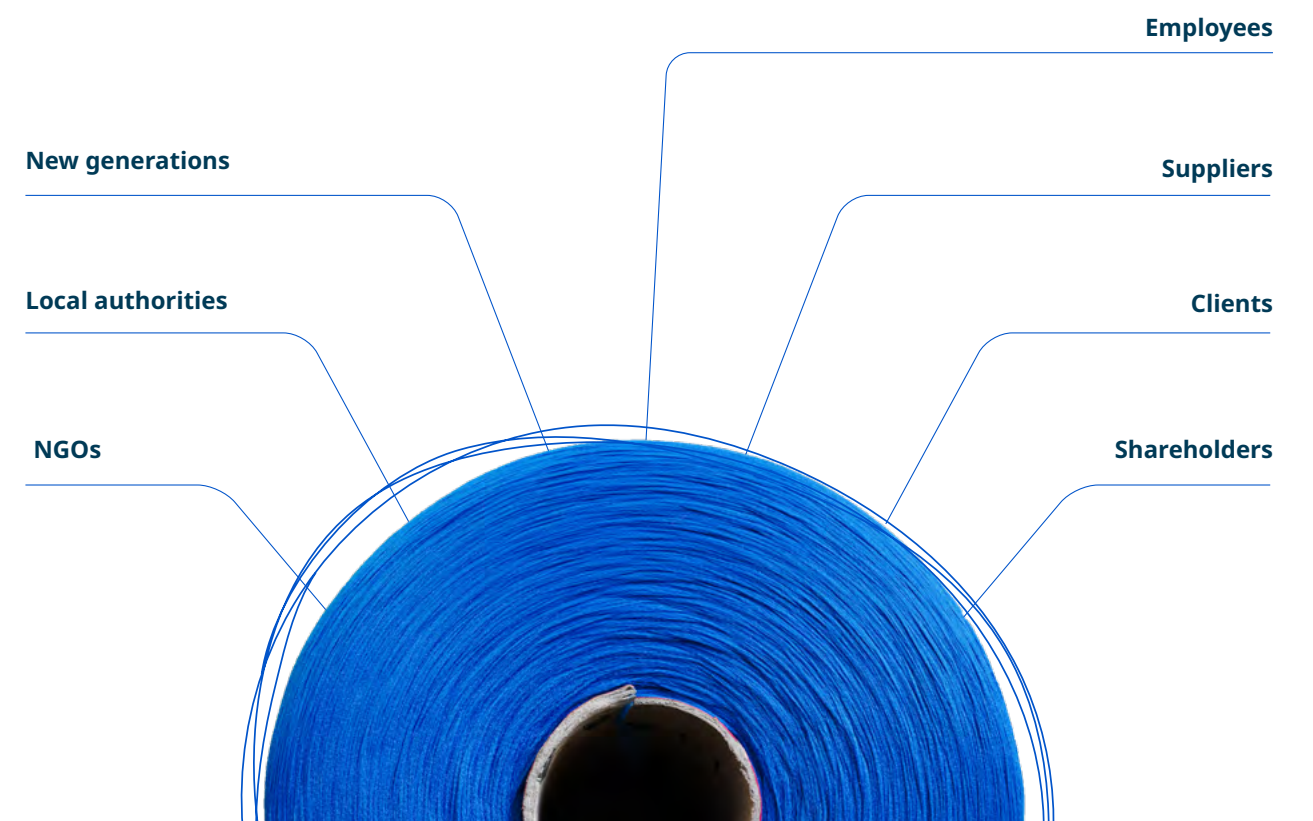
EXHIBIT 5 - AQUAFIL AND THE SUSTAINABLE DEVELOPMENT GOALS



### STAKEHOLDER ENGAGEMENT FOR MATERIALITY ASSESSMENT

Our Group's ESG agenda is based on a materiality assessment that allows us to identify key priority areas of action. This assessment is based on a **shared approach**: it considers the relevance of each topic both **for Aquafil** and **other stakeholders**: suppliers, clients, shareholders, employees, local authorities, new generations, NGOs. In 2022, the Group **updated its materiality assessment**, engaging **199 stakeholders** and achieving a response rate of 38%. Despite some methodological changes, the new assessment confirmed the list of material topics identified in 2020.

EXHIBIT 6 - GROUP STAKEHOLDERS


















### THE BIG PICTURE: GOALS AND PROGRESS

Holding ourselves accountable is fundamental to fulfilling our commitment to sustainability. For each of our five guiding principles, we have defined **forward-looking objectives**, identified **improvement areas**, and launched a series of **projects** to reach them. Summarised in Exhibit 7 are our main goals, progress to date and where we are heading in the future. The rest of the chapter delves into each pillar individually, outlining our main actions, achievements and challenges.




















EXHIBIT 7 - ESG TARGETS AND PROGRESS

Sustainability pillars	Objective	Target	Deadline	Status	Progress as of 31/12/2022
<b>Rethinking products in a circular perspective</b> 	<b>E</b> Strengthen the existing value chains	Generate 60% of our fibres revenues from ECONYL® and other regenerated fibres	2025		43,5%
		Get 60% of our EMEA BCF clients (nylon for carpets) involved in our post-industrial Take-Back programme	2025		37% <sup>4</sup>
	<b>E</b> Create new sustainable value chains	Collect 35,000 tons of post-consumer waste to create new recycled materials	2025		16,500 tonnes
		Test and validate new technologies to produce bio-based nylon on a pre-industrial scale	2025		Pilot project concluded successfully
		Complete 13 projects involving consumer brands in eco-design activities and in the recycling of end-of-life clothes	2025		-
<b>E</b> Implement an eco-design approach	Sign a Memorandum of Understanding with 50% of selected producers of rugs and carpets in the context of our new Born R2R project, in order to create products that are made with recycled material (ECONYL® nylon) and designed to be recycled at the end of their life	2025		-	
<b>Protecting the environment</b> 	<b>E</b> Use renewable energy sources	Continue to purchase 100% of electricity from renewable sources for the whole Aquafil Group	-		Target achieved
	<b>E</b> Reduce the impact of manufacturing activities	Obtain an ISO 14001 certification (environmental management) for all our Group's plants	2025		9 of 14 plants have been certified
		Obtain an ISO 50001 certification (energy management) for all our Group's plants	2028		7 of 15 plants have been certified - two new certifications obtained by Aquafil China and Aquafil Arco
		Join the Science Based Targets (SBTs) initiative and set GHG reduction targets	2025		Started a Group-wide effort to measure Scope 3 emissions, which will end in the first semester of 2023
	<b>E</b> Reduce waste by reusing packaging	Reduce the Group's total water consumption by 30% (2018 baseline)	2025		-34,9%
		Reduce the Group's total water discharges by 30% (2018 baseline)	2025		-46,2%
	<b>E</b> Reduce waste by reusing packaging	Launch a pilot project to recycle the pallets used for the transportation of products, aiming for 50% of pallets being reused in our EMEA BCF business	2025		Target achieved (about 90% of pallets were reused <sup>5</sup> ), the project will be extended to a greater number of clients in 2023

 **New target**  
  **Target achieved**  
  **Work in progress**  
  **Environmental**  
  **Social**  
  **Governance**

<sup>4</sup>The percentage is computed considering the client's contribution to our sales volumes.  
<sup>5</sup>The percentage refers to the quantity of pallets reused at least once, while we are still monitoring how many times each pallet can be recycled to further reduce waste.



Sustainability pillars	Objective	Target	Deadline	Status	Progress as of 31/12/2022
<b>Caring for the well-being of individuals</b> 	<b>S</b> Minimise injuries	Obtain an ISO 45001 certification (risk management) in all our Group's plants	2025		7 of 14 plants have been certified - one new certification obtained by Aquafil China
	<b>S</b> Support employees' personal and professional growth	Create career development paths for talented individuals within the Group	2025		-
	<b>S</b> Achieve fair gender representation at all corporate levels	Issue a D&I policy in order to create a fair work environment and achieve gender equality in recruiting, training and career development	2023		-
	<b>S</b> Guarantee the respect of Human Rights in the workplace (S)	Obtain an SA 8000 certification (social responsibility) in all our Group's companies	2028		9 of 14 plants have been certified - one new certification obtained by Aquafil UK <sup>6</sup>
<b>Sharing responsibilities throughout the supply chains</b> 	<b>E S</b> Ensure suppliers' ethical behaviour	Monitor the Group's key suppliers through audits and/or due diligence procedures, in line with the European Supply Chain Act (CSDDD, Corporate Sustainability Due Diligence Directive)	2026		-
	<b>Supporting the local communities</b> 	<b>S</b> Raise awareness of environmental issues by supporting local cultural and sports clubs and by contributing to the education of the new generations	Organise 5 school visits (or more) to Aquafil's production facilities and/or training workshops in the schools' premises Sponsor 10 (or more) local sport events or sports clubs	2022	
<b>S</b> Support the most vulnerable		Support 4 (or more) charitable organisations	2022		6 charitable organisations supported
<b>S</b> Raise awareness of environmental issues by supporting local cultural and sports clubs and by contributing to the education of the new generations		Organise 25 school visits (or more) to Aquafil's production facilities and/or training workshops in the schools' premises Sponsor 40 (or more) local sport events or sports clubs	2023		-
<b>S</b> Support the most vulnerable		Support 6 (or more) charitable organisations	2023		-
<b>Others</b> 	<b>G</b> Improve our Corporate Governance	Approve a new remuneration policy aligned with market best practices, including ESG parameters in both short- and long-term incentives	2023		-
		Draft a succession plan for our top management	2025		-
		Create an ESG Committee reporting directly to the Board of Directors, and issue an ESG policy	2023		-
	<b>E S G</b> Join international alliances	Adhere to the United Nations Global Compact	2025		Target achieved <sup>7</sup>

 **New target**
 **Target achieved**
 **Work in progress**
 **Environmental**
 **Social**
 **Governance**

<sup>6</sup>Aquafil UK obtained the SA8000 certification, which will be officially released in 2023.

<sup>7</sup>Aquafil submitted its application and related commitment letter in December 2022. Confirmation of membership was received on January 16, 2023.

## 2.2 Close the loop.

### RETHINKING PRODUCTS IN A CIRCULAR PERSPECTIVE

The global consumption of clothing and footwear is expected to increase by 63% by 2030. As the production of textile products continues to grow, so does their impact on **water pollution, greenhouse gas emissions and landfill waste**. In the EU, it is responsible on average for the fourth highest negative impact on the environment and on climate change. Moreover, **fast fashion** has led to a big increase in the quantity of clothes produced and thrown away shortly after. About **5.8 million tonnes of textiles** are **discarded** every year in the EU, approximately 11 kg per person, and every second a truckload of textiles is landfilled or incinerated.<sup>8</sup>

FAST FASHION IS OUT OF FASHION

R&D spending in 2022 **€13M**

But **consumption trends are changing**. Born into an era of climate change and environmental awareness, new generations praise ethical business practices: 73% of millennials claim they are willing to **pay a premium** for greener products. At the same time, consumer

desire for **long-lasting apparel** is on the rise. According to NYU Stern Centre's research, demand for sustainable products grew 5.6 times faster than non-eco ones between 2013 and 2018.<sup>9</sup>

Here at Aquafil, we **start with the end in mind**. We develop **cutting-edge technology** to develop, fully circular materials. We work with suppliers and clients to design physically and emotionally **durable products** that consumers love and the planet does not resent. We are at the front of conscious innovation.

In the past year alone, we have spent **€13 million in R&D activity** (equal to almost 2% of revenues) to explore **different pathways to circularity**, opening up endless opportunities for the entire industry. Here are the most relevant ones:

- 1 ECONYL® regeneration system:** since 2011, we have been able to **give waste a new life**, producing a special nylon that is **100% regenerated** and fully recyclable, maintains the same quality as traditional nylon, and has way **lower environmental** impact if compared with production of standard nylon.
- 2 Plant-based nylon:** we have developed and tested a new technology that makes it possible to produce caprolactam (a monomer used to make nylon) from renewable **raw materials of plant origin** instead of oil.
- 3 Eco-design:** we have been working with our clients and suppliers to design products with the end in mind, to make the whole value chain more sustainable.

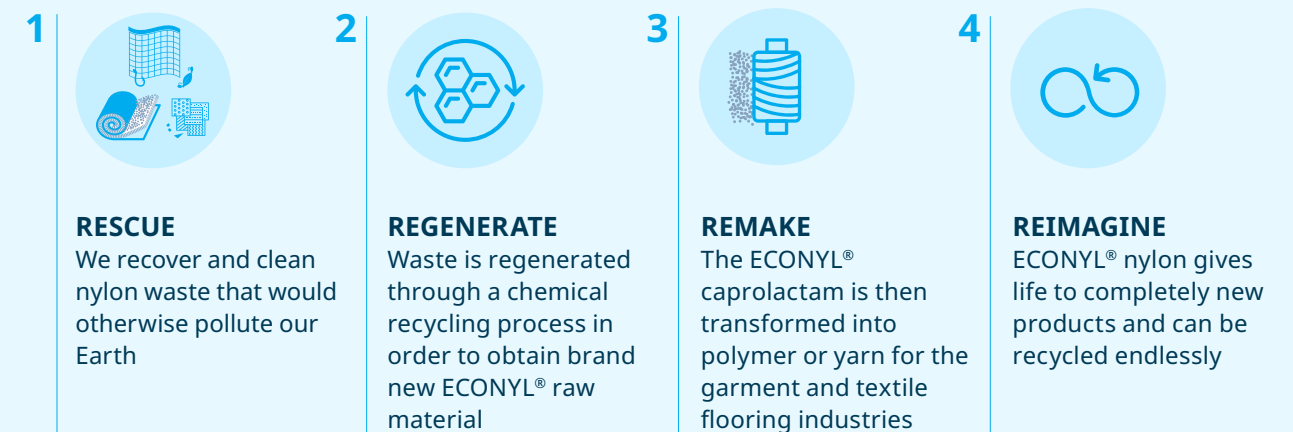
<sup>8</sup>European Commission(2022), *EU Strategy for Sustainable and Circular Textiles* (link)  
<sup>9</sup>Marsh McLennan – Brink news (2021), *The Rise in Demand for Sustainable Goods* (link)

## 1 ECONYL® REGENERATED NYLON: ENDLESS POSSIBILITIES

Aquafil was among the first companies in Italy to adopt the **"Life Cycle Thinking"** approach, which considers the environmental impact of a product **from cradle to grave**. By applying this framework to the **nylon 6** value chain, we discovered that the **extraction of raw materials** (and in particular of **caprolactam**) was the process that took the greatest toll on our planet.

Years of research led us to the creation of our ECONYL® Regenerations Systems, a technology that allows us to replace caprolactam, derived from oil, with a **raw material** that comes from the regeneration of **nylon waste**. The technical details are complex, but the idea behind it is simple: we input nylon waste which is transformed into our own special **ECONYL® nylon** through a chemical recycling process called depolymerization.

The ECONYL® regeneration system follows four steps:





**What makes our ECONYL® nylon special**

- It maintains the **same quality** as standard nylon
- It can be recycled **an infinite number of times** without losing quality
- It uses **waste** that would otherwise end up polluting the environment
- It generates up to **90% less CO<sub>2</sub> emissions** during production if compared to the production of standard nylon

**Waste: a resource to be valued**

The ECONYL® regeneration system allows us to produce high-quality products from waste that would otherwise be sent to landfills or discarded in the environment:



**Old carpets**

we process thousands of tons of carpets per year, thanks to our two carpet recycling plants in the US.



**Pre-consumer nylon 6 waste**

we collect any industrial waste, including plastic components and fabric scraps.



**Aquaculture fishing nets and ghost nets**

we collaborate with the aquaculture industry and with volunteer divers to recover fishing nets

Over the years, our Group has been strengthening its waste collection efforts through **upstream vertical integration**. In 2020, we opened **Aquafil Carpet Collection**, which currently retrieves more than 8 thousand tonnes of post-consumer rugs and carpets per year. In 2021, we acquired 32% of **Nofir**, Norwegian leader in **fishing nets recovery** and a key strategic partner for Aquafil. In 2022, we created **Aquafil Chile**, taking over a former supplier of aquaculture nets. Even before being welcomed into the Aquafil family, all companies shared our same mission for environmental sustainability and circularity. Thanks to our efforts, we are currently able to collect **16.5 thousand tonnes** of post-consumer nylon waste per year. Our ambition is to reach **35 thousand tonnes by 2025**.

We have also been expanding our **international network** by partnering with institutions, companies, organisations and consortiums across the world to recover materials that are then pre-treated and sent to the **Ljubljana plant**, where they are transformed into ECONYL® raw material and reintroduced into the production cycle.

FOR EVERY 10,000 TONS OF RAW MATERIAL:

SAVE  
**70,000**  
barrels of **crude oil**

AVOID  
**65,100**  
tons of **CO<sub>2</sub> emissions**

**Our clients, our partners**

More than **2,500 brands** have chosen our ECONYL® nylon to create their sustainable collections. In our search for potential clients, we do not aim for the highest bidder or biggest name; instead, we look for long-term **business partners** who share our same commitment to the environment and want to become **active participants** in our circular value chain.

Through our **Take Back programs**, we involve clients in the **recovery of pre- and post-consumer ECONYL® nylon waste**. We have launched several initiatives with leaders in both the textile (*Nylon Textile Filaments*) and carpet (*Bulk Continuous Filaments*) sectors. For the BCF segment, we have set an ambitious goal. As of 2022, several clients like Ege Carpets adhered, corresponding to **37% of our fibres revenues**. Our target is to bring the percentage in the EMEA region to **60% by 2025**.



**Hyundai: Going Circular**

**2,500+** BRANDS have already chosen ECONYL® nylon

In 2022, Aquafil collaborated with the South Korean automotive leader on a brief **docu-series** that tells the story of Hyundai's **IONIQ 5 and IONIQ 6 floor mats** made with ECONYL® nylon. Produced by **Warner Bros Discovery Channel**, "Going Circular" is divided in three episodes:

- **Back to blue:** the first episode shows how **volunteer divers** recover ghost nets and other nylon waste from the Greek sea in partnership with "**The Healthy Seas**", a foundation that Aquafil co-founded in 2013 and that organises beach and seabed clean-ups.
- **Rethink with purpose:** the second one is set in Slovenia at our **Ljubljana plant**. Denis Jahić, General Manager of AquafilSLO, tells the story of how waste is transformed into **ECONYL® nylon**, through our innovative regeneration process.
- **Sustainability on all grounds:** the final episode brings the viewer to Germany, to show how IONIQ models are made, and how **car mats made with ECONYL® yarn** are integrated into the design.



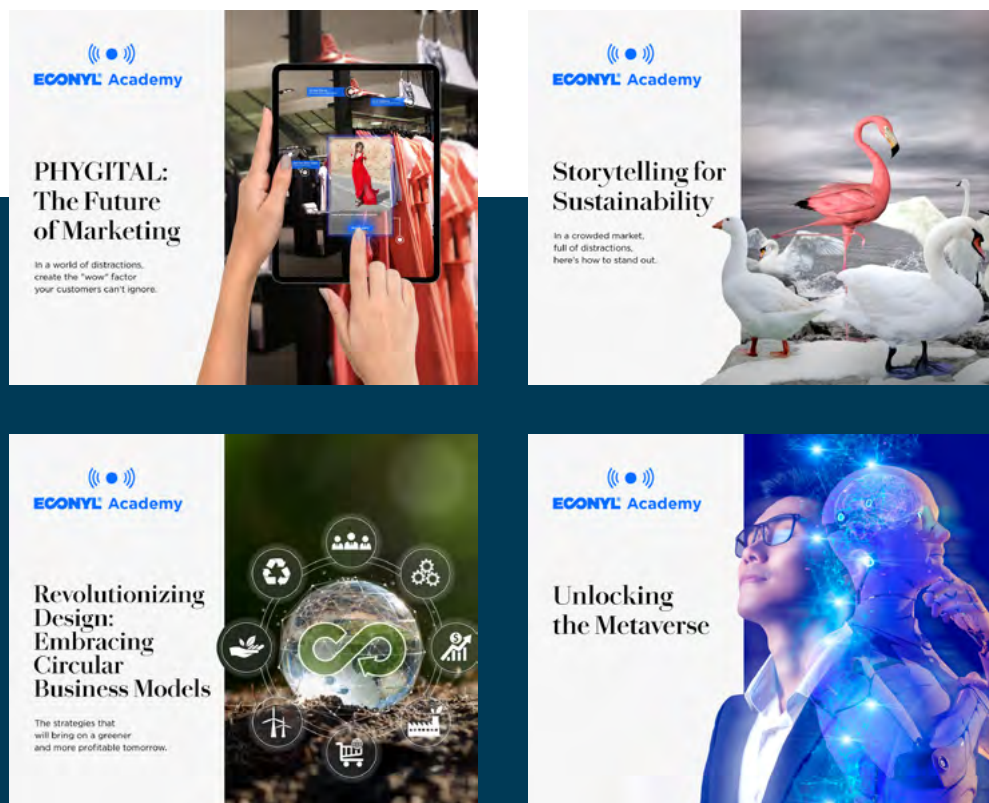
**ECONYL® 3D**

In 2022, Aquafil has started testing the use of ECONYL® filaments for **3D printing**, a market where demand for recycled materials is booming. Clients involved in the **pilot project** will recover both the waste produced in their manufacturing process and the 3D-printed products at the end of their life, which Aquafil will then regenerate in its AquafilSLO plant.

**Empowering minds for a better future**

“Education is the most powerful weapon which you can use to change the world”, said Nelson Mandela. For this reason, part of the ECONYL® brand mission is to **raise awareness** of sustainability issues and help consumers make more **informed decisions**, favouring **changes in behaviours** and **lifestyles**. For years, we have opened the **doors of our production plants** to students, clients and investors willing to know more about our regeneration system. At the same time, we have strengthened our **digital communication** through:

- **ECONYL® Blog**, a space where our community finds educational content, insights and inspirational stories related to sustainability and the circular economy.
- **ECONYL® on air**, an immersive and interactive digital experience for our stakeholders to discover how the process works, what is the story behind and what’s the Group’s vision for the future.
- **ECONYL® Academy**, a platform that hosts webinars focusing on sustainability, the digital transformation and future global trends.
- **ECONYL® E-commerce**, an online platform where customers can browse all products made with our special ingredient.



**Certifications and Environmental Product Declarations (EPDs)**

To attest the presence of recycled content in its ECONYL® polymers and yarns, Aquafil has acquired a set of product certifications:

- **ECONYL® product certificate**: PA6 100% recycled yarn
- **ECONYL® caprolactam certification**: 100% recycled raw material, with post-consumption content greater than 50%

In 2022, we also confirmed the validity of the **Environmental Product Declarations for the ECONYL® polymer and textile yarn**. These certifications assess the environmental performance of the products through a **methodology based on a life-cycle assessment (LCA)**.<sup>10</sup> We have also started the process to renew the EPD for our carpet yarn, which will end in 2023.

<sup>10</sup> All product certifications are available on the Aquafil website (link)



## 2 PLANT-BASED NYLON: A DREAM COME TRUE

While the regeneration of nylon waste is a virtuous example of a sustainable circular model, it alone may **not suffice** to meet the **rising global demand for clothing and garments**. As world population grows, new products must necessarily be produced from **raw materials**, not just from waste. The problem is that, at present, raw materials come from **non-renewable fossil sources**, depleting natural resources and polluting our environment.

To break this pattern and make the entire textile value chain completely independent of oil, in 2018 Aquafil launched **EFFECTIVE**, a partnership between **12 organisations** aimed at developing **bio-based nylon** and end-consumer products from **renewable feedstock**. The project received funding from the **EU Horizon 2020** research and innovation programme and the **Bio-Based Industries Consortium**.

Each partner of the consortium was responsible for a **specific phase of the experimentation** spanning the **whole value chain**, from sourcing renewable feedstock – such as **sugar beet waste, vegetable oils** or **agricultural waste** – to producing **bio-based nylon**, to **(eco)designing** and manufacturing consumer products across multiple markets, such as construction, automotive, packaging, carpets and textiles.

Apart from **coordination** and oversight, **Aquafil's role** was to test the technical feasibility of producing caprolactam (a monomer used to make nylon) from renewable feedstock instead of oil. In partnership with the American bio-engineering company **Genomatica**, we built a **demo plant** in our AquafilSLO (Ljubljana) facility, and finally achieved our goal of **producing bio-caprolactam** (and hence bio-based nylon) **on a pre-industrial scale in 2022**. Other partners of the EFFECTIVE consortium, including **H&M**, then manufactured prototypes of garments, carpets and packaging from our bio-based yarns.

Overall, the project was a success: through **collective effort**, we demonstrated that what was once being produced from crude oil can now be made from a sugar beet or vegetable oil. A **closing ceremony** with distinguished speakers will take place in **February 2023**, officially marking the end of EFFECTIVE. But this is just the beginning. The results achieved blazed a trail for the whole industry, showing that it is possible to break our fossil fuel-driven system and **transform our value chain** to be sustainable, regenerative, bio-based and circular. The main challenge for the future will be to **scale up the technology**, achieving commercial scale.

## 3 ECO-DESIGN: REMAKING THE WAY WE MAKE THINGS

Today, most products are created without thinking of their **end-of-life**: materials are mixed together, making recycling and regeneration difficult, if not impossible. To achieve a truly sustainable and circular value chain, we have been **collaborating with our clients** to jointly rethink the way we make products.

### WASTE IS A DESIGN FLAW

The philosophy of **eco-design** is based on the idea that **waste is a design flaw**, and that products need to be conceived from the beginning to be **fully recyclable** at the end of their life. This means that the design phase should take into account the needs not only of the company that produces them, but also of the one that regenerates them.

Aquafil has promoted **eco-design practices** for years now, but 2022 marked a **special milestone**: the birth of our **Born Regenerated to be Regenerable (Born R2R)** programme. This initiative aims at engaging our clients in the carpet segment, to co-design the **carpet of the future**. More specifically, we have been working closely with them to produce fully-disassemblable carpets with materials that are compatible with our **regeneration system**. This way, at the end of their life, the parts made with our ECONYL® nylon will be recovered and sent to our **Aquafil SLO plant in Ljubljana** to be recycled.



All products created through the Born R2R programme will be marked with a **specific logo**, in order to be **easily recognisable** along the supply chain. We have also developed strict **guidelines on communication**, to ensure **transparency** and avoid the risk of **greenwashing**. These are based on the international ISO 14021 standard, and comply with the **European Strategy for Sustainable and Circular Textiles**.

Aquafil sees eco-design as the **future of our industry**. Looking forward, we plan to increase our collaboration with clients to change the world one product at a time. **By 2025**, we aim to sign a **Memorandum of Understanding with 50% of our selected pool of rug and carpet producers**, to kickstart and set the terms of new fruitful partnerships.



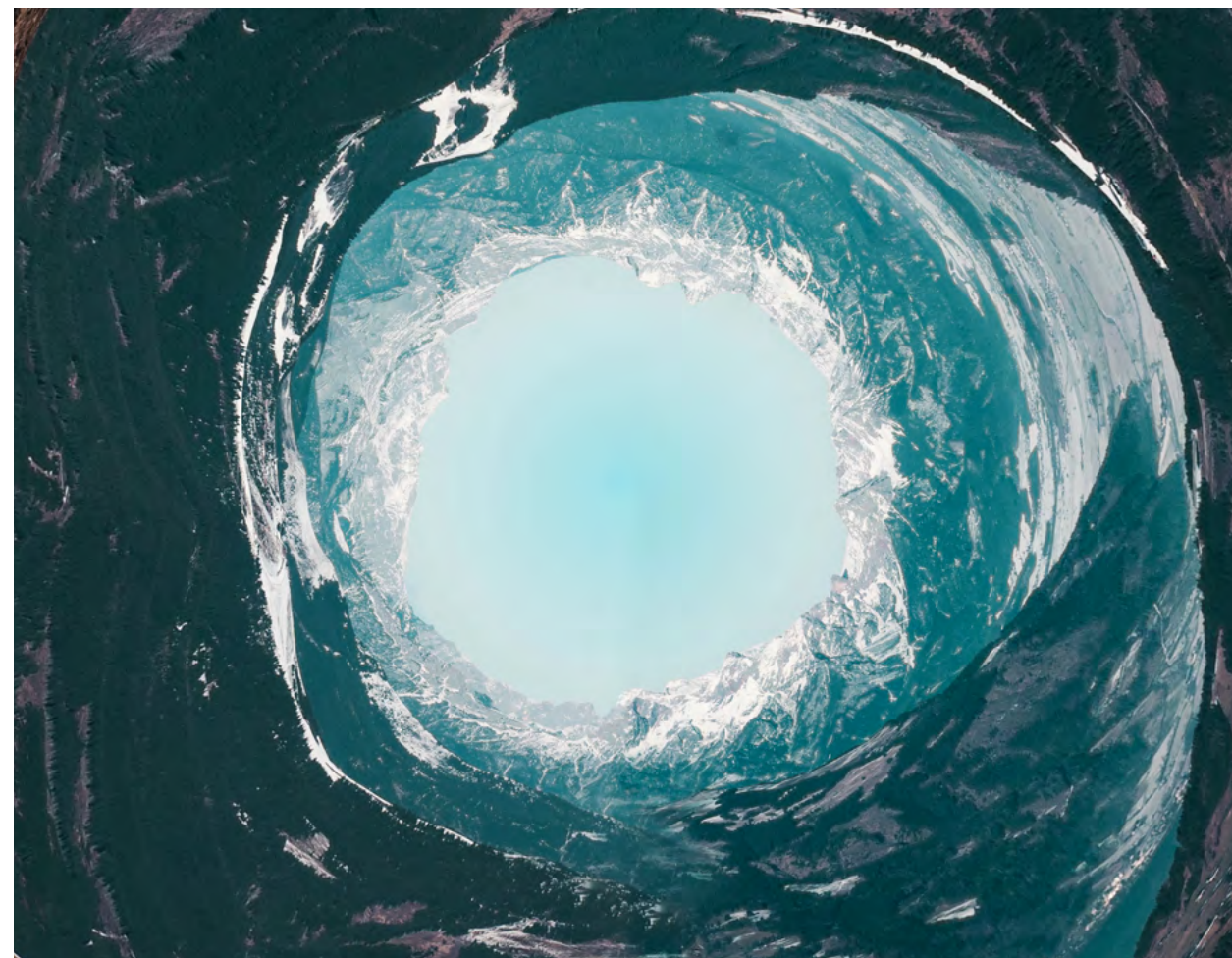
## 2.3 One earth, one chance.

### PROTECTING THE ENVIRONMENT

“We are the first generation to feel the impact of climate change and the last generation that can do something about it” – Obama once said. Transitioning to a **low-carbon future** is no longer an option. It is an urgent and compelling necessity. The destiny of our planet depends on our ability to **cut greenhouse gas emission**, reduce waste pollution, harness the power of **clean energy**, and preserve exhaustible resources.

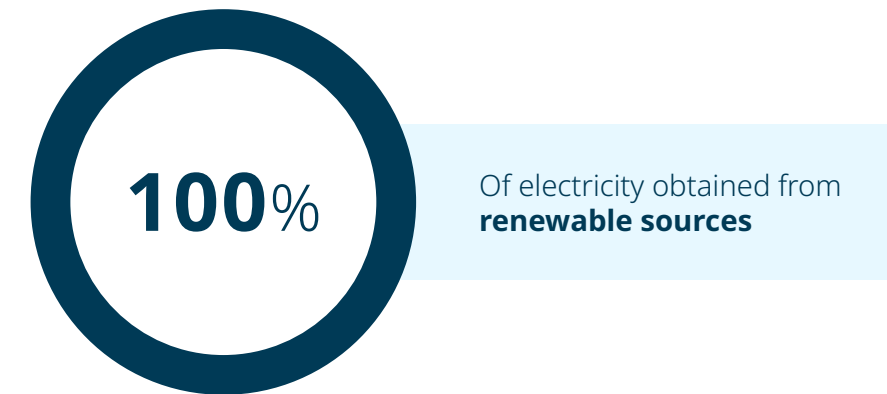
Aquafil has been working for years to increase the efficiency of its production processes, setting ambitious goals to reduce their negative impact. Many of our facilities have certified **Environmental and Energy Management Systems** that allow us to track and assess our performance, monitor associated risks, and ultimately achieve our goals (for the full list of certifications, see section 3.5)

Once again, **this year’s environmental performance** proves that we practise what we preach. This section summarises the **results achieved** and our **future commitment** with respect to: energy sourcing, decarbonisation, water consumption, waste reduction and recycling, and hazardous chemicals management.



### ENERGY

In 2022, we were able to maintain one of the key results achieved last year: **100% of the electricity we purchased came from certified renewable sources**, including hydroelectric, wind, photovoltaic and biomass. At the same time, we have continued to invest to make our production processes **more efficient**. As an example, our **plant in Rovereto** underwent major renovation works, which led to the replacement of dated heating systems with newer ones. Thanks to this and other efficiency measures, we were able to **decrease our Group energy consumption** relative to our operating margin by 25%. Aquafil also invests in **self-generated power systems**: we have installed photovoltaic panels in all our facilities in the United States, Italy, Slovenia and Croatia. These efforts help us further **reduce our Scope 2 emissions**.



Moreover, since January 2022, our plant in Ljubljana has been heating the premises of the neighbouring **HELLA Saturnus Slovenia** with **excess thermal energy** generated as a by-product in the production of ECONYL® nylon. This collaboration brings economic and environmental benefits to both parties, including an absolute **reduction in greenhouse gas emissions** of around 1200 tonnes of CO<sub>2</sub> eq. per year.

EXHIBIT 8 - ENERGY CONSUMPTION RELATIVE TO OPERATING MARGIN

	UoM	2018	2019	2020	2021	2022
Energy consumption relative to EBITDA	MJ / €	32	35.7	37.8	36.7	27.5



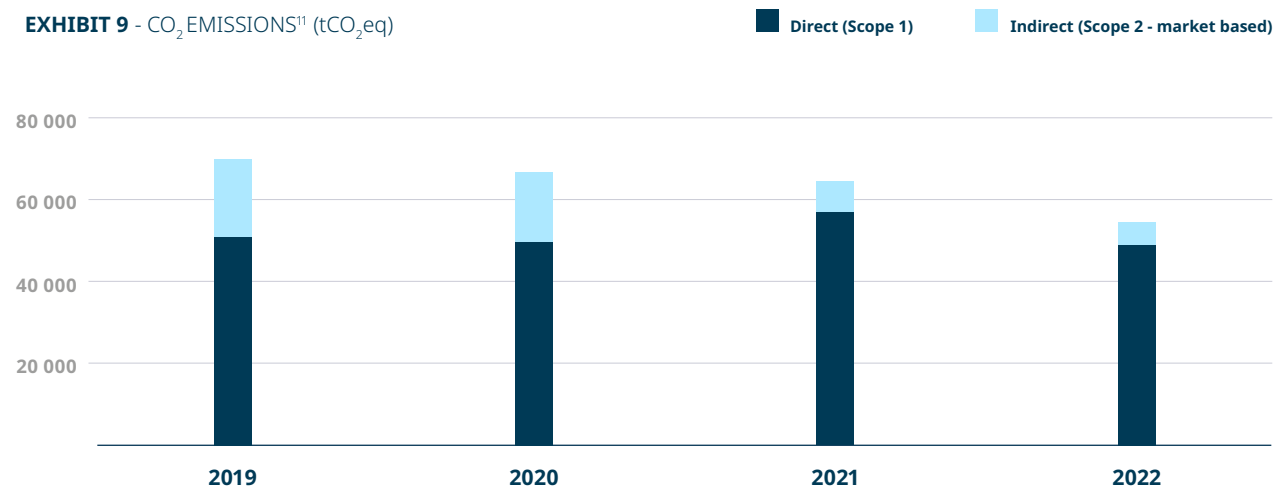
## CO<sub>2</sub> EMISSIONS

We have reduced our absolute **Scope 1 + Scope 2 emissions by 16%** with respect to 2021, confirming the positive reduction trend observed in the past years. Total emissions relative to our **EBITDA margin** have also decreased sharply **(-34%)** proof that our efforts to make our production more efficient are paying off.

Reduction in absolute  
**scope 1 & 2 emissions**  
vs 2021

**16%**

EXHIBIT 9 - CO<sub>2</sub> EMISSIONS<sup>11</sup> (tCO<sub>2</sub>eq)



	UoM	2019	2020	2021	2022
Direct (Scope 1)	tCO <sub>2</sub> eq	52,796	50,501	57,609	48,097
Indirect (Scope 2 - market based)	tCO <sub>2</sub> eq	19,311	18,106	7,946	6,915
<b>Total emissions</b>	<b>tCO<sub>2</sub>eq</b>	<b>72,107</b>	<b>68,607</b>	<b>65,555</b>	<b>55,012</b>
Total emissions/EBITDA	tCO <sub>2</sub> eq/Mio€	1,039	1,176	910	596

<sup>11</sup>Greenhouse gas emissions are classified according to the GHG Protocol, and hence divided into:

- Scope 1: direct emissions deriving from combustion at the Group's production plants
- Scope 2: indirect emissions deriving from the production of energy purchased from external suppliers

But this is only the beginning. Last year, we pledged to adhere to the **Science Based Targets initiative** – a partnership between Climate Disclosure Project, World Resources Institute, World Wildlife Fund, and UN Global Compact – **by 2025**, and to set **forward-looking emission-reduction targets** in line with the **Paris Agreement objective** of limiting the global temperature rise to less than 1.5 degrees Celsius. To reach this ambitious goal, in 2022 we took some crucial first steps: we started a Group-wide effort to align our reporting to the guidelines provided by the **Task Force on Climate-Related Financial Disclosures** and to **measure Scope 3 emissions**.

## WATER WITHDRAWALS

Water is the **most precious resource** on our planet, and it is our duty to preserve it for future generations. It sustains ecosystems, provides habitats for aquatic species, and helps maintain a balance in our planet's climate. Without water, no living organism could exist, thrive, or even survive. In **2022**, our water consumption has **decreased by 23%** with respect to the previous year, allowing us to **reach our 30% reduction target** (with baseline 2018) three years in advance. Over time, we have also been thoroughly monitoring water stress levels in the areas where we operate, using the **WWF's Water Risk Filter**. As of today, our withdrawals and discharges occur on average in **areas of medium to low stress**.

**23%**

Reduction in **water consumption** vs 2021

EXHIBIT 10 - WATER WITHDRAWALS

	UoM	2018	2019	2020	2021	2022
Surface water	Megalitres	23	24	16	17	12
3rd-party resources	Megalitres	391	416	383	386	398
Ground water	Megalitres	3,256	2,679	2,701	2,689	1,961
<b>Total withdrawals</b>	<b>Megalitres</b>	<b>3,670</b>	<b>3,119</b>	<b>3,100</b>	<b>3,092</b>	<b>2,371</b>



## WATER DISCHARGES

Keeping water clean is just as important as consuming less of it. Since 2018, we have **decreased total water discharges by 46%**, beating our 30% reduction target three years in advance. We also closely **monitor the quality of our wastewater** through rigorous **laboratory analysis**, in order to minimise the impact of our production activities on water pollution. The most important parameter we track is the **Chemical Oxygen Demand (COD)**, which measures the oxygen demand of organic substances. In 2022, **68% of our wastewater** was discharged to surface waters (e.g. rivers), with an average COD value of 20 mg of O<sub>2</sub> per litre, well below the maximum threshold of 160 mg per litre set by the Italian national law and of 100 mg of O<sub>2</sub> per litre, as required by local regulation.<sup>12,13</sup> The remaining 32% is sent to third-party **treatment plants** for purification before being returned to the environment.

EXHIBIT 11 - WATER DISCHARGES

	UoM	2018	2019	2020	2021	2022
Discharge to surface water	Megalitres	2,943.0	2,334.4	2,441.2	2,459.3	1,401.5
Discharged water quality (COD)	mg of O <sub>2</sub> /litres	26.2	29.5	40.9	18	20.2
Discharge to third-party water resources (treatment plants)	Megalitres	880.1	841.2	700.6	855.6	637.9
Discharged water quality (COD)	mg of O <sub>2</sub> /litres	491.8	687.8	374.3	752.7	852.2
<b>Total discharges</b>	<b>Megalitres</b>	<b>3,823.1</b>	<b>3,175.6</b>	<b>3,141.8</b>	<b>3,314.9</b>	<b>2,039.4</b>

## WASTE

In 2022, we **recovered 91% of our waste** (between recycling and energy recovery). Only 9% is disposed of in landfills. This is a testament to our belief that waste is more than production leftovers. It is a precious resource, to which we strive to give a **second life**.

EXHIBIT 12 - WASTE PRODUCED BY THE GROUP

	UoM	2022
<b>Hazardous</b>	<b>Tons</b>	<b>1,745</b>
Recycling	Tons	175
Other recovery options	Tons	8
Landfill	Tons	20
Incineration with energy recovery	Tons	1,536
Incineration without energy recovery	Tons	6
<b>Non-Hazardous</b>	<b>Tons</b>	<b>13,013</b>
Recycling	Tons	6,805
Other recovery options	Tons	72
Landfill	Tons	1,288
Incineration with energy recovery	Tons	4,848
Incineration without energy recovery	Tons	0
<b>Total</b>	<b>Tons</b>	<b>14,758</b>

<sup>12</sup>This threshold refers to surface water discharges only, see D.Lgs.152/06

<sup>13</sup>See Decreto del Presidente della Giunta provinciale (TN) 26 gennaio 1987, n. 1-41/Legisl. e ss.mm.ii. [\(link\)](#)

## HAZARDOUS CHEMICALS

In the textile sector, the careful management of chemical substances is fundamental to protect human health and the environment. At Aquafil, we guarantee the highest standards of safety in three ways:

1. we have a **clear policy** that lays out the guidelines for transparent communication and a **rigorous control system** for hazardous chemicals management
2. we have certified Aquafil SpA's and AquafilSLO's compliance with the European Union regulation on the **Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)**, and obtained several other product **certifications**, including: **OEKO-TEX** attesting the absence of harmful substances in Aquafil SpA's products; **Cradle to Cradle Material Health Gold & Silver** for our ECONYL® carpet yarn; **ECO Passport** for three of AquafilSLO's products, which is recognised within the **Zero Discharge of Hazardous Chemicals (ZDHC)** initiative.<sup>14,15,16</sup>
3. we have a **sustainability compliance team** that supports all Group plants on REACH regulation issues and on hazardous chemicals management.



## 2.4 Together we stand, divided we fall.

### SHARING RESPONSIBILITIES THROUGHOUT THE SUPPLY CHAIN

Addressing the challenges facing our environment and society is not a one man job: sustainability requires **collective action**. For this reason, Aquafil is committed to building a **resilient, sustainable and ethical supply chain**, by engaging **suppliers** that share our same mission and inspiring them to constantly raise their standards.

### SUSTAINABILITY REQUIRES COLLECTIVE ACTION

Our **selection and monitoring procedure** follows the three steps described in Exhibit 13. Every year we keep strengthening it based on one golden rule, **"know your suppliers"**. In 2022, we added an extra step for a selected group of business partners. Through a **"third party integrity screening"**, we started evaluating their risk exposure in different areas, like reputation, fraud, link analysis, and corporate structure. We have also introduced a **specific assessment procedure** for our **nylon waste suppliers** that will be approved in February 2023. Initially, our due diligence procedure only applied to Italian business partners. In 2022, however, AquafilSLO and Aquafil China adopted the same process too, while AquafilUSA is expected to implement it in 2023. Our ultimate goal is to have **one consistent approach** for the whole Group.

#### EXHIBIT 13 - OUR SUPPLIER SELECTION PROCEDURE

##### 1) Signature of the Aquafil Code of Conduct

Before we even talk business, we ask all potential suppliers to **sign** a "Declaration of Acceptance" of the **Aquafil Code of Conduct** and a commitment to adhere to the **human rights** and **social accountability** principles outlined in the SA 8000 international standard.<sup>17</sup> Any breach of the Code could result in the termination of our contract.

##### 2) Evaluation of assessment questionnaires

We share a **self-assessment questionnaire** with our prospective partners, that helps us evaluate and score their performance in four different areas:



Quality management



Health and Safety



Environmental management



Social responsibility

Potential suppliers need to reach a predefined threshold in each area in order to be contracted.

##### 3) Periodical internal reviews

On a cyclical basis, we perform risk-based **internal audits on our supplier sourcing procedures** to hold ourselves to the highest standards and promote continuous improvement.

<sup>17</sup>The Aquafil Code of Conduct is our ethical compass: it guides every decision we make and every action we take. For further information, see section 3.2

<sup>14</sup>Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 (link)

<sup>15</sup>For further information, see Aquafil's REACH declarations (link)

<sup>16</sup>For more information on products included, check Aquafil's full list of certifications (link)



## HUMAN RIGHTS: OUR HOLISTIC APPROACH

At Aquafil, we are committed to monitoring the **risk of human rights violations** within our operations and value chain. Our supplier selection procedure helps us choose partners that respect workers' **health and safety**, guarantee acceptable living conditions, while condemning any kind of **child labour**, forced labour, **discrimination** and **physical disciplinary practices**.

But it is not the only type of tool we have in place. Every year, we organise **employee training** and information activities to raise awareness of the main issues that may arise, and we collaborate with governmental and non-governmental organisations in initiatives aimed at protecting and developing our local communities.

We are also in the process of extending the Social Accountability certification **SA 8000** to all of our Group subsidiaries. This represents a **third-party guarantee** of our compliance with 8 social responsibility criteria, based on the **Universal Declaration of Human Rights**: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, maximum working hours and minimum living wages.

Aquafil companies that have obtained the SA 8000 also have a specific **whistleblowing tool** to collect reports from **workers, suppliers, customers and associations** on matters of human rights violations. **Anonymity, confidentiality and no retaliation** are always guaranteed.<sup>18</sup>

As a result of these initiatives, **no Group company received a fine** or other sanction in 2022 for failing to comply with human rights laws or regulations. In the past year, we have also started drafting a **Human Rights Policy**, to structure and improve our processes. This will be formally approved in 2023.



<sup>18</sup>For further information, see Aquafil's Procedure for the Management of SA8000 Reports ([link](#))

## ECONYL® QUALIFIED: RAISING THE BAR HIGHER

Since 2016, the ECONYL supply chain is subject to a **superior qualification protocol**. The **"ECONYL® Qualified Guidelines for Partners"** sets specific **quantitative and qualitative standards** for suppliers regarding the use of **raw materials and energy resources**, as well as the environmental management of the production process.<sup>19</sup> We verify compliance with such criteria through **third-party audits** and then release a **certificate** with a validity of two years. After expiration, partners' performance is reassessed according to the latest version of the guidelines.

Currently, adherence to the scheme is **voluntary**, but Aquafil has been working intensively to **expand the size and scope** of the project. As of today, it involves suppliers from 5 different sectors: paper tubes manufacturing, logistics and distribution services, yarn finishing, fishing net recovery and supply, pre- and post-consumer nylon waste.

In 2022, we **confirmed all certifications** that were due for re-assessment. We also started evaluating a **new potential joiner**, Balsan, active in the supply of pre-consumer nylon waste. In the future, all companies intending to supply goods and services within the ECONYL® value chain may be **asked to apply**.

<sup>19</sup>For further information, please refer to the latest version of our ECONYL® Qualified Guidelines for partners ([link](#))



## 2.5 People first.

### CARING FOR THE WELL-BEING OF INDIVIDUALS

At the **heart** of every successful organisation lies a **group of individuals** who are passionate about their work, dedicated to the company's mission, and committed to delivering the best possible results. Spread across **3 continents and 9 countries**, our **2,744 employees** are the **backbone** of our business: it is their collective efforts that enable us to create innovative products and drive positive change in the world.

For this reason, we remain committed to supporting our people's **wellbeing, growth and success**, creating the optimal conditions for them to thrive by working on three fronts:



**Building a fair and inclusive work environment**



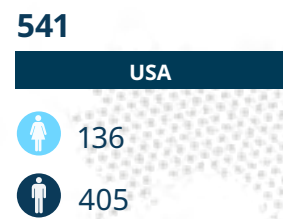
**Fostering safety and wellbeing**



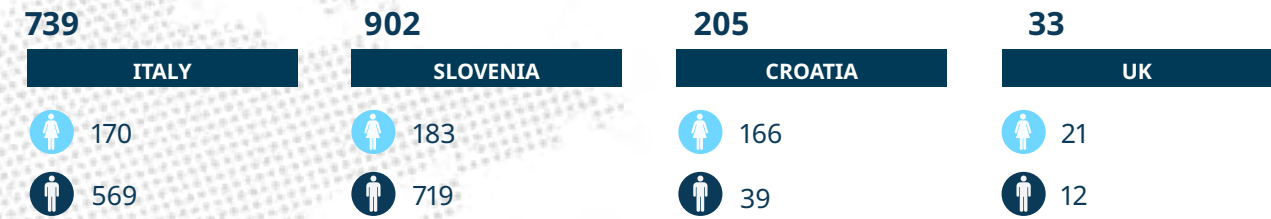
**Nurturing personal and professional growth**

EXHIBIT 14 - WORKFORCE GEOGRAPHICAL DISTRIBUTION BY GENDER (2022).

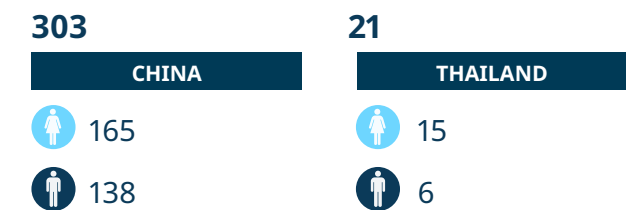
#### AMERICA



#### EUROPE



#### ASIA



**2,744** Total **EMPLOYEES** in 2022



## BUILDING A FAIR AND INCLUSIVE ENVIRONMENT

We aim to create a workplace that our employees are proud to be a part of: a **diverse and inclusive community** where everyone feels comfortable expressing their ideas and opinions.

This not only leads to **happier employees**, but also enables us to better serve our clients and make a difference in our local communities.

To ensure our people feel heard, valued and supported within the workplace, we keep strengthening our internal **policies and processes**. The most important step taken in 2022 was the launch of our **first corporate survey**, to measure the temperature of our employees' satisfaction and engagement levels, identify areas of improvement and make our company a better place to work.

### Zero-tolerance policy: saying no to workplace discrimination

Our Group welcomes people with different backgrounds, experiences and perspectives. The Aquafil Code of Conduct mandates **respect** for each individual's personal dignity and does not **tolerate** any kind harassment, offence or **discrimination** on the basis of race, gender, age, culture, religion, political belief or sexual orientation (see section 3.2).



### Corporate surveys: making everyone feel heard

The **power of listening** is rather underestimated in modern corporate environments: companies seldom make a true effort to hear and understand their employees' voices. Here at Aquafil, we believe in a different approach. We recognise the value of our people's ideas, experiences and feelings, and we are committed to establishing a new **platform** for them to **speak up**. In the past year, we have conducted our **first corporate survey** to assess the general sentiment, collect insights and take in suggestions on several areas: training and growth opportunities, workplace safety, corporate communication, sense of belonging, motivation and satisfaction, stress management and workloads. The main results are summarised in Exhibit 15.

EXHIBIT 15 - AQUAFIL CORPORATE SURVEY RESULTS (2022)

Aquafil's first corporate survey was developed in collaboration with Tenet, targeting **548 people** across **34 business functions** or departments. The results confirmed some of the strengths of our HR approach, like attention to safety, work-life balance, and relationship with management. They also helped us identify some areas of improvement that we have already started tackling during the course of the year. For example, our talent development programme directly addresses the need to generate more career opportunities (read more in the section about *Nurturing personal and professional growth*).

### Survey highlights (2022) percentage of people who responded "always / almost always"



**D&I: addressing gender and age diversity**

Here at Aquafil, we recognise and celebrate the **unique perspectives** that individuals from different age and gender backgrounds bring to the workplace. Women represent around **44% of our Board of Directors**, seven percentage points higher than the average of our Small Cap peers (37%).<sup>20</sup>

At staff level, the ratio falls to **31%**, with imbalances increasing among blue-collars and at the top of the corporate ladder. In 2022, our efforts to increase representation at **managerial level** produced a **18.5% growth** in the number of female managers. Aquafil also has in place initiatives aimed at encouraging generational handover and favouring new hires **of young people**. The result was a **24% increase** in the number of employees below 30 years old, with respect to the previous year.

**EXHIBIT 16** - NUMBER OF WOMEN BY ROLE (2022)

	N. of women	% of women
Blue-collar	600	28.1%
White-collar	218	53.2%
Manager	32	20.1%
Executive	6	14.0%
<b>Total</b>	<b>856</b>	<b>31.2%</b>

**+18.5%** number of **female managers** vs 2021

**+24%** number of **young people** vs 2021 (below 30 y/o)

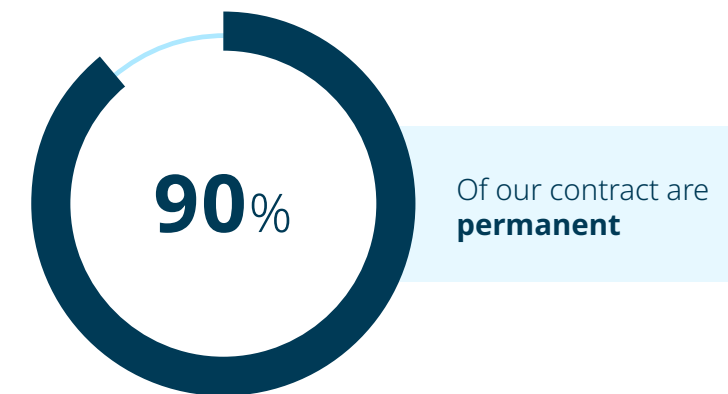
**FOSTERING SAFETY AND WELL-BEING**

Taking care of people means paying attention to their **physical and mental wellbeing**. Here at Aquafil we do it in several ways. On one side, we offer **job security** through permanent contracts and **generous welfare plans**. On the other, we have **health and safety** policies and procedures in place to reduce workplace hazards such as accidents or exposure to toxic substances.

<sup>20</sup>The European House Ambrosetti, 2021, "Workshop Corporate Governance – XVII edizione – Rapporto finale" (link)

**Permanent contracts: favouring stable work relationships**

It is hard to feel safe or fulfilled if the future is **uncertain**. Job security and **reliable income streams** are fundamental to thriving in both personal and professional life. For this reason, here at Aquafil it is our priority to offer **permanent contracts** to our employees. This not only favours the **attraction and retention** of talented individuals, but also guarantees **continuity of labour** for long-term planning. Currently, **90%** of our contracts are permanent, with a **10% increase** registered in our **Chinese subsidiary** year-on-year. Keeping our people happy also resulted in **no strikes** affecting our Group in 2022.



**Welfare plans: doubling down our budget**

As in 2021, in the past year our Group decided to **double the value** of individual **welfare packages**, including benefits like: study and **parenting support** services, **supplementary pension** provisions, support measures for **leisure activities**, and periodical **health** checks. The year 2022 also saw the achievement of another important milestone: the issuance of a new **Global Parental Policy** that ensures **paid parental leave** to all Group employees in line with **ILO guidelines**. The policy will become effective in 2023, and is expected to have the greatest impact on those countries that do not have **parental leave laws** at national level, like the US. The company also made available more than **500 paid hours of volunteering** time that employees can use to give their contribution to local causes that matter to them.

**2x** WELFARE budget vs 2021

NEW GLOBAL PARENTAL POLICY ISSUED



**Health and safety: minimising risk and fostering a culture of prevention**

Our Group systematically monitors and assesses **occupational accidents, injuries and other illnesses** in our facilities. Our health and safety management system is based on five building blocks:

- a thorough **risk-assessment procedure**, which allows us to work on **prevention** and to provide all our workers with adequate **personal protective equipment**
- the appointment of an employee **Health and Safety Committee** in each Group company, in charge of analysing accidents, sharing lessons learnt and best practices, periodically assessing the effectiveness of control measures
- the **continuous training** of workers to disseminate a safety culture and reduce accidents caused by **human factors**, which are the most common cause of injury in our facilities – in 2022, we delivered more than **12 thousand hours of security training** (41% more than in 2021)
- a structured procedure to **report accidents** through a digital platform that facilitates communications and the sharing of best-practices
- the presence of a **company doctor**

The Group also plans to have all its facilities certified with **ISO 45001** (Occupational Health & Safety Management) by 2025.

Thanks to our efforts, **no workplace deaths were registered** in 2022. The number of **accidents** and of **lost days** due to injuries **decreased** vis-à-vis 2021, respectively by 13.8% and 12.4%. However, two serious injuries were reported in our Croatian and Slovenian production facilities, due to human mistakes. As a response, we have increased security levels by taking further precautions.

**EXHIBIT 17 - INJURIES AND DAYS OF LEAVE**

	2018	2019	2020	2021	2022
Working hours	5,126,261	5,330,989	4,518,124	5,074,818	5,053,160
Injuries > 3 days	36	15	21	36	31
- Serious injuries > 3 days	-	-	1	0	2
Missed days (due to injuries)	1,144	971	645	1,434	1,256
Frequency rate	7.02	2.81	4.65	7.09	6.13
- FR Serious injuries	-	-	0.22	0	0.4
Severity index	0.22	0.18	0.14	0.28	0.25
Risk index	1.57	0.51	0.66	2	1.52

**NURTURING PERSONAL AND PROFESSIONAL GROWTH**

Some companies view training and development simply as a checkbox to be ticked off on a to-do list. Here at Aquafil, we believe it is a way to nurture and satisfy our people's innate **desire for growth**, discovery and mastery, while equipping them with the skills needed to thrive on the job. In 2022, we delivered more than **33 thousand training hours** (+22% year-on-year) across **five areas**: technical, human rights and anti-corruption systems, health and safety, linguistic and environmental.

**3x** Training hours dedicated to environmental topics vs 2021

**EXHIBIT 18 - TRAINING HOURS BY AREA**

	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
Security	17,032	10,573	5,608	8,694	12,311
Linguistic	5,172	5,643	2,695	2,610	2,931
Environmental	4	-	226	125	391
<b>Total</b>	<b>44,743</b>	<b>37,583</b>	<b>14,180</b>	<b>27,283</b>	<b>33,303</b>

But the real big news is that our Group embarked on a **journey** to **revolutionise** our approach to training and career development. Building on our *Do ut Des* initiative launched in 2021, we laid the foundations for a new **Talent Development Program**, aimed at opening up professional career paths for high-potential individuals. We also invested in an **innovative platform** that will allow us to standardise our **online onboarding and training** procedures across the whole Group.

**Talent Development: paving the way to new growth opportunities**

During 2021, we piloted a new project named "*Do ut des*". The aim was to improve the **exchange of feedback** between managers and collaborators during **performance reviews** through standardised evaluation canvas. This initiative enabled us to **map** the **level of soft skills** across our Group's employees while laying the foundation for a new, crucial HR process we started developing in the past year: our Group-wide **Talent Development Program**. The project is divided into two phases: first, we will **identify promising talents** thanks to the information collected through *Do ut Des*; secondly, we will support them through tailored development programs in the **realisation of their full potential**.

**Online training and onboarding: levelling the playing field**

Aquafil believes that **shared experiences** build a stronger **sense of belonging** beyond national borders, consolidate our global identity and keep our community connected even from afar. For this reason, in the past year, we have invested in a **new online platform** that offers **equal access** to resources and knowledge across the Group. The platform includes our **full catalogue** of technical courses and soft-skill-based training programs, and is accessible to **all our employees**.

This process of **standardisation** is already facilitating collaboration, knowledge sharing, and the alignment of working methods across different geographies. The platform also has a section entirely dedicated to **onboarding**. The **process** has been re-structured to provide new hires with all the instruments needed to succeed in the initial phase of the job, including the support of a **mentor**.

**EXHIBIT 19 - OTHER PEOPLE INDICATORS**

	2018	2019	2020	2021	2022
<b>Number of employees</b>					
Total number of employees	2,773	2,893	2,650	2,776	2,744
Rate of new hires	-	-	-	22.2%	20.8%
Negative turnover	-	-	-	18.6%	22%
<b>Employee distribution (gender &amp; age)</b>					
Women	31.2%	31.1%	31.7%	30.9%	31.2%
Men	68.8%	68.9%	68.3%	69.1%	68.8%
<30 years old	-	-	13.7%	14.0%	15.0%
Between 30 and 50	-	-	60.2%	59.8%	58.0%
>50 years old	-	-	26.1%	26.3%	27.0%
<b>Employees by type of contract</b>					
Temporary	26.3%	10.1%	8.2%	11.1%	10.1%
Permanent	73.7%	89.9%	91.8%	88.9%	89.9%

## 2.6 Leave no one behind.

### SUPPORTING THE LOCAL COMMUNITIES

Our Group is committed to making a difference in the **local communities** where it operates, driving social impact through direct **donations, education activities**, and collaborations with NGOs on charitable **initiatives**. In the past year, our focus was on three main fronts: investing in future generations, helping the most vulnerable, and acting for environmental protection and awareness.

For the first time in 2022, we have encouraged our employees to play their part and contribute directly to causes that are meaningful to them, by giving out up to a total of **500 hours of paid volunteering time**. A significant number of people showed interest, and the initiative will become effective in 2023. We also support local cultural and sports clubs, by sponsoring **volleyball, ski, football, hockey and athletics teams**, as well as **magazines, literature competitions**.

**500** hours of **paid volunteering time** for employees

### INVESTING IN FUTURE GENERATIONS

**Change starts from the young.** New generations possess an innate curiosity and open-mindedness that makes them receptive to new ideas and more willing to act. They are the ones who will inherit the world **we leave behind**, and it is our duty to support them in their growth and provide them with the knowledge and tools necessary to make positive changes in their communities and beyond.

In 2022, we opened our doors to nine **groups of school students**. Next year, we aim to have **at least 25**. They visit our plants, ask questions, and share ideas. We tell them how our special ECONYL® nylon is made and talk about the circular economy. It is a dialogue that enriches both sides, a source of mutual learning and growth. In addition, we also deliver **workshops and talks** in many **schools and universities** around the world and support young people's education through a series of initiatives.

**Aquafil for The Generations of Tomorrow**

For the second year in a row, we awarded **five annual scholarships** to students of "ITET Floriani" Institute in Riva del Garda (TN). The financial support is accompanied by the active participation in education activities of **Adriano Vivaldi**, former CFO at Aquafil, who holds lectures, shares his experience, and helps students identify the right career path for them after school.



### NY Parsons School of Design x ECONYL®

In 2022, we confirmed our collaboration with New York's prestigious Parsons School of Design. More than 25 students in the **Master of Fine Arts Textiles program** were given the possibility to create innovative products and art installations made with our ECONYL® nylon and following the principles of **eco-design**. One of the projects won **Interior Design Magazine's Best Of Year 2022 Student Award**.

### Cartersville High School donation

Aquafil USA donates **\$5,000 annually** to the Cartersville High School to help local students gain **access to higher education** and broader professional opportunities.

## SUPPORTING THE MOST VULNERABLE

Not everyone has had the **same opportunities** in life. Some deserve the **chance** they have never had. Some deserve a second one. We build on these principles to foster **equality** of opportunities in our local communities. In 2022, we supported **6 charitable organisations**. Here are some of the most impactful initiatives we participated in.

### ABIO for hospitalised children

Arco's plant in Italy confirmed its historical collaboration with **ABIO**, an association assisting **hospitalised children and their families** to make their experience more pleasant and less traumatic. Some of our employees gave a personal contribution to the project beyond the company's involvement.

### Reintegrating inmates into society

Our Aquafil O'Mara, Aquafil Carpet Recycling (ACR) and Aquafil Carpet Collection (ACC) plants have partnered with three local organisations – *Rescued not Arrested* (Phoenix), and *Salvation Army* (Anaheim) and *Foothills Correctional Facility* (Morganton) – to give **inmates** and people recovering from **substance abuse** or alcohol dependency the opportunity to **work for our company** and take back their lives. In 2022, ACR and ACC hired **16 people** through this program, giving them an opportunity to learn new skills and gain professional experience. In Aquafil O'Mara, currently **10% of the workforce** comes from these types of initiatives.

### Weaving New Opportunities

"Weaving New Opportunities" is an initiative by Aquafil Asia Pacific in collaboration with the **Eco Lady Community**, a women's craft group based in Sriracha, Thailand. Thanks to their artistic ability, this group of artisans turn discarded sample carpets made with ECONYL® nylon into new handy items for the community, such as notebooks.

### Alba Chiara APS against gender-based violence

Alba Chiara Baroni was a painter, daughter, sister. A **young woman**. In 2017, at the age of 22, she was **killed by her boyfriend** with four gunshots. To turn their immense grief into a ray of hope, her family founded *Alba Chiara APS*, an association that raises awareness of violence against women in the local community. This tragedy hit our company directly, as her **father Massimo** is a long-standing **Aquafil employee**: to many of us, he is a colleague and a friend. For this reason, we decided to initiate a **multiannual collaboration** with the association, joining forces on a series of projects to spread awareness, give tangible support to women, and ultimately prevent stories of this kind from happening again.

#### 1. Shifting the cultural paradigm through art

Patriarchal beliefs of **male dominance** and the devaluation of women often lie at the root of gender-based violence. **Art** – in all its forms – allows us to reflect on our **cultural legacy** and bring awareness to **implicit bias**. The first initiative in the pipeline is thus a **theatre play** inspired by journalist Chiara Todesco's book "Le Signore delle Cime" (transl. "The Ladies of the Mountain Peaks"). The story pays tribute to leading female mountaineers who challenged the status. A second initiative is linked to Alba Chiara's **Eutropia**, a **cultural event** that promotes the appreciation and respect for diversity. In particular, we will call on **young artists** to celebrate and give visual form to the concept of **mutual exchange and synergy**. The best 20 artworks will be displayed at *The Craffonara Gallery* in Riva del Garda.

#### 2. Providing day-to-day support within the local community

The Alto Garda and Ledro areas currently do not provide any **assistance** to victims of domestic violence. For this reason, Aquafil and Alba Chiara APS established a **space** where women feel **physically and emotionally safe** to speak up and ask for help. The new centre will collaborate with the Women Anti-Violence Coordination Centre in Trento, to provide more structured support when necessary.

#### 3. Raising awareness among the young

We have created two **educational programs** to be delivered in local schools, aimed at **deconstructing gender stereotypes** and generating healthy discussions on the subject matter. Both programs will be delivered by **specialists** who will lead the discussion while encouraging students to actively share ideas, doubts and experiences.





## ACTING FOR ENVIRONMENTAL PROTECTION

Beyond our sustainability-focused R&D activity, our strive for circularity and our efforts to decrease the impact of production, our Group also supports a number of great initiatives to protect the **natural environment**, preserve **biodiversity** and spread **environmental awareness**.

### Repopulation of Sarca river

The Group confirmed its financial support to repopulate the Sarca river, near our Arco plant, where the **marine fauna** has drastically **decreased** as a result of **adverse weather conditions** and **predatory birds**.

### *The Healthy Seas, a Journey from Waste to Wear*

In 2013, Aquafil co-founded "**The Healthy Seas**", a foundation that raises awareness of **marine litter prevention** and organises beach and seabed **clean-ups with volunteer divers**. The organisation is active in **6 regions and 20 countries**. For the first time in 2022, it expanded into two new continents, America and Asia, setting up operations in **California, South Korea and Hong Kong**.

So far, it has recovered more than **905 tons of abandoned fishing nets** and other marine litter, thanks to the help of 350 volunteers and 1250 fishermen. The nylon waste collected is then sent to Aquafil's production plants, where it is mixed together with other types of waste and **regenerated into ECONYL® nylon**, while the other types of plastics are also reused or recycled.<sup>21</sup>

The *Healthy Seas* also pursues an **educational mission**. In the past year alone, it delivered around **40 days** of training to more than **3,400 students**. It also started a new collaboration with **AquafilSLO** and **Ekošola**, an organisation that offers education programmes that raise awareness of environmental issues among students and educators. In particular, *The Healthy Seas* contributed to the creation of a series of **workshops about the circular economy** that will be delivered by the end of 2023 in more than **32 schools**.

<sup>21</sup>The Healthy Seas website ([link](#))

HEALTHY SEAS®  
a journey from waste to wear

**350**

volunteer divers

**1250**

fishermen and fish farmers

**905**

tons of fishing nets and other marine litter collected





# How We Deliver on Our Promises

## 3.1 Carving our commitment in stone.

### A SOLID ESG GOVERNANCE, FROM TOP TO BOTTOM

Sustainability is represented and **prioritised** at every level of Aquafil's governance – from the Board of Directors, to operational. Exhibit 19 – summarises the roles and duties of the **three main governance bodies** overseeing and implementing our sustainability strategy: the Board of Directors, the Board-level *Control, Risks and Sustainability Committee*, and the managerial-level *Sustainability Steering Committee*.

By 2023, we plan to establish a **new ESG Committee** reporting directly to the Board, and to issue an **ESG Policy** that better defines the reporting lines, division of responsibilities, and operational procedures for sustainability-related endeavours.

We have also started working on a new **Remuneration Policy** aligned with market best practices, which will be approved by the Shareholders' Meeting in April 2023. Our current policy already incorporates some **sustainability targets** into the Variable Short-Term Incentive Plan for the CEO, Executive Board Members and company management. The new one will raise the bar higher, by extending the number of environmental KPIs considered, and by including them into both short- and long-term variable remuneration.

All these initiatives are part of a **wider Group effort** to improve our corporate governance, started in April 2022. Other projects are underway, in the areas of Board evaluation, engagement policies and market disclosure.



#### EXHIBIT 20 - AQUAFIL ESG GOVERNANCE BODIES

##### **Board of Directors**

Aquafil's Board of Directors oversees the company's sustainability strategy through the **Control, Risks and Sustainability Committee**. "**Sustainable success**" is the overarching objective that guides its actions, in line with the principles of Borsa Italiana's new "**Corporate Governance Code**", voluntarily adopted in 2021. This means creating long-term value for shareholders while taking into account the **interests** of all other relevant **stakeholders**. The Board is also supported by a **Nomination and Remuneration Committee**, composed of three independent members, which oversees the appointment and remuneration criteria within the company.

In the past year, all our Board members received **specific training** to strengthen their knowledge and awareness of risk management best-practices, **sustainability and climate change topics**, and sustainable development for businesses.

##### **Control, Risks and Sustainability Committee**

This Board-level Committee is composed of three **independent directors** and has responsibility for:

- reviewing the company's sustainability **policies, objectives** and **processes**
- assessing the suitability of its **non-financial disclosures** as required by European Directive 2014/95/EU
- coordinating all the corporate bodies involved in ESG activities

##### **Sustainability Steering Committee**

To ensure that sustainability topics are properly managed from top to bottom, in 2018 Aquafil established the **Sustainability Steering Committee**, which includes **top managers** from **all key internal functions** as well as some **external advisors**. Its goal is to guide and monitor the development of the **sustainability plan** and the achievement of **ESG targets**. It periodically **reports to the Control, Risks and Sustainability Committee** on the progress of the projects underway, presenting results and any requests to launch new initiatives.



## 3.2 Following our ethical compass.

### THE AQUAFIL CODE OF CONDUCT AND WHISTLEBLOWING SYSTEM

At Aquafil, we believe that conducting business in an **ethical, honest, and transparent** manner is crucial to building long-term relationships with our stakeholders. For this reason, we require that all our employees, collaborators, and business partners formally abide by the high standards set in our **Code of Conduct** (hereinafter “the Code”).<sup>22</sup> For **suppliers**, the signature of the Code is an integral part of their contractual obligations.

The Code promotes the principles of **diligence, loyalty** and **fair-play**, while prohibiting any kind of exploitative behaviour (such as enslavement, forced labour, child labour), **corruption, discrimination** or infringement of workers’ **human rights**. The main directives can be grouped into eight areas:



Our **employees** play a crucial role in detecting and reporting any serious **malpractice, violation** of the Code, or **incompliance** with regulation. Since 2018, we introduced a structured **Whistleblowing** procedure that guarantees **full confidentiality** and **anonymity** of reporting, as well as a **non-retaliation** policy.<sup>23</sup>

<sup>22</sup>For further information, see Aquafil's Code of Conduct ([link](#))

<sup>23</sup>This procedure currently applies only to Italian facilities

People submit their reports through an **independent online platform**, available **24/7**. These are then collected, processed and investigated by the **Supervisory Board**, an autonomous and independent body appointed by the Board of Directors. Its members have **access to all company information** and can seek the support of any relevant business function.<sup>24</sup> Should allegations be confirmed, the company will employ **disciplinary sanctions** proportional to the severeness of the violation.

To ensure our employees **fully understand** the Code and **flag** any suspected misconduct, we also provide **ad-hoc trainings**, both during the **onboarding process** and every time significant updates to the Code are introduced.

Aquafil companies that have obtained the Social Accountability certification **SA 8000** (see section 3.5) have another **whistleblowing tool** to collect reports not only from **workers** but also from **suppliers, customers and associations** on matters of human rights violations. Reports are gathered through an **online portal available 24/7** and received by the SA8000 Committee, a technical group that also includes workers’ representatives.<sup>25</sup> **Anonymity, confidentiality** and zero tolerance for **retaliation** are always guaranteed.

All in all, numbers show that **our efforts are paying off**: in 2022, **none** of the Group companies **received fines or sanctions** for violations of the Code or relevant regulations.

<sup>24</sup>The Supervisory Board is also responsible for the surveillance of the Organisational and Management Model pursuant to legislative Decree no. 231/2001. For further information, see Aquafil's Organisational and Management Model ([link](#))

<sup>25</sup>For further information, see Aquafil's Procedure for the Management of SA8000 Reports ([link](#))



## 3.3 Future-proofing our business.

### OUR SOUND RISK MANAGEMENT SYSTEM

We live in an increasingly complex and **unpredictable world**. But when it comes to the future of our company, we leave nothing to chance. Every day, our top management and Internal Audit function work together to **identify, monitor and mitigate** existing and emerging **risk factors** threatening our ability to achieve our long-term goals.

Through our **Enterprise Risk Assessment**, we map the operational, compliance and financial risks potentially affecting our Group. For each, we then evaluate the **degree of exposure, probability of occurrence** and **potential impact**, and create a **mitigation plan**. This process helps us identify and act on the main areas of concern, in a constant strive to future-proof our business.

In 2022, we took **several measures** to address some of the pain points that emerged and improve our risk management system:



we introduced a policy for the **evaluation of pending charges**, that prescribes thorough checks on our top management's criminal record before appointment



we improved our **cybersecurity management** by performing an ICT vulnerability assessment, encrypting our portable devices, introducing a Mobile Secure Browsing system, defining an incident communication plan, and developing a system for disaster recovery<sup>26</sup>



we issued two policies for the **reputational evaluation of suppliers and clients**, which allow us to better assess our partners' reputation, reliability and financial robustness



we updated our **investment procedure**: our new investment forms will ask project managers to specify the expected impact and ROI from both a **financial and environmental** standpoint

### MANAGING CLIMATE-RELATED RISKS

Floods, heat waves, sea level rise... the effects of **global warming** are already being felt in many parts of the world. If left unchecked, they could **impact businesses** and industries in a variety of ways: directly, through **supply chain disruptions**, shortages of **raw materials**, or damages to physical assets; or indirectly, through tightening regulation, market shifts and changes in consumer preferences. Companies that fail to adapt could face significant **financial losses** and **reputational damages**.

Time is running out, and we need to be prepared. Science predicts that the geographical **locations of the Aquafil Group** will register a temperature increase ranging **from +1°C to +2.6°C** in the next 10 years. The most affected areas will be Norway and Lithuania, where temperature variations could also lead to changes in snowfall patterns and related rainfall. On the other hand, countries such as Chile, Thailand, and Japan will likely experience an increase in consecutive days of drought.

To proactively tackle the challenges ahead and ensure the resilience of our operations, we have decided to **incorporate climate-related risks** into our strategic planning and decision-making processes. Our objective is to define a **structured framework** for the classification, assessment and management of these risks, which will lay the groundwork for concrete **mitigation and adaptation strategies**.

This year, we took the first step. We launched a **preliminary study** to **map the key climate-related risks** threatening our Group, and **assess the vulnerability** of our facilities, with specific focus on the potential **impact of physical climate-related risks** like severe floods, heatwaves, droughts and other adverse weather events. The results will be **available in 2023** and will lay the groundwork for future developments.



<sup>26</sup>This initiative was developed in our Arco plant, and will be rolled out to the rest of the Group in 2023.



## 3.4 Measuring what matters.

### OUR "SUSTAINABILITY WEB TOOL" FOR ESG DATA COLLECTION

Since 2012, we have implemented a customised software platform that facilitates standardised **data collection** among all the Group's production plants. Aquafil uses this "**sustainability web tool**" to keep track of both **social** (HR, work safety) and **environmental** (energy consumption, CO<sub>2</sub> emissions, waste, water) **KPIs**. Each facility collects and inputs information into the system on a **monthly or by-yearly** basis, depending on the indicators.

**Three levels of control** guarantee the **reliability and trustworthiness** of our data. We take care of the first two **internally**: they are respectively in the hands of our **Plant Managers** and of a dedicated working group of the **Sustainability Steering Committee**. The third level of verification is an **external audit** performed by an **independent assurance** company, DNV GL. The latest certificate issued is **publicly available** online.<sup>27</sup>

In the past year, the tool underwent some adjustments to **improve data quality** and better align our reporting to the latest GRI Standards updates.

## 3.5 Walking the talk.

### OUR PURSUIT OF VOLUNTARY CERTIFICATIONS

Every year, Aquafil keeps working to increase the number of **voluntary certifications** attesting our adherence to the highest environmental, social and quality standards. To obtain (and maintain) such certifications, we open our doors to **independent, third-party organisations** that perform thorough **external audits** at least once a year.

Here is the **full list of certifications** held by the Aquafil Group as of **2022**.<sup>28</sup>



**Environmental Management (ISO 14001)** – Sets the standard to build a robust **Environmental Management System**, which allows our company to enhance its environmental performance, fulfil compliance obligations, address related risks and opportunities, and ultimately achieve our environmental objectives.

**Certified facilities: 9/14**



**Energy Management (ISO 50001)** – Provides a framework to develop an energy management policy, set ambitious targets, measure the right indicators and review the results, with the overall aim of improving our energy efficiency.

**Certified facilities: 7/14**



**Social Accountability (SA 8000)** – Requires compliance with eight social responsibility criteria, based on the principles of the **Universal Declaration of Human Rights**: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, maximum working hours and minimum living wages.

**Certified facilities: 9/14**



**Occupational Health & Safety Management (ISO 45001)** – Specifies the requirements to prevent work-related injury, provide safe and healthy workplaces and ultimately enhance our people's wellbeing.

**Certified facilities: 7/14**



**Quality Management (ISO 9001)** – Defines a framework to better organise processes and continually improve their efficiency, in order to consistently provide products and services that meet our regulatory and customers' requirements.

**Certified facilities: 11/14**

<sup>27</sup>The latest certificate is available at this [link](#)

<sup>28</sup>All certifications are available on Aquafil's website [\(link\)](#)

In 2022, we obtained two ISO 50001 certifications (Aquafil Arco, Aquafil China), one more ISO 45001 (Aquafil China) and one more SA8000 (Aquafil UK).<sup>29</sup>

Looking forward, our ultimate goal is to have **all Group facilities certified** with **ISO 14001** and **ISO 45001** by **2025**, as well as with **ISO 50001** and **SA 8000** by **2028**.

EXHIBIT 21 - CERTIFICATIONS HELD BY THE GROUP (2022)

	ISO 14001	ISO 50001	SA 8000	ISO 45001	ISO 9001
Aquafil Arco	✓	✓	✓	✓	✓
Aquafil China	✓	✓	by 2028	✓	✓
Aquafil USA-Cartersville	by 2025	by 2028	by 2028	by 2025	✓
Aquafil Carpet Recycling#1	by 2025	by 2028	by 2028	by 2025	-
AquafilCRO	✓	✓	✓	✓	✓
AquafilSLO - Ljubljana	✓	✓	✓	✓	✓
AquafilSLO - Ajdovščina	✓	✓	✓	✓	✓
AquafilSLO - Senožeče	✓	✓	✓	✓	✓
AquafilSLO - Celje	✓	✓	✓	✓	✓
Asia Pacific	by 2025	by 2028	by 2028	by 2025	✓
Tessilquattro	✓	by 2028	✓	by 2025	✓
Tessilquattro - Rovereto	✓	by 2028	✓	by 2025	✓
Aquafil UK	by 2025	by 2028	✓	by 2025	-
Aquafil O'Mara	by 2025	by 2028	by 2028	by 2025	-

<sup>29</sup>Aquafil UK has successfully passed the final certification stage in 2022, however the certification will be issued during 2023.

### 3.6 Individually, we are one drop. Together, we are an ocean.

#### OUR PARTICIPATION IN INTERNATIONAL ALLIANCES

The Group has established **strategic partnerships** and joined several associations that share the same vision of doing business in a sustainable and circular way. The year 2022 saw the achievement of an important milestone: the adhesion to the **UN Global Compact**.



**United Nations Global Compact**

**UN Global Compact**

is a voluntary initiative launched by the United Nations. Over 17,000 signatories from 160 countries join forces to encourage the adoption of sustainable and socially responsible practices.



**The Alliance for the Circular Economy:**

includes 18 Made-in-Italy companies advocating a change in the production ecosystem to achieve full circularity.



**Ellen MacArthur Foundation:**

is one of the most significant international initiatives promoting the shift towards a circular economy.



**Plastics Recyclers Europe:**

unites the main companies operating in the plastics recycling sector, encouraging the use of high-quality recycled plastics, and representing the industry at European level.



**The Italian Cluster of Green Chemistry (SPRING):**

aims to bring together different actors operating in the field of green chemistry in order to foster the development of the bio-economy in Italy.



**Textile Exchange:**

promotes sustainable and responsible practices across the whole textile supply chain. It develops standards and certifications widely used in the fashion and apparel industry.



**European Man-Made Fibres Association (CIRFS):**

represents the interests of the European synthetic fibres sector.





SUSTAINABILITY REPORT 2022

*This report aims to communicate Aquafil's commitment to sustainability to our stakeholders. It should by no means be intended as a substitute for Aquafil's Non-Financial Disclosure, written following GRI Standards and published as part of our Annual Report, as required by European Directive 2014/95/EU.*

